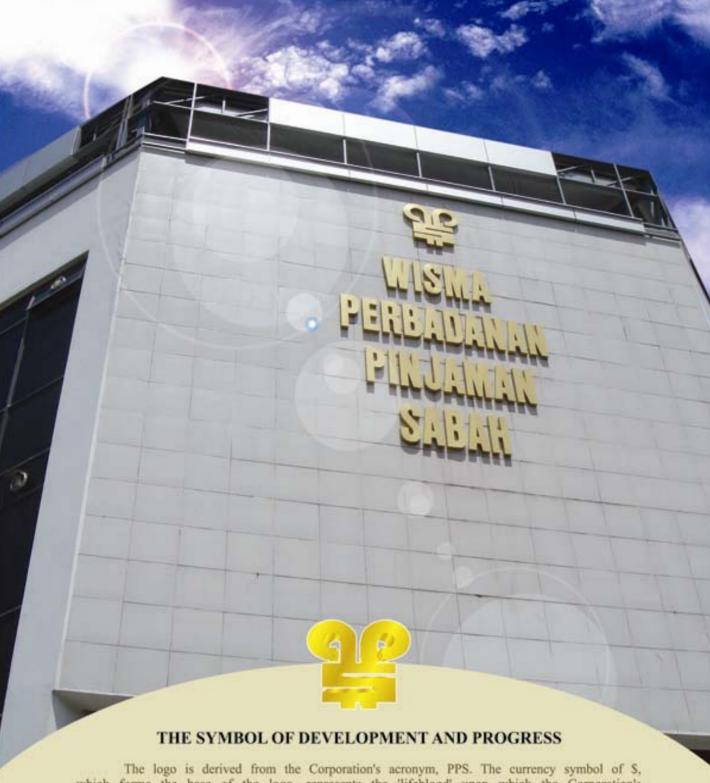




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which forms the base of the logo, represents the 'lifeblood' upon which the Corporation's activities revolve.

The twin stylised alphabets of 'P' (one P being reversed), which sits on the symbol \$, adds a hornlike effect to the logo. Horns that signify the sprouting and branching out of the Corporation's activities; a far reaching vision ensuring the Corporation's continuous growth and vitality.

In essence, the Corporation's logo embodies a commitment based on wisdom and foresight coupled with financial strength. A philopsophy that has been able to ensure the turmoil of yesteryears, to leapfrog the obstacles of today and to battle the challenges of the future.

OBJECTIVES

To help and contribute towards the socioeconomic development of the State. In its capacity as a financing agency, Sabah Credit Corporation complements the State Government's efforts by providing or facilitating the grant of financial credits to promote and encourage private investments involving agriculture, light industry, development of rural and urban housing, shophouses and particularly public utilities and amenities.





Enactment No. 22 of 1981 -

VISION

To become a leading Corporate Citizen in Malaysia and to contribute to the State Social Agenda with the intention

"To Make a Difference"



2

0 0

YEAR CELEBRATION

MISSION

Sabah Credit Corporation gives assurance and strives to balance its roles in social and financial responsibilities as stated in its objective of incorporation by emphasising the following strategies:-

- Improving Asset Quality through controlling Non-Perfoming Loans and managing investment risks.
- Implanting Leadership and Accountability within the organisation by rejuvenating human capital via development programmes.
- Contributing to Environmental Improvement via providing financial credits to organic farmers in order to promote organic farming practices.
- Providing Easy Loans to Small Businesses by introducing community loans to curb out the rising phenomena of unlicensed money lenders.
- 5. Helping the Less Fortunate through allocating annual funds for community projects.



INTRODUCTION

Sabah Credit Corporation ("SCC" or "The Corporation") was incorporated on 15 June 1955 under the Credit Corporation Ordinance No. 1 of 1955. The Ordinance was later repealed and replaced by the Credit Corporation Enactment No. 22 of 1981, which reenacts the law relating to the establishment of Sabah Credit Corporation.

SCC was established as a statutory body under the purview of the Ministry of Finance.

Headquartered in Kota Kinabalu, SCC operates throughout the State of Sabah with local area networking of ten (10) District Client Centres and five (5) Collection Centres listed below.

District Client Centres

- Papar Ranau
- Sandakan Tawau
- Tenom

Beaufort

Kudat

Kota Belud

· Lahad Datu Keningau

Collection Centres



- Kota Marudu Kuala Penyu · Sipitang
- · Beluran
- Telupid



IN PURSUIT OF QUALITY SERVICES

To survive in a service-based industry, it is essential to provide quality services to ensure customer satisfaction in terms of speedy processing, attractive interest rates, innovative financial products and service.

The following strategies were implemented throughout the Corporation to enhance continual improvement in work processes to fulfill customer satisfaction.

· Operating during lunch hours

This enables SCC to serve busy customers who may only have the opportunity of lunch breaks to conduct their personal business. Operating through lunch time also reduces lag time of stopping and restarting the office for the break period.

· Front Counter manned by 'A' Officers

Having high level officers manning the front counter on a rotational basis enhanced managerial employees to see problems firsthand. This practice has given rise to a number of excellent suggestions either direct from customers or the manning officers themselves.

One-stop Client Centre

A Client Centre was set up at SCC's headquarters with the intention of providing better customer assurance to the service provided. It is an extension of the Corporation's counter service in a more focused form. Furthermore, in year 2006, SCC acquired a new building in Alam Mesra to set up a new Client Centre to extend our services to suburb areas.

Simplicity in Loan Application Forms

Loan Application Forms which were loaded with excessive data requirements that were often confusing and unnecesary has been redesigned to be as customer friendly as possible. It also serves as a multi-purpose form which cater for evaluation, approval and data input purposes. SCC, being a learning organisation, will continue to review and revamp its procedures to improve its services for continual growth as illustrated in its Strategic Planning Model.







ENHANCEMENT IN INFORMATION TECHNOLOGY

Ever since SCC has been using Financial Information Management System, there has been continuous improvement and enhancement in developing an integrated information system program in order to have efficient, accurate, simplified procedures, timely report generation and cost savings. Thus SCC has developed such projects:-

- General Ledger System
- Customer Information File System
- Loan System
- In-House Payroll System
- In-House Filling System
- Mail Monitoring System
- Staff Performance Indicator
- Network System.

With the advancement of ICT and to protect the interest of our stakeholders, SCC has initiated and is continuously innovating a back up plan to safeguard the data and information. There are 3 levels of backup:

- 1st Level : Duplicate hard disk on server (mirror hard disk)
- 2nd Level: Setting up Hot Site Disaster Recovery
- 3rd Level : Offsite Data Backup Cartridges Grandfather-father-son

The commitment to ICT literacy of our in-house developed software extends not only to the staff of SCC at all levels but also to other organisations.

SCC is now geared towards web based information system. This would be beneficial to the customers, stakeholders and SCC as it will be able to generate real time and accurate client information. To achieve this, SCC is currently progressively upgrading the existing financial systems by integrating the front and back office system whereby the Accounts, Loans, Hire Purchase and Administrative system are being improvised and integrated to complete web based front-end users.



"HUMAN CAPITAL - The Soul of the Organisation"

SCC views human capital as the soul of the organisation and no doubt, human factor is considered the primary contribution to the success of SCC today. Hence, it is important that positive attitude and right behaviour are cultivated throughout the organisation. The workforce philosophy that has been carried out by SCC for decades is simplified in the acronym of 'PRIDE' in the following manner:-

PASSION

(To Have A Dream)

Passion is one of the elements of success for SCC. It is passion that drives the feeling of
oneness and loyalty of the employees towards SCC and enlivens an organisation. An
organisation that is run without passion will lack drive and enthusiasm.

RESOURCEFUL

(To Make It Happen)

- · Create opportunities of getting more participation in the decision making process from staff.
- · Promote effective communication through frequent formal and informal interactions.
- Take advantage of advances of hardware and software of information technology to simplify communications and processes.
- Utilise the facilities available in the organisation and encourage the talents amongst its human resource by encouraging each other to self-improve.

INSPIRATIONAL

(To Make Difference)

- Manage by wandering around. By seeing and being seen, will reflect concern and accessibility. Make it a point of knowing about the staff's job and needs. Being 'a part of them' helps build greater trust and cooperation.
- Use education to inspire staff creativity and to improve their work culture. Develop
 their emotional skills in order for them to be better at dealing with people. This
 could be partly achieved by:-

Educational trips and visits to a variety of related and unrelated organisations; Organising talks and discussion groups especially on human behaviours, people inter-relationships and updates about the social and economic environment.

 Compete for "Q" awards, not only for the purpose of setting targets, but to provide an avenue for evaluation and benchmarking by external expertise.

