

Intranet e-Link e-Budget



customer service. We are completing the loop on trade business with the pilot Trade Express 2000 (TE2000) system at Trade Finance Centers (TFCs) of 6 branches. In addition, we are working to implement the Inter-Bank GIRO (IBG) payment system, a system meant to handle inter-bank funds transfers of less than RM50,000 per transaction. Phase 1 of IBG testing is currently in progress.

Meanwhile, our in-house staff developed, amongst others: *e-Budget*, an electronic budgetary process which enables "what-if" analysis by the business units, *e-Bopess*, a paperless Exchange Control reporting system, *e-Broker*, an electronic link-up for deal confirmation and invoicing with the money brokers in the country, *e-Link* for direct connectivity to interbank payment systems (Rentas / SWIFT), and Intranet which enables paperless forex transactions and bankers' acceptances rediscounting.

Against the background of all this activity, we are also taking steps to improve the quality of our risk and credit systems and processes. These include an enhanced and robust risk grading model for commercial loans to provide a more comprehensive approach to portfolio risk profile analysis and to determine loan pricing. We rolled out the new Credit Assessment (CA) forms and are working towards an integrated *e-CA* and Credit Management System, a process that will improve turnaround time of loan origination to disbursements as well as the administration and management of credit risk.

Culture of excellence

Building lifelong relationships with customers and redesigning processes will continue to challenge us. However, even more critical is rallying our people together around one vision supported by a culture of excellence.

■ Excellence at source

In a fast-changing competitive environment, we know that we will have to stay lean and agile. We have had to look hard and often at our people and their capabilities, as well as how we are deploying them to optimize their potential.

For this purpose, we introduced the Assessment Center program as part of the recruitment process of executives and managers to ensure we have the best and the brightest as well as reassessment of capabilities for redeployment. In addition, the psychometric testing was applied for selected senior positions.

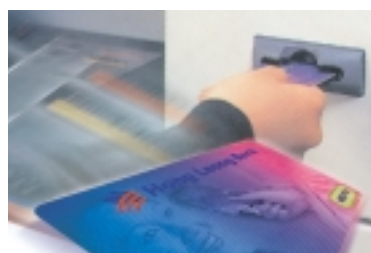
■ Better is better

Having talented people is not enough. We all need to grow and develop. We need to understand the skills required for the next job and then find ways, with our supervisor's help, to develop those skills. During the last financial year, we increased our investment in training hours to enhance knowledge, especially in areas of quality service, emerging technical skills and business resumption planning. We also supported continuing education and development of management and leadership skills. Apart from these, HLB instituted structured programs for our people's growth like the Accelerated Development Program (ADP) to groom competent executives for managerial posts in the Bank and Program for Executive Trainees (PET) which is a take-off platform in the new recruits' career development.

■ Someone's doing a good job. Tell them !

Recognition, combined with monetary rewards, is a powerful incentive. At the Bank, several awards were presented at the annual Branch Managers' (BM) Convention, notably, "Manager of the Year" and "Excellence in Branch Leadership". Other awards included "X-selling Team Recognition", "Service Star" awards as well as "IMP-Act Award" which recognizes staff contribution to improvement ideas. At HLF too, the "Service Star" awards were presented at its annual BM Convention.

We also implemented the Executive Share Option Scheme (ESOS) in March this year to reward executives for a job well done and to improve staff retention.





Support For The Community And The Nation

HLB Group treasures every occasion to show our support for national endeavors and to serve the communities in which we work and live. We sponsored community events like the Youth Festival in Bangsar in conjunction with the 1999 National Day celebrations and the Dawei 2000 World Team Table Tennis Championship. To reach out to young leaders, we assumed the sponsorship of the First National Varsity Debate, a 5-day event in December 1999 which saw intense participation from 24 teams representing 16 public and private local universities. Our sponsorship also included messages on 45 overhead bridges on the North-South Expressway which promote patriotism in Malaysians. In addition, we showed our appreciation towards the city police force with the joint sponsorship together with Hong Leong Assurance Berhad and Hong Leong Properties Berhad of Dataran Mesra, the recreation park in the heart of Kuala Lumpur. HLB Group also participated in "Walk for the Nation" in support of Asia Games 2006 and Charity Run 2000 at Dataran Merdeka organized by the Hong Leong Foundation.

