

13. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
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5 PROFORMA CIMB BERHAD GROUP (CONTINUED)

5.3.20 Commitments and contingencies (continued)

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 amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 30 June 2002, the amount of foreign exchange exposure in terms of net outstanding amount was RM10,740,000, while amount of interest rate exposure in terms of net interest rate repricing gap were RM1,213,107,837.

Credit risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the CIMB Group has a gain position. As at 30 June 2002, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM233,680,678. The amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

5.3.21 Capital commitments

Capital expenditure not provided for in the financial statements are as follows:

	<u>30.6.2002</u> RM'000
Authorised and contracted for	49,860
Authorised but not contracted for	19,455
	<u>69,315</u>
The capital commitments are attributed to:	
- fixed assets	22,500
- subscription of rights issue for Banyan Ventures Sdn Bhd	500
- subscription for investment in Navis Asia Fund III	10,260
- subscription for investment in CIMB Muamalat Fund I	17,100
- subscription for investment in Global TIMES GmbH & Co. KG	18,955
	<u>69,315</u>

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5.3.22 Segment reporting

For illustrative purposes, the CIMB Group can be divided into four major business lines - Investment Banking, Trading and Principal Investments, Asset Management and Securities Services, and Lending. The business lines are the basis on which the CIMB Group reports its primary segment information.

Investment Banking manages CIMB's relationships with corporate customers, structures financial solutions, origination and distribution of capital market products including debt and equity, mergers and acquisitions, secondary offerings, asset-backed securities, debt restructurings, corporate advisory, Islamic capital market products and project advisory. It also undertakes all submissions to regulatory authorities on behalf of its corporate clients.

Trading and Principal Investments offers underwriting and trading of primary equities and debt products. It is also responsible for proprietary trading and market-making in the secondary market for debt, trading in domestic and regional equities markets as well as derivatives and structured solutions. It also invests in proprietary capital.

Asset Management and Securities Services offers institutional and retail broking for securities listed on Kuala Lumpur Stock Exchange and Malaysia Derivatives Exchange, provides financial and investment advice for individuals as well as manages funds on behalf of clients in joint-venture with other private equity fund managers.

Lending includes origination of lending products including corporate loans and margin lending.

The following table presents an analysis of the results and balance sheet positions by business segments:

	6 months ended 30.6.2002				
	Investment banking RM'000	Trading and principal investments RM'000	Asset management and securities services RM'000	Lending RM'000	Total RM'000
Gross operating income - external	27,002	83,690	22,256	20,501	153,449
Intersegmental charges	-	7,704	-	(7,704)	-
Operating income (exclude provisions)	27,002	91,394	22,256	12,797	153,449
Segment result	11,433	73,352	11,405	3,029	99,219
Unallocated income					437
Unallocated costs					(20,381)
Profit from operations					79,275
Income from associates		6	176		182
Goodwill amortisation					(693)
Profit before taxation					78,764
Income tax expense					(25,958)
Net profit for the period					52,806

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5.3.22 Segment reporting (continued)

	6 months ended 30.6.2002				
	Investment banking RM'000	Trading and principal investments RM'000	Asset management and securities services RM'000	Lending RM'000	Total RM'000
Segment assets	39,975	8,189,753	249,854	1,089,882	9,569,464
Investment in associates	-	289	1,576	-	1,865
	39,975	8,190,042	251,430	1,089,882	9,571,329
Unallocated assets					13,627
Total assets					<u>9,584,956</u>
Segment liabilities	12,272	7,643,656	192,250	93,294	7,941,472
Unallocated liabilities					110,495
Total liabilities					<u>8,051,967</u>
Other segment items					
Incurring capital expenditure	-	8,277	-	-	8,277
Depreciation	-	4,725	-	-	4,725
Amortisation of goodwill	-	-	693	-	693
Accretion of discount less amortisation of premium	-	(3,283)	-	-	(3,283)
Provision for doubtful debt	2,954	-	-	4,461	7,415

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5.3.22 Segment reporting (continued)

The reconciliation for total segments operating income to the net income of the consolidated financial statements are as follows:

	6 months ended <u>30.6.2002</u> RM'000
Operating income (exclude provisions)	153,449
Add/(less):	
Unallocated income	437
Loan loss and provision	(3,137)
Provision for other receivables	(4,277)
Net income	<u>146,472</u>

The CIMB Group's activities are predominantly carried out in Malaysia, with the Malaysian market contributing approximately 99% of the gross operating income. Accordingly, no information on the CIMB Group's operations by geographical segments has been provided.

5.3.23 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 resulting 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 fixed assets, investment in associates and intangibles.

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5.3.23 Fair value of financial instruments (continued)

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

	<u>Carrying amount</u>	<u>30.6.2002 Fair value</u>
	RM'000	RM'000
FINANCIAL ASSETS		
Securities purchased under resale agreements	67,083	75,575
Deposits and placements with financial institutions	103,622	103,622
Dealing securities	6,095,619	6,152,468
Investment securities	966,759	987,809
Loans and advances	974,747	976,249
FINANCIAL LIABILITIES		
Deposits from customers	2,185,385	2,185,400
Deposits and placements of banks and other financial institutions	2,664,501	2,668,477
Long term debt	1,063,000	1,057,068

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

	<u>Asset</u>	<u>30.6.2002 Fair value Liability</u>
	RM'000	RM'000
DERIVATIVE FINANCIAL INSTRUMENTS		
Foreign exchange contracts:		
- Forwards	714	(1,604)
- Foreign exchange swap	-	(152)
- Cross currency swaps	5,482	(3,890)
Interest rate contracts:		
- Futures	15,703	(65,110)
- Swaps	56,463	(56,420)
- Options	22	(22)
Equity contracts:		
- Others	54	-

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.

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5.3.23 Fair value of financial instruments (continued)

The fair values are based on the following methodologies and assumptions:

Securities purchased under resale agreements

The fair values of securities purchased under resale agreements with maturities of less than three months approximate the carrying values. For securities purchased under resale agreements with maturities three months and above, estimated fair value is based on discounted cash flows using market rates for the remaining term to maturity.

Deposits and placements with financial institutions

For deposits and placements with financial institutions with maturities of less than three months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities three months and above, estimated fair value is 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 value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been estimated by reference to market indicative yields or net tangible asset backing of the investee.

Loans and advances

For floating rate loans, the carrying value is generally a reasonable estimate of fair value.

For fixed rate loans, the fair value is 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 value, net of specific provision and interest-in-suspense, being the expected recoverable amount.

Deposits from customers

For deposits from customers with maturities of less than three months, the carrying amounts are a reasonable estimate of their fair value. 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 the 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.

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5.3.23 Fair value of financial instruments (continued)

Long term debt

Long term debt comprises of negotiable certificates of deposits issued by Commerce International. The estimated fair values are estimated based on discounted cash flows using prevailing market rates for similar negotiable certificates of deposits. Where there is no ready market rates, fair values are estimated by reference to corporate bond indicative yields taking into consideration the credit rating of the issuing entity.

Foreign exchange rate, interest rate and equity contracts

The fair values of foreign exchange rate, interest rate and equity contracts are the estimated amounts the CIMB Group would receive or pay to terminate the contracts at the balance sheet date.

5.3.24 Significant events during the financial period

(a) Acquisition of entire equity interest in Halyconia Asia Fund Limited ('HAF')

With effect from 2 January 2002, the CIMB Group controls the entire equity interest in HAF comprising 100 ordinary shares of USD1.00 each for purchase consideration of USD100, satisfied by cash amounting to USD100. Concurrently, the CIMB Group subscribed 200 units of the redeemable preference shares of par value USD0.01 each with a premium of USD49,999.99 each with effect from 2 January 2002.

(b) Transfer of CIMB ShareTech Sdn. Bhd. (formerly known as ShareTech Securities Sdn. Bhd.) ('CST') business to CIMBS

CIMB Securities Sdn. Bhd. ('CIMBS'), a wholly owned subsidiary of Commerce International, had on 12 July 2001 acquired 100% equity interest in CST for a purchase consideration of RM47,971,736.

As part of the stockbroking consolidation exercise, CST had subsequently transferred its business of stockbroking to CIMBS and surrendered its Dealer's License on 17 June 2002.

5.3.25 Significant event subsequent to the balance sheet date

Subsequent to balance sheet date, the Directors of Commerce International declared an interim dividend of 4.25%, less income tax on Commerce International's issued and paid up capital of RM319,242,000 amounting to RM9,768,805 for the financial period ended 30 June 2002.

