

## 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 The Ordinance was later repealed and replaced by the Credit Corporation Enactment No. 22 of 1981, which re-enacts the law relating to the establishment of Sabah Credit Corporation.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.

## 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 money lenders.
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 STYLED 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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## « CHAIRMAN STATEMENT »

On behalf of the Members of the Corporation, I am delighted to present the 53<sup>rd</sup> annual report for the financial year ended 31 December 2008. I am appointed as Chairman for SCC in August 2008 and for the past 5 months, I am very proud and full of excitement to continue my journey with this Corporation after seeing the commitment both from the management and the staffs in terms of togetherness and harmonization in their working environment. In 2008, I also had the opportunity to visit some of the district client centres and officiated several community projects implemented and completed by the Corporation.

### Economic Outlook

The year 2008 was a challenging year as the global market continues to face recession, especially the USA's economy, due to the downturn of its sub-prime market, although aggressive measures have been taken, such as cutting down the interest rates and pumping massive liquidity into the financial system by central banks and other active measures taken by the respective governments, the downturn of the sub-prime market continues to haunt the large reputable banks.

### Performance

The Corporation continues with its excellent performance in the year 2008. It is another historical record breaking achievement. For the financial year ended 31 December 2008, the Corporation reported a surplus before tax of RM37.8 million, an increase of 42% over the surplus before tax of RM26.7 million in the year 2007.

The core business of the Corporation has also shown a remarkable improvement. The total lending of the Corporation improved by 21% from RM978.0 million in the year 2007 to RM1,178.9 million in the year 2008. This growth reflected the commitment of the Corporation in its continuous drive to enhance its delivery system providing quality and efficient services as well as the growing confidence of our stakeholders to the Corporation drives in pursuit of credibility. It is also pleasant to note that the NPL continues on a downward trend in the year 2008 despite the robust growth in loan.

With this achievement, the Corporation declared a gross dividend of RM16.7 million to the State Government in 2008. The Corporation will continue its contribution back to the State Government by way of dividend payments.

### Corporate Governance

The Corporation is fully committed to a high standard of corporate governance, best practices, and effective application of its principles. Various sub committees on the Members level have been set up with defined terms of reference for each respective sub committee to discharge their duties and responsibilities efficiently and effectively.

### Corporate Social Responsibility

The Corporation continues to give prominence to its Corporate Social Responsibility program. This program was initiated in the year 2005 with the objectives to compliment the State Government efforts in poverty eradication and providing equal opportunities to those in needs. This program is implemented in such a way that it provides a maximum value and impact to the Corporation's contributions and the beneficiaries respectively. The target groups are the children, women and the handicaps both in the urban and rural areas. Thousands have benefited from this program since inception through the construction of various facilities at various districts in Sabah.

In 2008, a total of RM1.2 million was spent to finance the construction of hostels for the rural students, buildings for single mothers, orphanage and other minor community projects.

### Appreciation

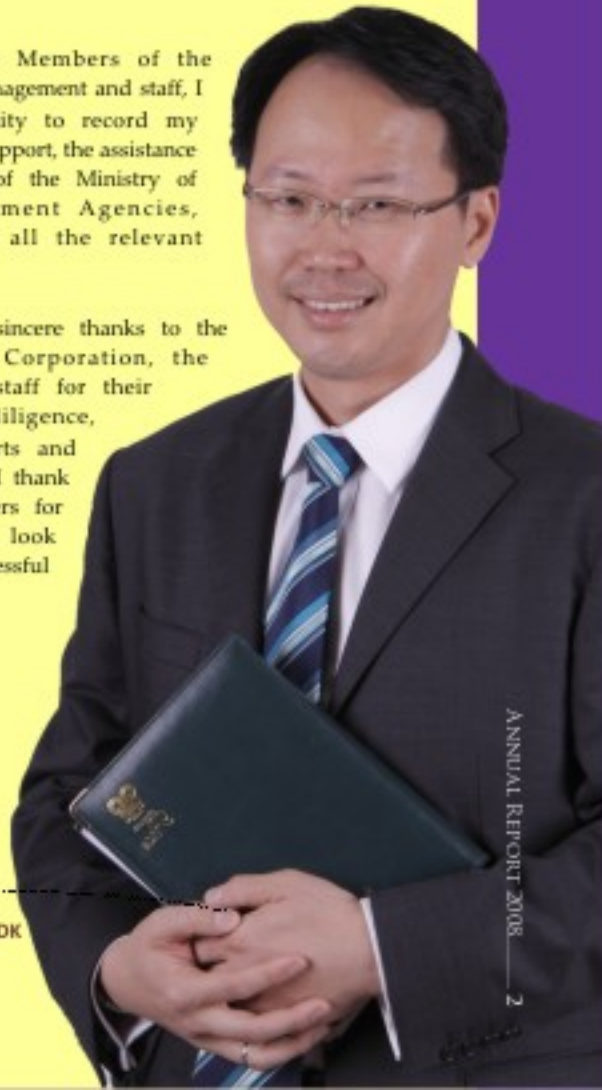
On behalf of the Members of the Corporation, the Management and staff, I take this opportunity to record my appreciation of the support, the assistance and the guidance of the Ministry of Finance, Government Agencies, stakeholders and all the relevant authorities.

I also extend my sincere thanks to the Members of the Corporation, the Management and staff for their professionalism, diligence, unwavering supports and hard work. Finally, I thank our valued customers for their support and look forward to more successful years to come.

