

CORPORATE INFORMATION

Directors

YBhg Tan Sri Quek Leng Chan
(Chairman)

YBhg Dato' James Lim Cheng Poh
(Senior Group Managing Director)

En Zulkiflee Hashim
(Executive Director)

Ms Yvonne Chia
(Executive Director)

Mr Chew Peng Cheng

Mr Kwek Leng Hai

Mr Kwek Leng Seng

YBhg Datuk Dr Hussein Awang

Mr Tan Keok Yin

YBhg Datuk Roger Tan Kim Hock

En Mohamed Nazim Bin Abdul Razak

Auditors

Messrs PricewaterhouseCoopers
Chartered Accountants
11th Floor, Wisma Sime Darby
Jalan Raja Laut
50350 Kuala Lumpur

Secretaries

Ms Ng Choi Foong

Ms Wong Seong Cho

Registrar

Hong Leong Nominees Sendirian Berhad
Level 5, Wisma Hong Leong
18 Jalan Perak, 50450 Kuala Lumpur
Tel : 03-21641818
Fax : 03-21643703

Registered Office

Level 6, Wisma Hong Leong
18 Jalan Perak, 50450 Kuala Lumpur
Tel : 03-21648228
Fax : 03-21642503

DIRECTORS' PROFILE

YBhg Tan Sri Quek Leng Chan

Chairman/Non-Independent

Aged 60, Tan Sri Quek Leng Chan, a Malaysian, qualified as a Barrister-at-Law from Middle Temple, United Kingdom. He has extensive business experience in various business sectors, including financial services, manufacturing and real estate.

Tan Sri Quek is the Chairman of Hong Leong Bank Berhad ("HLB") and was appointed to the Board of Directors ("Board") of HLB on 3 January 1994. He is the Chairman of the Executive Share Option Scheme ("ESOS") Committee of HLB and a member of the Executive Committee and Board Credit Committee ("BCC") of HLB.

He is the Chairman & Chief Executive Officer of Hong Leong Company (Malaysia) Berhad ("HLCM"), Executive Chairman of Hong Leong Industries Berhad ("HLI"), Hong Leong Credit Berhad ("HLC"), Hong Leong Properties Berhad ("HLPB"), Hume Industries (Malaysia) Berhad ("HIMB"), Hume Cemboard Berhad, Camerlin Group Berhad, Tasek Corporation Berhad ("TCB") and O.Y.L Industries Bhd ("OYL") and Chairman of HLG Capital Berhad ("HLGC"), Hong Leong Finance Berhad ("HLF") and Hong Leong Assurance Berhad ("HLA").

Tan Sri Quek has attended all nine Board Meetings held during the financial year ended 30 June 2003.

He has no conflict of interest with HLB and has no conviction for offences within the past ten years.

YBhg Dato' James Lim Cheng Poh

Senior Group Managing Director/Non-Independent

Aged 54, Dato' James Lim Cheng Poh, a Malaysian, holds a degree in Mining Engineering from the Camborne School of Mines (England), a Master Degree in Science (Engineering) from Queen's University (Canada) and a Master Degree in Business Administration from Harvard University (United States of America). He joined HLC as Managing Director in 1983 and became the Senior Group Managing Director on 1 September 1990. On 3 January 1994, he relinquished his position in HLC to assume the position of Senior Group Managing Director of HLB but remained as a Director of HLC until June 2001. Prior to joining HLC, he was an Executive Director of Osborne & Chapel for 4 years.

YBhg Dato' is a member of the Share Transfer Committee, Executive Committee, ESOS Committee and BCC of HLB. He is also a Director of HLF.

YBhg Dato has attended all nine Board Meetings held during the financial year ended 30 June 2003.

YBhg Dato has no family relationship with other Directors or major shareholders of HLB, no conflict of interest with HLB and has no conviction for offences within the past ten years.

Zulkiflee Hashim

Executive Director/Non-independent

Aged 44, Encik Zulkiflee Hashim, a Malaysian, holds a Diploma in Credit Management. He started his career in the banking sector with Citibank NA and was its Vice President in 1990. From December 1991 to 1997, he was the Deputy Managing Director of Deutsche Bank Malaysia, responsible for Corporate Banking, International Trade Finance, Operations and Transaction Banking Services Department. Encik Zulkiflee was appointed Executive Director of HLB on 30 July 1998 and a member of the Share Transfer Committee, Executive Committee and BCC of HLB.

Encik Zulkiflee is Director of WTB Corporation Berhad ("WTB") and HLF Credit (Perak) Berhad, both public companies.

Encik Zulkiflee has attended all nine Board Meetings held during the financial year ended 30 June 2003.

Encik Zulkiflee has no family relationship with other Directors or major shareholders of HLB, no conflict of interest with HLB and has no conviction for offences within the past ten years.

DIRECTORS' PROFILE

(continued)

Yvonne Chia

Executive Director/Non-Independent

Aged 50, Ms Yvonne Chia, a Malaysian, holds a Bachelor of Economics from the University of Malaya in 1976. She started her banking career with Bank of America, Kuala Lumpur and held various positions in Hong Kong, Manila and Kuala Lumpur between 1976 and 1993; the last position being Vice President & Country Head of Marketing. In March 1994, Ms Chia joined RHB Bank Berhad as General Manager and went on to become the Chief Executive Officer/Managing Director, a position she held until March 2002.

Ms Chia was appointed an Executive Director of HLB on 17 March 2003 and has attended all three Board Meetings of HLB held during her office as Executive Director for the financial year ended 30 June 2003. She is also a member of the BCC of HLB.

Ms Chia is also a Director of Malaysian External Trade Development Corporation Berhad (MATRADE) and was made a Fellow of Institute of Bankers Malaysia in April 2002. She is also a Certified Risk Professional (CRP) with BAI.

Ms Chia has no family relationship with other Directors or major shareholders of HLB, has no conflict with HLB and no conviction for offences within the past ten years.

Chew Peng Cheng

Non-Executive Director/Non-independent

Aged 62, Mr Chew Peng Cheng, a Malaysian, qualified as a Barrister-at-Law from the Inner Temple, London. He was a Deputy Public Prosecutor, State Attorney General Chamber of Kuching from 1964 to 1965. Thereafter, he practised at Battenberg & Talma between 1965 to 1974. In 1966, he joined WTB as a Director / Secretary and was promoted to Managing Director/Chief Executive Director in 1975. He resigned from WTB on the completion of the acquisition of WTB by HLB and joined HLB as Executive Director on 13 June 2001. Upon completion of his employment contract with HLB, Mr Chew became a Non-Executive Director of HLB with effect from 13 June 2003. He also holds Directorship in Chiang Chuan Berhad and several private limited companies.

Mr Chew has attended eight Board Meetings held during the financial year ended 30 June 2003.

Mr Chew has no family relationship with other Directors or major shareholders of HLB, no conflict of interest with HLB and has no conviction for offences within the past ten years.

Kwek Leng Hai

Non-Executive Director/Non-Independent

Aged 50, Mr Kwek Leng Hai, a Singaporean, is a qualified Chartered Accountant. He was the Managing Director of HLC from 1979 to 1982 and HLI from 1982 to 1985. In 1985, he was appointed as Chief Executive of Dao Heng Bank Limited, Hong Kong, a position he held till June 2001. At the same time, Mr Kwek was the Chief Executive of Overseas Trust Bank Limited, Hong Kong between 1993 and 2001 and the Managing Director of Guoco Group Limited ("GGL"), Hong Kong from 1992 to 1996. Presently, he is the President and Chief Executive Officer of GGL.

Mr Kwek was appointed to the Board of HLB on 3 January 1994. He has attended eight Board Meetings held during the financial year ended 30 June 2003.

Mr Kwek is also a Director of two other public companies i.e. HLF and HLCM.

Mr Kwek has no conflict of interest with HLB and has no conviction for offences within the past ten years.

DIRECTORS' PROFILE

(continued)

Kwek Leng Seng

Non-Executive Director/Non-Independent

Aged 45, Mr Kwek Leng Seng, a Singaporean, holds an Honours Degree in Law from the University of Buckingham, London. He is currently the Group Managing Director of HLPB, a position he held since end 1995. He joined Hong Leong Group Malaysia in 1987 as the Claims Manager and Director of HLA. Between 1990 to mid 1994, he assumed directorship and managerial positions in various subsidiaries of HLPB. In mid 1994, he became the Managing Director of HLG Securities Sdn Bhd and held the position until October 1995.

Mr Kwek was appointed to the Board of HLB on 3 January 1994 and has attended all nine Board Meetings of HLB held during the financial year ended 30 June 2003. He was a Non-Independent Non-Executive member of the BARMC until his resignation as a member on 30 June 2003.

Mr Kwek is currently the Group Managing Director of HPLB.

Tan Sri Quek Leng Chan, Mr Kwek Leng Hai, Mr Kwek Leng Seng and Mr Quek Leng Chye, a deemed major shareholder of HLB, are brothers. Mr Kwek Leng Seng has no conflict of interest with HLB and has no conviction for offences within the past ten years.

YBhg Datuk Dr Hussein Awang

Non-Executive Director/Independent

Aged 63, Datuk Dr Hussein Awang, a Malaysian, obtained a Bachelor of Medicine and Bachelor of Surgery Degree from the University of Melbourne in 1964. He was made a Fellow of the Royal Australasian College of Surgeons in 1972. YBhg Datuk is presently the Consultant Urological Surgeon at Tawakal Specialist Centre, Kuala Lumpur, a position he had held since May 1984. He was the Senior Consultant Urological Surgeon and Head of Department of Urology, General Hospital, Kuala Lumpur from 1976 to May 1984. He was also Honorary Professor of Surgery (Urology), Department of Surgery, University Kebangsaan Malaysia, Kuala Lumpur from 1978 to May 1994. YBhg Datuk is a Foundation Fellow of the Academy of Science Malaysia.

YBhg Datuk was appointed as a Board and BARMC member of HLB on 18 August 1994.

His Directorship in other public companies include KPJ Healthcare Bhd and TCB.

During the financial year ended 30 June 2003, YBhg Datuk has attended all nine Board Meetings held.

YBhg Datuk has no family relationship with other Directors or major shareholders of HLB, no conflict of interest with HLB and has no conviction for offences within the past ten years.

Tan Keok Yin

Non-Executive Director/Independent

Aged 59, Mr Tan Keok Yin, a Malaysian, graduated with a Bachelor of Arts (Honours) degree in Economics from the University of Malaya in 1966. He also completed an Executive Program in Management at the University of California, Berkeley in 1984 and a Program in International Boards and Directors at the Swedish Academy of Directors, Stockholm in 1995. He started his career with Bank Negara Malaysia ("BNM") in 1966 and served in various capacities in the Economics and Investments Departments and the Penang Branch of BNM. In 1977, he joined the Federation of Malaysian Manufacturers ("FMM") as Deputy Director and was appointed CEO in 1981 till 1999. As FMM CEO, he represented the organisation on various Government boards and committees and participated actively as speaker and panelist at the World Economic Forum, ASEAN trade and industrial co-operation regional meetings and other international business forums. He also served as a Management Board member of EAN International located in Brussels, which oversees the world-wide commercial usage of the EAN - UCC bar codes and product numbering system.

DIRECTORS' PROFILE

(continued)

Mr Tan was appointed to the Board of HLB on 26 August 1994 and is the Chairman of the BARMC of HLB. His other directorships are as follows :-

- Independent Non-Executive Director and BARMC member of Malaysian Pacific Industries Berhad, a public listed company.
- Independent Non-Executive Director and appointed BARMC member with effect from 20 February 2003 of HLPB.
- Independent Non-Executive Director and BARMC member of HLA.
- Independent Non-Executive Director and Chairman of BARMC of HLF.

Mr Tan has attended all nine Board Meetings of HLB held during the financial year ended 30 June 2003.

Mr Tan has no family relationship with other Directors or major shareholders of HLB, no conflict of interest with HLB and has no conviction for offences within the past ten years.

YBhg Datuk Roger Tan Kim Hock

Non-Executive Director/Non-Independent

Aged 56, Datuk Roger Tan Kim Hock, a Malaysian, obtained his Bachelor of Law degree from the London School of Economics and qualified as a Barrister-at-Law from Gray's Inn, United Kingdom. He was in legal practice between 1972 and 1976. He joined Hong Leong Property Management Co Sdn Bhd in 1976 as the General Manager of the Property Division and went on to become the Managing Director of HLI in 1985. In 1988, he joined HLG Securities Sdn Bhd as the Chief Executive Officer; a position he held till 1993. Thereafter, he left to assume the post of President & Chief Executive Officer of HIMB until June 2001. On 1 July 2001, Datuk Roger Tan joined HLC as its President & Chief Executive Officer.

Datuk Roger Tan was appointed to the Board of HLB on 28 November 2001 and has attended all nine Board Meetings of HLB held for the financial year ended 30 June 2003.

Datuk Roger Tan is also a member of BCC of HLB and a Director of HLC and HLG, all of which are public listed companies. He is also a Director of HLA and HLF, both public companies.

Datuk Roger Tan has no family relationship with other Directors or major shareholders of HLB, no conflict of interest with HLB and has no conviction for offences within the past ten years.

Mohamed Nazim Bin Abdul Razak

Non-Executive Director/Independent

Aged 41, Encik Mohamed Nazim Bin Abdul Razak, a Malaysian, an architect by profession, graduated from the Architectural Association, School of Architecture, London. He initially served with YRM Architects in London, a multi-disciplinary building design consultancy and has more than 16 years experience in the architectural field, 13 of which were in Kuala Lumpur. Besides being the Managing Director of NR Associates Sdn Bhd, he is also the Chairman of Bandar Tasik Semenyih Sdn Bhd, a property developer in the Klang Valley.

Encik Mohamed Nazim was appointed as Non Executive Independent member to the Board and BARMC of HLB on 30 June 2003. Encik Mohamed Nazim is also a Director of OYL, a public listed company, and the Chairman of its BARMC.

Encik Mohamed Nazim has no family relationship with other Directors or major shareholders of HLB, no conflict of interest with HLB and has no conviction for offences within the past ten years.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

Constitution

The Board Audit Committee of Hong Leong Bank Berhad ("HLB" or "the Bank") has been established since 18 August 1994 and was re-designated as the Board Audit & Risk Management Committee ("BARMC") on 10 January 2002.

Composition

Mr Tan Keok Yin (Chairman, Independent Non-Executive Director)

YBhg Datuk Dr Hussein Awang (Independent Non-Executive Director)

Mr Kwek Leng Seng (Non Independent Non-Executive Director) (Resigned on 30 June 2003)

Encik Mohamed Nazim Bin Abdul Razak (Independent Non-Executive Director) (Appointed on 30 June 2003)

Secretary

The Secretary to the BARMC is Ms Ng Choi Foong who is the Joint Company Secretary of HLB.

Terms Of Reference

The terms of reference ("TOR") of the BARMC have been revised to conform to the Listing Requirements of the Kuala Lumpur Stock Exchange.

- To nominate and recommend for the approval of the Board of Directors ("Board"), a person or persons as external auditor(s).
- To review the external audit fees.
- To review, with the external auditors, the audit plan.
- To review, with the external auditors, the audit report and audit findings and the management's response thereto.
- To review the assistance given by the officers of HLB and its subsidiaries ("Group") to the external auditors.
- To review the quarterly reports and annual financial statements of the Bank and of the Group prior to the approval by the Board.
- To review the adequacy of the internal audit scope and plan, functions and resources of the internal audit department.
- To review the report and findings of the internal audit department including any findings of internal investigations and the management's response thereto.
- To review and report to the Board measures taken to :-
 - (a) Identify and examine principal risks faced by the Bank.
 - (b) Implement appropriate systems and internal controls to manage these risks.
- To evaluate and recommend to the Board, risk management policies and strategies proposed by management.
- To oversee and monitor implementation of the Risk Management framework and activities adopted by the Bank.
- To review any related party transactions that may arise within the Bank or the Group.
- Other functions as may be agreed to by the BARMC and the Board.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

(continued)

Authority

The BARMC is authorised by the Board to review any activity of the Group within its TOR. It is authorised to seek any information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the BARMC.

The BARMC is authorised by the Board to obtain independent legal or other professional advice if it considers necessary.

Meetings

The BARMC meets at least nine (9) times a year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements are held prior to such quarterly reports and annual financial statements being presented to the Board for approval.

The head of finance and internal audit divisions, the Chief Risk Officer and external auditors are invited to attend BARMC meetings. At least once a year, the BARMC will have a separate session with the external auditors without the presence of Executive Directors.

Two (2) members of the BARMC, who shall be independent and non-executive, shall constitute a quorum.

After each BARMC meeting, the BARMC shall report and update the Board on significant issues and concerns discussed during the BARMC meetings and where appropriate, make the necessary recommendations to the Board.

Activities

The BARMC carried out its duties in accordance with its TOR.

The BARMC met nine times during the financial year ended 30 June 2003. Mr Tan Keok Yin and YBhg Datuk Dr Hussein Awang attended all the meetings held during the financial year while Mr Kwek Leng Seng attended seven meetings.

The BARMC reviewed the quarterly reports and annual financial statements of the Group. The BARMC met with the external auditors and discussed the nature and scope of the audit, considered significant changes in accounting and auditing issues, reviewed the management letter and management's response, reviewed pertinent issues which had significant impact on the results of the Group and discussed applicable accounting and auditing standards. The BARMC also reviewed the internal auditor's audit findings and recommendations as well as Bank Negara Malaysia's Examination Reports on the Bank Group.

In addition, the BARMC reviewed the adequacy and integrity of internal control systems, including risk management and relevant management information system. It also reviewed the processes put in place to identify, evaluate and manage the significant risks encountered by the Group.

The BARMC reviewed and approved various related party transactions carried out by the Group.

Internal Audit

During the financial year ended 30 June 2003, the internal audit department carried out its duties covering audit on operations, information technology system, credit, head office, branches, loan centre, business centre, investigation and other assignments as directed.

CORPORATE GOVERNANCE

"Corporate Governance is the process and structure used to direct and manage the business and affairs of the Company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst taking into account the interest of other stakeholders."

Finance Committee on Corporate Governance

The Board of Directors ("Board") has reviewed the manner in which the Malaysian Code on Corporate Governance ("the Code") is applied in the Group as set out below. The Board is pleased to report compliance of the Group with the Best Practices set out in Part 2 of the Code except where otherwise stated.

A Directors

1 The Board

The Board assumes responsibility for effective stewardship and control of the Company and has established terms of reference to assist in the discharge of this responsibility.

2 Board Balance

The Board comprises eleven (11) Directors, eight (8) of whom are Non-Executive. Of the Non-Executive Directors, three (3) are independent. The profiles of the members of the Board are provided in the Annual Report.

The Board is of the view that the current Board composition fairly reflects the investment of shareholders in the Bank.

The Board met nine (9) times during the financial year ended 30 June 2003.

The Board has identified Mr Tan Keok Yin, the Chairman of the Board Audit & Risk Management Committee ("BARMC"), as the Independent Non-Executive Director of the Board to whom concerns may be conveyed.

3 Supply of Information

All Board members are supplied with information on a timely manner. Board reports are circulated prior to Board meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, performance of the Bank and of the Group and management proposals which require the approval of the Board.

All Directors have access to the advice and services of the Company Secretaries as well as to independent professional advice, including the internal auditors.

4 Appointments to the Board

During the financial year ended 30 June 2003, the Nomination Committee was established with the following members:-

- YBhg Datuk Dr Hussein Awang (Chairman, Independent Non-Executive Director)
- YBhg Tan Sri Quek Leng Chan (Non-Independent Non-Executive Director)
- YBhg Datuk Roger Tan Kim Hock (Non-Independent Non-Executive Director)
- Mr Chew Peng Cheng (Non-Independent Non-Executive Director)
- Mr Tan Keok Yin (Independent Non-Executive Director)

The Committee's terms of reference are as follows:

- Recommend to the Board the minimum requirements for appointments to the Board, Board committees and for the position of Chief Executive Officer.
- Review and recommend to the Board all Board appointments and re-appointments and removals including of the Chief Executive Officer.
- Review annually the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive and Independent Directors, and mix of skills and other core competencies required.
- Assess annually the effectiveness of the Board and key senior management officers as a whole and the contribution by each individual Director to the effectiveness of the Board and various Board committees based on criteria approved by the Board.

A Directors (continued)

4 Appointments to the Board (continued)

- Oversee the appointment, management succession planning and performance evaluation of key senior management officers and recommend their removal if they are found ineffective, errant and negligent in discharging their responsibilities.
- Ensure that the Board receives an appropriate continuous training programme.

5 Re-election

All Directors are required to submit themselves for re-election every three (3) years.

