

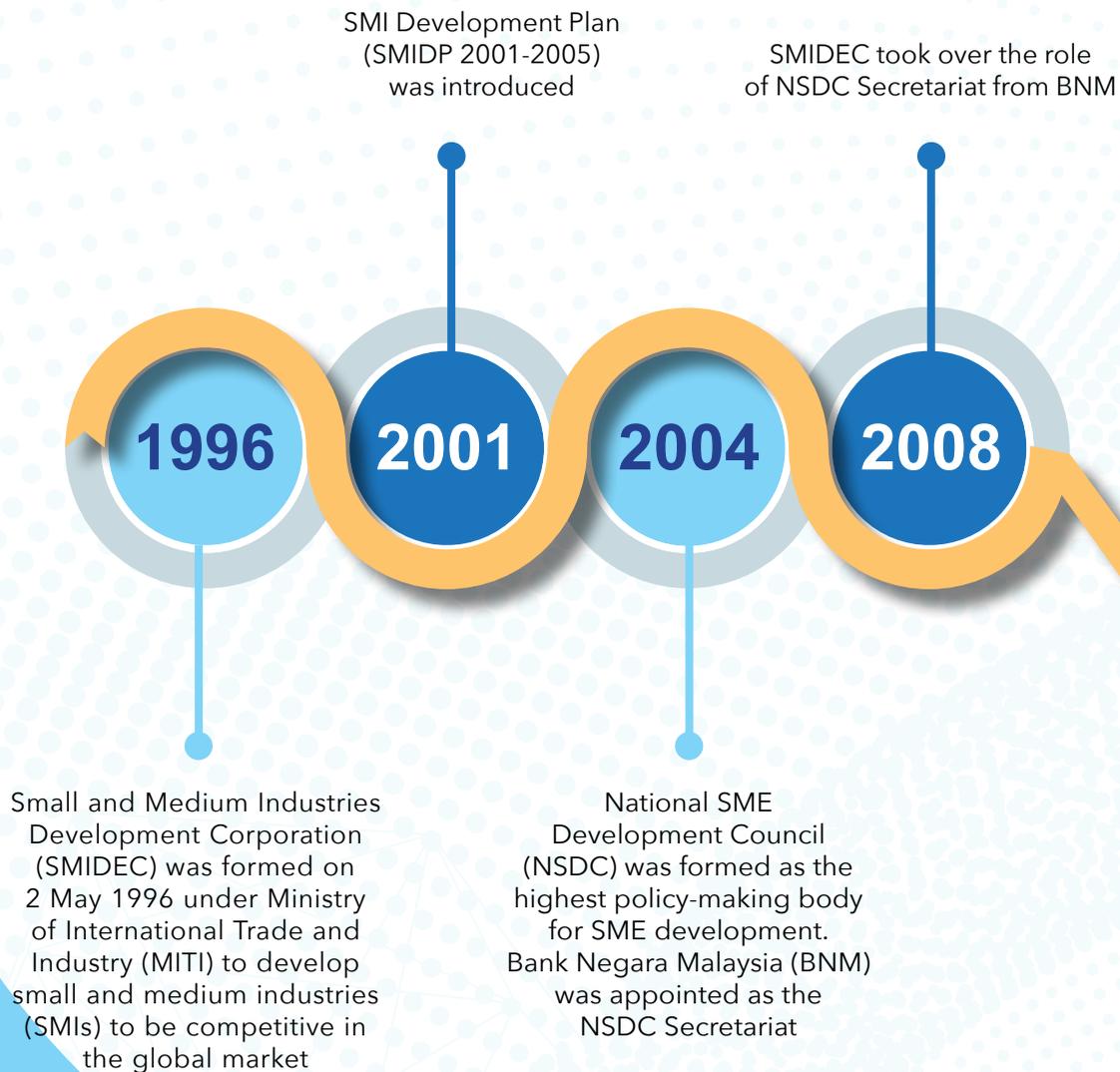
A Step Closer to the Future



ANNUAL
REPORT
2017

www.smecorp.gov.my

KEY MILESTONES TOWARDS TRANSFORMATION



2020

and beyond...

SME Corp. Malaysia's
Business Strategic Plan
(2016 - 2020)
was formulated

SME Masterplan (2012 - 2020)
was launched as a catalyst to
drive SMEs to help achieve
macroeconomic targets by 2020

2016

2012

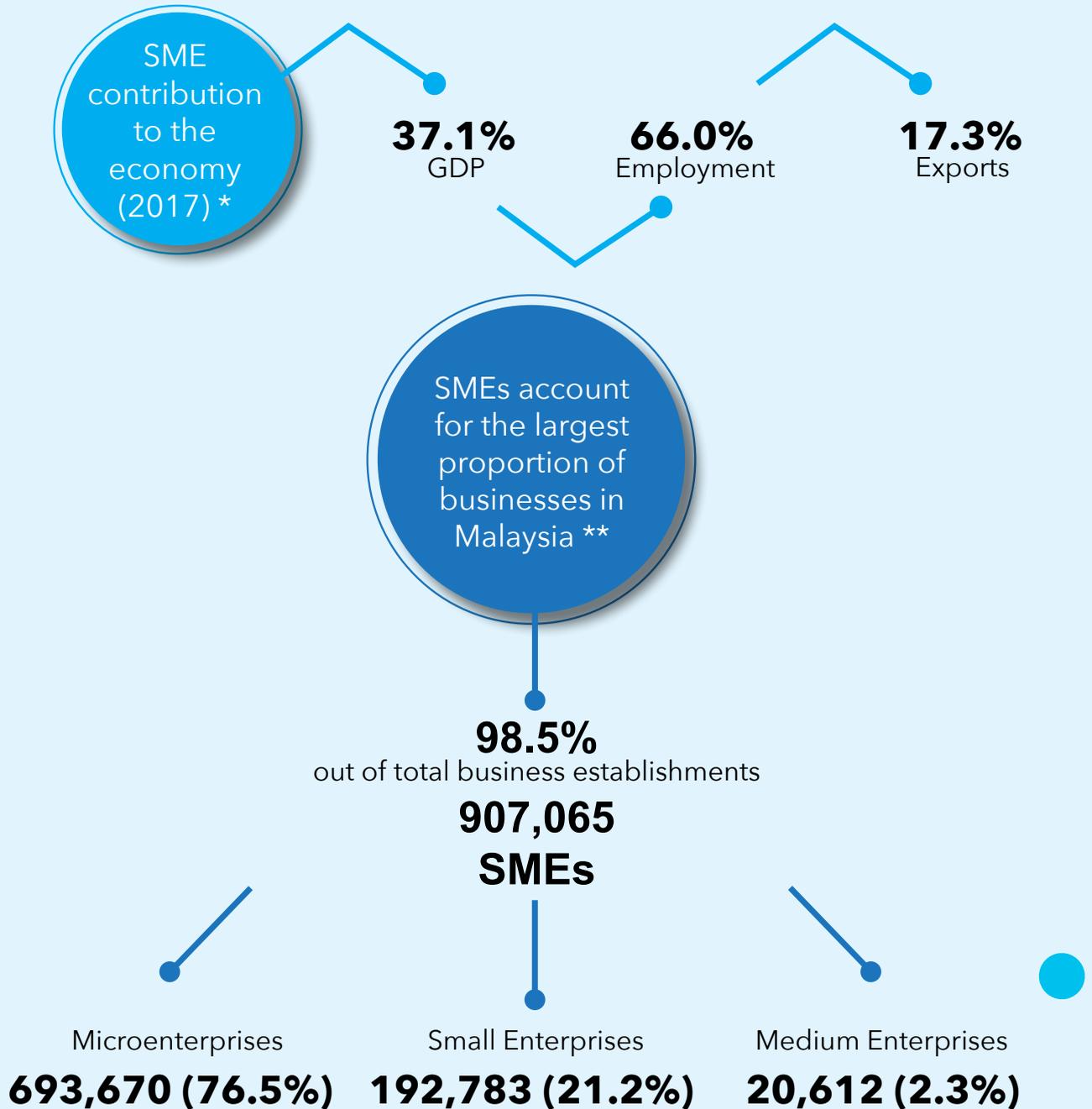
SMIDEC was officially
rebranded as Small and
Medium Enterprises
Corporation Malaysia
(SME Corp. Malaysia)
on 2 October 2009

2010

SME Corp. Malaysia's
Strategic Framework
(2010 - 2015)
was launched

2009

FACTS AT A GLANCE

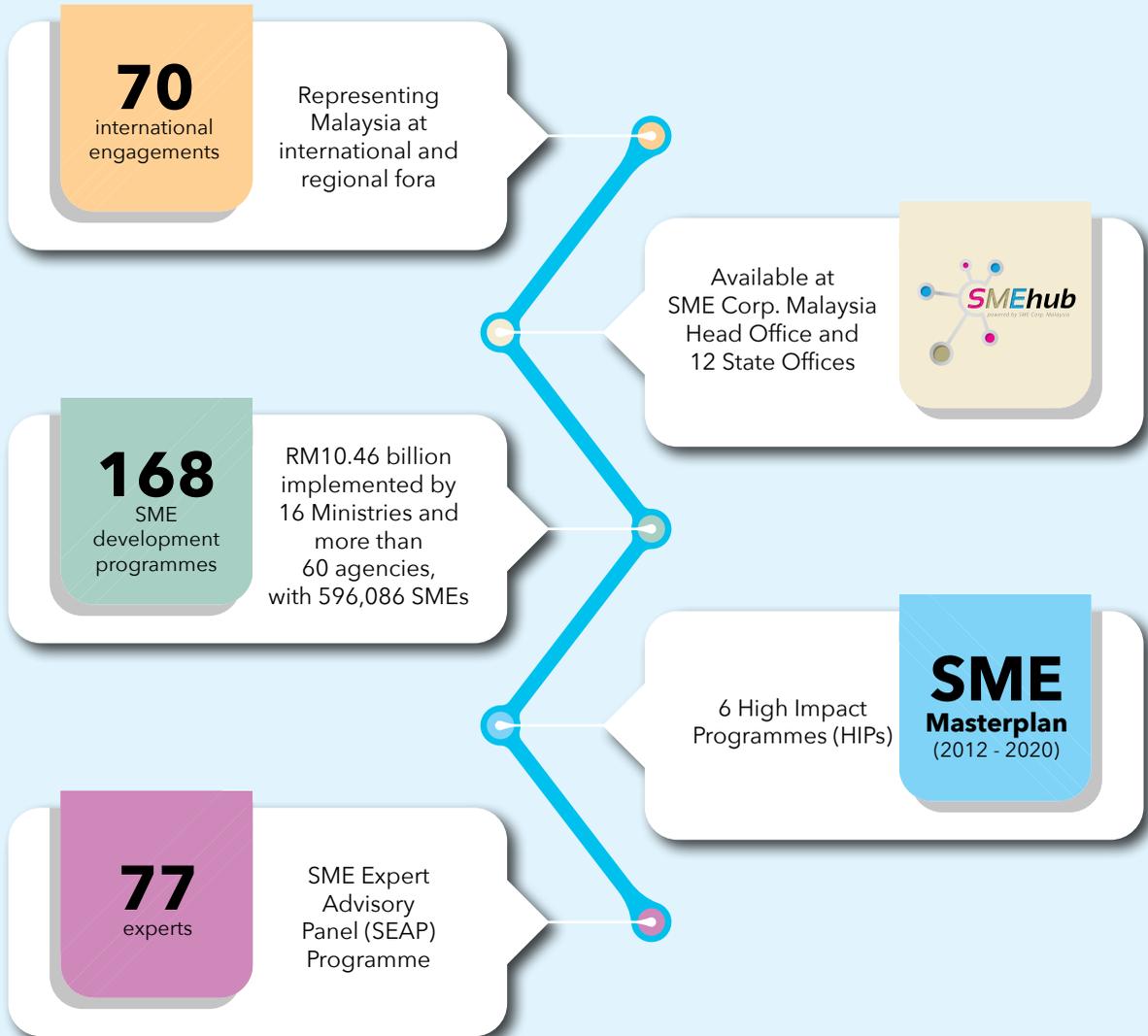


Source:

* Department of Statistics Malaysia (DOSM)

** Economic Census 2016: Profile of SMEs by DOSM

SME – SUPPORTING INITIATIVES



CORPORATE PHILOSOPHY



The three graphic arrow-like lines indicate the continuous motion of SME Corp. Malaysia's role in supporting and developing SMEs. Moving in an upward direction, this depicts SME Corp. Malaysia as an entity that is dynamic, forward-thinking and success-driven

The colours cyan, warm grey and magenta project the organisation as cutting-edge, innovative and dynamic. 'SME Corp. Malaysia' is rendered in italic font, which symbolises progressiveness and forward-thinking

Vision

The premier organisation for the development of progressive SMEs to enhance wealth creation and social well-being of the nation

Promote the development of competitive, innovative and resilient SMEs through effective coordination and provision of business support

Mission

CONTENTS

CHAIRMAN'S STATEMENT 118

CHIEF EXECUTIVE OFFICER'S MESSAGE 122

CORPORATE INFORMATION 126

- SME Corporation Malaysia (SME Corp. Malaysia)
- National SME Development Council (NSDC)
- Corporate Governance: Board Committees and Panels
- Organisational Structure
- Members of the Corporation
- Senior Management
- State Offices

OVERVIEW OF SME DEVELOPMENTS AND OUTLOOK.. 144

- SME Growth and Performance in 2017
- SME Development Programmes in 2017
- SME Masterplan (2012 - 2020)
- Outlook for SMEs in 2018

FLAGSHIP PROGRAMMES AND INITIATIVES 154

- Competitiveness Rating
- Capacity Building
- Access to Financing
- Market Access
- SME Brand Development
- Technology and Innovation
- Bumiputera Entrepreneur Development
- Outreach
- Award and Recognition
- Women Entrepreneur Development
- International Cooperation

FINANCIAL REPORT 192

CHAIRMAN'S STATEMENT

“

SMEs assume a pivotal role as the driver of economic growth where they account for 98.5% (907,065) from a total of 920,624 business establishments in the country. Hence, concerted efforts in developing sustainable SMEs are vital to bring Malaysia closer to its vision of becoming a developed high-income nation by 2020”





The year 2017 was another significant year for the small and medium enterprises (SMEs) in Malaysia. It manifested the progress of the 11th Malaysia Plan (11MP) (2016 - 2020), as we continued to gain momentum in the critical phase of our nation's development - the last mile in the journey towards 2020. Focused on providing an enabling business environment, with productivity and innovation as its fundamental pillars, the 11MP reinforces the Government's commitment in ensuring that SME development continues to be a key national agenda towards transforming Malaysia into an advanced economy that is inclusive and sustainable. Equally important, the 11MP sets the stage for the next horizon of growth towards full development in Malaysia.

Aptly designated as the 'SME and Startup Promotion Year', 2017 was indeed an enabling year for our SMEs. SMEs rebounded with an outstanding performance in tandem with the strong national economic growth, which clearly demonstrates the Government's relentless commitment in spurring and sustaining SME growth through various proactive policy measures, holistic approach and pragmatic initiatives.

With enhanced insights guided by invaluable lessons learned from our past performances, we advanced optimistically in the year under review with greater wisdom, renewed vigour, collective resolve and unyielding obligation to spearhead the development of the Malaysian SMEs. I am honoured to present SME Corporation Malaysia's Annual Report for the financial year ending 31 December 2017.

SMEs: An Embodiment of Strength, Determination and Adaptability

In spite of considerable external and domestic challenges which have prevailed over the last few years, SMEs in Malaysia continue to demonstrate resilience and agility, forging ahead relentlessly in their endeavours towards growth and expansion. SMEs assume a pivotal role as the driver of economic growth where they account for 98.5% (907,065) from a total of 920,624 business establishments in the country. Hence, concerted efforts in developing sustainable SMEs are vital to bring Malaysia closer to its vision of becoming a developed high-income nation by 2020.

Remarkable Achievements supported by Improving Economic Conditions

The year 2017 was an exhilarating period for SME growth in Malaysia, in which SMEs contributed

RM435.1 billion to the nation's economy, recording a higher Gross National Product (GDP) growth of 7.2% compared to 5.2% in 2016. The higher SME GDP growth was driven by strong domestic demand, led by both private consumption and investment activities, sustained domestic and foreign tourist spending, as well as higher exports demand for SME products and services. The higher SME growth was reflected across all major economic sectors, particularly in the services, manufacturing and agriculture sectors. The GDP growth of SMEs has consistently outperformed the overall economy, averaging at 6.6% per annum compared to 5.1% growth for the overall GDP. This is a truly exceptional feat which we have witnessed over the last 14 years from 2004 to 2017.

Supported by improving economic conditions, our SMEs have remained resolute, contributing 37.1% to Malaysia's overall GDP, 66.0% to overall employment and 17.3% to overall exports in 2017.

The achievements realised in 2017 were made possible by the efforts of the SMEs themselves, and the conducive SME and entrepreneurial ecosystem supported by definitive policies, proactive initiatives and targeted assistance promoting business growth, which have been relentlessly provided by the Government.

In 2017, with an overall expenditure of RM10.46 billion, a total of 168 SME development programmes were implemented by 16 Ministries and more than 60 agencies. As a whole, the initiatives had aided 596,086 SMEs. The Ministry of International Trade and Industry (MITI) together with its agencies implemented 42 programmes with a financial expenditure of RM1.81 billion, to assist 19,102 SMEs. Out of this, 15 programmes valued at RM200.7 million were implemented by SME Corp. Malaysia which assisted 4,459 SMEs.

Strategic Roadmap for SME Development

Designed as the overarching strategy for SME initiatives, the SME Masterplan (2012 - 2020) is the basis for the implementation of SME development programmes, focusing on four key areas; namely productivity, innovation, entrepreneurship and inclusiveness. Moving ahead under the 11MP, our focus is to intensify the implementation of the Masterplan, particularly the six High Impact Programmes (HIPs), in order to achieve the macro targets set specifically to increase the contribution of the SMEs to the economy to 41% of GDP, 65% of employment and 23% of exports by

2020. It is gratifying to note that most of the HIPs are at advanced stages of implementation, poised to help propel Malaysia into a high-income economy.

Ensuring SME Sustainability

As the Secretariat to the National SME Development Council, SME Corp. Malaysia has been working expeditiously to ensure that SME development policies, institutional frameworks, as well as business support institutions and mechanisms are all set and accessible to support the sustainable growth of SMEs. In our capacity as the central coordinating agency (CCA) for SME development, we have been active in effecting the role of the Government through various Ministries and agencies, and forming collaborative partnerships with the private sector in the implementation of SME development policies, programmes and initiatives.

Industry 4.0: New Growth Opportunities

In line with the aspirations of the Government, our efforts are focused on catalysing SMEs to seize new growth opportunities arising with the advent of megatrends that are fundamentally changing the business landscape worldwide. It is crucial for SMEs to embrace the change that is now progressively taking shape from the inevitable global impact of Industry 4.0. SMEs need to orientate themselves to new ways of doing business through e-commerce solutions, digital marketing platforms, social media engagements, automation, as well as managing emerging technologies, systems and processes, which are imminent due to digitalisation of businesses.

With the objective of increasing SME awareness on the potentials of Industry 4.0, targeted programmes have been organised nationwide in order to create awareness on Industry 4.0 and introduce Government assistances and facilities that are available for SMEs.

e-Commerce and Digital Free Trade Zone (DFTZ)

SME development is one of the main priorities under Malaysia's digital transformation agenda. Perceptive of the fast-growing impact of e-commerce globally and its rising importance to our economy, the Government is set on implementing various initiatives to boost e-commerce growth through the establishment of the National eCommerce Council (NeCC) and the formulation of the National eCommerce Strategic

Roadmap (NeSR), which aims to increase Malaysia's e-commerce growth rate to 20.8% and e-commerce GDP contribution to RM211 billion by 2020.

Thrust Area 1 of the NeSR, which is led by SME Corp. Malaysia, has generated some encouraging accomplishments in raising SME awareness of the potential benefits from e-commerce, equipping and bringing SMEs on board with the necessary skillset and know-how, as well as supporting them as they adopt new platforms.

One of the most exciting achievements in 2017 was the launch of the Digital Free Trade Zone (DFTZ)'s logistic operations late last year when more than 1,900 local SMEs had successfully onboarded Alibaba.com, DFTZ's first strategic partner. With its aspiration to capitalise on the confluence and exponential growth of the internet economy and cross-border e-commerce activities by providing state-of-the-art platform for SMEs to conduct their businesses, DFTZ will greatly enhance SME e-commerce exports, thus contributing further to SME growth.

SME Outlook in 2018 and Beyond

Various key developments and incentives, geared to take place in 2018 and beyond, are expected to strengthen the capacity and capability of SMEs, creating a more robust and vibrant entrepreneurial ecosystem.

The Government remains committed to SME development whereby continuous support will be accorded through the provision of targeted programmes and initiatives, in order to further boost SME growth, performance and sustainability.

With the objective of accelerating the achievements of the macroeconomic targets under the SME Masterplan, the Government is intensifying the adoption of its strategy to be aligned with Industry 4.0, which aims to create more global, high-growth and innovative SMEs through targeted assistance in automation, digitalisation and robotisation.

In 2018, SME GDP growth is expected to expand at the lower-end of the official estimated range of 7.0 - 8.0%. This estimation is based on actual overall GDP growth performance in the first half of 2018 at 4.9% and the downward revision by Bank Negara Malaysia (BNM) on the overall annual GDP growth projection to 5.0%. The SME growth will be supported by higher private



consumption, improved business sentiment and consumer confidence, as well as favourable global economic outlook. In addition, greater certainty in domestic policies and initiatives by the new Government is expected to provide support to growth prospects.

Going forward, SMEs are expected to assume a greater role, not only as an enabler but as a key driver of growth. SME Corp. Malaysia is planning to undertake a new long-term plan to chart entrepreneurship and SME development beyond 2020. The proposed SME Masterplan 2.0 will, among others, look into aligning SMEs to reap the benefits from the megatrends, Industrial Revolution 4.0 (IR 4.0) and digitalisation, as well as to explore new business models arising from new emerging financial technology, inclusive business, sharing economy and circular economy.

In 2018 and beyond, SME Corp. Malaysia will continue to assume greater responsibility in ensuring the growth and sustainability of SMEs as our core impetus. We are steadfast in our pledge to empower the critical mass of SMEs with the right tools, policies and solutions, as to advance the development of SMEs as a compelling force that will accelerate the country's economic growth and transform Malaysia into a fully-developed nation, and further to be among the top economies in the world.

Acknowledgements

I would like to take this privilege to convey my utmost gratitude to YAB Prime Minister, YB Minister of International Trade and Industry, Members of the National SME Development Council (NSDC) and SME Corp. Malaysia's Members of the Corporation for their unwavering support. I also commend the commitment and efforts of our strategic partners, Management team, as well as employees in helping SME Corp. Malaysia fulfil our role and driving our positive performance in 2017.

TAN SRI IR. (DR.) MOHAMED AL AMIN HJ. ABDUL MAJID

Chairman, SME Corp. Malaysia

CHIEF EXECUTIVE OFFICER'S MESSAGE

“

In 2017, SME Corp. Malaysia implemented 15 programmes valued at RM200.7 million to assist 4,459 SMEs. Through these programmes and initiatives, SMEs have consistently benefited and gained substantial value; from capacity building, market access, access to financing, branding, technology and innovation, to development of Bumiputera and women entrepreneurs”





SMEs in Malaysia successfully weathered the year 2017 with an exceptional performance, despite the challenging economic climate domestically and globally. Demonstrating commendable perseverance and resilience, while enthusiastically seizing initiatives and opportunities provided by the Government, SMEs sustained their growth momentum as they moved forward in their journey in 2017, with emphasis on weathering challenges and embracing change.

The year 2017 was a crucial period for us where we had amplified our efforts in equipping and motivating our critical mass of SMEs to seize new opportunities for growth locally, regionally and globally. With the sustainability of the SMEs as the driving goal of SME Corp. Malaysia, our focus was to create growth prospects for SMEs for greater productivity with expanded resources, proven business best practices, latest technologies, new knowledge, as well as innovative ideas and approaches.

Progressive Policies and Strategic Partnerships

Supported by the Government's progressive SME development policies, through our well-strategised development programmes, we were able to guide and nurture SMEs to establish realistic goals, as well as pragmatic measures for their continuing growth and success locally and internationally. SME Corp. Malaysia's successes in 2017 were also highly attributed by our strategic partnerships with the corporate and private sectors encompassing multinational corporations (MNCs), Government-linked companies (GLCs), large private firms, as well as collaborations with Government Ministries, agencies and affiliates.

Value-generating Programmes and Initiatives

The year 2017 was indeed a progressive year for SMEs, where despite the challenges endured, SMEs remained steadfast in their quest for growth. Our value-generating flagship platforms helped SMEs showcase their capabilities to local, regional and global stakeholders, providing viable avenues for growth and expansion.

