



CHAIRMAN'S

STATEMENT

DATO' MOHAMMED HUSSEIN
Chairman



DEAR SHAREHOLDERS,

During the Covid-19 pandemic and the immediate post-pandemic stage, we committed ourselves to three courses of action:

- 1 Performing our countercyclical role to assist MSMEs to cope with the economic lockdown caused by the pandemic.
- 2 Enhancing CGC’s internal readiness to ensure congruence between CGC’s organisational readiness and MSMEs’ changing demands caused by new and different operating conditions.
- 3 Targeting growth areas like the sharing/gig economy, ESG-linked guarantees and the agro-industry that received increased Budget 2024 allocation, as well as Partner Financial Institutions (PFIs) offering microfinancing for unserved and underserved sectors.

In pursuing these three objectives, CGC is and will always be conscious of the imperative in maintaining our financial sustainability to further carry out our mandate.

FULFILLING OUR MANDATE

Based on Bank Negara Malaysia’s (BNM) Annual Report 2023, Malaysia’s economy is anticipated to deliver 4% - 5% GDP growth in 2024, higher than 3.7% in 2023. Notwithstanding this growth forecast, MSMEs still need to overcome several challenges if they are to take advantage of the growth scenario.

Whilst the pandemic officially ended in 2022, it has turned out to be overly optimistic for us to assume that, after two years of enduring economic lockdown and depleting cash reserves, the process of resuming operations will be seamless. The pandemic changed the game, forcing businesses to confront their vulnerabilities as well as build on their strengths. Many MSMEs continue to face problems rehabilitating their business and achieving pre-pandemic business levels.

The Financial Institutions (FIs) and Development Financial Institutions (DFIs) have been most helpful in granting loan moratoriums and rescheduling loan commitments, as well as providing ‘breather loans’ from special funding schemes from the government and BNM.

“ DURING THE PANDEMIC, THE MALAYSIAN GOVERNMENT ENSURED ESSENTIAL FINANCIAL LIQUIDITY FOR BUSINESSES TO WEATHER THE STORM, SURVIVE AND INVENT. ”

Many MSMEs managed to tap these funds and, though with difficulty, succeeded in resuming and rehabilitating their businesses. Unfortunately, many could not cope with both the financial and operational impacts and had to cease operations. That is the reality of any economic slowdown. Some businesses are more resilient than others.

Whilst having to manage the change, CGC must also manage the constant - i.e. our mandate to support these MSMEs, especially the unserved and the underserved.

In ensuring smoother access to a crucial lifeline to the MSMEs, the guarantee approval process was streamlined. Our Rescheduling & Restructuring (R&R) assistance provided a pragmatic response to the evolving needs of businesses requiring flexible, customised interventions. Furthermore, our CGC Developmental Programme® represents a forward-looking approach to laying the groundwork for future MSMEs growth.

During the pandemic, the Malaysian Government ensured essential financial liquidity for businesses to weather the storm, survive and invent. Looking ahead, the MSME ecosystem demands a broader technical support framework for businesses experiencing transformative shifts. Businesses require not only financial assistance, but also technical assistance and enhanced business planning. We can learn from countries like South Korea, who went through the same economic pains during the pandemic, where robust technical assistance facilitated successful integration of new technologies, demonstrating the crucial role of collaborative ecosystems in fostering resilience and commercial viability.

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PERFORMING OUR COUNTERCYCLICAL ROLE

Performing our countercyclical role comes with a price. In 2023, we experienced a higher claims ratio, which was not unexpected. It attested to CGC's efforts to provide support and relief to MSMEs who were struggling to survive and rehabilitate their businesses.

Government-backed schemes aimed at supporting pandemic-affected MSMEs drove substantial guarantee approval values in 2020 and 2021. The year 2022 witnessed a modest decline as these schemes - Targeted Relief & Recovery (TRRF), Business Recapitalisation Facility (BRF) and Disaster Relief Facility (DRF) - concluded. However, 2023 guarantee approvals surpassed the pre-pandemic average, illustrating the Government's commitment to empower and support MSMEs in the country.

The Government also pledged to empower MSMEs by amplifying business capacity and enhancing participation in both domestic and global supply chains. This includes ESG compliance to ensure MSMEs actively participate in a sustainable global supply chain. CGC fortifies its commitment to sustainability by incorporating ESG criteria into loan/financing evaluations.



