



POWERING  
MALAYSIAN  
SMEs

# ACCELERATING TRANSFORMATION

## POWERING SMEs



PEOPLE



PROCESSES



TECHNOLOGY

ANNUAL  
REPORT

2016

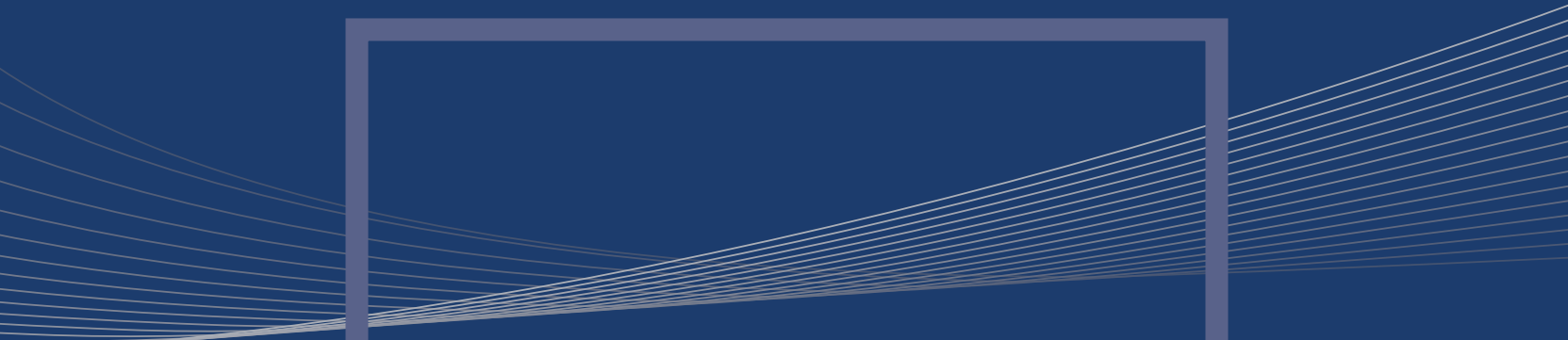


The Corporation's new logo is the embodiment of our progressive corporate spirit. The striking simplicity of the logo is the source of its visual power.

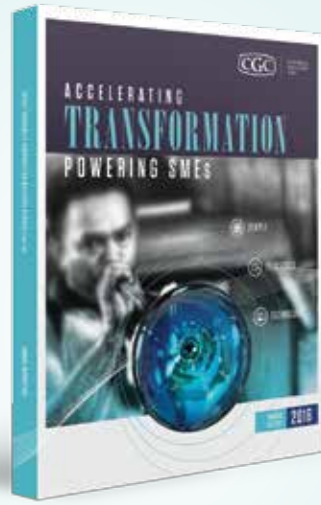
Inspired by a classic typeface with a touch of formality, the font epitomises sophistication and dynamism, while reflecting our streamlined efficiency.

The letter 'G' in the centre is larger to evoke a sense of forward movement via our guarantee mechanism which assures SMEs of their continued access to financing.

In addition, a bold frame encases the logo to emphasise our strong foundation, as our Corporation has been in existence for more than four decades.

A decorative graphic consisting of numerous thin, white, curved lines that originate from the left and right sides of the page and converge towards the center, creating a sense of movement and depth. These lines are partially obscured by a large, light blue rectangular frame that contains the text below.

The lines are inspired by our commitment to promote the growth and development of SMEs. The lines represent the diversity of SMEs that we serve. Our contribution to their success is symbolised by the folded section where the upward trajectory of the lines begins. With our financial assistance, the SMEs are able to soar to greater heights.



## ACCELERATING TRANSFORMATION, POWERING SMEs

As we remain steadfast and on course towards achieving our 5-Year Strategic Plan (2016-2020) , CGC's 2016 Annual Report theme '**Accelerating Transformation, Powering SMEs**' illustrates our 2nd year journey of progress. We are firmly focused on enhancing our inherent strengths by accelerating our transformational efforts via our people, our processes, our technology and our brand building initiatives.

The visual imagery on the front cover feature the craftsmanship of a "glassmith" passionately exhaling short burst of air into molten glass, professionally and expertly transforming raw material into produces of value. Products that are both sought after regionally and globally. The blue hues at the center represent utmost commitment whilst resonating outwards as the shape diligently transforms itself.

We at CGC will accelerate the transformation and realise all potentials as reflected in our vision and dedication towards promoting the growth and development of competitive and dynamic SMEs in the country. Subsequently, propelling CGC towards achieving our aspiration to be '**The Household Name for SMEs by 2020**'.



# **Accelerating Growth**



Raw material turns to molten glass through an accelerated process when intense heat is applied. We at CGC provide SMEs with invaluable assistance and advisory services to accelerate their business dreams and expansion resulting in continued success and sustainable growth.



POWERING  
MALAYSIAN  
SMEs



# **Transforming Potential**



Shaping and forming the molten glass through controlled and precise injection of air creates a sculpture of value. We at CGC promote the growth and development of the SME community by providing them with vast opportunities to realise their infinite potential.



POWERING  
MALAYSIAN  
SMEs



# Shaping A Vision





Molding the heated glass at the optimum temperature allows the product to be shaped into different shapes of value. We at CGC possess a vision to develop SMEs by harnessing their strengths and enhancing their businesses through our diverse financial products portfolio and professional services offered.



POWERING  
MALAYSIAN  
SMEs

The image features a blurred laboratory setting with various pieces of glassware and equipment. A large, dark blue circle with a teal border is centered on the page. Inside this circle, the text "Excelling Beyond" is written in a bold, white, sans-serif font. The background is a soft-focus photograph of a lab, with a large Erlenmeyer flask in the foreground on the left and other glassware on a lab bench to the right. The overall color palette is dominated by blues and greys, with the teal and white of the central graphic providing a focal point.

# Excelling Beyond



Clear and bright glassware is formed through the many delicate processes exuding professionalism and definitive expertise. We at CGC empower SMEs to shine in their own challenging business landscapes. Equipping them with the essential knowledge and financial support whilst ensuring they are market ready. Reflecting our commitment and determination in accelerating the transformation and powering SMEs towards achieving excellence.



POWERING  
MALAYSIAN  
SMEs

# CONTENT HIGHLIGHTS

## 44<sup>TH</sup> ANNUAL GENERAL MEETING

**Date :**  
Monday, 22 May 2017

**Time :**  
12.00 noon

**Venue :**  
Taming Sari 3  
The Royale Chulan Kuala Lumpur  
5 Jalan Conlay  
50450 Kuala Lumpur

Page 4



### 2016 ACHIEVEMENTS & ACCOMPLISHMENTS

CGC won the "Best Annual Report of Non-Listed Organisations" at the National Annual Corporate Report Awards (NACRA) ceremony held in Kuala Lumpur in December 2016.

### CORPORATE RESPONSIBILITY

CGC organised its 3rd Back-to-School Programme with the Orang Asli community as part of its contribution to their children for the 2017 school session.



Page 108

Page 132



### BRAND AWARENESS & MEDIA ENGAGEMENT

CGC successfully secured the naming rights to the Glenmarie LRT Station.

### CHAIRMAN'S MESSAGE

CGC continues to register a strong growth trajectory and will remain relevant in discharging our mandate.

DATO' AGIL NATT  
CHAIRMAN



### PRESIDENT/CEO'S MESSAGE MANAGEMENT DISCUSSION AND ANALYSIS

Our good results are very much owing to the hard work of my colleagues and the excellent oversight of our Board of Directors

DATUK MOHD ZAMREE MOHD ISHAK  
PRESIDENT/CHIEF EXECUTIVE OFFICER



# CONTENT

## ABOUT US

- 2 CGC At A Glance
- 3 Corporate Vision & Mission
- 4 2016 Achievements & Accomplishments
- 6 Organisation Structure
- 8 Corporate Information

## LEADERSHIP PERSPECTIVES & PROFILES

- 12 Chairman's Message
- 16 President/CEO's Message  
Management Discussion And Analysis
- 30 Board Of Directors
- 32 Profile Of Directors
- 42 Management Team
- 44 Management Team Profile

## PERFORMANCE HIGHLIGHTS

- 60 Summary Of 5-Year Financial Highlights

## OUR COMMITMENT TO RESPONSIBLE PRACTICES

- 66 Success Stories
- 72 Statement On Corporate Governance
- 86 Statement Of Risk Management &  
Internal Control
- 96 Outreach Programme
- 100 Sustainability Statement
- 108 Corporate Responsibility

## OPERATIONAL OVERVIEW

- 118 Guarantees / Financing Schemes
- 120 Operational Review
- 122 Operational Highlights
- 124 Corporate Events
- 130 CGC In The News
- 132 Brand Awareness & Media Engagement

## FINANCIAL STATEMENTS

- 138 Directors' Report
- 142 Statements Of Financial Position
- 144 Statements Of Comprehensive Income
- 146 Statements Of Changes In Equity
- 148 Statements Of Cash Flows
- 151 Notes To The Financial Statements
- 259 Statement By Directors
- 259 Statutory Declaration
- 260 Independent Auditors' Report

## ADDITIONAL CORPORATE INFORMATION

- 266 Board Charter
- 274 Compliance Charter
- 277 Branch Network
- 280 Notice Of The 44<sup>th</sup>  
Annual General Meeting
  
- Form Of Proxy

# CGC AT A GLANCE

**Credit Guarantee Corporation Malaysia Berhad (CGC) was established on 5 July 1972 with the sole objective of assisting small and medium enterprises (SMEs) with potentially viable businesses but lacked collaterals and track record to obtain financing from the financial institutions. CGC has been bridging the gap between the financial institutions and the SMEs by providing guarantee on the financing facilities applied for by the SMEs and direct financing for certain segments. CGC has availed over 444,700 financing to SMEs, valued over RM63.6 billion since its establishment.**

CGC has evolved with the times to stay relevant. It has transformed itself from a traditional guarantee provider into a financially sustainable institution, providing a wide range of products and services for greater SME outreach. It has forged strategic alliances with leading financial institutions to offer financing on a Portfolio Guarantee (PG) basis to enable SMEs to have relatively quicker access to the funds needed for their businesses. CGC has also ventured into Wholesale Guarantee to offer financing for unsecured businesses, a first in the country. In addition to that, CGC has also launched the BizMula-i and BizWanita-i direct financing facilities to support start-ups and businesses owned by women entrepreneurs.

CGC's support for SMEs is not only confined to the provision of loan guarantees and financing facilities, but also credit information and credit rating services through its subsidiary, Credit Bureau Malaysia Sdn Bhd. Through the Bureau, CGC assists SMEs to build a credit history and track record to enhance their credibility and bankability to secure financing on their own merit and at reasonable cost.

To further enhance its services and add value to the SMEs, CGC has looked beyond providing guarantees and financing. It ventured into providing advisory services and guidance to its clients through its Developmental Programme.

Since its launch in September 2016, CGC has undertaken several initiatives such as workshops and mentoring programmes in collaboration with its strategic partners with expertise in relevant fields to prepare, guide and link the SMEs to access major local distribution channels and international markets.

CGC shall remain focused on its mandated role to assist potentially viable SMEs with access to financing. This is in line with CGC's vision to be an effective financial institution dedicated to promoting the growth and development of competitive and dynamic small and medium enterprises, aptly reflected in its tagline 'Powering Malaysian SMEs'.





**CORPORATE  
VISION**

To be an effective financial institution dedicated to promoting the growth and development of competitive and dynamic small and medium enterprises.

**CORPORATE  
MISSION**

To enhance the viability of small and medium enterprises through the provision of products and services at competitive terms and, with the highest degree of professionalism, efficiency and effectiveness.

# 2016 ACHIEVEMENTS & ACCOMPLISHMENTS

## NACRA Award



CGC won the “Best Annual Report of Non-Listed Organisations” at the National Annual Corporate Report Awards (NACRA) ceremony held in Kuala Lumpur in December 2016. In promoting excellence in corporate reporting, the prestigious NACRA; which is co-organised by Bursa Malaysia Berhad, the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA), is awarded to companies that went the extra mile in presenting excellent financial and business information, for greater transparency and accountability in financial reporting.

As NACRA looked at companies that had produced the best and outstanding annual reports for the year, CGC was pitted against stronger ‘opponents’, which consisted of past winners from the various categories of the award. Thus, it was a refreshing surprise and eye opener as to the company’s potential, when CGC’s 2015 Annual Report was crowned the winner under the “Best Annual Report of Non-Listed Organisations” category.

## Karlsruhe Award



The Karlsruhe Sustainable Finance Awards honours financial institutions and organisations with significant contributions to the field of sustainable finance. The awards aim to provide recognition to financial institutions that have successfully embedded economic, social and environmental sustainability into their business and honour organisations that have made outstanding contributions in the field of sustainable finance.

CGC has been accorded with the Karlsruhe Sustainable Finance Awards at the Global Sustainable Finance Conference which was held in Germany for BizWanita-i, an innovative direct-financing product offered for women entrepreneurs.



Brand Laureate Award



CGC was bestowed with The BrandLaureate Transformational Organisation Brand Award 2015-2016 for its efforts in strengthening the foundation of its brand and improving performance's efficiency. The BrandLaureate Awards was established by the Asia Pacific Brand Foundation (APBF), a non-profit organisation dedicated to developing brands in a myriad of business backdrops. The BrandLaureate Awards is now known as the sobriquet for brand excellence, and is the most prestigious and coveted brand awards in the country.

HR Asia Award



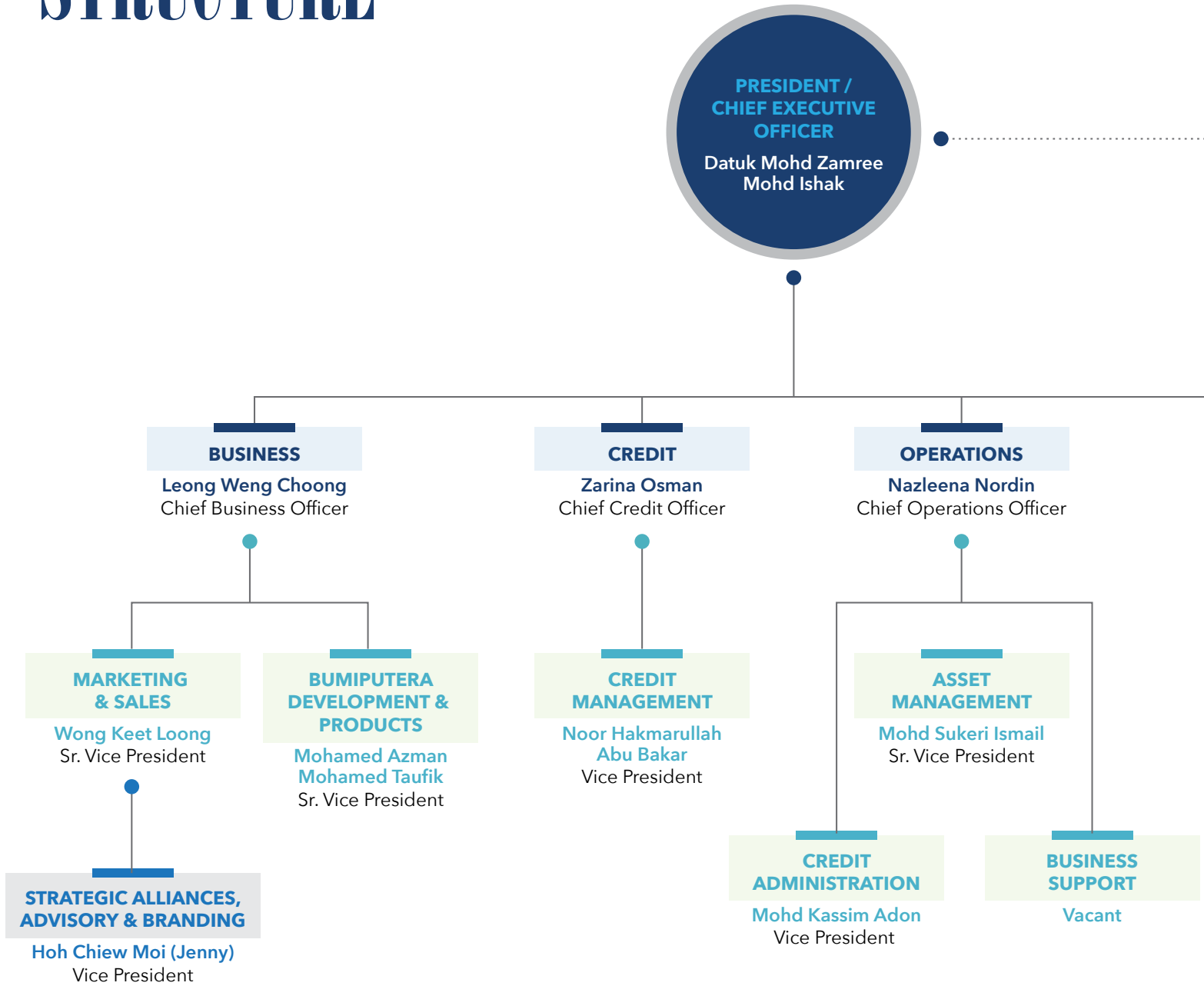
In 2016, CGC received an invitation to take part in the 4th HR Asia - Best Companies to Work for in Asia Awards 2016 under the Service category. HR Asia - Best Companies to Work for in Asia Award is organised by MERCER, one of the world's largest human resource consulting firm and coordinated by HR Asia Magazine.

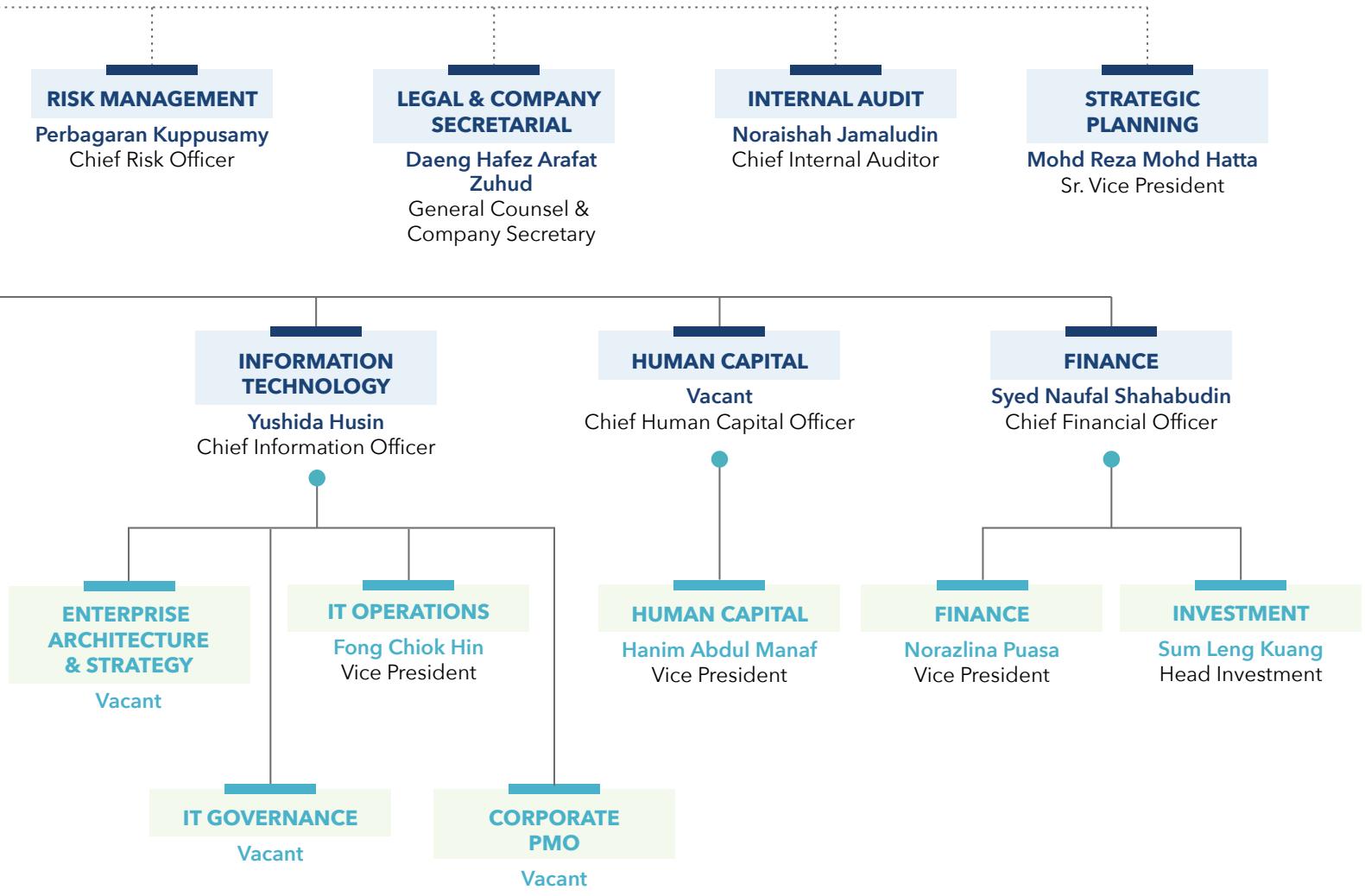
The main objective for CGC's participation is to embed better understanding towards employees' needs and expectations, create CGC's brand awareness within the society, attract and retain top talents, building great value to the stakeholders as well as to establish CGC as an employer of choice and best company to work for in Malaysia.

CGC is honoured to receive the regional recognition for Employee Branding as one of the recipients of the HR Asia Awards: Best Companies to Work For in Asia (Malaysian Chapter) in October 2016.



# ORGANISATION STRUCTURE





# CORPORATE INFORMATION

## BOARD OF DIRECTORS

1. **Dato' Agil Natt**  
Non-Executive Chairman
2. **Datuk David Chua Kok Tee**  
Non-Executive Director
3. **Dato' Hj. Syed Moheeb Syed Kamarulzaman**  
Non-Executive Director
4. **Encik Mohamed Rashdi Mohamed Ghazali**  
Non-Executive Director
5. **Encik Teoh Kok Lin**  
Non-Executive Director
6. **Encik Suresh Menon**  
Non-Executive Director
7. **Encik Ong Eng Bin**  
Non-Executive Director
8. **Puan Nadzirah Abd. Rashid**  
Non-Executive Director
9. **Encik Choong Tuck Oon**  
Non-Executive Director  
(appointed on 20 January 2017)

## **PRESIDENT/CHIEF EXECUTIVE OFFICER**

Datuk Mohd Zamree Mohd Ishak

## **REGISTERED OFFICE**

Level 14, Bangunan CGC  
Kelana Business Centre  
No.97, Jalan SS 7/2  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

## **BUSINESS AND CORRESPONDENCE ADDRESS**

Level 8, Bangunan CGC  
Kelana Business Centre  
No.97, Jalan SS 7/2  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

## **COMPANY SECRETARY**

Encik Daeng Hafez Arafat Zuhud  
LS0007002

## **AUDITOR**

PricewaterhouseCoopers  
(AF 1146)  
Chartered Accountants



**LEADERSHIP  
PERSPECTIVES  
& PROFILES**



**12** Chairman's Message

**16** President/CEO's Message  
Management Discussion And Analysis

**30** Board Of Directors

**32** Profile Of Directors

**42** Management Team

**44** Management Team Profile



# CHAIRMAN'S MESSAGE

## DEAR SHAREHOLDERS

As you may recall in my last message I have shared how CGC has embarked on a transformation journey under a far-reaching 5-Year Strategic Plan (2016-2020), with the overarching theme “Transforming CGC, Powering SMEs”. With this in mind, and as you may have noticed, CGC has now a new logo that embodies our progressive corporate spirit coupled with the striking simplicity of the logo. The letter “G” in the centre is larger to evoke a sense of forward movement via our guarantee mechanism which assures SMEs of their continued access to financing. As CGC has been in existence for over four (4) decades, the bold frame that encases the logo signifies our strong foundation. With the launch of our new logo, we would like to enhance and elevate our brand presence and level of awareness which is in line with our aspiration to be the Household Name for SMEs by 2020.

---

The year 2016 has been a good year for CGC and we are able to deliver on most of our commitments. Notwithstanding a challenging operating environment, our business model continued to serve us well to deliver another healthy financial performance. Against this backdrop, CGC continues to register a strong growth trajectory and will remain relevant in discharging our mandate.





**DATO' AGIL NATT**  
**CHAIRMAN**

**AGIL NATT**

**CGC**

## CHAIRMAN'S MESSAGE

### A YEAR OF CONTINUED PROGRESS

We have made good strides in driving our transformation journey and progress was also made towards achieving our Headline Targets, Key Performance Indicators (KPIs) and Efficiency Charter. Our progress is also measured by non-financial metrics such as the engagement level of our employees. The importance of employee engagement cannot be overstated as engaged employees perform better when they feel a connection with their employer. Most importantly, engaged employees are more productive and happier, both at work and in their lives. After one year, what you see is a corporation on track and delivering results from the initiatives rolled out in 2016.

With the increasing ridership of LRT network among our fellow Malaysians, as well as how some of the SMEs had contributed towards constructing the LRT lines, we had then made a bid for the naming rights to the Glenmarie LRT Station. We won the bid and the station has been renamed CGC-Glenmarie LRT Station on 9 May 2017. This will have a profound and far-reaching impact on our corporate brand.

### A LOOK AHEAD

The consistency of our ability to deliver results, reassures me that the fundamental pillars of our business are strong. As we stand today, CGC has many competitive advantages that include among others, our stable funding base, a solid balance sheet with highly satisfactory financial ratios, a meaningful presence in the SME eco-system and a brand that resonates well in the marketplace. The strong relationship that we have established with many financial institutions, developmental financial institutions and entrepreneurs' development organisations will continue to underpin our progress.

While we are satisfied with the progress made, we see the results achieved as a stepping stone to 2017 and beyond. The goals we set ourselves in the 5-Year Strategic Plan (2016-2020) are ambitious but achievable with well-defined plans and strategies. As we move into 2017, it is already shaping up to be an eventful year, having been declared the Start-up and SME Promotion Year, coupled with the fact that the Government has allocated RM6.7 billion for SME development to be implemented by the various ministries and agencies.

### AWARDS AND ACCOLADES

Each year, CGC has been honoured with various industry awards and accolades and 2016 was no exception. We were recipient of the Karlsruhe Sustainable Finance Awards, which honours developmental financial institutions and organisations with significant contributions to the field of sustainable finance. We won this award on the strength of BizWanita-i, an innovative direct-financing product specifically tailored for women entrepreneurs.

CGC was also the recipient of the HR Asia Award - Best Companies to Work for in Asia (Malaysian Chapter). The HR Asia Award is organised by MERCER, one of the world's largest human resource consulting firms and coordinated by HR Asia Magazine. CGC was bestowed The BrandLaureate Transformational Organisation Brand Award 2015-2016 for its efforts in strengthening the foundation of its brand and improving efficiency. The BrandLaureate Foundation was established with the aim to improve branding practices and standards worldwide, and the award is the international epitome of branding success.

A great deal of thought and hard work goes into producing our annual report and much to our delight, our 2015 Annual Report was picked as the “Best Annual Report of Non-Listed Organisations” at the National Annual Corporate Report Awards (NACRA) ceremony jointly organised by Bursa Malaysia Berhad, Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants in December 2016. The award is given to companies that go the extra mile in ensuring greater transparency and accountability for its reporting in their annual reports.

We have also won awards from the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) for the Best Annual Report (Special Award) and a special “Plaque of Merit’ for Portfolio Guarantee for Micro Enterprises (under Financial Inclusion category) at the recently held ADFIAP Annual Meeting in Macao. ADFIAP’s mission is to advance sustainable development among its 131-member institutions in the Asia Pacific region.

## ACKNOWLEDGEMENTS

Our strength has been defined by the commitment of our employees, they are our greatest competitive advantage. The progress we made this past year is due to the hard work and determination of our workforce. I thank them for all their contributions during the year.

I would like to welcome Mr Choong Tuck Oon to the Board. As we are embarking on a 3-Year IT Blueprint, his professional experience will be pertinent in overseeing the success of this Blueprint.

As always, I thank our valued customers, shareholders and strategic business partners in the industry.

I would also like to express my gratitude to all key stakeholders, namely Federal and State Governments, Bank Negara Malaysia, relevant government agencies and other regulatory agencies for their guidance and cooperation in our pursuit in Powering Malaysian SMEs.

CGC remains an unfolding story with many more pages and chapters to be written. Like any well written book, I believe the best has yet to come.

**DATO’ AGIL NATT**  
Chairman



**DATUK MOHD ZAMREE  
MOHD ISHAK**  
PRESIDENT/CHIEF  
EXECUTIVE OFFICER

# PRESIDENT/CEO'S MESSAGE

## MANAGEMENT DISCUSSION AND ANALYSIS

### DEAR SHAREHOLDERS

The year 2016, marks the start of CGC's 5-Year Strategic Plan (2016-2020). We achieved most of the initiatives that we set out to do on the back of strategic imperatives that continue to hold us in good stead.

These achievements demonstrate that CGC is steadfastly solidifying its position as a leading proponent of SME development in Malaysia. I am pleased to present the details of CGC's financial and operational performance for the financial year ended 31 December 2016.

#### OUR MANDATE

CGC's mandate is to assist SMEs with potentially viable businesses but lack the collateral and track record to obtain financing. We continue to bridge the gap between SMEs and financial institutions by providing guarantees as well as direct financing for underserved segments.

For more details on CGC's mandate and key activities, please refer to the "CGC At A Glance" section at the beginning of the Annual Report.

## PRESIDENT/CEO'S MESSAGE

### MANAGEMENT DISCUSSION AND ANALYSIS

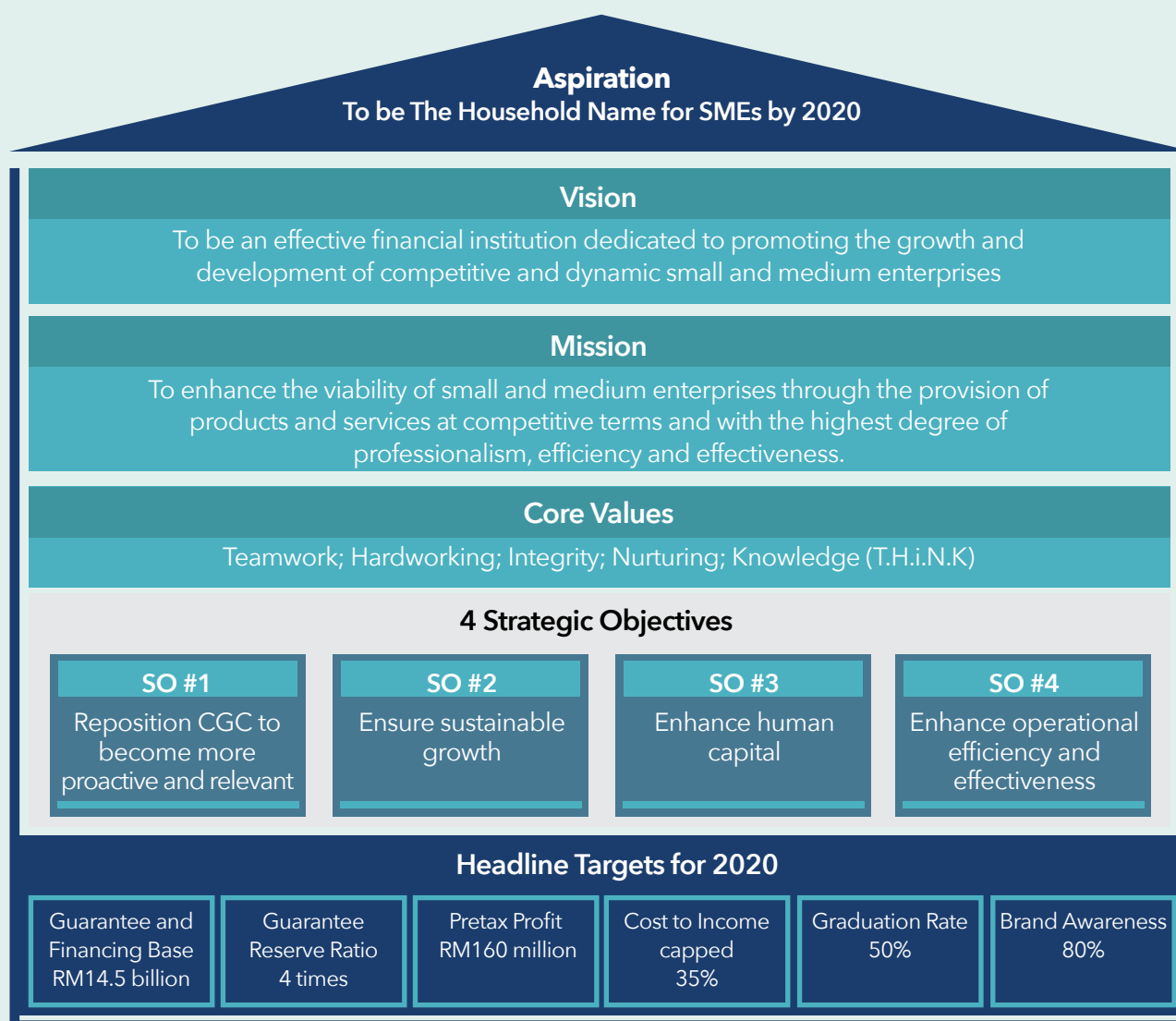
#### ECONOMIC OVERVIEW

In 2016, Malaysia's economic growth moderated to 4.2% from 5.0% in the preceding year. Domestic demand contributed more than 90.0% to the share of GDP with more than half of this hailing from private consumption. On the supply side, the Services sector continued to be the major contributor to the economy with a 54.2% share of GDP (2015: 53.5%) followed by the Manufacturing sector at 23.0% of GDP (2015: 23.0%), Mining & Quarrying at 8.8% (2015: 8.9%), Agriculture at 8.1% (2015: 8.8%) and Construction at 4.5% (2015: 4.4%). The rate of inflation, at 2.1%, was the same as the year before, while the unemployment rate rose marginally to 3.5% from 3.1% in 2015 (Source: Bank Negara Malaysia Annual Report 2016).

As a result of uncertainty on the economic front, consumer sentiment weakened with consumers curbing their spending to some extent. This had an impact on businesses and SMEs, as did the decline in demand for credit from the retail, business and corporate segments. Amidst Malaysia's moderated economic growth in 2016, the SME sector is projected to expand by 5.0% - 5.5%, higher than overall GDP growth.

#### OUR 5-YEAR STRATEGIC PLAN (2016-2020)

To guide us along in our mandated role of assisting SMEs, we continue to focus on the execution of our 5-Year Strategic Plan (5SP). To recapitulate, the framework was developed in 2015 and is depicted below:



Under the 5SP, our Aspiration is “To be the Household Name for SMEs by 2020” and is supported by both our Vision and Mission statements. Our “THiNK” Core Values (representing Teamwork, Hardworking, Integrity, Nurturing and Knowledgeable) serve as a platform to express who we are, what we believe in and how we relate to our stakeholders and with each other.

To realise our aspiration, we have identified four (4) Strategic Objectives (SO) with 15 strategies and 31 initiatives:

- SO #1 calls for us to reposition ourselves to become more proactive and relevant. The initiatives identified shall help us to explore new and niche opportunities that will enhance and strengthen our brand.
- SO #2 advocates that we focus on sustainable growth. The initiatives identified shall help us to maintain sustainable growth by enhancing and leveraging on our core activities, as well as alignment to our mandated and complementary roles in the overall SME ecosystem.
- SO #3 focuses on the enhancement of human capital. The initiatives identified shall help us ensure our human capital is aligned with key strategies through the enhancement of capabilities and our efforts to attract, develop and retain talent.

- SO #4 calls for us to enhance our operational efficiency and effectiveness. The initiatives identified shall support us in our efforts to enhance operational efficiency and effectiveness continuously by ensuring that key enablers i.e. People, Processes and Technology are in place.

Our 5SP, which also encompasses our Business Process Re-engineering and IT Blueprint initiatives under SO #4, has an overarching theme, “Transforming CGC, Powering SMEs”.

This aptly reflects the transformative journey that CGC has embarked on that will enable us to effectively carry out our developmental role in the SME financing ecosystem. With our strategic direction and headline targets clearly set, we continue to carefully execute these imperatives in stages and make good advances forward in several areas.

Our strategic roadmap to 2020 calls for the rollout of the 15 strategies and 31 initiatives in three (3) waves over the course of five (5) years. These waves are as follows:

- Wave 1 (Year 2016): “Building Strong Foundations”
- Wave 2 (Year 2017-2018): “Creating Growth”
- Wave 3 (Year 2019-2020): “Sustaining Momentum”

## PERFORMANCE HIGHLIGHTS 2016

In 2016, we implemented 15 initiatives of which, 7 initiatives were focused on enhancing human capital to build a strong foundation for our 5SP. The remaining 16 initiatives will be implemented from 2017 onwards.

Strategic objectives	No. of initiatives	No. of Initiatives Implemented in 2016
SO #1: Reposition CGC to become more proactive and relevant	13	2
SO #2: Ensure sustainable growth	8	5
SO #3: Enhance human capital	8	7
SO #4: Enhance operational efficiency and effectiveness	2	1
<b>Total</b>	<b>31</b>	<b>15</b>

## PRESIDENT/CEO'S MESSAGE

### MANAGEMENT DISCUSSION AND ANALYSIS

The successful implementation of the above initiatives resulted in the following achievements in our 6 Headline Targets:

	Targets	Actual	Achievement
Guarantee & Financing Base	RM 9.0 billion	RM9.6 billion	107%
Guarantee Reserve Ratio	2.4 times	2.26 times	94%
Pretax Profit	RM120 million	RM167.7 million	140%
Cost to Income Ratio	Capped at 38%	26.8%	142%
Graduation Rate	47.4%	46.8%	98.7%
Brand Awareness	63%	54.5% (2015)*	86.5% (2015)*

\* As at 26 April 2017, survey results for 2016 is still being analysed.

In addition to the above Headline Targets, we also monitor closely our performance with regards to our SME Outreach and Efficiency Charter as shown below:

#### Snapshot of 2016 KPI Performance

		Target	Actual	Performance
<b>SME Outreach</b>				
1.	Value of Guarantees & Financing	RM4.0 billion	RM4.2 billion	105%
2.	No. of Guarantees & Financing	8,650	7,568	87%
3.	Value of Bumiputera Guarantees & Financing Approvals	RM1.2 billion	RM0.8 billion	67%
4.	No. of Bumiputera Guarantees & Financing	3,030	1,665	55%
<b>Efficiency Charter</b>				
5.	Financing/Loan Approvals under Portfolio Guarantee (PG) (%)	90% within 2 days	95% within 2 days	106%
6.	Claim Payments (%)	90% within 10 days	100% within 10 days	111%

During the year, CGC approved 7,568 guarantees and financing valued at RM4.2 billion. In terms of value, we exceeded the target by 24% from the preceding year. In terms of meeting our Efficiency Charter, I am pleased to report that we exceeded our charter for financing/loan approvals under PG scheme and claim payments. We will continue with our efforts to enhance and expand our services.

On the Bumiputera outreach, two collaborations with DFIs that were expected to be materialised in 2016 were only finalised in early 2017. The conclusion of these collaborations would enable CGC to have a higher Bumiputera outreach in 2017.



Additionally, the Government's recent announcement on the five (5) years extension for the Green Technology Financing Scheme (GTFS) bodes well for SMEs. We are seeing more FIs and DFIs having bigger pipelines of GTFS and this is expected to contribute to higher approvals for Bumiputera SMEs. CGC's Bumiputera Development Division (BDD) was strengthened with three new departments created under its ambit, namely Islamic FIs & DFIs, Government Agencies & GLCs and Bumiputera Private Sector to reach out and facilitate the Bumiputera SMEs more effectively.

Now that these issues have been resolved and given the fact that we have deepened our relationships with several key Bumiputera stakeholders, I am confident that we will achieve our Bumiputera outreach targets.

Further details on the activities relating to our guarantees and financing schemes are spelt out in the "SME Outreach Programme" section of this Annual Report.

### Key SME Outreach Initiatives

For the year in review, we reinforced our position as a leading proponent of competitive and dynamic SMEs by ensuring robust growth in the value of guarantees/financing approved which rose by 24% year on year (y-o-y). CGC approved guarantees/financing amounting to RM4.2 billion (2015: RM3.4 billion).

The year's stronger performance was primarily attributed to aggressive marketing initiatives, particularly PG and WG products of which RM3.1 billion was guaranteed in 2016. Today, the PG and WG schemes make up 74% of CGC's guarantee approvals and continue to drive business growth. We also continued with organic growth of our other products.

To plant the seeds to further drive the Bumiputera agenda, in June 2016, we signed a memorandum of understanding (MOU) with Johor Petroleum Development Corporation to cater for projects related to Pengerang Integrated Petroleum Complex. Further, following the success of financing Bumiputera contractors in the MRT Line 1 Project, we signed a MOU with Mass Rapid Transport Corporation Sdn Bhd in August 2016 to assist Bumiputera contractors to obtain contract financing for the MRT Line 2 Project. On top of this, we also provided financing to SMEs in Sabah and Sarawak for the construction of the Pan Borneo Highway.

As part of an initiative under our 5SP, we also took the opportunity to become more visible by relocating some of our branches to strategic locations so as to better serve the SMEs. We renovated our Main Branch in Kelana Jaya to make it more vibrant and SME friendly while four other branches were relocated, namely our Kota Kinabalu, Kuantan, Melaka and Seremban branches.

In support of the Government's initiatives for SMEs to gain international market access, CGC in collaboration with MATRADE, provided a platform for three of our most promising clients to participate at the 13th China-ASEAN Expo held in Nanning, China in September 2016. The expo served as an important learning experience and platform for these SMEs to showcase and market their products. In view of the success of this initiative, CGC will continue to send our most promising clients abroad to gain similar experience in 2017.

In addition to facilitating access to international markets, we also embarked on providing advisory services for SMEs to gain local market access by connecting them to opportunities and prospective buyers. CGC has engaged Agensi Inovasi Malaysia (AIM) through its non-profit organisation, Steinbeis Malaysia Foundation to link SMEs to subject matter experts in various areas such as market entry requirements, product packaging and quality management.

### Business Process Reengineering (BPR)

Back in 2015, CGC embarked on a BPR initiative and completed the development of the BPR Blueprint which entails the identification and implementation of "quick wins". The implementation of these initiatives will continue over the duration of our 5SP. CGC has re-prioritised the initiatives identified in the BPR initiative in accordance with our 5SP. A total of six initiatives were completed in 2016, which brought about the following outcomes, among others:

- 1) The establishment of an Innovation Hub platform to inculcate an innovation culture within CGC;
- 2) Standardised application form for all products which resulted in better customer experience; and
- 3) The standardisation and formalisation of a policy on the Claims Grace Period. This has resulted in a more structured way of monitoring the submission of claims as well as enabled effective and efficient claims management in terms of processing, monitoring and tracking.

## PRESIDENT/CEO'S MESSAGE

### MANAGEMENT DISCUSSION AND ANALYSIS

#### 3-Year IT Blueprint (ITBP)

The 3-Year ITBP approved by the Board in September 2016 consists of 41 initiatives that supports the implementation and execution of strategies set out in the roadmap. Its objectives are as follows:

- 1) To position Information Communication Technology (ICT) as a strategic enabler for operational excellence, business growth and sustainability;
- 2) To navigate business change by remaining flexible and adapting to business needs;
- 3) To transform CGC's IT capabilities so as to maximise efficiency and promote productivity;
- 4) To adopt an enterprise approach to CGC's IT infrastructure and applications to foster innovation and collaboration; and
- 5) To manage risk and compliance through good governance and controls.

The expected strategic outcomes of the 3-Year ITBP are outlined below:

<p><b>Customer engagement</b></p> <p>All possible customer touch-points may be made online through mobile devices with a rich, initiative and engaging interface.</p>	<p><b>Straight through processing/automation</b></p> <p>Market-leading reductions in the time taken by various core processes through automation and integration (e.g. application from days/hours to minutes).</p>	<p><b>Agility, Speed, Efficiency</b></p> <p>Uses technology to keep pace with market and consumer velocity, such as the introduction of new features, marketing campaigns, and even entirely new services.</p>
<p><b>Data &amp; Decisions</b></p> <p>Embeds analytic into all aspects of the business that deliver value in context and sometimes in predictive modes.</p>	<p><b>New Types of Services</b></p> <p>To also potentially adopt a digital operating model, e.g. provide a range of newer types of financial product, such as innovative mobile payments via FinTech, DLT-based money transfers etc.</p>	<p><b>Business partnership</b></p> <p>By being closely engaged in a partnership with the business, IT can drive insights and innovation.</p>

#### Financial Performance

CGC continued to register a healthy financial position. We recorded total revenue of RM132.1 million, mainly from guarantee fee income that totalled RM108.0 million. The growth in guarantee fee income showed a steady increase from 2015 and was higher, year-on-year basis by RM34.7 million or 47.5%. CGC's PG and WG schemes which made up the majority of our guarantee and financing base, continue to drive forth business growth.

Operating expenses saw an increase of 14.5% from 2015; mainly arising from staff costs and provision from claims under the guarantee schemes. As a result, we ended the year with a net profit of RM167.7 million, a significant increase of 19.8% from the previous year. We remain committed to ensuring sustainable growth by continuously enhancing and leveraging on our core activity namely the provision of guarantees. We will also continue to provide direct financing to the underserved segments.

During the year, we continued to remain vigilant in asset quality management by ensuring stringent credit risk management. Regular and diligent credit monitoring allowed us to better detect early warning signs of credit deterioration and hence, enabled better management on the provision level.

As a proactive measure, we engaged with our clients to ensure they can cope well with the ups and downs in their business. We also continue to assist clients who are showing signs of distress, by restructuring or rescheduling their financing/loan repayments so that they are better able to focus on their business and plan their cash flows.

The investment function is also an important component of our business model. Our low risk and capital preservation strategy in managing investments, will continue to strengthen CGC's reserves.

## Performance by Key Divisions

During the year, CGC's Key Divisions made good progress as follows:

	FUNCTIONS	KEY ACCOMPLISHMENT FOR 2016
<b>BUSINESS DIVISION</b>	<ul style="list-style-type: none"> <li>- Drive guarantee portfolios via product marketing and campaigns.</li> <li>- Promote and enhance the participation of Bumiputera SMEs.</li> <li>- Innovate new products and enhance existing product features through product development.</li> <li>- Introduce the CGC Developmental Programme to promote the growth and development of SMEs.</li> <li>- Supervise and provide support towards daily operations and overall branch performance vis-à-vis Management's objectives and policies.</li> </ul>	<ul style="list-style-type: none"> <li>• Successful outreach to 7,568 SMEs with guarantees and financing totalling RM4.2 billion.</li> <li>• Strengthened the Bumiputera Development Division with the creation of three new departments, i.e. Islamic FIs &amp; DFIs, Government Agencies &amp; GLCs and Bumiputera Private Sector each concentrating on specific Bumiputera initiatives.</li> <li>• Achieved higher Tabung Projek Usahawan Bumiputera-i (TPUB-i) approvals amounting to RM178.1 million (2015: RM172.4 million). Revamped and streamlined the TPUB-i processing manual in order to drive higher submissions, approval and asset quality.</li> <li>• Signed a MOU with MRT Corp in August 2016 for the MRT Line 2 Project to finance Bumiputera contractors.</li> <li>• Signed a MOU with Johor Petroleum Development Corporation in June 2016 to assist Bumiputera SMEs to access financing for projects related to the Pengerang Integrated Petroleum Complex.</li> <li>• Rolled out 23 tranches of PG/WG Schemes and one new product.</li> <li>• Entered into a new collaboration with OCBC Bank (Malaysia) Berhad to launch a new full risk scheme named BizSME. Aside from the PG Schemes, commenced new tranches with Hong Leong Bank Berhad for the Retail Community Banking segment and AmBank (M) Berhad for the SME segment.</li> <li>• Organised Mentoring Workshops by inviting industry experts to guide and train SMEs in specific areas such as digital marketing, logistics, F&amp;B trends, etc. More than 200 SMEs benefited from GCG's knowledge sharing and business networking efforts.</li> <li>• The developmental programme also covers topics on SMEs market access to both local and international markets e.g. hypermarkets in Malaysia and overseas trade fairs.</li> <li>• Renovated our Main Branch in Kelana Jaya to make it more vibrant and SME friendly.</li> <li>• Four other branches were relocated to strategic locations, namely our Kota Kinabalu, Kuantan, Melaka and Seremban Branches.</li> </ul>

# PRESIDENT/CEO'S MESSAGE

## MANAGEMENT DISCUSSION AND ANALYSIS

	FUNCTIONS	KEY ACCOMPLISHMENT FOR 2016
<b>CREDIT DIVISION</b>	<ul style="list-style-type: none"> <li>- Credit evaluation and approval under Guarantee Schemes as well as financing for TPUB-i within the stipulated turnaround time.</li> <li>- Administration of legal documentation, management of panel solicitors, issuance of guarantee certificates, re-imbursment of interest/profit under Government-backed schemes, cancellation and collection of guarantee fees.</li> </ul>	<ul style="list-style-type: none"> <li>• The overall Turnaround Time (TAT) charter improved from 90% in 2015 to 95% in 2016.</li> <li>• Organised Credit Competency Workshops in November and December 2016 respectively to share knowledge with CGC's branches.</li> <li>• Shortened the system workflow to improve the processes within the Credit Division.</li> </ul>
<b>OPERATIONS DIVISION</b>	<ul style="list-style-type: none"> <li>- Improve TAT for payment of Claims to Fls &amp; DFIs</li> </ul>	<p><b>i) <u>Claims Department</u></b></p> <ul style="list-style-type: none"> <li>• Revision of the claims payment TAT for Full Risk and Shared Risk schemes from 10 calendar days to 5 working days effective March 2016 (100% achievement compared with 80% threshold).</li> <li>• Improvements to claims payment notification via automated claims decision (CD) letter effective December 2016.</li> </ul>
	<ul style="list-style-type: none"> <li>- Streamline product process with related parties to improve TAT performance. Review work process to increase productivity and efficiency as well as act as a link between users and systems in CGC.</li> </ul>	<p><b>ii) <u>Disbursement and Reporting Department</u></b></p> <ul style="list-style-type: none"> <li>• Improvements to the disbursement TAT via enhancements to the Contract Financing Module Back Office System.</li> <li>• Improvements to work processes aimed at increasing productivity and efficiency by automating the quarterly analysis for Probability Default (PD) / Loss Given Default (LGD) rates in the Direct Lending Module (DLM). The deployment was successfully completed at the end of August 2016 - one month prior to the targeted timeline.</li> </ul>
		<p><b>iii) <u>Billing Management Department</u></b></p> <ul style="list-style-type: none"> <li>• Standardised and simplified all legal financing documents for Direct and Contract Financing schemes i.e. BizMula-i, BizWanita-i and TPUB-i in August 2016. The overall revision reflected significant improvement and faster TAT for documentation processes (100% achievement in December 2016 as compared to an average of 50% in September 2016).</li> <li>• Successfully completed the first phase automation of the PG Billing system in December 2016.</li> </ul>

	FUNCTIONS	KEY ACCOMPLISHMENT FOR 2016
OPERATIONS DIVISION	- Monitoring and rehabilitation of CGC portfolios	<p><b>iv) <u>Loan Monitoring and Rehabilitation Department</u></b></p> <ul style="list-style-type: none"> <li>The provision / impairment allowance percentage to loan base improved to 1.40% in 2016 as compared to 1.67% in 2015.</li> <li>The NPL on TPUB-i was reduced via improved engagement with Contract Awarders (CAs); intense monitoring on progress payments from CAs via master listing tracking activities and efforts to strengthen the manuals and guidelines on monitoring for the financing scheme.</li> </ul>
	- Maximise recovery and collection from delinquent accounts	<p><b>v) <u>Subrogation and Recovery Department</u></b></p> <ul style="list-style-type: none"> <li>Maximised recovery and collection from delinquent accounts to achieve the following: <ul style="list-style-type: none"> <li>Recovery: Actual RM51.8 million vs. Target RM51.0 million (101% achievement).</li> </ul> </li> </ul>
	- Building Maintenance and Upkeep	<p><b>vi) <u>General Administration Department</u></b></p> <ul style="list-style-type: none"> <li>Renovations at ground floor to house the Main Branch and Customer Service Centre as a "Model Branch".</li> <li>Relocation/renovation of four other branches in Kota Kinabalu, Kuantan, Melaka and Seremban.</li> </ul>
FINANCE DIVISION		<p><b>i) <u>Finance Department</u></b></p> <ul style="list-style-type: none"> <li>Undertook more comprehensive performance reporting to Board, Management and other key stakeholders.</li> <li>Better managed CGC's overall cost efficiency.</li> </ul> <p><b>ii) <u>The Investment Department</u></b></p> <p>Had undergone a major restructuring in 2016 and comprehensive investment policies and guidelines have been put in place. As a result, commendable investment returns achieved.</p>
IT DIVISION	- Management of the overall IT environment and review through a comprehensive IT strategies in meeting business requirements.	<ul style="list-style-type: none"> <li>Completion of CGC's 3-Year IT Blueprint initiative in July 2016. This comprehensive review and strategic planning of the IT environment for the next three years aim to improve CGC's robustness and readiness to adopt new technologies. As such, the IT Division was created in January 2017 to elevate IT into a strategic role in CGC as well as to create more focus.</li> </ul>

# PRESIDENT/CEO'S MESSAGE

## MANAGEMENT DISCUSSION AND ANALYSIS

	FUNCTIONS	KEY ACCOMPLISHMENT FOR 2016
<b>STRATEGIC PLANNING DIVISION</b>	<ul style="list-style-type: none"> <li>- Strategic planning, research and development function; Board and Management Performance Reporting.</li> </ul>	<p><b>i) <u>Planning &amp; Research Department</u></b></p> <ul style="list-style-type: none"> <li>• Conducted the annual Board Strategic Planning session and reviewed the budgets in detail, aligning them to the initiatives to be undertaken for the planning period.</li> <li>• Facilitated and ensured alignment of Divisional and Departmental KPIs to the Corporate KPIs.</li> <li>• Collaborated with several Key Stakeholders e.g. International Affiliates and Non-FIs/DFIs so as to enhance CGC's prominence both locally &amp; internationally.</li> </ul>
	<ul style="list-style-type: none"> <li>- Brand &amp; Media Management and Communications</li> </ul>	<p><b>ii) <u>Corporate Communications Department</u></b></p> <ul style="list-style-type: none"> <li>• Increased awareness and a consistent media presence with frequent media engagement/ appearances. In 2016, CGC received 154 media mentions as a result of 30 media engagement activities involving Corporate Events, CR Programmes and exclusive interviews.</li> <li>• Executed six corporate and product advertising campaigns in leading newspapers, radio stations, outdoor advertisements (e-buntings), digital and social media to enhance brand awareness and SME Outreach.</li> <li>• Launched CGC's Facebook platform.</li> <li>• Organised 16 CR events to reach out to under-privileged communities throughout Malaysia.</li> <li>• Published an award-winning annual report which won the most sought after award "Best Annual Report for Non-Listed Organisation" at NACRA 2016 Awards Ceremony.</li> </ul>

	FUNCTIONS	KEY ACCOMPLISHMENT FOR 2016
<b>HUMAN CAPITAL DIVISION</b>	<ul style="list-style-type: none"> <li>- Strategic human resource planning to recruit, reward and retain talent and achieve efficient HR processes.</li> </ul>	<ul style="list-style-type: none"> <li>• Strategically restructured the Corporate Organisation Chart to reflect a more efficient and leaner structure as well as to achieve better process governance.</li> <li>• Established a Talent Management Framework to ensure that the necessary talent and skills would be available when needed. Preparation for pipeline of leaders for Management roles.</li> <li>• Established Competency Framework to build a competent and knowledgeable workforce with standardised duties and roles outlined.</li> <li>• Enhanced employer branding and market recognition which resulted in CGC being awarded a Silver Award in the HR Asia Best Companies to Work for (Malaysian Chapter) Ceremony.</li> <li>• Continued to engage, motivate and show appreciation to our workforce by organising activities such as the Annual Dinner, Appreciation Service Awards, Sales Achievers' Overseas Incentives and Knowledge Sharing Sessions with relevant stakeholders.</li> <li>• Executed 132 in-house and 73 external training programmes throughout 2016, involving 100% employees outreach.</li> <li>• Conducted 10 corporate-wide teambuilding sessions centred on our new core values, "THiNK" to strengthen esprit de corps.</li> <li>• Continued the collaboration with ICAEW by sponsoring two of our employees to pursue the globally renowned Chartered Accountant qualification, the ACA.</li> <li>• Continued its partnership with Asian Institute of Chartered Bankers (AICB) for its flagship certification programme, Advanced Credit Enhancer (ACE).</li> <li>• Developed a Branch Excellence Programme in Q2 2016 with a special emphasis on developing a competent Branch workforce.</li> <li>• Conducted CGC's Annual Employee Engagement Survey (EES) which saw 99.6% participation. The result indicated that 73% of our employees were engaged and efforts are underway to further increase employees' engagement.</li> </ul>

## PRESIDENT/CEO'S MESSAGE

### MANAGEMENT DISCUSSION AND ANALYSIS

#### BUSINESS RISKS

As CGC ventures forth as a proponent of SME development, we acknowledge that we may be exposed to certain anticipated or known risks that may have a material effect on our operations, performance, financial condition and liquidity. Our strategies to mitigate risks are spelt out in the "Statement on Risk Management and Internal Control" section of this Annual Report.