In 2017, SME Corp. Malaysia implemented 15 programmes valued at RM200.7 million to assist 4,459 SMEs. Through these programmes and initiatives, SMEs have consistently benefited and gained substantial value; from capacity building, market access, access to financing, branding, technology

and innovation, to development of Bumiputera and women entrepreneurs. Among the programmes that recorded important achievements include:

- The Business Linkage (BLing) programme which has created vast vertical growth opportunities for our SMEs through Business Matching sessions with large companies, MNCs and GLCs. In 2017, a total of 425 SMEs forged 943 linkages with domestic and foreign companies through five major events that collectively generated RM621.8 million in potential sales.
- The Business Accelerator Programme (BAP) which aims to enhance the capacities and capabilities of SMEs to compete locally and internationally. In 2017, a total of 518 applications from SMEs were approved for financial support amounting to RM50.3 million.
- The SME Annual Showcase (SMIDEX) 2017 which has successfully positioned itself as a regional platform for business interaction and growth opportunities. SMIDEX 2017 witnessed the participation of 11,195 trade visitors, 248 exhibitors and 377 Business Matching sessions that generated potential sales valued at RM557.5 million, which was the highest ever recorded since its inception in 1997.
- The Enterprise 50 (E50) Award programme which has established itself as the hallmark of business and entrepreneurial excellence, symbolising the success of the crème de la crème of Malaysia's SMEs. E50 2017 received an overall increase in participation from the previous edition in 2016, with a total of 105 nominations. At present, the E50 Award alumni comprises 695 winners of which 67 companies have been listed on Bursa Malaysia - 52 companies on the Main Market and 15 on the ACE Market.

SME Masterplan (2012 - 2020)

The SME Masterplan is progressing well with five of the six High Impact Programmes (HIPs) being at advanced stages of implementation and have begun benefiting SMEs. HIP 3: SME Investment Partner (SIP), which aims to provide early stage financing through fund management firms that would invest in potential SMEs, is also making headway with three 'SME Partners' appointed by SME Corp. Malaysia to date.



Inculcating the Spirit of Entrepreneurship

In line with the Government's goal of creating an ecosystem that will breed new entrepreneurs and provide a platform for high-potential SMEs to innovate and enhance productivity, SME Corp. Malaysia implements the *Tunas Usahawan Belia Bumiputera* (TUBE) programme with the objective of instilling entrepreneurship among Bumiputera youths. Since its implementation in 2014 up to 2017, a total of 2,433 youths had participated in TUBE, out of which 2,417 (99%) participants have registered their businesses with the Companies Commission of Malaysia (SSM) and started their business operations. As of 2017, the businesses had recorded total sales valued at RM54.6 million and created 4,414 new jobs.

SME Transformation through Technology and Innovation

With our focus set towards a productivity-driven and innovation-led economy, in line with Malaysia's Digital Economy Agenda, we are undertaking new initiatives to bring about a transformation among the SMEs that would help accelerate SME growth, which in turn would propel the overall economy to greater heights. In spearheading Thrust Area 1 of the National eCommerce Strategic Roadmap (NeSR), SME Corp. Malaysia undertakes strategic collaborations with

various agencies, e-commerce players and industry associations to provide end-to-end assistance in guiding and training SMEs in their e-commerce adoption. In addition, SME Corp. Malaysia is also collaborating with renowned international partners in organising immersion activities for SMEs to tap the full potential of credible e-commerce platforms and be part of the e-commerce value chain.

In developing SMEs in the global aerospace manufacturing industry, SME Corp. Malaysia is successfully spearheading a structured development programme to expand the capability of Malaysian SMEs and integrate them into the global aerospace supply chain. To date, 17 pilot SMEs have successfully secured AS9100 certification, whereas three other companies are expected to be certified by 2019. Meanwhile, 2,726 Requests for Quotation (RFQ) have been received. In 2017, these 20 SMEs had generated RM24.5 million in sales revenue.

Dynamic Era of Change, Opportunity and Growth

As we forge ahead in the era of Industry 4.0, which is transforming businesses globally, with the emergence of e-commerce and disruptive technologies, among others, change is absolute. It is imperative for SMEs to ride the tides of change that have prevailed - emerging technologies, big data analytics, collaborative



innovations and new digital business models - set to benefit businesses, particularly in terms of driving greater performance through increased productivity, enhanced product innovations, as well as more efficient and flexible processes to produce higher quality products at lower costs.

Hence, it is essential for SMEs to reanalyse their business and delivery models, explore unconventional opportunities to increase productivity and innovation, and equally important, seek the right combination of skills, knowledge and technology, to not only perpetuate but thrive as dynamic, competitive players in the new global business landscape.

With the objective of increasing SME awareness on the potentials of Industry 4.0, as to ensure that local SMEs would remain competitive in the global market, SME Corp. Malaysia together with the Ministry of International Trade and Industry (MITI), Malaysia Digital Economy Corporation (MDEC) and MIMOS Berhad have organised a series of Seminar on Industry 4.0 nationwide. Aimed at creating awareness, as well as to introduce various Government assistance and facilities that are available for SMEs, a total of six seminar sessions were conducted which had garnered 1,620 participants.

In a Nutshell

Our accomplishments in 2017 have strengthened SME Corp. Malaysia's successful track record, credibility and commitment to meet the goals and targets of the SME Masterplan, as to spearhead Malaysia's transition into a high-income economy by the year 2020.

As we move progressively into the 11MP period, our unyielding efforts are focused towards improving the competitiveness, innovativeness and productivity of our critical mass of SMEs, with the establishment of new policies and initiatives aligned with the latest developments in the global economy affecting businesses.

I am elated to note that our SMEs are not only brazenly taking the necessary steps to adapt to change, but are now at the forefront to catalyse change, in order to remain relevant and competitive. The Government will continue to accord its undivided support through the provision of proactive policy measures, comprehensive assistance and targeted initiatives towards catalysing sustainable SME growth.

It has been a real privilege to work with our highly dedicated team, partners and beneficiaries in promoting SME development. My heartfelt thanks to all for their relentless efforts and unyielding commitment which have contributed to the significant performance of SME Corp. Malaysia in all its initiatives in 2017. Let us continue to work in unison to create a brighter future for SMEs in Malaysia.

DATUK (DR.) HAFSAH HASHIM

Chief Executive Officer, SME Corp. Malaysia



CORPORATE INFORMATION



SME Corporation Malaysia (SME Corp. Malaysia)

SME Corporation Malaysia (SME Corp. Malaysia) is the central coordinating agency (CCA) responsible for overseeing the overall development of SMEs in Malaysia through policy formulation and strategic implementation. As an apex institution, SME Corp. Malaysia acts as the central point of reference for research, data, programmes and advisory services related to and for the SMEs. Apart from monitoring and coordinating the implementation of various SME programmes involving 16 Ministries and more than 60 agencies, SME Corp. Malaysia also assumes the role of Secretariat to the National SME Development Council (NSDC)





AN AUSPICIOUS BEGINNING

In 1996, the Small and Medium Industries Development Corporation (SMIDEC), a specialised agency under the Ministry of International Trade and Industry (MITI), was established to promote the development of small and medium industries (SMIs) through targeted initiatives. The main objective of SMIDEC was to nurture the potential of Malaysian SMIs through infrastructure support, financial assistance, business advisory services, market access and various development programmes. SMIDEC aimed to make the SMI community resilient towards achieving local, regional and global competitiveness.

The establishment of the National SME Development Council (NSDC) in 2004 was an important milestone to accelerate the development of SMEs in the country. The NSDC serves as the highest policy-making body in setting the strategic direction of Government policies on SME development, and ensuring the overall effectiveness of Government programmes and initiatives.

In 2007, the NSDC decided to form a single dedicated agency to formulate the overall policies and strategies for SMEs and to champion SME programmes across Ministries and agencies. SMIDEC was transformed and rebranded as SME Corp. Malaysia on 2 October 2009 to assume this role as CCA.

KEY ROLES AND FUNCTIONS

Among the key roles and functions of SME Corp. Malaysia are:

1. Coordination of Policies and Programmes

- Formulate broad SME policies across all sectors of the economy
- Coordinate, monitor and evaluate effective implementation of policies and programmes across relevant Ministries and agencies

2. Centre for Advisory and Information

- Provide business advisory through SME Hub
- Disseminate information on Government funds and incentives
- Garner feedback on SME issues
- Liaise with domestic and international communities on SME matters

3. Data Management, Dissemination of Information and Research on SMEs

- Develop and manage national SME database
- Undertake research on SMEs
- Publish SME-related reports and statistics
- Undertake outreach programmes

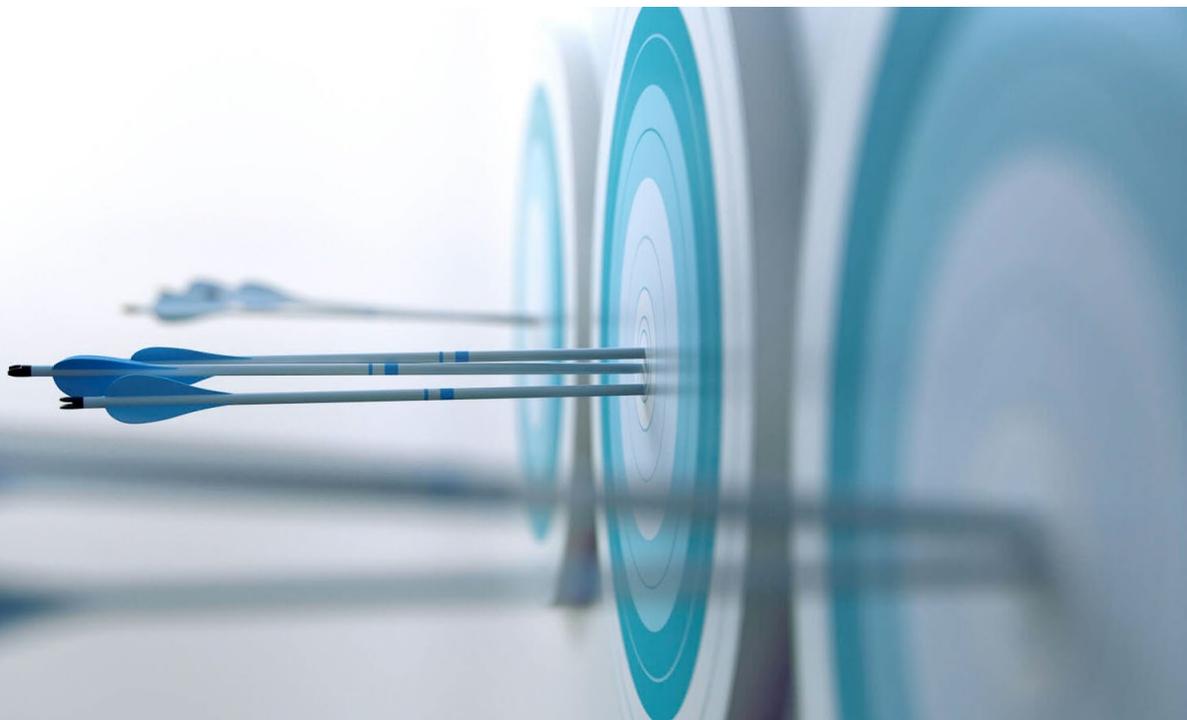
4. Business Support

- Nurture and develop competitive SMEs through specific capacity building programmes and financial assistance
- Enhance competitiveness of SMEs using the SME Competitiveness Rating for Enhancement (SCORE) diagnostic tool
- Provide infrastructure support for SMEs
- Facilitate linkages with large companies, MNCs and GLCs

5. Secretariat to the National SME Development Council (NSDC)

- Propose policies and ensure decisions of the NSDC are effectively implemented
- Provide administrative support to the NSDC

National SME Development Council (NSDC)



The establishment of the National SME Development Council (NSDC) in 2004 was the beginning of a new chapter in SME development in Malaysia. Chaired by YAB Prime Minister, the NSDC is the highest policy-making body for the development of SMEs in Malaysia. The NSDC's main role is to ensure the comprehensive and coordinated development of SMEs across all sectors. The Council members comprise 16 Ministers, the Chief Secretary to the Government, the Director-General of Economic Planning Unit (EPU) and the Governor of Bank Negara Malaysia (BNM).

Among the strategic functions of the NSDC are to:

- formulate broad policies and strategies to facilitate the overall development of SMEs across all sectors;
- review the roles and responsibilities of the Ministries and agencies tasked with SME development;
- enhance cooperation and coordination of programmes to ensure effective implementation of SME development policies and action plans;
- encourage and strengthen the role of the private sector in supporting the overall development of SMEs; and
- emphasise the development of Bumiputera SMEs across all sectors of the economy.

The NSDC's role is also relevant and extremely critical in ensuring best management practices such as:

- establishing a periodic census for statistical updates;
- ensuring centralised trainings for parties involved in SME development; and
- initiating regular reporting on the outlook for SME development.



Over the years, the NSDC has demonstrated unparalleled leadership in reviewing past performances, existing targets and future direction for SME development. Significant progressive measures made by the NSDC in shaping the growth of SMEs in Malaysia include:

- In 2015, taking into consideration the developments in the economy, as well as the statistics, the NSDC reviewed the macroeconomic targets set under the SME Masterplan. While the target contribution of SMEs to GDP for 2020 remained unchanged at 41%, the growth trajectory for SMEs was revised to an average annual rate of 8.0% from the earlier target of 8.7%. Similarly, the SME share to employment was revised upwards to 65% in 2020 from 62% previously, and the share of SME exports was revised to 23% from 25% previously.
- The NSDC had ensured that under the 11th Malaysia Plan, the SME Masterplan would be the basis for strategising, planning and implementing SME development programmes, focusing mainly on four key areas; namely productivity, innovation, entrepreneurship and inclusiveness.
- As mandated by the Economic Council (EC), in 2016, the NSDC had appointed the Minister of Youth and Sports; Minister of Women, Family and Community Development; Minister of Education; and Minister of Higher Education as new members of the council to synergise their efforts to promote entrepreneurship and entrepreneurial initiatives across targeted groups.
- In 2016, the NSDC had elevated the Innovation Certification for Enterprise Rating and Transformation (1-InnoCERT) programme as the standard innovation assessment mechanism at the national level. The aim is to make 1-InnoCERT as a standard reference for innovative companies, which will be used by all relevant Ministries and agencies in the provision of support programmes for innovation, as well as to help reduce duplication of programmes and objectives amongst them.
- In 2017, the NSDC had launched the SME Central Incentives System (SCenIc), a centralised database of beneficiaries of Government assistance. SCenIc was mandated at the Economic Council (EC) Meeting held on 25 July 2016, to be used by all related Ministries and agencies as an important referral to avoid duplication and optimise resources by assisting officials to make informed decisions.



Corporate Governance: Board Committees and Panels

BOARD COMMITTEES

1. Remuneration and Benefit Committee

Chairperson: Cik Suhara Salleh

Objectives:

- Discuss and recommend remuneration, compensation, benefits and rewards for staff under SME Corp. Malaysia Service Scheme mainly to attract and retain talent
- Develop policies for the administration of remuneration packages under SME Corp. Malaysia Service Scheme

2. Study Loan Committee

Chairperson: Datuk Isham Ishak

Objectives:

- Evaluate and approve applications for study loans
- Approve the extension of study period
- Review and propose new guidelines to Remuneration and Benefit Committee

3. Disciplinary Committee

Chairperson: Datuk (Dr.) Hafsah Hashim

Objective:

- Receive, consider and decide on disciplinary cases submitted for disciplinary action, either with or without a view to initiate dismissal or demotion

4. Audit Committee

Chairperson: En. Koong Lin Loong

Objectives:

- Discuss audit findings raised by internal audit unit and external auditor
- Ensure that the Management (auditee) takes preventive and corrective actions to overcome weaknesses and avoid recurring audit issues





BOARD PANELS

1. Panel on Entrepreneurship and Microenterprises

Co-Chairpersons: Datuk Noraini Soltan & En. Agil Faisal Ahmad Fadzil

Objective:

- Identify and address needs of specific target groups; namely women, youth and bottom 40% of the income group (B40) in line with the objective set under the SME Masterplan and 11MP, including but not limited to providing guidance towards:
 - formulation of new initiatives that can contribute to the development of entrepreneurship and microenterprises; and
 - improvement of the existing policies and programmes affecting the target groups.

2. Panel on Human Capability and Capacity

Chairperson: En. Amir Omar

Objectives:

- Serve as a platform for public and private sectors' representatives to discuss issues related to SME capability and human capital development
- Recommend new programmes and policies or improvements to support development of human capability and capacity

3. Panel on Productivity and Innovation

Chairperson: Dato' Dr. Ir. Andy K.H. Seo

Objective:

- Solicit recommendations from the private sector on how to further enhance SME productivity and involvement in innovation activities

4. Panel on Market Access

Chairperson: Dato' Ab. Rahman Ismail

Objectives:

- Expand market access for goods and services produced by SMEs
- Ensure sustainability, access to bigger market, and motivate SMEs to expand their limits and adhere to higher standards, in order to be competitive and ahead of the curve

5. Panel on ICT and Knowledge Management

Chairperson: En. Shaifubahrim Saleh

Objectives:

- Assume an advisory role in proposing new initiatives and programmes that will increase ICT adoption among SMEs
- Engage with subject matter experts to share best practices on ICT areas that will improve SME business performance
- Promote greater ICT utilisation in business operations and delivery systems of SMEs

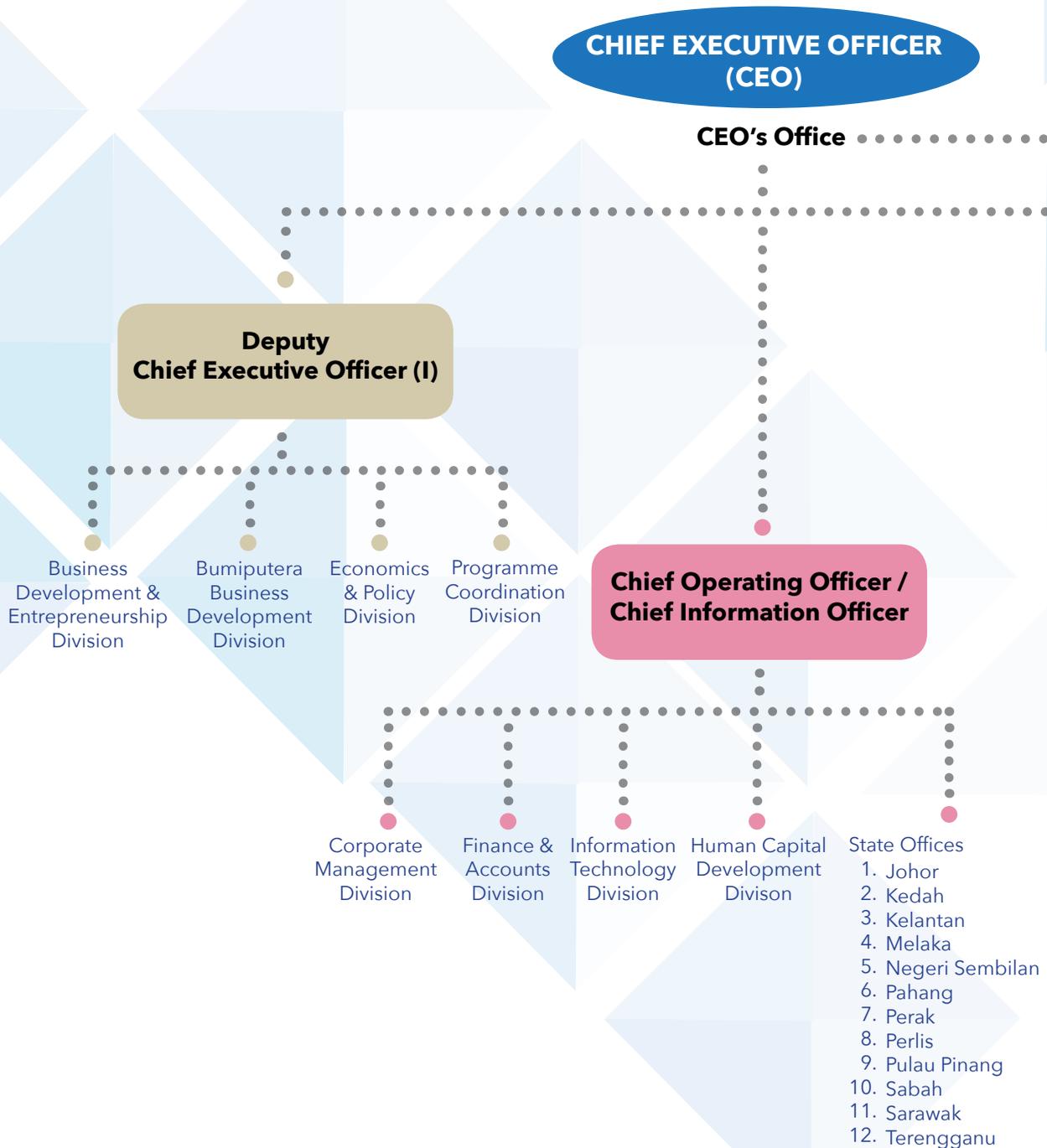
6. Panel on Bumiputera in Business

Chairperson: Tn. Hj. Hanafee Yusof

Objective:

- Serve as an advisory panel to improve existing initiatives and create new initiatives, where appropriate

Organisational Structure





**Deputy
Chief Executive Officer (II)**

Business Advisory
& Support
Division

Policy Monitoring
& Inclusive
Development
Division

International
Cooperation
Division

Strategic Communications
Division

Internal Audit
Unit

Members of the Corporation



**Tan Sri Ir. (Dr.) Mohamed
Al Amin Hj. Abdul Majid**
Chairman



Datuk Isham Ishak
Deputy Chairman



Datuk (Dr.) Hafsa Hashim



Dato' Dr. Ir. Andy K.H. Seo



Dato' Tan Yew Thong



Datuk Noraini Soltan



En. Agil Faisal Ahmad Fadzil



Datuk Hj. Hashim Paijan



Datu Liaw Soon Eng



Cik Suhara Salleh

Members of the Corporation



En. Koong Lin Loong



En. Shaifubahrim Saleh



Dato' Ab. Rahman Ismail
(until 1 October 2017)



Tn. Hj. Hanafee Yusof
(until 1 October 2017)



En. Sham S. Ratnani
(until 1 October 2017)



En. Amir Omar
(until 7 June 2017)



En. Ravi a/l Muthayah
(from 1 September 2017)



Dr. Hamid Sulaiman
(from 2 October 2017)



**Dato' Sri Syed Hussein
Al Habshee**
(from 16 November 2017)



Pn. Che Nazli Jaapar
Secretary

Senior Management



Standing from left to right:

Pn. Mimi Razidah Abd Razak

Director, Strategic Communications Division

Cik Kausalya Gopal

Director, Policy Monitoring & Inclusive Development Division

En. Mohd Atan

Director, Economics & Policy Division

En. Zaky Moh

Senior Director, Business Development & Entrepreneurship Division

Pn. Hilyati Muhammad Nasir

Director, Programme Coordination Division

En. Mohd Izham Abdullah

Director, Bumiputera Business Development Division

En. Md Zahidan Hassan

Head, Information Technology Division

**Seated from left to right:**

Pn. Sharifah Najwa Syed Abu Bakar
Senior Director,
Business Advisory & Support Division

En. Rizal Nainy
Deputy Chief Executive Officer (I)

Datuk (Dr.) Hafsah Hashim
Chief Executive Officer

En. Mohd Rithaidden Makip
Deputy Chief Executive Officer (II)

