

Annual Report 2007

SABAH CREDIT CORPORATION

Objectives

To help and contribute towards the socio-economic 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"

Mission

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

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



The Symbol of Development and Progress

The logo is derived from the Corporation's acronym, PPS. The currency symbol of \$, 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 philosophy that has been able to ensure the turmoil of yesteryears, to leapfrog the obstacles of today and to battle the challenges of the future.

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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 re-enacts 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

In order to compete and to obtain a competitive advantage in a service based industry, it is extremely important to provide quality services to ensure customer satisfaction in terms of speedy processing, attractive interest rates, innovative financial products and good customer service.

The following strategies were implemented throughout the Corporation to enhance continual improvement in work processes to be in line with customer expectations and fulfil customer satisfaction.

• Continuous Service Throughout Lunch Hours

This allows SCC to continue serving busy customers who may only have the opportunity of lunch break to conduct their personal business. Operating through lunch time also eliminates lag time of stopping and restarting the office tempo after a break period.

• Front Counter Manned By 'A' Officers

Having high level officers manning the front counter on a rotational basis enables managerial line employees to see and experience problems firsthand. This practice has proved to be worthwhile judging from the number of excellent suggestions for improvement either directly from customers or the manning officers themselves. One of the main purpose of having "A" officers in the front counter is to make every customer feel that they are important and this in turn gives them confidence that they are in good "hands".

• One-Stop Client Centre

A Client Centre was set up at SCC's headquarters aimed at providing greater customer assurance. The whole idea is to enable customers to be serviced at only one location instead of having to move up and down the premises to be entertained. Equipped with dedicated and friendly personnel, the Client Centre is an extension of the Corporation's counter service in a more focused form and customer oriented ambience.

• Simplicity In Loan Application Forms And Other Documents

Attractive and a simplified loan application form and the amalgamation of letters of offer together with loan agreements are yet another example of SCC's efforts in fulfilling customer comfort. Such initiatives has eliminated confusion in completing voluminous application forms and further reduced the documentation signing process.

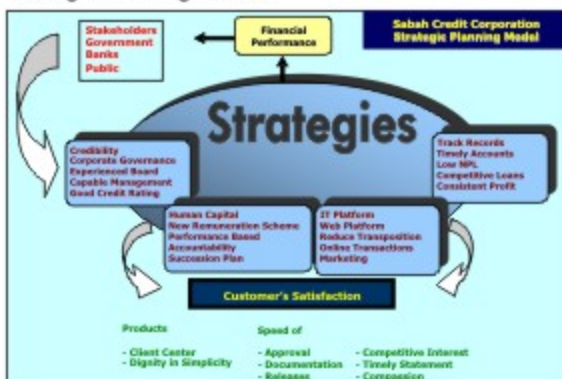
• 'Hari Bersama Pelanggan'

"Hari bersama pelanggan" is one of the marketing strategies of the Corporation. This event creates a platform for the management representatives to enhance their relationship with the potential customers. Here, the management representatives are able to resolve any problems faced by the customers and also furnish them with any new updates on SCC's loan product. Suggestions and feedbacks from the customers on our services are an important communication tool for continuous improvements.

• Front-end System

In 2007, SCC has developed and launched a new system known as Front-End System, which further reduced the complexity of loan registration and cut down on processing time. This is in line with our Corporation's goal in gearing towards 24 hours loan approval in our largest loan portfolio i.e Personal Credit Loan.

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 COMMUNICATION AND TECHNOLOGY (ICT)

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 in-house developed the following systems:-

- General Ledger System
- Payment System
- Cashiering System
- Customer Information File System
- Loan System
- Filing System
- Enforcement System
- Mail Monitoring System
- Payroll System

In **August 2007**, SCC has combined several human resource systems and introduced a newly developed web-based and user-friendly system namely Human Resource Management Information System (HRMIS)

The HRMIS consists of:

- The staff profile
- Leave
- Medical
- Training
- Staff Evaluation
- Time Management Modules
- Mail Monitoring
- Information



With the implementation of the new HRMIS, the data and the information relating to human resource of SCC are centralized, and has indirectly simplified the human resource management of SCC in a holistic way. Instant report generations and supervision are made possible that provide platform for better planning and speedy decision-making by the management.

It also promotes internal client satisfaction where the concept of managing together are other focal points taken into consideration. By using the system, the staffs are now able to access their personal information and alert the management regarding any update or alteration of their records.

In **November 2007**, SCC has introduced and implemented front and back end office system in order to generate real time and accurate client information. The new system has brought improvement in work process. It has shortened the flow of loan processing and increased the efficiency and productivity of the staff.

Front end system:

Upon submission of the loan application form, the details of potential borrower will be registered into the front end system and the Customer Information File (CIF) will be created automatically once the registration successful. The front end system also catered for loan calculation to determine the loan amount entitlement of the particular borrower before submission of the loan application. Apart from that, updated loan exposure and status of loan can be viewed directly from the system.

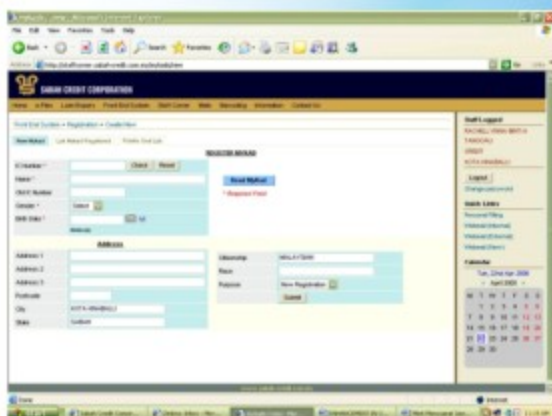
Back end system:

With the CIF and password, existing borrowers will be able to obtain updated information on statement of account through the SCC official web site. The back end system also provides facility to pre-calculate their loan eligibility.

Continuous development of ICT is paramount in SCC. It will certainly continue as it is now the future backbone of SCC and the Corporation is seriously embarking on IT upgrading exercise to ease the workload, process and service delivery.



Front end user-Loan calculation



Front end user-Registration

DISASTER RECOVERY PLAN

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 Warm 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.

'QUALITY HUMAN CAPITAL - 'The KEY to Success'

Human capital is regarded as the greatest asset of SCC. The quality of its human resources has carried SCC to another step in achieving its mission and vision by reaching a milestone in becoming a RM1 billion organisation in November 2007.

'Quality People Creates Quality Organisation' has always been a catch phrase for SCC to sustain and improve the quality of its workforce through intensive training programs including yearly brainstorming sessions at all levels.

In SCC, the customer is the number one priority. Thus, all training organised by SCC are geared towards providing quality service to the customer besides inculcating positive attitudes and right behaviour among its staffs. The moulding of quality service, positive attitudes and right behaviours serve as a perfect combination in strengthening SCC's foundation both in terms of human capital and customer assurance. This is encapsulated in SCC's official slogan of:

PROFESIONAL
PRIHATIN
SOPAN



PROFESIONAL
CARING
COURTEOUS

PROFESIONAL

- Each staff is an expert on what he/she is responsible for, including work ethics.
- A sense of urgency, high standards, effective communication and good leadership skills are the values that are crucial in every employee in order to push SCC to the next level. Every step taken or every decision made is for SCC's benefit as a whole.
- Being professional engenders maturity amongst employees when facing new challenges and opportunities without involving any personal interest and all the while sharing the same vision and mission towards the success of the Corporation.

