

# 2003

ANNUAL REPORT

# EON CAPITAL

**EON CAPITAL BERHAD**

(454644-K)

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## notice of annual general meeting

**NOTICE IS HEREBY GIVEN THAT** the Sixth Annual General Meeting of EON CAPITAL BERHAD will be held at Grand Prince Ballroom, Level 3, Prince Hotel & Residence, Jalan Conlay, 50450 Kuala Lumpur on Wednesday, 19 May 2004 at 10.00 a.m. for the following purposes:

### ORDINARY BUSINESS

- |   |                                     |
|---|-------------------------------------|
| 1. To receive and adopt the Reports of the Directors and Auditors and the Audited Financial Statements for the financial year ended 31 December 2003. | <a href="#"><u>RESOLUTION 1</u></a> |
| 2. To declare a first and final gross dividend of 6.5 sen per share less Malaysian Income Tax of 28% for the financial year ended 31 December 2003.   | <a href="#"><u>RESOLUTION 2</u></a> |
| 3. To re-elect the following Directors who retire in accordance with Article 97 of the Company's Articles of Association:                             |                                     |
| a. Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh   | <a href="#"><u>RESOLUTION 3</u></a> |
| b. Mr. Wizayaratham Somasundram   | <a href="#"><u>RESOLUTION 4</u></a> |
| 4. To approve the payment of Non-Executive Directors' fees of RM420,000 for the financial year ended 31 December 2003.                                | <a href="#"><u>RESOLUTION 5</u></a> |
| 5. To re-appoint Messrs. PricewaterhouseCoopers as Auditors and to authorise the Directors to fix their remuneration.                                 | <a href="#"><u>RESOLUTION 6</u></a> |
| 6. To transact any other ordinary business of the Company for which due notice has been given.  |                                     |

### NOTICE OF DIVIDEND PAYMENT AND BOOK CLOSURE

**NOTICE IS HEREBY GIVEN** that a first and final gross dividend of 6.5 sen per share less Malaysian Income Tax of 28% in respect of the financial year ended 31 December 2003, if approved by the shareholders at the Sixth Annual General Meeting, will be paid on 4 June 2004 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 24 May 2004.

A depositor shall qualify for entitlement to the dividend only in respect of:-

- a. Shares transferred into the depositor's securities account before 4.00 p.m. on 24 May 2004 in respect of ordinary transfers; and
- b. Shares bought on Bursa Malaysia on a cum-entitlement basis according to the Rules of Bursa Malaysia.

By Order of the Board

**LEE CHEAU PENG**  
(MAICSA 7005134)  
Company Secretary

Kuala Lumpur  
27 April 2004

#### Note i

A member entitled to attend the meeting may appoint a proxy who may but need not be a member of the Company.

#### Note ii

The instrument appointing a proxy must be deposited at the Registered Office of the Company at 12th Floor, Wisma Cyclecarri, No. 288, Jalan Raja Laut, 50350, Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting.

#### Note iii

If the member is a corporation, the proxy form should be executed under its Common Seal or under the hand of an officer or attorney duly authorised.

## statement accompanying notice of annual general meeting

Pursuant to paragraph 8.28 of the Listing Requirements of Bursa Malaysia.

1. Names of Directors who are standing for re-election

Under Article 97 of the Company's Articles of Association

- i. Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh
- ii. Mr. Wizayaratnam Somasundram

2. Details of Attendance of Directors at Board Meetings

Six (6) board meetings were held during the financial year ended 31 December 2003. Attendance of the Directors holding office at the end of the financial year is shown below:-

NO.	DIRECTORS	ATTENDANCE
1.	Y. Bhg. Tan Sri Dato' Seri Dr. Mohd Saleh bin Sulong	6 out of 6 meetings
2.	Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh	5 out of 6 meetings
3.	Mr. Rin Kei Mei	3 out of 6 meetings
4.	Y. Bhg. Dato' Maznah binti Abdul Jalil	6 out of 6 meetings
5.	Dr. Tiong Ik King	6 out of 6 meetings
6.	Mr. Wizayaratnam Somasundram	5 out of 6 meetings

All Directors have complied with the minimum 50% attendance requirement at Board Meetings as stipulated by the Listing Requirements of Bursa Malaysia.

3. Date, time and place of Annual General Meeting

The Sixth Annual General Meeting of the Company will be held on Wednesday, 19 May 2004 at 10.00 a.m. at Grand Prince Ballroom, Level 3, Prince Hotel & Residence, Jalan Conlay, 50450 Kuala Lumpur.

## statement accompanying notice of annual general meeting (cont'd)

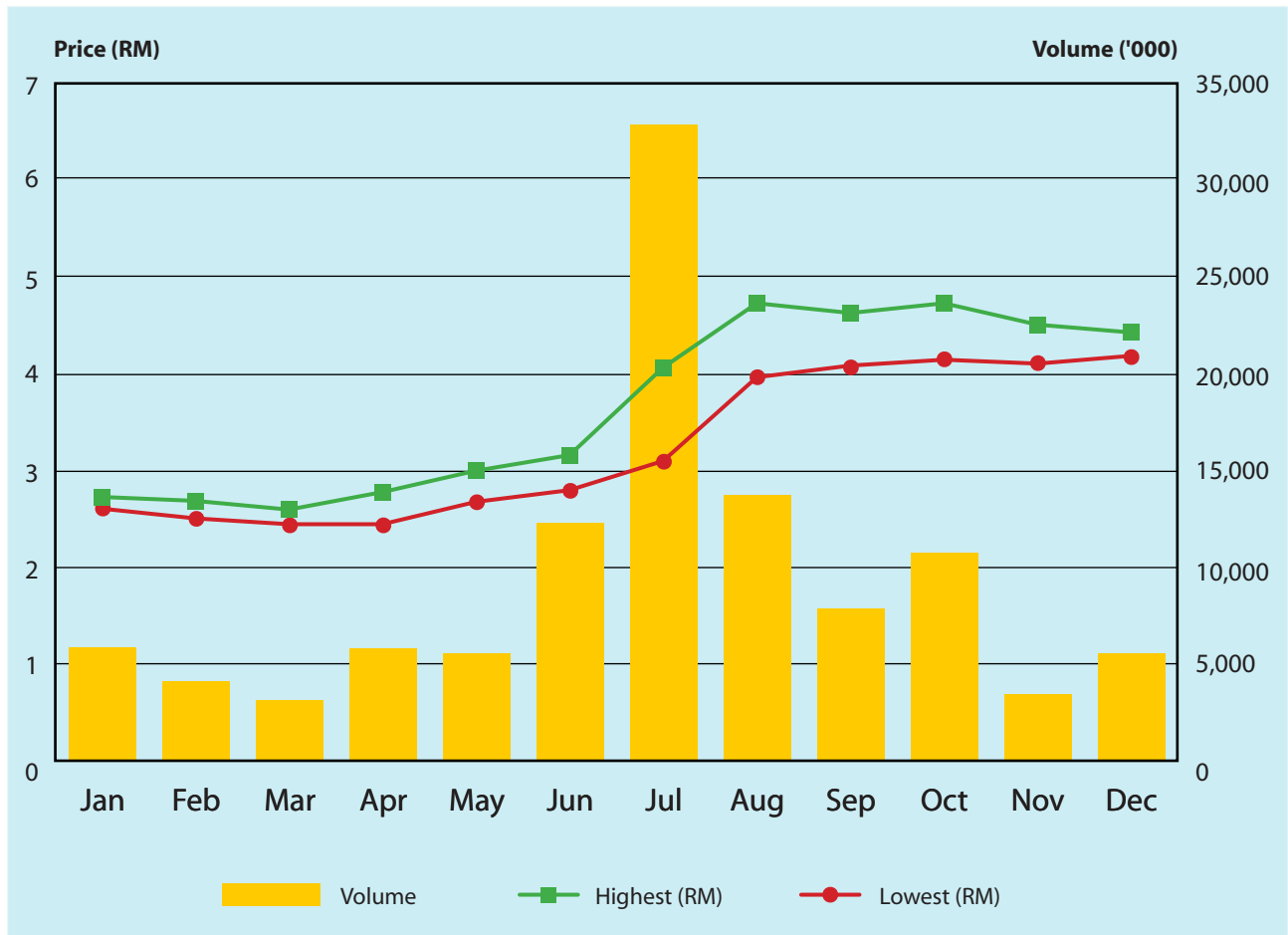
4. The details of Directors who are standing for re-election are as follows:

<b>Name</b>	Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh	Mr. Wizayaratham Somasundram
<b>Age</b>	57 years	64 years
<b>Nationality</b>	Malaysian	Malaysian
<b>Qualification</b>	<ul style="list-style-type: none"> <li>Bachelor of Economics (Hons), University of Malaya</li> <li>Master of Arts (Public Policy &amp; Administration), University of Wisconsin, USA</li> <li>Doctorate in Philosophy (Economics – Public Finance), University of Malaya</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor of Arts (Economics, Money, Banking and Public Finance), University of Western Australia</li> </ul>
<b>Position on the Board</b>	Independent Non-Executive Director	Independent Non-Executive Director
<b>Working Experience</b>	<ul style="list-style-type: none"> <li>Assistant Director, Budget Division, Ministry of Finance</li> <li>Director of Finance, Malaysian Highway Authority</li> <li>Deputy Secretary, Supply &amp; Contract Division and Tax Division, Ministry of Finance</li> <li>Managing Director, Kinta Kellas PLC</li> </ul>	<ul style="list-style-type: none"> <li>Examiner, Bank Negara Malaysia</li> <li>Head of Operations of a local commercial bank</li> </ul>
<b>Occupation</b>	Company Director	Company Director
<b>Any other directorships of public companies</b>	<ul style="list-style-type: none"> <li>EON Bank Berhad</li> <li>EON Finance Berhad</li> <li>Malaysian International Merchant Bankers Berhad</li> <li>Member, Board of Inland Revenue Board</li> </ul>	<ul style="list-style-type: none"> <li>EON Bank Berhad</li> </ul>
<b>Securities holdings in the Company and its subsidiaries (as at 31 March 2004)</b>	Direct holding of 79,006 ordinary shares of the Company	None
<b>Family relationship with any Director and/or major shareholder of the Company</b>	None	None
<b>Any conflict of interest with the Company</b>	None	None
<b>List of conviction for offences within the past 10 years</b>	None	None

## share prices and trading volume

The historical share prices and trading volume of EON Capital Berhad on Bursa Malaysia for 2003 are as below:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Highest (RM)</b>	2.73	2.69	2.60	2.78	3.00	3.16	4.06	4.72	4.62	4.72	4.50	4.42
<b>Lowest (RM)</b>	2.61	2.51	2.45	2.45	2.68	2.80	3.10	3.96	4.08	4.14	4.10	4.18
<b>Volume '000</b>	5,889	4,144	3,149	5,894	5,498	12,283	32,713	13,605	7,960	10,749	3,465	5,567



## five year financial highlights

### FINANCIAL PERFORMANCE

For the financial year ended 31 December 2003, EON Capital Berhad and its subsidiaries ('the Group') recorded a pre-tax profit of RM450.7 million. The Group achieved a profit after tax of RM328.4 million, representing a return on average shareholders' funds of 15.3%. The Group's earnings per share for the financial year ended 31 December 2003 stood at 47.4 sen and net tangible assets per share increased from RM2.86 as at 31 December 2002 to RM3.34 as at 31 December 2003.

The Group's balance sheet as at 31 December 2003 continued to remain strong with total assets of RM31.6 billion, an increase of 3.0% compared with RM30.7 billion as at 31 December 2002. Total shareholders' funds of the Group increased by 16.5% to RM2.3 billion.

Amount in RM Millions	EON Bank Group Actual <sup>1</sup>					EON Capital Berhad Proforma <sup>2</sup> Actual	
	1999	2000	2001	2002	2003	2002	2003
<b>INCOME</b>							
Operating Income Before Loan Loss and Provision	337	412	549	548	<b>636</b>	551	<b>627</b>
Profit Before Taxation	209	319	328	390	<b>460</b>	393	<b>451</b>
Profit After Taxation	204	265	229	266	<b>333</b>	277	<b>328</b>

Amount in RM Millions	EON Bank Group Actual <sup>1</sup>					EON Capital Berhad Actual	
	1999	2000	2001	2002	2003	2002	2003
<b>BALANCE SHEET</b>							
Total Assets	13,631	17,827	24,797	30,963	<b>31,881</b>	30,706	<b>31,641</b>
Net Loans, Advances and Financing	9,349	11,659	17,388	20,574	<b>21,288</b>	20,574	<b>21,288</b>
Total Deposits	11,793	14,854	20,025	25,823	<b>26,504</b>	25,786	<b>26,472</b>
Shareholders' Funds	1,476	1,823	2,152	2,495	<b>2,814</b>	1,986	<b>2,314</b>
Net Tangible Assets Backing per Ordinary Share (RM)	1.3	1.4	1.5	1.7	<b>1.9</b>	2.9	<b>3.3</b>

Amount in RM Millions	EON Bank Group Actual <sup>1</sup>					EON Capital Berhad Proforma <sup>2</sup> Actual	
	1999	2000	2001	2002	2003	2002	2003
<b>FINANCIAL RATIOS</b>							
Earnings per share (sen) - basic	18.3	23.6	19.0	20.7	<b>25.0</b>	40.0	<b>47.4</b>
Return on Average Shareholders' Funds (%)	14.8	16.1	11.5	11.4	<b>12.5</b>	13.9	<b>15.3</b>
Risk Weighted Capital Ratio (%) (EON Bank Berhad)	15.8	11.7	12.5	11.8	<b>14.6</b>	N/A	<b>N/A</b>
Gross Non Performing Loan Ratio (%)	7.8	8.2	8.7	7.5	<b>6.4</b>	7.5 <sup>3</sup>	<b>6.4</b>
Net Non Performing Loan Ratio (%)	5.1	5.2	5.7	4.9	<b>3.8</b>	4.9 <sup>3</sup>	<b>3.8</b>

Notes:

**Note 1:** Certain balances for financial years 1999 to 2002 have been restated to take into account the effects of the change in accounting policy with respect to the adoption of MASB 25 (Income Taxes) by the Group during the financial year ended 31 December 2003.

**Note 2:** For the financial year ended 31 December 2002, the consolidated results of EON Capital Berhad incorporated the one month consolidated results of EON Bank Berhad and its subsidiary companies. EON Bank Berhad became a wholly-owned subsidiary company of EON Capital Berhad on 2 December 2002, pursuant to the EBB Scheme of Arrangement and Amalgamation between EBB and its shareholders under Section 176 of the Companies Act, 1965.

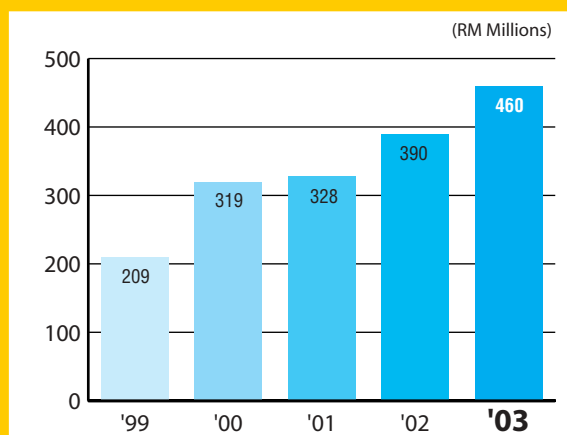
EON Capital Berhad was previously a dormant company and commenced its operations as an investment holding company upon the acquisition of EON Bank Berhad and its subsidiary companies on 2 December 2002. The five year financial highlights of EON Bank Group are provided to reflect the underlying business of the Group. For illustrative purposes, we have appended the proforma results for 2002 to show the effects on the consolidated results of EON Capital Berhad had the EBB Scheme of Arrangement and Amalgamation been completed on 1 January 2002.

**Note 3:** Denotes actual ratios as at 31 December 2002.

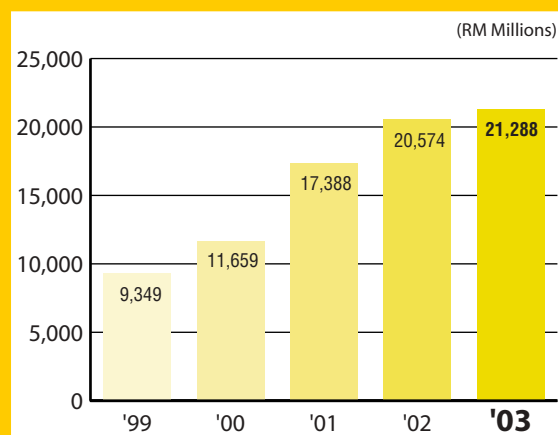
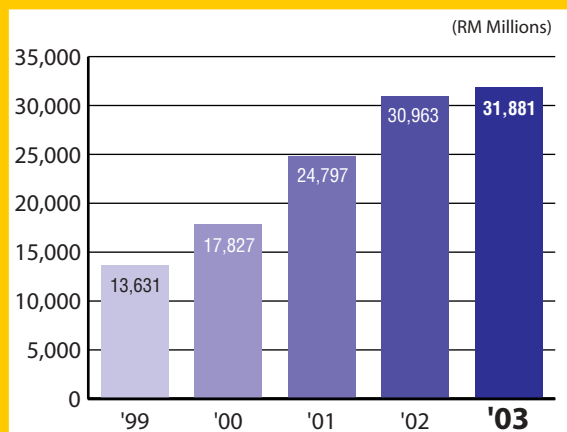
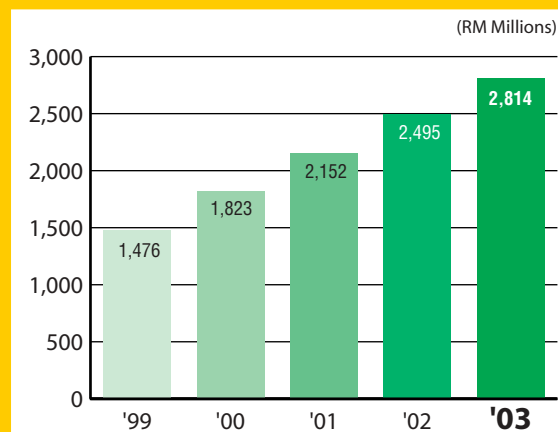
## five year financial highlights (cont'd)

EON BANK GROUP'S FINANCIAL TRENDS <sup>2</sup>

## Profit Before Taxation



## Net Loans, Advances and Financing

Total Assets <sup>1</sup>Shareholders' Funds <sup>1</sup>

## Notes:

**Note 1:** Certain balances for financial years 1999 to 2002 have been restated to take into account the effects of the change in accounting policy with respect to the adoption of MASB 25 (Income Taxes) by the Group during the financial year ended 31 December 2003.

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EON Capital Berhad was previously a dormant company and commenced its operations as an investment holding company upon the acquisition of EON Bank Berhad and its subsidiary companies on 2 December 2002. The five year financial highlights of EON Bank Group are provided to reflect the underlying business of the Group.



## corporate information

## board of directors

## Chairman

Y. Bhg. Tan Sri Dato' Seri Dr. Mohd Saleh bin Sulong

## Deputy Chairman

Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh

## Members

Mr. Rin Kei Mei  
 Y. Bhg. Dato' Maznah binti Abdul Jalil  
 Dr. Tiong Ik King  
 Mr. Wizayaratnam Somasundram

**COMPANY SECRETARY**

Lee Cheau Peng (MAICSA 7005134)

**REGISTERED OFFICE**

12th Floor, Wisma Cyclecarri  
 No. 288, Jalan Raja Laut  
 50350 Kuala Lumpur  
 Telephone : 03 - 2694 1188  
 Facsimile : 03 - 2692 1851  
 Website : www.eonbank.com.my

**SHARE REGISTRAR**

ShareWorks Sdn Bhd  
 (formerly known as Panama Resources Sdn.  
 Bhd.)  
 No. 23, Jalan Sri Hartamas 7  
 Sri Hartamas, 50480 Kuala Lumpur  
 Telephone : 03 - 6201 1120  
 Facsimile : 03 - 6201 3121

**AUDITORS**

PricewaterhouseCoopers  
 11th Floor, Wisma Sime Darby  
 Jalan Raja Laut, P.O. Box 10192  
 50706 Kuala Lumpur

**PRINCIPAL BANKER**

EON Bank Berhad

**SOLICITOR**

Nik Saghir & Ismail

**STOCK EXCHANGE LISTING**

Main Board  
 Bursa Malaysia  
 since 23 December 2002  
 (Stock code: 5266)

[www.eonbank.com.my](http://www.eonbank.com.my)

## profile of the directors

**Y. Bhg. Tan Sri Dato' Seri Dr. Mohd Saleh bin Sulong**, Malaysian, aged 52, was appointed as Chairman, Non-Independent Non-Executive Director of EON Capital Berhad on 23 December 2002. He is the Chairman of the Nominating Committee and Remuneration Committee, and a member of the Audit Committee.

Tan Sri Dato' Seri Dr. Mohd Saleh bin Sulong is a member of the Chartered Institute of Management Accountants, United Kingdom. He served as an Accountant in Cycle & Carriage Bintang Berhad, Cycle & Carriage (M) Sdn Bhd and United Cycle Sdn Bhd for 10 years before his appointment as Executive Director of the Master-Carriage Group of Companies in 1984. Besides being involved in the motor industry for more than 29 years, he has acquired vast experience in other business activities, which include financial services, public utility services, insurance, property and construction.

Tan Sri is also the Chairman of DRB-HICOM Berhad, Hicom Holdings Berhad, Gadek (Malaysia) Berhad, Edaran Otomobil Nasional Berhad, Horsedale Development Berhad and several private limited companies under DRB-HICOM Group. He also serves on the Board of Directors of Perbadanan Usahawan Nasional Berhad. In addition, he is also the Chairman of Kolej Universiti Teknikal Kebangsaan Malaysia, Chairman of the Board of Trustees of Yayasan Budiman University Teknologi Mara, Trustee of Yayasan Kebajikan Negara and Advisor for Malay Chamber of Commerce Malaysia, City of Kuala Lumpur.

Tan Sri has no direct holding of securities in the Company. He has indirect holdings of 347,270,469 (50.10%) in the Company by virtue of his deemed interest of 29.72% in Edaran Otomobil Nasional Berhad.

Tan Sri has no family relationship with any Director and/or major shareholder of the Company. He has no convictions for offences within the past 10 years.



**Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh**, Malaysian, aged 57, was appointed as Deputy Chairperson, Independent Non-Executive Director of EON Capital Berhad on 17 December 2002. She is the Chairperson of the Audit Committee and a member of the Nominating Committee and Remuneration Committee.

Datin Dr. Umikalsum graduated with a degree in Bachelor of Economics (Hons) from the University of Malaya, attained the Master of Arts (Public Policy & Administration) from the University of Wisconsin, USA, and her doctorate in Ph. D (Economics – Public Finance) from the University of Malaya.

Datin Dr. Umikalsum was Assistant Director of Budget in the Ministry of Finance (Budget Division), and was seconded to Malaysian Highway Authority as Director of Finance. She was the Deputy Secretary in the Ministry of Finance (Supply & Contract Division) and in the Ministry of Finance (Tax Division). While working for her Ph. D. (University of Malaya) she was attached to the Centre for Research on Federal Financial Relations, Australian National University. She was Head of Business Development Division, and subsequently was appointed as Managing Director of Kinta Kellas PLC.

Datin Dr. Umikalsum is a Company Director, and also holds directorship in EON Bank Berhad, EON Finance Berhad and Malaysian International Bankers Berhad. She is also a member of the Board of Inland Revenue Board.

Datin Dr. Umikalsum has direct holdings of 79,006 ordinary shares in the Company, and has no family relationship with any Director and/or major shareholder of the Company. She has no convictions for offences within the past 10 years.

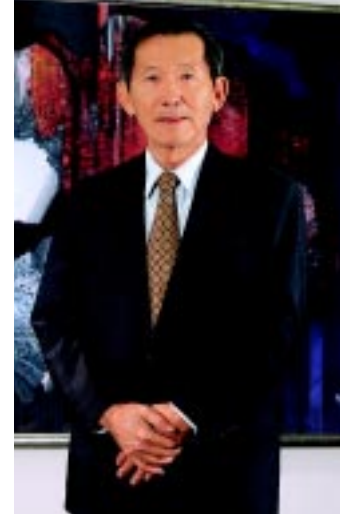
## profile of the directors (cont'd)

**Mr. Rin Kei Mei**, Singaporean, aged 69, was appointed as Non-Independent Non-Executive Director of EON Capital Berhad on 23 December 2002.

Mr. Rin graduated with a Degree in Chemical Engineering (University of Cheng Kung), Taiwan. He is a Company Director. His directorship in other public companies are EON Bank Berhad and EON Finance Berhad. Previously he was Joint Managing Director of Perusahaan Sadur Timah Malaysia (PERSTIMA) Sdn Bhd from 1980 to 1982 and Managing Director of Kedah Cement Holdings Sdn Bhd from 1985 to 1987. He was also the Deputy Chairman of Edaran Otomobil Nasional Berhad since 1992 until his resignation in 2003.

Mr. Rin has direct holdings of 39,550 ordinary shares in the Company and indirect holdings of 45,630,136 ordinary shares (6.58%) by virtue of his deemed substantial interest in Kualapura (M) Sdn Bhd and substantial direct interest in Lintang Emas Sdn Bhd.

Mr. Rin has no family relationship with any Director and/or major shareholder of the Company and has no convictions for offences within the past 10 years.



**Y. Bhg. Dato' Maznah binti Abdul Jalil**, Malaysian, aged 50, was appointed as a Non-Independent Non-Executive director of EON Capital Berhad on 23 December 2002. She is a member of the Remuneration Committee.

Dato' Maznah holds a Bachelor of Science and Master degree in Business Administration (Finance) from Northern Illinois University, U.S.A. and Central Michigan University, U.S.A. respectively.

Dato' Maznah is the Chairperson of Uni.Asia Life Assurance Berhad, Uni.Asia General Insurance Berhad and Hicom Properties Sdn. Bhd. She is an Executive Director of DRB-HICOM Berhad and Edaran Otomobil Nasional Berhad. She is also a director of EON Bank Berhad, EON Finance Berhad, Gadek (Malaysia) Berhad, HICOM Holdings Berhad, Horsedale Development Berhad, Malaysian International Merchant Bankers Berhad, Uni.Asia Capital Berhad, Labuan Reinsurance (L) Ltd and several private limited companies under DRB-HICOM Group. She is also a member of the Board of University Technology MARA, and a member of the Board of Trustee of Malaysian AIDS Foundation in her capacity as Treasurer.

Prior to joining DRB-HICOM Berhad, she was with a local merchant bank from 1979 to 1992 with exposure in varied corporate advisory assignments. In 1992, she joined Master-Carriage (Malaysia) Sdn Bhd as Director, Corporate Affairs. In 1997, she was appointed as Vice President, HICOM Holdings Berhad and as Executive Director, DRB-HICOM Berhad in 1998.

Dato' Maznah has direct holdings of 107,000 ordinary shares in the Company, and has no family relationship with any Director and/or major shareholder of the Company. She has no convictions for offences within the past 10 years.

## profile of the directors (cont'd)

**Dr. Tiong Ik King**, Malaysian, aged 53, was appointed as Non-Independent Non-Executive Director of EON Capital Berhad on 17 December 2002.

Dr. Tiong obtained his medical degree in MBBS from Singapore (National University of Singapore) and is also a member of MRCP, United Kingdom (Royal College of Physicians, UK).

Dr. Tiong is a director of Jaya Tiasa Holdings Berhad.

Dr. Tiong has direct holdings of 43 ordinary shares in the Company. In addition, he has indirect holding of 118,640,080 ordinary shares (17.11%) in the Company by virtue of his direct and indirect interest in R.H. Development Corporation Sdn. Bhd. and Tiong Toh Siong Holdings Sdn Bhd.

Dr. Tiong has no family relationship with any Director and/or major shareholder of the Company. He has no convictions for offences within the past 10 years.



**Mr. Wizayaratnam Somasundram**, Malaysian, aged 64, was appointed as Independent Non-Executive Director of EON Capital Berhad on 17 December 2002. He is a member of the Audit Committee and Nominating Committee.

Mr. Somasundram graduated with a Bachelor of Arts degree majoring in Economics, Money, Banking and Public Finance (University of Western Australia).

Mr. Somasundram is also a Director of EON Bank Berhad. He was previously attached to Bank Negara Malaysia ('BNM') for more than twenty years, mainly as Examiner of financial institutions under the purview of BNM. His responsibilities included a managerial and supervisory role in the examination and appraisal of the financial conditions and performance of financial institutions and insurance companies. Upon his retirement from BNM, he joined a local commercial bank as Head of Operations of its regional office until 1999.

Mr. Somasundram has no direct or indirect securities holding in the Company and its subsidiaries. He has no family relationship with any director and/or major shareholder of the Company. He has no convictions for offences within the past 10 years.

## boards of principal subsidiaries

as at 31 March 2004

### EON BANK BERHAD

<b>Chairperson</b>	Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh
<b>Members</b>	<p>Mr. Rin Kei Mei</p> <p>Y. Bhg. Dato' Maznah binti Abdul Jalil</p> <p>Y. Bhg. Dato' Zulkifli bin Ali</p> <p>Ms. Vimala Menon</p> <p>Mr. Tiong Chiong Ong</p> <p>Y. Bhg. Dato' Dr. Mohamad Hashim bin Che Nik Omar</p> <p>Mr. Wizayaratnam Somasundram</p> <p>Mr. Adam Phillip Charles Keswick</p> <p>Mr. Rin Nan Lun (Alternate Director to Rin Kei Mei)</p> <p>Mr. Kung Beng Hong (Group Chief Executive Officer and Executive Director)</p>

### EON FINANCE BERHAD

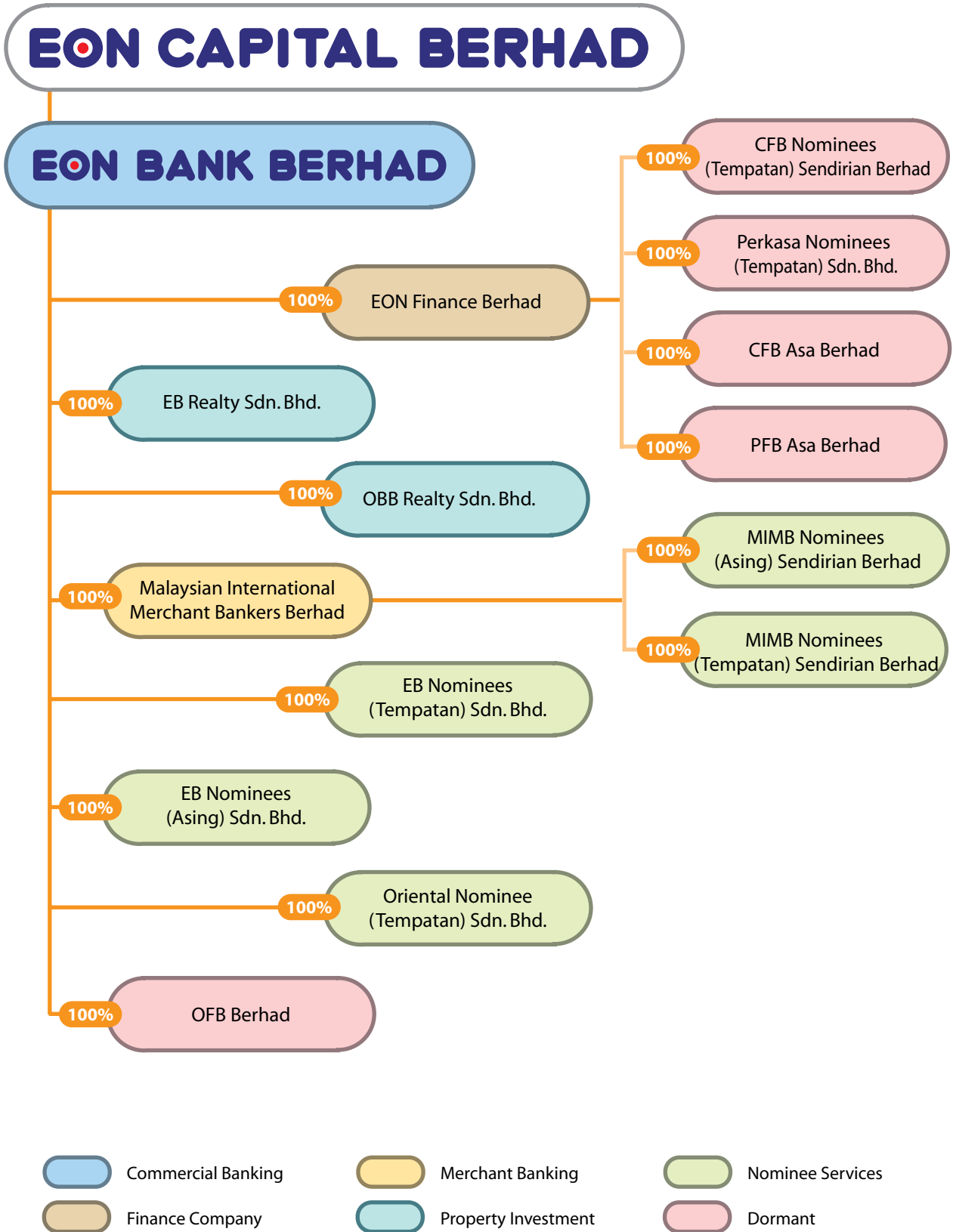
<b>Chairperson</b>	Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh
<b>Members</b>	<p>Mr. Rin Kei Mei</p> <p>Y. Bhg. Dato' Maznah binti Abdul Jalil</p> <p>Y. Bhg. Dato' Zulkifli bin Ali</p> <p>Y. Bhg. Datuk Choo Keng Kit</p> <p>Mr. Tiong Chiong Ong</p> <p>Mr. Kung Beng Hong</p> <p>Y. Bhg. Dato' Dr. Mohamad Hashim bin Che Nik Omar</p> <p>Mr. Rin Nan Lun (Alternate Director to Rin Kei Mei)</p>



### MALAYSIAN INTERNATIONAL MERCHANT BANKERS BERHAD

<b>Chairman</b>	Y. Bhg. Dato' Zulkifli bin Ali
<b>Members</b>	<p>Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh</p> <p>Y. Bhg. Dato' Maznah binti Abdul Jalil</p> <p>Y. Bhg. Dato' Mohd Hussin bin Abd. Hamid</p> <p>Mr. Kung Beng Hong</p> <p>Mr. Gopala Krishnan a/l C P Gopalan</p> <p>Mr. Peter Chow Ying Choon</p> <p>Y. M. Tunku Afwida binti Tunku A. Malek (Chief Executive Officer and Executive Director)</p>