Thank you.



YB Teo Chee Kang, JP, ADK  
Chairman





## « REMARKS FROM GENERAL MANAGER »

We ended the year 2007 with strong momentum in business opportunities that gave a good start to the year 2008 and subsequently led to a remarkable performance for the year. I am delighted that the Corporation has again delivered another surplus record for the year 2008 despite the current financial market turbulence and uncertainties in the financial services industry.

### **Business Opportunities**

"We know our niche market and we are committed on it"

The Corporation will continue to focus on the public service market. There are still huge potentials in this market sector. Currently, SCC captures approximately 26% of the public service sector for those serving in the State of Sabah.

Acknowledging the great prospects of this market sector, the Management has, in the month of May 2008, introduced a longer tenure of loan repayment as a means to ease economic tensions by encouraging public lending. This coincided with government policies introduced later in the year.

As at 31 Dec 2008, our total lending increased by 21% to RM1,178.90 million in year 2008 as compared RM977.99 million in year 2007.

### **Business Approach**

"Transforming the legacy of public services delivery to raise the bar of quality services delivery"

Being incorporated as a State Government agency, the services offered by the Corporation are often perceived as synonymous to that of the public sector. Hence, it is our greatest desire to move the Corporation away from this perception and to make it a self-sustainable State agency that offers better quality services for its continual survival in the competitive financial services industry. The Management has adopted the following steps to raise the bar of its quality services:-

- The Corporation believes that a quality organisation starts with quality workforce. Thus, great efforts have been taken to further boost the quality of the Corporation's human resources by devising various training programs for personal and leadership development.
- Enhancing the corporate image of the Corporation by way of renovating the offices of the Corporation giving a friendlier yet professional ambience as well as cozy environment to our clients and a much healthier and conducive working environment to the staffs.
- Bringing the Corporation services to the doorsteps of the clients by setting up client centres at strategic locations for better and easier access to the Corporation services.

### **Corporate Social Responsibility Program**

The success story of SCC would never be complete without its contribution to the community it serves. Throughout the year, we have conducted opening ceremonies of various projects such as construction of facilities and contributions in the form of equipments and cash to those who most need it.

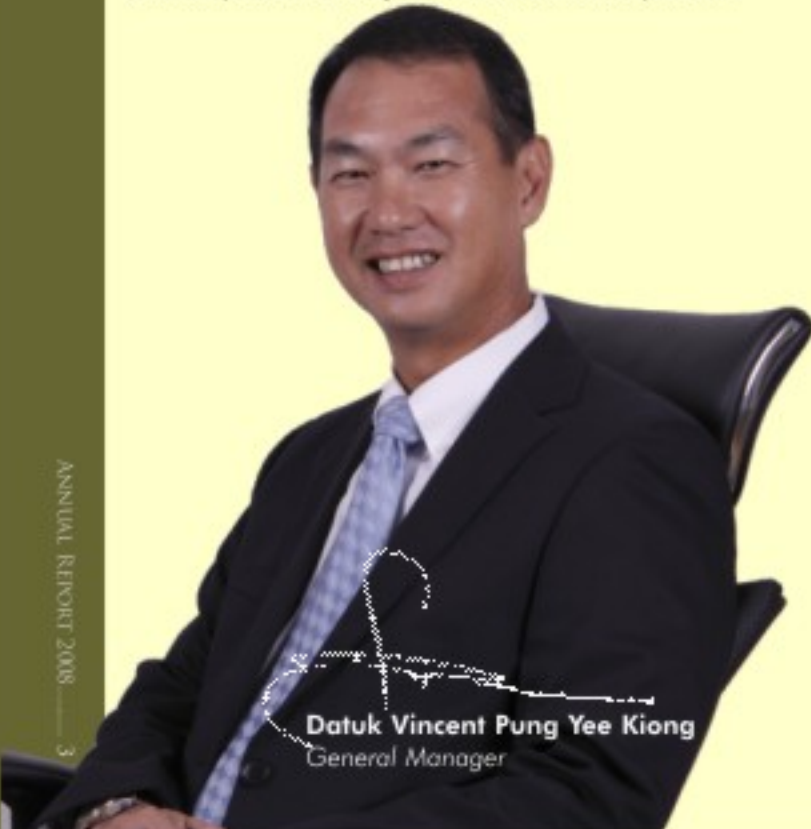
### **Looking forward**

The Corporation is very much aware of the global impact of the financial crisis. We do not expect to be immune to this ongoing threat. However, we believe that our professional and disciplined approach to running the Corporation, focusing on our strategic priorities and strengths, has put us in good stead to ride along the crest of this global tsunami.

We started 2009 with confidence but not complacency. It is definitely going to be an exciting year with new opportunities emerging along side new challenges. We look forward to that.

### **Appreciation**

I take this opportunity to thank all our loyal customers, stakeholders for their continuous support and the Corporation's staffs for executing their roles and responsibilities with diligence and excellence in contributing to the success story of SCC in year 2008.



**Datuk Vincent Pung Yee Kiong**  
General Manager

# IN PURSUIT OF QUALITY SERVICES



Sabah Credit Corporation has been striving to provide clients with the best and highest quality service. Throughout the 2008, major office renovations have been ongoing as a preparation to cater for new and improved computer systems in order to provide clients with first-class quality services. With the new IT system in place, it is expected that all loan processing, approval and updates for the clients such as statements of accounts, refund claims, outstanding balance requests and so forth would be performed in one floor only. This latest technological development is actually only one of many initiatives taken by Management in its pursuit of quality services.