PRIHATIN

- Caring and nurturing; not only to customers but also towards 'team mates'. 'Walk in the Shoes of Others' defines a caring society in the organisation. Colleagues are nurtured to support each other and work harmoniously as one family.
- A caring society philosophy makes for a healthy and fun working environment, which in turn promotes positive attitude among the staffs.
- Employees are trained to understand that good rapport with customers either directly or indirectly, can only enhance quality service further.

SOPAN

- Politeness in action and in words is symbolic of SCC. Showing civility to customers, visitors and colleagues is an important projection of SCC's image.
- The mutual respect arising from common courtesies has strengthened the 'togetherness' factor amongst SCC's people.
- Being polite to each other creates a platform for colleagues especially those separated by geographic locations, to interact with ease and provides an opportunity to build up co-operation and mutual appreciation of each other.

HARMONIOUS WORKING ENVIRONMENT

SCC emphasises greatly on the balance between work and extra curricular activities. Management believes that blending a portion of fun to daily work through informal activities promotes an enjoyable and harmonious working environment among the staff. Activities that are held in order to encourage a congenial working atmosphere includes:

- Daily morning choral singing and exercise
- Floor decoration competitions to celebrate four main festive occasions
- PRIDE Camp and activities

STAFF WELFARE

SCC considers the health of its employees as an important factor in its efforts to forge ahead. Management firmly believes that the physical and mental fitness of people can directly affect their work performances. Thus, health talks are frequently conducted by inviting various institutions or health professionals such as doctors and specialists in order to increase employee awareness regarding well-being issues, specifically on health maintenance. Besides that, a full medical check-up is obligatory on all of its employees to ensure that they are mindful of maintaining a healthy lifestyle and enables early detection of any serious illnesses. In addition, Management also continuously advocates an in-house 'Ideal Weight' campaign.

Employees also enjoy a Surgical and Hospitalisation insurance protection as well as a Personal Accident insurance cover, which are renewed annually.

STAFF RECOGNITION

SCC appreciates the contributions of employees via its monthly General Manager Appreciation Awards and Long Service Awards. The monthly recognition of good performance stems from Management's view that excellence in work performance or any other beneficial contribution by employees should be immediately recognised in order to further motivate and stimulate future efforts of the same.

The General Manager Appreciation Awards has so far been granted to a total of 71 staffs. Another 20 staffs, who have worked up to 30 years in the Corporation, have been honoured with the auspicious Long Service Awards.

"KELAB SUKAN DAN REKREASI" (KSR)

SCC's sports and recreation club 'KSR' was given a new lease of life in 2007 when Management agreed to a 100% subsidy of the Club's KSR membership fee. With this full management support and led by a resourceful newly-appointed leader, KSR had managed to organise various successful activities, which involved most of the employees. Among the activities held in 2007 were:

- A badminton tournament.
- A futsal tournament.
- A climb up the majestic Mount Kinabalu.



"MAJLIS BERSAMA JABATAN" (MBJ)

The Corporation's MBJ Council was officially formed on 9 May 2002 with the purpose of improving staff welfare. The MBJ concept has provided an avenue for employees to communicate or address issues that concern them directly to Management. Issues brought forward usually centres on work processes, staff welfares, staff benefits and so forth. The MBJ process involves a meeting between employee representatives and representatives from the Management. The chairmanship of the employee representation is determined via a democratic process of voting amongst the employee members. The employee members also appoint a secretary amongst themselves. The elected chairperson is responsible for chairing their meetings and is usually the main spokesperson to convey issues and matters to Management during the management meeting part of the MBJ process.

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 2007, we have accepted a total of 163 students for work-attachment periods of one to six months.



CORPORATE SOCIAL RESPONSIBILITY

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 have consented, 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 2007 are as follows:-

Rural Library, Kg. Marasak, Keningau.

Date Launched: 17 May 2007.

The objective of this project is to eradicate illiteracy among the villagers who are isolated from the rapid development in education.



Rural Hostel, Kg. Tetagas Nabawan, Keningau.

Date Completed: March 2007.

The objective of this project is to provide facilities for the students staying far away from their schools.



Single Mother Sanctuary, Matunggong, Kudat.

Date Launched: 18 June 2007.

The objective of this project is to assist the single mothers by providing a place for their activities or program organized by their Committee.



Hostel for Orphanage, Kg. Bondulu, Toboh, Tambunan.

Date Launched: 2 December 2007.

The objective of the additional hostel is to accommodate the number of orphanage which has increased for the last few years.



Hostel for Orphanage, Jalan Apas, Tawau.

Date Completed: January 2007.

The objective of this project is to provide hostels to accommodate the number of orphanage which has increased in Tawau District.



Madrasah, Kg. Warisan, Inanam.

Date Launched: 7 June 2007.

The objective of this project, is to complete the outstanding development. The Madrasah is benefited for the children of the village to study Tahfiz and Fardhu Ain knowledge.



Loan Products Offered

1. PERSONAL LOAN

- This financing forms **63%** of the Corporation's loan outstanding as at 31 Dec 2007.
- It is also known as Executive Loan and it was introduced in 2001 with an objective to provide financial assistance to employees in both State and Federal Government departments, 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 classification of employees and the loan amount approved.

2. HIRE PURCHASE LOAN

This financing forms **6%** of the Corporations loans outstanding as at 31 Dec 2007.

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

- Furnitures;
- Personal computers;
- Electrical goods (as listed in First Schedule of Hire Purchase Act, 1967)
- Motorcycles; and
- Both new and used cars (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 item 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 purchase of cars, SCC can consider a 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.

3. RESIDENTIAL PROPERTY LOANS

Residential Property Loans form **24%** of the Corporation's loan outstanding as at 31 Dec 2007. This category can be sub-divided to the following facilities to cater to the different levels of society:-

- **Government Officers Loan (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 and 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 and State Statutory bodies) or up to 65 years old (for Members of the Administration and State Legislative .

- **Low Cost Housing Loan**

The main purpose of Low Cost Housing Loan 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.

- **Private Housing Loan**

This loan scheme is open to qualified individuals who must be Malaysian citizens with permanent residential status in the State of Sabah.

This Private Housing Loan is 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:-

- SCC will finance the full construction cost (100% financing) of a house that will be constructed on an applicant's own land;
- 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
- 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.

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:

Permanent Houses	: Up to 25 years
Semi-Permanent Houses	: Up to 20 years
Timber Houses	: Up to 15 years

4. Project Loans

This financing forms **7%** of the Corporations loan outstanding as at 31 Dec 2007. Loans categorised as project loans are as follows:-

Bridging Finance

The purpose of Bridging Finance is to finance the construction of housing estates and shop houses, 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.

Business / Light Industry Loans

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

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 lower.

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

SIGNIFICANT EVENTS 2007

JANUARY 12

Official visit by Chief Minister Sabah Cheque presentation of gross dividend payment and loan repayment to the State Government totalling RM9 million, and Donation to the Flood victim amounting RM50,000.

21-23

Management Brainstorming at Perkasa Hotel, Kundasang

APRIL 20

BOD Study Tour to Eastern Europe

FEBRUARY 2

Courtesy visit by Datuk Bridget Lai, CEO Alliance Bank Malaysia Berhad

AUGUST 15

Signing ceremony of CP/MTN Programme

Cheque presentation amounting RM30,000 by SCC Chairman, Datuk Anthony Lai for Ministry Sports and Youth Sabah.

JUNE 8-10

Annual PRIDE CAMP, Beringgis Resort

14

GOLF Tournament Sukan Se-Malaysia

ADFM Council Meeting at Kuching, Sarawak, attended by General Manager, Mr. Vincent Pung and Senior Manager Corporate and Training, Mr. Henry Chu

23

SEPTEMBER

6 11-12

The 9th Blood donation drive and health exhibition.