#### OUTLOOK AND PROSPECTS

Moving forward into 2017, global economic activity is expected to pick up, touching 3.4% growth in comparison to 2016's growth of 3.1%. The advanced economies are projected to improve, while activities in emerging markets and developing economies are expected to drive global growth.

On the home front, domestic demand is expected to remain the anchor of economic growth in 2017. Ongoing investment into sizeable long-term infrastructure projects in both the public and private sectors are expected to provide a certain degree of resiliency. Private investment growth will likely be limited by the lack of investment in the oil and gas industry, the relative slowdown in the property market and rising business costs. On the whole, economic growth is projected to rise between 4.3% and 4.8% in 2017 (2016: 4.2%) on the back of gradual economic recovery and resilient domestic demand.

For 2017, CGC will continue to play its part in the financial inclusion agenda via increasing access to financing. The tables below outline our 2017 Headline Targets, SME Outreach and Efficiency Charter Targets:

#### 2017 Headline Targets

	Target
Guarantee & Financing Base	RM11.0 billion
Guarantee Reserve Ratio	2.6 times
Pretax Profit	RM151.0 million
Cost to Income Ratio	Capped at 34.4%
Graduation Rate	48%
Brand Awareness	67%

As CGC moves forward, our 5SP will see us gearing up to enhance our People, Processes and Technology elements while creating a stronger brand presence in the industry. In line with our 2017 theme of "Accelerating Transformation, Powering SMEs", the entire organisation will be called upon to accelerate the transformation of CGC via People, Processes, Technology and Brand Building initiatives.

On the People front, we are continuing with the journey to inculcate a high performance culture. On the Processes front, we will be looking further into enhancing our processes for effective and efficient delivery of services. In terms of Technology, we want to enable straight through processing, improve turnaround time and create a positive customer experience as well as play a key role in Financial Technology (FinTech). We are mindful that FinTech grows each day as new technologies and players emerge, leading to the increasing impact of disruptive innovation to financial institutions around the globe. Embracing the FinTech challenge will require both short and long-term strategic planning. Thus, while CGC is exploring a P2P strategy to meet the immediate needs of SMEs, other technologies and players in the FinTech landscape are being studied as well in terms of their feasibility and sustainability. On the Brand Building front, we will continue to roll out initiatives to strengthen awareness of the CGC brand.



**2017 SME Outreach and Efficiency Charter Targets**

		FY 2017
		Target
<b>SME Outreach</b>		
1	No. of Guaranteed	9,500
2	Value of Loans Guaranteed	RM4.7 billion
3	Value of Bumiputera guarantee/financing	RM1.2 billion
4	No. of Bumiputera guarantees/financing	2,850
<b>Efficiency Charter</b>		
1	Financing/Loan Approvals under PG	95% within 2 days
2	Claim Payments	90% within 5 days

Moving forward, we will endeavour to stay focused on our mandate. At the same time, we will closely monitor market conditions and remain agile so that we can adapt to the changing conditions, adjust and enhance our strategies accordingly.

**IN APPRECIATION**

There are many stakeholders that played a part in our success in 2016. In this regard, I wish to record my utmost appreciation to our valued customers, Federal and State Governments, Bank Negara Malaysia, relevant government agencies as well as regulatory agencies for their unwavering support as we work together to fulfil CGC's mandate.

My deep gratitude goes to our Board of Directors for their astute insights and counsel in steering CGC as we went through a challenging year and for taking us up to the next level. Special thanks to my colleagues for their strong commitment and contribution to our 2016 performance.

I look forward to the unstinting support of all our stakeholders as we continue to venture forth to achieve our Aspiration **"To be the Household Name for SMEs by 2020"**.

**DATUK MOHD ZAMREE MOHD ISHAK**  
President/Chief Executive Officer

# BOARD OF DIRECTORS





From left to right:

First row

**DATO' AGIL NATT**

**DATUK DAVID  
CHUA KOK TEE**

**DATO' HJ. SYED MOHEEB  
SYED KAMARUZAMAN**

**ENCIK MOHAMED RASHDI  
MOHAMED GHAZALLI**

Second row

**ENCIK TEOH KOK LIN, CFA**

**ENCIK SURESH MENON**

**ENCIK ONG ENG BIN**

**PUAN NADZIRAH ABD.  
RASHID**

Third row

**ENCIK CHOONG TUCK OON**

**ENCIK DAENG HAFEZ ARAFAT ZUHUD**  
GENERAL COUNSEL & COMPANY SECRETARY

# PROFILE OF DIRECTORS

## DATO' AGIL NATT

NON-EXECUTIVE CHAIRMAN

- 65 years of age, Malaysian
- Chairman of Board Nomination and Remuneration Committee

Dato' Agil Natt was appointed as the Non-Executive Chairman of CGC on 18 June 2013.

Dato' Agil Natt holds a Bachelor of Science in Economics (Hons) degree from Brunel University, London and a Master of Science in Finance degree from the Cass Business School, City, University of London. He had also attended the Advance Management Programme (AMP 163) at Harvard Business School in the United States.

He currently serves as the Non-Executive Chairman of Sumitomo Mitsui Banking Corporation Malaysia Berhad, Manulife Insurance Berhad and Manulife Asset Management Services Berhad. He also sits on the Boards of Export Import Bank of Malaysia Berhad and Cagamas Berhad. Besides these appointments, he is also a Non-Executive Director of Sogo (KL) Department Store Sdn Bhd and a Member of the Board of Trustees of Yayasan Tun Abdul Razak.

Dato' Agil Natt brings with him vast experience in the areas of corporate banking, investment banking as well as Islamic finance. He started his career in Corporate Finance with Bumiputra Merchant Bankers Berhad in 1977 before serving as Senior General Manager with Island & Peninsular Berhad. He was also the Chief Representative of Kleinwort Benson Limited before joining the Maybank Group in 1995 where he served as Senior General Manager, Corporate Banking, Chief Executive Officer of Aseambankers Berhad (now known as Maybank Investment Bank Berhad), and Deputy President/Executive Director of Maybank. He left the Maybank Group to assume the position of the President and Chief Executive Officer of The International Centre for Education in Islamic Finance (INCEIF), The Global University of Islamic Finance established by Bank Negara Malaysia.

He attended all 7 Board meetings held in the financial year ended 31 December 2016.



## DATUK DAVID CHUA KOK TEE

### NON-EXECUTIVE DIRECTOR

- 69 years of age, Malaysian
- Member of Board Risk Management Committee
- Member of Board Investment Committee
- Member of Board Bumiputera Development Committee
- Member of Board IT Committee

Datuk David Chua was appointed to the Board of CGC on 15 February 2013.

He is also a Director of Credit Bureau Malaysia (M) Sdn Bhd (CBM), a subsidiary of CGC.

He holds a Bachelor of Arts Degree (B.A. Hons) from University of Malaya. He has been conferred an Honorary Degree of Doctor of Business (Ph.D Hon) by University of Malaya in 2016.

Datuk David Chua is the Managing Director of DC & A Group of Companies, which is involved in housing and property development, including holiday resorts. He has wide experience in both commercial and industrial sectors.

Currently, he holds the position as a Director of Malaysia-China Business Council (MCBC) and Adviser of The Chinese Chamber of Commerce & Industry of Kuala Lumpur and Selangor (KLSCCCI). He also serves as a Member of the Small Debt Restructuring Committee (SDRC) of Bank Negara Malaysia, Member of Anti Corruption Advisory Board (ACAB) of the Malaysian Anti-Corruption Commission (MACC) and Member of Council for Entrepreneurship for National Higher Education, Ministry of Higher Education Malaysia (MOHE).

In the past, Datuk David Chua had also rendered voluntary services in numerous key and senior positions in Trade Associations, Chambers of Commerce and Industry and Government appointed positions. Among the key positions are Director of the Board of University of Malaya for the period 2007 - 2015, Chairman of UM Holdings Sdn Bhd, (the commercial and investment wing wholly-owned by University of Malaya for the period September 2009 - April 2015), Chairman and later remained a Member of Board of Directors of UM Specialist Centre Sdn Bhd (UMSC) for the period 2009 - 2015, Member of Consultation and Prevention Panel of the Malaysian Anti Corruption Commission (MACC) and Member of Advisory Board of Dewan Bandaraya Kuala Lumpur. He was appointed to the National Economic Consultative Council (MAPEN I 1990-1991) and again reappointed to MAPEN II in 1999 and served as Deputy Chairman.

He attended all 7 Board meetings of CGC held in the financial year ended 31 December 2016.



## PROFILE OF DIRECTORS

### **DATO' HJ. SYED MOHEEB SYED KAMARULZAMAN** NON-EXECUTIVE DIRECTOR

- 63 years of age, Malaysian
- Chairman of Board Bumiputera Development Committee
- Member of Board Nomination and Remuneration Committee
- Member of Board Risk Management Committee
- Member of Board IT Committee



Dato' Haji Syed Moheeb Syed Kamarulzaman was appointed on the Board of CGC on 15 January 2014.

Dato' Haji Syed Moheeb is a Fellow of the Malaysian Insurance Institute as well as an Associate of the Chartered Institute of Islamic Finance Professional.

He is currently the Chief Executive Officer of The Malaysian Insurance Institute and also sits on the Board of Credit Bureau Malaysia Sdn Bhd (CBM) as well as Board of Trustees, ASEAN Insurance, Training and Research Institute. He is also an Adjunct Professor at the School of Business and Management, Universiti Teknologi Mara.

His career in the conventional insurance, reinsurance and Takaful industry spans over 41 years, where he helmed several local and multi-national direct insurance, reinsurance and Takaful companies.

Dato' Haji Syed Moheeb was a Past Chairman of the Malaysian Takaful Association and Management Committee member of the General Insurance Association of Malaysia. He was an Assistant General Manager at Royal Insurance Bhd from 1976 to 1991, Senior Vice President at Aetna Universal Life Insurance Bhd from 1991 to 1995, before helming South East Asia Insurance Bhd in 1995 as Managing Director. He then led the Gerling Global Reinsurance (M) Bhd as its CEO in 1998 before being appointed as the Managing Director of Takaful Ikhlas Sdn Bhd from 2002 to 2012.

He attended all 7 Board meetings held in the financial year ended 31 December 2016.

## ENCIK MOHAMED RASHDI MOHAMED GHAZALLI

### NON-EXECUTIVE DIRECTOR

- 60 years of age, Malaysian
- Chairman of Board Risk Management Committee
- Member of Board Investment Committee
- Member of Board Bumiputera Development Committee
- Member of Board IT Committee



Encik Mohamed Rashdi Mohamed Ghazalli was appointed on the Board of CGC on 3 March 2014.

Encik Mohamed Rashdi graduated in 1979 with a B.Sc (Hons) in Computation from the University of Manchester Institute of Science and Technology.

He currently serves as an Independent Director of Malaysia Venture Capital Management Berhad (Mavcap) as well as Barclays Capital Markets Malaysia Sdn Bhd, a subsidiary of Barclays Plc. He also sits on the Boards of SapuraKencana Petroleum Berhad and Danajamin Nasional Berhad.

During his career, Encik Mohamed Rashdi has worked with Telecoms Australia in Melbourne as well as Coopers & Lybrand in London, United Kingdom. He was a Partner of PwC Consulting (East Asia) as well as IBM Consulting and was also the IT & Consulting Advisor with PricewaterhouseCoopers Malaysia focusing on capacity building, business development and quality assurance. As a Board Member of Mimos Berhad from 2006 to 2013, he chaired the Tender Committee as well as Mimos' subsidiary involved in technology licensing and commercialisation.

As a management and technology consultant, Encik Mohamed Rashdi has personally led assignments in strategy and economics, business process improvement, information systems and technology planning and large scale project management. He has provided consultancy expertise across a number of industries such as government, telecommunications, energy, transport and utilities as well as some advisory services in the financial services sectors.

He attended all 7 Board meetings held in the financial year ended 31 December 2016.

## PROFILE OF DIRECTORS

### ENCIK TEOH KOK LIN, CFA NON-EXECUTIVE DIRECTOR

- 53 years of age, Malaysian
- Chairman of Board Investment Committee
- Member of Board Risk Management Committee
- Member of Board Governance and Audit Committee
- Member of Board IT Committee



Encik Teoh Kok Lin was appointed on the Board of CGC on 27 June 2014.

Encik Teoh Kok Lin obtained two first-class (Honours) Bachelor's Degrees in Electrical Engineering and Commerce. He also graduated top of his class in Master of Science in Industrial Administration (MBA equivalent) from Purdue University, USA. He is one of the earliest Chartered Financial Analysts (CFA) in Malaysia and is a former President of CFA Society Malaysia.

He is the Founder and Chief Investment Officer of Singular Asset Management Sdn Bhd, a fund management company established in 2002 and licensed by the Securities Commission of Malaysia. He is also the Founder and Chief Investment Officer of Singular Asset Management (Singapore) Ltd, a registered fund manager with the Monetary Authority of Singapore.

He is the Chairman of the Digital Economy Committee and Deputy Chairman of Socio-Economic Research Committee of the Associated Chinese Chamber of Commerce and Industry of Malaysia. He is also the Chairman of Fiscal & Economic Research Committee for the Chinese Chamber of Commerce & Industry of Kuala Lumpur & Selangor.

He has more than 29 years of banking, credit and investment experience with financial institutions, starting his career with Citicorp Citibank Malaysia in 1987. He subsequently joined Barings Malaysia, HSBC Research Malaysia and UOB Kay Hian Singapore. He continues to travel extensively across ASEAN and North Asia for research and company visits while managing funds for institutions and high net worth clients.

Encik Teoh Kok Lin attended all 7 Board meetings held in the financial year ended 31 December 2016.



## ENCIK SURESH MENON

### NON-EXECUTIVE DIRECTOR

- 59 years of age, Malaysian
- Member of Board Risk Management Committee
- Member of Board Investment Committee
- Member of Board Governance and Audit Committee

Encik Suresh Menon was appointed on the Board of CGC on 17 July 2014.

Encik Suresh Menon graduated from the University of Madras with a Bachelor of Technology, majoring in Chemical Engineering in 1979. He obtained his Masters in Business Management from the Asian Institute of Management Philippines in 1985.

Effective 17 July 2014, Encik Suresh Menon was appointed as Non-Executive Chairman of Credit Bureau Malaysia Sdn Bhd (CBM), a subsidiary of CGC.

Encik Suresh Menon has close to 37 years of experience in various dynamic sectors such as manufacturing and the international financial and debt markets. His expertise encompasses credit analysis and rating methodology, industry guide and best practices of rating processes, credit report writing, strategic planning and development, corporate and financial analysis, personnel and skills development, operations and production management, and project management and commissioning.

He has played an instrumental role in the setting up of RAM Holdings Berhad (formerly known as Rating Agency Malaysia Berhad). For 18 years, he facilitated numerous services and was on the forefront to ensure the agency reached its pinnacle. He was a Board Member at RAM and a member of its Rating Committee. His last position with RAM was as an Executive Director.

He has also participated in developmental projects with international bodies namely the Asian Development Bank (ADB), APEC Business Advisory Council and the Association of Credit Rating Agencies in Asia (ACRAA). He was the Chairman of the ACRAA Training Committee. He was also a member of the Main Committee of the Malaysian Corporate Governance Index 2009, 2010 and 2011 for the Minority Shareholder Watchdog Group (MSWG).

Since 2010, he has been an Independent Capital Market Consultant providing consultancy and training to financial agencies and regulatory authorities in many countries.

He attended all 7 Board meetings held in the financial year ended 31 December 2016.



## PROFILE OF DIRECTORS

### ENCIK ONG ENG BIN NON-EXECUTIVE DIRECTOR

- 53 years of age, Malaysian
- Member of Board Governance and Audit Committee
- Member of Board Nomination and Remuneration Committee
- Member of Board Bumiputera Development Committee



Encik Ong Eng Bin was appointed on the Board of CGC on 14 October 2014.

Encik Ong Eng Bin holds a Bachelor's Degree in Accounting & Finance from the University of Manchester, United Kingdom.

He is currently the Chief Executive Officer of OCBC Bank Malaysia Berhad and was appointed to the said position in August 2014. Apart from his role in OCBC Bank, Encik Ong Eng Bin is also a Council Member of Asian Institute of Chartered Bankers and the Association of Banks in Malaysia. He is also a Director of the Asian Banking School.

Encik Ong Eng Bin currently serves as a Chairman of Pac Lease Sdn Bhd.

He brings with him vast experience in the area of corporate banking. His career in corporate banking spanning 29 years started at OCBC Bank in 1988. He was appointed as Head of Corporate Banking in 2004, and later promoted to Head of Business Banking in 2012, with responsibilities covering corporate and commercial, emerging business and transaction banking.

He attended 6 out of 7 Board meetings held in the financial year ended 31 December 2016.

**PUAN NADZIRAH ABD. RASHID**

## NON-EXECUTIVE DIRECTOR

- 54 years of age, Malaysian
- Chairman of Board Governance and Audit Committee
- Member of Board Nomination and Remuneration Committee
- Member of Board Investment Committee



Puan Nadzirah Abd. Rashid was appointed on the Board of CGC on 22 October 2015.

Puan Nadzirah holds a Bachelor's Degree in Accountancy from the University of South Australia, Australia.

Currently, Puan Nadzirah also serves as an Independent Non-Executive Director of CIMB Investment Bank Berhad and a Divisional Councillor of CPA Australia, Malaysian Division. She is a Fellow of CPA Australia and a member of Malaysian Institute of Accountants.

She has over 27 years of professional experience in securities market and banking industry. She began her career in Bank Negara Malaysia as a bank examiner and subsequently, moved on to head the finance function of a financial institution. She joined the Bursa Malaysia Group in 1999, holding various positions in Finance and Administration divisions of the companies within the Group. She held the position of the Chief Financial Officer of Bursa Malaysia Berhad from 2006 until early 2014.

She attended all 7 Board meetings held in the financial year ended 31 December 2016.

## PROFILE OF DIRECTORS

### ENCIK CHOONG TUCK OON

NON-EXECUTIVE DIRECTOR

- 58 years of age, Malaysian
- Chairman of Board IT Committee



Encik Choong Tuck Oon was appointed on the Board of CGC on 20 January 2017.

Encik Choong Tuck Oon holds a Bachelor of Science (First Class) in Mathematics from the University of Malaya and Masters of Science in Computer Applications from Asian Institute of Technology and Executive Diploma in Directorship from Singapore Management University.

Encik Choong Tuck Oon specialises in technology, strategy and transformation for banking and insurance. He is also active in the digital start-up ecosystem in ASEAN where he is frequently called upon to advise on digital and fintech programmes.

He is currently an Independent Non-Executive Director on the Boards of FIDE Forum Malaysia and NTUC Income Insurance Cooperative Singapore.

He was previously an Independent Non-Executive Director on the Boards of RHB Bank, RHB Islamic Bank, RHB Indochina Bank, RHB Indochina Securities and RHB Private Equity.

He was with Accenture for 24 years, where he retired as Senior Partner in the Asia-Pacific Financial Services practice. He has led strategic initiatives with more than 20 large domestic and global banks and insurers in Malaysia, Singapore, Indonesia, Thailand, China, Hong Kong and Taiwan, including national payment projects in Malaysia and Singapore. He has also been active in voluntary NGO initiatives where he advised a consortium of international aid agencies on core systems for the launch of a bank-of-banks for MFIs in Indonesia and advised a global wildlife/nature agency on a new growth strategy for eleven countries in Asia. He started his career in Petronas where he held executive positions in various upstream and downstream functions for more than 7 years.



POWERING  
MALAYSIAN  
SMEs



# MANAGEMENT TEAM



From Left:



**DATUK MOHD ZAMREE MOHD ISHAK**  
PRESIDENT / CHIEF EXECUTIVE OFFICER



**NAZLEENA NORDIN**  
CHIEF OPERATIONS OFFICER

**LEONG WENG CHOONG**  
CHIEF BUSINESS OFFICER

**SYED NAUFAL SHAHABUDIN**  
**SYED ABDUL JABBAR SHAHABUDIN**  
CHIEF FINANCIAL OFFICER

**YUSHIDA HUSIN**  
CHIEF INFORMATION OFFICER



**ZARINA OSMAN**  
CHIEF CREDIT OFFICER



**MOHD SUKERI ISMAIL**  
SENIOR VICE PRESIDENT, ASSET MANAGEMENT

**PERBAGARAN KUPPUSAMY**  
CHIEF RISK OFFICER

**MOHAMED AZMAN MOHAMED TAUFIK**  
SENIOR VICE PRESIDENT,  
BUMIPUTERA DEVELOPMENT & PRODUCTS

**WONG KEET LOONG**  
SENIOR VICE PRESIDENT, MARKETING & SALES



**SUM LENG KUANG**  
HEAD, INVESTMENT



**MOHD REZA MOHD HATTA**  
SENIOR VICE PRESIDENT, STRATEGIC PLANNING

**NORAISHAH JAMALUDIN**  
CHIEF INTERNAL AUDITOR

**DAENG HAFEZ ARAFAT ZUHUD**  
GENERAL COUNSEL & COMPANY SECRETARY  
LEGAL & COMPANY SECRETARIAL

# MANAGEMENT TEAM PROFILE



**DATUK MOHD ZAMREE  
MOHD ISHAK**  
PRESIDENT /  
CHIEF EXECUTIVE OFFICER

Datuk Mohd Zamree Mohd Ishak was appointed as CGC's President and Chief Executive Officer on 1st January, 2015.

Datuk Zamree brings with him vast experience in the areas of banking operations, corporate and consumer banking as well as Islamic finance education. He began his career with Malayan Banking Berhad (Maybank) back in 1989 until 2009. He held several key positions in Maybank which include Executive Assistant to the President and Chief Executive Officer (April 2001 - Dec 2004), Vice President, Consumer Banking (Jan 2005 - Jan 2008) and Executive Vice President, Corporate Banking (Jan 2008 - July 2009). Datuk Zamree also served as the Chief Operations Officer of INCEIF - The Global University of Islamic Finance since July 2009 up to his latest appointment in CGC. Datuk Zamree is also a member of the Chartered Institute of Islamic Finance (CIIF).

He holds a Bachelor of Science in Business Administration from the Saint Louis University, United States of America and a Master in Business Administration (Finance) from the University of Hull, United Kingdom. He has attended the Asian International Executive Programme at INSEAD, the Global Leadership Development Programme at ICLIF and the Advanced Management Programme (AMP 191) at Harvard Business School, United States of America.



**NAZLEENA NORDIN**  
CHIEF OPERATIONS OFFICER

Nazleena Nordin is the Chief Operations Officer, overseeing the management and overall performance of asset management and corporate support.

In 2002, she joined CGC as the Assistant General Manager, Organisations and Methods. In 2007, she was assigned as the Assistant General Manager of Corporate Planning and subsequently, promoted to General Manager of Corporate Services in 2011.

She has attended various training programmes and represented CGC as a speaker at several International platforms and conferences.

Prior to CGC, she was a Systems Engineer at a multinational technology and consulting corporation, supporting the finance industry from 1988 to 1994. She was also a Senior Manager at one of Malaysia's largest financial services group from 1994 to 2001.

She is a Chemical Engineer by profession, with a Bachelor of Engineering (Chemical) degree from the University of Adelaide, South Australia, and had worked with an Australian petroleum company soon after.



## MANAGEMENT TEAM PROFILE



**LEONG WENG CHOONG**  
CHIEF BUSINESS OFFICER

Leong Weng Choong joined CGC as the Chief Business Officer on 15th July 2015. He oversees the Guarantee, Direct Lending and Developmental programme in the Business Division. He also leads the development of the client management model and manages CGC's distribution network i.e. the branches.

He possesses 22 years of experience in the financial industry having worked for OCBC Bank (M) Bhd. and Hong Leong Bank (M) Bhd. In OCBC Bank, he spent 19 years in various functions mainly related to SME i.e. cash management, collections, bancassurance, product development, sales & marketing. His last appointment before joining CGC was at Hong Leong Bank as the General Manager of Retail Community Business which oversees the retail SME in the bank.

Leong holds a Bachelor of Commerce from University of Western Australia, Australia.

**SYED NAUFAL SHAHABUDIN**  
**SYED ABDUL JABBAR**  
**SHAHABUDIN**  
 CHIEF FINANCIAL OFFICER



Syed Naufal Shahabudin is currently the Chief Financial Officer of CGC and was appointed on 15 February 2016.

He holds a Bachelor of Science in Economics majoring in Monetary Economics (Honours) from the London School of Economics and Political Science, University of London in 1993 and Master of Business Administration in Strategic Management from the International Islamic University of Malaysia.

Syed Naufal Shahabudin became a Certified Public Accountant awarded by the Malaysian Institute of Certified Public Accountants whilst he started his career with Ernst & Young in 1994 as Trainee Accountant. At the end of 1998, he joined Bank Negara Malaysia as a Senior Executive.

He then joined KPMG in 2005 as Audit Manager and later moved to Bank Muamalat, a subsidiary of DRB Berhad as Vice President, Finance. He left Bank Muamalat to join Agrobank as Chief Financial Officer in 2012.

## MANAGEMENT TEAM PROFILE



**YUSHIDA HUSIN**  
CHIEF INFORMATION OFFICER

Yushida Husin is the Chief Information Officer. She oversees the IT Division covering enterprise architecture & strategy, IT governance and operations.

She joined CGC in April 2016 as the Senior Vice President of Corporate Programme Management Office (CPMO), overseeing the implementation of the 5SP initiatives which includes Business Process Reengineering, IT Blueprint and other key strategic projects executed by CGC.

Prior to this appointment, she was the Chief Corporate Services Officer at Takaful Ikhlas Berhad and has over 20 years of experience. Her area of specialty includes Project Management, Corporate Planning, Process Improvement, Organisation & Methods as well as Corporate Services and Support functions. She has served with the multi-national consultancy firm, Accenture where she was involved in business process re-engineering and system implementation projects within the financial services area for both local and the Asian region.

Yushida has a Bachelor of Science (Statistics) from University of Illinois, Urbana-Champaign, Illinois, United States of America.



**ZARINA OSMAN**  
CHIEF CREDIT OFFICER

Zarina Osman joined CGC as the Chief Credit Officer on 3rd April 2017. She oversees credit business operation which include Credit Evaluation, Credit Management and Direct Lending / Securitisation departments.

Prior to joining CGC, she served as the Head, Credit Management at Kuwait Finance House Malaysia. She has also held several senior positions at Bank Muamalat Malaysia Berhad, RHB Islamic Bank Berhad and Alliance Merchant Bank Berhad.

Zarina brings with her 22 years of experience in credit management covering full spectrum of Business Banking from Investment, Treasury and Capital Markets, Corporate and Commercial as well as Retail business.

Zarina holds a Bachelor of Accountancy (Hons) from Universiti of Malaya and is also a Certified Credit Professional and Banking Credit Specialist.



## MANAGEMENT TEAM PROFILE



**MOHD SUKERI ISMAIL**  
SENIOR VICE PRESIDENT  
ASSET MANAGEMENT

Mohd Sukeri Ismail is the Senior Vice President, Asset Management focusing on Loan Monitoring & Rehabilitation and Subrogation & Recovery Departments. Prior to this, he was in charge of Guarantee Department, Operations and Credit.

He has been with CGC for the last 21 years. He was attached to a financial institution for six (6) years prior to joining CGC in 1996.

He holds a Bachelor of Science in Business Administration majoring in Finance from Creighton University, United States and a Diploma in Associates of General Studies from Indiana University.

**PERBAGARAN  
KUPPUSAMY**  
CHIEF RISK OFFICER

Perbagan is the Chief Risk Officer ensuring risks relating to Credit, Market, Operational, Asset Liability and Liquidity of CGC are identified, assessed, managed, monitored and reported to the Senior Management and the Board.

He joined CGC in August 2005 as the Head of Internal Audit. In March 2008, he was promoted to Senior Manager of Asset Management, in charge of Loan Monitoring and Rehabilitation, Claims and Subrogation & Recovery. In January 2012, he was promoted to Assistant General Manager.

He holds a Bachelor in Accounting from University Utara Malaysia and Master of Business Administration from Cardiff Metropolitan University. He is a Chartered Accountant (Malaysia), a Certified Internal Auditor (CIA) as well as an Associate Member of the Institute of Internal Auditors Malaysia and Malaysian Institute of Accountants. He also holds an Advance Credit Enhancer (ACE) qualification.



## MANAGEMENT TEAM PROFILE



**MOHAMED AZMAN  
MOHAMED TAUFIK**  
SENIOR VICE PRESIDENT  
BUMIPUTERA DEVELOPMENT &  
PRODUCTS

Mohamed Azman Mohamed Taufik joined CGC as the Senior Vice President, Bumiputera Development & Products in February 2015. He oversees Bumiputera Development, Product Development & Support and Client Service Centre.

He has over 25 years of experience working in the banking and financial sectors both in Malaysia and Indonesia. Prior to joining CGC, he held the post of Associate Director and Branch Manager at The Bank of Nova Scotia Berhad.

Mohamed Azman attained his Bachelor of Management Studies from the University of Waikato, New Zealand in 1990, and he is a Certified Credit Practitioner since 2002.



**WONG KEET LOONG**  
SENIOR VICE PRESIDENT  
MARKETING & SALES



Wong Keet Loong joined CGC as the Senior Vice President, Marketing & Sales in April 2015. He oversees Marketing & Sales for CGC via Financial Institutions (Conventional), Branches & Strategic Alliances with SME Associations.

He has over 20 years of experience in the financial industry having worked for Ambank, OCBC Bank (M) Bhd., EON Bank and Hong Leong Bank (M) Bhd. He started his career in audit before he ventured into marketing and sales in business and consumer banking. He has vast experience as a Regional Head responsible for a region within Klang Valley for sales and operations. His other experiences include resource planning and business change management.

He has represented CGC in giving talks on CGC products to SMEs and Banks at various seminars organised by Bank Negara Malaysia, The Star Outstanding Business Awards (SOBA) and was one of the international panel at the Asian Development Bank seminar on SME credit guarantee institution in Sri Lanka.

He is a qualified member of the Association of Chartered Certified Accountants (ACCA).

## MANAGEMENT TEAM PROFILE



**SUM LENG KUANG**  
HEAD, INVESTMENT

Sum Leng Kuang joined CGC as the Head of Investment in September 2015 and oversees the Investment Department.

She brings extensive management experience to the table, particularly in the areas of managing fixed income investment portfolios, credit evaluation and credit risk management. She has also consistently delivered a commendable performance and good returns, as well as achieving zero default rate track record over the last 36 years of her career.

Sum attained her Bachelor of Commerce (Finance) degree from the University of Canterbury, New Zealand.



**MOHD REZA  
MOHD HATTA**  
SENIOR VICE PRESIDENT  
STRATEGIC PLANNING

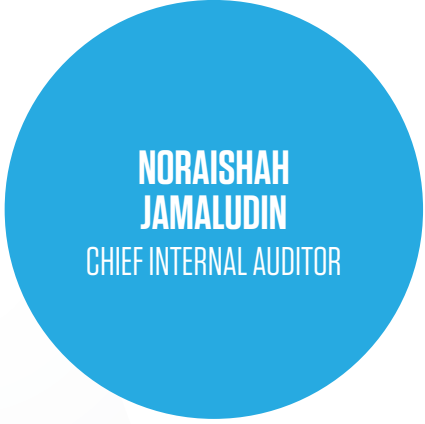
Mohd Reza Mohd Hatta joined CGC as the Senior Vice President of Strategic Planning on 3rd April 2017. He oversees two core departments, namely Planning & Research and Corporate Communications.

Prior to joining CGC, he was the Acting CEO of an international Islamic Bank. He has also served as the Head of Strategic Planning and the Special Assistant to the President when he was with Export-Import Bank of Malaysia Berhad. He has approximately 16 years of working experience and has served in various institutions, namely in Petronas, OSK Investment Bank, Bank Islam Malaysia Berhad and PricewaterhouseCoopers.

Mohd Reza holds a Bachelor of Accountancy (Hons) from Universiti Utara Malaysia and is also an affiliate of the Association of Chartered Certified Accountant (ACCA).



## MANAGEMENT TEAM PROFILE



Noraishah Jamaludin is the Chief Internal Auditor and her primary role is to assist the Board, Board Governance and Audit Committee and Management in the effective discharge of their responsibilities in establishing cost effective controls, assessing risks, recommending measures to mitigate those risks and assuring proper governance process.

She joined CGC in December 2006 as the Assistant Manager of Internal Audit. In August 2013, she was promoted to Chief Internal Auditor. She has several years of experience working with financial institutions in the field of Audit, Credit, Collections, Operations and Branch Management.

She holds a Bachelor of Economics (Accounting) from The Flinders University of South Australia. She holds an Advance Credit Enhancer (ACE) qualification and she is also an Associate Member of the Institute of Internal Auditors Malaysia.



**DAENG HAFEZ ARAFAT  
ZUHUD**  
GENERAL COUNSEL &  
COMPANY SECRETARY

Daeng Hafez Arafat Zuhud is the General Counsel & Company Secretary, overseeing legal, company secretarial and corporate governance functions.

He joined CGC as Head of Legal and Company Secretarial Department in May 2015. He holds an LL.B (Honours) Degree from International Islamic University Malaysia (IIUM) and was admitted as an Advocate and Solicitor of the High Court of Malaya on 18 March 1995. He is licensed as Company Secretary by the Companies Commission of Malaysia since 1998.

He was the legal officer, executive and manager, working in the field of corporate legal and secretarial department for a few private and public listed companies in Malaysia. His last position prior to joining CGC was as an Assistant Vice President, Group Corporate Secretarial at Malayan Banking Berhad. He was also the past Company Secretary of Maybank Asset Management Group of Companies and Maybank (Cambodia) Plc. He has experience in human resource, company secretarial and legal areas.



The graphic features a dark blue background with a large, light blue circle in the center. Inside this circle is a smaller, solid blue circle. The text "PERFORMANCE HIGHLIGHTS" is centered within the solid blue circle. The background is decorated with several concentric dotted lines in a light blue color, creating a sense of depth and movement.

**PERFORMANCE  
HIGHLIGHTS**



60

## Summary Of 5-Year Financial Highlights

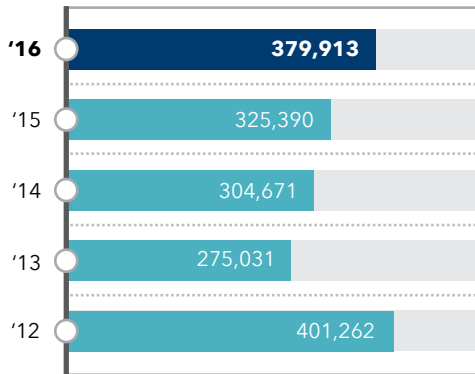


# SUMMARY OF 5-YEAR FINANCIAL HIGHLIGHTS

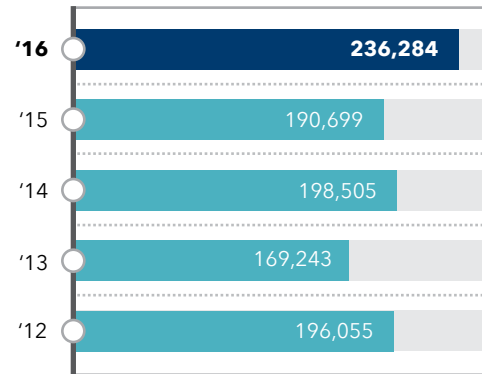
GROUP	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
Revenue	401,262	275,031	304,671	325,390	379,913
Profit Before Taxation	196,057	168,203	199,550	190,699	236,664
Profit After Taxation	196,055	169,243	198,505	190,699	236,284
Profit Attributable to Shareholders	195,989	168,957	200,606	192,221	237,191
Shareholders' equity	2,589,010	2,757,788	2,958,531	3,150,975	3,377,484
Total Equity	2,591,020	2,760,084	2,958,726	3,154,342	3,379,944
Total Asset	5,088,163	4,465,398	4,563,430	4,767,381	4,841,083



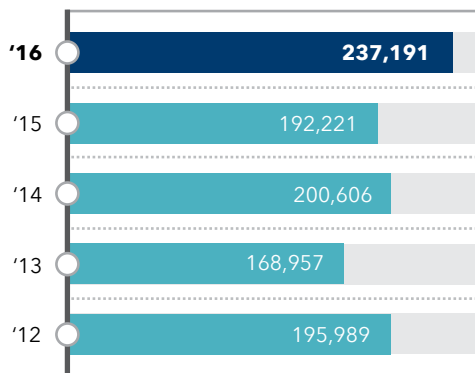
### REVENUE



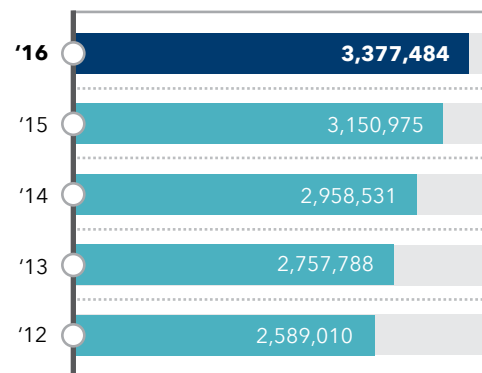
### PROFIT AFTER TAXATION



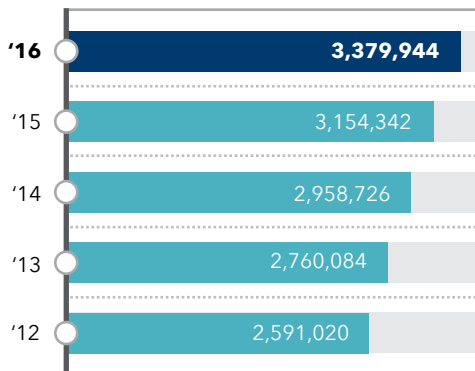
### PROFIT ATTRIBUTABLE TO SHAREHOLDERS



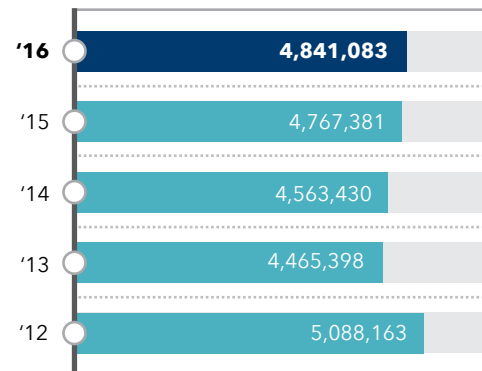
### SHAREHOLDERS' EQUITY



### TOTAL EQUITY



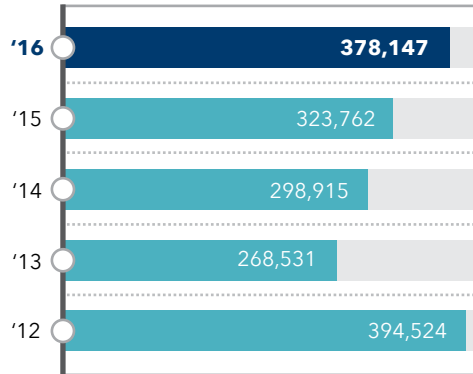
### TOTAL ASSETS



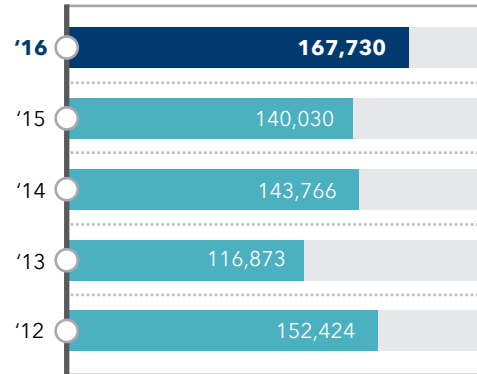
## SUMMARY OF 5-YEAR FINANCIAL HIGHLIGHTS

<b>CORPORATION</b>	<b>2012 RM'000</b>	<b>2013 RM'000</b>	<b>2014 RM'000</b>	<b>2015 RM'000</b>	<b>2016 RM'000</b>
Revenue	394,524	268,531	298,915	323,762	378,147
Profit Before Taxation	152,424	116,873	143,766	140,030	167,730
Profit After Taxation	152,424	116,873	143,766	140,030	167,730
Profit Attributable to Shareholders	152,424	116,873	143,766	140,030	167,730
Total Equity	2,526,837	2,646,197	2,790,375	2,932,565	3,088,604
Total Asset	5,021,840	4,348,357	4,392,241	4,542,817	4,546,819

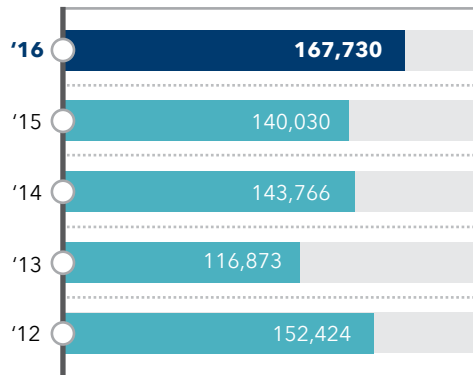
## REVENUE



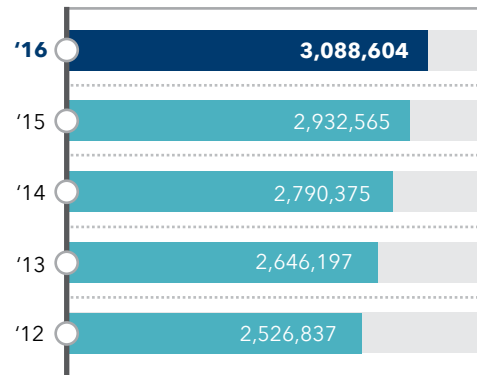
## PROFIT AFTER TAXATION



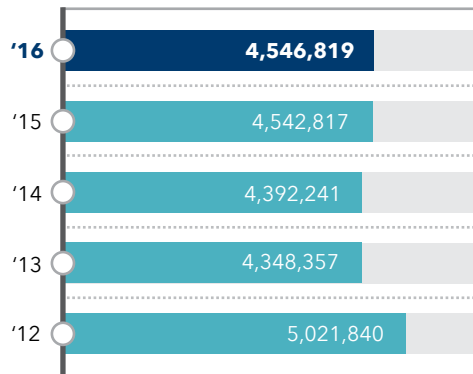
## PROFIT ATTRIBUTABLE TO SHAREHOLDERS



## TOTAL EQUITY



## TOTAL ASSETS





**OUR COMMITMENT  
TO RESPONSIBLE  
PRACTICES**



<b>66</b>	<b>Success Stories</b>
<b>72</b>	<b>Statement On Corporate Governance</b>
<b>86</b>	<b>Statement Of Risk Management &amp; Internal Control</b>
<b>96</b>	<b>Outreach Programme</b>
<b>100</b>	<b>Sustainability Statement</b>
<b>108</b>	<b>Corporate Responsibility</b>



# SUCCESS STORIES



**TRY NG**  
 Founder  
 CUBO Sdn. Bhd.

## “ WITH THE SUPPORT OF CGC, OUR BUSINESS GREW EVEN FASTER...”

I graduated from University Technology of Malaysia. After graduating, I worked in retail sales but was passionate about furniture. My family produced furniture where my father would buy raw materials and my siblings and mother would help him build them from scratch, sandpapering till our hands became blistered. My mother would deliver the finished furnitures to people’s houses by pushing the trolley with her bare hands. But my father’s business wasn’t successful, so he had to close down the shop. That made me feel sad. I had actually planned to continue my father’s dream. I’m very passionate about exploring new things, so I created my own furniture which was cheaper by 20% to 30% compared to others and 30% to 50% compared to custom-made ones. Initially, we faced failure with promotions and marketing because our customers couldn’t accept our concept and design. Our business suffered and was plagued by financial problem in the second phase of our development. We approached a few commercial banks but our application was rejected because our company had only been in operation for one (1) year, instead of the required three (3) years. Luckily we came across CGC. The loan that I applied for was BizMula-i. They gave us a RM200,000 loan and production then ran smoothly. After that, we registered and copyrighted our products. With the support of CGC, our business grew even faster. Next year, we plan to introduce our furniture to at least three (3) different countries. To expand your business, creativity is important. If you want to survive, you have to constantly innovate. ”

## “ I KNOW IT WILL ALL BE POSSIBLE WITH EFFORT...”

I am from Ipoh. I took over my father’s business after his passing and sacrificed my ambition to join the Air Force. I encountered many challenges over these five (5) years of business. In the transport and logistics business, I had to have a large fleet of lorries as there are many competitors and we need companies to have greater confidence in us to deliver their packages on time. All was good in 2012 until I decided to increase the number of lorries. Cashflow was a challenge after many unsuccessful bank loan applications. A friend suggested CGC for a faster loan approval. I immediately went over and met their officer. A day later, I was informed to go to the office as my loan had been approved. They asked if I wanted to accept or decline and I happily accepted it. Now, I hope to open a few more branches in Kuala Lumpur, Penang and Johor Bahru. All is possible with effort. If you put in the effort, anyone can be successful. ”

**LOGARUBEN A/L ANLANDAM PRAGASAM**  
 Owner  
 A. Pragasam Enterprise Sdn. Bhd.





**LINY AK SAPA**  
Owner  
J & L Eyan  
Beauty Care

## “ WHAT’S IMPORTANT IS HAVING A POSITIVE MINDSET AND CONTINUING TO IMPROVE MY BUSINESS...”

I am a “Bisaya” from Kampung Induk Sangkar, Limbang, Sarawak. After marriage, I moved to Kuching. My family was always my priority even though I worked many jobs. Spending time with them was a real problem when working for someone. This sparked an idea and I started J & L Eyan Beauty Care. I am only a high school graduate as my parents didn’t earn enough to pay for my tertiary studies. But I understood my family’s financial situation at that time. I decided to sell herbal-based beauty and health products, which were halal-certified and suitable for everyone. One day, I visited CGC while I was on my way to the bank. I met a CGC officer and decided on their BizWanita-i, a product for women entrepreneurs, as I had been in business for more than a year. I liked the product because it’s Syariah compliant. In 10 years’ time, I wish for J & L Eyan Beauty Care to be a well-known brand in Sarawak and Peninsular Malaysia. My motto is “always be yourself, don’t try to be anyone else”.

”

## “ WE HAVE SUCCESSFULLY BUILT AN 8-MEGAWATT SOLAR FARM IN 3 YEARS...”

I am Dato’ Ir. Guntor Tobeng. I am an entrepreneur and constantly looking for new opportunities and challenges for Gading Kencana, an alternative energy company which I started in 1993 with the production of garden lights for parks. Then, we advanced to Feed-in Tariff field where the solar can be generated and sold back to the national grid. The solar farm project is valued approximately at RM83 million. When we tried to apply for the project to be financed, we were not given any consideration at all as they considered our project to be far fetched. But all was not lost as God answered our prayers when we finally got some financial assistance under Green Technology Financing Scheme manage by CGC. CGC granted us 60% of the financing scheme and gave us a 2% interest subsidy. Due to this blessing in disguise, we have successfully built an 8-megawatt solar farm in three (3) years. In the future, we aim to build a 50-megawatt farm within a year, which we are confident to construct and deliver on time.

”

**DATO’ IR. GUNTOR TOBENG**  
Managing Director  
Gading Kencana  
Sdn. Bhd.



# SUCCESS STORIES



**KALAIMAR A/P  
VADWILL**  
Founder  
iFix Solutions  
Sdn. Bhd.

“ **TALENT AND OPPORTUNITY...STRIVE TO IMPROVE LIFE. THERE ARE NO RESTRICTIONS...** ”

I was born and raised in Ipoh. My family was poor but I still managed to complete my studies in HR Management. I left my full-time job to venture into the business of reconditioning laptops and PCs with a partner. As the business grew, our biggest challenge was the lack of funds. As we were looking for external financial help, I came across CGC's radio commercial offering financial help to small medium enterprises. One day an officer from CGC approached us and explained all their products. Finally, the product we chose was BizWanita-i, a product tailored for women running small businesses. With BizWanita-i, we were able to upgrade our business. CGC understands people and provides financial assistance in the shortest possible time. Now, I aspire to make iFix Solutions the number one company in computer sales and services in Negeri Sembilan. ”

“ **THE ADVISORY SERVICES THEY GAVE WERE ALSO FLEXIBLE, COMPARED TO OTHER BANKS...** ”

I'm originally from Ranau. Now I'm in Telupit running a company that supplies construction materials.

I used to help my father when he was a contractor. Since then I've been involved in construction work. This business idea came from understanding the needs of the community. We supplied construction materials for many projects here. We would calculate how much material is needed and then provide the cost estimates. This kind of service is very rare in most areas. But with me, I provided the complete A to Z service. I always made sure that there's enough stock as my business was about supplying and trading materials.

If there isn't enough stock, I wouldn't be able to fulfill whatever promise that I had made to my customers or meet their orders. I got to know about CGC from a friend who works at a bank. Then I met a CGC officer. I chose BizMula-i, which perfectly suited my business. It had flexible terms and conditions, and quick processing time. The advisory services they gave were also flexible, compared to other banks. My parents used to say, in order to be successful in life, we have to work hard and stand on our own two feet. Yes, this is my life's motto. In 10 years from now, my company's vision is to develop a network of stores in many areas especially in Sabah. ”

**ROLAND SZE**  
Founder  
Tawai Trading  
Sdn. Bhd.







**FLOSSY BAYA**  
Teras Jaya Kualiti  
Sdn. Bhd.

## “ WHAT’S IMPORTANT IS HAVING A POSITIVE MINDSET AND CONTINUING TO IMPROVE MY BUSINESS...”

I am Flossy Baya from Miri. I own Teras Jaya Kualiti Sdn Bhd that supplies orthopedic equipments, dairy products and multivitamins to hospitals and polyclinics. I have been in the pharmaceutical line for more than 10 years and it is imperative for the supplies to be delivered on time. Based on my previous experience, even though the supplies were always on standby in Miri, it still took two to three days to reach the desired destination. Back then, we were directed to place a deposit upon receiving any orders as we were not a recognised supplier. We were always required to advance our money for payment settlements. That was when we sought for financial assistance from CGC through BizMula-i. We were given a scheduled loan without collateral, which we will not get from other banks as they do not assist newly formed companies like us. Now we can run our supply business and cater to any wholesale order smoothly and efficiently. We will be able to supply to north of Sarawak and the whole of East Malaysia in ten years time. I do not believe in waiting for something great to happen. We must always be the movers and shakers first. ”

## “ TODAY, THE COMPANY PRODUCES 5,000 BOTTLES PER DAY...”

Dato’ Sharifah Hj. Mohd Tamin, the lady behind Kicap Tamin.