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

## **Continuous Service Throughout Lunch Hours**

This allows SCC to continue serving busy customers who may only have the opportunity of lunch breaks to conduct their personal business. Operating through lunchtime hours 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 purposes 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 main objective is to enable customers to be entertained at only one location instead of having to move up and down the premises. 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.



## IN PURSUIT OF QUALITY SERVICES



### Upgrade of SCC's Web Site

In 2008, SCC had further improved its web site with an intention to create an avenue for the potential borrower and existing borrower to check the loan entitlement, balance, and loan exposures. This can further speed up the interviewing process at loan origination stage since the loan applicants have already checked their own entitlements prior to submission of loan forms. Besides that, existing borrowers also can check their updated balance on the web site. These new upgrades can be regarded as "After Sales Service", as borrowers need not visit any of SCC's client centres just to know the current balance of their loans.

### "Hari Bersama Pelanggan"

"Hari Bersama Pelanggan" is a forum whereby the management representatives are able meet customers to discuss problems faced besides furnishing them with any new updates on the existing policies. Suggestions and feedback from customers are most welcomed for continuous improvements, especially in the field of customer service. In addition, this can

also open a door of opportunity for SCC, which can be used to boost up marketing efforts other than concentrating on creating good rapport with existing customers.

### Alamesra as a District Client Centre

Opening of a Client Centre in Alamesra is another move for SCC to improve its service to customers. Management considers the opening of a new client centre in Alamesra as a means to attract and cater for potential borrowers in the Federal Government Sector, whose main offices in Kota Kinabalu is just a stone's throw away from Alamesra. Apart from that, the location the new client centre is seen as catering for borrowers who reside or work around the surrounding areas of the state capital such as Tuaran, Mengatal, Telipok and Sepanggar to name a few.



# « ENHANCEMENT IN INFORMATION COMMUNICATION AND TECHNOLOGY (ICT) »

In August 2008, SCC has introduced two additional pages to facilitate customer needs;

## a) Calculating potential customer eligibility for Executive Loan.

Through this page customer only need to enter their gross salary and net income. In order to get the definite amount of eligibility they need to enter the number of repayment year and amount of loan. The system will automated the result of amount the customer eligible to loan.

The screenshot shows a web browser window with the URL [http://client.sabahcredit.com.my/init\\_calcs/calculate](http://client.sabahcredit.com.my/init_calcs/calculate). The page title is "Calculate Your Eligibility for Executive Loan". Below the title, it says "STEP 1: Enter Loan Calculation Requirement Details". The form includes the following fields:

- Date of Birth: 21 April 1975 (Age: 34 years)
- Borrower is a: All Sabah State Government (50%)
- Loan Type: Executive Loan (Retired age 55) (Note: <= Min. RM 500 or 50.0% Salary not for loan use)
- Gross Salary (RM): 0.0 (Reset Amount button)
- Stated Net Income: 0.0 - Undeclared Deductions: 0.0 = Actual Net Income: 0.0
- Continue (All Details Above are Correct) button
- Date of Application: 21 April 2009

## b) Executive Repayment Table.

This table is the complete table for 10 years repayment and the maximum loan of RM100,000.00. This is to assist the customer to refer their amount loan their wish to apply.

The new additional page has brought improvement in serving the customer via webpage, whereby they can estimate their eligibility before submit their application form.

The screenshot shows a web browser window with the URL [http://www.sabahcredit.com.my/02\\_payment\\_table.html](http://www.sabahcredit.com.my/02_payment_table.html). The page title is "Executive Repayment Table". It displays a large table with columns for "REPAYMENT" (12, 18, 24, 30, 36, 42, 48, 54, 60, 66, 72, 78, 84, 90, 96, 102, 108, 114, 120) and "EXECUTIVE LOAN" (10,000, 20,000, 30,000, 40,000, 50,000, 60,000, 70,000, 80,000, 90,000, 100,000). The table contains numerical values representing repayment amounts for each combination of loan amount and repayment period.



## « HUMAN RESOURCE AS VALUABLE ASSETS »



Employees are the first and foremost priority for consideration in every brave new move that Sabah Credit Corporation (SCC) makes. SCC will never let its workforce lag behind in terms of quality service, standards, sense of urgency, leadership and the like, as these are the virtues that is required along the pathway of business success. Thus, SCC has been taking all the necessary steps to sustain and improve its human resources to reach for the highest standards, as there are more challenges to be faced along the road. Examples of such steps are regular brainstorming sessions, monthly talks by the General Manager and many other initiatives.

SENSE OF URGENCY is seen to be the most important factor and needs to be improved right at the inception stage, that is in the employees' attitudes towards competing in the current challenging business environment. Towards this goal, SCC's Management team has been working extra hard and taking the necessary steps to reduce procrastination among its employees. Fearing the adverse effects of a lackadaisical sense of urgency to the Corporation, Management had introduced a "Towards 24 Hours Service" campaign, which is not only confined to the staff but also to the Management team itself. The main tenet of this campaign is that every task must be done or communicated within 24 hours.