DIGNITY

(Hold And Strengthen Your Post With Dignity)

- Some managers on reaching the top positions fall into the trap of excessive protocol and complacency. They are not proactive in adding value to their jobs and do not bother to make an impact or leave a mark as well as adopting the attitude of abdicating their roles and responsibilities, and thus, marring the dignity of their post.
- Provide tools and opportunities to staff to carry out their work with dignity. Good working
 environment, suitable work attires and proper welfare are all part of the respect accorded to
 staff needs.
- Be available, accessible and approachable. Reduce red tapes and promote dignity in the simplicity of procedures and protocol.

ENJOYMENT

(Manage With Humour)

- Management should not be seen as a chore. As one progresses up the corporate ladder, it
 will become more demanding and stressful. Accept this fact, acknowledge the challenge
 and enjoy it.
- We learn to perform the best in moments of enjoyment and it has been said that once you
 enjoy what you are doing, it is no longer work.
- Managers are in the position to motivate, inspire and be a mentor to the workforce of the
 organisation. To develop people by enhancing a positive attitude towards life and to build
 up their confidence and self-esteem, must be valued as fulfilling to one's self.





HARMONIOUS WORKING ENVIRONMENT

SCC emphasises greatly on the balance between work and extra curriculum activities. Management believes that blending a portion of fun to daily work through informal activities promotes an enjoyable and harmonious work environment. The following are some of the activities held during the year:-

- Daily Choir Singing & Exercise
- Four seasons festival decorations
- PRIDE Camp

STAFF WELFARE

SCC also cares for the staff's health welfare. Health talks are regularly organised with numerous medical institutions or doctors to increase the employees' awareness on various health issues and health maintenance. Furthermore, employees at all levels also undergoes a full medical check-up aimed at ensuring employees maintain a healthy lifestyle and facilitating early detection of any serious illnesses.

Surgical and Hospitalisation as well as Personal Accident insurance cover are also purchased and renewed annually for employees.

STAFFRECOGNITION

SCC recognises and honours the contributions of staff through its monthly General Manager Appreciation Awards and Long Service Awards.

A total of 41 General Manager Appreciation Awards and 45 Long Service Awards were granted in year 2006.

CREATING OPPORTUNITIES TO THE LESS FORTUNATE & PRACTICAL STUDENTS

Adhering to one of our corporate values of being 'PRIHATIN', SCC has created work opportunities to the less fortunate by employing six (6) hearing-impaired individuals as data entry clerks. This also creates an opportunity to the other employees to acquire sign language skills as well as a sense of care for their 'special' fellow beings.

In addition to that, SCC believes that it is in a position to provide a jump-start for young graduates embarking into the working world by sharing experiences and inculcating good work culture in their young minds. In year 2006, we have accepted a total of 185 students for work-attachment periods of one to six months.

PERSONNEL DEVELOPMENT PROGRAMMES FOR YEAR 2006

A total of 27 local and overseas educational tours/seminars/benchmarking visits and in-house trainings were arranged by our Corporate & Training Section in the year 2006 to create opportunities for our Managers, Officers and staff, including Members of the Corporation to acquire the right Attitude, Skill and Knowledge for better working efficiency.

January

- 16-20 : Course on Islamic Banking organised by Centre for Research & Training 16-18 : Course on IT Audit and Control organised by Institute of Internal Auditors
- 22-24 : Management Brainstorming in Hotel Perkasa, Kundasang

February

- 18 : Lahad Datu, Sandakan, Tawau Client Centres Brainstorming in Sahabat Beach Resort, Felda Lahad Datu.
- 18 : Corporate & Training and Information Technology Sectional Brainstorming at Pulau Mamutik, Kota Kinabalu
- 25-26 : Adminstration and Personnel Sectional Brainstorming at Mai Aman Homestay, Kawang
- 25 : Papar and Beaufort District Client Centres Brainstorming at Borneo Golf Club, Bongawan
- 25 : Keningau, Tenom and Ranau District Client Centres Brainstorming at Ranau

March

- : Group Study tour to JPAM Putrajaya, MARDI and Royal Selangor, Kuala Lumpur 4-7
- 11 : Finance & Customer-Information-Centre Sectional Brainstorming in Borneo Paradise,
- 11-12 : Legal and Enforcement Sectional Brainstorming in Beta Apartment, W.P. Labuan
- 11-12 : Project and Housing Sections, and Kudat Client Centre Brainstorming in Kuala Abai, Kota Belud
- 31 : Health Talk on detoxication by Dr. Kiew Chik Sang

April

- : Cross Sectional Brainstorming 1
- 3-11 : Members' Study Tour to Southern Europe
- : I-Finance Talk organised by IFCA 27

May

- 1-3 : Participated in Seminar on "APEC Financial Institution Dealing with SME: Sustaining
- SMES Development through Banking Knowledge Sharing", Bangkok Thailand. 6-7 : Participated in Regional Business Forum on E-Finance, Bangkok Thailand, organised
- by International Trade Center UNTAD/WTO and Software Industrial Agency Thailand.
- 20-22 : Participated in 1st working Conference on Environmental Governance Standards For Financial Institutions in ASIA, ADFIAP Hanoi, Vietnam.

30 June - 2 July : Annual PRIDE Camp

- 7-8 : "The Arts of Master Ceremony" talk attended by Pn. Vicky, En. Roslan and Pn. Fatimah
- 7-8 : "Mind Mastery - Peak Performance & Successful Skill" talk attended by Pn. Doreen and En. Joseph
- 29 : Received "Anugerah Sumbang Ikhlas" presented by TYT Dipertua Negeri Sabah.

September

3-6 : 2nd Educational Tour to Planters' Bank in Manila, Phillipines

October

2-5 : Worskshop on Key Performance Indicator Training attended by Pn Janeta at Wisma Innoprise, Teluk Likas

November

27-28 : GM, DGM(F&A) and En. Charles attended Asia CEO Forum, ADFIAP in Kuala Lumpur.

December

12-17 ; GM, Pn. Doreen and Pn. Fatimah attended a SME seminar organised by SME Bank and ADFIAP in Bangkok, Thailand.





SOCIAL COMMUNITY PROJECTS 2006

One of the Corporation's objectives is to contribute to the improvement of the socio-economic status of the State. Henceforth, SCC has introduced various lending facilities such as Bumiputera Loan Scheme, Community Loan Scheme and Organic Farming Loan Scheme in year 2004. However, the level of passion that SCC has for the community it serves motivates SCC to contribute even more to the community.

Since 2005, the Board of Members had allocated, with the approval of Ministry of Finance, to utilise 5% of the Corporation's net surplus each year for socio-economic donations/development. Among the projects completed in year 2006 are as follows:-

1. Maternity Room, Clinic Desa Kg, Kiau, Kota Belud.

Date completed: 4 January 2006.

Built extension room to facilitate delivery including installation of electric cables. The Clinic Desa serves four villages with a total population of 3500.

2. Kindergarten for Kg. Tanjung Nipis, Beluran

Date completed: 23 April 2006.

Built school kindergarten to provide educational facility for Kg. Tanjung Lipis residents and give an opportunity to rural children to enjoy pre-school programs.

3. Additional Hostels for S.K Kuala Abai, Kota Belud.

Date completed: 17 July 2006

Built additional hostel to accommodate students in S.K Kuala Abai from four different villages, which are far from the school.

Single Mother Sanctuary, Phoenix Centre K.K and Handing Over vehicle to SAWO.

Date Completed and handing over: 15 September 2006.

Built additional buildings as a centre for single mothers' activities in the West Coast. The number of single mothers had increased to 3000 as at 2003 in the region. Handing over of a reconditioned vehicle to Sabah Women Organisation Association (SAWO) for their activities.



LOAN PRODUCTS

Currently, SCC is offering the following credit facilities, which is categorised under 4 major types:-

1. PERSONAL CREDIT LOANS

Personal Credit Loans, also known as Executive Loans, were introduced in 2001 with an objective to provide financial assistance to employees serving in the State Government and Federal Government departments, State Local Authorities, State and Federal Statutory Bodies, all government affiliated establishments and reputable companies to meet their financial requirements.

This type of financing has a repayment period of 12 months to 120 months subject to the classifications of employees and the loan amount approved.

2. RESIDENTIAL PROPERTY LOANS

This type of financing is to be used to finance the acquisition of completed residential properties or residential properties under construction from either developers or private individuals or to be used to finance the construction of a house on an applicant's land. Residential Property Loans offered by SCC can be further sub-divided to the following facilities to cater to the different levels of society:-

Government Officers Loans (State Government Subsidised Housing Loan Scheme)

This form of financing was introduced to cater strictly for civil service employees serving in the State Departments State Local Authorities, State Statutory bodies. The main attraction for this type of financing is that civil service employees are able to enjoy State Government subsidies on housing loans taken by them. Furthermore, Members of the Administration and State Legislative Assembly are also entitled to such subsidies from the State Government.

These Residential Property Loans are typically secured by the property that is being purchased or refinanced with financing of up to 100% of the cost of the house or the applicant's entitlement, whichever is lower.

This form of financing has a repayment term of up to 25 years or up to the applicant's age of 60 years old (for State Departments, State Local Authorities, State Statutory bodies) or up to 65 years old (for Members of the Administration and State Legislative Assembly), whichever is earlier.