My father started the Kicap Tamin business on a small scale in Batu Gajah, Perak, in 1951, with just RM10 as capital. He increased production to 700 bottles a day and further increased it to 3,500 bottles per day with the growing demand. This prompted him to expand his business and build a factory in Enggor, not far from the royal town of Kuala Kangsar, Perak. In the 1990s, I had taken over the running of Syarikat Salmi Hj. Tamin Sdn Bhd. and Syarikat Zamani Hj. Tamin Sdn. Bhd. When the government introduced regulations on the production of sauces to ensure overall consistency in product quality, we had to bring in professional management to expand our market in Perak, later to the Klang Valley and finally nationwide. We sought financing assistance from CGC for our overseas ventures which includes the United Kingdom, Brunei, Japan, Vietnam and Maldives. CGC provided us with the funds to invest in machinery required for automation as the company moved from traditional to modern production methods. We also altered the taste of the sauces to meet the taste buds of people in those countries. The company is now ISO9001:2000 and halal-certified, employs over 250 people and has four (4) distribution centres that produce over 50 sauces and cordials. Today, the company produces 5,000 bottles per day compared to 100 bottles when it first started. ”

**DATO’ SHARIFAH  
HJ. MOHD TAMIN**  
Syarikat Salmi Hj. Tamin  
Sdn. Bhd.



# SUCCESS STORIES



**NEILLY AOZURRA**  
Owner  
Panera Bakery  
& Café

**“ YES, I HOPE TO SEE PANERA BAKERY & CAFÉ IN ALL THESE PLACES; PERHAPS EVEN IN ALL OF SOUTH EAST ASIA... ”**

I am from Kuching, Sarawak. My bakery, Panera Bakery & Café is currently situated at Heritage Garden. Before this, I worked in the hotel line for 17 years which taught me about the different customers especially in F&B. As an example, customers liked small and cute cakes, which could only be found at hotels. So I thought, why don't I sell these cakes at my bakery at a cheaper price. Cakes that the customers can actually afford to buy. One day, I had a booth at a financial institution fair and CGC had a booth there too. I asked what they were about and they told me. I then applied for BizWanita-i product to expand my business. Prior to that, I couldn't meet customers' orders because I didn't have enough facilities or machines for large volume orders. But with CGC's help, I now have two (2) ovens, three (3) chillers and two (2) freezers. Insyallah, 10 years from now, I hope to see Panera Bakery and Café in every zone in Sarawak, Sabah, Peninsular Malaysia and South East Asia. No matter how hard or difficult it is, just keep moving forward. Keep reaching for that light at the end of the tunnel. ”

**“ THE ONLY THING YOU NEED TO BE MINDFUL OF IS YOUR REPUTATION... ”**

**LIM KOK HING**  
Co-Founder and  
Executive Director  
iPay88 Sdn. Bhd.

My family was small. My father repaired sewing machines and my mum was unemployed. When I was studying, I loved watching economic news. I envied those businessmen and their businesses. I started my business on 1st September 1997 during the financial crisis. I thought to myself, "What should I do? Do I proceed with my dream? I should pursue a business that has long term growth potential, or give up?" After thinking for two nights, I decided to go for it. I chose communications and technology. My business needed huge amount of funds and it was difficult to get a bank loan. Luckily a bank recommended CGC and if CGC can be my guarantor even though I didn't have enough collateral, they will approve my loan. My first loan was RM500,000 and business began to take off. This helped me and I'll never forget it. My aim is to make iPay88 available in all of ASEAN. The only thing you need to be mindful of is your reputation. Reputation is not just your own, but it's a reflection of your family, your company and your country. Always do what you've promised. ”



**DATUK SERI  
NELSON KWOK**  
Nelson's Franchise  
(M) Sdn. Bhd.



**“ I HOPE TO HAVE 3,000 KIOSKS IN THE  
NEAR FUTURE...”**

I started doing a family import business in the 80's by borrowing RM5,000 from my mother. After two (2) years, I discovered that I had to constantly find new products and so I switched to the toy business which was quite successful. From just one store, it quickly grew to five (5). I was able to expand with the help of CGC. One day, a farmer came to one of my stores with his homemade corn and informed me that my shop was a suitable place to sell corn. So I decided to set up a small stall in front of the shop. Surprisingly, the response was good. Every day, I saw customers coming back to buy corn, unlike toys. After two (2) years, I realised that I needed more fund to develop it further. I discussed with banks and was recommended a term loan. The first funding of RM50,000 received was guaranteed by CGC. And that really helped me to restock and earn some money. Without CGC, the bank wouldn't have approved my loan. We have to do it with our heart. During my sharing session, I will tell them, don't get into business immediately after graduation. Work for people first. Gain two to three years working experience first, then only start your own business. If we didn't do R&D, and practice innovation, we wouldn't have Nelson's today. Today, we have 1,000 kiosks and hope to expand to 3,000. I also hope to introduce the brand to more countries. ”

**“ IN 10 YEARS' TIME, I SEE OUR COMPANY  
ESTABLISHED AS A REPUTABLE GREEN  
TECHNOLOGY COMPANY...”**

**MURUGESU A/L  
M. NARASIMHA**  
Founder  
Vata VM Synergy  
(M) Sdn. Bhd.



I graduated in Mechanical Engineering from Aberdeen, Scotland. From the subjects I studied, to the industries I was into, it was all about polluting the environment. So I decided to switch to an environmentally friendly industry instead, edible oil refinery industry, which is a part of the palm oil industry. My interest in plantation and greenery grew. And today, we are turning waste into wealth. We started with vermi-composting in the backyard of an Orang Asli village. From wastewater, we capture methane to generate electricity. We are different from the other industry players as we do composting and waste management with zero pathogen and it does not contain animal waste. We were fortunate that the National Land Finance Co-operative Society (NLFCS) trusted and granted us this huge project. We sought assistance from internal financiers and banks. That's when CGC came into the picture and I only knew that CGC guarantees loans from commercial banks and also provides loans. I applied for that as well. And they helped us. In 10 years' time, I see our company established as a reputable Green Technology company. Our brand Vata Asli will be known for its organic fertiliser and we will export our products. We must possess this self-confidence. Throughout the last 10 years, if I had stood for a moment and told myself that enough was enough, and stopped working, I wouldn't be here right now. I am glad I have done my responsibility towards Mother Nature. ”

# STATEMENT ON CORPORATE GOVERNANCE

## 1. INTRODUCTION

In order to ensure that the business and affairs of Credit Guarantee Corporation Malaysia Berhad ("CGC" or "the Corporation") enhances business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value whilst taking into account the interests of other stakeholders, the Board of the Corporation is fully committed to its obligations as set out in the Companies Act, 2016 as well as the recommendations of the Malaysian Code on Corporate Governance 2012 ("the Code"). The Board recognises the importance of corporate governance and continuously ensures the adoption of high standards of practices across the Corporation's activities.

Testament to the Corporation's strong commitment in this respect, the Corporation had been declared as a winner for the category of 'Best Annual Report of Non-Listed Organisations' at the prestigious Malaysian National Annual Corporate Reporting Award (NACRA) 2016 for demonstrating a high standard of corporate governance.

The Board is pleased to inform the shareholders on the manner in which the Corporation has applied the principles of corporate governance throughout the financial year ended 31 December 2016, as set out hereunder.

## 2. BOARD OF DIRECTORS

### 2.1 Board Charter

Pursuant to the recommendation of the Code, the Board is guided by the Board Charter which serves as a key point of reference for Directors in relation to the Board's role, powers, duties and functions. The Board Charter sets out, amongst others, the roles and responsibilities, authorities, procedures, evaluations and structures of the Board and Board Oversight Committees, as well as the relationship between the Board with the Management and the shareholders of the Corporation.

The Board is primarily responsible for developing corporate strategy and setting of targets, upholding a strong corporate performance management approach, overseeing development of the Corporation's future leaders and human capital, understanding and managing the Corporation's risks, adopting shareholders' perspective when making decisions and balancing valid stakeholders' interest.

The Board Charter further prescribes matters specifically reserved for the Board, covering amongst others, areas such as conduct of the Board, remuneration, operation, finance and other matters. Nevertheless, the Board has the discretion to delegate the reserved matters of specific decision making responsibilities to the Board Oversight Committees, individual Directors or the Management.

The Board shall review the Board Charter as and when required to reflect changes to the Corporation's policies, procedures and processes as well as to ensure compliance with new or amended laws and regulations. A copy of the Board Charter is set out in pages 266 to 273 of this Annual Report and is also made available at the Corporation's website at [www.cgc.com.my](http://www.cgc.com.my).



## 2.2 Board Composition and Diversity

The Corporation is led and managed by an experienced Board with its members having wide range of qualifications, skills, knowledge, experience and expertise such as investment and banking, insurance, administration, finance, accounting, credit analysis and rating, information technology, business, consulting, asset management as well as property.

The Board acknowledges the importance of enhancing board diversity in developing decision making capabilities via increased intellectual resources and dissimilar perspectives on the Board.

Reflecting the focus of the Corporation in enhancing its IT capabilities via its IT Blueprint ("ITBP") and Business Process Reengineering projects, Encik Choong Tuck Oon who has extensive experience in technology, strategy and transformation for banking and insurance was appointed as a director of the Corporation in January 2017. Hence, with the appointment of Encik Choong Tuck Oon, the Board currently comprises of nine (9) members, of whom all are Independent Non-Executive Directors.

With respect to gender diversity, the Board currently has one (1) female member, Puan Nadzirah Abd. Rashid. The Board aims to maintain an optimal mix of skills, experience, expertise and background on the Board while having due regard for the benefits of gender diversity.

A brief profile of each Board member is set out in pages 32 to 40 of this Annual Report.

## 2.3 Division of Roles and Responsibilities between Chairman and President / Chief Executive Officer ("PCEO")

The roles and responsibilities of the Chairman, Dato' Agil Natt, and PCEO, Datuk Mohd Zamree Mohd Ishak are distinct and clearly separated to ensure balance of power and authority.

The Chairman is responsible for overall leadership and efficient functioning of the Board. His key roles include, amongst others, ensuring that the Board functions effectively, cohesively and independently of Management as well as providing governance in matters requiring corporate justice and integrity. Whilst the PCEO is responsible to the Board for day-to-day management to ensure the smooth and effective running of the Corporation.

The roles and responsibilities of both the Chairman and PCEO are documented in the Board Charter.

## STATEMENT ON CORPORATE GOVERNANCE

### 2.4 Tenure of Independent Directors

The Board Charter provides that the tenure of an Independent Director should not exceed three (3) terms of three (3) years each term or nine (9) years in total. The Board may, subject to an annual assessment by the Board Nomination and Remuneration Committee ("BNRC"), recommend for shareholders' approval for an Independent Director who has served for a cumulative term of nine (9) years to remain as an Independent Director.

None of the Independent Directors have served for a cumulative term of more than nine (9) years for the financial year ended 31 December 2016.

### 2.5 Board Meetings

During the financial year ended 31 December 2016, the Board of Directors met on a bi-monthly basis with additional meetings convened as and when necessary to discuss urgent issues that require deliberation in between the scheduled meetings.

To provide Directors with ample time to plan ahead, the Annual Meeting Calendar is prepared well in advance with early scheduling of the Board and Board Oversight Committee meeting dates before the end of financial year ended 31 December 2015.

The agenda of Board meetings is drawn up upon consultation between the Chairman, PCEO and General Counsel & Company Secretary ("GC&CS") at every pre-Board meeting. Notice of meeting shall be given to each Board Member preferably seven (7) working days before the date of the meeting.

The Board papers, proposals and reports are prepared comprising background, objective, key issues, rationale, impact and other relevant information to enable the Board to make an informed and effective decision.

The Board's Terms of Reference states that members of the Board may attend meetings via video conference, internet conference or telephone conference. Decisions of the Board and Board Oversight Committees meetings are made unanimously or by consensus and these decisions and conclusions are recorded in the minutes of the meetings accordingly. In case of a tied vote, the Chairman has a second or casting vote.

Additionally, the minutes of the Board and Board Oversight Committees meetings incorporate the deliberations of members in arriving at decisions to ensure the accuracy of such minutes. Decisions may also be obtained via circular resolution which shall thereafter be tabled at the Board meeting for notation.

Senior Management is invited to attend and speak at Board meetings on matters relating to their sphere of responsibility and to advise on relevant agenda items to enable the Board to arrive at an informed decision.

The Board held seven (7) Board meetings for the financial year 2016. Details of Directors' attendance at the Board and the Board Oversight Committees meetings for the financial year ended 31 December 2016 are as follows:-

	Date of Appointment	Date of Resignation	BOARD (bi-monthly)	BGAC (bi-monthly)	BIC (bi-monthly)	BRMC (quarterly)	BBDC (quarterly)	BNRC (quarterly)	BITC <sup>1</sup> (quarterly)
Name of Directors			Attendance	Attendance	Attendance	Attendance	Attendance	Attendance	Attendance
Dato' Agil Natt	18.06.2013		7/7 (Chairman)	-	-	-	-	4/4 (Chairman)	-
Datuk David Chua Kok Tee <sup>2</sup>	15.02.2013		7/7	-	7/7	6/6	4/4	-	0/0
Dato' Syed Moheeb Syed Kamarulzaman <sup>3</sup>	15.01.2014		7/7	-	-	5/6	4/4 (Chairman)	4/4	0/0
Encik Mohamed Rashdi Mohamed Ghazalli <sup>4</sup>	03.03.2014		7/7	-	7/7	6/6 (Chairman)	4/4	-	0/0
Encik Teoh Kok Lin <sup>5</sup>	27.06.2014		7/7	7/7	7/7 (Chairman)	6/6	-	-	0/0
Encik Suresh Menon	17.07.2014		7/7	7/7	7/7	5/6	-	-	-
Encik Ong Eng Bin	14.10.2014		6/7	6/7	-	-	2/4	3/4	-
Puan Nadzirah Abd. Rashid <sup>6</sup>	22.10.2015		7/7	7/7 (Chairman)	7/7	-	-	4/4	-
Encik Choong Tuck Oon <sup>7</sup>	20.01.2017		1/1	-	-	-	-	-	0/0 (Chairman)
Number of Meetings held in FY2016			7	7	7	6	4	4	0

## Notes:-

- 1 The newly established Board IT Committee ("BITC") had its inaugural meeting on 20 February 2017.
- 2 Appointed as a member and the Chairman of BITC with effect from 7 December 2016 and subsequently ceased chairmanship with effect from 19 April 2017.
- 3 Appointed as a member of BITC with effect from 7 December 2016.
- 4 Appointed as a member of BITC with effect from 7 December 2016.
- 5 Appointed as a member of BITC with effect from 7 December 2016.
- 6 Appointed as a member of BITC with effect from 7 December 2016 and subsequently withdrew membership with effect from 12 January 2017.
- 7 Appointed as a Director and a member of BITC with effect from 20 January 2017 and subsequently appointed as the Chairman of BITC with effect from 19 April 2017 .

## STATEMENT ON CORPORATE GOVERNANCE

### 2.6 Level of Time Commitment

The Board is satisfied with the level of time commitment contributed by the Directors towards fulfilling their roles and responsibilities as Directors of the Corporation. This is evidenced by the attendance record of the Directors at Board and Board Oversight Committee Meetings as set out in the table above.

Further, to ensure that the Directors' time commitment to the Corporation is not affected, each Director holds not more than five (5) directorships in listed companies and ten (10) directorships in non-listed companies excluding the subsidiaries of listed companies and the Corporation as well as family-owned companies.

### 2.7 Board Appointment Process

The appointment of new Directors to the Board are first considered by the BNRC, taking into account the mix of skills, competencies, experiences and other qualities required before they are recommended to the Board for approval.

While the Board is primarily responsible for the appointment of new Directors, the BNRC is delegated with the role of screening and conducting an initial selection prior to making a recommendation to the Board.

### 2.8 Board Evaluation

The Board had, on 7 December 2016 approved the appointment of an independent external consultant to provide an evaluation of current effectiveness of the Board, Board Committees and individual Directors as well as to support the Chairman and the Board to proactively consider what could enhance the readiness of the Board to address emerging strategic priorities for the Corporation.

The 2016 Board Effectiveness Assessment and Individual Directors' Evaluation was performed by the Malaysian Directors Academy ("MINDA") in early 2017 through a series of interview sessions between the Directors and MINDA. Two (2) sets of structured interview questionnaires using the eight (8) parameters of the Board Assessment Framework were developed by MINDA and concurred by the sponsorship group comprising the Chairman, the PCEO and the GC&CS.

The Board Assessment Framework used in the questionnaires analysed the following eight (8) components of Board effectiveness:-

1. Board Composition;
2. Board Leadership;
3. Board Information;
4. Board Dynamics;
5. Board Agendas and Meetings;
6. Board / Management Relationship;
7. Board Committees; and
8. Board Processes.

Interviews were also performed with selected individuals from Senior Management to obtain feedback from a Management's perspective.

The assessment revealed that the Board is an "engaged board" which provides insight, advice and support to Management on key decisions and implementations. Other key strengths included the diverse membership of the Board members which was appropriate to the needs of the Corporation, dynamic leadership of the Chairman as well as the high degree of mutual respect and collegiality between the Chairman and the other Board members.

From the assessment, the Board recognises that there is further room for improvement in certain areas as listed below and shall address the same via action plans which are currently being formulated:-

1. Succession planning for Board and Management;
2. Talent management planning;
3. Risk mitigation to ensure the Corporation's relevance;
4. Actionable financial data management; and
5. Change management.



## 2.9 Directors' Retirement and Re-election

Pursuant to Articles 76A and 76B of the Corporation's Articles of Association, one-third (1/3) of the Directors or if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office and be eligible for re-election provided always that all Directors shall retire from office at least once in every three (3) years. Additionally, pursuant to Article 77 of the Corporation's Articles of Association, any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office until the next Annual General Meeting ("AGM") and shall then be eligible for re-election.

Based on MINDA's Individual Directors' Evaluation where no adverse findings were found, the BNRC submits its recommendation on the re-election of retiring Directors at the AGM to the Board for deliberation. Such re-election is recommended for the shareholders' approval at the AGM upon the Board's endorsement. The re-election ensures that shareholders have a regular opportunity to reassess the composition of the Board.

For the Corporation's forthcoming 44<sup>th</sup> AGM, the Board has endorsed and recommended the re-election of the following Directors for shareholders' approval:-

1. Encik Teoh Kok Lin, Encik Suresh Menon and Encik Ong Eng Bin who retire pursuant to Articles 76A and 76B of the Corporation's Articles of Association; and
2. Encik Choong Tuck Oon who retires pursuant to Article 77 of the Corporation's Articles of Association.

The re-election of each Director shall be conducted separately.

## 2.10 Company Secretary

The GC&CS is responsible for ensuring that the Board procedures are adhered to and the applicable rules and regulations for the conduct of the affairs of the Board are complied with. The GC&CS advises the Board on issues relating to corporate governance as well as compliance with laws, rules, procedures and regulatory requirements. He is also responsible to advise the Directors of their obligations and duties to disclose their interest in securities and disclosure of any conflict of interest in a transaction involving the Corporation.

The Board has unrestricted access to the advice and services of the GC&CS who is responsible for providing Directors with the Board papers and related matters. The support and services provided by the GC&CS is evaluated during the financial year to ensure he is suitably qualified and competent.

## 2.11 Directors' Remuneration

The Board is continually mindful that competitive remuneration is important to attract, retain and motivate the Directors with the relevant experience and expertise required for the stewardship of the Corporation. The BNRC may propose from time to time the prevailing Directors' remuneration which commensurate with the Director's time commitment, expertise, risk and complexity vis a vis vision and mission, and business of the Corporation.

The Directors' remuneration include a fixed monthly Directors' fee and meeting allowance. Meeting allowance is paid for Board member's attendance at Board meetings, Board Oversight Committee meetings, Board members meetings with Regulators, AGMs, Extraordinary General Meetings and other meetings sanctioned by the Board. The existing Directors' remunerations have been approved by shareholders. None of the Directors are involved in deciding his or her own remuneration.

## STATEMENT ON CORPORATE GOVERNANCE

The aggregate remuneration paid to the Directors of the Corporation as disclosed in the Corporation's Financial Statement is as follows:-

	Salary and bonus	Directors' Fees	Meeting allowance	Benefit-in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Non-Executive Directors:</b>					
Dato' Agil Natt	-	144	34	-	178
Datuk David Chua Kok Tee	-	60	62	-	122
Dato' Syed Moheeb Syed Kamarulzaman	-	60	52	-	112
Encik Mohamed Rashdi Mohamed Ghazalli	-	60	62	-	122
Encik Teoh Kok Lin	-	60	66	-	126
Encik Suresh Menon	-	60	64	-	124
Encik Ong Eng Bin	-	60	44	-	104
Puan Nadzirah Abd. Rashid	-	60	62	-	122
Encik Choong Tuck Oon <sup>1</sup>	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>564</b>	<b>446</b>	<b>-</b>	<b>1,010</b>

Note:-

<sup>1</sup> Appointed as a Director with effect from 20 January 2017.

Pursuant to Section 230(1) of the Companies Act 2016, the shareholders' approval on the Directors' benefits of up to an amount of RM1,350,800 payable to the Chairman and Directors shall be sought at the Corporation's forthcoming 44<sup>th</sup> AGM.

## 2.12 Supply and Access to Information

The Board is supplied with and have full and unrestricted access to information pertaining to the Group's business and affairs to enable them to discharge their duties effectively.

All scheduled meetings are preceded by a formal agenda issued by the GC&CS in consultation with the Chairman and PCEO. Prior to meetings, appropriate documents which include the agenda and reports relevant to the issues of the meetings are circulated to the Board Members. All Directors have full and timely access to information with Board papers distributed in advance of meetings. This ensures that the Board Members have sufficient time to appreciate issues deliberated at meetings which in turn enhances the decision making process.

The Board has full access to further information within the Corporation and is entitled to obtain full disclosure of facts from the Management. The Board may also seek independent advice and information from external parties in carrying out their duties at the Corporation's expense.

## 2.13 Directors' Training

The Directors are encouraged to attend seminars and / or conferences from time to time to keep abreast with the necessary knowledge to discharge their duties and responsibilities more effectively.

Induction briefing is also organised for newly appointed Directors to enable them to have a full understanding of the nature of business, current issues within the Corporation and corporate strategies as well as the structure and management of the Corporation. Encik Choong Tuck Oon, who joined the Corporation as a Director on 20 January 2017, had attended such induction briefing on even date.

During the financial year, the Directors have, individually or collectively, attended various programmes and briefings, amongst others, as follows:-

### CGC Internal Training Programmes

- Briefing on the Importance of Branding for an Organisation;
- Briefing Session with Huawei Technologies (M) Sdn Bhd; and
- Continuing Directors Education - Presentation on New Companies Act 2016.

### FIDE / ICLIF / FIDE Forum

- 1<sup>st</sup> Distinguished Board Leadership Series: Cyber-Risk Oversight;
- Securities Commission-FIDE FORUM Dialogue: FinTech's Impact on Financial Institutions;
- FIDE Elective: Internal Capital Adequacy Assessment Process (ICAAP) Banks;
- Technology-Based Innovation That Counts; and
- 3<sup>rd</sup> Distinguished Board Leadership Series: Effective Board Evaluation.

### Other External Seminars / Conference / Training

- 29<sup>th</sup> Asian Credit Supplementation Institution Confederation (ACSIC) Conference;
- 6<sup>th</sup> Annual Global Sustainable Finance Conference (GSFC 6);
- The ICLIF Leadership and Governance Centre (ICLIF)'s Leadership Energy Summit Asia 2016;
- Institute of Strategic and International Studies (ISIS) Malaysia's Forum on One Belt One Road;
- 14<sup>th</sup> Annual dbAccess China Conference 2016;
- Stock Exchange Thailand Thai Corporate Day;
- Invest Malaysia 2016;
- CIMB 10<sup>th</sup> Annual Indonesia Conference;
- China Investor Forum 2016;
- Malaysia Directors' Academy (MINDA)'s Dynamic Board Stewardship (DiBS) 2016;
- Malaysia - China Business Council (MCBC)'s 2<sup>nd</sup> Investment Promotion Conference for Malaysia & China - Two Countries, Twin Parks;
- General Agents Insurance Convention 2016;
- Malaysia - China Digital Economy Forum;
- Asian Strategy & Leadership Institute (ASLI)'s Centre for Public Policy Studies (CPPS)'s Forum on South China Sea - A Way Forward; and
- OCBC Global Treasury Economic & Business Forum.

Apart from attending various training programmes, one of the Directors of the Corporation has been invited to speak at forums organised by government bodies and universities.

## STATEMENT ON CORPORATE GOVERNANCE

### 3.0 BOARD OVERSIGHT COMMITTEES

Under the Corporation's Memorandum and Articles of Association and the Board Charter, the Board delegates certain responsibilities to its respective Board Oversight Committees to assist in carrying out its function of ensuring independent oversight. This allows the Board to spend additional and focused time on deliberations on specific and pertinent issues.

The Board Oversight Committees operate principally in a review or advisory capacity, except in cases where powers and authorisation are specifically conferred on a Committee by the Board. The Board currently has six (6) principal Board Oversight Committees, each chaired by a Non-Executive Director who is independent of management, which have been set up with specific delegated authorities to assist the Board in its responsibilities:-

1. Board Governance and Audit Committee;
2. Board Investment Committee;
3. Board Risk Management Committee;
4. Board Bumiputera Development Committee;
5. Board Nomination and Remuneration Committee; and
6. Board IT Committee.

In December 2016, the Board had approved the establishment of a new Board IT Committee which oversees IT related projects / initiatives identified in the Corporation's ITBP at its initial implementation stage.

Each Board Oversight Committee is governed by clearly defined Terms of Reference ("TOR"), which is reviewed from time to time, as the need arises to ensure it remains relevant and is up-to-date. The salient TORs of the six (6) Board Oversight Committees are as follows:-

### 3.1 Board Governance and Audit Committee ("BGAC")

The primary function of the BGAC is to assist the Board in its oversight function in establishing cost effective controls, assessing risks and recommending appropriate remedial action to mitigate those risks and assuring proper governance process of the Corporation. The BGAC also provides the assurance that the Corporation's financial reporting and disclosures are conducted in a transparent manner and the audit processes are in line with the recommended best practices and auditing standards, legal and regulatory requirements, as well as corporate governance standards.

#### Duties and Responsibilities

The BGAC assists the Board in its oversight role with respect to the following:-

- i. Ensure that the annual accounts are prepared in a timely and accurate manner;
- ii. Review the financial statements for submission to the Board of Directors and ensure prompt publication;
- iii. Review and endorse the audit charter and escalate to Main Board for approval;
- iv. Review and approve the internal audit annual plan and budget;
- v. Review the effectiveness of internal controls, including the scope of the internal audit programme, functions and resources of the internal audit department and that it has the necessary authority to carry out its work and recommend action to be taken by Management;
- vi. Review internal audit findings including investigation reports and recommend action to be taken by management;
- vii. Evaluate the adequacy of management's corrective action taken on audit reports;
- viii. Ensure that proper processes and procedures are in place to comply with all laws, regulations and rules established by all relevant regulatory bodies as well as high corporate governance standards;

- ix. Review and endorse the ethics programme for the Board of Directors' approval and monitor the progress of implementation, including ensuring that the Code of Business Ethics and Whistle Blower Programme are implemented across the Corporation and complied with;
- x. Assess the effectiveness of the ethics programme and the ethical climate of the Corporation and recommend to the Board of Directors necessary changes to the Code of Business Ethics;
- xi. Review reports on violations of the Code of Business Ethics and Whistle Blowing issues as well as breaches involving pivotal positions;
- xii. Evaluate the performance and provide appraisal and decide on the remuneration package of the Chief Internal Auditor;
- xiii. Approve the appointment, transfer and dismissal of the Chief Internal Auditor;
- xiv. Ensure the internal audit staff are suitably qualified and be provided with the necessary training and continuing professional education for the purpose of enhancing or enriching their audit and relevant technical skills;
- xv. Evaluate and endorse the number of resources required as determined and justified by the Chief Internal Auditor in consultation with the PCEO;
- xvi. Evaluate the quality of external auditors, the scope of their audit plan, their audit reports, the assistance given by the management and its staff to the auditors and any findings and action to be taken;
- xvii. Select and recommend External Auditors for appointment by the Board each year; and
- xviii. Undertake any other work as directed by the Board or as the BGAC considers appropriate.

### 3.2 Board Investment Committee ("BIC")

The BIC determines the strategic direction of the Corporation's investments by reviewing the asset allocation and investment portfolio annually as and when required, and this is achieved by considering current and future macroeconomic events and the risk-return appetite of the Corporation.

#### Duties and Responsibilities

The main duties and responsibilities of the BIC are as follows:-

- i. Review investment objectives, recommend and / or approve (where appropriate) strategies, policies and guidelines and provide strategic directions governing the investment activities of the Corporation;
- ii. Ensure regular and adequate reporting, and review the performance of investment portfolio in regards to:-
  - a) Portfolio diversification;
  - b) Investment limits and targets; and
  - c) Investment returns.
- iii. Ensure adequate internal control systems are in place and all investment activities are in full compliance with stipulated policies, procedures and guidelines; and
- iv. Deliberate, recommend and / or approve, of which within its authority, investment recommendations / proposals tabled by the Management.

### 3.3 Board Risk Management Committee ("BRMC")

The BRMC assists the Board in providing a focused forum to deliberate and decide on issues pertaining to risk management. The BRMC plays an advisory role in assisting the Board in identifying, assessing, managing and controlling risks in the areas of credit, market, liquidity, operational, legal and other risks within the Corporation, with the objective of ensuring an effective risk management process is in place. The BRMC meets regularly to review and assess the Corporation's existing risk management framework and provide recommendations to the Board so as to ensure that the Corporation adopts a holistic approach in managing risk issues in the Corporation.

## STATEMENT ON CORPORATE GOVERNANCE

### Duties and Responsibilities

The following are the duties and responsibilities of the BRMC:-

- i. Provide direction on the overall risk management and compliance strategies of the Corporation;
- ii. Approve policies and procedures for the effective identification, measurement, monitoring and control of the Corporation's risk and compliance exposures;
- iii. Approve policies and internal control systems regarding Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) measures;
- iv. Review the Corporation's adherence with established policies and procedures in relation to risk management, and compliance to applicable laws, regulations and guidelines;
- v. Review and approve authorisation limits in accordance with policies and procedures authorised by the Board;
- vi. Examine any other matters related to risk management and compliance referred to it by the Board;
- vii. Review and approve products or services, including the pricing and ensure compliance with the prevailing guidelines issued by Bank Negara Malaysia (BNM) and / or other relevant regulatory body;
- viii. Review and approve write-off of guarantee and financing accounts;
- ix. Approve the appointment, dismissal and remuneration as well as the performance appraisal of the Chief Risk Officer and Head of Compliance; and
- x. Endorse any changes in the number of resources required by Risk Management Division and Compliance Department.

### 3.4 Board Bumiputera Development Committee ("BBDC")

The BBDC provides strategic guidance and direction with regard to the overall development of Bumiputera SMEs under the Corporation's various programmes. The BBDC drives the Bumiputera agenda and reports to the Board for consideration of proposals and recommendations which are presented earlier at the BBDC. It also ensures activities relating to Bumiputera business development are planned and monitored closely.

### Duties and Responsibilities

The primary responsibilities of the BBDC are as follows:-

- i. To ensure Bumiputera SMEs are provided with necessary access to financing at reasonable cost;
- ii. To ensure that the special fund(s) are well-managed and channelled to eligible Bumiputera SMEs;
- iii. To ensure that appropriate policies and procedures are established for the management and operation of special fund(s);
- iv. To review and recommend to the Board or the appropriate authorities on policies and procedures with regards to the development of Bumiputera SMEs;
- v. To oversee programmes for the development of Bumiputera SMEs; and
- vi. To deliberate and recommend on any matters related to Bumiputera development which is referred to or raised at the BBDC.

### 3.5 Board Nomination and Remuneration Committee ("BNRC")

The BNRC comprises exclusively of Independent Non-Executive Directors and the primary function of the BNRC is to assist the Board on the appointment and remuneration of Directors and PCEO as well as the assessment of effectiveness of individual Directors, Board, Board Oversight Committees and the assessment on the performance of Chief Executive Officer and Senior Management Officers.

The BNRC also assists the Board in the Corporation's key policies, strategies and practices on human resources, Management's succession plans, performance and reward system, business conduct and ethical behaviour of the employees.

The BNRC is also responsible to look into the Board's succession planning, composition and gender diversity.

### Duties and Responsibilities

i. The BNRC is empowered by the Board to review, decide and / or approve on the following matters:

- a) Minimum requirements, required mix of skills, experience, qualification and other core competencies, terms and conditions of the employment contracts for the Senior Management Officers;
- b) Appointment, termination and renewal of the contract of employment and the performance evaluation of Senior Management Officers;
- c) Succession planning for Senior Management Officers;
- d) Implementation and review on the Directors Training Program in order for the Directors to keep abreast with the latest developments in the industry; and
- e) Engagement of consultant / advisor to provide professional service and information in the furtherance of BNRC duties at the Corporation's expense, so as to ensure the BNRC Members are able to make informed decisions and recommendation to the Board.

ii. The BNRC is responsible to review / assess and recommend the following matters to the Board:-

- a) Overall composition of the Board, in terms of the appropriate size skills and the balance between Chief Executive Officer, Non-Executive Directors and Independent Directors;
- b) Minimum requirements for the Board, the required mix of skills, experience, qualification and other core competencies required of a Director;
- c) Minimum requirements for the Chief Executive Officer, the required mix of skills, experience, qualification and other core competencies required of a Chief Executive Officer;
- d) Nominees for Directorship, Board Oversight Committees Membership, Chief Executive Officer and the Company Secretary (where applicable the assessments for reappointment);

- e) Framework of remuneration for Directors and Chief Executive Officer for the Board's approval whereby the framework will cover all aspects of remuneration including director's fees, salaries, allowances, bonuses and benefits-in-kind;
- f) Mechanism for formal assessment on the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board, the contribution of the Board Oversight Committees and the performance of the Chief Executive Officer whereby the annual assessment will be conducted based on objective performance criteria which is approved by the Board;
- g) Removal of Director or Chief Executive Officer from the Board or Management if the Director or Chief Executive Officer is ineffective, errant and negligent in discharging his / her responsibilities; and
- h) The Corporation's key human resource policies, strategies, performance and reward system to foster ethical employee business conduct and behaviour, employee commitment to the operations of the Corporation and a high degree of employee satisfaction.

### 3.6 Board IT Committee ("BITC")

The BITC which comprises exclusively of Independent Non-Executive Directors is established mainly to assist the Board in overall governance of the IT projects identified under the ITBP Report (2017-2019).

#### Duties and Responsibilities

The primary responsibilities of the BITC are as follows:-

- i. Provide direction on IT strategies as identified in the ITBP Report (2017-2019);
- ii. Review matters pertaining to IT policies on any potential projects under ITBP;
- iii. Monitor the progress of ITBP project implementation;
- iv. Review and provide recommendations to the Board on Non-Budgeted Capital Expenditure arising from ITBP; and
- v. Monitor and take cognisance of future technology, trend and development of IT industry.

## STATEMENT ON CORPORATE GOVERNANCE

### 4.0 MANAGEMENT COMMITTEES

The Board may delegate any of their powers to committees, consisting of such members of their body as they think fit. The Board delegates to the PCEO the responsibility for the day-to-day management of the Corporation. The PCEO and his Management team are responsible for ensuring that high quality information provided to the Board on the Corporation's financial and strategic performance.

The main role of the Management Committees is to be the primary source of direction and decision making for the operating departments of the Corporation. Additionally, the Management Committees build the framework which all departments work in to ensure proper management of issues faced by the Corporation and that all appropriate decisions are made to mitigate them.

### 5.0 SHAREHOLDERS COMMUNICATION

The Board and Management team recognise the importance of maintaining transparency, consistency and accountability to its shareholders and adhering to the corporate governance framework in order to ensure continued success of the Corporation. In this regard, the Corporation is committed to ensure timely dissemination of key information to shareholders.

The AGM is the principal forum for dialogue with all shareholders. Shareholders are notified of the meeting and provided with a copy of the Corporation's Annual Report before the meeting. The Notice of the AGM will be circulated at least twenty-one (21) days before the date of the meeting to enable shareholders sufficient time to peruse the Annual Report and papers supporting the resolutions proposed.

At each AGM, the Board takes pleasure in presenting the progress and performance of the Corporation's business. The Board values dialogue with shareholders and appreciates the keen interest of shareholders in the Corporation's performance. Shareholders are encouraged to participate in the Question and Answer (Q&A) sessions on the proposed resolutions or the Corporation's operations in general. The Board members as well as the External Auditors of the Corporation are also present to respond to the shareholders' inquiries raised during the meeting.

The publication of the Annual Report and the Corporation's website, [www.cgc.com.my](http://www.cgc.com.my) represent other channels of communication made available to shareholders to ensure that they have convenient and easy access to vital information on the Corporation's financial performance and major initiatives for the year.

### 6.0 WHISTLEBLOWING POLICY

The Board is satisfied that an adequate framework on whistleblowing is in place, having been implemented in July 2007 and enhanced in 2013 and 2016. All employees and members of the public can raise their concerns regarding any improper conduct committed or about to be committed by the Corporation's employees via the following channels without any fear of retribution:-

- Protected Email Address to the Designated Officers;
- Online submission through the Corporation's website, [www.cgc.com.my](http://www.cgc.com.my);
- In person to any of the Designated Officers using the prescribed Whistle-blowing Form which is downloadable from the Corporation's website; or
- In writing to the designated Whistle Blowing Address.

These channels protect employees and members of the public who contemplate "blowing the whistle" against any negative repercussions arising from genuine reporting and provide an assurance of confidentiality to them. Confidentiality of all matters raised and the identity of the whistleblower are protected under the Policy.



## 7.0 BOARD'S RELATIONSHIP WITH THE AUDITORS

### INTERNAL AUDIT

The Corporation's Internal Audit, which is led by the Chief Internal Auditor, reports the results of its audits directly to the BGAC. The Internal Audit is guided by the Internal Audit Charter and regularly evaluates the effectiveness of the risk management process, review the operating effectiveness of the internal controls system and compliance control across the Corporation. The minutes of the BGAC meetings are subsequently tabled to the Board for information and serve as useful references, especially if there are pertinent issues that any Directors wishes to highlight or seek clarification on.

### EXTERNAL AUDIT

The BGAC and the Board place great emphasis on the objectivity and independence of the Corporation's External Auditors, namely Messrs. Pricewaterhouse Coopers, in providing relevant and transparent reports to the shareholders. To ensure full disclosure of matters, the Corporation's External Auditors are regularly invited to attend the BGAC meetings (as well as the AGMs), apart from the twice yearly discussions with the BGAC without the presence of the Senior Management.

# STATEMENT OF RISK MANAGEMENT & INTERNAL CONTROL

## ENTERPRISE RISK MANAGEMENT

Amidst today's challenging business conditions, corporations are exposed to numerous uncertainties as business opportunities and risks are constantly changing. A proactive Enterprise Risk Management (ERM) Framework is important to create and protect stakeholders' value with full integration of risk management in the organisation's governance structure as well as the decision making process.

In line with the statement above, Credit Guarantee Corporation Malaysia Berhad (CGC) (hereinafter referred to as the "Corporation") has adopted an ERM Framework to govern its business and operations. This enables the Corporation to carry out organised and practical management of the organisational risk exposure on an ongoing basis which includes credit risk, market risk, operational risk, compliance risk, strategic risk and reputational risk.

The ERM Framework outlines the risk management governance and structure, processes, accountabilities, as well as responsibilities throughout the Corporation. It also provides the Board and Management with a tool to anticipate and manage both existing and potential risks, taking into consideration changes in the Corporation's internal and external operating environment. ERM in the Corporation enables Management to effectively deal with uncertainties and the associated risks and opportunities, enhancing the capacity to build or enhance value for stakeholders.

The following objectives are the guiding principles relating to ERM implementation throughout the Corporation:

- a) To ensure that all risks faced are identified, monitored, and adequately managed.
- b) To provide the Board and Management with an enterprise-wide view of the Corporation's risk exposure, enabling the Corporation to take strategic actions to mitigate potential losses.
- c) To provide the Board and Management with an enterprise-wide view of inter-relationships between risks, controls and the manner in which reducing one risk exposure may increase or impact another.
- d) To provide for a means of prioritising the myriad of risk management and control initiatives.
- e) To ensure that risk management culture is embedded and consistently practiced at all levels within the Corporation with the aim of facilitating a reasonably accurate perception of acceptable risks.

## MILESTONES IN 2016 FOR ERM

1. Implementation FICO's BLAZE system for scoring and evaluation of loan applications as well as behavioral tracking on existing customers in August 2016.
2. Anti Money Laundering & Counter Financing of Terrorism (AML/CFT) system implemented in May 2016.
3. Corporation Compliance Framework rollout in November 2016.
4. Implementation of the Control Self-Assessment for all the departments and branches in the Corporation.
5. Successful implementation and completion of Business Continuity Plan testing for all of the Corporation's branches.
6. Product pricing model review for the Corporation.

**ERM GOVERNANCE STRUCTURE**

The ERM governance structure provides clear accountabilities and responsibilities in managing risk within the Corporation. This ensures that the ERM activities remain appropriate and prudent, and that significant risks are managed and monitored continuously. The Corporation’s ERM governance structure is set out in the diagram below:



**a) Board of Directors (Board)**

The Board has the ultimate responsibility for ERM matters. Through its oversight role, the Board is responsible for ensuring that all risks within the Corporation are managed effectively, and at the same time, optimise shareholder and stakeholder value. The Board’s key risk responsibilities include approving the Corporation’s ERM Framework related policies; ensuring that Management takes the necessary steps to identify, measure, monitor and control the risks; and being the final point of escalation for key risk management issues. The Board has also established the Board Risk Management Committee (BRMC) to support its oversight functions.

**b) Board Risk Management Committee (BRMC)**

The BRMC is a committee comprising Non-Executive Directors responsible for oversight of the Corporation’s risk exposure. The BRMC supports the Board in identifying, assessing, managing and controlling the risks in areas such as credit, market, liquidity, operational, legal, and other risks to ensure that the risk management process is in place and functioning.

## STATEMENT OF RISK MANAGEMENT & INTERNAL CONTROL

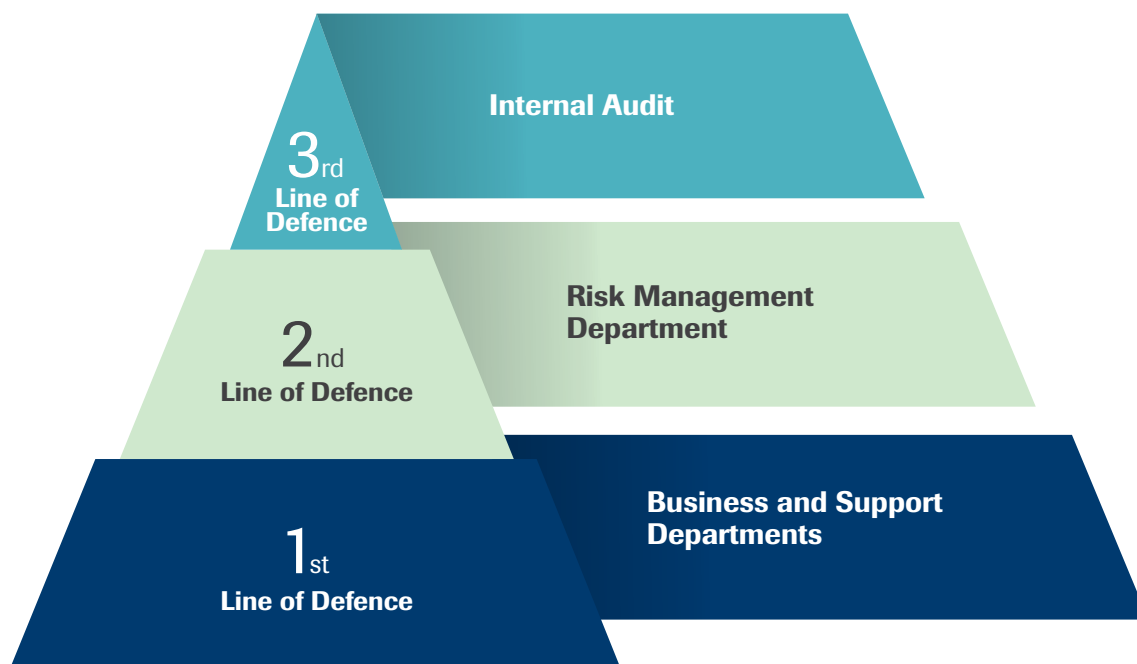
### c) Management Level Committees

Management Level Committees comprise senior management responsible for supporting the BRMC in the implementation of an effective ERM framework and ensuring ERM is embedded in the Corporation. Two (2) management committees have been established for this purpose, namely:

- i. Risk Management Committee (RMC) - oversees credit risk, market risk, operational risk, compliance risk and strategic risk related matters.
- ii. Asset Liability Management Committee (ALCO) - evaluates, monitors and approves practices relating to risk due to imbalances in the capital structure and liquidity risk related matters.

### THREE LINES OF DEFENCE

The Corporation ensures the involvement of all departments within the Corporation to manage risks and this is reflected via the concept of “3 Lines of Defence” as set out in the diagram below:



- 1st Line of Defence: Business and Support Departments
    - In managing risks, the Corporation places accountability and ownership for day to-day enterprise risk management as close as possible to where the risks originate.
    - Consists of all lines of business and support departments, i.e. risk owners.
    - Responsible to pursue their respective business objectives and take risks within approved policies and limits, enterprise-wide standards as well as approved standard operating procedures.
  - 2nd Line of Defence: Risk Management Division
    - Facilitate proactive, timely, and objective identification, assessment, measurement, aggregation and reporting of risks to the Board level and Management level committees.
  - 3rd Line of Defence: Internal Audit
    - Provide the Board level and Management level committees a comprehensive and integrated view of the Corporation's risks, through the ERM oversight structure.
    - Provide independent oversight of the management of risks inherent in the Corporation.
    - Set the risk policies, methodologies and tools.
  - 3rd Line of Defence: Internal Audit
    - Perform independent assurance over the effectiveness of ERM initiatives, policies and controls.
- In strengthening the internal control governance within the Corporation, roles and responsibilities of these three parties are clearly spelled out and segregated, in other words independent from each other. This is to prevent potential conflict of interest between the "3 Lines of Defence" and to ensure accountability.

**ERM PROCESS**

In implementing ERM efficiently and effectively, the Corporation has six interrelated components which are derived from the way management operates the enterprise and are integrated with management's processes. These components are shown in the ERM cycle below:



## STATEMENT OF RISK MANAGEMENT & INTERNAL CONTROL

- **Identify Risks** - Identify the risks arising from the Corporation's strategic objectives and those risks that could prevent the Corporation from achieving its strategic objectives.
- **Assess Risks** - Analyse root causes of the risks and determine the likelihood and impact of risk exposures. Prioritise the risks based on risk ratings.
- **Manage Risks** - Identify controls or mitigating actions to manage risks consistently within the Corporation's risk appetite. Place the controls through constant engagement with risk owners.
- **Monitor and Report Risks** - Monitor and report risks through various ERM tools and risk reports deployed.
- **Communicate Risks** - To inculcate a desirable culture, Management ensures that an effective communication strategy is in place to provide common awareness and understanding of the Corporation's ERM processes to all employees, as well as to communicate risk related matters within the Corporation.

### MANAGEMENT OF THE CORPORATION'S KEY RISKS

#### 1. Credit Risk Management

Credit Risk is the risk of financial loss arising due to counterparties' failure to perform according to their contractual obligations to settle financial commitments. Credit Risk describes the exposure to actual loss or opportunity cost as a result of the default by an economic or legal entity (i.e. the debtor or obligor) with which the Corporation does business. The Corporation's credit risk exposures are primarily caused by or sourced from Default Risk, Concentration Risk and Settlement Risk.

The key goal of credit risk management is to maximise the Corporation's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. The Corporation manages the credit risk inherent in the entire portfolio as well as the risk in individual credit transactions. Guidelines and risk management limits are established to govern day to day management of the Corporation's exposures. These guidelines and limits are in line with the risk appetite of the Corporation and measures like Tier and Step- Up pricing, Stop Loss, Capping, requirement and limit reviews are used to manage these risks.

The Internal Credit Scoring Model and Internal Risk Rating Model are used to evaluate borrower's credit worthiness by using statistical and judgmental scoring analysis. These models are reviewed regularly to ensure consistency with the Corporation's risk appetite and tolerance.

The Corporation also monitors and reports the asset quality of credit portfolio and credit exposure to Board and Management regularly. Such monitoring is inclusive of economic sector outlook analysis, review of high risk sector, credit rating / scoring analysis, claims portfolio analysis, Loan Growth vs. Non performing loan (NPL)/Impairment analysis and watch list analysis which highlights the enterprise-wide exposure trends as well as key areas of concern on the delinquent / impaired accounts with respect to changes in the Corporation's risk profile.

#### 2. Market Risk Management

Market risk is the risk exposure of earnings or net worth arising from changes in market factors, e.g. interest rates, foreign exchange rates, and indices, which affect income, expense and balance sheet values.

The Corporation's market risk exposures are primarily caused by or sourced from interest rate risk and liquidity risk.

The main objective of the Corporation in managing market risk is to reduce or eliminate unexpected risk of losses in balance-sheet positions arising from undesirable market movements. To facilitate the management of market risk, the Corporation monitors and reviews independently the prescribed risk limits and risk levels within the agreed risk management philosophy and risk tolerance of the Corporation, which includes advising the Board and Management with respect to risk control, asset liability management strategies, limit levels, new investment product approval and capital assets allocation decisions. This is to ensure that the Corporation's market risk strategies are consistent with the risk appetite established by Board.

The Liquidity Risk Management Framework was established to monitor and control liquidity risks exposures and funding needs to ensure financial obligations can be met at all times. Liquidity risk arises when the Corporation is unable to meet its financial obligations as they fall due. Hence, liquidity risk is managed to maintain high quality and well diversified portfolios of liquid assets and source of funds under both normal business and stressed conditions, and also to review the asset and liability maturity profile and identify any maturity mismatches.

### 3. Operational Risk Management

Operational Risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events.

The Corporation's Operational Risk Management is governed by the ERM framework as well as operational risk policies and procedures. In line with best practices, the Corporation employs the following tools for the management of operational risk:

No.	Tool	Description
1.	Risk Control Self-Assessment (RCSA)	To enable the self-assessment of risks and controls existing within the Corporation by the risk owners.
2.	Control Self-Assessment (CSA)	To validate the effectiveness of controls declared in the RCSA. Also known as 'control testing'.
3.	Key Risk Indicators (KRI)	To provide early warning signals to Corporation when there are critical operational risk areas within the entity with exposure levels potentially exceeding tolerable risk limit set.
4.	Incident Management (IM)	To record events related to risks and the outcomes associated with the events, such as financial effects (losses), non-financial effects, direct recoveries, insurance recoveries, causes and failed controls.

The Corporation manages operational risk by having policies, procedures, risk management tools and risk awareness programmes. The Corporation also uses an Operational Risk Management solutions system to manage operational risk better. Risk profiles are monitored regularly and reported to the Board and Management. Periodic operational risk self assessment is also performed by the business and support units to identify and manage operational risks.

To inculcate and reinforce risk awareness amongst staff, Operational Risk Awareness Programmes are conducted periodically. The programmes are developed and delivered in relation to sound operational risk management.

The Corporation has also implemented a Fraud Management Framework to facilitate awareness, reporting, management, and monitoring of both internal and external fraud related matters. By having this framework, the Corporation intends to continue safeguarding its assets, reputation and financial viability in terms of fraud management, and also aims to promote a consistent organisational behaviour in dealing with fraud.

## STATEMENT OF RISK MANAGEMENT & INTERNAL CONTROL

### 4. Compliance Risk Management

Compliance Risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation as the Corporation may suffer as a result of its failure to comply with laws and regulations applicable to the Corporation.

In ensuring that the Corporation complies with all applicable laws and regulations governing the Corporation's business, the Compliance Department keeps a constant communication with the Senior Management and all the appointed Designated Compliance Officers (DCOs) at each department including branches.

In this respect, Compliance Framework (Framework) sets out the approaches that Compliance will take in performing the Compliance function to ensure adherence to laws and regulations, and preventing, where necessary, non-compliance. In addition, the Framework also provides the fundamental policies and guidelines on compliance management and oversight for the Corporation.

In an effort to ensure operations of the Corporations are in line with the statutory requirements, Compliance will review and test selected key processes based on Compliance Grid and Compliance Checklist issued to DCOs. The Compliance Grid is the tool adopted to monitor all related legislation that may affect the Corporation. The identified Act(s) will be formed as a checklist to facilitate assessment of Compliance with the Statutory/Regulatory requirements, which contain the minimum standards that need to be adhered to.

Compliance is responsible to conduct ongoing monitoring including the implementation of corrective actions. This is to ensure any incident of non-compliance is reported and corrective actions have been implemented.

With regard to Anti Money Laundering/Counter Financing of Terrorism (AML/CFT), CGC is listed as one of the Reporting Institution (RI) by BNM. All RIs are required by law to undertake preventive measures to prevent their institutions from being used as a conduit for money laundering and terrorism financing activities. The preventive measures include conducting risk assessment, application of customer due diligence, submission of suspicious transaction report (STR), maintenance and retention of records of transactions and implementation of AML/CFT compliance program that is reflective of the RIs' money laundering and terrorism financing risk profile.

To ensure effectiveness and compliance with the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLATFPUAA), and guidelines on Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) - Banking and Deposit Taking Institutions (Sector 1) issued by BNM, the Corporation has automated its processes in fulfilling the AML/CFT requirements with the introduction of the AML/CFT System on 27 May 2016.

The AML/CFT System assist the overall AML/CFT processes within the Corporation in monitoring and reviewing of money laundering and terrorist financing risk which include the following:

- i) Automated risk assessment based on transactions behavior and static information;
- ii) Customer screening are performed against regulatory watch lists during establishment of relationship and for continuous monitoring of existing customers;
- iii) Detection of real-time or historical transactions data with patterns of suspicious activities; and
- iv) Lodgment of suspicious transaction report to Compliance.