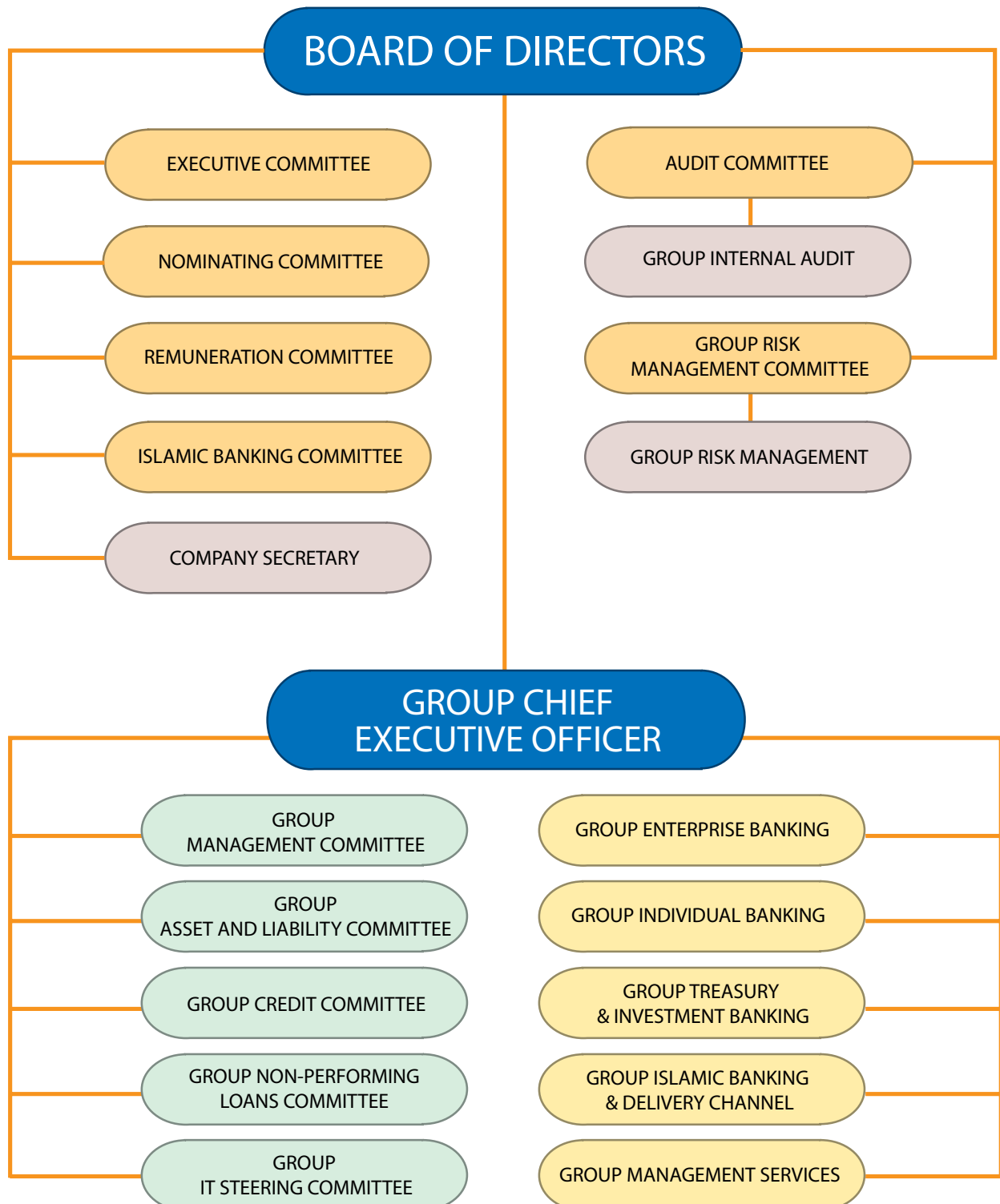
group structure  
as at 31 March 2004



## group operating structure

as at 31 March 2004

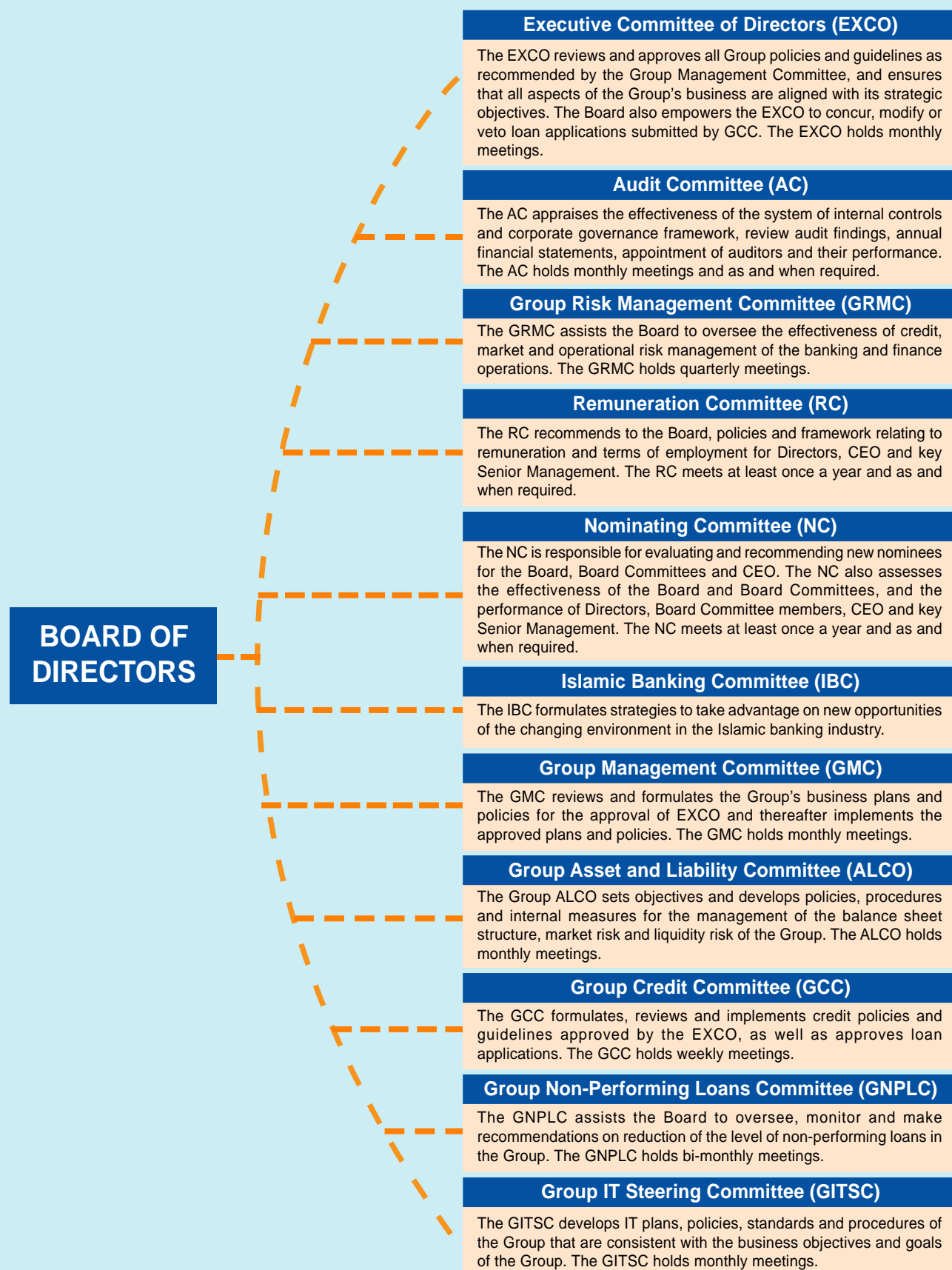
EON Capital Berhad's principal subsidiary, EON Bank Berhad has set up the Board and Management Committees with clear terms of references. These Committees, which report to the Bank's Board, meet regularly to monitor and evaluate numerous banking and finance company business or operational issues that may arise from the Group's business activities.





## board and management committees

as at 31 March 2004





## group management

as at 31 March 2004

The Board of Directors of EON Capital Berhad is assisted by a group management team in the day to day management of the EON Bank Group.

**Peter Chow Ying Choon**  
Deputy Chief Executive Officer,  
Group Enterprise Banking



**Kung Beng Hong**  
Group Chief Executive Officer and  
Executive Director



**Abdul Jamel bin Pawanteh**  
Deputy Group Chief Executive Officer,  
Group Islamic Banking and  
Delivery Channel



**Martin Chu Leong Meng**  
Deputy Chief Executive Officer,  
Group Management Services



**Gopala Krishnan**  
Deputy Chief Executive Officer,  
Group Treasury and Investment Banking



**Albert Lau Yiong**  
Deputy Chief Executive Officer,  
Group Individual Banking

## chairman's statement

“ To our Shareholders,  
It is with great  
pleasure that we  
present to you the

Annual Report and Financial  
Statements of EON Capital Berhad  
for the financial year ended  
31 December 2003. ”



*Y. Bhg. Tan Sri Dato' Seri Dr. Mohd Saleh bin Sulong*

#### OVERALL BUSINESS ENVIRONMENT

In 2003, Malaysia's economy recorded favourable performance with the Gross Domestic Product ('GDP') expanding by 5.2% for the year relative to a growth of 4.2% in year 2002. The growth, according to Bank Negara Malaysia, was broad based with positive contributions across all industries and demand components. A stronger upturn in exports gave added support to private sector activities and consumer spending. On the demand side, growth in domestic demand was driven mainly by the private sector, with a stronger growth in household consumption. Supporting factors such as low interest rates, increased access to financing, higher commodity prices, the positive wealth effect of higher equity prices and measures under the May 2003 Economic Stimulus Package resulted in a positive business environment.

The banking industry continued to exhibit resilience, as evidenced by the growth in lending and the stronger expansion in loans to small and medium sized enterprises ('SMEs'), private and household sectors and the further decline in net non-performing loans by 3.1% to RM29.9 billion at the end of 2003. All loans and monetary indicators have strengthened markedly, reflecting the significantly improved consumer and business sentiments.

The banking system remained flushed with liquidity amid low and stable interest rates. Competitive lending conditions caused the average lending rates for commercial banks and finance companies to slide further. This in turn spurred stronger lending activities, which were reflected in higher loan applications, approvals and disbursements to business, private and household sectors during the financial year. Total industry loan growth grew

at a higher rate of 4.8% in 2003 compared to 4.3% in 2002 and lending to SMEs registered a strong growth with annual growth rate of 8.8%.

*[Source: Bank Negara Malaysia, Annual Report 2003]*

Against this backdrop, EON Capital Group achieved a pre-tax profit of RM450.7 million for the financial year ended 31 December 2003.

#### OVERVIEW OF THE GROUP

We Focus On You. This powerful tagline adopted by the Group embodies the Group's commitment to meet the needs of our customers. Throughout the financial year, the Group continued to focus on providing innovative and customer centric financial services. In September 2003, EON Bank Berhad officially launched the *Ar Rahn* pawn broking for gold facility. EON Bank Berhad is the first commercial bank in Malaysia to offer this micro-credit facility customised to meet the financial needs of the middle to lower income group.

The Group extended its range of services in 2002 by entering into a strategic alliance with Uni. Asia Group to distribute bancassurance products and the results have been encouraging. In 2003, the Group became a Third Party Institutional Unit Trust Agent (IUTA) and entered into a partnership agreement with SBB Mutual Berhad for the distribution of unit trust products. The gradual introduction of a wider range of wealth management products is in line with the Group's commitment to the 'Lifetime Value' approach to our customers; to offer competitive financial products and services to suit the increasing demands of a lifetime of financial needs.

## chairman's statement (cont'd)

In line with the technology-driven and increased sophistication of the banking industry, the Group will continue to invest in information technology, which will remain a key enabler in product development and business growth. During the financial year, the Group launched its own website which offers immediate access to information on the Group's products and services.

As indicated in the 2002 Annual Report, the Group continues to reap the synergistic benefits of cross selling products and services through pooling of resources and expertise. During the financial year the Group set up more one-stop banking centers and as at 31 December 2003, the Group has 13 one-stop banking centers, which offer the combined range of commercial banking and finance company products and services. This is part of the Group's branch rationalisation exercise.

As the Group aims for continual growth and expansion towards a more diversified business, risk management remains a key focus to ensure that the risks are adequately managed. The Group has intensified its risk management program; developing risk management models and execution methodology for credit risk and operational risk management. The first phase of our

2 December 2002. EON Capital Berhad is an investment holding company and EON Bank Group is its sole investment. Thus, to better reflect the underlying business of EON Capital Group, a review of the financial results of EON Bank Group is outlined below.

For the financial year ended 31 December 2003, EON Bank Group posted a pre-tax profit of RM460.0 million, representing a growth of 17.9% from RM390.3 million in the previous year. EON Bank Group's profit after taxation and zakat recorded a growth of 25.3% to RM332.6 million compared with RM265.5 million in the previous financial year. This was largely attributable to higher contribution from net interest income, income from Islamic Banking and non-interest income.

EON Capital Group's balance sheet as at 31 December 2003 continued to remain strong with total assets of RM31.6 billion, an increase of 2.9% compared with RM30.7 billion as at 31 December 2002. Total shareholders' funds of the Group increased by 16.5% to RM2.3 billion. Meanwhile, the Group's total loan portfolio grew by 5.6% to RM22.5 billion, before allowing for the effects of loans written off and loan conversion

***EON Bank Group posted a pre-tax profit of RM460.0 million, representing a growth of 17.9% from RM390.3 million in the previous year.***

program was completed in December 2003 with encouraging results from our pilot run. Under the second phase of our program, we have scheduled the rollout of the risk management framework across all branches in 2004.

The Group has also recently reviewed and aligned its corporate governance framework towards best practices and is committed to inculcate a strong corporate governance culture within the Group.

### FINANCIAL PERFORMANCE AND BUSINESS REVIEW

For the financial year ended 31 December 2003, EON Capital Group recorded a profit before tax of RM450.7 million and a profit after tax of RM328.4 million, representing a return on average shareholders funds of 15.3%. The Group's earnings per share for the financial year ended 31 December 2003 stood at 47.4 sen and net tangible asset per share registered an increase of 16.8% to RM3.34 as at 31 December 2003.

There was a significant improvement in EON Capital Group's result for the current financial year compared to last year. The results of the Group for financial year ended 31 December 2002 incorporated only one month consolidated results of EON Bank Group, which became its wholly owned subsidiary company on

to capital market instruments. On a net basis, loan portfolio expanded by 2.2%.

In line with its overall strategy, the Group achieved significant positioning in the retail and consumer sector during the financial year ended 31 December 2003. The Group's retail loans grew by 6.6% to RM14.8 billion and represents 65.6% of the Group's total loan portfolio at the end of 2003.

As at balance sheet date, the main component of retail loans is the financing for purchase of motor vehicle, which constitutes 33.6% of the Group's total loan portfolio. Although new passenger car sales in Malaysia reduced by 6.9% in 2003, the Group's hire purchase car financing business grew by 5.6% due to our strong car loan franchise and our strong presence in the retail and middle market segment. The Group's hire purchase car financing business is predominantly for new passenger cars and in 2003, our market share was an impressive 17.0% of the total number of new cars sold in Malaysia.

The second largest component of retail loans is mortgages which makes up 17.6% of the Group's total loans portfolio. The mortgage market remains competitive and competitor banks continue to offer attractive rates and financing packages. In facing the competition, the Group has re-packaged the home loan

## chairman's statement (cont'd)

products and actively participated in various property exhibitions in the country. The Group also works closely with developers to provide financing for new housing projects. These various measures helped to boost the mortgage loan base by RM561.9 million or 16.4% to RM4.0 billion at the end of 2003.

Enterprise Banking Division's loan assets decreased marginally from RM7.8 billion in 2002 to RM7.3 billion in 2003 due to the slow down in corporate lending activities as a result of corporates' shift to the debt capital market as an alternative source of financing and substantial prepayment by cash-flush corporates. This decline was however cushioned by a higher loan growth in the SMEs segment. Lending to this segment accounted for 11.4% of the Group's total loan portfolio in 2003 compared to 9.3% in 2002; with the increase mainly in the manufacturing, general commerce and purchase of non residential properties segment of the SMEs.

The Group Islamic Banking operations grew strongly, with an increase in net profit of 50.6% from RM30.6 million in previous year to RM46.2 million for the financial year ended 31 December 2003. Total Group Islamic Banking's assets grew by 7.2% to RM3.1 billion and constituted 9.7% of the Group's total assets. Total Islamic financing of the Group increased by 27.4% to RM2.5 billion, with emphasis on purchase of residential properties and financing for purchase of motor vehicles. As at 31 December 2003, Islamic financing accounted for 11.3% of the Group's total lending portfolio.

Consistent with the proactive management of the Group's credit risk, the quantum of net non-performing loans ('NPLs') has decreased by 19.5% to RM814.5 million during the financial year, which ended with a gross NPLs ratio of 6.4%. Consequently, the Group's net NPLs ratio also reduced from 4.9% in 2002 to 3.8% in 2003, significantly lower than the banking industry's net NPL ratio of 6.8%.

Customer deposits growth remained healthy. Total customer deposits increased by 12.7% to RM20.9 billion at the end of 2003 of which 48.5% came from individual depositors. The net loan (less loans sold to Cagamas Berhad) to deposit ratio decreased from 106.5% at the end of 2002 to 99.2% at the end of 2003.

As at 31 December 2003, EON Capital Group remained strongly capitalised. EON Bank Berhad and EON Finance Berhad's risk weighted capital ratio stood at 14.6% and 11.9% respectively.

#### DIVIDENDS

For the financial year ended 31 December 2003, the Board of Directors is pleased to recommend the payment of a maiden first and final gross dividend of 6.5 sen per share on 693,208,732 ordinary shares, less income tax at 28%, amounting to RM32,530,000. The dividend payment will be made upon approval of shareholders at the forthcoming Annual General Meeting.

#### COMMUNITY OUTREACH

The Group is committed to be a good corporate citizen and continually aims to inculcate a strong sense of social responsibility amongst its employees. During the year, the Group organised various community outreach programs, such as the School Adoption Program where children were taught the merits of saving and given incentives to start saving.

The Group also organised numerous visits and hosted parties to celebrate our nation's multi-racial festivities with children from selected welfare homes and orphanages. In addition, the Group also supported other charitable campaigns such as the Malaysian AIDS Foundation's "In the Name of Love" campaign.

#### GROUP BUSINESS DIRECTION

In line with global and regional economic developments, Malaysia's economy is expected to remain positive in 2004, with an estimated real GDP growth of 6%-6.5% [Source: *Bank Negara Malaysia, Annual Report 2003*]. The increased economic activity in the fourth quarter of 2003 is expected to continue into 2004.

With improving demand for Malaysia's export, domestic consumption and private investments, the outlook for the Malaysian financial services sector remains favourable for 2004. While competition in the retail and commercial middle market is anticipated to remain intense, the Group will continue to build on its established presence in this segment, with emphasis on efficient and effective delivery of services to its customers, relationship management and proactive management of asset quality.

#### A WORD OF APPRECIATION

On behalf of the Board of Directors, I would like to extend our sincere appreciation to our shareholders, customers and business partners for your continued support of the Group. To the Group's loyal employees, I would like to say thank you for continuing to be the driving force behind the Group's success. I would also like to express our gratitude to Bank Negara Malaysia and other authorities for their guidance and support.

I would also like to take this opportunity to extend a warm welcome to Mr. Kung Beng Hong and Y. M. Tunku Afwida binti A. Malek who joined the Group during the financial year. Mr Kung Beng Hong joined the Group as Group Chief Executive Officer and Executive Director of EON Bank Berhad, while Y. M. Tunku Afwida binti A. Malek was appointed as Chief Executive Officer and Executive Director of Malaysian International Merchant Bankers Berhad.

**Tan Sri Dato' Seri Dr. Mohd Saleh bin Sulong**  
Chairman



review of operations



# GROUP INDIVIDUAL BANKING

Group Individual Banking focuses on individuals, providing innovative financial solutions with quality customer services. The business activities include financing of motor vehicles, retail loans in the broad property sector, retail share margin financing, credit cards, prestige banking, retail deposits, and sale of third party products like bancassurance and unit trusts.

For the year 2003, despite the strong competition in the retail sector, Group Individual Banking has further increased its loan assets by 4.1% from RM12.3 billion to RM12.8 billion.

Financing for the purchase of motor vehicles from Group Individual Banking increased by 5.5% to reach RM6.5 billion for the current financial year in spite of declining car sales due to the uncertainties of the AFTA (Asean Free Trade Area) tariff structure. At year-end, the financing for the purchase of motor vehicles constituted 33.6% of the Group's total gross loan and financing portfolio.

In the broad property sector, the Group continued to focus on financing the purchase of low and medium cost housing units, as sales were buoyed by the May 2003 Economic Stimulus Package, which included a

number of incentives to boost low-to-medium cost home ownership. Housing loans increased by 9.1% from RM2.9 billion to RM3.2 billion during the financial year under review.

The 'Free for Life' credit card campaign launched in August 2002 saw an impressive growth of 59.4% in the credit card business in 2003, with the total credit card base of more than 300,000.

In tandem with the improved local stock market sentiment in 2003, retail share financing grew from RM272.2 million to RM293.7 million or 7.9%. The Group remains optimistic about 2004 prospects given the improving economy.

In addition to the Bancassurance products, Wealth Management officially launched the distribution of third party unit trusts from SBB Mutual Berhad in September 2003. Wealth Management managed to close the year 2003 with total assets of RM46.9 million and RM2.1 million of Bancassurance and Unit Trusts products respectively.

Overall, Group Individual Banking contributed RM12.8 billion or 57.1% of the Group's total gross loans of RM22.5 billion.





review of operations (cont'd)



**GROUP  
ENTERPRISE BANKING**

The lending activities of Group Enterprise Banking are carried out by specific lending units comprising Commercial Banking, Bumiputra Enterprise and Public Sector and Corporate Banking. Commercial Banking focuses on the drive to increase the customer base of small and medium sized enterprises whilst the financing needs of the bumiputra and public sectors are serviced by Bumiputra Enterprise and Public Sector. Corporate Banking caters to the financing needs of middle market and public listed companies.

As at 31 December 2003, RM7.3 billion of the Group's total gross loans and financing portfolio of RM22.5 billion are managed by Group Enterprise Banking.

During the financial year, Group Enterprise Banking's loan assets decreased from RM7.8 billion to RM7.3 billion in 2003 largely due to corporates' shift to the debt capital market as an alternative source of funding, substantial prepayment by cash-flush corporates. To cater to the change in corporates' financing preferences, the Group has also increased its participation in the primary debt capital market.

Despite the decline in the corporate lending portfolio, lending to the small and medium size enterprises ('SMEs') experienced strong growth during the financial year, increasing from RM2.0 billion to RM2.6 billion in 2003. Lending to the SMEs accounted for 11.4% of the Group's total loan portfolio compared to 9.3% previously. The growth was substantially in manufacturing, general commerce and purchase of non residential properties segment.

Group Enterprise Banking continued to participate actively in various SMEs exhibitions, seminars and conventions to further enhance our reach and participation to meet the financing and advisory needs of this sector.

In close cooperation with Group Treasury, seminars were also conducted to update our customers on trade finance products and services as well as the latest developments and trends in trade related and banking matters.

Going forward, Group Enterprise Banking's focus will be on driving significant growth in trade finance and penetration in the SMEs and middle markets. We will also strive to build a strong sales and service culture to meet the expectations of our customers.



review of operations (cont'd)



# GROUP ISLAMIC BANKING

Group Islamic Banking provides a wide range of Syariah compliant products and services tailored to meet the needs of individuals and commercial companies. These products include House Financing-i, Gratuity Financing-i, Ar Rahnun Pawn Broking-i, Hire Purchase-i, Cash Line Facility-i and General Investment Account-i.

For the financial year ended 31 December 2003, Group Islamic Banking operations achieved an impressive growth in profit before zakat of RM51.3 million, an increase of RM17.4 million or 51.3% from RM33.9 million recorded for the previous financial year. Additionally, total financing assets also increased by RM537.3 million or 27.4% from RM1,959.0 million as at 31 December 2002 to RM2,496.3 million as at 31 December 2003.

The increase in financing assets is mainly attributable to the housing and business products of Al-Bai Bithaman Ajil (BBA) which recorded an impressive growth of 57.8% or by RM463.9 million from RM802.5 million as at 31 December 2002 to RM1,266.5 million as at 31 December 2003.

The growth in the financing of hire purchase product Al-Ijarah Thumma Al-Bai (AITAB) was also encouraging as it increased from RM1,045.0 million to RM1,107.1 million, registering an increase of RM62.1 million or 5.9%.

In tandem with the increase in financing assets, customer deposits also grew from RM1,676.7 million to RM1,919.0 million, mainly due to an increase in Mudarabah investment deposits.

As part of the Group's strategy to further expand its range of Syariah compliant products and services to all its customers, the Group officially launched the Ar Rahnun Pawn Broking-i facility in September 2003. The Group also opened its fifth full-fledged Islamic Banking branch in Putrajaya during the financial year.

At year end, Group Islamic Banking operations accounted for 9.7% of the Group's total banking assets, 11.3% of the total gross loans and financing portfolio and 9.7% of the total deposits. These have exceeded Bank Negara Malaysia's target of 8.0% of the total bank-wide assets, financing and deposits.





review of operations (cont'd)



# GROUP TREASURY & INVESTMENT BANKING

Group Treasury's activities encompass proactive liquidity management, astute investment in the capital and equities market and smooth execution of fee-based advisory services.

#### LIQUIDITY MANAGEMENT

During the financial year, there were ample liquidity in the banking system and interest rates have remained relatively low. With proactive management of the Group's funding profile, the improvement in the overall funding cost for the Group has been encouraging.

#### CAPITAL MARKET

The domestic bond market started the financial year on a firm note with bond yields coming under pressure largely due to the overhang in liquidity. The benchmark government yields then flattened before the yields climbed towards the end of the financial year. The sharp reversal in bond yields were mainly due to the market expectation of higher global interest rates compounded with thinly traded volumes locally. The Group has been an active participant in the domestic bond market. We had however adopted a more cautious stance towards the later part of the financial year. This boded well for our trading activities with an overall positive income contribution.

#### FOREIGN EXCHANGE

In the foreign exchange markets, the US dollar weakened against most major currencies in 2003. The dollar depreciated against the euro by 19.3% and against both the yen and pound sterling by 10.4% in 2003.

Despite the volatilities in the foreign exchange markets, Group Treasury's teamwork and customer-focused approach allows for competitive pricing of treasury instruments. Highly experienced sales team and alternative distribution channels have positioned the Group as a preferred trading partner for both corporate and retail customers. Group Treasury's marketing efforts continue to bear fruits notwithstanding the stiff competition in the market place.

#### INVESTMENT IN EQUITY

The KLCI rallied by 22.8% in 2003 on the back of a strong domestic economic recovery coupled with unveiling of a stimulus package by the government in May to boost domestic spending. Market capitalisation rose sharply from RM481.6 billion in



## review of operations (cont'd)

December 2002 to RM640.3 billion end of 2003. The equity desk had successfully outperformed the KLCI thereby favourably contributing towards income for the financial year.

### MERCHANT BANKING

In 2003, the merchant banking subsidiary operated as a full-stream fee-based advisory house following the transfer of its entire credit portfolio, except staff loans, to EON Bank Berhad in January 2003. Profit contributions were highly dependent upon transactional based activities. Nonetheless, the merchant banking subsidiary managed to sustain its profit capability with an improved profit performance over previous year's achievement despite the absence of a stable stream of net interest income. This was achieved with a dynamic team of experienced and professional staff in place, and leveraging off the Group's synergies. During the year, the merchant banking subsidiary successfully arranged RM1.3 billion worth of private debt securities which were distributed by the Group's Treasury and Investment Banking team.

## statement on corporate governance

The Board of Directors of EON Capital Berhad is committed to ensure that the highest standards of corporate governance are practiced throughout EON Capital Berhad and its group of companies as a fundamental part of discharging its responsibilities to protect and enhance shareholders value and financial performance.

Set out below is a statement by the Board of Directors of EON Capital Berhad on the application by the Group of the principles contained in the Malaysian Code on Corporate Governance ('Code'), and the extent of compliance with the best practices of the Code for the financial year ended 31 December 2003.

### BOARD OF DIRECTORS

#### COMPOSITION

The Board comprises six (6) members, all of whom are Non-Executive Directors; of which four (4) are non-independent and two (2) are independent. The Board is of the view that the current Board composition fairly reflect the extent of the investments of shareholders in the Company. The profiles of the members of the Board are presented on pages 9 to 11 of the Annual Report.

The Directors bring together a wide range of business management skills and banking and financial experience to the Board. Their background, diversity, quality, skills and experience lends strength to strategic directions of the Group. Decision making is by majority and no single Board member can make any decision on behalf of the Board, unless duly authorised by the Board.

The Board has identified Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh, the Chairperson of the Audit Committee, as the Independent Non-Executive Director to whom concerns may be conveyed.

#### BOARD RESPONSIBILITIES

The Board has the responsibility for the overall corporate governance and performance of the Group. The Board:

- Charts the direction of the Group by setting objectives and strategies and establishing policy, guidelines and performance targets;
- Monitors Management's running of the business to ensure implementation is in accordance with the agreed framework; and
- Through the Audit Committee, liaises with the external auditors on accounting policies and practices, compliance issues and reporting to shareholders.

#### BOARD MEETING AND SUPPLY OF INFORMATION

During the financial year, six (6) board meetings were held. The details of attendance of each Director at Board meetings are presented on page 3 of the Annual Report. All Directors have complied with the minimum 50% attendance requirement at Board Meetings as stipulated by the Listing Requirements of Bursa Malaysia.

At each regularly scheduled meeting, there will be a financial and business review for discussion. The agenda for each board meeting, together with detailed reports and proposition papers to be tabled at the board meeting, will be circulated to the Directors prior to the board meeting to give the Directors time to consider and deliberate on the issues to be raised at the board meetings. The Directors have full access to Senior Management and the advice of the Company Secretary and may seek external professional advice, if required.

#### APPOINTMENT OF DIRECTORS

New appointments to the Board are recommended by the Nominating Committee for consideration and approval, with due consideration given to the mix of expertise and experience required for an effective Board. As the Company is the holding company of a licensed financial institution, the appointment of Board members also requires the prior written approval of Bank Negara Malaysia pursuant to the Banking and Financial Institutions Act, 1989.

## statement on corporate governance (cont'd)

### RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to re-election by shareholders at the Annual General Meeting following their appointments. The Articles also provide that one third of the Directors shall retire from office at each Annual General Meeting, provided always that all the Directors shall retire from office at least once in every three years.

### DIRECTORS' TRAINING

All the Directors have attended the Mandatory Accreditation Programme conducted by Research Institute of Investment Analysts Malaysia. Directors are encouraged to attend continuous education programmes and seminars to keep abreast with developments in the market place and they are kept informed of such programmes and seminars.

### BOARD COMMITTEES

The Board delegates certain responsibilities to Board Committees. The Committees which were set up to assist the Board in certain areas of deliberation are as follows:

- Audit Committee
- Nominating Committee
- Remuneration Committee

### THE AUDIT COMMITTEE

The Audit Committee of EON Capital Berhad is responsible to implement and support the oversight function of the Board. Separate Audit Committee of its principal subsidiaries, namely EON Bank Berhad, EON Finance Berhad and Malaysian International Merchant Bankers Berhad are in operation. All Audit Committees appraise the effectiveness of the system of internal controls and corporate governance framework, review annual financial statements, audit findings from internal auditors, external auditors and regulatory authorities and recommends appropriate remedial actions to their respective Boards.

The Report of the Audit Committee is set out on pages 35 to 37 of the Annual Report.

### THE NOMINATING COMMITTEE

The Committee comprises the Chairman of the Company and two other Independent Non-Executive Directors of the Board. The Committee is responsible to:

- Recommend on the appointment of Directors to the Board of the Company and its subsidiaries after taking into account the required mix of skills, expertise and experience;
- Recommend on the appointment of Chief Executive Officer of the Company and to endorse appointment of Chief Executive Officers within the EON Bank Group as recommended by EON Bank Berhad's Nominating Committee; and
- Perform any other functions as authorised by the Board.

The members of the Nominating Committee are as follows:

- Y. Bhg. Tan Sri Dato' Seri Dr. Mohd Saleh bin Sulong (Chairman)
- Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh
- Mr. Wizayaratnam Somasundram

The Board has reviewed its size and composition and is of the opinion that the current Board composition possesses the appropriate mix of skills and competencies required to effectively lead the Group.

## statement on corporate governance (cont'd)

**THE REMUNERATION COMMITTEE**

The Committee comprises the Chairman of the Company and two other Non-Executive Directors of the Board. The Committee is responsible to:

- Recommend to the Board the remuneration of the executive directors in all its form, drawing from outside advice as necessary;
- Recommend to the Board the Directors' fees, allowances and other remuneration; and
- Perform any other functions as authorised by the Board.

The members of the Remuneration Committee are as follows:

- Y. Bhg. Tan Sri Dato' Seri Dr. Mohd Saleh bin Sulong (Chairman)
- Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh
- Y. Bhg Dato' Maznah binti Abdul Jalil

The Board of EON Bank Berhad has also formed a Nominating Committee and Remuneration Committee to assist in identifying and nominating new Directors for EON Bank Berhad and its subsidiary companies and evaluate the performance and remuneration of Executive Directors, Senior Management and staff of EON Bank Group respectively.

The Board of EON Bank Berhad has also established other Board and Management Committees with clear terms of reference as presented on pages 14 to 15 of the Annual Report to review the EON Bank Group's business activities and operations.

**DIRECTORS' REMUNERATION**

The Directors' remuneration is determined to ensure that the Group attracts and retains Directors with relevant experience and calibre that is needed to manage the Group successfully.

In view that all the Board members of the Company are Non-Executive Directors, the determination of the remuneration of Non-Executive Directors is a matter for the Board as a whole. This remuneration, which reflects the level of responsibilities undertaken by them, mainly consist of annual directors' fees and attendance allowances for each meeting that they attended.

For its principal subsidiary companies, the Remuneration Committee of EON Bank Berhad is responsible for recommending to their Board on all elements of remuneration and terms of employment for Executive Directors. The Executive Directors concerned are abstained from participating in the annual review of their own remuneration.

The aggregate remuneration paid to Non-Executive Directors of the Company by the Company and its subsidiary companies during the financial year, analysed into bands of RM50,000 are as follows:

	Directors' Remuneration						
	RM50,001 - RM100,000	RM100,001 - RM150,000	RM150,001 - RM200,000	RM200,001 - RM250,000	RM250,001 - RM300,000	RM300,001 - RM350,000	RM350,001 - RM400,000
<b>No. of Directors</b>	1	1	–	2	1	–	1



## statement on corporate governance (cont'd)

### DIRECTORS' REMUNERATION (Cont'd)

The aggregate remuneration paid to Non-Executive Directors of the Company, analysed by category are disclosed in Note 28 to the financial statements as set out in page 102 of the Annual Report.

All fees to be received by the Non-Executive Directors of the Company for their services will be tabled at the Annual General Meeting for shareholders' approval before payment is made.

The Code recommends disclosure of details of the remuneration of each Director. However, the Board of EON Capital Berhad is of the view that the disclosure of the remuneration by bands of its Directors is sufficient to meet the objective of the Code.

### INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION

EON Capital Berhad recognises the need to keep communications lines clear and accessible to both investors and shareholders. Besides the mandatory reporting and the public announcements of the Group's financial results to Bursa Malaysia, regulatory bodies and other relevant authorities, the Company keeps the members of the investing community and the shareholders abreast of its developments through press releases and active investor relation programme.

During the financial year, the Directors and Senior Management held several meetings with financial analysts and fund managers of institutional investment funds, as well as participated in roadshows and investor conference, domestically and internationally, to discuss issues and obtain feedback from the investing community.

The Annual General Meeting (AGM) is the principal forum for dialogue between the Company and its shareholders. Shareholders are given ample notice to prepare or present questions to the Board at the AGM. The AGM is also an excellent opportunity for shareholders to direct questions to the Board in relation to the Company's financial performance and the Company's activities.

The Group has also established a web site, [www.eonbank.com.my](http://www.eonbank.com.my), for shareholders and the public to gain access to corporate information and news or events related to the Group.

Investors and members of the public who wish to contact the Company and its subsidiaries on any matters, relating to their shareholdings and investments can channel their queries through e-mail, via the Group's website or contact the following personnel:

NAME	TELEPHONE NO.	FACSIMILE NO.
Company Secretary	03-2696 2864	03-2693 0773

### ACCOUNTABILITY AND AUDIT

#### FINANCIAL REPORTING

The Directors have a responsibility to present a balanced and understandable assessment of the Group's position and prospects in the quarterly report to Bursa Malaysia and the Annual Report to shareholders. The Audit Committee assists the Board in scrutinising information for disclosure to ensure its accuracy, adequacy and completeness.

The Statement of Directors' responsibility for preparing the financial statements is set out on page 34 of this Annual Report.

## statement on corporate governance (cont'd)

**ACCOUNTABILITY AND AUDIT (Cont'd)****INTERNAL CONTROL**

The Board has overall responsibility for the Group's approach to assessing risks and implementing controls. The Board, through the Audit Committee, oversees that a system of internal controls is properly maintained and regularly reviewed to ensure effectiveness. It entrusts the Audit Committee with the review of the audit plan, audit processes and most important of all, audit independence. The Audit Committee keeps the Board notified of the identification and management of risks and the controls that minimize and mitigate such risks.

The Group's Statement on Internal Control is set out on pages 38 to 39 of the Annual Report.

**RELATIONSHIP WITH EXTERNAL AUDITORS**

Through the Audit Committee, the Group has always maintained a transparent and appropriate relationship with its external auditors in seeking professional advice and ensuring compliance with the applicable approved accounting standards in Malaysia.

The role of the Audit Committee in relation to the external auditors can be found in the Audit Committee Report set out on pages 36 of the Annual Report.

**ADDITIONAL COMPLIANCE INFORMATION**

The following information is provided in conformance to the Listing Requirements of the Bursa Malaysia:

**1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL**

During the financial year ended 31 December 2003, no Corporate Exercise was undertaken by the Group to raise additional capital for working capital or acquisition of major business or assets.

On 21 January 2004, EON Bank Berhad, the commercial banking subsidiary issued USD225 million (equivalent to RM855 million) nominal value fixed coupon Subordinated Notes ('Notes'), which mature on 21 January 2014 and callable on 21 January 2009. The salient terms and conditions of the Notes are disclosed in Note 39 to the financial statement as set out in page 116 of the Annual Report. The net proceeds arising from the issuance of the Notes would be utilised for general banking purposes.

**2. SANCTIONS AND/OR PENALTIES**

During the financial year, no sanctions and/or penalties were imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies.

**3. NON-AUDIT FEES**

The amount of non-audit fees paid and payable by the Company and its subsidiaries to the external auditors and their affiliated companies for the financial year ended 31 December 2003 was RM521,170.

**4. MATERIAL CONTRACTS**

There were no material contracts including contracts relating to loans (not being contracts entered into in the ordinary course of business) of the Company and its subsidiaries, involving Directors' and major shareholders' interests, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

**5. RECURRENT RELATED PARTY TRANSACTIONS**

In relation to Recurrent Related Party Transactions ('Recurrent Transactions') of a revenue or trading nature which are necessary for the Group's day-to-day operations and transacted in the ordinary course of business with related parties, the Company will make an immediate announcement to Bursa Malaysia where the consideration, value of the assets, capital outlay or cost of the Recurrent Transactions is equal to or exceeds RM1 million; or the percentage ratio of such Recurrent Transactions is equal to or exceeds 1%, whichever is the lower. The Board has no intention to obtain Shareholders' Mandate for Recurrent Transactions after considering the frequency or regularity of such transactions, as well as costs and benefits involved.

## statement of directors' responsibility for preparing the financial statements

In the course of preparing the annual financial statements of the Group and of the Company, the Directors are collectively responsible in ensuring that these financial statements are drawn up in accordance with the requirements of the applicable approved accounting standards in Malaysia, Bank Negara Malaysia Guidelines, the provisions of the Companies Act, 1965 and the Listing Requirements of Bursa Malaysia.

It is the responsibility of the Directors to ensure that the financial reporting of the Group and of the Company present a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and the results and cash flows for the financial year then ended.

The Directors have adopted and applied the appropriate and relevant accounting policies on a consistent basis and made judgements and estimates that are prudent and reasonable in preparing the financial statements of the Group and of the Company.

The financial statements are prepared on a going concern basis and the Directors have ensured that proper accounting records are kept so as to enable the preparation of the financial statements with reasonable accuracy.

The Directors have also taken the necessary steps to ensure that appropriate systems are in place to safeguard the assets of the Group and of the Company and to prevent and detect fraud and other irregularities. The systems, by their nature, can only provide reasonable and not absolute assurance against material misstatements, loss and fraud.

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 64 of the Annual Report.

## audit committee report

### 1. MEMBERSHIP

The Audit Committee serves to implement and support the oversight function of the Board. Details of its membership are as follows:

COMPOSITION	DESIGNATION/DIRECTORSHIP STATUS
Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh	Chairperson/Independent Non-Executive Director
Y. Bhg. Tan Sri Dato' Seri Dr. Mohd Saleh bin Sulong	Member/Non-Independent Non-Executive Director
Mr. Wizayaratnam Somasundram	Member/Independent Non-Executive Director

During the financial year ended 31 December 2003, there were four (4) meetings convened in January, April, July and October 2003. The details of the attendance of each member are as follows:

NO.	COMMITTEE MEMBERS	ATTENDANCE
1.	Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh	4 out of 4 meetings
2.	Y. Bhg. Tan Sri Dato' Seri Dr. Mohd Saleh bin Sulong	4 out of 4 meetings
3.	Mr. Wizayaratnam Somasundram	4 out of 4 meetings

The Group has also established Audit Committees in the commercial banking, finance company and merchant banking subsidiaries. These Audit Committees meet regularly to appraise the effectiveness of the system of internal controls and corporate governance framework, review annual financial statements, audit findings from internal auditors, external auditors and regulatory authorities and recommend appropriate remedial actions to their respective Boards.

### 2. COMPOSITION AND TERMS OF REFERENCE

#### 2.1 Members

The members of the Committee are appointed by the Board of Directors. The Committee shall consist of not less than 3 members, the majority of whom shall be Independent Non-Executive Directors. A quorum shall consist of two members, all of whom shall be Independent Non-Executive Directors.

#### 2.2 Chairperson

The Chairperson of the Committee must be an Independent Non-Executive Director.

#### 2.3 Secretary

All proceedings of the meetings are minuted by the Secretary of the Committee, who shall be the Company Secretary or such other person appointed by the Board.

#### 2.4 Meetings

Meetings are to be held on a quarterly basis, of which one would specifically be a private meeting with the internal and external auditors to discuss issues relating to the financial condition, risks, governance and control aspects of the Group.

## audit committee report (cont'd)

### 2. COMPOSITION AND TERMS OF REFERENCE (Cont'd)

#### 2.5 Authority

The Board authorises the Committee to seek any information or legal and professional advice it requires in carrying out its role and responsibility. All employees are directed to cooperate with any requests made by the Committee.

### 3. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Audit Committee, in relation to the following are;

#### i. External auditor

- Consider the appointment, resignation or dismissal of the external auditors
- Discuss on audit engagement letters, audit scope and methodology, audit fees, changes in statutory and accounting requirements and non-audit services
- Review assistance given by the Management and its staff to the auditors and any findings and action to be taken
- Review internal controls of the Group and disclosure through the Statement on Internal Control
- Review the audit report including differences in views between the auditors and Management, cooperation extended for the audit, accounting methods, implementation of audit recommendations, compliance with regulations and statutory requirements, financial information consistency with the business of the Group and any sensitive reporting, unusual or significant issues
- Review the adequacy of the scope, functions and resources of the internal audit function and coordination of audit work with the internal auditors

#### ii. Internal auditor

- Review the internal audit plan and performance
- Evaluate compliance with internal auditing standards
- Discuss critical or major findings in respect of the various operations audited by the Group Internal Audit Department
- Review the minutes of the Audit Committee meetings or any other committee meetings, if so required
- Ensure management response and action to audit findings and recommendations
- Review the statement of internal control of the Group including the adequacy and integrity of the Group's management information systems and systems for compliance with applicable laws, regulations, rules, directives and guidelines
- Review the appointment, performance and remuneration of the Chief Internal Auditor
- Appraise the risk management and corporate governance framework of the Group

#### iii. Others

- Review the timeliness of reporting of quarterly and year-end financial results and that there is adequacy of provisions against contingencies, and bad and doubtful debts, any changes in accounting practices or policies and significant adjustments, if any
- Ensure promptness in publication of annual report with necessary disclosure
- Evaluate the control environment in relation to audit and control issues, emerging issues and trends
- Consider significant legal claims or contingent liabilities
- Consider any related party transactions that may arise within the Company or Group
- Report to the Board on its activities, significant results and findings
- Undertake such other responsibilities as agreed with the Board

#### 4. THE INTERNAL AUDIT FUNCTION AND SUMMARY OF ACTIVITIES

The Group's internal audit function is carried out by the Group Internal Audit Department ('Group Internal Audit') established in EON Bank Berhad. The Group Internal Audit has in place a charter that covers its independence in the organization structure to provide objective evaluation of risks and controls in the auditable activities. During the financial year, the Group Internal Audit presented its audit plans, audit budget and scope of work to the EON Bank Berhad's Audit Committee for approval. In accordance with the Bank Negara Malaysia guidelines (BNM GP10), the audit plan is on a risk-based approach. The scheduled audits are conducted and audit reports are duly tabled to the respective audit committees in the Group. Audit findings and recommendations in the reports are followed up for rectification and resolution and the status is duly reported to the respective audit committees. Deadlines are set for rectification or resolution of audit issues. Where the result of an audit is not satisfactory, a formal follow-up audit is conducted and reported to the respective audit committees. In addition to audit assignments, the Group Internal Audit is also actively involved in the various information technology and product development projects as well as in the review of policy and operational guidelines and manuals on an advisory capacity. Such participation is deemed important in reviewing the controls of project management and the setting up of pertinent controls of the system or product prior to implementation. All activities of the Group Internal Audit are reported to the EON Bank Berhad's Audit Committee on a quarterly basis. The Audit Committee regularly appraises the resources and training needs of Group Internal Audit to meet the competencies and skills required for effective performance of internal auditing for the Group.

## statement on internal control

The Board of Directors recognises the importance of maintaining a sound system of internal controls and risk management practices to safeguard the shareholders' investments and the Group's assets. The Board reviews and is responsible for the adequacy and integrity of the internal control systems in EON Capital Berhad and its subsidiaries in addressing business and operational risks. The Board accords with the guidance in the 'Statement on Internal Control: Guidance for Directors of Public Listed Companies'. It should be noted that such systems are designed to manage rather than eliminate risk of failure to achieve business objectives. Accordingly, these systems could provide only reasonable and not absolute assurance against material misstatement or loss or the occurrence of unforeseeable circumstances. The concept of reasonable assurance also recognises that the cost of control procedures should not exceed the expected benefits.

EON Capital Berhad relies entirely on the EON Bank Group throughout the financial year under review and up to date of this report for internal control. The Directors of EON Capital Berhad have been made aware that no events have occurred between the year end to the date of approval of the Annual Report which would materially affect the Statement on Internal Control.

The key controls of the EON Bank Group are:

### BUSINESS AND ORGANISATIONAL STRUCTURE

Financial planning and budgets are prepared on an annual basis. These are reviewed and approved by the Board and the results are monitored on a monthly basis to assess performance. The organisation is structured into business and support functions with delegation of signing authorities and lending powers in meeting business objectives and operational needs. The appointment of executives to the most senior positions within the Group is reviewed and approved by the Board. Functional, operational and financial reporting standards and guidelines are established by the Management for application across the entire Group. Exception incidents and any deviation from approved standards or guidelines are reviewed, and remedial steps including disciplinary action are taken where appropriate. Such incidents and deviations are included in the audit reports tabled to the Audit Committee and, if serious, escalated to the Board.

### FINANCIAL REPORTING

The Group has established documented accounting policies and procedures for guidance and compliance with regulatory and statutory requirements. Financial information prepared for submission is duly checked and authorised for release to the governing authorities and to the various Committees and the Board.

### RISK MANAGEMENT

The Board ensures that there is an on-going process for identifying, evaluating and managing the significant risks faced by the Group. It has put in place the Group Risk Management Committee as the driver with a Group Risk Management function that supports it. Group Risk Management participates in the development of market risk policies and assists the Management in the establishment of credit and operational risk policies. It reviews compliance with set risk limits and identifies emerging risk issues. It has representation in decision-making meetings of the Group Asset and Liability Committee and Group Credit Committee. The Board also receives risk reports from these Committees for its review and decision.

The Operational Risk Unit under the Group Risk Management function has recently developed the operational risk catalogue and a framework for identifying, assessing, monitoring and managing operational risks in a proactive manner.

Operational risks are inherent in the complexity of banking operation, particularly in branch and other delivery channels and in IT infrastructure and activities. The branch network is overseen by a Branch Supervision function that has put in place a self-audit checklist to institute continual awareness and implementation of controls. Audit reports on the compliance level for controls as well as adequacy and integrity of management information systems are reviewed regularly by the Audit Committee of the Board, which reports to the Board on emerging issues and trends. The Group has upgraded its IT mainframe system recently and is embarking on various projects to further enhance its IT infrastructure to meet business needs and support the overall risk management framework in compliance with regulatory requirements and as an enhancement to the business process.

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## statement on internal control (cont'd)

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### PROCEDURAL GUIDELINES AND TRAINING AND DEVELOPMENT PROGRAMS

Policy and procedural manuals are established to guide and support business operations. Approved policies on IT security, internal controls and human resources management are disseminated group-wide with relevant training programs in place to enhance implementation. The training programs are designed to build and strengthen human capital, which the Group recognises as crucial to its achievement of corporate goals. Job rotation and enrichment and management development programs are also put in place to support succession planning to ensure continuity of business.

### INTERNAL AUDIT

A group-wide internal audit function is established at EON Bank Berhad to assist the Board in monitoring compliance, making recommendations for continuous improvement to processes, systems and people development and reviewing the effectiveness of the internal control structures. The internal auditors also participate in risk management and IT projects to provide assurance of good governance and application of security controls.

The Audit Committee regularly reviews the adequacy and integrity of the Group's system of internal controls and management information systems. It deliberates on the dissemination of information and establishment of proper communication channels so as to the compliance with applicable laws, regulations, rules, directives and guidelines.

The Audit Committee reports to the Board on a monthly basis on all findings on reports and papers tabled for deliberation. The Board also obtains a summary on the review of the adequacy and integrity of the system of internal controls through reports from the Audit Committee as well as the Chief Internal Auditor. The Board also reviews actions taken by Management in addressing audit or risk issues and implementation of audit recommendations.



## risk management framework

The Group is exposed to various types of risks: market risk, the potential loss arising from adverse changes in interest rates, foreign exchange, and equity prices; liquidity risk, the difficulty in meeting current and, or future contractual payment obligations as they arise; credit risk, the potential loss arising from customers or counterparties failing to meet their contractual obligation to repay principal and, or interest as they fall due; and finally operational risk, the potential loss arising from inadequate or failed internal processes, people and systems, or from external events.

The Group manages the abovementioned risk as follows:

- Market risk** : Interest rate risk is managed by way of portfolio limit, interest rate repricing gap and stop loss limits; foreign exchange risk is managed by the aggregate net open position limit, currency net open position limit and stop loss limits; and equities risk is managed by way of portfolio limit, sectoral limit, individual stocks limit and stop loss limits.
- Liquidity risk** : In addition to the New Liquidity Framework approved by Bank Negara Malaysia, the Group has a set of 'Management Action Triggers' which are intended to forewarn potential liquidity risk, and once these 'Management Action Triggers' are exceeded and confirmed, a Board approved Contingency Funding Plan would be activated to resolve the problem proactively.
- Credit risk** : Managed by way of approved credit policy, a structured process that is guided by credit concentration levels: by sector; by product; and large borrower class, and by prevailing business and economic conditions.
- Operational risk** : Managed by way of policies, manuals, structured process and control processes that are reviewed and strengthened periodically. In addition, new products to be introduced in the Group would need to undergo a stringent vetting process by several authorities within the Group as guided by the 'New Product Process' methodology approved by the Board. The Group also has a Business Continuity Plan that addresses business resumption in an organized and timely manner in time of disaster.

## calendar of significant events and activities for financial year 2003

### March

- ▲ A new Islamic branch was opened at Putrajaya.

### April

- ▲ MIMB was appointed as Advisor and Managing Underwriter for Astino Berhad ('Astino') for the proposed listing of Astino on the Second Board of Bursa Malaysia.

### May

- ▲ Fifth Annual General Meeting of EON Capital Berhad
- ▲ EON Capital Berhad announced that it has received the approval of BNM to commence negotiations with AMMB Holdings Berhad ("AHB") for a possible merger of the EON CAPITAL Group and the AHB banking group.

### June

- ▲ EON Bank Group participated in the prestigious SMI One-Stop Solution 2003 exhibition held at the Putra World Trade Centre ('PWTC').
- ▲ EON Capital Berhad announced that it has mutually agreed with AMMB Holdings Bhd to terminate merger discussion with immediate effect.

### July

- ▲ A special signing ceremony was held between EON Bank Group and LBS Bina Group Berhad to jointly promote the Young Executive Special Home Ownership Campaign ('YES-HOS') package to young working executives.
- ▲ MIMB was appointed the Lead Arranger and Primary Subscriber for RM1.31 billion asset-backed serial bonds issued by Special Port Vehicle Berhad.

### August

- ▲ EON Bank Group was invited as one of the exhibitors at the prestigious EXPO S&T 2003 – 'An exhibition on science & technology' at the PWTC.
- ▲ Group Individual Banking and Credit Card Department participated in the MAPEX exhibition held at Sunway Pyramid.

### September

- ▲ EON Bank Group was appointed as official financiers of the Kuala Lumpur International Motorshow held at PWTC.
- ▲ MIMB was appointed as underwriter for LFE Corporation Berhad and Century Bond Berhad for their proposed listing on the Second Board of Bursa Malaysia.
- ▲ EON Bank Group participated in the LBS Property Fair, 2nd Islamic Banking and Takaful Week ('IBTW') and International Franchise Week.
- ▲ Formal launching of Ar Rahn Pawn Broking for gold in Johor Bahru.

### October

- ▲ EON Bank Group participated in the International Money Fair and the International Trade Fair for Small and Medium Enterprises held at PWTC.
- ▲ A partnership agreement was signed between EON Bank Group and SBB Mutual Berhad for the sale and distribution of unit trust products, making EON Bank Group a Third Party Institutional Unit Trust Agent ('IUTA').
- ▲ MIMB was appointed as advisor and managing underwriter and sole placement agent for LCL Corporation Berhad for its proposed listing on the Second Board of the MSEB.

## analysis of shareholdings as at 31 March 2004

Class of shares : Ordinary Shares of RM1.00 each fully paid

Voting rights : One vote per ordinary share

### Distribution of shareholders

Size of shareholding	No. of Shareholders	% of Shareholders	Total Holdings	% of Total Holdings
Less than 100	565	7.27	23,740	0.01
100 - 1,000	2,570	33.07	2,192,762	0.32
1,001 - 10,000	3,729	47.98	14,310,276	2.06
10,001 - 100,000	755	9.71	22,070,571	3.18
100,001 to less than 5% of issued shares	150	1.93	159,667,382	23.03
5% and above of issued shares	3	0.04	494,944,001	71.40
<b>Total</b>	<b>7,772</b>	<b>100.00</b>	<b>693,208,732</b>	<b>100.00</b>

### SUBSTANTIAL SHAREHOLDERS

Name	No. of Shares Held Direct	No. of Shares Held Indirect	%
1. Edaran Otomobil Nasional Berhad (EON)	347,270,469	–	50.10
2. R.H. Development Corporation Sdn Bhd (RHD)	112,717,213	–	16.26
3. Kualapura (M) Sdn Bhd (Kualapura)	34,956,319	–	5.04
4. HICOM Holdings Berhad (HICOM)	–	347,270,469 <sup>A</sup>	50.10
5. DRB–HICOM Berhad	–	347,270,469 <sup>B</sup>	50.10
6. Mega Consolidated Sdn Bhd	–	347,270,469 <sup>C</sup>	50.10
7. Gadek (Malaysia) Berhad	–	347,270,469 <sup>C</sup>	50.10
8. Tan Sri Dato' Seri Dr. Mohd Saleh bin Sulong	–	347,270,469 <sup>C</sup>	50.10
9. Citaria Sdn Bhd	–	347,270,469 <sup>C</sup>	50.10
10. Sharikat Manhamat Sdn Bhd	–	347,270,469 <sup>C</sup>	50.10
11. Billiards Distributors Sdn Bhd	–	347,270,469 <sup>C</sup>	50.10
12. Estate of Allahyarham Tan Sri Dato' Seri Yahaya bin Ahmad	–	347,270,469 <sup>C</sup>	50.10
13. Dato' Yatina bte Yahaya	–	347,270,469 <sup>C</sup>	50.10
14. Dato' Tik bin Mustaffa	–	347,270,469 <sup>C</sup>	50.10
15. Ahmad Othman bin Yahaya	–	347,270,469 <sup>C</sup>	50.10

## analysis of shareholdings (cont'd)

## SUBSTANTIAL SHAREHOLDERS (Cont'd)

Name	No. of Shares Held Direct	No. of Shares Held Indirect	%
16. Ahmad Faez bin Yahaya	–	347,270,469 <sup>C</sup>	50.10
17. Jardine Strategic Malaysian Investments Pte Ltd (JSMI) <i>(held through Hwang-DBS Custodian Nominees (Asing) Sdn Bhd)</i>	–	347,270,469 <sup>D</sup>	50.10
18. JSH Asian Holdings Limited (JSHA)	–	347,270,469 <sup>E</sup>	50.10
19. Jardine Strategic Holdings Limited	–	347,270,469 <sup>F</sup>	50.10
20. Tan Sri Datuk Diong Hiew King @ Tiong Hiew King	–	118,640,080 <sup>G</sup>	17.11
21. Dr. Tiong Ik King	43	118,640,080 <sup>G</sup>	17.11
22. Tiong Kiong King	–	118,640,080 <sup>G</sup>	17.11
23. Tiong Kiu King	–	118,640,080 <sup>G</sup>	17.11
24. Tiong Thai King	–	118,640,080 <sup>G</sup>	17.11
25. Tiong Chiong Ong	–	118,640,080 <sup>G</sup>	17.11
26. Tiong Chiew	–	118,640,080 <sup>G</sup>	17.11
27. Rin Kei Mei	39,550	45,630,136 <sup>H</sup>	6.58
28. Mitsubishi Motor Corporation	–	34,956,319 <sup>I</sup>	5.04
29. Mitsubishi Corporation	–	34,956,319 <sup>I</sup>	5.04

**Notes:**

<sup>A</sup> Deemed interested in ECB through its substantial interest in EON.

<sup>B</sup> Deemed interested in ECB through its effectively wholly-owned subsidiary HICOM, which is a major shareholder of EON.

<sup>C</sup> Deemed interested in ECB by virtue of its/his/her deemed substantial interest in EON.

<sup>D</sup> Deemed interested in ECB through its substantial interest in EON.

<sup>E</sup> Deemed interested in ECB through its wholly-owned subsidiary, JSMI, which is a major shareholder of EON.

<sup>F</sup> Deemed interested in ECB through its wholly-owned subsidiary, JSHA which in turn is deemed interested through its wholly-owned subsidiary, JSMI, which is a major shareholder of EON.

<sup>G</sup> Deemed interested in ECB via his/her substantial direct and indirect interest in RHD and in Tiong Toh Siong Holdings Sdn Bhd.

<sup>H</sup> Deemed interested in ECB via his deemed substantial interest in Kualapura and substantial direct interest in Lintang Emas Sdn Bhd.

<sup>I</sup> Deemed interested in ECB by virtue of its substantial interest in Kualapura.

## analysis of shareholdings (cont'd)

## STATEMENT ON DIRECTORS' INTERESTS

Name	No. of Shares Held Direct	No. of Shares Held Indirect	%
1. Tan Sri Dato' Seri Dr. Mohd Saleh bin Sulong	–	347,270,469 <sup>1</sup>	50.10
2. Datin Dr. Umikalsum binti Mohd Noh	79,006	–	0.01
3. Rin Kei Mei	39,550	45,630,136 <sup>2</sup>	6.58
4. Dato' Maznah binti Abdul Jalil	107,000	–	0.02
5. Dr. Tiong Ik King	43	118,640,080 <sup>3</sup>	17.11
6. Wizayaratnam Somasundram	–	–	

## Notes:

<sup>1</sup> Deemed interested in ECB by virtue of his deemed substantial interest in EON.

<sup>2</sup> Deemed interested in ECB by virtue of his deemed substantial interest in Kualapura and substantial direct interest in Lintang Emas Sdn Bhd.

<sup>3</sup> Deemed interested in ECB via his substantial direct and indirect interest in RHD and Tiong Toh Siong Holdings Sdn Bhd.

## EON CAPITAL BERHAD - LIST OF 30 LARGEST SHAREHOLDERS

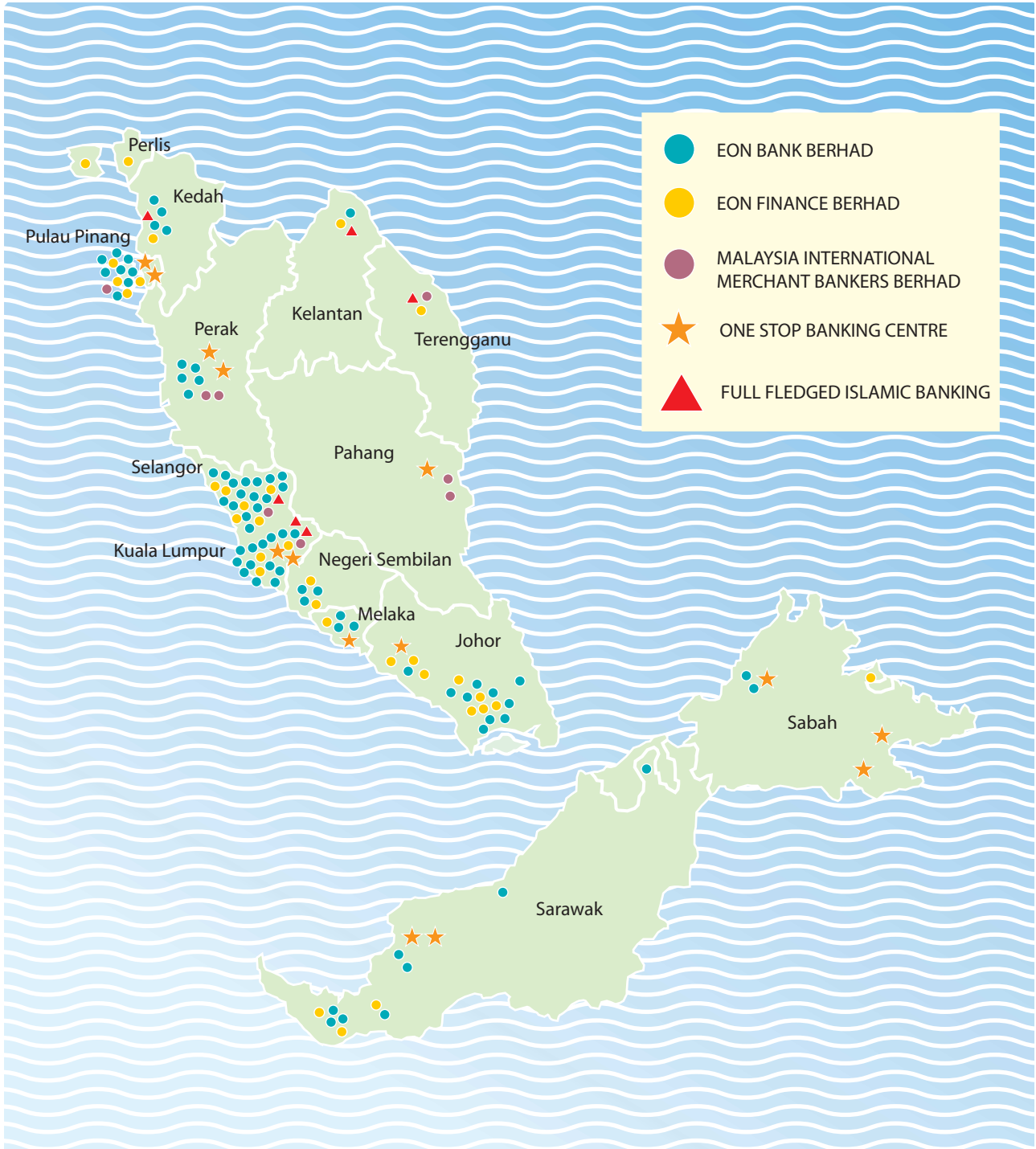
Registered Shareholder Beneficial Owner	Shares	%
1. Edaran Otomobil Nasional Berhad	347,270,469	50.10
2. R.H. Development Corporation Sdn Bhd	112,717,213	16.26
3. Kualapura (M) Sdn Bhd	34,956,319	5.04
4. Ceria Alam Sdn Bhd	18,684,062	2.70
5. Musman Holdings Sdn Bhd	11,351,157	1.64
6. HSBC Nominees (Asing) Sdn Bhd <i>Emerging Markets Growth Fund</i>	11,273,000	1.63
7. Lintang Emas Sdn Bhd	10,673,817	1.54
8. Empire Wood Sdn Bhd	7,661,950	1.11
9. Lembaga Kemajuan Bintulu	6,124,588	0.88
10. Tiong Toh Siong Holdings Sdn Bhd	5,922,867	0.85
11. Ling Pung Sung @ Ling Beng Sung	4,628,091	0.67
12. Employees Provident Fund Board	4,018,100	0.58
13. HSBC Nominees (Asing) Sdn Bhd <i>HSBC SG For Lee Rubber Company Pte Ltd</i>	3,750,000	0.54
14. HSBC Nominees (Asing) Sdn Bhd <i>Aviva Funds</i>	3,471,900	0.50

## analysis of shareholdings (cont'd)

## EON CAPITAL BERHAD - LIST OF 30 LARGEST SHAREHOLDERS (Cont'd)

Registered Shareholder Beneficial Owner	Shares	%
15. HSBC Nominees (Asing) Sdn Bhd <i>Abu Dhabi Investment Authority</i>	3,470,000	0.50
16. HSBC Nominees (Asing) Sdn Bhd <i>Capital International Emerging Markets Investment Fund</i>	3,000,000	0.43
17. Citicorp Nominees (Tempatan) Sdn Bhd <i>Oriental Rubber and Palm Oil Sdn Bhd</i>	3,000,000	0.43
18. HSBC Nominees (Asing) Sdn Bhd <i>BBH (LUX) SCA For Fidelity Funds ASEAN</i>	2,212,100	0.32
19. Malaysian National Reinsurance Berhad	2,176,000	0.31
20. Mayban Nominees (Tempatan) Sdn Bhd <i>Mayban Trustees Berhad For Future Goals Fund</i>	1,632,000	0.24
21. Mayban Nominees (Tempatan) Sdn Bhd <i>Mayban Trustees Berhad For RHB Dynamic Fund</i>	1,625,700	0.23
22. HSBC Nominees (Asing) Sdn Bhd <i>BNY Brussels-Norwich Union Life &amp; Pensions Ltd (B)</i>	1,595,500	0.23
23. CIMSEC Nominees (Tempatan) Sdn Bhd <i>Commerce Asset Fund Managers Sdn Bhd For Employees Provident Fund Board</i>	1,552,000	0.22
24. HSBC Nominees (Tempatan) Sdn Bhd <i>Lee Rubber (Selangor) Sdn Bhd</i>	1,500,000	0.21
25. Malaysia Nominees (Asing) Sendirian Berhad <i>Overseas-Chinese Bank Noms P/L - Lee Latex (Pte) Ltd</i>	1,500,000	0.21
26. HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd For Prudential Dynamic Fund</i>	1,400,000	0.20
27. Universal Trustee (Malaysia) Berhad <i>Mayban Unit Trust Fund</i>	1,392,900	0.20
28. BHLB Trustee Berhad <i>Pacific Recovery Fund</i>	1,310,300	0.19
29. Citicorp Nominees (Asing) Sdn Bhd <i>Goldman Sachs International</i>	1,300,000	0.19
30. Citicorp Nominees (Tempatan) Sdn Bhd <i>ING Insurance Berhad</i>	1,104,700	0.16
<b>Total</b>	<b>612,274,733</b>	<b>88.31</b>

# group corporate directory



# EON BANK BERHAD

## Head Office

12th Floor, Wisma Cyclecarri, 288, Jalan Raja Laut, 50350 Kuala Lumpur  
Telephone : (03) 2694 1188 • Facsimile : (03) 2694 9588 • www.eonbank.com.my

### EAST MALAYSIA REGIONAL OFFICE

2nd Floor, 345-347,  
Central Park Commercial Centre  
Jalan Tun Ahmad Zaidi Adruce  
93200 Kuching, Sarawak  
Tel: 6082-230 788 Fax: 6082-251 488

### NORTHERN REGIONAL OFFICE

2nd Floor, Wisma Wang  
251-A, Jalan Burma  
10350 Pulau Pinang  
Tel: 604-226 5388 Fax: 604-228 2145

### SELANGOR REGIONAL OFFICE

3rd Floor, No. 28, Jalan Kapar  
41400 Klang, Selangor  
Tel: 603-3343 6488 Fax: 603-3343 1488

### EAST COAST REGIONAL OFFICE

Mezzanine Floor  
Menara Yayasan Islam Terengganu  
Jalan Sultan Omar  
20300 Kuala Terengganu  
Tel: 609-623 6288 Fax: 609-622 6588

## WILAYAH PERSEKUTUAN

### BANDAR PARK

120 & 122, Jalan Mega Mendung,  
Kompleks Bandar  
Batu 5 Off Jalan Kelang Lama  
58200 Kuala Lumpur  
Tel: 603-7982 9400 Fax: 603-7981 5824

### BANGSAR BARU

38 & 40, Jalan Telawi, Bangsar Baru  
59000 Kuala Lumpur  
Tel: 603-2283 6288 Fax: 603-2283 1288