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5 PROFORMA CIMB BERHAD GROUP (CONTINUED)

5.3.26 The Operations of Islamic Banking

	<u>Note</u>	<u>30.6.2002</u> RM'000	
Assets			
Cash and short-term funds	(a)		7,691
Dealing securities	(b)		173,984
Other assets	(c)		684
Total assets			<u>182,359</u>
Liabilities and Islamic Banking funds			
Deposits and placements of banks and other financial institutions	(d)		59,650
Obligations on securities sold under repurchase agreements			81,498
Provision for taxation and zakat	(e)		9,048
Other liabilities			519
Total liabilities			<u>150,715</u>
Islamic Banking funds	(f)		27,789
Statutory reserve			3,855
Total liabilities and Islamic Banking funds			<u>182,359</u>
			<u>30.6.2002</u>
		<u>Principal</u>	<u>Credit</u>
		RM'000	equivalent RM'000
Commitments and contingencies	(g)	<u>121,500</u>	<u>60,750</u>
			<u>30.6.2002</u>
			RM'000
(a) Cash and short-term funds			
Cash and balances with banks and other financial institutions			141
Money at call and deposit placements maturing within one month			7,550
			<u>7,691</u>

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5.3.26 The Operations of Islamic Banking (continued)

	<u>30.6.2002</u>	
	RM'000	
(b) Dealing securities		
Bankers' acceptance and Islamic accepted bills	147,625	
Islamic private debt securities	26,359	
	<u>173,984</u>	
(c) Others assets		
Other debtors, deposits and prepayments	<u>684</u>	
(d) Deposits and placements of banks and other financial institutions		
Licensed banks	<u>59,650</u>	
(e) Provision for taxation and zakat		
Taxation	8,579	
Charity fund	469	
	<u>9,048</u>	
(f) Islamic Banking funds		
Funds allocated from Head Office	20,000	
Retained profit	7,789	
	<u>27,789</u>	
		<u>30.6.2002</u>
		Credit
	<u>Principal</u>	<u>equivalent</u>
	RM'000	RM'000
(g) Commitments and contingencies		
Obligations under underwriting agreements	121,500	60,750
	<u>121,500</u>	<u>60,750</u>

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6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE

6.1 CIMB Berhad

6.1.1 Historical financial position and performance

CIMB was incorporated on 11 June 2002 and therefore has no track record of historical financial position and performance for inclusion in this report, other than those disclosed under Sections 6.1.2 to 6.1.4.

6.1.2 Income statement

We set out below the income statement of CIMB based on its audited financial statements for the period commencing from the date of incorporation, 11 June 2002 to 30 June 2002.

	From 11.6.2002 (date of incorporation) to 30.6.2002
	RM
Operating income	Nil
Operating expenditures	(2,380)
Net loss for the financial period	(2,380)

The above financial data is to be read in conjunction with the notes in Section 6.1.3.

6.1.3 Statement of assets and liabilities

The following is the detailed statement of assets and liabilities of CIMB based on the audited financial statements as at 30 June 2002.

	<u>Note</u>	<u>30.6.2002</u> RM
Capital and reserve		
Share capital	6.1.4.2	2
Accumulated loss		(2,380)
		<u>(2,378)</u>
Represented by:		
Current asset		
Cash on hand		2
		<u>2</u>
Less: Current liabilities		
Amount due to related company	6.1.4.3	1,380
Accrual		1,000
		<u>2,380</u>
Net current liabilities		(2,378)

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6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

6.1.3 Statement of assets and liabilities (continued)

Notes to the CIMB's income statement and statement of assets and liabilities

- (1) The financial statements of CIMB for the period commencing from the date of incorporation, 11 June 2002 to 30 June 2002 was audited by PricewaterhouseCoopers and reported on without any qualification.
- (2) Basis of accounting
- The statement of assets and liabilities of CIMB as at 30 June 2002 has been prepared based on accounting policies consistent with those previously adopted in the preparation of Commerce International Group's financial statements.
- (3) The statement of assets and liabilities should be read in conjunction with the accounting policies and notes set out in Sections 4 and 6.1.4 respectively.

The issued and paid up share capital of CIMB was increased from RM2 comprising of 2 ordinary shares of RM1.00 each to RM850,000,000 comprising 850,000,000 ordinary shares of RM1.00 each on 27 November 2002.

6.1.4 Notes to the statement of assets and liabilities

6.1.4.1 Use of financial instruments

A Financial risk management objectives and policies

As at 30 June 2002, CIMB has not established any financial risk management objectives and policies as it has not commenced commercial activities during the financial period.

B Interest rate risks

The table below summarises CIMB's exposure to interest rate risks. Included in the table are CIMB's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

As at 30.6.2002	Up to 1 month RM	1 - 3 months RM	3 - 12 months RM	1 - 5 years RM	Over 5 years RM	Non- interest bearing RM	Total RM
Asset							
Cash on hand	-	-	-	-	-	2	2
Total asset	-	-	-	-	-	2	2
Liabilities							
Amount due to related company	-	-	-	-	-	1,380	1,380
Accrual	-	-	-	-	-	1,000	1,000
Total liabilities	-	-	-	-	-	2,380	2,380
Net interest sensitivity	-	-	-	-	-	-	-

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6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

6.1.4 Notes to the statement of assets and liabilities (continued)

6.1.4.1 Use of financial instruments (continued)

C Fair value of the 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 fair value of these items are not materially sensitive to shifts in market interest rates because of the limited term to maturity of these instruments.

As such, the carrying amounts of cash on hand and other liabilities at balance sheet date approximated their fair values.

6.1.4.2 Share capital

30.6.2002
 RM

Ordinary shares of RM1 each:

Authorised

At date of incorporation 100,000

At 30 June 2002 100,000

Issued and fully paid

At date of incorporation 2

At 30 June 2002 2

6.1.4.3 Amount due to related company

The amount due to a related company is unsecured, interest free and has no fixed term of repayment.

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6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

6.2 Commerce International Merchant Bankers Berhad Group

6.2.1 Historical financial position and performance

The following consolidated financial information is based on the financial statements of the Commerce International Group for the past five (5) financial years ended 31 December 2001 and six (6) months financial period ended 30 June 2002.

	← As at/Financial year/period ended 31/30 →					
	<u>Dec 1997</u>	<u>Dec 1998</u>	<u>Dec 1999</u>	<u>Dec 2000</u>	<u>Dec 2001</u>	<u>Jun 2002</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Paid-up capital	186,714	250,197	250,197	250,197	319,242	319,242
Shareholders' funds	641,500	648,357	837,580	969,134	1,385,077	1,396,509
Net tangible assets ('NTA')	639,574	646,551	835,894	969,569	1,352,485	1,364,611
Total net income/(loss)	118,734	(24,932)	260,986	303,470	388,917	146,472
Profit/(loss) before taxation	59,415	(86,868)	189,426	210,509	252,182	78,764
Profit/(loss) after taxation and minority interest	36,238	(87,065)	189,223	144,065	178,205	52,806
Net dividends [^] (sen)	5.04	-	5.00	3.60	12.96	3.06
NTA per share (RM)	3.43	2.58	3.34	3.87	4.24	4.27
Net return/(loss) on average shareholders' funds (%)	6.61	(13.53)	25.47	15.95	14.71	3.80
Earnings/(loss) per share (sen)	23.87	(40.09)	75.63	57.58	55.82	16.54
Net non-performing loans ('NPL') ratio (%)	0.66	2.44	9.72	3.19	10.72	11.40
Specific provision ('SP') ratio (%)	51.49	62.81	37.76	43.67	35.96	34.61
General provision ('GP') ratio (%)	2.23	2.29	5.64	4.10	4.51	4.34
Non-interest income ratio (%)	139.62	(506.60)	98.35	79.88	90.14	64.53
Loans to deposits ratio (%)	55.17	48.98	48.07	25.57	12.17	14.85
Investment securities to deposits ratio (%)	2.49	10.34	15.32	15.25	8.59	14.05
Dealing securities to deposits ratio (%)	47.17	39.24	52.81	69.99	76.32	81.93
Loans and securities to deposits ratio (%)	104.84	98.56	116.20	110.82	97.08	110.85

[^] The net dividends declared were in respect of dividends proposed in the respective financial years which were not recognised as a liability as at balance sheet date pursuant to the requirement of MASB 19, Events After Balance Sheet Date.

The above financial data is to be read in conjunction with the notes in Section 6.2.2.

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6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

6.2.2 Summary of financial results and balance sheets

The following financial information is based on the audited financial statements of the Commerce International Group for the past five (5) financial years ended 31 December 2001 and six (6) months financial period ended 30 June 2002.

Consolidated income statements

	Financial year ended 31 Dec					6 months ended
	1997	1998	1999	2000	2001	30 Jun 2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial advisory, underwriting and other fees	94,123	45,985	84,136	104,687	107,666	52,863
Interest income	258,003	317,250	198,279	196,957	388,845	185,663
Interest expense	(187,795)	(230,294)	(150,864)	(134,523)	(278,537)	(127,880)
Net (loss)/gain from investment securities – debt	-	(1,993)	8,507	273	12,254	4,810
Net trading income – debt	8,835	18,893	87,860	60,582	228,056	6,861
Net income from debt	79,043	103,856	143,782	123,289	350,618	69,454
Dividend income	303	550	222	328	765	1,132
Brokerage income	171,576	44,037	61,170	69,646	18,545	19,216
Net gain/(loss) from investment securities - equity	15,259	-	2,178	-	(4,806)	368
Net trading (loss)/income – equity	(124,665)	18,424	11,133	2,397	(16,122)	116
Net income/(loss) from equity	62,473	63,011	74,703	72,371	(1,618)	20,832
Income from Islamic Banking operations	-	-	-	-	2,199	1,587
Other non-interest income	345	410	1,477	4,498	4,217	9,150
Total income	235,984	213,262	304,098	304,845	463,082	153,886
Specific (provision)/reversal for:						
Loans and advances	(9,926)	(58,455)	(27,456)	(1,176)	(33,559)	(3,137)
Share margin debtors	(12,976)	(25,673)	12,910	511	(377)	(13)
Commitments & contingencies	-	(10,100)	-	-	-	-
Other receivables	(90,749)	(143,966)	6,834	(709)	(40,101)	(4,264)
	(113,651)	(238,194)	(7,712)	(1,374)	(74,037)	(7,414)
General provision	(3,600)	-	(35,400)	(1)	(128)	-
Net income/(loss)	118,733	(24,932)	260,986	303,470	388,917	146,472
Overhead expenses	(61,648)	(61,656)	(71,780)	(93,106)	(136,312)	(67,890)
	57,085	(86,588)	189,206	210,364	252,605	78,582
Share of profit/(loss) of associates	2,330	(280)	220	145	(424)	182