Staffs are expected to be an expert in whatever their job is. Each staff needs to "sharpen their own knives" or in other words, self-

develop by updating their skills continuously and perform without or with minimum motivational injections from the Management. Apart from being able to do their jobs, staffs are also expected to be in total control and to be able to see the big picture with regards to the direction that SCC is heading for. They must know what is actually meant by **QUALITY** and **STANDARD** in SCC's context. In this sense, Management considers extra training on the current skills that employees already possesses to be unnecessary but is much more keen for employees to garner skills and knowledge that they do not currently have. This approach will assist staffs to perform multitasking duties, which is in line with SCC's strategy to be a dynamic and flexible organisation - an additional 'bullet' to propel SCC further forward.

Being a "learning organisation", LEADERSHIP skills does not only apply to the top management and managers. It is paramount that this characteristic is inculcated in every staff of SCC. Staffs are expected to act as leaders in a





## HUMAN RESOURCE AS VALUABLE ASSETS



sense that, not only in terms of decision-making that protects SCC's interest per se but can also be a beacon for other employees to follow (Leadership by Example). In 2008, the theme for SCC's annual brainstorming was "Nurturing Future Leaders" with an objective to develop future leaders among its rank and file, specifically the younger generation. This is a form of succession planning done at the earliest of stages.

### Skill and Knowledge Development:

Staffs are continuously been injected with a new skills and knowledge in order that they can be on top of every thing that they are doing, not necessarily restricted to their current assignments but also in a different fields of job. This will enable SCC to become a very dynamic organisation since its human resources are able to adapt to any multitasking necessity.

### Performance-Based Evaluation:

Each and every staff in SCC is evaluated monthly based on predetermined performance criteria. The first stage of evaluation is done by self-assessment by the staff themselves. The next stage is evaluation by their heads of section before the final markings by the Deputy General Managers and the General Manager. This evaluation is an important tool for the management in order to

monitor the employees' progress and to focus attention to and 'tune-up' those who performed below the tolerance level.

### Staff Welfare:

SCC has continuously maintained and emphasised on the importance of health among its staff. SCC considers the health of its employees as an important factor in its efforts to forge ahead. Management believes that health problems will have a direct effect on staffs' performance. Thus, 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 had made a proactive move to construct a new gymnasium especially for the staff with an objective to encourage them to exercise regularly. This good intention is reciprocated by a good turnout of staff at the gymnasium after office hours.

Employees also enjoy a Surgical & Hospitalisation insurance protection as well as a Personal Accident insurance cover, which are renewed annually by the Corporation. The Corporation sees its workforce as 'family' and endeavours to shield the staffs' family members as much as possible in the event of any tragedy.



## HUMAN RESOURCE AS VALUABLE ASSETS



### Staff Recognition:

SCC continues to appreciate the contributions of employees via its monthly General Manager Appreciation Awards and Long Service Awards as forms of motivation. 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. Motivation levels go up and down throughout the year. Hence, immediate appreciation is vital to maintain positive performances or contributions.

The General Manager Appreciation Awards has so far been granted to a total of 61 staffs and another 7 staffs, who have worked up to 30 years in the Corporation, have been honoured with the auspicious Long Service Awards.

### "Majlis Bersama Jabatan":

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 process, staff welfare, staff benefits and so forth. The MBJ process involves the taking

place of a conference between employee representatives and representatives from the Management. The Council itself consists of 10 management representatives (Management Team; headed by General Manager plus one officer appointed as secretary) and 20 employee representatives composed of one representative from each section and client centre of the Corporation. 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.





## HUMAN RESOURCE AS VALUABLE ASSETS

### Sports and Recreation Club (KSR)

SCC's sports and recreation club "KSR" continue to bloom in organising various sporting events and activities in order to keep the staff well-being through exercise and closer interaction. These recreational activities act as a quick relief from daily office chores and tedium as well as teaches employees to appreciate the wonders of mother nature.

Events conducted so far are:

- A badminton tournament.
- A table tennis tournament
- A Cross Country run
- A Futsal tournament.
- A climb up to Mount Kinabalu in conjunction with Mount Kinabalu Charity.

Activities in the planning stages are:

- Donation of used clothes to Hospital Mesra, Bukit Padang.

### Creating Opportunities for the Less Fortunate & Practical attachment for Students/Trainees:

Adhering to one of our corporate values of being 'PRIHATIN', SCC has created work opportunities to the less fortunate by employing hearing-impaired individuals as data entry clerks. As for the year 2008, a total of 5 such employees are attached in SCC both in headquarters and its District Client Centres. The engagement of these hearing-impaired workforce also gives an opportunity for 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 fresh graduates embarking into the working world by sharing experiences and inculcating good work culture in their young minds. In year 2008, we have accepted a total of 151 students (79 of them attached in HQ and the remaining 72 students were attached in district client centres) for work-attachment periods of one to six months. Besides that, SCC also conducted added-value activities for these practical students such as Internal talks by each of the senior managers and selected skilled staffs on their experiences and to have them involved in visits organised by SCC for staffs. Through this scheme, the management of SCC basically has an option or reliable platform to select and absorb potential trainees based on their performances, skills and attitudes.