### BRICKFIELDS

150, Jalan Tun Sambanthan  
50470 Kuala Lumpur  
Tel: 603-2274 7100 Fax: 603-2274 9568

### BUKIT BINTANG

Ground Floor, Wisma KLIH  
126, Jalan Bukit Bintang  
55100 Kuala Lumpur  
Tel: 603-2148 8077 Fax: 603-2148 3488

### JALAN HANG LEKIU

Ground, Mezzanine Floor and  
1st Floor, 1, Jalan Hang Lekiu  
55100 Kuala Lumpur  
Tel: 603-2032 4700 Fax: 603-2031 9537

### JALAN TUN RAZAK

Lot G 105B & G 105E, Ground Floor  
City Square Shopping Centre  
182, Jalan Tun Razak  
50400 Kuala Lumpur  
Tel: 603-2163 1457 Fax: 603-2163 1469

### KEPONG

60, Jalan Dua, Kepong Baru  
52100 Kuala Lumpur  
Tel: 603-6258 5931 Fax: 603-6251 4855

### ★ KUALA LUMPUR MAIN BRANCH

Suite G.03, G2.01 & G2.02  
Wisma Cyclecarri  
No. 288, Jalan Raja Laut  
50350 Kuala Lumpur  
Tel: 603-2694 2288 Fax: 603-2694 7588

### ▲ MAJU JUNCTION

LG 08 & 09, Lower Ground  
Maju Junction Mall  
1001, Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel: 603-2694 7688 Fax: 603-2694 4588

### PANDAN JAYA

15G & 17G, Jalan Pandan 3/6  
Pandan Jaya, Cheras  
55100 Kuala Lumpur  
Tel: 603-9283 7988 Fax: 603-9282 9788

### ▲ PUTRAJAYA

Tingkat Bawah, Lot T 00 - U 01  
5, Jalan P16, Precinct 16  
62150 Putrajaya  
Tel: 603-8888 2188 Fax: 603-8888 7288

### SEGAMPUT

36 & 38, Jalan Segambut Utara  
51200 Kuala Lumpur  
Tel: 603-6252 3598 Fax: 603-6252 3606

### SELAYANG

166 & 168, Jalan 2/3A  
Off KM 12, Jalan Ipoh  
68100 Batu Caves, Kuala Lumpur  
Tel: 603-6138 8988 Fax: 603-6136 0388

### SRI HARTAMAS

2, Jalan Sri Hartamas 8  
Taman Sri Hartamas  
50480 Kuala Lumpur  
Tel: 603-6201 2743 Fax: 603-6201 2751

### TAMAN CHERAS INDAH

Ground Floor, Wisma Dergahayu  
26, Jalan Indah 23, Taman Cheras Indah  
56100 Kuala Lumpur  
Tel: 603-9282 7058 Fax: 603-9284 0043

### TAMAN SUNGAI BESI

38, Jalan 7/108 C, Jalan Sungai Besi  
Taman Sungai Besi  
57100 Kuala Lumpur  
Tel: 603-7980 0747 Fax: 603-7980 3652

### ★ WANGSA MAJU

10, Jalan 1/ 27B, Section 1  
Bandar Wangsa Maju  
53300 Kuala Lumpur  
Tel: 603-4142 2989 Fax: 603-4142 2930



## group corporate directory (cont'd)

**SELANGOR DARUL EHSAN****BALAKONG**

S-7, Jalan 1/6, Taman Indah, Batu 11  
Jalan Balakong, 43200 Cheras Selangor  
Tel: 603-9074 4205 Fax: 603-9074 7194

**BANDAR BARU AMPANG**

2-G & 4-G, Jalan Wawasan Ampang 2/4  
Bandar Baru Ampang  
68000 Ampang, Selangor  
Tel: 603-4296 3488 Fax: 603-4295 0988

**BANDAR SUNGAI LONG**

5, Jalan SL 1/4, Bandar Sungai Long  
43000 Kajang, Selangor  
Tel: 603-9074 9950 Fax: 603-9075 0902

**BANDAR UTAMA**

B21 & B22, Basement 1, 1-Utama  
Shopping Centre  
Lebuhraya Bandar Utama, Bandar Utama  
47800 Petaling Jaya, Selangor  
Tel: 603-7710 9488 Fax: 603-7710 6488

**KAJANG**

36, Jalan Sulaiman, 43000 Kajang  
Selangor  
Tel: 603-8734 1093 Fax: 603-8734 2082

**KLANG**

26-32, Jalan Kapar, 41400 Klang  
Selangor  
Tel: 603-3343 1188 Fax: 603-3343 2988

**PANDAMARAN**

266 & 268, Jalan Batu Unjur 7  
Bayu Perdana, 41200 Klang, Selangor  
Tel: 603-3324 3303 Fax: 603-3324 3305

**PJ NEW TOWN**

9 & 11, Jalan 52/2  
Petaling Jaya New Town Centre  
46200 Petaling Jaya, Selangor  
Tel: 603-7958 6488 Fax: 603-7957 1405

**PORT KLANG**

90, Persiaran Raja Muda Musa  
42000 Pelabuhan Klang, Selangor  
Tel: 603-3166 1188 Fax: 603-3167 1488

**PUCHONG**

3, Jalan Bandar Satu, Pusat Bandar  
Puchong, 47100 Puchong, Selangor  
Tel: 603-5882 4388 Fax: 603-8075 1433

**RAWANG**

17 & 19, Jalan Bandar Rawang 5  
48000 Rawang, Selangor  
Tel: 603-6093 5288 Fax: 603-6093 5388

**SERI KEMBANGAN**

1501 A-G, Jalan Besar  
43300 Seri Kembangan, Selangor  
Tel: 603-8943 6788 Fax: 603-8943 9088

**SHAH ALAM**

34, Jalan Perbahasan Satu  
Section 26/2A, 40000 Shah Alam  
Selangor  
Tel: 603-5191 8888 Fax: 603-5191 6298

**SS2, PETALING JAYA**

28 & 30, Jalan SS2/67  
47300 Petaling Jaya, Selangor  
Tel: 603-7877 6800 Fax: 603-7877 6686

**SUNGAI BULOH**

51 & 53, Jalan TSB 10A, Taman Industri  
Sungai Buloh  
47000 Sungai Buloh, Selangor  
Tel: 603-6157 5811 Fax: 603-6157 5812

**USJ**

Lot 43 & 45, Jalan USJ 10/1G  
UEP Subang Jaya  
47620 Subang Jaya, Selangor  
Tel: 603-5637 1984 Fax: 603-5637 1989

**KEDAH DARUL AMAN****▲ ALOR STAR 1**

1546, Jalan Sultan Badlishah  
05000 Alor Star, Kedah  
Tel: 604-734 6988 Fax: 604-734 4988

**ALOR STAR 2**

26 & 28, Ground & First Floor  
Jalan Putera, 05100 Alor Star, Kedah  
Tel: 604-730 6461 Fax: 604-730 6458

**GURUN**

18K & 18L, Jalan Raya  
08300 Gurun, Kedah  
Tel: 604-468 4785 Fax: 604-468 4766

**SUNGAI PETANI 1**

22 & 23, Jalan Permatang Gedong  
Taman Sejati Indah  
08000 Sungai Petani, Kedah  
Tel: 604-431 0588 Fax: 604-431 0488

**SUNGAI PETANI 2**

Lot 525B & C, Jalan Kuala Ketil  
08000 Sungai Petani, Kedah  
Tel: 604-422 4352 Fax: 604-422 4355

**PULAU PINANG****★ BAYAN BARU**

58 & 60, Jalan Tengah, Taman Sri Tunas  
Bandar Bayan Baru  
11950 Bayan Lepas, Pulau Pinang  
Tel: 604-645 2881 Fax: 604-645 2995

**BUKIT MERTA JAM**

62 & 63, Jalan Aston  
14000 Bukit Mertajam, Pulau Pinang  
Tel: 604-538 1549 Fax: 604-539 8466

**BUTTERWORTH**

4962 & 4963, Jalan Chain Ferry  
Seberang Prai Utara  
12000 Butterworth, Pulau Pinang  
Tel: 604-324 3288 Fax: 604-324 8288

**JELUTONG**

300, Jalan Jelutong  
11600 Pulau Pinang  
Tel: 604-282 6688 Fax: 604-281 9650

**★ PRAI**

7 & 9, Tingkat Kikik 7  
Taman Inderawasih  
13600 Prai, Pulau Pinang  
Tel: 604-398 0286 Fax: 604-398 0204

**PULAU PINANG 1**

Ground Floor, Wisma Wang  
251-A, Jalan Burma  
10350 Pulau Pinang  
Tel: 604-229 6288 Fax: 604-229 7288

**PULAU PINANG 2**

Ground Floor, Bangunan KWSP  
123, Jalan Anson, 10400 Pulau Pinang  
Tel: 604-226 4177 Fax: 604-226 3946

## group corporate directory (cont'd)

**SEBERANG JAYA**

33, Jalan Todak 2  
Pusat Bandar Seberang Jaya  
13700 Seberang Jaya, Pulau Pinang  
Tel: 604-397 1129 Fax: 604-397 1136

**SUNGAI BAKAP**

1435 & 1436, Jalan Besar  
14200 Sungai Bakap  
Seberang Prai Selatan, Pulau Pinang  
Tel: 604-582 1134 Fax: 604-582 5826

**SUNGAI DUA**

32 & 34, Lorong Murni 10  
Taman Desa Murni, Sungai Dua  
13800 Butterworth, Pulau Pinang  
Tel: 604-356 2688 Fax: 604-356 5288

**PERAK DARUL RIDZUAN****AYER TAWAR**

86 & 88, Jalan Besar  
32400 Ayer Tawar, Perak  
Tel: 605-672 7470 Fax: 605-672 7478

**IPOH**

44, 46 & 48, Persiaran Greentown 1  
Greentown Business Centre  
30450 Ipoh, Perak  
Tel: 605-255 7688 Fax: 605-255 5788

**★ KAMUNTING**

396 & 398, Taman Saujana  
34600 Kamunting, Taiping, Perak  
Tel: 605-807 8915 Fax: 605-807 8905

**LANGKAP**

Lot 63, Jalan Chui Chak  
36700 Langkap, Perak  
Tel: 605-659 2840 Fax: 605-659 2843

**PARIT BUNTAR**

Lot 75, Jalan Maharaja  
Pusat Bandar Baru  
34200 Parit Buntar, Perak  
Tel: 605-716 8766 Fax: 605-716 8771

**SIMPANG PULAI**

738 & 740, Jalan Gopeng  
Taman Chandan Desa  
Simpang Pulai, 31300 Ipoh, Perak  
Tel: 605-357 5073 Fax: 605-357 5077

**★ SITIAWAN**

33 & 34, Taman Sentosa, Jalan Lumut  
32000 Sitiawan, Perak  
Tel: 605-691 9988 Fax: 605-691 8988

**NEGERI SEMBILAN DARUL KHUSUS****LUKUT**

Lot 3120 & 3121, Jalan Besar Lukut  
71010 Lukut, Negeri Sembilan  
Tel: 606-651 1878 Fax: 606-651 1900

**NILAI**

PTD 7463, Jalan BBN1/1A, Putra Point 1  
Bandar Baru Nilai, 71800 Nilai  
Negeri Sembilan  
Tel: 606-850 0668 Fax: 606-850 0667

**SEREMBAN**

Ground Floor, Wisma UMNO  
Jalan Dato' Sheikh Ahmad  
70000 Seremban, Negeri Sembilan  
Tel: 606-762 8566 Fax: 606-762 6445

**MELAKA****BATU BERENDAM**

Lot BB-371A & B, Taman Melaka Baru  
Batu Berendam, 75350 Melaka  
Tel: 606-317 3235 Fax: 606-317 2660

**MASJID TANAH**

Lot 215 & 310, Jalan Besar  
78300 Masjid Tanah, Melaka  
Tel: 606-384 7137 Fax: 606-384 7232

**★ MELAKA 1**

67 & 69, Jalan Merdeka  
Taman Melaka Raya, 75000 Melaka  
Tel: 606-283 7675 Fax: 606-284 1151

**MELAKA 2**

Ground Floor, Bangunan Graha Maju  
Lot 315, Jalan Graha Maju, 75300 Melaka  
Tel: 606-283 8229 Fax: 606-283 6795

**JOHOR DARUL TAKZIM****BUKIT INDAH**

21 & 23 Jalan Indah 15/1, Bukit Indah  
81200 Johor Bahru, Johor  
Tel: 607-239 1388 Fax: 607-232 5988

**BATU PAHAT**

9-11, Jalan Kundang, Taman Bukit Pasir  
83000 Batu Pahat, Johor  
Tel: 607-433 7488 Fax: 607-434 1488

**DESA CEMERLANG**

37 & 39, Jalan Johar 1  
Taman Desa Cemerlang  
81800 Ulu Tiram, Johor  
Tel: 607-861 7488 Fax: 607-861 4588

**GELANG PATAH**

14, Jalan Besar  
81550 Gelang Patah, Johor  
Tel: 607-510 4188 Fax: 607-510 4088

**JOHOR BAHRU**

Ground & Mezzanine Floor  
Asia Life Building  
33 Jalan Segget  
80000 Johor Bahru, Johor  
Tel: 607-223 5488 Fax: 607-224 3488

**MASAI**

105 & 106, Jalan Besar  
81750 Masai, Johor  
Tel: 607-252 2960 Fax: 607-252 2963

**★ MUAR**

55-2 & 55-3, Jalan Bentayan  
84000 Muar, Johor  
Tel: 606-954 2888 Fax: 954 8333

**PASIR GUDANG**

30, Jalan Mawar 1, Taman Mawar  
81700 Pasir Gudang, Johor  
Tel: 607-252 2740 Fax: 607-252 2723

**SENAI**

1-1A-1B & 1C, Jalan Belimbing  
81400 Senai, Johor  
Tel: 607-599 4598 Fax: 607-599 4231

## group corporate directory (cont'd)

**TAMAN PELANGI**

12, Jalan Serampang, Taman Pelangi  
80050 Johor Bahru, Johor  
Tel: 607-332 1323 Fax: 607-332 5841

**TAMPOI**

1 & 3, Jalan Persiaran Tanjung Susur 1  
Taman Bukit Alif, Tampoi  
81200 Johor Bahru, Johor  
Tel: 607-235 5930 Fax: 607-235 5927

**PAHANG DARUL MAKMUR****★ KUANTAN 1**

B278 & B280, Jalan Beserah  
25300 Kuantan, Pahang  
Tel: 609-566 4100 Fax: 609-566 4800

**KUANTAN 2**

5, Jalan Bukit Ubi 26  
25200 Kuantan, Pahang  
Tel: 609-514 3377 Fax: 609-513 6733

**MENTAKAB**

119 & 121, Jalan Temerloh  
28400 Mentakab, Pahang  
Tel: 609-277 0400 Fax: 609-277 9923

**TERENGGANU DARUL IMAN****▲ KUALA TERENGGANU 1**

Ground & Mezzanine Floor  
Menara Yayasan Islam Terengganu  
Jalan Sultan Omar  
20300 Kuala Terengganu, Terengganu  
Tel: 609-623 6288 Fax: 609-622 6588

**KUALA TERENGGANU 2**

15, Jalan Batas Baru  
20300 Kuala Terengganu, Terengganu  
Tel: 609-622 7701 Fax: 609-622 1337

**KELANTAN DARUL NAIM****▲ KOTA BHARU 1**

PT 174 & 175, Block C  
Jalan Parit Dalam, Section 8  
15000 Kota Bharu, Kelantan  
Tel: 609-743 8188 Fax: 609-743 6188

**KOTA BHARU 2**

Ground & Mezzanine Floor  
Bangunan Hotel Anda  
2529 Jalan Kebun Sultan  
15350 Kota Bharu, Kelantan  
Tel: 609-747 0790 Fax: 609-747 0833

**SABAH****INANAM**

Lot 11 & 12, Inanam Plaza  
Lorong Inanam Plaza  
88450 Kota Kinabalu, Sabah  
Tel: 6088-437 601 Fax: 6088-437 596

**★ KOTA KINABALU 1**

Lot 3-0-14 to 3-0-16, Block 3  
Lorong Api-Api 2  
Api-Api Centre, 88000 Kota Kinabalu  
Sabah  
Tel: 6088-247 688 Fax: 6088-246 327

**KOTA KINABALU 2**

8, Jalan Pantai, Locked Bag No 124  
88999 Kota Kinabalu, Sabah  
Tel: 6088-214 733 Fax: 6088-233 134

**★ LAHAD DATU**

MDLD 4712, Lot 4, Jalan Kastam Lama  
91100 Lahad Datu  
Tel: 6089-884 488 Fax: 6089-884 848

**★ TAWAU**

TB 4282 - TB 4285, Jalan Haji Karim  
91000 Tawau, Sabah.  
Tel: 6089-779 441 Fax: 6089-763 899

**SARAWAK****BANDAR SRI AMAN**

Lot 171, Jalan Council  
95000 Bandar Sri Aman, Sarawak  
Tel: 6083-322 117 Fax: 6083-320 512

**BINTULU**

153 & 155, Jalan Masjid  
Taman Sri Dagang  
97007 Bintulu, Sarawak  
Tel: 6086-312 941 Fax: 6086-313 617

**★ CENTRAL PARK**

345-347 Ground & First Floor  
Central Park Commercial Centre  
3rd Mile, Jalan Tun Ahmad Zaidi Adruce  
93200 Kuching, Sarawak  
Tel: 6082-254 224 Fax: 6082-243 618

**KAPIT**

122, Kapit-By-Pass  
PO Box 15, 96807 Kapit, Sarawak  
Tel: 6084-796 413 Fax: 6084-796 939

**KUCHING 1**

Lot 619-623, Ground Floor  
Jalan Padungan, 93100 Kuching  
Sarawak  
Tel: 6082-420 101 Fax: 6082-246 010

**KUCHING 2**

Lot 230 & 231, Section 49, Jalan Abell  
93100 Kuching, Sarawak  
Tel: 6082-243 621 Fax: 6082-420 229

**LIMBANG**

Lot 1078 -1079, Buangsiol Road  
PO Box 69, 98707 Limbang, Sarawak  
Tel: 6085-212 097 Fax: 6085-212 897

**MIRI**

Ground & First Floor  
Lot 715, Merbau Road  
98008 Miri, Sarawak  
Tel: 6085-415 371 Fax: 6085-411 176

**REJANG PARK**

41, Brooke Drive 16, Rejang Park  
96000 Sibau, Sarawak  
Tel: 6084-324 566 Fax: 6084-320 561

**★ SIBU**

10,12,14,16 &18, Mission Road  
P.O.Box 656, 96007 Sibau, Sarawak  
Tel: 6084-322 188 Fax: 6084-313 177

# EON FINANCE BERHAD

## Head Office

11th Floor, Wisma Cyclecarri, 288, Jalan Raja Laut, 50350 Kuala Lumpur  
Telephone : (03) 2694 8888 • Facsimile : (03) 2694 5876 • www.eonfin.com.my

### WILAYAH PERSEKUTUAN

#### ★ KUALA LUMPUR MAIN BRANCH

Suite G.03, G2.01 & G2.02  
Wisma Cyclecarri, No. 288  
Jalan Raja Laut, 50350 Kuala Lumpur  
Tel: 603-2694 2288 Fax: 603-2694 7588

#### KEPONG

3, Ground Floor, Jalan 2/32  
Off Jalan Kepong, 6th Mile  
52000 Kuala Lumpur  
Tel: 603-6257 1870 Fax: 603-6251 4631

#### TAMAN MIDAH

15, 16 & 17 Jalan Midah Satu  
Taman Midah, Cheras  
56000 Kuala Lumpur  
Tel: 603-9131 9388 Fax: 603-9132 6388

#### UOA CENTRE

19A-1-1, Level 1, UOA Centre  
19, Jalan Pinang, 50450 Kuala Lumpur  
Tel: 603-2164 6451 Fax: 603-2164 6454

#### ★ WANGSA MAJU

10, Jalan 1/ 27B, Section 1  
Bandar Wangsa Maju  
53300 Kuala Lumpur  
Tel: 603-4142 2989 Fax: 603-4142 2930

### SELANGOR DARUL EHSAN

#### KLANG

1, Jalan Goh Hock Huat  
41400 Klang, Selangor  
Tel: 603-3341 1050 Fax: 603-3341 0703

#### PETALING JAYA

32 & 34, Jalan 21/19, SEA Park  
46300 Petaling Jaya, Selangor  
Tel: 603-7874 5968 Fax: 603-7874 5488

#### PUCHONG JAYA

26 & 27, Jalan Kenari 1  
Bandar Puchong Jaya  
47100 Puchong, Selangor  
Tel: 603-5882 7100 Fax: 5882 7116

#### SERENDAH

5 & 7, Jalan Cempaka 1  
Taman Cempaka  
48200 Serendah, Hulu Selangor  
Selangor  
Tel: 603-6081 3182 Fax: 603-6081 3186

#### SHAH ALAM

10, Jalan Tuanku Ampuan Zabedah  
D9/D, Seksyen 9, 40100 Shah Alam  
Selangor  
Tel: 603-5512 9888 Fax: 603-5512 9889

#### SUBANG JAYA

1, Jalan SS 15/4E  
City Centre Subang Jaya  
47500 Subang Jaya, Selangor  
Tel: 603-5633 2516 Fax: 603-5634 8161

### JOHOR DARUL TAKZIM

#### BANDAR BARU UDA

70, Jalan Padi Satu, Bandar Baru Uda  
81200 Tampoi, Johor Bahru, Johor  
Tel: 607-234 0309 Fax: 607-234 0363

#### KULAI

2 & 3, Jalan Anggerik 1  
Taman Kulai Utama, 81000 Kulai, Johor  
Tel: 607-662 6388 Fax: 607-662 6366

#### ★ MUAR

55-2 & 55-3, Jalan Bentayan  
84000 Muar, Johor  
Tel: 606-954 2888 Fax: 606-954 8333

#### PERMAS JAYA

21, Jalan Permas 10/1, Bandar Baru  
Permas Jaya, 81750 Masai, Johor  
Tel: 607-387 1828 Fax: 607-387 5330

#### PONTIAN

188, Jalan Bakek, 82000 Pontian, Johor  
Tel: 607-687 5002 Fax: 607-687 4998

#### SEGAMAT

A-1 & A1-1, Jalan Genuang  
Taman Tan Leng Ann  
85000 Segamat, Johor  
Tel: 607-943 3650 Fax: 607- 943 3560

#### TAMAN ABAD

20-21, Jalan Harimau Tarum  
Taman Abad, 80250 Johor Bahru, Johor  
Tel: 607-331 1421 Fax: 607-331 1409

#### TAMAN MOLEK

29 & 31, Jalan Molek 2/4, Taman Molek  
81100 Johor Bahru, Johor  
Tel: 607-353 7003 Fax: 607-353 6997

#### YONG PENG

242 & 244, Jalan Besar  
Taman Sembrong Baru  
83700 Yong Peng, Johor  
Tel: 607-467 4850 Fax: 607-467 3170

### PULAU PINANG

#### BANDAR BARU AYER ITAM

71-A-B-C, Lintang Angsana  
Bandar Baru Ayer Itam  
11500 Pulau Pinang  
Tel: 604-827 1688 Fax: 604-827 1632

#### ★ BAYAN BARU

58 & 60, Jalan Tengah, Taman Sri Tunas  
Bandar Bayan Baru, 11950 Bayan Lepas  
Pulau Pinang  
Tel: 604-645 2881 Fax: 604-645 2995

#### BUKIT MERTAJAM

11 & 11A, Lorong Usahaniaga Satu  
Taman Usahaniaga  
14000 Bukit Mertajam, Pulau Pinang  
Tel: 604-537 0745 Fax: 604-537 0752

#### JALAN BURMAH

421 & 423, Jalan Burmah  
10350 Pulau Pinang  
Tel: 604-228 3202 Fax: 604-228 1654

## group corporate directory (cont'd)

**NIBONG TEBAL**

52 & 54, Jalan Besar Air Lintas  
Taman Merbah, 14300 Nibong Tebal  
Pulau Pinang  
Tel: 604-593 8988 Fax: 604-593 7988

**★ PRAI**

7 & 9, Tingkat Kikik 7  
Taman Inderawasih  
13600 Prai, Pulau Pinang  
Tel: 604-398 0286 Fax: 604-398 0204

**KEDAH DARUL AMAN****LANGKAWI**

33, Kelana Mas, 07000 Kuah  
Langkawi, Kedah  
Tel: 604-966 8118 Fax: 604-966 8228

**SUNGAI PETANI**

26 & 27, Jalan Permatang Gedong  
Taman Sejati Indah  
08000 Sungai Petani, Kedah  
Tel: 604-431 2288 Fax: 604-431 1627

**PERLIS INDERA KAYANGAN****KANGAR**

10E, Lot 17, Jalan Raya Syed Alwi  
01000 Kangar, Perlis  
Tel: 604-977 3392 Fax: 604-977 3396

**PERAK DARUL RIDZUAN****IPOH**

54, 56 & 58, Jalan Kamaruddin Isa  
31400 Ipoh, Perak  
Tel: 605-547 4203 Fax: 605-547 2777

**★ KAMUNTING**

396 & 398 Taman Saujana  
34600 Kamunting, Taiping, Perak  
Tel: 605-807 8915 Fax: 605-807 8905

**TANJONG MALIM**

5, Jalan Chong Ah Peng  
35900 Tanjung Malim, Perak  
Tel: 605-459 8272 Fax: 605-458 3178

**★ SITIAWAN**

33 & 34, Taman Sentosa, Jalan Lumut  
32000 Sitiawan, Perak  
Tel: 605-691 9988 Fax: 605-691 8988

**MELAKA****★ MELAKA 1**

67 & 69, Jalan Merdeka  
Taman Melaka Raya  
75000 Melaka  
Tel: 606-283 7675 Fax: 606-284 1151

**MALIM JAYA**

26, Jalan Suria Dua  
Taman Malim Jaya, 75250 Melaka  
Tel: 606-334 2173 Fax: 606-337 3188

**PAHANG DARUL MAKMUR****★ KUANTAN 1**

B278 & B280, Jalan Beserah  
25300 Kuantan, Pahang  
Tel: 609-566 4100 Fax: 609-566 4800

**KELANTAN DARUL NAIM****KOTA BHARU**

PT No. 321 Seksyen 25  
Jalan Sultan Yahya Petra  
15200 Kota Bharu, Kelantan  
Tel: 609-748 6888 Fax: 609-748 6288

**TERENGGANU DARUL IMAN****KUALA TERENGGANU**

38A & 38B, Ground & Mezzanine Floor  
Jalan Tok Lam, 20100 Kuala Terengganu  
Terengganu  
Tel: 609-624 2505 Fax: 609-624 2372

**NEGERI SEMBILAN DARUL KHUSUS****NILAI**

Lot PT 5730, Jalan TS 2/1D  
Taman Semarak  
71800 Nilai, Negeri Sembilan  
Tel: 606-799 5289 Fax: 606-799 5292

**SEREMBAN**

120 & 121, Jalan Dato' Bandar Tunggal  
70000 Seremban, Negeri Sembilan  
Tel: 606-761 7075 Fax: 606-761 7078

**SARAWAK****KROKOP**

Lot 2499 & 2500, Ground & 1st Floor  
Boulevard Commercial Centre  
Jalan Miri-Pujut, KM 3  
98000 Miri, Sarawak  
Tel: 6085-424 521 Fax: 6085-424 520

**KUCHING 1**

Lot 122 & 123, Jalan Song Thian Cheok  
93100 Kuching, Sarawak  
Tel: 6082-246 661 Fax: 6082-414 446

**★ CENTRAL PARK**

345-347, Ground & 1st Floor  
Central Park Commercial Centre  
3rd Mile, Jalan Tun Ahmad Zaidi Adruce  
93200 Kuching, Sarawak  
Tel: 6082-254 224 Fax: 6082-243 618

**★ SIBU**

10, 12, 14, 16 & 18, Mission Road  
P.O. Box 656, 96007 Sibu, Sarawak  
Tel: 6084-322 188 Fax: 6084-313 177

**SRI AMAN**

Ground Floor, 175, Council Road  
95000 Sri Aman, Sarawak  
Tel: 6083-320 599 Fax: 6083-320 601

**SABAH****★ KOTA KINABALU 1**

Lot 3-0-14 to 3-0-16, Block 3  
Lorong Api-Api 2, Api-Api Centre  
88000 Kota Kinabalu, Sabah  
Tel: 6088-247 688 Fax: 6088-246 327

**★ LAHAD DATU**

MDLD 4712, Lot 4, Jalan Kastam Lama  
91100 Lahad Datu, Sabah  
Tel: 6089-884 488 Fax: 6089-884 848

**SANDAKAN**

Lot 46 & 47, Bandar Pasaraya  
Mile 4, Jalan Utara  
90000 Sandakan, Sabah  
Tel: 6089-222 202 Fax: 6089-222 209

**★ TAWAU**

TB 4282 - TB 4285, Jalan Haji Karim  
91000 Tawau, Sabah  
Tel: 6089-779 441 Fax: 6089-763 899



## MALAYSIAN INTERNATIONAL MERCHANT BANKERS BERHAD (MIMB)

### Head Office

Tingkat 21, Wisma Cyclecarri, 288, Jalan Raja Laut, 50350 Kuala Lumpur  
Tel: 603-2691 0200 (10 lines) Fax: 603-2698 5388/2692 7488

**Corporate Advisory & Consultancy Services**

603-2694 8388/2694 9788

**Debt Capital Markets & Structured Finance**

603-2694 8388 (Business Development)

### PENANG

4th Floor, Wisma Leader

8, Jalan Larut, 10050 Pulau Pinang

Tel: 604-228 3021 Fax: 604-228 8192

## list of properties held by the group as at 31 December 2003

No.	Address	Description (Land or Building)	Approximate Area (sq. ft.)	Age of Building (years)	Existing Usage	Tenure & Expiry Date	Net Book Value (RM'000)	Date of Acquisition
<b>EB REALTY SDN BHD</b>								
1	No. 7, Jalan Tun Perak 50100 Kuala Lumpur	2 units of double storey building	3,374	26	Vacant and pending disposal	Freehold	1,015.7	15/7/1991
2	No. 122, Kapit By-Pass 96807 Kapit, Sarawak	4 storey building	1,200	11	Branch premises	Leasehold (29/4/2045)	219.6	30/4/1985
<b>OBB REALTY SDN BHD</b>								
1	No. 12A, Block B, Level 2 Fraser's Hill Condominium Bukit Fraser's 49000 Pahang	1 unit apartment	1,792	17	Staff recreation	Leasehold (23/05/2082)	214.0	24/5/1983
<b>EON BANK BERHAD</b>								
1	Lot 171, Jalan Council 95000 Bandar Sri Aman Sarawak	3 storey building	1,740	8	Branch premises	Leasehold (20/6/2050)	303.8	21/6/1990
2	No. 1, Jalan Sie Poi Kieng 69000 Sibul, Sarawak	Double storey house	15,682	43	Vacant and pending disposal	Leasehold (31/12/2916)	228.0	9/8/1966
3	No. 23, Jalan Tun Abang Haji Openg 93000 Kuching, Sarawak	2 storey building	2,691	37	Branch premises	Leasehold (5/8/2784)	872.7	17/2/1966
4	Ground and First Floor Merdeka Plaza 93000 Kuching, Sarawak	2 units office space	3,078	7	Branch premises	Leasehold (3/8/2782)	1,113.9	12/1/1996
5	No. 3, Jalan Bandar Satu Pusat Bandar Puchong 47100 Puchong, Selangor	4 storey building	4,687	9	Branch premises	Freehold	2,314.3	4/3/1997
6	Lot 4 & 5, Jalan TMR 1 Taman Melaka Raya 75000 Melaka	2 units of 3 storey shop office	3,132	7	Branch premises	Leasehold (20/3/2094)	855.0	17/4/1998
7	No. 3/G14, 3/G15 & 3/G16 Block 3, Api-Api Centre 88000 Kota Kinabalu Sabah	3 units of shoplots	4,141	9	Branch premises	Leasehold (31/12/2086)	2,930.4	2/4/1997
8	No. 9, Jalan Cheng Lock 50000 Kuala Lumpur Wilayah Persekutuan	3 1/2 storey office building	2,199	31	For investment	Freehold	394.3	18/9/1972
9	No. 177, Limbok Hill 70000 Seremban Negeri Sembilan	Single-storey detached house	6,700	31	For investment	Freehold	19.1	16/8/1972



## list of properties held by the group (cont'd)

No.	Address	Description (Land or Building)	Approximate Area (sq. ft.)	Age of Building (years)	Existing Usage	Tenure & Expiry Date	Net Book Value (RM'000)	Date of Acquisition
10	No. 1, Jalan Hang Lekiu, 50100 Kuala Lumpur Wilayah Persekutuan	21 storey office building	21,108	9	Training Centre - (2 floors) Branch premises - (4 floors) Vacant - (15 floors)	Freehold	42,099.2	24/1/1996
11	No. J09-06 and J02-06 Paradise Lagoon Holiday Apartment, Batu 3 1/2 Jalan Pantai 70100 Port Dickson Negeri Sembilan	2 units apartment	2,088	8	Staff recreation	Leasehold (6/7/2087)	299.3	21/4/1994
12	No. C05-07 Genting Permai Park & Resort, 6 <sup>th</sup> Mile 69000 Genting Highland Pahang	1 unit apartment	1,029	5	Staff recreation	Freehold	253.4	2/9/1996
13	No. 21 & 23 Jalan Indah 15/1 Bukit Indah 81200 Johor Bahru Johor	2 units of 3 storey shop office	5,090	2	Branch premises	Freehold	1,941.1	27/5/2002
14	Lot No. 2013 Jalan Pisang Barat 93150 Kuching, Sarawak	3 storey building	1,390	11	Branch storage	Leasehold (31/12/2038)	-	23/9/1992
15	No. 31, 33, 35 & 37 Jalan Usahaniaga 1 Taman Niagajaya 14000 Bukit Mertajam Seberang Perai Tengah Penang	4 units of 3 storey shop office	15,844	1	Branch premises	Freehold	1,315.3	07/10/2003
16	No. 35, 37 & 39 Jalan Johar Satu Taman Desa Cemerlang 81800 Ulu Tiram, Johor	3 units of 3 storey shop office	13,965	1	Branch premises	Freehold	249.9	02/12/2003
<b>EON FINANCE BERHAD</b>								
1	No.80, Jalan Market 96007 Sibul	5 storey shop house	1,400	31	Branch premises	Leasehold (31/12/2029)	508.7	07/3/1991
2	No.1, Jln SS15/4E 47500 Subang Jaya Petaling Jaya, Selangor	3 storey shop house	3,261	22	Branch premises	Freehold	515.4	12/2/1991



## list of properties held by the group (cont'd)

No.	Address	Description (Land or Building)	Approximate Area (sq. ft.)	Age of Building (years)	Existing Usage	Tenure & Expiry Date	Net Book Value (RM'000)	Date of Acquisition
3	No.32 & 34, Jln 21/19 46300 Petaling Jaya Selangor	2 storey terrace shop-houses	3,080	41	Branch premises	Freehold	2,321.0	19/8/1997
4	No.1, Jalan Goh Hock Huat 41400 Klang Selangor	4 1/2 storey shop-house	2,776	21	Branch premises	Freehold	1,933.0	7/9/1998
5	No. B-278 & B-280 Jalan Beserah 25300 Kuantan, Pahang	4 storey shop-house	3,208	5	Branch premises	Freehold	1,798.0	8/4/1999
6	No.26 & 27, Jalan Kenari 1 Bandar Puchong Jaya 47100 Puchong, Selangor	3 1/2 storey shop-house	3,600	8	Branch premises	Freehold	1,834.0	22/1/1999
7	No. 21, Jalan Permas 10/1 Bandar Baru Permas Jaya 81750 Masai, Johor	4 storey shop-house	2,624	7	Branch premises	Freehold	1,364.0	4/5/1999
8	No. 67 & 69 Jalan Merdeka 75000 Taman Merdeka Raya, Melaka	3 storey shop-house	3,080	9	Branch premises	Leasehold (07/07/2093)	900.0	15/8/1999
9	No. 26 & 27 Jalan Permatang Gedong Taman Sejati Indah 08000 Sungai Petani, Kedah	3 storey terrace shoplot	2,800	7	Branch premises	Freehold	756.0	3/9/1999
10	No. S-3, Kompleks Negeri Jalan Dr. Krishnan 70000 Seremban Negeri Sembilan	3 storey shop-house	1,680	20	Branch Storage place	Leasehold (30/01/2078)	517.6	29/6/1981

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## directors' report

### DIRECTORS' REPORT

The Directors have pleasure in submitting their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2003.

### PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The Group is involved in commercial banking, merchant banking, finance company business, Islamic Banking business and nominee and custodian services. The principal activities of the subsidiary companies are as stated in Note 10 to the financial statements.

Islamic Banking business refers generally to the acceptance of deposits and granting of financing under the Syariah principles.

There have been no significant changes in the nature of these principal activities of the Group and of the Company during the financial year.

### FINANCIAL RESULTS

	GROUP	COMPANY
	RM'000	RM'000
Profit before taxation and zakat	450,675	66,413
Taxation	(117,150)	(12,946)
Zakat	(5,132)	–
Profit after taxation and zakat	328,393	53,467

### DIVIDEND

No dividend has been paid or declared by the Company since 31 December 2002.

The Directors now recommend the payment of a first and final gross dividend of 6.5 sen per share on 693,208,732 ordinary shares, less income tax at 28%, amounting to RM32,530,000 for the financial year ended 31 December 2003, which is subject to the members' approval at the forthcoming Annual General Meeting of the Company.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements and notes to the financial statements.

### BAD AND DOUBTFUL DEBTS AND FINANCING

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and financing and the making of provisions for doubtful debts and financing, and satisfied themselves that all known bad debts and financing had been written off and adequate provisions made for bad and doubtful debts and financing.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts and financing, or the amount of the provision for doubtful debts and financing, in the financial statements of the Group and of the Company inadequate to any substantial extent.

### CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that any current assets, other than debts and financing, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

### VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities in the Group's and the Company's financial statements misleading or inappropriate.

### CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year other than in the ordinary course of business.

No contingent or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

### CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company, that would render any amount stated in the financial statements misleading.

### ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature except those disclosed in Note 40 to the financial statements.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

### DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Tan Sri Dato' Seri Dr. Mohd Saleh bin Sulong  
Datin Dr. Umikalsum binti Mohd Noh  
Rin Kei Mei  
Dato' Maznah binti Abdul Jalil  
Dr. Tiong Ik King  
Wizayaratnam Somasundram

In accordance with Article 97 of the Company's Articles of Association, Datin Dr. Umikalsum binti Mohd Noh and Wizayaratnam Somasundram retire from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## directors' report (cont'd)

**DIRECTORS' INTEREST IN SHARES**

According to the register of Directors' shareholdings, the Directors who held office at the end of the financial year and have interest in shares and share options of the Company and its related corporations during the financial year are as follows:

	Number of ordinary shares of RM1.00 each			
	Balance at 1.1.2003	Acquired	Disposed	Balance at 31.12.2003
<b>The Company</b>				
<u>Direct interest</u>				
Datin Dr. Umikalsum binti Mohd Noh	79,006	–	–	79,006
Rin Kei Mei	39,550	–	–	39,550
Dato' Maznah binti Abdul Jalil	60,000	–	(60,000)	–
Dr. Tiong Ik King	43	–	–	43
<u>Deemed interest</u>				
Tan Sri Dato' Seri Dr. Mohd Saleh bin Sulong	322,944,403	24,326,066	–	347,270,469
Rin Kei Mei	2,073,817	51,226,000	(17,050,000)	36,249,817
Dr. Tiong Ik King	106,005,794	13,561,786	(927,500)	118,640,080
<b>Holding company</b>				
<u>- Edaran Otomobil Nasional Berhad</u>				
<u>Direct interest</u>				
Rin Kei Mei	1,529,000	–	(1,529,000)	–
Dato' Maznah binti Abdul Jalil	169,000	101,000	(117,000)	153,000
<u>Deemed interest</u>				
Tan Sri Dato' Seri Dr. Mohd Saleh bin Sulong	72,968,000	–	–	72,968,000
Rin Kei Mei	23,748,000	1,529,000	–	25,277,000
<b>Number of options over ordinary shares of RM1.00 each</b>				
	Balance at 1.1.2003	Granted	Exercised	Balance at 31.12.2003
<b>Holding company</b>				
<u>- Edaran Otomobil Nasional Berhad</u>				
<u>Direct interest</u>				
Dato' Maznah binti Abdul Jalil	35,000	101,000	(101,000)	35,000

## directors' report (cont'd)

### DIRECTORS' INTEREST IN SHARES (Cont'd)

By virtue of their interests in shares in the Company, Tan Sri Dato' Seri Dr. Mohd Saleh bin Sulong, Rin Kei Mei and Dr. Tiong Ik King are also deemed to have a substantial interest in the shares of the subsidiary companies of the Company to the extent the Company has an interest.

By virtue of their interests in shares in Edaran Otomobil Nasional Berhad ('EON Berhad'), Tan Sri Dato' Seri Dr. Mohd Saleh bin Sulong and Rin Kei Mei are also deemed to have a substantial interest in the shares of the subsidiary companies of EON Berhad to the extent EON Berhad has an interest.

Other than the above, none of the other Directors in office at the end of the financial year held any interest in shares and shares options of the Company and its related corporations during the financial year.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' remuneration and benefits-in-kind as disclosed in Note 28 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Tan Sri Dato' Seri Dr. Mohd Saleh bin Sulong and Rin Kei Mei may be deemed to derive a benefit by virtue of credit facilities granted by the banking subsidiary in the ordinary course of its business, to companies in which they are deemed to have substantial interest in shares.

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debenture of, the Company or any other body corporate.

### SIGNIFICANT EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

On 21 January 2004, EON Bank Berhad ('the Bank'), the commercial bank subsidiary issued USD225 million (equivalent to RM855 million) nominal value Subordinated Notes ('Notes') with a fixed coupon rate of 5.375% per annum payable semi-annually in arrears in July and January each year (subject to the revision of interest rates explained below) and which mature on 21 January 2014. The Bank may, at its option, but subject to the prior approval of Bank Negara Malaysia, redeem all of the Notes, at any time on or after the fifth (5) year from the Issue Date at the principal amount together with accrued interest. Should the Bank decide not to exercise its call option on the fifth (5) year from the Issue Date, the coupon rate will be revised to be equivalent to 3.95% above the US Treasury Rate per annum from the beginning of the sixth (6) year to the final maturity date.

The Notes are rated Baa3 <sup>Note 1</sup> by Moody's Investors Service Limited and listed on the Luxembourg Stock Exchange. Fitch Ratings Ltd. has also rated the Notes BB+ <sup>Note 2</sup>. The net proceeds arising from the issuance of the Notes would be utilised for general banking purposes.

The above Notes constitute unsecured liabilities of the Bank and are subordinated to all deposit liabilities and all other liabilities except those liabilities which, by their terms, rank equally in rights of payment with the Notes. The Notes qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

#### Notes:

1. Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics. The modifier 3 indicates a ranking in the lower end of that generic rating category.
2. 'BB' ratings indicate that there is a possibility of credit risk developing, particularly as the result of adverse economic change over time; however, business or financial alternatives may be available to allow financial commitments to be met. Securities rated in this category are not investment grade. The "+" or "-" may be appended to a rating to denote relative status within major rating categories.

## directors' report (cont'd)

## RATING BY EXTERNAL RATING AGENCIES

EON Capital Berhad is not rated by external agency. However, its subsidiary companies, EON Bank Berhad ('EBB') and Malaysian International Merchant Bankers Berhad were rated by external rating agencies. The ratings given to EON Bank Berhad take into account the financials and operations of the EBB Group as a whole. The details of the ratings are as follows:

## (a) EON Bank Berhad

Rating Agency	Date	Rating Classification	Rating received
Moody's Investor Service Limited	7 January 2004	Long term deposits	Baa2 <sup>Note 1</sup>
		Short term deposits	P-3 <sup>Note 2</sup>
		Financial strength rating	D <sup>Note 3</sup>
		Outlook	Stable
Fitch Ratings Ltd	15 January 2004	Long term senior	BBB- <sup>Note 4</sup>
		Short term	F3 <sup>Note 5</sup>
		Individual	C <sup>Note 6</sup> /D <sup>Note 7</sup>
		Support	3 <sup>Note 8</sup>
		Outlook	Stable

## (b) Malaysian International Merchant Bankers Berhad

Rating Agency	14 November 2003	Long term	A3 <sup>Note 9</sup>
Malaysia Berhad		Short term	P1 <sup>Note 10</sup>

## Notes:

1. Banks rated Baa for deposits offer adequate credit quality. However, certain protective elements may be lacking or may be characteristically unreliable over any great length of time. The modifier 2 indicates a mid-range ranking of its letter-rating category.
2. Banks rated P-3 for deposits offer acceptable credit quality and an adequate capacity for timely payment of short-term deposit obligations.
3. Banks rated D display modest intrinsic financial strength, potentially requiring some outside support at times. Such institutions may be limited by one or more of the following factors: a weak business franchise; financial fundamentals that are deficient in one or more respects; or an unpredictable and unstable operating environment.
4. Good credit quality. 'BBB' ratings indicate that there is currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity. This is the lowest investment-grade category.
5. Fair credit quality. The capacity for timely payment of financial commitments is adequate; however, near-term adverse changes could result in a reduction to non-investment grade.
6. C denotes: An adequate bank, which, however, possesses one or more troublesome aspects. There may be some concerns regarding its profitability and balance sheet integrity, franchise, management, operating environment or prospects.
7. D denotes: A bank, which has weaknesses of internal and/or external origin. There are concerns regarding its profitability and balance sheet integrity, franchise, management, operating environment or prospects. Banks in emerging markets are necessarily faced with a greater number of potential deficiencies of external origin.
8. 3 denotes: A bank for which there is a moderate probability of support because of uncertainties about the ability or propensity of the potential provider of support to do so. This probability of support indicates a minimum Long-term rating floor of 'BB-'.
9. Financial institutions rated in this category are adjudged to offer adequate safety for timely payments of financial obligations. This level of rating indicates corporate entities with adequate credit profiles, but which possess one or more problem areas, giving rise to the possibility of future riskiness. Entities rated in this category have generally performed at industry average and are considered to be more vulnerable to changes in economic conditions than those rated in the higher categories. The subscript 3 indicates that the financial institution ranks at the lower end of its generic rating category.
10. Financial institutions in this category have superior capacities for timely payments of obligations.



**ULTIMATE HOLDING COMPANY**

The Directors regard Edaran Otomobil Nasional Berhad, a listed company incorporated in Malaysia, as the Company's holding company and ultimate holding company.

**AUDITORS**

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the Board of Directors.

**TAN SRI DATO' SERI DR. MOHD SALEH BIN SULONG**

DIRECTOR

**DR. UMIKALSUM BINTI MOHD NOH**

DIRECTOR

Kuala Lumpur

17 February 2004

## statement by directors

pursuant to section 169(15) of the Companies Act, 1965

We, Tan Sri Dato' Seri Dr. Mohd Saleh bin Sulong and Dr. Umikalsum binti Mohd Noh, being two of the Directors of EON Capital Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 66 to 135 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2003 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the applicable approved accounting standards in Malaysia, Bank Negara Malaysia Guidelines and the provisions of the Companies Act, 1965.

Signed in accordance with a resolution of the Board of Directors.

**TAN SRI DATO' SERI DR. MOHD SALEH BIN SULONG**  
DIRECTOR

**DR. UMIKALSUM BINTI MOHD NOH**  
DIRECTOR

Kuala Lumpur  
17 February 2004

## statutory declaration

pursuant to section 169(16) of the Companies Act, 1965

I, Martin Chu Leong Meng, the officer primarily responsible for the financial management of EON Capital Berhad, do solemnly and sincerely declare that the financial statements set out on pages 66 to 135 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

**MARTIN CHU LEONG MENG**

Subscribed and solemnly declared by the abovenamed Martin Chu Leong Meng at Kuala Lumpur on 17 February 2004, before me.

**P. SETHURAMAN** (No. W217)  
COMMISSIONER FOR OATHS

## report of the auditors to the members of EON Capital Berhad

We have audited the financial statements set out on pages 66 to 135. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia, Bank Negara Malaysia Guidelines and the provisions of the Companies Act, 1965 so as to give a true and fair view of:
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
  - (ii) the state of affairs of the Group and of the Company as at 31 December 2003 and of the results and cash flows of the Group and Company for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in the form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

Our audit reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

**PRICEWATERHOUSECOOPERS**

(No. AF: 1146)

Chartered Accountants

**MOHAMMAD FAIZ BIN MOHAMMAD AZMI**

(No. 2025/03/04 (J))

Partner of the firm

Kuala Lumpur

17 February 2004

## balance sheets

as at 31 December 2003

	Note	GROUP		COMPANY	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<b>ASSETS</b>					
Cash and short-term funds	3	3,143,578	2,221,890	32,170	37,500
Deposits and placements with financial institutions	4	503,761	393,000	–	–
Dealing securities	5	161,168	954,842	–	–
Investment securities	6	4,443,270	4,357,813	–	–
Loans, advances and financing	7	21,288,355	20,573,665	–	–
Other assets	8	888,879	1,047,260	55,632	–
Statutory deposits with Bank Negara Malaysia	9	898,361	865,213	–	–
Investment in subsidiary companies	10	–	–	2,011,000	2,011,000
Tax recoverable		5,194	–	17,980	–
Deferred tax assets	11	132,124	133,358	–	–
Property, plant and equipment	12	176,192	159,114	–	–
<b>TOTAL ASSETS</b>		<b>31,640,882</b>	<b>30,706,155</b>	<b>2,116,782</b>	<b>2,048,500</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>					
Deposits from customers	13	20,878,018	18,523,416	–	–
Deposits and placements of banks and other financial institutions	14	5,594,009	7,262,140	–	–
Obligations on securities sold under repurchase agreements		402,119	1,168,396	–	–
Bills and acceptances payable		1,114,764	155,565	–	–
Amount due to Cagamas Berhad	15	572,168	841,980	–	–
Provision for taxation and zakat	16	71,010	92,867	–	40
Deferred tax liabilities	11	–	–	12,786	–
Long term borrowings	17	290,563	288,481	290,563	288,481
Other liabilities	18	404,015	387,343	1,813	1,682
<b>TOTAL LIABILITIES</b>		<b>29,326,666</b>	<b>28,720,188</b>	<b>305,162</b>	<b>290,203</b>
SHARE CAPITAL	19	693,209	693,209	693,209	693,209
RESERVES	20	1,621,007	1,292,758	1,118,411	1,065,088
<b>SHAREHOLDERS' FUNDS</b>		<b>2,314,216</b>	<b>1,985,967</b>	<b>1,811,620</b>	<b>1,758,297</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<b>31,640,882</b>	<b>30,706,155</b>	<b>2,116,782</b>	<b>2,048,500</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	33	<b>9,768,138</b>	<b>9,274,872</b>		
Net tangible assets per ordinary share (RM)		3.34	2.86	2.61	2.54

## income statements

for the financial year ended 31 December 2003

	Note	GROUP		COMPANY	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Interest income	21	1,662,412	140,983	926	163
Interest expense	22	(831,828)	(69,347)	(20,713)	(1,081)
Net interest income/(expense)		830,584	71,636	(19,787)	(918)
Income from Islamic Banking	41(13)	93,780	5,836	–	–
Loan and financing loss and provision	23	924,364 (175,877)	77,472 (2,900)	(19,787)	(918)
Fee and commission income		748,487	74,572	(19,787)	(918)
Net gain/(loss) from investment securities	24	104,357 18,933	8,664 (6,324)	–	–
Net gain from dealing securities		30,843	490	–	–
Dividend income	25	3,700	109	87,270	–
Other income	26	14,948	7,105	–	–
Net income/(loss)		921,268	84,616	67,483	(918)
Overhead expenses	27	(470,593)	(47,348)	(1,070)	(383)
Profit/(loss) before taxation and zakat		450,675	37,268	66,413	(1,301)
Taxation	30	(117,150)	(11,508)	(12,946)	(40)
Zakat		(5,132)	(328)	–	–
Net profit/(loss) for the financial year		328,393	25,432	53,467	(1,341)
Earnings per share (sen)					
Basic	31	47.4	44.0		
Diluted		47.4	44.0		
Dividend per share (sen)	32	6.5	–	6.5	–

Note:

The financial results of the Group for the financial year ended 31 December 2002 reflects the inclusion of results of EON Bank Berhad group from the date of acquisition i.e. 2 December 2002 to 31 December 2002.

## statements of changes in equity

for the financial year ended 31 December 2003

	Issued and fully paid ordinary shares of RM1 each			Reserve arising on		Total
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	conso- lidation RM'000	Retained profits RM'000	RM'000
<b>The Group</b>						
Balance as at 1 January 2003						
- As previously reported	693,209	1,066,440	7,075	66,166	16,662	1,849,552
- Prior year adjustments (Note 40)	-	-	-	134,731	1,684	136,415
- As restated	693,209	1,066,440	7,075	200,897	18,346	1,985,967
Listing expenses written off	-	(144)	-	-	-	(144)
Net profit for the financial year	-	-	-	-	328,393	328,393
Transfer to statutory reserve	-	-	158,021	-	(158,021)	-
Balance as at 31 December 2003	693,209	1,066,296	165,096	200,897	188,718	2,314,216
Balance as at 1 January 2002	-*	-	-	-	(11)	(11)
Issue of shares:						
- exercise of rights	10	2	-	-	-	12
- pursuant to KCHB Scheme of Arrangement	94,788	121,896	-	-	-	216,684
- pursuant to EBB Scheme of Arrangement	598,411	945,489	-	-	-	1,543,900
Listing expenses written off	-	(947)	-	-	-	(947)
Reserve arising from acquisition of subsidiaries:						
- As previously reported (Note 37)	-	-	-	66,166	-	66,166
- Prior year adjustments (Note 40)	-	-	-	134,731	-	134,731
- As restated	-	-	-	200,897	-	200,897
Net profit for the financial year:						
- As previously reported	-	-	-	-	23,748	23,748
- Prior year adjustments (Note 40)	-	-	-	-	1,684	1,684
- As restated	-	-	-	-	25,432	25,432
Transfer to statutory reserve	-	-	7,075	-	(7,075)	-
Balance as at 31 December 2002	693,209	1,066,440	7,075	200,897	18,346	1,985,967

\* denotes RM2.



## statements of changes in equity (cont'd)

	Issued and fully paid ordinary shares of RM1 each Share capital RM'000	Non- distributable Share premium RM'000	Distributable Retained profit/ (Accumu- lated losses) RM'000	Total RM'000
<b>The Company</b>				
Balance as at 1 January 2003	693,209	1,066,440	(1,352)	1,758,297
Listing expenses written off	–	(144)	–	(144)
Net profit for the financial year	–	–	53,467	53,467
Balance as at 31 December 2003	693,209	1,066,296	52,115	1,811,620
Balance as at 1 January 2002	–*	–	(11)	(11)
Issue of shares:				
- exercise of rights	10	2	–	12
- pursuant to KCHB Scheme of Arrangement	94,788	121,896	–	216,684
- pursuant to EBB Scheme of Arrangement	598,411	945,489	–	1,543,900
Listing expenses written off	–	(947)	–	(947)
Net loss for the financial year	–	–	(1,341)	(1,341)
Balance as at 31 December 2002	693,209	1,066,440	(1,352)	1,758,297

\* denotes RM2.

## cash flow statements

for the financial year ended 31 December 2003

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net profit/(loss) for the financial year	<b>328,393</b>	25,432	<b>53,467</b>	(1,341)
Adjustments for:				
Depreciation of property, plant and equipment	<b>29,210</b>	2,483	–	–
Net gain on disposal of property, plant and equipment	<b>(2,089)</b>	(721)	–	–
Net gain from sale of investment securities	<b>(44,230)</b>	(11,549)	–	–
Property, plant and equipment written off	<b>1,788</b>	1,572	–	–
Loan and financing loss and provision	<b>203,081</b>	3,337	–	–
Profit equalisation reserves	<b>1,471</b>	2,364	–	–
Net interest/income suspended	<b>81,539</b>	9,927	–	–
Provision for amounts recoverable from Danaharta	<b>388</b>	258	–	–
Provision for diminution in value of investment securities	<b>34,843</b>	17,873	–	–
Accretion of discount less amortisation of premium	<b>38,357</b>	(2,940)	–	–
Write-back of provision for commitments and contingencies	<b>(168)</b>	(95)	–	–
Interest income from investment securities	<b>(218,136)</b>	(16,182)	–	–
Dividend income	<b>(3,700)</b>	(109)	–	–
Unrealised foreign exchange gain	<b>(7,684)</b>	396	–	–
Interest income on deposits and placements	–	–	<b>(926)</b>	(163)
Interest expense on long term borrowings	<b>20,713</b>	1,081	<b>20,713</b>	1,081
Dividend income from subsidiary company	–	–	<b>(87,270)</b>	–
Taxation and zakat	<b>122,282</b>	11,836	<b>12,946</b>	40
	<b>586,058</b>	44,963	<b>(1,070)</b>	(383)
<b>(Increase)/decrease in operating assets</b>				
Deposits and placements with financial institutions	<b>(110,761)</b>	(52,000)	–	–
Dealing securities	<b>793,674</b>	(16,112)	–	–
Loans, advances and financing	<b>(1,218,085)</b>	(170,686)	–	–
Statutory deposits with Bank Negara Malaysia	<b>(33,148)</b>	30,864	–	–
Other assets	<b>169,843</b>	(153,112)	<b>(84)</b>	–
	<b>(398,477)</b>	(361,046)	<b>(84)</b>	–

## cash flow statements (cont'd)

	Note	GROUP		COMPANY	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES (Cont'd)</b>					
Increase/(decrease) in operating liabilities					
Deposits from customers		2,354,602	638,836	-	-
Deposits and placements of banks and other financial institutions		(1,668,131)	44,075	-	-
Obligations on securities sold under repurchase agreements		(766,277)	314,121	-	-
Bills and acceptances payable		959,199	(72,257)	-	-
Amount due to Cagamas Berhad		(269,813)	(13,445)	-	-
Other liabilities		15,488	(22,130)	252	697
		625,068	889,200	252	697
Cash generated from/(used in) operations		812,649	573,117	(902)	314
Income tax paid		(175,080)	(8,529)	(74)	-
Income tax refund		17,981	-	-	-
Net cash generated from/(used in) operating activities		655,550	564,588	(976)	314
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Proceeds from sale of investment securities, net of purchases		104,349	(370,677)	-	-
Purchase of property, plant and equipment		(50,362)	(7,437)	-	-
Proceeds from disposal of property, plant and equipment		4,375	2,218	-	-
Interest received from deposits and placements		-	-	860	163
Interest received from investment securities		222,970	18,278	-	-
Net dividend received		3,700	109	13,680	-
Acquisition of subsidiary companies	37	-	1,510,689	-	(467,099)
Net cash generated from/(used in) investing activities		285,032	1,153,180	14,540	(466,936)

## cash flow statements (cont'd)

	Note	GROUP		COMPANY	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
CASH FLOW FROM FINANCING ACTIVITIES					
Net proceeds from issue of share capital		–	216,693	–	216,693
Net proceeds from issue of long term borrowings		–	288,376	–	288,376
Interest paid on long term borrowings		(18,750)	–	(18,750)	–
Listing expenses		(144)	(947)	(144)	(947)
Net cash (used in)/generated from financing activities		(18,894)	504,122	(18,894)	504,122
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		921,688	2,221,890	(5,330)	37,500
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		2,221,890	–	37,500	–
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	3	3,143,578	2,221,890	32,170	37,500

## summary of significant accounting policies

31 December 2003

The significant accounting policies of the Group and of the Company are consistent with the policies adopted in the previous financial year other than those adopted in compliance with the relevant Malaysian Accounting Standards Board's ('MASB') approved accounting standards which became operative during the financial year ended 31 December 2003.

### A BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies and comply with the applicable approved accounting standards in Malaysia, Bank Negara Malaysia Guidelines and the provisions of the Companies Act, 1965.

In the financial year 2003, the Group and the Company adopted the following applicable MASB's accounting standards:

MASB 25 Income Taxes

MASB 29 Employee Benefits

MASB *i*-1 Presentation of Financial Statements of Islamic Financial Institutions

With the exception of MASB 25, there are no significant changes in accounting policies which had affected the net profit or shareholder's equity of the Group and of the Company as a result of the adoption of these standards as it is the existing practice of the Group and of the Company to follow the recognition and measurement principles embodied in these standards.

The change in accounting policy arising from the adoption of MASB 25 has been applied retrospectively and the effects arising from the adoption of this standard are disclosed in Note 40 to the financial statements.

The financial statements incorporate those activities relating to Islamic Banking which have been undertaken by the banking and finance subsidiary companies. Islamic Banking refers generally to the acceptance of deposits and granting of financing under the Syariah principles.

### B BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year.

Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Subsidiary companies are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiary companies which have been acquired or disposed during the financial period are included from the date of acquisition up to the date of disposal. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the consolidated financial statements. The excess of fair values of the subsidiary companies' net assets over the acquisition cost is reflected as reserve arising on consolidation.

All material inter-company transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated on consolidation and the consolidated financial statements reflect external transactions only.

### C RECOGNITION OF INTEREST INCOME

#### Recognition of interest income

Interest income is recognised on an accrual basis using the effective yield method. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on discounted instruments. Interest income on housing and term loans is recognised by reference to monthly rest periods. Interest income on hire purchase, lease receivables and block discounting is recognised using the "sum-of-digits" method, so as to produce a constant periodic rate of interest.

## summary of significant accounting policies (cont'd)

### C RECOGNITION OF INTEREST INCOME (Cont'd)

#### Recognition of Islamic financing income

Islamic financing income is recognised on an accrual basis in accordance with the Syariah principles and BNM/GP8. Al-Ijarah Thumma Al-Bai ('AITAB') financing income is recognised using the "sum-of-digits" method over the lease terms, whilst Al-Bai Bithaman Ajil ('BBA'), Al-Murabahah, Al-Istisna and Bai Al Inah financing income is recognised on a monthly basis over the period of the financing contracts, based on an agreed profit sharing rate at the inception of such contracts.

Where a loan account becomes non-performing, interest is suspended until it is realised on a cash basis. Customers' accounts are classified as non-performing when repayments are in arrears for 6 months or more from the first day of default for loans and overdrafts, and after 3 months from the maturity date for trade bills, bankers' acceptances and trust receipts. The Group's policy on suspension of interest is in conformity with Bank Negara Malaysia's "Guidelines on the classification of Non-performing Loans and Provision for Substandard, Bad and Doubtful Debts".

### D RECOGNITION OF FEES AND OTHER INCOME

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled.

Commitment fees and guarantees fees which are material are recognised as income based on time apportionment.

Fees from advisory and corporate finance activities are recognised as income on completion of each stage of the assignment.

Fees and other income/profit from Islamic Banking is recognised on an accrual basis in accordance with the principles of Syariah and the BNM/GP8.

Dividend from subsidiary companies are recognised when the shareholders' right to receive payment is established, while dividend from dealing securities and investment securities are recognised when received.

### E PROVISION FOR BAD AND DOUBTFUL DEBTS AND FINANCING

Specific provisions are made for doubtful debts and financing which have been individually reviewed and specifically identified as bad or doubtful.

A general provision based on a percentage of the loan and financing portfolio is also made to cover possible losses that are judged to be present in the lending portfolio at balance sheet date, but which have not been specifically identified as such.

An uncollectible loan and financing or portion of a loan and financing classified as bad is written-off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

The Group's provision for non-performing loans, advances and financing is in conformity with the minimum requirements of Bank Negara Malaysia's "Guidelines on the classification of Non-performing Loans and Provision for Substandard, Bad and Doubtful Debts".

### F DEALING SECURITIES

Dealing securities are marketable securities that are acquired and held with the intention of resale in the short term, and are stated at the lower of cost and market value. Increases or decreases in carrying amount of dealing securities are charged or credited to the income statement.

Transfer, if any, between dealing and investment securities are made at the lower of cost and market value.

On disposal, the difference between the net disposal proceeds and its carrying amount is charged or credited to the income statement.

## summary of significant accounting policies (cont'd)

**G INVESTMENT SECURITIES**

Investment securities are securities that are acquired and held for yield or capital growth or to meet minimum liquid assets requirement pursuant to Section 38 of the Banking and Financial Institutions Act, 1989 and are usually held to maturity.

Malaysian Government securities, Bank Negara Malaysia bills, Cagamas bonds, Malaysian Government investment issues, other Government securities, and Bank Guaranteed Private Debt Securities held for investment are stated at cost adjusted for amortisation of premium or accretion of discount to maturity date. Other Private Debt Securities are valued at lower of cost and market value. Other investment securities are stated at cost and provision is made in the event of any permanent diminution in value.

Amortisation of premium or accretion of discount is recognised using the effective yield method. Interest earned while holding the investment securities and dividend received are recognised as interest income and dividend income respectively.

Permanent diminution in the value of investment securities is recognised as an expense in the period in which the diminution is identified.

Transfers, if any, between investment and dealing securities are made at the lower of carrying value and market value.

On disposal, the difference between the net disposal proceeds and its carrying amount is charged or credited to the income statement.

**H LOANS, ADVANCES AND FINANCING AND OTHER RECEIVABLES**

Loans, advances and financing and other receivables include overdrafts, term loans, hire purchase financing, acceptances of credit and staff loans. They are carried at amortised cost represented by the gross value of the outstanding balance net of provision for bad and doubtful debts and financing, unearned interest/income and interest-in-suspense/income-in-suspense.

**I PROFIT EQUALISATION RESERVE ('PER')**

PER is a mechanism to reduce the fluctuations in the profit rates payable to the depositors under the Islamic Banking Operations. It is provided based on the Framework of the Rate of Return issued by Bank Negara Malaysia. The amount of PER is appropriated from and written back to the total gross income. PER is reflected under other liabilities of the Group and of the Bank.

**J INVESTMENT IN SUBSIDIARY COMPANIES**

A subsidiary company is a company in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Investments in subsidiary companies are stated at cost and written down when, in the opinion of the Directors, there is an indication of impairment in the value of such investments.

Impairment loss of investments in subsidiary companies is recognised as an expense in the period in which the impairment is identified.

**K PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated as it has an infinite life. Leasehold land having an unexpired term in excess of fifty years is not amortised. Other property, plant and equipment are depreciated over their estimated useful lives on the straight line basis at the following annual rates:

Leasehold land	Over the lease period
Buildings on freehold and leasehold land	2%
Office renovation	10% - 33 1/3%
Furniture, fittings and equipment	10% - 20%
Computer equipment and software	20%
Motor vehicles	20%

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.



## summary of significant accounting policies (cont'd)

### L REPURCHASE AGREEMENTS

Securities purchased under resale agreements are securities which the Group had purchased with a commitment to resell at future dates. The commitment to resell the securities are reflected as assets on the balance sheet. Securities purchased are not recognised in the financial statements.

Conversely, obligation on securities sold under repurchase agreements are securities which the Group had sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligation to repurchase the securities are reflected as liabilities on the balance sheet. Securities sold are retained in the financial statements.

The difference between the sale and repurchase price as well as the purchase and resale price is treated as interest and accrued over the life of the repurchase agreement using the effective yield method.

### M BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represent the Group's own bills and acceptances rediscounted and outstanding in the market.

### N DEALERS' COMMISSION AND HANDLING FEE

Dealers' commission are amortised over the period of the hire purchase loans using the "sum-of-digits" method. Handling fee is recognised as an expense when incurred.

### O PROVISIONS

Provisions, other than provision for bad and doubtful debts and financing, are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

### P CURRENCY TRANSLATION

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities in foreign currencies at the balance sheet date are converted into Ringgit Malaysia at rates of exchange which approximate to those ruling at the balance sheet date. Gains or losses on foreign exchange transactions are recognised as income or expense in the period in which they arise.

The principal closing rates used by the Group in translation of foreign currency amounts are as follows:

Foreign currency	31.12.2003 RM	31.12.2002 RM
1 US Dollar	3.800	3.800
1 Euro	4.792	3.981
1 Pound Sterling	6.771	6.092
1 Japanese Yen	0.036	0.032
1 Singapore Dollar	2.235	2.189

### Q FORWARD FOREIGN EXCHANGE CONTRACTS

Open forward exchange contracts are valued at forward rates as at balance sheet date, applicable to their respective dates of maturity and unrealised gains or losses are recognised in the income statement for the period in which they arise.

### R TAXATION AND DEFERRED TAXATION

The tax expense in the income statement represents taxation at the current rate based on taxable profit earned during the financial year.

## summary of significant accounting policies (cont'd)

**R TAXATION AND DEFERRED TAXATION (Cont'd)**

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets or liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of the deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**S OPERATING LEASES**

Leases of assets under which all the risks and benefits of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

**T LONG TERM BORROWINGS**

Borrowings are recognised initially at cost, being their issue proceeds received, net of transaction cost incurred. In subsequent periods, borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statements over the period of the borrowing using the effective yield method.

**U DIVIDEND PAYABLE**

Dividend on ordinary shares are recognised as liabilities in the period in which the dividend are declared.

**V AMOUNTS RECOVERABLE FROM DANAHARTA**

The total consideration from loans sold to Pengurusan Danaharta Nasional Berhad (Danaharta) is received in two portions; upon the sale of the loans (initial consideration) and upon the recovery of the loans (final consideration). The final consideration amount represents the Group's pre-determined share of the surplus over the initial consideration upon recovery of the loans.

The difference between the carrying value of the loans and the initial consideration is recognised as 'Amounts recoverable from Danaharta' within the 'Other assets' component of the balance sheet. Provision against these amounts are made in accordance with Bank Negara Malaysia's "Guidelines on the Sale of Non-performing Loans to Danaharta" issued on 30 April 2002 and reflect the Directors' assessment of the realisable value of the final consideration as at the balance sheet date.