In-house Training on Corporate Image for the State Accountants

OCTOBER 3

Signing Ceremony on Loan Agreement RM25 million between Sabah Urban Development Corporation and Sabah Credit Corporation.

NOVEMBER

2 Signing of JV Agreement between Sabah Credit Corporation and Kota Kinabalu Industrial Park

29

Courtesy visit to Setiausaha Kerajaan Negeri, Datuk Sukarti Wakiman.

DECEMBER 3

Gross Interim Dividend payment RM10 million to the State Government and Appointment of new SCC BOD.

17-18

MAMPU Inspectorate to SCC as one of the AKSA winner

Information on Member of The Corporation

Ir. Shahelmey Bin Yahya
Engineer
(Chairman of Small Loan Scheme
& Loan Review Committee)

Zamani Hj. Basri
Entrepreneur
(Chairman of Loan Application
Appraisal Committee)

Raskan Bin Asing
Entrepreneur
(Chairman of Property
Investment Committee)

Marzuki Hj. Spawi, JP
Lawyer
(Chairman of Audit
Examination Committee)

Datuk Peter Athanasius
Entrepreneur
(Chairman of Special
Task Force Committee)

M.C Ismail
Director Of Agriculture

Datuk Osman Jamal
Director of
Land & Survey

Datuk Felix Madan
Ex-Officio
(Ministry of Finance)

Datuk Mohamad Bin Jafry
Deputy Chairman
(Chairman of Bad Debts
Write-off Committee)

**Datuk Anthony
Lai Vai Ming, J.P.**
Chairman

Vincent Pung Yee Kiong
Secretary / General manager

Information on Senior Management Team

Paul Chin Chee Bin
Senior Manager
(Information Technology)

Henry Chu Wing Siew
Senior Manager
(Corporate & Training)

Charles Peter Mojuntin
Senior Manager
(Internal Audit)

Mohammad Kana
Deputy General Manager
(Operation)
(Chairman of Syariah Compliance Product)
(Management Representative of MS-ISO)

Hj. Abdullah Bin Hj. Sibil
Deputy General Manager
(Finance & Administration)
(Chairman of Customer Feedback
& Complaint Committee)

Vincent Pung Yee Kiong
General Manager
(Chairman of Management Review Committee)
(Chairman of Risk Management Committee)

Neezm Teo Chun Liang
Senior Manager
(Finance)

Arius Jipiu
Senior Manager
(Legal & Enforcement)

Mohd Aduit Padiri
Senior Manager
(Property & Administration)

Lee Shu Men
Senior Manager
(Project)

George Taitim Tulas
Senior Manager
(Human Resource)

Joeh Liew Ah Puk
Senior Manager
(Housing)

Information on District Client Centre Managers

Richard Chiew
(Chairman of CATs)

Ahmad Saib Moktar

Ahmad Isa

Marius Mailan

Hanif Abd Ghafar

Madin Gottir

Callistina Anthony

Primus Koh

Ismail Benjamin

Lamba Amit

Corporate Governance

The practice of Corporate Governance is critical to SCC's strategic positioning plan as SCC moves from a government-support organisation to a self-sustaining 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 have 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.

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. A total of 4 meetings were held in year 2007.

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. A total of 10 meetings were held in year 2007.

Audit Examination Committee

Appointed on 1 October 2007

Marzuki Hj. Spawi, J.P. (Chairman)

Datuk Mohamad Bin Jafray

M.C. Ismail Salam

Raskan Bin Asing

Charles Peter Mojuntin (Secretary)

Resigned on 30 September 2007

Edward Linggu Bukut

Datuk Peter Athanasius

Zamani Hj. Basri

Ir. Shahelmey Bin Yahya

Loan Application Appraisal Committee

Appointed on 1 October 2007

Zamani Hj. Basri (Chairman)

Datuk Peter Athanasius

Ir. Shahelmey Bin Yahya

Lee Shu Men (Secretary)

Resigned on 30 September 2007

Edward Linggu Bukut

Marzuki Hj. Spawi, JP

Property Investment Committee

The Property Investment Committee serves as a review Committee 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. A total of 2 meetings were held in year 2007.

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 Debts Write-Off Committee meets at least once in 3 or 4 months. A total of 6 meetings were held in year 2007.

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).

Meetings are held regularly to review loans which are four months and above in arrears together with effective recommendations on actions to be taken in mitigating NPL risks. It is also the concern of the Committee to ensure that the Corporation is managed in compliance to the Enactment, Government directives, procedures and policies of the Corporation.

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. A total of 7 meetings were held in year 2007.

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 Bandar.

The Special Task Force Committee meets as and when required, and at least once a year. A total of 7 meetings were held in year 2007.

Property Investment Committee

Appointed on 1 October 2007

Raskan Bin Asing (Chairman)
Marzuki Hj. Spawi, JP
Zamani Hj. Basri
Mohd. Aduit Padiri (Secretary)

Resigned on 30 September 2007

Edward Linggu Bukut

Bad Debts Write Off Committee

Appointed on 1 October 2007

Datuk Mohamad Bin Jafry (Chairman)
Elmin Hj. Mohd. Kassim
Zamani Hj. Basri
Ir. Shahelmey Bin Yahya
Raskan Bin Asing
Arius Jipiu (Secretary)

Resigned on 30 September 2007

Hjh. Normah Bte Hj. Mohd. Sari
Edward Linggu Bukut
Datuk Peter Athanasius

Small Loan Scheme & Loan Review Committee

Appointed on 1 October 2007

Ir. Shahelmey Bin Yahya (Chairman)
Marzuki Hj. Spawi, JP
Datuk Peter Athanasius
Zamani Hj. Basri
Raskan Bin Asing
Jeffrey Molison (Secretary)

Resigned on 30 September 2007

Edward Linggu Bukut

Special Task Force Committee

Appointed on 1 October 2007

Datuk Peter Athanasius (Chairman)
Zamani Hj. Basri
Ir. Shahelmey Bin Yahya
Marzuki Hj. Spawi, JP
Raskan Bin Asing
Joseph Gambud (Secretary)

Resigned on 30 September 2007

Edward Linggu Bukut

➔ 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:-

Operational Committees

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 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.

Financial Management Committee

Financial Management Committee, best known as Jawatankuasa Pengurusan Kewangan, was established on 23 Mac 1998 in accordance with the State Government Circular No.1 of 1998.

Its objective is to ensure the financial reporting management of the government agencies are standardised for ease of monitoring and controls. In addition, State Government will be continuously informed on the Corporation's latest operation development and financial performance on a quarterly basis.

The reports would be prepared based on the stipulated template forwarded to Ministry of Finance for their review.

Risk Management Committee

Vincent Pung Yee Kiong (Chairman)
Hj. Abdullah Hj. Sibil
Mohammad Kana
Neezm Teo Chun Liang
Mohd. Aduit Padiri
Joeh Liew Ah Puk
Lee Shu Men
George Taitim Tulas
Arius Jipiu
Paul Chin Chee Bin
Charles Peter Mojuntin
Henry Chu Wing Siew (Secretary)

In attendance

Jimmy Berukang
Partama @ Victor Monsibol
Fiona Kau Shuk Fang
Winnie Francis
Judy Jipanin
Fatimah Kahar

Financial Management Committee

Vincent Pung Yee Kiong (Chairman)
Hj. Abdullah Hj. Sibil
Mohammad Kana
Mohd. Aduit Padiri
Joeh Liew Ah Puk
Lee Shu Men
George Taitim Tulas
Arius Bin Jipiu
Paul Chin Chee Bin
Charles Peter Mojuntin
Henry Chu Wing Siew
Neezm Teo Chun Liang (Secretary)

In attendance

Fiona Kau Shuk Fang

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 Representative, Document 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 **[Jawatankuasa Maklumbalas & Aduan Pelanggan (JMAP)]**

The Committee was established since 21 January 2003 for the Headquarter 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 (Majlis Kajian Semula Pengurusan) for further action.

