

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

I am very pleased to announce that Kenanga Investment Bank Berhad (“KIBB”) performed admirably for 2020, displaying utmost fortitude, resourcefulness and resilience in the face of the immense challenges posed by the COVID-19 pandemic, as well as, uncertainties in several key markets including Malaysia.



YAM TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL

Chairman

For the Financial Year Ended 31 December 2020 (“**FYE2020**”), KIBB and its Group of Companies (“**Kenanga Group**” or “**the Group**”) recorded a Profit Before Tax (“**PBT**”) of RM134.7 million, compared to RM43.0 million in 2019. This is the Group’s highest PBT in a financial year since it received its investment bank licence in 2007, and it has been surpassed only once in its history of almost 50 years.

This exceptional result is mainly attributable to surge in trading volume on the local bourse, which drove higher income from our stockbroking and investment management businesses.

With this in view, the Board of Directors is pleased to declare a total Single Tier Interim Dividend of 8.8 sen per share in respect of the FYE2020 comprising Ordinary Interim Dividend of 4.00 sen per share and Special Interim Dividend of 4.80 sen per share.

2020 has witnessed the Malaysian business community as a whole playing an integral role in helping our country weather the storm of the pandemic. In terms of Kenanga Group’s response to the COVID-19 new normal, we have been very fortunate to have been able to pivot almost seamlessly to a digital workspace that has allowed us to continue operating with maximum efficiency and minimal disruption even at the height of Malaysia’s lockdown. This good fortune has been the direct result of the Group’s digital preparedness, which began five years ago and which now allows us to respond to the challenges of the pandemic with rapidity and relevance to the market and to the changing needs of our customers.

Throughout the course of 2020, the Group made a consistent response to the COVID-19 crisis through a message of quiet confidence, trust in our partners and responsibility towards our customers, staff and shareholders. I take this opportunity to thank and congratulate the Group’s Management team as a whole, who has worked tirelessly throughout the year and under immense pressure to ensure uninterrupted transition to online and work from home procedures both for our employees, as well as, our large family of remisers nationwide—and it is all the more remarkable that this all took place during a massive surge in business activity.

I am confident that the Group will continue to build a business that is fundamentally grounded in sustainable value, as well as, professional values that will secure our place as Malaysia’s largest independent investment bank for many years to come.

DIGITALISATION AND TECHNOLOGY

As I mentioned earlier, the year 2020 posed extraordinary challenges for capital markets around the world. In this highly uncertain environment, Kenanga Group’s digital transformation, coupled with its strong presence in the retail market, placed us in prime position to meet the unexpected surge in demand for online broking services.

Our capacity to respond quickly to the “New Normal”, including a 70% work from home ratio, as well as, split team operations—without compromising quality, effectiveness, and security—provided clear confirmation that our digital transformation remains the key to the creation of a strong, adaptable and resilient company that will safeguard the interests of all our customers and stakeholders.

In 2020, we also undertook two endeavours that will be instrumental in our technological evolution in the coming years. The first was our acquisition of a 4.99% equity interest in Malaysia’s leading e-money player, Merchantrade Asia Sdn Bhd, which will allow us to maximise new digital opportunities together. Second was our partnership with Bay Group Holdings Sdn Bhd (“**CapBay**”)—an award-winning digital supply chain financing company—which will allow us to help transform the traditional factoring market in Malaysia.

These developments build on several digital initiatives in recent years, including our joint-venture with Rakuten Securities Inc., Japan, to create the first fully online stock trading platform in Malaysia - Rakuten Trade Sdn Bhd - which enjoyed a significant increase in interest during the lockdown, as well as, the initiation of our first-in-the-market algorithmic trading solution and robo-advisory platform, which we expect to roll out in 2021.

CHAIRMAN'S MESSAGE

DIGITAL GOVERNANCE

In view of these events, there is now an even greater need for comprehensive and robust technological and digital governance. In 2019, we laid the framework for this through the establishment of the Group Board Digital Innovation & Technology Committee (“Committee”) in line with the requirements of Bank Negara Malaysia’s Policy Document on Risk Management in Technology. In 2020, the Committee served as the foundation of the Group’s overall digital response both to market developments, as well as, to the increased risks and challenges posed by the COVID-19 pandemic.

Above all, the Committee continued to drive the Group’s technology agenda and worked hard to ensure that we remained on target with the goals of our three-year Digitalisation Roadmap. To this end, the Committee continued to identify capacities, capabilities and technological infrastructure and services that will be increasingly important to the Group’s agility and responsiveness in the coming years.