Moving forward, Compliance is planning to enhance the fraud detection procedures and fraud detection related training within the Corporation.



## 5. Strategic Risk Management

Strategic risk is the risk of current or prospective impact on the Corporation's earnings, capital, reputation or standing, arising from changes in the environment the Corporation operates in and from adverse strategic decisions, improper implementation of decisions, or lack of responsiveness to industry, economy or technological changes. The Corporation monitors strategic risk to ensure its strategic plans are executed by taking into account the potential risks that could prevent the Corporation from achieving its strategic objectives.

## 6. Reputational Risk Management

Reputational risk is the current or prospective impact on earnings and capital arising from an adverse perception of the Corporation on the part of existing and potential transactional stakeholders, i.e. clients, trading counterparties, employees, suppliers, regulators / governmental bodies, and investors which could adversely affect the Corporation's ability to maintain existing, or establish new, business relationships and continued access to sources of funding.

Failure to manage strategic risk, credit risk, market risk, operational risk or compliance risk might expose the Corporation to reputational risk. In managing reputational risk effectively, reputational risk factors are integrated into the management of strategic risk, credit risk, market risk, operational risk and compliance risk. All disclosures to stakeholders are also shown in a clear, accurate and transparent manner.

## CAPITAL MANAGEMENT

The Corporation has implemented the Capital Adequacy Framework, which defines the mechanism for determining capital adequacy along with the remedial action plans for addressing capital shortfalls. It aims to ensure an adequate capital buffer to support the Corporation's risk profile and growth strategy.

This framework is adopted by the Corporation on the approaches for capital requirement as spelled out under BNM's Guidelines on Capital Adequacy. The maintenance of regulatory capital is based on three major components of risk i.e. credit risk, operational risk, and market risk.

The Corporation has adopted three different ratios, i.e. the Capital Adequacy Ratio, Guarantee Reserve Ratio and Liquidity Coverage Ratio.

These ratios are reported to the Board and Management regularly:

Ratio	Rationale
Capital Adequacy Ratio	To measure the Corporation's preparedness and ability to withstand the expected losses arising from adverse credit, market and operational events.
Guarantee Reserve Ratio	To ensure that the Corporation operates in a prudent and capital efficient manner, to reduce the likelihood of future capital calls from shareholders.

Liquidity Coverage Ratio : To ensure that the corporation have an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted easily and immediately in private markets into cash to meet liquidity needs for a 30 calendar day liquidity stress scenario. This is in accordance with BASEL standards.

## STATEMENT OF RISK MANAGEMENT & INTERNAL CONTROL

### STRESS TESTING

Stress testing is an important risk management tool which acts as an alert to adverse unexpected outcomes related to a variety of risks and to identify possible events or future changes in the financial and economic conditions that could have adverse effects on the Corporation's exposure. It is an assessment on the Corporation's ability to withstand such changes, usually in relation to the capacity of its capital and earnings to absorb potentially significant losses.

Stress testing aims to identify and mitigate areas of concern to prevent or mitigate the effects of adverse conditions which could have an impact against the Corporation's Return of Investment (ROI), Guarantee Income and Capital Adequacy Ratio.

Stress test is performed regularly and the results of stress tests are updated to the Board and Management. Management takes corrective and appropriate actions to address the identified risk if the result could have a significant impact on the Corporation's strategy. Independent assessments of stress testing procedures and processes are carried out regularly to ensure the quality and effectiveness of the stress test.

### BUSINESS CONTINUITY MANAGEMENT

In ensuring the business continuity of the Corporation in the event of an emergency, disaster or crisis, the Corporation strives to achieve organisational resilience through Business Continuity Management (BCM), which consists of the Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP).

Under the BCP and DRP, operationally ready alternate sites have been established for Head Office and all Branches for business resumption and if the need arises following a disaster or crisis. A series of Business Continuity Management (BCM) exercises, i.e. BCP tests and DRP tests are conducted to ensure the effectiveness of BCM in providing a pre-determined list of minimum essential services during business disruptions.

Relevant committees, i.e. Business Continuity Plan Committee (BCPC) and Crisis Management Team (CMT) are responsible for addressing crisis issues in relation to business continuity at all levels of the Corporation (Head Office and Branches).



# OUTREACH PROGRAMME

## EXPORT DAY 2016 : GO THE EXTRA MILE BY MATRADE

CGC's participation at Export Day 2016 was aimed at creating business platform for entrepreneurs and Malaysian companies to exchange information, share success stories, ideas and challenges in exploring international markets.

The event featured panel sessions and market briefings by Malaysia External Trade Development Corporation (MATRADE) and a number of agencies such as Malaysian Industrial Development Finance Berhad (MIDF) Amanah Investment Bank Bhd and Bank Negara Malaysia. The highlight was a talk on MATRADE's e-Learning Programme which showcased an online learning system developed to improve the knowledge and skills of SMEs in growing their export business.

## MAYBANK SME ROADSHOW – BUILDING CAPACITY & CAPABILITY FOR SME ENTREPRENEURS

CGC participated at Maybank's SME Roadshows/Seminar titled "Building Capacity & Capability for SME Entrepreneurs". The event which kicked off at Grand Bluewave Hotel, Shah Alam was held from 22 March until August 2016 at 8 locations nationwide. About 1,200 participants (150 pax per venue) attended the events and the target participants were MBB existing SME customers (with borrowings and non-borrowings) as well as potential SMEs. One booth space and speaking slot of 20 minutes was been allocated for CGC at each of the location.

## MAGIC CENTRAL (MAGIC) & ACE OPEN DAY

Malaysian Global Innovation & Creativity Centre (MaGIC) Central and ASEAN Centre for Entrepreneurship (ACE), both Malaysian Government funded agencies, organised an 'Open Day' on 29 February 2016 at Cyberjaya for entrepreneurs and start-ups to seek help and guidance from various Government Agencies and the partners of MaGIC and ACE. Thirty government agencies and partners including CGC as well as 180 entrepreneurs and start-ups attended the Open Day, making it a very successful event.

## BANK NEGARA MALAYSIA (BNM) BRIEFING ON ASSISTANCE FOR SMEs

BNM organised a briefing session on assistance for SMEs to FIs and SMEs as part of the continuous effort to enhance SMEs and FIs officers' awareness of various initiatives for SME development.

CGC was one of the speakers at the briefing, aside from The Association of Banks in Malaysia (ABM), SME Corporation Malaysia (SME Corp) and Agensi Kaunseling dan Pengurusan Kredit (AKPK). The briefing was divided into two (2) sessions, i.e. for SMEs and FIs. In addition, BNM has also invited CGC to participate in the information counters to promote CGC's schemes to the SMEs.

## FINANCIAL ROADSHOW



The roadshow, organised by the Federation of Malaysia Chinese Guilds Association and endorsed by SAME, has brought together 18 local financial institutions, including Bank Negara Malaysia, CGC, Malaysia Investment Development Authority, and SME Bank.

## SPECIAL SECRETARIAT FOR EMPOWERMENT OF INDIAN ENTREPRENEURS (SEED) TRAINING SERIES: RIGHT SIZE YOUR FUND 2016

This is an initiative undertaken by the Secretariat for Empowerment of Indian Entrepreneurs (SEED) in collaboration with Bank Negara Malaysia (BNM), which was aimed at exposing entrepreneurs to the type of help available to SMEs in distress. The training, entitled 'Right Size Your Fund', was also aimed at providing insight into the remittance services offered by providers for SMEs in Malaysia.

## TALK ON DIGITAL MARKETING BY CGC & KLSCCCI



CGC collaborated with The Chinese Chambers of Commerce and Industry of Kuala Lumpur and Selangor (KLSCCCI) in organising a briefing session on "Digital Marketing". About 120 participants, including KLSCCCI's members attended the talk. KLSCCCI invited two (2) famous digital marketing entrepreneurs, i.e. Mr. Yeoh Chen Chow of KFit and Mr. Chin Ren Yi of MyBurgerLab to share their success stories. CGC also held a briefing session on its role in enhancing SMEs' access to financing. Aside from the briefing session, CGC also provided booths for the participants to promote their products/services.

## OUTREACH PROGRAMME

### SISWAPRENEUR PUTRA @1 MALAYSIA (UPM)

CGC participated at the SISWAPRENEUR PUTRA @ 1 MALAYSIA programme organised by Centre of Entrepreneurial Development & Graduate Marketability (CEM) Universiti Putra Malaysia as one of the exhibitors. The two (2) days programme was held at Panggung Percubaan UPM from 24th until 25th November 2016.

The objective of this program was to increase entrepreneurship attributes and graduates' marketability as well as to expose them to options and knowledge regarding benefits, schemes, grants or financing packages that could help them pursue or expand their business.

### TALK SESSION BY CGC AND PERNIAGAWATI



CGC has collaborated with PENIAGAWATI in organising a briefing session to its members. PENIAGAWATI is an association for Bumiputera women entrepreneurs across the country. Its mission is to be a platform to realise the entrepreneurial potential of women by organising training programmes and coaching courses in order to increase the number of women entrepreneurs who can become a catalyst for the national economy. In line with this, CGC took the initiative to be a strategic partner in providing advisory on the financing offered to women entrepreneurs.

### BUSINESS TALK BY AMBANK GROUP

CGC participated at AmBank's business talk event known as "Boss Talk with Chan Fong". Aside from Chan Fong as a host, AmBank was represented by their SME experts, Yeow Swee Yun (Head of Commercial, Wholesale Banking) and David Yeoh (Head of SME Banking). The business topic discussed on how SMEs overcome obstacles in the challenging situation. About 700 SMEs attended the event and the promotion was done via radio ad and Facebook. Booth space was allocated to CGC to promote its products and services to the participants.

### RETAILING IN DIGITAL ERA WORKSHOP FOR SMES



CGC has taken the initiative in collaborating with The Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor (KLSCCCI) to organise a half-day knowledge sharing session on Retailing in Digital Era. It was one of the various initiatives under its development programme to further support the SMEs in the country.

The programme saw the participation of more than 100 SMEs. It served as a well-laid platform for the SMEs to learn and expand their business or to venture into something new. Besides, it was also aimed at assisting SMEs to gain invaluable insight in equipping themselves to be more enterprising in the digital era in gaining access to both local and international markets.

## KARNIVAL KEWANGAN 2017



CGC has participated in Karnival Kewangan which was organised by Bank Negara Malaysia at the Putra World Trade Centre (PWTC) Kuala Lumpur from 13 to 15 January 2017.

Themed as "Your Financial Need Matters", the carnival served as a one-stop centre for the public to obtain information on financial products and services, conduct financial transactions, learn about new initiatives and opportunities in business and financial management.

Besides being one of the exhibitors at Karnival Kewangan, CGC also participated in the '*Bual Bicara Tentang Pembiayaan PKS*', a panel session in which CGC's President/Chief Executive Officer Datuk Mohd Zamree Mohd Ishak participated. The session was aimed at providing a platform to increase the awareness of the initiatives undertaken to enhance access to financing for SMEs.

## MEETING WITH SARAWAK BUMIPUTERA ECONOMIC COUNCIL



CGC attended the Sarawak Bumiputera Economic Council (MEB) Special Committee Meeting on 29 July 2016 to present a proposal on the financing option offered to the Bumiputera sub-contractors via its Tabung Projek Usahawan Bumiputera (TPUB-i) scheme as part of its support to the implementation of the Sarawak Pan Borneo Highway project. CGC is working closely with Unit Peneraju Agenda Bumiputera (TERAJU) Dewan Usahawan Bumiputera Sarawak (DUBS), Dayak Chamber of Commerce and Industry (DCCI), Construction Industry and Development Board (CIDB) and Unit Pembangunan Usahawan dan Industri Halal (UPIIH) on this initiative. The meeting was chaired by the Federal Minister of Works, YB Dato' Sri Fadillah Yusof.

## WORKSHOP FOR SMES TO GAIN MARKET ACCESS TO HYPERMARKETS

CGC in collaboration with Steinbeis Malaysia Foundation organised a half-day 'Entry to Hypermarket' workshop as part of its initiative under the Development Programme to assist SMEs to overcome its challenges faced in gaining access to local and international markets.

The workshop held at Bangunan CGC in Kelana Jaya saw the participation of more than 60 SMEs from the food and beverage (F&B) sector. This served as a clear demonstration and commitment of CGC in reaching out to SMEs to assist them with their financing needs and market access.

# SUSTAINABILITY STATEMENT

## COMMITTED TO CREATING SUSTAINABLE VALUE

As a leading proponent of SME development, CGC continues to grow from strength to strength, steadfastly transforming itself, its products and services so that it can cater effectively to the ever-changing needs of SMEs and the SME ecosystem. From our original mandate of assisting SMEs to obtain financing from financial institutions by providing guarantees, or direct financing for certain SME segments, we have moved on to offer advisory services under our Developmental Programme.

We recognise the need to create long-term shared value to our stakeholders and to secure the future of CGC. As such, we are committed to upholding responsible management and sustainable development on the Economic, Environmental and Social fronts. By ensuring sustainable progress across CGC, we are strengthening our operational efficiencies and creating sustainable value for our stakeholders.

## OUR APPROACH TO SUSTAINABILITY

### Scope and Methodology

This inaugural Sustainability Statement underscores CGC's commitment to undertaking business in a responsible and sustainable manner through its Economic, Environmental and Societal or EES performance. Covering the period 1 January to 31 December 2016, it focuses mainly on the business sustainability activities of the entity, Credit Guarantee Corporation Malaysia Berhad. This Sustainability Statement is to be read in conjunction with the rest of CGC's 2016 Annual Report, which highlights other financial and non-financial aspects of CGC's business. To avoid content overlap, references may be made to existing information located elsewhere in this Annual Report.

### Sustainability Governance

CGC's commitment towards sustainable growth is evident at all levels of the organisation. Our Board of Directors and senior management are setting the tone from the top by acknowledging the importance of pursuing an agenda that upholds good EES practices. Our leadership has committed to investing in measures that support the sustainable growth of CGC and which create value for our stakeholders. On the ground, the various teams within CGC carry out their everyday functions in a manner that makes a positive and long-term impact on the EES front. With all employees doing their bit to ensure responsible and sustainable behaviour, this is successfully preserving CGC's reputation and bolstering shareholder value.

### Disclosure and External Assurance

While sustainable practices form part and parcel of CGC's daily operations, we are still at the early stages of developing a formal sustainability policy that encompasses all areas. This being our first consolidated Sustainability Statement, it has not been subjected to external assurance. We are in the process of streamlining our sustainability data collection and monitoring activities across CGC.

## MATERIAL SUSTAINABILITY MATTERS / KEY RISKS

CGC has yet to undertake a formal materiality analysis to determine what topics are of importance to our external and internal stakeholders. However, we have identified several risks in key areas that may have a direct or indirect impact on our ability to create, preserve or erode EES value. These risks and the initiatives to mitigate the impact of these risks are highlighted in the "Statement on Risk Management and Internal Control" section of this Annual Report.





## STAKEHOLDERS' ENGAGEMENT ACTIVITIES

As CGC's businesses and its markets evolve, CGC finds itself engaging with an expanding number of different stakeholder groups. Continuous stakeholder engagement is a fundamental component of CGC's sustainability strategy and CGC is committed to undertaking ongoing activities in this area.

By engaging with key stakeholders such as our employees, shareholders (namely Bank Negara Malaysia or BNM) and financial institutions (FIs), SMEs, government agencies, the media and community leaders, CGC is able to respond to these group's different expectations. We tap variety of platforms such as regular, formal and informal meetings, roadshows, seminars, talks/workshops and luncheons, among others to engage with these stakeholders.

Over the course of our engagement activities, we have come across a range of important stakeholder issues. To date, these issues have included topics such the creation of more access to financing for SMEs, the Bumiputera SME development agenda, the procedures and speed of approval and disbursement of financing, closer collaboration between agencies, brand presence and visibility, as well as other issues.

## UPHOLDING GOOD ECONOMIC PRACTICES

### Focused Business Strategy

CGC continues to refine its business strategy to ensure the sustainable growth of its businesses. By maintaining a laser-focused approach, this enables CGC to cater to the evolving economic and business environments. For insights into CGC's overall strategic direction plus its financial and operational performance, please refer to the "President/CEO's Message and Management Discussion and Analysis" (PCEO's Message and MD&A) section in this Annual Report.

## SUSTAINABILITY STATEMENT

### Bolstering the SME Ecosystem

Today, SMEs play an integral role in the Malaysian economy and will continue to play a vital role in the nation's economic growth. Under the SME Masterplan 2012-2020, SMEs are expected to contribute between 36.3% and 41% to GDP by 2020. We acknowledge that the total marketplace ecosystem is important to our sustainable growth and remain committed to engaging in initiatives that will help us to strengthen ties with our SME clients as well as BNM, the FIs, our suppliers, industry peers and other stakeholders in the marketplace. In line with this, CGC continues to undertake activities that are making a tangible impact and creating value in the sectors, markets and communities in which we operate.

### Strategic Collaboration

In support of the SME development, CGC continues to enter into collaborative partnership with diverse strategic partners to accord SMEs continuous access to financing. For the year in review, CGC entered into these arrangements, among others:

- In June 2016, we signed a joint Memorandum of Understanding (MoU) with Johor Petroleum Development Corp (JPDC), SME Corp Malaysia, SME Bank and TERAJU to provide financial assistance to the SMEs participating in projects at the Pengerang Integrated Petroleum Complex (PIPC), particularly players in the support services sector.
- In August 2016, we signed an MoU with Mass Rapid Transit Corporation Sdn Bhd (MRT Corp) to provide eligible Bumiputera contractors participating in the MRT Line 2 under the Klang Valley MRT (KVMRT) project.
- In September 2016, we entered into a strategic partnership agreement with Maybank to avail up to RM1.5 billion of financing to the SMEs via CGC's PG scheme - the largest ever amount in Malaysia to support local SMEs in growing their businesses further.

- In January 2017, we sealed a portfolio guarantee agreement with Bank Simpanan Nasional (BSN) to provide up to RM50 million in financing to micro enterprises.

### Knowledge Sharing and Networking

CGC's knowledge sharing and business networking activities has brought about the following results:

- CGC in collaboration with MATRADE, provided international market access and facilitated the successful participation of three of its clients at the 13th China-ASEAN Expo held in Nanning, China. This platform enabled these SMEs to gain invaluable experience and international exposure from showcasing and marketing their products.
- CGC's venture into the provision of advisory services, is seeing it link SMEs to prospective buyers and providing them guidance on how best to enter the local hypermarkets. CGC has also engaged Steinbeis Malaysia Foundation to provide subject matter expertise to SMEs in diverse fields before they venture onto any local or international platforms.

For the finer details of CGC's collaborative as well as knowledge sharing and networking efforts, please refer to the "PCEO's Message and MD&A" section as well as the "Outreach Programme" and "Corporate Events" sections of this Annual Report. For 2017, CGC will continue to work with development finance institutions or DFIs and government agencies to provide micro financing to SMEs, as part of its efforts to support financial inclusion.

### Transparent Marketplace Practices

We continue to implement policies in our day-to-day operations to uphold governance, transparency and good marketplace behaviour. These include the following:

- The Statement on Corporate Governance which spells out the workings of the Board of Directors is published in CGC's Annual Report;
- A Code of Conduct emphasising business ethics with regard to dealings between CGC staff and clients;
- A Whistle Blowing Policy (updated in November 2016) and published on CGC's website, plus a Fraud Management Framework that covers fraud broadly. Both the Framework and Whistle Blowing Policy, which are to be read in conjunction with one another, cover matters of misconduct.

### Business Awards and Accolades

CGC continues to garner recognition from the marketplace for our achievements on several fronts. For the year in review, we received a host of awards and accolades for our commitment to business excellence. These included the NACRA Award for Best Annual Report for Non-listed organisation, the Karlsruhe, the Brand Laureate and HR Asia awards. The details of these awards can be found in the "2016 Achievements & Accomplishments" section of this Annual Report.

### UPHOLDING GOOD ENVIRONMENTAL PRACTICES

CGC is mindful about environmental sustainability. As we undertake our operations, we are at all times committed to protecting the environment through indirect efforts such as financing green technology investments and undertaking direct activities that promote environmental awareness.

### Green Technology Financing

CGC is one of the two implementation agencies mandated by the Government to manage the Green Technology Financing Scheme (GTFS) which aims to address the financing needs of industries in new growth areas, particularly investments in green technology. Introduced in 2010, the RM3.5 billion GTFS fund was established by the Government to encourage businesses to invest in green technology and develop environmentally friendly buildings. The government has committed to bear 2% of the total interest rate and provide a 60% guarantee on the financing amount through CGC, with the remaining 40% undertaken by participating financial institutions.

In March 2017, the Government announced that it would be extending the GTFS for another five years with an additional allocation of RM5 billion (on top of the original RM3.5 billion which was supposed to last until December 2017). Dubbed GTFS 2.0, this phase aims to encourage growth in the green technology sector and make it more competitive.

Being one of the two implementation agencies, CGC has been mandated to ensure the success of GTFS by spearheading marketing and promotional activities that will help enhance awareness of the scheme amongst producers and users. In relation to the promotional efforts, CGC has been working closely with Malaysian Green Technology Corporation (Green Tech Malaysia) to support companies venturing into green technologies, an area that is relatively new for many Malaysian entrepreneurs. CGC is also stepping up its promotional efforts to create awareness of the huge potential in this sector through its participation in numerous exhibitions and seminars organised by trade associations and business chambers nationwide.

One of CGC's biggest and most successful GTFS client is Gading Kencana Sdn Bhd, a renewable energy services company. Recognising the potential of renewable energy in Malaysia, the founders have been steering the company steadily forward from its inception, first in the solar lights market, then progressing to solar and hybrid systems and recently breaking into large-scale solar PV systems with output by the hundreds of kilowatts. Even as it has grown, the company has added even more services, from energy audits to energy efficiency consultancy and more, to offer clients a full one-stop service for all their renewable energy needs.

## SUSTAINABILITY STATEMENT

### Team-oriented Green Initiative

As part of our efforts to protect the environment and minimise our carbon footprint, we rolled out the CGC Fun Walk, an environmental programme for Management and staff with the theme centred on "Teamwork", one of CGC's five Core Values. At the onset of the 2016 programme, CGC staff worked together as one to spruce up the environment at Taman Perbandaran Kelana Jaya, Selangor by cleaning the park and undertaking tree planting activities. A nationwide programme with staff from CGC's 16 branches was rolled out on 8 October 2016, with each branch organising various activities to improve the environment at their respective cities and towns. Some 250 CGC staff participated in the programme.

In addition, we organised an internal recycling initiative nationwide that involved the collection of old files, reports/publications, equipment, cans/bottles, etc. and the sale of these items. The proceeds from this activity were channelled to a charity organisation.

### UPHOLDING GOOD SOCIAL PRACTICES

#### Labour Practices and Decent Work

CGC's success to date is the result of the diligent efforts of its dedicated workforce. As at end December 2016, CGC's total workforce stood at 535 employees. In terms of manpower strength, CGC managed to maintain the total headcount within the targeted threshold all year round. With this headcount and the effective utilisation of resources, we managed to achieve higher productivity rates in comparison to previous years.

The composition of CGC's workforce is as follows:

	2016	2015
<b>Gender</b>		
Male	200 (37%)	204 (38%)
Female	335 (63%)	335 (62%)
<b>Education</b>		
Degree & Above	413 (77%)	417 (77%)
Diploma & Certification	64 (12%)	64 (12%)
Others	58 (11%)	58 (11%)
<b>Age</b>		
Below 50 years old	497 (93%)	505 (94%)
Above 50 years old	38 (7%)	34 (6%)
<b>Type of Employment</b>		
Permanent	523 (98%)	528 (98%)
Contractual	12 (2%)	11 (2%)
<b>Total Workforce</b>	<b>535 employees</b>	<b>539 employees</b>

### Upholding Diversity

CGC today has in place policies and initiatives relating to recruitment, retention, training and development, as well as CGC -sponsored corporate and social activities. These are implemented in a manner that does not discriminate against ethnicity, religion, gender, age, disability, or status. CGC is committed to employing, appointing, promoting, developing and rewarding its employees based on company-defined criteria and in line with the principles of meritocracy and fairness. All these measures are ensuring that the CGC family remains a well-balanced, safe and harmonious one.

With respect to gender diversity, the Board currently has one female member, namely Puan Nadzirah Abd. Rashid. The Board aims to maintain an optimal mix of skills, experience, expertise and background on the Board while having due regard for the benefits of gender diversity.

## Talent Management and Succession Planning

In line with our human capital strategy of building a high performance and engaged organisation by 2020, it is our aspiration that we will have developed a pool of ready talent by then to fill up CGC'S key internal vacancies. We are leveraging on talent management as a key component in CGC's succession planning process. This involves the process of identifying High Potential employees (HiPOs) and incorporating them into an accelerated development programme. Our aim is to harness the right intellectual capital that resides within our diverse workforce so that we can ensure business continuity and the availability of prepared leaders.

In 2016, the Board approved the CGC's Succession Plan and Talent Management Framework. The Human Capital Department is now actively implementing the plan CGC-wide especially in relation to nomination/selection and assessment exercises. Development activities are targeted to commence by the third quarter of 2017.

## Employee Engagement

As engaged employees are more satisfied with their work, tend to stay longer, and are more productive and committed, CGC continues to prioritise employee engagement activities to communicate with and unify its employees. Over the course of 2016, we undertook several engagement activities that delivered positive results.

For the first time, a two-day event called HCD2U was held in the third quarter of 2016 as means for the Human Capital Department (HCD) to engage with employees and provide them with value-added services. During this event, representatives from several statutory bodies as well as from a reputable hospital were invited to share knowledge and attend to any inquiries from the employees. Knowledge sharing sessions with the HCD were held too.

An Annual Employee Engagement Survey was conducted in August 2016 to assess employee engagement levels. Some 99.6% employees responded to the survey and the findings suggested that 73% of CGC's employees are engaged. Based on the survey findings, the employees of CGC are generally hardworking, have a good sense of teamwork, are loyal and are clear about CGC's goals and aspiration.

## Total Rewards Benefits

We continue to put in place diverse initiatives to ensure our people achieve their full potential and are able to give their best. In order to invest in the talent of today for the future, we continue to ensure that CGC's compensation and benefits packages remain fair, equitable, competitive and are aligned with the market. This is important not only to retain and motivate employees, but also to attract new talent to CGC.

Amidst 2016's challenging market environment, we prudently reviewed several benefits and enhanced others to remain competitive while improving several policies. CGC adopts a human capital strategy that provides an equal and balanced reward-reprimand perspective.

Apart from this, we also undertook measures to tighten certain procedures. This included establishing more comprehensive disciplinary guidelines to ensure that all aspects of employee relations are effectively and fairly managed, as well as to maintain the general good conduct and standard of behaviour expected of all employees.

CGC has always emphasised a performance-based culture and deserving employees were rewarded accordingly via annual salary increments, performance-based bonuses, yearly promotion/upgrading exercises as well as a relevant awards programme initiated by CGC.

## Employee Recognition

CGC strongly believes in showing its appreciation to employees for their unwavering loyalty, support, commitment and contribution towards the growth of CGC. Hence in the last quarter of the year, all employees of CGC including the Board of Directors were invited to attend the CGC's Annual Dinner. In conjunction with the event, three ceremonies took place, namely the Appreciation Service Award ceremony (whereby 18 employees were lauded for their good conduct, service and loyalty to CGC); and the Sales Achievers Overseas Trip ceremony (to reward qualifying employees at the branches for their achievements and efforts in exceeding the sales target for the year). For the first time ever, CGC accorded due recognition to several departments that had contributed towards achieving seven prestigious awards during the year. CGC will continue to identify areas of improvement to increase the level of engagement among employees.

## SUSTAINABILITY STATEMENT



### Training and Manpower Development

In line with CGC's aim of building a high performance organisation with superior delivery, professionalism, efficiency and effectiveness as well as to prepare a pipeline of potential leaders, the HCD continued to implement training programmes across all levels of the organisation in 2016. The year saw the Training & Development Budget of RM2.7 million, fully utilised. This RM2.7 million allocation accounts for 4.4% of personnel cost which is higher than the BNM Staff Training Expenditure Guideline of 2.5% for DFIs. This shows our commitment to developing our internal talent.

On average, each employee received a minimum of three man-days of training in 2016. A total of 132 in-house and 73 external training programmes were executed throughout 2016 involving 100% of the total employees outreach. From April to May 2016, a series of 10 CGC-wide teambuilding programmes were executed with the theme "THINK Team 2016". "THINK" is the acronym for CGC's new core values which stand for Teamwork, Hardworking, Integrity, Nurturing and Knowledgeable. The teambuilding sessions were organised for all CGC staff with the main objective of instilling team unity and synergy whilst inculcating a High Performance Culture.

As a rapidly developing organisation, CGC is passionately pursuing excellence and building expertise in variety of fields. We are proud to be a player in creating future professional generations which is evident in our continuous collaboration with the Institute of Chartered Accounting in England and Wales (ICAEW). CGC is currently sponsoring two graduates pursuing the globally renowned Certified Accounting Qualification, ACA. CGC also continues its partnership with Asian Institute of Chartered Bankers (AICB) for its flagship Certification Programme Advanced Credit Enhancer (ACE).

During the year, training exposure was not limited to the Head Office but also to branches nationwide. Special emphasis was given to branch competency development where a programme called the Branch Excellence Programme (BEP) was designed to develop competent branch staff at all levels. Various modules encompassing Selling Skills, Basic Credit, Product Excellence and Mentoring programmes were customised in order to meet the business goals of CGC.

## Human Capital Awards and Accolades

The year 2016 marked another year of achievement for CGC as reflected in the recognition that we received on the people front. CGC was awarded the regional recognition for Employee Branding as one of the recipients of the HR-Asia Award: Best Companies to Work For in Asia (Malaysia Chapter). More details can be found in the "2016 Achievements & Accomplishments" section of this Annual report.

## SOCIETY/COMMUNITY

### Enriching Communities

We remain fully committed to positively impacting the communities in which we operate. From supporting schools and schoolchildren, to providing support in cash and kind to charity organisations and the physically challenged, to spreading joy during festive celebrations such as Hari Raya Aidilfitri, Chinese New Year, Deepavali, Hari Keamatan, Gawai and Christmas, CGC continues to focus its efforts on nurturing communities and developing a sustainable future for them. Reaching out to needy groups, CGC interacts with schoolchildren and local communities, charity organisations and other interest groups to facilitate long-term and constructive resource development.

In 2016, CGC allocated approximately RM400,000 for community development and outreach programmes. This included the rollout of 25 Corporate Responsibility (CR) programmes in collaboration with various charity organisations and NGOs. Altogether, some 3,000 Malaysians across the country benefitted from our efforts.

A list of the Corporation's community-based Corporate Responsibility activities can be found in the "Corporate Responsibility" section of this Annual Report.

## BUILDING A SUSTAINABLE FUTURE

As CGC ventures forth, we are committed to embedding sustainability into our business strategy and operations and in a greater measure. CGC will focus its efforts on undertaking measures to ensure that our sustainability agenda aligns with its business strategy and that it delivers sustainable performance on the EES fronts. Ultimately, CGC'S ambition is to balance out its good Economic performance with responsible Environmental and Social considerations for the long-term so that CGC becomes a model for responsible corporate.

# CORPORATE RESPONSIBILITY



## CONTRIBUTION TOWARDS BUILDING A SCHOOL WALL

CGC has contributed RM10,000.00 to Sekolah Kebangsaan Bukit Lanjan (Asli) Damansara Perdana, Kuala Lumpur in support of the school's initiative to provide a secure and safe environment for their school children. This Corporate Responsibility (CR) initiative was carried out in collaboration with Malaysian Rating Corporation Berhad (MARC).



Officiating Ceremony of SK Bukit Lanjan's (Asli) school wall built for the safety and security of the students. (From left): CGC's President/CEO, Datuk Mohd Zamree Mohd Ishak, CEO of MARC, En. Razlan Mohamed, Headmaster of SK Bukit Lanjan, En. Khairul Anuar, Group Senior Manager of Handal Resources, En. Azli Abdullah, and Chief Economist of MARC, En. Nor Zahidi Alias.



## CGC IN SUPPORT OF 'RELAY FOR LIFE' EVENT

CGC participated in the National Cancer Society Malaysia's (NCSM) 'Relay For Life', event organised in support of cancer survivors in Malaysia. CGC donated a sum of RM10,000.00 which was in line with its CR objectives. This event had also served as a platform for CGC staff to foster the spirit of teamwork and giving back to the society.



CGC's volunteers participated at the Relay for Life event which was held at Padang Timur, Petaling Jaya, Selangor.



MAY

## CR IN CONJUNCTION WITH PESTA KEAMATAN

CGC's staff visited Rumah Warga Tua Sri Harapan which is located in Sandakan, Sabah to bring hope and cheer to 43 elderly residents. The programme was participated by CGC's staff from both the headquarters and Sandakan branch.

CGC's President/CEO, Datuk Mohd Zamree Mohd Ishak (2nd from left) presenting the mock cheque to YB Datuk Hajah Jainab Datuk Seri Panglima Hj. Ahmad Ayid, Minister of Community Development and Consumer Affairs (4th from right). Also in the picture are YBhg. Datuk Hj. Armani Datuk Hj. Mahiruddin (4th from left) and YBhg. Tan Sri Datuk Seri Panglima Hj. Ampong Puyon (5th from left).



MAY

## CR IN CONJUNCTION WITH GAWAI FESTIVAL

CGC shared their joy and love with children and individuals with special needs in Miri, Sarawak. The CR activity, organised in conjunction with the Gawai Festival, was held at the Malaysian Red Crescent's (MRC) Sunflower Centre.

MRC received a cash contribution of RM12,000.00 from CGC to support MRC Sunflower Centre to train and develop their special needs children through specific programmes and trainings. CGC demonstrated its commitment to reach out to all levels of society that a sustainable future can be developed for the underprivileged and those who required assistance.

Also present to grace the programme was YB Dato' Sebastian Ting, Piasau State Assemblyman, Sarawak.



CGC's President/CEO, Datuk Mohd Zamree Mohd Ishak (middle) with the children and Chairperson of MRC, Mdm. Liza Chai (middle right) at MRC Sunflower Centre.

## CORPORATE RESPONSIBILITY

JUN

### SHARING THE LIGHTS AND BLESSINGS OF RAMADHAN

In sharing and embracing the blessings of the holy month of Ramadhan, CGC organised an Iftar event to celebrate with 40 children from Rumah Bakti Cahaya Hati (RBCH) with its employees and guests. The Iftar event was held at Masjid Tengku Kelana Jaya Petra (MTKJP) in Kelana Jaya, Selangor.

The beneficiaries were presented with 'duit raya' and 'goodie bags' by CGC. CGC also contributed a sum of RM 8,000.00 to the orphanage in support of their daily activities.



CGC's Chairman, Dato' Agil Natt (middle) presenting the contribution to the caretaker of the orphanage Puan Wahyuning Widayati Sanyoto. Looking on is CGC's President/CEO, Datuk Mohd Zamree Mohd Ishak (left).



CGC's director Datuk David Chua Kok Tee giving out 'duit raya' to the children from Rumah Bakti Cahaya Hati (RBCH).

JUN

### BUBUR LAMBUK & NEWSPAPER DISTRIBUTION PROGRAMME

The 'Bubur Lambuk' Distribution Programme was held in collaboration with Utusan Malaysia at Masjid Jamek in Kampung Baru, Kuala Lumpur for the congregation and also the community nearby. A mock-cheque presentation ceremony was also held to signify CGC's sponsorship worth RM 40,000.00, which is inclusive of the distribution of 8,000 copies of newspapers to the motorists with a special message 'Selamat Hari Raya Aidilfitri, Ikhlas daripada CGC' printed on the front page.



CGC's Chairman, Y.Bhg Dato' Agil Natt (middle) distributing bubur lambuk together with President/CEO, Datuk Mohd Zamree Mohd Ishak (right).

AUG

## CONTRIBUTION TO ISRA FOR THE PUBLICATION OF ISLAMIC ECONOMICS TEXTBOOK

CGC has contributed a sum of RM200,000.00 to the International Shari'ah Research Academy for Islamic Finance (ISRA) in support of its initiative in the publication of Islamic Economics textbook. ISRA is an establishment that promotes applied research in the area of Shariah and Islamic finance.



CGC and ISRA's team posing for the mock cheque presentation. From left: (CGC) SVP of Bumiputera Development and Product, En. Mohd Azman Mohd Taufik, the then SVP of Corporate Services, Datin Komathi Lalitha Veeriah, Chief Risk Officer, Mr. Perbagaran Kuppusamy, Chief Financial Officer, En. Syed Naufal Shahabudin, President/CEO, Datuk Mohd Zamree Mohd Ishak, (ISRA) Executive Director, Prof. Dr. Mohamad Akram Laldin, Director of Operations, General Affairs Department, En. Abu Bakar Sidek, CEO of ISRA Consultancy Sdn. Bhd., Prof. Dr. Ashraf bin Md Hashim, and Director of Research, Research Affairs Department, Dr. Marjan Muhammad.

OCT

## BRINGING THE JOY OF DEEPAVALI TO THE COMMUNITY IN PERAK

In conjunction with the Deepavali celebrations, CGC continued its CR initiative by organising a shopping spree for the underprivileged community in Perak. About 30 families received RM350.00 worth of shopping vouchers each to shop for the basic necessities for the Festival of Lights. CGC contributed a total sum of RM16,000.00 to the beneficiaries and a shelter home.



CGC's Chief Financial Officer, En. Syed Naufal Shahabudin (3rd from right) and Assistant Vice President of Corporate Communications, Mr. Kumaran Vyraperumal handing over the contribution to the beneficiaries at the programme. Looking on is Punitha Jeyabalan, CGC's Ipoh Branch Manager.

## CORPORATE RESPONSIBILITY

OCT

### CONTRIBUTION TO PERTUBUHAN KEBAJIKAN MENTAL SELANGOR

CGC contributed RM3,000.00 to Pertubuhan Kebajikan Mental Selangor (PKMS), in support of the centre's daily necessities.



The then CGC's Senior Vice President of Corporate Services, Datin Komathi Lalitha Veeriah (2nd from right) presenting the mock-cheque to the President of Pertubuhan Kebajikan Mental Selangor (PKMS), Mr. Prem Anand (3rd from right). The contribution handing over ceremony was witnessed by CGC's Assistant Vice President of Corporate Communications, Mr. Kumaran Vyrapperumal (right).

OCT

### CONTRIBUTION TO PERTUBUHAN PERMATA AL-MAHABAH, PULAU PINANG (PUSAT JAGAAN PERMATA KASIH)

CGC extended its helping hand to Pertubuhan Permata Al-Mahabbah, Pulau Pinang (Pusat Jagaan Permata Kasih), an orphanage that shelters around 60 children. CGC has contributed a sum of RM25,000.00 to enable the orphanage to purchase a van to ease their transport woes. The centre is now able to organise more activities for the children.



CGC's Prai Branch Head, Pn. Wan Faizah (4th from right) along with the children during the handing over of the van to the Orphanage.

OCT

### CONTRIBUTION TO PERTUBUHAN KEBAJIKAN SKIZOFRENIA MALAYSIA

CGC contributed RM7,350.00 to Pertubuhan Kebajikan Skizofrenia Malaysia in support of its fundraising initiative to purchase three (3) automatic wheelchairs for its residents.

CGC's Chief Financial Officer, Tuan Syed Naufal Shahabudin (6th from right) presenting a mock-cheque to the President of Pertubuhan Kebajikan Skizofrenia Malaysia, Mr. Lourdes Mudiappan (4th from left) to signify CGC's contribution to the foundation. Also present during the handover of the contribution is CGC's Assistant Vice President of Corporate Communications, Mr. Kumaran Vyrapperumal along with CGC's staff from the Human Capital and Corporate Communications departments.



OCT

## BLOOD DONATION DRIVE

In collaboration with the National Blood Centre, CGC organised a blood donation drive at its headquarters in Kelana Jaya, Selangor. The blood donation drive, an annual CR activity, received the support of 44 staff who came forward to donate blood.



CGC's caring staff showing their support by participating in the Blood Donation Drive.

DEC

## CHRISTMAS CONTRIBUTION FOR RUMAH HOPE

In conjunction with the Christmas celebrations, CGC's contibuted RM12,000.00 to Rumah Hope, Petaling Jaya, Selangor in support of their initiative to provide a conducive environment and health care for the children at their shelter.



CGC's Chief Financial Officer, Tuan Syed Naufal Shahabudin (2nd from left), handing over the cheque of RM10,000 to the Chairman of Rumah Hope, Mr. Jacob Matthew (2nd from right), which was witnessed by CGC's Assistant Vice President of Corporate Communications, Mr. Kumaran Vyaperumal (far right), and the Administrator of Rumah Hope, Ms. Stephanie Chia (far left).

DEC

## CGC'S CONTRIBUTION TO A CLEAN ENVIRONMENT

CGC's staff swept, cleared and spruced up the environment at Taman Perbandaran Kelana Jaya. Amongst the activities organised was tree planting to signify their contribution and support towards the programme. This was part of CGC's initiative to instill teamwork and civic awareness amongst its staff.

About 100 trees were planted at the said park. This programme was also organised nationwide by CGC's staff at its 16 branches simultaneously.



CGC's staff planting the saplings at Taman Perbandaran Kelana Jaya.

## CORPORATE RESPONSIBILITY

DEC

### BACK-TO-SCHOOL CR PROGRAMME FOR THE ORANG ASLI COMMUNITY

CGC had organised its 3rd Back-to-School Programme with the Orang Asli community as part of its contribution to their children for the 2017 school session. CGC contributed school supplies to 158 school-going children from Ulu Melaka Orang Asli Settlement.

CGC's Back-to-School CR Programme with the Orang Asli Community was held to ease the financial burden of the Orang Asli families before the start of the school session. It is also to create an interest and highlight the importance of education amongst the Orang Asli children.

The programme saw CGC's management team and volunteers from Kelab Rekreasi CGC (KRCGC) treating the children and their families with fun-filled activities and scrumptious lunch.



CGC's Management team and staff with the Orang Asli children giving the thumbs up to the program.

JAN

### CHINESE NEW YEAR LUNCH & SHOPPING TREATS



CGC's President/CEO, Datuk Mohd Zamree Mohd Ishak along with CGC's Senior Management and the beneficiaries tossing 'Yee Sang' during the Chinese New Year luncheon organised for the underprivileged families in Kuala Lumpur.

In conjunction with the Chinese New Year (CNY) celebrations, CGC in collaboration with KECHARA Soup Kitchen brought Chinese New Year joy and laughter to 30 underprivileged Chinese families by hosting a special CNY luncheon and a charity-shopping spree.

The families received TESCO shopping vouchers worth RM300.00 each to shop for the CNY celebration. The families were also treated with a lion dance performance and the tossing of the traditional dish - Yee Sang. CGC's President/ Chief Executive Officer, Datuk Mohd Zamree Mohd Ishak, presented RM5,000.00 to Ms Julie Tan, Vice President of Kechara Soup Kitchen in support of their noteworthy cause that is aimed at lending a helping hand to the urban poor.

APR

## FOOD DISTRIBUTION PROGRAMME FOR THE HOMELESS AND URBAN POOR

To further reach out to the underprivileged community, CGC has organised a food distribution programme especially for about 750 homeless and urban poor in Kuala Lumpur in collaboration with PERTIWI Soup Kitchen. Apart from that, CGC also contributed RM4,000.00 to PERTIWI Soup Kitchen to support their noble cause.

The programme held at Pusat Khidmat Gelandangan Medan Tuanku, Kuala Lumpur was attended by CGC's Chairman, Dato' Agil Natt and wife, Datin Sharifah Fatmah, Senior Management and staff including those from Kota Kinabalu and Sandakan branch.



The contribution was presented by CGC's Chairman, Dato' Agil Natt to the Chairman of PERTIWI Soup Kitchen Project, Datuk Munirah Abdul Hamid.

APR

## JOINT CR PROGRAMME BY CGC & EXIM BANK MALAYSIA

A group of 171 Rohingya children from Madrasah Hashimiah (MH), Selayang, Selangor spent a fun-filled day at Zoo Negara, courtesy of CGC and EXIM Bank. The objective of this programme was to give these children, aged between four and 18 years, an opportunity to experience outdoor activities and also gain knowledge on the preservation and conservation of animals at Zoo Negara. It is also to support the orphanage financially as it derives its source of income solely through donations from corporate companies, non-governmental organisations (NGOs), charitable organisations, zakat and personal donation to sustain their monthly expenses.

This first ever collaborative effort between the two financial institutions was attended by Dato' Agil Natt, CGC's Chairman, Datuk Mat Noor Nawawi, EXIM Bank Chairman, Datuk Mohd Zamree Mohd Ishak, CGC P/CEO, and Pn. Norzilah Mohammed, EXIM Bank P/CEO as well as the Management and staff of both organisations.



CGC's Chairman, Dato' Agil Natt (far left) and EXIM Bank's Chairman, Datuk Mat Noor Nawawi (2nd from left), CGC's President/CEO Datuk Mohd Zamree Mohd Ishak (2nd from right) and EXIM Bank's President/CEO, Pn. Norzilah Mohammed (far right) with the Rohingya children giving the thumbs up.

The graphic features a dark blue background with a large, light blue circle. Inside this circle is a smaller, teal-colored ring. The text "OPERATIONAL OVERVIEW" is centered within the teal ring. The background also includes several dotted white lines forming concentric circles.

# **OPERATIONAL OVERVIEW**





**118** Guarantees / Financing Schemes

**120** Operational Review

**122** Operational Highlights

**124** Corporate Events

**130** CGC In The News

**132** Brand Awareness & Media  
Engagement



# GUARANTEES / FINANCING SCHEMES

In 2016, CGC managed a total of 19 guarantees / financing schemes, six (6) of which fall under the Main Schemes category, six (6) under the Government-Backed Schemes category, four (4) under Financing Schemes, Portfolio Guarantee Scheme, SmallBiz Express Scheme and Wholesale Guarantee Scheme.

CGC's Guarantees / Financing schemes are as listed below:

## MAIN SCHEMES

1. BizJamin
2. BizJamin-i
3. BizJamin Bumi
4. BizJamin Bumi-i
5. BizMaju
6. BizSME

## GOVERNMENT-BACKED SCHEMES

1. Flexi Guarantee Scheme (FGS)
2. Franchise Financing Scheme (FFS)
3. Green Technology Financing Scheme (GTFS)
4. Green Technology Financing Scheme-i (GTFS-i)
5. Intellectual Property Financing Scheme (IPFS)
6. Intellectual Property Financing Scheme-i (IPFS-i)

## FINANCING SCHEMES

1. Tabung Projek Usahawan Bumiputera-i (TPUB-i)
2. BizMula-i
3. BizWanita-i
4. BizBina-i

## PORTFOLIO GUARANTEE SCHEME

## SMALLBIZ EXPRESS SCHEME (SBE)

## WHOLESALE GUARANTEE SCHEME



SCHEMES	2014		2015		2016	
	No. of Accounts	Value/ (RM Million)	No. of Accounts	Value/ (RM Million)	No. of Accounts	Value/ (RM Million)
<b>MAIN SCHEMES</b>	1187	315.5	982	255.7	848	227.2
ENHANCER	599	155.2	436	123.1	357	99.3
ENHANCER-i	114	44.9	113	55.2	127	57.2
SBE	57	5	86	0	37	1.1
DAGS	224	69.6	62	17.1	90	23.3
Others*	193	40.8	285	60.3	237	46.3
<b>GOVERNMENT-BACKED SCHEMES</b>	240	604.2	1,318	740.7	651	641.4
FGS	167	65.8	323	141.4	601	310.4
FFS	13	21.9	4	4.2	2	0.2
GTFS	20	190.9	31	162.7	24	143.2
GTFS-i	30	285.2	24	287.0	23	186.1
IPFS	1	10.0	-	-	-	-
IPFS-i	9	30.4	3	6.5	1	1.5
SRF	-	-	933	138.9	-	-
<b>FINANCING SCHEMES</b>	230	604.2	1,318	740.7	574	210.2
TPUB-i	167	65.8	323	141.4	201	178.0
Direct Lending	13	21.9	4	4.2	-	-
BizMula-i	20	190.9	31	162.7	230	19.6
BizWanita-i	30	285.2	24	287.0	143	12.6
<b>PORTFOLIO GUARANTEE #</b>	2,689	1,575.0	2,997	1,680.0	3,680	2,705.0
<b>WHOLESALE GUARANTEE #</b>	2,296	500.0	2,075	450.0	1,815	440.0
<b>TOTAL</b>	6,839	3,175.2	8,225	3,355.6	7,568	4,223.8

Notes:

\* Others: BizMaju, Enhancer Express, BizJamin Bumi, BizJamin Bumi-i, & BizSME

# Total amount for PG & WG FY2016 is derived based on the signed agreement with FIs

# OPERATIONAL REVIEW

## DIRECTION OF LENDING BY SECTORS

CGC broadly categorises its portfolio into three (3) main sectors, namely general business, manufacturing and agriculture. The number and value of guarantees / financing under these sectors are as follows:

SECTOR	No. of Accounts	Value (RM Million)
General Business	6,450	2,867.9
Manufacturing	974	507.7
Agriculture	107	52.3

## DISTRIBUTION BY STATE

The top three (3) states according to number of accounts and value of guarantees / financing are as stated below:

STATE	No. of Accounts	Value (RM Million)
Selangor	1,882	920.6
Federal Territory of Kuala Lumpur	1,440	836.9
Johor	903	372.6

**RANGE OF GUARANTEES / FINANCING SIZE**

The range of guarantees / financing size and value approved under all schemes are as shown below:

LOAN RANGE	Overall Schemes	
	No. of Accounts	Value (RM Million)
RM100,000 & below	1,148	133.2
RM100,001 - RM500,000	4,723	1,402.6
RM500,001 - RM1,000,000	1,359	1,132.5
RM1,000,001 - RM2,000,000	211	317.9
RM2,000,001 & above	90	441.6

**BREAKDOWN OF GUARANTEES / FINANCING COMPOSITION BY GROUP**

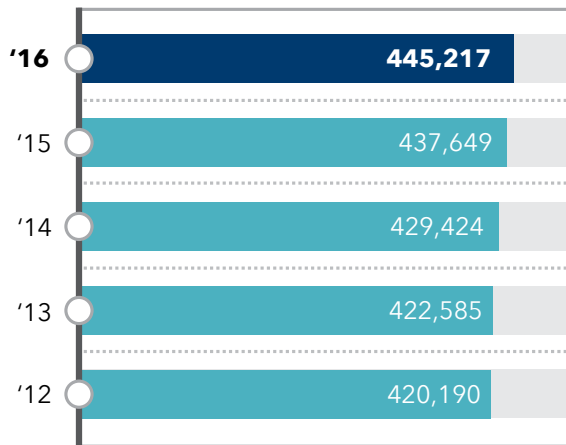
The number of accounts and value of guarantees / financing are as illustrated below:

GROUP	No. of Accounts	Value (RM Million)
Bumiputera	1,568	748.5
Chinese	5,144	2,400.6
Indian	538	171.5
Others	281	107.3

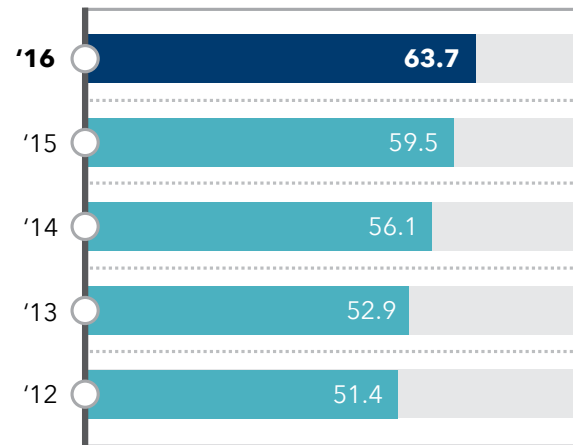
# OPERATIONAL HIGHLIGHTS

## CUMULATIVE NUMBER AND VALUE OF GUARANTEES / FINANCING UNDER ALL SCHEMES

### NUMBER

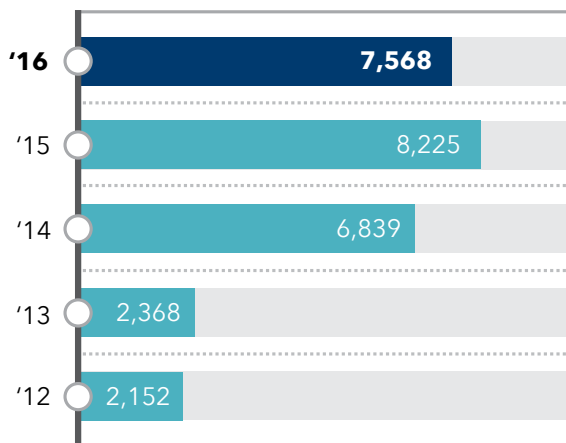


### VALUE (RM Billion)

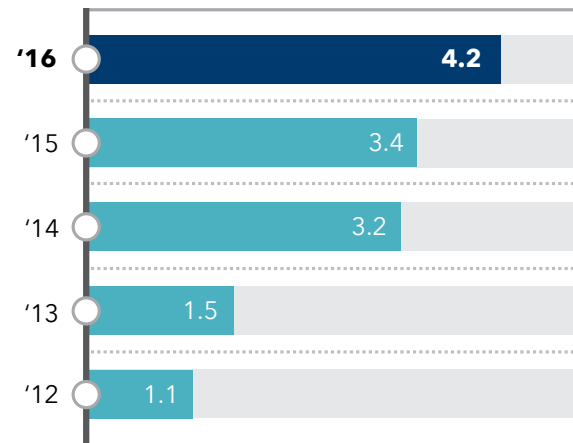


## GUARANTEES / FINANCING (BY NUMBER AND VALUE) UNDER ALL SCHEMES

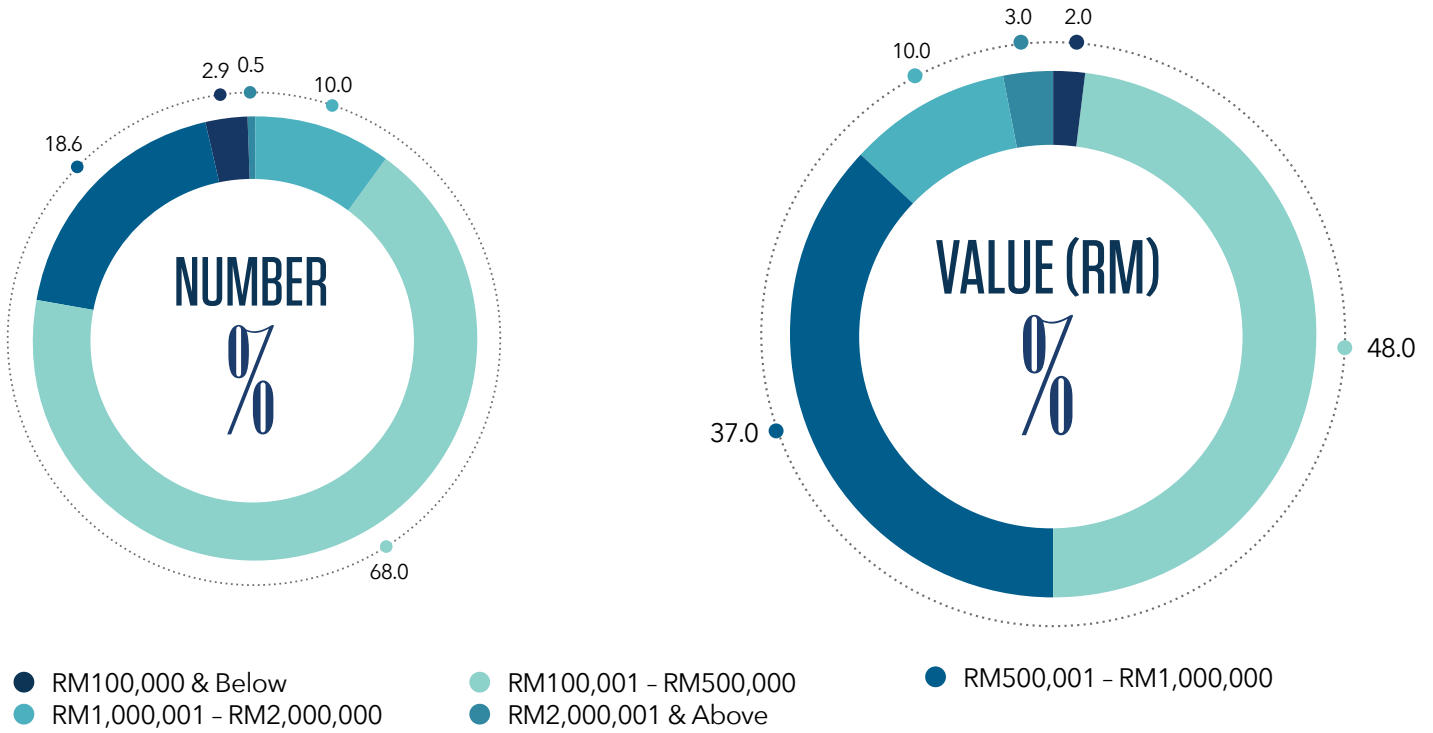
### NUMBER



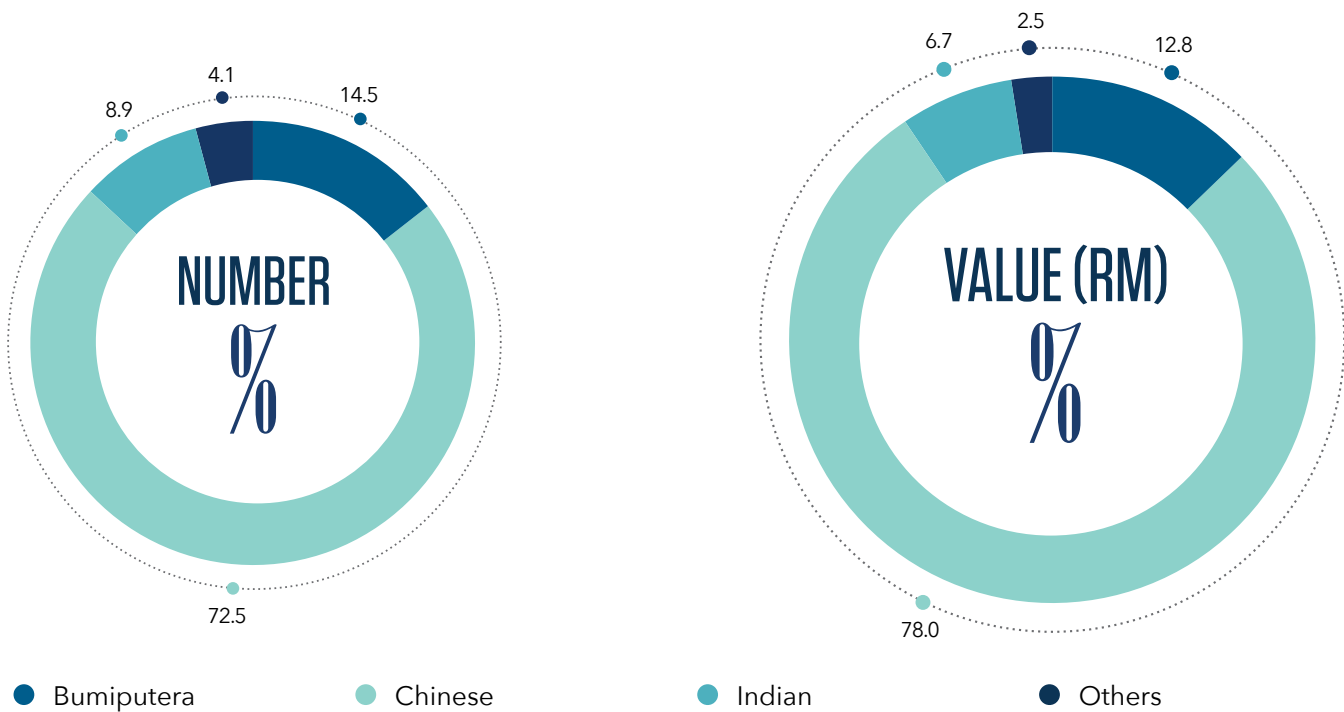
### VALUE (RM Billion)



**RANGE OF GUARANTEES / FINANCING SIZE (ALL SCHEMES)**



**BREAKDOWN OF GUARANTEES / FINANCING COMPOSITION BY GROUP (ALL SCHEMES)**



# CORPORATE EVENTS

## CGC AND BSN STRATEGIC PARTNERSHIP TO ENHANCE MICRO FINANCING



From left: CGC's Chairman, Dato' Agil Natt, CGC's President/CEO, Datuk Mohd Zamree Mohd Ishak, BNM's Director of Development Finance and Enterprise, Puan Marina Abdul Kahar, Malaysia's Deputy Finance Minister I, YB Dato' Wira Othman Aziz, BSN's Deputy Chief Executive, Encik Kameel Abdul Halim and BSN's Chairman, Tan Sri Abu Bakar Hj. Abdullah

CGC marked a significant milestone when it signed the first-ever Portfolio Guarantee (PG) agreement with BSN to provide RM50 million of financing to micro-enterprises. Under this agreement, micro enterprises can apply for either Islamic or Conventional financing facilities from BSN from a minimum of RM5,000 and to a maximum of RM50,000 at a fixed rate tenure of five years.