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

Corrective Action Team (CATs)

CATs was established in 1997, comprising of all SCC's district client centre (DCC) managers to discuss and resolve any issues relating to district client centre's operations. This Committee also acts as a communication tool between the Headquarters and DCC in standardisation of policies, procedures, processes and business practices across the state.

The CATs meets at least twice a year.

Management Review Committee

Vincent Pung Yee Kiong (Chairman)
Hj. Abdullah Hj. Sibil
Mohammad Kana (Management Representative)
Neezm Teo Chun Liang
Mohd. Aduit Padiri
Henry Chu Wing Siew
Joeh Liew Ah Puk
Lee Shu Men
George Taitim Tulas
Arius Jipiu
Paul Chin Chee Bin
Charles Peter Mojuntin
Secretariat
Janeta Anthony (Secretary)
Eligius Samuel (Document Controller)
Salina Salimi (Head of Internal Quality Auditor)

Customer Feedback & Complaint Committee

Hj. Abdullah Hj. Sibil (Chairman)
Henry Chu Wing Siew
Lee Shu Men
Mohd. Aduit Padiri
Winnie Francis
Salina Salimi (Secretary)

Corrective Action Team (CATs)

Richard Chiew (Chairman)
Ismail Benjamin
Lamba Amit
Ahmad Saib Mokhtar
Marius Mailan
Ahmad Isa
Hanif Abd Ghafar
Madin Gottir
Callistina Anthony
Primus Koh (Secretary)

Syariah Monitoring Unit (SMU)

SMU was established in early 2007 as a research and development committee for syariah compliance product. This committee facilitates the necessary infrastructures in terms of formulating strategies and policies on the proposed implementation of syariah compliance product.

The SMU meets on as and when required.

Welfare Committees

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.

Majlis Bersama Jabatan (MBJ)

MBJ is a compulsory requirement for all government agencies throughout Malaysia to have a conference between employee representatives and representatives from the Management under the Federal Government Circular No.307 2002.

The conference consists of 13 management representatives (the management team; headed by the general manager plus one officer appointed as secretary) and 20 employee representatives comprising of one representative from each section and district client centres.

The objective of the conference is to gauge a better understanding of the employee welfare and needs from time to time in order to enhance the working relationship between the employee and employer. In addition, this conference also creates an avenue for the management to update the employee representatives on the current development of the Corporation's affairs.

Meetings are held on a quarterly basis in accordance with the stipulated timetable issued by the Jabatan Perkhidmatan Awam Malaysia.

Syariah Monitoring Unit (SMU)

Mohammad Kana (Chairman)
Charles Peter Mojuntin
Lee Shu Men
Arius Bin Jipiu
Neezm Teo Chun Liang
Henry Chu Wing Siew
Mohd. Aduit Padiri
Paul Chin Chee Bin
Victor Monsibol
Ismail Benjamin
Richard Chiew
Eligius Samuel
Salina Salimi
Fiona Kau Shuk Fang
Fatimah Kahar (Secretary)

Management Establishment Committee

Hj. Abdullah Hj. Sibil (Chairman)
Mohammad Kana
Henry Chu Wing Siew
Neezm Teo Chun Liang
Lee Shu Men
George Taitim Tulas
Eligius Samuel (Secretary)

Majlis Bersama Jabatan (MBJ)

Management Representative
Vincent Pung Yee Kiong (Chairman)
Hj. Abdullah Hj. Sibil
Mohammad Kana
Neezm Teo Chun Liang
Mohd. Aduit Padiri
Henry Chu Wing Siew
Joeh Liew Ah Puk
Lee Shu Men
George Taitim Tulas
Arius Jipiu
Paul Chin Chee Bin
Charles Peter Mojuntin
Salina Salimi (Secretary)
Employee Representative
Bernard Solibun (Chairman)
Representatives of each sections and DCC
Marisah Laten (Secretary)

Medical Review Board (MRB)

This committee was established on 22 May 2003 with the intention to review normal and abnormal medical claims against available budget prior to management's approval. In addition, MRB assists the management to address issues that are not covered under the medical policies 6/2003.

There is no specific requirement on the frequency of meetings. Hence, the Medical Review Board meets only when required.

Medical Benefit Review Committee

This committee was established on 2 April 2003 with the intention to review and monitor the implementation of the approved medical benefit policies. This is to ensure that medical benefit policies are continuously improved for better staff welfare benefit and standardised policies and procedures are carried out across all levels of the organisations.

There is no specific requirement on the frequency of meetings. Hence, the Medical Review Board meets only when required.

Medical Review Board

Neezm Teo Chun Liang (Chairman)
George Taitim Tulas
Henry Chu Wing Siew
Innocent Pakang
Fatimah Kahar (Secretary)

Medical Benefit Review Committee

Charles Peter Mojuntin (Chairman)
George Taitim Tulas
Arius Bin Jipiu
Neezm Teo Chun Liang
Doreen Lajuat
Fatimah Kahar
Eligius Samuel (Secretary)

Financial Management

Source of Funds

SCC was enacted in 1955 with only RM1 million from Japanese Compensation Fund. Unlike other financial institutions, SCC is not permitted to accept deposits from general public or any institutions. Hence, SCC has been relying on State Government to fund its operations until 2001, where funds from State Government were no longer forthcoming. Since then, SCC has been exploring different funding options and managed to secure the following funding facilities with the approval of Ministry of Finance:

Mortgage Securitisation with Cagamas 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.

As at 31 December 2007, SCC has an outstanding balance of RM155.3 million under 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.

As at 31 December 2007, SCC has an outstanding balance of RM244.8 million under this facility.

Bank Overdraft Facilities from Licensed Financial Institutions

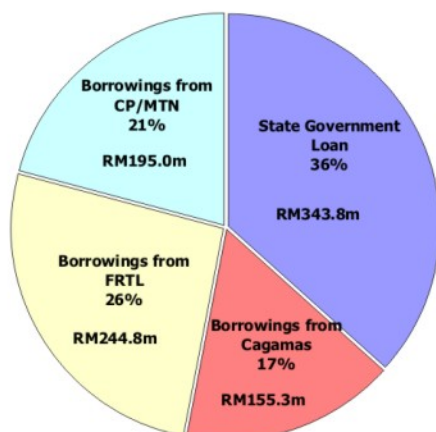
The Corporation maintains RM3.0 million and RM15.0 million standby bank overdraft facilities provided by Alliance Bank Malaysia Berhad and Malayan Banking Berhad respectively.

Commercial Paper / Medium Term Notes Programme (CP/MTN Programme or the Programme)

SCC embarked into debt capital market on September 2007 via CP/MTN programme as an alternative source of funding to its existing commercial bank borrowings. This programme allows flexibility for the organisation to issue a combination of short term and/or long term funding for better asset liability management.

The CP/MTN programme is an unsecured borrowing. The aggregate outstanding amount of the face value of the CPs and/or MTNs (collectively referred to as "Notes") issued under the Programme at any one time shall not exceed the facility limit of up to RM500.0 million.

As at 31 December 2007, SCC has an outstanding balance of RM195.0 million under this facility.



Composition of SCC's funding structure as at 31 December 2007

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.