Pn. Che Nazli Jaapar
Chief Operating Officer /
Chief Information Officer

En. Amrul Nazri Abdullah
Director, International Cooperation Division

En. Czarif Chai Abdullah
Director, Corporate Management Division

En. Mohd Farid Awang
Head, Finance & Accounts Division

En. Nik Syahril Nik Mahmood
Head, Human Capital Development Division

State Offices

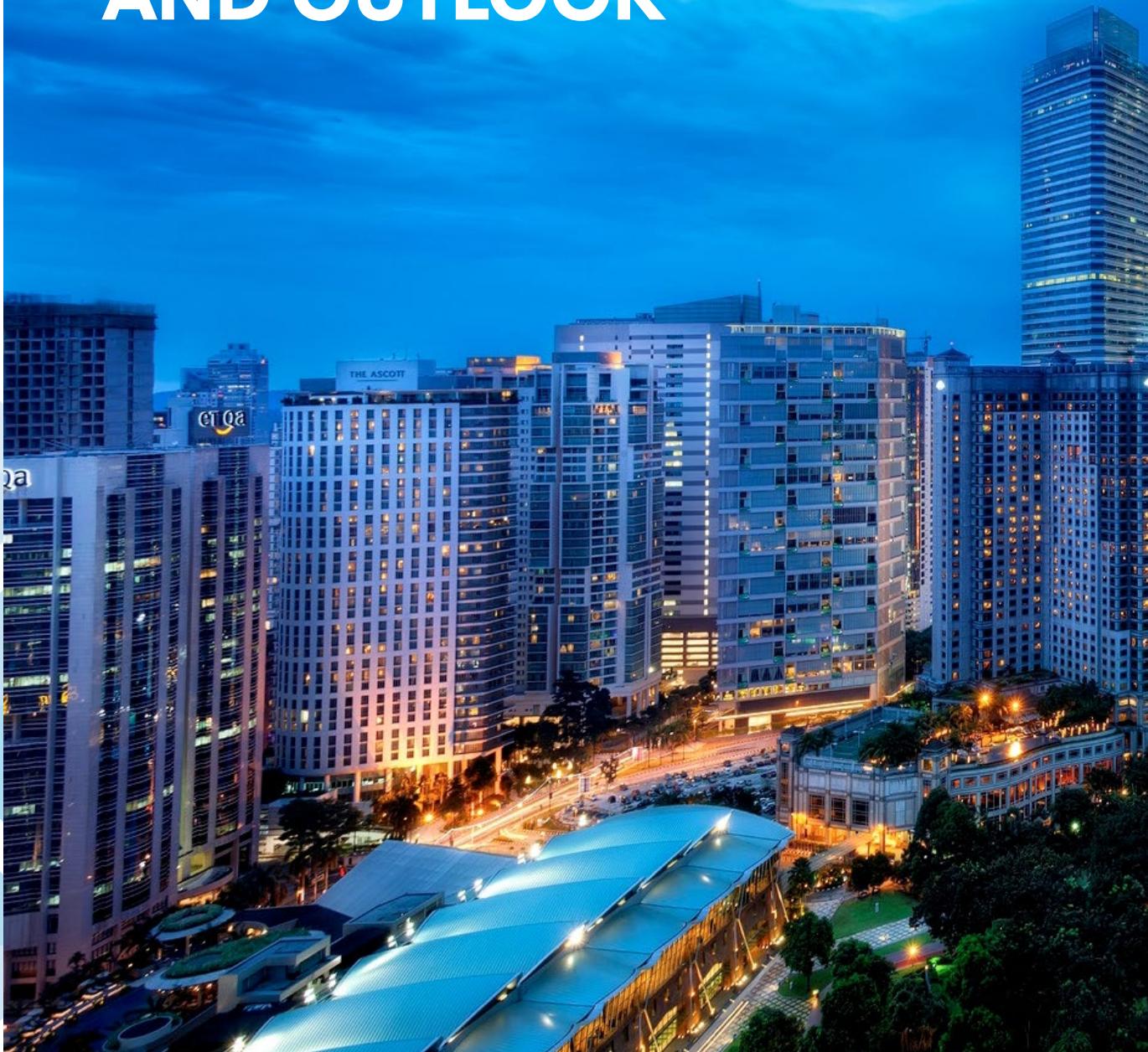


1. En. Wan Jusaini Rizal Wan Nasruddin (Director, Johor State Office)
2. En. Syarol Azuan Zakaria (Director, Kedah State Office)
3. En. Nik Muhd. Kamil Nik Ismail (Director, Kelantan State Office)
4. Tn. Hj. Ismail Hashim (Director, Melaka State Office)
5. En. Faiz Ramzi Sutarji (Director, Negeri Sembilan State Office)
6. Pn. Masnani Bashirun (Director, Pahang State Office)



7. En. Mohamad Rozlan Mohamad Razalli (Director, Perak State Office)
8. En. Noor Azzam Yaazizul Ghafar (Director, Perlis State Office)
9. En. Mohd Zumar Zainuddin (Director, Pulau Pinang State Office)
10. En. Meor Shahril Isma Meor Abdullah (Director, Sabah State Office)
11. En. Esmawady Mohd Esa (Director, Sarawak State Office)
12. En. Muhammad Ibrahim (Director, Terengganu State Office)

OVERVIEW OF SME DEVELOPMENTS AND OUTLOOK





SME Growth and Performance in 2017

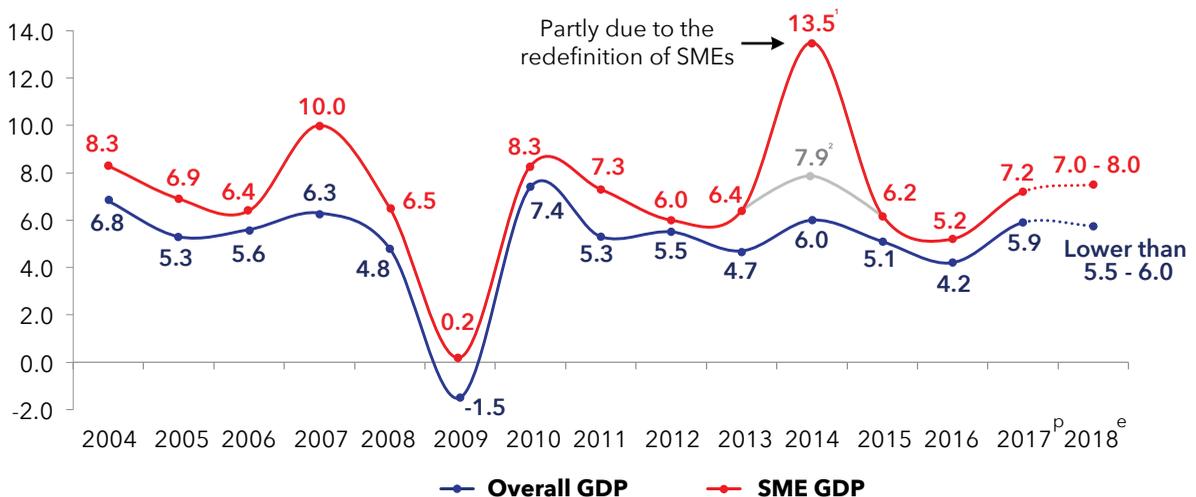
In 2017, SMEs recorded a higher GDP growth of 7.2%, amounting to RM435.1 billion compared to 5.2% in the previous year and continued to surpass the overall GDP growth of 5.9%. The higher SME GDP growth was supported by strong domestic demand, led by both private consumption and investment activities, sustained domestic and foreign tourist spending, partly from hosting the 2017 Southeast Asian Games (SEA Games), as well as higher exports demand for products and services of SMEs from

ASEAN and other trading partners. On the supply side, the higher SME growth was also reflected across all major economic sectors. This has resulted in the contribution of SMEs to overall GDP to increase from 36.6% in 2016 to 37.1% in 2017. Over the last 14 years from 2004 to 2017, the real GDP growth of SMEs has consistently outperformed the overall economy, averaging at 6.6% per annum compared to 5.1% growth for the overall GDP.

In 2017, SMEs recorded a higher GDP growth of 7.2%, amounting to RM435.1 billion compared to 5.2% in the previous year and continued to surpass the overall GDP growth of 5.9%. The higher SME GDP growth was supported by strong domestic demand, led by both private consumption and investment activities, sustained domestic and foreign tourist spending, partly from hosting the 2017 Southeast Asian Games (SEA Games), as well as higher exports demand for products and services of SMEs from ASEAN and other trading partners

SME GDP and Overall GDP Growth (%)

Annual Growth, %



¹Growth based on 2014 New SME Definition versus 2013 Old SME Definition

²Growth based on 2014 New SME Definition versus 2013 New SME Definition

p: preliminary e: estimate

Source: Department of Statistics, Malaysia (DOSM) and SME Corp. Malaysia



SME exports recorded a higher growth of 7.9%, amounting to RM167.4 billion in 2017 (2016: 7.0%), driven by growth in the agriculture (48.1%), manufacturing (7.8%) and services (6.7%) sectors. The double-digit exports growth performance of SMEs in the agriculture sector was attributed mainly by higher exports in banana, pineapple, poultry and commodity-related production, such as palm oil and rubber. Meanwhile, exports of SMEs in the manufacturing sector, which contributed 47.2% to total SME exports in 2017, was supported by growth expansion in mineral fuel, inedible crude materials, animal, vegetable oil & fats products and lubricants & related materials. Nevertheless, the contribution of SME exports to total exports during the year was lowered at 17.3% (2016: 18.6%). This was mainly due to the robust exports by large firms which registered

a double-digit growth of 17.9%, driven by higher manufactured exports, namely electrical & electronics and petroleum-related products, including liquefied natural gas and crude oil.

Meanwhile, SMEs accounted for 66.0% of total employment in Malaysia in 2017 (2016: 65.3%) as employment of SMEs continued to increase with a growth of 3.4% (2016: 2.1%). In terms of SME employment by economic sector, about 62.0% of SME employment were generated by the services sector; particularly in the distributive trade, food & beverages and professional, scientific & technical sub-sectors. Meanwhile, manufacturing sector was the second largest contributor (16.5%) followed by agriculture (11.0%), construction (10.5%) and mining & quarrying (0.3%).

SME Development Programmes in 2017

As the central coordinating agency (CCA) for overall SME development in Malaysia since 2009, SME Corp. Malaysia coordinates, streamlines, monitors and evaluates the progress and effectiveness of SME development programmes implemented by 16 Ministries and more than 60 agencies. The information collected from the relevant Ministries and agencies is published as the annual SME Integrated Plan of Action (SMEIPA) report. This report was first introduced as the SME Development Blueprint (2006 - 2008) prior to SME Corp. Malaysia's establishment as the CCA.

Since 2010, the performance of SME development programmes is measured using an outcome-based approach. The effectiveness of such programmes is also monitored through an Impact Analysis Framework on SME Development Programmes (IAFSP), which was endorsed by the National SME Development Council (NSDC) during its ninth meeting on 9 July 2009. Since then, a set of common KPIs have been used to facilitate a structured assessment and reporting on the performance of SME development programmes to the NSDC at the programme level, as well as for more effective coordination and assessment of all SME development programmes.

OVERALL PROGRAMMES

In 2017, a total of 168 programmes with financial commitment of RM10.46 billion were implemented by 16 Ministries and more than 60 agencies to assist 596,086 SMEs.

Out of this amount, Government funding was RM5.65 billion (54.1%) for the implementation of 148 programmes, assisting 541,337 SMEs. The remainder was private funding in the amount of RM4.8 billion (45.9%), which was channelled towards the implementation of 20 programmes, aiding 54,749 SMEs.

In total, the Ministry of International Trade and Industry (MITI) together with its agencies implemented 42 programmes with financial expenditure of RM1.81 billion. A total of 19,102 SMEs had gained from these programmes. Out of this, SME Corp. Malaysia implemented 15 programmes valued at RM200.7 million which assisted 4,459 SMEs.



SME Integrated Plan of Action (SMEIPA) published reports

In 2017, a total of 168 programmes with financial commitment of RM10.46 billion were implemented by 16 Ministries and more than 60 agencies to assist 596,086 SMEs



SME DEVELOPMENT PROGRAMMES IN 2017

GOVERNMENT

RM5.65 billion (54.1%)

148 programmes

541,337

SMEs

PRIVATE FUNDING

RM4.80 billion (45.9%)

20 programmes

54,749

SMEs

SME INTEGRATED PLAN OF ACTION (SMEIPA)

Achievements of SME Development Programmes in 2017 based on Focus Areas

FOCUS AREA	PROGRAMME IMPLEMENTED	EXPENDITURE (RM MILLION)	SMEs
Access to Financing	41	9,776.44	406,620
Human Capital Development	50	304.31	164,736
Market Access	30	84.14	17,336
Innovation and Technology Adoption	30	203.57	7,315
Infrastructure	16	79.83	79
Legal and Regulatory Environment	1	8.00	-
TOTAL	168	10,456.30 *	596,086

* Rounded to RM10.46 billion

PROGRAMMES UNDER MITI AND AGENCIES**PROGRAMMES IMPLEMENTED BY MITI AND AGENCIES IN 2017**

MITI / Agency	Allocation (RM million)	No. of Programmes	No. of SMEs
SME Corporation Malaysia (SME Corp. Malaysia)	200.68	15	4,459
Malaysia External Trade Development Corporation (MATRADE)	20.71	7	10,485
Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank)	919.93	5	432
Malaysia Automotive Institute (MAI)	6.96	4	1,744
Malaysian Industrial Development Finance Berhad (MIDF)	640.61	4	227
Bumiputera Entrepreneurship and SME Division, MITI	18.67	3	1,170
Halal Industry Development Corporation (HDC)	1.10	3	460
Malaysia Productivity Corporation (MPC)	3.02	1	125

INCREASING TRANSPARENCY OF GOVERNMENT'S ASSISTANCE THROUGH SCenIc

In an effort to enhance the transparency of reporting and the effectiveness of coordination of SME programmes, SME Corp. Malaysia developed an online initiative called the SME Central Incentives System (SCenIc). As a centralised database of beneficiaries of Government assistance, SCenIc serves as an important referral to avoid duplication and optimise resources by assisting officials to make informed decisions. SCenIc was launched at the 23rd National SME Development Council (NSDC) Meeting, chaired by YAB Prime Minister and attended by 16 Ministers and Deputy Ministers responsible for the development of SMEs in Malaysia on 29 November 2017. SCenIc had gone live on 1 January 2018



SME Masterplan (2012 - 2020)

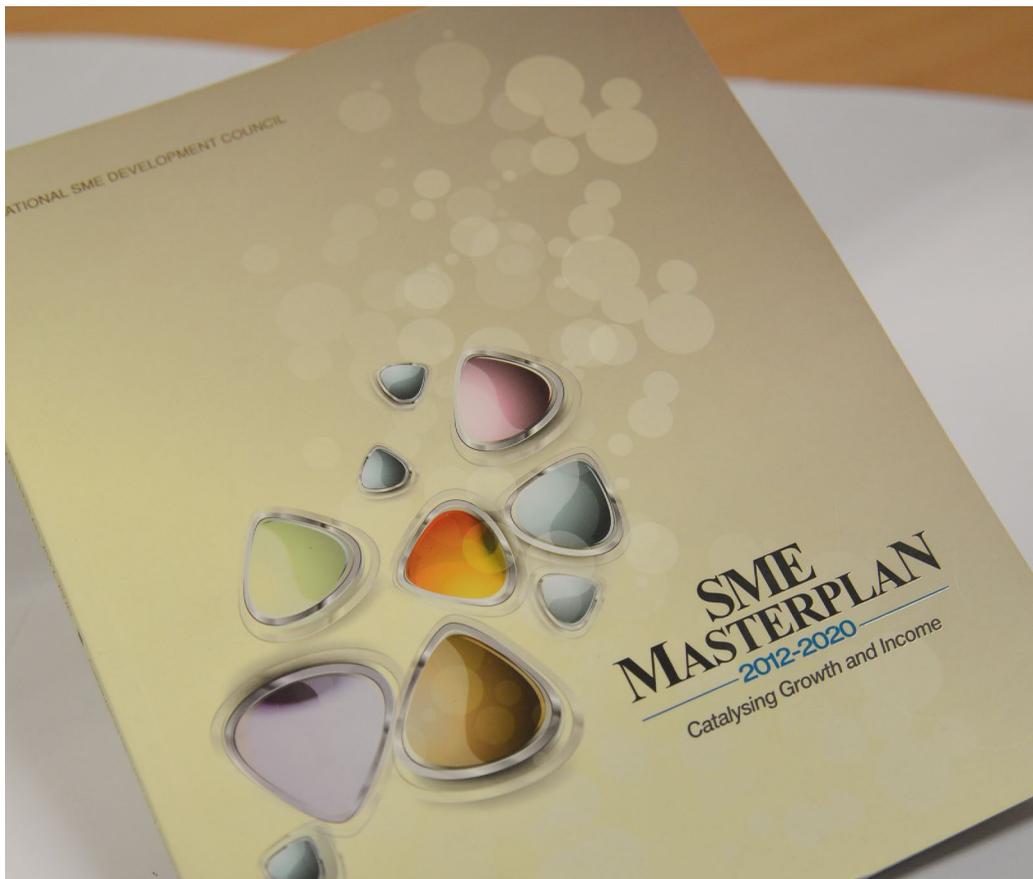
The SME Masterplan (2012 - 2020) is the basis in implementing the SME development programmes in the 11MP period focusing on four key areas; namely productivity, innovation, entrepreneurship and inclusiveness. The SME Masterplan is progressing well with all six High Impact Programmes (HIPs) being implemented and have begun benefiting SMEs

The Eleventh Malaysia Plan (11MP) released in 2015 is the last mile to accelerate SME growth towards achieving a high-income nation status by 2020. The SME Masterplan (2012 - 2020) is the basis in implementing the SME development programmes in the 11MP period focusing on four key areas; namely productivity, innovation, entrepreneurship and inclusiveness. The SME Masterplan is progressing well with all six High Impact Programmes (HIPs) being implemented and have begun benefiting SMEs. Preliminary implementation assessment of the HIPs undertaken by The World Bank showed that most of the HIPs are at advanced stages of implementation:

- **HIP 1: Integration of Business Registration and Licensing**, which aims to facilitate ease of doing business towards creating a single gateway for business registration and licensing, is being undertaken in phases by the Malaysian Administrative Modernisation and Management Planning Unit (MAMPU). Under this project, the 'MalaysiaBiz Portal' that provides steps to register a business and list of licenses was launched on 23 June 2016. A total of 2,919 licenses from 508 licensing authorities have been uploaded onto the portal. Integration of the business registration and licensing system is currently being done in a few phases.
- **HIP 2: Technology Commercialisation Platform** is progressing well. To date, a total of 143 projects have been approved for integrated assistance. On top of that, 203 licensing deals have been made and 40 innovations commercialised.
- **HIP 3: SME Investment Partner (SIP)** is a joint funding initiative between the Government and the private sector, which aims to provide early stage financing through investment companies that would invest in potential SMEs. To date, SME Corp. Malaysia has appointed three fund management firms referred to as 'SME Partners'. Once a minimum fund size has been reached, the 'SME Partner' will start investing in potential SMEs.
- **HIP 4: Going Export (GoEx) Programme**, introduced to internationalise export-ready SMEs, is spearheaded by the Malaysia External Trade Development Corporation (MATRADE). To date, a total of 188 companies have participated in the programme, whereby market immersions have been explored in 17 new countries with RM146 million in potential export sales generated.
- **HIP 5: Catalyst Programme** championed by SME Corp. Malaysia, has implemented the Bionext Initiative, involving the development of ten high-potential SMEs that had participated in the Oxford Accelerator Programme. The Green LED/SSL Initiative was also implemented under this programme, whereby 38 products have been internationally certified. Both the Bionext and LED/SSL initiatives have generated a total of RM667 million in sales revenue to date (including sales revenue for LED/SSL since 2012). In 2018, the focus will remain on creating high-growth SMEs in the aerospace, medical devices and rail sectors.

- **HIP 6: Inclusive Innovation**, led by Yayasan Inovasi Malaysia (YIM), an agency under the Ministry of Science, Technology and Innovation (MOSTI), is also specifically targeted to support innovation for the bottom 40% of the income pyramid (B40). To date, more than 1,400 innovations have been received, of which 411 were short-listed and 46 approved for admission into the project. Out of these, 23 innovations are ready for diffusion and will benefit more than 8,000 people from 12 communities.

It is important to note that the implementation of the HIPs is not a stand-alone exercise, but is complemented by various other initiatives which are being implemented with substantive progress in the areas of policy reforms, human capital development and ease of doing business. The ultimate aim, through the effective execution of the six HIPs and 26 other initiatives under the Masterplan, is to increase the contribution of SMEs to GDP to 41%, employment to 65% and exports to 23% by the year 2020, in order to help Malaysia attain its vision of becoming a developed high-income nation.



SME Masterplan (2012 - 2020) is a 'game changer' to accelerate the growth of SMEs as to help Malaysia achieve a high-income nation status by 2020



Outlook for SMEs in 2018

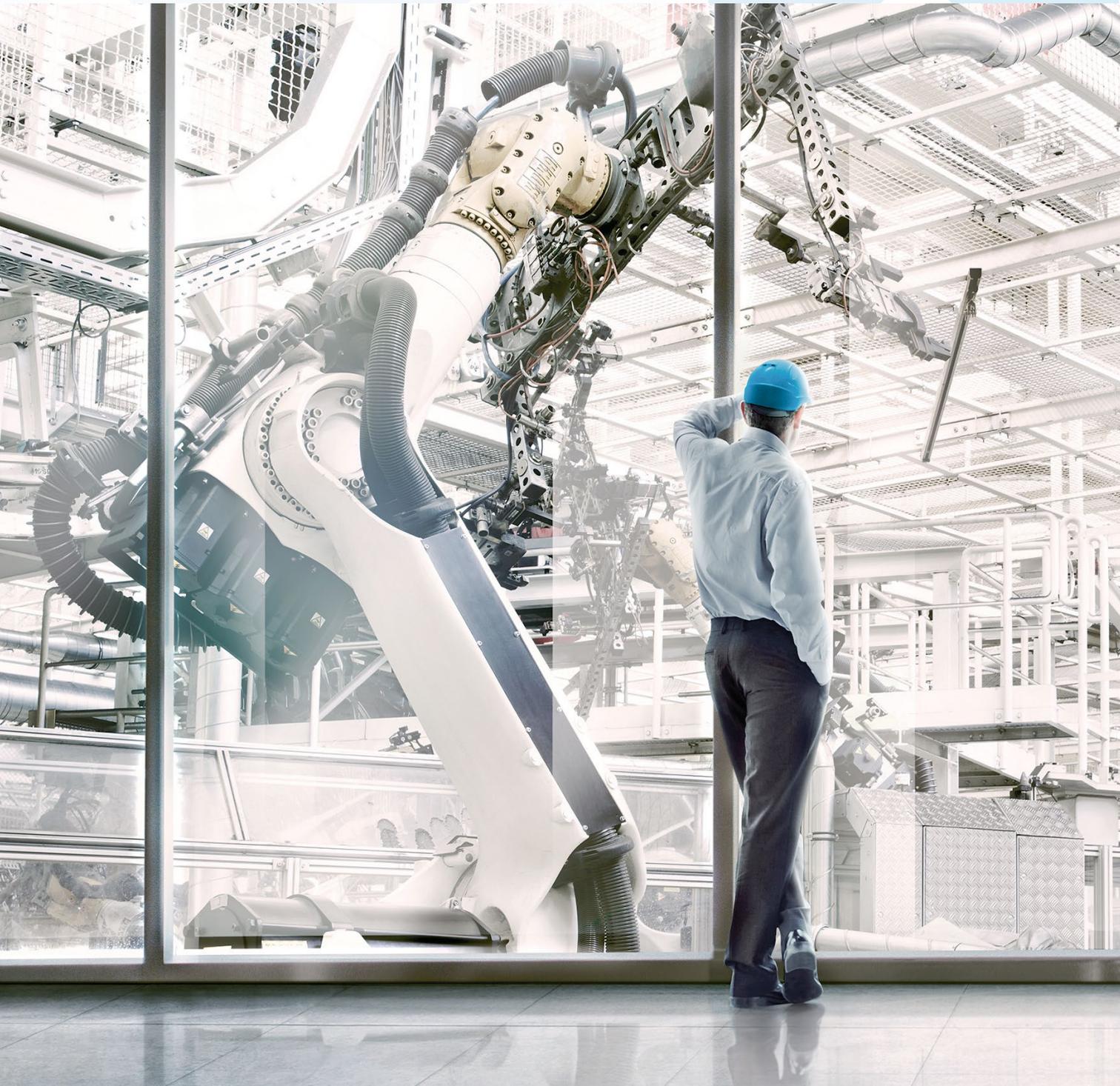


On the outlook for SME performance in 2018, SME GDP growth is expected to expand at the lower-end of the official estimated range of 7.0 - 8.0%. This estimation is based on actual overall GDP growth performance in the first half of 2018 at 4.9% and the downward revision by Bank Negara Malaysia (BNM) on the overall annual GDP growth projection to 5.0%. The SME growth will be supported by higher private consumption, improved business sentiment and consumer confidence, as well as favourable global economic outlook. In addition, greater certainty in domestic policies and initiatives by the new Government is expected to provide support to growth prospects.

Going forward, a new long-term plan will be formulated to chart SME and entrepreneurship development

beyond 2020, building on the achievements of the existing SME Masterplan. The proposed SME Masterplan 2.0 (2021 - 2030) will lay out strategies for business sustainability and competitiveness, in order to compete in a more globalised and high-tech marketplace. The new Masterplan will need to take into account the changing demographics, economic and business landscapes, as well as to identify new opportunities and challenges that need to be addressed by Malaysian SMEs. The Masterplan will, among others, look into aligning SMEs to reap the benefits from the megatrends, such as Industrial Revolution 4.0 (IR 4.0) and digitalisation, as well as to explore new business models arising from new emerging financial technology, inclusive business, sharing economy and circular economy.