B Directors' Remuneration

During the financial year ended 30 June 2003, the Remuneration Committee was established with the following members:-

- Mr Chew Peng Cheng (Non-Independent Non-Executive Director)
- YBhg Tan Sri Quek Leng Chan (Non-Independent Non-Executive Director)
- Mr Tan Keok Yin (Independent Non-Executive Director)

1 Level and make-up of Remuneration

The Group's remuneration scheme for Executive Directors is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmarked to market/industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group's annual plan and budget.

For Non-Executive Directors, the level of remuneration reflects the level of responsibilities undertaken by them.

2 Procedure

The remuneration packages of all executives of the Group including Executive Directors are laid out in the Group's Human Resources Manual, which is reviewed from time to time to align with market/industry practices.

The fees of Directors, including Non-Executive Directors, are recommended and endorsed by the Board for approval by the shareholders of the Bank at its Annual General Meeting.

3 Disclosure

The aggregate remuneration of Directors for the financial year ended 30 June 2003 is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	189,932	3,408,439	3,598,371
Non-Executive Directors	482,158	-	482,158

B Directors' Remuneration (continued)

3 Disclosure (continued)

The number of Directors whose remuneration fall into the following bands is as follows:

Range of Remuneration (RM)	Executive	Non-Executive
50,000 and below	-	-
50,001 - 100,000	-	4
100,001 - 150,000	-	2
150,001 - 200,000	-	-
200,001 - 250,000	1	-
250,001 - 350,000	-	-
350,001 - 400,000	1	-
400,001 - 600,000	-	-
600,001 - 650,000	1	-
650,001 - 2,300,000	-	-
2,300,001 - 2,350,000	1	-

C Shareholders

1 Dialogue between Companies and Investors

The Board acknowledges the importance of regular communication with shareholders and investors via the annual reports, circulars to shareholders and quarterly financial reports and the various announcements made during the year, through which shareholders and investors can have an overview of the Group's performance and operation.

2 Annual General Meeting ("AGM")

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions.

D Accountability and Audit

The Board Audit Committee was established on 18 August 1994 and re-designated to BARMC on 10 January 2002. The financial reporting and internal control system of the Group is overseen by the BARMC, which comprises all Non-Executive Directors. The primary responsibilities of the BARMC are set out in the BARMC Report.

The BARMC met nine (9) times during the financial year ended 30 June 2003. Details of attendance of the BARMC members are set out in the BARMC Report appearing on page 8 of the Annual Report.

The BARMC is supported by the Internal Audit Department whose principal responsibility is to conduct periodic audits on the internal control matters to ensure compliance with systems and/or standard operating procedures of the Group. Investigation will be made at the request of the BARMC and senior management on specific areas of concern when necessary. Significant breaches and deficiencies identified are discussed at the BARMC meetings where appropriate actions will be taken.

1 Financial Reporting

The Board is responsible for ensuring the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements from the BARMC, which assesses the financial statements with the assistance of the external auditors.

D Accountability and Audit (continued)

2 Internal Control

The Board has overall responsibility for maintaining a system of internal controls which covers financial and operational controls and risk management. This system provides reasonable but not absolute assurance against material misstatements, losses and fraud.

Following the re-designation of the BARMC mentioned above, the BARMC is also entrusted with the responsibility of identifying and communicating to the Board critical risks the Group faces, changes to the Group's risk profile and management's action plans to manage the risks.

3 Relationship with Auditors

The appointment of external auditors is recommended by the BARMC, which determines the remuneration of the external auditors. The external auditors meet with the BARMC to:

- present the scope of the audit before the commencement of audit; and
- review the results of the audit as well as the management letter after the conclusion of the audit.

E Statement On Internal Control

The Board, recognising its responsibilities in promoting good corporate governance and ensuring sound internal controls, and risk management practices, has set up the BARMC on 10 January 2002. The Board has also put in place an Integrated Risk Management Framework to assist it in:

- identifying the significant risks faced by the Bank Group in the business environment as well as evaluating the impact of such risks;
- developing and approving the necessary controls and measures to manage these risks; and
- monitoring the adequacy and effectiveness of such controls and measures.

The BARMC, assisted by the Internal Audit Division, oversees and reports to the Board on the proper functioning of the Integrated Risk Management Framework, as part of its responsibilities of monitoring compliance with the business objectives, policies, reporting standards and control procedures of the Group.

The controls instituted by the Group's operating units and built into the risk management framework are not intended to eliminate all risks of failure to achieve business objectives but are designed to ensure all relevant and significant risks have been identified and managed as part of the management and decision-making process throughout the Group. As with all such frameworks, controls, by their nature, can only provide reasonable, but not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

The risk management framework is embedded in the management and decision-making process through the following structures:

- Key strategies to achieve the Bank Group's business plans and budget as approved by the Board, are tracked and reviewed by the operating divisions/departments to monitor achievement of these business plans and budgets.
- The various divisional and departmental heads of the Bank Group operate their respective units within the policies, functional, financial and operating reporting standards and control procedures developed by the Group. Such reporting standards and control procedures are supplemented on an ongoing basis by operating procedures, policies and action plans developed by the operating units to manage and monitor risks impacting the Bank Group and to suit the regulatory and business environment in which they operate.
- Where feasible and necessary, relevant group resources are focused to manage common risks on an integrated and Group-wide basis, using common tools, procedures and control systems as appropriate.

E Statement On Internal Control (continued)

The Chief Risk Officer ('CRO') of the Group is the custodian of the Integrated Risk Management Framework and is responsible to :

- evaluate all identified risks for their continuing relevance in the business environment and inclusion in the Risk Management Framework;
- oversee and monitor the implementation of appropriate systems and risk management controls to manage these risks;
- assess the adequacy of action plans and control systems developed to manage these risks;
- monitor the performance of management in executing the action plans and operating the control systems; and
- regularly report to the BARMC and the Board on the state of internal controls and the efficacy of management of risks throughout the Group.

In discharging the above responsibilities, the CRO is guided by but not limited to the questions raised in the Appendix to the Statement of Internal Control - Guidance for Directors of Public Listed Companies and he reports regularly to the BARMC and the Board on risk matters. The Board receives regular reports on significant risk areas e.g. market risks, credit risks and operational risks.

As a licensed banking institution, the business of the Group entails management of risks common to all financial intermediaries. The more significant risks are set out below:

- Credit risk - Exposure to a loss arising from the failure of a customer or a counterparty to honour debts or settlement of a security on purchase or on maturity.
- Interest rate risk - Exposure to loss arising from an unfavorable movement in interest rates, resulting in mismatch between income and expense between assets and liabilities.
- Market risk - Exposure to cash or opportunity loss from an unfavorable movement in equity prices and foreign exchange rates.
- Liquidity risk - Possibility of an inability to meet cash obligations at acceptable rates.
- Operational risk - Exposure to loss resulting from failure of operational procedures and/or control systems.
- Product Risk - Possibility of products incurring financial or opportunity loss attributed to poor reception by customers, mispricing, poor product features and/or timing of entrant of the products.

F Directors' Responsibility In Financial Reporting

The Listing Requirements of the Kuala Lumpur Stock Exchange require the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Bank as at the end of financial year and of the results and cash flow of the Group and of the Bank for the financial year.

The Directors are satisfied that in preparing the financial statements of the Group and of the Bank for the financial year ended 30 June 2003, the Group has used the appropriate accounting policies and applied them consistently. The Directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixty-Second Annual General Meeting of Hong Leong Bank Berhad ("Bank") will be held at the Theatre, Level 1, Wisma Hong Leong, 18, Jalan Perak, 50450 Kuala Lumpur on Monday, 13 October 2003 at 11.00 a.m. in order:

1. To receive and consider the audited financial statements together with the reports of the Directors and Auditors thereon for the year ended 30 June 2003;
2. To declare a final dividend of 18% less income tax at 28% and special tax exempt dividend of 11% for the year ended 30 June 2003 to be paid on 23 October 2003 to shareholders registered in the Record of Depositors on 16 October 2003;
3. To approve the payment of Directors' fees of RM391,616 to be divided amongst the Directors in such manner as the Directors may determine;
4. To re-elect YBhg Datuk Dr Hussein Awang, Mr Tan Keok Yin, Mr Chew Peng Cheng, Ms Yvonne Chia and Encik Mohamed Nazim Bin Abdul Razak, the retiring Directors;
5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Bank and authorise the Directors to fix their remuneration;
6. As special business, to consider and, if thought fit, pass the following motion:

Ordinary Resolution -

Authority To Directors To Issue Shares

"**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued capital of the Bank for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Kuala Lumpur Stock Exchange and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Bank."; and

7. To consider any other business of which due notice shall have been given.

FURTHER NOTICE IS HEREBY GIVEN that a depositor shall qualify for entitlement to the final dividend only in respect of :

- (a) shares transferred into the depositor's securities account before 4.00 p.m. on 16 October 2003 in respect of ordinary transfer; and
- (b) shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

By Order of the Board

NG CHOI FOONG
WONG SEONG CHO

Secretaries

Kuala Lumpur

20 September 2003

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy may but need not be a member of the Bank and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Bank. A member who is an authorised nominee may appoint not more than two proxies in respect of each securities account it holds.
2. The Form of Proxy must be deposited at the Registered Office of the Bank at Level 6, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.
3. **Explanatory Note On Special Business**
Ordinary Resolution on authority to Directors to issue shares
The Ordinary Resolution, if passed, will give authority to the Directors of the Bank to issue ordinary shares of the Bank for such purposes as the Directors consider would be in the interest of the Bank. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Bank.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

pursuant to Paragraph 8.28(2) of the Listing Requirements of the Kuala Lumpur Stock Exchange

1. Directors who are standing for re-election at the 62nd Annual General Meeting of the Bank

Pursuant to Article 113 of the Bank's Articles of Association

YBhg Datuk Dr Hussein Awang

Mr Tan Keok Yin

Mr Chew Peng Cheng

Pursuant to Article 92 of the Bank's Articles of Association

Ms Yvonne Chia

Encik Mohamed Nazim Bin Abdul Razak

2. Details of attendance of Directors at Board Meetings

There were nine Board Meetings held during the financial year ended 30 June 2003. Details of attendance of the Directors are set out in the Directors' Profile appearing on pages 3 to 6 of the Annual Report.

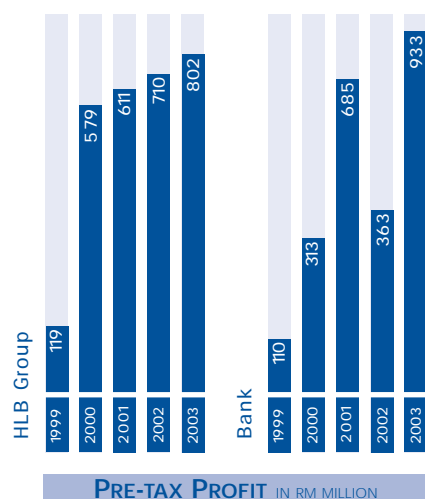
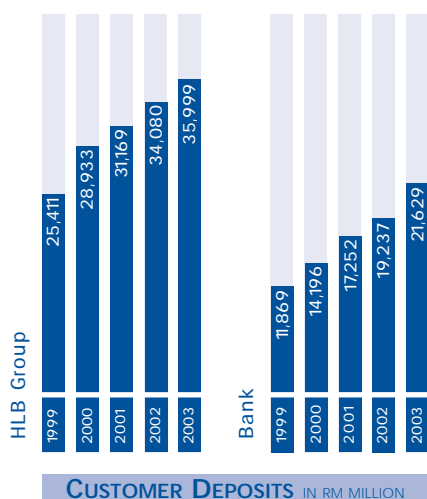
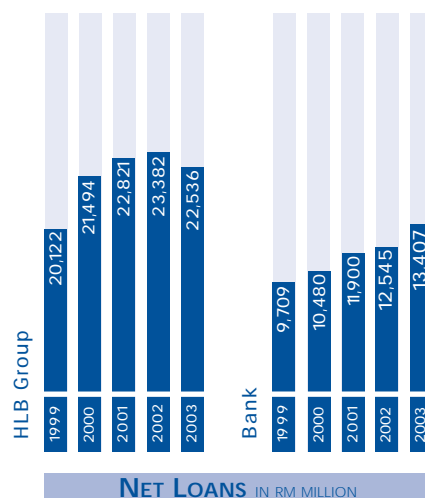
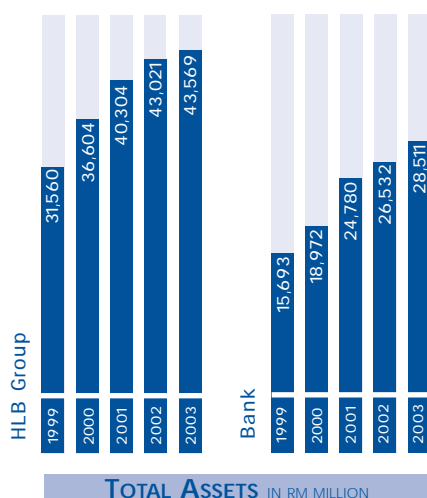
3. Place, Date and Time of Annual General Meeting

The 62nd Annual General Meeting of the Bank will be held at the Theatrette, Level 1, Wisma Hong Leong, 18, Jalan Perak, 50450 Kuala Lumpur on Monday, 13 October 2003 at 11.00 a.m.

4. Further details of Directors who are standing for election

No individual is seeking election at the forthcoming 62nd Annual General Meeting of the Bank.

FINANCIAL HIGHLIGHTS



	June 99 RM Million	June 00 RM Million	June 01 RM Million	June 02 RM Million	June 03 RM Million
TOTAL ASSETS					
HLB Group	31,560	36,604	40,304	43,021	43,569
Bank	15,693	18,972	24,780	26,532	28,511
NET LOANS					
HLB Group	20,122	21,494	22,821	23,382	22,536
Bank	9,709	10,480	11,900	12,545	13,407
CUSTOMER DEPOSITS					
HLB Group	25,411	28,933	31,169	34,080	35,999
Bank	11,869	14,196	17,252	19,237	21,629
PRE-TAX PROFIT					
HLB Group	119	579	611	710	802
Bank	110	313	685	363	933

The above has been restated after adjusting for prior year adjustments with regards to MASB 25 Income Taxes and change in accounting policy on handling fees, both effected retrospectively.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I have pleasure in presenting the Annual Report and Financial Statements of the Group and the Bank for the year ended 30 June 2003.

Financial Performance

For the financial year ended 30 June 2003, the Group registered a pre-tax profit of RM801.9 million representing a growth of 12.9% from previous year. Group's profit after taxation recorded a growth of 14.7% to RM580.8 million. Return on equity remained strong at 15.8% while earnings per share rose to 40.5 sen from 35.4 sen previously. The Group remained strongly capitalised with the risk weighted capital ratio of 16.8%, well above the industry average. The Group's shareholders' funds increased from RM3.5 billion to RM3.9 billion and net tangible assets per share increased from RM2.41 to RM2.72.

Revenue recorded a reduction of 4.5% as a result of tightening margins and reduction in the hire purchase loans. To compensate for the reduced revenue, the Group continues to manage its costs tightly. Operating costs for the year reduced to RM470.9 million or 5.7%. This has resulted in a lower cost to income ratio of 31.7%, compared to 32.0% in the previous year. The Group also recorded a significant reduction in the loan loss provision by 39.6% as the management intensified on recovery efforts of its non-performing accounts as well as its strict monitoring of asset quality. The Group's net non-performing loans ratio improved to 6.2% from 7.6% previously.

During the year, the Group was focused on consumer lending especially in the mortgage sector which registered a strong growth of 22.6%. As at 30 June 2003, mortgage sector contributed 29.4% of the Group's total loan base as compared to 23.3% a year ago. Mortgage loans increased by RM1.3 billion. However the increase in mortgage loans was not sufficient to compensate for the reduction in hire purchase loans. Business loans also suffered a small drop in loan base as loan drawdown slowed. Overall, gross loans base reduced by 3.1% compared to the last financial year.

Deposits growth remained healthy. Total customer deposits increased to RM36.0 billion as at 30 June 2003 of which 59.0% came from individual depositors. Gross loans deposit ratio remained low at 67.5%.

The commercial bank, HLB, registered a significant improvement in pre-tax profit of RM932.8 million during the year mainly as a result of higher dividend income from its subsidiaries. Excluding the dividend income, the Bank recorded a growth 11.3% on the back of healthy loan growth and deposit growth of 7.2% and 12.4% respectively. The finance subsidiary, Hong Leong Finance Berhad ("HLF"), recorded an increase of pre-tax profit from RM407.6 million to RM440.7 million as a result of lower operating cost and lower loan loss provisions.

Review of Banking Operations

Branch conversion and rationalization

We have made good progress on the ongoing integration of HLF into HLB. During the year, we converted 26 HLF branches and rationalised 16 branches. We aim to complete the conversion of the remaining 31 branches and rationalise the balance of 19 branches by the end of October 2003. Currently, we are still maintaining the branch licenses of the closed branches with a view to reopen them at different locations to avoid branch duplication with HLB. In this regard, we reopened four branches during the year and planned to reopen a further 15 branches throughout the country in this financial year. Within three years, we aim to reopen all the closed HLF branches to maintain our network of 212 branches in the country.

As part of the integration exercise, we have redeployed and retrained all HLF staff to handle banking transactions. This exercise will continue this year as we complete the rationalization and conversion of the remaining HLF branches.

Branches remodeled as sales and service outlets

With a wide branch network spread throughout the country, we recognize the potential of branches as powerful sales outlets for the Group's products. We have taken the opportunity in the branch conversion exercise to remodel our branches to be more sales oriented and customer service focused. Sales counters remain open even after banking hours and our in-stores located in shopping malls operate in tandem with the mall's operating hours. The extended hours have provided more convenience to the customers. In line with our customers growing affluence and sophistication, we managed to increase bancassurance sales significantly during the year, particularly in investment linked insurance products and unit trust funds. The success will provide us the necessary momentum to achieve even better sales in the new financial year.

To support product sales and banking services, we are embarking on a new set of customer service standards covering all aspects of the banking business. All staff are required to participate in this initiative to show our commitment towards improving customer service.

CHAIRMAN'S STATEMENT

(continued)

Business Banking

Loan growth in business banking suffered a slight decline during the year due to uncertainties arising from the Iraq war and the effect of SARS that hit the region in the first half of 2003. Businesses were seen to hold back on their investment and capital expenditure plans. The SARS epidemic had severe impact on certain businesses, particularly hotels and the hospitality industry. We have minimal exposure in this sector.

The Group's business banking division is organised into four regions in the country – Northern, Central, Southern and East Malaysia. Each region is headed by a General Manager or Senior Manager who is familiar with the companies and businesses within the locality. This allows focused marketing and relationship building. The managers and account relationship officers in the region are trained to assess credit quality and focus on providing value added services to the customers.

NPL management

The Group's net NPL ratio has improved from 7.6% in the last financial year to 6.2%. At the Bank level, the net NPL ratio showed a bigger improvement from 6.6% to 4.8%. The improvement was largely the result of more focused and intensive effort in debt collection. In addition, there were early preventive measures such as active management of pre NPL accounts to control the flow rate into NPL.

In our effort to reduce NPL, the Group has instituted a new set of credit policies and inculcated a new credit culture within the lending divisions. We believe that with proper credit discipline and accountability, the amount of losses and NPL can be reduced further. The new disciplines are strictly enforced and monitored on a regular basis.

Credit Card

The credit card division ("CCD") has undergone a year of consolidation in its business. We managed to improve our credit and operational processes such as credit scoring in card application, debt collection and reduced turnaround time. The fraud detection system that we installed has reaped us tremendous benefits and fraud losses have reduced substantially. Debt collection has also shown significant improvement. The various process improvements have resulted in much reduced net credit losses and improved profitability.

In the new financial year, CCD will invest in new systems to enhance other processes to further improve productivity and introduce a new set of benchmarking to track its progress towards international standards. After a period of consolidation, we can expect CCD to introduce new exciting products into the market to cater for different age groups and income level. This strategy is important to allow us to grow our card base to a meaningful level and be a major player in the domestic credit card industry.

Mortgage

The mortgage market has been very competitive. Competitor banks continue to offer attractive rates and packages. In facing the competition, we introduced several new products and enhanced certain existing ones to make them more attractive. We actively took part in the various property exhibitions in the country. We had encouraging response. We have also worked closely with developers nationwide to provide bridging loans and end financing for their customers. Mortgage sales personnel are often found at weekend launches. We have also tied up with real estate agents for referral business. The various measures had helped us to increase our mortgage sales to RM3.2 billion during the year and increased our loan base by 22.6%.

Hire Purchase

Management has taken the conscious decision to gradually reduce our loan base on hire purchase business in the last fifteen months by imposing stricter lending criteria. It was felt that the deteriorating margin that resulted from the keen competition was not sufficient to compensate for the increased risks. The effective yield has reduced substantially over the recent years such that the yield on new car financing has dropped to about 6% now. There is no indication that the yield would improve in the immediate future. The stiff competition has also extended to the car manufacturers. We are already seeing prices of the Japanese mid range cars being adjusted downwards to improve their market share. Consequently, second hand car prices had been affected. Management will continue to monitor the hire purchase market closely.