Below is the provisioning policies of SCC:-

(i) Specific Provisions

Classification of NPLs	Months in arrears	Specific Allowance Rate
Sub-standard	3 < months in arrears < 6	Nil
Doubtful	6 ≤ months in arrears < 12	50%
Bad	≥ 12 months	100%

(ii) General Allowances for Doubtful Loans

The Corporation provides a general provision of 1% on the outstanding balance less specific allowance and interest-in-suspense.

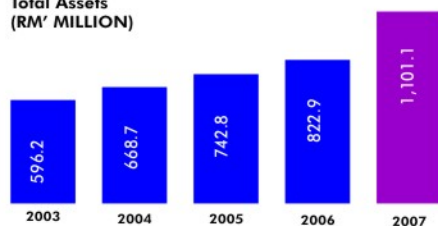
Over the years, the Management has been continually reinforcing zero NPLs and to show management commitment, they have taken the following steps to improve the NPL rates:-

- Establishment of Monitoring Unit (MU) in early-2006. The MU closely monitors no-1st payment as well as those with 1 to 3 months in arrears and matured accounts with the support from the Customer Information Centre Unit (CIC);
- Implementation of 2 months instalments deduction on loan releases;
- Newly improved front and back office support systems to enhance origination quality and productivity.
- Initiation of follow-up recovery action by Legal and Supervision Unit supported by dedicated outsource personnel.

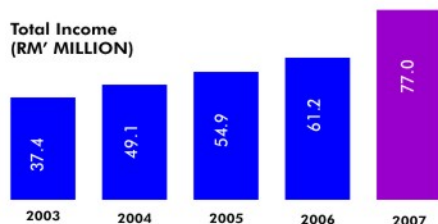
In addition to the above, an improvement and upgrade of Biro Perkhidmatan Angkasa system which facilitated efficient deduction via the inter-face online has strongly pushed down the NPLs. It was reported that the Gross NPL ratios has reduced by 4% from 13% in year 2006 to 9% in year 2007.

PERFORMANCE HIGHLIGHTS - Five Year Review

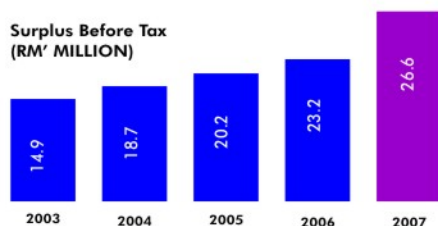
Total Assets
(RM' MILLION)



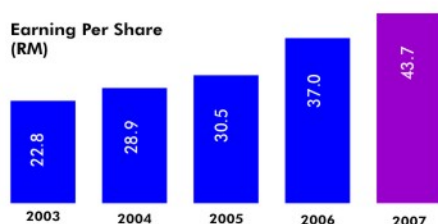
Total Income
(RM' MILLION)



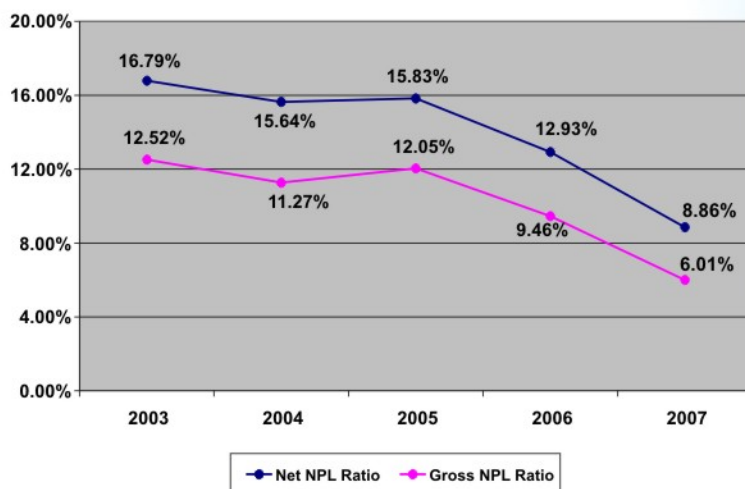
Surplus Before Tax
(RM' MILLION)



Earning Per Share
(RM)



NPL Ratio



NET NPL RATIO



GROSS NPL RATIO



Chairman Statement

Datuk Anthony Lai Vai Ming, JP

On behalf of the Members of the Corporation, I am pleased to present the 52nd Annual Report for the financial year ended 31 December 2007.

Economic Outlook

The year 2007 was a challenging year as the global market faces recession especially the US economy, due to the downturn of the US sub-prime market. Until today, the downturn of the sub-prime market continues to haunt the large reputable banks, even though aggressive measures have been taken in cutting down interest rates and pumping massive liquidity into the financial system by central banks.

On the other side, the Malaysian economy has been surprisingly resilient in facing the global slowdown. GDP growth rate was reported to be 7.3% in the 4th quarter of 2007, an increase of 1.4% from 5.9% in year 2006. Perhaps, the growth was driven by high commodity prices, strong private consumption and investment outlay, and further supported by fiscal spending. So far, the global slowdown has only a minor impact on the Malaysian economy.

Performance

During 2007, the Corporation made another significant financial achievement. The corporation registered a surplus before taxation of RM26.59 million in 2007, an increase of 14.76% over the surplus before taxation of RM23.17 million in the year 2006.

The Corporation total lending improved by 24.6% to RM977.99 million in 2007 from RM784.85 million in 2006. The lending growth was largely contributed by commitment to provide a quality and efficient services to our valued and potential customers. It is also pleasant to note that the NPL was once again on a downward trend in 2007.

I am very happy that the Corporation continued to perform well and declared a RM14.50 million cash dividend to the State Government in 2007. I hope the Corporation can continue contributing back to the State Government by way of dividend payments in the future.

Corporate Governance

The Corporation is fully committed to ensure that a high standard of corporate governance, best practices, and effective application of its principles are being practiced within the Corporation. The Members have established various Committees with defined terms of reference to discharge their duties efficiently and effectively.

Corporate Social Responsibility

Not forgetting the social roots of the Corporation's establishments, the Corporation is also committed to contribute its part in the society. In 2007, a total of RM0.73million was spent to finance the construction of hostels for the rural students, buildings for single mothers, orphanage and other minor community projects.

Appreciation

On behalf of the Members of Corporation, management and staff, I wish to take this opportunity to record my appreciation, of the support, assistance and guidance of the Ministry of Finance, Government Agencies, stakeholders and relevant authorities.

I also wish to extend my sincere thanks to the members of the corporation, management and staff for their support and hard work. Finally, I wish to thank our valued customers for their support and look forward to future successful years.

Thank you.



(DATUK ANTHONY LAI VAI MING, JP)
Chairman



Sijil Ketua Audit Negara

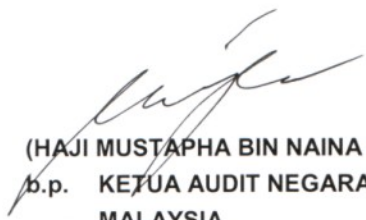


**SIJIL KETUA AUDIT NEGARA
MENGENAI PENYATA KEWANGAN
PERBADANAN PINJAMAN SABAH
BAGI TAHUN BERAKHIR 31 DISEMBER 2007**

Penyata kewangan **Perbadanan Pinjaman Sabah** bagi tahun berakhir 31 Disember 2007 telah diaudit oleh wakil saya. Pihak pengurusan bertanggungjawab terhadap penyata kewangan ini. Tanggungjawab saya adalah mengaudit dan memberi pendapat terhadap penyata kewangan tersebut.

2. Pengauditan telah dilaksanakan mengikut Akta Audit 1957 dan berpandukan piawaian pengauditan yang diluluskan. Piawaian 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.