On the outlook for SME performance in 2018, SME GDP growth is expected to expand at the lower-end of the official estimated range of 7.0 - 8.0%. This estimation is based on actual overall GDP growth performance in the first half of 2018 at 4.9% and the downward revision by Bank Negara Malaysia (BNM) on the overall GDP growth projection to 5.0%



A photograph of a large industrial robotic arm in a factory. The arm is white and yellow, with various cables and hoses attached. It is positioned in a large, well-lit industrial space with a high ceiling and metal structures. The background shows other parts of the factory, including pipes and structural beams. The overall scene is a modern industrial environment.

FLAGSHIP PROGRAMMES AND INITIATIVES

Competitiveness Rating

Capacity Building

Access to Financing

Market Access

SME Brand Development

Technology and Innovation

Bumiputera Entrepreneur Development

Outreach

Award and Recognition

Women Entrepreneur Development

International Cooperation

Achievements of SME Development Programmes and Initiatives undertaken by SME Corp. Malaysia in 2017

As at 31 December 2017, a total of 22,951 SMEs have undergone SCORE evaluation, with a majority of the SMEs securing '2-Star' and '3-Star' ratings. In 2017 alone, a total of 4,114 SMEs were rated, compared with 3,938 SMEs in 2016

COMPETITIVENESS RATING



1. SME COMPETITIVENESS RATING FOR ENHANCEMENT (SCORE)

The SME Competitiveness Rating for Enhancement (SCORE) is a diagnostic tool developed to evaluate and rate the competitiveness of SMEs. It includes a quantitative assessment of the strengths and weaknesses of companies, as the basis for recommendation of more targeted and performance-enhancing measures based on the specific needs of the companies.

SCORE also serves as a tool to identify high-potential SMEs that can forge partnerships and linkages with large companies, MNCs, GLCs and other SMEs. SCORE can determine the criteria for identifying export-ready companies; taking into account, among others, compliance to international standards and certifications, as well as production capacity. Furthermore, SCORE re-evaluation of SMEs also helps us to monitor and measure the impact of SME development programmes on the growth of the SMEs.

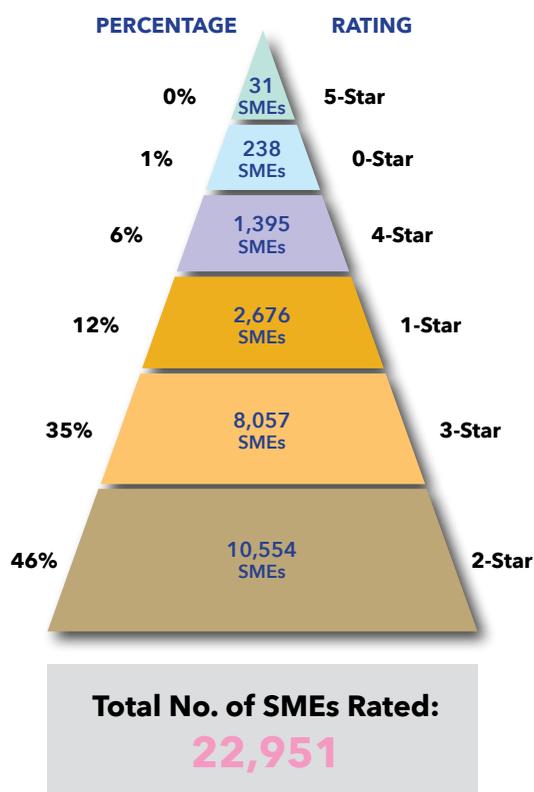
Since its inception in July 2007, a total of seven SCORE models have been developed; namely Manufacturing & Manufacturing Related Services; Retail & Distributive Trade; Construction; ICT; Maintenance, Repair & Overhaul; Professional Services (construction-related) and M-CORE (for microenterprises). SME Corp. Malaysia continues to work closely with various partners, who are industry (domain) experts, to develop SCORE models that cater to the specific needs of SMEs in different categories of the industry.

Through the SCORE assessment mechanism, SMEs are rated based on a scale of '0-Star' to '5-Star'; reflecting their competencies, strengths and weaknesses. Companies rated '0-Star' to '2-Star' are given the opportunity to participate in various capacity and capability building programmes organised by SME Corp. Malaysia and other Government agencies. Similarly, companies with a rating of '3-Star' and above are presented with opportunities to participate in business linkage programmes and export promotion activities.

As at 31 December 2017, a total of 22,951 SMEs have undergone SCORE evaluation, with a majority of the SMEs securing '2-Star' and '3-Star' ratings. In 2017 alone, a total of 4,114 SMEs were rated, compared with 3,938 SMEs in 2016.



**OVERALL STATUS OF SCORE
AS AT 31 DECEMBER 2017 (2007 - 2017)**



**STATUS OF SCORE BY YEAR
(2015 - 2017)**

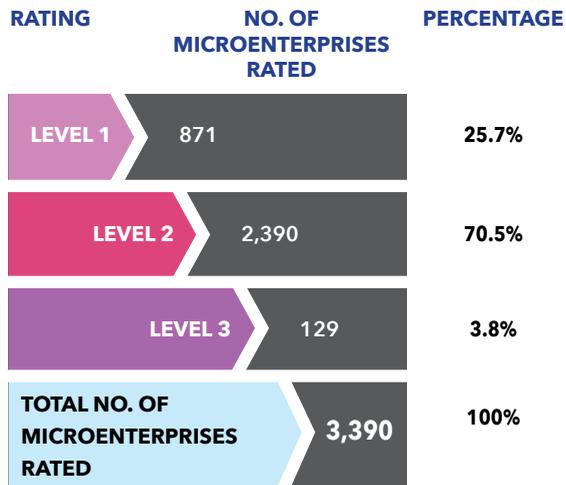
RATING	2017	2016	2015
0-Star	19	0	1
1-Star	341	347	205
2-Star	1,884	2,162	1,367
3-Star	1,563	1,142	1,331
4-Star	293	278	278
5-Star	14	9	5
Total No. of SMEs Rated	4,114	3,938	3,187

2. MICROENTERPRISE COMPETITIVENESS RATING FOR ENHANCEMENT (M-CORE)

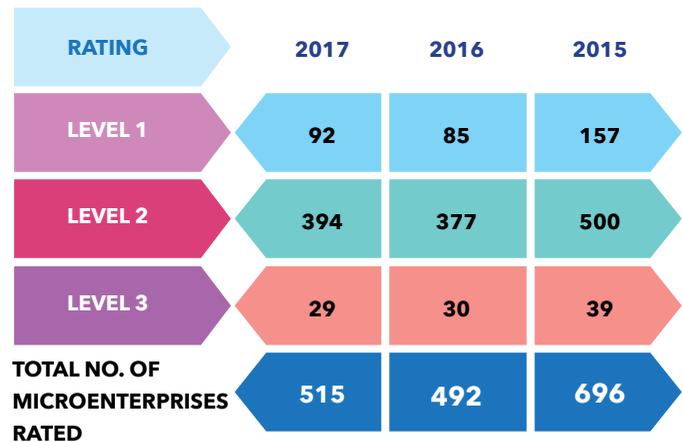
M-CORE is a simplified competitiveness assessment tool introduced in August 2010 to cater to the specific needs of microenterprises. M-CORE measures the performance and capabilities of microenterprises in four key areas; namely business, finance, operations and management. M-CORE categorises companies into three levels; namely Level 1, Level 2 and Level 3. Level 1 gives an indication that the company is functioning with very basic business operations, Level 2 indicates that the company has potential to grow, and Level 3 reflects the readiness of the company to graduate from microenterprise to small enterprise. Skills upgrading programmes are offered to these companies to enhance their business capabilities.

To date, a total of 3,390 microenterprises have been evaluated under M-CORE. The majority of the microenterprises are in the Level 2 category.

**OVERALL STATUS OF M-CORE
AS AT 31 DECEMBER 2017 (2010 - 2017)**



**STATUS OF M-CORE BY YEAR
(2015 - 2017)**



CAPACITY BUILDING

1. BUSINESS ACCELERATOR PROGRAMME (BAP)

The Business Accelerator Programme (BAP) is an integrated assistance programme to enhance the capabilities of SMEs, including microenterprises, through business advisory and financial assistance. The Programme supports a wide range of capacity building initiatives to assist SMEs to grow their businesses locally and internationally.

BAP provides financial assistance in the form of matching grants and soft loan schemes to help SMEs seek new business growth opportunities. It begins with an assessment of the current business capabilities of SMEs using the diagnostic tool, SCORE to ascertain the strengths and weaknesses of companies. Action plans are then developed for business improvements tailored to the specific requirements of the companies.

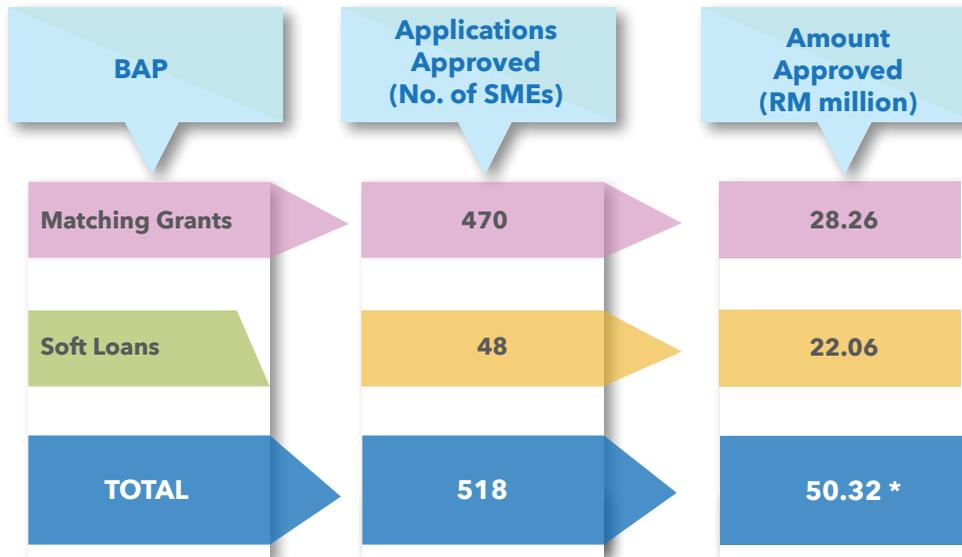
Since the inception of BAP in 2011 until 31 December 2017, a total of 2,119 applications from SMEs have been approved for financial support amounting to RM387 million. Out of these, a total of 518 SMEs were supported in 2017, with approved financial assistance amounting to RM50.3 million.

SME Corp. Malaysia collaborates with SME Bank and Bank Rakyat for the implementation of soft loans facilitated under BAP. Funding under the soft loan scheme covers financing of working capital and fixed assets to help business expansion. In 2017, a total of RM17.2 million (78%) in soft loans was approved to finance working capital, while another RM4.9 million (22%) was approved for purchase of fixed assets.

SME Corp. Malaysia is committed to providing holistic support to SMEs, including microenterprises, to grow and prosper through diverse business improvements. Under BAP, SMEs are able to benefit from matching grants that cover the costs of product development, packaging improvement, business innovation, product certifications, advertising, promotional activities, automation, production capacity improvement, as well as ICT adoption. The highest approval for matching grants was for production capacity improvement with 67% of applications approved. This reflects an increasing awareness among the SMEs on the need for productivity enhancement and to reduce dependency on low-skilled workers.



Financial Assistance under BAP in 2017



* Rounded to RM50.3 million

Approved Projects for Matching Grants under BAP (as at 31 December 2017)





2. SME@UNIVERSITY PROGRAMME



Participants at the SME@University Programme briefing at SME Corp. Malaysia

SME Corp. Malaysia, in collaboration with Human Resources Development Fund (HRDF) and Universiti Kebangsaan Malaysia (UKM), established the SME@University programme in 2011. This programme was designed based on the training model of SME University of Japan, with cooperation from the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN (SME Support, JAPAN).

The objective of this initiative is to provide the Chief Executive Officers (CEOs), Managing Directors (MDs) and business owners of SMEs with a structured learning opportunity at universities where they can experience and gain knowledge on entrepreneurship, as well as exposure to current business tools; from theory and methodology to applied skills. The programme was developed using a semi-coaching and semi-consulting approach conducted by speakers from the industry.

Since its inception in 2011 until 2017, the programme has been implemented in collaboration with 11 universities; respectively branded as SME@UKM, SME@UiTM, SME@UPM, SME@IIUM, SME@UMK, SME@HELP University, SME@UUM, SME@UMS, SME@UNIMAS, SME@UTM and SME@USM, with the active participation of 864 CEOs / MDs and business owners.



CEOs / MDs and business owners of SMEs at an SME@University programme briefing held at SME Corp. Malaysia

In order to enhance the learning curve, the SME@University Programme introduced the Advanced Course for SME@University in Japan in 2013, organised by SME Corp. Malaysia in collaboration with SME Support, JAPAN and Tokyo SME University. To date, a total of 87 local CEOs / MDs and business owners who graduated from the SME@University Programme have been given the opportunity to attend the course. The course provides participating CEOs / MDs and business owners with an interactive platform to gain new insights from the guidance and sharing provided by Japanese SME support agencies and Japanese SMEs, as well as obtain networking and business opportunities.

3. SME MENTORING PROGRAMME

Since 2010, a total of 490 companies with 667 participants have benefited from this programme. In 2017, the programme received an encouraging response from 72 SMEs, with a total of 105 participants attending four sessions that were held in Melaka, Sabah, Kelantan and Kuala Lumpur

There is high merit in forging public-private partnerships for executing SME development programmes, especially to overcome the on-ground challenges for effective policy implementation, and to deliver pragmatic solutions for the SME community. In view of this, SME Corp. Malaysia has formed a strategic partnership with Nestlé (Malaysia) Berhad and Halal Industry Development Corporation (HDC) since 2009 to implement the SME Mentoring Programme. The objective of this programme is to further develop, increase capabilities and improve business performance of local SMEs in the Halal food and beverage (F&B) industry in Malaysia, as to enable them to compete in the global market.

Through this programme, Nestlé, a renowned global producer of Halal F&B, shares its knowledge and insights on Halal procedures, best practices for the Halal F&B industry, as well as what it takes to become competent suppliers to multinational corporations (MNCs). With demonstrated leadership and mentoring in the Halal industry, Nestlé has inspired and motivated the participating companies to undertake Halal-related initiatives after undergoing the programme.

Since 2010, a total of 490 companies with 667 participants have benefited from this programme. In 2017, the programme received an encouraging response from 72 SMEs, with a total of 105 participants attending four sessions that were held in Melaka, Sabah, Kelantan and Kuala Lumpur.

4. SME EXPERT ADVISORY PANEL (SEAP)

The SME Expert Advisory Panel (SEAP) is an initiative that brings together retired experts from the industries and specific Government agencies to provide technical and business advisory services to SMEs. The role of such experts is to guide SMEs to continuously review and improve business operations and practices based on the experts' respective fields of expertise.

As of 2017, a total of 77 industry experts with diverse backgrounds have been appointed to the panel. A total of 133 SMEs have implemented progressive measures and positive changes, which in turn have led them to affirmative results.

ACCESS TO FINANCING

1. SOFT LOAN FOR SMEs (SLSME)

The Soft Loan for SMEs (SLSME) was launched in December 2001 to promote the development of SMEs in Malaysia. This scheme assists existing, as well as new startup enterprises for financing projects, fixed assets and working capital.

The fund for this scheme is channelled by the Government through SME Corp. Malaysia to Malaysian Industrial Development Finance (MIDF) which is the implementing agency. As at 31 December 2017, a total of 2,836 companies were approved for financial assistance amounting to RM2.44 billion. In 2017, RM259.1 million was approved for 175 companies.

2. SHARIAH-COMPLIANT SME FINANCING SCHEME (SSFS)



Shariah-Compliant S.M.E. Financing Scheme

The Shariah-Compliant SME Financing Scheme (SSFS) was introduced to provide financial assistance to Malaysian SMEs. Eligible SMEs are given a rebate of two percentage points on the profit rate charged

on the financing provided by participating financial institutions. The SSFS is a collaboration between SME Corp. Malaysia and the Association of Islamic Banking Institutions Malaysia (AIBIM) together with 14 of its members.

Since its inception in 2012 until December 2017, a total of 1,401 SMEs were assisted under the scheme, with loans amounting to RM2.34 billion and rebates totalling RM88 million.

3. SME EMERGENCY FUND (SMEEF)

One of the objectives of SME Corp. Malaysia's outreach programmes is to support SMEs affected by natural disasters; such as floods, droughts and landslides. The SME Emergency Fund (SMEEF) is a financial assistance provided by SME Corp. Malaysia in collaboration with MIDF, to ease the burden of SMEs that have been adversely affected by catastrophes, to enable them to rebuild their businesses.

With an allocation of RM10 million, SMEEF provides financing of up to a maximum of RM100,000 per company, in a hybrid form comprising both grants and soft loans, depending on the needs and capacity of the SMEs. The grants are awarded for refurbishment of business premises and repair of damaged machineries and equipment; whereas the soft loan is accorded for working capital, including raw materials, and purchase of machineries and equipment, as well as basic fixtures for premises.

Since its introduction in 2012, a total of 1,043 SMEEF applications from SMEs in six affected States - Johor, Kelantan, Pahang, Perak, Terengganu and Sarawak - have been approved for financial assistance totalling RM6.2 million. In 2017, a total of 24 applications were received from SMEs in Johor, Kelantan, Pahang, Perak and Sarawak, where 23 of them were approved with financial assistance amounting to RM220,000.



MARKET ACCESS

1. BUSINESS LINKAGE (BLing) PROGRAMME

The Business Linkage (BLing) programme aims to facilitate linkages between SMEs and large companies, MNCs and GLCs. The main component of this programme is Business Matching which is conducted annually during the SME Annual Showcase (SMIDEX) and at various other platforms that provide linkage opportunities between SMEs and MNCs.

In 2017, a total of 425 SMEs were linked up with large companies, MNCs and GLCs through 943 linkages that recorded a total value of RM621.8 million in potential sales. This achievement was generated through Business Matching sessions organised in conjunction with the following events:

- Chemicals Buyers-Sellers Meet (21 February 2017);
- SME Week 2017 (4 - 24 May 2017);
- SME Immersion Towards e-Commerce - Business Matching with Lazada during SME Week 2017 (4 - 24 May 2017);
- Chinese Taipei Business Matching under Malaysia-Taiwan Economic Cooperation Committee (MTECC) in SME Developments (23 May 2017); and
- SMIDEX SME Annual Showcase (SMIDEX) 2017 Business Matching Session (15 - 17 November 2017).

OVERALL BUSINESS MATCHING SESSIONS IN 2017

 = 425
No. of SMEs

 = 943
No. of Linkages



Total Potential Sales Value =

RM621.8 million



SMIDEX 2017 organised in Kuala Lumpur had successfully showcased the capability and capacity of local SMEs

2. SME ANNUAL SHOWCASE (SMIDEX) 2017

As a regional platform for business interaction and growth opportunities, SMIDEX 2017 attracted 11,195 trade visitors. A total of 377 Business Matching sessions conducted during the event generated potential sales valued at RM557.5 million, which was an increase of 5.4% from 2016 and the highest ever recorded since the inception of SMIDEX in 1997

The 20th SME Annual Showcase (SMIDEX 2017) was organised from 15 - 17 November 2017 in Kuala Lumpur. Themed 'Embracing Change, Enhancing Gain', SMIDEX 2017 signified the resilience and competitiveness of local SMEs in overcoming challenges posed by the slowdown in the economy; low commodity prices, fluctuating exchange rates, slow global trades and increase in cost of doing business.

The event provided unparalleled opportunities for SMEs to connect with regional and global practitioners, experts and thought leaders for new knowledge, tools and solutions. It delivered high-value by facilitating first-hand sharing of experiences and solutions, enabling sustainable trade partnerships among the SME community.

As a regional platform for business interaction and growth opportunities, SMIDEX 2017 attracted 11,195 trade visitors. A total of 377 Business Matching sessions conducted during the event generated potential sales valued at RM557.5 million, which was an increase of

5.4% from 2016 and the highest ever recorded since the inception of SMIDEX in 1997.

This accomplishment was largely attributed to the participation of 109 SMEs and 38 GLCs, MNCs and large companies from high-value sectors with high-innovation and strong global presence; these included Parkway Pantai and Schlumberger, as well as renowned business organisations, such as KPJ Healthcare Berhad, Malakoff Corporation Berhad and PLUS Malaysia Berhad. Several foreign companies from Korea and Japan had also taken part and contributed to the overall achievements of the Business Matching sessions.

The three-day event - featuring Pocket Talks, product presentations, guided-tours, competitions and new product launches - showcased a total of 316 booths; with the participation of 248 local and foreign companies, as well as Government agencies.



Royal Luncheon Talk by HRH Crown Prince of Johor at SMIDEX 2017



3. GALAKAN EKSPORT BUMIPUTERA (GEB) PROGRAMME



Deputy Chief Executive (I) of SME Corp. Malaysia officiating a GEB Promotional and Pre-export Training Session

The *Galakan Eksport Bumiputera* (GEB) programme is a programme implemented by SME Corp. Malaysia under the 11th Malaysia Plan (11MP). A collaboration with Majlis Amanah Rakyat (MARA), Malaysia External Trade Development Corporation (MATRADE) and EXIM Bank, the programme aims to create business linkages among Bumiputera SMEs, as well as assist

them to tap the potential of the ASEAN Economic Community (AEC) and seize the opportunities abound.

The objectives of the GEB programme, among others, are to enhance the SME export market potential and increase the number of Bumiputera SMEs penetrating international markets. The integrated financial assistance is in the form of matching grant by SME Corp. Malaysia and soft loan by MARA.

The pilot programme was initiated by SME Corp. Malaysia with eight active Bumiputera associations, aimed to identify potential exporters among Bumiputera SMEs to participate in the programme.

Since the inception of the programme in 2016, 26 applications amounting to RM33.6 million have been approved. Out of these, 15 approved applications were for matching grants totalling RM2.1 million and 11 approvals were for soft loans amounting to RM31.5 million.

In 2017, SME Corp. Malaysia, in collaboration with several Bumiputera associations, MARA, MATRADE, EXIM Bank and the Royal Malaysian Customs Department (RMCD), organised a series of GEB Promotional and Pre-export Training Sessions from January to May to develop and improve the export marketing skills of potential Bumiputera SME exporters, with a target of identifying at least 100 new export-ready Bumiputera SMEs.

As at 31 December 2017, a total of 380 participants from 270 Bumiputera SMEs have attended and benefited from this training and promotional series.



Participants at a GEB Promotional and Pre-export Training Session held at SME Corp. Malaysia



SME BRAND DEVELOPMENT

1. NATIONAL MARK OF MALAYSIAN BRAND CERTIFICATION

The National Mark of Malaysian Brand Certification programme is a collaboration between SME Corp. Malaysia and SIRIM QAS International Sdn. Bhd. The National Mark of Malaysian Brand is a symbol of prestige for Malaysian companies and their brands, as it certifies them against a set of stringent quality standards that represents the best of Malaysian products and services.

Launched in 2009, the objective of the programme is to create globally-competitive companies by encouraging them to recognise the value of branding for differentiated market positioning. This strategic initiative also aims to provide market access for high-potential SMEs that are capable and committed to developing and marketing quality products and services. Over the years, the National Mark of Malaysian Brand has been successful in enhancing the visibility of Malaysian products and services in both local and international markets.

The National Mark of Malaysian Brand is a symbol of prestige for Malaysian companies and their brands, as it certifies them against a set of stringent quality standards that represents the best of Malaysian products and services

The benefits gained by the recipients of the National Mark of Malaysian Brand include monetary incentives under the Green Lane Business Accelerator Programme, access to ongoing local and international trade activities by Ministries and agencies, invitation to specific training opportunities organised by SME Corp.

Malaysia and its partners, as well as privileged media coverage. In addition, certified SMEs are featured in SME Corp. Malaysia's database, on the top priority list, which is used for business linkage programmes, as well as business networking opportunities.

Since its inception, a total of 145 companies have been certified, out of which 15 companies were certified in 2017. At present, the National Mark of Malaysian Brand has registered trademarks in Malaysia, Australia, Belgium, Japan, Korea, the Netherlands, Thailand and the United States.

2. BRANDING AND PACKAGING MOBILE GALLERY (THE 'BRAND TRANSFORMER')

The Branding and Packaging Mobile Gallery, aptly named the 'Brand Transformer', was initiated to reach out to rural SMEs across the country, with the aim of increasing their awareness on the importance of branding and innovative packaging to meet the needs of the global market, through engagement and training programmes. This initiative is implemented by SME Corp. Malaysia in partnership with SIRIM QAS International Sdn. Bhd., Intellectual Property Corporation of Malaysia (MyIPO), Federation of Malaysian Manufacturers (FMM) and Malaysia Design Development Centre (DDEC).