CHAIRMAN'S STATEMENT

(continued)

Islamic Banking

The Islamic banking division has managed to maintain its business volume. Net income increased by 2% to RM113.1 million. However, profit before taxation improved by 35% to RM96.8 million due to reduced overhead expenses and lower loan loss charge. The business was mainly contributed by the retail sector. In the last few years, the growth was achieved from hire purchase business, but during the period under review, property sector and business banking sector were the main drivers for growth. This was in line with the Group's strategy to reduce exposure to hire purchase business. Loan base registered a growth of 7.4% to RM1.8 billion. Deposits from customers grew by 1.4% to RM2.8 billion.

Various products and services have been earmarked for launching during the new financial year for the purpose of diversifying the product range and we are confident that this would boost the performance of Islamic banking business in the future.

Electronic banking

In line with BNM's drive to promote the adoption and usage of electronic banking facilities, the Group continued to actively participate in campaigns and activities organized by ABM and MEPS to increase the public's awareness of the benefits of the different electronic banking services available to customers.

The Group continued to invest to improve the performance and features of its electronic channels. This is to cater for the significant increase in the adoption of these alternative channels. We have also installed newer cash deposit machines in the branches. Cash deposited via these machines are now credited immediately into the customers' accounts. The Bank will also be introducing cheque deposit machines that scan and print the image of cheques deposited on the receipts in this new financial year. As at 30 June 2003, about 40% of all transactions were conducted via electronic channels.

All the Automated Teller Machines ("ATM") in the Group were successfully converted to accept the MEPS Payment Multipurpose Card ("PMPC"). To enhance the security of ATM transactions, an exercise to replace all ATM cards to chip-based Bankcard was carried out. This will protect customers from fraudulent ATM withdrawal resulting from illegal duplicated cards.

The successful implementation of the Enterprise Data Warehouse project now enables the Group to have a single view of customers' total relationship with us. This has significantly improved the Group's ability to develop targeted strategies to deepen and strengthen customers' relationship and increase profitability. Sales leads are regularly extracted from the data warehouse based on event triggers and target segment are routed to the branches and call centre agents for cross-selling to increase product holding and share of customers' wallet.

Treasury

BNM remained steadfast in carrying out its accommodative monetary policy and this had led to another year of flat and stable interest rate environment. Factors such as the Iraq war, the SARS epidemic and constant market perception of a possible rate cut provided profitable trading opportunities for most part of the year under review. In general, the benchmark government yield curve flattened by some 0.15%-0.18% whereas the private debt securities market went through a very bullish phase, shedding the yield by some 1.0%-1.5%.

Towards the end of the financial year, we adopted a more cautious stance on investment and trading activities as economic recovery threatened to pressure the curve to steepen. Most of the recent treasury activities were skewed towards shorter-end of the yield curve while we were cautious towards the longer-dated securities.

By establishing ourselves as a significant market player, the Bank was again appointed by Bank Negara Malaysia ("BNM") as a Principal Dealer, a status held since January 2000. With the impending opening up of the financial and capital markets, we are gearing ourselves for further growth in these markets.

CHAIRMAN'S STATEMENT

(continued)

Community Services

As a responsible corporate citizen, Hong Leong Bank continued to practise good corporate citizenship by participating and contributing towards community activities and projects.

For the 4th year running, the Bank was the sole sponsor for the National Varsity's Debate, with participants from both the public and private universities, and the number of participating teams has been on an increasing trend each year. To encourage scholastic achievement, the Bank continued its cash rewards and certificate presentation to primary and secondary school students across the country in recognition of their outstanding academic achievements under our Education Bonus Award.

We also participated in the nationwide fund-raising programme organised by Majlis Kanser Nasional, TELEKANSEK 2002, with our branches being the collection centres for donations from the public. Throughout the year, Hong Leong Bank branches also held community projects under our 'Reaching Out To You' programme, true to the spirit of a caring corporate citizen.

Going Forward

Going forward, recovery in the Malaysian economy is expected to gather strength in tandem with revival in the global economy. There are more apparent signals that the US economy is regaining momentum while growth prospects among regional economies, our main trading partners, remain promising.

Domestically, upbeat consumer and business confidence in anticipation of a sustainable recovery in the economy, coupled with the government's continuous accommodative monetary and fiscal policy, will be the main catalyst driving private consumption and investment in the near future. We expect BNM to maintain interest rates at current level, at least in the next 12 months, to sustain economic expansion.

Against this backdrop, the financial sector is well-poised to be the prime beneficiary of an improved economic environment. Consumer credit is expected to remain resilient while anticipated revival in the corporate sector is expected to lift credit demand to a higher level. We have put in place various initiatives and strategies in each of the business units to improve our market share, other than hire purchase business, which is expected to continue to show a reduction in loan base.

We also expect to see the conversion and rationalization of the remaining HLF branches in this new financial year. The full integration of the entire operations of HLF into HLB will be effected only after the necessary amendments to BAFIA are made and gazetted and vesting order obtained from the High Court. Barring unforeseen circumstances, we expect to complete the full integration in the new financial year.

Another major initiative will be the migration of the credit cards to be EMV compliant. Hong Leong Bank is the first bank in Malaysia to be certified by Visa for full EMV acquiring. This is a major exercise initiated by BNM with the objective of containing fraud which has become prevalent in the industry. We have detailed plans to complete this migration by year 2004.

Dividends

The final dividend of 7.5% less tax in respect of the financial year 30 June 2002 was paid on 12 November 2002. We have paid an interim dividend of 6% less tax on 25 March 2003 for this financial year. The directors are pleased to propose a final dividend of 18% less tax and a special tax-exempt dividend of 11%, to be paid upon shareholders approval at the AGM to be held on 13 October 2003.

A Note of Appreciation

I am indeed grateful to our shareholders and customers for their continued support. I would also like to express my appreciation to the management team for their tireless effort in making this another successful year. I would also like to thank BNM and other authorities for their continued support and guidance.

I extend my warm welcome to Ms Yvonne Chia who joined the Board as an Executive Director on 17 March 2003, and Encik Mohamed Nazim bin Abdul Razak who joined us as an Independent Non-Executive Director on 30 June 2003. My thanks also go to Mr Chew Peng Cheng who retired as an Executive Director on 13 June 2003. He continues to serve the Board as a Non-Executive Director.

Quek Leng Chan

18 August 2003

DIRECTORS' REPORT

for the financial year ended 30 June 2003

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 30 June 2003.

Principal activities

The Bank is principally engaged in all aspects of commercial banking business and in the provision of related services which also include Islamic Banking services.

The subsidiary companies are primarily engaged in licensed finance company business, leasing and hire purchase activities, real property investment, real property developments and nominee services. During the financial year, a new subsidiary, HLB Trade Services (Hong Kong) Limited, was incorporated to undertake trade finance activities and was dormant as at the end of the financial year. Other than the above, there have been no significant changes in the principal activities of the Bank and its subsidiary companies during the financial year.

Outlook and business plan for new financial year

The outlook for the banking industry is expected to be competitive as most banks are also focusing on consumer banking. As such, margins will continue to narrow. Despite the competitive landscape, the Group will continue to focus on its consumer banking as well as business banking. In consumer banking, we strive to offer our various products with competitive rates. The Group is transforming its branch outlets to be sales and service centres in serving our customers' needs. In business banking, our philosophy is not only providing loans to customers but also finding value-added solutions to enhance our customers' businesses. The various initiatives undertaken by the Group over the years have one common theme - building life long relationship with the customers by offering innovative products and creating a rewarding experience for them.

The implementation of the various business strategies in the new financial year will always be guided by our prudent credit and risk management policies to ensure high asset quality and returns on equity.

Credit information rating

Rating Agency Malaysia Berhad has upgraded the Bank's long term rating from A1 to AA3 and reaffirmed its short term rating at P1 in December 2002.

The upgraded long term rating indicates that the Bank is adjudged to offer high safety for timely payment of financial obligations while in the short term, the Bank is adjudged to have superior capacities for timely payment of obligations.

Financial results

	The Group RM'000	The Bank RM'000
Profit before taxation	801,886	932,776
Taxation	(221,053)	(263,952)
Profit after taxation	580,833	668,824

Dividends

A final dividend of 7.5% less income tax at 28% on 1,434,484,634 shares amounting to RM77,462,172 in respect of the year ended 30 June 2002 was paid on 12 November 2002.

During the year an interim dividend in respect of the year ended 30 June 2003 of 6% less income tax at 28% on 1,434,631,634 shares amounting to RM61,976,087, was paid on 25 March 2003.

The Directors propose a final dividend of 18% less income tax at 28%, and special tax exempt dividend of 11%, payable upon shareholders approval at the Annual General Meeting. Based on the Bank's issued and paid-up share capital of 1,434,950,834 as at 30 June 2003, the proposed final dividend would amount to RM343,814,220.

DIRECTORS' REPORT

for the financial year ended 30 June 2003 (continued)

Significant events during the financial year

- (a) The proposal to amend the Bye-Laws of the Executive Share Option Scheme ("ESOS" or "Scheme") of the Bank and to extend the duration of the Scheme for an additional period of 5 years had been approved by the shareholders of the Bank, Bank Negara Malaysia and the existing ESOS option holders of the Bank.
- (b) The Bank proposed a Special Issue of up to 143,475,000 new ordinary shares of RM1.00 each in the Bank to Bumiputera investors at an issue price of RM4.00 per new share ("Proposed Special Issue").

Subsequent event after the financial year

As at 18 August 2003, all relevant approvals were obtained for the Proposed Special Issue and is pending completion.

Issue of share capital

During the financial year, the issued and fully paid-up share capital of the Bank was increased from RM1,433,211,434 to RM1,434,950,834 by way of:

- (a) Issue of 1,694,200 new ordinary shares of RM1.00 each from the exercise of the options pursuant to the Bank's ESOS at the exercise price of RM3.70 per share.
- (b) Issue 45,200 new ordinary shares of RM1.00 each from the exercise of the options pursuant to the Bank's ESOS at the exercise price of RM3.44 per share.

All the newly issued shares rank pari passu in all respects with the existing issued shares of the Bank.

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.

Directors

The Directors who served since the date of the last report are as follows:

YBhg Tan Sri Quek Leng Chan

YBhg Dato' James Lim Cheng Poh

En Zulkiflee Hashim

Mr Kwek Leng Hai

Mr Kwek Leng Seng

YBhg Datuk Dr Hussein Awang

Mr Tan Keok Yin

Mr Chew Peng Cheng

YBhg Datuk Roger Tan Kim Hock

Ms Yvonne Chia (appointed on 17 March 2003)

En Mohamed Nazim bin Abdul Razak (appointed on 30 June 2003).

In accordance with Article 113 of the Bank's Articles of Association, YBhg Datuk Dr Hussein Awang, Mr Tan Keok Yin and Mr Chew Peng Cheng, retire by rotation from the Board and being eligible, offer themselves for re-election.

In accordance with Article 92 of the Bank's Article of Association, Ms Yvonne Chia and En Mohamed Nazim bin Abdul Razak retire from the Board and being eligible, offer themselves for re-election.

DIRECTORS' REPORT

for the financial year ended 30 June 2003 (continued)

Directors' interests

The Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares and/or stock units and/or warrants/options/irredeemable convertible unsecured loan stocks* in the Bank and/or related corporations during the financial year ended 30 June 2003, as recorded in the Register of Directors' Shareholdings kept by the Bank under Section 134 of the Companies Act, 1965, are as follows:

Shareholdings in which Directors have direct interests					
Number of ordinary shares/stock units/new shares to be issued arising from the exercise of warrants/options/irredeemable convertible unsecured loan stocks*					
	Nominal value per share/ Stock unit<	As at 1.7.2002	Acquired/ Bonus issue+/ Rights issue~	Sold	As at 30.6.2003
RM					
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	1.00	390,000	-	-	390,000
Hong Leong Credit Berhad	1.00	5,717,000	4,573,600+	-	10,887,600
			597,000		
		420,000*	336,000@	597,000	159,000*
Hong Leong Industries Berhad	0.50	1,268,000	-	-	1,268,000
		40,000*	-	-	40,000*
Malaysian Pacific Industries Berhad	0.50	53,500	-	-	53,500
Hong Leong Bank Berhad	1.00	40,000	-	-	40,000
Hume Industries (Malaysia) Berhad	1.00<	51,000	51,000~	170,000\$	34,000
			102,000+		
Guoline International Limited (formerly known as GuoNet Limited)	USD1.00	1,200	-	1,200	-
Hume Cemboard Berhad	1.00	8,231,400	-	-	8,231,400
O.Y.L. Industries Bhd	1.00	-	17,000¢	-	17,000∞
Interest of YBhg Dato' James Lim Cheng Poh in:					
Hong Leong Bank Berhad	1.00	498,490	-	-	498,490
		320,000*	-	-	320,000*
Interests of Mr Kwek Leng Hai in:					
Hong Leong Company (Malaysia) Berhad	1.00	400,500	-	-	400,500
Hong Leong Credit Berhad	1.00	420,000	336,000+	-	756,000
		89,333*	71,467@	-	160,800*
Hong Leong Industries Berhad	0.50	163,200	-	-	163,200
		25,500*	-	-	25,500*
		165,000*	-	-	165,000*
HLG Capital Berhad	1.00	500,000	-	-	500,000
Hong Leong Bank Berhad	1.00	3,955,700	-	-	3,955,700

DIRECTORS' REPORT

for the financial year ended 30 June 2003 (continued)

Shareholdings in which Directors have direct interests
Number of ordinary shares/stock units/new shares to be issued arising from
the exercise of warrants/options/irredeemable convertible unsecured loan stocks*

	Nominal value per share/ Stock unit<	As at 1.7.2002	Acquired/ Bonus issue+/ Rights issue~	Sold	As at 30.6.2003
RM					
Interest of YBhg Datuk Dr Hussein Awang in:					
Hong Leong Bank Berhad	1.00	55,000	-	-	55,000
Interests of Mr Kwek Leng Seng in:					
Hong Leong Company (Malaysia) Berhad	1.00	97,500	-	-	97,500
Hong Leong Bank Berhad	1.00	42,490	-	-	42,490
Hong Leong Properties Berhad	0.50	400,000*		-	400,000*
Hong Leong Credit Berhad	1.00	117,000	93,600+ 200,000	-	410,600
Interest of Encik Zulkiflee Hashim in:					
Hong Leong Bank Berhad	1.00	258,000*	-	-	258,000*
Interest of Mr Chew Peng Cheng in:					
Hong Leong Bank Berhad	1.00	819,873	-	-	819,873
Interests of YBhg Datuk Roger Tan Kim Hock in:					
HLG Capital Berhad	1.00	2,291,666	-	-	2,291,666
Hume Industries (Malaysia) Berhad	1.00<	181,000	23,000 204,000~ 408,000+	680,000\$ 136,000	-

DIRECTORS' REPORT

for the financial year ended 30 June 2003 (continued)

Shareholdings in which Directors have indirect interests
Number of ordinary shares/stock units/new shares to be issued arising from
the exercise of warrants/options/irredeemable convertible unsecured loan stocks*

	Nominal value per share/ Stock unit<	As at 1.7.2002	Acquired/ Bonus issue+/ Rights issue~	Sold	As at 30.6.2003
RM					
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	1.00	7,487,100	-	-	7,487,100
Hong Leong Fund Management Sdn Bhd	1.00	1,400,000	-	-	1,400,000
Guoline International Limited (formerly known as GuoNet Limited)	USD1.00	10,800	14,989,200	-	15,000,000
MEHY Sdn Bhd	1.00	650,000	-	-	650,000
Hong Leong Credit Berhad	1.00	451,828,024	361,462,430+	8,125,300	830,111,754
			24,946,600		
HLG Capital Berhad	1.00	92,590,545	-	-	92,590,545
Hong Leong Bank Berhad	1.00	960,801,500	-	-	960,801,500
Hong Leong Properties Berhad	0.50	352,572,211	2,687,000	2,000,000	353,259,211
		34,322,420*	-	-	34,322,420*
Guoman Hotel & Resort Holdings Sdn Bhd	1.00	277,000,000	-	-	277,000,000
HLL-Guoco Vietnam Co Limited	^	5,000,592	-	-	5,000,592
Treacher Development Sdn Bhd	1.00	14,000,000	-	-	14,000,000
JB Parade Sdn Bhd	1.00	18,000,000	-	-	18,000,000
	0.01	685,940,000	-	-	685,940,000
		(Preference Shares)			(Preference Shares)
Hong Leong Industries Berhad	0.50	130,571,000	-	-	130,571,000
		39,431,984*	7,451	-	39,439,435*
Hong Leong Yamaha Distributors Sdn Bhd	1.00	10,360,000	-	-	10,360,000
Hong Leong Yamaha Motor Sdn Bhd	1.00	17,352,872	-	-	17,352,872
Guocera Tile Industries (Meru) Sdn Bhd	1.00	17,920,000	-	-	17,920,000
Hong Leong Maruken Sdn Bhd (In members' voluntary liquidation)	1.00	1,750,000	-	-	1,750,000
Guocera Tile Industries (Labuan) Sdn Bhd	1.00	13,090,001	-	6,545,000ø	6,545,001B
Quayline Fairprice Sdn Bhd	1.00	9,600,000	-	-	9,600,000
RZA Logistics Sdn Bhd	1.00	8,870,000	325,270	-	9,195,270
Malaysian Pacific Industries Berhad	0.50	122,939,009	-	-	122,939,009
Carter Realty Sdn Bhd	1.00	7	-	-	7
Carsem (M) Sdn Bhd	1.00	42,000,000	42,000,000~	-	84,000,000
	100.00	-	22,400~	-	22,400
			(Redeemable preference shares)		(Redeemable preference shares)
Carsem Semiconductor Sdn Bhd	1.00	70,000,000	30,000,000	-	100,000,000

DIRECTORS' REPORT

for the financial year ended 30 June 2003 (continued)

Shareholdings in which Directors have indirect interests
Number of ordinary shares/stock units/new shares to be issued arising from
the exercise of warrants/options/irredeemable convertible unsecured loan stocks*

	Nominal value per share/ Stock unit<	As at 1.7.2002	Acquired/ Bonus issue+/ Rights issue~	Sold	As at 30.6.2003
RM					
Interests of YBhg Tan Sri Quek Leng Chan in:					
Guolene Packaging Industries Berhad	1.00	139,772,700	-	69,886,350ø	69,886,350B
Guolene Plastic Films Sdn Bhd	1.00	9,350,002	-	-	9,350,002
Hume Industries (Malaysia) Berhad	1.00<	164,795,024	1,136,000	31,400	111,328,294
			167,817,257~	555,971,468§	
			333,582,881+		
Hume Furniture Industries Sdn Bhd	1.00	13,200,000	-	1,320,000	11,880,000
Hume Cemboard Berhad	1.00	42,530,000	180,000	-	42,710,000
O.Y.L. Industries Bhd	1.00	84,912,228	55,597,146¢	83,126,162&	57,383,212∞
O.Y.L.- Condair Industries Sdn Bhd	1.00	5,100,000	-	-	5,100,000∞
York (Malaysia) Sales & Service Sdn Bhd	1.00	700,000	-	-	700,000∞
O.Y.L. Steel Centre Sdn Bhd	1.00	3,750,000	-	-	3,750,000∞
Wuhan McQuay Air-Conditioning & Refrigeration Co. Ltd	^	7,500,000	-	-	7,500,000∞
McQuay Air-conditioning Limited	HK\$1.00	2,265,000	-	-	2,265,000∞
O.Y.L. - J.M. Co. Ltd	NT\$10.00	1,800,000	-	-	1,800,000∞
P.T. O.Y.L. Sentra Manufacturing	Rp2,106,000 or USD1,000	1,200	800	-	2,000∞
Shenzhen McQuay Air Conditioning Co., Ltd	^	6,040,000	-	-	6,040,000∞
McQuay Meditteranean LLC	#	88,500	-	-	88,500∞
OYL Way Electronic (Shenzhen) Co Ltd	^	200,000	-	-	200,000∞
McQuay Philippines Sales & Service Inc.	P1.00	20,000,000	-	-	20,000,000∞
Interest of Mr Chew Peng Cheng in:					
Hong Leong Bank Berhad	1.00	4,674,666	-	-	4,674,666

Note:

^ Capital contribution in USD.

LLC interest in USD.

∞ Corporation ceased to be a related company on 1 November 2002.

@ Adjustment arising from the bonus issue.

§ Cancellation of ten (10) stock units in Hume Industries (Malaysia) Berhad ("HIMB") ("HIMB stocks") for every twelve (12) HIMB Stocks held to effect the capital distribution of O.Y.L. Industries Bhd ("OYL") shares.