**W EMPLOYEE BENEFITS****Short term employee benefits**

Wages, salaries, bonuses, paid annual leave and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees of the Group.

**Post-employment benefits**

The Group contribute to the Employees Provident Fund ('EPF'), the national defined contribution plan. The contributions to EPF are charged to the income statement in the period to which they are related. Once the contributions have been paid, the Group have no further payment obligations in future.

**X CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash in hand, bank balances and deposits and placements maturing within one month which are held for the purpose of meeting short term commitments and are readily convertible into cash without significant risk of changes in value.

**Y SEGMENTAL PRESENTATION**

A segment is a distinguishable component of the Group that is engaged in providing products or services, which is subject to risk and rewards that are different from those of other segments. Segment with a majority of operating income earned from providing products or services to external clients and whose operating income, results or total assets are 10 percent or more of all segments are reported separately.

# notes to the financial statements

31 December 2003

## 1 GENERAL INFORMATION

The Company is principally an investment holding company. The Group is involved in commercial banking, merchant banking, finance company business, Islamic Banking business and nominee and custodian services. Islamic Banking business refers generally to the acceptance of deposits and granting of financing under the Syariah principles. The principal activities of the subsidiaries are as stated in Note 10 to the financial statements.

There have been no significant changes in these activities during the financial year.

The number of employees in the Group and in the Company at the end of the financial year amounted to 4,980 (2002: 4,791) and Nil (2002: Nil) respectively.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Malaysia Securities Exchange Berhad.

The Directors regard Edaran Otomobil Nasional Berhad, a listed company incorporated in Malaysia, as the Company's holding company and ultimate holding company.

The address of the registered office of the Company is:

12th Floor, Wisma Cyclecarri  
288, Jalan Raja Laut  
50350 Kuala Lumpur  
Malaysia

## 2 USE OF FINANCIAL INSTRUMENTS

### A Financial risk management objectives and policies

#### Market risk

Market risk is the potential loss which can arise for positions held by the Group due to adverse changes in the level of market prices or price-influencing parameters in the financial markets. The adverse changes can occur in interest rate, foreign exchange and equity markets. These risks are monitored by way of net open position limits, portfolio limits, diversification limits, holding limits, concentration limits by sectors and stop loss limits.

#### Credit risk

Credit risk is the potential loss arising from customers or counterparties failing to meet their financial contractual obligations. Management of credit risk is principally through lending directions and policies, which are instituted based on prevailing business and economic conditions. Credit processes are also structured to ensure adherence of credit principles and to establish impartiality in loan origination, approval, documentation, disbursement and settlement. Industry sectors concentration, exposure to various product segments and internal single customer limit are regularly monitored to minimise the risk of over-concentration. The overall credit risk management is subjected to an ongoing process for reviewing and enhancement.

The internal credit risk rating system is being developed to better measure the credit worthiness of each customer. This rating system will also link credit risk grading to default probabilities and enable risk-based assessment of loan portfolio.

Credit reviews on loan applications before being approved by higher approving authorities are conducted independently from business units involved in the loan origination. Approval of loans with unacceptable credit risks or large exposures exceeding the internal single customer limits will be reported to the Group Risk Management Committee and the Board of Directors.

## notes to the financial statements (cont'd)

**2 USE OF FINANCIAL INSTRUMENTS (Cont'd)****A Financial risk management objectives and policies (Cont'd)**Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet its current and future payment obligations associated with financial obligations when they fall due. Principally, the Group uses the New Liquidity Framework approved by Bank Negara Malaysia to manage its liquidity.

The Group focuses on avoiding dependence on volatile sources of funding, diversification of funding maturity structure and sources of funds as well as maintenance of sufficient liquid assets. Contingency funding plans have been developed to ensure alternative funding strategies are in place in order to minimise the liquidity risk during liquidity crisis situation. Various "Management Action Triggers" are established to prompt the Management for taking any necessary actions to meet the liquidity crisis.

Operational risk

Operational risk, which is inherent in all business activities, is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Operational Risk Management ('ORM') takes place on a day-to-day basis at each business unit level. These units are responsible for establishing and maintaining control and procedures that are appropriate for their operating environment. Integral elements such as sound banking processes, internal control, and independent audit groups are used to manage these risks. Additional support comes from group-wide functions such as internal audit, banking operations (including system and methods), compliance and financial control.

The activities of ORM include risk identification, assessment, monitoring and reporting. Within the Group, they are manifested in the following manners:

- \* Manuals and policies that incorporate internal control processes
- \* Human resources development and training programmes
- \* System controls and procedures governing IT usage in all banking products
- \* Establishment of specific policies and standards across all product lines
- \* Group's Business Continuity Plan that looks into its business resumption in an organised and timely manner in time of disaster
- \* Group's New Product Process to ensure that before new products and activities are being introduced, they are subject to proper risk assessments and possess adequate procedures and controls

Interest rate risk

The Group may be exposed to a loss in earnings due to the interest rates structure of the balance sheet arising from interest rates and yield curves changes. The sensitivity to interest rates arises from the mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liability funding. Interest rate risk is monitored through interest rate sensitivity gap limits.

## notes to the financial statements (cont'd)

## 2 USE OF FINANCIAL INSTRUMENTS (Cont'd)

## B Interest rate risk

The table below summarises the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The off-balance sheet gap represents the net notional amounts of all interest rate sensitive derivative financial instruments. As interest rates and yield curves change over time, the Group may be exposed to a loss in earnings due to the effects of interest rates on the structure of the balance sheet. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liability funding. As a majority of the longer term monetary assets are of variable rate whereby the actual maturities are shorter than the contractual terms, this information is not relied on by the Group in their interest rate risk management.

Group	31.12.2003							
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000	Islamic banking RM'000	Total RM'000
<b>Assets</b>								
Cash and short-term funds and deposits and placements with financial institutions	3,038,369	488,000	–	–	–	114,468	6,502	3,647,339
Dealing securities	–	–	–	30,537	65,466	4,447	60,718	161,168
Investment securities	33,995	68,759	876,715	2,570,575	331,418	78,710	483,098	4,443,270
Loans, advances and financing	12,441,377	41,541	202,597	4,106,888	3,253,105	(1,168,878) <sup>*</sup>	2,411,725	21,288,355
Statutory deposits with Bank Negara Malaysia	–	–	–	–	–	792,385	105,976	898,361
Other assets <sup>(1)</sup>	–	–	–	–	–	1,195,047	7,342	1,202,389
<b>Total assets</b>	<b>15,513,741</b>	<b>598,300</b>	<b>1,079,312</b>	<b>6,708,000</b>	<b>3,649,989</b>	<b>1,016,179</b>	<b>3,075,361</b>	<b>31,640,882</b>
<b>Liabilities</b>								
Deposits from customers	7,674,294	3,033,314	5,692,577	756,546	–	1,802,257	1,919,030	20,878,018
Deposits and placements of banks and other financial institutions	1,261,948	821,848	1,051,491	316,844	1,400,000	92,162	649,716	5,594,009
Obligations on securities sold under repurchase agreements	402,119	–	–	–	–	–	–	402,119
Bills and acceptances payable	–	–	–	–	–	1,112,717	2,047	1,114,764
Amount due to Cagamas Berhad	–	–	251,449	293,592	–	27,127	–	572,168
Long term borrowings	–	–	–	150,000	150,000	(9,437) <sup>*</sup>	–	290,563
Other liabilities <sup>(2)</sup>	–	–	–	–	–	292,753	182,272	475,025
<b>Total liabilities</b>	<b>9,338,361</b>	<b>3,855,162</b>	<b>6,995,517</b>	<b>1,516,982</b>	<b>1,550,000</b>	<b>3,317,579</b>	<b>2,753,065</b>	<b>29,326,666</b>
<b>On-balance sheet</b>								
- interest rate gap	6,175,380	(3,256,862)	(5,916,205)	5,190,018	2,099,989			
<b>Off-balance sheet</b>								
- interest rate gap	(2,000)	–	2,000	–	–			
<b>Net interest rate gap</b>	<b>6,173,380</b>	<b>(3,256,862)</b>	<b>(5,914,205)</b>	<b>5,190,018</b>	<b>2,099,989</b>			

<sup>\*</sup> The negative balance represents specific provisions, interest-in-suspense and general provisions for loans, advances and financing made in accordance with the Group's accounting policy on provision for bad and doubtful debts and financing, net of interest-free staff motor vehicles loans.

<sup>\*</sup> The negative balance represents unamortised discount for long term secured fixed rate bonds calculated in accordance with the Group's accounting policy on long term borrowings.

Note:

<sup>(1)</sup> Other assets include property, plant and equipment, tax recoverable and deferred tax assets.

<sup>(2)</sup> Other liabilities include provision for taxation and zakat.

## notes to the financial statements (cont'd)

## 2 USE OF FINANCIAL INSTRUMENTS (Cont'd)

## B Interest rate risk (Cont'd)

Group	31.12.2002							
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000	Islamic banking RM'000	Total RM'000
<b>Assets</b>								
Cash and short-term funds and deposits and placements with financial institutions	2,125,054	336,000	57,000	–	–	91,005	5,831	2,614,890
Dealing securities	8,007	6,835	117,447	214,816	250,131	4,432	353,174	954,842
Investment securities	183,476	331,600	278,876	1,668,545	1,306,451	41,190	547,675	4,357,813
Loans, advances and financing	11,912,262	202,036	201,383	3,833,426	3,938,242	(1,402,862) <sup>^</sup>	1,889,178	20,573,665
Statutory deposits with Bank Negara Malaysia	–	–	–	–	–	822,082	43,131	865,213
Other assets <sup>(1)</sup>	–	–	–	–	–	1,311,651	28,081	1,339,732
<b>Total assets</b>	<b>14,228,799</b>	<b>876,471</b>	<b>654,706</b>	<b>5,716,787</b>	<b>5,494,824</b>	<b>867,498</b>	<b>2,867,070</b>	<b>30,706,155</b>
<b>Liabilities</b>								
Deposits from customers	6,888,905	2,305,262	5,222,979	1,044,817	–	1,384,777	1,676,676	18,523,416
Deposits and placements of banks and other financial institutions	1,037,994	836,491	2,547,387	173,961	1,400,000	393,458	872,849	7,262,140
Obligations on securities sold under repurchase agreements	1,168,396	–	–	–	–	–	–	1,168,396
Bills and acceptances payable	–	–	–	–	–	154,322	1,243	155,565
Amount due to Cagamas Berhad	2,712	5,458	81,203	691,047	–	61,560	–	841,980
Long term borrowings	–	–	–	150,000	150,000	(11,519) <sup>*</sup>	–	288,481
Other liabilities <sup>(2)</sup>	–	–	–	–	–	440,033	40,177	480,210
<b>Total liabilities</b>	<b>9,098,007</b>	<b>3,147,211</b>	<b>7,851,569</b>	<b>2,059,825</b>	<b>1,550,000</b>	<b>2,422,631</b>	<b>2,590,945</b>	<b>28,720,188</b>
On-balance sheet - interest rate gap	5,130,792	(2,270,740)	(7,196,863)	3,656,962	3,944,824			
Off-balance sheet - interest rate gap	–	–	–	–	–			
<b>Net interest rate gap</b>	<b>5,130,792</b>	<b>(2,270,740)</b>	<b>(7,196,863)</b>	<b>3,656,962</b>	<b>3,944,824</b>			

<sup>^</sup> The negative balance represents specific provisions, interest-in-suspense and general provisions for loans and advances made in accordance with the Group's accounting policy on provision for bad and doubtful debts, net of interest-free staff motor vehicles loans.

<sup>\*</sup> The negative balance represents unamortised discount for long term secured fixed rate bonds calculated in accordance with the Group's accounting policy on long term borrowings.

## Note:

<sup>(1)</sup> Other assets include property, plant and equipment, tax recoverable and deferred tax assets.

<sup>(2)</sup> Other liabilities include provision for taxation and zakat.

## notes to the financial statements (cont'd)

## 2 USE OF FINANCIAL INSTRUMENTS (Cont'd)

## B Interest rate risk (Cont'd)

Company	31.12.2003						Total RM'000
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000	
<b>Assets</b>							
Cash and short-term funds	32,170	-	-	-	-	-	32,170
Investment in subsidiary companies	-	-	-	-	-	2,011,000	2,011,000
Other assets <sup>(1)</sup>	-	-	-	-	-	73,612	73,612
<b>Total assets</b>	<b>32,170</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,084,612</b>	<b>2,116,782</b>
<b>Liabilities</b>							
Long term borrowings	-	-	-	150,000	150,000	(9,437) <sup>*</sup>	290,563
Other liabilities <sup>(2)</sup>	-	-	-	-	-	14,599	14,599
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>150,000</b>	<b>150,000</b>	<b>5,162</b>	<b>305,162</b>
<b>Net interest rate gap</b>	<b>32,170</b>	<b>-</b>	<b>-</b>	<b>(150,000)</b>	<b>(150,000)</b>		

Company	31.12.2002						Total RM'000
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000	
<b>Assets</b>							
Cash and short-term funds	37,450	-	-	-	-	50	37,500
Investment in subsidiary companies	-	-	-	-	-	2,011,000	2,011,000
<b>Total assets</b>	<b>37,450</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,011,050</b>	<b>2,048,500</b>
<b>Liabilities</b>							
Long term borrowings	-	-	-	150,000	150,000	(11,519) <sup>*</sup>	288,481
Other liabilities <sup>(3)</sup>	-	-	-	-	-	1,722	1,722
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>150,000</b>	<b>150,000</b>	<b>(9,797)</b>	<b>290,203</b>
<b>Net interest rate gap</b>	<b>37,450</b>	<b>-</b>	<b>-</b>	<b>(150,000)</b>	<b>(150,000)</b>		

<sup>\*</sup> The negative balance represents unamortised discount for long term secured fixed rate bonds calculated in accordance with the Company's accounting policy.

Note:

<sup>(1)</sup> Other assets include tax recoverable.

<sup>(2)</sup> Other liabilities include deferred tax liabilities.

<sup>(3)</sup> Other liabilities include provision for taxation.



## notes to the financial statements (cont'd)

## 2 USE OF FINANCIAL INSTRUMENTS (Cont'd)

## B Interest rate risk (Cont'd)

The table below summarises the effective average interest rate for each class of financial assets and financial liabilities:

	GROUP	
	2003	2002
	RM	RM
	%	%
<u>Financial assets</u>		
Cash and short-term funds and deposits and placements with financial institutions	2.91	3.28
Dealing securities	6.58	3.37
Investment securities	3.28	3.58
Loans, advances and financing	7.69	7.68
<u>Financial liabilities</u>		
Deposits from customers	2.99	2.84
Deposits and placements of banks and other financial institutions	3.22	3.40
Obligations on securities sold under repurchase agreements	2.62	2.75
Amount due to Cagamas Berhad	4.25	4.35
Long term borrowings	7.23	7.23
	COMPANY	
	2003	2002
	RM	RM
	%	%
<u>Financial asset</u>		
Cash and short-term funds	2.75	3.00
<u>Financial liability</u>		
Long term borrowings	7.23	7.23

## notes to the financial statements (cont'd)

## 2 USE OF FINANCIAL INSTRUMENTS (Cont'd)

## C Credit risk

The table below sets out the credit risk concentrations of the Group:

	31.12.2003							
	Short term funds and placements with financial institutions	Statutory deposits with Bank Negara Malaysia	Dealing securities	Investment securities	Loans, advances and financing	Other assets	Total on-balance sheet exposures	Commitments and contingencies <sup>(1)</sup>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	–	–	–	50,000	178,122	2,346	230,468	3,125
Mining and quarrying	–	–	–	35,564	32,955	–	68,519	1,471
Manufacturing	–	–	–	182,143	1,860,970	3,750	2,046,863	110,491
Infrastructure and utilities	–	–	116,013	104,399	69,119	2,772	292,303	148,752
Construction	–	–	5,141	41,060	1,419,535	1,549	1,467,285	679,397
Real estate	–	–	–	302,989	548,096	4,083	855,168	22,947
General commerce	–	–	5,031	121,793	1,458,579	12,078	1,597,481	61,777
Transport, storage and communication	–	–	–	126,132	614,059	2,606	742,797	88,247
Finance, insurance and business services	2,015,223	–	30,536	663,743	420,896	43,689	3,174,087	96,003
Government and government agencies	1,535,243	898,361	–	2,734,592	–	30,386	5,198,582	–
Purchase of landed properties	–	–	–	–	5,372,982	39	5,373,021	542,093
Purchase of securities	–	–	–	–	665,670	–	665,670	30,959
Purchase of transport vehicles	–	–	–	–	7,417,885	–	7,417,885	304
Consumption credit	–	–	–	–	1,106,582	–	1,106,582	7,282
Others	–	–	–	–	513,012	62	513,074	119,568
	3,550,466	898,361	156,721	4,362,415	21,678,462 <sup>^</sup>	103,360	30,749,785	1,912,416

	31.12.2002							
	Short term funds and placements with financial institutions	Statutory deposits with Bank Negara Malaysia	Dealing securities	Investment securities	Loans, advances and financing	Other assets	Total on-balance sheet exposures	Commitments and contingencies <sup>(1)</sup>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	–	–	–	50,000	169,475	1,172	220,647	67,265
Mining and quarrying	–	–	15,986	51,786	50,508	426	118,706	1,808
Manufacturing	–	–	51,204	16,846	2,156,464	4,805	2,229,319	295,692
Infrastructure and utilities	–	–	281,508	267,113	52,490	5,491	606,602	35,961
Construction	–	–	25,994	35,239	1,433,594	1,436	1,496,263	587,521
Real estate	–	–	4,946	124,825	631,494	303	761,568	60,752
General commerce	–	–	60,667	136,952	1,393,462	2,451	1,593,532	181,496
Transport, storage and communication	–	–	35,150	82,050	594,405	2,284	713,889	158,475
Finance, insurance and business services	1,737,320	–	124,940	696,274	300,953	73,258	2,932,745	199,478
Government and government agencies	775,238	865,213	350,015	2,846,377	–	20,606	4,857,449	–
Purchase of landed property	–	–	–	–	4,911,937	–	4,911,937	–
Purchase of securities	–	–	–	–	788,955	–	788,955	28
Purchase of transport vehicles	–	–	–	–	7,048,560	11	7,048,571	118,255
Consumption credit	–	–	–	–	1,003,737	–	1,003,737	1,322
Others	–	–	–	–	414,691	2,862	417,553	108,880
	2,512,558	865,213	950,410	4,307,462	20,950,725 <sup>^</sup>	115,105	29,701,473	1,816,933

<sup>^</sup> Excludes general provision for doubtful debts and financing amounting to RM390,107,000 (2002: RM377,060,000).

Note:

<sup>(1)</sup> Risk concentrations for commitments and contingencies are based on the credit equivalents balances in Note 33 to the financial statements.

## notes to the financial statements (cont'd)

**3 CASH AND SHORT-TERM FUNDS**

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Cash and balances with banks and other financial institutions	106,979	100,510	151	50
Money at call and deposit placements maturing within one month	3,036,599	2,121,380	32,019	37,450
	<b>3,143,578</b>	2,221,890	<b>32,170</b>	37,500

The cash and short-terms funds of the Company represents current deposits and fixed deposits maintained with a subsidiary company.

**4 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS**

	GROUP	
	2003 RM'000	2002 RM'000
Licensed banks	155,000	140,000
Licensed financial institutions	90,000	–
Other financial institutions	258,761	253,000
	<b>503,761</b>	393,000

**5 DEALING SECURITIES**

Quoted money market instruments:			
Malaysian Government securities		–	183,604
Malaysian Government investment issues		–	45,663
Cagamas bonds		–	35,396
Danamodal bonds		–	87,740
Danaharta bonds		–	23,940
Khazanah bonds		–	9,068
Unquoted money market instruments:			
Negotiable instruments of deposit		–	23,495
Bankers' acceptances and Islamic accepted bills		–	14,842
		–	423,748
Quoted securities:			
Shares quoted in Malaysia		4,447	4,432
Unquoted securities:			
Islamic commercial papers (Murabahah Notes Issuance Facility)		–	58,707
Private and Islamic debt securities		156,721	467,955
		<b>161,168</b>	954,842

## notes to the financial statements (cont'd)

## 5 DEALING SECURITIES (Cont'd)

	GROUP	
	2003	2002
	RM'000	RM'000
Market value of quoted money market instruments and quoted securities:		
Malaysian Government securities	–	183,718
Malaysian Government investment issues	–	45,825
Cagamas bonds	–	35,432
Danamodal bonds	–	87,903
Danaharta bonds	–	24,050
Khazanah bonds	–	9,068
Shares quoted in Malaysia	<b>6,753</b>	5,827

## 6 INVESTMENT SECURITIES

Quoted money market instruments:		
Bank Negara Malaysia bills	<b>98,876</b>	94,479
Malaysian Government treasury bills	<b>78,776</b>	383,731
Malaysian Government securities	<b>2,124,132</b>	1,508,056
Malaysian Government investment issues	<b>317,672</b>	269,075
Cagamas bonds	<b>605,458</b>	470,845
Cagamas Mudharabah bonds	<b>40,380</b>	40,380
Cagamas notes	–	134,750
Danamodal bonds	–	58,501
Khazanah bonds	<b>25,191</b>	96,807
Unquoted money market instruments:		
Negotiable instruments of deposit	<b>19,994</b>	50,000
Green bankers' acceptances	–	1,088
	<b>3,310,479</b>	3,107,712
Quoted securities:		
<u>Outside Malaysia</u>		
Shares	–	1,249
<u>In Malaysia</u>		
Shares	<b>172,977</b>	119,835
Private debt securities	<b>32,702</b>	21,010
	<b>3,516,158</b>	3,249,806
Unquoted securities:		
Shares	<b>21,921</b>	19,218
Commercial papers	<b>47,876</b>	15,000
Islamic commercial papers (Murabahah Notes Issuance Facility)	<b>34,017</b>	109,476
Private and Islamic debt securities	<b>1,100,981</b>	1,090,306
	<b>4,720,953</b>	4,483,806
Amortisation of premium less accretion of discount	<b>(51,969)</b>	(8,965)
Provision for diminution in value of investment securities	<b>(225,714)</b>	(117,028)
	<b>4,443,270</b>	4,357,813

## notes to the financial statements (cont'd)

## 6 INVESTMENT SECURITIES (Cont'd)

	GROUP	
	2003	2002
	RM'000	RM'000
(i) Market value of quoted money market instruments and quoted securities:		
Bank Negara Malaysia bills	99,080	94,506
Malaysian Government treasury bills	79,017	385,469
Malaysian Government securities	2,034,618	1,500,699
Malaysian Government investment issues	327,302	271,610
Cagamas bonds	590,781	470,428
Cagamas Mudharabah bonds	40,414	40,380
Cagamas notes	–	134,788
Danamodal bonds	–	58,602
Khazanah bonds	25,627	99,299
Shares quoted outside Malaysia	–	893
Shares quoted in Malaysia	48,998	24,005
Private debt securities quoted in Malaysia	17,546	5,042
(ii) The maturity structure of money market instruments held for investment is as follows:		
Maturing within one year	1,030,133	866,531
One year to three years	862,763	1,416,137
Three years to five years	1,417,583	824,812
Over five years	–	232
	3,310,479	3,107,712
(iii) The aggregate carrying amounts of investment securities that have been mortgaged or pledged in the normal course of business to secure the liabilities of the Group arising from obligations on securities sold under repurchase agreements amounted to RM404,590,000 (2002: RM1,173,497,000).		

## 7 LOANS, ADVANCES AND FINANCING

	GROUP	
	2003	2002
	RM'000	RM'000
Overdrafts	2,797,140	2,676,976
Term loans		
- fixed rate	1,653,418	2,485,435
- floating rate	8,663,684	7,515,234
Hire purchase receivables	9,738,272	9,413,100
Lease receivables	5,311	8,044
Bills receivables	7,595	10,332
Trust receipts	86,911	82,539
Claims on customers under acceptance credits	1,252,682	1,176,964
Staff loans	216,156	193,447
Other loans	699,028	861,241
	25,120,197	24,423,312
Unearned interest and income	(2,570,189)	(2,362,017)
Gross loans, advances and financing	22,550,008	22,061,295
Provision for bad and doubtful debts and financing:		
- Specific	(576,553)	(744,687)
- General	(390,107)	(377,060)
Interest-in-suspense/income-in-suspense	(294,993)	(365,883)
Net loans, advances and financing	21,288,355	20,573,665

## notes to the financial statements (cont'd)

## 7 LOANS, ADVANCES AND FINANCING (Cont'd)

	GROUP	
	2003	2002
	RM'000	RM'000
(i) The maturity structure of loans, advances and financing is as follows:		
Maturing within one year	6,141,842	6,692,893
One year to three years	2,292,158	2,219,180
Three years to five years	4,147,106	3,785,126
Over five years	9,968,902	9,364,096
	<b>22,550,008</b>	<b>22,061,295</b>
(ii) Loans, advances and financing analysed by their economic purposes are as follows:		
Agriculture	180,526	172,085
Mining and quarrying	33,208	51,154
Manufacturing	2,011,785	2,358,611
Electricity, gas and water	69,240	52,570
Construction	1,569,520	1,666,376
(of which: Infrastructure)	255,638	357,956
Real estate	571,244	710,025
Purchase of landed property	5,516,783	5,058,135
(of which: i. Residential	3,982,916	3,421,053
ii. Non-residential)	1,533,867	1,637,082
General commerce	1,547,835	1,407,637
Transport, storage and communication	626,173	619,304
Finance, insurance and business services	432,754	332,657
Purchase of securities	694,379	839,547
Purchase of transport vehicles	7,571,432	7,168,101
Consumption credit	1,167,617	1,068,069
Others	557,512	557,024
	<b>22,550,008</b>	<b>22,061,295</b>
(iii) Movements in non-performing loans, advances and financing (including interest and income receivable) are as follows:		
Balance as at 1 January	2,560,656	–
Amount arising from acquisition of subsidiary companies	–	2,847,890
Non-performing during the financial year (gross)	948,695	93,883
Amount recovered/reclassified	(806,612)	(61,596)
Amount written off	(402,905)	(233,035)
Amount converted to investment securities	(352,158)	(86,486)
	<b>1,947,676</b>	<b>2,560,656</b>
Non-performing loans which have no adverse financial impact on the Group	<b>(544,846)</b>	<b>(989,333)</b>
Balance as at 31 December	<b>1,402,830</b>	<b>1,571,323</b>
Net non-performing loans, advances and financing	<b>814,504</b>	<b>1,011,555</b>
(As % of total loans net of specific provision and interest-in-suspense/income-in-suspense)	<b>3.8%</b>	<b>4.9%</b>

## notes to the financial statements (cont'd)

## 7 LOANS, ADVANCES AND FINANCING (Cont'd)

(iv) Movements in provision for bad and doubtful debts and financing and interest-in-suspense/income-in-suspense are as follows:

	GROUP	
	2003 RM'000	2002 RM'000
<u>General provision</u>		
Balance as at 1 January	377,060	–
Amount arising from acquisition of subsidiary companies	–	377,373
Provisions made/(written back) during the financial year	13,047	(313)
Balance as at 31 December	390,107	377,060
(As % of total loans net of specific provision and interest-in-suspense/income-in-suspense)	1.8%	1.8%
<u>Specific provision</u>		
Balance as at 1 January	744,687	–
Amount arising from acquisition of subsidiary companies	–	777,372
Provisions made during the financial year	302,749	5,520
Provisions charged to deferred asset/other assets during the financial year	47,256	88,571
Amount written back in respect of recoveries/reclassification	(117,433)	(3,054)
Recoveries set-off against deferred asset	(16,847)	(6,687)
Amount transferred to provision for diminution in value of investment securities	(116,687)	–
Amount written off	(267,172)	(117,035)
Balance as at 31 December	576,553	744,687
<u>Interest-in-suspense/income-in-suspense</u>		
Balance as at 1 January	365,883	–
Amount arising from acquisition of subsidiary companies	–	473,423
Provisions made during the financial year	189,162	14,694
Amount written back in respect of recoveries/reclassification	(107,623)	(6,026)
Amount transferred to provision for diminution in value of investment securities	(16,696)	–
Amount written off	(135,733)	(116,208)
Balance as at 31 December	294,993	365,883



## notes to the financial statements (cont'd)

## 8 OTHER ASSETS

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Interest/income receivable	49,398	54,232	72	–
Other debtors, deposits and prepayments, net of provision for doubtful debts of RM5,915,626 (2002: RM5,340,000)	242,238	284,465	76	–
Dealers' commission	4,645	12,392	–	–
Dividend receivable from subsidiary	–	–	55,484	–
Amount due from originating non-banking institutions for mortgage loans sold on their behalf to Cagamas Berhad (note (i))	26,943	61,560	–	–
Amounts recoverable from Danaharta (note (ii))	–	388	–	–
Deferred asset account (note (iii))	565,655	634,223	–	–
	<b>888,879</b>	<b>1,047,260</b>	<b>55,632</b>	<b>–</b>

(i) Amount due from originating non-banking institutions for mortgage loans sold on their behalf to Cagamas Berhad

In the normal course of its banking operations, the merchant bank subsidiary enters into agreements with third parties to acquire loans for onward sale to Cagamas Berhad with recourse. Included in 'Amount due to Cagamas Berhad' as disclosed in Note 15 is the outstanding balance of RM26,943,000 (2002: RM61,560,000) for which the merchant bank subsidiary is liable in respect of loans sold to Cagamas Berhad. The liability is fully indemnified by the originators of the loans and accordingly the amount so indemnified is disclosed as 'Amount due from originating non-banking institutions for mortgage loans sold on their behalf to Cagamas Berhad'.

(ii) Amounts recoverable from Danaharta

	GROUP	
	2003 RM'000	2002 RM'000
Balance as at 1 January	388	–
Amount arising from acquisition of subsidiary companies	–	646
Provision made during the period	(388)	(258)
Balance as at 31 December	–	388

(iii) Deferred asset account

The net asset deficiency, representing the excess of liabilities over the assets transferred arising from the acquisition of the assets and liabilities of OBB by EON Bank Berhad, is shown as deferred asset, and will be reduced progressively by an arrangement which has been agreed with Bank Negara Malaysia.

## notes to the financial statements (cont'd)

**9 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA**

The non-interest bearing statutory deposits are maintained by the banking, finance and merchant bank subsidiary companies with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (Revised-1994), the amounts of which are determined as set percentages of total eligible liabilities.

**10 INVESTMENT IN SUBSIDIARY COMPANIES**

	COMPANY	
	2003 RM'000	2002 RM'000
Unquoted shares, at cost	2,011,000	2,011,000

The subsidiary companies of the Company, which are all incorporated in Malaysia, are as follows:

Name of subsidiary companies	Principal activities	Issued and paid-up ordinary capital		Percentage of equity held	
		2003	2002	2003	2002
		RM	RM	%	%
<u>Held by the Company</u>					
EON Bank Berhad	Commercial Bank	1,329,807,163	1,329,807,163	100	100
<u>Held by EON Bank Berhad</u>					
Malaysian International Merchant Bankers Berhad	Merchant Bank	75,000,000	75,000,000	100	100
EON Finance Berhad	Finance company	275,000,000	275,000,000	100	100
EB Nominees (Tempatan) Sdn Bhd	Nominees services	10,000	10,000	100	100
EB Nominees (Asing) Sdn Bhd	Nominees services	10,000	10,000	100	100
EB Realty Sdn Bhd	Property investment	100,000	100,000	100	100
OBB Realty Sdn Bhd	Property investment	330,000	330,000	100	100
Oriental Nominee (Tempatan) Sdn Bhd	Nominees services	10,000	10,000	100	100
OFB Berhad	Dormant	105,626,000	105,626,000	100	100
<u>Held by Malaysian International Merchant Bankers Berhad</u>					
MIMB Nominees (Tempatan) Sendirian Berhad	Nominees services	10,000	10,000	100	100
MIMB Nominees (Asing) Sendirian Berhad	Nominees services	10,000	10,000	100	100

## notes to the financial statements (cont'd)

**10 INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)**

The subsidiary companies of the Company, which are all incorporated in Malaysia, are as follows: (Cont'd)

Name of subsidiary companies	Principal activities	Issued and paid-up ordinary capital		Percentage of equity held	
		2003 RM	2002 RM	2003 %	2002 %
<u>Held by EON Finance Berhad</u>					
CFB Asa Berhad	Dormant	35,549,000	35,549,000	100	100
CFB Nominees (Tempatan) Sdn Bhd	Dormant	2	2	100	100
PFB Asa Berhad	Dormant	32,600,000	32,600,000	100	100
Perkasa Nominees (Tempatan) Sdn Bhd	Dormant	10,000	10,000	100	100

**11 DEFERRED TAX ASSETS/(LIABILITIES)**

	GROUP	
	2003 RM'000	2002 RM'000
Movements in deferred tax assets/(liabilities) during the financial year are as follows:		
Balance as at 1 January		
As previously reported	(3,057)	–
Prior year adjustments (Note 40)	136,415	–
As restated	133,358	–
Arising from acquisition of subsidiary companies		
As previously reported	–	(2,560)
Prior year adjustments (Note 40)	–	134,731
As restated	–	132,171
Transfer from/(to) income statement		
As previously reported	–	(497)
Prior year adjustment (Note 40)	–	1,684
As restated	–	1,187
Current year's transfer	(1,234)	–
	(1,234)	1,187
Balance as at 31 December	132,124	133,358

## notes to the financial statements (cont'd)

## 11 DEFERRED TAX ASSETS/(LIABILITIES) (Cont'd)

Movements in deferred tax assets/(liabilities) during the financial year are as follows: (Cont'd)

Group	Differences arising from excess of		Amortisation of premium less accretion		Profit equalisation reserves	Other temporary differences	Total
	General loan loss provision	capital allowance over depreciation	Unutilised tax losses	of discounts			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2003</b>							
As at 1 January	105,577	(8,971)	27,775	2,510	3,923	2,544	133,358
Transfer to/(from) income statement	3,653	(3,561)	(12,404)	12,041	411	(1,374)	(1,234)
As at 31 December	109,230	(12,532)	15,371	14,551	4,334	1,170	132,124
<b>2002</b>							
As at 1 January	–	–	–	–	–	–	–
Arising from acquisition of subsidiary companies	105,664	(8,588)	27,855	2,326	3,261	1,653	132,171
Transfer (from)/ to income statement	(87)	(383)	(80)	184	662	891	1,187
As at 31 December	105,577	(8,971)	27,775	2,510	3,923	2,544	133,358

Movements in deferred tax liability during the financial year are as follows:

	COMPANY	
	2003	2002
	RM'000	RM'000
Balance as at 1 January	–	–
Transfer to income statement	(12,786)	–
Balance as at 31 December	(12,786)	–

The deferred tax liability arose from taxable temporary differences between the carrying value of dividend receivable from its subsidiary and its tax base, as such dividend revenue will be subject to income tax on a receipt basis in the following financial year.