The 'Brand Transformer' initiative is in line with one of the key objectives of the SME Masterplan (2012 - 2020), namely to help SMEs achieve greater productivity, innovation and growth. It fulfils the objective of HIP 6: Inclusive Innovation that advocates the transformation of communities, including microenterprises, in the rural areas, by leveraging on innovation



Launched in 2012, the 'Brand Transformer' is created from a 40-footer 'wing glider', refurbished and fitted with an interactive, user-friendly and innovative display of packaging samples and materials. In Sabah, Sarawak and certain remote places in the Peninsular Malaysia, the 'Branding Pack & Go', a convenient mobile branding gallery pack is deployed in place of the 'Brand Transformer'.

The 'Brand Transformer' initiative is in line with one of the key objectives of the SME Masterplan (2012 - 2020), namely to help SMEs achieve greater productivity, innovation and growth. It fulfils the objective of HIP 6: Inclusive Innovation that advocates the transformation of communities, including microenterprises, in the rural areas, by leveraging on innovation.

In 2017, the 'Brand Transformer' visited two locations; namely Kuala Terengganu, Terengganu and Raub, Pahang during SME Week 2017, which benefited a total of 607 visitors.

TECHNOLOGY AND INNOVATION

1. DEVELOPING SMEs IN THE GLOBAL AEROSPACE MANUFACTURING INDUSTRY

Since the roll-out of the first Malaysia Aerospace Blueprint in 1997, the industry has grown tremendously, and today, aerospace is one of the key contributing sectors to Malaysia's aspiration of growing into a high-income economy. The sector has seen a surge of investments in recent years, with some of the world's largest multinational companies establishing and expanding operations across a growing network of aerospace facilities in the country.

The Government has embedded the development strategy for the aerospace industry in the Malaysian Aerospace Industry Blueprint 2030, which aims to make Malaysia the leading aerospace nation in Southeast Asia and an integral part of the global market by 2030.



The 'Brand Transformer' provides SMEs in rural areas with the opportunity to increase their awareness on the importance branding and innovative packaging

In 2017, these 20 SMEs generated a total of RM24.5 million in sales revenue, compared with RM9.8 million in 2016. These early stage developments are positive indicators that would bring the participating SMEs to the next level of being appointed as approved suppliers

The future of the aerospace industry will involve high-value upstream design and manufacturing activities, providing immense opportunities for high-tech and high-potential global Malaysian SMEs.

In preparing Malaysian SMEs to enter the global aerospace market, SME Corp. Malaysia has been tasked to spearhead a structured development programme to expand the capability of Malaysian SMEs and integrate them into the global aerospace supply chain.

To kick start the programme, a total of ten high-potential SMEs were selected for assistance in the form of capacity and capability building, facilitation to penetrate into new markets, as well as link-up with major players in the aerospace industry. Among the initiatives being implemented by SME Corp. Malaysia is to assist participating SMEs to upgrade the status of certification and recognition, which is very essential for them to operate and compete in the aerospace industry. In addition, based on the Strategic Action Plans which they have respectively formulated, the SMEs are also given support in the areas of Organisational Transformation, Technological Plans and Marketing Strategy to enhance their competitiveness.

In 2017, another ten SMEs had been selected to participate in the programme. To date, 17 of the 20 pilot SMEs have successfully secured AS9100 certification, whereas the remaining three companies are expected to be certified by 2019. Meanwhile, a total of 2,726 Requests for Quotation (RFQ) have been received. In 2017, these 20 SMEs generated a total of RM24.5 million in sales revenue, compared with RM9.8 million in 2016. These early stage developments are positive indicators that would bring the participating SMEs to the next level of being appointed as approved suppliers.



2. INNOVATION CERTIFICATION FOR ENTERPRISE RATING AND TRANSFORMATION (1-InnoCERT)

SME Corp. Malaysia has been entrusted by the Government to lead, drive and support SME innovation development through the Innovation Certification for Enterprise Rating and Transformation (1-InnoCERT) programme. Launched in 2010, 1-InnoCERT identifies and verifies innovative companies through an internationally-recognised innovation standard (OECD Oslo Manual V3), and employs a certification process which was adapted from the best practices of Korea's Innobiz (Innovation SME) Certification programme. Through this programme, SMEs are guided and facilitated to implement innovation systems, processes and business models; as well as to create intellectual properties that can help spur Malaysia towards becoming an innovative nation by 2020.

Participants of 1-InnoCERT are given priority access to Government incentives to fund and market their products and services. An incentive worth RM45 million in the form of Innovation Vouchers has also been allocated for 1-InnoCERT-certified SMEs to facilitate their business activities, including research and development (R&D), advertising and promotion (A&P), certification and quality management system (QMS), packaging, as well as enhancement of product, process and production capacity. This is to facilitate SMEs to comply with the industrial requirement, in order to integrate them into the global supply chain.

Recognising the importance of nurturing and increasing the number of high-growth and innovative companies, the 20th National SME Development Council (NSDC) Meeting held on 23 June 2016 had endorsed the adoption of the 1-InnoCERT programme as the standard innovation assessment mechanism at the national level, to be used by all relevant Ministries and agencies for the selection of innovative SMEs in the provision of support programmes for innovation.

Since its inception in 2010, a total of 219 1-InnoCERT certifications have been awarded to 163 SMEs. As of 31 December 2017, SME Corp. Malaysia had issued Innovation Vouchers valued at RM19.2 million to 67 SMEs.



3. e-COMMERCE PROGRAMME

The NeSR aims to double Malaysia's e-commerce growth rate from 10.8% in 2016 to 20.8% in 2020, and reach a GDP contribution of RM211 billion by 2020. Towards this aim, the NeSR is set with planned interventions emphasising on six thrust areas

e-Commerce is a critical component of the digital economy. The National eCommerce Strategic Roadmap (NeSR) was launched by YAB Prime Minister on 13 October 2016, which reinforced the commitment of the Government to drive the e-commerce agenda and help Malaysia's transition into an era of borderless trading of goods and services.

The implementation of the NeSR is monitored by the National eCommerce Council (NeCC), headed by the Minister of International Trade and Industry, with its Secretariat jointly led by the Ministry of International Trade and Industry (MITI) and Malaysia Digital Economy Corporation (MDEC). The NeCC has been mandated to provide strategic direction to drive the development of e-commerce in Malaysia.

The NeSR aims to double Malaysia's e-commerce growth rate from 10.8% in 2016 to 20.8% in 2020, and reach a GDP contribution of RM211 billion by 2020. Towards this aim, the NeSR is set with planned interventions emphasising on six thrust areas.

**National eCommerce Strategic Roadmap (NeSR)
Six (6) Thrust Areas**



Across these six thrust areas, 13 key programmes have been assigned to various public sector champions. SME Corp. Malaysia has been tasked to lead Thrust Area 1: Accelerate Seller (SME) Adoption of e-Commerce, with the implementation of the following programmes and activities:

- Promote and market e-commerce for adoption by SMEs through various programmes by agencies, e-commerce partners and associations;
- Create a one-stop e-business portal for SMEs (www.go-ecommerce.my) to facilitate registration and training; and
- Train SMEs through workshops and outreach programmes by agencies, e-commerce partners and associations.

SME Corp. Malaysia has collaborated with several e-commerce players such as 11street Malaysia, Facebook-Avana and Lazada Malaysia in conducting training courses on e-commerce for SMEs as to encourage and support SMEs to embark on the e-commerce value chain.

**National eCommerce Strategic Roadmap (NeSR)
Thrust Area 1: Accelerate Seller (SME) Adoption of e-Commerce**





Digital Free Trade Zone (DFTZ)

SME Onboarding Workshops

The Government is intensifying its efforts towards driving the e-commerce agenda with the aim of propelling Malaysia into a high-income and globally-competitive nation. In tandem with this goal, the Government had established the Digital Free Trade Zone (DFTZ) on 22 March 2017, as to enhance the competitiveness of Malaysian companies in the e-commerce ecosystem through greater collaboration with industry players along the e-commerce value chain

The DFTZ is expected to help achieve the set targets under the National eCommerce Strategic Roadmap (NeSR), namely to increase the growth of e-commerce and its contribution to the GDP to RM211 billion by 2020. The DFTZ is a strategic collaboration between Malaysia and world-renowned internet and e-commerce companies; Catcha Group and Alibaba Group. MDEC, SME Corp. Malaysia and MATRADE collaborate to promote and encourage the participation of SMEs in the DFTZ. The DFTZ provides physical and virtual zones to facilitate SMEs to capitalise on the convergence of exponential growth of the internet economy and cross-border e-commerce activities

DFTZ

As an initial initiative, in 2017, MITI through SME Corp. Malaysia and MATRADE, in collaboration with MDEC, had organised a series of DFTZ SME Onboarding Workshops, targeting SMEs with the capacity to export to embark on the DFTZ platform. In 2017, SME Corp. Malaysia conducted a total of ten workshops nationwide which had garnered 1,688 participants

The DFTZ had gone live on 3 November 2017 with the launch of its logistic operations in Malaysia, and the flagging off of more than 1,900 SMEs that had come onboard Alibaba.com, DFTZ's first strategic partner, to start their export journey

Business Accelerator Programme (BAP) for e-Commerce

In aiding SMEs involved in online business, SME Corp. Malaysia offers an incentive under its Business Accelerator Programme (BAP) to provide funding to SMEs as to help them reduce the cost of listing on e-commerce platforms.

BAP also provides financing that covers application software development costs, where eligible SMEs can benefit from matching grants in the amount of 50% of the total approved cost up to a maximum of RM400,000.





Industry 4.0 has four main effects on business for SMEs:

1

Customer expectations are shifting - packaging, branding, customer service, customised offering

2

Products are being enhanced by data, which improves asset productivity - new materials, data analysis of asset maintenance

3

New partnerships are being formed as companies learn the importance of new forms of collaboration – resource sharing through collaborative innovation

4

Business and delivery models are being transformed into new digital models – data-powered models are faster with greater agility, increasing productivity through e-commerce

INDUSTRY 4.0 AND ITS IMPLICATIONS TO SMEs

Moving towards Industry 4.0, SMEs need to brace and orientate themselves to new ways of doing business – through e-commerce solutions, digital marketing platforms, social media engagements – in order to create and sustain a unique customer experience. It will require new investments in automation, and training semi-skilled or low and mid-skilled labour to enhance their capabilities to manage emerging technologies, systems and processes, which are imminent due to digitalisation of businesses.

As more businesses are moving to digital platforms, we are now witnessing Malaysia - with 146% mobile penetration, 22 million internet users, 18 million active social media users and seven million online shoppers - ranked 31st among the most tech-ready countries in the world. The e-commerce potential in Malaysia is steadily growing. In ASEAN, Malaysia's retail (B2C) e-commerce size is USD1.5 billion as against Indonesia (USD2.5 bil), Singapore (USD1.9 bil), the Philippines (USD1.2 bil), Thailand (USD1.1 bil) and Vietnam (USD1.1 bil). *

* ASEAN retail e-commerce market size in 2015 - Source: AT Kearney

Outreach: Industry 4.0 Seminars in 2017

With the objective of increasing SME awareness on the potentials of Industry 4.0, SME Corp. Malaysia together with MITI, MDEC and MIMOS had organised Seminars on Industry 4.0 nationwide in order to create awareness and introduce Government assistances and facilities that are available for SMEs. This initiative aimed to ensure that local SMEs would remain competitive in the global market. In 2017, a total of six seminars on Industry 4.0 were conducted in Kuala Lumpur, Penang, Johor, Sabah and Sarawak which had garnered 1,620 participants.

BUMIPUTERA ENTREPRENEUR DEVELOPMENT

The Bumiputera Economic Empowerment Agenda (BEEA) was launched on 14 September 2013 as an initiative towards equitable distribution of wealth and reducing income gap between the major races in Malaysia.

The BEEA focuses on five key strategies:

- Enable Bumiputera human capital
- Strengthen Bumiputera equity ownership in the corporate sector
- Strengthen Bumiputera non-financial assets
- Intensify Bumiputera entrepreneurship and business
- Strengthen services delivery ecosystem

The Bumiputera Economic Council (MEB), chaired by YAB Prime Minister, was established in September 2013 to replace the Bumiputera Agenda Action Council (BAAC). With the establishment of the MEB, YAB Prime Minister closely monitors the implementation of initiatives under the BEEA across various Ministries and Government-linked investment companies (GLICs) and Government-linked companies (GLCs).

1. BUMIPUTERA ENTERPRISE ENHANCEMENT PROGRAMME (BEEP)

The Bumiputera Enterprise Enhancement Programme (BEEP) is aimed at improving the competitiveness of Bumiputera SMEs through integrated assistance; which includes advisory services, technical assistance, training and financial support. The programme is implemented by SME Corp. Malaysia in collaboration with State Governments and various agencies providing technical assistance and support. The financial assistance provided is in the form of matching grants.

As at 31 December 2017, a total of 976 applications were approved with matching grants amounting to RM141.7 million. Out of this, RM40.7 million was approved for 334 Bumiputera SMEs in 2017. Negeri Sembilan and Perak recorded the highest approvals with 34 Bumiputera SMEs (RM4.5 million) and 46 Bumiputera SMEs (RM3.6 million) respectively. The majority of these approvals were for product & process improvements, product packaging, as well as certifications & quality management systems.



2. TUNAS USAHAWAN BELIA BUMIPUTERA (TUBE)

Tunas Usahawan Belia Bumiputera (TUBE) is one of the Government's initiatives to encourage youths to venture into business. It aims to:

- nurture and cultivate the spirit of entrepreneurship among youths;
- help youths transition from being 'workers' to 'owners or operators of businesses'; and
- build resilience and self-esteem among youths towards managing their own businesses.



Participants at the National Level Launching Ceremony of TUBE at the PLKN Camp in Kota Belud, Sabah



Since its implementation in 2014 up to 2017, TUBE had attracted a total participation of 2,433 youths, out of which 2,417 (99%) participants have registered their businesses with the Companies Commission of Malaysia (SSM) and started their business operations. As of 2017, the businesses had recorded total sales valued at RM54.6 million and created 4,414 new jobs

The TUBE programme provides participants with both mental and physical endurance training, and exposure to the business landscape and its associated challenges. It is delivered in three phases:

Phase 1: Test of Mental Perseverance and Physical Endurance (Boot Camp)

Phase 2: Increase of Knowledge on Effective Business Operations (Business Workshop)

Phase 3: Guidance on Effective Business Operations ('Buddy System')

The participants are awarded RM15,000 each in the form of grant to start their businesses after the successful completion of Phase 1 and Phase 2. Under Phase 3, the participants are guided by SME Corp. Malaysia's Business Counsellors through a 'Buddy System' for a period of 12 months upon starting business to help ensure the sustainability of their businesses.

Since its implementation in 2014 up to 2017, TUBE had attracted a total participation of 2,433 youths, out of which 2,417 (99%) participants have registered their businesses with the Companies Commission of Malaysia (SSM) and started their business operations. As of 2017, the businesses had recorded total sales valued at RM54.6 million and created 4,414 new jobs.



CEO of SME Corp. Malaysia presenting a token of appreciation to one of the speakers at the TUBE 3.0 'Meet & Greet' programme in Kuala Lumpur



3. LOCAL TO GLOBAL CORPORATIONS (LGC) ASCEND 800

The Local to Global Corporations (LGC) Ascend 800 programme aims to strengthen the participation of Bumiputera SMEs in business. It is implemented by SME Corp. Malaysia with the cooperation from Majlis Perundingan Melayu (MPM). This programme was introduced in 2014, based on the initiative by SME Corp. Malaysia and MPM, as a pilot project under the Bumiputera Economic Empowerment Agenda (BEEA).

Through this programme, the performances of selected Bumiputera SMEs with high growth potential are assessed based on their various capabilities and capacities; including increased contribution in the economic chain, investments, contracts, foreign markets and equity for the Bumiputera SMEs to become really competitive at the regional and global levels.

Since its inception in 2014, a total of 45 Bumiputera SMEs have been identified and are now actively involved in business coaching. A total of three Bumiputera SMEs, namely Ideal Healthcare Sdn. Bhd., Skala Design Sdn. Bhd. and Bina Integrated Industries Sdn. Bhd. – have been successfully matched with

GLCs. These SMEs will receive investment and equity injection amounting to RM22 million from Lembaga Tabung Haji (TH) and Permodalan Nasional Berhad (PNB). In addition, six companies have received business opportunities from KPJ Healthcare Berhad and TH.

4. IPO SEMINAR 2017: 'STAIRWAY TO LISTING'

The IPO Seminar 2017 was jointly organised by SME Corp. Malaysia, Bursa Malaysia, MIDF and TERAJU on 28 November 2017 to help local SMEs raise capital and market profiles.

The Seminar not only exposed the SMEs to various public listing procedures, but also presented a unique opportunity for them to engage with relevant listing experts. Owing to quality interactions and educational content of the Seminar, the SMEs appreciated how listing could help companies secure long-term capital, improve lending terms for credit facilities, increase visibility, have better access to venture capital financing, as well as become globally competitive.

Institutionalised in 2011, to date the Seminar has seen the participation of 615 entrepreneurs. In addition, 27 qualified SMEs were identified to attend Listing Clinics conducted by Bursa Malaysia for greater clarity on listing processes and requirements; in particular on eligibility, challenges and value propositions for listing.

In 2017, a total of 133 participants from 97 companies attended the Seminar. To date, six SMEs have successfully completed their initial public offering (IPO) exercise, with total market capitalisation of close to RM4.6 billion.



A Panel Discussion featuring listing experts at the IPO Seminar 2017: 'Stairway to Listing' held in Kuala Lumpur



OUTREACH

1. SME WEEK 2017



Small Businesses • Big Ideas

Overall, SME Week 2017 recorded a total of 320,345 visitors, with 1,351 SMEs participating in the exhibitions. A total of 362 activities were organised; whereby participants had benefited from various seminars, workshops, forums, briefings and consultations conducted during the programme. On the commercial side, SME Week 2017 recorded RM3.8 million in sales. In addition, the Business Matching sessions generated RM64.3 million in potential sales

SME Week is a unique platform created by SME Corp. Malaysia to promote awareness and acceptance of local SME products and services among the Malaysian public and business community; organise business linkages to create business ventures and investment

opportunities for SMEs; educate participating SMEs about the latest Government assistance and support; mobilise collaborative efforts and seek active participation of relevant Ministries and agencies, potential partners and investors, and end-consumers in promoting SMEs and their products and services; as well as foster the culture of entrepreneurship.

The sixth annual SME Week was held nationwide from 17 - 26 May 2017, and was officially launched at the national level by YB Minister of International Trade and Industry and YAB Menteri Besar of Terengganu on 18 May 2017 in Kuala Terengganu.

Overall, SME Week 2017 recorded a total of 320,345 visitors, with 1,351 SMEs participating in the exhibitions. A total of 362 activities were organised, whereby participants had benefited from various seminars, workshops, forums, briefings and consultations conducted during the programme. On the commercial side, SME Week 2017 recorded RM3.8 million in sales. In addition, the Business Matching sessions generated RM64.3 million in potential sales.

2. SME HUB

SME Hub was launched on 25 October 2017 by YB Minister of International Trade and Industry. Formerly known as the One Referral Centre (ORC), it aims to equip SMEs with filtered and focused information and knowledge to aid the development of SMEs. Previously, the method of obtaining information on entrepreneurship was limited. Now with SME Hub,



SME Hub is the platform for SMEs and entrepreneurs to acquire knowledge, learn business best practices, as well as obtain essential information on business startup, market access, human capital development, financial resources, industry know-how, and various other business aspects

SMEs can access relevant information online and offline. Besides that, as to ensure that this initiative covers SMEs in the rural areas, 'SME Hub-On Wheels' was initiated to assist in providing business advisory services to SMEs that are located in remote areas.

Information provided through this initiative is not limited to programmes that are implemented by SME Corp. Malaysia, but also those under various other Government agencies and organisations; such as SSM, MARA, BNM, Telekom Malaysia and Pos Malaysia.

SME Hub is the platform for SMEs and entrepreneurs to acquire knowledge, learn business best practices, as well as obtain essential information on business startup, market access, human capital development, financial resources, industry know-how and various other business aspects.

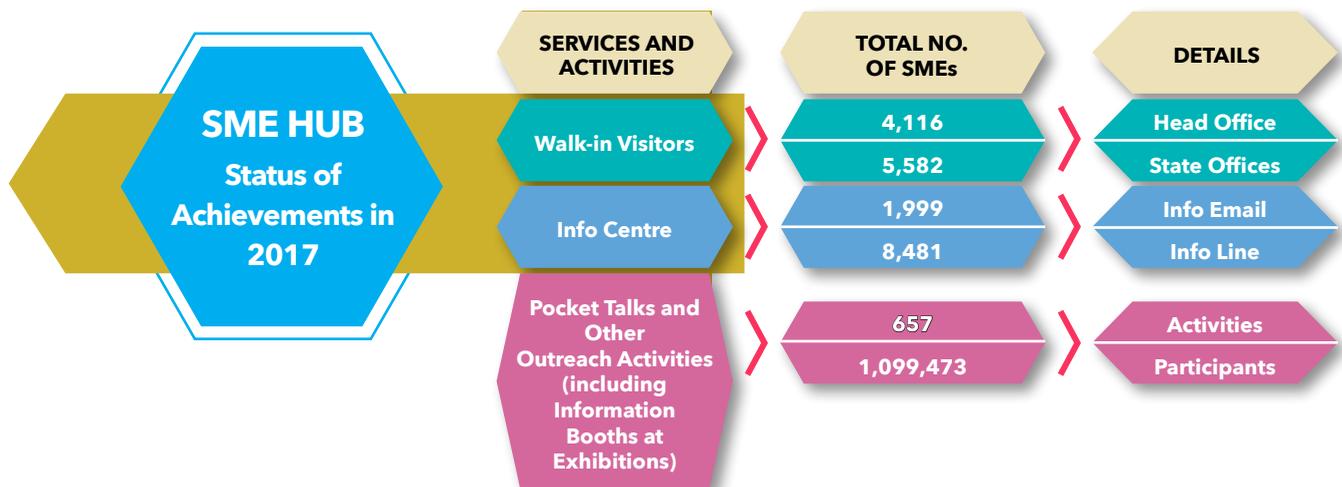
The range of services offered at SME Hub includes:

- Business Advisory Services
- SME Hub Links (collaborations with other Government agencies and organisations)
- Pocket Talks
- Info Centre (Info Email, Info Line)

- Resource Centre
- SME Product Gallery
- Virtual SME Hub (SME Corp. Malaysia website, SMEinfo Portal)

In 2017, SME Hub recorded a total of 1,099,473 SMEs that had benefited from 657 sessions of seminars, workshops, Pocket Talks and other outreach activities; including information booths at various trade exhibitions organised nationwide through SME Corp. Malaysia's Head Office and 12 State Offices.

This outreach initiative has successfully disseminated information, knowledge, insights and ideas on a variety of current and relevant business topics to SMEs and entrepreneurs, in addition to the advisory services provided by SME Corp. Malaysia's Business Counsellors and Business Coaches, as well as SME Expert Advisory Panel (SEAP). In 2017, SME Hub recorded a total of 9,698 walk-in visitors comprising 4,116 visitors at the Head Office in Kuala Lumpur and 5,582 visitors at the State Offices, which serve as mini SME Hubs.

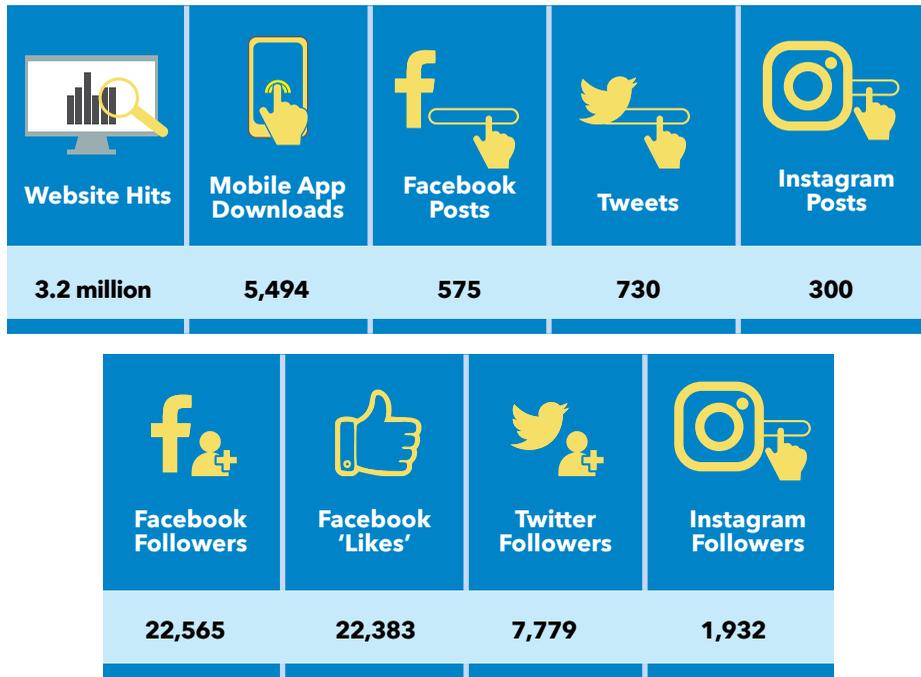




3. OUTREACH INITIATIVES VIA ONLINE AND SOCIAL MEDIA PLATFORMS

In fulfilling its nationally-relevant role of catalysing SME development, SME Corp. Malaysia continuously explores new ideas and innovative ways to reach out to the critical mass of Malaysian SMEs, with information and resources that will help forge partnerships and foster business growth. At SME Corp. Malaysia, our efforts are focused on the usage of multiple online and social media platforms - including our official website, mobile application, Facebook, Twitter and Instagram - to disseminate information on various development initiatives, services, support and events to SMEs; as well as programmes provided by various Ministries and agencies. In 2017, our efforts to channel important information through various platforms had generated optimistic results.