# « SIGNIFICANT EVENTS 2008 »

## JANUARY

**19** SCC Annual Dinner. SCC proud to announce SCC is now worth RM 1 billion assets.



**31** Barclays Bank visit



## FEBRUARY

**26** Cheque presentation amounting RM50,000.00 to Majlis Sukatan Negeri Sabah.

## MARCH

**2** Meeting with Rating Agency Malaysia



**18** Courtesy visit by Employee Public Fund (EPF)



**24** Invited as guest speaker sharing on experiences in participating in AKSA



## AUGUST

**4** Welcoming New SCC Chairman on Board, YB Tio Chee Kang.



**22** Amarah Kualiti Pengurusan Kawangan (AKPK) Panel visits to SCC.



## JUNE

**6** CP/MTN roadshow in Kuala Lumpur



## NOVEMBER

**4** Interim Dividend payout to the State Government of Sabah



**4 to 5** State Accountant Training



**5** SCC Investment Opportunities Roadshow held in Le Meridien Hotel



**25** GHI attended the 5th International CEO Forum organized by ADRIAP and ADFIM



## « CORPORATE SOCIAL RESPONSIBILITIES » (CSR) PROJECTS



### REPAIR HANGING BRIDGE FOR KG.POMOTODON,

The objective of this project is to assist the JKKK to repair the current hanging bridge for the community of Kg. Pomotodon as one of their main access to cross the river. SCC had contributed material for repairing the 200 ft. long bridge and it was graced by Y.B. Eric Majimbun, Member of Parliament of Sepanggar.

**Project Cost:** RM12,000.00      **Date Launched:** 17 May 2008

### VOLUNTARY PROJECT BY US NAVY TO UPLIFT SK ST CATHERINE,



The school building has been around since 1955 and has only 6 classrooms for 213 pupils. On the 4 August 2008, 37 crewman and officers of the USS Curtis Wilbur spent their day doing community work, who were invited by the Rotary Club, and the materials tools for refurbishing the school building was funded by SCC.

**Project Cost:** RM 5,000.00

### US navy personnel do their bit for community

**Arfandi Jaafar**

KOTA KINABALU: Some 37 crewman and officers of the USS Curtis Wilbur, a US destroyer class ship, spent their day doing community work here, Tuesday.

They were invited by the Kota Kinabalu Rotary Club to do some charity work for St Catherine's Primary School in Inanam.

The school, which has been around since 1955, is small and has only six classrooms for 213 pupils.

The school's teachers and pupils also took part in helping the navy men and women to carry out the works.

Materials and tools for refurbishing works such as painting for the classrooms' corner walls and new timber panes for the



## CORPORATE SOCIAL RESPONSIBILITIES (CSR) PROJECTS



### ASRAMA ANAK YATIM, JALAN APAS TAWAU

The construction of this orphanage hostel was initiated by Persatuan Anak Yatim Tawau. It is located at Mile 4.5 Apas road. The owner of the land was Tn. Hj. Bacho Kada, who surrendered it to the association. The association had 525 registered orphanage children coming from 36 villages in Tawau.

**Project Cost:** RM 202,690.00

### ASRAMA DESA, KG. BAMBANGAN, MEMBAKUT

Build hostel to facilitate 202 students of SK Bambangan, SK Sonikoh, SK Lebah Poring and SK Tiong Membakut. Commuting to schools daily and hours by walking through rugged terrains due to lack vehicular access to their respective kampongs. The necessity of hostel for Kg. Bambangan was identified by the community Projects Committee.

**Project Cost:** RM 150,000.00



### PERPUSTAKAAN DESA, KG. PADAS DAMIT.

Joined venture project with Sabah State Library to eliminate or reduce illiteracy among the Kg. Padas Damit villagers. Requested by the community leader of Kg. Padas Damit for the benefit of more than 3,600 local community.

**Project Cost:** RM 65,000.00

### SK ST JOHN PRIMARY SCHOOL

Concern parents, teachers and school alumni requested assistance to repair the school as it was in a dilapidated condition that can jeopardize the safety of the students. The well-being and safety of the students, in pursuit for academic excellence, was the main consideration for this project.

**Project Cost:** RM 61,750.00





## « PRIDE'S CSR PROJECTS »

SCC'S entire workforce is divided into five groups (since the past 7 years), under acronym of "PRIDE" Passion, Resourceful, Inspirational, Dignity and Enjoyment. Apart from being the Corporation's vehicle to undertake its training programmes, it is through which the Corporation can instil a civil society among employees. Respective groups, headed by Senior Managers, are given a RM5,000.00 yearly budget specifically for community and social welfare purposes. Each group are required to identify and attend to urgent need of basic amenities, infrastructure or food supplies to areas affected by natural calamities. It's a norm for each group to not only impart financial support but to also participate in realizing intended projects on a "gotong royong" basis.

### PASSION GROUP

#### CONTRIBUTION TO BUILD HOME FOR THE POOR

This group has donated raw material and energy to assist the poor family of En. Jinipol Nanap, to complete the walls of their new humble dwelling house, which is still under construction.

Project Cost: RM3,800.00

Date Contributed: 5 July 2008



### RESOURCEFUL GROUP

#### WATER GRAVITY FOR KG. LUA MONDOW, TELIPOK

16 members of Resourceful group spared their time and manpower to assist the villagers to build water retention. Thereafter, the water tank with the capacity of 800 gallons will channel the clean water to 15 houses who benefited by 120 people.

Project Cost: RM3,800.00

Date Contributed: 5 July 2008



### DIGNITY GROUP

#### CONTRIBUTION TO BUILD HOME FOR THE POOR

Contributions of 15 pcs of zincs, 10 pcs of plywood to repair the leaking zincs and replace the walls with plywood in order to have safe and comfortable home for the family of En. Dusin Bin Nodin at Kg. Nongkulat, Tuaran.