3. Pada pendapat saya, penyata kewangan ini memberi gambaran yang benar dan saksama terhadap kedudukan kewangan **Perbadanan Pinjaman Sabah** pada 31 Disember 2007, hasil operasi serta aliran tunainya untuk tahun tersebut berdasarkan piawaian perakaunan yang diluluskan.



(HAJI MUSTAPHA BIN NAINA MARICAR)
b.p. KETUA AUDIT NEGARA
MALAYSIA

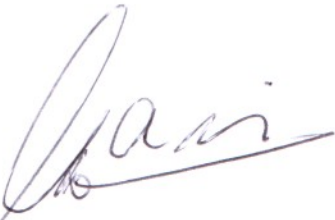
KOTA KINABALU
21 APRIL 2008



Statement By Members Of The Corporation

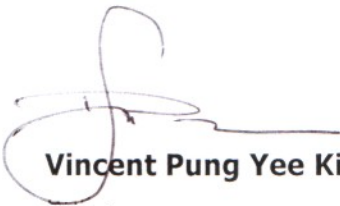
In our opinion, the financial statements set out on pages 29 to 47 are properly drawn up in accordance with the provisions of the Credit Corporation Ordinance, 1955 as amended and generally accepted accounting principles in Malaysia so as to give a true and fair view of the state of affairs of the Corporation as at 31 December 2007 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, JP

Chairman



Vincent Pung Yee Kiong

Member

Date: 19 FEB 2008

Statutory Declaration

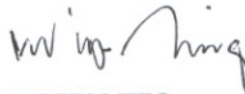
I, **NEEZM TEO**, being the officer primarily responsible for the financial management of **SABAH CREDIT CORPORATION**, do solemnly and sincerely declare that the financial statements set out on pages 29 to 47 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously 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 19 FEB 2008



NEEZM TEO

Before me:

Alamat tempat penempatan

Damai Plaza III,
3rd Floor, Lot C11,
Jalan Damai,
88300 Kota Kinabalu.



Balance Sheet As At 31 December 2007

	Note	2007 RM	2006 RM
ASSETS			
Cash and bank balance		2,172,233	5,820,238
Investments	5	2,901,235	652,871
Deposits	6	82,408,680	1,178,500
Loans, advances and financing	7	977,993,745	784,855,703
Current tax assets		728,619	728,619
Other receivables	8	4,580,869	987,481
Property, plant and equipment	9	30,324,382	28,627,538
TOTAL ASSETS		1,101,109,763	822,850,950
LIABILITIES AND SHAREHOLDERS' EQUITY			
Borrowings	10	938,916,514	681,951,264
Other payables and accruals	11	36,503,914	23,578,788
Current tax liabilities		1,971,973	1,276,574
TOTAL LIABILITIES		977,392,401	706,806,626
Share capital	12	45,000,000	45,000,000
Non-distributable reserves	13	33,421	-
Accumulated funds	14	78,683,941	71,044,324
SHAREHOLDERS' EQUITY		123,717,362	116,044,324
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,101,109,763	822,850,950

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)



Income Statement For The Year Ended 31 December 2007

	Note	2007 RM	2006 RM
Interest income	15	77,011,128	61,236,607
Interest expense	16	(27,414,916)	(20,617,117)
NET INTEREST INCOME		49,596,212	40,619,490
Non-interest income	17	1,872,288	2,744,018
Non-interest expense	18	(7,314,261)	(3,306,351)
NET INCOME		44,154,239	40,057,157
Operating expenses	19	(17,554,495)	(16,884,757)
SURPLUS BEFORE TAX		26,599,744	23,172,400
Tax expense	20	(8,341,706)	(7,267,027)
NET SURPLUS FOR THE YEAR		18,258,038	15,905,373

Statement Of Changes In Equity For The Year Ended 31 December 2007

	Share Capital RM	Non-distributable Reserves RM	Accumulated Funds RM	Total RM
AT 1 JANUARY 2006	45,000,000	-	58,378,951	103,378,951
Net surplus for the year	-	-	15,905,373	15,905,373
Dividend (Note 21)	-	-	(3,240,000)	(3,240,000)
AT 31 DECEMBER 2006	45,000,000	-	71,044,324	116,044,324
AT 1 JANUARY 2007	45,000,000	-	71,044,324	116,044,324
Net surplus for the year	-	-	18,258,038	18,258,038
Transfer within reserves	-	33,421	(33,421)	-
Dividend (Note 21)	-	-	(10,585,000)	(10,585,000)
AT 31 DECEMBER 2007	45,000,000	33,421	78,683,941	123,717,362

The accompanying notes form an integral part of the financial statements

Sabah Credit Corporation

(Incorporated under Credit Corporation Ordinance, as amended)



Cash Flow Statement For The Year Ended 31 December 2007

	2007 RM	2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus before tax	26,599,744	23,172,400
<i>Adjustments for: -</i>		
Amortisation of CP/MTN expenses	381,425	237,871
Depreciation of property, plant and equipment	1,368,703	1,414,000
Allowance for bad and doubtful loans and financing	7,247,136	3,306,351
Write back of allowance for diminution in value of investment securities	(182,405)	(82,398)
Bad loans and financing written off	(6,057,273)	(1,741,419)
Net interest income suspended	5,183,631	434,826
Net gain on disposal of property, plant and equipment	(29,505)	(875,213)
Net loss/(gain) on disposal of foreclosed properties	6,500	(310,861)
Net gain on redemption of investment securities	-	(61,327)
Gross dividend income	(57,249)	(40,598)
Operating Surplus Before Working Capital Changes	34,460,707	25,453,632
<i>(Increase)/decrease in operating assets/liabilities:-</i>		
Loans, advances and financing	(199,511,536)	(102,103,386)
Other receivables	(3,981,813)	8,813
Other payables and accruals	5,580,126	(1,581,924)
Cash Used In Operating Activities	(163,452,516)	(78,222,865)
Tax paid	(7,646,307)	(6,916,777)
Net Cash Used In Operating Activities	(171,098,823)	(85,139,642)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,074,626)	(2,702,390)
Investment in trust funds	(2,065,959)	-
Proceeds from disposal of property, plant and equipment	38,584	1,055,831
Proceeds from disposal of foreclosed properties	500	3,328,000
Proceeds from redemption of investment securities	-	1,929,557
Dividends received from investment securities	57,249	38,873
Net Cash Generated From/(Used In) Investing Activities	(5,044,252)	3,649,871
CASH FLOWS FROM FINANCING ACTIVITIES		
Net issuance/(repayment) of loan and financing	259,568,427	70,541,161
Dividends paid	(3,240,000)	(2,880,000)
Net Cash Generated From Financing Activities	256,328,427	67,661,161

The accompanying notes form an integral part of the financial statements

Cash Flow Statement For The Year Ended 31 December 2007 (Continued)

	2007 RM	2006 RM
Changes in cash and cash equivalents	80,185,352	(13,828,610)
Cash and cash equivalents at beginning of the year	4,354,207	18,182,817
Cash And Cash Equivalents At End Of The Year	84,539,559	4,354,207

Cash and cash equivalents consist of the followings: -

	2007 RM	2006 RM
Cash and bank balances	2,172,233	5,820,238
Bank overdraft	(41,354)	(2,644,531)
Deposits	82,408,680	1,178,500
	84,539,559	4,354,207

Notes To The Financial Statements For The Year Ended 31 December 2007

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, 1981.

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 Donggongan 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.

- **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 Loan Application Appraisal Committee to analyse loan application for Board members' approval.

Notes To The Financial Statements For The Year Ended 31 December 2007

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

- **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.

On derecognition or disposal of an investment the difference between net disposal proceeds, if any, and its carrying amount is charged or credited to the income statements.

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.