Private Housing Loans

This loan scheme is open to qualified individuals who must be Malaysian citizens with permanent residential statu in Sabah.

These Private Housing Loans are typically secured by the property that is being purchased or refinanced and the percentages of loan financing according to SCC's lending policy are as follows:-

- (a) SCC will finance the full construction cost (100% financing) of a house that will be constructed on an applicant's own land;
- (b) SCC will provide up to 90% financing on the purchase of land cum construction of a house. In addition, SCC will allow customers to make an initial drawdown from the loan granted a sum of up to 30% of the approved amount for the purchase of land; and
- (c) SCC will provide up to 90% end-financing on completed residential property purchased either from a developer or a private individual based on the purchase value specified in the sale and purchase agreement or the market value of the property, whichever is lower.



This loan scheme is also available for the purpose of financing purchases from immediate parents. However, where purchases are being made from spouses, the grant of financing will only be considered for the purpose of redeeming the said house from an existing financier.

The maximum repayment period under a Private Housing Loan shall be up to the applicant's age of 60 years old or up to the following number of years, whichever is earlier:

(a) Permanent Houses : Up to 25 years (b) Semi-Permanent Houses : Up to 20 years (c) Timber Houses : Up to 15 years

Low-Cost Housing Loans

The main purpose of Low Cost Housing Loans is to assist low-income individuals to own low-cost housing at lower interest rates.

Based on SCC's lending policy, the maximum amount of loan that can be considered is RM35,000 or as determined by the State Government from time to time according to the cost per unit of the house.

This type of financing has a repayment term of up to 25 years or up to the applicant's age of 60 years old, whichever is earlier.

House Refinancing Loans

This form of financing was approved by Members of SCC on 17 May 2001 to cater for civil service employees serving in the State Government's and Federal Government's departments, State Local Authorities, State and Federal Statutory Bodies who have an existing housing loan with SCC (after 5 years from the date of approval) to be used for any purposes in relation to the house mortgaged. Nonetheless, an existing Private Housing Loan customer who has a satisfactory repayment record and whose house has an attractive property value may also be considered for such House Refinancing Loan subject to the consent of the General Manager.

The total loan amount approved together with the balance of the existing loan should not be more than 90% of the property value of the house mortgaged to SCC. The total amount of the loan granted is based on the property value of the said house. This includes the cost of land, cost of house and cost of renovations (if any). If the amount applied is more than the existing value of the property, a valuation report on the property from a professional valuer is required.

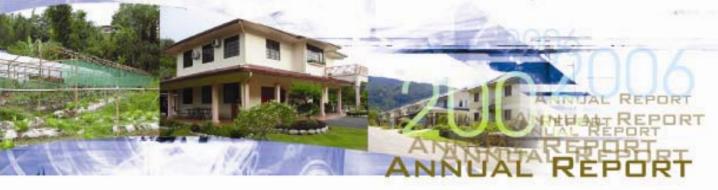
Customers have the option to select a repayment period of up to 25 years or up to the retirement age of 56 years old or up to 60 years old, whichever is the earlier.

3. HIRE PURCHASE LOANS

The Hire Purchase Loans financing scheme was introduced to the market in 1981 and aims to provide financial assistance to civil servants serving in the State of Sabah, comprising employees from the State Government and Federal Government departments, State Local Authorities and State and Federal Statutory Bodies, to purchase the following assets:-

- Furniture;
- Personal computers;
- Electrical goods (as listed in First Schedule of H.P. Act 1967);
- Motorcycles; and
- Both new or used car (for private use)

For items such as furniture, electrical goods and personal computers SCC's lending policy allows financing of up to 70% of the selling price of the items purchased or the maximum amount of



RM50,000 (for furniture & electrical goods) and RM5,000 (for personal computers), whichever is lower and the applications for such financing must be arranged through SCC's appointed dealers.

For the purchases of cars, SCC can consider financing of up to 70% of the selling price of the said vehicle and is subject to the income of the applicant and valuation of the vehicle.

This type of financing is offered primarily on a flat rate basis with a repayment period up to 120 months or up to the applicant's age of 56 years old, whichever is earlier.

PROJECT LOANS

Bridging Finance

The purpose of Bridging Finance is to finance the construction of housing estate and shophouses, whereby SCC will consider the granting of Bridging Finance for an amount of up to 70% of the development costs. The Bridging Finance has a repayment period of up to 36 months.

Shophouse Loans

Shophouse Loans are used to finance the purchase of shoplots either for commercial or industrial purposes. For brand new buildings, SCC will consider the granting of such Shophouse Loans in the loan amount of up to 80% of the market value of the property or the maximum amount of RM1,000,000, whichever is the lower whilst the amount of loan for used buildings that SCC will consider granting is for an amount of up to 60% of its market value or up to 70% of its agreed purchase price, whichever is the lower.

The Shophouse Loans have a repayment period of up to 25 years or up to the applicant's age of 60 years old, whichever is the earlier.

Agriculture and Animal Husbandry

Agriculture Loans are used to finance projects in relation to cocoa, coffee and oil palm plantations, whilst Animal Husbandry Loans aim to fund cows and chicken husbandry, fresh water fish rearing, and so forth.

SCC may consider granting such loans for an amount of up to 60% of the market value of the property or the maximum amount of RM 250,000 whichever is the lower. Nevertheless, due to the lengthy gestation period in agriculture, SCC imposes a limitation on the loan size based on the plantation land area to be financed. For example, Cocoa Plantation Loans are subject to a maximum of RM3,500 per acre whilst, Oil Palm Plantation Loans are subject to a maximum of RM1,500 per acre.

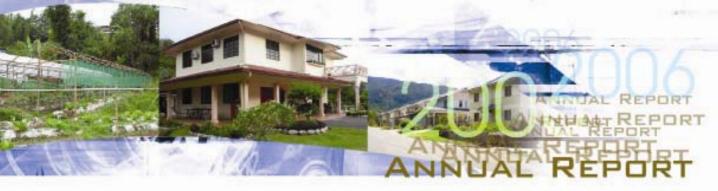
The Agriculture and Animal Husbandry Loans have a repayment period of up to 60 months.

Business/Light Industries Loans

Business/Light Industries Loans are used to finance businesses such as car workshops, wood manufacturing, printing industry and rural shophouses.

SCC may consider granting such loans for an amount of up to 60% of the market value of the property or up to 75% of the forced sale value of the property or the maximum amount of RM250,000, whichever is the lowest.

SCC Business/Light Industries Loans have a repayment period of up to 60 months.



Special Loan Scheme For Bumiputras

The Special Loan Scheme is designed to finance small and medium scale on-going business ventures owned by bumiputras of Sabah origin with loan amount of up to RM10,000.

The loans under the Special Loan Scheme have a repayment period of up to 60 months.

Professional Loans

Professional Loans financing is dedicated specifically to professionals seeking to finance the operations and renovations costs of clinics, legal firms, surveyor firms and certified public accountant firms for up to RM50,000.

SCC may consider extending Professional loan for an amount of up to 60% of the market value of the property or up to 75% of the forced sale value of the property or the maximum amount of RM50,000, whichever is the lowest.

The Professional Loans have a repayment period of up to 36 months.

Mortgage Financing Scheme

The Mortgage Financing Scheme was introduced to the public in December 2004. This financing scheme offers financial assistance through the provision of personal cash advances (with a mortgage over landed properties taken as security) and provision of financial credits to individuals who intend to purchase land.

The loans under the Mortgage Financing Scheme must be secured by landed properties purchased or to be purchased. SCC's policy is to lend up to 80% of the forced sale value of the property or the maximum amount of RM100,000, whichever is the lower. This form of financing has a repayment term of 60 months (5 years) for a loan amount of RM3,000 to RM20,000, and 84 months (7 years) for a loan amount of more than RM20,000 up to a maximum amount of RM100,000, or up to the applicant's age of 60 years old, whichever is the lower.

Community Loan Scheme

The Community Loan Scheme was introduced to the community in Donggongon in December 2004. This type of financing is to provide easy access of financial credits for petty traders with an aim to curb the rising phenomena of obtaining financial credits from unlicensed money lenders.

This form of financial credit facility has a repayment term of 12 to 36 months and customers are given an option to repay on a weekly or monthly basis. In addition, a rebate of 1% on interest received is given as an incentive for ensuring a timely repayment track record.

Organic Farming Loan Scheme

The Organic Farming Loan Scheme was launched on 29 April 2005 to the village communities in Bundu Tuhan, Ranau as a trial market. In 2006, SCC extended the facilities to organic farmers in Kampung Kiau, Kota Belud. This loan scheme has been introduced with the aim of providing financial assistance to organic farmers to encourage environmental farming among farmers and awareness of genuine organic products among consumers.