Project Cost: RM1,567.00

Date Contributed: 13 June 2008



### ENJOYMENT GROUP

#### WATER GRAVITY PROJECT FOR KG. KIONSOM

Handing over of the water tank and launching fresh water through repaired pipes. The upgraded water supply system has brought improvement to 200 people of Kg. Kionsom. The launching was graced by Y.B. Johnny Goh, Inanam Assemblymen and witnessed by SCC General Manager.

Project Cost: RM5,313.00

Date Launched: 29 June 2008



## INFORMATION ON MEMBERS OF THE CORPORATION

YB Teo Chee Kang, JP, ADK  
Chairman



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



Datuk Vincent Pung Yee Kiong  
Secretary / General Manager



**Raskan Bin Asing**  
Entrepreneur  
(Chairman of Property  
Investment Committee)

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

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

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



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

**M.C Ismail Salam**  
Director  
Agriculture Department

**Datuk Osman bin Jamal**  
Director  
Land & Survey Department

**Datuk Felix Madan**  
Deputy Permanent Secretary  
(Alternate to Permanent  
Secretary)  
Ministry of Finance

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## INFORMATION ON SENIOR MANAGEMENT TEAM

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**Datuk Vincent Pung Yee Kiong**  
General Manager



**Hj. Abdullah Bin Hj. Sibil**  
Deputy General Manager  
*(Finance & Administration)*



**Mohammad Bin Kana**  
Deputy General Manager  
*(Operation)*



**Hj. Neezm Teo**  
*Senior Manager*  
*(Finance)*

**Charles Peter Mojuntin**  
*Senior Manager*  
*(Internal Audit)*

**George Taitim Tulas**  
*Senior Manager*  
*(Corporate & Training)*

**Arius Jipiu**  
*Senior Manager*  
*(Legal & Enforcement)*



**Nelson Chan Kin Ren**  
*Senior Manager*  
*(Information Technology)*

**Henry Chu Wing Siew**  
*Senior Manager*  
*(Property & Administration)*

**Fatimah Kahar**  
*Senior Manager*  
*(Human Resource)*

**Lee Shu Men**  
*Senior Manager*  
*(Credit)*

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## INFORMATION ON DISTRICT CLIENT CENTRE MANAGERS

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Hanif Abd Ghafar

Dalimin Raphael

Lamba Amit

Chin Lee Kan

Madin Gottir



Richard Chiew  
(Chairman of CATs)



Sepitar Subeh



Primus Koh



Marius Mailan



Callistina Anthony



## « 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 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. A total of 5 meetings were held in year 2008.

#### Loan Application Appraisal Committee

The Loan Application Appraisal Committee was established with a purpose to evaluate thoroughly the feasibility of business loan applications, where the application 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 business 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 9 meetings were held in year 2008.

#### Audit Examination Committee

Marzuki Hj. Spawi, J.P. (Chairman)  
Datuk Mohamad Bin Jafry  
M.C. Ismail Salam  
Raskan Bin Asing  
Charles Peter Mojuntin (Secretary)

#### Loan Application Appraisal Committee

Zamani Hj. Basri (Chairman)  
Datuk Peter Athanasius  
Ir. Shahelmey Bin Yahya  
Lee Shu Men (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. A total of 4 meetings were held in year 2008.

### 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 7 meetings were held in year 2008.

### 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 2 meetings were held in year 2008.

### Property Investment Committee

Marzuki Hj. Spawi, JP (Chairman)  
Zamani Hj. Basri  
Henry Chu Wing Siew (Secretary)

### Bad Debts Write Off Committee

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

### Small Loan Scheme & Loan Review Committee

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



### 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 2 meetings were held in year 2008.

### 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.

### Special Task Force Committee

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

### Risk Management Committee

Datuk Vincent Pang Yee Kiong (Chairman)  
Hj. Abdullah Hj. Sibil  
Mohammad Kana  
Lee Shu Men  
George Taitim Tulas  
Arius Jipia  
Nelson Chan Kin Ren  
Charles Peter Mojuntin  
Henry Chu Wing Siew  
Fatimah Kahar  
Hj. Noezm Too

### In attendance

Janeta Anthony (Secretary)  
Jimmy Berakang  
Victor Monsibol @ Partama  
Winnie Francis  
Maidin Awang  
Judy Jiparin  
Fiora Kau Shuk Fang

## CORPORATE GOVERNANCE

### Financial Management Committee

Financial Management Committee, best known as Jawatan Kuasa 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.

### Financial Management Committee

Datuk Vincent Pung Yee Kiong (Chairman)  
Hj. Abdullah Hj. Sabil  
Mohammad Kana  
Lee Shu Men  
George Taitim Tulas  
Arius Jipiu  
Victor Monsibol @ Partama  
Nelson Chan Kin Ren  
Charles Peter Mojuntin  
Henry Chu Wing Siew  
Fatimah Kahar  
Hj. Neezm Teo (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.

### Management Review Committee

Datuk Vincent Pung Yee Kiong (Chairman)  
Hj. Abdullah Hj. Sabil  
Mohammad Kana  
Lee Shu Men  
Hj. Neezm Teo  
George Taitim Tulas  
Arius Jipiu  
Nelson Chan Kin Ren  
Charles Peter Mojuntin  
Henry Chu Wing Siew  
Fatimah Kahar

### Secretariat

Janeta Anthony (Secretary)  
Elgius Samuel (Document Controller)  
Salina Salimi (Head of Internal Quality Auditor)



### **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 resolved 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.

### **Syariah Monitoring Unit (SMU)**

SMUs 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 a required basis.