Dato' Mohammed Hussein at the CGC Kota Bharu branch relocation event

To encourage MSMEs to embrace sustainability, CGC Malaysia with partner FIs agreed to provide RM1 billion for Portfolio Guarantee (PG) ESG schemes, in addition to the Low Carbon Transition Facility (LCTF) and Green Technology Financing Scheme (GTFS) that are still available. The CGC Developmental Programme® also now includes sustainability workshops to augment overall developmental assistance, while sustainability is also integrated into the CGC100 Youth Entrepreneurship Programme module.

In 2024, the Climate Change and Principle-based Taxonomy (CCPT) will be integral to assessing PG ESG, ensuring that only MSMEs meeting specific ESG standards qualify for these guarantees.

GETTING OUR ACT TOGETHER

Our internal organisational readiness must be congruent with evolving customer needs. This requires a parallel transformation within CGC. In 2023 we focused on ensuring our readiness through reskilling and upskilling initiatives. Throughout 2024, we will focus on advancing staff development and optimisation by nurturing talented employees' potential and activities to cultivate a growth mentality.

Leveraging the capabilities of our learning management system, we proactively championed digital learning, guaranteeing a cutting-edge, inclusive training environment. Our strategic endeavours were specifically intended to harmonise with the goals

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of our FY2023 Business Plan, particularly ensuring employees acquire knowledge and skills, then seamlessly integrate them into our organisation’s day-to-day functions.

CATALYST FOR RECOVERY

In fostering resilience, we need a culture of continuous risk management, entailing vigilance. This includes managing the rising trend in non-performing loans and coping with the imminent danger of cyberattacks.

As a catalyst for recovery and growth, we set up CGC Digital Sdn Bhd in mid-2022. This not only enhances our internal capabilities, but also catalyses the digital economy - an important area of growth post-pandemic. Khazanah Nasional Bhd and CGC Digital’s strategic investment in Funding Societies represents a bold commitment to expanding financial inclusivity for Malaysian MSMEs.

In 2024, CGC will embark on further strategic alliances with partners to ensure alignment with the National Budget 2024 as well as the New Industrial Master Plan (NIMP) 2030. MSMEs and businesses navigating the ecosystem require a comprehensive approach to 2024’s likely challenges.

“ IN FOSTERING RESILIENCE, WE NEED A CULTURE OF CONTINUOUS RISK MANAGEMENT, ENTAILING VIGILANCE. ”

Resilience, essential for survival, extends beyond financial and governmental responsibility to individual companies. Competency in business operations is fundamental, as some struggle due to over-reliance on special privileges. Resilience can only be built by enhancing business competency.

ACKNOWLEDGEMENTS

On behalf of the Board and management, we extend our heartfelt gratitude to the Ministry of Finance and Bank Negara Malaysia for their steadfast support for CGC. Our 2023 achievements are testament to the close collaboration with stakeholders and strategic partners within the MSME ecosystem. On behalf of the Board, I also thank Datuk Mohd Zamree Mohd Ishak, President & Chief Executive Officer of CGC, and his management team for their resolute and united efforts in these testing times.

I would like to take this opportunity also to acknowledge the valued contributions of three Independent Non-Executive Directors who concluded their 9-year terms on the Board in 2023, i.e. Dato’ Ong Eng Bin, whose extensive corporate banking experience significantly contributed to CGC, along with his commitment to serving on various committees; Teoh Kok Lin, the dedicated Chairman of the Board Investment Committee (BIC), and his unwavering commitment to fulfilling our mandate, and Suresh Menon, whose wealth of experience enriched CGC in realising our mission.

I would like to welcome Kellee Kam Chee Khiong, who joined our Board as Independent Non-Executive Director on 16 October 2023. We look forward to tapping his valuable experience.

My sincere appreciation extends to all Board members, Management and CGC employees for their unwavering resolve. Looking ahead, I am confident that our determination to attain strategic objectives and deliver value to all our stakeholders and MSME customers will continue to steer us towards successfully Fulfilling Our Mandate.

Dato’ Mohammed Hussein
Chairman



With Finance Minister II, Datuk Seri Amir Hamzah Azizan, on a working visit