B Remaining shares held after capital reduction.

¢ Entitlement to OYL shares pursuant to capital distribution by HIMB to entitled stockholder of HIMB on the basis of one (1) ordinary share in OYL for every twelve (12) HIMB stocks held in HIMB.

& Capital distribution by HIMB to entitled stockholders of HIMB on the basis of one (1) ordinary share in OYL for every twelve (12) HIMB stocks held in HIMB.

ø Cancellation of shares pursuant to capital reduction.

DIRECTORS' REPORT

for the financial year ended 30 June 2003 (continued)

Directors' benefits

No Director of the Bank has since the end of the previous financial year received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the financial statements or the fixed salary of a full-time employee of the Bank or of a related company) by reason of a contract made by the Bank 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 except for:

- (a) YBhg Tan Sri Quek Leng Chan, who may be deemed to derive a benefit by virtue of those transactions, contracts and agreements for the acquisition and/or disposal of stocks and shares, stocks in-trade, products, parts, accessories, plants, chattels, fixtures, buildings, land and other properties or any interest in any properties; and/or the provision of services, including but not limited to project and sales management and any other management and consultancy services; and/or the provision of construction contracts, leases, tenancy, dealership and distributorship agreements; and/or the provision of treasury functions, advances and the conduct of normal trading, insurance, investment, stockbroking and/or other businesses between the Bank and its related corporations or corporations in which YBhg Tan Sri Quek Leng Chan is deemed to have interests; and
- (b) Mr Chew Peng Cheng who may be deemed to derive a benefit by virtue of the tenancies/leases between the Bank and its related corporations with companies in which Mr Chew Peng Cheng has interests.

There were no arrangement during and at the end of the financial year which had the object of enabling the Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate other than the share options granted pursuant to the ESOS.

Executive Share Option Scheme ("ESOS" or "Scheme")

The shareholders of the Bank had approved the implementation of the Scheme at the Extraordinary General Meeting held on 23 March 2000. During the financial year, the shareholders approved a proposal to extend the duration of the Scheme for an additional period of 5 years from 11 April 2005 up to and including 10 April 2010 and to amend the Bye-Laws of the Scheme to inter-alia incorporate revisions to Securities Commission Guidelines in relation to employee share option scheme, introduce new performance criteria as a basis for prime value options to key executives and provide flexibility to the Bank to issue new shares and/or transfer existing shares to option holders upon the exercise of their options.

The main features of the ESOS are, inter alia, as follows:-

1. Eligible executives are those executives (including full time executive directors) of the Group who have been confirmed in service on the date of offer. The maximum allowable allotments for the full time executive directors had been approved by the shareholders of the Bank in a general meeting.
2. The aggregate number of shares to be issued under the ESOS shall not exceed 10% of the total issued and paid-up ordinary share capital of the Bank for the time being.
3. The Scheme shall be in force for a period of ten (10) years from 11 April 2000.
4. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Bank preceding the date of offer and shall in no event be less than the par value of the shares of the Bank of RM1.00.
5. An option holder may, in a particular year, exercise up to such maximum number of shares in the option certificate as determined by the Board of Directors or as specified in the option certificate.

DIRECTORS' REPORT

for the financial year ended 30 June 2003 (continued)

The movement during the year in the number of options over the shares of the Bank are as follows:

	Options over ordinary shares	
	RM3.70 per share	RM3.44 per share
At 1 July 2002	9,168,400	131,000
Lapsed	(1,149,200)	(14,800)
Exercised	(1,694,200)	(45,200)
At 30 June 2003	6,325,000	71,000

Other statutory information regarding the Group and the Bank

(I) As at the end of the financial year

- (a) Before the income statements and balance sheets of the Group and the Bank were made out, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and financing and the making of provision for doubtful debts and financing and had satisfied themselves that all known bad debts and financing had been written off and that adequate provision had been made for doubtful debts and financing; and
 - (ii) to ensure that any current assets, other than debts and financing, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and the Bank during the financial year had not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) From the end of the financial year to the date of this report

- (a) The Directors are not aware of any circumstances:
 - (i) which would render the amount written off for bad debts and financing or the amount of the provision for doubtful debts and financing inadequate to any material extent;
 - (ii) which would render the values attributed to current assets in the financial statements misleading; and
 - (iii) which had arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and the Bank misleading or inappropriate.
- (b) In the opinion of the Directors:
 - (i) the results of the operations of the Group and the Bank for the financial year ended 30 June 2003 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Bank to meet their obligations as and when they fall due.

(III) As at the date of this report

- (a) There are no charges on the assets of the Group and the Bank which had arisen since the end of the financial year to secure the liabilities of any other person.
- (b) There are no contingent liabilities which had arisen since the end of the financial year.
- (c) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements misleading.

DIRECTORS' REPORT

for the financial year ended 30 June 2003 (continued)

Holding and ultimate holding companies

The Directors regard Hong Leong Credit Berhad and Hong Leong Company (Malaysia) Berhad as the holding and ultimate holding companies respectively. Both companies are incorporated in Malaysia.

Auditors

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

On behalf of the Board of Directors

Dato' James Lim Cheng Poh

Zulkiflee Hashim

Kuala Lumpur

18 August 2003

BALANCE SHEETS

as at 30 June 2003

	Note	The Group		The Bank	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Assets					
Cash and short-term funds	3	7,699,427	8,388,426	4,615,488	5,653,019
Deposits and placements with financial institutions	4	2,492,598	3,983,147	1,722,498	2,373,347
Dealing securities	5	7,694,779	4,275,148	5,918,395	3,786,352
Investment securities	6	1,839,698	1,414,741	1,347,429	518,772
Loans, advances and financing	7	22,536,156	23,382,297	13,406,545	12,544,988
Other assets	8	202,582	361,693	178,478	340,423
Statutory deposits with Bank Negara Malaysia	10	727,480	826,824	381,178	375,350
Investment in subsidiary companies	11	-	-	695,841	698,841
Fixed assets	12	243,811	239,662	162,640	157,588
Deferred tax assets	13	132,071	148,628	82,403	83,718
Total assets		43,568,602	43,020,566	28,510,895	26,532,398
Liabilities					
Deposits from customers	14	35,999,436	34,080,017	21,628,636	19,237,072
Deposits and placements of banks and other financial institutions	15	390,253	1,220,772	607,003	913,092
Obligations on securities sold under repurchase agreements		1,510,639	1,947,244	1,510,639	1,947,244
Bills and acceptances payable		1,181,771	1,399,146	1,181,771	1,399,144
Amounts due to Cagamas		27,095	322,757	27,095	30,054
Other liabilities	16	447,730	470,369	202,418	193,450
Provision for taxation		104,153	120,567	19,254	14,085
Total liabilities		39,661,077	39,560,872	25,176,816	23,734,141
Share capital	17	1,434,951	1,433,211	1,434,951	1,433,211
Reserves	18	2,472,574	2,026,483	1,899,128	1,365,046
Shareholders' funds		3,907,525	3,459,694	3,334,079	2,798,257
Total liabilities and shareholders' funds		43,568,602	43,020,566	28,510,895	26,532,398
Commitments and contingencies	30	13,543,160	12,420,583	12,249,651	10,297,946

The above balance sheets are to be read in conjunction with the notes to the financial statements on pages 36 to 93.

INCOME STATEMENTS

for the financial year ended 30 June 2003

	Note	The Group		The Bank	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Interest income	19	2,174,075	2,255,866	1,201,133	1,141,043
Interest expense	20	(1,034,713)	(1,079,849)	(587,462)	(568,571)
Net interest income		1,139,362	1,176,017	613,671	572,472
Income from Islamic Banking Operations	44(l)	113,140	111,267	18,788	8,579
		1,252,502	1,287,284	632,459	581,051
Non-interest income	21	231,932	272,687	789,032	252,379
		1,484,434	1,559,971	1,421,491	833,430
Overhead expenses	22	(470,875)	(499,178)	(325,881)	(296,563)
Profit before provision		1,013,559	1,060,793	1,095,610	536,867
Loan and financing loss and provision	23	(211,673)	(350,724)	(162,834)	(174,347)
Profit before taxation		801,886	710,069	932,776	362,520
Taxation	26	(221,053)	(203,764)	(263,952)	(91,642)
Profit after taxation		580,833	506,305	668,824	270,878
Earnings per share (sen):	27				
- basic		40.5	35.4	46.6	19.0
- fully diluted		40.5	35.4	46.6	18.9
Dividend per share (sen):					
- interim dividend of 6 sen (2002: 3.5 sen) less tax		4.3	2.5	4.3	2.5
- proposed final dividend of 18 sen (2002: 7.5 sen) less tax		13.0	5.4	13.0	5.4
- proposed special tax exempt dividend of 11 sen (2002: nil)		11.0	-	11.0	-
		28.3	7.9	28.3	7.9

The above income statements are to be read in conjunction with the notes to the financial statements on pages 36 to 93.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2003

The Group	Note	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Merger deficit RM'000	Exchange fluctuation reserve RM'000	Retained profit RM'000	Total RM'000
Balance as at 1 July 2001								
- as previously reported		1,428,065	90,210	900,278	(73,800)	31,706	639,036	3,015,495
- prior year adjustments	41	-	-	33,134	-	-	33,134	66,268
- as restated		1,428,065	90,210	933,412	(73,800)	31,706	672,170	3,081,763
Net gains and losses not recognised in the income statement – currency translation differences		-	-	-	-	1,692	-	1,692
Profit after taxation		-	-	-	-	-	506,305	506,305
Transfer to statutory reserve		-	-	277,350	-	-	(277,350)	-
Dividends paid:								
- final dividend for year ended 30 June 2001	28	-	-	-	-	-	(113,103)	(113,103)
- interim dividend for year ended 30 June 2002	28	-	-	-	-	-	(35,995)	(35,995)
Issued upon exercise of share options		5,146	13,886	-	-	-	-	19,032
Balance as at 30 June 2002		1,433,211	104,096	1,210,762	(73,800)	33,398	752,027	3,459,694
Balance as at 1 July 2002								
- as previously reported		1,433,211	104,096	1,175,976	(73,800)	33,398	717,242	3,390,123
- prior year adjustments	41	-	-	34,786	-	-	34,785	69,571
- as restated		1,433,211	104,096	1,210,762	(73,800)	33,398	752,027	3,459,694
Net gains and losses not recognised in the income statement – currency translation differences		-	-	-	-	13	-	13
Profit after taxation		-	-	-	-	-	580,833	580,833
Transfer to statutory reserve		-	-	413,828	-	-	(413,828)	-
Dividends paid:								
- final dividend for year ended 30 June 2002	28	-	-	-	-	-	(77,462)	(77,462)
- interim dividend for year ended 30 June 2003	28	-	-	-	-	-	(61,976)	(61,976)
Issued upon exercise of share options		1,740	4,683	-	-	-	-	6,423
Balance as at 30 June 2003		1,434,951	108,779	1,624,590	(73,800)	33,411	779,594	3,907,525

The above statements of changes in equity are to be read in conjunction with the notes to the financial statements on pages 36 to 93.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2003 (continued)

The Bank	Note	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Exchange fluctuation reserve RM'000	Retained profit RM'000	Total RM'000
Balance as at 1 July 2001							
- as previously reported		1,428,065	90,210	601,432	31,706	426,031	2,577,444
- prior year adjustments	41	-	-	39,155	-	39,154	78,309
- as restated		1,428,065	90,210	640,587	31,706	465,185	2,655,753
Net gains and losses not recognised in the income statement – currency translation difference		-	-	-	1,692	-	1,692
Profit after taxation		-	-	-	-	270,878	270,878
Transfer to statutory reserve		-	-	135,439	-	(135,439)	-
Dividends paid:							
- final dividend for year ended 30 June 2001	28	-	-	-	-	(113,103)	(113,103)
- interim dividend for year ended 30 June 2002	28	-	-	-	-	(35,995)	(35,995)
Issued upon exercise of share options		5,146	13,886	-	-	-	19,032
Balance as at 30 June 2002		1,433,211	104,096	776,026	33,398	451,526	2,798,257
Balance as at 1 July 2002							
- as previously reported		1,433,211	104,096	732,816	33,398	408,317	2,711,838
- prior year adjustments	41	-	-	43,210	-	43,209	86,419
- as restated		1,433,211	104,096	776,026	33,398	451,526	2,798,257
Net gains and losses not recognised in the income statement - currency translation differences		-	-	-	13	-	13
Profit after taxation		-	-	-	-	668,824	668,824
Transfer to statutory reserve		-	-	334,412	-	(334,412)	-
Dividends paid:							
- final dividend for year ended 30 June 2002	28	-	-	-	-	(77,462)	(77,462)
- interim dividend for year ended 30 June 2003	28	-	-	-	-	(61,976)	(61,976)
Issued upon exercise of share options		1,740	4,683	-	-	-	6,423
Balance as at 30 June 2003		1,434,951	108,779	1,110,438	33,411	646,500	3,334,079

The above statements of changes in equity are to be read in conjunction with the notes to the financial statements on pages 36 to 93.

CASH FLOW STATEMENTS

for the financial year ended 30 June 2003

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Cash flows from operating activities				
Profit before taxation	801,886	710,069	932,776	362,520
Adjustment for:				
Depreciation	42,888	39,828	31,173	27,350
Net profit on disposal of fixed assets	(1,238)	(824)	(880)	(231)
Fixed assets written off	366	399	48	2
Provision for bad and doubtful debts and financing	211,673	350,724	162,834	174,347
Provision for interest-in-suspense/income-in-suspense	127,493	214,303	66,104	101,334
Provision of staff retirement gratuities	(1,000)	1,551	38	459
Accretion of discount less amortisation of premium	(2,706)	(9,539)	2,172	(928)
Writeback of provision for diminution in value of investment securities	(5,593)	(26,030)	(4,793)	(10,009)
Investment income	(37,730)	(19,248)	(22,913)	(19,601)
Dividend income from subsidiary companies	-	-	(593,800)	(48,900)
Gain on disposal of subsidiary company	-	(5,210)	-	(9,000)
Operating profit before working capital changes	1,136,039	1,256,023	572,759	577,343
Decrease/(increase) in deposits and placements with financial institutions	1,491,292	(1,401,375)	651,592	(738,075)
Decrease/(increase) in loans, advances and financing	507,589	(1,106,999)	(1,089,881)	(901,267)
(Increase)/decrease in dealing securities	(3,419,631)	857,580	(2,132,043)	573,150
Decrease/(increase) in other assets	159,116	(168,061)	161,950	(181,003)
Decrease/(increase) in statutory deposit with Bank Negara Malaysia	99,344	(18,714)	(5,828)	(1,850)
Increase in deposits from customers	1,918,182	2,882,441	2,390,327	1,956,581
Decrease in deposits and placements of banks and other financial institutions	(830,708)	(1,295,115)	(306,278)	(1,242,095)
(Decrease)/increase in bills and acceptances payable	(217,376)	285,210	(217,374)	285,210
(Decrease)/increase in securities sold under repurchase agreements	(436,605)	866,103	(436,605)	866,103
Decrease in amounts due to Cagamas	(295,662)	(371,129)	(2,959)	(197,178)
(Decrease)/increase in other liabilities	(18,608)	71,430	10,432	(26,094)
Cash generated from/(used in) operations	92,972	1,857,394	(403,908)	970,825
Payment of staff retirement gratuities	(3,044)	(3,413)	(1,515)	(2,097)
Income taxes and zakat paid	(220,236)	(328,864)	(91,091)	(147,953)
Net cash (used in)/generated from operating activities	(130,308)	1,525,117	(496,514)	820,775

CASH FLOW STATEMENTS

for the financial year ended 30 June 2003 (continued)

		The Group		The Bank	
	Note	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Cash flows from investing activities					
Net (purchase)/disposal of investment securities		(416,144)	161,332	(825,861)	(67,634)
Purchase of fixed assets		(48,473)	(67,570)	(37,045)	(55,912)
Proceeds from sale of fixed assets		2,314	24,584	1,658	23,501
Interest received on investment securities		26,752	23,773	20,878	14,986
Dividend received on investment securities		9,940	3,729	1,897	277
Dividend received from subsidiary companies		-	-	427,536	110,556
Capital return on investment in subsidiary companies		-	-	3,000	-
Proceeds from disposal of subsidiary company		-	1,864	-	11,000
Net cash (used in)/generated from investing activities		(425,611)	147,712	(407,937)	36,774
Cash flows from financing activities					
Proceeds from issuance of share capital		6,423	19,032	6,423	19,032
Dividend paid		(139,438)	(149,098)	(139,438)	(149,098)
Net cash used in financing activities		(133,015)	(130,066)	(133,015)	(130,066)
Net (decrease)/increase in cash and cash equivalents		(688,934)	1,542,763	(1,037,466)	727,483
Effects of exchange rate changes		(65)	(1,096)	(65)	(1,096)
Cash and cash equivalents at the beginning of year		8,388,426	6,846,759	5,653,019	4,926,632
Cash and cash equivalents at the end of year	3	7,699,427	8,388,426	4,615,488	5,653,019

The above cash flow statements are to be read in conjunction with the notes to the financial statements on pages 36 to 93.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003

1 Basis of preparation of the financial statements

The financial statements of the Group and of the Bank have been prepared in accordance with the applicable approved accounting standards in Malaysia, Bank Negara Malaysia ("BNM") Guidelines and comply with provisions of the Companies Act, 1965. The financial statements incorporate those activities relating to Islamic Banking business which have been undertaken by the Group and the Bank. Islamic Banking business refers generally to the acceptance of deposits and granting of financing under the Syariah principles.

2 Significant accounting policies

All significant accounting policies set out below have been used consistently in dealing with items which are considered material in relation to the financial statements except for the accounting policies in respect of deferred taxation and dealers' handling fees as disclosed in Note 41 to the financial statements.

(a) Accounting convention

The financial statements of the Group and of the Bank have been prepared under the historical cost convention unless otherwise indicated.

(b) Consolidation

The consolidated financial statements include the financial statements of the Bank and all its subsidiary companies made up to the end of the financial year. Inter-company transactions, balances, unrealised gains and losses are eliminated upon consolidation and the consolidated financial statements reflect external transactions only. The Bank adopts both the acquisition and merger methods of consolidation.

When the acquisition method is adopted, the excess of the cost of investment over the fair value of the net assets of the subsidiary companies at the date of acquisition is included in the consolidated financial statements as goodwill on consolidation. For subsidiary companies acquired or disposed during the financial year, the results are included from the date of acquisition up to the date of disposal.

Acquisitions of subsidiary companies which have previously met the criteria for merger accounting under the Malaysian Accounting Standard 2, Accounting for Acquisitions and Mergers, are accounted for using merger accounting principles. When the merger method is used, the cost of investment in the Bank's books is recorded as the nominal value of shares issued and the difference between the carrying value of the investment and the nominal value of shares transferred is treated as merger reserve/deficit in accordance with the merger relief provisions under Section 60(4) of the Companies Act, 1965. The current applicable approved accounting standard for business combinations is Malaysian Accounting Standard Board ("MASB") Standard No. 21 Business Combinations. This standard is effective for accounting period commencing 1 July 2001. As allowed under the standard, the provisions of the standard is applied prospectively, and no retrospective changes have been made. A listing of the Bank's subsidiaries is set out in Note 11.

(c) Recognition of interest income

Interest income is recognised on an accrual basis. Interest income on housing and term loan is recognised by reference to rest periods which are either daily, monthly or yearly. The "rule of 78" method is applied in respect of income earned on hire purchase, block discounting and leasing.

Where an account is classified as non-performing, recognition of interest income is suspended until it is realised on a cash basis. Customers' accounts are classified as non-performing where repayments are in arrears for 3 months or more for loans and overdrafts, and after 3 months from maturity date for trade bills, bankers' acceptances and trust receipts.

The policy on suspension of interest is in general more stringent than that laid down in BNM's "Guidelines on the Classification of Non-performing Loans and Provision for Substandard, Bad and Doubtful Debts, BNM/GP3".

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

2 Significant accounting policies (continued)

(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 guarantee fees which are material are recognised as income based on time apportionment. Services charges and other fee income are recognised as income when the services are rendered.

Dividends from dealing and investment securities are recognised when received. Dividends from subsidiary companies are recognised when the rights to receive payment is established. Dividend income from Malaysian Government investment certificates invested for the purpose of Islamic Banking business is recognised on a basis consistent with the principles of Syariah.

Net profit from dealing and investment securities are recognised upon disposal of the securities, as the difference between net disposal proceeds and the carrying amount of the securities.

(e) Goodwill on consolidation

Goodwill arising on consolidation represents the excess of the cost of investment over the fair value of the net assets of subsidiary companies at the date of acquisition. Goodwill is stated at cost except where it is written off if, in the opinion of the Directors, it is permanently impaired.

(f) 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 which are not specifically identified.