## notes to the financial statements (cont'd)

## 12 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land and building		Buildings on freehold land RM'000	Office renovation RM'000	Furniture, fittings and equipment RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Total RM'000
		less than 50 years RM'000	50 years and more RM'000						
<b>2003</b>									
<u>Net book value</u>									
Net book value as at									
1 January	10,836	1,608	8,028	49,100	23,087	29,194	34,857	2,404	159,114
Additions	-	-	-	1,572	8,442	7,946	30,139	2,263	50,362
Disposals and write off	-	(835)	-	-	(293)	(867)	(961)	(1,118)	(4,074)
Depreciation charge for the financial year	-	(55)	-	(1,172)	(6,071)	(6,413)	(14,899)	(600)	(29,210)
<hr/>									
Net book value as at 31 December	10,836	718	8,028	49,500	25,165	29,860	49,136	2,949	176,192
<hr/>									
Cost	10,836	1,012	8,042	53,567	40,287	59,441	90,337	3,106	266,628
Accumulated depreciation	-	(294)	(14)	(4,067)	(15,122)	(29,581)	(41,201)	(157)	(90,436)
<hr/>									
Net book value as at 31 December	10,836	718	8,028	49,500	25,165	29,860	49,136	2,949	176,192
<hr/>									
<b>2002</b>									
Cost	10,836	2,213	8,042	51,995	40,804	55,725	100,594	6,974	277,183
Accumulated depreciation	-	(605)	(14)	(2,895)	(17,717)	(26,531)	(65,737)	(4,570)	(118,069)
<hr/>									
Net book value as at 31 December	10,836	1,608	8,028	49,100	23,087	29,194	34,857	2,404	159,114
<hr/>									

## notes to the financial statements (cont'd)

## 13 DEPOSITS FROM CUSTOMERS

	GROUP	
	2003	2002
	RM'000	RM'000
Demand deposits	1,976,262	2,383,727
Savings deposits	1,758,717	1,110,790
Fixed/Investment deposits	17,143,039	15,028,899
	<b>20,878,018</b>	18,523,416

(i) The maturity structure of fixed/investment deposits is as follows:

Due within six months	12,934,752	10,379,755
Six months to one year	3,345,644	3,497,596
One year to three years	845,810	1,134,307
Three years to five years	16,833	17,241
	<b>17,143,039</b>	15,028,899

(ii) The deposits are sourced from the following types of customers:

Business enterprises	7,083,530	5,698,186
Individuals	10,125,247	9,849,086
Others	3,669,241	2,976,144
	<b>20,878,018</b>	18,523,416

## 14 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP	
	2003	2002
	RM'000	RM'000
Licensed banks	1,096,478	1,734,285
Licensed finance companies	197,578	287,983
Other financial institutions	4,299,953	5,239,872
	<b>5,594,009</b>	7,262,140

Included in the above are negotiable instruments of deposit of the Group amounting to RM Nil (2002: RM895,000,000).

## notes to the financial statements (cont'd)

### 15 AMOUNT DUE TO CAGAMAS BERHAD

This relates to outstanding loan amount sold to Cagamas Berhad with recourse.

In the normal course of banking operations, the Group sells loans to Cagamas Berhad. The Group is liable in respect of the loans sold directly to Cagamas Berhad under the condition that the Group undertakes to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on prudence. Such financing transactions and the obligation to buy back the loans is reflected as a liability on the balance sheet.

### 16 PROVISION FOR TAXATION AND ZAKAT

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Taxation	61,042	88,030	–	40
Zakat	9,968	4,837	–	–
	<b>71,010</b>	<b>92,867</b>	<b>–</b>	<b>40</b>

### 17 LONG TERM BORROWINGS

On 12 December 2002, the Company issued RM300 million nominal amount of secured fixed rate bonds, at a discount in three tranches as follows:

#### Tranche 1

5.25% RM50 million nominal value secured fixed rate 3 year bonds, maturing on 12 December 2005;

#### Tranche 2

6.00% RM100 million nominal value secured fixed rate 5 year bonds, maturing on 12 December 2007; and

#### Tranche 3

6.75% RM150 million nominal value secured fixed rate 7 year bonds, maturing on 12 December 2009.

In July 2003, Rating Agency Malaysia Berhad ('RAM') has reaffirmed the long-term rating of A2 for the Company's long term bonds, which was awarded by RAM on December 2002.

A2 rating is defined by RAM as being able to offer adequate degree of safety for timely repayment of interest and principal and more susceptible to changes in circumstances and economic conditions than debts in higher-rated categories. The subscript 2 in this category indicates a mid-ranking in the A category.



## notes to the financial statements (cont'd)

**17 LONG TERM BORROWINGS (Cont'd)**

The main features of these bonds are as follows:

- (i) Each tranche of these bonds are represented by a Global Certificate to be deposited with Bank Negara Malaysia ('BNM') and will be traded under the Scripless Securities Trading System maintained by BNM;
- (ii) The bonds are in the denominations of RM1 million each and in integral multiples of RM1 million;
- (iii) The bonds bear interest at 5.25% (Tranche 1), 6.00% (Tranche 2) and 6.75% (Tranche 3) on the nominal value of the outstanding bonds, payable semi annually;
- (iv) The bonds are constituted by a Trust Deed dated 25 November 2002 made between the Company and the Trustees, which are entrusted to act for the benefit of the bondholders;
- (v) The bonds is secured against the Sinking Fund Accounts, solely operated and maintained by the Trustee;
- (vi) The bonds will be redeemed by the Company at their nominal value on the maturity date of each tranche or purchased by tender or private treaty for cancellation; and
- (vii) The bonds shall constitute direct, secured and unconditional obligations of the Company, ranking pari passu without any preference or priority amongst themselves and with all others present and future secured and unsubordinated obligations of the Company.

**18 OTHER LIABILITIES**

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Other liabilities	217,756	205,758	837	706
Interest/dividend payable	170,780	167,577	976	976
Profit equalisation reserves (Note (i))	15,479	14,008	–	–
	<b>404,015</b>	387,343	<b>1,813</b>	1,682

- (i) Movements in profit equalisation reserves are as follows:

Balance as at 1 January	14,008	–	–	–
Amount arising from acquisition of subsidiary companies	–	11,644	–	–
Provisions made during the financial year	1,471	2,364	–	–
Balance as at 31 December	<b>15,479</b>	14,008	–	–

## notes to the financial statements (cont'd)

## 19 SHARE CAPITAL

	GROUP AND COMPANY	
	2003	2002
	RM'000	RM'000
<u>Ordinary shares of RM1 each</u>		
Authorised:		
Balance as at 1 January	2,000,000	100
Creation	–	1,999,900
Balance as at 31 December	2,000,000	2,000,000
Issued and fully paid:		
Balance as at 1 January	693,209	–*
Shares issued pursuant to rights issue	–	10
Shares issued pursuant to KCHB Scheme of Arrangement	–	94,788
Shares issued pursuant to EBB Scheme of Arrangement	–	598,411
Balance as at 31 December	693,209	693,209

\* denotes RM2

In the previous financial year ended 31 December 2002, the issued and paid-up ordinary share capital of the Company was increased from RM2 to RM693,208,732 by the issue of 693,208,730 fully paid-up ordinary shares of RM1.00 each as a result of the following transactions:

(i) The Company issued and allotted 9,888 new ordinary shares of RM1 each at an issue price of RM1.20 per ordinary share in respect of Non Renounceable Rights Issue to finance the working capital of the Company;

(ii) Kedah Cement Holdings Berhad ('KCHB') Scheme of Arrangement

Pursuant to the KCHB Scheme of Arrangement between KCHB and its shareholders under Section 176 of the Companies Act, 1965, EON Capital Berhad ('ECB') allotted and issued 94,787,685 ordinary shares of RM1 each to the KCHB Minority Shareholders on the basis of one new ECB share for every one KCHB share originally held by the KCHB Minority Shareholders. The total cash consideration of RM216,683,488 for the issuance of ordinary shares was fully paid-up by Malayan Cement Berhad ('MCB'); and

(iii) EON Bank Berhad ('EBB') Scheme of Arrangement

Pursuant to the EBB Scheme of Arrangement and Amalgamation between EBB and its shareholders under Section 176 of the Companies Act, 1965, EBB shares were transferred and vested in ECB for a total consideration of RM2,011,000,000. The total consideration were satisfied partly by issuance of 598,411,047 new ECB ordinary shares at an issue price of RM2.58 per ordinary share and the balance via cash consideration of RM467,099,444. The cash consideration was financed via issuance of RM300 million nominal value of secured fixed rate bonds, at a discount and proceeds from the payment made by MCB as mentioned in paragraph (ii) above.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company. With effect from 23 December 2002, the entire issued and paid-up ordinary share capital of the Company were listed and quoted on the Main Board of the Malaysia Securities Exchange Berhad.

## notes to the financial statements (cont'd)

## 20 RESERVES

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<u>Non-distributable</u>				
Share premium	1,066,296	1,066,440	1,066,296	1,066,440
Statutory reserve	165,096	7,075	–	–
Reserve arising on consolidation	200,897	200,897	–	–
	<b>1,432,289</b>	1,274,412	<b>1,066,296</b>	1,066,440
<u>Distributable</u>				
Retained profits/(Accumulated losses)	188,718	18,346	52,115	(1,352)
	<b>1,621,007</b>	1,292,758	<b>1,118,411</b>	1,065,088

The statutory reserve represents non-distributable profits held by the banking, merchant banking and finance company subsidiaries in compliance with Section 36 of the Banking and Financial Institutions Act, 1989. These funds are not distributable as cash dividend.

There are sufficient Section 108 tax credits to frank RM190,000 of retained profits of the Company as at 31 December 2003 if paid out as dividend. The extent of the retained profits not covered at 31 December 2003 amounted to RM51,925,000.

## 21 INTEREST INCOME

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Loans and advances	1,478,644	125,266	–	–
Money at call and deposit placements				
with financial institutions	85,383	4,839	926	163
Dealing securities	22,974	1,683	–	–
Investment securities	203,606	16,182	–	–
	<b>1,790,607</b>	147,970	<b>926</b>	163
Accretion of discount less amortisation of premium	(48,708)	2,940	–	–
Net interest suspended	(79,487)	(9,927)	–	–
	<b>1,662,412</b>	140,983	<b>926</b>	163

## notes to the financial statements (cont'd)

## 22 INTEREST EXPENSE

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Deposits and placements of banks and other financial institutions	116,018	14,869	–	–
Deposits from other customers	666,022	50,319	–	–
Long term borrowings	20,713	1,081	20,713	1,081
Others	29,075	3,078	–	–
	<b>831,828</b>	69,347	<b>20,713</b>	1,081

## 23 LOAN AND FINANCING LOSS AND PROVISION

	GROUP	
	2003 RM'000	2002 RM'000
Provision for bad and doubtful debts and financing:		
- specific provision (net)	185,340	3,366
- general provision	13,047	(313)
Bad debts and financing:		
- written-off	4,694	284
- recovered	(27,592)	(695)
	<b>175,489</b>	2,642
Provision for amounts recoverable from Danaharta:		
- amount charged during the period	388	258
Total	<b>175,877</b>	2,900

## 24 NET GAIN/(LOSS) FROM INVESTMENT SECURITIES

Net gain from sale of investment securities	43,799	11,549
Less: Provision for diminution in value of investment securities	(24,866)	(17,873)
	<b>18,933</b>	(6,324)

## 25 DIVIDEND INCOME

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Dividend income from its subsidiary	–	–	87,270	–
Other dividend income:				
- in Malaysia	3,700	109	–	–
	<b>3,700</b>	109	<b>87,270</b>	–

## notes to the financial statements (cont'd)

## 26 OTHER INCOME

	GROUP	
	2003 RM'000	2002 RM'000
Foreign exchange (loss)/gain:		
- realised	(36)	167
- unrealised	7,684	396
Rental income from premises	304	49
Gain on disposal of property, plant and equipment	2,306	721
Write back of provision for commitments and contingencies	168	95
Other non-operating income	4,522	5,677
	<b>14,948</b>	<b>7,105</b>

## 27 OVERHEAD EXPENSES

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Personnel costs	241,212	17,903	-	-
Establishment costs	96,247	12,652	-	-
Marketing expenses	53,169	4,248	-	-
Administration and general expenses	79,965	12,545	1,070	383
	<b>470,593</b>	<b>47,348</b>	<b>1,070</b>	<b>383</b>

(a) Personnel costs comprise the following:

Salaries, bonus and allowances	195,023	11,606	-	-
Defined contribution plan	31,776	4,597	-	-
Other employee benefits	14,413	1,700	-	-
	<b>241,212</b>	<b>17,903</b>	<b>-</b>	<b>-</b>

(b) The above expenditure includes the following statutory disclosures:

Directors' remuneration (Note 28)	1,337	1,149	444	-
Rental of premises	27,966	2,216	-	-
Hire of equipment	4,331	320	-	-
Auditors' remuneration	385	385	35	35
Depreciation of property, plant and equipment	29,210	2,483	-	-
Property, plant and equipment written off	1,718	1,572	-	-

## notes to the financial statements (cont'd)

**28 DIRECTORS' REMUNERATION**

Forms of remuneration in aggregate for all Directors charged against the profit for the financial year are as follows:

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Non-Executive Directors:				
- Fees	1,204	1,026	420	-
- Other remuneration	133	123	24	-
	1,337	1,149	444	-

Other remuneration comprises benefits-in-kind and Directors' meeting allowances.

The estimated cash value of benefits-in-kind of Directors of the Group and of the Company amounted to RM10,904 (2002: RM9,114) and RM Nil (2002: Nil) respectively.

**29 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES****(a) Related parties and relationships**

The related parties of, and their relationship (other than those disclosed in Note 10 to the financial statements) with the Group and the Company are as follows:

Related parties	Relationship
Edaran Otomobil Nasional Berhad ('EON Berhad')	Ultimate holding company
Other companies in EON Berhad Group	Other related parties
Other companies in the DRB-HICOM Berhad Group	Other related parties
Tan Sri Dato' Seri Dr. Mohd Saleh bin Sulong	Director of the Company
Rin Kei Mei	Director of the Company

**(b) Significant related party transactions and balances**

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. These significant related party transactions were carried out on commercial terms (i.e. terms and conditions obtainable in transactions with unrelated parties) and at market rates unless otherwise stated.

	COMPANY		
	Ultimate holding company RM'000	Subsidiary companies RM'000	Other related parties RM'000
<u>Income</u>			
Interest on fixed deposits	-	926	-
<u>Amount due from</u>			
Fixed deposits	-	32,019	-

## notes to the financial statements (cont'd)

## 29 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

## (b) Significant related party transactions and balances (Cont'd)

	COMPANY		
	Ultimate holding company RM'000	Subsidiary companies RM'000	Other related parties RM'000
<b>2002</b>			
<u>Income</u>			
Interest on fixed deposits	–	163	–
<u>Amount due from</u>			
Fixed deposits	–	37,500	–
	GROUP		
	Ultimate holding company RM'000	Subsidiary companies RM'000	Other related parties RM'000
<b>2003</b>			
<u>Income</u>			
Interest on loans and advances	–	–	2,591
<u>Expenditure</u>			
Interest on deposits and placements	9,300	–	19,135
Other expenses	9,553	–	818
<u>Amount due from</u>			
Loans and advances	–	–	71,072
<u>Amount due to</u>			
Current accounts	794	–	85,447
Fixed deposits	344,327	–	355,156
Others	–	–	10,562
<b>2002</b>			
<u>Income</u>			
Interest on loans and advances	–	–	912
<u>Expenditure</u>			
Interest on deposits and placements	437	–	985
Other expenses	1,289	–	–
<u>Amount due from</u>			
Loans and advances	–	–	74,240
<u>Amount due to</u>			
Current accounts	1,144	–	60,834
Savings deposits	–	–	10,346
Fixed deposits	225,022	–	551,519
Others	30,550	–	6,450

## notes to the financial statements (cont'd)

## 29 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

## (b) Significant related party transactions and balances (Cont'd)

Included in the 'Other related parties' are transactions and balances with the abovementioned Directors or with companies in which these Directors are deemed to have substantial interests.

Transactions with other related parties are aggregated because these transactions are similar in nature and no single transaction with these parties is significant enough to warrant separate disclosure.

Other than the above mentioned significant related party transactions and balances related to the Group's banking and finance business, set out below are significant related party transactions that are not related to the banking and finance business. These transactions are transacted in the normal course of business and carried out on terms and conditions obtainable in transactions with unrelated parties.

	GROUP	
	2003 RM'000	2002 RM'000
Rental and service charges payable to CCL (Cyclecarri) Properties Sdn Bhd (a company in which a substantial shareholder is deemed to have an interest)	10,686	1,319
Insurance premium payable to Uni.Asia General Insurance Berhad (a subsidiary of DRB-HICOM Group)	2,739	–
Insurance premium payable to Uni.Asia Life Assurance Berhad (a subsidiary of DRB-HICOM Group)	607	–
Purchase of motor vehicles from Euromobil Sdn Bhd (a subsidiary of EON Berhad Group)	1,987	–
Purchase of motor vehicles from EON Berhad	477	–
Sales of motor vehicles to EON Berhad	739	–
Security services payable to SRT-EON Security Services Sdn Bhd (an associate of EON Berhad)	1,112	–

## 30 TAXATION

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Malaysian income tax:				
- Current year	130,798	12,695	160	40
- Overprovision of prior years	(14,882)	–	–	–
	115,916	12,695	160	40
Transfer to deferred taxation				
- As previously reported	–	497	–	–
- Prior year adjustments (Note 40)	–	(1,684)	–	–
	–	(1,187)	–	–
- As restated	–	(1,187)	–	–
- Current year's transfer	1,234	–	12,786	–
	1,234	(1,187)	12,786	–
Tax charge for the financial year	117,150	11,508	12,946	40



## notes to the financial statements (cont'd)

**30 TAXATION (Cont'd)**

The reconciliation between the tax on the Group's and Company's accounting profit with the theoretical amount that would arise using the statutory income tax rate of Malaysia is as follows:

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Profit/(loss) before taxation	450,675	37,268	66,413	(1,301)
Tax calculated at a rate of 28% (2002: 28%)	126,189	10,435	18,596	(364)
Tax effect of tax exempt dividend income	–	–	(6,330)	–
Tax effect of expenses not deductible for tax purposes	5,843	1,073	680	404
Overprovision of prior years	(14,882)	–	–	–
Tax charge for the financial year	117,150	11,508	12,946	40

**31 EARNINGS PER SHARE****(a) Basic earnings per share**

The basic earnings per share are calculated by dividing the net profit for the financial year by the weighted average number of ordinary shares of RM1 each in issue during the financial year.

	GROUP	
	2003 RM'000	2002 RM'000
Net profit for the financial year (RM'000)	328,393	25,432
Weighted average number of ordinary shares in issue ('000)	693,209	57,770
Basic earnings per share (sen)	47.4	44.0

**(b) Diluted earnings per share**

As at 31 December 2003 and 31 December 2002, the basic earnings per share are equal to the diluted earnings per share as there were no dilutive potential ordinary shares outstanding.

## notes to the financial statements (cont'd)

### 32 DIVIDEND

Dividend proposed in respect of financial year ended 31 December 2003 is as follows:

	GROUP AND COMPANY	
	2003	
	Gross dividend per share (sen)	Amount of dividend RM'000
Proposed first and final dividend	6.5	32,530

At the forthcoming Annual General Meeting, the first and final gross dividend of 6.5 sen per share on 693,208,732 ordinary shares, less income tax of 28%, amounting to RM32,530,000 for the financial year ended 31 December 2003 will be proposed for shareholder's approval. These financial statements do not reflect this final dividend which will be accrued as liability in the financial year ending 31 December 2004 when approved by the shareholders in the forthcoming Annual General Meeting.

### 33 COMMITMENTS AND CONTINGENCIES

In the normal course of the Group's banking and finance business, the banking and finance subsidiary companies make various commitments and incurs certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

#### Nature of commitments and contingencies

Direct credit substitutes comprise guarantees undertaken by the Group to support the financial obligations of their customers to third parties.

Certain transactions related contingent items represent financial products whose crystallisations are dependent on specific events other than default payment by the customers. They include performance related contingencies and standby letter of credit.

Short term self liquidating trade-related contingencies relate to bills of exchange which have been endorsed by the Group and represent liabilities in the event of default by the acceptors and the drawers of the bills.

Obligations under underwriting agreements arise from underwriting agreements relating to the issuance of equity and debts securities, where the Group is obliged to subscribe or purchase the securities in the event the securities are not taken up when issued.

Irrevocable commitments to extend credit include all obligations on the part of the Group to provide funding facilities or the undrawn portion of an approved credit facilities to customers.

Forward foreign exchange contracts are agreements to buy or sell fixed amounts of currency at agreed rates of exchange on a specified future date.

## notes to the financial statements (cont'd)

## 33 COMMITMENTS AND CONTINGENCIES (Cont'd)

## Nature of commitments and contingencies (Cont'd)

Risk Weighted Exposures of the Group as at 31 December:

	2003		2002	
	Principal amount RM'000	Credit equivalent amount* RM'000	Principal amount RM'000	Credit equivalent amount* RM'000
Direct credit substitutes	382,039	382,039	367,668	367,668
Certain transaction related contingent items	679,048	339,524	433,477	216,739
Short term self liquidating trade-related contingencies	177,572	35,514	145,343	29,069
Obligations under underwriting agreements	609,450	304,725	494,000	247,000
Irrevocable commitments to extend credit:				
- maturity more than one year	1,637,414	818,707	1,873,989	936,994
- maturity less than one year	4,575,807	–	4,055,722	–
Foreign exchange related contracts				
- maturity less than one year	1,454,540	31,907	1,538,018	19,463
Miscellaneous	252,268	–	366,655	–
<b>Total</b>	<b>9,768,138</b>	<b>1,912,416</b>	<b>9,274,872</b>	<b>1,816,933</b>

\* The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia guidelines.

Foreign exchange related contracts are subject to market risk and credit risk. There are no interest rate, equity and commodity related contracts as at 31 December 2003.

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 31 December 2003, the amount of contracts of the Group which were not hedged and, hence, exposed to market risk was RM12,245,096 (2002: RM4,852,080).

Credit risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Group has a gain position. As at 31 December 2003, the amount of credit risk of the Group, measured in terms of the cost to replace the profitable contracts, was RM14,385,090 (2002: RM3,218,403). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

## notes to the financial statements (cont'd)

**34 CAPITAL COMMITMENTS**

	GROUP	
	2003	2002
	RM'000	RM'000
Capital expenditure not provided for in the financial statements are as follows:		
Property, plant and equipment		
- Authorised and contracted for	22,250	26,765
- Authorised but not contracted for	27,273	9,210
	<b>49,523</b>	<b>35,975</b>

**35 LEASE COMMITMENTS**

The Group has lease commitments in respect of rented premises and equipment on hire, all of which are classified as operating leases. A summary of the non-cancellable long-term commitments, net of sub-leases is as follows:

	GROUP	
	2003	2002
	RM'000	RM'000
<u>Year</u>		
Within 1 year	4,474	3,370
Later than 1 year and not later than 5 years	4,035	3,072
Later than 5 years	26,432	28,843

**36 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the balance sheet date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resultant fair value estimates.

In addition, fair value information for non-financial assets and liabilities are excluded, as they do not fall within the scope of MASB 24, which requires the fair value information to be disclosed. These include property, plant and equipment, investment in subsidiaries and associated companies and intangibles.

## notes to the financial statements (cont'd)

**36 FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont'd)**

A range of methodologies and assumptions had been used in deriving the fair values of the Group's financial instruments at balance sheet date. The total fair value of each financial instrument is not materially different from the total carrying value, except for the following financial assets and liabilities:

	GROUP 2003	
	Carrying value RM'000	Fair value RM'000
On-balance sheet items		
<u>Financial assets</u>		
Investment securities	4,443,270	4,466,489
Loans, advances and financing	21,288,355	21,710,644

	GROUP 2002	
	Carrying value RM'000	Fair value RM'000
On-balance sheet items		
<u>Financial assets</u>		
Dealing securities	954,842	981,894
Investment securities	4,357,813	4,371,776
Loans, advances and financing	20,573,665	21,753,185

<u>Financial liabilities</u>		
Deposits from customers	18,523,416	18,814,747
Deposits and placements of banks and other financial institutions	7,262,140	6,707,293
Amount due to Cagamas Berhad	841,981	887,188

Off-balance sheet items

The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuation in market interest rates or foreign exchange rates relative to their terms. The extent to which instruments are favourable or unfavourable and the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

## notes to the financial statements (cont'd)

## 36 FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont'd)

The fair values of derivative financial instruments at the balance sheet date are as follows:

	GROUP					
	2003			2002		
	Underlying notional amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000	Underlying notional amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
Foreign exchange related contracts:						
- Forward contracts	1,454,540	14,586	6,214	1,538,018	3,218	2,659

The changes in fair value of all forward foreign exchanges related contracts are recognised in the income statement for the period in which they arise.

The estimated fair values are derived using the following methodologies and assumptions:

Cash and short term funds

The fair values of cash and short term funds approximate their carrying values.

Deposits and placements with financial institutions

For deposits and placements with financial institutions with maturities of less than three months, the carrying values are reasonable estimates of their fair values.

For deposits and placements with maturities three months and above, estimated fair value are based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

Dealing and investment securities

The estimated fair values are generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been assessed by reference to market indicative interest yields or net tangible asset backing of the investee.

Loans, advances and financing

For floating rate loans, the carrying values are generally reasonable estimates of their fair values.

For fixed rate loans, the fair values are estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

The fair values of impaired floating and fixed rate loans are represented by their carrying values, net of specific provision and interest-in-suspense/income-in-suspense, being the expected recoverable amounts.

## notes to the financial statements (cont'd)

**36 FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont'd)**Deposits from customers

For deposits from customers with maturities of less than three months, the carrying amounts are reasonable estimates of their fair values.

For deposit with maturities of three months or more, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

Deposits and placements of banks and other financial institutions

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than three months approximate their carrying values.

For deposits and placements with maturities three months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for deposits and placements with similar remaining period to maturities.

Obligations on securities sold under repurchase agreements

The fair values of obligations on securities sold under repurchase agreements approximate their carrying values.

Bills and acceptances payable

The fair values of bills and acceptances payable approximate their carrying values.

Amount due to Cagamas Berhad

The estimated fair values for Amount due to Cagamas Berhad is based on discounted cash flows using the prevailing interest rates offered by Cagamas Berhad for hire-purchase and housing loans sold to Cagamas Berhad with similar remaining period to maturities.

Long term borrowings

The estimated fair values are estimated based on discounted cash flows using a discounted rate based upon the borrowing rate which the Directors expect would be available to the Group at the balance sheet date.

Other assets and liabilities

The carrying values less any estimated allowance for financial assets and liabilities included in 'Other assets and liabilities' are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

Foreign exchange related contracts

The fair values of foreign exchange rate related contracts are the estimated amounts the Group would receive or pay to terminate the contracts at the balance sheet date.

## notes to the financial statements (cont'd)

**37 ACQUISITION OF SUBSIDIARY COMPANIES**

On 2 December 2002, EON Bank Berhad ('EBB') and its subsidiary companies became wholly-owned subsidiaries of EON Capital Berhad ('ECB') pursuant to the EBB Scheme of Arrangement and Amalgamation between EBB and its shareholder under Section 176 of the Companies Act, 1965, for a total purchase consideration of RM2,011,000,000. The total consideration was satisfied partly by issuance of 598,411,047 ECB ordinary shares at an issue price of RM2.58 per ordinary share and the balance via cash consideration of RM467,099,444.

Details of net assets acquired, reserve arising on consolidation and cash flow arising from the acquisition are as follows:

	At date of acquisition RM'000
Cash and short-term funds	1,977,788
Deposits and placements with financial institutions	341,000
Dealing securities	938,730
Investment securities	3,904,035
Loans, advances and financing	20,584,613
Statutory deposits with Bank Negara Malaysia	896,077
Other assets	815,012
Deferred tax assets	134,731
Property, plant and equipment	157,228
Deposits from customers	(17,884,580)
Deposits and placements of banks and other financial institutions	(7,218,065)
Obligations on securities sold under repurchase agreements	(854,275)
Bills and acceptances payable	(227,822)
Amount due to Cagamas Berhad	(855,426)
Provision for taxation and zakat	(88,373)
Other liabilities	(408,776)
<b>Net assets acquired at the date of acquisition</b>	<b>2,211,897</b>
Reserve arising on consolidation	(200,897)
<b>Total purchase consideration</b>	<b>2,011,000</b>
Less: Purchase consideration satisfied by issuance of share	(1,543,901)
<b>Purchase consideration discharged by cash</b>	<b>467,099</b>
Less: Cash and cash equivalents in subsidiary companies acquired	(1,977,788)
<b>Net cash inflow on acquisition of subsidiary companies</b>	<b>(1,510,689)</b>

Due to the adoption of MASB 25, both the net assets acquired at the date of acquisition and reserves arising on consolidation have increased by RM134,731,000 to RM2,211,897,000 and RM200,897,000 respectively. This adjustment was being made to account for the effects of recognising deferred tax assets in the subsidiary companies' consolidated financial statements at the date of acquisition. Such effects are disclosed in Note 40 to the financial statements.



## notes to the financial statements (cont'd)

## 37 ACQUISITION OF SUBSIDIARY COMPANIES (Cont'd)

The effects of this acquisition on the financial results of the Group during the financial year ended 31 December 2002 are as follows:

	Group 2002 RM'000
Interest income	140,983
Interest expense	(68,266)
Net interest income	72,717
Income from Islamic Banking	8,200
	80,917
Loan and financing loss and provision	(2,900)
Profit equalisation reserves	(2,364)
	75,653
Fee and commission income	8,664
Net loss from investment securities	(6,324)
Net gain from dealing securities	490
Dividend income	109
Other income	7,105
Net income	85,697
Overhead expenses	(46,965)
Profit before taxation and zakat	38,732
Taxation	(11,508)
Zakat	(328)
Increase in Group's net profit for the financial year	26,896

The effects of this acquisition on the financial position of the Group as at 31 December 2002 are as follows:

Cash and short-term funds	2,221,890
Deposits and placements with financial institutions	393,000
Dealing securities	954,842
Investment securities	4,357,813
Loans, advances and financing	20,573,665
Other assets	1,047,260
Statutory deposits with Bank Negara Malaysia	865,213
Deferred tax assets	133,358
Property, plant and equipment	159,114
Deposits from customers	(18,523,416)
Deposits and placements of banks and other financial institutions	(7,262,140)
Obligations on securities sold under repurchase agreements	(1,168,396)
Bills and acceptances payable	(155,565)
Amount due to Cagamas Berhad	(841,980)
Provision for taxation and zakat	(92,827)
Other liabilities	(385,661)
Increase in Group's net assets	2,276,170

## notes to the financial statements (cont'd)

**38 SEGMENTAL REPORTING**

The Group can be divided into four major business lines, i.e. Enterprise Banking, Individual Banking, Islamic Banking and Treasury and Investment Banking. The business lines are the basis on which the Group reports its primary segment information.

Enterprise Banking focuses on providing a full range of commercial banking products to small and medium sized enterprises and corporate customers of the Group.

Individual Banking provides a complete selection of banking products and services to individual customers of the Group.

Islamic Banking focuses on providing a full range of banking products and services based on Islamic principles to individual customers, small and medium sized customers and corporate customers of the Group.

Treasury and Investment Banking is involved in the fund management of the Group and in proprietary trading in treasury related products and services. It is also involved in providing services to corporate clients and financial institutions in relation to structured financing, origination and distribution of debt and equity capital market products, mergers and acquisitions, debt restructurings, corporate advisory, Islamic capital market products and project advisory.

Group	Enterprise Banking RM'000	Individual Banking RM'000	Islamic Banking RM'000	Treasury and Investment Banking RM'000	Total RM'000
<b>2003</b>					
Gross operating revenue <sup>(1)</sup>	510,506	1,146,519	197,838	216,792	2,071,655
Less: Inter-segment revenue <sup>(2)</sup>	(958)	(12,064)	–	(736)	(13,758)
	<b>509,548</b>	<b>1,134,455</b>	<b>197,838</b>	<b>216,056</b>	<b>2,057,897</b>
Segment results	<b>114,557</b>	<b>260,000</b>	<b>26,976</b>	<b>66,291</b>	<b>467,824</b>
Unallocated costs					<b>(17,149)</b>
Profit before taxation and zakat					<b>450,675</b>
Taxation and zakat					<b>(122,282)</b>
Net profit for the financial year					<b>328,393</b>
<b>2002</b>					
Gross operating revenue <sup>(1)</sup>	60,517	92,478	16,953	17,874	187,822
Less: Inter-segment revenue <sup>(2)</sup>	(91)	(1,639)	–	(238)	(1,968)
	<b>60,426</b>	<b>90,839</b>	<b>16,953</b>	<b>17,636</b>	<b>185,854</b>
Segment results	22,590	16,860	(3,526)	3,508	39,432
Unallocated costs					(2,164)
Profit before taxation and zakat					37,268
Taxation and zakat					(11,836)
Net profit for the financial year					25,432

## Notes:

(1) Gross operating revenue comprised gross interest income received from loans, advances and financing (net of interest/income suspended), dealing securities, investment securities (net of accretion of discount less amortisation of premium) and inter-bank placements and deposits, fees income, realised gains or loss from dealing and investment securities, gross income received from Islamic banking and other operating revenue.

(2) Inter-segment transactions are carried out on commercial terms at market rates obtainable in transactions with unrelated parties.

## notes to the financial statements (cont'd)

## 38 SEGMENTAL REPORTING (Cont'd)

Group	Enterprise Banking RM'000	Individual Banking RM'000	Islamic Banking RM'000	Treasury and Investment Banking RM'000	Total RM'000
<b>2003</b>					
Segment assets	8,507,939	15,400,702	3,095,518	3,528,477	30,532,636
Unallocated assets					1,108,246
Total assets					<u>31,640,882</u>
Segment liabilities	8,186,244	14,775,394	2,859,847	3,017,743	28,839,228
Unallocated liabilities					487,438
Total liabilities					<u>29,326,666</u>
Other segment information:					
Capital expenditure	18,656	27,369	1,111	3,226	50,362
Depreciation of property, plant and equipment	10,132	17,033	279	1,766	29,210
Other non-cash expenses	151,326	206,608	34,136	53,848	445,918
<b>2002</b>					
Segment assets	9,090,150	14,475,017	2,869,908	3,215,587	29,650,662
Unallocated assets					1,055,493
Total assets					<u>30,706,155</u>
Segment liabilities	8,397,143	14,043,758	2,602,393	3,085,806	28,129,100
Unallocated liabilities					591,088
Total liabilities					<u>28,720,188</u>
Other segment information:					
Capital expenditure	1,784	3,333	595	1,725	7,437
Depreciation of property, plant and equipment	568	1,132	189	594	2,483
Other non-cash expenses	13,415	29,698	7,626	2,841	53,580

## notes to the financial statements (cont'd)

**38 SEGMENTAL REPORTING (Cont'd)**

The reconciliation for total segments gross operating revenue to the net income of the consolidated income statement is as follows:

	GROUP	
	2003 RM'000	2002 RM'000
Total segments gross operating revenue [of which: Gross operating revenue from Islamic Banking of RM197,838,000 (2002: RM16,954,000)]	2,057,897	185,854
Less:		
Interest expense [of which: Dividend expense from Islamic Banking of RM102,587,000 (2002: RM8,754,000)]	(934,415)	(78,101)
Loan and financing loss and provision	(175,877)	(2,900)
Profit equalisation reserves	(1,471)	(2,364)
Provision for diminution in value of investment securities	(24,866)	(17,873)
Net income	921,268	84,616

The Group's activities are predominantly carried out in Malaysia, with the Malaysian market contributing 99% of gross operating revenue. Accordingly, no information on the Group's operations by geographical segments has been provided.