Notes To The Financial Statements For The Year Ended 31 December 2007

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) 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%

d) 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.

e) 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.

f) Income tax

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

Notes To The Financial Statements For The Year Ended 31 December 2007

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Income tax (Continued)

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.

g) Cash and cash equivalents

The Corporation reports the cash flows from operating activities using indirect method.

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

h) 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 value 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.

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.

Notes To The Financial Statements For The Year Ended 31 December 2007

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) 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

	2007 RM	2006 RM
Investment quoted within Malaysia	4,455,959	2,390,000
Less: Allowance for diminution in value of investment securities	(1,554,724)	(1,737,129)
Total investments	<u>2,901,235</u>	<u>652,871</u>
Market value of quoted investments	<u>2,901,235</u>	<u>652,871</u>

6. DEPOSITS

	2007 RM	2006 RM
Fixed Deposits, Licensed Banks	61,401,535	1,178,500
Short term deposits, Licensed Financial institution	21,007,145	652,871
	<u>82,408,680</u>	<u>1,178,500</u>

Notes To The Financial Statements For The Year Ended 31 December 2007

7. LOANS, ADVANCES AND FINANCING

	2007 RM	2006 RM
Housing and project loans	935,219,647	729,688,389
Hire-purchase loans	60,146,693	73,433,918
Other loans	41,299,713	44,399,471
Gross loans, advances and financing	1,036,666,053	847,521,778
Less: Allowance for bad and doubtful loans and financing		
- specific	(30,890,996)	(31,652,021)
- general	(9,878,725)	(7,927,836)
Interest/income-in-suspense	(17,902,587)	(23,086,218)
Net loans, advances and financing	977,993,745	784,855,703

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

	2007 RM	2006 RM
Government staff housing loans	150,157,429	166,922,072
Federal staff housing loans	1,440,885	1,748,362
Urban housing loans	38,035,848	34,886,135
Rural housing loans	289,201	506,603
Industrial, animal husbandry and agriculture	57,345,184	71,478,640
Refinancing loans	18,609,095	18,920,839
Executive loans	649,378,814	419,344,861
Staff loans	2,580,856	1,779,656
Community loans	915,170	1,220,070
Mortgage loans	16,339,717	12,725,903
Organic farming loans	127,448	155,248
	935,219,647	729,688,389

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

Notes To The Financial Statements For The Year Ended 31 December 2007

7. LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	2007 RM	2006 RM
Specific allowance		
At 1 January	31,652,021	31,114,563
Allowance made during the year	11,191,529	9,579,915
Amount written back in respect of recoveries	(5,895,281)	(7,301,038)
Amount written off	(6,057,273)	(1,741,419)
At 31 December	30,890,996	31,652,021
General allowance		
At 1 January	7,927,836	6,900,363
Allowance made during the year	1,950,889	1,027,473
At 31 December	9,878,725	7,927,836
At % of gross loans, advances and financing less specific allowance and interest-in-suspense	1%	1%
Interest/income-in-suspense		
At 1 January	23,086,218	23,521,044
Interest/income suspended during the year	6,379,447	6,934,073
Amount written back in respect of recoveries	(5,343,139)	(5,783,690)
Amount written off	(6,219,939)	(1,585,209)
At 31 December	17,902,587	23,086,218

8. OTHER RECEIVABLES

	2007 RM	2006 RM
Other receivables, deposits and prepayments	3,954,432	422,044
Foreclosed properties	626,437	565,437
	4,580,869	987,481

Included in the other receivables, deposits and prepayments is deferred bond issue cost of RM646,954.

Notes To The Financial Statements For The Year Ended 31 December 2007

9. PROPERTY, PLANT AND EQUIPMENT

2007	Capital work-in-progress RM	Leasehold land RM	Buildings RM	Office renovation RM	Office furnitures & equipment RM	Motor vehicle RM	Computer equipment RM	Total RM
Cost								
At 1 January	-	10,021,000	19,246,620	2,215,533	2,466,116	3,444,357	2,489,225	39,882,851
Additions	916,008	470,400	1,119,299	11,552	100,920	550	455,897	3,074,626
Disposal	-	-	-	-	(61,326)	(111,403)	(152,292)	(325,021)
At 31 December	916,008	10,491,400	20,365,919	2,227,085	2,505,710	3,333,504	2,792,830	42,632,456
Accumulated Depreciation								
At 1 January	-	431,943	2,956,917	1,368,309	2,003,527	2,731,215	1,763,402	11,255,313
Charge for the year	-	142,894	402,654	121,776	167,002	293,553	240,824	1,368,703
Disposal	-	-	-	-	(60,993)	(111,401)	(143,548)	(315,942)
At 31 December	-	574,837	3,359,571	1,490,085	2,109,536	2,913,367	1,860,678	12,308,074
Net Book Value								
At 31 December 2007	916,008	9,916,563	17,006,348	737,000	396,174	420,137	932,152	30,324,382
At 31 December 2006	-	9,589,057	16,289,703	847,224	462,589	713,142	725,823	28,627,538
Depreciation charge for year 2006	-	149,496	421,796	122,267	186,818	281,445	252,178	1,414,000

Notes To The Financial Statements For The Year Ended 31 December 2007

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	2007 RM	2006 RM
Long term leasehold land	9,888,269	9,559,600
Short term leasehold land	28,294	29,457
	<u>9,916,563</u>	<u>9,589,057</u>

The land titles for leasehold land and buildings amounted to RM 1,270,780 (2006 : RM 1,270,780) are yet to be registered under the name of the Corporation.

The cost of fully depreciated assets which are still in use amounting to RM 6,152,879.

The entire assets have been pledged to banks for credit facilities granted to the Corporation.

10. BORROWINGS

	2007 RM	2006 RM
Secured,		
Borrowings from Cagamas Berhad through financial intermediaries	155,293,479	168,104,693
Borrowings from licensed banks	244,821,889	167,442,248
Bank overdraft	41,354	2,644,531
	<u>400,156,722</u>	<u>338,191,472</u>
Unsecured,		
Borrowings from Sabah State Government	343,759,792	343,759,792
Commercial Papers	85,000,000	-
Medium term Notes	110,000,000	-
	<u>538,759,792</u>	<u>343,759,792</u>
Total borrowings	<u>938,916,514</u>	<u>681,951,264</u>

Cagamas Berhad

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 RM 155,293,479 (2006 : RM 168,104,693) with interest-bearing ranges between 4.75% to 6.00% (2006 : 4.00% to 6.00%) per annum.

Licensed Bank

Borrowings from licensed banks are secured by partial Executive loans amounting RM 355,499,986 (2006 : RM 247,984,358) and first legal charge over a land and building at net carrying value of RM 16,957,902 (2006 : RM 17,262,079) with interest-bearing ranges between 4.69% to 6.37% (2006 : 4.69% to 6.37%) per annum.

Bank overdraft facility is held on negative pledge over all the assets of the Corporation at an interest rate of 7.75% (2006 : 7.75%) per annum.