Our people are encouraged to actively participate in their communities by contributing their time, skills and personal funds to help their communities. I believe the range of activities carried out demonstrates our people's energetic efforts to reach out to their communities. These efforts included participation in fund raisers like food fair, open house sales and bazaars, arranging of free medical check-up, besides presentation of gifts and donations to charitable organizations and other organizations such as the Malaysian Paralympics Council.

Corporate Developments

Proposed bonus issue

On 27 June 2000, we proposed a 1-for-1 bonus issue of up to 607.4 million new HLB shares of RM1.00 each, to

be capitalized firstly from the share premium reserve available and the balance from the retained profits of the Bank. Besides increasing the liquidity of HLB shares, it is also intended to reward shareholders for their continued support.

Proposed acquisitions of CCM and WTB

On 30 June 2000, we entered into the following conditional SPAs:

- With Gadek Capital Berhad to acquire 291.2 million ordinary shares, representing the entire equity interest in CCM.
- With vendors of WTB to acquire 20.0 million ordinary shares, representing the entire equity interest in WTB.

The purchase consideration for the entire equity interest in CCM and WTB is RM470.0 million and RM210.0 million respectively and will be satisfied by the issue of new HLB shares.

New Targets

The past year's achievements represent significant progress towards realizing our vision, but we must sustain our drive to move forward. We will continue to put the pieces together in the 3 priority areas identified, paying close attention to our investment in information technology (IT) especially computer telephony integration and corporate terminals which will facilitate sales and better service, and enable more innovative service offerings. In addition, bankwide risk management is one important area which we will continue to focus on. We expect our progress to be accelerated by further improvement in the Malaysian



Government
Consumers

Businesses

economic and banking business environment, riding on greater business confidence and favorable consumer sentiment.

■ "Clicks and mortar"

Banks traditionally have been the intermediary in transactions among consumers (the "C"), businesses (the "B") and the government (the "G"). However, without a doubt, the Internet and the convergence of telecommunications media technology (TMT) have dramatically changed the face of our industry, in Malaysia and everywhere else, as had been said, "Banking is necessary. Banks are not." Banks all over have realized this, as shown by the spate of Internet initiatives - wireless and otherwise - by global banks, by banks in neighboring countries, by banks next door. We need to make sure that our organization remains relevant to the C, the B and the G, as intermediaries - electronic or paper - whenever and wherever our customers buy services.

The recent dot.com fervor has only reminded us that we must continually strike a balance between the virtual and the real world. We are cognizant of the fact that the banking on the Internet requires us to adopt a different business model from the existing ones. Whether B2C or B2B, we need to make sure that the right business model is adopted. Hence, with the approval of Internet banking services by BNM, we have been intensifying our explorations into the great potential that Internet and TMT convergence offers to us.

■ One name, one system, one vision

This year, as an anchor bank, we have an even more welcome job: to put together the pieces of an expanded HLB Group which will include CCM and WTB. We are working to ensure smooth integration of people, products and systems under one name, one system and

one vision. We are also re-strategizing the integration of HLB and HLF IT operations to take into consideration the proposed mergers of CCM and WTB.

Code Of Conduct And Ethics And Corporate Governance

In line with the growth of the Group and market developments, the Bank has re-examined its existing Code of Ethics and introduced a new and enhanced Code of Conduct and Ethics. The new Code stipulates the onerous responsibilities of HLB's employees to safeguard HLB's integrity and credibility. It also codifies the ethical standards of conduct expected of HLB's employees. At the same time, the HLB Group is taking steps to strengthen corporate governance in tandem with the Government's call to enhance corporate governance towards boosting investor confidence in Malaysia.

Appreciation

I am deeply grateful for the solid commitment of our people to the HLB Group during a year of great transformation of our organization and our industry. Their continued efforts will ensure that the full potential of HLB Group can be realized for all its stakeholders. I would also like to thank BNM and other authorities for their ongoing guidance and support.

QUEK LENG CHAN

Chairman

Kuala Lumpur

30 August 2000