### **Customer Feedback & Complaint Committee**

Hj. Abdullah Hj. Sibil (Chairman)  
Henry Chu Wing Siew  
Lee Shu Men  
Taitim Tulas  
Winnie Francis  
Salina Salimi (Secretary)  
JMAP Client Centres

### **Correction Action Team (CATs)**

Richard Chiew (Chairman)  
Dalimin Raphael  
Lamba Amit  
Sepitah Subeh  
Marius Mailan  
Chin Lee Kan  
Harif Ghafar  
Madin Gottir  
Callistina Anthony  
Primus Koh (Secretary)

### **Syariah Monitoring Unit (SMU)**

Mohammad Kaev (Chairman)  
Charles Peter Mojuntan  
Lee Shu Men  
Arius Jipin  
Hj. Neezm Teo  
Henry Chu Wing Siew  
Nelson Chan Kin Ren  
Victor Monsibol @ Partama  
Ismail Benjamin  
Richard Chiew  
Elgius Samuel  
Salina Salimi  
Fiona Kau Shuk Fang  
Fatimah Kahar (Secretary)

## 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.3 of 2002.

The conference consists of 13 management representatives (Management Team; headed by General Manager plus one officer appointed as secretary) and 20 employee representatives comprise of one representative from each section and district client centres.

The objective of 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.

### Management Establishment Committee

Hj. Abdullah Hj. Sibil (Chairman)  
Henry Chu Wing Siew  
Hj. Noorzi Teo  
Lee Shu Men  
George Taitim Tulas  
Fatimah Kahar (Secretary)

### Majlis Bersama Jabatan (MBJ)

#### Management Representative

Datuk Vincent Pung Yee Kiong (Chairman)  
Hj. Abdullah Hj. Sibil  
Mohammad Kana  
Hj. Noorzi Teo  
Lee Shu Men  
George Taitim Tulas  
Arius Jipiu  
Nelson Chan Kin Ren  
Charles Peter Mojuntin  
Henry Chu Wing Siew  
Fatimah Kahar  
Salina Salimi (Secretary)

#### Employee Representative

Kasmah Jakah (Chairman)  
Representatives of each sections and DCC  
Charles Robert (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

Hj. Neezm Teo (Chairman)  
George Taitim Tulas  
Henry Chu Wing Siew  
Innocent Pakang  
Kamilah Saman (Secretary)

### Medical Benefit Review Committee

Charles P. Mojuntin (Chairman)  
George Taitim Tulas  
Arius Ipiu  
Hj. Neezm Teo  
Doreen Lajuat  
Fatimah Kahar  
Eligius Samuel (Secretary)



## 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, 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 2008, SCC has an outstanding balance of RM138.9 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 2008, SCC has an outstanding balance of RM181.3 million under this facility.

### Bank Overdraft Facilities from Licensed Financial Institutions

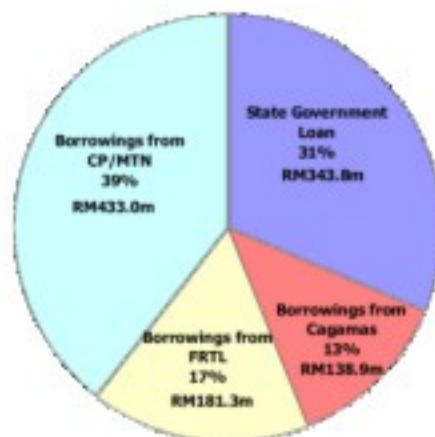
The Corporation maintains RM8.0 million and RM15.0 million standby bank overdraft facilities provided by Alliance Bank Malaysia Berhad and Malayan Banking Berhad respectively.

### 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 2008, SCC has an outstanding balance of RM433.0 million under this facility.