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 policy on provision for bad and doubtful debts and financing is in general more stringent than that laid down in BNM's "Guidelines on the Classification of Non-performing Loans and Provision for Substandard, Bad and Doubtful Debts, BNM/GP3".

(g) Repurchase agreements

Securities purchased under resale agreements are securities which the Bank had purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities which the Bank had sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligations to repurchase the securities are reflected as a liability on the balance sheet.

(h) 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. Interest earned whilst holding dealing securities is reported as interest income. Dividends received are included separately in dividend income.

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

(i) 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, Malaysian Government investment certificates, Cagamas bonds, other Government securities and bank guaranteed private debts securities held for investment are stated at cost adjusted for amortisation of premium or accretion of discount, where applicable, to maturity date. Other private debt securities are valued at the 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.

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

2 Significant accounting policies (continued)

(j) Investment in subsidiary companies

A subsidiary company is a company in which the Bank controls the composition of its board of directors or more than half of its voting power, or holds more than half of its issued ordinary share capital.

Investment in subsidiary companies is stated at cost and is written down when the Directors consider that there is a permanent diminution in the value of such investments.

(k) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and impairment loss (if any). Freehold land is not depreciated. Depreciation of other fixed assets is calculated to write off the cost of the fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates are:

	%
Buildings on freehold land	2
Short-term leasehold land - less than 50 years	Over the lease period
Long-term leasehold land - 50 years or more	Over the lease period
Leasehold buildings	Over the remaining period of the lease or 2% whichever is shorter
Office furniture, fittings, equipment and renovations	7 - 20
Computer equipment and software	20
Motor vehicles	20 - 25

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

(l) Leases

Where the Bank/Group is the lessee

Lease of fixed assets where the Bank/Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of fair value of the lease assets or the present value of the minimum lease payments. Each lease payment is allocated between the liability and the finance charge by applying the "rule of 78". The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period. Fixed assets acquired under finance lease are depreciated over the estimated useful lives of the assets.

Leases of assets where a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payment made under operating leases are charged to income statement over the lease period.

Where the Bank/Group is the lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as receivable. The difference between the gross receivables and net present value of the receivables is recognised as unearned income. Lease income is recognised over the term of the lease using the "rule of 78".

Assets leased out under operating leases are included in fixed assets in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar assets. Rental income is recognised on straight line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

2 Significant accounting policies (continued)

(m) Impairment of assets

The carrying amounts of the assets are assessed at each balance sheet date whether there is any indication that the assets may be impaired. If any such indications exist, the recoverable amounts of the assets are estimated.

The recoverable amount is the higher of the asset's net selling price and its value in use. In assessing the value in use, estimated cash flows are discounted to their present values using a discount rate that reflects current market assessment of the time value of money and the risk specific to the asset. An impairment loss is recognised in the income statement immediately when the carrying amount of the asset exceeds its recoverable amount.

(n) Deferred taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences are disclosed in Note 13 to the financial statements. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

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.

(o) Derivative financial instruments

Trading

The fair value of trading derivative financial instruments are included in the balance sheet and gains and losses on these instruments are taken directly to the income statement.

Foreign exchange and interest rate forwards, futures and forward purchases and sales of securities entered into for trading purposes are valued at prevailing market rates. Interest rate and currency swap agreements are valued at their net present value.

Hedging

Foreign exchange and interest rate forwards, futures and swaps entered into for hedging purposes are accounted for in a manner consistent with the accounting treatment of the hedged item. To qualify as a hedge, the swap, forward or futures position must be designated as a hedge and be effective in reducing the market risk of an existing asset, liability, firm commitment, or anticipated transaction where there is a high probability of the transaction occurring and the extent, term and nature of the exposure is capable of being estimated.

Where the hedged item ceases to exist, the corresponding derivative hedge contract is restated at fair value and any resulting unrecognised gains and losses are taken to the income statement.

(p) Currency translations

Transaction in foreign currencies are translated at rates prevailing on transaction dates. Individual foreign currency assets and liabilities are stated in the balance sheet at spot rates of exchange which closely approximate those ruling at the balance sheet date. All exchange gains and losses are recognised in the income statement in the year they arise.

The results of foreign branch and foreign subsidiary for the year are translated into Ringgit Malaysia at average exchange rates for the year and the balance sheets are translated at the rates of exchange ruling at the balance sheet date. Gains or losses arising on translation into Ringgit Malaysia are taken to an exchange fluctuation reserve.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

2 Significant accounting policies (continued)

(q) Staff retirement gratuities

The Group operates a defined contribution scheme for eligible executives which is administered by the Hong Leong Group Executive Retirement Benefit Fund. The benefits payable on retirement are based on a fixed percentage contribution of the salary of the executive as accrued monthly in the executive's nominal account.

The cost and liability in respect of the defined contribution scheme will be determined by an actuarial valuation to be conducted once in every three years by a qualified actuary. The last valuation was carried out in June 2001.

(r) Foreclosed properties

Foreclosed properties are stated at the lower of cost and net realisable value.

(s) Dealers' handling fees

Dealers' handling fees represent those amounts paid to dealers at the inception of the deals. Such expenditure are expensed off in the period they are incurred.

(t) Bills and acceptances payable

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

(u) Amounts due to Cagamas Berhad ("Cagamas")

In the normal course of banking operations, the Bank sells loans to Cagamas. The Bank is liable in respect of the loans sold directly with full recourse to Cagamas under the condition that the Bank undertakes to administer the loans on behalf of Cagamas and to buy back any loans which are regarded as defective. Such financing transactions and the obligation to buy back the loans are reflected as a liability on the balance sheet. Interest income received from the loans and subsequently paid to Cagamas are recognised on a gross basis as "interest income" and "interest expense" in the income statement.

The Bank's treatment on loans sold to Cagamas is in conformity with BNM's Circular on "Accounting Treatment for Loans Sold to Cagamas with Recourse".

(v) Amounts recoverable from Danaharta

This relates to the loans sold to Danaharta where the total consideration 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 predetermined share of the surplus over the initial consideration upon recovery of the loans.

The difference between the carrying value of the loans and initial consideration is recognised as "Amounts recoverable from Danaharta" within the "Other assets" component of the balance sheet. Provisions against these amounts are made to reflect the Directors' assessment of the realisable value of the final consideration as at the balance sheet date.

(w) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligations, and when a reliable estimate of the amount can be made.

(x) Cash and cash equivalents

Cash and cash equivalents are cash and short term funds held for the purpose of meeting short term commitments and readily convertible into cash without significant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

3 Cash and short-term funds

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Cash and balances with banks and other financial institutions	414,095	494,907	322,606	374,390
Money at call and deposit placements maturing within one month	7,285,332	7,893,519	4,292,882	5,278,629
	7,699,427	8,388,426	4,615,488	5,653,019

4 Deposits and placements with financial institutions

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Licensed banks	159,000	443,447	29,000	388,447
Licensed finance companies	50,600	80,600	-	30,000
Other financial institutions	2,282,998	3,459,100	1,693,498	1,954,900
	2,492,598	3,983,147	1,722,498	2,373,347

5 Dealing securities

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Money market instruments				
BNM bills	2,481,372	309,668	2,481,372	309,668
Malaysian Government treasury bills	327,223	41,232	327,223	41,232
Malaysian Government securities	457,516	264,711	226,267	212,523
Malaysian Government investment certificates	545,338	135,230	367,777	135,230
Other Government securities	4,281	-	4,281	-
Cagamas bonds	71,380	20,138	71,380	20,138
Cagamas notes	233,403	139,165	233,403	139,165
Khazanah bonds	8,620	13,277	8,620	13,277
Danamodal bonds	119,158	189,073	86,094	85,158
Bankers' acceptances and Islamic accepted bills	1,011,558	690,991	43,096	506,541
Negotiable instruments of deposit	2,188,983	2,223,425	1,856,996	2,093,425
	7,448,832	4,026,910	5,706,509	3,556,357
Unquoted securities				
Private debt securities	245,947	248,238	211,886	229,995
	7,694,779	4,275,148	5,918,395	3,786,352
Market value of quoted securities				
Malaysian Government securities	457,713	264,711	226,267	212,523
Other Government securities	4,339	-	4,339	-
Cagamas bonds	71,430	20,138	71,430	20,138

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

6 Investment securities

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Money market instruments				
Malaysian Government securities	388,384	5,548	256,111	5,013
Malaysian Government investment certificates	80,000	158,650	-	78,651
Other Government securities	279,242	132,957	279,242	132,957
Cagamas bonds	75,517	80,543	36,711	36,711
Danamodal bonds	68,569	68,569	18,841	18,841
Danaharta bonds	133,018	133,019	93,114	93,114
Negotiable instruments of deposit	5,567	5,742	5,567	5,742
Bankers' acceptances and Islamic accepted bills	-	503,295	-	-
	1,030,297	1,088,323	689,586	371,029
Quoted securities				
Shares quoted in Malaysia	36,466	36,539	5,204	2,724
Loan stocks quoted in Malaysia	47,873	45,918	4,621	-
Shares quoted outside Malaysia	-	1,249	-	1,249
Private debt securities	399,015	38,001	399,015	38,001
Foreign currency bonds	36,680	15,358	36,680	15,358
	1,550,331	1,225,388	1,135,106	428,361
Unquoted securities				
Shares	30,642	28,345	13,694	11,397
Loan stocks	44,594	33,548	11,046	-
Private and Islamic debt securities	251,798	138,671	223,442	86,277
	1,877,365	1,425,952	1,383,288	526,035
Accretion of discount less amortisation of premium	12,014	12,087	(2,617)	630
Provision for diminution in value of investment securities:				
- quoted investments	(20,142)	(15,963)	(10,264)	(7,740)
- unquoted investments	(29,539)	(7,335)	(22,978)	(153)
	1,839,698	1,414,741	1,347,429	518,772

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

6 Investment securities (continued)

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
(a) Market value of quoted securities				
Malaysian Government securities	386,379	5,834	254,445	5,222
Other Government securities	279,799	134,350	279,799	134,350
Cagamas bonds	76,047	81,057	36,978	36,967
Shares quoted in Malaysia	25,991	29,899	2,877	2,502
Loan stocks quoted in Malaysia	29,595	34,548	3,712	-
Shares quoted outside Malaysia	-	1,064	-	1,064
Private debt securities	400,686	31,275	400,686	31,275
Foreign currency bonds	36,808	15,358	36,808	15,358
(b) The maturity structure of money market instruments held for investment is as follows:				
Maturing within:				
- one year	567,921	628,219	411,476	119,480
- one year to three years	453,290	459,569	269,524	251,549
- three years to five years	8,586	535	8,586	-
- over five years	500	-	-	-
	1,030,297	1,088,323	689,586	371,029

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

7 Loans, advances and financing

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Overdrafts	3,262,376	3,299,489	3,266,423	3,304,127
Term loans:				
- fixed rate	937,511	659,246	822,023	547,486
- floating rate	10,313,011	9,649,538	7,502,018	6,670,965
Hire purchase	8,401,259	10,479,641	468	894
Lease receivables	32,705	50,345	-	-
Credit/charge card receivables	759,362	762,055	759,362	762,055
Bills receivable	336,874	293,581	336,874	293,581
Trust receipts	293,391	332,240	293,391	332,240
Claims on customers under acceptance credits	1,587,058	1,567,874	1,587,058	1,567,874
Staff loans	137,032	136,819	86,360	83,827
Other loans	42,978	57,782	26,500	11,855
	26,103,557	27,288,610	14,680,477	13,574,904
Unearned interest and income	(1,792,446)	(2,202,627)	(341,464)	(196,775)
Gross loans, advances and financing	24,311,111	25,085,983	14,339,013	13,378,129
Interest-in-suspense/income-in-suspense	(619,551)	(577,890)	(274,587)	(251,909)
Provision for bad and doubtful debts and financing:				
- specific	(789,517)	(743,032)	(445,375)	(381,561)
- general	(365,887)	(382,764)	(212,506)	(199,671)
	(1,774,955)	(1,703,686)	(932,468)	(833,141)
Total net loans, advances and financing	22,536,156	23,382,297	13,406,545	12,544,988
(a) The maturity structure of loans, advances and financing is as follows:				
Maturing within:				
- one year	9,077,585	9,244,610	7,543,295	7,491,828
- one year to three years	2,622,919	2,325,754	564,101	438,617
- three years to five years	4,089,838	4,747,414	675,586	874,139
- over five years	8,520,769	8,768,205	5,556,031	4,573,545
	24,311,111	25,085,983	14,339,013	13,378,129

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

7 Loans, advances and financing (continued)

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
(b) Loans, advances and financing analysed by their economic purposes are as follows:				
Agriculture	222,805	219,901	190,541	196,383
Mining and quarrying	49,172	48,900	29,548	28,936
Manufacturing	2,331,233	2,291,383	2,086,420	2,132,372
Electricity, gas and water	83,815	134,867	51,207	109,500
Construction	1,235,495	1,390,837	754,174	750,120
Real estate	212,200	206,471	111,057	110,308
Purchase of landed property:	7,157,846	5,839,978	5,643,038	4,252,213
- residential	5,293,192	4,071,172	3,967,432	2,737,942
- non-residential	1,864,654	1,768,806	1,675,606	1,514,271
General commerce	1,685,054	1,706,325	1,467,531	1,567,117
Transport, storage and communication	343,662	329,735	229,522	209,632
Finance, insurance and business services	732,226	880,207	576,014	806,402
Purchase of securities	905,937	929,356	587,823	572,253
Purchase of transport vehicles	6,302,544	8,099,333	7,958	7,105
Consumption credit	1,768,866	1,718,902	1,768,018	1,717,120
Others	1,280,256	1,289,788	836,162	918,668
	24,311,111	25,085,983	14,339,013	13,378,129
(c) Movements in the provision for bad and doubtful debts and financing and interest-in-suspense /income-in-suspense accounts are as follows:				
Interest-in-suspense/income-in-suspense (IIS)				
As at beginning of the year	577,890	475,916	251,909	203,030
Provisions made during the year	310,798	319,686	153,197	167,559
Amount written back in respect of recoveries	(176,995)	(101,233)	(86,850)	(66,090)
Amount transferred to provision for diminution in value	(10,893)	(449)	(10,893)	(449)
Amount written off	(81,240)	(116,613)	(32,767)	(52,724)
Exchange difference	(9)	583	(9)	583
As at end of the year	619,551	577,890	274,587	251,909

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

7 Loans, advances and financing (continued)

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
(c) Movements in the provision for bad and doubtful debts and financing and interest-in-suspense /income-in-suspense accounts are as follows: (continued)				
Specific provision (SP)				
As at beginning of the year	743,032	681,016	381,561	359,380
Provisions made during the year	498,992	511,041	232,940	240,951
Amount transferred from GP	-	31,159	-	-
Amount written back in respect of recoveries	(252,085)	(157,700)	(61,360)	(58,811)
Amount transferred to provision for diminution in value	(9,141)	(1,235)	(9,141)	(1,235)
Amount written off	(191,279)	(322,945)	(98,623)	(160,420)
Exchange difference	(2)	1,696	(2)	1,696
As at end of the year	789,517	743,032	445,375	381,561
General provision (GP)				
As at beginning of the year	382,764	411,058	199,671	196,549
Provisions (written back)/made during the year	(16,887)	2,601	12,825	2,858
Amount transferred to SP	-	(31,159)	-	-
Exchange difference	10	264	10	264
As at end of the year	365,887	382,764	212,506	199,671
(as % of total loans less SP and IIS)	1.6%	1.6%	1.6%	1.6%
(d) Movements in the non-performing loans and financing are as follows:				
As at beginning of the year	3,138,433	3,015,764	1,480,026	1,464,034
Non-performing during the year	2,550,410	2,293,651	1,014,517	983,166
Accrued interest	136,948	153,531	123,528	135,526
Performing during the year	(1,921,060)	(1,236,779)	(725,080)	(600,859)
Amount written back in respect of recoveries	(815,101)	(654,622)	(381,642)	(291,796)
Amount written off	(270,413)	(436,187)	(135,698)	(213,120)
Exchange difference	(26)	3,075	(26)	3,075
As at end of the year	2,819,191	3,138,433	1,375,625	1,480,026
Ratio of non-performing loans to total loans, both net of SP and IIS	6.2%	7.6%	4.8%	6.6%

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

8 Other assets

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Amounts recoverable from Danaharta	8,356	22,314	4,174	7,251
Foreclosed properties	3,551	3,551	3,551	3,551
Other debtors, deposits and prepayments	95,553	269,120	89,955	274,213
Interest receivable	95,122	65,305	80,798	55,408
Deferred asset (Note 9)	-	1,403	-	-
	202,582	361,693	178,478	340,423
Amounts recoverable from Danaharta				
As at beginning of the year	22,314	41,484	7,251	13,306
Provision made during the year	(13,958)	(16,909)	(3,077)	(4,214)
Written back on final settlement	-	425	-	425
Amounts recovered	-	(2,686)	-	(2,266)
As at end of the year	8,356	22,314	4,174	7,251

9 Deferred asset

Hong Leong Finance Berhad ("HLF") participated in a scheme approved by the Minister of Finance and sanctioned by the High Court of Malaya whereby the assets and liabilities of Visia Finance Berhad ("Visia"), a licensed finance company incorporated in Malaysia, were taken over by HLF with effect from 1 January 1994. The takeover of the assets and liabilities of Visia did not have any adverse effect on the results and financial position of the Group as it was financed by a soft loan from BNM.

The deficiency representing the excess of liabilities over the assets taken over from Visia pursuant to the abovementioned scheme is shown as a deferred asset and is to be reduced progressively by the net income derived from the utilisation of the soft loan placed by BNM and the net recoveries of non-performing loans of Visia. As at 30 June 2003, the soft loan has been fully repaid to BNM.

10 Statutory deposits with BNM

The non-interest bearing statutory deposits are maintained with BNM in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958, the amount of which is determined at set percentages of total eligible liabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

11 Investment in subsidiary companies

	The Bank	
	2003 RM'000	2002 RM'000
Unquoted shares, at cost:		
- in Malaysia	723,571	726,571
- outside Malaysia	11	11
Arising from translation of a foreign subsidiary company	11	11
	723,593	726,593
Provision for permanent diminution in value	(27,752)	(27,752)
	695,841	698,841
As at beginning of the year	698,841	700,841
Disposal	-	(2,000)
Return of capital	(3,000)	-
As at end of the year	695,841	698,841

During the financial year:

- (a) HL Leasing Sdn Bhd reduced its ordinary share capital from RM3,000,000 to RM2.00
- (b) HLF Credit (Perak) Bhd reduced its ordinary share capital from RM1,242,875 to RM2.00
- (c) Chew Geok Lin Finance Berhad reduced its ordinary share capital from RM12,000,000 to RM2.00

In addition, the Bank set up a wholly owned subsidiary company, HLB Trade Services (Hong Kong) Limited in Hong Kong with a paid up share capital of HK2.00 comprising 2 ordinary shares of HK1.00 each, to undertake trade finance activities and was dormant as at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

11 Investment in subsidiary companies (continued)

The subsidiary companies of the Bank are as follows:

Name	Percentage of equity held		Principal activities
	2003	2002	
HLF and its subsidiary companies: *#	100	100	A licensed finance company
- Pelita Terang Sdn Bhd*	100	100	Property development
- Visia Nominees Sdn Bhd*	100	100	In members' voluntary liquidation
- HLF Credit (Perak) Bhd*	100	100	Property investment holding
Hong Leong Leasing Sdn Bhd*	100	100	Money lending
HL Leasing Sdn Bhd	100	100	Dormant
HLB Realty Sdn Bhd	100	100	Real property investment
HLB Nominees (Tempatan) Sdn Bhd	100	100	Agent and nominee for Malaysian clients
HLB Nominees (Asing) Sdn Bhd	100	100	Agent and nominee for foreign clients
HL Bank Nominees (Singapore) Pte Ltd+	100	100	Agent and nominee for clients
HLB Ventures Sdn Bhd	100	100	Dormant
Credit Corporation (Malaysia) Berhad ("CCM")#	100	100	Dormant
WTB Corporation Berhad ("WTB") and its subsidiary companies:#	100	100	Dormant
- Wah Tat Nominees (Tempatan) Sendirian Berhad*	100	100	Agent and nominee for Malaysian clients
- Wah Tat Nominees (Asing) Sendirian Berhad*	100	100	Agent and nominee for foreign clients
- Wah Tat Properties Sendirian Berhad*	100	100	Dormant
- Chew Geok Lin Finance Berhad	100	100	Dormant
- Chew Geok Lin Nominees (Tempatan) Sendirian Berhad*	100	100	Dormant
- Chew Geok Lin Nominees (Asing) Sendirian Berhad*	100	100	Dormant
HLB Trade Services (Hong Kong) Limited*	100	-	Dormant

* Not audited by PricewaterhouseCoopers.

+ Audited by a member firm of PricewaterhouseCoopers International.