**39 SIGNIFICANT EVENT SUBSEQUENT TO THE BALANCE SHEET DATE**

On 21 January 2004, EON Bank Berhad ('the Bank'), the commercial bank subsidiary issued USD225 million (equivalent to RM855 million) nominal value Subordinated Notes ('Notes') with a fixed coupon rate of 5.375% per annum payable semi-annually in arrears in July and January each year (subject to the revision of interest rates explained below) and which mature on 21 January 2014. The Bank may, at its option, but subject to the prior approval of Bank Negara Malaysia, redeem all of the Notes, at any time on or after the fifth (5) year from the Issue Date at the principal amount together with accrued interest. Should the Bank decide not to exercise its call option on the fifth (5) year from the Issue Date, the coupon rate will be revised to be equivalent to 3.95% above the US Treasury Rate per annum from the beginning of the sixth (6) year to the final maturity date.

The Notes are rated Baa3 by Moody's Investors Service Limited and listed on the Luxembourg Stock Exchange. Fitch Ratings Ltd. has also rated the Notes BB+. The net proceeds arising from the issuance of the Notes would be utilised for general banking purposes.

The above Notes constitute unsecured liabilities of the Bank and are subordinated to all deposit liabilities and all other liabilities except those liabilities which, by their terms, rank equally in rights of payment with the Notes. The Notes qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

## notes to the financial statements (cont'd)

**40 PRIOR YEAR ADJUSTMENTS**

During the financial year, the Group and the Company changed their accounting policy in respect of the recognition and measurement of deferred taxation in compliance with MASB 25 (Income Taxes).

In the previous financial year, deferred taxation was provided using the liability method in respect of all material timing differences between accounting income and taxable income except where the tax effects of such timing differences are expected to defer definitely. However, where net timing differences and unutilised tax losses give rise to net deferred tax benefits, these net benefits are not recognised, unless there is a reasonable expectation of realisation.

Under MASB 25, deferred taxation is provided in full, using the liability method, on all temporary differences between the tax bases of assets or liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The change in accounting policies has been accounted for retrospectively and has the effect of decreasing the net profit of the financial year of the Group by RM1,234,000. The comparatives have been restated as follows:

<b>Group</b>	<b>As previously reported RM'000</b>	<b>Effects of change in policy RM'000</b>	<b>As restated RM'000</b>
<u>At 30 November 2002 (date of acquisition)</u>			
- Deferred tax (liabilities)/assets	(2,560)	134,731	132,171
<u>At 31 December 2002</u>			
<u>Balance Sheet</u>			
- Retained profit	16,662	1,684	18,346
- Reserve on consolidation	66,166	134,731	200,897
- Deferred tax (liabilities)/assets	(3,057)	136,415	133,358
<u>For the financial year ended 31 December 2002</u>			
<u>Income Statement</u>			
- Taxation	13,192	(1,684)	11,508
- Net profit for the financial year	23,748	1,684	25,432
- Earnings per share (sen):			
- basic	41.1	2.9	44.0
- diluted	41.1	2.9	44.0

In the previous financial year, deferred tax liabilities were recognised and disclosed in the financial statements of the Group as "Other Liabilities". With the adoption of MASB 25, these amounts have been reclassified to "Deferred Tax Assets/(Liabilities)".

## notes to the financial statements (cont'd)

## 41 THE OPERATION OF ISLAMIC BANKING

## BALANCE SHEETS AS AT 31 DECEMBER 2003

	Note	GROUP	
		2003 RM'000	2002 RM'000
<b>ASSETS</b>			
Cash and short-term funds	3	6,502	5,832
Dealing securities	4	60,718	353,174
Investment securities	5	483,098	547,675
Loans, advances and financing	6	2,411,725	1,889,178
Other assets	7	5,804	27,369
Statutory deposits with Bank Negara Malaysia	8	105,976	43,131
Property, plant and equipment	9	1,538	712
<b>TOTAL ASSETS</b>		<b>3,075,361</b>	<b>2,867,071</b>
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>			
Deposits from customers	10	1,919,030	1,676,676
Deposits and placements of banks and other financial institutions	11	649,716	872,849
Bills and acceptances payable		2,047	1,244
Provision of zakat		9,968	4,837
Other liabilities	12	172,304	35,339
<b>TOTAL LIABILITIES</b>		<b>2,753,065</b>	<b>2,590,945</b>
<b>ISLAMIC BANKING FUNDS</b>		<b>322,296</b>	<b>276,126</b>
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>		<b>3,075,361</b>	<b>2,867,071</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	16	<b>705,294</b>	<b>481,070</b>
<b>INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003</b>			
Income derived from investment of depositors' funds	13(i)	175,967	15,107
Transfer to profit equalisation reserves		(1,471)	(2,364)
<b>Total attributable income</b>		<b>174,496</b>	<b>12,743</b>
Income attributable to depositors	13	(102,587)	(8,754)
<b>Income derived from investment of head office's funds</b>	13(i)	<b>71,909</b>	<b>3,989</b>
		21,871	1,847
Income from Islamic Banking	13	93,780	5,836
Loan and financing loss and provision	14	(25,960)	(3,175)
<b>Net income</b>		<b>67,820</b>	<b>2,661</b>
Overhead expenses	15	(16,518)	(2,760)
<b>Profit/(loss) before zakat</b>		<b>51,302</b>	<b>(99)</b>
Zakat		(5,132)	(328)
<b>Profit/(loss) after zakat</b>		<b>46,170</b>	<b>(427)</b>

## notes to the financial statements (cont'd)

## 41 THE OPERATION OF ISLAMIC BANKING (Cont'd)

## STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

Group	Islamic Banking Funds RM'000	(Accumu- lated loss)/ Retained profit RM'000	Total RM'000
Balance as at 1 January 2003	276,553	(427)	276,126
Net profit for the financial year	–	46,170	46,170
Balance as at 31 December 2003	276,553	45,743	322,296
Funds allocated from Head Office at date of acquisition	276,553	–	276,553
Net loss for the financial year	–	(427)	(427)
Balance as at 31 December 2002	276,553	(427)	276,126

## CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

	GROUP	
	2003 RM'000	2002 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) after zakat	46,170	(427)
Adjustments for:		
Depreciation of property, plant and equipment	279	31
Net gain on disposal of property, plant and equipment	(42)	(18)
Net gain from sale of investment securities	(432)	(1,894)
Property, plant and equipment written off	4	2
Loan and financing loss and provision	25,960	3,175
Profit equalisation reserves	1,471	2,364
Net income suspended	2,052	278
Provision for diminution in value of investment securities	9,977	724
Accretion of discount less amortisation of premium	(10,351)	(515)
Dividend from investment securities	(14,530)	(1,040)
Zakat	5,132	328
	65,690	3,008

## notes to the financial statements (cont'd)

## 41 THE OPERATION OF ISLAMIC BANKING (Cont'd)

## CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003 (Cont'd)

	Note	GROUP	
		2003 RM'000	2002 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES (Cont'd)</b>			
(Increase)/decrease in operating assets			
Dealing securities		292,456	(14,580)
Loans, advances and financing		(550,559)	(29,639)
Statutory deposits with Bank Negara Malaysia		(62,845)	(537)
Other assets		19,860	(6,599)
		<b>(301,088)</b>	(51,355)
Increase/(decrease) in operating liabilities			
Deposits from customers		242,354	31,150
Deposits and placements of banks and other financial institutions		(223,133)	28,341
Bills and acceptances payable		803	695
Other liabilities		135,493	1,641
		<b>155,517</b>	61,827
Net cash (used in)/generated from operating activities		<b>(79,881)</b>	13,480
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of investment securities, net of purchases		65,383	(28,541)
Purchase of property, plant and equipment		(1,110)	(186)
Proceeds from disposal of property, plant and equipment		43	94
Dividend received from investment securities		16,235	4,426
Acquisition of subsidiary companies		–	16,559
Net cash generated from/(used in) investing activities		<b>80,551</b>	(7,648)
NET INCREASE IN CASH AND CASH EQUIVALENTS		<b>670</b>	5,832
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		<b>5,832</b>	–
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	3	<b>6,502</b>	5,832

## (1) ACCOUNTING POLICIES

The financial statements of the Group's Islamic banking operations have been prepared in accordance with the accounting policies indicated in the Summary of Significant Accounting Policies on pages 73 to 77 of the financial statements of the Group.

Certain comparative information has been extended due to the adoption of Malaysian Accounting Standard Board's approved accounting standards - MASB /-1 (Presentation of Financial Statements of Islamic Financial Institutions), which became operative during the financial year ended 31 December 2003.



## notes to the financial statements (cont'd)

## 41 THE OPERATION OF ISLAMIC BANKING (Cont'd)

## (2) SHARIAH ADVISORS

The Shariah advisors' role and authority are to advise the Group's Islamic Banking on matters pertaining to the compliance of Islamic Laws and to determine and certify that all Islamic Banking transactions comply with relevant Islamic Laws. The Shariah advisors also confirm on the zakat payable on behalf of Muslim shareholders of the Group.

## (3) CASH AND SHORT-TERM FUNDS

	GROUP	
	2003 RM'000	2002 RM'000
Non-Mudarabah:		
Cash and balances with banks and other financial institutions	6,502	5,832
	6,502	5,832
Mudarabah:		
Money at call and deposit placements maturing within one month	–	–
	6,502	5,832

## (4) DEALING SECURITIES

Quoted money market instruments:		
Khazanah bonds	–	9,068
Unquoted money market instruments:		
Negotiable Islamic debt certificates	–	23,495
	–	32,563
Unquoted securities:		
Murabahah Notes Issuance Facility (MUNIF)	–	40,000
Islamic private debts securities	60,718	280,611
	60,718	353,174
Market value of quoted money market instruments:		
Khazanah bonds	–	9,068

## notes to the financial statements (cont'd)

## 41 THE OPERATION OF ISLAMIC BANKING (Cont'd)

## (5) INVESTMENT SECURITIES

	GROUP	
	2003	2002
	RM'000	RM'000
Quoted money market instruments:		
Malaysian Government investment issues	226,513	177,915
Cagamas Mudarabah bonds	40,380	40,380
Khazanah bonds	25,191	96,807
Unquoted money market instruments:		
Green bankers' acceptances	–	1,088
Negotiable Islamic debt certificates	19,994	–
	312,078	316,190
Unquoted securities:		
Murabahah Notes Issuance Facility (MUNIF)	34,016	108,681
Islamic private debt securities	132,588	121,009
	478,682	545,880
Accretion of discount less amortisation of premium	8,596	2,712
Provision for diminution in value	(4,180)	(917)
	483,098	547,675
(i) Market value of quoted money market instruments:		
Malaysian Government investment issues	233,608	179,960
Cagamas Mudarabah bonds	40,414	40,380
Khazanah bonds	25,627	99,299
(ii) The maturity structure of money market instruments held for investment is as follows:		
Maturing within one year	119,785	87,228
One year to three years	156,913	187,663
Three years to five years	35,380	41,299
	312,078	316,190

## notes to the financial statements (cont'd)

## 41 THE OPERATION OF ISLAMIC BANKING (Cont'd)

## (6) LOANS, ADVANCES AND FINANCING

	GROUP	
	2003 RM'000	2002 RM'000
Overdraft	94,981	9,245
Term financing	3,547,761	2,812,895
Bill financing	131	–
Trust receipts	2,096	1,287
Claims on customer under acceptance credits	6,842	2,906
Revolving credit	101,347	65,778
Staff financing	37,857	33,530
Other financing	3,108	4,641
	<b>3,794,123</b>	2,930,282
Unearned income	<b>(1,297,858)</b>	(971,282)
Gross loans, advances and financing	<b>2,496,265</b>	1,959,000
Housing loans sold to Cagamas Berhad	<b>(3,490)</b>	(4,097)
	<b>2,492,775</b>	1,954,903
Provision for bad and doubtful debts and financing:		
- Specific	<b>(31,138)</b>	(23,821)
- General	<b>(44,271)</b>	(34,707)
Income-in-suspense	<b>(5,641)</b>	(7,197)
Net loans, advances and financing	<b>2,411,725</b>	1,889,178
(i) Loans, advances and financing analysed by concepts are as follows:		
Al-Bai' Bithaman Ajil (BBA)	<b>1,266,462</b>	802,526
Al-Ijarah Thumma Al-Bai (AITAB)	<b>1,107,096</b>	1,045,046
Al-Murabahah	<b>48,188</b>	26,397
Al-Istisna'	<b>14,785</b>	15,115
Other principles	<b>59,734</b>	69,916
	<b>2,496,265</b>	1,959,000
(ii) The maturity structure of loans, advances and financing is as follows:		
Maturing within one year	<b>270,572</b>	146,123
One year to three years	<b>158,873</b>	126,293
Three years to five years	<b>575,848</b>	431,025
Over five years	<b>1,490,972</b>	1,255,559
	<b>2,496,265</b>	1,959,000

## notes to the financial statements (cont'd)

## 41 THE OPERATION OF ISLAMIC BANKING (Cont'd)

## (6) LOANS, ADVANCES AND FINANCING (Cont'd)

	GROUP	
	2003 RM'000	2002 RM'000
(iii) Loans, advances and financing analysed by their economic purposes are as follows:		
Agriculture	34,684	36,124
Manufacturing	33,000	37,896
Electricity, gas and water	55	89
Construction	156,676	51,701
(of which: Infrastructure)	3,964	3,716
Real estate	59,015	38,759
Purchase of landed property	917,047	577,885
(of which: i Residential	764,473	472,168
ii Non-residential)	152,574	105,717
General commerce	20,580	20,372
Transport, storage and communication	35,747	35,261
Finance, insurance and business services	18,077	6,717
Purchase of securities	56,557	30,880
Purchase of transport vehicles	1,078,736	1,016,057
Consumption credit	68,647	79,413
Others	17,444	27,846
	<b>2,496,265</b>	<b>1,959,000</b>
(iv) Movements in non-performing loans and financing (including income receivable) are as follows:		
Balance as at 1 January	80,982	–
Amount arising from acquisition of subsidiary companies	–	99,555
Non-performing during the financial year (gross)	79,375	4,277
Amount recovered/reclassified	(39,572)	(22,444)
Amount written off	(14,665)	(406)
Amount converted to investment securities	(358)	–
	<b>105,762</b>	<b>80,982</b>
Non-performing loans which have no adverse financial impact on the Group	(23,202)	(24,978)
Balance as at 31 December	<b>82,560</b>	<b>56,004</b>
Net non-performing loans and financing	<b>52,914</b>	<b>31,308</b>
(As % of total loans net of specific provision and income-in-suspense)	<b>2.2%</b>	<b>1.7%</b>

## notes to the financial statements (cont'd)

## 41 THE OPERATION OF ISLAMIC BANKING (Cont'd)

## (6) LOANS, ADVANCES AND FINANCING (Cont'd)

	GROUP	
	2003 RM'000	2002 RM'000
(v) Movements in provision for bad and doubtful debts and financing and income-in-suspense are as follows:		
<u>General provision</u>		
Balance as at 1 January	34,707	–
Amount arising from acquisition of subsidiary companies	–	34,148
Provisions made during the financial year	9,564	559
Balance as at 31 December	44,271	34,707
(As % of total loans net of specific provision and income-in-suspense)	1.8%	1.8%
<u>Specific provision</u>		
Balance as at 1 January	23,821	–
Amount arising from acquisition of subsidiary companies	–	18,399
Provisions made during the financial year	22,914	2,966
Provisions charged to deferred asset during the financial year	2,269	3,177
Amount written back in respect of recoveries	(6,518)	(350)
Recoveries set off against deferred asset	(47)	–
Amount written off	(10,943)	(371)
Transfer to provision for diminution in value of investment securities	(358)	–
Balance as at 31 December	31,138	23,821
<u>Income-in-suspense</u>		
Balance as at 1 January	7,197	–
Amount arising from acquisition of subsidiary companies	–	6,951
Provisions made during the financial year	6,716	376
Amount written back in respect of recoveries	(4,549)	(94)
Amount written off	(3,723)	(36)
Balance as at 31 December	5,641	7,197

## notes to the financial statements (cont'd)

## 41 THE OPERATION OF ISLAMIC BANKING (Cont'd)

## (7) OTHER ASSETS

	GROUP	
	2003 RM'000	2002 RM'000
Income receivables	3,376	5,081
Amount due from Head Office (Note (i))	–	19,029
Other debtors, deposits and prepayments	2,428	3,259
	<b>5,804</b>	<b>27,369</b>

(i) Amount due from Head Office is arising from normal course of business between Conventional and Islamic Banking business for settlement purposes. The amount is unsecured, interest-free and repayable within a short period of time.

## (8) STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act 1958 (Revised - 1994), the amounts of which are determined as set percentages of total eligible liabilities.

## (9) PROPERTY, PLANT AND EQUIPMENT

Group	Office renovation RM'000	Furniture, fittings and equipment RM'000	Computer equipment and software RM'000	Motor vehicle RM'000	Total RM'000
<b>2003</b>					
Net book value as at 1 January	14	293	404	1	712
Additions	307	312	487	4	1,110
Disposals and write offs	–	(5)	–	–	(5)
Charge for the financial year	(57)	(66)	(154)	(2)	(279)
Net book value as at 31 December	<b>264</b>	<b>534</b>	<b>737</b>	<b>3</b>	<b>1,538</b>
Cost	1,929	880	1,134	20	3,963
Accumulated depreciation	(1,665)	(346)	(397)	(17)	(2,425)
Net book value as at 31 December	<b>264</b>	<b>534</b>	<b>737</b>	<b>3</b>	<b>1,538</b>
<b>2002</b>					
Cost	1,623	579	1,144	63	3,409
Accumulated depreciation	(1,609)	(286)	(740)	(62)	(2,697)
Net book value as at 31 December	14	293	404	1	712

## notes to the financial statements (cont'd)

## 41 THE OPERATION OF ISLAMIC BANKING (Cont'd)

## (10) DEPOSITS FROM CUSTOMERS

	GROUP	
	2003 RM'000	2002 RM'000
Non-Mudarabah:		
Al-Wadiah Demand deposits	160,721	112,487
Al-Wadiah Savings deposits	102,657	84,424
	<b>263,378</b>	196,911
Mudarabah:		
Al-Fareed Demand deposits	13,434	14,208
Al-Mudarabah Savings deposits	17,853	14,381
Total demand and savings deposits	<b>294,665</b>	225,500
Mudarabah:		
General investment deposits	781,956	599,651
Special investment deposits	488,090	256,747
Bai Al-Inah HARI	354,319	594,778
Total investment deposits	<b>1,624,365</b>	1,451,176
	<b>1,919,030</b>	1,676,676
(i) The maturity structure of investment deposits is as follows:		
Due within six months	1,158,989	788,570
Six months to one year	359,279	556,742
One year to three years	101,514	99,805
Three years to five years	4,583	6,059
	<b>1,624,365</b>	1,451,176
(ii) The deposits are sourced from the following types of customers:		
Business enterprises	660,371	359,449
Individuals	622,986	764,241
Others	635,673	552,986
	<b>1,919,030</b>	1,676,676

## notes to the financial statements (cont'd)

## 41 THE OPERATION OF ISLAMIC BANKING (Cont'd)

## (11) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP	
	2003 RM'000	2002 RM'000
Non-Mudarabah:		
Licensed finance companies	5,268	12,275
Other financial institutions	5,692	3,314
	<b>10,960</b>	15,589
Mudarabah:		
Licensed banks	487,485	382,274
Licensed finance companies	50,000	150,000
Other financial institutions	101,271	324,986
	<b>649,716</b>	872,849

## (12) OTHER LIABILITIES

Dividend payable	17,480	8,686
Amount due to Head Office (Note (i))	130,568	–
Other liabilities	8,777	12,645
Profit equalisation reserves (Note 18(i))	15,479	14,008
	<b>172,304</b>	35,339

(i) Amount due to Head Office is arising from normal course of business between Conventional and Islamic Banking business for settlement purposes. The amount is unsecured, interest-free and repayable within a short period of time.

## (13) INCOME FROM ISLAMIC BANKING

	GROUP	
	2003 RM'000	2002 RM'000
Income derived from investment of depositors' fund and funds allocated from Head Office (Note(i))	194,904	16,707
Transfer to profit equalisation reserves	(1,471)	(2,364)
	<b>193,433</b>	14,343
Income attributable to depositors:		
Other customers	(82,144)	(6,944)
Banks and financial institutions	(20,443)	(1,810)
	<b>(102,587)</b>	(8,754)
Income attributable to Group	90,846	5,589
Other income	2,934	247
Income from Islamic Banking	<b>93,780</b>	5,836



## notes to the financial statements (cont'd)

## 41 THE OPERATION OF ISLAMIC BANKING (Cont'd)

## (13) INCOME FROM ISLAMIC BANKING (Cont'd)

All types of deposits received from the Group's depositors are co-mingling into a single pool of funds. Islamic income/profit generated from the depositors' funds and Islamic banking funds is allocated proportionately between these funds using the weighted average method balances outstanding during the year.

The Group distributes Islamic income/profit derived from depositors' funds based on a pre-determined rate in the case of Mudarabah, and on a ratio determined at the discretion of the Group in the case of Non-Mudarabah. The profit/income distribution rate is arrived at after taking into consideration all direct expenditure attributable to the investment of those funds.

(i) Details of the income derived from investment of depositors' funds and funds allocated from Head Office are as follows:

	GROUP		
	Depositors' funds RM'000	IBF RM'000	Total RM'000
<b>2003</b>			
Income from financing:			
Al-Bai Bithaman Ajil (BBA)	55,898	4,717	60,615
Al-Ijarah Thumma Al-Bai (AITAB)	82,059	11,190	93,249
Al-Murabahah	2,989	225	3,214
Al-Istisna	1,249	94	1,343
Others	4,611	351	4,962
Investment income:			
Dividend from dealing securities	11,425	860	12,285
Net gain from dealing securities	4,148	312	4,460
Dividend from investment securities	13,513	1,017	14,530
Net gain from investment securities	402	30	432
Provision for diminution in value of investment securities	(9,279)	(698)	(9,977)
Income from inter-bank placements	1,334	158	1,492
Accretion of discount less amortisation of premium	9,471	880	10,351
Net income suspended	(1,853)	(199)	(2,052)
	<b>175,967</b>	<b>18,937</b>	<b>194,904</b>
Other income:			
Other fee income	–	2,074	2,074
Other non-operating income	–	860	860
	–	<b>2,934</b>	<b>2,934</b>
	<b>175,967</b>	<b>21,871</b>	<b>197,838</b>

## notes to the financial statements (cont'd)

## 41 THE OPERATION OF ISLAMIC BANKING (Cont'd)

## (13) INCOME FROM ISLAMIC BANKING (Cont'd)

- (i) Details of the income derived from investment of depositors' funds and funds allocated from Head Office are as follows:  
(Cont'd)

	GROUP		
	Depositors' funds RM'000	IBF RM'000	Total RM'000
<b>2002</b>			
Income from financing:			
BBA	3,781	319	4,100
AITAB	6,935	945	7,880
Al-Murabahah	196	15	211
Al-Istisna	106	9	115
Others	401	30	431
Investment income:			
Dividend from dealing securities	1,251	95	1,346
Net gain from dealing securities	95	7	102
Dividend from investment securities	971	69	1,040
Net gain from investment securities	1,762	132	1,894
Provision for diminution in value of investment securities	(674)	(50)	(724)
Income from inter-bank placements	68	7	75
Accretion of discount less amortisation of premium	466	49	515
Net income suspended	(251)	(27)	(278)
	15,107	1,600	16,707
Other income:			
Other fee income	–	154	154
Other non-operating income	–	93	93
	–	247	247
	15,107	1,847	16,954

	GROUP	
	2003 RM'000	2002 RM'000

The above income includes the following statutory disclosures:

Gain on disposal of property, plant and equipment	42	41
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## notes to the financial statements (cont'd)

## 41 THE OPERATION OF ISLAMIC BANKING (Cont'd)

## (14) LOAN AND FINANCING LOSS AND PROVISION

	GROUP	
	2003 RM'000	2002 RM'000
Provision for bad and doubtful debts and financing:		
- specific provision (net)	16,396	2,616
- general provision	9,564	559
	<b>25,960</b>	<b>3,175</b>

## (15) OVERHEAD EXPENSES

Personnel costs	7,143	943
Establishment costs	1,944	142
Marketing expenses	4,996	266
Administration and general expenses	2,435	1,409
	<b>16,518</b>	<b>2,760</b>

## (a) Personnel costs comprise the following:

Salaries, bonus and allowances	5,840	818
Defined contribution plan	956	119
Other employee benefits	347	6
	<b>7,143</b>	<b>943</b>

## (b) The above expenditure includes the following statutory disclosures:

Depreciation of property, plant and equipment	279	31
Loss on disposal of property, plant and equipment	–	23
Property, plant and equipment written off	4	2
Rental on property	1,134	80
Hire of equipments	27	(12)

## notes to the financial statements (cont'd)

## 41 THE OPERATION OF ISLAMIC BANKING (Cont'd)

## (16) COMMITMENTS AND CONTINGENCIES

In the normal course of the Group's banking and finance business, the banking and finance subsidiary companies make various commitments and incurs certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions. The nature of these commitments and contingencies is disclosed in Note 33 to the financial statements.

Risk Weighted Exposures of the Group as at 31 December:

	2003		2002	
	Principal amount RM'000	Credit equivalent amount* RM'000	Principal amount RM'000	Credit equivalent amount* RM'000
Direct credit substitutes	1,378	1,378	12,180	12,180
Certain transaction related contingent items	14,912	7,456	3,042	1,521
Short term self liquidating trade-related contingencies	5,068	1,014	2,043	408
Housing loans sold directly and indirectly to Cagamas Berhad with recourse	3,490	3,490	4,097	4,097
Obligations under underwriting agreements	115,000	57,500	25,000	12,500
Irrevocable commitments to extend credit				
- maturity exceeding one year	449,386	224,693	343,664	171,832
- maturity not exceeding one year	116,012	–	91,044	–
Miscellaneous	48	–	–	–
<b>Total</b>	<b>705,294</b>	<b>295,531</b>	<b>481,070</b>	<b>202,538</b>

\* The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia guidelines.

## (17) SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(i) Related parties and relationships

The related parties of and their relationship with the Group are disclosed in Note 29 to the financial statements.

## notes to the financial statements (cont'd)

## 41 THE OPERATION OF ISLAMIC BANKING (Cont'd)

## (17) SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

(ii) Significant related party transactions and balances

A number of banking transactions are entered into with related parties in the normal course of business. These include loans and deposits. These significant related party transactions were carried out on commercial terms (i.e. terms and conditions obtainable in transactions with unrelated parties) and at market rates unless otherwise stated.

	GROUP		
	Ultimate holding company	Subsidiary companies	Other related parties
2003	RM'000	RM'000	RM'000
<u>Expenditure</u>			
Dividend on fixed deposits	–	–	1,884
<u>Amount due from</u>			
Short term advances	–	–	8,544
<u>Amount due to</u>			
Fixed deposits - investment account	–	–	34,167
Al-Wadiah Savings	–	–	10,385
<b>2002</b>			
<u>Expenditure</u>			
Dividend on fixed deposits	–	–	–
<u>Amount due to</u>			
Fixed deposits - investment account	–	–	11,000
Al-Wadiah Savings	–	–	–

Transactions with other related parties are aggregated because these transactions are similar in nature and no single transaction with these parties is significant enough to warrant separate disclosure.

## notes to the financial statements (cont'd)

## 41 THE OPERATIONS OF ISLAMIC BANKING (Cont'd)

## (18) DISTRIBUTION OF ASSETS

The table below summarises the distribution of Islamic Banking operation's assets of the Group at carrying amounts in accordance with respective periods to maturity:

Group	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Assets with no fixed maturity RM'000	Total RM'000
<b>2003</b>							
Cash and short-term funds	-	-	-	-	-	6,502	6,502
Dealing securities	-	-	-	10,171	50,547	-	60,718
Investment securities	19,994	5,002	183,006	275,096	-	-	483,098
Loans, advances and financing	27,929	23,999	172,539	746,433	1,521,875	(81,050) <sup>^</sup>	2,411,725
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	105,976	105,976
Other assets <sup>(1)</sup>	-	-	-	-	-	7,342	7,342
<b>Total assets</b>	<b>47,923</b>	<b>29,001</b>	<b>355,545</b>	<b>1,031,700</b>	<b>1,572,422</b>	<b>38,770</b>	<b>3,075,361</b>
<b>2002</b>							
Cash and short-term funds	-	-	-	-	-	5,832	5,832
Dealing securities	-	-	40,000	219,538	93,636	-	353,174
Investment securities	1,088	11,848	239,676	282,505	12,558	-	547,675
Loans, advances and financing	53,342	18,245	74,536	557,318	1,251,462	(65,725) <sup>^</sup>	1,889,178
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	43,131	43,131
Other assets <sup>(1)</sup>	-	-	-	-	-	28,081	28,081
<b>Total assets</b>	<b>54,430</b>	<b>30,093</b>	<b>354,212</b>	<b>1,059,361</b>	<b>1,357,656</b>	<b>11,319</b>	<b>2,867,071</b>

<sup>^</sup> The negative balance represents specific provisions, income-in-suspense and general provisions for loans and advances made in accordance with the Group's accounting policy on provision for bad and doubtful debts and financing.

Note:

<sup>(1)</sup> Other assets include property, plant and equipment.

## notes to the financial statements (cont'd)

## 41 THE OPERATIONS OF ISLAMIC BANKING (Cont'd)

## (19) CONCENTRATION OF ASSETS RISKS

The table below sets out the concentrations of assets by economic sectors of the Group's Islamic Banking operations:

	Short term funds and placements with financial institutions RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Dealing securities RM'000	Investment securities RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total on-balance sheet exposures RM'000
<b>2003</b>							
Agriculture	-	-	-	-	34,684	-	34,684
Mining and quarrying	-	-	-	35,564	-	276	35,840
Manufacturing	-	-	-	1,065	32,224	10	33,299
Infrastructure and utilities	-	-	50,547	39,044	3,205	1,012	93,808
Construction	-	-	5,141	41,060	149,755	620	196,576
Real estate	-	-	-	-	53,321	-	53,321
General commerce	-	-	5,030	5,002	14,768	145	24,945
Transport, storage and communication	-	-	-	40,660	31,477	945	73,082
Finance, insurance and business services	1,441	-	-	60,374	17,289	368	79,472
Government and government agencies	1,773	105,976	-	260,329	-	-	368,078
Purchase of landed properties	-	-	-	-	916,079	-	916,079
Purchase of securities	-	-	-	-	56,557	-	56,557
Purchase of transport vehicles	-	-	-	-	1,066,594	-	1,066,594
Consumption credit	-	-	-	-	66,123	-	66,123
Others	-	-	-	-	17,410	-	17,410
	<b>3,214</b>	<b>105,976</b>	<b>60,718</b>	<b>483,098</b>	<b>2,459,486<sup>^</sup></b>	<b>3,376</b>	<b>3,115,868</b>
<b>2002</b>							
Agriculture	-	-	-	11,848	36,124	-	47,972
Mining and quarrying	-	-	16,246	51,418	27	396	68,087
Manufacturing	-	-	-	10,652	30,163	93	40,908
Infrastructure and utilities	-	-	186,430	113,172	89	1,751	301,442
Construction	-	-	26,031	35,202	47,683	833	109,749
Real estate	-	-	-	-	38,759	-	38,759
General commerce	-	-	60,755	4,954	19,185	928	85,822
Transport, storage and communication	-	-	31,149	-	31,500	709	63,358
Finance, insurance and business services	3,507	-	23,495	41,468	2,498	371	71,339
Government and government agencies	333	43,131	9,068	278,961	-	-	331,493
Purchase of landed properties	-	-	-	-	574,412	-	574,412
Purchase of securities	-	-	-	-	30,880	-	30,880
Purchase of transport vehicles	-	-	-	-	1,009,730	-	1,009,730
Consumption credit	-	-	-	-	77,051	-	77,051
Others	-	-	-	-	29,881	-	29,881
	<b>3,840</b>	<b>43,131</b>	<b>353,174</b>	<b>547,675</b>	<b>1,927,982<sup>^</sup></b>	<b>5,081</b>	<b>2,880,883</b>

<sup>^</sup> Excludes general provision for doubtful debts and financing amounting to RM44,271,000. (2002: RMRM34,707,000).





# EON CAPITAL

EON CAPITAL BERHAD

(454644-K) (Incorporated in Malaysia)

## proxy form

No. of Shares

I/WE \_\_\_\_\_  
(FULL NAME IN BLOCK CAPITALS)

of \_\_\_\_\_ being a  
(FULL ADDRESS)

member of EON CAPITAL BERHAD, hereby appoint \_\_\_\_\_  
(FULL NAME)

of \_\_\_\_\_  
(FULL ADDRESS)

or failing him/her, \_\_\_\_\_  
(FULL NAME)

of \_\_\_\_\_  
(FULL ADDRESS)

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Sixth Annual General Meeting of the Company to be held at Grand Prince Ballroom, Level 3, Prince Hotel & Residence, Jalan Conlay, 50450 Kuala Lumpur on Wednesday, 19 May 2004 at 10.00 a.m. and at any adjournment thereof, as indicated below:

NO	RESOLUTIONS	FOR	AGAINST
1.	To receive and adopt the Reports of the Directors and Auditors and the Audited Financial Statements for the financial year ended 31 December 2003.		
2.	To declare a first and final gross dividend of 6.5 sen per share less Malaysian Income Tax of 28% for the financial year ended 31 December 2003.		
3.	To re-elect Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh who retires in accordance with Article 97 of the Company's Articles of Association.		
4.	To re-elect. Mr. Wizayaratnam Somasundram who retires in accordance with Article 97 of the Company's Articles of Association.		
5.	To approve the payment of Non-Executive Directors' fees of RM420,000 for the financial year ended 31 December 2003.		
6.	To re-appoint Messrs. PricewaterhouseCoopers as Auditors and to authorise the Directors to fix their remuneration.		

Please indicate with an "X" in the spaces above on how you wish your vote to be cast. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Dated this \_\_\_\_\_ day of \_\_\_\_\_

\_\_\_\_\_  
Signature of Shareholder

### NOTES:

1. A member entitled to attend the meeting may appoint a proxy who may but need not be a member of the Company.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 12th Floor, Wisma Cyclecarri, No. 288, Jalan Raja Laut, 50350 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting.
3. If the member is a corporation, the proxy form should be executed under its Common Seal or under the hand of an officer or attorney duly authorised.