This type of loan scheme requires landed properties as security. However, the option of a personal guarantee may be considered for a loan amount not exceeding RM10,000. The loan under the Organic Farming Loan Scheme must be repaid within 60 months on a monthly basis.



SIGNIFICANT EVENTS

2006

February

Chief Minister Visit to SCC to witness Loan Repayment and Dividend Payout to the State Government. 16

Yayasan Sabah Group visit to SCC 17 23 Kent College, Tuaran visit to SCC

March

Group Study tour to JPAM Putrajaya, MARDI and Royal Selangor, Kuala Lumpur 4-7

28 Courtesy visit by Perbadanan Baitumal Negeri Sabah

April

21 Launching of Clinic Desa, Kg Kiau Kota Belud.

23 Launching of Kindergarten Litak, Kg Tanjung Nipis, Paitan, Beluran by the GM

May

10-13 GM to Sri Lanka to attend ADFIAP Award Recognition Night. 25 SCC hosted Corporate Governance talk for State Statutory Bodies

Jun

13 Soft launching of New District Client Centre office Tawau by SCC Chairman.

24-25 Our GM, En. Vincent Pung's re-election as ADFIM Vice Chairman in the 64th ADFIM Council Meeting in

Langkawi.

July

Launching of Hostel S.K Kuala Abai Kota Belud by the Chief Minister of Sabah. 17

25-26 Seminar Workshop on Corporate Governance & Risk Management Compliance co-organised by SCC and

ADFIAP at Kimanis Ballroom, Hyatt Hotel Kota Kinabalu.

September

15 Launching of Single Mother Sanctuary for West Coast by SCC Chairman.

21 Blood Donation drive

November

JPA Malaysia visit to SCC.

Information On Members Of The Corporation



Information On Senior Management Team



CORPORATE GOVERNANCE

The practice of Corporate Governance is critical to SCCs strategic positioning plan as SCC moves from a governmentsupport organisation to a self-austaining organisation. SCC believes that it is important to set global principles that guide the Members in streamlining and govern the affairs of the Corporation, with a view to maximising long term value for the State Government and the interest of the stakeholders.

Good Corporate Governance ensures that there is a proper organisational system in place, which provides adequate internal controls with check and balance of authority mechanisms. Over the years, SCC has evolved processes and systems that enhance good corporate governance through the conduct of regular review for Continual Improvements.





BOARD COMMITTEES

The Members has appointed a number of committees consisting of certain Members, as well as representatives from the Management as Secretary to the Committee to assist Members in streamlining and governing the affairs of the Corporation. The following are the principal committees:

Audit Examination Committee (AEC)

The AEC is accountable to the Members and assists the Members in meeting its responsibilities for maintaining an effective internal control system.

This Committee reviews the compliance of procedures, policies, laws and regulations which could have a significant impact on the operations of the organisation. Besides, analysis and monitoring on the adequacy of internal controls, the emphasis on internal check and financial controls is also exercised.

Recently, its role has also been expanded to cover a review of the Corporation's Risk Management System.

AEC meets regularly with the Members to present independent reports of the AEC, and the External and Internal Auditors, to update and inform them on any material findings together with recommended actions taken or to be taken.

The Audit Examination Committee meets as and when required, and at least 4 times a year. In year 2006, a total of 5 meetings were held.

Loan Application Appraisal Committee

The Loan Application Appraisal Committee was established with a purpose to evaluate thoroughly the feasibility of project loan applications, where the approved amount is above RM100,000, prior to seeking for Members' approval.

Its function also includes reviewing and close monitoring on the development progress of all project loans, which was approved by the Members to ensure continuous viability and profitability.

The Loan Application Appraisal Committee meets as and when required, and at least once a year. In year 2006, a total of 17 meetings were held.

Auft Examination

Edward Linggu Bukut (Chairman, Duruk Peter Athundus Marzuki HJ, Spawi, JP Zamani HJ, Baart Ir, Shahelmey Bin Yahya Charles Peter Mojantin (Secretary

Loan Application Appealsal

Zamani II., Busri (Chairman) Edward Linggu Bukut Marzuki III. Spawi, JP Dutuk Peter Athanusius Ir. Shahelmey Ilia Yahyu Luc Shu Man (Secretary)





Property Investment Committee

The Property Investment Committee serves as a to manage SCC's landed properties as well as to evaluate any other potential property / land investments in terms of feasibility and maximising returns to the benefit of SCC prior to seeking Member's approval. Any matters relating to acquisition and disposal of landed properties falls under the purview of this Committee.

The Property Investment Committee meets as and when required, and at least once a year. In year 2006, a total of 3 meetings were held.

Bad Debts Write-Off Committee

The Bad Debts Write-Off Committee is set up to vet, evaluate and approve recommendations of non-performing loans to be written off by the Management prior to submission and endorsement by members of the Board. It is also under the jurisdiction of the Committee to ensure that proper criteria and procedures of bad-debts write off are complied in accordance with the guidelines approved by the State Cabinet.

The Committee also has the duty to assist Legal & Enforcement section in improvising their processes for effective and efficient enforcement.

The Bad Debta Write-Off Committee meets at least once in 3 or 4 months. In year 2006, a total of 5 meetings were held.

 Small Loan Scheme (SLS) & Loan Review Committee

This Committee is established with an intention to assist Management in carrying out their responsibilities of managing and monitoring Non Performing Loans (NPLs).



Independent reports compiled under the SLS and Loan Review Committee are brought to the attention of the Members of the Corporation on a frequent basis for discussion purposes.

The Small Loan Scheme & Loan Review Committee meets as and when required, and at least once a year. In year 2006, a total of 12 meetings were held.

Special Task Force Committee

The Special Task Force Committee is established with the same purpose as the Small Loan Scheme & Loan Review Committee. However, the level of authority of this Committee is limited to only non-performing low cost housing accounts, which was formerly held by Lembaga Pembangunan Perumahan dan Bandur. ("LPPB")

The Special Task Force Committee meets as and when required, and at least once a year. In year 2006, a total of 7 meetings were held.

Marzuki HJ, Spuwt, JF (Chairman) Edward Linggu Bakut Zamani HJ, Basri Molel, Adatt Paties (Secretary)

HDs. Norman Bin HJ, Mohd. Sari (Chairman) Edward Linggn Biskut Datus Peter Athunanius Zamani HJ. Basri Ir. Shahsimey Hin Yahyu Arius Jipin (Socretary)

Carried Taxon School R. Land Zavlaw

Shahelmay Bin Valtya (Chaleman Marzaki II), Spawi, JP Datuk Peter Athanasias Zamani II), Basti Edward Lingga Bakati Jeffrey Mulliana (Soczatary)

Batuk Peter Athanasius (Chairman Zamani IIJ, Basr) Ir, Shakelmey Bin Yabya Marzaki IIJ, Spawi, JP Edwark Lingan Bakut

ANNUAL REPORT



MANAGEMENT COMMITTEES

In addition to the above committees, numerous management committees have also been established to assist the Members' of the Corporation to govern the day-to-day affairs of the Corporation from managing business risks, assessing adequacy of controls in processes to reviewing welfare of the staff and customers feedback for continual improvement purposes.

The following are the appointed committees with its functions:-

Risk Management Committee

In order to assist Members of the Corporation in its risk management duties, Management has set up a central hub for risk management by establishing a Risk Management Committee (RMC) with an intention to manage and resolve with effectiveness on the risk associated with all aspects of the Corporation's business. The report compiled by RMC will for extended and briefed by the General Manager to the Members through Board meetings.

The Risk Management System would be independently reviewed under the Internal Audit function. Reports of the review by the Internal Audit would be communicated to the Members via Audit & Examination Committee.

Meetings are held once a month to evaluate the current status of risk parameters set and propose new improvement for the system.

Management Review Committee [Majlis Kajian Semula Pengurusan (MKSP)]

Management Review Committee is one of the requirements of MS ISO 9000:2000 certification, which was obtained by SCC on 13 January 2004. This Committee was formed consisting of the senior management team, the appointed Management Control Officer and Head of the Internal Quality Auditor of MS ISO 9000:2000.

The purpose of the Committee is to evaluate the overall performance of SCC's quality management system and to identify continuous improvement opportunities.

These reviews are carried out at least twice a year.

Customer Feedback & Complaint Committee [Jawatankunsa Mukiumbalas & Aduan Pelanggan (JMAP)]

The Committee was established since 21 January 2003 for the Head Quarter and September 2003 for each of the District Client Centres to ensure speedy actions on all customer feedback and complaints effectively throughout Sabah.

The main functions of the Committee are to channel customers comments or to measure customer satisfaction particularly in customer delivery system for the management attention and to be reported in the Management Review committee for further action.

The Customer Feedback & Complaint Committee meets at least once a month

Management Establishment Committee (MEC)

MEC meets regularly to consider human resource issues, especially in disciplinary actions taken or to be taken, terms and conditions of employment, remuneration, development of high potential employees and key succession planning.

MEC also reviews the incentive plans on an ongoing basis to ensure that they remain effective and appropriate to SCC's circumstances and prospects.