CGC will provide a guarantee of up to 70% of the approved financing amount by the Bank as provided by the agreement. This collaboration demonstrated the unified effort by both parties in providing financial assistance to eligible and viable Micro Enterprises and help spur their transformation into SMEs, besides targeting to reach out to about 2,500 Bumiputera and non-Bumiputera micro businesses throughout the country.

## CGC AND CIMB STRATEGIC PARTNERSHIP TO ENHANCE SME FINANCING



CIMB Chief Executive Officer, Group Consumer Banking Mr. Renzo Viegas (left) exchanging the MOU document with CGC Chief Business Officer, Mr. Leong Weng Choong (right), witnessed by CGC's President / Chief Executive Officer, Datuk Mohd Zamree Mohd Ishak (2nd from right) and CIMB Group Chief Executive, YM Tengku Dato' Sri Zafrul Abdul Aziz (2nd from left).

CGC and CIMB penned a strategic partnership agreement as part of their collaboration to nurture and promote the growth of Malaysia's SME sector.

With this signing, a total of RM1 billion worth of financing was made available to SMEs via its innovative financing product, the Portfolio Guarantee (PG).



## FINANCIAL INSTITUTIONS AND EXEMPLARY CUSTOMERS HONOURED AT CGC SME AWARDS CEREMONY



CGC's Chairman, YBhg. Dato' Agil Natt (left) and CGC President / Chief Executive Officer, Datuk Mohd Zamree Mohd Ishak (right) with the Top FI Partner Awards recipients. 2nd from left, OCBC Al-Amin Bank Berhad Managing Director / Chief Executive Officer, Tuan Syed Abdull Aziz Syed Kechik, Maybank Islamic Deputy Chief Executive Officer, En. Nor Shahrizan Sulaiman, YB Datuk Johari Abdul Ghani (then Deputy Minister of Finance II and currently Finance Minister II), SME Bank Group Managing Director, YBhg. Datuk Mohd Radzif Mohd Yunus and Maybank Head of Community Financial Services Malaysia, YBhg. Datuk Hamirullah Boorhan.

CGC honoured four (4) leading banks and 10 of their exemplary customers for their notable contribution towards SME financing in 2015 and excellent track record respectively at its annual SME Awards ceremony.

The CGC's SME Awards ceremony, held in conjunction with its 43rd Annual General Meeting, recognised FIs in five different categories namely, Top FI Partners (overall category), Best Financial Partner, Top Bumiputera FI Partner, Top FI Partner for Islamic Banks and Top FI Partner for Development Financial Institutions (DFI). It was held at One World Hotel Petaling Jaya, Selangor and was officiated by the then Deputy Minister of Finance II, YB Johari Abdul Ghani

Maybank, Maybank Islamic, OCBC Al-Amin Bank Berhad and SME Bank were the winners of the Top FI Partner Awards under the overall category. Maybank Islamic also won the Best Financial Partner award whilst OCBC Al-Amin won the Top FI Partner Award for Islamic Banks whilst SME Bank was accorded with the FI Partner Award for Development Financial Institutions (DFI).

CGC also awarded the "Exemplary Customer Awards" to their customers who demonstrated good repayment track record on their financing facility and "Excellent Customer Awards" to customers who no longer required guarantee cover due to their excellent credit record and success in their business.

## FINANCING FOR BUMI SMES THROUGH PENERANG INTEGRATED PETROLEUM COMPLEX PROJECT



CGC's President/CEO, Datuk Mohd Zamree Mohd Ishak (3rd from left) exchanging documents with JPDC's CEO, En. Mohd Yazid Jaa'far (2nd from right), witnessed by Johor State Public Works, Rural and Regional Development Committee Chairman, YB Datuk Ir. Hj. Hasni Mohammad (middle).

CGC signed a Memorandum of Understanding (MoU) with Johor Petroleum Development Corporation (JPDC) to extend financing to Bumi SMEs involved in the Pengerang Integrated Petroleum Complex project.

Financing for Bumiputera SMEs that had been granted contracts under the Pengerang Integrated Petroleum Complex (PIPC) project was made available by CGC in support of the government's agenda in elevating the status of the Bumiputera SMEs by providing them opportunities to play a major role in contributing towards the nation's economy.

## CORPORATE EVENTS

### SIGNING OF MEMORANDUM OF UNDERSTANDING (MOU) WITH MRT CORP TO ASSIST BUMIPUTERA SUB-CONTRACTORS WITH ACCESS TO FINANCING



CGC's Chairman, Dato' Agil Natt (2nd from left) and CGC's President/CEO, Datuk Mohd Zamree Mohd Ishak (left) presenting the memento to the Minister of International Trade and Industry, YB Dato' Sri Mustapa Mohamed. Looking on is MRT Corp's CEO, Dato' Sri Shahril Mokhtar.

CGC has signed a Memorandum of Understanding (MOU) with MRT Corp. to assist eligible Bumiputera sub-contractors participating in the MRT Sungai Buloh-Serdang-Putrajaya (SSP) Line under the Klang Valley MRT (KVMRT) project with access to financing.

This collaboration further demonstrated CGC's role in the nation's major infrastructure development projects such as the MRT line 2 which falls under the National Key Economic Areas (NKEA) agenda.

The MOU signing ceremony held at Lanai Kijang, Bank Negara Malaysia was witnessed by the Minister of International Trade and Industry, YB Dato' Sri Mustapa Mohamed and the Chairman of CGC, Dato' Agil Natt.

### PORTFOLIO GUARANTEE (PG) SIGNING CEREMONY BETWEEN CGC AND AMBANK ISLAMIC



CGC's President/CEO, Datuk Mohd Zamree Mohd Ishak (seated left), CGC's Chairman, Dato' Agil Natt (standing left), AmBank Group Chairman, Tan Sri Dato' Azman Hashim (middle), AmBank Islamic CEO, En. Eghwan Mokhzanee Muhammad (seated right), and AmBank Group CEO, Dato' Sulaiman Mohd Tahir (standing right).

CGC and AmBank Islamic signed a Portfolio Guarantee (PG) agreement to further enhance SME financing in Malaysia. Through this second collaboration, both CGC and AmBank have committed to extend another RM300 million of financing to qualified SMEs.

This is also to further widen CGC's SME outreach in Malaysia through its product and services whilst supporting the government's agenda in enabling SMEs to be a significant contributor to the country's economic growth.

## “KLINIK USAHAWAN” FOR SMES IN SABAH



YB Datuk Haji Tawfiq Datuk Seri Panglima Haji Abu Bakar Titingan, Sabah's Minister of Youth and Sports (front row, 5th from left), YBhg. Datuk Haji Osman Haji Jamal, Director of Sabah State Economic Planning Unit (front row, 4th from left) and CGC's President/CEO, Datuk Mohd Zamree Mohd Ishak (front row, 6th from left) with the participants of Klinik Usahawan.

CGC organised “Klinik Usahawan” in Sabah to create an avenue for SMEs to seek further information on its financing products and advisory services, as well as to enhance its SME outreach.

The “Klinik Usahawan” held at Promenade Hotel, Tawau was officiated by YB Datuk Haji Tawfiq Datuk Seri Panglima Haji Abu Bakar Titingan, Sabah's Minister of Youth and Sports. It was attended by over 300 participants.

## CGC ORGANISED BUSINESS TALK FOR BUMI SMES



CGC's Senior Vice President of Bumiputera Development & Product, En. Mohamed Azman Mohamed Taufik (3rd from left) with the speakers at the talk session.

CGC collaborated with 9 TERAJU in organising a one-day entrepreneurial talk - 'Dahsyatnya Berbisnes' which was aimed at assisting Bumiputera entrepreneurs to obtain information on business financing and advisory services and to also empower them through trainings as part of CGC's series of initiatives in engaging with the Bumiputera entrepreneurs.

Through this talk, CGC has created awareness of the financing facilities available for Bumiputera entrepreneurs to obtain financing for their business.

## CORPORATE EVENTS

### CGC IN SUPPORT OF STAR OUTSTANDING BUSINESS AWARDS



From left: CEO of MATRADE, YBhg Dato' Dzulkifli Mahmud, CGC's President/CEO, Datuk Mohd Zamree Mohd Ishak, Group MD/CEO of The Star Media Group Berhad, YBhg. Datuk Seri Wong Chun Wai, Second Minister of International Trade and Industry, YB Dato' Seri Ong Ka Chuan, Chairman of The Star Media Group Berhad YBhg. Dato' Fu Ah Kiow, CEO of AmBank Islamic Berhad, En. Eqhwan Mokhzanee Bin Muhammad, Property Director of UOA Development Berhad, Ms Cecilia Chan and MD/CEO of BMW Malaysia, Mr. Han Sang Yun.

CGC was one of the sponsors of the Star Outstanding Business Awards (SOBA) 2016.

The Star Outstanding Business Awards (SOBA) recognises up-and-coming enterprises, namely the local enterprises for their contributions to the Malaysian economy and for their outstanding efforts and achievements.

SOBA inspires and encourages local businesses to promote Malaysia and also raises the profiles of SMEs and up-and-coming entrepreneurs.

CGC participated as a sponsor for the second time as SOBA's objectives is also in line with CGC's i.e. to nurture and encourage entrepreneurship in Malaysia.

### 29TH ACSIC CONFERENCE IN BANGKOK



CGC's Chairman, YBhg. Dato' Agil Natt (2nd from left) and CGC's President / Chief Executive Officer, Datuk Mohd Zamree Mohd Ishak (2nd from right) attended the 29th ACSIC Conference held in Bangkok. Also in the photo are CGC's Chief Business Officer, Mr. Leong Weng Choong (far left) and CGC's Vice President of Strategic Branding and Advisory, Ms. Jenny Hoh Chiew Moi (far right).

The 29th ACSIC Conference, themed "Credit Supplementation: The challenges of Creating Value For Entrepreneurs" was held at the Peninsula Bangkok in November 2016. The conference's objective is to promote the sound development of the credit supplementation system for small business in Asian countries through the exchange of information, discussions and interchange of personnel among small credit supplementation institutions in Asia.

## RM1.5 BILLION DEAL WITH MAYBANK TO FURTHER SUPPORT SME FINANCING



Maybank Head of SME Banking, En. Mohd Zaini Aris (left) exchanging documents with CGCs Chief Business Officer, Mr. Leong Weng Choong (right). Looking on are Maybank Head of Community Financial Services, YBhg. Datuk Hamirullah Boorhan (2nd from left) and CGC's President/CEO, Datuk Mohd Zamree Mohd Ishak (2nd from right).

CGC achieved another milestone upon signing a strategic partnership agreement with Maybank to provide up to RM1.5 billion of financing for SMEs through CGC's portfolio guarantee (PG) scheme.

This strategic partnership served as an opportunity for both parties to jointly uplift the SMEs to another level and remain responsive to SME needs in view of the SMEs being a significant contributor to the Malaysian economy.

## CGC IN SUPPORT OF GOLDEN EAGLE AWARD (GEA)



(From left) Mr. Yap Seng Chong, Head of Assurance - Ernst & Young, Datuk Dr. Ting Chung Cheng, Honorary President of Taipei Investors' Association in Malaysia, Datuk Dr. A. T. Kumararajah, GEA Judge / CEO of Secretariat for Empowerment of Indian Entrepreneurs (SEED), Mr. Chan Aun Kuang, Editor in Chief of Nanyang Siang Pau, Datuk Michael Kang Hua Keong, National President of SME Association of Malaysia, Tan Sri Datuk Sir Tiong Hiew King, Group Executive Chairman of Media Chinese International Limited and Nanyang Press Holding, Y.B. Datuk Johari Abdul Ghani, Minister of Finance II, Datuk Mohd Zamree Mohd Ishak, CGC's President/CEO, Datuk Ter Leong Yap, President of the Associated Chinese Chamber of Commerce & Industry of Malaysia, Mr Low Hoong Fee, CEO of Nanyang Siang Pau, Dato, Chua Tia Guan, Founding Member of the Special Task Force to Facilitate Business of the Prime Minister's Department (PEMUDAH), Mr. Ho Hon Sang, CEO of Mah Sing Group, Dato' Low Kian Chuan, GEA Judge, Miss Sin Wai Yeng, Executive Editor in Chief of Nanyang Siang Pau.

CGC was proud to be one of the main sponsors of Nanyang Golden Eagle Award (GEA2016) which honour the best SMEs in Malaysia by giving them due recognition for their hard-earned success and outstanding achievements.

GEA is aimed at providing an effective platform to benchmark successful SMEs and for them to strive for excellence in today's ever-changing, competitive and globalised market place.

CGC participated as a sponsor of GEA 2016 for the first time to further enhance its SME outreach to various segments of the SME community.

# CGC IN THE NEWS





**CGC bekerjasama dengan fintech**

**WALSA, 12 OKTOBER** - Pihak berkepentingan dalam industri perkhidmatan kewangan digital (fintech) akan berkolaborasi dengan Credit Guarantee Corporation (CGC) untuk meningkatkan akses kepada pembiayaan bagi SMEs.

Halaman 12, 13



**Workshop guides SMEs in their quest to penetrate hypermarkets**

**PUTRAJAYA, 12 OKTOBER** - Pihak berkepentingan dalam industri perkhidmatan kewangan digital (fintech) akan berkolaborasi dengan Credit Guarantee Corporation (CGC) untuk meningkatkan akses kepada pembiayaan bagi SMEs.

Halaman 12, 13



**PUTRAJAYA, 12 OKTOBER** - Pihak berkepentingan dalam industri perkhidmatan kewangan digital (fintech) akan berkolaborasi dengan Credit Guarantee Corporation (CGC) untuk meningkatkan akses kepada pembiayaan bagi SMEs.

Halaman 12, 13

**CGC targets RM14.5bil SME loan base by 2020**

**PUTRAJAYA, 12 OKTOBER** - Credit Guarantee Corporation (CGC) menargetkan untuk meningkatkan asas pinjaman SMEs kepada RM14.5 bilion menjelang tahun 2020.

Halaman 12, 13

**CIMB and CGC to offer RM1bil in loans to SMEs**

**PUTRAJAYA, 12 OKTOBER** - Credit Guarantee Corporation (CGC) dan CIMB Bank Berhad mengumumkan bahawa mereka akan menawarkan RM1 bilion dalam pinjaman kepada SMEs.

Halaman 12, 13

**RM300m boost for SME financing**

**PUTRAJAYA, 12 OKTOBER** - Pihak berkepentingan dalam industri perkhidmatan kewangan digital (fintech) akan berkolaborasi dengan Credit Guarantee Corporation (CGC) untuk meningkatkan akses kepada pembiayaan bagi SMEs.

Halaman 12, 13



**Maybank partners CGC in RM1.5bil financing deal**

**PUTRAJAYA, 12 OKTOBER** - Maybank Berhad dan Credit Guarantee Corporation (CGC) mengumumkan bahawa mereka telah menandatangani perjanjian pembiayaan bernilai RM1.5 bilion.

Halaman 12, 13

**CGC-BSN pact to offer RM50m financing to micro enterprises**

**PUTRAJAYA, 12 OKTOBER** - Credit Guarantee Corporation (CGC) dan Bank Simpanan Nasional (BSN) mengumumkan bahawa mereka akan menawarkan RM50 juta dalam pembiayaan kepada mikro-keusahawanan.

Halaman 12, 13

# BRAND AWARENESS & MEDIA ENGAGEMENT

## MEDIA ENGAGEMENTS

CGC's presence in the media came out stronger in 2016 with a significant number of media coverage secured on its collaborations with the local financial institutions, launch of new products, signing of Memorandum of Understanding and Corporate Responsibility (CR) initiatives, among others. In addition to that, several exclusive interviews with the media were also arranged for the Board members, President/Chief Executive Officer and senior management with major newspapers and leading radio and TV stations. On top of that, efforts and initiatives to foster closer ties with the media through networking activities such as media luncheons and media visits were also organised in the year.





## ADVERTISING CAMPAIGNS

As part of the continuous efforts to improve and promote CGC as a household name amongst SMEs, CGC conducted various advertising campaigns in 2016. The campaigns that included both corporate and product advertising were carried out in the mainstream media such as print, radio, online and also in social media. To reach out to all SME segments in the country, the advertising campaigns were conducted in major languages namely Bahasa Malaysia, English, Mandarin and Tamil.

**TPUB-1**  
Pembayaran Kontrak Untuk Bumiputera

Sejarah 1972, CGC telah membantu ratusan ribu PNB dan kontraktor Bumiputera seperti Tazan Mohd Noor Ismail, berurusan dengan kontrak kecil, dengan pembiayaan CGC, kini Laksana Enterprise Sdn Bhd telah berjaya menyelesaikan kontrak perancangan papir air bersewaja besar di negeri Malacca.

Jika anda mendapat kontrak dari kerajaan, syarikat berkaitan kerajaan atau syarikat swasta harian dan memerlukan pembiayaan, sila hubungi CGC untuk pembiayaan kontrak jangka panjang melalui Tabung Perolehan Usaha Bumiputera (TPUB-1).

CGC sedia membantu menyelesaikan impian perniagaan anda.

**Credit Guarantee Corporation CGC**  
Powering Malaysian SMEs

Talk to us ☎ +603-7080 0088 | cgc@cgc.com.my | 5M5 CGC-@space-F1 to 66300

**தேசிய சிறிய மற்றும் நடுத்தர வர்த்தக வளர்ச்சி குழுவை (SME) சார்ந்த நீங்கள் வணிக கடனுதவியை நாடுகிறீர்களா?**

**எங்களை நாடுகள் நாங்கள் உதவுகிறோம்**

1972 ஆல் நிறுவப்பட்ட CGC என்பது மலேசிய சிறிய மற்றும் நடுத்தர வர்த்தக கிளையினருக்கு CGC உதவி வழங்கி, உதவியளிக்கும் ஒரு நிறுவனம். நீங்கள் வர்த்தக முன்பணத்திற்கு, வழங்கல் மூலம் உதவியளிக்கும் ஒரு நிறுவனம். நீங்கள் வர்த்தக முன்பணத்திற்கு உதவியளிக்கும் ஒரு நிறுவனம். நீங்கள் வர்த்தக முன்பணத்திற்கு உதவியளிக்கும் ஒரு நிறுவனம்.

**Credit Guarantee Corporation CGC**  
Powering Malaysian SMEs

Talk to us ☎ +603-7080 0088 | cgc@cgc.com.my | 5M5 CGC-@space-F1 to 66300

**GTFS**  
环保科技业务  
融资

**贷款资金总额达35亿令吉  
提供2%利息/利润津贴  
我们全力支持环保科技**

面对快速发展的环保科技融资计划(GTFS及GTFB-4), 建立环保科技世界的一个可持续发展的世界。因此, 如果您是一家环保科技业的中心企业, 以及需要资金担保或融资, 马来西亚信贷担保机构(CGC)愿意与您和我们合作, 我们将协助您的环保业务迈向成功之路。

\* 更多资讯

**Credit Guarantee Corporation CGC**  
Powering Malaysian SMEs

Talk to us ☎ +603-7080 0088 | cgc@cgc.com.my | 5M5 CGC-@space-F1 to 66300 | www.cgc.com.my

**WE HAVE ASSISTED OVER 300,000 MACAYSIAN SMEs IN ALL SECTORS.**

**PROVIDED OVER RM60 BILLION WORTH OF GUARANTEES AND DIRECT FINANCING.**

**SUPPORTED THE GROWTH OF MALAYSIAN SMEs FOR OVER 40 YEARS.**

**WE ARE CGC.**

Since 1972, CGC has assisted hundreds of thousands of Malaysian SMEs with access to financing via guarantee and direct financing. So, if you have a viable business idea but lack collateral and financial track record, please talk to us. We'll help you clear the path towards turning your dreams into reality.

**Credit Guarantee Corporation CGC**  
Powering Malaysian SMEs

Talk to us ☎ +603-7080 0088 | cgc@cgc.com.my | 5M5 CGC-@space-F1 to 66300

## BRAND AWARENESS & MEDIA ENGAGEMENT

### BRAND POSITIONING

In line with its aspiration To Be The Household Name for SMEs by 2020 as outlined in the 5-Year Strategic Plan (2016-2020), CGC has resolved to reposition itself to become more proactive and relevant to the SMEs. CGC will continue to leverage on its 45 years of experience in Powering Malaysian SMEs to create Top-of-Mind recollection of 'CGC' as THE Guarantee institution to partner with to grow and expand their business.

### LRT STATION NAMING RIGHTS

The Line Expansion Project (LEP); which involves the broadening of the Kelana Jaya Light Rail Transit (LRT) line carried out by Prasarana Integrated Development Sdn Bhd (PRIDE), came to a successful completion in June 2016. The expansion that brought forth 13 new stations presented CGC with an opportunity of participating and securing the station naming rights to the Glenmarie LRT Station, which is located in the vicinity of CGC's headquarters at Kelana Business Centre, Petaling Jaya, Selangor.

CGC successfully secured the naming rights to the station, which has been renamed as CGC-Glenmarie LRT Station effective 9th May 2017. With the station naming rights, CGC also enjoys the right to utilise 70% of the advertising space at the station to promote its brand. In addition to that, CGC's logo which will also be displayed at all LRT station route maps, which effectively enables CGC to reach out to millions of commuters utilising the integrated LRT services in the Klang Valley.

Through this initiative, we are bringing CGC brand and services closer to our fellow Malaysians and create greater awareness of CGC which is in line with our aspiration to be the Household Name for SMEs by 2020.





The background is a solid blue color. It features several concentric circles. The innermost circle is a thick, solid blue ring. Surrounding it is a thin, light blue dotted line. Further out is another thin, light blue solid line. The text is centered within the innermost thick ring.

# **FINANCIAL STATEMENTS**



<b>138</b>	<b>Directors' Report</b>
<b>142</b>	<b>Statements Of Financial Position</b>
<b>144</b>	<b>Statements Of Comprehensive Income</b>
<b>146</b>	<b>Statements Of Changes In Equity</b>
<b>148</b>	<b>Statements Of Cash Flows</b>
<b>151</b>	<b>Notes To The Financial Statements</b>
<b>259</b>	<b>Statement By Directors</b>
<b>259</b>	<b>Statutory Declaration</b>
<b>260</b>	<b>Independent Auditors' Report</b>



# DIRECTORS' REPORT

## DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and the Corporation for the financial year ended 31 December 2016.

## PRINCIPAL ACTIVITIES

The Corporation is principally engaged in the provision of guarantees, loans and financing. The principal activity of the subsidiary is the provision of credit reference services, credit rating and such other services related to a credit bureau. There have been no significant changes in the nature of principal activities during the financial year.

## FINANCIAL RESULTS

	Group RM'000	Corporation RM'000
Net profit for the financial year	236,284	167,730

## DIVIDENDS

No dividends have been paid or declared by the Corporation since the end of the previous financial year. The Directors do not recommend any dividends for the financial year ended 31 December 2016.

## RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

## BAD AND DOUBTFUL DEBTS AND FINANCING

Before the financial statements of the Group and the Corporation were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and financing and the making of allowance for non-performing debts and financing, and satisfied themselves that all known bad debts and financing had been written off and adequate allowance had been made for doubtful debts and financing.

As at the date of this report, the Directors are not aware of any circumstances that would render the amounts written off as bad debts and financing or the amount of the allowance for non-performing debts and financing in the financial statements of the Group and the Corporation inadequate to any substantial extent.

## CURRENT ASSETS

Before the financial statements of the Group and the Corporation were made out, the Directors took reasonable steps to ensure that any current assets, other than debts and financing, which were unlikely to realise, in the ordinary course of business, their values as shown in the accounting records of the Group and the Corporation, had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and the Corporation misleading.

## VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen that would render adherence to the existing methods of valuation of assets or liabilities of the Group and the Corporation misleading or inappropriate.

## CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and the Corporation which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Group and the Corporation that has arisen since the end of the financial year other than in the ordinary course of business or activities of the Group.

No contingent liability or other liability of the Group and the Corporation has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and the Corporation to meet their obligations as and when they fall due.

## CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and the Corporation which would render any amount stated in the financial statements misleading or inappropriate.

## DIRECTORS' REPORT

### ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

- (a) the results of the operations of the Group and the Corporation for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and the Corporation for the financial year in which this report is made.

### DIRECTORS

The Directors who have held office since the date of the last report and at the date of this report are as follows:

Dato' Agil Natt (Chairman)  
Datuk David Chua Kok Tee  
Dato' Syed Moheeb Syed Kamarulzaman  
Encik Mohamed Rashdi Mohamed Ghazalli  
Encik Teoh Kok Lin  
Encik Suresh Kumar A/L T.A.S Menon  
Encik Ong Eng Bin  
Puan Nadzirah Abd. Rashid  
Encik Choong Tuck Oon - Appointed on 20 January 2017  
Datuk Mohd Nasir Ahmad - Resigned on 1 January 2016

### DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, none of the Directors in office at the end of the financial year held any interest in the shares in, or debentures of, the Corporation and its related corporations during the financial year.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Corporation has received or is entitled to receive any benefit (other than Directors' remuneration as disclosed in Note 45 to the financial statements) by reason of a contract made by the Corporation or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

During and at the end of the financial year, no arrangements subsisted to which the Corporation is a party, with the object or objects of enabling the Directors of the Corporation to acquire benefits by means of the acquisition of shares in, or debentures of, the Corporation or any other body corporate.



**AUDITORS**

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution dated 26 April 2017.



**DATO' AGIL NATT**  
Chairman



**DATUK DAVID CHUA KOK TEE**  
Director

Kuala Lumpur  
26 April 2017

# STATEMENT OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2016

	Note	Group		Corporation	
		31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
<b>ASSETS</b>					
Property, plant and equipment	4	20,540	22,390	19,925	21,967
Intangible assets	5	18,663	12,586	13,164	6,736
Investment in a subsidiary	6	-	-	5,182	20,175
Investments in associates	7	788,050	730,268	500,200	500,200
Investment fund: Available-for-sale ("AFS")	8	-	28,871	-	28,871
Structured investments: Fair value through profit or loss ("FVTPL")	9	143,868	310,163	143,868	310,163
Investment securities: AFS	10	1,491,345	960,534	1,491,345	960,534
Investment securities: Held-to-maturity ("HTM")	11	90,574	90,572	90,574	90,572
Investment securities: Held-for-trading ("HFT")	12	15,115	-	15,115	-
Investment securities: FVTPL	13	649,676	660,694	649,676	660,694
Derivative financial assets	14	145	876	145	876
Term deposits	15	1,334,841	1,640,757	1,334,841	1,640,757
Loans, advances and financing	16	192,627	235,727	192,627	235,727
Loan due from a subsidiary	17	-	-	125	125
Amount due from a subsidiary	17	-	-	1,865	8,146
Trade and other receivables	19	29,739	18,774	28,197	16,632
Cash and cash equivalents		65,900	55,169	59,970	40,642
<b>TOTAL ASSETS</b>		<b>4,841,083</b>	<b>4,767,381</b>	<b>4,546,819</b>	<b>4,542,817</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity Attributable To The Shareholders Of The Corporation</b>					
Share capital	20	1,585,600	1,585,600	1,585,600	1,585,600
Reserves	21	1,789,680	1,552,489	1,500,729	1,332,999
Available-for-sale reserve	22	2,204	12,886	2,275	13,966
		<b>3,377,484</b>	<b>3,150,975</b>	<b>3,088,604</b>	<b>2,932,565</b>
Non-controlling interest		2,460	3,367	-	-
<b>TOTAL EQUITY</b>		<b>3,379,944</b>	<b>3,154,342</b>	<b>3,088,604</b>	<b>2,932,565</b>

	Note	Group		Corporation	
		31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
<b>LIABILITIES</b>					
Amount due to Bank Negara Malaysia ("BNM")	18	1,919	492	1,919	492
Funds from BNM	23	801,500	801,500	801,500	801,500
Small Entrepreneurs Guarantee Scheme ("SEGS")	24	44,523	51,599	44,523	51,599
Tabung Usahawan Kecil ("TUK")	25	36,809	35,352	36,809	35,352
Government funds	26	150,342	150,342	150,342	150,342
Preference shares	27	200,000	200,000	200,000	200,000
SME Modernisation and Assistance Facilities	28	-	150,000	-	150,000
Small Entrepreneurs Financing Fund ("SEFF")	29	11,075	11,075	11,075	11,075
Derivative financial liabilities	30	1,014	2,390	1,014	2,390
Loan due to non-controlling interest	32	38	38	-	-
Provision for claims under guarantee schemes	31	20,743	34,528	20,743	34,528
Claims payable		1,671	2,557	1,671	2,557
Trade and other payables	32	191,125	173,166	188,619	170,417
Deferred tax liabilities	41	380	-	-	-
<b>TOTAL LIABILITIES</b>		<b>1,461,139</b>	1,613,039	<b>1,458,215</b>	1,610,252
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,841,083</b>	4,767,381	<b>4,546,819</b>	4,542,817

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group		Corporation	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	36	140,153	116,276	132,124	108,556
Investment income	37	178,232	145,703	178,232	145,703
Other operating income	38	318,385 61,528	261,979 63,411	310,356 67,791	254,259 69,503
<b>Total income</b>		<b>379,913</b>	<b>325,390</b>	<b>378,147</b>	<b>323,762</b>
Staff costs	39	62,702	53,846	60,417	51,999
Depreciation on property, plant and equipment		3,783	3,064	3,662	3,005
Amortisation of intangible assets		4,623	4,945	3,021	2,902
Provision for claims under guarantee schemes		71,370	55,110	71,370	55,110
Allowance for impairment of loans, advances and financing (net)		20,335	34,594	20,335	34,594
Allowance made for impairment of investment in subsidiary		-	-	14,993	60
Interest expense on Government loans		4,500	4,500	4,500	4,500
Other operating expenses		38,659	38,389	32,119	31,562
<b>Total operating expenses</b>		<b>205,972</b>	<b>194,448</b>	<b>210,417</b>	<b>183,732</b>
Share of profit after tax of associates		62,723	59,757	-	-
<b>Profit before taxation</b>	40	<b>236,664</b>	<b>190,699</b>	<b>167,730</b>	<b>140,030</b>
Taxation	41	(380)	-	-	-
<b>Net profit for the financial year</b>		<b>236,284</b>	<b>190,699</b>	<b>167,730</b>	<b>140,030</b>

	Note	Group		Corporation	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Other comprehensive income:</b>					
<b>Items that may be subsequently reclassified to profit or loss</b>					
<u>Available-for-sale reserve</u>					
- Net fair value loss on AFS investments		2,147	6,054	2,147	6,054
- Realised gain transferred to statement of income on upon disposal		(13,838)	-	(13,838)	-
- Share of other comprehensive income of associates		1,009	1,507	-	-
<b>Other comprehensive income for the financial year</b>		<b>(10,682)</b>	7,561	<b>(11,691)</b>	6,054
<b>Total comprehensive income for the financial year</b>		<b>225,602</b>	198,260	<b>156,039</b>	146,084
Net profit/(loss) for the financial year attributable to:					
Shareholders of the Corporation		237,191	192,221	167,730	140,030
Non-controlling interest		(907)	(1,522)	-	-
		<b>236,284</b>	190,699	<b>167,730</b>	140,030
Total comprehensive income/(loss) for the financial year attributable to:					
Shareholders of the Corporation		226,509	199,782	156,039	146,084
Non-controlling interest		(907)	(1,522)	-	-
		<b>225,602</b>	198,260	<b>156,039</b>	146,084

The accompanying notes form an integral part of the financial statements.

# STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

<----- Attributable to Shareholders of the Corporation----->

Group	Note	Share capital RM'000	Special Programme reserve RM'000	Skim Perbankan Islam ("SPI") reserve RM'000	Special reserve RM'000	AFS reserve RM'000	Retained earnings RM'000	Non- controlling interest RM'000	Total equity RM'000
Balance at 1 January 2015		1,585,600	247,655	10,553	415,520	5,325	693,878	195	2,958,726
Repayment during the financial year	21	-	(3,894)	-	-	-	-	-	(3,894)
Capitalisation of loan due to non-controlling interest	32	-	-	-	-	-	-	1,250	1,250
Total comprehensive income/ (loss) for the financial year		-	-	-	-	7,561	192,221	(1,522)	198,260
Transfer between shareholders		-	-	-	-	-	(3,444)	3,444	-
Transfer between reserves	21	-	14,320	3,790	41,280	-	(59,390)	-	-
<b>Balance at 31 December 2015</b>		<b>1,585,600</b>	<b>258,081</b>	<b>14,343</b>	<b>456,800</b>	<b>12,886</b>	<b>823,265</b>	<b>3,367</b>	<b>3,154,342</b>
Balance at 1 January 2016 - as previously reported		<b>1,585,600</b>	<b>258,081</b>	<b>14,343</b>	<b>456,800</b>	<b>12,886</b>	<b>823,265</b>	<b>3,367</b>	<b>3,154,342</b>
Repayment during the financial year	21	-	-	-	-	-	-	-	-
Capitalisation of loan due to non-controlling interest	32	-	-	-	-	-	-	-	-
Total comprehensive income/ (loss) for the financial year		-	-	-	-	(10,682)	237,191	(907)	225,602
Transfer between shareholders		-	-	-	-	-	-	-	-
Transfer between reserves	21	-	14,140	595	51,416	-	(66,151)	-	-
<b>Balance at 31 December 2016</b>		<b>1,585,600</b>	<b>272,221</b>	<b>14,938</b>	<b>508,216</b>	<b>2,204</b>	<b>994,305</b>	<b>2,460</b>	<b>3,379,944</b>

<-----Non-Distributable-----> <-----Distributable----->

Corporation	Note	Share capital RM'000	Special Programme reserve RM'000	Skim Perbankan Islam ("SPI") reserve RM'000	Special reserve RM'000	AFS reserve RM'000	Retained earnings RM'000	Total equity RM'000
Balance at 1 January 2015		1,585,600	247,655	10,553	415,520	7,912	523,135	2,790,375
Repayment during the financial year	21	-	(3,894)	-	-	-	-	(3,894)
Total comprehensive income for the financial year		-	-	-	-	6,054	140,030	146,084
Transfer between reserves	21	-	14,320	3,790	41,280	-	(59,390)	-
<b>Balance at 31 December 2015</b>		<b>1,585,600</b>	<b>258,081</b>	<b>14,343</b>	<b>456,800</b>	<b>13,966</b>	<b>603,775</b>	<b>2,932,565</b>
Balance at 1 January 2016 - as previously reported		<b>1,585,600</b>	<b>258,081</b>	<b>14,343</b>	<b>456,800</b>	<b>13,966</b>	<b>603,775</b>	<b>2,932,565</b>
Total comprehensive income for the financial year		-	-	-	-	(11,691)	167,730	156,039
Transfer between reserves	21	-	<b>14,140</b>	<b>595</b>	<b>51,416</b>	-	(66,151)	-
<b>Balance at 31 December 2016</b>		<b>1,585,600</b>	<b>272,221</b>	<b>14,938</b>	<b>508,216</b>	<b>2,275</b>	<b>705,354</b>	<b>3,088,604</b>

The accompanying notes form an integral part of the financial statements.

# STATEMENT OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Net profit for the financial year</b>	<b>236,284</b>	190,699	<b>167,730</b>	140,030
<u>Adjustments for:</u>				
Depreciation on property, plant and equipment	3,783	3,064	3,662	3,005
Amortisation of intangible assets	4,623	4,945	3,021	2,902
Loss on disposal of property, plant and equipment	82	4	82	4
Gain on disposal of investment fund: AFS	(14,991)	-	(14,991)	-
Unrealised fair value loss on structured investments	6,132	5,259	6,132	5,259
Realised loss on disposal of structured investments	10,163	6,602	10,163	6,602
Realised (gain)/loss on AFS investments	(1,305)	97	(1,305)	97
Realised gain on FVTPL investments	(23,674)	(11,879)	(23,674)	(11,879)
Realised loss on Held-For-Trading investments	183	-	183	-
Amortisation of premiums on Held-For-Trading investments	3	-	3	-
Unrealised fair value loss/(gain) on FVTPL investments	2,868	(13,610)	2,868	(13,610)
Amortisation of premiums on AFS investments	407	119	407	119
Amortisation of premiums on FVTPL investments	2,193	2,309	2,193	2,309
Realised loss on derivatives	3,850	31,580	3,850	31,580
Unrealised loss/(gain) on derivatives	2,217	(8,487)	2,217	(8,487)
Provision for claims under guarantee schemes	71,370	55,110	71,370	55,110
Allowance for impairment of loans, advances and financing (net)	20,335	34,594	20,335	34,594
Loan, advances and financing written-off	(10)	(13)	(10)	(13)
Allowance made for impairment of investment in subsidiary	-	-	14,993	60
Amortisation of deferred income	(3,381)	(3,422)	(3,381)	(3,422)
Accretion of Government loans	3,381	3,422	3,381	3,422
Interest income from a subsidiary	-	-	-	(138)
Interest expense on Government loans	4,500	4,500	4,500	4,500
Share of profit of associates	(62,723)	(59,757)	-	-
Taxation	380	-	-	-
	<b>266,670</b>	245,136	<b>273,729</b>	252,044



	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Increase in interest receivable for investments	(10,357)	(2,768)	(10,357)	(2,768)
Decrease/(Increase) in amount due from a subsidiary	-	-	6,281	(5,703)
Increase in amount due from BNM	1,427	399	1,427	399
Increase in trade and other receivables	(10,966)	(7,116)	(11,564)	(6,201)
Decrease/(Increase) in loans, advances and financing	22,776	(20,823)	22,776	(20,823)
Decrease in claims payable	(86,042)	(62,900)	(86,042)	(62,900)
Increase in other payables	21,342	29,240	21,582	28,052
<b>Cash generated from operations</b>	<b>204,850</b>	181,168	<b>217,832</b>	182,100
<b>Tax paid</b>	<b>(1)</b>	-	-	-
<b>Net cash inflows from operating activities</b>	<b>204,849</b>	181,168	<b>217,832</b>	182,100

#### CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from disposal of property, plant and equipment	151	48	151	48
Proceeds from disposal of intangible assets	30	-	29	-
Purchase of property, plant and equipment	(6,892)	(8,076)	(6,473)	(7,794)
Purchase of intangible assets	(6,003)	(3,718)	(4,857)	(2,313)
Repayment of loan due from subsidiary	-	-	-	104
Investment in subsidiary	-	-	-	(10,000)
Net capital distribution in investment fund (AFS)	30,024	7,594	30,024	7,594
Purchase of AFS investments	(750,086)	(476,848)	(750,086)	(476,848)
Purchase of structured investments	(150,000)	-	(150,000)	-
Purchase of FVTPL investments	(802,388)	(424,357)	(802,388)	(424,357)
Purchase of Held-For-Trading investments	(15,165)	-	(15,165)	-
Proceeds from disposal of AFS investments	231,322	179,794	231,322	179,794
Proceeds from disposal of FVTPL investments	833,235	482,979	833,235	482,979
Proceeds from maturity of structured investments	300,000	350,000	300,000	350,000
(Decrease)/Increase in derivative financial liabilities - net	(6,712)	(31,545)	(6,712)	(31,545)
Decrease/(Increase) in term deposits	305,916	(301,350)	305,916	(301,350)
Dividend received from associates	5,950	5,600	-	-
<b>Net cash outflows from investing activities</b>	<b>(30,618)</b>	(219,879)	<b>(35,004)</b>	(233,688)

# STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Drawdown of loan due to non-controlling interest	-	10	-	-
Repayment of Small Entrepreneurs Guarantee Scheme	(9,000)	(4,000)	(9,000)	(4,000)
Repayment of SME Modernisation and Assistance Facilities	(150,000)	-	(150,000)	-
Repayment of interest on Government funds	(4,500)	(4,500)	(4,500)	(4,500)
Repayment of YEDP fund	-	(3,894)	-	(3,894)
<b>Net cash outflows in financing activities</b>	<b>(163,500)</b>	<b>(12,384)</b>	<b>(163,500)</b>	<b>(12,394)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR</b>	<b>10,731</b>	<b>(51,095)</b>	<b>19,328</b>	<b>(63,982)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>	<b>55,169</b>	106,264	<b>40,642</b>	104,624
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	<b>65,900</b>	55,169	<b>59,970</b>	40,642
Cash and cash equivalents comprise:				
Cash and bank balances	<b>65,900</b>	55,169	<b>59,970</b>	40,642

The accompanying notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

## 1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Corporation is a public limited liability company incorporated and domiciled in Malaysia. The address of the registered office of the Corporation is Level 14, Bangunan CGC, Kelana Business Centre, No. 97, Jalan SS 7/2, 47301 Petaling Jaya, Selangor.

The principal place of business of the Corporation is located at Level 8, Bangunan CGC, Kelana Business Centre, No. 97, Jalan SS 7/2, 47301 Petaling Jaya, Selangor.

The Corporation is principally engaged in the provision of guarantees, loans and financing. The principal activity of the subsidiary is the provision of credit reference services, credit rating and such other services related to a credit bureau. There have been no significant changes in the nature of principal activities during the financial year.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 26 April 2017.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements unless otherwise stated.

### 2.1 Basis of preparation

The financial statements of the Group and the Corporation have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and the Corporation have been prepared under the historical cost convention, unless otherwise indicated in this summary of significant accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires the Directors to exercise their judgment in the process of applying the Corporation's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.1 Basis of preparation (continued)

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

##### (a) Standards, amendments to published standards and interpretations that are effective.

The Group has applied the following amendments for the first time for the financial year beginning on 1 January 2016:

- Amendments to MFRS 101 'Presentation of financial statements' - Disclosure initiative
- Amendments to MFRS 10, 12 & 128 "Investment entities - Applying the consolidation exception"
- Annual Improvements to MFRSs 2012 - 2014 Cycle

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

##### (b) Standards and amendments that have been issued but not yet effective.

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2016. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

- Amendments to MFRS 107 'Statement of Cash Flows - Disclosure Initiative' (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.
- Amendments to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses' (effective from 1 January 2017) clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

The amendments shall be applied retrospectively.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (continued)

#### (b) Standards and amendments that have been issued but not yet effective. (continued)

- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognized.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.1 Basis of preparation (continued)

##### (b) Standards and amendments that have been issued but not yet effective. (continued)

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (continued)

#### (b) Standards and amendments that have been issued but not yet effective. (continued)

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Company will apply these standards when effective. The adoption of the above standards, amendments to published standards and interpretations to existing standards are not expected to have any significant impact on the financial statements of the Company except for MFRS 9. The financial effect of adoption of MFRS 9 is still being assessed by the Company.

### 2.2 Consolidation, subsidiaries and associates

#### (a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on a case by case basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.2 Consolidation, subsidiaries and associates (continued)

##### (a) Subsidiaries (continued)

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the income statement.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in the income statement or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains/(losses) on transactions between Group companies are eliminated on consolidation. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

##### (b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policies through the representation of the Board but not power to exercise control over those policies.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the income statement where appropriate.



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Consolidation, subsidiaries and associates (continued)

#### (b) Associates (continued)

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

#### (c) Investments in subsidiaries and associates

In the Corporation's separate financial statements, investments in subsidiaries and associates are carried at cost less accumulated impairment losses. At the end of each reporting period, the Group assess whether there is any indication of impairment. Where indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 2.6 on impairment of non-financial assets.

On disposal of investments in subsidiaries and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the income statement.

### 2.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Corporation, and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in the income statement during the financial year in which they are incurred.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.3 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the straight line basis to allocate the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Building	25 years
Leasehold land	Over the remaining lease period
Motor vehicles	5 years
Office equipment	5 years
Furniture, fittings and fixtures	5 years
Renovation	5 years
Computer equipment	5 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each date of the statement of financial position.

At the end of the reporting period, the Group and the Corporation assess whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A written down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.6 on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are credited or charged to income statement.

#### 2.4 Intangible assets

Intangible assets consist of capitalised data cost and application software.

Intangible assets with finite useful lives, are stated at cost less any accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific assets which it relates. All other expenditure is recognised in the income statement as incurred.

Intangible assets with finite useful lives are amortised from the date they are available for use.

Amortisation is recognised in the income statement on a straight-line basis over the estimated lives of the intangible assets, summarised as follows:

Capitalised data costs	5 years
Application software	5 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

At the end of the reporting period, the Group and the Corporation assess whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A written down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.6 on impairment of non-financial assets.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Intangible assets (continued)

Expenditure incurred for the development of software is carried as development expenditure until the software is ready for its intended use. Expenditure include the cost of software, salary and borrowing costs attributable to the development.

### 2.5 Financial assets

#### (a) Classification

The Group and the Corporation classify its financial assets in the following categories: financial assets at FVTPL, loans and receivables, financial investments AFS and financial investments HTM. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

#### (i) Financial assets at FVTPL

Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

#### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

The Group's and Corporation's loans and receivables comprise 'term deposits', 'loans, advances and financing', 'loan due from a subsidiary', 'amount due from a subsidiary', 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

#### (iii) Financial investments AFS

Financial investments AFS are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

#### (iv) Financial investments HTM

Financial investments HTM are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group's and Corporation's management has the positive intention and ability to hold to maturity. If the Group and the Corporation were to sell other than an insignificant amount of HTM financial assets, the whole category would be tainted and reclassified as AFS.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.5 Financial assets (continued)

(b) *Recognition and initial measurement*

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets as FVTPL are initially recognised at fair value, and transaction costs are expensed in the income statement.

(c) *Subsequent measurement - gains and losses*

Financial assets at FVTPL and AFS financial assets are subsequently carried at fair value.

Loans and receivables and HTM financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at FVTPL, including the effects of currency translation, interest and dividend income are recognised in the income statement in the period in which the changes arise.

Changes in the fair value of AFS assets are recognised in other comprehensive income, except for impairment losses (see accounting policy Note 2.5(d)) and foreign exchange gains and losses. The exchange differences on monetary assets are recognised in the income statement.

Interest and dividend income on AFS financial assets are recognised separately in the income statement. Interest on AFS debt securities is calculated using the effective interest method and recognised in the income statement. Dividends income on AFS equity instruments are recognised in the income statement when the Group's and the Corporation's right to receive payments is established.

(d) *Subsequent measurement - Impairment of financial assets*

*Assets carried at amortised cost*

The Group and the Corporation assess at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers experiencing significant financial difficulty, the probability that they will enter bankruptcy or other reorganisation, default or delinquency in interest or principal payments or where observable data indicates that there is a measureable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Financial assets (continued)

#### (d) *Subsequent measurement - Impairment of financial assets (continued)*

##### Assets carried at amortised cost (continued)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a 'loan and receivable' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group and the Corporation may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

#### (i) Individual assessment

The Group and the Corporation assess if objective evidence of impairment exists for loans, advances and financing which are deemed to be individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of the estimated future cash flows discounted at the loan's original effective interest rate. The carrying amount of the loan is reduced through an allowance account and the amount of the loss is recognised in the income statement.