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6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

6.2.2 Summary of financial results and balance sheets (continued)

Consolidated income statements (continued)

	Financial year ended 31 Dec					6 months ended 30 Jun
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Profit/(loss) before taxation and zakat	59,415	(86,868)	189,426	210,509	252,181	78,764
Taxation	(21,916)	(531)	(268)	(65,892)	(73,955)	(25,880)
Zakat	-	-	-	-	(21)	-
Share of taxation of associates	(1,398)	43	-	(2)	-	(78)
Profit/(loss) after taxation and zakat	36,101	(87,356)	189,158	144,615	178,205	52,806
Minority interests	137	291	65	(550)	-	-
Net profit/(loss) for the financial year/period	<u>36,238</u>	<u>(87,065)</u>	<u>189,223</u>	<u>144,065</u>	<u>178,205</u>	<u>52,806</u>

Consolidated balance sheets

	Note	As at 31 Dec					As at 30 Jun
		1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Assets							
Cash and short term-funds		185,043	419,641	305,580	246,730	1,128,971	483,735
Securities purchased under resale agreements		-	-	-	-	298,202	67,083
Deposits and placements with financial institutions		75,371	347,875	127,262	219,716	328,030	103,622
Dealing securities	15(a)	1,068,613	1,026,042	1,365,038	3,098,290	6,668,308	6,095,619
Investment securities	15(b)	56,423	268,320	393,445	595,560	672,845	966,759
Loans and advances	15(c)	1,211,088	1,175,361	1,054,433	1,031,256	936,427	974,747
Other assets		741,124	511,285	304,748	405,147	351,435	561,147
Statutory deposits with BNM		203,505	37,050	44,775	121,706	127,475	134,400
Investment in associates		2,805	1,592	1,811	1,400	1,761	1,865
Amount due from holding company		41,175	-	-	1,145	-	-
Fixed assets		16,463	12,317	7,694	15,671	24,193	27,600
Goodwill on consolidation		1,926	1,806	1,686	1,565	32,592	31,898
Total assets		<u>3,603,536</u>	<u>3,801,289</u>	<u>3,606,472</u>	<u>5,738,186</u>	<u>10,570,239</u>	<u>9,448,475</u>

13. ACCOUNTANTS' REPORT (Cont'd)



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6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

6.2.2 Summary of financial results and balance sheets (continued)

Consolidated balance sheets (continued)

Note	As at 31 Dec					As at
	1997	1998	1999	2000	2001	30 Jun
	RM'000	RM'000	RM'000	RM'000	RM'000	2002
						RM'000
Liabilities, shareholders' funds and minority interests						
Deposits from customers	672,629	432,109	720,206	1,643,601	2,485,323	2,185,385
Deposits and placements of banks and other financial institutions	1,099,473	1,492,437	1,253,193	1,148,716	3,333,258	2,664,501
Obligations on securities sold under repurchase agreements	476,117	609,712	464,563	1,403,436	1,965,399	1,526,940
Bill and acceptance payable	32,075	17,180	4,554	-	-	-
Long term debt	17,000	80,350	146,850	230,700	953,000	1,063,000
Other liabilities	611,828	476,310	173,197	256,814	312,730	508,423
Provision for taxation and zakat	10,974	2,943	4,514	83,650	135,246	103,323
Amount owing to holding company	-	241	230	-	206	394
Subordinated loan	40,000	40,000	-	-	-	-
Total liabilities	2,960,096	3,151,282	2,767,307	4,766,917	9,185,162	8,051,966
Financed by:						
Share capital	186,714	250,197	250,197	250,197	319,242	319,242
Reserves	454,786	398,160	587,383	718,937	1,065,835	1,077,267
Shareholders' funds	641,500	648,357	837,580	969,134	1,385,077	1,396,509
Minority interests	1,940	1,650	1,585	2,135	*	*
Total liabilities, shareholders' funds and minority interests	3,603,536	3,801,289	3,606,472	5,738,186	10,570,239	9,448,475
Commitments and contingencies						
Principal	3,361,138	3,315,358	5,190,149	13,083,846	33,406,255	52,705,328
Credit equivalent	15(d) 580,489	602,916	444,568	455,997	731,528	846,775

* denotes RM300

13. ACCOUNTANTS' REPORT (Cont'd)



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6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

6.2.2 Summary of financial results and balance sheets (continued)

Notes to the historical financial position and performance and summary of financial results and balance sheets

- (1) The financial statements of the Commerce International Group for the two (2) financial years ended 31 December 1998 were audited by the legacy firm, Coopers & Lybrand while the financial statements of the Commerce International Group for the three (3) financial years ended 31 December 2001 and six (6) months financial period ended 30 June 2002 were audited by PricewaterhouseCoopers. The financial statements of the Commerce International Group for all the financial years/period under review were audited and reported on without any qualification.
- (2) All intercompany transactions have been eliminated on consolidation.
- (3) The financial position and results commencing from the financial year ended 31 December 2001 includes the assets, liabilities and results of CIMB Discount House Berhad under acquisition method of accounting whereby the results are included from the acquisition date to the aforementioned financial year/period ended.
- (4) The presentation of the income statements is more detailed as compared to the one presented in the audited financial statements. The Directors believe that this format will reflect a clearer presentation of the financial performance of the Commerce International Group. Under this presentation:
 - (a) net gain from investment securities is extended to:
 - net gain from investment securities - debt
 - net gain from investment securities - equity
 - (b) net trading income is extended to:
 - net trading income - debt
 - net trading income - equity
 - (c) provision for other receivables is extended to:
 - provision for share margin debtors
 - provision for other receivables
- (5) Long term debt for the financial years ended 31 December 1997 to 31 December 2000 have been reclassified from deposits and placements of banks and other financial institutions retrospectively to conform to the presentation in financial year/period ended 31 December 2001 and 30 June 2002 respectively.

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6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

6.2.2 Summary of financial results and balance sheets (continued)

Notes to the historical financial position and performance and summary of financial results and balance sheets (continued)

- (6) With effect from financial period ended 30 June 2002, the Commerce International Group has changed its accounting policy with respect to the recognition of proposed dividends in compliance with the new MASB 19, Events After Balance Sheet Date. Under the MASB 19, proposed dividends are only recognised in the period in which the obligation is established. Hence dividends declared after balance sheet date are not recognised as a liability as at balance sheet date. The change in accounting policy has been accounted for retrospectively with effects shown as follows:

	← As at 31 Dec →			
	1997	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000
As reported in financial statements				
Other liabilities	619,479	185,707	265,821	354,103
Reserves	447,135	574,873	709,930	1,024,462
Shareholders' funds	633,849	825,070	960,127	1,343,704
Effects of change in policy				
Other liabilities	(7,651)	(12,510)	(9,007)	(41,373)
Reserves	7,651	12,510	9,007	41,373
Shareholders' funds	7,651	12,510	9,007	41,373
As restated				
Other liabilities	611,828	173,197	256,814	312,730
Reserves	454,786	587,383	718,937	1,065,835
Shareholders' funds	641,500	837,580	969,134	1,385,077

- (7) Appendix A provides guidelines to the definitions of the relevant ratios and components stated in Section 6.2.1.

13. ACCOUNTANTS' REPORT (Cont'd)



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6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

6.2.2 Summary of financial results and balance sheets (continued)

Notes to the historical financial position and performance and summary of financial results and balance sheets (continued)

- (8) The Commerce International Group registered a loss before taxation of RM86.9 million in financial year ended 31 December 1998, largely due to high loan and other receivable provisions made.
- (9) There were no extraordinary or exceptional items in all the financial years/period under review.
- (10) The effective taxation rates for the financial years/period ended 1997, 2000, 2001 and 2002 were higher than the statutory taxation rate mainly due to certain expenses and provisions, which were not deductible for taxation purposes. For the financial year ended 1998, there was a small provision for taxation as major income contributors of the Commerce International Group such as Commerce International and CIMB Securities Sdn. Bhd. had no chargeable income for the financial year. For the financial year ended 1999, provision for taxation was only made in respect of dividend income for the year of assessment ('YA') 2000 preceding year basis ('PY') whereby taxation on income other than dividend income was waived in accordance with Section 8 of the Income Tax (Amendment) Act 1999.
- (11) The net dividends paid by the Commerce International Group were in respect of the Group's issued and paid up share capital for the five (5) financial years ended 31 December 2001 and the six (6) months financial period ended 30 June 2002.
- (12) The increased holding of dealing securities was consistent with the Commerce International Group's objective in developing a strong fixed income franchise. The dealing securities balance for the financial year ended 31 December 2001 was higher mainly due to inclusion of portfolio held under CIMB Discount House Berhad.
- (13) The financial year ended 31 December 2000 marked the shift in concentration of funding via deposits and placements of banks and other financial institutions to alternative means such as deposits from customers and obligations on securities sold under repurchase agreements.
- (14) During the financial year ended 31 December 2001, the Commerce International Group issued RM600.0 million of 10-year fixed rate long term debt, resulting in an increase of 313% of long term debt as compared to the balance as at 31 December 2000.