Supporting this, is a newly established Digital Ventures Team, tasked with executing the Roadmap. They worked persistently throughout the year under challenging circumstances to continue designing and developing new innovative digital products and solutions.

In view of this, I am confident that our approach to digital transformation remains absolutely vital to the continued sustainability and success of the Group, and that we have the right people and processes in place to achieve that vision.

ETHICS AND GOVERNANCE

In the course of 2020, we implemented the second phase of the Group’s Ethics Blueprint and further enhanced our governance and controls which, among other things, brought us in compliance with the newly implemented Section 17A of the Malaysian Anti-Corruption Commission Act 2009. Furthermore, we proceeded with our Fraud Awareness Week (“FAW”) by transferring all activities online or on virtual environment.

Held annually in conjunction with the Association of Certified Fraud Examiners’ International Fraud Awareness Week, FAW allows us to raise anti-fraud awareness and promote fraud prevention and detection. In 2020, the number of external participants that took part in our FAW activities significantly increased, including those from regulators and enforcement

bodies, other listed companies, as well as, professional organisations. The overwhelming response to FAW has been very encouraging in our ongoing mission to combat fraud in the financial services industry and corporate Malaysia generally.

In the COVID-19 new normal, it was more important than ever that we put in place and enforce measures to ensure accountability, integrity, and good governance throughout all the Group’s operations. The Board is pleased to note that every member of the Kenanga family has demonstrated an aggressive commitment to the creation of value that is always circumscribed by an equally aggressive commitment to ethical conduct and the best, sustainable practices.

Early this year, the Board had expanded the scope of its Group Nomination & Remuneration Committee. It is now the Group Governance, Nomination and Compensation Committee, which will provide increased stewardship, transparency and accountability by uniting previously separate — but critically important — disciplines under a common level of board oversight.

A fuller account of our efforts in this respect can be found in the Ethics and Compliance Statement on pages 62 to 69 of this Annual Report.

NURTURING SUSTAINABILITY

As a leading financial services provider, as well as, business partner, employer, value creator and corporate citizen, we have been committed to sustainable practices for many years. The adoption of our Sustainability Roadmap in 2019 marked the achievement of the first of many milestones on this journey, and we are currently reviewing the sustainability governance framework which will consist of a multidisciplinary membership supported by the Board of Directors, to further reinforce focus on this growing priority.

During the year, the Group also conducted its biennial Materiality Assessment to identify key sustainability issues to guide our reporting. In this cycle, we expanded our survey of stakeholder groups to include regulators, and customers, as well as, media, remisers, vendors, community partners and employees. Please see page 82 for the Sustainability Statement.

In the coming year, we hope to expand our work in sustainability in accordance with the Sustainability Roadmap through greater Group-wide acceptance in terms of better integration of sustainability practices in our operations, as well as, through accreditation and benchmarking.

THE COMING YEAR

In 2021, the Board of Directors anticipates that the public health crisis in Malaysia will continue to be with us for the medium-term even as the global vaccination programme is being rolled out. The pandemic will undoubtedly impact multiple sectors of the global economy, and Malaysia's experience will be no exception.

Against this backdrop, I am confident that the Group will continue to weather the storm of the pandemic through its continued commitment to the vision and direction it has embarked on, particularly our ongoing digital evolution, adaptation to the "New Normal" and enhanced sustainability in all our operations. We will continue to be driven by strong financial governance, experience, talent and resources within the Group, with the support and stewardship of a committed and active Board, and the leadership of the right people, at the right place and at the right time. In these troubled times, our valuable assets are resilience, tenacity, perseverance, courage and vision—which I am proud to say the Kenanga Group possesses in abundance.

APPRECIATION

I take this opportunity to record my appreciation and gratitude to the Kenanga Group's Founder Emeritus & Adviser, YM Tan Sri Dato' Paduka Tengku Noor Zakiah Tengku Ismail for her trust, friendship, confidence and advice as I journeyed through the first year of my tenure as Chairman. I also wish to thank my predecessor, Encik Izlan Izhah, for his unswerving dedication to the Group, and I give my heartfelt thanks to my colleagues on the Board of Directors for their wise counsel, support and stewardship.

In this most difficult of years, I wish to thank all members of the Kenanga Group family for their steadfast commitment and faith in the mission of this Group, as well as, in one another. Finally, I wish to convey my appreciation to our valued customers, business partners, suppliers and shareholders for their trust in the Group, as well as, for Bank Negara Malaysia, Securities Commission Malaysia and Bursa Malaysia Berhad for their advice and support.

YAM TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL

Chairman