Subsidiary company consolidated under the merger method of accounting.

All the subsidiary companies are incorporated in Malaysia with the exception of HL Bank Nominees (Singapore) Pte Ltd, which is incorporated in Singapore and HLB Trade Services (Hong Kong) Limited which is incorporated in Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

12 Fixed assets

The Group 2003	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land less than 50 years RM'000	Leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000
Cost						
As at beginning of the year	34,455	37,021	5,271	7,421	2,683	18,441
Additions	-	-	-	-	-	-
Disposals	(80)	(159)	-	(796)	-	(273)
Exchange fluctuation	-	-	-	-	-	-
As at end of the year	34,375	36,862	5,271	6,625	2,683	18,168
Accumulated depreciation						
As at beginning of the year	-	4,919	1,794	693	465	2,346
Charge for the year	-	499	61	92	48	248
Disposals	-	(69)	-	(75)	-	(109)
Exchange fluctuation	-	-	-	-	-	-
As at end of the year	-	5,349	1,855	710	513	2,485
Net book value as at 30 June 2003	34,375	31,513	3,416	5,915	2,170	15,683

The Group 2003	Office furniture, fittings, equipment and renovations* RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Cost					
As at beginning of the year	163,985	214,772	8,357	14,371	506,777
Additions	10,526	18,569	712	18,666	48,473
Disposals	(2,516)	(5,330)	(1,034)	-	(10,188)
Exchange fluctuation	6	6	-	-	12
As at end of the year	172,001	228,017	8,035	33,037	545,074
Accumulated depreciation					
As at beginning of the year	115,301	135,054	6,543	-	267,115
Charge for the year	14,389	26,769	782	-	42,888
Disposals	(2,195)	(5,285)	(1,013)	-	(8,746)
Exchange fluctuation	3	2	1	-	6
As at end of the year	127,498	156,540	6,313	-	301,263
Net book value as at 30 June 2003	44,503	71,477	1,722	33,037	243,811

* Renovation works with net book value of RM9,778,000 (2002: RM6,764,000) are financed under finance lease.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

12 Fixed assets (continued)

The Group 2002	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land less than 50 years RM'000	Leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000
Cost						
As at beginning of the year	34,861	37,278	5,271	7,421	2,683	18,441
Additions	-	-	-	-	-	-
Disposals	(406)	(257)	-	-	-	-
Disposal of subsidiary	-	-	-	-	-	-
Exchange fluctuation	-	-	-	-	-	-
As at end of the year	34,455	37,021	5,271	7,421	2,683	18,441
Accumulated depreciation						
As at beginning of the year	-	4,482	1,733	601	417	2,097
Charge for the year	-	499	61	92	48	249
Disposals	-	(62)	-	-	-	-
Disposal of subsidiary	-	-	-	-	-	-
Exchange fluctuation	-	-	-	-	-	-
As at end of the year	-	4,919	1,794	693	465	2,346
Net book value as at 30 June 2002	34,455	32,102	3,477	6,728	2,218	16,095

The Group 2002	Office furniture, fittings, equipment and renovations RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Cost					
As at beginning of the year	149,153	170,075	8,986	37,108	471,277
Additions	19,162	47,610	190	608	67,570
Disposals	(2,332)	(1,454)	(831)	(22,737)	(28,017)
Disposal of subsidiary	(2,164)	(1,645)	(4)	(608)	(4,421)
Exchange fluctuation	166	186	16	-	368
As at end of the year	163,985	214,772	8,357	14,371	506,777
Accumulated depreciation					
As at beginning of the year	103,709	113,536	6,164	-	232,739
Charge for the year	14,015	23,961	903	-	39,828
Disposals	(1,891)	(1,368)	(537)	-	(3,858)
Disposal of subsidiary	(679)	(1,230)	(3)	-	(1,912)
Exchange fluctuation	147	155	16	-	318
As at end of the year	115,301	135,054	6,543	-	267,115
Net book value as at 30 June 2002	48,684	79,718	1,814	14,371	239,662

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

12 Fixed assets (continued)

The Bank 2003	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land less than 50 years RM'000	Leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000
Cost						
As at beginning of the year	14,599	18,550	3,300	3,722	1,245	8,583
Additions	-	-	-	-	-	-
Disposals	-	-	-	(749)	-	(180)
Exchange fluctuation	-	-	-	-	-	-
As at end of the year	14,599	18,550	3,300	2,973	1,245	8,403
Accumulated depreciation						
As at beginning of the year	-	1,192	440	259	257	210
Charge for the year	-	137	58	71	23	75
Disposals	-	-	-	(57)	-	(74)
Exchange fluctuation	-	-	-	-	-	-
As at end of the year	-	1,329	498	273	280	211
Net book value as at 30 June 2003	14,599	17,221	2,802	2,700	965	8,192

The Bank 2003	Office furniture, fittings, equipment and renovations* RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Cost					
As at beginning of the year	102,994	149,988	6,041	14,371	323,393
Additions	8,887	8,803	689	18,666	37,045
Disposals	(735)	(1,072)	(842)	-	(3,578)
Exchange fluctuation	6	6	-	-	12
As at end of the year	111,152	157,725	5,888	33,037	356,872
Accumulated depreciation					
As at beginning of the year	74,567	84,150	4,730	-	165,805
Charge for the year	9,596	20,640	573	-	31,173
Disposals	(708)	(1,071)	(842)	-	(2,752)
Exchange fluctuation	3	2	1	-	6
As at end of the year	83,458	103,721	4,462	-	194,232
Net book value as at 30 June 2003	27,694	54,004	1,426	33,037	162,640

* Renovation works with net book value of RM7,485,000 (2002: RM6,284,000) are financed under finance lease.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

12 Fixed assets (continued)

The Bank 2002	Freehold land RM'000	Buildings on freehold land RM'000	Leasehold land less than 50 years RM'000	Leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Buildings on leasehold land 50 years or more RM'000
Cost						
As at beginning of the year	14,886	18,670	3,300	3,722	1,245	8,583
Additions	-	-	-	-	-	-
Disposals	(287)	(120)	-	-	-	-
Exchange fluctuation	-	-	-	-	-	-
As at end of the year	14,599	18,550	3,300	3,722	1,245	8,583
Accumulated depreciation						
As at beginning of the year	-	1,080	382	188	234	134
Charge for the year	-	139	58	71	23	76
Disposals	-	(27)	-	-	-	-
Exchange fluctuation	-	-	-	-	-	-
As at end of the year	-	1,192	440	259	257	210
Net book value as at 30 June 2002	14,599	17,358	2,860	3,463	988	8,373

The Bank 2002	Office furniture, fittings, equipment and renovations RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Cost					
As at beginning of the year	86,936	110,553	6,037	37,108	291,040
Additions	16,263	39,459	190	-	55,912
Disposals	(371)	(210)	(202)	(22,737)	(23,927)
Exchange fluctuation	166	186	16	-	368
As at end of the year	102,994	149,988	6,041	14,371	323,393
Accumulated depreciation					
As at beginning of the year	66,031	66,472	4,271	-	138,792
Charge for the year	8,764	17,663	556	-	27,350
Disposals	(375)	(140)	(113)	-	(655)
Exchange fluctuation	147	155	16	-	318
As at end of the year	74,567	84,150	4,730	-	165,805
Net book value as at 30 June 2002	28,427	65,838	1,311	14,371	157,588

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

13 Deferred taxation

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets/(liabilities)	General provision RM'000	Interest-in suspense/ income-in- suspense RM'000	Excess of capital allowance over depreciation RM'000	Other temporary differences RM'000	Total RM'000
The Group 2003					
As previously reported	-	-	(4,410)	1,709	(2,701)
Prior year adjustments (Note 41)	106,833	44,701	(4,040)	3,835	151,329
As restated	106,833	44,701	(8,450)	5,544	148,628
(Charged)/credited to income statement (Note 26)	(4,433)	(6,651)	(6,066)	593	(16,557)
As at end of the year	102,400	38,050	(14,516)	6,137	132,071
The Group 2002					
As previously reported	-	-	(5,995)	3,123	(2,872)
Prior year adjustments (Note 41)	114,683	23,275	(4,585)	7,283	140,656
As restated	114,683	23,275	(10,580)	10,406	137,784
Disposal of subsidiary company (Charged)/credited to income statement (Note 26)	-	-	89	-	89
	(7,850)	21,426	2,041	(4,862)	10,755
As at end of the year	106,833	44,701	(8,450)	5,544	148,628
The Bank 2003					
As previously reported	-	-	(4,410)	1,709	(2,701)
Prior year adjustments (Note 41)	55,908	30,511	-	-	86,419
As restated	55,908	30,511	(4,410)	1,709	83,718
Credited/(charged) to income statement (Note 26)	3,594	46	(4,964)	9	(1,315)
As at end of the year	59,502	30,557	(9,374)	1,718	82,403
The Bank 2002					
As previously reported	-	-	(5,906)	3,123	(2,783)
Prior year adjustments (Note 41)	55,034	23,275	-	-	78,309
As restated	55,034	23,275	(5,906)	3,123	75,526
Credited/(charged) to income statement (Note 26)	874	7,236	1,496	(1,414)	8,192
As at end of the year	55,908	30,511	(4,410)	1,709	83,718

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

14 Deposits from customers

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Fixed deposits	26,950,492	25,670,347	14,464,569	12,548,506
Negotiable instruments of deposit	1,184,000	1,205,000	285,000	495,000
	28,134,492	26,875,347	14,749,569	13,043,506
Demand deposits	2,792,890	2,479,835	2,797,222	2,481,365
Savings deposits	4,947,018	4,567,303	3,956,809	3,554,669
Others	125,036	157,532	125,036	157,532
	35,999,436	34,080,017	21,628,636	19,237,072
(a) The maturity structure of fixed deposits and negotiable instruments of deposit are as follows:				
Due within:				
- six months	22,691,714	21,207,990	12,054,307	10,470,181
- six months to one year	5,284,542	5,292,604	2,615,598	2,434,920
- one year to three years	156,465	373,209	79,664	138,405
- three years to five years	1,771	1,544	-	-
	28,134,492	26,875,347	14,749,569	13,043,506
(b) The deposits are sourced from the following customers:				
Business enterprises	8,760,676	7,823,115	6,451,186	5,811,849
Individuals	21,244,369	20,653,899	13,667,581	11,848,219
Others	5,994,391	5,603,003	1,509,869	1,577,004
	35,999,436	34,080,017	21,628,636	19,237,072

15 Deposits and placements of banks and other financial institutions

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Licensed banks	390,203	776,692	374,103	646,692
Licensed finance companies	50	234,080	232,900	201,400
Other financial institutions	-	210,000	-	65,000
	390,253	1,220,772	607,003	913,092

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

16 Other liabilities

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Zakat	7	7	-	-
Provision for staff retirement gratuities	3,904	7,948	2,083	3,560
Interest payable	198,288	195,185	91,655	86,172
Others	245,531	267,229	108,680	103,718
	447,730	470,369	202,418	193,450

17 Share capital

	The Group and The Bank	
	2003 RM'000	2002 RM'000
Authorised		
3,000,000,000 shares of RM1.00 each	3,000,000	3,000,000
Issued and fully paid		
Ordinary shares of RM1.00 each		
As at beginning of the year	1,433,211	1,428,065
Issued upon exercise of share options	1,740	5,146
As at end of the year	1,434,951	1,433,211

Executive Share Option Scheme ("ESOS" or "Scheme")

During the financial year, options pursuant to the ESOS of the Bank were exercised as follows:

- (a) options over 1,694,200 ordinary shares of RM3.70 per share; and
- (b) options over 45,200 ordinary shares of RM3.44 per share.

The main features of the ESOS are disclosed in the Directors' Report on page 27.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

18 Reserves

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Distributable				
Retained profit	779,594	752,027	646,500	451,526
Non-distributable				
Share premium	108,779	104,096	108,779	104,096
Statutory reserve	1,624,590	1,210,762	1,110,438	776,026
Merger deficit	(73,800)	(73,800)	-	-
Exchange fluctuation reserve	33,411	33,398	33,411	33,398
	1,692,980	1,274,456	1,252,628	913,520
	2,472,574	2,026,483	1,899,128	1,365,046

The statutory reserve is maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and is not distributable as cash dividend.

The Bank has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt account to frank the payment of dividends out of all its retained profit as at 30 June 2003.

Pursuant to the relief given under Section 60(4) of the Companies Act, 1965, the Bank has not recorded the share premium arising from the issuance of shares for the acquisition of HLF, CCM and WTB in the previous financial years. As such, the investment in HLF, CCM and WTB has been recorded in the Bank's books at the nominal value of shares issued. The merger deficit represents difference between the investment in the mentioned companies and the nominal value of shares acquired of the respective companies.

19 Interest income

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Loans and advances	1,769,562	2,003,127	908,732	918,127
Money at call and deposit placements with financial institutions	307,397	248,030	192,492	168,166
Dealing securities	160,009	156,432	137,907	133,875
Investment securities	26,752	23,773	20,878	14,986
Others	35,142	29,268	9,400	6,295
	2,298,862	2,460,630	1,269,409	1,241,449
Accretion of discounts less amortisation of premium	2,706	9,539	(2,172)	928
Net interest suspended	(127,493)	(214,303)	(66,104)	(101,334)
	(124,787)	(204,764)	(68,276)	(100,406)
	2,174,075	2,255,866	1,201,133	1,141,043

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

20 Interest expense

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Deposits and placements of banks and other financial institutions	111,267	122,703	84,493	82,714
Deposits from other customers	906,148	932,789	501,921	485,175
Others	17,298	24,357	1,048	682
	1,034,713	1,079,849	587,462	568,571

21 Non-interest income

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Fee income				
Commissions	54,211	47,655	49,497	46,301
Service charges and fees	29,964	29,839	18,827	17,546
Guarantee fees	6,534	7,920	6,534	7,920
Other fee income	83,093	77,908	79,253	74,814
	173,802	163,322	154,111	146,581
Investment income				
Net profit from dealing securities	12,345	47,708	7,146	10,888
Gain/(Loss) from sale of investment securities	364	(8,818)	25	4,243
Gross dividends from:				
- investment securities	10,614	4,293	2,010	372
- subsidiary companies	-	-	593,800	48,900
Writeback for diminution in value of investment securities	5,593	26,030	4,793	10,009
Gain on disposal of subsidiary company (Note 42)	-	5,210	-	9,000
	28,916	74,423	607,774	83,412
Other income				
Foreign exchange gain/(loss):				
- realised	25,468	24,492	25,468	24,492
- unrealised	(2,229)	(2,987)	(2,229)	(2,987)
Rental income	117	29	120	42
Gain on disposal of fixed assets	1,539	851	1,131	248
Other non-operating income	4,319	12,557	2,657	591
	29,214	34,942	27,147	22,386
	231,932	272,687	789,032	252,379

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

22 Overhead expenses

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Personnel costs	252,982	253,048	179,177	150,306
Establishment costs	118,953	116,113	88,567	76,071
Marketing expenses	35,262	75,159	15,191	25,500
Administration and general expenses	63,678	54,858	42,946	44,686
	470,875	499,178	325,881	296,563
The above expenditure includes the following statutory disclosures:				
Directors' remuneration (Note 25)	4,423	4,279	3,870	3,285
Rental of premises	33,080	34,479	23,281	21,649
Hire of equipment	2,779	2,792	2,779	2,750
Operating lease rental	254	274	254	260
Interest on finance lease	-	-	441	263
Auditors' remuneration:				
- statutory auditors' fees	285	284	277	264
- other fees	64	15	64	15
- other audit firm's fees	100	100	-	-
Depreciation of fixed assets	42,888	39,828	31,173	27,350
Loss on disposal of fixed assets	301	27	251	17
Fixed assets written off	366	399	48	2
Dealers' handling fees	17,018	41,502	-	-
Number of employees at year end	5,364	5,661	3,712	3,406

23 Loan and financing loss and provision

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Provision for bad and doubtful debts and financing:				
- specific provision (net)	246,907	353,341	171,580	182,140
- general provision (net)	(16,887)	2,601	12,825	2,858
	230,020	355,942	184,405	184,998
Bad debts and financing:				
- written off	4,135	5,094	3,076	2,673
- recovered	(36,440)	(26,796)	(27,724)	(17,113)
	(32,305)	(21,702)	(24,648)	(14,440)
Provision on amounts recoverable from Danaharta:				
- provision for value impairment during the year	13,958	16,909	3,077	4,214
- written back on final settlement	-	(425)	-	(425)
	13,958	16,484	3,077	3,789
	211,673	350,724	162,834	174,347

The policy of the Group is in general more stringent than those laid down by BNM's revised guidelines on the default period and provision requirements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

24 Significant related party transactions and balances

(a) Related parties and relationship

The related parties of and their relationship with the Bank are as follows:

Related parties	Relationship
Hong Leong Company (Malaysia) Berhad	Ultimate holding company
Hong Leong Management School Sdn Bhd, Hong Leong Nominees Sdn Bhd, Hong Leong Management Co Sdn Bhd and Hong Leong Consultancy Service Sdn Bhd	Subsidiary companies of ultimate holding company
Hong Leong Credit Berhad	Holding company
Subsidiary companies of Hong Leong Credit Berhad as disclosed in its financial statements	Subsidiary companies of holding company
Hong Leong Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
Hume Industries (Malaysia) Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
Hong Leong Properties Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
Subsidiary companies of the Bank as disclosed in Note 11	Subsidiary companies of the Bank
Rajang Plaza Sdn Bhd, Zenith Mint Enterprise Sdn Bhd, Chew H Hua Realty Sdn Bhd, Geok Kheng Holdings Sdn Bhd and Zenith Mint Cinema Sdn Bhd	Connected persons to Mr Chew Peng Cheng, Non-Executive Director
BIB Insurance Brokers Sdn Bhd	Connected person to Tan Sri Dato' Zaki bin Tun Azmi, a director of certain related companies

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

24 Significant related party transactions and balances (continued)

(b) Related party transactions and balances

A number of banking transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and at market rates.

2003	Parent company RM'000	Subsidiary companies RM'000	Other related companies RM'000
Income			
Interest:			
- loans	-	2,274	-
- private debt securities	-	-	1,485
- interbank placement	-	4,197	-
Commitment fee and rental income	-	85	-
Commission on Group products/services sold	-	-	3,564
	-	6,556	5,049
Expenditure			
Rental and maintenance	-	1,240	7,639
Insurance	-	-	4,877
Interest on deposits	-	105	116
Interest on repurchase agreement	109	-	2,058
Interest on interbank borrowing	-	3,085	-
Lease interest	-	441	-
Other miscellaneous expenses	393	-	1,838
	502	4,871	16,528
Amounts due from			
Overdraft	-	4,047	-
Interbank placement	-	10,000	-
Private debt securities	-	-	23,253
Others	-	813	-
	-	14,860	23,253
Amounts due to			
Current account and fixed deposits	2,283	11,907	148,641
Leasing facility	-	4,107	-
Repurchase agreements	1,800	-	229,570
Interbank borrowing	-	232,900	-
Others	-	8,897	-
	4,083	257,811	378,211
Foreign exchange related contracts			
Forward contracts	-	495	-
Interest rate related contracts			
Interest rate swaps	-	380,000	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

24 Significant related party transactions and balances (continued)

(b) Related party transactions and balances (continued)

2002	Parent company RM'000	Subsidiary companies RM'000	Other related companies RM'000
Income			
Interest:			
- loans	-	3,543	-
- private debt securities	-	-	1,485
- interbank placement	-	1	-
Commitment fee and rental income	-	51	-
Commission on Group products/services sold	-	1,357	1,251
	-	4,952	2,736
Expenditure			
Rental and maintenance	-	1,240	9,490
Insurance	-	-	2,984
Interest on deposits	31	225	368
Lease interest	-	276	-
Other miscellaneous expenses	8	-	1,433
	39	1,741	14,275
Amounts due from			
Overdraft	-	4,638	-
Term loans	-	75,360	-
Interbank placement	-	2,500	-
Private debt securities	-	-	23,253
Others	-	9,297	205
	-	91,795	23,458
Amounts due to			
Current account and fixed deposits	1,190	5,971	273,425
Leasing facility	-	5,237	-
Interbank borrowing	-	1,400	-
Repurchase agreements	-	-	231,661
Others	-	23,376	-
	1,190	35,984	505,086
Foreign exchange related contracts			
Forward contracts	-	1,063	-
Interest rate related contracts			
Interest rate swaps	-	380,000	-

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

for the financial year ended 30 June 2003 (continued)

25 Directors' remuneration

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

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Executive Directors:				
- salary and other remuneration	2,240	2,210	2,014	1,739
- bonuses	1,491	1,377	1,491	1,196
- benefits-in-kind	46	64	35	36
Non-Executive Directors:				
- fees	646	628	330	314
	4,423	4,279	3,870	3,285

The remuneration attributable to the Senior Group Managing Director of the Group and Bank, including benefits-in-kind during the year amounted to RM2,327,563 (2002: RM1,930,587).