ONLINE AND SOCIAL MEDIA PLATFORMS Status of Achievements in 2017



4. 'SME HUB APP' MOBILE APPLICATION



SME Corp. Malaysia's official mobile app was launched on 30 November 2015, with the dual aim of moving towards modernising and increasing efficiency in Government delivery and engaging the new generation of entrepreneurs and digitally-savvy SMEs. It was rebranded as 'SME Hub App' on 25 October 2017 with the launch of SME Hub. This mobile platform allows SMEs to obtain the latest news and events

on SME development initiatives and activities, and information on various development programmes and financial assistances provided by related Ministries and agencies, as well as banks.

With the mobile app, SMEs are able to receive instant updates and alerts on activities and programmes on their mobile phones. The mobile app offers interactive features and valuable information, facilitating practical public access and enhancing the efficiency of Government delivery.

Since its launch, the mobile app has received an encouraging response with more than 5,494 downloads as of end 2017. It has also been reviewed favourably by its users, with an average rating of 4.6 on a scale of 5.

5. 'CHOR & CHAH' MINI DRAMA SERIES (SEASONS ONE AND TWO)





The production of this drama is in tandem with the Government's aim of encouraging Malaysians, in particular the youths and bottom 40% of the income pyramid (B40), to venture into entrepreneurship as a main career option

The 'Chor & Chah' Mini-Drama Series is a business guide in the form of a drama which is made available online via YouTube. This initiative was in line with efforts to hype-up SME development activities in the year 2017, which was declared as the 'Startup and SME Promotion Year'.

This 12-episode mini-drama series is a communication platform aimed to assist the Government in disseminating relevant and useful information related to operating business effectively; as a guide to entrepreneurs, in particular microenterprises, as to help them develop and expand their businesses.

The production of this drama is in tandem with the Government's aim of encouraging Malaysians, in particular the youths and bottom 40% of the income pyramid (B40), to venture into entrepreneurship as a main career option.

'Chor & Chah' highlights the journey of a young entrepreneur who has just started his business. This drama is produced by SME Corp. Malaysia and Suhan Movies; featuring actors such as Saharul Ridzuan, Ummy Nazeera, Ruhainies, Hafreez Adam, Afifah Nasir, Kazar and Haleeda. Season One began airing on 1

August 2017, three times a week via 'Chor & Chah' official YouTube channel.

Due to the positive response from the public to 'Chor & Chah' Season One, SME Corp. Malaysia continued to produce 'Chor & Chah' Season Two which was aired in October 2017. Season Two of this mini-drama series focused on assistances for business expansion and export incentives available for entrepreneurs. As at July 2018, the total viewership for 'Chor & Chah' was 3,805,961 namely 1,289,851 viewers for Season One and 2,516,110 viewers for Season Two.

Among the agencies involved in the making of 'Chor & Chah' were the Ministry of Agriculture and Agro-based Industry (MOA), Malaysia Administrative Modernisation Management Planning Unit (MAMPU), SME Bank, Malaysian Industrial Development Finance Berhad (MIDF), Malaysia External Trade Development Corporation (MATRADE), Credit Guarantee Corporation (CGC), Unit Peneraju Agenda Bumiputera (TERAJU), Telekom Malaysia and Platcom Ventures.



AWARD AND RECOGNITION

1. ENTERPRISE 50 (E50) AWARD 2017



E50 Award 2017 marked SME Corp. Malaysia's 20th year in 'Celebrating Malaysia's Enterprising Spirit'

The Enterprise 50 (E50) Award is a prestigious annual award programme that celebrates the accomplishments of Malaysia's top 50 enterprising SMEs. The genesis of the E50 Award rested on the premise that when individual businesses or critical mass of SMEs demonstrate potential and contribute to national productivity and growth, a viable mechanism to assess and recognise such SMEs and entrepreneurs is vital for positive change and economic progress.

The E50 Award, for two decades since its inception in 1997, has gained industry traction for being one of the most coveted and credible platforms for promoting and showcasing innovative, competitive and resilient enterprises. It established their leadership as not just successful enterprises, but as productive national assets and global players.

Marking its 20th year, the E50 Award 2017, with its annual theme 'Celebrating Malaysia's Enterprising Spirit', was jointly organised by SME Corp. Malaysia and Deloitte Malaysia, with the support of reputable organisations; namely Malaysian Industrial Development Finance Berhad (MIDF), RHB Bank Berhad, Telekom Malaysia (TM) Berhad, Media Prima Berhad and Malaysia SME.

The E50 Award 2017 received an overall increase in participation from 2016, with a total of 105 nominations. Greater participation was seen from the manufacturing sector at 58%. Participation from professional services, retail and wholesale, and ICT were at 20%, 10% and 6% respectively. A total of 77 nominations were shortlisted and the evaluation was based on key financial and non-financial parameters.

To date, a total of 2,061 companies have participated in the E50 Award. The E50 Award alumni comprises 695 winners, out of which 67 companies have been listed on Bursa Malaysia - 52 companies on the Main Market and 15 companies on the ACE Market. Nearly 70% of the E50 2017 winners have marked their presence in the export market.



Winners celebrating their achievements with the dignitaries at the E50 Award 2017

TOP TEN (10) WINNERS OF E50 AWARD 2017

Rank
(2017)

- #1** **Harta Maintenance Sdn. Bhd.**
Top Winner 2017 and 2013 winner (40th placing)
- #2** **Builtech Project Management Sdn. Bhd.**
Winner in 2009 (49th placing),
2011 (21st placing) and 2014 (41st placing)
- #3** **Respack Manufacturing Sdn. Bhd.**
Winner
- #4** **CLPG Packaging Industries Sdn. Bhd.**
Winner in 2007 (37th placing),
2009 (45th placing) and 2012 (36th placing)
- #5** **Tidy Non Woven Sdn. Bhd.**
Winner in 2014 (46th placing)
- #6** **MKRS Bumi (M) Sdn. Bhd.**
Winner
- #7** **Big Onion Food Caterer Sdn. Bhd.**
Winner
- #8** **The Origin Food Sdn. Bhd.**
Winner
- #9** **Ever Delicious Food Industries Sdn. Bhd.**
Winner of Women Entrepreneur Award 2017,
2013 (34th placing) and 2014 (44th placing)
- #10** **X Print Sdn. Bhd.**
Winner in 2010 (31st placing), 2011 (48th placing),
2013 (32nd placing), 2014 (8th placing) and 2016 (23rd placing)



WOMEN ENTREPRENEUR DEVELOPMENT

1. DIALOGUE AND INFORMATION SHARING SESSIONS WITH ASSOCIATIONS OF WOMEN ENTREPRENEURS

In 2017, two Dialogue and Information Sharing Sessions with associations of women entrepreneurs were organised by SME Corp. Malaysia. These biannual Sessions are aimed at creating greater awareness, soliciting feedback and generating ideas from the associations and chambers, in particular on issues concerning the development of women in business. The first Session on 16 February 2017 saw the attendance of 25 presidents and representatives from 17 associations of women entrepreneurs.

The second Session held on 25 October 2017 was organised on a larger scale, with the participation of more than 200 women entrepreneurs from 37 women associations. This Session, branded as *Sepetang bersama Menteri* 'Time for Tea', was graced by YB Minister of International Trade and Industry and YB Minister of Women, Family and Community Development.



CEO of SME Corp. Malaysia and participants at the Dialogue and Information Sharing Sessions with Associations of Women Entrepreneurs

2. WOMEN NETPRENEUR PROGRAMME



A series of six Digital Application Usage Information & e-Commerce Practical Training sessions and five Digital Business Workshop sessions were conducted, benefiting 725 women entrepreneurs in 2017



The Women Netpreneur programme was organised to ensure women entrepreneurs are continuously kept in the loop regarding the changing business landscapes that emerge from the new world order - key megatrends that will permanently transform businesses around the world. These include Industry 4.0, digitalisation and technological convergence, giving rise to big data analytics, e-commerce and also financial technology (fintech)

This programme, which piloted in 2013, was revived in 2017 and focused on assisting women

entrepreneurs to start and grow their businesses online. The programme is conducted in collaboration with Malaysia Digital Economy Corporation (MDEC) and Gorgeous Geeks Malaysia; with partners such as Shopeee, 11street, Lelong, Facebook, Buy Malaysia (MPay) and Global Halal Data Pool.

A series of six Digital Application Usage Information & e-Commerce Practical Training sessions and five Digital Business Workshop sessions were conducted, benefiting 725 women entrepreneurs in 2017.



CEO of SME Corp. Malaysia and CEO of MDEC at the launching ceremony of Women Netpreneur Programme 2017, themed 'Putting Lipstick on Technology'

3. OTHER PROGRAMMES

- Konvensyen Usahawan Wanita 2017 (KONVENITA 2017)** themed 'Scaling Up & Transformation of Women Entrepreneurs' was organised by Persatuan Usahawan Wanita Bumiputera Malaysia (USAHANITA) in collaboration with SME Corp. Malaysia from 24 - 26 March 2017 in Kuala Lumpur. A total of 57 women entrepreneurs participated as exhibitors in the event which attracted 1,300 visitors.
 - Fashion Pitching @Asia Islamic Fashion Week 2017 (AIFW 2017)** was held to help selected fashion designers / entrepreneurs to raise funds from angel investors, private equity firms and crowdsourcing providers. The Session was organised by SME Corp. Malaysia in collaboration with the National Association of Women Entrepreneurs of Malaysia (NAWEM) and PitchIN on 31 March 2017 in Kuala Lumpur. A total of six finalists out of 22 applicants were shortlisted for the final pitching session.
 - Entrepreneurship & Online Business Seminar** was successfully organised by SME
- Corp. Malaysia in collaboration with Majlis Amanah Rakyat (MARA) and Malaysia Digital Economy Corporation (MDEC) on 18 May 2017. This seminar provided knowledge sharing on digital economy to existing entrepreneurs and prospective traders, as well as housewives in Kuala Kangsar, which benefited a total of 450 microentrepreneurs.
- Tribute to Women Malaysia - Lifestyle Fest 2017** was organised by MSP Communications Sdn. Bhd. from 18 - 20 August 2017 in Johor Bahru, Johor with SME Corp. Malaysia as one of the strategic partners. The event honoured women's roles and contributions towards the progress and development of their family, society and nation. The recipients were women who had excelled in their respective fields and made significant contributions to the nation in the areas of education, science and technology, business, arts and culture, as well as humanitarian as well as sports. A total of 85 women entrepreneurs participated as exhibitors in the event which successfully attracted 4,000 visitors.

INTERNATIONAL COOPERATION

As the central coordinating agency (CCA) for overall SME development in Malaysia, SME Corp. Malaysia represents the interest of SMEs and the proponents of their growth at various international platforms, such as the Association of Southeast Asian Nations (ASEAN), Asia-Pacific Economic Cooperation (APEC), Organisation of Islamic Cooperation (OIC), and Organisation for Economic Co-operation and Development (OECD). Over the years, SME Corp. Malaysia has successfully shared its pioneering programmes and standards, including the SME Masterplan (2012 - 2020), at these international forums, as well as explored potential partnerships for regional and global initiatives for SMEs

1. ASSOCIATION OF SOUTHEAST ASIAN NATIONS (ASEAN)

The ASEAN SME Working Group (ASEAN SMEWG) was established in 1995 to formulate policies, programmes and activities for SME development. The ASEAN SMEWG served as a forum for consultation and coordination to ensure that SME development would continue to evolve, in line with the ASEAN integration process, and to support the establishment of the ASEAN Economic Community (AEC).

On 21 January 2016, the ASEAN SMEWG was upgraded to the ASEAN Coordinating Committee on Micro, Small and Medium Enterprises (ACCMSME) to reflect its scope of work which now includes microenterprises, as well as the need to extend committee membership to include from other fields. Progressing in the era of the AEC, at the regional level, programmes and initiatives on SME development are guided by the ASEAN Strategic Action Plan for SME Development 2016 - 2025 (SAP SMED 2025), developed by the ACCMSME, which promotes entrepreneurship and human capital development.

SME Corp. Malaysia strives to connect Malaysian SMEs with the vast opportunities in ASEAN, which entails collaborations with ASEAN Member States (AMS) and regional SMEs to tap the immense potential of the AEC. SME Corp. Malaysia leads the Malaysian delegation, comprising representatives of relevant Ministries and agencies, to the ACCMSME Meeting which is held twice a year by rotation among the Member States.

Among the key initiatives undertaken at the ASEAN level in 2017 were:

- ASEAN SME Policy Index Workshop (21 - 23 February 2017) in Jakarta, Indonesia;
- SME Finance Roadshow (7 - 9 March 2017) in Tokyo, Japan;
- ASEAN-Korea Working Group on Economic and Technical Cooperation (WGETC) Meeting (14 - 16 March 2017) in Seoul, Korea;
- ASEAN-China Working Group on Economic and Technical Cooperation (WGETC) Meeting (5 - 9 June 2017) in Manila, Philippines;
- 4th ASEAN Coordinating Committee on Micro, Small and Medium Enterprises (ACCMSME) and Related Meetings (16 - 20 October 2017) in Metro Manila, Philippines;
- Forum on Public-Private Sector Engagement for SME Development, Export and Linkages for ASEAN and Republic of Korea (24 - 25 October 2017) in Siem Reap, Cambodia; and
- ASEAN Business and Investment Summit 2017 (11 - 14 November 2017) in Manila, Philippines.

3rd ASEAN Coordinating Committee on Micro, Small and Medium Enterprises (ACCMSME) and Related Meetings

SME Corp. Malaysia hosted the 3rd ACCMSME and Related Meetings in Kuala Terengganu, Terengganu from 14 - 18 May 2017. The meeting was attended by more than 100 delegates from ASEAN Member States and ASEAN Development Partners.



The ASEAN Equity Crowd Funding Roundtable Meeting in Kuala Lumpur was participated by more than 60 participants

ASEAN Equity Crowd Funding Roundtable Meeting

More than 60 participants, including officials representing ASEAN and stakeholders with interest in equity crowdfunding (ECF), benefited from a two-day roundtable meeting, held from 11 - 12 May 2017 in Kuala Lumpur, which focused on ways and means to promote and facilitate ECF in ASEAN. Jointly organised by ACCMSME and SME Corp. Malaysia, the Meeting also discussed findings and recommendations from an ECF report on promoting and facilitating ECF for the benefit of micro, small and medium enterprises (MSMEs) in ASEAN.

ASEAN-Korea Seminar and Workshop on 'Capacity Building and Trade Facilitation Support to Promote Internationalization of SMEs'

The ASEAN-Korea Seminar and Workshop on 'Capacity Building and Trade Facilitation Support to Promote Internationalization of SMEs' was organised from 24 - 26 May 2017 in Kuala Lumpur. It was attended by more than 100 participants from Government Ministries and agencies, the private sector, service providers, SMEs, as well as trade associations.

Organised under the ambit of the ASEAN-Korea Economic Cooperation, and represented by all ten ASEAN Member States (AMS), the seminar aimed at sharing Korea's experience in providing conducive coordination and support in promoting internationalisation and Free Trade Agreement (FTA) utilisation by SMEs. A follow-up workshop was also held to provide a platform for a more intensive discussion, as well as to propose ways forward for ASEAN.

ASEAN SME Online Academy Training of Facilitators

The ASEAN Strategic Action Plan for SME Development 2016 - 2025 (SAP SMED 2025) identifies the development and maintenance of the ASEAN SME Academy, a regional online training portal, as a key priority. It emphasises on the importance of the Academy as an essential tool to help promote entrepreneurship and human capital development, as well as to support the creation of a more conducive environment for SME entrepreneurship in ASEAN.

The ASEAN SME Academy was officially launched at the 6th Meeting of the SME Advisory Board in Singapore on 31 May 2016. In order to expand the utilisation of the Academy, a series of workshops to train facilitators for the Academy were organised in ASEAN Member States (AMS). For Malaysia, the Training of Facilitators (ToF) was held from 18 - 19 September 2017 in Kuala Lumpur. A total of 28 participants particularly from Government agencies supporting SME development in Malaysia, business enablers such as trade and entrepreneurs' associations, as well as private organisations participated in the training.

2. ASIA-PACIFIC ECONOMIC COOPERATION (APEC)

The Asia-Pacific Economic Cooperation (APEC) is one of the leading economic fora, which aims at supporting sustainable economic growth and prosperity in the region. Its 21 member economies collaborate closely to build a dynamic and harmonious Asia-Pacific community by championing free and open trade and investment, promoting and accelerating regional economic integration, encouraging economic and technical cooperation, as well as facilitating a favourable and sustainable business environment. The initiatives turn policy goals into concrete results and agreements into tangible benefits.

In line with its vision to develop progressive SMEs, the rich platform of APEC provides great opportunities for Malaysia to learn about best policies and practices, as well as create synergy between Malaysian SMEs and other APEC member economies. SME Corp. Malaysia is Malaysia's focal point for the APEC SME Working Group (APEC SMEWG), which meets twice a year to plan and work on various initiatives that would benefit SMEs across APEC economies.

Various APEC initiatives relevant to SME development that were implemented in 2017 include:

- APEC Workshop: Digital Transformation - Impacts on APEC Economies and Regional Trade (13 - 14 March 2017) in Sydney, Australia;
- 44th APEC SME Working Group Meeting (15 - 16 March 2017) in Sydney, Australia;
- APEC Workshop: SME Policy Exchange Leadership Program & APEC SME Digital Resilience Training (10 - 14 July 2017) in Kaohsiung, Taiwan;
- 45th APEC SME Working Group Meeting (13 - 14 September 2017) in Ho Chi Minh, Viet Nam;
- 24th APEC SME Ministerial Meeting (15 September 2017) in Ho Chi Minh, Viet Nam;
- APEC Policy Dialogue on MSME Marketplace & Online-to-Offline Forum (17 - 18 October 2017) in Pasay City, Philippines;
- APEC Women Business Leaders Forum (9 - 10 November 2017) in Seoul, Korea;
- APEC Forum: Global and Local Policies and Economic Instruments for Building Stakeholders Capacities in Clusters Promotion (16 - 17 November 2017) in Lima, Peru;
- APEC Public-Private Dialogue on Enhancing Capacities of MSMEs in Exporting Services (29 - 30 November 2017) in Hanoi, Viet Nam; and
- APEC SME Center for IT Promotion Inaugural Conference & APEC SME Cloud+ Innovation and Entrepreneurship Forum (19 - 20 December 2017) in Haikou, China.

APEC Cross-Border e-Commerce Conference & Online-to-Offline Forum

This Conference was jointly organised by the Ministry of International Trade and Industry (MITI), SME Corp. Malaysia, SME Enterprise Administration Chinese Taipei (SMEA) and APEC Business Advisory Council (ABAC) from 22 - 23 May 2017 in Kuala Lumpur. Attended by over 200 public and private stakeholders from Malaysia and seven APEC-funded economies, the conference brought together leading experts and champions of e-commerce in Malaysia and other member economies to share their experiences and challenges in the digital business world. Apart from the conference, an Online-to-Offline Forum had also been organised.

Business linkage was also held on 23 May 2017, on the sidelines of APEC Cross-Border e-Commerce Conference, with the participation of four Chinese Taipei companies and nine Malaysian companies. The potential sales generated from the business linkage sessions were valued at RM1.3 million



3. ECONOMIC AND TECHNICAL COOPERATION INITIATIVES

Given the fact that the majority of business establishments in most nations are SMEs, Malaysia's SME Masterplan has gained a lot of traction as a benchmark for catalysing sustainable development of SMEs. Through various diplomatic channels, SME Corp. Malaysia receives requests for cooperation in the areas of knowledge transfer, programme development and targeted SME initiatives.

Third Country Training Programme (TCTP): SME Development for African Countries

In keeping with the Malaysian Government's commitment to foster regional and sub-regional technical cooperation, especially among developing countries, SME Corp. Malaysia introduced technical training programmes in 2006 under the auspices of the Malaysian Technical Cooperation Programme (MTCP) and the Third Country Training Programme (TCTP). The TCTP is designed to facilitate sharing of information and experience in formulating and implementing SME development policies and initiatives.

SME Corp. Malaysia successfully organised the TCTP: SME Development for African Countries from 6 - 17 November 2017 in Kuala Lumpur; in collaboration with the Ministry of Foreign Affairs (MOFA), Malaysia and Japan International Cooperation Agency (JICA) Malaysia Office. A total of 12 participants from eight African countries; namely Botswana, Ethiopia, Ghana, Namibia, Nigeria, South Africa, Tanzania and Uganda participated in the training.

Since its inception, a total of 122 participants representing various ministries and agencies related to SME development from 16 African countries, have attended the training programme.

Third Country Training Programme (TCTP): SME Support (Entrepreneurship through Information Technology) for Palestine

A special Third Country Training Programme (TCTP) on 'SME Support (Entrepreneurship through Information Technology) for Palestine' was held from 2 - 13 October 2017 in Kuala Lumpur with a total of eight participants from Palestine. The programme served as a platform for sharing of information and experience on formulating and implementing SME development policies and strategies, from both the perspective of Japan and Malaysia's experience.

Memoranda of Understanding (MoUs)

In 2017, with the aim of further strengthening and expanding collaboration, networking and linkages in various areas of mutual interest for SME development, SME Corp. Malaysia had renewed its MoUs with Small and Medium Business Corporation (SBC), Republic of Korea; Entrepreneurship Development Fund (DAMU), Kazakhstan; and Small and Medium Enterprises Development Organisation (KOSGEB), Turkey.



Officials and participants at the Third Country Training Programme (TCTP): SME Support (Entrepreneurship through Information Technology) for Palestine in Kuala Lumpur

4. OTHER INTERNATIONAL COOPERATION INITIATIVES

Malaysia-Taiwan Economic Cooperation Committee (MTECC)

The 2nd SME Development Working Group Meeting of Malaysia-Taiwan Economic Cooperation Committee (MTECC) was successfully held on 22 May 2017 in Kuala Lumpur. Malaysia and Taiwan acknowledged to jointly promote in-depth cooperation and networking among SME incubators and accelerators, as well as enhance mutual cooperation between the two countries by expanding capacity building support and strengthening the implementation of the SME Policy Exchange Leadership Programme.

62nd Annual International Council for Small Business (ICSB) World Conference and 'International Day for MSMEs'

The 62nd Annual International Council for Small Business (ICSB) World Conference was held from 28 June - 1 July 2017 in Buenos Aires, Argentina. Themed 'Towards a New World Mobilised by Entrepreneurship & Innovative SMEs', ICSB 2017 was attended by various leading non-governmental organisations (NGOs), scholars, social entrepreneurs and policy makers from around the world. The objectives of the Conference were to share practical knowledge and theoretical research, deliberate on current issues to help shape future priorities, as well as bridge information to understand programmes and opportunities for entrepreneurs towards transformational change.

On 6 April 2017, the United Nations General Assembly (UNGA) adopted a Resolution (A/71/L.60) recognising the crucial role of micro, small and medium enterprises (MSMEs) in achieving the 2030 Agenda for Sustainable Development. The Resolution recognises the need to focus on the importance of MSMEs in achieving the Sustainable Development Goals (SDG); in particular in promoting innovation, creativity and decent work for all.

The Resolution had designated 27 June annually as 'UN - Micro, Small and Medium Enterprises Day' or 'MSME Day'. This pivotal Resolution, made following the 61st ICSB World Conference Declaration on 16 June 2016 at the United Nations (UN), was co-sponsored by ICSB's 54 member states that represent over five billion people worldwide.