All other loans, advances and financing that have been individually evaluated, but not considered to be individually impaired, are assessed collectively for impairment.

#### (ii) Collective assessment

Loans, advances, financing and receivables which are not individually significant and loans that have been individually assessed with no evidence of impairment loss are grouped together for collective impairment assessment. These loans are grouped within similar credit risk characteristics for collective assessment, whereby data from the loan portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios, etc.) and concentration of risks (such as the performance of different individual groups) are taken into consideration.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.5 Financial assets (continued)

(d) *Subsequent measurement - Impairment of financial assets (continued)*

Assets carried at amortised cost (continued)

(ii) Collective assessment (continued)

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated based on the historical loss experience of the Group and the Corporation. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group and the Corporation to reduce any differences between loss estimates and actual loss experience.

Assets classified as available-for-sale

The Group and the Corporation assess at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group and the Corporation use criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above.

In the case of equity securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the income statement. The amount of cumulative loss that is reclassified to the income statement is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(e) *De-recognition*

Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Corporation have transferred substantially all risks and rewards of ownership.

When AFS financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to the income statement.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Financial assets (continued)

#### (f) *Reclassification of financial assets*

The Group and the Corporation may choose to reclassify non-derivative financial assets held-for-trading ("HFT") out of the HFT category where:

- in rare circumstances, it is no longer held for the purpose of selling or repurchasing in the near term; or
- it is no longer held for purpose of trading, it would have met the definition of a loan and receivable on initial classification and the Group and the Corporation have the intention and ability to hold it for the foreseeable future, until maturity at the date of reclassification.

Reclassifications are made at the fair value at the date of reclassification.

### 2.6 Impairment of non-financial assets

Assets that have an indefinite useful life, for example intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

### 2.7 Financial liabilities

Financial liabilities are measured at amortised cost, except for trading liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial liabilities are de-recognised when extinguished.

#### (a) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities as HFT and financial liabilities designated at fair value through profit or loss upon initial recognition.

A financial liability is classified as HFT if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking. Derivatives are also categorised as HFT unless they are designated as hedges.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.7 Financial liabilities (continued)

- (b) Other financial liabilities measured at amortised cost

Other financial liabilities are initially recognised at fair value plus transaction costs. Subsequently, other financial liabilities are re-measured at amortised cost using the effective interest method.

Other financial liabilities measured at amortised cost are 'amount due to Bank Negara Malaysia', 'Funds from Bank Negara Malaysia', 'Small Entrepreneurs Guarantee Scheme', 'Tabung Usahawan Kecil', 'Government funds', 'preference shares', 'SME Modernisation and Assistance Facilities', 'Small Entrepreneurs Financing Fund', 'loan due to non-controlling interest', 'amount due to a subsidiary', 'trade payables', 'claims payable' and 'other payables'.

- (c) De-recognition

Financial liabilities are de-recognised when they have been redeemed or otherwise extinguished.

#### 2.8 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair values are positive, and as liabilities when fair values are negative.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

#### 2.9 Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Cash and cash equivalents

For the purposes of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 2.11 Share capital

#### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares and options are shown in equity as a deduction, net of tax, from the proceeds.

#### *Preference shares*

Preference shares are classified as liability if they are redeemable on a specific date, or at the option of the preference share holders or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in the income statement.

### 2.12 Current and deferred income tax

#### *Current tax*

The current income tax charge is calculated based on Malaysian tax laws enacted or substantively enacted at the end of the reporting period and is recognised in the income statement.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

#### *Deferred tax*

Deferred tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the end of reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.12 Current and deferred income tax (continued)

##### *Deferred tax (continued)*

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax is recognised in the income statement except when it arises from a transaction which is recognised in other comprehensive income, in which case, the deferred tax is also charged or credited to the other comprehensive income.

#### 2.13 Employee benefits

##### *Short term employee benefits*

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the financial year in which the associated services are rendered by employees of the Group and the Corporation and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as other payables in the statement of financial position.

##### *Defined contribution plan*

The Group and the Corporation contribute to the Employees' Provident Fund ("EPF"), a defined contribution plan. The Group's and the Corporation's contributions to the defined contribution plan are charged to the income statement in the financial year to which they relate. Once the contributions have been paid, the Group and the Corporation have no further payment obligations.

#### 2.14 Government grants

The benefit of a Government loan at a below-market rate of interest is treated as a Government grant. The Government loan is recognised as a financial liability, and measured in accordance with MFRS 139 'Financial Instruments: Recognition and Measurement'. The Government grant is measured as the difference between the initial carrying value of the Government loan determined in accordance with MFRS 139 and the proceeds received. The Government grant is presented as deferred income in the statement of financial position.

Government grants are recognised when there is a reasonable assurance that the grants will be received, and the Group and the Corporation will comply with the conditions attached to the grants. Government grants are recognised in the income statement on a systematic basis over the periods in which the Group and the Corporation recognise as expenses the related costs for which the grants are intended to compensate.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.14 Government grants (continued)

The Group and the Corporation have applied the transitional provisions in MFRS 120 'Accounting for Government Grants and Disclosure of Government Assistance' and Amendment to MFRS 1 'First-time Adoption of Malaysian Financial Reporting Standard' on Government Loans whereby the accounting provisions of MFRS 120 shall be apply prospectively to grants receivable or repayable after the effective date of the standard. The grants are 'Tabung Usahawan Kecil' and 'Small Entrepreneurs Guarantee Scheme'.

The Government loans which existed at the date of transition are 'Funds from Bank Negara Malaysia' for Tabung Projek Usahawan Bumiputera-i and subscription for shares of Danajamin Nasional Berhad, 'Government funds', 'preference shares', 'SME Modernisation and Assistance Facilities' and 'Small Entrepreneurs Financing Fund'. These Government loans are stated at their previous carrying value.

### 2.15 Provision for claims under guarantee schemes

Provision for claims to the extent of exposure of the Group's and the Corporation's guarantees is made based on the notification by financial institutions when an account is classified as non-performing and upon lodgement of claims by the financial institutions.

Provision for claims are charged directly to the income statement. Transfer of surplus or deficit attributable to specific reserves is made through retained earnings.

### 2.16 Provisions

Provisions are recognised by the Group and the Corporation when all of the following conditions have been met:

- (i) the Group and the Corporation have a present legal, or constructive obligation as a result of past events;
- (ii) it is probable that an outflow of resources will be required to settle the obligation; and
- (iii) a reliable estimate of the amount of obligation can be made.

### 2.17 Deferred income (excluding Government grants)

Deferred income comprises subscription fees paid in advance and fees from prepaid package. Deferred income is recognised as revenue in the income statement when the services are rendered.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.18 Contingencies

The Group and the Corporation do not recognise contingent assets and liabilities, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Corporation or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Corporation. The Group and the Corporation do not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

#### 2.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group and the Corporation's activities. Revenue is shown net of goods and services tax, returns, rebates and discounts and amounts collected on behalf of third parties and after eliminating sales within the Group and the Corporation.

The Group and the Corporation recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group and the Corporation's activities as described below. The Group and the Corporation base its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

- (i) Guarantee fees are recognised on an accrual basis proportionately over the period of the respective guarantees.
- (ii) Interest/profit income is recognised using the effective interest/profit method. When a loan and receivable is impaired, the Group and the Corporation reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest/profit rate of the instrument, and continues unwinding the discount as interest/profit income. Interest/profit income on impaired loans and receivables are recognised using the original effective interest/profit rate.
- (iii) Other interest income, including amortisation of premiums or accretion of discounts, is recognised on a time proportion basis that takes into account the effective yield of the asset.
- (iv) Rental income is recognised on a time proportion basis except where default in payment of rent has already occurred and the rent due remains outstanding, in which case recognition of rental income is suspended. Subsequent to suspension, rental income is recognised on the receipt basis until all arrears have been paid.
- (v) Other revenue is recognised when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. Revenue for the subsidiary is recognised upon rendering of services and customers' acceptance.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.20 Foreign currencies

#### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Group's and the Corporation's functional and presentation currency.

#### (b) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as AFS financial assets are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

### 2.21 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

### 2.22 Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or the Corporation to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation, where appropriate.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.22 Financial guarantee contracts (continued)

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantees in relation to loans or payable of subsidiaries are provided by the Corporation for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiary.

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period, or in the period of revision and future periods if the revision affects both current and future periods.

The Group and the Corporation make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Fair value of structured products and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group and the Corporation use its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Refer to Note 47(d) for key assumptions used to determine the fair values of financial instruments.

(b) Allowance for losses on loans, advances and financing

The accounting estimates and judgments related to the impairment of loans and provision for off-balance sheet positions is a critical accounting estimate because the underlying assumptions used for both the individually and collectively assessed impairment can change from period to period and may significantly affect the Group's and the Corporation's results of operations.

In assessing assets for impairment, management judgment is required. The determination of the impairment allowance required for loans which are deemed to be individually significant often requires the use of considerable management judgment concerning such matters as local economic conditions, the financial performance of the counterparty and the value of any collateral held, for which there may not be a readily accessible market. The actual amount of the future cash flows and their timing may differ from the estimates used by management and consequently may cause actual losses to differ from the reported allowances.

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(b) Allowance for losses on loans, advances and financing (continued)

The impairment allowance for those loans which are individually significant but for which no objective evidence of impairment exists, is determined on a collective basis. The collective impairment allowance is calculated on a portfolio basis using statistical models which incorporate numerous estimates and judgments, and therefore is subject to estimation uncertainty. The Group and the Corporation perform a regular review of the models and underlying data and assumptions as far as possible to reflect the current economic circumstances. The probability of default, loss given defaults, and loss identification period, amongst other things, are all taken into account during this review.

(c) Deferred tax assets

Significant judgement is required in determining the deferred tax assets as estimates of future taxable profits are involved. Where the final outcome of future taxable profits is different from the amounts that were initially estimated, such differences will impact the deferred tax assets and liabilities in the financial year in which such determination is made.

(d) Provision for claims under guarantee schemes

Provision for claims by financial institutions under guarantee schemes is made based on notifications of non-performing loans and lodgement of claims by the financial institutions by applying a percentage to the value of non-performing loans and the lodgement of claims based on past experience.

(e) Allowance for impairment on investment in a subsidiary company

The Corporation assesses the impairment on investment in a subsidiary company on an annual basis in accordance with its accounting policy in Note 2.6 to the financial statements. The recoverable amount of the investment in its subsidiary company is assessed based on its value-in-use. Value-in-use is determined using the present value of estimated future cash flow expected to be generated from the subsidiary's business, using the estimates as disclosed in Note 6 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

## 4. PROPERTY, PLANT AND EQUIPMENT

Group	Building RM'000	Long term leasehold land RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture fittings & fixtures RM'000	Renovation RM'000	Computer equipment RM'000	Capital work in progress RM'000	Total RM'000
<b>Cost</b>									
At 1 January 2016	39,081	5,010	144	2,795	3,879	8,043	14,042	4,650	77,644
Additions	-	-	-	703	948	1,650	1,583	2,008	6,892
Disposals	-	-	-	(325)	(590)	(333)	(261)	-	(1,509)
Transfer from work in progress	-	-	-	240	191	-	154	(585)	-
Reclassification to intangible assets (Note 5)	-	-	-	-	-	-	-	(4,727)	(4,727)
At 31 December 2016	39,081	5,010	144	3,413	4,428	9,360	15,518	1,346	78,300
<b>Less: Accumulated depreciation</b>									
At 1 January 2016	29,701	2,806	143	2,147	3,338	4,752	12,367	-	55,254
Charge for the financial year	1,564	28	-	337	249	858	747	-	3,783
Disposals	-	-	-	(325)	(554)	(281)	(117)	-	(1,277)
At 31 December 2016	31,265	2,834	143	2,159	3,033	5,329	12,997	-	57,760
<b>Net book value:</b>									
At 31 December 2016	7,816	2,176	1	1,254	1,395	4,031	2,521	1,346	20,540



## 4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Building RM'000	Long term leasehold land RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture fittings & fixtures RM'000	Renovation RM'000	Computer equipment RM'000	Capital work in progress RM'000	Total RM'000
Cost									
At 1 January 2015	39,081	5,010	144	2,559	3,865	5,592	13,511	104	69,866
Additions	-	-	-	393	134	2,451	448	4,650	8,076
Disposals	-	-	-	(157)	(120)	-	-	-	(277)
Transfer from work in progress	-	-	-	-	-	-	83	(83)	-
Reclassification to intangible assets (Note 5)	-	-	-	-	-	-	-	(21)	(21)
At 31 December 2015	39,081	5,010	144	2,795	3,879	8,043	14,042	4,650	77,644
Less: Accumulated depreciation									
At 1 January 2015	28,137	2,778	143	2,111	3,233	4,319	11,694	-	52,415
Charge for the financial year	1,564	28	-	188	178	433	673	-	3,064
Disposals	-	-	-	(152)	(73)	-	-	-	(225)
At 31 December 2015	29,701	2,806	143	2,147	3,338	4,752	12,367	-	55,254
Net book value:									
At 31 December 2015	9,380	2,204	1	648	541	3,291	1,675	4,650	22,390

## NOTES TO THE FINANCIAL STATEMENTS

## 4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Corporation	Building RM'000	Long term leasehold land RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture fittings & fixtures RM'000	Renovation RM'000	Computer equipment RM'000	Capital work in progress RM'000	Total RM'000
<b>Cost</b>									
At 1 January 2016	39,081	5,010	144	2,706	3,728	7,700	12,398	4,398	75,165
Additions	-	-	-	680	944	1,650	1,222	1,977	6,473
Disposals	-	-	-	(325)	(590)	(333)	(261)	-	(1,509)
Transfer from work in progress	-	-	-	240	191	-	67	(498)	-
Reclassification to intangible assets (Note 5)	-	-	-	-	-	-	-	(4,621)	(4,621)
At 31 December 2016	39,081	5,010	144	3,301	4,273	9,017	13,426	1,256	75,508
<b>Less: Accumulated depreciation</b>									
At 1 January 2016	29,701	2,806	143	2,066	3,194	4,415	10,873	-	53,198
Charge for the financial year	1,564	28	-	331	244	854	641	-	3,662
Disposals	-	-	-	(325)	(554)	(281)	(117)	-	(1,277)
At 31 December 2016	31,265	2,834	143	2,072	2,884	4,988	11,397	-	55,583
<b>Net book value:</b>									
At 31 December 2016	7,816	2,176	1	1,229	1,389	4,029	2,029	1,256	19,925

## 4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Corporation	Building RM'000	Long term leasehold land RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture fittings & fixtures RM'000	Renovation RM'000	Computer equipment RM'000	Capital work in progress RM'000	Total RM'000
Cost									
At 1 January 2015	39,081	5,010	144	2,470	3,714	5,249	11,897	104	67,669
Additions	-	-	-	393	134	2,451	418	4,398	7,794
Disposals	-	-	-	(157)	(120)	-	-	-	(277)
Transfer from work in progress	-	-	-	-	-	-	83	(83)	-
Reclassification to intangible assets (Note 5)	-	-	-	-	-	-	-	(21)	(21)
At 31 December 2015	39,081	5,010	144	2,706	3,728	7,700	12,398	4,398	75,165
Less: Accumulated depreciation									
At 1 January 2015	28,137	2,778	143	2,033	3,094	3,986	10,247	-	50,418
Charge for the financial year	1,564	28	-	185	173	429	626	-	3,005
Disposals	-	-	-	(152)	(73)	-	-	-	(225)
At 31 December 2015	29,701	2,806	143	2,066	3,194	4,415	10,873	-	53,198
Net book value:									
At 31 December 2015	9,380	2,204	1	640	534	3,285	1,525	4,398	21,967

## NOTES TO THE FINANCIAL STATEMENTS

## 5. INTANGIBLE ASSETS

Group	Software and other cost RM'000
<b>Cost</b>	
At 1 January 2016	55,812
Additions	6,003
Disposals	(30)
Reclassification from property, plant and equipment (Note 4)	4,727
At 31 December 2016	66,512
<b>Less: Accumulated amortisation</b>	
At 1 January 2016	43,226
Amortisation charge during the financial year	4,623
At 31 December 2016	47,849
<b>Net book value</b>	
At 31 December 2016	18,663
<b>Cost</b>	
At 1 January 2015	52,073
Additions	3,718
Reclassification from property, plant and equipment (Note 4)	21
At 31 December 2015	55,812
<b>Less: Accumulated amortisation</b>	
At 1 January 2015	38,281
Amortisation charge during the financial year	4,945
At 31 December 2015	43,226
<b>Net book value</b>	
At 31 December 2015	12,586

## 5. INTANGIBLE ASSETS (CONTINUED)

<b>Corporation</b>	<b>Software and other cost RM'000</b>
<hr/>	
<b>Cost</b>	
At 1 January 2016	36,982
Additions	4,857
Disposals	(29)
Reclassification from property, plant and equipment (Note 4)	4,621
<hr/>	
At 31 December 2016	46,431
<hr/>	
<b>Less: Accumulated amortisation</b>	
At 1 January 2016	30,246
Amortisation charge during the financial year	3,021
<hr/>	
At 31 December 2016	33,267
<hr/>	
<b>Net book value</b>	
At 31 December 2016	13,164
<hr/>	
<b>Cost</b>	
At 1 January 2015	34,648
Additions	2,313
Reclassification from property, plant and equipment (Note 4)	21
<hr/>	
At 31 December 2015	36,982
<hr/>	
<b>Less: Accumulated amortisation</b>	
At 1 January 2015	27,344
Amortisation charge during the financial year	2,902
<hr/>	
At 31 December 2015	30,246
<hr/>	
<b>Net book value</b>	
At 31 December 2015	6,736
<hr/>	

## NOTES TO THE FINANCIAL STATEMENTS

## 6. INVESTMENT IN A SUBSIDIARY

	Corporation	
	31.12.2016	31.12.2015
	RM'000	RM'000
Unquoted shares, at cost	23,650	23,650
Less: Allowance for impairment	(18,468)	(3,475)
	<b>5,182</b>	20,175

On 17 May 2016, the subsidiary, Credit Bureau Malaysia Sdn. Bhd. ("CBM") has obtained an order from the High Court of Malaya at Kuala Lumpur to reduce its issued and paid-up share capital from RM33,000,000 divided into 33,000,000 ordinary shares of RM1.00 each to RM13,000,000 divided into 33,000,000 ordinary shares of RM0.40 each.

#### Allowance for impairment

The recoverable amount of the investment in CBM has been determined based on value-in-use ("VIU") calculations using profit and cash flow projections approved by management covering a five year period (2017-2021).

Management's judgement is involved in estimating the approved 5 years profit and cash flow projections of CBM. The estimated terminal growth rate and discount rate used for VIU calculations are 4% (2015 : 4%) and 10% (2015 : 10%) respectively. The VIU is sensitive to, amongst others, the following key assumptions used by management in the assessment:

- Revenue for commercial business will increase by 1% in 2017, increase by 12% in 2018, increase by 1% in 2019 and remain constant in 2020 and 2021.
- Revenue for consumer business will increase by more than 100% in 2017, increase by 42% in 2018, increase by 23% in 2019, increase by 7% in 2020 and remain stagnant in 2021.
- Direct cost for commercial business is estimated to be 68% to 69% of total commercial business revenue, and direct cost for consumer business is estimated to be between 68% to 75% of total consumer business revenue.

As at 31 December 2016, the Corporation has recognised an additional impairment of RM14,993,000 based on the assessment of the above VIU.

## 6. INVESTMENT IN A SUBSIDIARY (CONTINUED)

### Sensitivity analysis

- If the terminal value growth rate used in the VIU calculation for impairment assessment have been 1% lower than management estimation as at 31 December 2016 with other assumptions remaining constant, the impairment will be higher by RM697,000 than what has been recognised in the financial statements.
- If the estimated revenue and direct cost for both commercial and consumer segment had been 5% lower than management estimation as at 31 December 2016 with other assumptions remaining constant, the impairment will be higher by RM2,459,060 than what has been recognised in the financial statements.

Details of the subsidiary which is incorporated in Malaysia are as follows:

Name of subsidiary	Principal activity	Percentage of equity held Group		Non-controlling interest	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
Credit Bureau Malaysia Sdn. Bhd. ("CBM")	Provision of credit reference services, credit rating and such services related to a credit bureau	72%	72%	28%	28%

## NOTES TO THE FINANCIAL STATEMENTS

## 6. INVESTMENT IN A SUBSIDIARY (CONTINUED)

Set out below is the summarised financial information for subsidiary that has non-controlling interest that is material to the Group. The summarised financial information below represents amounts before inter-company eliminations.

## (i) Summarised statements of financial position

	CBM	
	2016	2015
	RM'000	RM'000
<b>Current</b>		
Assets	7,471	16,670
Liabilities	(4,908)	(11,059)
Total current net assets	2,563	5,611
<b>Non-current</b>		
Assets	6,114	6,273
Liabilities	-	-
Total non-current net assets	6,114	6,273
<b>Net assets</b>	<b>8,677</b>	<b>11,884</b>
<b>Accumulated non-controlling interest at 31 December</b>	<b>2,460</b>	<b>3,367</b>



## 6. INVESTMENT IN A SUBSIDIARY (CONTINUED)

## (ii) Summarised statements of comprehensive income

	2016 RM'000	2015 RM'000
Revenue	8,120	7,909
Loss before taxation	(2,825)	(3,550)
Taxation	(380)	196
Net loss and total comprehensive loss for the financial year	(3,205)	(3,354)
<b>Total comprehensive loss allocated to non-controlling interest</b>	<b>(907)</b>	<b>(1,522)</b>

## (iii) Summarised statements of cash flows

	2016 RM'000	2015 RM'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	(7,032)	4,709
Tax paid	-	-
Net cash generated from operating activities	(7,032)	4,709
Net cash used in investing activities	(1,565)	(1,686)
Net cash generated from financing activities	-	9,864
Net increase in cash and cash equivalents	(8,597)	12,887
Cash and cash equivalents at the beginning of the financial year	14,527	1,640
Cash and cash equivalents at the end of the financial year	5,930	14,527

## NOTES TO THE FINANCIAL STATEMENTS

## 7. INVESTMENTS IN ASSOCIATES

The principal place of business and country of incorporation of the associates are in Malaysia. All associates are measured using the equity method. There are no available quoted market prices of the associates.

	Group		Corporation	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Unquoted shares, at cost	500,200	500,200	500,200	500,200
Group's share of post-acquisition reserves	287,850	230,068	-	-
	<b>788,050</b>	730,268	<b>500,200</b>	500,200

Details of the associates are as follows:

Name of associates	Principal activities	Percentage of equity held Group	
		31.12.2016	31.12.2015
Aureos CGC Advisers Sdn. Bhd. ("Aureos CGC")	Advisory services	40%	40%
Danajamin Nasional Berhad ("Danajamin")	Financial guarantee insurance	50%	50%

## 7. INVESTMENTS IN ASSOCIATE (CONTINUED)

(a) Summarised financial information of the associates which are accounted for using the equity method is as follows:

(i) Summarised statements of financial position

	Danajamin		Aureos CGC		Total	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Assets</b>						
Current assets	<b>1,009,295</b>	877,054	<b>941</b>	977	<b>1,010,236</b>	878,031
Non-current assets	<b>1,084,890</b>	1,126,934	-	-	<b>1,084,890</b>	1,126,934
Total assets	<b>2,094,185</b>	2,003,988	<b>941</b>	977	<b>2,095,126</b>	2,004,965
<b>Liabilities</b>						
Current liabilities	<b>(12,816)</b>	(11,392)	<b>(107)</b>	(59)	<b>(12,923)</b>	(11,451)
Non-current liabilities	<b>(505,938)</b>	(532,795)	-	-	<b>(505,938)</b>	(532,795)
Total liabilities	<b>(518,754)</b>	(544,187)	<b>(107)</b>	(59)	<b>(518,861)</b>	(544,246)
Net assets	<b>1,575,431</b>	1,459,801	<b>834</b>	918	<b>1,576,265</b>	1,460,719

(ii) Summarised statements of comprehensive income

	Danajamin		Aureos CGC		Total	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	<b>162,588</b>	151,111	-	412	<b>162,588</b>	151,523
Net profit/(loss) for the financial year	<b>125,513</b>	119,314	<b>(84)</b>	247	<b>125,429</b>	119,561
Total comprehensive income/(loss) for the financial year	<b>127,530</b>	122,332	<b>(84)</b>	247	<b>127,446</b>	122,579

## NOTES TO THE FINANCIAL STATEMENTS

## 7. INVESTMENTS IN ASSOCIATE (CONTINUED)

- (b) Reconciliation of the summarised financial information to the carrying amount of the interest in the associates:

	Danajamin		Aureos CGC		Total	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net assets at 1 January	<b>1,459,801</b>	1,348,670	<b>918</b>	671	<b>1,460,719</b>	1,349,341
Net profit/(loss) for the financial year	<b>125,513</b>	119,314	<b>(84)</b>	247	<b>125,429</b>	119,561
Dividend paid	<b>(11,900)</b>	(11,200)	-	-	<b>(11,900)</b>	(11,200)
Other comprehensive profit/(loss) for the financial year	<b>2,017</b>	3,017	-	-	<b>2,017</b>	3,017
Net assets at 31 December	<b>1,575,431</b>	1,459,801	<b>834</b>	918	<b>1,576,265</b>	1,460,719
Carrying value	<b>787,716</b>	729,901	<b>334</b>	367	<b>788,050</b>	730,268

## 8. INVESTMENT FUND: AFS

In 2007, the Corporation entered into a Shareholders' Agreement with Aureos Malaysia Fund LLC ("AMF"), Aureos South-East Asia Ltd (Manager) and others (Investors). The agreement provides that each of the Investors, including the Corporation, shall subscribe for a number of Class A Ordinary Shares in AMF and pay, by way of capital contribution such amounts as may be called for in aggregate to the amount set out in the agreement.

The Corporation holds a 40% (2015 : 40%) interest in Class A Ordinary Shares of USD 1 each in AMF.

The Corporation does not have the power to participate in or influence the financial and investment decisions of AMF as such powers are vested in the Manager. As set out in the agreement, the Corporation does not have any representation in the Board of Directors of AMF. Thus, the investment is not classified as an associate due to the absence of significant influence but is accounted for as an AFS investment.

In September 2016, the Corporation has disposed the entire investment in AMF resulting in a gain of RM14,991,000. The profit from disposal is being recognised as Investment Income.

The investment fund was utilised to finance investments in Malaysia (not less than 70%) and other ASEAN countries (up to 30%).

**8. INVESTMENT FUND: AFS (CONTINUED)**

Movements in the investment fund:

	Group/Corporation	
	2016 RM'000	2015 RM'000
Cost:		
At 1 January	15,033	22,627
Subscribed and paid during the financial year	-	111
Less: Redemption during the financial year	(15,033)	(7,705)
At 31 December	-	15,033
Fair value gain in AFS reserve at 31 December	-	13,838
Fair value at 31 December	-	28,871

**9. STRUCTURED INVESTMENTS: FVTPL**

	Group/Corporation	
	31.12.2016 RM'000	31.12.2015 RM'000
<b>At fair value:</b>		
Structured investments, unquoted in Malaysia	143,868	310,163

	Group/Corporation	
	2016 RM'000	2015 RM'000
<b>Fair value gain/(loss):</b>		
At 1 January	10,163	22,024
Realised loss during the financial year (Note 37)	(10,163)	(6,602)
Unrealised fair value loss during the financial year (Note 37)	(6,132)	(5,259)
At 31 December	(6,132)	10,163
Inception fair value loss yet to be amortised at 31 December	-	3,430

## NOTES TO THE FINANCIAL STATEMENTS

## 10. INVESTMENT SECURITIES: AFS

	Group/Corporation	
	31.12.2016	31.12.2015
	RM'000	RM'000
<b>At fair value</b>		
<b>Money market instruments:</b>		
<u>Unquoted in Malaysia</u>		
Cagamas bonds	101,869	75,166
Malaysia Government Securities	49,769	30,019
	151,638	105,185
<b>Unquoted securities:</b>		
<u>In Malaysia</u>		
Private debt securities	1,339,707	855,349
	1,491,345	960,534

## 11. INVESTMENT SECURITIES: HTM

	Group/Corporation	
	31.12.2016	31.12.2015
	RM'000	RM'000
<b>At amortised cost</b>		
<b>Unquoted securities:</b>		
<u>In Malaysia</u>		
Private debt securities	90,574	90,572

## 12. INVESTMENT SECURITIES: HFT

	Group/Corporation	
	31.12.2016	31.12.2015
	RM'000	RM'000
<b>At amortised cost</b>		
<b>Unquoted securities:</b>		
<u>In Malaysia</u>		
Private debt securities	15,115	-

## 13. INVESTMENT SECURITIES: FVTPL

	Group/Corporation	
	31.12.2016	31.12.2015
	RM'000	RM'000
<b>At fair value</b>		
<b>Money market instruments:</b>		
<u>Unquoted in Malaysia</u>		
Malaysian Government Securities	14,353	29,806
<b>Unquoted securities:</b>		
<u>In Malaysia</u>		
Private debt securities	482,628	422,697
<u>Outside Malaysia</u>		
Private debt securities	152,695	208,191
	635,323	630,888
	649,676	660,694

## NOTES TO THE FINANCIAL STATEMENTS

## 14. DERIVATIVE FINANCIAL ASSETS

	Group/Corporation			
	31.12.2016		31.12.2015	
	Contract / notional amount RM'000	Assets RM'000	Contract / notional amount RM'000	Assets RM'000
Derivative assets				
- Currency forward contracts	14,538	145	82,097	876

## 15. TERM DEPOSITS

	Group/Corporation	
	31.12.2016 RM'000	31.12.2015 RM'000
Licensed banks	961,663	1,182,588
Other financial institutions	373,178	458,169
	1,334,841	1,640,757



## 16. LOANS, ADVANCES AND FINANCING

## (i) By schemes

	Group/Corporation	
	31.12.2016	31.12.2015
	RM'000	RM'000
Redemption of DAGS loans	256,290	289,456
Tabung Pemulihan dan Pembangunan Usahawan ("TPPU")	2,077	2,272
Tabung Pemulihan Peniaga Kecil ("TPPK")	259	284
Tabung Projek Usahawan Bumiputra-i ("TPUB-i")	74,341	84,904
Bizmula-i	64,735	56,698
BizWanita-i	17,720	4,433
Staff loans	1,820	1,970
<b>Gross loans, advances and financing</b>	<b>417,242</b>	<b>440,017</b>
Less: Allowance for impairment		
- Individual allowance	(213,212)	(188,215)
- Collective allowance	(11,403)	(16,075)
<b>Total net loans, advances and financing</b>	<b>192,627</b>	<b>235,727</b>

## (ii) By maturity structure

	Group/Corporation	
	31.12.2016	31.12.2015
	RM'000	RM'000
Maturity within one year	73,922	79,949
One year to three years	82,903	81,849
Three years to five years	88,320	69,066
Over five years	172,097	209,153
	<b>417,242</b>	<b>440,017</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 16. LOANS, ADVANCES AND FINANCING (CONTINUED)

## (iii) By interest rate/ profit rate sensitivity

	Group/Corporation	
	31.12.2016 RM'000	31.12.2015 RM'000
Fixed rate		
- Redemption of DAGS loans	256,290	289,456
- Tabung Pemulihan dan Pembangunan Usahawan	2,077	2,272
- Tabung Pemulihan Peniaga Kecil	259	284
- Tabung Projek Usahawan Bumiputra-i	74,341	84,904
- Bizmula-i	64,735	56,698
- BizWanita-i	17,720	4,433
- Staff loans	1,820	1,970
	<b>417,242</b>	<b>440,017</b>

## (iv) By economic sectors

	Group/Corporation	
	31.12.2016 RM'000	31.12.2015 RM'000
Primary agriculture	4,836	4,302
Education, health and others	9,855	9,020
Construction	97,385	105,059
Electricity, gas & water supply	298	40
Financing, insurance, real estate & business services	26,268	23,595
Manufacturing	74,733	83,496
Mining & quarrying	442	553
Transport, storage & communication	8,218	6,449
Wholesale, retail trade, restaurants & hotels	191,050	202,977
Others	4,157	4,526
	<b>417,242</b>	<b>440,017</b>

## 16. LOANS, ADVANCES AND FINANCING (CONTINUED)

## (v) By economic purpose

	Group/Corporation	
	31.12.2016 RM'000	31.12.2015 RM'000
Working capital	415,422	438,047
Others	1,820	1,970
	<b>417,242</b>	<b>440,017</b>

## (vi) By geographical distribution

	Group/Corporation	
	31.12.2016 RM'000	31.12.2015 RM'000
Johor	63,433	70,347
Kedah	25,389	21,079
Kelantan	11,082	11,550
Wilayah Persekutuan - Kuala Lumpur	31,175	32,294
Melaka	22,190	22,909
Negeri Sembilan	33,143	37,625
Pahang	10,637	12,691
Perak	17,869	16,343
Pulau Pinang	33,155	40,292
Sabah	22,620	21,462
Sarawak	39,240	39,240
Selangor	89,389	96,167
Terengganu	17,920	18,018
	<b>417,242</b>	<b>440,017</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 16. LOANS, ADVANCES AND FINANCING (CONTINUED)

## (vii) Movements in impaired loans, advances and financing

	Group/Corporation	
	31.12.2016	31.12.2015
	RM'000	RM'000
Balance at 1 January	188,215	149,821
Add: Classified as impaired	34,587	43,308
Less: Reclassified as non-impaired	(3,296)	(982)
Less: Amount written-back	(6,284)	(3,919)
Less: Amount written-off/waived	(10)	(13)
Balance at 31 December	213,212	188,215

## (viii) Impaired loans, advances and financing by economic purposes

	Group/Corporation	
	31.12.2016	31.12.2015
	RM'000	RM'000
Working capital	213,058	188,062
Others	154	153
	213,212	188,215

## 16. LOANS, ADVANCES AND FINANCING (CONTINUED)

## (ix) Impaired loans, advances and financing by geographical distribution

	Group/Corporation	
	31.12.2016 RM'000	31.12.2015 RM'000
Johor	26,054	22,049
Kedah	10,942	9,188
Kelantan	5,049	4,601
Melaka	6,601	6,834
Negeri Sembilan	18,599	17,375
Pahang	4,308	3,709
Perak	9,392	9,185
Pulau Pinang	17,691	12,624
Sabah	13,817	14,975
Sarawak	22,164	20,933
Selangor	49,772	42,989
Terengganu	10,048	7,454
Wilayah Persekutuan - Kuala Lumpur	18,775	16,299
	<b>213,212</b>	<b>188,215</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 16. LOANS, ADVANCES AND FINANCING (CONTINUED)

## (x) Movements in allowance for impairment of loans, advances and financing

	Group/Corporation	
	2016 RM'000	2015 RM'000
<b>Individual impairment allowance</b>		
Balance at the beginning of the financial year	188,215	149,821
Allowance made during the financial year	34,587	43,308
Amount written-back during the financial year	(9,580)	(4,901)
Amount written-off/waiver during the financial year	(10)	(13)
Balance at the end of the financial year	213,212	188,215
<b>Collective impairment allowance</b>		
Balance at the beginning of the financial year	16,075	19,888
Allowance made during the financial year	5,151	6,420
Amount written-back during the financial year	(9,823)	(10,233)
Balance at the end of the financial year	11,403	16,075

## 17. LOAN/AMOUNT DUE FROM A SUBSIDIARY

	Group/Corporation	
	31.12.2016 RM'000	31.12.2015 RM'000
Loan due from a subsidiary	125	125
Amount due from a subsidiary	1,865	8,146

**17. LOAN/AMOUNT DUE FROM A SUBSIDIARY (CONTINUED)**

On 1 May 2011, the Corporation entered into an agreement with its subsidiary to give a loan with a principal amount of RM3,750,000.

The tenure of the loan is three years from the date of the respective drawdown and interest payment is to be made every 6 months from the respective drawdown date. The repayment of principal shall be on the third anniversary date of the respective drawdown. The interest is charged on the outstanding balance as follows:

- (i) For the initial loan of RM2,750,000, 5% interest will be charged per annum;
- (ii) For the loan balance of RM1,000,000, 7% interest will be charged per annum.

On 1 December 2014, the tenure of the loan was extended from three years to five years from the date of respective drawdowns.

On 23 October 2015, the Corporation subscribed to issuance of 3,750,000 new ordinary shares of RM1.00 each by the subsidiary for capitalisation of loan due from a subsidiary of RM3,750,000 (Note 6).

The maturity structure of the loan is as follows:

	<b>Group/Corporation</b>	
	<b>31.12.2016</b>	31.12.2015
	<b>RM'000</b>	RM'000
Maturity:		
- not later than one year	<b>125</b>	125

The amount due from a subsidiary is unsecured, interest-free and is repayable on demand.

**18. AMOUNT DUE (TO)/FROM BNM**

The amount due (to)/from BNM comprises:

- (a) Claims paid by the Corporation for Special Relief Guarantee Facility ("SRGF"), Special Relief Guarantee Facility 2 ("SRGF-2") and Special Relief Facility ("SRF"), which are reimbursable by BNM;
- (b) Management fees payable by BNM for services rendered by the Corporation in administering the SME Assistance Guarantee Scheme ("SME AGS"); and
- (c) Recoveries from claims received from third parties payable to BNM which can be set-off against (a) and (b) above.

The amount due (to)/from BNM is unsecured, interest-free and has a 14 days to 21 days repayment terms.

## NOTES TO THE FINANCIAL STATEMENTS

## 19. TRADE AND OTHER RECEIVABLES

	Group		Corporation	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Trade receivables	1,414	1,964	-	-
Receivables due from financial institutions	18,868	11,703	18,868	11,703
Deposits	952	884	906	838
Prepayments	1,281	1,286	1,213	1,204
Other receivables	3,024	1,931	3,010	1,881
Receivables - Subrogated Legal Fees	4,175	981	4,175	981
Amount due from Entrepreneur Rehabilitation Fund Sdn. Bhd.	25	25	25	25
	<b>29,739</b>	18,774	<b>28,197</b>	16,632

Trade receivables are non-interest bearing and are generally on 30 days repayment terms. Receivables due from financial institutions are non-interest bearing and are generally on 45 days repayment terms.

There are no financial liabilities being set off or subject to an enforceable master netting arrangement or similar agreement and financial instruments received as collateral.



## 20. SHARE CAPITAL

	Note	Group/Corporation	
		2016 RM'000	2015 RM'000
<b>Authorised:</b>			
Ordinary shares of RM1 each At 1 January/31 December		<b>2,500,000</b>	2,500,000
The authorised ordinary share capital is made up of:			
Class A	(a)	<b>1,500,000</b>	1,500,000
Class B	(b)	<b>750,000</b>	750,000
Class C	(c)	<b>250,000</b>	250,000
Total authorised ordinary share capital		<b>2,500,000</b>	2,500,000

(a) Class A shares comprise all the ordinary shares of RM1.00 each registered to Bank Negara Malaysia.

(b) Class B shares comprise all the ordinary shares of RM1.00 each registered to shareholders who are carrying on a banking business.

(c) All such other shares not classified as Class A or Class B shares are classified as Class C shares.

All classes of ordinary shares rank pari passu with respect to each other.

	Note	Group/Corporation	
		2016 RM'000	2015 RM'000
<b>Authorised:</b>			
Ordinary shares of RM1 each At 1 January/31 December		<b>1,585,600</b>	1,585,600

## NOTES TO THE FINANCIAL STATEMENTS

## 20. SHARE CAPITAL (CONTINUED)

	Group/Corporation	
	31.12.2016 RM'000	31.12.2015 RM'000
The issued and fully paid ordinary share capital is made up of:		
Class A	1,247,096	1,247,096
Class B	336,516	336,516
Class C	1,988	1,988
Total ordinary share capital	1,585,600	1,585,600

## 21. RESERVES

	Group		Corporation	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Special Programme reserve (a)	272,221	258,081	272,221	258,081
SPI reserve (b)	14,938	14,343	14,938	14,343
Special reserve (c)	508,216	456,800	508,216	456,800
Retained earnings	795,375 994,305	729,224 823,265	795,375 705,354	729,224 603,775
	1,789,680	1,552,489	1,500,729	1,332,999

**21. RESERVES (CONTINUED)**

## (a) Special Programme reserve

	Group/Corporation	
	2016 RM'000	2015 RM'000
At 1 January	<b>258,081</b>	247,655
Repayment of YEDP fund	-	(3,894)
Transfer from retained earnings during the financial year	<b>14,140</b>	14,320
At 31 December	<b>272,221</b>	258,081

The Special Programme reserve was created to meet possible losses arising from the loans granted under the TUK, Small Entrepreneurs Financing Fund ("SEFF"), AIM, Franchise Financing Schemes Fund ("FFS"), Youth Economic Development Programme ("YEDP") and Projek Usahawan Bumiputra Dalam Bidang Peruncitan ("PROSPER") schemes and is not distributable as cash dividend as designated by the Directors of the Corporation. It includes a guarantee fund of RM40,000,000 granted by the Ministry of Entrepreneur and Cooperative Development ("MECD") in 1997 to absorb possible losses on loans granted under SEFF (Note 29).

## (b) SPI reserve

	Group/Corporation	
	2016 RM'000	2015 RM'000
At 1 January	<b>14,343</b>	10,553
Transfer from/(to) retained earnings during the financial year	<b>595</b>	3,790
At 31 December	<b>14,938</b>	14,343

The SPI reserve was created to meet claim contingencies under Islamic Guarantees for SPI facilities and is not distributable as cash dividend as designated by the Directors of the Corporation.

## NOTES TO THE FINANCIAL STATEMENTS

## 21. RESERVES (CONTINUED)

(c) Special reserve

	Group/Corporation	
	2016 RM'000	2015 RM'000
At 1 January	456,800	415,520
Transfer from retained earnings during the financial year	51,416	41,280
At 31 December	508,216	456,800

The Special reserve was created to meet claim contingencies arising from loans guaranteed by the Corporation under all the other schemes and is not distributable as cash dividend as designated by the Directors of the Corporation. The Special reserve may be utilised to meet excess claim contingencies in respect of all other schemes should the need arise.

The amount transferred from retained earnings to various reserves is the proportion of investment income from investing in those reserves. The basis used for a transfer to any particular reserve is a percentage of the said reserve over total reserves (including retained earnings) at the beginning of the year multiply by gross investment income for the year. The amount transferred to any reserve also takes into account any movement in fund during the year.

## 22. AVAILABLE-FOR-SALE RESERVE

	Group		Corporation	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
At 1 January	12,886	5,325	13,966	7,912
Fair value (loss)/gain during the financial year	(10,682)	7,561	(11,691)	6,054
At 31 December	2,204	12,886	2,275	13,966

**23. FUNDS FROM BANK NEGARA MALAYSIA**

	Group/Corporation	
	31.12.2016 RM'000	31.12.2015 RM'000
Repayable within 12 months	1,500	1,500
Repayable after 12 months	800,000	800,000
	<b>801,500</b>	<b>801,500</b>

Details of the balance outstanding as at 31 December 2016 are as follows:

**(a) RM300 million for TPUB-i Fund**

In 2009, Bank Negara Malaysia ("BNM") agreed to contribute RM300 million to a fund known as TPUB-i which is to be administered in accordance with the Shariah principle of qard. The RM300 million financing is to be repaid on the 5th anniversary date of the disbursement. In April 2014, BNM has granted an extension of repayment for a period of 5 years starting from 1 July 2014 until 30 June 2019.

The financing is subject to profit charge of RM3 million per annum to be paid to BNM.

**(b) RM500 million to subscribe for the shares of Danajamin**

In 2009, BNM advanced RM500 million to the Corporation for establishing and subscribing to the shares of Danajamin which is jointly owned by the Government and the Corporation to primarily carry out the business of providing financial guarantee insurance.

The RM500 million loan is to be repaid in full within 14 days after either expiry of the loan tenure i.e. 30 years from 12 May 2009, or date the Corporation disposes of its entire shareholding in Danajamin, as determined by BNM, whichever is earlier.

## NOTES TO THE FINANCIAL STATEMENTS

## 24. SMALL ENTREPRENEURS GUARANTEE SCHEME ("SEGS")

	Group/Corporation	
	31.12.2016	31.12.2015
	RM'000	RM'000
Repayable within 12 months	<b>9,000</b>	4,000
Repayable after 12 months	<b>35,523</b>	47,599
	<b>44,523</b>	51,599

The scheme's purpose is to assist small entrepreneurs to obtain financing of between RM10,000 to RM50,000 for working capital and/or asset acquisition.

On 15 May 2002, the Corporation entered into an agreement with the Ministry of Finance ("MOF") who contributed RM50 million to initiate a guarantee fund known as SEGS to meet possible loan losses.

This fund was to be repaid in one lump sum at the end of 6 years from the date of drawdown on 14 November 2002 and is subject to interest at 3% per annum. However, on 30 August 2005, MOF agreed to waive the interest which was previously charged to the Corporation.

On 30 August 2005, the Corporation entered into another agreement with MOF for an additional RM29 million contribution. It is an interest free fund and to be repaid in one lump sum at the end of 6 years.

On 23 December 2010, MOF agreed to reschedule the total repayment of RM79 million with interest free to 2025. The funds will be repaid in accordance with a repayment arrangement with fund providers.

**25. TABUNG USAHAWAN KECIL ("TUK")**

	Group/Corporation	
	31.12.2016 RM'000	31.12.2015 RM'000
Repayable after 12 months	<b>36,809</b>	35,352

The scheme seeks 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.

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

The Corporation ceased to disburse new loans under the TUK Fund as decided by the Minister of Entrepreneur and Cooperative Development effective from 1 January 2000. However, the Corporation continues to manage the loans disbursed under this scheme prior to the said date.

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

On 23 December 2010, MOF agreed to reschedule the repayment of RM50 million with interest free to 2025. The funds will be repaid in accordance with a repayment arrangement with fund providers.

**26. GOVERNMENT FUNDS**

	Group/Corporation	
	31.12.2016 RM'000	31.12.2015 RM'000
Principal	<b>150,000</b>	150,000
Interest payable	<b>342</b>	342
	<b>150,342</b>	150,342

This comprises various placements from BNM amounting to RM150 million, intended for loanable funds, of which:

- (i) RM50 million for HPT 1992 and is subject to interest at 1% per annum.
- (ii) RM100 million for the New Investment Fund and is subject to interest at 1% per annum.

On 14 December 2008, BNM agreed to reschedule the repayment to 2023.

## NOTES TO THE FINANCIAL STATEMENTS

## 27. PREFERENCE SHARES

	Group/Corporation	
	2016 RM'000	2015 RM'000
Authorised:		
Preference shares of RM1 each:		
At 1 January/31 December	<b>500,000</b>	500,000
Issued and fully paid:		
200,000,000 ten-year 1%, non-cumulative redeemable preference shares of RM1 each:		
At 1 January/31 December	<b>200,000</b>	200,000

The preference shares were issued in 2008 to BNM with a maturity period of 10 years from 10 September 2008 to 10 September 2018 to redeem the existing preference shares of RM200 million held by BNM.

The preference shares issued confer the holders a right to a non-cumulative preference dividend of 1% (less tax) on the capital, thereon to be paid within such time and upon such terms as the Directors of 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. No dividend has been declared since the issuance of the preference shares. The redemption of the preference shares is at the option of BNM.

In view of the above terms, the preference shares have been classified as a financial liability.



**28. SME MODERNISATION AND ASSISTANCE FACILITIES**

	<b>Group/Corporation</b>	
	<b>31.12.2016</b>	31.12.2015
	<b>RM'000</b>	RM'000
Repayable within 12 months	-	150,000

In 2008, the Corporation entered into an agreement with BNM who agreed to contribute RM850 million to a fund known as SME Modernisation and Assistance Facilities.

**(a) SAF - RM500 million**

- (i) RM100 million to be placed in fixed deposits accounts with financial institutions in Malaysia and all income earned from the placement shall be used as a guarantee fund to honour any claims on guarantees issued by CGC pursuant to the SAF; and
- (ii) RM400 million to be placed in fixed deposits accounts with financial institutions in Malaysia and all income earned from the placement shall be used as Interest Reimbursement Fund for purposes of reimbursing the interest rate of 2.5% per annum on outstanding balances under the SAF.

**(b) SMF - RM350 million**

- (i) RM50 million to be placed in fixed deposits accounts with financial institutions in Malaysia and all income earned from the placement shall be used as a guarantee fund to honour any claims on guarantees issued by CGC pursuant to the SMF; and
- (ii) RM300 million to be placed in fixed deposits accounts with financial institutions in Malaysia and all income earned from the placement shall be used as an Interest Reimbursement Fund for purposes of reimbursing the interest rate of 2.5% per annum on outstanding balances under the SMF.

In the event the amount of the advance under a Facility is fully utilised, the Corporation may apply to increase the amount of the advance by transferring such amount as BNM determines from the other Facility to that Facility subject to the terms and conditions as specified by BNM.

In 2012, the Corporation has applied for a transfer of RM200 million from SME Modernisation Facility ("SMF") to SME Assistance Facility ("SAF") as the amount of the advance for SAF has been fully utilised. The transfer has been agreed by BNM.

The Corporation has fully redeemed SAF RM700 million and SMF of RM150 million from BNM on 20 November 2013 and 18 November 2016 respectively.

## NOTES TO THE FINANCIAL STATEMENTS

## 29. SMALL ENTREPRENEURS FINANCING FUND ("SEFF")

	Group/Corporation	
	2016 RM'000	2015 RM'000
At 1 January/31 December	11,075	11,075
Repayable within 12 months	11,075	11,075

The purpose of this 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.

In 1996, the Corporation entered into an agreement with Permodalan Nasional Berhad ("PNB") who agreed to contribute RM200 million to the fund of which RM50 million was received in 1996. The RM50 million was subject to repayment by way of 5 equal annual instalments commencing on the 5th anniversary of the disbursement of each advance. In 2001, the Corporation shall on demand refund all unutilised sums advanced by PNB without interest. The Corporation had applied for an extension of the repayment for another 5 years. In 2006, the first instalment amounting to RM10 million was paid.

In addition to the above, the MECD contributed a guarantee fund of RM40 million which was received in 1996 and included under the Special Programme Reserve to absorb possible losses on loans granted under the SEFF.

Correspondingly, the earnings from the unutilised portion of the fund was transferred to the Special Programme Reserve to be used to absorb possible losses on loans granted under this scheme (Note 21).

## 30. DERIVATIVE FINANCIAL LIABILITIES

	Group/Corporation			
	31.12.2016		31.12.2015	
	Contract / notional amount RM'000	Liabilities RM'000	Contract / notional amount RM'000	Liabilities RM'000
Derivative financial liabilities				
- currency forward contracts	145,045	1,014	123,653	2,390

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

	Group/Corporation	
	2016 RM'000	2015 RM'000
At 1 January	34,528	40,944
Provision made during the financial year	71,370	55,110
Transfer to claims payable during the financial year	(85,155)	(61,526)
At 31 December	20,743	34,528

**32. TRADE PAYABLES, OTHER PAYABLES AND LOAN DUE TO NON-CONTROLLING INTEREST**

	Group		Corporation	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Loan due to non-controlling interest	38	38	-	-
Trade payables	141	732	-	-
Guarantee fee due unearned	41,613	36,039	41,613	36,039
Refundable proceed TPUB and TPUB-i	2,366	6,974	2,366	6,974
Sinking fund - TPUB-i	6,192	5,827	6,192	5,827
Deferred income				
- ERF	39	39	39	39
- Prepaid package and annual subscription fee	1,634	1,226	-	-
- Government grant	18,668	22,049	18,668	22,049
Surplus attributable to operations of BNM's SAF and SMF	60,337	54,288	60,337	54,288
Payable to financial institutions	-	276	-	276
Green Technology Financing Scheme	21,417	11,340	21,417	11,340
Amount due to BNM - ERF	-	1,652	-	1,652
Other payables and accruals	38,718	32,724	37,987	31,933
	191,125	173,166	188,619	170,417

## NOTES TO THE FINANCIAL STATEMENTS

### 32. TRADE PAYABLES, OTHER PAYABLES AND LOAN DUE TO NON-CONTROLLING INTEREST (CONTINUED)

The details of the loan due to non-controlling interest are similar to the terms and conditions of the loan due from a subsidiary as disclosed in Note 17 to the financial statements.

On 1 May 2011, the non-controlling interest entered into an agreement to give a loan to the subsidiary (Credit Bureau Malaysia Sdn. Bhd.) with a principal of RM1,250,000. The tenure of the loan is three years from the date of respective drawdown and interest payment is to be made every 6 months from the respective drawdown date. The repayment of principal shall be on the third anniversary date of the respective drawdown. Interest of 5% per annum is charged on the loan of RM1,250,000.

On 1 December 2014, the tenure of the loan was extended from three years to five years from the date of respective drawdown.

On 23 October 2015, the non-controlling interest subscribed to issuance of 1,250,000 new ordinary shares of RM1.00 each by the subsidiary for capitalisation of loan due to non-controlling interest of RM1,250,000.

The maturity of the loan is as follows:

	<b>Group</b>	
	<b>31.12.2016</b>	31.12.2015
	<b>RM'000</b>	RM'000
Maturity:		
- not later than one year	<b>38</b>	38

**33. FRANCHISE FINANCING SCHEME FUND ("FFS")**

On 27 October 1997, a Memorandum of Understanding ("MOU") was executed between the Corporation, MECD and three participating banks aimed at promoting growth in franchise business under a fund known as FFS.

Details of the Corporation's receipts from MECD in the form of guarantee fund and subsidy on interest to borrowers as at 31 December 2016 and 31 December 2015 is as follows:

Year	Guarantee fund RM'000	Subsidy on interest RM'000	Total RM'000
1998	2,000	2,000	4,000
1999	2,000	-	2,000
2000	7,197	7,197	14,394
2002	1,450	1,450	2,900
2003	15,000	-	15,000

This program enables 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% per annum. However, MECD through the Corporation will subsidise the interest payment and reduce the borrower's cost of borrowing.