Composition of SCC's funding structure as at 31 December 2008



## 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 Allowance for Doubtful Loans

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) Suspended Interest

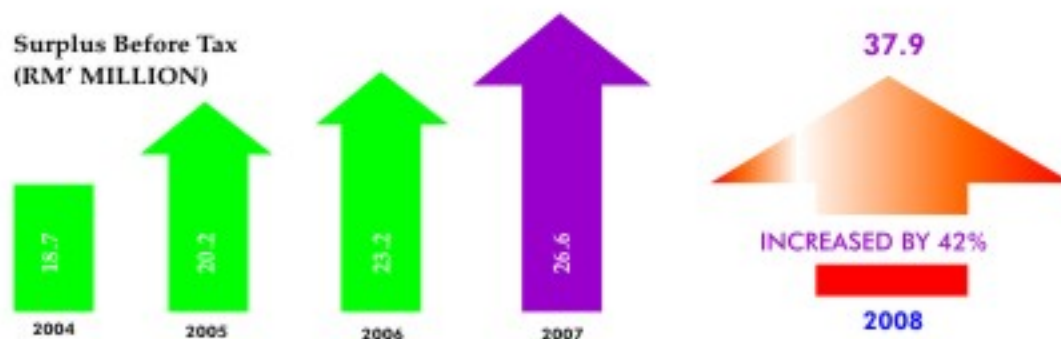
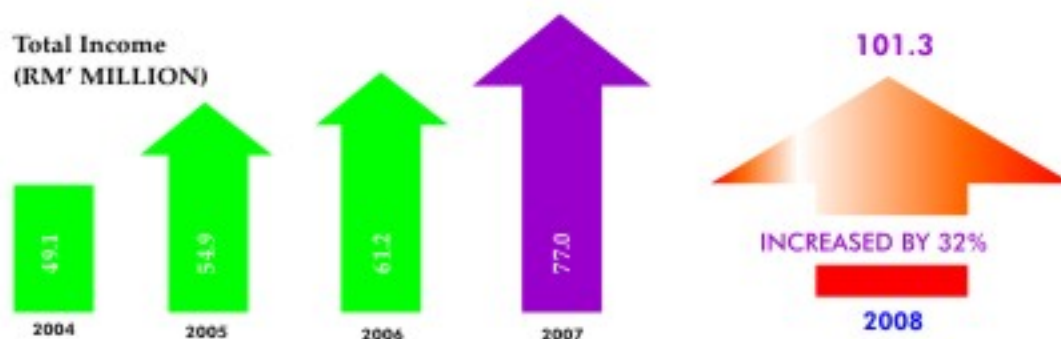
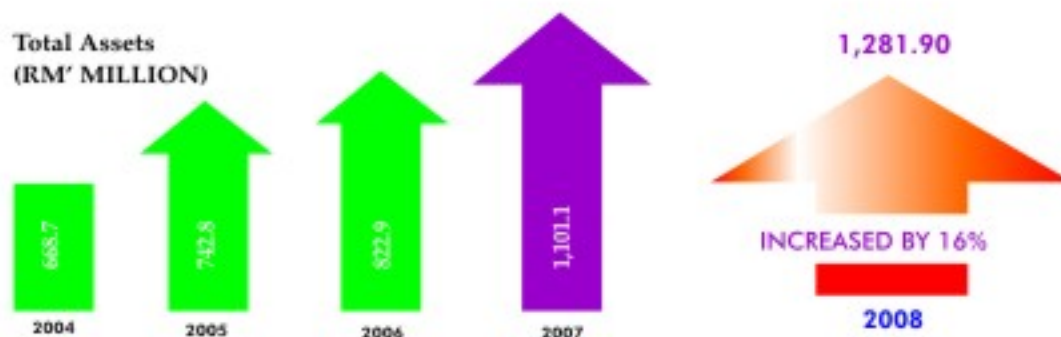
Interest will be suspended once a loan has been identified as non-performing.

SCC seeks to prevent loans from becoming non-performing through early detection and proactive action. Henceforth, a designated unit called 'Monitoring Unit' was established since year 2006, which aims to identify potential NPLs by monitoring any inconsistency in the monthly loan repayments or any non-repayment of loans received from the date of loan disbursement.

### iii) General Allowances for Doubtful Loans

The Corporation provides a general provision of 1.20% on the outstanding balance less specific allowance and interest-in-suspense.

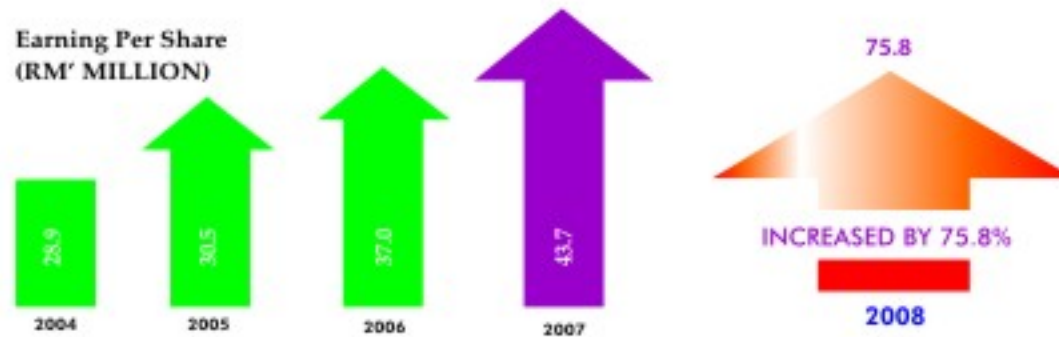
## PERFORMANCE HIGHLIGHTS



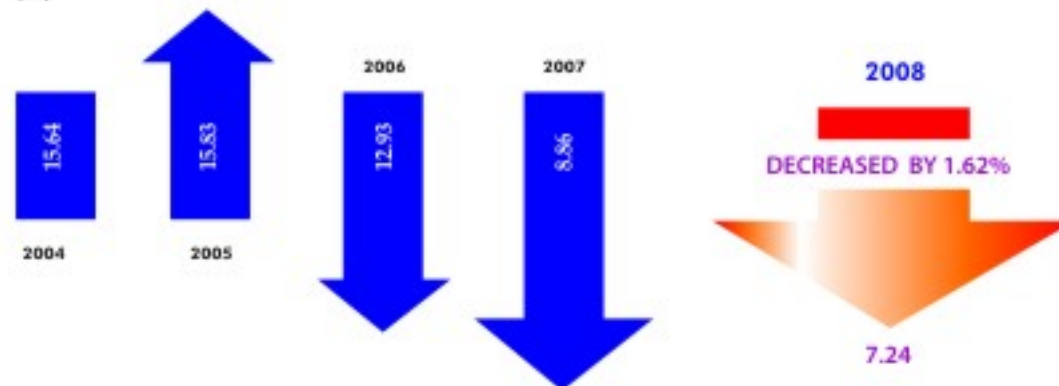


## PERFORMANCE HIGHLIGHTS

### Earning Per Share (RM' MILLION)



### GROSS NPL RATIO (%)



### NET NPL RATIO (%)