MoU renewal signing ceremony between SME Corp. Malaysia and DAMU, Kazakhstan in Kuala Lumpur

12th East Asia SME Roundtable Meeting (EASRTM)

The East Asia SME Roundtable Meeting (EASRTM) was initiated in 2006 by the Chairman of the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN (SME Support, JAPAN), with an agenda to create a platform that would allow SME development agencies from the East Asia region to share information on business environments and initiate efforts to achieve common goals.

The 12th EASRTM was held from 6 - 7 July 2017 in Hua Hin, Thailand. It was hosted by the Office of SME Promotion (OSMEP), Thailand with participation from SME Corp. Malaysia; SME Support, JAPAN; Small and Medium Business Corporation (SBC), Korea; as well as Agency for Enterprise Development (AED), Ministry of Planning and Investment, Viet Nam. Malaysia conducted a presentation on 'The Digitalisation of SMEs: Challenges and Policy Implication' at the Meeting.

Other Bilateral Relations

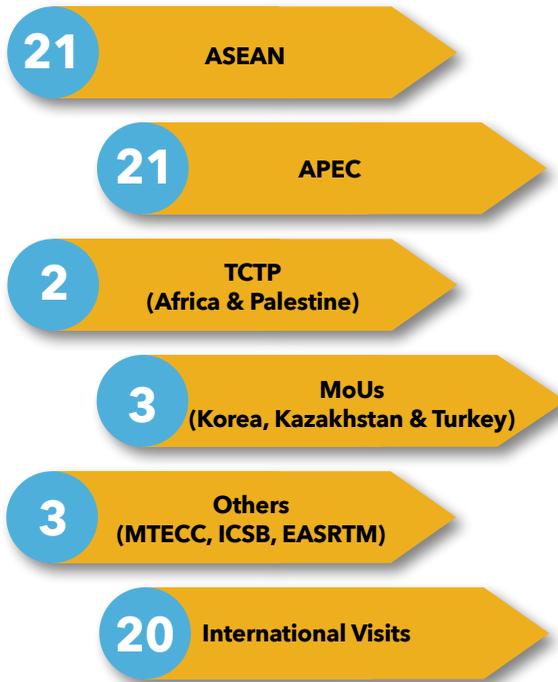
Throughout 2017, SME Corp. Malaysia received a total of 20 international visits from 19 countries comprising Bangladesh, Bosnia and Herzegovina, Canada, European Union (EU), Kazakhstan, Lao PDR, Maldives, Mauritius, Palestine, the Philippines, Saudi Arabia, as well as African countries; namely Botswana, Ethiopia, Ghana, Namibia, Nigeria, South Africa, Tanzania and Uganda. The objectives of the visits were mainly to share best practices and policies on SME development, as well as to explore opportunities for collaborations that could be forged between Malaysia and the visiting countries.



INTERNATIONAL ENGAGEMENTS

In 2017, SME Corp. Malaysia participated in a total of 70 international engagements, representing Malaysia at various international and regional fora:

- **No. of Engagements**
- **International Platforms & Initiatives**



**TOTAL:
70 INTERNATIONAL ENGAGEMENTS**



FINANCIAL REPORT

CERTIFICATE OF AUDITOR GENERAL



**LAPORAN KETUA AUDIT NEGARA
MENGENAI PENYATA KEWANGAN
PERBADANAN PERUSAHAAN KECIL DAN SEDERHANA MALAYSIA
BAGI TAHUN BERAKHIR 31 DISEMBER 2017**

Laporan Mengenai Penyata Kewangan

Pendapat

Penyata Kewangan Perbadanan Perusahaan Kecil dan Sederhana Malaysia telah diaudit oleh wakil saya yang merangkumi Penyata Kedudukan Kewangan pada 31 Disember 2017 dan Penyata Prestasi Kewangan, Penyata Perubahan Ekuiti, Penyata Aliran Tunai, Penyata Perbandingan Bajet dan Amaun Sebenar, Laporan Penyesuaian Perbelanjaan Mengurus serta Penyata Prestasi Bajet Perbelanjaan Pembangunan bagi tahun berakhir pada tarikh tersebut, ringkasan polisi perakaunan yang signifikan dan nota kepada penyata kewangan seperti dinyatakan pada muka surat 3 hingga 21.

Pada pendapat saya, penyata kewangan ini memberikan gambaran yang benar dan saksama mengenai kedudukan kewangan Perbadanan Perusahaan Kecil dan Sederhana Malaysia pada 31 Disember 2017 dan prestasi kewangan serta aliran tunai bagi tahun berakhir pada tarikh tersebut selaras dengan piawaian pelaporan kewangan yang diluluskan di Malaysia dan Akta Perbadanan Pembangunan Industri Kecil dan Sederhana 1995 (Akta 539).

Asas Kepada Pendapat

Saya telah melaksanakan pengauditan berdasarkan Akta Audit 1957 dan *The International Standards of Supreme Audit Institutions*. Tanggungjawab saya dihuraikan selanjutnya di perenggan Tanggungjawab Juruaudit Terhadap Pengauditan Penyata Kewangan dalam laporan ini. Saya percaya bahawa bukti audit yang diperoleh adalah mencukupi dan bersesuaian untuk dijadikan asas kepada pendapat saya.

Kebebasan dan Tanggungjawab Etika Lain

Saya adalah bebas daripada Perbadanan Perusahaan Kecil dan Sederhana Malaysia dan telah memenuhi tanggungjawab etika lain berdasarkan *The International Standards of Supreme Audit Institutions*.



CERTIFICATE OF AUDITOR GENERAL

Maklumat Lain Selain Daripada Penyata Kewangan dan Laporan Juruaudit Mengenainya

Anggota Perbadanan Perusahaan Kecil dan Sederhana Malaysia bertanggungjawab terhadap maklumat lain dalam Laporan Tahunan. Pendapat saya terhadap penyata kewangan Perbadanan Perusahaan Kecil dan Sederhana Malaysia tidak meliputi maklumat lain selain daripada Penyata Kewangan dan Laporan Juruaudit mengenainya dan saya tidak menyatakan sebarang bentuk kesimpulan jaminan mengenainya.

Tanggungjawab Anggota Perbadanan Terhadap Penyata Kewangan

Anggota Perbadanan bertanggungjawab terhadap penyediaan penyata kewangan Perbadanan Perusahaan Kecil dan Sederhana Malaysia yang memberi gambaran benar dan saksama selaras dengan piawaian pelaporan kewangan yang diluluskan di Malaysia dan Akta Perbadanan Pembangunan Industri Kecil dan Sederhana 1995 (Akta 539). Anggota Perbadanan juga bertanggungjawab terhadap penetapan kawalan dalaman yang perlu bagi membolehkan penyediaan penyata kewangan Perbadanan Perusahaan Kecil dan Sederhana Malaysia yang bebas daripada salah nyata yang ketara sama ada disebabkan fraud atau kesilapan.

Semasa penyediaan penyata kewangan Perbadanan Perusahaan Kecil dan Sederhana Malaysia, Anggota Perbadanan bertanggungjawab untuk menilai keupayaan Perbadanan Perusahaan Kecil dan Sederhana Malaysia untuk beroperasi sebagai satu usaha berterusan, mendedahnya jika berkaitan serta menggunakannya sebagai asas perakaunan.

Tanggungjawab Juruaudit Terhadap Pengauditan Penyata Kewangan

Objektif saya adalah untuk memperoleh keyakinan yang munasabah sama ada penyata kewangan Perbadanan Perusahaan Kecil dan Sederhana Malaysia secara keseluruhannya adalah bebas daripada salah nyata yang ketara, sama ada disebabkan fraud atau kesilapan, dan mengeluarkan Laporan Juruaudit yang merangkumi pendapat saya. Jaminan yang munasabah adalah satu tahap jaminan yang tinggi, tetapi bukan satu jaminan bahawa audit yang dijalankan mengikut *The International Standards of Supreme Audit Institutions* akan sentiasa mengesan salah nyata yang ketara apabila ia wujud. Salah nyata boleh wujud daripada fraud atau kesilapan dan dianggap ketara sama ada secara individu atau agregat sekiranya boleh dijangkakan dengan munasabah untuk mempengaruhi keputusan ekonomi yang dibuat oleh pengguna berdasarkan penyata kewangan ini.

Sebagai sebahagian daripada pengauditan mengikut *The International Standards of Supreme Audit Institutions*, saya menggunakan pertimbangan profesional dan mengekalkan keraguan profesional sepanjang pengauditan. Saya juga:

CERTIFICATE OF AUDITOR GENERAL

- a. Mengenal pasti dan menilai risiko salah nyata ketara dalam penyata kewangan Perbadanan Perusahaan Kecil dan Sederhana Malaysia, sama ada disebabkan fraud atau kesilapan, merangka dan melaksanakan prosedur audit yang responsif terhadap risiko berkenaan serta mendapatkan bukti audit yang mencukupi dan bersesuaian untuk memberikan asas kepada pendapat saya. Risiko untuk tidak mengesan salah nyata ketara akibat daripada fraud adalah lebih tinggi daripada kesilapan kerana fraud mungkin melibatkan pakatan, pemalsuan, ketinggalan yang disengajakan, representasi yang salah, atau mengatasi kawalan dalaman.
- b. Memahami kawalan dalaman yang relevan untuk merangka prosedur audit yang bersesuaian tetapi bukan untuk menyatakan pendapat mengenai keberkesanan kawalan dalaman Perbadanan Perusahaan Kecil dan Sederhana Malaysia.
- c. Menilai kesesuaian dasar perakaunan yang diguna pakai dan kemunasabahan anggaran perakaunan dan pendedahan yang berkaitan oleh Anggota Perbadanan.
- d. Membuat kesimpulan terhadap kesesuaian penggunaan asas perakaunan untuk usaha berterusan oleh Anggota Perbadanan, dan berdasarkan bukti audit yang diperolehi, sama ada wujudnya ketidakpastian ketara yang berkaitan dengan peristiwa atau keadaan yang mungkin menimbulkan keraguan yang signifikan terhadap keupayaan Perbadanan Perusahaan Kecil dan Sederhana Malaysia sebagai satu usaha berterusan. Jika saya membuat kesimpulan bahawa ketidakpastian ketara wujud, saya perlu melaporkan dalam Laporan Juruaudit terhadap pendedahan yang berkaitan dalam penyata kewangan Perbadanan Perusahaan Kecil dan Sederhana Malaysia atau, jika pendedahan tersebut tidak mencukupi, pendapat saya akan diubah. Kesimpulan saya dibuat berdasarkan bukti audit yang diperolehi sehingga tarikh Laporan Juruaudit.
- e. Menilai sama ada keseluruhan persembahan termasuk pendedahan penyata kewangan Perbadanan Perusahaan Kecil dan Sederhana Malaysia memberi gambaran yang saksama.

Saya telah berkomunikasi dengan Anggota Perbadanan, antaranya mengenai skop dan tempoh pengauditan yang dirancang serta penemuan audit yang signifikan, termasuk kelemahan kawalan dalaman yang dikenal pasti semasa pengauditan.

Laporan Mengenai Keperluan Perundangan dan Peraturan Lain

Berdasarkan keperluan Akta Perbadanan Pembangunan Industri Kecil dan Sederhana 1995 (Akta 539), saya juga melaporkan bahawa pada pendapat saya, rekod perakaunan dan rekod lain yang dikehendaki Akta untuk disimpan oleh Perbadanan Perusahaan Kecil dan Sederhana Malaysia telah disimpan dengan sempurna menurut peruntukan Akta.

**CERTIFICATE OF AUDITOR GENERAL****Hal-hal Lain**

Laporan ini dibuat untuk Anggota Perbadanan dan bukan untuk tujuan lain. Saya tidak bertanggungjawab terhadap pihak lain bagi kandungan laporan ini.

(LIM SOK KIANG)
b.p. KETUA AUDIT NEGARA
MALAYSIA

PUTRAJAYA
20 OGOS 2018



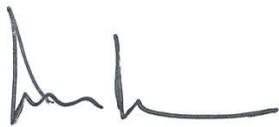
STATEMENT OF CHAIRMAN AND MEMBER OF CORPORATION

PERBADANAN PERUSAHAAN KECIL DAN SEDERHANA MALAYSIA

PENYATA Pengerusi dan seorang Ahli Perbadanan

Kami, YBhg. Datuk Isham Ishak dan En. Koong Lin Loong, yang merupakan Pemangku Pengerusi dan salah seorang Ahli Perbadanan, kepada Perbadanan Perusahaan Kecil dan Sederhana Malaysia ('Perbadanan'), dengan ini menyatakan bahawa, pada pendapat Ahli Perbadanan, Penyata Kewangan yang mengandungi Penyata Kedudukan Kewangan, Penyata Prestasi Kewangan, Penyata Perubahan Ekuiti, Penyata Aliran Tunai, Penyata Perbandingan Bajet dan Amaun Sebenar, Laporan Penyesuaian Perbelanjaan Mengurus dan Penyata Prestasi Bajet Perbelanjaan Pembangunan yang berikut ini berserta dengan nota-nota kepada Penyata Kewangan di dalamnya, adalah disediakan untuk menunjukkan pandangan yang benar dan saksama berkenaan kedudukan Perbadanan pada 31 Disember 2017 dan hasil kendaliannya serta perubahan kedudukan kewangannya bagi tahun berakhir pada tarikh tersebut.

Bagi pihak Ahli Perbadanan



YBHG. DATUK ISHAM ISHAK
PEMANGKU Pengerusi



EN. KOONG LIN LOONG
Ahli Perbadanan

Kuala Lumpur

15 AUG 2018



**DECLARATION OF THE PRINCIPAL OFFICER RESPONSIBLE FOR THE FINANCIAL MANAGEMENT
OF THE SMALL AND MEDIUM ENTERPRISE CORPORATION OF MALAYSIA**

PERBADANAN PERUSAHAAN KECIL DAN SEDERHANA MALAYSIA

**PENGAKUAN OLEH PEGAWAI UTAMA YANG BERTANGGUNGJAWAB KE ATAS
PENGURUSAN KEWANGAN PERBADANAN PERUSAHAAN KECIL DAN
SEDERHANA MALAYSIA**

Saya, Datuk (Dr.) Hafsa Hashim, pegawai utama yang bertanggungjawab ke atas pengurusan kewangan dan rekod–rekod perakaunan Perbadanan Perusahaan Kecil dan Sederhana Malaysia, dengan ikhlasnya mengakui bahawa Penyata Kedudukan Kewangan, Penyata Prestasi Kewangan, Penyata Perubahan Ekuiti, Penyata Aliran Tunai, Penyata Perbandingan Bajet dan Amaun Sebenar, Laporan Penyesuaian Perbelanjaan Mengurus dan Penyata Prestasi Bajet Perbelanjaan Pembangunan yang berikut ini beserta dengan nota-nota kepada Penyata Kewangan di dalamnya mengikut sebaik–baik pengetahuan dan kepercayaan saya, adalah betul dan saya membuat ikrar ini dengan sebenarnya mempercayai bahawa ia adalah benar dan atas kehendak–kehendak Akta Akuan Berkanun, 1960.

DATUK (DR.) HAFSAH HASHIM

Sebenarnya dan sesungguhnya diakui oleh penama di atas, Datuk (Dr.) Hafsa Hashim, di Kuala Lumpur, Wilayah Persekutuan pada **15 AUG 2018** di hadapan saya.



42A, PERSIARAN ARA KIRI,
LUCKY GARDEN, BANGSAR,
59100 KUALA LUMPUR.

SME CORPORATION MALAYSIA
(Incorporated under the Small and Medium Industries Development Corporation Act, 1995)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	NOTE	2017 (RM)	2016 (RM) RESTATED
ASSETS			
CURRENT ASSETS			
Cash at Hand and in Bank		26,042,802	2,679,070
Fixed Deposit with Licensed Banks		182,632,123	316,608,486
Other Operating Receivables	3	4,916,757	1,731,719
Other Development Receivables	3	1,093,732,599	1,000,887,999
Deposits and Prepayments	4	1,935,409	1,931,672
		<u>1,309,259,690</u>	<u>1,323,838,946</u>
FIXED ASSETS			
Property, Plant and Equipment	5	2,071,323	2,220,066
		<u>1,311,331,013</u>	<u>1,326,059,012</u>
TOTAL ASSETS			
LIABILITIES			
CURRENT LIABILITIES			
Sundry Creditors		97,520	-
Accrued Expenses		3,032,051	2,630,468
Short-term Employee Benefits		100,902	-
SEED Fund	6	2,046,132	682,701
Other Deposits	7	1,912,875	1,060,998
		<u>7,189,480</u>	<u>4,374,167</u>
NON-CURRENT LIABILITIES			
LONG-TERM LIABILITIES			
Long-term Creditors	8	304,056	-
Long-term Employee Benefits	9	2,042,388	1,680,768
Shariah Compliant Scheme Fund	10	31,293,530	2,304,204
		<u>33,639,974</u>	<u>3,984,972</u>
DEFERRED GRANTS			
11 th Malaysia Plan (11MP)	11	155,210,183	95,434,883
10 th Malaysia Plan (10MP)		198,443,238	302,244,544
9 th Malaysia Plan (9MP)		809,311,368	797,508,000
Federal Government Special Funds (DKKP)		2,508,432	2,508,432
Stimulus Package Funds		-	-
Other Development Funds		69,029,411	92,843,555
		<u>1,234,502,632</u>	<u>1,290,539,414</u>
		<u>1,275,332,086</u>	<u>1,298,898,553</u>
TOTAL LIABILITIES			
FINANCED BY:			
Accumulated Funds		35,998,927	27,160,459
		<u>1,311,331,013</u>	<u>1,326,059,012</u>

**SME CORPORATION MALAYSIA**

(Incorporated under the Small and Medium Industries Development Corporation Act, 1995)

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTE	2017 (RM)	2016 (RM) RESTATED
INCOME			
NON-EXCHANGE INCOME			
Federal Government Grants	12	70,000,000	53,701,800
Realised Development Grants		89,401,341	(747,490,976)
		159,401,341	(693,789,176)
EXCHANGE INCOME			
State Governments' Contributions	13	222,700	28,000
Other Agencies' Contributions		300,000	390,552
Private Sector's Contributions	14	700,037	556,960
Interest Income		12,844,728	14,976,143
Rental Income		125,534	97,100
Other Income	15	43,110	217,282
		14,236,109	16,266,037
TOTAL INCOME		173,637,450	(677,523,139)
EXPENDITURES			
Emoluments	16	28,225,883	25,549,637
Services and Supplies			
Supplies and Other Materials		557,750	476,372
Supplies and Repairs		103,861	81,762
Transportation and Goods		83,057	68,721
Maintenance and Minor Repairs		1,012,743	999,340
Communications and Utilities		882,215	605,919
Travel and Subsistence		1,056,733	1,102,953
Professional and Hospitality Services		11,332,149	11,001,925
Rent Expense		28,374,228	30,756,347
Miscellaneous Expenditures			
Domestic Grants		269,646	86,580
Other Expenses		2,627,288	2,359,522
Development Expenditures	11	89,401,341	(747,490,976)
Other Expenditures			
Doubtful Debts/Write-offs		3,070	-
Disposal of Assets		4,339	93
Depreciation		864,679	936,277
		164,798,982	(673,465,528)
Surplus/(Deficit) for Current Year		8,838,468	(4,057,611)

SME CORPORATION MALAYSIA
(Incorporated under the Small and Medium Industries Development Corporation Act, 1995)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	ACCUMULATED FUNDS (RM)	TOTAL (RM)
2017		
As at 1 January	27,160,459	27,160,459
Current Income Surplus	8,838,468	8,838,468
As at 31 December	<u>35,998,927</u>	<u>35,998,927</u>
2016		
As at 1 January	31,218,070	31,218,070
Current Income Deficit	(4,057,611)	(4,057,611)
As at 31 December	<u>27,160,459</u>	<u>27,160,459</u>



SME CORPORATION MALAYSIA

(Incorporated under the Small and Medium Industries Development Corporation Act, 1995)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 (RM)	2016 (RM) RESTATED
CASH FLOW FROM OPERATING ACTIVITIES		
Income Surplus/(Deficit)	8,838,468	(4,057,611)
ADJUSTMENTS FOR:		
Transfers from Development Funds	(70,000,000)	-
Doubtful Debts/Write-offs	3,070	-
Disposal of Assets	4,339	93
Depreciation	864,679	936,277
Gains on Sale of Fixed Assets	(19,698)	(34,986)
Interest Received	(12,844,728)	(14,976,143)
Interest Expense	18,668	-
Increase in Long Term Employee Benefits	361,620	383,537
	<u>(72,773,582)</u>	<u>(17,748,833)</u>
(Decrease) of Operating Income before Changes in Working Capital		
(Increase) in Other Receivables	(90,363,302)	(858,525,813)
(Increase)/Decrease in Deposit and Prepayment	(3,737)	44,746
Increase/(Decrease) in Sundry Creditors	2,762,793	(2,245,638)
Net Cash Used in Operating Activities	(160,377,828)	(878,475,538)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	(312,449)	(1,087,980)
Collection from Disposal of Property, Plant and Equipment	19,700	34,989
Interest Received	7,175,322	15,533,362
Net Cash from Investing Activities	6,882,573	14,480,371
CASH FLOW FROM FINANCING ACTIVITIES		
Development Funds Received from Federal Government	91,290,000	63,175,000
Withdrawals of Funds during the Year	(89,401,341)	747,490,976
Increase in Development Fund <i>Hibah</i>	12,074,559	-
Current Year Grant Refunds	-	(31,000,000)
Payment for Long-term Sundry Creditors	(51,252)	-
Interest Expense	(18,668)	-
Receivables in Shariah Compliant Scheme Fund	54,000,000	18,000,000
Payment in Shariah Compliant Scheme Fund	(25,010,674)	(24,655,369)
Net Cash from Financing Activities	42,882,624	773,010,607
(DECREASE)/INCREASE IN NET CASH AND CASH EQUIVALENTS	(110,612,631)	(90,984,560)
Cash and Cash Equivalents at Beginning of Year	319,287,556	410,272,116
Cash and Cash Equivalents at End of Year	208,674,925	319,287,556

SME CORPORATION MALAYSIA

(Incorporated under the Small and Medium Industries Development Corporation Act, 1995)

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

ITEM	TOTAL BUDGET		ACTUAL EXPENDITURES (RM)	VARIANCE (RM)
	INITIAL (RM)	END (RM)		
Salaries and Wages	22,665,224	20,931,224	20,931,181	43
Fixed Allowances	1,660,700	1,955,700	1,954,814	886
Statutory Contributions for Workers	3,857,500	3,436,500	3,436,388	112
Overtime Allowances	150,000	190,000	189,221	779
Other Financial Benefits	825,500	1,645,500	1,714,279	(68,779)
EMOLUMENTS	29,158,924	28,158,924	28,225,883	(66,959)
Travel and Subsistence	1,370,329	1,060,329	1,056,733	3,596
Transportation and Goods	23,463	83,463	83,057	406
Communications and Utilities	423,680	883,680	882,215	1,465
Rental	26,059,893	28,374,393	28,374,228	165
Supply of Raw Materials and Materials for Maintenance and Repairs	108,866	103,866	103,861	5
Supplies and Other Materials	249,702	558,202	557,750	452
Maintenance and Minor Repairs	1,251,200	1,013,200	1,012,743	457
Professional Services and Other Purchased and Hospitality Services	8,660,314	11,345,314	11,332,149	13,165
SERVICES & SUPPLIES	38,147,447	43,422,447	43,402,736	19,711
Building	230,228	44,228	38,996	5,232
Office Equipment	89,990	554,990	499,253	55,737
Furniture and Fixtures	53,012	33,012	25,250	7,762
Vehicles and Machinery	69,117	150,117	148,108	2,009
Computers	614,370	14,370	8,670	5,700
ASSETS	1,056,717	796,717	720,277	76,440
Contributions to other Organisations	4,608	274,608	269,646	4,962
CONTRIBUTIONS	4,608	274,608	269,646	4,962
Other Payments	1,632,304	2,612,304	2,627,288	(14,984)
OTHER EXPENDITURES	1,632,304	2,612,304	2,627,288	(14,984)
GRAND TOTAL	70,000,000	75,265,000	75,245,830	19,170



SME CORPORATION MALAYSIA
(Incorporated under the Small and Medium Industries Development Corporation Act, 1995)

OPERATING EXPENSE RECONCILIATION REPORT

ITEM	STATUS AS AT 31 DECEMBER 2017			
	OPERATING (RM)	FINANCING (RM)	INVESTMENT (RM)	TOTAL (RM)
Actual amount on a comparable basis as presented in the Statement of Comparison of Budget and Actual Amounts	(75,245,830)	-	-	(75,245,830)
Addition				
1. Grants from Federal Government	70,000,000	-	-	70,000,000
2. State Governments' Contribution	222,700	-	-	222,700
3. Realised Development Grants	-	89,401,341	-	89,401,341
4. Income other than Grants	14,013,409	-	-	14,013,409
5. Basic Difference - Assets	720,277	-	-	720,277
	84,956,386	89,401,341	-	174,357,727
Subtraction				
1. Basic Difference - Development Expenditures	-	(89,401,341)	-	(89,401,341)
2. Basic Difference - Doubtful Debts/Write-offs	-	-	(3,070)	(3,070)
3. Basic Difference - Disposal of Assets	-	-	(4,339)	(4,339)
4. Basic Difference - Depreciation	-	-	(864,679)	(864,679)
	-	(89,401,341)	(872,088)	(90,273,429)
Actual Amount in Cash Flow Statement	9,710,556	-	(872,088)	8,838,468

SME CORPORATION MALAYSIA
(Incorporated under the Small and Medium Industries Development Corporation Act, 1995)

STATEMENT OF DEVELOPMENT EXPENDITURES BUDGET PERFORMANCE 2017

CODE	DEVELOPMENT FUNDS	BALANCE 2016 RESTATED (RM)	FINAL ALLOCATION 2017 (RM)	TOTAL EXPENDITURES 2017 (RM)	BALANCE (RM)
	11MP				
00514	<i>Galakan Eksport Bumiputera</i> (GEB) Programme	12,000,000	25,210,094	165,355	25,044,739
00601	Bumiputera Enterprise Enhancement Programme (BEEP Plus)	8,727,514	16,877,514	16,871,707	5,807
00601	Business Accelerator Programme (BAP 2.0)	9,063,704	22,482,952	8,897,309	13,585,643
00603	<i>Tunas Usahawan Belia Bumiputera</i> (TUBE) Programme	3,304,350	22,724,350	13,045,927	9,678,423
00606	Micro Entrepreneurship Development Programme	153,019	753,019	729,637	23,382
00607	*HIP 1: Integration of Business Registration and Licensing	5,000,000	13,000,000	-	13,000,000
00607	*HIP 2: Technology Commercialisation Platform (TCP)	29,425,789	44,425,789	-	44,425,789
00607	*HIP 3: SME Investment Partner (SIP)	15,000,000	35,000,000	144,091	34,855,909
00607	*HIP 4: Going Export (GoEx) Programme	6,863,848	9,863,848	-	9,863,848
00607	*HIP 5: Catalyst Programme	3,500,000	800,000	701,689	98,311
00607	*HIP 6: Inclusive Innovation	2,309,819	8,109,819	3,531,830	4,577,989
00608	SME Integrated Plan of Action (SMEIPA)	86,840	186,840	136,497	50,343
	Total	95,434,883	199,434,225	44,224,042	155,210,183

*HIP: High Impact Programme

**SME CORPORATION MALAYSIA**

(Incorporated under the Small and Medium Industries Development Corporation Act, 1995)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****1. PRINCIPAL ACTIVITIES**

SME Corporation Malaysia was incorporated under the Small and Medium Industries Development Corporation Act, 1995 (Act 539). The principal activities of SME Corporation Malaysia are as the provider, coordinator and monitoring agency for financial assistance schemes for SMEs in the form of soft loans and matching grants that are intended to promote SME development. SME Corporation Malaysia operates at SME 1, Block B, Platinum Sentral, Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia.