As with most businesses, SCC's performance depends on the quality and commitment of its people. Henceforth, one of the strategies of success is to attract, retain and motivate the very best people.

The Management Establishment Committee meets at least once a month.

Risk Management Cummittee Vincent Pung Yee Kiong (Chairman) HJ. Abdullah HJ. Shili Mohammad Kana Neezm Teo Chra Linng Mohd. Adult Padiri Joeh Liew Ah Pak Lee Shu Men Gennes Padira Tulas

Lee Shu Men
George Takin Tulas
Arius Jigiu
Paul Chin Choe Bin
Charles Peter Mejuntin
Jimmy Berukang
Partama @ Victor Measibol
Piona Kau Shuk Peng
Henry Chu Wing Siew (Secretary)

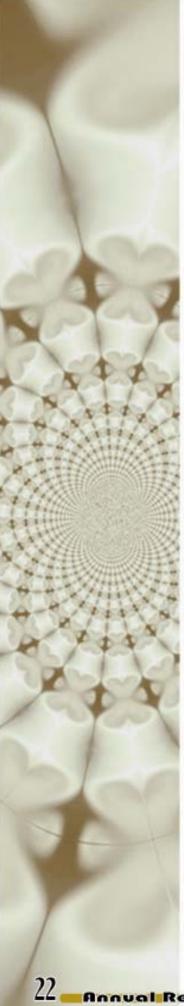
Management Review Committee Vincent Pang Yee Kiong (Chairman) Hj. Abdullah Hj. Sibil Mohemmad Kana Neom Too Chun Liang Mohd. Admit Padiri Henry Chu Wing Siew Josh Liew Ah Pek Lee Shu Men George Tultim Tulas Arius Jigin Panl Chin Chee Bin Charles Peter Mojuntim

Secretarist Eligius Secreti Salina Salimi Juneta Anthony (Secretary)

Customer Feedback & Complaint Committee HJ. Abdullah HJ. Sibil (Chairman) Henry Chu Wing Siew Lee Shu Men Mohd. Adult Padiri Winnie Francii Salimi Salimi (Secretary)

Management Establishment Committee Hj. Abdallah Hj. Shbil (Chairman) Mohammad Kann Henry Chu Wing Siew Neem Teo Chun Liang Lee Shu Men Geroge Tatrim Tulas Eligius Samzel (Secretary)





FINANCIAL MANAGEMENT

Source of Funds

Unlike other financial institutions, SCC is not permitted to accept deposits from the general public or any institutions. Prior to year 2001, the main source of funds has been the State Government. However, these funds had not been forthcoming from the State since the Fifth Malaysia Plan. In its effort to diversify its financing alternatives and seek to be a self-sustainable organisation, SCC manage to secure the following funding options with the approval of Ministry of Finance:

Mortgage Securitisation with Cagamus Berhad through Financial Intermediaries

Borrowings from Cagamas Berhad through financial intermediaries are based on the concept of securitisation of identified portfolios of receivables. These portfolios comprise portfolios of eligible mortgage loans and eligible hire purchase debts. Under this financing structure, the financial intermediaries will purchase at the request of the Corporation, from time to time, the said eligible receivables under the portfolios from the Corporation with a view of resale to Cagamas upon the terms and subject to the conditions contained in the relevant sale and purchase contracts. Up to 31 December 2006, SCC has in total borrowed an amount of RM194.36 million from this facility.

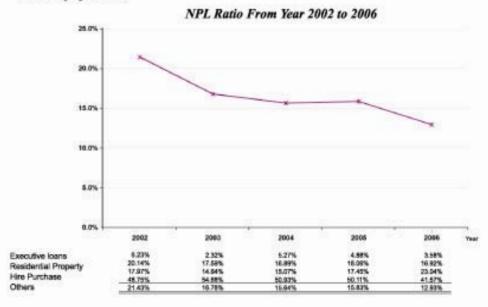
Fixed Rate Term Loan (FRTL) from Licensed Financial Institutions

This type of borrowing mimics a conventional term loan where securities are required. FRTLs are based on a sale and repurchase of a portfolio of receivables method. The interest rates and repayment amounts are based on the loan repayment schedules provided by a licensed bank. Up to 31 December 2006, SCC has in total borrowed an amount RM180 million from this facility.

Allowance for Non-Performing Loans (NPLs)

Although the Corporation is not governed by Bank Negara Malaysia ("BNM"), the Management generally adopts the central bank's minimum, requirements as a guide on the classification of and provisioning for non-performing loans ("NPLs"). In fact, as a prudent measure, SCC has maintained the stricter 3-month NPL classification even after BNM softened its guidelines to 6 month classification in late 1998.

Management has been continually reinforcing zero NPLs due to the rise of NPL rates in year year 2002. Henceforth, a new unit called 'Monitoring Unit' has been established in early year 2006 to monitor collections from the date of release of loans as a prudent concept to minimise NPLs. The result of this establishment has strongly pushed down the NPLs especially for personal credit loans and project loans.





PERFORMANCE HIGHLIGHTS - FIVE YEARS REVIEW





CHAIRMAN STATEMENT

On bohalf of the Members of the Corporation, I am pleased to present the 51° Annual Report for the financial year ended 31 December 2006.

Economic Outlook

Generally, the Malaysia's economy will expand 6% in 2007 compared to 5.9% in 2006 as the overall global growth moderates.

Performance

For the financial year 2006, the Corporation made another significant financial achievement. The Corporation registered a surplus before taxation of RM23.17 million, an increased of 14.59% over the previous year's surplus before taxation of RM20.22 million.

The Corporation total lending rise up by 14.57% to RM784.85 million in FY2006 from RM684.75 million in FY2005. The lending growth was largely contributed by commitment on efficiency and quality services. It is also pleasant to note that the NPL was on a downward trend in FY2006.

I am very happy that the Corporation continued to perform well and declared a gross dividend payout of RM4.5 million to the State Government for FY2006. I hope that the Corporation can continue to contribute back to the State Government by way of dividend payments in the future.

Corporate Governance

The Corporation is fully committed in ensuring that a high standard of corporate governance, best practices and effective application of its principles are being practised within the organisation. The members of the Board established various Committees with defined terms of reference to discharge their duties efficiently and effectively.

Social Responsibility

The Corporation continued to contribute to the community it serves by allocation an amount of RM1 million to finance the construction of hostels and other minor community projects to uplift the socio-economic of the State of Sabah.

Appreciation

On behalf of the Members of the Corporation, management and staff, I would like to take this opportunity to extend my gratitute, appreciation, support and guidance given by the Ministry of Finance, Government Agencies, and other relevant authorities.

Furthermore, I would like to extend my sincere thanks to the members of the Board, management and staff of SCC for their support and hard work to make what SCC is today.

Finally, not forgetting our valuable and loyal customers, I would like to thank our customers for their support to SCC.

Thank you.

(Datuk Anythony Lai Vai Ming, J.P.)

Chairman



Sijil Ketua Audit Negara



SIJIL KETUA AUDIT NEGARA MENGENAI PENYATA KEWANGAN PERBADANAN PINJAMAN SABAH BAGI TAHUN BERAKHIR 31 DISEMBER 2006

Penyata kewangan Perbadanan Pinjaman Sabah bagi tahun berakhir 31 Disember 2006 telah diaudit oleh wakil saya. Pihak pengurusan bertanggungjawab terhadap penyata kewangan ini. Tanggungjawab saya adalah mengaudit dan memberi pendapat terhadap penyata kewangan tersebut.

- Pengauditan telah dilaksanakan mengikut Akta Audit 1957 dan berpandukan plawaian pengauditan yang diluluskan. Plawaian tersebut menghendaki pengauditan dirancang dan dilaksanakan untuk mendapat kepastian yang munasabah sama ada penyata kewangan adalah bebas daripada kesilapan atau ketinggalan yang ketara. Pengauditan itu termasuk memeriksa rekod secara semak uji, menyemak bukti yang menyokong angka dan memastikan pendedahan yang mencukupi dalam penyata kewangan. Penilaian juga dibuat terhadap prinsip perakaunan yang digunakan dan penyampaian penyata kewangan secara keseluruhan.
- Pada pendapat saya, penyata kewangan ini memberi gambaran yang benar dan saksama terhadap kedudukan kewangan Perbadanan Pinjaman Sabah pada 31 Disember 2006, hasil operasi serta aliran tunalnya untuk tahun tersebut berdasarkan piawaian perakaunan yang diluluskan.

(HAJI MUSTAPHA BIN NAINA MARICAR)

KETUA AUDIT NEGARA

MALAYSIA

KOTA KINABALU 14 Mei 2007



(Incorporated under Credit Corporation Ordinance, as amended)

Statement By Board Members

In our opinion, the financial statements set out on pages 28 to 44 are properly drawn up in accordance with the provisions of the Credit Corporation Ordinance, 1955 as amended and generally accepted accounting principles in Malaysia so as to give a true and fair view of the state of affairs of the Corporation as at 31 December 2006 and of the results of its operations and cash flows for the year ended on that date.