26 Taxation

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Malaysian income tax	204,496	233,456	262,637	103,034
Over provision in prior year	-	(18,937)	-	(3,200)
Transfer from deferred taxation	16,557	(10,755)	1,315	(8,192)
	221,053	203,764	263,952	91,642

The effective tax rate for the Group and Bank differed from the the statutory rate of taxation due to:

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Profit before taxation	801,886	710,069	932,776	362,520
Tax calculated at a rate of 28%	224,528	198,819	261,177	101,506
Income not subject to tax	(24,940)	(4,722)	(2,450)	(3,499)
Expenses not deductible for tax purposes	4,908	39,359	3,910	5,027
Over provision in prior year	-	(18,937)	-	(3,200)
Transfer from deferred taxation	16,557	(10,755)	1,315	(8,192)
Taxation	221,053	203,764	263,952	91,642

Subject to an agreement by the tax authorities, the amount of unabsorbed tax losses available for set off against future taxable income for the Group is approximately RM31,945,000 (2002: RM51,967,000). The amount of unutilised capital allowances available for set off against future taxable income for the Group amounts to approximately RM48,738,000 (2002: RM53,393,000). Tax savings from the utilisation of tax losses and capital allowances brought forward from previous years amounted to RM20,022,000 (2002: nil) and RM4,655,000 (2002: nil) respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

27 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit after taxation by the weighted average number of ordinary shares in issue during the year.

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Profit after taxation	580,833	506,305	668,824	270,878
Weighted average number of ordinary shares in issue ('000)	1,434,484	1,428,995	1,434,484	1,428,995
Basic earnings per share (sen)	40.5	35.4	46.6	19.0

(b) Fully diluted earnings per share

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Bank has one category of dilutive potential ordinary shares: ESOS granted to certain executives. A calculation is done to determine the number of shares that could have been acquired at market price (determined as the average annual share price of the Bank's shares) based on the monetary value of the subscriptions rights attached to outstanding share options. This calculation serves to determine the 'unpurchased' shares to be added to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to the profit after taxation.

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Profit after taxation	580,833	506,305	668,824	270,878
Weighted average number of ordinary shares in issue:				
- during the year ('000)	1,434,484	1,428,995	1,434,484	1,428,995
- adjustment for share options ('000)	1,386	812	1,386	812
- for computation purpose of fully diluted earnings ('000)	1,435,870	1,429,807	1,435,870	1,429,807
Fully diluted earnings per share (sen)	40.5	35.4	46.6	18.9

28 Dividends

	The Group and The Bank	
	2003 RM'000	2002 RM'000
Final dividend paid of 7.5% (2002: 11.0%) less income tax at 28%	77,462	113,103
Interim dividend paid of 6.0% (2002: 3.5%) less income tax at 28%	61,976	35,995
	139,438	149,098

A final dividend in respect of the financial year ended 30 June 2003 of 18 sen (2002: 7.5 sen) less income tax at 28% and special tax exempt dividend of 11 sen (2002: nil) will be proposed for shareholders' approval at the forthcoming Annual General Meeting. Based on the Bank's issued and paid-up share capital of 1,434,950,834 as at 30 June 2003, the dividend would amount to RM343,814,220 (2002: RM77,462,172). The proposed dividend will be reflected in the financial statements of the next financial year ending 30 June 2004 when approved by shareholders.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

29 Closing foreign exchange rates

Closing foreign exchange rates used by the Bank are as follows:

	The Bank	
	2003	2002
Brunei Dollar	2.1585	2.1565
Deutsche Mark	1.7146	1.7146
Euro	4.3520	3.7713
Singapore Dollar ('SGD')	2.1585	2.1565
U.S. Dollar ('USD')	3.8000	3.8000

30 Commitments and contingencies

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. These commitments and contingencies are also not secured over the assets of the Group.

The commitments and contingencies constitute the following:

	The Group		2002	
	2003		2002	
	Principal RM'000	Credit equivalent RM'000	Principal RM'000	Credit equivalent RM'000
Direct credit substitutes	140,555	140,555	195,988	195,988
Certain transaction-related contingent items	447,550	223,775	491,178	245,589
Short-term self-liquidating trade-related contingencies	474,780	94,956	478,025	95,605
Obligations under underwriting agreement	14,225	7,112	17,467	8,734
Irrevocable commitment to extend credit:				
- maturity more than one year	3,496,234	1,748,117	2,888,864	1,444,432
- maturity less than one year	5,748,782	-	4,989,249	-
Foreign exchange related contracts:				
- less than one year	1,739,461	30,976	1,308,314	20,312
Interest rate related contracts:				
- less than one year	561,000	760	461,680	6,883
- one year to less than five years	920,000	16,723	1,589,000	30,215
Miscellaneous	573	-	818	-
	13,543,160	2,262,974	12,420,583	2,047,758

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

30 Commitments and contingencies (continued)

	The Bank			
	2003		2002	
	Principal RM'000	Credit equivalent RM'000	Principal RM'000	Credit equivalent RM'000
Direct credit substitutes	137,870	137,870	191,313	191,313
Certain transaction-related contingent items	447,550	223,775	491,178	245,589
Short-term self-liquidating trade-related contingencies	474,780	94,956	478,025	95,605
Obligations under underwriting agreement	14,225	7,112	17,467	8,734
Irrevocable commitment to extend credit:				
- maturity more than one year	2,869,152	1,434,576	2,131,910	1,065,955
- maturity less than one year	5,329,040	-	4,542,241	-
Foreign exchange related contracts:				
- less than one year	1,739,461	30,976	1,308,314	20,312
Interest rate related contracts:				
- less than one year	257,000	-	171,680	6,883
- one year to less than five years	980,000	24,980	965,000	20,200
Miscellaneous	573	-	818	-
	12,249,651	1,954,245	10,297,946	1,654,591

The foreign exchange and interest rate related contracts are made up as follows:

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Foreign exchange related contracts:				
- forward contracts	1,739,461	1,308,314	1,739,461	1,308,314
Interest rate related contracts:				
- futures contracts	257,000	232,680	257,000	232,680
- interest rate swaps	1,224,000	1,818,000	980,000	904,000

Foreign exchange and interest rate related contracts are subject to market risk and credit risk.

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 30 June 2003, the amount of contracts which were not hedged and hence, exposed to foreign exchange and interest rate market risk were RM45,515,478 (2002: RM23,301,366) and RM400,000,000 (2002: RM307,680,000) respectively.

Credit risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Bank has a gain position. As at 30 June 2003, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM12,219,868 (2002: RM7,513,685). The 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

for the financial year ended 30 June 2003 (continued)

31 Capital commitments

Capital expenditure approved by Directors but not provided for in the financial statements are as follows:

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Authorised and contracted for	44,490	28,945	38,158	16,066
Authorised but not contracted for	28,033	23,595	19,311	11,444
	72,523	52,540	57,469	27,510

The capital commitments are attributed to fixed assets.

32 Lease commitments

The Bank has lease commitments in respect of rented premises and hired equipment, all of which are classified as operating leases. A summary of the non-cancellable long-term commitments representing minimum rentals not adjusted for operating expenses which the Bank is obligated to pay are as follows:

	2003 RM'000	2002 RM'000
Not later than one year	1,172	2,930
Later than one year and not later than five years	2,580	4,233
Later than five years	339	-
The Bank has a finance lease with Hong Leong Leasing Sdn Bhd to finance renovation works of branches and the finance lease arrangement is as follows:		
Minimum lease payments:		
- not later than one year	3,557	3,541
- later than one year and not later than five years	745	2,066
	4,302	5,607
Future finance charges on finance leases	(195)	(370)
Present value of finance lease liabilities	4,107	5,237
Present value of finance lease liabilities:		
- not later than one year	3,379	3,226
- later than one year and not later than five years	728	2,011
	4,107	5,237

33 Holding and ultimate holding companies

The holding and ultimate holding companies are Hong Leong Credit Berhad and Hong Leong Company (Malaysia) Berhad respectively. Both companies are incorporated in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

34 Capital adequacy

	The Bank	
	2003 RM'000	2002 RM'000
(a) The capital adequacy ratios of the Bank are as follows:		
Tier-1 capital	3,251,676	2,714,539
Tier-2 capital	212,506	199,671
Total capital	3,464,182	2,914,210
Less: Investment in subsidiary companies	(695,841)	(698,841)
Capital base	2,768,341	2,215,369
Capital ratios		
Core capital ratio	18.14%	15.22%
Risk-weighted capital ratio	18.14%	15.22%
(b) Components of Tier-1 and Tier-2 capital are as follows:		
Tier-1 capital		
Paid-up share capital	1,434,951	1,433,211
Share premium	108,779	104,096
Other reserves (adjusted)	1,707,946	1,177,232
Total tier-1 capital	3,251,676	2,714,539
Tier-2 capital		
General provision for bad and doubtful debts	212,506	199,671
Total tier-2 capital	212,506	199,671
Total capital	3,464,182	2,914,210
Less: Investment in subsidiary companies	(695,841)	(698,841)
Total capital base	2,768,341	2,215,369
(c) Breakdown of risk-weighted assets in the various categories of risk-weights:		
0%	10,143,955	7,975,996
10%	428,525	259,022
20%	2,508,872	4,109,131
50%	3,771,644	2,660,561
100%	12,828,925	12,375,500
	29,681,921	27,380,210
Total risk-weighted assets	15,259,374	14,553,509

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

35 Segment reporting

Primary reporting – business segments

The Group comprises of the following main business segments:

Consumer Banking focuses mainly on servicing individual customers and small businesses. Products and services that are extended to customers include mortgages, credit cards, hire purchase and others.

Business Banking mainly focuses on corporate customers. Products offered include trade financing, working capital facilities and other term financing.

Treasury refers to the Group's treasury and capital market operations and includes foreign exchange, money market operations as well as capital market securities trading and investments.

The Group 2003	Consumer Banking RM'000	Business Banking RM'000	Treasury RM'000	Total RM'000
Revenue				
- external	545,430	468,116	470,888	1,484,434
- inter-segment	569,490	(184,186)	(385,304)	-
	1,114,920	283,930	85,584	1,484,434
Segment profit before taxation	551,195	180,895	69,796	801,886
Taxation				(221,053)
Profit after taxation				580,833
Segment assets	15,993,584	6,784,246	19,728,639	42,506,469
Unallocated assets				1,062,133
Total assets				43,568,602
Segment liabilities	33,202,951	2,611,545	3,084,892	38,899,388
Unallocated liabilities				761,689
Total liabilities				39,661,077
Other significant segment items				
Capital expenditure	44,253	3,485	735	48,473
Depreciation	38,484	2,942	1,462	42,888
Net interest suspended	64,935	62,558	-	127,493
Loan and financing loss and provision	155,267	56,406	-	211,673

Inter segment transfer is based on internally computed cost of funds.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

35 Segment reporting (continued)

Secondary reporting – geographic segments

The Group 2003	Revenue RM'000	Total assets RM'000
Malaysia	1,444,533	41,703,814
Overseas operations	39,901	1,864,788
	1,484,434	43,568,602

In the previous financial year, no segment reporting had been prepared as the Group's activities are predominantly in banking and finance business and carried out mainly in Malaysia. In accordance with MASB 22, segment reporting disclosure is now required. However, information on comparative segment reporting for 30 June 2002 is not presented pursuant to the provisions of MASB 22 whereby this is the first year of disclosure and it is impractical to provide comparatives.

36 Significant events during the financial year

- The proposal to amend the Bye-Laws of the ESOS of the Bank and to extend the duration of the Scheme for an additional period of 5 years had been approved by the shareholders of the Bank, BNM and the existing ESOS option holders of the Bank.
- The Bank proposed a Special Issue of up to 143,475,000 new ordinary shares of RM1.00 each in the Bank to Bumiputera investors at an issue price of RM4.00 per new share ("Proposed Special Issue").

37 Subsequent event after the financial year

As at 18 August 2003, all relevant approvals were obtained for the Proposed Special Issue and is pending completion.

38 Risk management objectives and policies

Integrated Risk Management ("IRM")

Managing risks is an integral part of the Bank's overall business strategy, as risks, if left unchecked against a backdrop of rapidly changing financial landscape and increased uncertainty, can translate into costs for the business. Recognising the need to be proactive in the management of risks, the Bank has implemented an Integrated Risk Management ('IRM') framework.

At the apex of the IRM framework, the Directors have the overall responsibility to ensure there is proper oversight of the management of risks in the Bank. The Directors set the risk appetite and tolerance level that is consistent with the Bank's overall business objectives and desired risk profile. A number of committees and dedicated risk management functions have been established to manage specific areas of risk and implement various risk management policies and procedures.

Giving due prominence to risk management, a Board Audit & Risk Management Committee ('BARMC') comprising members of the Directors, has been set up to oversee that risk management at all levels is being managed effectively. They, in turn, report all the risk management activities to the Directors. To assist the BARMC, the Integrated Risk Management Department ('IRM Department') has been established to provide independent oversight on the adequacy, effectiveness and integrity of risk management practices at all levels within the Bank. The IRM Department has adopted a risk-based approach to consolidate principle risk areas across the Bank and provide a comprehensive profile of such risks, to enable the Bank to minimise the risk through review and appropriate policies and control.

Credit Risk Management

Credit risk is risk of financial loss due to a borrower or counterparty being unable or unwilling to deliver on its payment obligations to the Bank, which leads to a loss of revenue and the principal sum. It arises principally from lending, trade finance and treasury activities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

38 Risk management objectives and policies (continued)

Credit Risk Management (continued)

The Bank gives very strong priority to effective credit risk management. Credit evaluation is managed by experienced personnel, with high level review undertaken by the Management Credit Committee ('MCC'), who in turn report to the Board Credit Committee ('BCC'). All credit policies are reviewed and approved by the BCC.

The core of the credit risk management process is documented in the Credit Manual, including policies on lending guidelines, lending authorities, credit risk rating, credit reviews, collateral, credit administration and security documentation, and timely rehabilitation and restructuring of problematic and delinquent accounts.

The management of credit risk commences at the application stage whereby there is a stringent evaluation process, based on prudent lending policies. To enhance credit risk management, the Bank has in place a credit risk rating system for commercial borrowers. As for the retail segment, the Bank has implemented a credit scoring system in credit cards to improve the Bank's ability to control credit losses within predictive ranges and achieve a well-balanced portfolio. The Bank also conducts stress tests to ensure its asset quality is within acceptable levels even under stress scenarios.

Market Risk Management

Market risk is the risk of financial loss arising from exposure to adverse changes in values of financial instruments caused by changes in market prices or rates, which include changes to interest rates.

The Bank adopts a systematic approach in managing such risks by types of instruments and nature of exposure. Market risk is primarily controlled via a series of cut-loss limits and potential loss limits, i.e. "Value at Risk" ('VaR'), set in accordance with the size of positions, risk tolerance appetites and hedging activities:

- Portfolios held under the Bank's trading books are tracked using daily mark-to-market positions, which are compared against preset limits. The daily tracking of positions is supplemented by sensitivity analysis and stress tests, using VaR and other measurements.
- Foreign exchange risks arising from adverse exchange rate movements, is managed by the setting of preset limits, matching of open positions against these preset limits and imposition of cut-loss mechanisms.
- Interest rate risk exposure is also identified, measured and controlled through limits and procedures, which includes regularly reviewing the interest rate outlook and developing strategies to protect total net interest income from changes in market interest rates.

In addition, the Bank also conducts periodic stress testing of its respective portfolios to ascertain market risk under abnormal market conditions.

Liquidity Risk Management

Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets and/or meet obligations as they fall due. Financial obligations arise from the withdrawal of deposits, funding of loans committed and repayment of purchased funds. It is the Bank's policy to ensure there is adequate liquidity across all business units to sustain ongoing operations, as well as sufficient liquidity to fund asset growth and strategic opportunities.

As a safeguard against liquidity risk, the Bank takes a multi-pronged approach towards managing this risk, beginning with a liquidity management system, adopting BNM's Liquidity Framework as the backbone. The Liquidity Framework ascertains the liquidity condition based on contractual and behavioural cash-flow of assets, liabilities and off-balance sheet commitments, taking into consideration the realisable cash value of liquefiable assets. The Bank has been in compliance with the Liquidity Framework throughout the financial year.

This is supplemented by the Bank's own internal liquidity management policies, which includes cash flow management, maintenance of high quality long term and short term marketable debt securities and diversification of funding base. The Bank has in place liquidity contingency funding plans to minimise the liquidity risk that may arise due to unforeseen adverse changes in the marketplace.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

38 Risk management objectives and policies (continued)

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. As such, operational risk is inherent in each of the Bank's business and operational activities. Such risks may result in breakdowns, errors and can potentially result in financial loss or other losses to the Bank. The primary responsibility of managing such risks rests with the respective operating department/unit.

The Bank takes a proactive stance on identifying and profiling principle potential operational risks and implementing relevant risk mitigation and contingency procedures.

One of the Bank's primary safeguards against operational risks is the existence of a sound internal control system, based on the principle of dual control, checks and balances, segregation of duties, independent checks and verification processes, segmented system access control and multi-tier internal transaction authorisation process. The controls are documented through a set of policies and procedures at individual business unit level.

Towards ensuring compliance with statutory requirements, laws, policies and internal guidelines, the Bank has implemented a system of self-audits throughout all of its branch network. The self-audit programme on the adequacy and reliability of the operational risk management framework is supplemented by independent audit reviews from the Internal Audit Division.

Operations' risk notes are disseminated to all operating departments/units, to raise awareness of operational risk issues as well as to inculcate risk management as an integral part of the planning and management processes of the Bank.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

39 Interest rate risk and credit risk disclosures

(a) Interest rate risk

The tables below summarise the Group's and the Bank's exposure to interest rate risks. Included in the tables are the Group's and the Bank's assets and liabilities at their full 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 and the Bank may be exposed to loss in earnings due to the effects of interest rates on the structure of the balance sheets. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding.

The Group 2003	Up to 1 month RM'000	1 – 3 months RM'000	3 – 6 months RM'000	6 – 12 months RM'000	1 – 5 years RM'000
Assets					
Cash and short-term funds	7,268,610	-	-	-	-
Deposits and placements with banks and other financial institutions	-	2,183,040	228,958	50,600	-
Dealing securities	1,953,559	2,072,716	1,268,647	338,380	641,832
Investment securities	109,246	205,070	74,266	158,594	883,425
Loans, advances and financing	13,901,515	943,293	559,795	535,961	5,661,501
Other assets	-	-	-	-	-
Statutory deposits with BNM	-	-	-	-	-
Fixed assets	-	-	-	-	-
Deferred tax assets	-	-	-	-	-
Total assets	23,232,930	5,404,119	2,131,666	1,083,535	7,186,758

The Group 2003	Over 5 years RM'000	Non-interest sensitive RM'000	Islamic Banking RM'000	Total RM'000	Effective interest rate %
Assets					
Cash and short-term funds	-	300,054	130,763	7,699,427	3.0
Deposits and placements with banks and other financial institutions	-	-	30,000	2,492,598	3.0
Dealing securities	297,104	-	1,122,541	7,694,779	3.1
Investment securities	269,412	17,102*	122,583	1,839,698	4.0
Loans, advances and financing	825,922	(1,698,868)^	1,807,037	22,536,156	8.3
Other assets	-	135,833	66,749	202,582	-
Statutory deposits with BNM	-	660,958	66,522	727,480	-
Fixed assets	-	243,596	215	243,811	-
Deferred tax assets	-	118,660	13,411	132,071	-
Total assets	1,392,438	(222,665)	3,359,821	43,568,602	

Key:

* Provision for permanent diminution in value for investment securities is included under non-interest sensitive component.