**34. YOUTH ECONOMIC DEVELOPMENT PROGRAMME ("YEDP")**

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

An MOU was signed by the three parties on 15 July 1997 whereby the Ministry of Youth and Sports contributed RM7.6 million which has been included in the Special Programme Reserve.

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

## NOTES TO THE FINANCIAL STATEMENTS

### 35. PROJEK USAHAWAN BUMIPUTRA DALAM BIDANG PERUNCITAN (“PROSPER”)

The PROSPER scheme was introduced in August 2000 in an effort to encourage more Bumiputra entrepreneurs to be involved in the retail business throughout Malaysia. Under this scheme, four main parties are involved:

- (i) Perbadanan Usahawan Nasional Berhad (“PUNB”)
- (ii) TPPT Sdn. Bhd.
- (iii) Participating Financial Institutions (currently only Malayan Banking Berhad is involved), and
- (iv) The Corporation

PROSPER scheme facilities are provided under CGC’s Flexi Guarantee Scheme (“FGS”) with 100% guarantee coverage. On 3 March 2005, the Corporation received an amount of RM30 million as a grant from the MOF. The fund is to be used to meet possible loan losses under the scheme.

### 36. REVENUE

	Group		Corporation	
	2016	2015	2016	2015
	RM’000	RM’000	RM’000	RM’000
Guarantee fees	<b>21,942</b>	14,341	<b>21,942</b>	14,341
Guarantee fees on portfolio guarantee scheme	<b>78,900</b>	54,622	<b>78,900</b>	54,622
Guarantee fees on wholesale guarantee scheme	<b>7,137</b>	4,280	<b>7,137</b>	4,280
Interest income - Redemption schemes	<b>14,326</b>	27,515	<b>14,326</b>	27,515
Interest income - TPUB	<b>151</b>	78	<b>151</b>	78
Profit income - TPUB-i	<b>3,948</b>	4,841	<b>3,948</b>	4,841
Profit income - Bizmula-i	<b>4,736</b>	2,858	<b>4,736</b>	2,858
Profit income - BizWanita-i	<b>984</b>	21	<b>984</b>	21
Prepaid package fee	<b>2,065</b>	1,906	-	-
Report income	<b>4,765</b>	3,542	-	-
Data services	<b>504</b>	1,506	-	-
Monitoring service fee	<b>138</b>	545	-	-
Subscription fees	<b>185</b>	177	-	-
Lead generation	<b>17</b>	34	-	-
Rating validation	<b>355</b>	10	-	-
	<b>140,153</b>	116,276	<b>132,124</b>	108,556

**37. INVESTMENT INCOME**

	<b>Group/Corporation</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest income		
- Term deposits	<b>52,528</b>	49,858
- Investment securities: AFS	<b>58,189</b>	36,306
- Investment securities: HTM	<b>5,184</b>	5,170
- Investment securities: HFT	<b>122</b>	-
- Investment securities: FVTPL	<b>35,310</b>	34,051
- Structured investments: FVTPL	<b>14,944</b>	32,537
	<b>166,277</b>	157,922
Realised gain/(loss) on disposal		
- Investment securities: AFS	<b>1,305</b>	(97)
- Investment securities: FVTPL	<b>23,674</b>	11,879
- Investment securities: HFT	<b>(183)</b>	-
- Investment fund: AFS	<b>14,991</b>	-
- Structured investments: FVTPL	<b>(10,163)</b>	(6,602)
- Derivatives	<b>(3,850)</b>	(31,580)
	<b>25,774</b>	(26,400)
Unrealised fair value (loss)/gain		
- Investment securities: FVTPL	<b>(2,868)</b>	13,610
- Foreign exchange loss	<b>-</b>	(229)
- Structured investments: FVTPL	<b>(6,132)</b>	(5,259)
- Derivatives	<b>(2,217)</b>	8,487
	<b>(11,217)</b>	16,609
Accretion of discounts/(amortisation of premiums)		
- Investment securities: AFS	<b>(407)</b>	(119)
- Investment securities: FVTPL	<b>(2,192)</b>	(2,309)
- Investment securities: HFT	<b>(3)</b>	-
	<b>(2,602)</b>	(2,428)
	<b>178,232</b>	145,703

## NOTES TO THE FINANCIAL STATEMENTS

## 38. OTHER OPERATING INCOME

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Rental income	11	163	262	414
Management fees	1,799	1,661	1,892	1,764
Interest income from a subsidiary	-	-	-	138
Dividend income from an associate	-	-	5,950	5,600
Administrative fee - TPUB-i	365	531	365	531
Recoveries from guarantee given	51,762	56,138	51,762	56,138
Amortisation of deferred income - Government grant	3,381	3,422	3,381	3,422
Other income	4,210	1,496	4,179	1,496
	<b>61,528</b>	63,411	<b>67,791</b>	69,503

## 39. STAFF COSTS

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Salaries	36,289	32,948	34,600	31,501
Bonus	12,248	10,128	12,161	10,066
Employees' Provident Fund	7,598	6,471	7,316	6,228
Others	6,567	4,299	6,340	4,204
	<b>62,702</b>	53,846	<b>60,417</b>	51,999



**40. PROFIT BEFORE TAXATION**

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before taxation is arrived at after charging:				
Computer maintenance	<b>9,394</b>	13,741	<b>8,080</b>	8,035
Recovery expenses	<b>3,220</b>	3,315	<b>3,220</b>	3,315
Accretion of Government loans	<b>3,381</b>	3,422	<b>3,381</b>	3,422
Fund managers expenses	<b>1,664</b>	2,057	<b>1,664</b>	2,057
Rental	<b>1,385</b>	1,323	<b>1,249</b>	1,187
Electricity	<b>1,275</b>	1,144	<b>1,230</b>	1,100
Directors remuneration	<b>692</b>	528	<b>564</b>	388
Directors meeting allowance	<b>524</b>	498	<b>446</b>	370
Promotional expenses	<b>850</b>	602	<b>850</b>	602
Auditors remuneration - statutory audit:				
- current year	<b>392</b>	373	<b>370</b>	350
Loss on disposal of property, plant and equipment	<b>82</b>	4	<b>82</b>	4
Depreciation on property, plant and equipment (Note 4)	<b>3,783</b>	3,064	<b>3,662</b>	3,005
Amortisation of intangible assets (Note 5)	<b>4,623</b>	4,945	<b>3,021</b>	2,902
Provision for claims under guarantee schemes (net)	<b>71,370</b>	55,110	<b>71,370</b>	55,110
Allowance made for impairment of investment in subsidiary	-	-	<b>14,993</b>	60
Allowance for impairment of loans, advances and financing (net)	<b>20,335</b>	34,594	<b>20,335</b>	34,594
Interest expense for government loans	<b>4,500</b>	4,500	<b>4,500</b>	4,500

## NOTES TO THE FINANCIAL STATEMENTS

## 41. TAXATION AND DEFERRED TAX (LIABILITIES)/ASSETS

	Group	
	2016 RM'000	2015 RM'000
Malaysian income tax:		
Current tax - current financial year	-	-
Deferred tax	380	-
Taxation charged	380	-

The Corporation has been granted exemption from income tax for 10 years from year of assessment 2002 under Section 127(3)(b) of the Income Tax Act, 1967. The exemption was extended for 5 years covering 2012 to 2016. Subsequently in 2017, the renewed exemption from income tax was obtained for another 5 years from year assessment 2017 under Section 127(3A) of the Income Tax Act, 1967.

The explanation of the relationship between taxation and profit before taxation is as follows:

	Group	
	2016 RM'000	2015 RM'000
Profit before taxation	236,664	190,699
Tax calculated at the Malaysian tax rate of 24% (2015: 25%)	56,799	47,675
Tax effects in respect of:		
Expenses not deductible for tax purposes	174	405
Unabsorbed capital allowances not recognised	331	80
Reversal of previously recognised deductible temporary differences	294	-
Current year tax loss not recognised	162	207
Other deferred tax asset not recognised	98	-
Net income exempted from tax	(57,478)	(48,367)
Taxation	380	-

**41. TAXATION AND DEFERRED TAX (LIABILITIES)/ASSETS (CONTINUED)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same authority.

	<b>Group</b>	
	<b>31.12.2016</b>	31.12.2015
	<b>RM'000</b>	RM'000
Deferred tax liabilities - net	<b>(380)</b>	-

The movements in the deferred tax (liabilities)/assets balances are as follows:

At 1 January	-	-
(Charge)/credited to income statement:	<b>(380)</b>	-
- property and equipment	<b>(28)</b>	1
- intangible assets	<b>(58)</b>	122
- deferred income	<b>(294)</b>	138
- unabsorbed capital allowances	-	(261)
At 31 December	<b>(380)</b>	-

	<b>Group</b>	
	<b>31.12.2016</b>	31.12.2015
	<b>RM'000</b>	RM'000
Deferred tax liabilities (before offsetting):		
- property, plant and equipment	<b>(63)</b>	(35)
- intangible assets	<b>(317)</b>	(259)
- deferred income	-	294
Deferred tax liabilities (after offsetting)	<b>(380)</b>	-

## NOTES TO THE FINANCIAL STATEMENTS

## 41. TAXATION AND DEFERRED TAX (LIABILITIES)/ASSETS (CONTINUED)

The amounts of unabsorbed capital allowances and unutilised tax losses (all of which have no expiry date) for which no deferred tax assets are recognised in the statements of financial position are as follows:

	Group	
	31.12.2016	31.12.2015
	RM'000	RM'000
Unabsorbed capital allowances	10,678	7,895
Unutilised tax losses	10,118	9,440
Deferred Income	1,634	-
	<b>22,430</b>	17,335

## 42. COMMITMENTS AND CONTINGENCIES

The guarantees provided in respect of credit facilities extended by member financial institutions to borrowers under the various schemes guaranteed by the Corporation are as follows:

	Group/Corporation	
	31.12.2016	31.12.2015
	RM'000	RM'000
Financial guarantees	5,242,588	4,076,598
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	50,200	28,342
Certain transaction-related contingent items	-	75,000
Foreign exchange related contracts:		
- maturity not exceeding one year	159,582	205,750
Net contingencies	<b>5,452,370</b>	4,385,690

Outstanding of RM5.2 billion of financial guarantees, RM1.1 billion reimburseable under Government Back Scheme ("GBS") arrangement.

**42. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

In 2012, a legal suit has been filed against the Corporation by a borrower for general damages arising from erroneous credit reference reporting. On 8 December 2015, the High Court ruled in favor of the borrower, and ordered for the quantum of damages to be assessed at a later date by the Court Registrar. On appeal, the Court of Appeal ruled in favor of the Corporation. On 15 August 2016, the borrower had filed an application for leave to appeal against the Court of Appeal's decision. The leave application is fixed for hearing on 1 June 2017. If leave is granted by the Federal Court, the matter will proceed to the appeal proper, failing which the Court of Appeal's decision stands.

In view of the successful outcome at the Court of Appeal, no provision is required to be made in the financial statements as at 31 December 2016.

**43. CAPITAL COMMITMENTS**

	<b>Group/Corporation</b>	
	<b>31.12.2016</b>	31.12.2015
	<b>RM'000</b>	RM'000
Capital expenditure not provided for in the financial statements:		
Authorised and contracted for	<b>3,412</b>	7,951
Authorised but not contracted for	-	1,446
	<b>3,412</b>	9,397
Commitment to subscribe for shares in Aureos Malaysia Fund LLC	-	7,159

## NOTES TO THE FINANCIAL STATEMENTS

## 44. LEASE COMMITMENTS

The Group and the Corporation have lease commitments in respect of rented premises, all of which are classified as operating leases.

A summary of the future minimum lease payments, under non-cancellable operating lease commitments are as follows:

	Group		Corporation	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Not later than one year	1,116	1,583	763	830
Later than one year and not later than three years	262	300	179	300
	<b>1,378</b>	1,883	<b>942</b>	1,130

## 45. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) The key management personnel compensation is as follows:

	Group/Corporation	
	31.12.2016 RM'000	31.12.2015 RM'000
Non-Executive Directors' fees	1,216	1,026
Other key management personnel (including President/CEO):		
- Short-term employee benefits	2,877	2,115
- Contribution to Employees' Provident Fund	495	354
Total compensation	<b>4,588</b>	3,495

Key management personnel comprises persons having authority and responsibility for planning, directing and controlling the activities of the Corporation directly or indirectly and consist of the Board of Directors, President/Chief Executive Officer and five Chief Officers.

**45. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)**

(b) Other significant related parties are as follows:

<b>Name of Company</b>	<b>Relationship</b>
Bank Negara Malaysia ("BNM")	Substantial shareholder of the Corporation
Credit Bureau Malaysia Sdn. Bhd.	Subsidiary
Aureos CGC Advisers Sdn. Bhd.	Associate
Danajamin Nasional Berhad	Associate

(i) Directors' fees and remuneration

Total remuneration (including benefit-in-kind) of the Directors of the Group are as follows:

<b>Group 2016</b>	<b>Salary and bonus RM'000</b>	<b>Fees RM'000</b>	<b>Meeting allowance RM'000</b>	<b>Benefit- in-kind RM'000</b>	<b>Total RM'000</b>
Non-Executive Directors:					
Dato' Agil Natt	-	144	34	-	178
Datuk David Chua Kok Tee	-	80	78	-	158
Dato' Syed Moheeb Syed Kamarulzaman	-	80	62	-	142
Datuk Mohd Zamree Mohd Ishak	-	20	12	-	32
Datuk Hamirullah Boorhan***	-	20	10	-	30
Encik Mohamed Rashdi Mohamed Ghazalli	-	60	62	-	122
Encik Teoh Kok Lin	-	60	66	-	126
Encik Suresh Kumar A/L T.A.S Menon	-	80	80	-	160
Encik Ong Eng Bin*	-	68	50	-	118
Encik Koo Chiang**	-	20	8	-	28
Puan Nadzirah Abd. Rashid	-	60	62	-	122
<b>Total Directors' remuneration</b>	<b>-</b>	<b>692</b>	<b>524</b>	<b>-</b>	<b>1,216</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 45. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other significant related parties are as follows: (continued)

(i) Directors' fees and remuneration (continued)

Total remuneration (including benefit-in-kind) of the Directors of the Group are as follows: (continued)

Group 2015	Salary and bonus RM'000	Fees RM'000	Meeting allowance RM'000	Benefit- in- kind RM'000	Total RM'000
Non-Executive Directors:					
Dato' Agil Natt	-	120	28	-	148
Datuk David Chua Kok Tee	-	56	68	-	124
Dato' Syed Moheeb Syed Kamarulzaman	-	56	64	-	120
Encik Mohamed Rashdi Mohamed Ghazalli	-	36	50	-	86
Datuk Mohd Nasir Ahmad	-	36	46	-	82
Datuk Hamirullah Boorhan***	-	20	12	-	32
Encik Teoh Kok Lin	-	36	54	-	90
Encik Suresh Kumar A/L T.A.S Menon	-	56	68	-	124
Encik Ong Eng Bin*	-	56	48	-	104
Encik William Lim Wah Liang** (resigned on 31 March 2015)	-	5	2	-	7
Datuk Mohd Zamree Mohd Ishak (appointed on 7 April 2015)	-	15	16	-	31
Encik Koo Chiang** (appointed on 10 April 2015)	-	15	16	-	31
Puan Nadzirah Abd. Rashid (appointed on 22 October 2015)	-	7	12	-	19
Datuk Wan Azhar Wan Ahmad (resigned on 31 March 2015)	-	14	14	-	28
<b>Total Directors' remuneration</b>	<b>-</b>	<b>528</b>	<b>498</b>	<b>-</b>	<b>1,026</b>



**45. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)**

(b) Other significant related parties are as follows: (continued)

(i) Directors' fees and remuneration (continued)

Total remuneration (including benefit-in-kind) of the Directors of the Group are as follows: (continued)

<b>Corporation 2016</b>	<b>Salary and bonus RM'000</b>	<b>Fees RM'000</b>	<b>Meeting allowance RM'000</b>	<b>Benefit- in-kind RM'000</b>	<b>Total RM'000</b>
Non-Executive Directors:					
Dato' Agil Natt	-	144	34	-	178
Datuk David Chua Kok Tee	-	60	62	-	122
Dato Syed Moheeb Syed Kamarulzaman	-	60	52	-	112
Encik Mohamed Rashdi Mohamed Ghazalli	-	60	62	-	122
Encik Teoh Kok Lin	-	60	66	-	126
Encik Suresh Kumar A/L T.A.S Menon	-	60	64	-	124
Encik Ong Eng Bin*	-	60	44	-	104
Puan Nadzirah Abd. Rashid	-	60	62	-	122
<b>Total Directors' remuneration</b>	<b>-</b>	<b>564</b>	<b>446</b>	<b>-</b>	<b>1,010</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 45. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other significant related parties are as follows: (continued)

(i) Directors' fees and remuneration (continued)

Total remuneration (including benefit-in-kind) of the Directors of the Group are as follows: (continued)

Corporation 2015	Salary and bonus RM'000	Fees RM'000	Meeting allowance RM'000	Benefit- in- kind RM'000	Total RM'000
Non-Executive Directors:					
Dato' Agil Natt	-	120	28	-	148
Datuk David Chua Kok Tee	-	36	48	-	84
Dato Syed Moheeb Syed Kamarulzaman	-	36	42	-	78
Encik Mohamed Rashdi Mohamed Ghazalli	-	36	50	-	86
Datuk Mohd Nasir Ahmad	-	36	46	-	82
Encik Teoh Kok Lin	-	36	54	-	90
Encik Suresh Kumar A/L T.A.S Menon	-	36	48	-	84
Encik Ong Eng Bin*	-	36	30	-	66
Puan Nadzirah Abd. Rashid (appointed on 22 October 2015)	-	7	12	-	19
Datuk Wan Azhar Wan Ahmad (resigned on 31 March 2015)	-	9	12	-	21
<b>Total Directors' remuneration</b>	<b>-</b>	<b>388</b>	<b>370</b>	<b>-</b>	<b>758</b>

\* Director's fees payable to OCBC Bank (M) Berhad

\*\* Director's fees payable to D&amp;B Malaysia Sdn Bhd

\*\*\* Director's fees payable to Malayan Banking Berhad

**45. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)**

(b) Other significant related parties are as follows: (continued)

(ii) The significant related party balances included in the statements of financial position are as follows:

	Group		Corporation	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Loan due from subsidiary (Note 17)	-	-	125	125
Amount due from subsidiary (Note 17)	-	-	1,865	8,146
Amount due (to)/from BNM:				
			Group/Corporation	
			31.12.2016 RM'000	31.12.2015 RM'000
(i) SRGF, SRGF-2 and SME AGS (Note 18)			(1,919)	(492)
(ii) Government funds (Note 26)			(150,342)	(150,342)
(iii) SME Modernisation and Assistance Facilities (Note 28)			-	(150,000)
(iv) Danajamin Nasional Berhad (Note 23)			(500,000)	(500,000)
(v) TPUB-i (Note 23)			(301,500)	(301,500)
(vi) Preference shares (Note 27)			(200,000)	(200,000)

## NOTES TO THE FINANCIAL STATEMENTS

### 45. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other significant related parties are as follows: (continued)

(iii) Details of significant transactions between the Corporation and its related parties are as follows:

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Subscription fee charged by a subsidiary	-	-	5	5
Report fees charged by a subsidiary	-	-	85	53
Prepaid package fees charged by a subsidiary	-	-	-	130
Office rental charged to a subsidiary	-	-	(251)	(251)
Management/secretarial fee charged to a subsidiary	-	-	(93)	(103)
Interest income earned from a subsidiary	-	-	-	(138)
Interest expense and service charged by BNM	4,500	4,500	4,500	4,500

### 46. CAPITAL MANAGEMENT

The primary objective of the Corporation is to ensure that it maintains an adequate Guarantee Reserve Ratio ("GRR") in order to meet its mandate in promoting the growth and development of SMEs.

The Corporation manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Corporation may issue new shares or return capital to shareholders. No changes were made in the objectives and policies during the financial years ended 31 December 2016 and 2015.

The Corporation monitors capital and its ability to guarantee by reference to its GRR, which stands at 2.3 times as at 31 December 2016 (2015: 1.9 times). The Corporation's policy is to maintain a GRR of less than 6 times.

## 47. FINANCIAL RISK MANAGEMENT

In the normal course of business, the Group and the Corporation are subjected to four main areas of risk, namely credit risk, market risk, liquidity risk and operational risk.

### (a) Credit Risk

Credit risk is the risk of loss of principal or income that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Corporation's exposure to credit risk arises primarily from trade and other receivables, bond investment as well as loans, advances and financing.

The Group and the Corporation trade only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

As for loans redeemed and guaranteed, the Group and the Corporation manage the credit risk by evaluating borrowers based on an in-house credit-scoring model. The Group and the Corporation use this model to measure the viability of loans vis-à-vis established thresholds.

For other financial assets (including investment securities and placements with fund managers), the Group and the Corporation minimise credit risk by dealing exclusively with high credit rating counterparties.

For financial assets recognised in the statements of financial position, the exposure to credit risk equals their carrying amount. For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that the Group and the Corporation would have to pay if the guarantees were to be called upon. For credit related commitments and contingencies, the maximum exposure to credit risk is full amount of the undrawn credit facilities granted to customers.

All financial assets of the Group and the Corporation are subject to credit risk except for cash in hand, prepayments as well as non-financial assets.

## NOTES TO THE FINANCIAL STATEMENTS

## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (a) Credit Risk (continued)

## Maximum exposure to credit risk

The maximum credit risk exposure of the Group and the Corporation equal their carrying amount in the statements of financial position as at reporting date, except for the following:

	Group			
	31.12.2016		31.12.2015	
	Carrying value RM'000	Maximum credit exposure RM'000	Carrying value RM'000	Maximum credit exposure RM'000
<b>Credit risk exposures of on-balance sheet assets:</b>				
Trade and other receivables #	29,739	28,458	18,774	17,472
Cash and cash equivalents ^	65,900	65,880	55,169	55,151
<b>Credit risk exposure of off-balance sheet items:</b>				
Financial guarantees	5,242,588	5,242,588	4,076,598	4,076,598
Credit related commitments and contingencies	50,200	50,200	103,342	103,342
<b>Total maximum credit risk exposure</b>	<b>5,388,427</b>	<b>5,387,126</b>	<b>4,253,883</b>	<b>4,252,563</b>

## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (a) Credit Risk (continued)

## Maximum exposure to credit risk (continued)

	Corporation			
	31.12.2016		31.12.2015	
	Carrying value RM'000	Maximum credit exposure RM'000	Carrying value RM'000	Maximum credit exposure RM'000
<b>Credit risk exposures of on-balance sheet assets:</b>				
Trade and other receivables #	28,197	26,983	16,632	15,428
Cash and cash equivalents ^	59,970	59,952	40,642	40,626
<b>Credit risk exposure of off-balance sheet items:</b>				
Financial guarantees	5,242,588	5,242,588	4,076,598	4,076,598
Credit related commitments and contingencies	50,200	50,200	103,342	103,342
<b>Total maximum credit risk exposure</b>	<b>5,380,955</b>	<b>5,379,723</b>	<b>4,237,214</b>	<b>4,235,994</b>

The following have been excluded for the purpose of maximum credit risk exposure calculation:

- # Prepayment and HRD levy
- ^ Cash in hand

## NOTES TO THE FINANCIAL STATEMENTS

## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (a) Credit Risk (continued)

## Credit risk concentration

The Group and the Corporation determine concentrations of credit risk by monitoring the industry sector profile. The following tables analyse the Group's and the Corporation's financial assets and commitments and contingencies by industry concentration as at the reporting date:

Group	2016	Primary	Education,	Financing,	Mining and	Transport,	Wholesale,	Electricity,	Other	Total
		agriculture	health and others	insurance, real estate & business services	quarrying	storage & communication	retail trade, restaurants & hotels	gas & water supply		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Investment fund: AFS		-	-	-	-	-	-	-	-	-
Structured investments: FVTPL		-	-	143,868	-	-	-	-	-	143,868
Investment securities: AFS		51,414	89,839	382,143	-	257,100	-	269,754	19,469	1,491,345
Investment securities: HTM		-	-	40,319	-	-	-	-	50,255	90,574
Investment securities: HFT		-	-	-	-	15,115	-	-	-	15,115
Investment securities: FVTPL		31,113	18,409	259,503	-	132,728	-	34,555	45,698	649,676
Derivative financial assets		-	-	145	-	-	-	-	-	145
Term deposits		-	-	1,334,841	-	-	-	-	-	1,334,841
Loans, advances and financing		1,835	6,718	15,198	30,240	4,630	85,503	293	1,667	192,627
Trade and other receivables #		-	-	25,666	1	72	29	209	2,177	28,458
Cash and cash equivalents ^		-	-	65,880	-	-	-	-	-	65,880
		84,362	25,127	2,267,563	30,241	409,645	85,532	390,906	119,266	4,012,529
Financial guarantees		49,951	182,832	413,623	823,016	3,788	2,327,061	7,988	45,368	5,242,588
Credit related commitments and contingencies		-	282	20,841	8,692	3,271	14,875	-	-	50,200
Total off balance sheet		49,951	183,114	1,283,792	826,287	3,788	2,341,936	7,988	45,368	5,292,788



## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (a) Credit Risk (continued)

## Credit risk concentration (continued)

Group	Primary agriculture	Education, health and others	Construction	Financing, insurance, real estate & business services	Manufacturing	Mining and quarrying	Transport, storage & communication	Wholesale, retail trade, restaurants & hotels	Government	Electricity, gas & water supply	Other	Total
2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Investment fund: AFS	-	-	-	28,871	-	-	-	-	-	-	-	28,871
Structured investments: FVTPL	-	-	-	310,163	-	-	-	-	-	-	-	310,163
Investment securities: AFS	15,423	-	95,503	587,644	-	-	10,301	-	124,547	101,710	25,406	960,534
Investment securities: HTM	-	-	-	40,325	-	-	-	-	-	-	50,247	90,572
Investment securities: HFT	-	-	-	-	-	-	-	-	-	-	-	-
Investment securities: FVTPL	58,205	-	91,777	210,396	-	-	77,401	-	29,806	132,975	60,134	660,694
Derivative financial assets	-	-	-	876	-	-	-	-	-	-	-	876
Term deposits	-	-	-	1,640,757	-	-	-	-	-	-	-	1,640,757
Loans, advances and financing	1,472	5,866	59,405	14,955	44,665	228	3,460	103,819	-	40	1,817	235,727
Trade and other receivables #	-	16	16	16,388	-	-	67	5	213	145	622	17,472
Cash and cash equivalents ^	-	-	-	55,151	-	-	-	-	-	-	-	55,151
	75,100	5,882	246,701	2,905,526	44,665	228	91,229	103,824	154,566	234,870	138,226	4,000,817
Financial guarantees	25,454	101,438	1,027,339	258,643	772,422	3,947	59,829	1,795,415	-	694	31,417	4,076,598
Credit related commitments and contingencies	-	-	18,904	76,860	335	-	-	7,243	-	-	-	103,342
Total off balance sheet	25,454	101,438	1,046,243	335,503	772,757	3,947	59,829	1,802,658	-	694	31,417	4,179,940

## NOTES TO THE FINANCIAL STATEMENTS

## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (a) Credit Risk (continued)

## Credit risk concentration (continued)

Corporation 2016	Primary agriculture RM'000	Education, health and others RM'000	Construction RM'000	Financing, insurance, real estate & business services RM'000	Manufacturing RM'000	Mining and quarrying RM'000	Transport, storage & communication RM'000	Wholesale, retail trade, restaurants & hotels RM'000	Government RM'000	Electricity, gas & water supply RM'000	Other RM'000	Total RM'000
Investment fund: AFS	-	-	-	-	-	-	-	-	-	-	-	-
Structured investments: FVTPL	-	-	-	143,868	-	-	-	-	-	-	-	143,868
Investment securities: AFS	51,414	-	89,839	382,143	-	-	257,100	-	421,626	269,754	19,469	1,491,345
Investment securities: HTM	-	-	-	40,319	-	-	-	-	-	-	50,255	90,574
Investment securities: HFT	-	-	-	-	-	-	15,115	-	-	-	-	15,115
Investment securities: FVTPL	31,113	18,409	6,811	259,503	-	-	132,728	-	34,555	120,859	45,698	649,676
Derivative financial assets	-	-	-	145	-	-	-	-	-	-	-	145
Term deposits	-	-	-	1,334,841	-	-	-	-	-	-	-	1,334,841
Loans, advances and financing	1,835	6,718	46,404	15,198	30,240	139	4,630	85,503	-	293	1,667	192,627
Loan due from a subsidiary	-	-	-	125	-	-	-	-	-	-	-	125
Amount due from a subsidiary	-	-	-	1,865	-	-	-	-	-	-	-	1,865
Trade and other receivables #	-	-	304	24,263	-	-	16	29	194	-	2,177	26,983
Cash and cash equivalents ^	-	-	-	59,952	-	-	-	-	-	-	-	59,952
	84,362	25,127	143,358	2,262,222	30,240	139	409,589	85,532	456,375	390,906	119,266	4,007,116
Financial guarantees	49,951	182,832	1,262,951	413,623	823,016	3,788	126,010	2,327,061	-	7,988	45,368	5,242,588
Credit related commitments and contingencies	-	282	20,841	8,692	3,271	-	2,239	14,875	-	-	-	50,200
Total off balance sheet	49,951	183,114	1,283,792	422,315	826,287	3,788	128,249	2,341,936	-	7,988	45,368	5,292,788

## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (a) Credit Risk (continued)

## Credit risk concentration (continued)

Corporation 2015	Primary agriculture RM'000	Education, health and others RM'000	Construction RM'000	Financing, insurance, real estate & business services RM'000	Manufacturing RM'000	Mining and quarrying RM'000	Transport, storage & communication RM'000	Wholesale, retail trade, restaurants & hotels RM'000	Government RM'000	Electricity, gas & water supply RM'000	Other RM'000	Total RM'000
Investment fund: AFS	-	-	-	28,871	-	-	-	-	-	-	-	28,871
Structured investments: FVTPL	-	-	-	310,163	-	-	-	-	-	-	-	310,163
Investment securities: AFS	15,423	-	95,503	587,644	-	-	10,301	-	124,547	101,710	25,406	960,534
Investment securities: HTM	-	-	-	40,325	-	-	-	-	-	-	50,247	90,572
Investment securities: HFT	-	-	-	-	-	-	-	-	-	-	-	-
Investment securities: FVTPL	58,205	-	91,777	210,396	-	-	77,401	-	29,806	132,975	60,134	660,694
Derivative financial assets	-	-	-	876	-	-	-	-	-	-	-	876
Term deposits	-	-	-	1,640,757	-	-	-	-	-	-	-	1,640,757
Loans, advances and financing	1,472	5,866	59,405	14,955	44,665	228	3,460	103,819	-	40	1,817	235,727
Loan due from a subsidiary	-	-	-	125	-	-	-	-	-	-	-	125
Amount due from a subsidiary	-	-	-	8,146	-	-	-	-	-	-	-	8,146
Trade and other receivables #	-	16	15	14,425	-	-	67	5	178	145	577	15,428
Cash and cash equivalents ^	-	-	-	40,626	-	-	-	-	-	-	-	40,626
	75,100	5,882	246,700	2,897,309	44,665	228	91,229	103,824	154,531	234,870	138,181	3,992,519
Financial guarantees	25,454	101,438	1,027,339	258,643	772,422	3,947	59,829	1,795,415	-	694	31,417	4,076,598
Credit related commitments and contingencies	-	-	18,904	76,860	335	-	-	7,243	-	-	-	103,342
Total off balance sheet	25,454	101,438	1,046,243	335,503	772,757	3,947	59,829	1,802,658	-	694	31,417	4,179,940

# Excludes prepayment amounting to RM1,213,000 (2015 : RM1,204,000)

^ Excludes cash in hand of RM18,000 (2015 : RM16,000)

## NOTES TO THE FINANCIAL STATEMENTS

## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (a) Credit Risk (continued)

## Credit quality

## (i) Loans, advances and financing

All loans, advances and financing are unrated and categorised into “neither past due nor impaired”, “past due but not impaired” and “impaired”. Past due loans refer to loans that are overdue by one day or more. Impaired loans are loans with months-in-arrears more than 3 months (i.e. 90 days) or with impairment allowances.

## Distribution of loans, advances and financing by credit quality

	Group/Corporation	
	31.12.2016	31.12.2015
	RM'000	RM'000
Carrying amount of loans, advances and financing by credit quality:		
Neither past due nor impaired (A)	165,382	203,565
Past due but not impaired (B)	38,648	48,237
Impaired (C)	213,212	188,215
<b>Gross loans, advances and financing</b>	<b>417,242</b>	<b>440,017</b>
Less: Allowances for impairment losses		
- Individual allowance	(213,212)	(188,215)
- Collective allowance	(11,403)	(16,075)
<b>Net loans, advances and financing</b>	<b>192,627</b>	<b>235,727</b>

## (A) Loans neither past due nor impaired

Analysis of loans and advances that are neither past due nor impaired analysed based on the Group and the Corporation's internal grading system is as follows:

	Group/Corporation	
	31.12.2016	31.12.2015
	RM'000	RM'000
<u>Quality classification</u>		
Satisfactory	165,382	203,565

**47. FINANCIAL RISK MANAGEMENT (CONTINUED)****(a) Credit Risk (continued)****Credit quality (continued)****(i) Loans, advances and financing (continued)****(A) Loans neither past due nor impaired (continued)**

Quality classification definitions:

Satisfactory - Exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or levels of expected loss.

**Collateral and other credit enhancement obtained**

During the financial year, there is no repossessed collateral as the Corporation does not have possession of collateral held as security or other credit enhancement.

**(B) Loans past due but not impaired**

	<b>Group/Corporation</b>	
	<b>31.12.2016</b>	31.12.2015
	<b>RM'000</b>	RM'000
Past due up to 30 days	<b>23,336</b>	29,559
Past due 30-60 days	<b>15,312</b>	18,678
	<b>38,648</b>	48,237

**(C) Impaired loans**

	<b>Group/Corporation</b>	
	<b>31.12.2016</b>	31.12.2015
	<b>RM'000</b>	RM'000
Analysis of impaired loans:		
Gross impaired loans	<b>213,212</b>	188,215
Individually impaired loans	<b>213,212</b>	188,215

## NOTES TO THE FINANCIAL STATEMENTS

## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (a) Credit Risk (continued)

## Credit quality (continued)

## (ii) Private debt securities, derivatives, term deposits and cash and cash equivalents

Private debt securities included in investment security: FVTPL and investment securities: AFS are measured on a fair value basis. The fair value will reflect the credit risk of the issuer.

Most listed and some unlisted investment securities are rated by external rating agencies. The Group and the Corporation mainly uses external ratings provided by RAM, MARC, Moody's or S&P.

Analysis of financial assets by rating agency designation (where applicable) as at 31 December 2016:

Group 2016	Sovereign (no rating) RM'000	Investment grade (AAA to BBB-) RM'000	Non Investment grade (BB+ and below) RM'000	Unrated RM'000	Total RM'000
Investment fund: AFS	-	-	-	-	-
Structured investments: FVTPL	-	143,868	-	-	143,868
Investment securities: AFS					
- Money market instruments	49,769	101,869	-	-	151,638
- Unquoted securities	269,988	1,069,719	-	-	1,339,707
Investment securities: HTM	-	-	-	90,574	90,574
Investment securities: HFT	-	15,115	-	-	15,115
Investment securities: FVTPL	65,203	573,049	-	11,424	649,676
Derivative financial assets	-	145	-	-	145
Term deposits	40,795	1,261,499	-	32,547	1,334,841
Cash and cash equivalents ^	-	65,880	-	-	65,880
	425,755	3,231,144	-	134,545	3,791,444

## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (a) Credit Risk (continued)

## Credit quality (continued)

## (ii) Private debt securities, derivatives, term deposits and cash and cash equivalents (continued)

Analysis of financial assets by rating agency designation (where applicable) as at 31 December 2016:  
(continued)

Group 2015	Sovereign (no rating) RM'000	Investment grade (AAA to BBB-) RM'000	Non Investment grade (BB+ and below) RM'000	Unrated RM'000	Total RM'000
Investment fund: AFS	-	-	-	28,871	28,871
Structured investments: FVTPL	-	310,163	-	-	310,163
Investment securities: AFS					
- Money market instruments	30,018	75,166	-	-	105,184
- Unquoted securities	94,529	760,821	-	-	855,350
Investment securities: HTM	-	-	-	90,572	90,572
Investment securities: HFT	-	-	-	-	-
Investment securities: FVTPL	32,845	610,279	-	17,570	660,694
Derivative financial assets	-	876	-	-	876
Term deposits	42,739	1,559,607	-	38,411	1,640,757
Cash and cash equivalents ^	-	55,151	-	-	55,151
	200,131	3,372,063	-	175,424	3,747,618

The following have been excluded for the purpose of maximum credit risk exposure calculations:

^ Cash in hand of RM20,000 (2015: RM18,000)

There are no private debt securities, term deposits and cash and cash equivalents which are past due but not impaired or impaired.

## NOTES TO THE FINANCIAL STATEMENTS

## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (a) Credit Risk (continued)

## Credit quality (continued)

## (ii) Private debt securities, derivatives, term deposits and cash and cash equivalents (continued)

Analysis of financial assets by rating agency designation (where applicable) as at 31 December 2016:  
(continued)

Corporation 2016	Sovereign (no rating) RM'000	Investment grade (AAA to BBB-) RM'000	Non Investment grade (BB+ and below) RM'000	Unrated RM'000	Total RM'000
Investment fund: AFS	-	-	-	-	-
Structured investments: FVTPL	-	143,868	-	-	143,868
Investment securities: AFS					
- Money market instruments	49,769	101,869	-	-	151,638
- Unquoted securities	269,988	1,069,719	-	-	1,339,707
Investment securities: HTM	-	-	-	90,574	90,574
Investment securities: HFT	-	15,115	-	-	15,115
Investment securities: FVTPL	65,203	573,049	-	11,424	649,676
Derivative financial assets	-	145	-	-	145
Term deposits	40,795	1,261,499	-	32,547	1,334,841
Cash and cash equivalents ^	-	59,952	-	-	59,952
	425,755	3,225,216	-	134,545	3,785,516



**47. FINANCIAL RISK MANAGEMENT (CONTINUED)****(a) Credit Risk (continued)****Credit quality (continued)****(ii) Private debt securities, derivatives, term deposits and cash and cash equivalents (continued)**

Analysis of financial assets by rating agency designation (where applicable) as at 31 December 2016:  
(continued)

Corporation 2015	Sovereign (no rating) RM'000	Investment grade (AAA to BBB-) RM'000	Non Investment grade (BB+ and below) RM'000	Unrated RM'000	Total RM'000
Investment fund: AFS	-	-	-	28,871	28,871
Structured investments: FVTPL	-	310,163	-	-	310,163
Investment securities: AFS					
- Money market instruments	30,018	75,166	-	-	105,185
- Unquoted securities	94,529	760,821	-	-	855,349
Investment securities: HTM	-	-	-	90,572	90,572
Investment securities: HFT	-	-	-	-	-
Investment securities: FVTPL	32,845	610,279	-	17,570	660,694
Derivative financial assets	-	876	-	-	876
Term deposits	42,739	1,559,607	-	38,411	1,640,757
Cash and cash equivalents ^	-	40,626	-	-	40,626
	<b>200,131</b>	<b>3,357,538</b>	-	<b>175,424</b>	<b>3,733,093</b>

The following have been excluded for the purpose of maximum credit risk exposure calculations:

^ Cash in hand of RM18,000 (2015: RM16,000)

There are no private debt securities, term deposits and cash and cash equivalents which are past due but not impaired or impaired.

## NOTES TO THE FINANCIAL STATEMENTS

## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (a) Credit Risk (continued)

## Credit quality (continued)

## (iii) Other financial assets

The carrying amount of other financial assets of the Group and the Corporation are summarised as below:

	Group		Corporation	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Loan due from a subsidiary	-	-	125	125
Amount due from a subsidiary	-	-	1,865	8,146
Trade and other receivables #	28,458	17,472	26,983	15,428
	<b>28,458</b>	17,472	<b>28,973</b>	23,699

The following have been excluded for the purpose of maximum credit risk exposure calculations:

# Prepayment and HRD levy for the Group and the Corporation amounting to RM1,281,000 (2015: RM1,302,000) and RM1,213,000 (2015: RM1,204,000) respectively.

All other financial assets are categorised into "neither past due nor impaired" and "past due but not impaired". For financial assets categorised as "neither past due nor impaired", there is a high likelihood of these assets being recovered in full and therefore, of no cause for concern to the Group and the Corporation. Financial assets categorised as "past due but not impaired" are receivables due from financial institutions with overdue more than 45 days.

## Other financial assets neither past due nor impaired

	Group		Corporation	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Loan due from a subsidiary	-	-	125	125
Amount due from a subsidiary	-	-	1,865	8,146
Trade and other receivables	16,591	7,336	15,702	6,351
	<b>16,591</b>	7,336	<b>17,692</b>	14,622

## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (a) Credit Risk (continued)

## Credit quality (continued)

## (iii) Other financial assets (continued)

## Other financial assets past due but not impaired

	Group		Corporation	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Trade and other receivables	11,867	10,136	11,484	9,077
	11,867	10,137	11,484	9,077
<b>Total</b>	<b>28,458</b>	<b>17,473</b>	<b>29,176</b>	<b>23,699</b>

Credit quality of financial assets that are "neither past due nor impaired" as follows:

	Group		Corporation	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Satisfactory				
Loan due from a subsidiary	-	-	125	125
Amount due from a subsidiary	-	-	1,865	8,146
Trade and other receivables	16,591	7,336	15,702	6,351

Analysis of the age of financial assets that are "past due but not impaired" as follows:

	Group		Corporation	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Trade and other receivables				
Past due 45-60 days	2,503	3,442	2,207	3,319
Past due more than 60 days	9,364	6,694	9,075	5,758
	11,867	10,136	11,282	9,077

## NOTES TO THE FINANCIAL STATEMENTS

## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (b) Market risk

Market risk is defined as the risk of losses to the Group's and the Corporation's portfolio positions arising from movements in market factors such as interest rates, foreign exchange rates and changes in volatility. The Group and the Corporation are exposed to market risks from its trading and investment activities.

The Group's and the Corporation's exposure to market risk stems primarily from interest rate risk. Interest rate risk arises mainly from differences in timing between the maturities or repricing of assets, liabilities and derivatives.

**Net interest income sensitivity analysis**

The table below shows the profit after tax net interest income sensitivity for the financial assets and financial liabilities held at reporting date.

<b>Group</b>				
	31.12.2016		31.12.2015	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
+ 100 basis points ("bps")	36,925	36,947	36,227	36,356
- 100 bps	(36,925)	(36,947)	(36,227)	(36,356)
<b>Corporation</b>				
	31.12.2016		31.12.2015	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
+ 100 bps	36,925	36,947	36,227	36,367
- 100 bps	(36,925)	(36,947)	(36,227)	(36,367)

**Interest/ Profit rate risk**

The table below summarise the Group's and the Corporation's exposure to interest/ profit rate risks. Included in the table are the Group's and the Corporation's financial assets and liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The net interest sensitivity gap for items not recognised in the statements on financial position represents the net notional amounts of all interest/ profit rate sensitivity derivative financial instruments. As interest rate yield curves change over time, the Group and Corporation may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest/ profit rates arises from mismatches in the repricing dates, cashflows and other characteristic of the financial assets and their corresponding financial liabilities funding.

## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (b) Market risk (continued)

## Interest/ Profit rate risk (continued)

Group 2016	Within 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non- interest/ profit sensitive RM'000	Total RM'000
<b>Assets</b>					
Investment fund: AFS	-	-	-	-	-
Structured investments: FVTPL	-	143,868	-	-	143,868
Investment securities: AFS	55,062	584,855	834,141	17,287	1,491,345
Investment securities: HTM	-	90,000	-	574	90,574
Investment securities: HFT	14,978	-	-	137	15,115
Investment securities: FVTPL	4,989	134,874	501,558	8,255	649,676
Derivative financial assets	145	-	-	-	145
Term deposits	1,323,672	-	-	11,169	1,334,841
Loans, advances and financing - not impaired *	21,698	134,594	47,738	(11,403)	192,627
Cash and cash equivalents	-	-	-	65,900	65,900
Trade and other receivables ^	-	-	-	28,458	28,458
<b>Total financial assets</b>	<b>1,420,544</b>	<b>1,088,191</b>	<b>1,383,437</b>	<b>120,377</b>	<b>4,012,549</b>
<b>Liabilities</b>					
Funds from BNM	1,500	300,000	-	500,000	801,500
Small Entrepreneurs Guarantee Scheme	-	-	-	44,523	44,523
Tabung Usahawan Kecil	-	-	-	36,809	36,809
Government funds	-	-	150,342	-	150,342
Preference shares	-	-	-	200,000	200,000
SME Modernisation and Assistance Facilities	-	-	-	-	-
Small Entrepreneurs Financing Fund	-	-	-	11,075	11,075
Derivative financial liabilities	1,014	-	-	-	1,014
Loan due to non-controlling interest	38	-	-	-	38
Other liabilities @	-	-	-	215,457	215,457
<b>Total financial liabilities</b>	<b>2,552</b>	<b>300,000</b>	<b>150,342</b>	<b>1,007,864</b>	<b>1,460,758</b>
<b>Net interest sensitivity gap</b>	<b>1,417,992</b>	<b>788,191</b>	<b>1,233,095</b>		

## NOTES TO THE FINANCIAL STATEMENTS

## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (b) Market risk (continued)

## Interest/ Profit rate risk (continued)

Group 2015	Within 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non- interest/ profit sensitive RM'000	Total RM'000
<b>Assets</b>					
Investment fund: AFS	-	-	-	28,871	28,871
Structured investments: FVTPL	310,163	-	-	-	310,163
Investment securities: AFS	5,008	700,133	247,108	8,285	960,534
Investment securities: HTM	-	90,000	-	572	90,572
Investment securities: HFT	-	-	-	-	-
Investment securities: FVTPL	29,684	384,000	239,970	7,040	660,694
Derivative financial assets	876	-	-	-	876
Term deposits	1,607,035	25,000	-	8,722	1,640,757
Loans, advances and financing - not impaired *	42,650	119,987	89,165	(16,075)	235,727
Cash and cash equivalents	-	-	-	55,169	55,169
Trade and other receivables ^	-	-	-	17,472	17,472
<b>Total financial assets</b>	<b>1,995,416</b>	<b>1,319,120</b>	<b>576,243</b>	<b>110,056</b>	<b>4,000,835</b>
<b>Liabilities</b>					
Funds from BNM	1,500	300,000	-	500,000	801,500
Small Entrepreneurs Guarantee Scheme	-	-	-	51,599	51,599
Tabung Usahawan Kecil	-	-	-	35,352	35,352
Government Funds	-	-	150,342	-	150,342
Preference shares	-	-	-	200,000	200,000
SME Modernisation and Assistance Facilities	-	-	-	150,000	150,000
Small Entrepreneurs Financing Fund	-	-	-	11,075	11,075
Derivative financial liabilities	2,390	-	-	-	2,390
Loan due to non-controlling interest	38	-	-	-	38
Other liabilities @	-	-	-	210,743	210,743
<b>Total financial liabilities</b>	<b>3,928</b>	<b>300,000</b>	<b>150,342</b>	<b>1,158,769</b>	<b>1,613,039</b>
<b>Net interest sensitivity gap</b>	<b>1,991,488</b>	<b>1,019,120</b>	<b>425,901</b>		

\* The negative balance represents collective allowance for loans, advances and financing

^ Excludes prepayment and HRD levy amounting to RM1,281,000 (2015: RM1,302,000)

@ Other liabilities includes amount due to BNM, provision for claims under guarantee schemes, claims payable, trade and other payables

## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (b) Market risk (continued)

## Interest/ Profit rate risk (continued)

Corporation 2016	Within 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non- interest/ profit sensitive RM'000	Total RM'000
<b>Assets</b>					
Investment fund: AFS	-	-	-	-	-
Structured investments: FVTPL	-	143,868	-	-	143,868
Investment securities: AFS	55,062	584,855	834,141	17,287	1,491,345
Investment securities: HTM	-	90,000	-	574	90,574
Investment securities: HFT	14,978	-	-	137	15,115
Investment securities: FVTPL	4,989	134,874	501,558	8,255	649,676
Derivative financial assets	145	-	-	-	145
Term deposits	1,323,672	-	-	11,169	1,334,841
Loans, advances and financing - not impaired *	21,698	134,594	47,738	(11,403)	192,627
Loan due from a subsidiary	125	-	-	-	125
Amount due from a subsidiary	-	-	-	1,865	1,865
Cash and cash equivalents	-	-	-	59,970	59,970
Trade and other receivables ^	-	-	-	26,983	26,983
<b>Total financial assets</b>	<b>1,420,669</b>	<b>1,088,191</b>	<b>1,383,437</b>	<b>114,837</b>	<b>4,007,134</b>
<b>Liabilities</b>					
Fund from BNM	1,500	300,000	-	500,000	801,500
Small Entrepreneurs Guarantee Scheme	-	-	-	44,523	44,523
Tabung Usahawan Kecil	-	-	-	36,809	36,809
Government Funds	-	-	150,342	-	150,342
Preference shares	-	-	-	200,000	200,000
SME Modernisation and Assistance Facilities	-	-	-	-	-
Small Entrepreneurs Financing Fund	-	-	-	11,075	11,075
Derivative financial liabilities	1,014	-	-	-	1,014
Other liabilities @	-	-	-	212,953	212,953
<b>Total financial liabilities</b>	<b>2,514</b>	<b>300,000</b>	<b>150,342</b>	<b>1,005,360</b>	<b>1,458,216</b>
<b>Net interest sensitivity gap</b>	<b>1,418,155</b>	<b>788,191</b>	<b>1,233,095</b>		

## NOTES TO THE FINANCIAL STATEMENTS

## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (b) Market risk (continued)

## Interest/ Profit rate risk (continued)

Corporation 2015	Within 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non- interest/ profit sensitive RM'000	Total RM'000
<b>Assets</b>					
Investment fund: AFS	-	-	-	28,871	28,871
Structured investments: FVTPL	310,163	-	-	-	310,163
Investment securities: AFS	5,008	700,133	247,108	8,285	960,534
Investment securities: HTM	-	90,000	-	572	90,572
Investment securities: HFT	-	-	-	-	-
Investment securities: FVTPL	29,684	384,000	239,970	7,040	660,694
Derivative financial assets	876	-	-	-	876
Term deposits	1,607,035	25,000	-	8,722	1,640,757
Loans, advances and financing - not impaired *	42,650	119,987	89,165	(16,075)	235,727
Loan due from a subsidiary	125	-	-	-	125
Amount due from a subsidiary	-	-	-	8,146	8,146
Cash and cash equivalents	-	-	-	40,642	40,642
Trade and other receivables ^	-	-	-	15,428	15,428
<b>Total financial assets</b>	<b>1,995,541</b>	<b>1,319,120</b>	<b>576,243</b>	<b>101,631</b>	<b>3,992,535</b>
<b>Liabilities</b>					
Fund from BNM	1,500	300,000	-	500,000	801,500
Small Entrepreneurs Guarantee Scheme	-	-	-	51,599	51,599
Tabung Usahawan Kecil	-	-	-	35,352	35,352
Government Funds	-	-	150,342	-	150,342
Preference shares	-	-	-	200,000	200,000
SME Modernisation and Assistance Facilities	-	-	-	150,000	150,000
Small Entrepreneurs Financing Fund	-	-	-	11,075	11,075
Derivative financial liabilities	2,390	-	-	-	2,390
Other liabilities @	-	-	-	207,994	207,994
<b>Total financial liabilities</b>	<b>3,890</b>	<b>300,000</b>	<b>150,342</b>	<b>1,156,020</b>	<b>1,610,252</b>
<b>Net interest sensitivity gap</b>	<b>1,991,651</b>	<b>1,019,120</b>	<b>425,901</b>		

\* The negative balance represents collective allowance for loans, advances and financing

^ Excludes prepayment amounting to RM1,213,000 (2015: RM1,204,000)

@ Other liabilities includes amount due to BNM, provision for claims under guarantee schemes, claims payable, trade and other payables



## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (b) Market risk (continued)

## Foreign exchange risk

The Corporation is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Limits are set on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table summarises the Corporation's exposure to foreign currency exchange rate risk at reporting date. Included in the table are the Corporation's financial instruments at carrying amounts, categorised by currency.

Group/Corporation 2016	United States Dollar RM'000	Singapore Dollar RM'000	Australian Dollar RM'000	Renminbi RM'000	Euro RM'000	Total RM'000
<b>Assets</b>						
Investment fund: AFS	-	-	-	-	-	-
Investment securities: FVTPL	136,570	1,574	4,943	-	9,608	152,695
Derivatives	-	-	110	-	35	145
Cash and cash equivalents	8,883	2	814	-	132	9,831
Net on-balance sheet financial position	145,453	1,576	5,867	-	9,775	162,671
<b>Liability</b>						
Derivatives	(1,009)	(5)	-	-	-	(1,014)
Net on-balance sheet financial position	(1,009)	(5)	-	-	-	(1,014)
Off-balance sheet commitments	(144,504)	(1,555)	(4,941)	-	(9,452)	(160,451)

## NOTES TO THE FINANCIAL STATEMENTS

## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (b) Market risk (continued)

## Foreign exchange risk (continued)

Group/Corporation 2015	United States Dollar RM'000	Singapore Dollar RM'000	Australian Dollar RM'000	Renminbi RM'000	Euro RM'000	Total RM'000
<b>Assets</b>						
Investment fund: AFS	28,871	-	-	-	-	28,871
Investment securities: FVTPL	157,685	17,871	26,271	1,959	4,405	208,191
Derivatives	767	109	-	-	-	876
Cash and cash equivalents	5,143	207	18	42	-	5,410
Net on-balance sheet financial position	192,466	18,187	26,289	2,001	4,405	243,348
<b>Liability</b>						
Derivatives	(1,737)	-	(650)	-	(3)	(2,390)
Net on-balance sheet financial position	(1,737)	-	(650)	-	(3)	(2,390)
Off-balance sheet commitments	(150,452)	(17,782)	(34,346)	-	(4,687)	(207,267)

**47. FINANCIAL RISK MANAGEMENT (CONTINUED)****(b) Market risk (continued)****Foreign exchange risk sensitivity analysis**

The following table sets out the analysis of the exposure to assess the impact of a 1% change in the exchange rates to the profit after tax:

	Group		Corporation	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
<b>+ 1%</b>				
United States Dollar	(1)	403	(1)	403
Singapore Dollar	-	4	-	4
Australian Dollar	9	(87)	9	(87)
Renminbi	-	20	-	20
Euro	3	(3)	3	(3)
<b>- 1%</b>				
United States Dollar	1	(403)	1	(403)
Singapore Dollar	-	(4)	-	(4)
Australian Dollar	(9)	87	(9)	87
Renminbi	-	(20)	-	(20)
Euro	(3)	3	(3)	3

**(c) Liquidity risk**

Liquidity risk is the risk which arises when the Group and the Corporation have difficulty in raising funds to meet their financial obligations at a reasonable cost and in time. The liquidity risk is managed by diversifying its placements over various tenures based on maturity gaps. The table below summarises the maturity profile of the Group's and the Corporation's liabilities at the reporting date.