Signed on behalf of the Corporation,

DATUK ANTHONY LAI VAI MING, J.P.

Chairman

VINCENT PUNG YEE KIONG Member

Date: 26 FEB 2007



(Incorporated under Credit Corporation Ordinance, as amended)

Statutory Declaration

I, Neezm Teo, being the officer primarily responsible for the financial management of Sabah Credit Corporation, do solemnly and sincerely declare that the financial statements set out on pages 28 to 44 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Neezm Teo at Kota Kinabalu in the State of Sabah on 26 FEB 2007

Bury En PM

NEEZM TEO

Before me:

State of the State

MALAYSI

Damai Piaza III, 3rd Floor, Lot CII, Jalan Damai, 88300 Kota Kinabalu,



(Incorporated under Credit Corporation Ordinance, as amended)

Balance Sheet As At 31 December 2006

ASSETS	Note	2006 RM	2005 RM
Cash and bank balance		5,820,238	6,072,003
Fixed deposits with a licensed bank		1,178,500	17,000,000
Investment securities	5	652,871	2,438,703
Loans, advances and financing	6	784,855,703	684,752,075
Tax recoverable		728,619	728,619
Other receivables, deposits and prepayments	7	987,481	4,251,304
Property, plant and equipment	8	28,627,538	27,519,766
TOTAL ASSETS		822,850,950	742,762,470
LIABILITIES AND SHAREHOLDER'S FUNDS			
Borrowings	9	681,951,264	613,654,758
Other payables and accruals	10	23,578,788	24,800,712
Taxation	11	1,276,574	928,049
TOTAL LIABILITIES		706,806,626	639,383,519
Share capital	12	45,000,000	45,000,000
Accumulated funds	13	71,044,324	58,378,951
SHAREHOLDER'S FUNDS		116,044,324	103,378,951
TOTAL LIABILITIES AND SHAREHOLDER'S FUN	DS	822,850,950	742,762,470



(Incorporated under Credit Corporation Ordinance, as amended)

Income Statement For The Year Ended 31 December 2006

	Note	2006 RM	2005 RM
Interest Income Interest Expense	14 15	61,236,607 (20,617,117)	54,948,545 (16,862,421)
Net Interest Income		40,619,490	38,086,124
Non-Interest Income Non-Interest Expense	16 17	2,744,018 (3,306,351)	1,397,713 (3,482,477)
Net Income		40,057,157	36,001,360
Operating Expenses	18	(16,884,757)	(15,782,988)
Surplus Before Tax		23,172,400	20,218,372
Tax Expense	19	(7,267,027)	(6,497,522)
Net Surplus For The Year		15,905,373	13,720,850

Statement Of Changes in Equity For The Year Ended 31 December 2006

	Share Capital RM	Accumulated Fund RM	s Total RM
At 1 January 2005	45,000,000	47,538,101	92,538,101
Net surplus for the current year		13,720,850	13,720,850
Dividend (Note 20)		(2,880,000)	(2,880,000)
At 31 December 2005	45,000,000	58,378,951	103,378,951
At 1 January 2006	45,000,000	58,378,951	103,378,951
Net surplus for the current year	2	15,905,373	15,905,373
Dividend (Note 20)	*	(3,240,000)	(3,240,000)
At 31 December 2006	45,000,000	71,044,324	116,044,324

Note 12



(Incorporated under Credit Corporation Ordinance, as amended)

Cash Flow Statement For The Year Ended 31 December 2006

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES	2006 RM	2005 RM
CASH FLOWS FROM OF ERATING ACTIVITIES		
Surplus before tax	23,172,400	20,218,372
Adjustments for: -		
Depreciation	1,414,000	1,235,795
Allowance for bad and doubtful loans and financing	3,306,351	2,519,575
Allowance for diminution in value of investment securities	-	401,542
Write back of allowance for diminution in value of	(82.208)	
investment securities	(82,398)	(2.512.627
Bad loans and financing written off Net interest income suspended	(1,741,419)	(3,512,637
Net gain on disposal of property, plant and equipment	434,826	(3,484,596)
Net gain on disposal of property, plant and equipment Net gain on disposal of foreclosed properties	(875,213) (310,861)	(100,801)
Net gain on disposal of foreclosed properties Net gain on redemption of investment securities	(61,327)	(1,330)
Gross dividend income	(40,598)	(153,119)
Operating Surplus Before Working Capital Changes	25,215,761	17,122,801
(Increase)/decrease in operating assets/liabilities:-		
Loans, advances and financing	(102,103,386)	(55,950,583)
Other assets	246,684	2,755,118
Other liabilities	(1,221,924)	(3,037,723)
1500 (190) (1900 (190)(190)(1900 (1900 (1900 (1900 (1900 (1900 (1900 (19	*********	***************************************
Cash Used In Operating Activities	(77,862,865)	(39,110,387)
Tax Paid	(6,916,777)	(6,127,008)
Net Cash Used In Operating Activities	(84,779,642)	(45,237,395)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,702,390)	(19,434,667)
Proceeds from disposal of properly, plant and equipment	1,055,831	103,068
Proceeds from disposal of foreclosed properties	3,328,000	16,330
Proceeds from redemption of investment securities	1,929,557	
Dividends received from investment securities	38,873	151,080
Net Cash Generated From/ (Used In) Investing Activities	3,649,871	(19,164,189)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net issuance/(repayment) of loan and financing	70,541,161	61,014,885
Dividends paid	(3,240,000)	(2,880,000)
Net Cash Generated From Financing Activities	67,301,161	58,134,885
	212 PAR C183	// 2// /DD
Decrease in cash and cash equivalents Cash and cash equivalents at beginning of the year	(13,828,610) 18,182,817	(6,266,699) 24,449,516
Cash And Cash Equivalents At End Of The Year	4,354,207	18,182,817
Cash and cash equivalents consist of the followings : -		
Cash and bank balances	5,820,238	6,072,003
Bank overdraft	(2,644,531)	(4,889,186)
Fixed deposits with a licensed bank	1,178,500	17,000,000

Annual Report 2006 Jabah Credit Corporation



(Incorporated under Credit Corporation Ordinance, as amended)

Notes To The Financial Statements For The Year Ended 31 December 2006

1. Principal Activities And General Information

Sabah Credit Corporation was incorporated on 15 June 1955 under Credit Corporation Ordinance, 1955 which was later repealed and replaced by Credit Corporation Enactment,

The Corporation is principally engaged to promote the economic development of Sabah through financing and facilitating the grant of financial credits to small and medium scaled agricultural, industrial, housing, rural and / or urban developments and to stimulate and facilitate private investments in Sabah by local and external capital funds.

All business activities and transactions are carried out at Wisma PPS situated in Donggongon Township, Penampang and its branches located at major towns of Sabah.

There were no significant changes to the principal activities during the financial year.

2. Financial Risk Management Objectives And Policies

The Corporation is exposed to the to various financial risks which includes interest rate risks, credit risks and liquidity risks that arise in the conduct of the business activities.

The overall management objectives of the Corporation is to maximise the returns of the stakeholders' investments by minimising potential adverse impact of the risks onto the financial performance and cash flows of the Corporation.

The Corporation did not engaged in any financial instrument transactions during the financial year.

(a) Interest rate risk

The Corporation finances its operation through internal and external sources of funds. External sources of funds consist of borrowings from Sabah State Government and other financial institutions which carries different fixed interest rates. The policy of the Corporation is to maximise the returns of the interests and at the same time able to service the interest costs of various loan portfolios.

Credit risks

Credit risks is the potential loss of revenue and principal losses in the form of specific allowances as a result of defaults by the borrowers or counter parties through its lending and investing activities.

The primary exposure to credit risks arises through its loans, advances and financing. The amount of credit exposure is represented by the carrying amounts of the assets in the balance sheet.

The main objective of credit risk management is to minimise the Corporation's credit risk exposure by ensuring the existence of capability and financial ability to meet potential financial loss that may arise as a result of default in payments by the borrowers.

The Corporation had established a comprehensive credit policy that integrates the internal grading system to ensure creditworthiness of potential borrowers, and formation of Credit Evaluation Committee to analyse loan application for Board members' approval.



(Incorporated under Credit Corporation Ordinance, as amended)

Notes To The Financial Statements For The Year Ended 31 December 2006

(c) Liquidity risk

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

The Corporation practices a prudence concept in managing liquidity risks by maintaining sufficient cash and the availability of funding through certain committed credit facilities.

3. Basis of Preparation of Financial Statements

The financial statements of the Corporation have been prepared on the historical cost basis and are in accordance with the generally accepted accounting principles approved by Malaysian Accounting Standard Board (MASB) and comply with the provisions of the Credit Corporation Ordinance, 1955 as amended by the Credit Corporation Enactment, 1981.