13. ACCOUNTANTS' REPORT (Cont'd)



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6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

6.2.2 Summary of financial results and balance sheets (continued)

Notes to the historical financial position and performance and summary of financial results and balance sheets (continued)

(15) The material notes to the summary of balance sheets are detailed as follows:

(a) Dealing securities

	←	←	As at 31 Dec	→	→	As at
	1997	1998	1999	2000	2001	30 Jun
	RM'000	RM'000	RM'000	RM'000	RM'000	2002
						RM'000
Money market instruments:						
Malaysian Government treasury bills	15,342	9,726	-	113,381	169,759	473,692
Malaysian Government securities	-	16,340	856	29,115	1,129,776	877,198
BNM bills	-	-	-	34,754	377,186	558,655
Cagamas bonds	49,504	34,818	56,648	55,442	234,821	10,188
Cagamas notes	76,569	11,817	4,825	49,429	225,398	286,650
Danaharta bonds	-	-	-	33,741	96,860	233,049
Danamodal bonds	-	-	-	52,616	137,217	14,220
Khazanah bonds	-	-	-	-	-	84,661
Negotiable instruments of deposits	698,853	678,023	826,624	776,412	722,148	401,801
Bankers' acceptances	75,354	31,222	33,033	314,165	445,905	535,724
Commercial papers	123,203	84,481	334,844	319,158	197,266	33,707
	<u>1,038,825</u>	<u>866,427</u>	<u>1,256,830</u>	<u>1,778,213</u>	<u>3,736,336</u>	<u>3,509,545</u>
Quoted securities:						
In Malaysia						
Shares	6,761	3,899	6,540	31,908	42,014	73,883
Warrants	18,677	14,508	-	-	3,672	9,868
Loan stock	-	-	-	-	-	355
Private debt securities	4,350	54,509	39,320	30,284	9,101	9,101
Outside Malaysia						
Shares	-	-	-	41	181	14,867
Private debt securities	-	-	-	-	-	41,159
Unquoted Securities:						
In Malaysia						
Private and Islamic debt securities	-	86,699	62,348	1,139,179	2,519,810	2,093,302
Outside Malaysia						
Private debt securities	-	-	-	118,665	357,194	343,539
	<u>1,068,613</u>	<u>1,026,042</u>	<u>1,365,038</u>	<u>3,098,290</u>	<u>6,668,308</u>	<u>6,095,619</u>

13. ACCOUNTANTS' REPORT (Cont'd)



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6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

6.2.2 Summary of financial results and balance sheets (continued)

Notes to the historical financial position and performance and summary of financial results and balance sheets (continued)

(b) Investment securities

	←	As at 31 Dec	→		As at	
	1997	1998	1999	2000	2001	30 Jun 2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Money market instruments:						
Malaysian Government securities	-	10,675	16,799	-	-	52,290
Danaharta bonds	-	-	-	-	23,536	23,536
Cagamas bonds	300	46,150	70,082	11,060	-	-
Cagamas Mudharabah bonds	1,000	1,000	1,000	-	-	-
Bankers' acceptances	-	-	-	2,025	-	-
Floating rate certificates of deposits	-	27,360	-	-	-	-
	<u>1,300</u>	<u>85,185</u>	<u>87,881</u>	<u>13,085</u>	<u>23,536</u>	<u>75,826</u>
Quoted securities:						
In Malaysia						
Shares	-	3,334	-	-	1,127	24,443
Warrants	-	-	-	-	14,065	-
Loan stock	-	-	-	-	-	14,065
Private debt securities	22,542	-	14,129	63,765	23,938	-
Outside Malaysia						
Private debt securities	-	15,105	15,105	15,105	3,860	38,230
	<u>22,542</u>	<u>18,439</u>	<u>29,234</u>	<u>78,870</u>	<u>42,990</u>	<u>76,738</u>
Unquoted Securities:						
In Malaysia						
Shares	3,867	407	407	407	2,767	2,767
Promissory notes	12,684	15,000	58,870	-	-	-
Loan stocks	600	5,000	12,839	5,000	5,250	5,250
Private debt securities	15,421	140,682	176,515	482,128	539,202	778,466
Others	-	2,000	2,000	2,000	3,040	3,040
Outside Malaysia						
Private debt securities	-	-	21,378	80,535	80,534	72,853
	<u>32,572</u>	<u>163,089</u>	<u>272,009</u>	<u>570,070</u>	<u>630,793</u>	<u>862,376</u>
	<u>56,414</u>	<u>266,713</u>	<u>389,124</u>	<u>662,025</u>	<u>697,319</u>	<u>1,014,940</u>
Accretion of discount less amortisation of premiums	9	3,640	6,930	12,967	53,021	30,431
Provision for diminution in value:						
- Malaysian Government Securities	-	-	-	-	-	(63)
- Quoted shares in Malaysia	-	-	-	-	(648)	-
- Quoted private debt securities outside Malaysia	-	(2,033)	(2,609)	(2,609)	-	(1,867)
- Unquoted private debt securities in Malaysia	-	-	-	(76,823)	(76,847)	(76,682)
	<u>56,423</u>	<u>268,320</u>	<u>393,445</u>	<u>595,560</u>	<u>672,845</u>	<u>966,759</u>

13. ACCOUNTANTS' REPORT (Cont'd)



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6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

6.2.2 Summary of financial results and balance sheets (continued)

Notes to the historical financial position and performance and summary of financial results and balance sheets (continued)

(c) Loans and advances

	←	1997	1998	As at 31 Dec	2000	2001	As at
		RM'000	RM'000	1999	RM'000	RM'000	30 Jun
				RM'000			2002
							RM'000
Term loans							
- Fixed rate		42,532	48,555	78,642	181,276	217,173	116,464
- Floating rate		1,159,290	1,200,549	1,124,854	926,330	695,398	824,551
Claims on customer under acceptance credits		34,224	17,180	22,143	4,400	1,536	8,052
Subordinated debt		-	-	-	-	127,294	130,442
Staff loans		14,178	14,551	17,027	20,047	21,486	25,339
		1,250,224	1,280,835	1,242,666	1,132,053	1,062,887	1,104,848
Unearned income		(438)	(212)	(123)	(8)	(2)	(37)
Gross loans and advances		1,249,786	1,280,623	1,242,543	1,132,045	1,062,885	1,104,811
Provision for bad and doubtful debts:							
- General		(27,600)	(27,600)	(63,000)	(44,132)	(44,260)	(44,260)
- Specific		(9,926)	(67,205)	(88,268)	(39,720)	(67,364)	(69,911)
Interest-in-suspense		(1,172)	(10,457)	(36,842)	(16,937)	(14,834)	(15,893)
Net loans and advances		1,211,088	1,175,361	1,054,433	1,031,256	936,427	974,747

13. ACCOUNTANTS' REPORT (Cont'd)



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6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

6.2.2 Summary of financial results and balance sheets (continued)

Notes to the historical financial position and performance and summary of financial results and balance sheets (continued)

(d) Commitments and contingencies

	←	←	As at 31 Dec	→	→	As at
	1997	1998	1999	2000	2001	30 Jun
	RM'000	RM'000	RM'000	RM'000	RM'000	2002
						RM'000
Credit Equivalent						
Direct credit substitutes	259,325	172,089	177,154	126,121	62,142	72,932
Certain transaction related contingent items	23,792	21,498	20,500	15,400	20,895	20,895
Short term self-liquidating trade related contingencies	-	-	-	-	26,882	-
Obligations under underwriting agreements	68,784	44,130	57,480	159,057	326,980	470,397
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	-	-	-	-	-	-
- Maturity exceeding one year	87,140	85,020	77,536	33,756	61,575	48,870
Credit derivatives	89,125	87,400	30,400	30,400	30,400	-
Foreign exchange related contracts:						
<u>Forwards</u>						
- Less than one year	2,805	21,689	5,753	-	5,315	1,306
- One year to less than five years	-	-	-	-	374	-
- Five years to less than ten years	-	-	-	-	-	-
<u>Cross currency swaps</u>						
- Less than one year	-	3,160	8,145	18,327	11,504	13,683
- One year to less than five years	36,298	6,677	15,784	3,642	28,316	21,949
- Five years to less than ten years	-	-	-	-	-	-
Interest rate related contracts:						
- Less than one year	2,647	17,964	438	3,926	4,732	6,077
- One year to less than five years	10,573	12,889	16,589	48,673	114,810	139,520
- Five years to less than ten years	-	-	-	16,695	37,603	51,146
Assets sold with options	-	-	34,789	-	-	-
Put options	-	30,400	-	-	-	-
Assets sold under recourse	-	100,000	-	-	-	-
	<u>580,489</u>	<u>602,916</u>	<u>444,568</u>	<u>455,997</u>	<u>731,528</u>	<u>846,775</u>

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6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

6.3 Commerce International Merchant Bankers Berhad

6.3.1 Background

Commerce International was incorporated in Malaysia under the Companies Act, 1965 on 24 April 1974 as a public company under the name of Pertanian Baring Sanwa Multinational Berhad. On 16 December 1977, it changed its name to Pertanian Baring Sanwa Berhad. Subsequently, on 10 November 1986, it changed its name to the present one.