2. SIGNIFICANT ACCOUNTING POLICIES**a. Basis of Accounting**

The Financial Statements of the Corporation have been prepared based on the historical cost convention and comply with approved accounting standards in Malaysia and the preparation is based on the Malaysian Public Sector Accounting Standards ('MPSAS').

b. Revenue Recognition**Revenue from Non-Exchange Transactions**

Non-Exchange Transactions are recognised as assets when there are future economic benefits or service potential expected to flow into the entity, with are attributed by past events and the fair value of the assets can be reliably measured. Non-Exchange Transactions deemed as assets shall be recognised as revenue, except to the extent of liabilities, are also recognised from the same inflow. When an obligation against a liability has been met, the entity must reduce the Carrying Amount of the recognised liability and recognise the amount of revenue equivalent to the reduction.

Government Grants that are not subject to certain future performance requirements such as Operating Grants are accounted for as revenue in the Statement of Financial Performance. Government Grants which are imposed with certain future performance requirements such as Development Grants are recognised as Deferred Grants and are paid off according to the costs of the SME development programmes and fully-utilised expenses.

SME CORPORATION MALAYSIA
(Incorporated under the Small and Medium Industries Development Corporation Act, 1995)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Development Grants

Development Grants are grants received for specific programmes and credited into the Development Funds. Any expenses under these programmes are paid off when incurred.

ii. Operating Grants

Operating Grants are grants received for the purpose of financing the operating cost of the Corporation and are included as income in the Income Statement.

Revenue from Exchange Transactions

Revenue from Exchange Transactions is recognised when it is probable that future economic benefits or service potential will flow into the entity and these benefits can be reliably measured.

- i. Profits from fixed deposits are recognised on a time proportion basis that takes into account the effective yield on the asset. The effective yield on the asset is the profit rate required to discount the stream of future cash receipts expected over the life of the asset to equate to the initial Carrying Amount of the asset.

Profits from fixed deposit from the fund will be distributed as the fund's income, if the investment is made from the provision of the fund. For other fixed deposit investments, income is accounted for in the Statement of Financial Performance.

- ii. Rental revenue is recognised when the revenue is earned based on the rental's terms and conditions.
- iii. Other revenues are recognised when certain services have been provided.

**SME CORPORATION MALAYSIA**

(Incorporated under the Small and Medium Industries Development Corporation Act, 1995)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)****2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****c. Property, Plant and Equipment and Depreciation**

Property, Plant and Equipment are stated as cost less accumulated depreciation. Property, Plant and Equipment are depreciated on a straight-line basis to write-off the cost in the long useful life of the assets at the following rates:

	Rate
Furniture and Equipment	10%
Motor Vehicles	20%
Office Equipment	20%
Computers	33.33%
Office Renovation	25%

d. Cash and Cash Equivalents

The Cash Flow Statement has been prepared using the indirect method. Cash and Cash Equivalents encompass Cash at Hand and in Banks, as well as Highly Liquid Investments with licensed banks and financial institutions that have a maturity period of twelve (12) months or less which are readily convertible to known cash amounts and are subject to the risk of changes in value that are not significant.

e. Other Receivables and Prepayments

Other Receivables and Prepayments are carried at anticipated realisable value. Bad debts are written-off when identified. Estimates are made for Doubtful Debts based on review of all outstanding amounts at the Statement of Financial Position date. Specific provisions are made for Doubtful Debts which have been individually reviewed and specifically identified as Non-Performing Loans.

f. Revenue Recognition

Revenue is recognised when there are transactions with economic benefits and will be received. This income can be trusted and valued.

i. Interest Income

Interest Income is recognised in the Financial Statements as it accrues, taking into account the effective yield on the asset.

ii. Rental Income

Rental Income is from booth and hall rental revenue.

SME CORPORATION MALAYSIA

(Incorporated under the Small and Medium Industries Development Corporation Act, 1995)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)****2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****g. Liability Allocation**

Allocation for liabilities is recognised when the organisation has a current obligation due to past events and it is probable that the outflow of resources that contain economic benefits or potential service required to settle the obligation and a reasonable estimate can be made.

Allocations are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate. Where the effect of the currency is material, the amount of allocation is the present value of the expenditure expected to be required to settle the obligation.

h. Budget Information

The annual budget is prepared on a cash basis. As the Financial Statements are prepared on an accrual basis, a Statement of Comparison of Budget and Actual Amounts is disclosed separately. This statement has been prepared using the basis for annual budget preparation and refers to operating budget only.

i. Early Adoption of MPSAS

SME Corporation Malaysia has adopted the MPSAS earlier than the effective date of 1 January 2017, as below:

1.	MPSAS 1 - Presentation of Financial Statements
2.	MPSAS 2 - Cash Flow Statements
3.	MPSAS 3 - Accounting Policies, Changes in Accounting Estimates and Errors
4.	MPSAS 9 - Revenue from Exchange Transactions
5.	MPSAS 13 - Leases
6.	MPSAS 14 - Events after the Reporting Date
7.	MPSAS 17 - Property, Plant and Equipment
8.	MPSAS 19 - Provisions, Contingent Liabilities and Contingent Assets
9.	MPSAS 20 - Related Party Disclosures
10.	MPSAS 21 - Impairment of Non-Cash-Generating Assets
11.	MPSAS 23 - Revenue from Non-Exchange Transactions (Taxes & Transfers)
12.	MPSAS 24 - Presentation of Budget Information in Financial Statements
13.	MPSAS 25 - Employee Benefits
14.	MPSAS 28 - Financial Instruments: Presentation
15.	MPSAS 29 - Financial Instruments: Recognition and Measurement
16.	MPSAS 30 - Financial Instruments: Disclosures
17.	MPSAS 33 - First-time Adoption of Accrual Basis MPSASs



SME CORPORATION MALAYSIA

(Incorporated under the Small and Medium Industries Development Corporation Act, 1995)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)**

3. OTHER RECEIVABLES

	2017 (RM)	2016 (RM)
Operating Fund Receivables	4,963,757	1,778,719
Less: Provision of Doubtful Debts	(47,000)	(47,000)
	<hr/> 4,916,757	<hr/> 1,731,719
Development Fund Receivables	1,093,732,599	1,000,887,999
	<hr/> 1,098,649,356	<hr/> 1,002,619,718

The Development Fund Receivables are Government Grants (Soft Loans) which are submitted to the Banks and strategic partners to assist SME Corporation Malaysia in managing soft loans and development programmes for SMEs.

4. DEPOSITS AND PREPAYMENTS

	2017 (RM)	2016 (RM)
Rental Deposits	186,894	183,656
Utility Deposits	1,680,894	1,680,445
Other Deposits	67,621	67,571
	<hr/> 1,935,409	<hr/> 1,931,672

SME CORPORATION MALAYSIA
(Incorporated under the Small and Medium Industries Development Corporation Act, 1995)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT

	Furniture and Equipment (RM)	Motor Vehicles (RM)	Office Equipment (RM)	Computers (RM)	Office Renovation (RM)	Total (RM)
2017						
<u>Cost</u>						
At 1.1.2017	405,881	1,969,165	2,478,442	3,177,943	2,228,115	10,259,546
Addition	19,450	148,108	505,053	8,670	38,996	720,277
Disposal	-	(248,672)	(4,849)	(459,075)	(17,550)	(730,146)
At 31.12.2017	<u>425,331</u>	<u>1,868,601</u>	<u>2,978,646</u>	<u>2,727,538</u>	<u>2,249,561</u>	<u>10,249,677</u>
<u>Accumulated Depreciation</u>						
At 1.1.2017	192,414	1,320,411	1,812,202	3,035,815	1,678,638	8,039,480
Addition	35,835	204,532	337,591	72,035	214,686	864,679
Disposal	-	(248,670)	(4,539)	(459,068)	(13,528)	(725,805)
At 31.12.2017	<u>228,249</u>	<u>1,276,273</u>	<u>2,145,254</u>	<u>2,648,782</u>	<u>1,879,796</u>	<u>8,178,354</u>
<u>Carrying Amount</u>						
At 31.12.2017	<u>197,082</u>	<u>592,328</u>	<u>833,392</u>	<u>78,756</u>	<u>369,765</u>	<u>2,071,323</u>
2016						
<u>Cost</u>						
At 1.1.2016	280,883	1,784,312	2,339,202	3,344,654	2,201,734	9,950,785
Addition	140,590	338,360	140,820	60,700	407,510	1,087,980
Disposal	(15,592)	(153,507)	(1,580)	(227,411)	(381,129)	(779,219)
At 31.12.2016	<u>405,881</u>	<u>1,969,165</u>	<u>2,478,442</u>	<u>3,177,943</u>	<u>2,228,115</u>	<u>10,259,546</u>
<u>Accumulated Depreciation</u>						
At 1.1.2016	180,286	1,317,993	1,362,458	3,093,849	1,927,740	7,882,326
Addition	27,641	155,923	451,323	169,366	132,024	936,277
Disposal	(15,513)	(153,505)	(1,579)	(227,400)	(381,126)	(779,123)
At 31.12.2016	<u>192,414</u>	<u>1,320,411</u>	<u>1,812,202</u>	<u>3,035,815</u>	<u>1,678,638</u>	<u>8,039,480</u>
<u>Carrying Amount</u>						
At 31.12.2016	<u>213,467</u>	<u>648,754</u>	<u>666,240</u>	<u>142,128</u>	<u>549,477</u>	<u>2,220,066</u>

SME CORPORATION MALAYSIA
(Incorporated under the Small and Medium Industries Development Corporation Act, 1995)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)**

6. SEED FUND

SEED Fund is a fund for the purpose of financial management of the Secretariat for Empowerment of Indian Entrepreneurs (SEED).

7. OTHER DEPOSITS

	2017 (RM)	2016 (RM)
ASEAN-Korea Economic Cooperation (AKEC)	-	390,629
Ministry of Foreign Affairs Malaysia	27,167	19,819
Human Resources Development Fund (HRDF)	873,508	650,550
Hong Huat Autotrade Sdn. Bhd.	12,200	-
Malaysia Steel Institute	1,000,000	-
	<u>1,912,875</u>	<u>1,060,998</u>

8. LONG-TERM CREDITORS

	2017 (RM)	2016 (RM)
NOVA SPECTRA (M) SDN. BHD.	292,560	-
Less: Service Charge on Long Term Creditors	(33,504)	-
	<u>259,056</u>	<u>-</u>
EN. MOHAMAD ROZLAN BIN MOHD RAZALI	45,000	-
	<u>304,056</u>	<u>-</u>

9. LONG-TERM EMPLOYEE BENEFITS

	2017 (RM)	2016 (RM)
Balance of GCR at 1 January	1,680,768	1,297,231
Short Term Employee Benefits Classification	(31,351)	-
Additional GCR Allocations	392,971	383,537
Balance at 31 December	<u>2,042,388</u>	<u>1,680,768</u>

SME Corporation Malaysia has adopted the MPSAS 25 (Employee Benefits) requirement whereby employee benefits or cash awards in lieu of accumulated annual leave (GCR) to be paid after retirement are recognised as an accrual in the current year's Statement of Financial Performance as employee benefits expense and shown in the Statement of Financial Position under Long Term Liabilities as Long-term Employee Benefits. The GCR is calculated based on the amount of leave for the current year brought to GCR taking into account employee's current salary at the end of the financial year.

10. SHARIAH COMPLIANT SCHEME FUND

	2017 (RM)	2016 (RM)
Balance at 1 January	2,304,204	8,959,573
Additional Allocations	54,000,000	18,000,000
Expenses	(25,010,674)	(24,655,369)
Balance at 31 December	<u>31,293,530</u>	<u>2,304,204</u>

Shariah Compliant Scheme Fund is a Government allocation paid to Islamic Banking Institutions as a 2% rebate on the profit rate for financing that has been channelled to SMEs.

SME CORPORATION MALAYSIA
(Incorporated under the Small and Medium Industries Development Corporation Act, 1995)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)**

11. DEFERRED GRANTS

Development Funds are funds allocated with the objective of implementing SME development programmes as approved under the Malaysia Plan, SME Masterplan (2012 - 2020) and special programmes directed by the Government. SME Corporation Malaysia also acts as a fund administrator for specific financing such as interest rebates under the Shariah Compliant Scheme Fund and e-vouchers as an incentive for SMEs to adopt approved accounting systems.

	11MP (RM)	10MP (RM)	9MP (RM)	*DKKP (RM)	Stimulus Package (RM)	Development Funds (RM)	Other Funds (RM)	Total (RM)
Accumulated Balance at 1 January	95,434,883	302,244,544	797,508,000	2,508,432	-	92,843,555	1,290,539,414	
Allocations Received	91,290,000	-	-	-	-	-	91,290,000	
Expenses/Disbursements	(44,224,042)	(25,010,049)	(281,322)	-	-	(19,885,928)	(89,401,341)	
Current Year Hibah	139,248	131,943	11,803,368	-	-	-	12,074,559	
Virement	12,570,094	(78,923,200)	281,322	-	-	(3,928,216)	(70,000,000)	
Balance at 31 December 2017	155,210,183	198,443,238	809,311,368	2,508,432	-	69,029,411	1,234,502,632	

As Restated

	11MP (RM)	10MP (RM)	9MP (RM)	*DKKP (RM)	Stimulus Package (RM)	Development Funds (RM)	Other Funds (RM)	Total (RM)
Accumulated Balance at 1 January	-	196,678,340	26,149,840	2,508,432	1,595,144	140,941,682	367,873,438	
Allocations Received	55,075,000	-	-	-	-	8,100,000	63,175,000	
Classification of Soft Loan Fund	-	143,000,000	-	-	-	-	143,000,000	
Expenses/Disbursements	(5,379,784)	(11,312,617)	787,046,655	-	-	(22,863,278)	747,490,976	
Returns	-	-	-	-	-	(31,000,000)	(31,000,000)	
Virement	45,739,667	(26,121,179)	(15,688,495)	-	(1,595,144)	(2,334,849)	-	
Balance at 31 December 2016	95,434,883	302,244,544	797,508,000	2,508,432	-	92,843,555	1,290,539,414	

Other Development Funds are grants outside the Malaysia Plan (MP) and are given on a One-Off basis to achieve the set objectives.

OTHER DEVELOPMENT FUNDS

	2017 (RM)	2016 (RM)
Bumiputera Enterprise Enhancement Programme (BEEP)	43,865,369	61,833,554
Green LED/SSL Programme	1,799,830	2,101,962
Enabling ePayment Services for SMEs	3,902,918	6,146,828
SME Emergency Fund	5,281,969	5,341,571
GST eVoucher	1,250,447	1,250,447
Minimum Wages	5,831,966	10,298,232
Tunas Usahawan Belia Bumiputera (TUBE) Programme	77,385	138,179
HIP - Aerospace	7,019,527	4,836,110
Study on SME Masterplan	-	396,672
Study on Malaysia SME Bankruptcy Act	-	500,000
	<u>69,029,411</u>	<u>92,843,555</u>

* DKKP: Federal Government Special Funds



SME CORPORATION MALAYSIA
(Incorporated under the Small and Medium Industries Development Corporation Act, 1995)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)**

12. FEDERAL GOVERNMENT GRANTS

	2017 (RM)	2016 (RM)
Transfers from Development Funds	70,000,000	-
Operating Grants Received	-	53,701,800
	<u>70,000,000</u>	<u>53,701,800</u>

13. STATE GOVERNMENTS' CONTRIBUTIONS

	2017 (RM)	2016 (RM)
Perak State Treasury Office	20,000	20,000
Sarawak State Government	-	8,000
Melaka Bumiputera Economic Empowerment Unit	3,000	-
Prime Minister's Office - Pulau Pinang	10,000	-
Ministry of International Trade and Industry	189,700	-
	<u>222,700</u>	<u>28,000</u>

14. PRIVATE CONTRIBUTIONS

Sponsorship by private sector for SMIDEX Showcase

15. OTHER INCOME

	2017 (RM)	2016 (RM)
Sales of Tender Forms	600	5,450
10% Late Payment Charges	-	815
Miscellaneous Income	21,005	120,481
Gains on Sales of Fixed Assets	19,698	34,986
Penalty in lieu of Resignation Notice	1,807	-
Bad Debts Recovered	-	50,000
Write-offs Recovered	-	5,550
	<u>43,110</u>	<u>217,282</u>

SME CORPORATION MALAYSIA
(Incorporated under the Small and Medium Industries Development Corporation Act, 1995)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

16. EMOLUMENTS

	2017 (RM)	2016 (RM)
Wages and Salaries	20,931,181	19,497,735
Fixed Remunerations	1,569,274	925,651
Allowances	1,616,374	1,482,329
Employees Provident Fund	2,794,303	2,462,070
Pension Trust Fund	442,702	446,471
Social Security Organisation	199,383	168,152
Other Personnel Expenses	672,666	567,229
	<u>28,225,883</u>	<u>25,549,637</u>

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified as to follow the current year's classification.

STATEMENT OF FINANCIAL POSITION	Note	As Previously Reported 2016 (RM)	As Previously Reported 2016 (RM)
DEFERRED GRANTS	11		
11 th Malaysia Plan (11MP)		46,835,427	95,434,883
10 th Malaysia Plan (10MP)		295,762,233	302,244,544
9 th Malaysia Plan (9MP)		-	797,508,000
Federal Government Special Funds (DKKP)		2,508,432	2,508,432
Stimulus Package Funds		-	-
Other Development Funds		87,545,323	92,843,555
		<u>432,651,415</u>	<u>1,290,539,414</u>
STATEMENT OF FINANCIAL PERFORMANCE	Note	As Previously Reported 2016 (RM)	As Previously Reported 2016 (RM)
INCOME			
NON-EXCHANGE INCOME			
Realised Development Grants		110,397,023	(747,490,976)
EXPENDITURES			
Development Expenditures	11	110,397,023	(747,490,976)



SME CORPORATION MALAYSIA

(Incorporated under the Small and Medium Industries Development Corporation Act, 1995)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	As Previously Reported 2016 (RM)	As Previously Reported 2016 (RM)
CASH FLOW FROM OPERATING ACTIVITIES		
Income Surplus/(Deficit)	(4,057,611)	(4,057,611)
ADJUSTMENTS FOR:		
Transfers from Development Funds	-	-
Doubtful Debts/Write-offs	-	-
Disposal of Assets	96	93
Depreciation	936,277	936,277
Gains on Sales of Fixed Assets	(34,989)	(34,986)
Interest Received	(14,976,143)	(14,976,143)
Increase in Long-term Employee Benefits	-	383,537
(Decrease) of Operating Income before Changes in Working Capital	<u>(18,132,370)</u>	<u>(17,748,833)</u>
(Increase) in Other Receivables and Prepayments	(143,035,849)	-
(Increase) in Other Receivables	-	(858,525,813)
(Increase) / Decrease in Deposits and Prepayments	-	44,746
Increase / (Decrease) in Sundry Creditors	(2,245,638)	(2,245,638)
Increase in Long-term Employee Benefits	383,537	-
Net Cash Used in Operating Activities	<u>(163,030,320)</u>	<u>(878,475,538)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	(1,087,980)	(1,087,980)
Collection from Disposal of Property, Plant and Equipment	34,989	34,989
Interest Received	14,976,143	15,533,362
Net Cash from Investing Activities	<u>13,923,152</u>	<u>14,480,371</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Development Funds Received from Federal Government	63,175,000	63,175,000
Withdrawals of Funds during the Year	(110,397,023)	747,490,976
Development Fund Classification - Soft Loan	143,000,000	-
Current Year Grant Refunds	(31,000,000)	(31,000,000)
Increase/(Decrease) in Shariah Compliant Scheme Fund	(6,655,369)	-
Receivables in Shariah Compliant Scheme Fund	-	18,000,000
Payments in Shariah Compliant Scheme Fund	-	(24,655,369)
Net Cash Used in Financing Activities	<u>58,122,608</u>	<u>773,010,607</u>
(DECREASE)/SURPLUS IN NET CASH AND CASH EQUIVALENTS	(90,984,560)	(90,984,560)
Cash and Cash Equivalents at Beginning of Year	410,272,116	410,272,116
Cash and Cash Equivalents at End of Year	<u>319,287,556</u>	<u>319,287,556</u>

SME CORPORATION MALAYSIA
(Incorporated under the Small and Medium Industries Development Corporation Act, 1995)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

18. TAX

As a statutory body, SME Corporation Malaysia is subject to tax treatment set in the Income Tax Order (Exemption) (No. 22) 2006. The tax exemption order is effective from assessment year 2006 and has no expiry date.

19. OPERATING LEASE COMMITMENTS

SME Corporation Malaysia has entered into an irrevocable rental contract for the use of office space in Block B and Block C, Platinum Sentral, Kuala Lumpur Sentral. This rental is for a period of 3 years (First Term) from 1 July 2011 at a fixed rental rate with option to renew for another 3 years (Second Term) at market rental rate, subject to a minimum increase of 10% or market rate, whichever is higher. After that period, SME Corporation Malaysia has an option to renew the rental for a period of 3 years (Third Term). This contract does not contain any purchase option clause.

Minimum Lease Payments

	2017 (RM)	2016 (RM)
Less than One Year	26,331,082	28,282,461
More than One Year and Not More than 3 Years	78,993,247	90,766,966
	<u>105,324,329</u>	<u>119,049,427</u>

20. RELATED PARTY DISCLOSURES**Key Management Personnel**

Key management personnel are those who have the authority and responsibility to plan, direct and control the activities of the entity whether directly or indirectly, including any director of the entity concerned. The remuneration for directors and other key management personnel for the year is as follows:

	2017 (RM)	2016 (RM)
Total Remuneration	3,745,113	2,982,097
Total Number of Personnel	<u>14</u>	<u>12</u>

21. TABLING AND APPROVAL OF FINANCIAL STATEMENTS

SME Corporation Malaysia's Financial Statements were approved to be published by the Board of Directors on 15 August 2018.