4. Summary of Significant Accounting Policies

(a) Investment securities

Investment in unit trust is stated at cost less allowance for diminution in value when such diminution in value is other than temporary.

(b) Allowance for bad and doubtful loans and financing

Loans and advances are stated at cost less any allowance for bad and doubtful debts.

Allowance for bad and doubtful loans and financing are made with regard to specific risks and relate to those loans or receivables that have been individually reviewed and specifically identified as sub-standard, doubtful or bad.

A general allowance based on a percentage of total outstanding loans, net of interest in suspense and specific allowance for bad and doubtful debts, is maintained by the Corporation against risks which are not specifically identified.

An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the opinion of management, there is no prospect of recovery.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Land where the estimated leasing lives exceed 50 years is classified as long term leasehold land.



(Incorporated under Credit Corporation Ordinance, as amended)

Notes To The Financial Statements For The Year Ended 31 December 2006

Property, plant and equipment (Continued)

Depreciation

Depreciation property, plant and equipment is provided on a straight line basis calculated to write off the cost of each asset over the term of its estimated useful lives at the following annual rates:-

Leasehold land	0.11% to 2.326%
Buildings	2%
Motor Vehicles	20%
Office furniture and equipment	20%
Office renovation	10%
Computer equipment	20%

Income recognition

Interest income

Interest income on loans, other than hire purchase loans is accounted for on an accrual basis by reference to rest periods as stipulated in the loan agreements, either monthly, weekly or daily. Interest income on hire purchase is recognised using the sum-of-digits method.

Where an account becomes non-performing, interest is suspended until it is realised on a cash basis. Customers' accounts are deemed to be non-performing where repayments are in arrears for 3 months or more.

Dividend income

Dividend income is recognised as and when it is received.

Rental income

Rental income is recognised on an accrual basis based on the rental agreements.

Income and cost recognition on property development projects

Income and related costs on the property development projects, which were acquired in the loan recovery process, are taken up in the income statement in the year of completion of the projects. Progress billings rendered on incomplete projects as at end of the financial year are deferred and taken up as liabilities. Likewise, all related costs incurred up to the end of the financial year are deferred and taken up as project development costs under assets.

Borrowings from Cagamas

Borrowings from Cagamas Berhad through financial intermediaries (banks or financial institutions) are based on a sale and repurchase of receivables method. This facility is on a full recourse basis. The Corporation is required to repurchase defaulted loans sold and replace it with performing loans. The terms and conditions of sale and repurchase of loan portfolios are stated on the signed agreements. The interest rates and repayment amounts are based on the loan repayment schedules provided by the financial intermediaries. Interest charged on borrowings is recognised under Interest Expense in the Income Statement in the year it is incurred.



(Incorporated under Credit Corporation Ordinance, as amended)

Notes To The Financial Statements For The Year Ended 31 December 2006

(g) Income tax

Tax on surplus or deficit for the financial year comprises current and deferred tax. Income tax is recognised in the income statement.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unutilised tax losses to the extent that it is probable that taxable surplus will be available against which the deductible temporary differences and unutilised tax losses can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and bank balances, bank overdraft, and short-term fixed deposits with a licensed bank with maturities of less than one month.

(i) Impairment of assets

The carrying amount of the Corporation's assets, other than financial assets and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing vale in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

(j) Reversal of impairment of assets

An impairment of loss in respect to goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement.



(Incorporated under Credit Corporation Ordinance, as amended)

Notes To The Financial Statements For The Year Ended 31 December 2006

(k) Employee Benefits

Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Corporation. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increases their entitlement to future compensated absences, and short-term non accumulating compensated absences such as sick leave are recognised when the absences occur.

Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

5.	Investment Securities	2006 RM	2005 RM
	Investment quoted within Malaysia	2,390,000	5,390,000
	Less: Allowance for diminution in value of investment	(1,737,129)	(2,951,297)
		652,871	2,438,703
	Market value of quoted investment	652,871	2,438,703
6.	Loans, Advances and Financing	2006 RM	2005 RM
	Housing and project loans	729,688,389	609,877,397
	Hire-purchase loans Other loans	73,433,918 44,399,471	89,270,579 47,140,069
	Gross loans	847,521,778	746,288,045
	Less: Allowance for bad and doubtful loans and financing		
	- specific	(31,652,021)	(31,114,563)
	- general - interest/income-in-suspense	(7,927,836) (23,086,218)	(6,900,363) (23,521,044)
	ELC SC 10 CENTRAL SUPER CONTRACT CO		
	Net loans, advances and financing	784,855,703	684,752,075



(Incorporated under Credit Corporation Ordinance, as amended)

Notes To The Financial Statements For The Year Ended 31 December 2006

6. Loans, Advances and Financing (continued)

Analysis of housing and project loans by economic sector are as follows:-

	2006 RM	2005 RM
Government staff housing loans	166,922,072	184,065,695
Federal staff housing loans	1,748,362	2,179,230
Urban housing loans	34,886,135	34,017,090
Rural housing loans	506,603	511,154
Industrial, animal husbandry and agriculture	71,478,640	74,974,395
Refinancing loans	18,920,839	17,322,765
Executive loans	419,344,861	288,660,579
Staff loans	1,779,656	1,007,604
Community loans	1,220,070	1,307,180
Mortgage loans	12,725,903	5,782,049
Organic farming loans	155,248	49,656
	729,688,389	609,877,397

Other loans refers to three low cost housing schemes which was taken over by the Corporation from Lembaga Pembangunan Perumahan dan Bandar (LPPB) on January 1995, 17 November 1999 and 1 January 2005 respectively. Consequently, the Corporation also bears the liability of LPPB owed to the Sabah State Government in relation to the three schemes.

The first scheme comprised of 42 projects in the State of Sabah with an aggregate carrying value of RM38,156,069. The Corporation took over 2,750 tenancy accounts under this scheme.

The second scheme comprised of 6 projects in the State of Sabah with an aggregate carrying value of RM20,772,146. The Corporation took over 593 tenancy accounts under this scheme.

The third scheme comprised of 5 projects in the State of Sabah with an aggregate carrying value of RM15,302,017. The Corporation took over 599 tenancy accounts under this scheme.

Movements in the allowance for bad and doubtful loans and financing and interest/income-in-suspense are as follows:-

Specific allowance	2006 RM	2005 RM
At 1 January	31,114,563	32,701,664
Allowance made during the year	9,579,915	7,283,855
Amount written back in respect of recoveries	(7,301,038)	(5,358,319)
Amount written off	(1,741,419)	(3,512,637)
At 31 December	31,652,021	31,114,563



(Incorporated under Credit Corporation Ordinance, as amended)

Notes To The Financial Statements For The Year Ended 31 December 2006

6. Loans, Advances and Financing (continued)

	General allowance	2006 RM	2005 RM
	At 1 January	6,900,363	6,306,324
	Allowance made during the year	1,027,473	594,039
	At 31 December	7,927,836	6,900,363
	As % of gross loans, advances and financing		
	less specific allowance and interest-in-suspense	1%	1%
	Interest/income-in-suspense	2006	2005
		RM	RM
	At 1 January	23,521,044	27,005,640
	Interest/income suspended during the year	6,934,073	6,386,417
	Amount written back in respect of recoveries	(5,783,690)	(5,681,758)
	Amount written off	(1,585,209)	(4,189,255)
	At 31 December	23,086,218	23,521,044
_		520.00	255550
7.	Other Receivables, Deposits And Prepayments	2006	2005
		RM	RM
	Other receivables, deposits and prepayments	422,044	668,728
	Foreclosed properties	565,437	3,582,576
		987,481	4,251,304



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2006	Leasehold		Office	Office Furniture	Motor	Computer	
Cost	land RM	Building RM	Renovation RM	& Equipment RM	Vehicle RM	Equipment RM	Total RM
At I January Additions Disposal	10,066,000	18,274,118	251,657	2,340,007 286,490	3,139,823	361,735	38,177,510 2,702,390 (997,049)
At 31 December	10,021,000	19,246,620	2,215,533	2,466,116	3,444,357	2,489,225	39,882,851
Accumulated Depreciation At 1 January Charge for the year Disposal	283,320 149,496 (873)	2,726,698 421,796 (191,577)	1,352,474 122,267 (106,432)	1,971,912 186,818 (155,203)	2,662,713 281,445 (212,943)	1,660,627 252,178 (149,403)	10,657,744 1,414,000 (816,431)
At 31 December	431,943	2,956,917	1,368,309	2,003,527	2,731,215	1,763,402	11,255,313
Net Book Value At 31 December 2006	9,589,057	16,289,703	847,224	462,589	713,142	725,823	28,627,538
At 31 December 2005	9,782,680	15,547,420	720,006	368,095	477,110	624,455	27,519,766
Depreciation charge for the year 2005	136,338	309,506	92,390	206,265	278,986	212,310	1,235,795



(Incorporated under Credit Corporation Ordinance, as amended)

Notes To The Financial Statements For The Year Ended 31 December 2006

8. Property, Plant And Equipment (Continued)

Net book value of the leasehold land comprised of the followings:-

	2006 RM	2005 RM
Long term leasehold land Short term leasehold land	9,559,600 29,457	9,752,060 30,620
	9,589,057	9,782,680

At 31 December 2006, land titles for leasehold land and buildings amounted RM20,198,428 (2005; RM19,185,571) are yet to be registered under the name of the Corporation.