6.3.2 Historical financial position and performance

The following financial information is based on the financial statements of Commerce International for the past five (5) financial years ended 31 December 2001 and six (6) months financial period ended 30 June 2002.

	← As at/Financial year/period ended 31/30 →					
	Dec 1997	Dec 1998	Dec 1999	Dec 2000	Dec 2001	Jun 2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Paid-up capital	186,714	250,197	250,197	250,197	319,242	319,242
Shareholders' funds	498,998	536,578	661,779	803,484	1,178,050	1,143,929
NTA	498,998	536,578	661,779	803,484	1,178,050	1,143,929
Total net income/(loss)	81,705	(28,109)	162,220	282,492	321,227	65,151
Profit/(loss) before taxation	55,921	(56,342)	125,250	224,978	221,414	17,153
Profit/(loss) after taxation	34,921	(56,342)	125,201	154,215	156,414	7,253
Net dividends [^] (sen)	5.04	-	5.00	3.60	12.96	3.06
NTA per share (RM)	2.67	2.14	2.65	3.21	3.69	3.58
Net return/(loss) on average shareholders' funds (%)	8.59	(10.91)	20.90	21.05	15.26	0.62
Earnings/(loss) per share (sen)	23.00	(25.95)	50.04	61.64	49.00	2.27
Risk-weighted capital ratio of Commerce International (%)	20.98	22.31	30.18	24.09	22.84	23.93
Net NPL ratio (%)	0.66	2.43	9.71	3.20	10.75	11.44
SP ratio (%)	51.49	62.81	37.76	43.67	35.96	34.61
GP ratio (%)	2.22	2.29	5.63	4.11	4.53	4.36
Non-interest income ratio (%)	101.66	(253.70)	113.89	84.04	100.69	35.05
Loans to deposits ratio (%)	55.11	48.94	46.70	25.16	15.97	19.16
Investment securities to deposits ratio (%)	1.34	10.11	14.79	14.94	5.85	12.76
Dealing securities to deposits ratio (%)	46.75	39.05	51.00	68.26	69.75	73.51
Loans and securities to deposits ratio (%)	103.20	98.10	112.49	108.36	91.57	105.43

[^] The net dividends declared were in respect of dividends proposed in the respective financial years which were not recognised as a liability as at balance sheet date pursuant to the requirement of MASB 19, Events After Balance Sheet Date.

The above financial data is to be read in conjunction with the notes in Section 6.3.3.

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6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

6.3.3 Summary of financial results and balance sheets

The following financial information is based on the audited financial statements of Commerce International for the past five (5) financial years ended 31 December 2001 and six (6) months financial period ended 30 June 2002.

Income statements

	Financial year ended 31 Dec					6 months ended 30 Jun
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Financial advisory, underwriting and other fees	90,866	43,242	77,855	96,962	104,796	50,338
Interest income	208,733	296,621	192,565	184,290	305,746	153,754
Interest expense	(147,066)	(216,567)	(152,238)	(138,032)	(231,036)	(105,346)
Net (loss)/gain from investment securities – debt	-	(1,993)	8,507	273	45,492	4,810
Net trading income/(loss) – debt	8,684	18,893	87,860	60,582	190,476	(39,470)
Net income from debt	70,351	96,954	136,694	107,113	310,678	13,748
Dividend income	19,395	2,889	177	74,330	592	1,024
Net (loss)/gain from investment securities – equity	-	-	-	-	(4,806)	368
Net trading (loss)/income – equity	(36,628)	8,008	9,158	1,472	(16,789)	1,784
Net (loss)/income from equity	(17,233)	10,897	9,335	75,802	(21,003)	3,176
Other non-interest income	746	274	1,192	3,792	3,692	3,979
Total income	144,730	151,367	225,076	283,669	398,163	71,241
Specific provision for:						
Loans and advances	(9,926)	(58,455)	(27,456)	(1,176)	(33,559)	(3,137)
Commitments & contingencies	-	(10,100)	-	-	-	-
Other receivables	(49,499)	(110,921)	-	-	(43,249)	(2,953)
	(59,425)	(179,476)	(27,456)	(1,176)	(76,808)	(6,090)
General provision	(3,600)	-	(35,400)	(1)	(128)	-
Net income/(loss)	81,705	(28,109)	162,220	282,492	321,227	65,151
Overhead expenses	(25,784)	(28,233)	(36,970)	(57,514)	(99,813)	(47,998)
Profit/(loss) before taxation	55,921	(56,342)	125,250	224,978	221,414	17,153
Taxation	(21,000)	-	(49)	(70,763)	(65,000)	(9,900)
Profit/(loss) after taxation	34,921	(56,342)	125,201	154,215	156,414	7,253

13. ACCOUNTANTS' REPORT (Cont'd)



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6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

6.3.3 Summary of financial results and balance sheets (continued)

Balance sheets

	As at 31 Dec					As at
	1997	1998	1999	2000	2001	30 Jun 2002
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Cash and short-term funds	176,044	360,890	279,238	199,160	773,993	196,641
Securities purchased under resale agreements	-	-	-	-	298,202	67,083
Deposits and placements with financial institutions	5,000	277,325	93,300	201,500	374,400	235,400
Dealing securities	1,062,290	1,023,785	1,358,651	3,066,340	4,629,909	4,225,421
Investment securities	30,421	262,986	391,445	591,519	355,750	699,687
Loans and advances	1,213,588	1,177,801	1,055,987	1,029,402	933,453	971,504
Other assets	241,777	205,846	139,426	200,909	177,317	236,803
Statutory deposits with BNM	203,505	37,050	44,775	121,706	127,475	134,400
Investment in subsidiaries	21,290	24,290	24,290	24,290	341,549	341,549
Investment in associates	1,337	1,738	1,738	637	1,137	1,137
Amount owing by holding company	-	-	-	1,145	-	-
Amount owing by subsidiaries	58	597	6	4,611	1,871	7,244
Fixed assets	5,189	4,848	4,587	9,845	17,703	21,681
Total assets	2,960,499	3,377,156	3,393,443	5,451,064	8,032,759	7,138,550
Liabilities and shareholders' funds						
Deposits from customers	674,611	432,096	710,078	1,643,601	1,800,995	1,583,613
Deposits and placements of banks and other financial institutions	1,099,473	1,492,437	1,342,553	1,214,416	1,888,214	1,565,220
Obligations on securities sold under repurchase agreements	481,115	616,794	464,563	1,403,436	1,995,418	1,536,364
Bills and acceptances payable	32,075	17,180	4,553	-	-	-
Long term debt	17,000	80,350	146,850	230,700	953,000	1,063,000
Other liabilities	133,029	197,719	56,984	88,981	118,322	189,199
Provision for taxation	3,009	574	2,884	66,446	98,297	56,831
Amount owing to holding company	-	230	230	-	206	394
Amount owing to subsidiaries	21,189	3,198	2,969	-	257	-
Total liabilities	2,461,501	2,840,578	2,731,664	4,647,580	6,854,709	5,994,621
Share capital	186,714	250,197	250,197	250,197	319,242	319,242
Reserves	312,284	286,381	411,582	553,287	858,808	824,687
Shareholders' funds	498,998	536,578	661,779	803,484	1,178,050	1,143,929
Total liabilities and shareholders' funds	2,960,499	3,377,156	3,393,443	5,451,064	8,032,759	7,138,550
Commitments and contingencies						
Principal	3,340,333	3,415,358	5,190,149	12,709,823	33,463,936	53,066,367
Credit equivalent	570,086	604,656	444,568	453,986	607,517	785,954

13. ACCOUNTANTS' REPORT (Cont'd)



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6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

6.3.3 Summary of financial results and balance sheets (continued)

Notes to the historical financial position and performance and summary of financial results and balance sheets

- (1) The financial statements of Commerce International for the two (2) financial years ended 31 December 1998 were audited by the legacy firm, Coopers & Lybrand while the financial statements of Commerce International for the three (3) financial years ended 31 December 2001 and six (6) months financial period ended 30 June 2002 were audited by PricewaterhouseCoopers. The financial statements of Commerce International for all the financial years/period under review were audited and reported on without any qualification.
- (2) The presentation of the income statements is more detailed as compared to the one presented in the audited financial statements. The Directors believe that this format will reflect a clearer presentation of the financial performance of Commerce International. Under this presentation:
 - (a) net gain from investment securities is extended to:
 - net gain from investment securities - debt
 - net gain from investment securities - equity
 - (b) net trading income is extended to:
 - net trading income - debt
 - net trading income - equity
- (3) Long term debt for the financial years ended 31 December 1997 to 2000 have been reclassified from deposits and placements of banks and other financial institutions retrospectively to conform to the presentation in financial year/period ended 31 December 2001 and 30 June 2002 respectively.
- (4) With effect from financial period ended 30 June 2002, Commerce International has changed its accounting policy with respect to the recognition of proposed dividends in compliance with the new MASB 19, Events After Balance Sheet Date. Under the MASB 19, proposed dividends are only recognised in the period in which the obligation is established. Hence dividends declared after balance sheet date are not recognised as a liability as at balance sheet date. The change in accounting policy has been accounted for retrospectively with effects shown as follows:

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6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

6.3.3 Summary of financial results and balance sheets (continued)

Notes to the historical financial position and performance and summary of financial results and balance sheets (continued)

	← As at 31 Dec →			
	1997 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
As reported in financial statements				
Other liabilities	140,680	69,494	97,988	159,696
Reserves	304,633	399,072	544,280	817,434
Shareholders' funds	491,347	649,269	794,477	1,136,676
Effects of change in policy				
Other liabilities	(7,651)	(12,510)	(9,007)	(41,374)
Reserves	7,651	12,510	9,007	41,374
Shareholders' funds	7,651	12,510	9,007	41,374
As restated				
Other liabilities	133,029	56,984	88,981	118,322
Reserves	312,284	411,582	553,287	858,808
Shareholders' funds	498,998	661,779	803,484	1,178,050

- (5) Appendix A provides guidelines to the definitions of the relevant ratios and components stated in Section 6.3.2.
- (6) With effect from 31 December 1997, Commerce International had classified the customers' accounts as non-performing where repayments were in arrears for more than three (3) months to conform with BNM's guidelines. Interest had been suspended accordingly in conformity with the guidelines. However, it was changed back to six (6) months with effect from 30 September 1998. The impact to the income statement for the change in the accounting policy was not quantified as the available information was in a different form from what was required for analysis.
- (7) The large dividend income recorded in financial year ended 31 December 2000 was attributed to dividend income of RM74.1 million received from CIMB Holdings Sdn. Bhd., a subsidiary of Commerce International.
- (8) The high net trading income from debt for the financial year ended 31 December 2001 was mainly contributed by distribution of primary deals and fixed income trading activities. Commerce International registered a net trading loss of RM39.5 million for debt related dealing securities for the six (6) months financial period ended 30 June 2002 mainly due to trading and mark to market unrealised losses in its money market and derivative instruments.

13. ACCOUNTANTS' REPORT (Cont'd)



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6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

6.3.3 Summary of financial results and balance sheets (continued)

Notes to the historical financial position and performance and summary of financial results and balance sheets (continued)

- (9) The net gain from debt related investment securities for financial year ended 31 December 2001 was due to sell down and redemption of several corporate bonds.
- (10) The provision made for other receivables was largely attributed to an amount receivable from a debtor. This provision was made based on the amount recoverable from the debtor, after taking into consideration the realisable value of collateral. Additional provisions were made in years ended 31 December 1998 and 2001 due to adjustments to the realisable value of collateral.
- (11) The profit before taxation declined by 201% from financial year ended 31 December 1997 to result in a loss before taxation of RM56.3 million in financial year ended 31 December 1998, largely due to high loan and other receivable provisions made. The profit before taxation for the six (6) months ended 30 June 2002 had decreased by 76% as compared to the unaudited results for the corresponding period ended 30 June 2001, attributed to a trading loss of RM37.7 million for the six (6) months financial period ended 30 June 2002.
- (12) There were no extraordinary or exceptional items in all the financial years/period under review.
- (13) The effective taxation rates for the financial years/period ended 1997, 2000, 2001 and 2002 were higher than the statutory taxation rate mainly due to certain expenses and provisions, which were not deductible for taxation purposes. For the financial year ended 1998, there was no provision for taxation as Commerce International had no chargeable income for that financial year. For the financial year ended 1999, provision for taxation was only made in respect of dividend income for YA 2000 (PY) whereby taxation on income other than dividend income was waived in accordance with Section 8 of the Income Tax (Amendment) Act 1999.
- (14) The net dividends paid by Commerce International were in respect of Commerce International's issued and paid up share capital for the five (5) financial years ended 31 December 2001 and the six (6) months financial period ended 30 June 2002.
- (15) The increased holding of dealing securities was consistent with Commerce International's objective in developing a strong fixed income franchise.
- (16) The financial year ended 31 December 2000 marked the shift in concentration of funding via deposits and placements of banks and other financial institutions to alternative means such as deposits from customers and obligations on securities sold under repurchase agreements.
- (17) During the financial year ended 31 December 2001, Commerce International issued RM600.0 million of 10-year fixed rate long term debt, resulting in an increase of 313% of long term debt as compared to the balance as at 31 December 2000.

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6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

6.4 CIMB Securities Sdn. Bhd. ('CIMBS')

6.4.1 Background

CIMBS was incorporated in Malaysia under the Companies Act, 1965 on 22 August 1987 as an unlimited company under the name of Sinaran Securities Sdn.. The company subsequently changed its name to Sinaran Securities Sdn. Bhd. on 30 November 1987 and assumed its present name on 1 December 1987.

CIMBS, a corporate member of KLSE is also a licensed dealer in securities and brokers for stocks. On 23 July 2001, CIMBS acquired ShareTech Securities Sdn. Bhd. (now known as CIMB Sharetech Sdn. Bhd and on 17 June 2002, CIMBS completed the conversion of the business of ShareTech Securities Sdn. Bhd. (now known as CIMB ShareTech Sdn. Bhd.) into a branch located at Labuan. With the setting-up of the branch, CIMBS now operates in Kuala Lumpur and Labuan.

6.4.2 Historical financial position and performance

The following financial information is based on the financial statements of CIMBS for the past five (5) financial years ended 31 December 2001 and six (6) months financial period ended 30 June 2002.

	← As at/Financial year/period ended 31/30 →					
	Dec 1997 RM'000	Dec 1998 RM'000	Dec 1999 RM'000	Dec 2000 RM'000	Dec 2001 RM'000	Jun 2002 RM'000
Paid-up capital	40,000	40,000	40,000	40,000	40,000	40,000
Shareholder's funds	146,728	118,109	179,903	171,883	175,686	185,158
NTA	146,728	118,109	179,903	171,883	175,686	185,158
Operating revenue	173,618	62,638	70,559	86,526	28,740	24,696
Interest expense	42,009	13,675	1,288	7	11	10
Profit/(loss) before taxation	4,421	(28,619)	61,794	58,150	6,576	14,272
Profit/(loss) after taxation	2,122	(28,619)	61,794	42,380	3,803	9,472
Net dividends [^] (sen)	0.50	-	-	1.26	-	-
Interest coverage ratio (times)	1.11	(1.09)	48.98	8,308.14	598.82	1,428.20
Pre-tax profit/(loss) margin (%)	2.55	(45.69)	87.58	67.21	22.88	57.79
NTA per share (RM)	3.67	2.95	4.50	4.30	4.39	4.63
Net return/(loss) on average shareholder's funds (%)	1.42	(21.61)	41.47	24.09	2.19	5.25
Earnings/(loss) per share (sen)	6.35	(71.55)	154.49	105.95	9.51	23.68
Current ratio (times)	1.45	1.41	2.63	1.99	1.81	1.46
Gearing (times)	1.78	0.76	-	0.01	0.00	0.00

[^] The net dividends declared were in respect of dividends proposed in the respective financial years which were not recognised as a liability as at balance sheet date pursuant to the requirement of MASB 19, Events After Balance Sheet Date.

The above financial data is to be read in conjunction with the notes in Section 6.4.3.

13. ACCOUNTANTS' REPORT (Cont'd)



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6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

6.4.3 Summary of financial results and balance sheets

The following financial information is based on the audited financial statements of CIMBS for the past five (5) financial years ended 31 December 2001 and six (6) months financial period ended 30 June 2002.

Income statements

	Financial year ended 31 Dec					6 months ended 30 Jun
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Operating revenue	173,618	62,638	70,559	86,526	28,740	24,696
Profit/(loss) before taxation	4,421	(28,619)	61,794	58,150	6,576	14,272
Taxation	(2,299)	-	-	(15,770)	(2,773)	(4,800)
Profit/(loss) after taxation	2,122	(28,619)	61,794	42,380	3,803	9,472

Balance sheets

	As at 31 Dec					As at 30 Jun
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000
Capital and reserves						
Share capital	40,000	40,000	40,000	40,000	40,000	40,000
Reserves	106,728	78,109	139,903	131,883	135,686	145,158
	146,728	118,109	179,903	171,883	175,686	185,158
Deferred and long term liabilities						
Deferred taxation	1,330	1,330	1,330	-	-	-
Subordinated loan	40,000	-	-	-	-	-
Deferred liability	-	-	-	-	2,000	2,000
	188,058	119,439	181,233	171,883	177,686	187,158

13. ACCOUNTANTS' REPORT (Cont'd)



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6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

6.4.3 Summary of financial results and balance sheets (continued)

Balance sheets (continued)