Notes To The Financial Statements For The Year Ended 31 December 2007

10. BORROWINGS (CONTINUED)

Commercial Papers

No	Issue date	Maturity date	Tenure	Interest rate (per annum)	Nominal amount
					RM
1	7 September 2007	7 March 2008	6 months	4.35%	20,000,000
2	7 November 2007	7 August 2008	9 months	4.30%	30,000,000
3	14 December 2007	12 September 2008	9 months	4.32%	35,000,000

Medium term Notes

No	Issue date	Maturity date	Tenure	Issue Price	Rate (per annum)		Nominal amount
					Coupon	Yield	RM
1	7 September 2007	7 September 2010	36 Months	99.059	6.10%	6.45%	30,000,000
2	7 November 2007	5 November 2010	36 Months	99.140	6.10%	6.42%	30,000,000
3	14 December 2007	14 December 2009	24 Months	99.150	6.00%	6.46%	50,000,000

Borrowings from Sabah State Government are repayable as follows:-

	Interest-free RM	Interest-bearing RM	Total RM
2007			
Repayable within one year	-	143,200,743	143,200,743
One to five years	-	8,709,533	8,709,533
Over five years	1,000,000	190,849,516	191,849,516
Total	1,000,000	342,759,792	343,759,792

	Interest-free RM	Interest-bearing RM	Total RM
2006			
Repayable within one year	-	138,784,363	138,784,363
One to five years	-	11,870,964	11,870,964
Over five years	1,000,000	192,104,465	193,104,465
Total	1,000,000	342,759,792	343,759,792

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 (2006 : 0% to 7% per annum).

Notes To The Financial Statements For The Year Ended 31 December 2007

11. OTHER PAYABLES AND ACCRUALS

	2007 RM	2006 RM
Interest payable	21,123,139	16,881,899
Other payables and accruals	4,795,775	3,456,889
Dividend payable	10,585,000	3,240,000
	<u>36,503,914</u>	<u>23,578,788</u>

Included in other payables and accruals is provision for legal claim amounting to RM621,985.

12. SHARE CAPITAL

	2007 RM	2006 RM
Ordinary shares of RM1 each <i>Authorised</i>	<u>50,000,000</u>	<u>50,000,000</u>
<i>Issued and fully paid</i> At 1 January/31 December	<u>45,000,000</u>	<u>45,000,000</u>

13. NON - DISTRIBUTABLE RESERVES

The non-distributable reserve arising from net dividend on trust fund investment in Amanah Raya Berhad. The reserve is to be utilised solely to meet medical expenditures for retired staff subject to the approved terms.

14. 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 income 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 2007.

15. INTEREST INCOME

	2007 RM	2006 RM
Loans, advances and financing	76,645,556	61,052,260
Interest received from deposits	365,572	184,347
	<u>77,011,128</u>	<u>61,236,607</u>

Notes To The Financial Statements For The Year Ended 31 December 2007

16. INTEREST EXPENSE	2007 RM	2006 RM
Borrowings from Sabah State Government	4,241,240	4,524,008
Borrowings from Cagamas Berhad through financial intermediaries	8,525,481	8,861,901
Borrowings from licensed bank	13,906,819	7,148,853
Bank overdraft	146,129	82,355
Borrowings from Commercial Paper/ Medium Term Notes	595,247	-
	<u>27,414,916</u>	<u>20,617,117</u>
17. NON-INTEREST INCOME	2007 RM	2006 RM
Administrative fee	73,731	69,825
Dividend income from investment securities	57,249	40,598
Allowance interest fund for diminution in value of investment securities written back	182,405	82,398
Insurance commission	718,531	604,836
Other income	133	727
Rental income	194,360	222,900
Gain on disposal of property, plant and equipment	29,505	875,213
Gain on disposal of foreclosed properties	-	310,861
Gain on redemption of investment securities	-	61,327
Processing fee	96,132	122,920
Documentation and registration fee	520,242	352,413
	<u>1,872,288</u>	<u>2,744,018</u>
18. NON-INTEREST EXPENSE	2007 RM	2006 RM
Allowance for bad and doubtful loans and financing	7,247,136	3,306,351
Loss on disposal of foreclosed properties	6,500	-
Provision for legal claim	60,625	-
	<u>7,314,261</u>	<u>3,306,351</u>

Notes To The Financial Statements For The Year Ended 31 December 2007

19. OPERATING EXPENSES	2007 RM	2006 RM
Advertisement	50,523	57,135
Amortisation for Commercial Paper/Medium Term Notes		
Programme expenses	381,425	237,871
Accounting fees	16,558	11,252
Audit remuneration	30,000	26,620
Bank charges	14,433	10,288
Boards members expenses	312,215	218,584
Computer expenses	327,703	280,748
Computer software	194,270	-
Corporation members allowance	38,400	36,020
Depreciation	1,368,703	1,414,000
Employees' Provident Fund	265,343	267,054
Entertainment	47,973	50,957
General expenses	171,377	178,923
Government Training Programme	3,500	-
Legal fees	39,937	82,073
Management fees - ANGKASA	1,074,072	1,035,402
Motor vehicle expenses	418,684	439,365
Outsource expenses	129,930	12,000
Pension contributions	706,624	631,697
Postage, telephone and telex	314,758	339,454
Printing and stationeries	414,230	330,651
Rental of premises	31,133	30,533
Salary, bonus and allowances	8,173,300	7,993,676
Amanah Raya Service fee	23,828	-
Social community services expenses	740,107	1,000,000
Staff insurance expenses	84,861	73,438
Staff medical expenses	152,834	272,979
Staff training expenses	339,472	243,103
Staff traveling expenses	308,551	227,050
Staff welfare expenses	459,351	499,283
Trainee allowances	108,414	116,138
Upkeep of office	538,804	511,258
Water and electricity	273,182	257,205
	<u>17,554,495</u>	<u>16,884,757</u>

Notes To The Financial Statements For The Year Ended 31 December 2007

20. TAX EXPENSE

	2007 RM	2006 RM
Current tax expense	8,388,636	7,236,625
Over-provision of tax for year assessment 2006/2005	(46,930)	(26,798)
Real property gain tax on disposal of foreclosed properties	-	57,200
	<u>8,341,706</u>	<u>7,267,027</u>

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:-

	2007 RM	2006 RM
Surplus before tax	26,599,744	23,172,400
Income tax using tax rate of 27%/28%	7,181,931	6,488,272
Income not subject to tax	(49,249)	(294,945)
Non-deductible expenses	760,002	1,301,858
Tax incentives	26,012	(20,900)
Taxes in respect of prior years	(46,930)	(26,798)
Capital allowances utilised during the year	-	(237,660)
Unrecognised deferred tax assets	469,940	-
Real property gain tax	-	57,200
Current year tax expense	<u>8,341,706</u>	<u>7,267,027</u>

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

	2007 RM	2006 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	(2,568,468)	(2,140,516)
Timing differences arising from property, plant and equipment	243,557	149,922
At 31 December	<u>2,324,911</u>	<u>(1,990,594)</u>

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.

Notes To The Financial Statements For The Year Ended 31 December 2007

21. DIVIDEND	2007 RM	2006 RM
<i>Paid,</i>		
Gross final dividend of 10.000 cents (2006 : 8.889 cents) less 27% tax	3,240,000	2,880,000
Gross <i>Approved</i> , interim dividend of 22.22 cents less tax in respect of 2007.	7,300,000	-
Gross Final dividend of 10.00 cents less tax in respect of 2007 and 2006 respectively.	3,285,000	3,240,000
	<u>10,585,000</u>	<u>3,240,000</u>

22. CAPITAL COMMITMENT	2007 RM	2006 RM
<i>Property, plant & equipment</i>		
Authorised but not contracted for	5,420,000	6,550,000
Contracted but not provided for	<u>2,461,757</u>	<u>-</u>

23. 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 MASB 24 to disclose its fair value.

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

24. EMPLOYEES INFORMATION	2007 RM	2006 RM
Staff costs	10,490,336	10,208,280
Number of employees at year end (excluding Members of the Corporation)	<u>210</u>	<u>208</u>

25. 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.



WISMA PERBADANAN PINJAMAN SABAH

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A STATUTORY BODY PROVIDING HOUSING, AGRICULTURE AND PROJECT FINANCING