9.	Borrowings	2006 RM	2005 RM
	Borrowings from Sabah State Government Borrowings from Cagamas Berhad through	343,759,792	343,759,792
	financial intermediaries Borrowings from a licensed bank	168,104,693 167,442,248	192,091,460 72,914,320
	Bank overdraft	2,644,531	4,889,186
		681,951,264	613,654,758

Borrowings from Sabah State Government are unsecured and are repayable as follows: -

2006

Repayable within one year One to five years	Interest-free RM	Interest-bearing RM	Total RM
Over five years		138,784,363	138,784,363
		11,870,964	11,870,964
Total	1,000,000	192,104,465	193,104,465
	1,000,000	342,759,792	343,759,792

2005

Repayable within one year One to five years	Interest-free RM	Interest-bearing RM	RM
Over five years	2	133,572,858	133,572,858
hursel with the comment that it	-	15,435,543	15,435,543
Total	1,000,000	193,751,391	194,751,391
	1,000,000	342,759,792	343,759,792



(Incorporated under Credit Corporation Ordinance, as amended)

Notes To The Financial Statements For The Year Ended 31 December 2006

9. Borrowings (continued)

Borrowings from Sabah State Government which are repayable within one year, are only payable upon demand by the Sabah State Government.

The interest rate for Sabah State Government ranges between 0% to 7% per annum (2005: 0% to 7% per annum).

Borrowings from Cagamas Berhad through financial intermediaries are secured by partial State government housing loans portfolio and partial hire purchase portfolio in aggregate amount of RM168,104,693 (2005; RM192,091,385) with interest-bearing ranges between 4.60% to 6.00% per amoum (2005; 4.00% to 4.40% per annum).

Borrowings from a licensed bank are secured by partial Executive loans amounting RM247,984,358 (2005; RM91,234,540) with interest-bearing ranges between 4.69% to 6.37% (2005; 4.69% to 4.93%) per annum.

Bank overdraft facility is held on negative pledge over all the assets of the Corporation at an interest rate of 7.75% (2005: 7.25%) per annum.

10. Other Payables And Accruals

	2006 RM	2005 RM
Interest payable Other payables and accruals	16,881,899 6,696,889	19,052,729 5,747,983
	23,578,788	24,800,712

Included in other payables is a provision for legal claim amounting to RM890,004.

11. Taxation

	2006	2005
	RM	RM
Provision for tax	1,276,574	928,049

12. Share Capital

Ordinary shares of RM1 each	2006 RM	2005 RM
Authorised	50,000,000	50,000,000
Issued and fully paid		
At 1 January/31 December	45,000,000	45,000,000



(Incorporated under Credit Corporation Ordinance, as amended)

Notes To The Financial Statements For The Year Ended 31 December 2006

13. Accumulated Funds

Subject to the agreement by the Inland Revenue Board, the Corporation has sufficient tax credit under Section 108 (6) of the Income Tax Act, 1967 and tax exempt profits under Section 12 of Income Tax Act (amended), 1999 to frank the payment of dividends out of the Corporation's accumulated funds as at 31 December 2006.

14.	Interest Income	2006 RM	2005 RM
	Loans, advances and financing Interest received from a licensed bank	61,052,260 184,347	54,745,828 202,717
		61,236,607	54,948,545
15.	Interest Expense	2006 RM	2005 RM
	Borrowings from Sabah State Government Borrowings from Cagamas Berhad through	4,524,008	4,857,982
	financial intermediaries	8,861,901	9,778,008
	Borrowings from a licensed bank	7,148,853	2,212,843
	Bank overdraft	82,355	13,588
		20,617,117	16,862,421
16.	Non-Interest Income		
		2006	2005
		RM	RM
	Administrative fee	69,825	58,866
	Dividend income from investment securities	40,598	153,119
	Documentation and registration fee	352,413	418,830
	Insurance commission Other income	604,836	273,568
	(1970 1970 1970 1970 1970 1970 1970 1970	727	10,041
	Profit on disposal of property, plant and equipment	875,213	100,801
	Profit on disposal of foreclosed properties	310,861	1,330
	Profit on redemption of investment securities Processing fee	61,327	1000
	Rental income	122,920	105,397
	Write back of allowance for diminution in value of	222,900	275,761
	investment securities	82,398	*
		2,744,018	1,397,713



(Incorporated under Credit Corporation Ordinance, as amended)

Notes To The Financial Statements For The Year Ended 31 December 2006

17.	Non-Interest Expense	2006 RM	2005 RM
	Allowance for diminution in value of investment securities Allowance for bad and doubtful loans and financing Provision for legal claim	(3,306,351)	(401,542 (2,519,575 (561,360
		(3,306,351)	(3,482,477
18.	Operating Expenses	2006 RM	2005 RM
	Accounting fees	11,252	10,107
	Advertisement	57,135	34,367
	Audit remuneration	26,620	28,004
	Bank charges	10,288	9,465
	Boards members expenses	218,584	227,675
	Computer expenses	280,748	218,852
	Corporation members allowance	36,020	33,050
	Commercial Paper/Medium Term Notes Programme expenses	237,871	
	Depreciation	1,414,000	1,235,795
	Employees' Provident Fund	267,054	234,942
	Entertainment	50,957	36,311
	General expenses	178,923	155,050
	Legal fees	82,073	84,692
	Management fees - ANGKASA	1,035,402	1,042,133
	Motor vehicle expenses	439,365	366,084
	Pension contributions	631,697	643,569
	Postage, telephone and telex	339,454	370,171
	Printing and stationeries	330,651	280,124
	Rental of premises	30,533	32,733
	Salary, bonus and allowances	7,993,676	7,652,549
	Social community services expenses Staff insurance expenses	1,000,000	510,776
	Staff medical expenses	73,438	86,584
	Staff training expenses	272,979 243,103	267,405
	Staff travelling expenses	227,050	236,761 334,794
	Staff welfare expenses	499,283	484,391
	Upkeep of office	639,396	705,046
	Water and electricity	257,205	273,965
	50 th anniversary expenses	-	187,593
		16,884,757	15,782,988



(Incorporated under Credit Corporation Ordinance, as amended)

Notes To The Financial Statements For The Year Ended 31 December 2006

19. Tax Expense

	2006 RM	2005 RM
Current tax expense Over-provision of tax for year assessment 2005 Real property gain tax on disposal of foreclosed properties	7,236,625 (26,798) 57,200	6,437,522 60,000
	7,267,027	6,497,522

A reconciliation of income tax expense applicable to surplus before tax expense at the statutory tax rate to income tax expense at the effective income tax rate of the Corporation is as follows:-

	2006 RM	2005 RM
Surplus before tax	23,172,400	20,218,372
Income tax using tax rate of 28% Income not subject to tax Non-deductible expenses Tax incentives Capital allowances utilised during the year	6,488,272 (294,945) 1,301,858 (20,900) (237,660)	5,661,144 950,037 (18,530) (155,129)
e come The company of	7,236,625	6,437,522

Deferred tax benefits which are unutilised in respect of the followings:-

	2006 RM	2005 RM
Timing differences arising from allowance for bad and doubtful loans and financing which have been		
recognised on a different tax basis for tax purposes	(2,140,516)	(1,932,102)
Timing differences arising from property, plant and equipment	149,922	548,307
At 31 December	(1,990,594)	(1,383,795)

The above deferred tax benefits were unutilised in the financial statements, as they may not be used to balance the other taxable income for Sabah Credit Corporation.

20. Dividend

	2006 RM	2005 RM
Dividend declared and paid at 10.000 cents (2005: 8.889 cents) less 28% tax	3,240,000	2,880,000



(Incorporated under Credit Corporation Ordinance, as amended)

Notes To The Financial Statements For The Year Ended 31 December 2006

21. Capital Commitment

2006 2005 RM RM

Capital expenditure that has been authorised but not contracted for

6,550,000

8,390,000

22. Financial Instruments

Financial instrument comprises of financial assets, financial liabilities and off-balance sheet instruments. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair values of the non-financial assets and liabilities are excluded because it is not a requirement under MASB24 to disclose its fair value.

The carrying amounts are a reasonable estimate of their fair values as of the date of the balance sheet.

23. Employees Information

2006 RM

2005 RM

Staff costs

10,208,280

9.940,995

The number of employees (excluding Members of the Corporation) as at year end of the financial year was 208 (2005: 210).

24. Social Community Services

The Corporation has obtained approval from Ministry of Finance to utilise not more than 5% of the net surplus in each financial year for financing community projects in the State.