	← As at 31 Dec →					As at
	1997	1998	1999	2000	2001	30 Jun
	RM'000	RM'000	RM'000	RM'000	RM'000	2002
						RM'000
Represented by:						
Fixed assets	10,220	6,585	2,325	4,722	5,167	4,783
Subsidiaries	30	30	30	30	48,002	48,002
Current assets						
Dealing securities	6,323	2,047	6,386	36,154	9,631	13,255
Clients' and brokers' balances	493,400	269,671	162,415	201,899	162,374	289,262
Amount due from holding company	20,516	-	-	-	-	-
Amount due from related companies	38,278	278	199	-	347	139
Non-trade debtors, deposits and prepayments	3,724	3,637	2,475	4,100	3,259	3,103
Taxation recoverable	-	3,023	482	-	-	-
Cash and bank balances	9,364	107,616	116,728	94,171	103,204	120,245
Total current assets	<u>571,605</u>	<u>386,272</u>	<u>288,685</u>	<u>336,324</u>	<u>278,815</u>	<u>426,004</u>
Current liabilities						
Clients' and brokers' balances	139,344	159,344	84,708	122,891	109,804	237,933
Amount owing to a related company	2,500	-	686	4,479	1,813	6,819
Short term borrowings	220,607	50,000	-	1,089	287	413
Non-trade creditors and accrued liabilities	29,472	24,104	24,413	26,276	29,068	29,578
Provision for taxation	1,874	-	-	14,458	13,326	16,888
Subordinated loan	-	40,000	-	-	-	-
Total current liabilities	<u>393,797</u>	<u>273,448</u>	<u>109,807</u>	<u>169,193</u>	<u>154,298</u>	<u>291,631</u>
Net current assets	<u>177,808</u>	<u>112,824</u>	<u>178,878</u>	<u>167,131</u>	<u>124,517</u>	<u>134,373</u>
	<u>188,058</u>	<u>119,439</u>	<u>181,233</u>	<u>171,883</u>	<u>177,686</u>	<u>187,158</u>

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6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

6.4.3 Summary of financial results and balance sheets (continued)

Notes to the historical financial position and performance and summary of financial results and balance sheets

- (1) The financial statements of CIMBS for the two (2) financial years ended 31 December 1998 were audited by the legacy firm, Coopers & Lybrand while the financial statements of CIMBS for the three (3) financial years ended 31 December 2001 and six (6) months financial period ended 30 June 2002 were audited by PricewaterhouseCoopers. The financial statements of CIMBS for all the financial years/period under review were audited and reported on without any qualification.
- (2) Appendix A provides guidelines to the definitions of the relevant ratios and components stated in Section 6.4.2.
- (3) The loss before taxation for the financial year ended 31 December 1998 was mainly attributed to the severe economic downturn. This in turn led to decline in operating revenue and high doubtful debts provision. The profit before taxation declined to RM6.6 million for financial year ended 31 December 2001 as a result of lower brokerage income for CIMBS. This was due to poor market sentiments that led to lower trading volume in KLSE and revision of the brokerage rates with effect from September 2000.
- (4) There were no extraordinary or exceptional items in all the financial years/period under review.
- (5) The effective taxation rates for the financial years/period ended 1997, 2000, 2001 and 2002 were higher than the statutory taxation rate mainly due to certain expenses, which were not deductible for taxation purposes. For financial year ended 1998, there was no provision for taxation as CIMBS had no chargeable income for that financial year. For financial year ended 1999, provision for taxation was only made in respect of dividend income for YA 2000 (PY) whereby taxation on income other than dividend income was waived in accordance with Section 8 of the Income Tax (Amendment) Act 1999.
- (6) The net dividends by CIMBS were in respect of CIMBS' issued and paid up share capital for the five (5) financial years ended 31 December 2001 and the six (6) months financial period ended 30 June 2002.

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6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

6.5 CIMB Discount House Berhad ('CIMBDH')

6.5.1 Background

CIMBDH was incorporated in Malaysia under the Companies Act, 1965 on 22 November 1975 as a public company under the name of Asiavest Discount House (M) Berhad. The company subsequently changed its name to BBMB Discount House Berhad on 19 March 1987 and to Bumiputra-Commerce Discount House Berhad on 16 November 1999. The company assumed its present name on 5 February 2001.

The principal activities of the CIMBDH as a discount house, includes receiving deposits on deposit accounts and the investment of such deposits and other funds of the institution in Malaysian Government securities, Treasury bills or such other investments as may be prescribed by BNM, or such other business as BNM, with the approval of Ministry of Finance, may prescribe.

6.5.2 Historical financial position and performance

The following financial information is based on the financial statements of CIMBDH for the past two (2) financial years ended 31 March 1999, the nine (9) months financial period ended 31 December 1999, the two (2) financial years ended 31 December 2001 and the six (6) months financial period ended 30 June 2002:

	← As at/Financial year/period ended 31/30 →					
	Mar 1998 RM'000	Mar 1999 RM'000	Dec 1999 RM'000	Dec 2000 RM'000	Dec 2001 RM'000	Jun 2002 RM'000
Paid-up capital	62,900	62,900	62,900	62,900	62,900	62,900
Shareholder's funds	127,888	176,686	227,159	246,744	276,019	305,607
NTA	127,888	176,686	227,159	246,744	276,019	305,607
Revenue	335,029	300,406	130,632	93,369	186,088	67,361
Profit before taxation	27,675	56,974	70,276	22,003	35,842	40,447
Profit after taxation	16,340	52,874	50,473	19,585	29,275	29,588
Net dividends [^] (sen)	6.48	-	-	-	-	22.90
NTA per share (RM)	2.03	2.81	3.61	3.92	4.39	4.86
Net return on average shareholder's funds (%)	15.17	34.72	25.00	8.27	11.20	10.17
Earnings per share (sen)	32.10	84.06	80.24	31.14	46.54	47.04
Non-interest income/(loss) ratio (%)	2.02	4.08	17.56	(32.15)	11.43	64.91
Investments to deposits ratio (%)	142.09	96.30	95.53	109.28	92.67	109.73

[^] The net dividends declared were in respect of dividends proposed in the respective financial years which were not recognised as a liability as at balance sheet date pursuant to the requirement of MASB 19, Events After Balance Sheet Date.

The above financial data is to be read in conjunction with the notes in Section 6.5.3.

13. ACCOUNTANTS' REPORT (Cont'd)



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6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

6.5.3 Summary of financial results and balance sheets

The following financial information is based on the audited financial statements of CIMBDH for the past two (2) financial years ended 31 March 1999, the nine (9) months financial period ended 31 December 1999, the two (2) financial years ended 31 December 2001 and the six (6) months financial period ended 30 June 2002.

Income statements

	Financial year/period ended 31/30					
	Mar 1998 RM'000	Mar 1999 RM'000	Dec 1999 RM'000	Dec 2000 RM'000	Dec 2001 RM'000	Jun 2002 RM'000
Revenue	335,029	300,406	130,632	93,369	186,088	67,361
Profit before taxation	27,675	56,974	70,276	22,003	35,842	40,447
Taxation	(11,335)	(4,100)	(19,590)	(2,163)	(6,546)	(10,859)
Zakat	-	-	(213)	(255)	(21)	-
Profit after taxation	16,340	52,874	50,473	19,585	29,275	29,588

Balance sheets

	As at 31/30					
	Mar 1998 RM'000	Mar 1999 RM'000	Dec 1999 RM'000	Dec 2000 RM'000	Dec 2001 RM'000	Jun 2002 RM'000
Investments	200	200	200	200	200	200
Fixed assets	479	461	402	347	398	345
Investment securities	-	-	-	323,137	307,995	258,035
Current assets						
Non-government securities	3,334,106	1,895,866	1,778,539	-	-	-
Malaysian Government securities	34,889	133,056	5,437	-	-	-
Trading securities	-	-	-	2,128,683	2,039,211	1,706,459
Amount due from Danaharta Urus Sdn. Bhd.	-	57,000	60,000	22,966	-	-
Amount due from holding company	-	-	-	-	9,187	-
Sundry debtors	1,104	1,877	2,149	1,931	1,696	1,759
Interest receivable	16,774	12,383	13,193	16,554	16,957	11,817
Short term deposits with financial institutions	10,000	30,000	85,000	-	-	-
Cash and bank balances	58,583	551,802	407,070	83,725	540,330	226,273
Total current assets	3,455,456	2,681,984	2,351,388	2,253,859	2,607,381	1,946,308

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6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

6.5.3 Summary of financial results and balance sheets (continued)

	← As at 31/30 →					
	Mar 1998 RM'000	Mar 1999 RM'000	Dec 1999 RM'000	Dec 2000 RM'000	Dec 2001 RM'000	Jun 2002 RM'000
Current liabilities						
Non-government securities sold under repurchase agreements	153,639	67,081	20,000	-	-	-
Short term deposits	2,228,139	2,055,733	1,863,537	2,251,011	2,581,410	1,549,738
Obligations on securities sold and other repurchase agreements	-	-	-	-	-	81,498
Interest payable	8,687	9,929	2,955	6,531	5,082	2,740
Sundry creditors	1,512	1,318	1,128	2,478	3,113	2,040
Amount due to holding company	824,415	340,004	199,261	29,170	-	11,035
Amount due to related companies	93,073	9,097	-	-	341	-
Provision for taxation and zakat	4,682	4,597	20,350	27,865	22,023	27,653
Payables	-	-	-	6,144	23,214	23,758
Total current liabilities	<u>3,314,147</u>	<u>2,487,759</u>	<u>2,107,231</u>	<u>2,323,199</u>	<u>2,635,183</u>	<u>1,698,462</u>
Net current assets/(liabilities)	<u>141,309</u>	<u>194,225</u>	<u>244,157</u>	<u>(69,340)</u>	<u>(27,802)</u>	<u>247,846</u>
	<u>141,988</u>	<u>194,886</u>	<u>244,759</u>	<u>254,344</u>	<u>280,791</u>	<u>506,426</u>
Represented by:						
Share capital	62,900	62,900	62,900	62,900	62,900	62,900
Reserves	64,988	113,786	164,259	183,844	213,119	242,707
Total shareholder's funds	<u>127,888</u>	<u>176,686</u>	<u>227,159</u>	<u>246,744</u>	<u>276,019</u>	<u>305,607</u>
Non-current liabilities						
Deposits and placements of banks and other financial institutions	-	-	-	-	-	200,000
Deferred taxation	14,100	18,200	17,600	7,600	4,772	819
Total shareholder's funds and non-current liabilities	<u>141,988</u>	<u>194,886</u>	<u>244,759</u>	<u>254,344</u>	<u>280,791</u>	<u>506,426</u>
Commitments and contingencies	<u>690,562</u>	<u>458,295</u>	<u>184,953</u>	<u>445,347</u>	<u>920,293</u>	<u>809,748</u>

13. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
 CIMB Berhad
 PwC/SHKY/nm/0917j
 27 November 2002

6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

6.5.3 Summary of financial results and balance sheets (continued)

Notes to the historical financial position and performance and summary of financial results and balance sheets

- (1) The financial statements of CIMBDH for the two (2) financial years ended 31 March 1999 were audited by Ernst & Young while the financial statements of CIMBDH for the nine (9) months financial period ended 31 December 1999, the two (2) financial years ended 31 December 2001 and the six (6) months financial period ended 30 June 2002 were audited by PricewaterhouseCoopers. The financial statements of CIMBDH for all the financial years/period under review were audited and reported on without any qualification.
- (2) The financial year end of CIMBDH was changed from 31 March to 31 December in 1999 to be aligned with the financial year end of its ultimate holding company.
- (3) With effect from 1 January 2001, Commerce International controls the entire equity interest in CIMBDH. The financial position and results of CIMBDH has been accounted for on an acquisition basis under the Commerce International Group, commencing from the financial year ended 31 December 2001.
- (4) Revenue in the financial year ended 31 March 1998 to the financial period ended 31 December 1999 has been reclassified to include accretion of discount less amortisation of premium retrospectively in order to conform to the presentation in the two (2) financial years ending 31 December 2001 and the six (6) months financial period ended 30 June 2002.
- (5) Short term deposits with financial institutions with maturity not exceeding one month in the financial year ended 31 March 1998 to the financial period 31 December 1999 has been reclassified to cash and bank balances retrospectively in order to conform to the presentation in the two (2) financial years ending 31 December 2001 and the six (6) months financial period ended 30 June 2002.
- (6) With effect from financial period ended 30 June 2002, CIMBDH has changed its accounting policy with respect to the recognition of proposed dividends in compliance with the new MASB 19, Events After Balance Sheet Date. Under the MASB 19, proposed dividends are only recognised in the period in which the obligation is established. Hence dividends declared after balance sheet date are not recognised as a liability as at balance sheet date. The change in accounting policy has been accounted for retrospectively with effects shown as follows:

	As reported in financial statements RM'000	Effects of change in policy RM'000	As restated RM'000
As at 31 March 1998			
Proposed dividend	4,076	(4,076)	-
Reserves	60,912	4,076	64,988
Shareholder's funds	123,812	4,076	127,888

13. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors
CIMB Berhad
PwC/SHKY/nm/0917j
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6 HISTORICAL FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

6.5.3 Summary of financial results and balance sheets (continued)

Notes to the historical financial position and performance and summary of financial results and balance sheets (continued)

- (7) Appendix A provides guidelines to the definitions of the relevant ratios and components stated in Section 6.5.2.
- (8) There were no extraordinary or exceptional items in all the financial years/periods under review.
- (9) The effective taxation rate for the financial year ended 31 March 1998 and six (6) months period ended 30 June 2002 were higher than the statutory taxation rate because certain expenses and losses were disallowed for taxation purposes. Income tax was not provided in the financial year ended 31 March 1999 in view of the tax waiver for financial year 1999 pursuant to the Income Tax (Amendment) Act, 1999. The taxation expense in the income statement was in respect of deferred taxation only. In the financial years ended 31 December 2000 and 2001, the effective taxation rate was lower than the statutory taxation rates due to reversal of deferred tax liability from previous years.
- (10) The net dividends paid by CIMBDH were in respect of CIMBDH's issued and paid up share capital for the past two (2) financial years ended 31 March 1999, the nine (9) months financial period ended 31 December 1999, the two (2) financial years ended 31 December 2001 and the six (6) months financial period ended 30 June 2002.

6.6 Other non-key companies within Commerce International Merchant Bankers Berhad Group

6.6.1 Other non-key companies within Commerce International Group include the following:

- CIMB Futures Sdn. Bhd.
- CIMB Holdings Sdn. Bhd.
- CIMB Nominees (Tempatan) Sdn. Bhd.
- CIMB Nominees (Asing) Sdn. Bhd.
- CIMB (L) Limited
- iCIMB Sdn. Bhd.
- CIMB Securities (Hong Kong) Limited
- CIMSEC Nominees (Tempatan) Sdn. Bhd.
- CIMSEC Nominees (Asing) Sdn. Bhd.
- CIMSEC Nominees Sdn. Bhd.
- CIMB ShareTech Sdn. Bhd. (formerly known as ShareTech Securities Sdn. Bhd.)
- ShareTech Nominees (Tempatan) Sdn. Bhd.
- ShareTech Nominees (Asing) Sdn. Bhd.
- Halyconia Asia Fund Limited

No individual record of historical financial position and performance on these companies has been included in this report on grounds that their contributions were not material to Commerce International Group.

13. ACCOUNTANTS' REPORT (*Cont'd*)




The Board of Directors
CIMB Berhad
PwC/SHKY/nm/0917j
27 November 2002


7 AUDITED FINANCIAL STATEMENTS SUBSEQUENT TO 30 JUNE 2002

No audited financial statements have been prepared in respect of any period subsequent to 30 June 2002.

Yours faithfully,



PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants



MOHAMMAD FAIZ BIN MOHAMMAD AZMI
(No. 2025/03/04 (J))
Partner of the firm

13. ACCOUNTANTS' REPORT (Cont'd)

APPENDIX A
Page 1 of 2**DEFINITIONS OF THE RELEVANT RATIOS AND COMPONENTS**

Paid-up capital	:	The amount of share capital paid to date
Shareholders' funds	:	Ordinary share capital + Reserves
Net income	:	Total income – Specific provisions – General provision
Revenue	:	Interest income + Accretion of discounts less amortisation of premiums + Trading income
Operating revenue	:	Net brokerage income + Other trading gains + Interest income from margin financing, contra and overdue charges + Margin rollover fees + Underwriting commission + Other fee income
Net tangible assets ('NTA') per share	:	$\frac{\text{Total assets} - \text{Intangible assets} - \text{Total liabilities} - \text{Minority interest}}{\text{Number of ordinary shares}}$
Net return on average shareholders' funds	:	$\frac{\text{Net profit after taxation}}{\text{Average shareholders' funds}} \times 100$
Earnings per share	:	$\frac{\text{Net profit after taxation}}{\text{Weighted average no of shares}} \times 100$
Risk-weighted capital ratio	:	$\frac{\text{Capital base}}{\text{Total weighted risk assets}} \times 100$
Core capital ratio	:	$\frac{\text{Tier-1 Capital*}}{\text{Total weighted risk assets}} \times 100$
Net non-performing loan ('NPL') ratio	:	$\frac{\text{Net NPL}}{\text{Net loans}} \times 100$
Specific provision ('SP') ratio	:	$\frac{\text{Specific provision}}{\text{Gross NPL}} \times 100$
General provision ('GP') ratio	:	As defined in the Bank Negara Malaysia's Garis Panduan 3 (BNM/GP3) guidelines.
Loans to deposits ratio	:	$\frac{\text{Loans (before provision)}}{\text{Total deposits}} \times 100$

* Only if eligible Tier-2 Capital is more than Investment in subsidiaries + Investment in capital of domestic/foreign banking institutions. Otherwise, capital base is used as numerator.

13. ACCOUNTANTS' REPORT (Cont'd)

APPENDIX A
Page 2 of 2**DEFINITIONS OF THE RELEVANT RATIOS AND COMPONENTS (CONTINUED)**

Non-interest income ratio	:	$\frac{\text{Non-interest income}}{\text{Total net income}} \times 100$
Investment securities to deposits ratio	:	$\frac{\text{Investment securities (before provision)}}{\text{Total deposits}} \times 100$
Dealing securities to deposits ratio	:	$\frac{\text{Dealing securities}}{\text{Total deposits}} \times 100$
Loans and securities to deposits ratio	:	$\frac{\text{Loans (before provision)} + \text{Investment securities (before provision)} + \text{Dealing securities}}{\text{Total deposits}} \times 100$
Interest coverage ratio	:	$\frac{\text{Profit before interest and taxation}}{\text{Interest}}$
Pre-taxation profit margin	:	$\frac{\text{Profit before taxation}}{\text{Revenue}} \times 100$
Current ratio	:	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Gearing	:	$\frac{\text{All interest bearing debts}}{\text{Shareholders' funds}}$