**Liquidity risk disclosure table which is based on contractual undiscounted cash flows**

The table below provides analysis of cash flow payables for financial liabilities based on remaining contractual maturities on undiscounted basis. The balances in the table below do not agree directly to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments.

## NOTES TO THE FINANCIAL STATEMENTS

## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (c) Liquidity risk (continued)

Liquidity risk disclosure table which is based on contractual undiscounted cash flows (continued)

Group 2016	Within 12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
<b>Liabilities</b>				
Amount due to BNM	1,919	-	-	1,919
Funds from BNM	3,000	306,000	500,000	809,000
Small Entrepreneurs Guarantee Scheme	9,000	37,000	4,000	50,000
Tabung Usahawan Kecil	-	-	50,000	50,000
Government Funds	1,500	6,000	153,000	160,500
Preference shares	-	200,000	-	200,000
SME Modernisation and Assistance Facilities	-	-	-	-
Small Entrepreneurs Financing Fund	11,075	-	-	11,075
Loan due to non-controlling interest	38	-	-	38
Provision for claims under guarantee schemes	20,743	-	-	20,743
Claims payable	1,671	-	-	1,671
Trade and other payables	191,125	-	-	191,125
	<b>240,071</b>	<b>549,000</b>	<b>707,000</b>	<b>1,496,071</b>

Group 2015	Within 12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
<b>Liabilities</b>				
Amount due to BNM	492	-	-	492
Funds from BNM	3,000	309,000	500,000	812,000
Small Entrepreneurs Guarantee Scheme	9,000	36,000	14,000	59,000
Tabung Usahawan Kecil	-	-	50,000	50,000
Government Funds	1,500	6,000	154,500	162,000
Preference shares	-	200,000	-	200,000
SME Modernisation and Assistance Facilities	150,000	-	-	150,000
Small Entrepreneurs Financing Fund	11,075	-	-	11,075
Loan due to non-controlling interest	38	-	-	38
Provision for claims under guarantee schemes	34,528	-	-	34,528
Claims payable	2,557	-	-	2,557
Trade and other payables	173,166	-	-	173,166
	<b>385,356</b>	<b>551,000</b>	<b>718,500</b>	<b>1,654,856</b>

## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (c) Liquidity risk (continued)

Liquidity risk disclosure table which is based on contractual undiscounted cash flows (continued)

Corporation 2016	Within 12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
<b>Liabilities</b>				
Amount due to BNM	1,919	-	-	1,919
Funds from BNM	3,000	306,000	500,000	809,000
Small Entrepreneurs Guarantee Scheme	9,000	37,000	4,000	50,000
Tabung Usahawan Kecil	-	-	50,000	50,000
Government Funds	1,500	6,000	153,000	160,500
Preference shares	-	200,000	-	200,000
SME Modernisation and Assistance Facilities	-	-	-	-
Small Entrepreneurs Financing Fund	11,075	-	-	11,075
Provision for claims under guarantee schemes	20,743	-	-	20,743
Claims payable	1,671	-	-	1,671
Trade and other payables	188,619	-	-	188,619
	<b>237,527</b>	<b>549,000</b>	<b>707,000</b>	<b>1,493,527</b>
Corporation 2015	Within 12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
<b>Liabilities</b>				
Amount due to BNM	492	-	-	492
Funds from BNM	3,000	309,000	500,000	812,000
Small Entrepreneurs Guarantee Scheme	9,000	36,000	14,000	59,000
Tabung Usahawan Kecil	-	-	50,000	50,000
Government Funds	1,500	6,000	154,500	162,000
Preference shares	-	200,000	-	200,000
SME Modernisation and Assistance Facilities	150,000	-	-	150,000
Small Entrepreneurs Financing Fund	11,075	-	-	11,075
Provision for claims under guarantee schemes	34,528	-	-	34,528
Claims payable	2,557	-	-	2,557
Trade and other payables	170,417	-	-	170,417
	<b>382,569</b>	<b>551,000</b>	<b>718,500</b>	<b>1,652,069</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (c) Liquidity risk (continued)

Derivative financial liabilities based on contractual undiscounted cash flows:

Group/Corporation 2016	Within 12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
<u>Derivatives settled on a gross basis</u>				
Foreign exchange derivatives:				
- outflow	146,059	-	-	146,059
- inflow	(145,045)	-	-	(145,045)
	1,014	-	-	1,014

Group/Corporation 2015	Within 12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
<u>Derivatives settled on a gross basis</u>				
Foreign exchange derivatives:				
- outflow	126,043	-	-	126,043
- inflow	(123,653)	-	-	(123,653)
	2,390	-	-	2,390

## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (d) Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group and the Corporation measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1      Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2      Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3      Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities as well as fixed income securities such as government securities and corporate bonds.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Corporation determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. For structured investments, the fair value is obtained from the counterparty bank.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

The Group and the Corporation recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. Transfers between fair value hierarchy primarily due to change in the level of trading activity, change in observable market activity related to an input, reassessment of available pricing information and change in the significance of the unobservable input. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the financial year (2015: Nil).

## NOTES TO THE FINANCIAL STATEMENTS

## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (d) Fair value of financial instruments (continued)

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

## Recurring fair value measurements

Group/Corporation 31.12.2016	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>Assets</u>				
Investment fund: AFS	-	-	-	-
Structured investments: FVTPL	-	143,868	-	143,868
Investment securities: AFS				
- Private debt securities	-	731,483	-	731,483
- Low risk assets	-	759,862	-	759,862
Investment securities: FVTPL				
- Private debt securities	-	649,676	-	649,676
Derivative financial assets	-	145	-	145
	-	2,285,034	-	2,285,034
<u>Liabilities</u>				
Small Entrepreneurs Guarantee Scheme	-	44,523	-	44,523
Tabung Usahawan Kecil	-	36,809	-	36,809
Derivative financial liabilities	-	1,014	-	1,014
	-	82,346	-	82,346



## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (d) Fair value of financial instruments (continued)

## Recurring fair value measurements (continued)

Group/Corporation 31.12.2015	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>Assets</u>				
Investment fund: AFS	-	28,871	-	28,871
Structured investments: FVTPL	-	-	310,163	310,163
Investment securities: AFS				
- Private debt securities	-	760,820	-	760,820
- Low risk assets	-	199,714	-	199,714
Investment securities: FVTPL				
- Private debt securities	-	660,694	-	660,694
Derivative financial assets	-	876	-	876
	-	1,650,975	310,163	1,961,138
<u>Liabilities</u>				
Small Entrepreneurs Guarantee Scheme	-	51,599	-	51,599
Tabung Usahawan Kecil	-	35,352	-	35,352
Derivative financial liabilities	-	2,390	-	2,390
	-	89,341	-	89,341

## NOTES TO THE FINANCIAL STATEMENTS

## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (d) Fair value of financial instruments (continued)

## Reconciliation of fair value measurements in Level 3

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy is as below:

	Group/Corporation	
	31.12.2016 RM'000	31.12.2015 RM'000
At 1 January	310,163	672,024
Redemption on maturity	(300,000)	(350,000)
Total loss recognised in statement of income under investment income	(10,163)	(11,861)
At 31 December	-	310,163

## Effect of changes in significant unobservable assumptions to reasonably possible alternatives

There were a total of RM300 million notional amount of maturities of structured investments for the year.

The following tables analyse within the fair value hierarchy the Group's and the Corporation's assets and liabilities not measured at fair value as at reporting date but for which fair value is disclosed:

Group 31.12.2016	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>Financial assets</u>					
Investment securities: HTM	90,574	-	90,381	-	90,381
Term deposits	1,334,841	-	1,334,841	-	1,334,841
Loan, advances and financing	192,627	-	179,005	-	179,005
<u>Financial liabilities</u>					
Funds from BNM	801,500	-	481,868	-	481,868
Government funds	150,342	-	120,601	-	120,601
Preference shares	200,000	-	188,622	-	188,622
SME Modernisation and Assistance Facilities	-	-	-	-	-
Small Entrepreneurs Financing Fund	11,075	-	11,075	-	11,075
Loan due to non-controlling interest	38	-	38	-	38

## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (d) Fair value of financial instruments (continued)

## Effect of changes in significant unobservable assumptions to reasonably possible alternatives (continued)

Group 31.12.2015	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>Financial assets</u>					
Investment securities: HTM	90,572	-	88,828	-	88,828
Term deposits	1,640,757	-	1,639,213	-	1,639,213
Loan, advances and financing	235,727	-	213,422	-	213,422
<u>Financial liabilities</u>					
Funds from BNM	801,500	-	468,988	-	468,988
Government funds	150,342	-	117,055	-	117,055
Preference shares	200,000	-	183,286	-	183,286
SME Modernisation and Assistance Facilities	150,000	-	150,000	-	150,000
Small Entrepreneurs Financing Fund	11,075	-	11,075	-	11,075
Loan due to non-controlling interest	38	-	38	-	38
<b>Corporation 31.12.2016</b>	<b>Carrying amount RM'000</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<u>Financial assets</u>					
Investment securities: HTM	90,574	-	90,381	-	90,381
Term deposits	1,334,841	-	1,334,841	-	1,334,841
Loan, advances and financing	192,627	-	179,005	-	179,005
Loan due from a subsidiary	125	-	125	-	125
<u>Financial liabilities</u>					
Funds from BNM	801,500	-	481,868	-	481,868
Government funds	150,342	-	120,601	-	120,601
Preference shares	200,000	-	188,622	-	188,622
SME Modernisation and Assistance Facilities	-	-	-	-	-
Small Entrepreneurs Financing Fund	11,075	-	11,075	-	11,075

## NOTES TO THE FINANCIAL STATEMENTS

## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (d) Fair value of financial instruments (continued)

## Effect of changes in significant unobservable assumptions to reasonably possible alternatives (continued)

Corporation 31.12.2015	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>Financial assets</u>					
Investment securities: HTM	90,572	-	88,828	-	88,828
Term deposits	1,640,757	-	1,639,213	-	1,639,213
Loan, advances and financing	235,727	-	213,422	-	213,422
Loan due from a subsidiary	125	-	125	-	125
<u>Financial liabilities</u>					
Funds from BNM	801,500	-	468,988	-	468,988
Government funds	150,342	-	117,055	-	117,055
Preference shares	200,000	-	183,286	-	183,286
SME Modernisation and Assistance Facilities	150,000	-	150,000	-	150,000
Small Entrepreneurs Financing Fund	11,075	-	11,075	-	11,075

Other than as disclosed above, the fair value of each financial asset and liability presented on the statements of financial position as at the reporting date approximates the carrying amount.

The fair value estimates were determined by application of the methodologies and assumptions described below.

**Investment fund: AFS, Securities held at FVTPL, AFS, HFT, and HTM**

The fair values are reasonable estimates based on quoted market prices. In the absence of such quoted prices, the fair values are based on the expected cash flows of the instruments discounted by indicative market yields for the similar instruments as at reporting date or the audited net tangible asset of the invested company.

**Term deposits**

For short-term term deposits with banks and other financial institutions with maturity of less than twelve months, the carrying amount is a reasonable estimate of fair value.

For amounts with maturities of more than twelve months, fair values have been estimated by reference to current rates at which similar deposits and placements would be made to banks with similar credit ratings and maturities.

## 47. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (d) Fair value of financial instruments (continued)

#### Loans, advances and financing and loan due from a subsidiary

The fair values of performing fixed rate loans are arrived at using the discounted cash flows based on the prevailing market rates of loans and advances with similar credit ratings and maturities.

The fair values of impaired loans and advances, whether fixed or floating are represented by their carrying values, net of individual and collective allowances, being the reasonable estimate of recoverable amount.

#### Funds from BNM, Government funds, SEGS, TUK, Preference shares, Small Entrepreneurs Financing Fund and loan due to non-controlling interest

The estimated fair values of funds and borrowings with maturities of less than twelve months approximate the carrying values. For other funds and borrowings with maturities of more than twelve months, the fair values are estimated based on discounted cash flows using prevailing market rates for such instrument with similar risk profile.

#### Other assets and liabilities

The carrying values less any estimated allowance for financial assets and liabilities included in other assets and other liabilities are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

### (e) Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal process, people and systems, or external events. The Group and the Corporation mitigate operational risk by having comprehensive internal control systems and procedures, which are reviewed regularly and subjected to periodical audits by internal auditors.

## NOTES TO THE FINANCIAL STATEMENTS

### 48. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In accordance with MFRS 132 "Financial Instruments: Presentation", the Group and the Corporation report financial assets and financial liabilities on a net basis on the statements of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangement on:

- All financial assets and liabilities that are reported net on statements of financial position; and
- All financial assets and liabilities that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for statements of financial position netting.

The table identifies the amounts that have been offset in the statements of financial position and also those amounts that are covered by enforceable netting arrangements but do not qualify for netting under the requirements of MFRS 132 described above.

The "Net amounts" presented below are not intended to represent the Group's and the Corporation's actual exposure to credit risk.

Group/Corporation 2016	Gross amounts of recognised financial assets RM'000	Gross amounts of recognised financial liabilities set off in the statement of financial position RM'000	Net amounts reported on statement of financial position RM'000
<b>Financial assets</b>			
Amount due from BNM	473	(473)	-
<b>Financial liabilities</b>			
Amount due to BNM	2,392	(473)	1,919
<b>Group/Corporation 2015</b>			
<b>Financial assets</b>			
Amount due from BNM	-	-	-
<b>Financial liabilities</b>			
Amount due to BNM	492	-	492

# STATEMENT BY DIRECTORS

## PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **DATO' AGIL NATT** and **DATUK DAVID CHUA KOK TEE**, being two of the Directors of **CREDIT GUARANTEE CORPORATION MALAYSIA BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 142 to 258 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and financial performance of the Group and of the Company for the financial year ended 31 December 2016 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 26 April 2017.



**DATO' AGIL NATT**  
Chairman

Kuala Lumpur



**DATUK DAVID CHUA KOK TEE**  
Director

# STATUTORY DECLARATION

## PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **SYED NAUFAL SHAHABUDIN SYED ABDUL JABBAR SHAHABUDIN**, the officer primarily responsible for the financial management of **CREDIT GUARANTEE CORPORATION MALAYSIA BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 142 to 258 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 above named **SYED NAUFAL SHAHABUDIN SYED ABDUL JABBAR SHAHABUDIN** at Petaling Jaya, Selangor in Malaysia on 26 April 2017



**SYED NAUFAL SHAHABUDIN SYED ABDUL JABBAR SHAHABUDIN**

Before me,



No. 69A, Jalan SS21/37  
Damansara Utama (Up Town)  
47400 Petaling Jaya, Selangor D.E

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CREDIT GUARANTEE CORPORATION MALAYSIA BERHAD

(INCORPORATED IN MALAYSIA)

(COMPANY NO: 12441-M)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Credit Guarantee Corporation Malaysia Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

### What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 142 to 258.

### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.



## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises Directors' Report, Statements by Directors, Statutory Declaration, Annual Report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## INDEPENDENT AUDITORS' REPORT

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Auditors' responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- (d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our auditor' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



**PRICEWATERHOUSECOOPERS**  
(No. AF: 1146)  
Chartered Accountants



**MANJIT SINGH A/L HAJANDER SINGH**  
02954/03/2019 J  
Chartered Accountant

Kuala Lumpur  
26 April 2017



**ADDITIONAL  
CORPORATE  
INFORMATION**



**266** Board Charter

**274** Compliance Charter

**277** Branch Network

**280** Notice Of The 44<sup>th</sup>  
Annual General Meeting

Proxy Form

# BOARD CHARTER

## 1. INTRODUCTION

### 1.1 Overview

The Board of Directors ("Board") is accountable and responsible for the performance and affairs of Credit Guarantee Corporation Malaysia Berhad ("Corporation"). The Board is expected to show good stewardship and act in a professional manner, as well as uphold the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.

### 1.2 Purpose

The purpose of this Board Charter is to promote the highest standards of corporate governance within the Corporation and to set, inter alia, the duties, responsibilities and functions of the Board in accordance with the principles of good corporate governance.

### 1.3 Authority

The Board derives its authorities to act from the Memorandum and Articles of Association ("M&A") of the Corporation and the laws of Malaysia governing the Corporation.

## 2. BOARD OF DIRECTORS

### 2.1 Composition and Balance

- i) The number of Directors shall not be less than two (2) and shall not be more than twenty (20).
- ii) The Board should preferably be no larger than ten (10) Directors with minimum one third (1/3) Independent Non-Executive Directors and not more than one (1) Executive Director.
- iii) The Board shall be led by a Chairman who must be a Non-Executive Director.
- iv) The post of Chairman and President/Chief Executive Officer shall be distinct and separate with a clear division of responsibilities.

- v) The Board shall comprise of Directors with the mix of skills, backgrounds, academic qualifications and experience in the fields of:-
  - a) banking, finance, accounting, legal, business management, information technology and investment management; and
  - b) entrepreneurship, knowledge of target market/sector and socio-economic perspective and business development (including Small and Medium businesses).
- vi) A representative from the Association of Banks in Malaysia is required to be on the Board.
- vii) The Directors shall sit on the board of not more than five (5) listed companies excluding the subsidiaries or the Corporation's subsidiaries and not more than ten (10) non-listed companies excluding the family-owned companies.

### 2.2 Appointment Process, Qualification Criteria, Tenure and Re-Election

#### Appointment Process

- i) The Board has the power to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. The new Director so appointed shall hold office until the Corporation's next General Meeting and shall be eligible for re-election.
- ii) A shareholder may nominate a person for appointment as Director for the consideration of the Board Nomination & Remuneration Committee ("BNRC").
- iii) BNRC shall be responsible for assessing the nominee(s) for directorship and Board Oversight Committees' memberships. BNRC shall thereupon submit its recommendation to the Board for decision.
- iv) Bank Negara Malaysia shall be informed accordingly of any appointment of a Director.

**Qualification Criteria**

- i) The qualification criterion for the appointment of Director shall be governed by the Companies Act 1965, the Corporation's Article of Association and the criteria set under the Corporation's Guideline on Appointment of the Board of Directors.

**Tenure**

- i) The length of service for each term shall not exceed three (3) years and the Directors can be re-appointed subject to Shareholders' approval at the General Meeting.
- ii) The entire term of service for a Director shall not exceed three (3) terms or nine (9) years in total. This requirement is only applicable to Independent Directors. In the event that the service of an Independent Director is to be further extended, the same shall be subjected to the Board's recommendation and the Shareholders' approval at the General Meeting respectively.

*For avoidance of doubt, this provision shall not be applicable to the President / Chief Executive Officer.*

**Re-Election**

- i) The re-election of Directors shall take place each year at the Annual General Meeting of the Corporation where one third (1/3) of the Directors, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one third (1/3) shall retire from office and the retiring Directors are eligible for re-election.

**Others**

- i) The Board will be guided on other matters relating to Directors as set under the Corporation's Guideline on Appointment of the Board of Directors which may be amended from time to time.

**2.3 Directors Training Program**

- i) The Directors are required to attend Directors Training Program which consists of:-
  - a) In-house Induction Sessions; and
  - b) Continuous Learning and Development Program ("CLDP").
- ii) Each newly appointed Director will undergo the In-House Induction Sessions which aims at communicating to the newly appointed Directors, the Corporation's vision and mission, the philosophy and nature of the business, current issues within the Corporation, the corporate strategy and the expectations of the Corporation.
- iii) During the directorship tenure, the Directors will participate in the CLDP which aims to provide continuous training for the Directors in order to keep abreast with latest developments in the DFI's industry.
- iv) The Board will assess further training needs for the Directors on an on-going basis.

**2.4 Effectiveness Evaluation**

- i) The BNRC is empowered by the Board to conduct the annual assessment on the performance of each Director.
- ii) The results on the BNRC assessments will be reported to the Board and the BNRC recommendation will be taken into account by the Board in determining its assessment of the Directors to stand for re-appointment/re-election at the next General Meeting.

## BOARD CHARTER

### 2.5 Remuneration

- i) Suitable remuneration for the Directors shall be assessed and recommended by the BNRC.
- ii) The Directors shall be entitled to traveling, hotel and other expenses as may reasonable be incurred by the Directors in the execution of the duties including any such expenses incurred in connection with the Directors' attendance at the Board of Directors Meetings.
- iii) Special remuneration, in addition to the Director's ordinary remuneration (by way of salary, commission, participation in profits or otherwise) may be granted in the event that the Director is required to perform or render any special duties or services outside his / her ordinary duties as a Director.
- iv) The remuneration of the Directors shall from time to time be determined by the Corporation in General Meeting.

## 3. PRINCIPAL ROLES AND RESPONSIBILITIES

### 3.1 Board of Directors

- i) Pursuant to the Articles of Association, in general the business of the Corporation shall be managed by the Board.
- ii) Except for matters which require the approval from the Corporation's Shareholders, the Board may exercise all such powers of the Corporation and do on behalf of the Corporation or such acts as may be exercised and done by the Corporation.
- iii) The Board's stewardship responsibilities shall be discharged based on the following roles and responsibilities:-
  - a) Contribute in developing corporate strategy and setting of targets;
  - b) Uphold a strong corporate performance management approach;

- c) Oversee development of the Corporation's future leaders and human capital;
- d) Understand and manage the Corporation's risks;
- e) Adopt shareholders' perspective when making decisions;
- f) Balance valid stakeholders' interests; and
- g) Performing such other functions as prescribed by law.
- iv) Certain specific matters are designated as Reserved Matters whereby the decision making shall be under the sole discretion and responsibilities of the Board. Unless otherwise restricted by the Companies Act 1965 or the Corporation's Articles of Association, nothing herein shall restrict the Board from delegating at any time, the Reserved Matters or specific decision making responsibilities to Board Oversight Committees, individual Directors or the Management.
- v) The details of the Reserved Matter are as attached under Appendix A herewith.

### 3.2 Chairman

- i) The Chairman is responsible for the overall leadership and efficient functioning of the Board.
- ii) The key roles of the Chairman, inter alia are as follows:-
  - a) ensuring that the Board functions effectively, cohesively and independently of Management;
  - b) providing governance in matters requiring corporate justice and integrity;
  - c) leading the Board, including presiding over the Board of Directors Meetings and the Corporation's General Meetings and directing the Board discussions to effectively use the time available to address the critical issues facing the Corporation;



- d) promoting constructive and respectful relationship among each Director and between the Board and the Management; and
- e) ensuring that there are effective communications between the Corporation and/or its subsidiaries and its shareholders and/or relevant stakeholders.

### 3.3 President / Chief Executive Officer

- i) The President / Chief Executive Officer is responsible to the Board for the day-to-day management of the Corporation.
- ii) The key roles of the President / Chief Executive Officer, inter alia are as follows:-
  - a) executing the strategic direction of the Corporation as set by the Board;
  - b) ensuring that the Corporation businesses are properly and efficiently managed by ensuring that the executive team implements the policies and strategies adopted by the Board and Board Oversight Committees;
  - c) ensuring that the objectives and standards of performance are understood by the Management and employees; and
  - d) ensuring that the operational planning and control systems are in place, monitoring performance results against plans and where necessary, taking remedial action.

## 4. PROCESS OF BOARD

### 4.1 Board of Directors Meeting

- i) The Directors may meet together for the dispatch of business, adjourn and otherwise regulate the meetings as the Board thinks fit.
- ii) The Board will be guided by the Terms of Reference for the Board of Directors Meeting.

- iii) Reserved Matters, all strategic decisions and investments decisions are made at Board of Directors Meetings after due processes, discussions and deliberations.

### 4.2 Circular Resolution

- i) In between the Board of Directors Meetings, approvals on urgent or important business matters requiring the sanction of the Board could be made by way of Circular Resolution enclosing all relevant information to enable the Board to make informed decisions.
- ii) The Circular Resolution in writing duly executed by ALL Board Members shall be as effective for all purposes as a resolution passed at Board of Directors Meeting duly convened, held and constituted.

### 4.3 Independent Advice

The Board may seek independent advice and information in the furtherance of their duties at the Corporation's expense, so as to ensure the Directors are able to make independent and informed decisions.

## 5. POWER OF DELEGATION

Unless otherwise restricted under the law or the Corporation's Articles of Association, nothing herein shall restrict the Board from delegating specific responsibilities to Board Oversight Committees, individual Directors, the Management or any person.

### 5.1 Board Oversight Committees

- i) The following Board Oversight Committees are established to assist the Board in carrying out its responsibilities:-
  - a) Governance and Audit Committee;
  - b) Risk Management Committee;
  - c) Investment Committee;
  - d) Nomination and Remuneration Committee;
  - e) Bumiputra Development Committee; and
  - f) IT Committee.

## BOARD CHARTER

- ii) The Board Oversight Committees operate within clearly defined roles and responsibilities as set out in the Terms of Reference of each of the Committees.
- iii) The Board Oversight Committees report to the Board on their deliberations, findings and recommendations. The Chairmen of the Board Oversight Committees report to the Board on matters dealt with at their respective Board Oversight Committees Meetings.
- iv) Minutes of the Board Oversight Committees Meetings are presented at the Board of Directors Meetings for further discussion and direction.
- v) While these Board Oversight Committees have the authority to deliberate on matters delegated to them, all decisions and/or recommendations made by these Committees will be brought to the attention of the Board, who is collectively responsible for the Corporation's success, business, strategy, risk management, operational and financial performance.
- vi) The Board may from time to time establish any other committees or ad hoc committees to delegate specific functions as it considers necessary or expedient.

### 5.2 Management

- i) The Board may delegate its power or function to the Management through appropriate manual of delegations or manual of authorities.
- ii) However, ultimate responsibility for strategy and control rests with the Directors as guided by the President / Chief Executive Officer.
- iii) The Board will be supplied by the Management with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively.
- iv) The Board is entitled to request any additional information at any time as it may deemed necessary.

### 5.3 Power of Attorney, Corporate Representative and Proxy

- i) The Board may by Deed of Power of Attorney, Certificate or Proxy Form appoint any Corporation, firm, person or body of persons to be the attorney, corporate representative or proxy of the Corporation.
- ii) The appointment of attorney, corporate representative or proxy could be made for such purposes and with such powers, authorities and discretions which do not exceed those vested in or exercisable by the Board under the Articles of Association and for such period and subject to such conditions as the Board may think fit.

## 6. DUTY OF CARE, BUSINESS JUDGMENT AND RELIANCE ON INFORMATION

- i) The Board shall at all times exercise the powers for a proper purpose and in good faith in the best interest of the Corporation.
- ii) Each Director shall exercise reasonable care, skill and diligence with the knowledge, skill and experience which may reasonably be expected of a Director having the same responsibilities; and any additional knowledge, skill and experience which the said Director in fact has.
- iii) Each Director who makes a business judgment is deemed to meet the requirements of the duty as aforesaid and the equivalent duties under the common law and in equity if the said Director:-
  - a) makes the business judgment in good faith for a proper purpose;
  - b) does not have a material personal interest in the subject matter of the business judgment;
  - c) is informed about the subject matter of the business judgment to the extent the Director reasonably believes to be appropriate under the circumstances; and
  - d) reasonably believes that the business judgment is in the best interest of the Corporation.

- iv) A Director in exercising the duties may rely on information, professional or expert advice, opinions, reports or statements including financial statements and other financial data, prepared, presented or made by:-
  - a) any officer of the Corporation (or its related companies) whom the Director believes on reasonable grounds to be reliable and competent in relation to the matters concerned;
  - b) any other person retained by the Corporation as to matters involving skills or expertise in relation to matters that the Director believes on reasonable grounds to be within the person's professional or expert competence;
  - c) another Director in relation to matters within the said Director's authority; or
  - d) any Board Oversight Committees of which the Director does not serve in relation to matters within the said Committees' authorities.
- v) A Director's reliance on information provided by others is deemed to be made on reasonable grounds if it was made in good faith and after making an independent assessment of the information or advice, opinions, reports or statements, including financial statements and other financial data, having regard to the Director's knowledge of the Corporation and the complexity of the structure and operation of the Corporation.

## **7. GENERAL MEETINGS**

- i) An Annual General Meeting ("AGM") shall be held once in a calendar year at such time (not being more than fifteen (15) months after the holding of the last preceding General Meeting) and at such venue as may be determined by the Board.
- ii) The Board shall have the right to call for Extraordinary General Meeting ("EGM") either on its own initiative or as per requisition by Shareholders to decide on any special or urgent matters requiring immediate attention of the Corporation.

## **8. CONFIDENTIALITY AND DISCLOSURE OF INTEREST**

- i) The Directors are required to act in the best interests of the Corporation and shall undertake the duty of confidentiality in relation to the Corporation's confidential information.
- ii) A Director shall disclose to the Board:-
  - a) any personal / family interest in a matter which relates to the affairs of the Corporation; and
  - b) any other interest (direct or indirect) which is appropriate to be disclosed in order to avoid any conflict of interest or the perception of a conflict of interest.
- iii) An independent director must immediately disclose to the Board any change in his / her circumstances that may affect his / her status as an independent director. In such a case, the board must review his / her designation as an independent director to affirm or change his / her designation.

## **9. ETHICS AND COMPLIANCE**

The Directors shall observe the Corporation's Code of Corporate Governance including any amendments made thereafter.

## **10. BOARD CHARTER REVIEW**

- i) The Board Charter was adopted by the Board on 10th December 2013 and shall be effective commencing from 1st January 2014. Any subsequent amendment to the Board Charter can be made via approval by the Board.
- ii) The Board Charter would be periodically reviewed and updated in accordance with the needs of the Corporation and any new laws or regulations that may have an impact on the discharge of the Board's duties and/or responsibilities.

# BOARD CHARTER

## Appendix A

<b>RESERVED MATTERS</b>	
<b>Conduct of the Board</b>	
1.	Appointment and recommendation for removal of Director.
2.	Appointment and removal of Company Secretary.
3.	Appointment of Board Oversight Committees' members.
4.	Approval of terms of reference of Board Oversight Committees' and amendments to such terms.
5.	Appointment of Chief Executive Officer and/or Executive Directors of the Corporation and their duties and the continuation (or not) of their service.
6.	Recommendation on the appointment of external auditors and their related audit fees.
<b>Remuneration</b>	
7.	Approval/recommendation of the Directors' fee/remuneration arrangements for Non-Executive Directors.
8.	Approval of the remuneration packages, structure and policy for Chief Executive Officer and/or Executive Directors.
<b>Operational</b>	
9.	Approval of business strategy and operational plan and annual budget.
10.	Ongoing review of performance against business strategy and group operational plan, including monitoring of key risks and risk management policies and actions.
11.	Approval of capital expenditure above the Approving Authority Limit as may be determined from time to time.
12.	Approval of bad debts write-off in excess of the prescribed amount as may be determined from time to time.
13.	Approval of investment or divestment in a company / business / property / undertaking.
14.	Approval of investment or divestment of a capital project which represents a significant diversification from the existing business activities.
15.	Approval of changes in the major activities of the Corporation or Group.
16.	Approval of investment policies and bank mandate.
17.	Approval of the Authorized Signatories and Approving Limits of Authority for the Corporation.
18.	Review and approve the Board Oversight Committees' recommendations.

Financial	
19.	Approval of interim and annual financial statements.
20.	Approval for the release of financial announcements.
21.	Approval of the Annual Directors' Report, Statutory Accounts and Corporate Governance Statement.
22.	Approval of interim dividends, the recommendation of final dividends and the making of any other distribution.
23.	Adoption of accounting policies.
24.	Review the effectiveness of the Corporation's system of internal control.
Other Matters	
25.	The granting of powers of attorney and the appointment, resignation or removal of the corporate representative or proxy by the Corporation.
26.	The entering into / undertaking of major debt or guarantee schemes / instruments.
27.	Recommendations for the alteration of the Memorandum and / or Articles of Association of the Corporation.
28.	Alteration of the accounting reference date, registered office and name of the Corporation.
29.	Allotment, issuance, registration or any matters related to the shares of the Corporation.
30.	Scheme of reconstruction or restructuring.
31.	Approve, develop and / or implement all the presentation, report or any material shareholder communications for the Corporation.
32.	Any other significant business decision.
33.	Any other matter requiring the convening of a general meeting of shareholders or any class of shareholders.
34.	Any other significant matters as may be required by the laws or the governing authorities.
35.	Any other matters requiring the Board's approval under the Approving Limits of Authority of the Corporation.

# COMPLIANCE CHARTER

## 1. OVERVIEW

### 1.1 Introduction

The Board of Directors ("Board") is accountable and responsible for the performance and affairs of Credit Guarantee Corporation Malaysia Berhad ("Corporation").

The Corporation's corporate culture emphasizes standards of honesty and integrity to which the Senior Management will lead by example and shall ensure the effective management of compliance of the Corporation. Within the Corporation, compliance starts at the top and forms an integral part of the Corporation's business activities.

It is the responsibility of every employee of the Corporation to conduct the business in full observance of all applicable laws, rules, regulations and guidelines governing the Corporation's business.

### 1.2 Objective

The objective of this Compliance Charter is to establish the roles and functions of the Compliance Department.

### 1.3 Compliance Department

The Compliance Department was established in 2013 primarily as a supervisory role for every management level within the Corporation to ensure that the Corporation complies with all applicable laws, rules, regulations and guidelines governing the Corporation's business.

In this respect, the Compliance Department keeps a constant communication with all the Senior Management and Head of Departments within the Corporation's structure with a view to supplementing the existing supervisory reviews and ensuring that the necessary policies and procedures are in place to effect proper supervision of the respective Departments.

The Compliance Department reports to the Board Risk Management Committee ("BRMC") on the Corporation's Compliance Risk Management status and updates particularly the Statutory Compliance and Regulatory Compliance (collectively referred to "Compliance Risks") confronted by the Corporation.

## 2. COMPLIANCE RISKS MANAGEMENT STRUCTURE

2.1 The Compliance Department identifies, assesses, implements and monitors the conformity of the Statutory Compliance and Regulatory Compliance by the employees of the Corporation.

CATEGORY	SCOPE
Statutory Compliance	<ul style="list-style-type: none"> <li>Identify, assess and implement the compliance requirements under the applicable Acts governing the Corporation.</li> </ul> <p>E.g Applicable Acts issued by Government of Malaysia – Companies Act 2016, Employment Act 1955, Personal Data Protection Act 2010, Anti-Money Laundering, Anti-Terrorism and Proceed of Unlawful Activities Act 2001, Competition Act 2010, Occupational Safety and Health Act 1994 and others.</p>
Regulatory Compliance	<ul style="list-style-type: none"> <li>Identify, assess and implement the compliance requirements under the applicable rules and regulation issued by the Regulators</li> </ul> <p>E.g Guidelines, Regulations, Orders, Directives and others issued by Bank Negara Malaysia, Ministry, Local Authority or Enforcement Agency.</p>

2.2 An overall approach to Compliance Risks Management encompasses:-

CATEGORY	DESCRIPTION
Identification	<ul style="list-style-type: none"> <li>Identifying Compliance Risks within the Corporation</li> </ul>
Assessment	<ul style="list-style-type: none"> <li>Identifying Compliance Risks in terms of its likelihood and the severity of the consequences of a compliance breach (financial, regulatory, operational, reputational, etc.)</li> </ul>
Management	<ul style="list-style-type: none"> <li>Identifying the Compliance Risks and conceptualising the appropriate controls</li> <li>Implementing, performing and overseeing Compliance Risks controls</li> <li>Evaluating and testing the effectiveness of the controls.</li> </ul>
Reporting	<ul style="list-style-type: none"> <li>Regular monitoring and reporting of the activities of the respective Departments to ensure its compliance of the relevant governing statutory, regulatory and ethical framework under the laws.</li> </ul>

## COMPLIANCE CHARTER

### 3. ROLES AND RESPONSIBILITIES

- 3.1 The Compliance Department's roles and responsibilities include:
- i) reporting to BRMC on Corporation's Compliance Risks status and updates particularly the non-compliance issues confronted by the Corporation;
  - ii) monitoring the statutory and regulatory developments and assessing its impact on the Corporation;
  - iii) advising and monitoring the operational impact analysis with the Departments on the new statutory and regulatory compliance requirements;
  - iv) identifying, assessing and monitoring the conformity, remedial or corrective measures of the Compliance Risks by the Departments;
  - v) liaise with the Ministries, Government Agencies, Governing Authorities and Enforcement Agencies (collectively referred to as "Regulators") on any Compliance Risks issues;
  - vi) establishing Compliance Framework and further developing the compliance roles and functions; and
  - vii) providing training to the Departments on new Statutory and Regulatory Compliance requirements and promoting the adoption of compliance culture within the Corporation.

### 4. INDEPENDENCE

- 4.1 The Compliance Department carries out the functions independently and objectively to ensure impartial and unbiased judgments essential to the prudent Compliance Risks management.

### 5. AUTHORITY AND ACCOUNTABILITY

- 5.1 The Compliance Department shall have unfettered and direct access to all activities in its area of responsibility including but not limited to all documentation, systems (e.g. complaints register, whistleblower reports and files) and access to the employees of the Corporation which the Compliance Department's reasonably believe are necessary to execute its responsibility effectively.
- 5.2 Specific tasks of the compliance function may be outsourced, but it shall remain subject to appropriate oversight by the Compliance Department.

### 6. QUALITY ASSURANCE

- 6.1 The Compliance Department will comply with all relevant standards, guidelines, policies, procedures and directives issued by internal and external authority.

### 7. COMPLIANCE FRAMEWORK

- 7.1 Based on this Compliance Charter, a Compliance Framework is implemented as the key tool for the Compliance Department, Senior Management, Head of Departments and the employees of the Corporation to respectively supervise, manage and conduct the business in full observance of all applicable laws, rules, regulations and guidelines governing the Corporation.



# BRANCH NETWORK



## CLIENT SERVICE CENTRE

Level 2, Bangunan CGC,  
Kelana Business Centre  
No. 97, Jalan SS7/2,  
47301 Petaling Jaya, Selangor

Hotline : 03-7880 0088  
Facsimile : 03-7803 0077  
Person to Contact : Firdaus Abdullah  
E-mail : csc@cgc.com.my

## MAIN BRANCH

Level 1, Bangunan CGC,  
Kelana Business Centre  
No. 97, Jalan SS7/2,  
47301 Petaling Jaya, Selangor

Phone : 03-7804 8100  
Facsimile : 03-7806 1290  
Person to Contact : Azizul Fadzli Samad  
E-mail : azizul@cgc.com.my

## BRANCH NETWORK

### ALOR SETAR

.....

5 GF, Kompleks Perniagaan Utama Sultanah Sambungan,  
Lebuhraya Sultanah Bahiyah,  
05350 Alor Setar, Kedah.  
Phone : 04-731 2300  
Facsimile : 04-734 1500  
Person to Contact : Norella Shaik Haroon  
E-mail : norella@cgc.com.my

### BATU PAHAT

.....

No. 20 Jalan Maju,  
Taman Maju Bukit Pasir,  
83000 Batu Pahat, Johor.  
Phone : 07-432 2633  
Facsimile : 07-432 3088  
Person to Contact : Khairunizan Mohamed Taufek  
E-mail : khairunizan@cgc.com.my

### IPOH

.....

No. 50, Ground Floor,  
Persiaran Greenhill,  
30450 Ipoh, Perak.  
Phone : 05-243 3900  
Facsimile : 05-243 4900  
Person to Contact : Punitha Jeyabalan  
E-mail : punitha@cgc.com.my

### JOHOR BAHRU

.....

46, Jalan Sulam,  
Taman Sentosa,  
80150 Johor Bahru, Johor.  
Phone : 07-338 2788  
Facsimile : 07-334 4977  
Person to Contact : Brian, Lim Yee Yik  
E-mail : brian@cgc.com.my

### KOTA BHARU

.....

P.T. 164 Ground Floor,  
Section 26, Jalan Dusun Muda,  
15400 Kota Bharu, Kelantan.  
Phone : 09-743 7730  
Facsimile : 09-743 7752  
Person to Contact : Azman Mohd Ariffin  
E-mail : azman@cgc.com.my

### KOTA KINABALU

.....

D-21-G & D-21-1, Lot 21 Block D,  
KK Times Square Signature Office,  
Off Costal Highway,  
88100 Kota Kinabalu, Sabah.  
Phone : 088-486 850  
Facsimile : 088-486 851  
Person to Contact : Agnes @ Vivy Toisin  
E-mail : agnesvivy@cgc.com.my

### KUALA LUMPUR

.....

No.34 A-0-1, Jalan 1/27F,  
Jalan Wangsa Delima 6,  
Pusat Bandar Wangsa Maju,  
53300 Kuala Lumpur.  
Phone : 03-414 96476  
Facsimile : 03-414 91237  
Person to Contact : Mohamad Yasser Mohd Aris  
E-mail : mohamadyasser@cgc.com.my

### KUALA TERENGGANU

.....

111A, Ground Floor,  
Jalan Batas Baru,  
20300 Kuala Terengganu, Terengganu.  
Phone : 09-625 2400  
Facsimile : 09-625 2399  
Person to Contact : Rosli Yahya  
E-mail : rosliyahya@cgc.com.my

### KUANTAN

.....

No. 113A, Ground & 1st Floor,  
Sri Dagangan Kuantan, Jalan Tun Ismail,  
25000 Kuantan, Pahang.  
Phone : 09-513 9277  
Facsimile : 09-513 9577  
Person to Contact : Khalipudza @ Liza Abd. Kahar  
E-mail : khalipudza@cgc.com.my

**KUCHING**

.....

192L GF, Lot 468,  
Al-Idrus Commercial Centre, Jalan Satok,  
93400 Kuching, Sarawak.  
Phone : 082-424 200  
Facsimile : 082-427 300  
Person to Contact : Stellarose AK Nelson  
E-mail : stella@cgc.com.my

**MELAKA**

.....

No. 194, Jalan Merdeka,  
Taman Melaka Raya,  
75000 Melaka  
Phone : 06-284 4300  
Facsimile : 06-283 2205  
Person to Contact : Mohd Haniza Mohd Jaapar  
E-mail : mdhaniza@cgc.com.my

**MIRI**

.....

Lot No 789 GF, Block 9 MCLD,  
Bintang Jaya Commercial Centre,  
98000 Miri, Sarawak.  
Phone : 085-421 270  
Facsimile : 085-410 370  
Person to Contact : Alex Chin Shea Chien  
E-mail : scchin@cgc.com.my

**PRAI**

.....

Lot 9G, No. 2782,  
Taman Inderawasih, Jalan Chain Ferry,  
13700 Prai, Penang.  
Phone : 04-399 2400  
Facsimile : 04-397 5434  
Person to Contact : Wan Faizah Zakaria  
E-mail : faizah@cgc.com.my

**SANDAKAN**

.....

Lot 8, Blok 1,  
Jalan Labuk Bandar Indah,  
Mile 4, 90000 Sandakan, Sabah.  
Phone : 089-224 698  
Facsimile : 089-224 963  
Person to Contact : Yap Pien Chie  
E-mail : pcyap@cgc.com.my

**SEREMBAN**

.....

No. 9, Jalan S2 B15,  
Pusat Dagangan Seremban 2,  
70300 Seremban, Negeri Sembilan  
Phone : 06-601 7600  
Facsimile : 06-601 7001  
Person to Contact : Aiza Hj Mat Zip  
E-mail : aiza@cgc.com.my

# NOTICE OF THE 44<sup>TH</sup> ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 44<sup>th</sup> Annual General Meeting (“AGM”) of Credit Guarantee Corporation Malaysia Berhad (“the Corporation”) will be held at Taming Sari 3, The Royale Chulan Kuala Lumpur, 5 Jalan Conlay, 50450 Kuala Lumpur, Wilayah Persekutuan on Monday, 22 May 2017 at 12.00 pm for the following purposes:

## AGENDA

### AS ORDINARY BUSINESS:

- |    |   |                     |
|----|---|---------------------|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon.  |                     |
| 2. | To re-elect the following Directors who retire by rotation in accordance with Articles 76A and 76B of the Corporation’s Articles of Association:-   |                     |
|    | a) Encik Teoh Kok Lin;  | <b>Resolution 1</b> |
|    | b) Encik Suresh Kumar A/L T.A.S Menon; and  | <b>Resolution 2</b> |
|    | c) Encik Ong Eng Bin.   | <b>Resolution 3</b> |
| 3. | To re-elect Encik Choong Tuck Oon as Director who retires in accordance with Article 77 of the Corporation’s Articles of Association.   | <b>Resolution 4</b> |
| 4. | To approve the Directors’ fees amounting to RM144,000 per annum for the Non-Executive Chairman and RM60,000 per annum for each Non-Executive Director from the 44 <sup>th</sup> AGM to the 45 <sup>th</sup> AGM of the Corporation, payable in a manner as the Directors may determine. | <b>Resolution 5</b> |
| 5. | To approve the Directors’ benefits up to an amount of RM1,350,800 payable to the Non-Executive Chairman and Non-Executive Directors from 31 January 2017 to the 45 <sup>th</sup> AGM of the Corporation, payable in a manner as the Directors may determine.                            | <b>Resolution 6</b> |
| 6. | To re-appoint Messrs. PricewaterhouseCoopers as Auditors of the Corporation for the financial year ending 31 December 2017 and to authorise the Directors to fix their remuneration.  | <b>Resolution 7</b> |
| 7. | To transact any other ordinary business of which due notice shall have been given in accordance with the Companies Act 2016 and the Corporation’s Articles of Association.  |                     |

### BY ORDER OF THE BOARD

**DAENG HAFEZ ARAFAT BIN ZUHUD**  
(LS0007002)  
Company Secretary

Petaling Jaya  
28 April 2017

**NOTES:****Proxy**

1. A member entitled to attend, participate, speak and vote is entitled to appoint a proxy to attend, participate, speak and vote on his behalf. A proxy may but need not be a member of the Corporation and there shall be no restriction as to the qualification of a proxy.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if the appointer is a company under the hand of an officer or attorney of the company.
3. A company member having a share capital may appoint more than one proxy in relation to a meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy.
4. The instrument appointing a proxy and the power of the attorney or other authority, if any, under which it is signed, or a notarial certified copy of that power of authority shall be deposited at the Registered Office of the Corporation - Level 14, Bangunan CGC, Kelana Business Centre, 97, Jalan SS7/2, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than 48 hours before the time for holding the meeting or any adjournment thereof.

**Audited Financial Statements for financial year ended 31 December 2016**

5. The audited financial statements are laid in accordance with the Companies Act 1965 for discussion only under Agenda 1. As advised by the Auditors of the Corporation, the Corporation is required to comply with the Companies Act 1965 for its audited financial statements given that they are for the period ending 31 December 2016.
6. The audited financial statements do not require shareholders' approval and hence, will not be put for voting.

**Re-election of Directors who retire in accordance with Articles 76A and 76B of the Corporation's Articles of Association ("AA")**

7. Article 76A of the AA provides that one-third ( $\frac{1}{3}$ ) of the Directors of the Corporation for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third ( $\frac{1}{3}$ ), shall retire from office.
8. Article 76B of the AA provides that the Directors to retire shall be those who have been longest in office since their last election but as between persons who became directors on the same day those to retire be determined by lot.

With the current Board size of nine (9), three (3) Directors are to retire in accordance with Articles 76A and 76B of the AA. The Board Nomination and Remuneration Committee Meeting ("BNRC") had at its meeting held on 3 April 2017 endorsed and the Board had on 19 April 2017 recommended for shareholders' approval at this AGM for Encik Teoh Kok Lin, Encik Suresh Kumar A/L T.A.S Menon and Encik Ong Eng Bin to be re-elected on the Board of the Corporation.

**Re-election of Director pursuant to Article 77 of the Corporation's AA**

9. Article 77 of the AA provides that the Directors shall have power to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, and that any Directors so appointed shall hold office until the next following AGM and shall then be eligible for re-election.

Encik Choong Tuck Oon who was appointed as a Non-Executive Director of the Corporation on 20 January 2017, shall hold office until the 44<sup>th</sup> AGM and shall be eligible for re-election pursuant to Article 77 of the AA.

## NOTICE OF THE 44<sup>TH</sup> ANNUAL GENERAL MEETING

### Directors' Fees

10. Section 230(1)(a) of the Companies Act 2016 provides that "the fees" of the directors and "any benefits" payable to the directors of a public company shall be approved at a general meeting. The proposed fees shall remain unchanged based on the following fee structure approved by the shareholders at the previous AGM:-

Description	Approved at the 43 <sup>rd</sup> AGM on 1 June 2016
Chairman's Fees	RM144,000 per annum
Members' Fees	RM60,000 per annum per Director

### Directors' Benefits

11. The Directors' benefits comprises allowances and other emoluments payable to the Non-Executive Chairman and Non-Executive Directors, details of which are as follows:-

Description	Non-Executive Chairman and Directors
Meeting Allowance for Board and Board Committee Members	RM2,000 per meeting
Driver for the Chairman of the Board	RM7,200 per annum (based on maximum taxable rate)
Other claimable benefits	Medical coverage, travel & communication and other claimable benefits

In determining the estimated total amount of benefits for the Non-Executive Chairman and Directors, various factors had been considered by the Board including the number of scheduled meetings for the Board and Board Committees and number of Non-Executive Directors involved in these meetings.

Payment of the Non-Executive Directors' benefits will be made by the Corporation on a monthly basis and/or as and when incurred.

### Re-appointment of Auditor

12. The Board Governance and Audit Committee Meeting ("BGAC") had at its meeting on 27 March 2017 undertaken an annual assessment of the suitability and independence of Messrs. PricewaterhouseCoopers ("PwC") in accordance with the Corporation's revised External Auditor Policy duly approved by the Board in January 2017.

The BGAC was satisfied with PwC's quality of audit, efficiency, independence and resources allocated to complete the assignment. The Board had on 26 April 2017 approved the BGAC's recommendation for the shareholders' approval on the re-appointment of PwC as external auditor of the Corporation for the financial year ending 31 December 2017.

# PROXY FORM



## CREDIT GUARANTEE CORPORATION MALAYSIA BERHAD

Company No : 12441-M (Incorporated in Malaysia)

I/We \_\_\_\_\_  
(company name)

of \_\_\_\_\_  
(full address)

being a member of the above named Corporation, hereby appoint \_\_\_\_\_

\_\_\_\_\_ NRIC/Passport No \_\_\_\_\_

or failing him/her \_\_\_\_\_

NRIC/Passport No \_\_\_\_\_

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the 44<sup>th</sup> Annual General Meeting ("AGM") of the Corporation to be held at Taming Sari 3, The Royale Chulan Kuala Lumpur, 5 Jalan Conlay, 50450 Kuala Lumpur, Wilayah Persekutuan on Monday, 22 May 2017 at 12.00 pm and at any adjournment thereof in the manner indicated below:-

Resolution No	Ordinary Resolutions:	For	Against
1	To re-elect the following Directors who retire by rotation in accordance with Articles 76A and 76B of the Corporation's Articles of Association:- Encik Teoh Kok Lin		
2	Encik Suresh Kumar A/L T.A.S Menon		
3	Encik Ong Eng Bin		
4	To re-elect Encik Choong Tuck Oon as Director who retires in accordance with Article 77 of the Corporation's Articles of Association.		
5	To approve the Directors' fees amounting to RM144,000 per annum for the Non-Executive Chairman and RM60,000 per annum for each Non-Executive Director from the 44 <sup>th</sup> AGM to the 45 <sup>th</sup> AGM of the Corporation, payable in a manner as the Directors may determine.		
6	To approve the Directors' benefits up to an amount of RM1,350,800 payable to the Non-Executive Chairman and Non-Executive Directors from 31 January 2017 to the 45 <sup>th</sup> AGM of the Corporation, payable in a manner as the Directors may determine.		
7	To re-appoint Messrs. PricewaterhouseCoopers as Auditors of the Corporation for the financial year ending 31 December 2017 and to authorise the Directors to fix their remuneration.		

(Please indicate with a cross (x) in the spaces provided whether you wish your votes to be cast for or against the Resolutions. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit).

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2017.

Signature

### Notes:-

- 1 A member entitled to attend, participate, speak and vote is entitled to appoint a proxy to attend, participate, speak and vote on his behalf. A proxy may but need not be a member of the Corporation and there shall be no restriction as to the qualification of a proxy.
- 2 The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if the appointer is a company under the hand of an officer or attorney of the company.

- 3 A company member having a share capital may appoint more than one proxy in relation to a meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy.
- 4 The instrument appointing a proxy and the power of the attorney or other authority, if any, under which it is signed, or a notarial certified copy of that power of authority shall be deposited at the Registered Office of the Corporation - Level 14, Bangunan CGC, Kelana Business Centre, 97, Jalan SS7/2, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than 48 hours before the time for holding the meeting or any adjournment thereof.

Fold Here

STAMP

COMPANY SECRETARY

**CREDIT GUARANTEE CORPORATION MALAYSIA BERHAD** (12441-M)

Level 14, Bangunan CGC, Kelana Business Centre

No. 97 Jalan SS 7/2, 47301 Petaling Jaya

Selangor Darul Ehsan

Malaysia

Fold Here