^ The negative balance represents specific provisions, interest-in-suspense and general provisions for loans and advances (excluding Islamic Banking).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

39 Interest rate risk and credit risk disclosures (continued)

(a) Interest rate risk (continued)

The Group 2003	Up to 1 month RM'000	1 – 3 months RM'000	3 – 6 months RM'000	6 – 12 months RM'000	1 – 5 years RM'000
Liabilities					
Deposits from customers	18,119,445	4,505,111	3,050,823	5,036,973	149,242
Deposits and placements of banks and other financial institutions	323,057	37,918	-	-	-
Obligations on securities sold under repurchase agreements	1,492,299	-	-	-	-
Bills and acceptances payable	319,588	501,072	150,219	-	-
Amount due to Cagamas	8,710	-	18,385	-	-
Other liabilities	-	-	-	-	-
Provision for taxation	-	-	-	-	-
Total liabilities	20,263,099	5,044,101	3,219,427	5,036,973	149,242
On balance sheet – interest rate gap	2,969,831	360,018	(1,087,761)	(3,953,438)	7,037,516
Interest rate swaps	-	944,000	-	(304,000)	(640,000)
Interest rate futures	-	227,000	-	30,000	-
Off balance sheet – interest rate gap	-	1,171,000	-	(274,000)	(640,000)
Net interest rate gap	2,969,831	1,531,018	(1,087,761)	(4,227,438)	6,397,516

The Group 2003	Over 5 years RM'000	Non-interest sensitive RM'000	Islamic Banking RM'000	Total RM'000	Effective interest rate %
Liabilities					
Deposits from customers	-	2,289,422	2,848,420	35,999,436	3.0
Deposits and placements of banks and other financial institutions	-	28	29,250	390,253	2.3
Obligations on securities sold under repurchase agreements	-	-	18,340	1,510,639	2.7
Bills and acceptances payable	-	209,442	1,450	1,181,771	3.6
Amount due to Cagamas	-	-	-	27,095	6.8
Other liabilities	-	297,950	149,780	447,730	-
Provision for taxation	-	75,881	28,272	104,153	-
Total liabilities	-	2,872,723	3,075,512	39,661,077	
On balance sheet - interest rate gap	1,392,438	(3,095,388)	284,309	3,907,525	
Interest rate swaps	-				
Interest rate futures	-				
Off balance sheet - interest rate gap	-				
Net interest rate gap	1,392,438				

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

39 Interest rate risk and credit risk disclosures (continued)

(a) Interest rate risk (continued)

The Bank 2003	Up to 1 month RM'000	1 – 3 months RM'000	3 – 6 months RM'000	6 – 12 months RM'000	1 – 5 years RM'000
Assets					
Cash and short-term funds	4,330,960	-	-	-	-
Deposits and placements with financial institutions	-	1,612,540	109,958	-	-
Dealing securities	1,669,894	1,512,386	1,082,736	302,561	355,315
Investment securities	108,846	139,017	74,266	133,972	671,530
Loans, advances and financing	11,478,097	936,116	493,194	381,416	512,949
Other assets	-	-	-	-	-
Statutory deposits with BNM	-	-	-	-	-
Investment in subsidiary companies	-	-	-	-	-
Fixed assets	-	-	-	-	-
Deferred tax assets	-	-	-	-	-
Total assets	17,587,797	4,200,059	1,760,154	817,949	1,539,794

The Bank 2003	Over 5 years RM'000	Non-interest sensitive RM'000	Islamic Banking RM'000	Total RM'000	Effective interest rate %
Assets					
Cash and short-term funds	-	227,713	56,815	4,615,488	3.0
Deposits and placements with financial institutions	-	-	-	1,722,498	3.0
Dealing securities	196,805	-	798,698	5,918,395	3.1
Investment securities	191,884	(14,669)*	42,583	1,347,429	4.4
Loans, advances and financing	121,247	(925,644)^	409,170	13,406,545	7.8
Other assets	-	116,809	61,669	178,478	-
Statutory deposits with BNM	-	381,178	-	381,178	-
Investment in subsidiary companies	-	695,841	-	695,841	-
Fixed assets	-	162,640	-	162,640	-
Deferred tax assets	-	80,662	1,741	82,403	-
Total assets	509,936	724,530	1,370,676	28,510,895	

Key:

* Provision for permanent diminution in value for investment securities is included under non-interest sensitive component.

^ The negative balance represents specific provisions, interest-in-suspense and general provisions for loans and advances (excluding Islamic Banking).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

39 Interest rate risk and credit risk disclosures (continued)

(a) Interest rate risk (continued)

The Bank 2003	Up to 1 month RM'000	1 – 3 months RM'000	3 – 6 months RM'000	6 – 12 months RM'000	1 – 5 years RM'000
Liabilities					
Deposits from customers	12,010,178	1,966,465	1,456,814	2,556,721	74,605
Deposits and placements of banks and other financial institutions	565,957	37,918	-	-	-
Obligations on securities sold under repurchase agreements	1,492,299	-	-	-	-
Bills and acceptances payable	319,588	501,072	150,219	-	-
Amounts due to Cagamas	8,710	-	18,385	-	-
Other liabilities	-	-	-	-	-
Provision for taxation	-	-	-	-	-
Total liabilities	14,396,732	2,505,455	1,625,418	2,556,721	74,605
On balance sheet – interest rate gap	3,191,065	1,694,604	134,736	(1,738,772)	1,465,189
Interest rate swaps	(35,000)	(35,000)	10,000	-	60,000
Interest rate futures	-	227,000	-	30,000	-
Off balance sheet – interest rate gap	(35,000)	192,000	10,000	30,000	60,000
Net interest rate gap	3,156,065	1,886,604	144,736	(1,708,772)	1,525,189

The Bank 2003	Over 5 years RM'000	Non-interest sensitive RM'000	Islamic Banking RM'000	Total RM'000	Effective interest rate %
Liabilities					
Deposits from customers	-	2,289,422	1,274,431	21,628,636	2.8
Deposits and placements of banks and other financial institutions	-	28	3,100	607,003	2.3
Obligations on securities sold under repurchase agreements	-	-	18,340	1,510,639	2.7
Bills and acceptances payable	-	209,442	1,450	1,181,771	3.6
Amount due to Cagamas	-	-	-	27,095	6.8
Other liabilities	-	193,156	9,262	202,418	-
Provision for taxation	-	15,874	3,380	19,254	-
Total liabilities	-	2,707,922	1,309,963	25,176,816	
On balance sheet – interest rate gap	509,936				
Interest rate swaps	-				
Interest rate futures	-				
Off balance sheet – interest rate gap	-				
Net interest rate gap	509,936				

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

39 Interest rate risk and credit risk disclosures (continued)

(a) Interest rate risk (continued)

Pursuant to the transitional provisions of MASB 24, the information on the interest rate risk and the effective average interest rate for each class of financial assets and financial liabilities as at 30 June 2002 is not presented.

(b) Credit risk

For on-balance sheet financial assets, the credit risk concentration for cash and short-term funds, deposits and placements with financial institutions and loans and advances are disclosed in Note 3, Note 4 and Note 7 (b) respectively. As for dealing securities, the credit concentration is mainly with government, government agencies or related corporations and licensed financial institutions as disclosed in Note 5. In respect of investment securities, the credit concentration is as follows; government, government agencies or related corporations and licensed financial institutions (Group: 71%, Bank: 69%), electricity, gas and water (Group: 13%, Bank: 18%), transport, storage and communications (Group: 3%, Bank: 4%) and others (Group: 13%, Bank: 9%). Composition of other assets that constitute financial instruments are mainly interest receivables due on placements and securities described above.

For off-balance sheet items, the credit risk concentrations are as set out below:

	The Group 2003		The Bank 2003	
	Treasury related commitments and contingencies RM'000	Credit related commitments and contingencies RM'000	Treasury related commitments and contingencies RM'000	Credit related commitments and contingencies RM'000
Agriculture	937	102,868	937	102,539
Mining and quarrying	92	7,062	92	6,964
Manufacturing	99,298	1,536,174	99,298	1,535,189
Electricity, gas and water	-	81,159	-	80,498
Construction	733	545,189	733	416,580
Real estate	-	54,693	-	38,852
Purchase of landed property				
- Residential	460	2,264,208	460	2,133,046
- Non-residential	540	472,105	540	456,220
General commerce	18,226	993,038	18,226	972,911
Transport, storage and communications	563	121,909	563	118,862
Finance, insurance and business services	2,655,837	457,993	2,411,837	448,342
Purchase of securities	-	435,410	-	18,402
Purchase of transport vehicles	-	291,749	-	1,593
Consumption credit	436	1,636,764	436	1,627,194
Others	443,339	1,322,378	443,339	1,315,998
Total	3,220,461	10,322,699	2,976,461	9,273,190

Pursuant to the transitional provisions of MASB 24, the information on the credit risk concentration as at 30 June 2002 is not presented.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

40 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.

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

Deposits and placements with financial institutions

For deposits and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities six 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 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 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.

Other assets and liabilities

The carrying value 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.

Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For deposit with maturities of six months and above, 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, obligations on securities held under repurchase agreements ('repos'), bills and acceptances payable

The estimated fair values of deposits and placements of banks and other financial institutions, repos and bills and acceptance payable with maturities of less than six months approximate the carrying values. For the items with maturities six months above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturities.

Amounts due to Cagamas

The estimated fair values of the amounts attributable to the loans sold to Cagamas with recourse and with maturities of less than six months approximate the carrying values. For the amounts attributable to the loans sold to Cagamas with recourse and with maturities six months and above, the fair values are estimated based on discounted cash flows using prevailing interest rates for loans sold to Cagamas with similar remaining period to maturity.

Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

40 Fair value of financial instruments (continued)

Foreign exchange rate and interest rate related contracts

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

The above mentioned range of methodologies and assumptions had been used in deriving the fair values of the Group's and the Bank's financial instruments at balance sheet date. The total fair value of each financial instrument approximates the total carrying value, except for the following:

	The Group 2003		The Bank 2003	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
On-balance sheet items				
Financial assets				
Dealing securities	7,694,779	7,698,114	5,918,395	5,919,162
Investment securities	1,839,698	1,871,713	1,347,429	1,375,946
Loans, advances and financing	22,536,156	22,680,377	13,406,545	13,443,625
Financial liabilities				
Deposits from customers	35,999,436	36,158,695	21,628,636	21,645,505
Off-balance sheet items				
The Group 2003		Positive Notional amount RM'000	Negative mark-to- market RM'000	mark-to- market RM'000
Derivative financial instruments				
Foreign exchange contracts:				
- Forward contracts		1,739,461	2,245	(4,291)
Interest rate contracts:				
- Swaps – trading portfolio		170,000	2,803	(1,936)
- Swaps – hedging portfolio		1,054,000	1,122	(15,792)*
- Futures		257,000	408	-
The Bank 2003				
Derivative financial instruments				
Foreign exchange contracts:				
- Forward contracts		1,739,461	2,245	(4,291)
Interest rate contracts:				
- Swaps – trading portfolio		170,000	2,803	(1,936)
- Swaps – hedging portfolio		810,000	8,778	(8,603)
- Futures		257,000	408	-

* The mark-to-market loss on interest rate swaps (hedging portfolio) has arisen from the partial hedging of hire purchase loans to mitigate interest rate exposure.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

40 Fair value of financial instruments (continued)

The fair value of derivative financial instruments become favourable (positive mark-to-market) or unfavourable (negative mark-to-market) 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.

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 other assets, statutory deposits with BNM, investment in subsidiary companies, fixed assets and deferred tax assets.

Pursuant to the transitional provisions of MASB 24, the information on the fair values of the financial instruments as at 30 June 2002 is not presented.

41 Prior year adjustments

During the year, the Group changed its accounting policies with respect to the recognition of deferred taxation in compliance with MASB 25 Income Taxes, and the treatment of dealers' handling fees for hire purchase loans, in compliance with BNM guideline.

A Accounting for Income Taxes

In the previous years, provision is made by using the "liability" method for taxation deferred in respect of all material timing differences between accounting income and taxable income. Timing differences that give rise to deferred tax benefits are not taken into account except where there is reasonable expectation of realisation. Under MASB 25 Income Taxes, deferred tax liability should be recognised for all taxable temporary differences, unless otherwise specified in the standard. Deferred tax asset should be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised except in cases specified in the Standard.

B Accounting for Dealers' Handling Fees

The Group changed its accounting policy to expense off the dealers' handling fees in the period they are incurred in accordance with BNM guideline. Previously, the dealers' handling fees are amortised over the tenure of the hire purchase loans.

These changes in accounting policies have been accounted for retrospectively and comparatives have been restated as follows:

The Group	As previously reported RM'000	Effect of change in policy (A) RM'000	Effect of change in policy (B) RM'000	As restated RM'000
At 1 July 2001				
Balance Sheet:				
- retained profit	639,036	70,329	(37,195)	672,170
- statutory reserve	900,278	70,329	(37,195)	933,412
- deferred tax (liabilities)/assets	(2,872)	140,656	-	137,784

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

41 Prior year adjustments (continued)

The Group	As previously reported RM'000	Effect of change in policy (A) RM'000	Effect of change in policy (B) RM'000	As restated RM'000
At 30 June 2002				
Balance Sheet:				
- retained profit	717,242	70,021	(35,236)	752,027
- statutory reserve	1,175,976	70,021	(35,235)	1,210,762
- other assets	432,164	-	(70,471)	361,693
- deferred tax (liabilities)/assets	(2,701)	151,329	-	148,628
- provision for taxation	(109,280)	(11,287)	-	(120,567)
Income Statement:				
- income from Islamic banking operations	110,729	-	538	111,267
- overhead expenses	(502,557)	-	3,379	(499,178)
- profit before taxation	706,152	-	3,917	710,069
- taxation	(203,150)	(614)	-	(203,764)
- profit after taxation	503,002	(614)	3,917	506,305
Earnings per share (sen):				
- basic	35.2	(0.1)	0.3	35.4
- fully diluted	35.2	(0.1)	0.3	35.4
The Bank				
At 1 July 2001				
Balance Sheet:				
- retained profit	426,031	39,154	-	465,185
- statutory reserve	601,432	39,155	-	640,587
- deferred tax (liabilities)/assets	(2,783)	78,309	-	75,526
At 30 June 2002				
Balance Sheet:				
- retained profit	408,317	43,209	-	451,526
- statutory reserve	732,816	43,210	-	776,026
- deferred tax (liabilities)/assets	(2,701)	86,419	-	83,718
Income Statement:				
- taxation	(99,752)	8,110	-	(91,642)
- profit after taxation	262,768	8,110	-	270,878
Earnings per share (sen):				
- basic	18.4	0.6	-	19.0
- fully diluted	18.4	0.5	-	18.9

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

42 Effect of disposal of subsidiary company in the previous year's financial statements

In the previous financial year, HLG Unit Trust Bhd was disposed on 14 June 2002 to HLG Capital Berhad for net proceeds of RM11,000,000.

(a) Effect of disposal in the Bank's financial statements

The disposal gave rise to a gain of RM9,000,000 in the financial statements of the Bank for the financial year ended 30 June 2002.

(b) Effect of disposal in the Group's financial statements

- (i) The effects of the disposal on the results of the Group for the previous period to the date of disposal in the previous financial year was as follows:

	Period ended 14.6.2002 RM'000
Interest income	193
Non interest income	9,899
	10,092
Overhead expenses	(7,593)
Profit before taxation	2,499
Taxation	(909)
Profit after taxation	1,590

- (ii) The effect of the disposal on the previous year financial position of the Group was as follows:

	At date of disposal RM'000
Cash and short term funds	5,285
Deposits and placements with financial institutions	3,851
Other assets	6,596
Fixed assets	2,508
Other liabilities	(12,450)
Net assets	5,790
Net disposal proceeds	11,000
Gain on disposal	5,210
Cash flow effect:	
Total proceeds from disposal – cash consideration	11,000
Cash and cash equivalents of subsidiary company disposed	(9,136)
Net cash inflow on disposal	1,864

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

43 General information

The Bank is a limited liability company that is domiciled in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 18 July 2003.

44 The operations of Islamic Banking

Balance sheets as at 30 June 2003

		The Group		The Bank	
	Note	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Assets					
Cash and short-term funds	(a)	130,763	311,073	56,815	161,699
Deposits with finance company		30,000	30,000	-	30,000
Dealing securities	(b)	1,122,541	685,575	798,698	685,575
Investment securities	(c)	122,583	667,670	42,583	84,375
Loans, advances and financing	(d)	1,807,037	1,682,525	409,170	245,205
Other assets	(e)	66,749	105,639	61,669	67,187
Statutory deposit with BNM		66,522	51,788	-	-
Fixed assets	(f)	215	195	-	-
Deferred tax assets	(g)	13,411	13,492	1,741	1,045
Total assets		3,359,821	3,547,957	1,370,676	1,275,086
Liabilities and Islamic Banking funds					
Deposits from customers	(h)	2,848,420	2,808,852	1,274,431	1,022,809
Deposits and placements of banks and other financial institutions	(i)	29,250	4,080	3,100	-
Obligations on securities sold under repurchase agreements		18,340	187,683	18,340	187,683
Bills and acceptances payable		1,450	529	1,450	529
Other liabilities	(j)	149,780	302,639	9,262	14,362
Provision for taxation		28,272	28,375	3,380	1,633
Total liabilities		3,075,512	3,332,158	1,309,963	1,227,016
Islamic Banking funds	(k)	284,309	215,799	60,713	48,070
Total liabilities and Islamic Banking funds		3,359,821	3,547,957	1,370,676	1,275,086

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

44 The operations of Islamic Banking (continued)

Income statements for the financial year ended 30 June 2003

	Note	The Group		The Bank	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Income	(l)	113,140	111,267	18,788	8,579
Overhead expenses	(m)	(4,792)	(9,601)	(817)	(878)
Profit before provision		108,348	101,666	17,971	7,701
Loan and financing loss and provision	(n)	(11,485)	(30,164)	(2,644)	(2,460)
Profit before taxation		96,863	71,502	15,327	5,241
Taxation		(28,353)	(20,736)	(2,684)	(936)
Profit after taxation		68,510	50,766	12,643	4,305
Retained profit brought forward		112,829	62,063	10,570	6,265
Retained profit carried forward		181,339	112,829	23,213	10,570
(a) Cash and short-term funds					
Cash and balances with banks and other financial institutions		19,263	40,153	115	17,189
Money at call and deposit placements maturing within one month		111,500	270,920	56,700	144,510
		130,763	311,073	56,815	161,699
(b) Dealing securities					
BNM negotiable notes		363,056	5,840	363,056	5,840
Malaysian Government investment certificates		215,287	126,080	215,287	126,080
Bankers' acceptances and Islamic accepted bills		322,402	459,863	43,096	459,863
Islamic debt securities		15,831	85,296	15,831	85,296
Khazanah bonds		8,620	8,496	8,620	8,496
Negotiable instruments of deposit		197,345	-	152,808	-
		1,122,541	685,575	798,698	685,575
(c) Investment securities					
Money market instruments					
Bankers' acceptances and Islamic accepted bills		-	503,295	-	-
Malaysian Government investment certificates		80,000	158,651	-	78,651
		80,000	661,946	-	78,651
Unquoted securities					
Shares		325	325	325	325
Islamic debt securities		42,258	5,399	42,258	5,399
		122,583	667,670	42,583	84,375

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

44 The operations of Islamic Banking (continued)

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
(c) Investment securities (continued)				
The maturity structure of money market instruments held for investment is as follows:				
Maturity within:				
- one year	80,000	581,946	-	78,651
- one year to three years	-	80,000	-	-
	80,000	661,946	-	78,651
(d) Loans, advances and financing				
Overdrafts	561	1,321	561	1,321
Term loans	1,071,473	721,807	733,368	441,211
Hire purchase	1,532,148	1,676,821	-	-
Staff financing	28	629	-	-
Claims on customers under acceptance credits	20,189	9	20,189	9
Revolving credits	21,333	-	-	-
Other financing	5,145	5,983	-	-
	2,650,877	2,406,570	754,118	442,541
Unearned income	(767,753)	(660,062)	(338,124)	(193,399)
Gross loans, advances and financing	1,883,124	1,746,508	415,994	249,142
Income-in-suspense	(13,180)	(7,070)	(431)	(188)
Provision for bad and doubtful debts and financing:				
- specific	(19,064)	(8,727)	(175)	(16)
- general	(43,843)	(48,186)	(6,218)	(3,733)
Total net loans, advances and financing	1,807,037	1,682,525	409,170	245,205
(i) Loans, advances and financing analysed by concepts are as follows:				
Al-Murabahah	88	87	-	-
Al-Ijarah	2,268	2,919	-	-
Al-Ijarah Thumma Al-Bai'	1,272,537	1,345,837	-	-
Al-Manzil Bai' Bithaman Ajil	605,344	394,783	415,994	249,142
Al-Musarakah	2,887	2,882	-	-
	1,883,124	1,746,508	415,994	249,142
(ii) The maturity structure of loans, advances and financing is as follows:				
Maturing within:				
- one year	86,109	38,843	25,019	6,373
- one year to three years	287,842	221,766	16,995	11,986
- three years to five years	611,795	575,785	42,656	36,960
- over five years	897,378	910,114	331,324	193,823
	1,883,124	1,746,508	415,994	249,142

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

44 The operations of Islamic Banking (continued)

		The Group		The Bank	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
(d)	Loans, advances and financing (continued)				
(iii)	Loans, advances and financing analysed by their economic purposes are as follows:				
	Agriculture	9,014	4,247	5,889	4,217
	Mining and quarrying	1,190	13	-	-
	Manufacturing	34,239	32,391	16,194	30,265
	Electricity, gas and water	2,895	641	381	524
	Construction	18,251	6,678	7,877	5,400
	Real estate	8,381	10,102	7,091	10,038
	Purchase of landed property:	499,997	262,297	316,145	134,213
	- residential	416,085	215,426	256,339	111,076
	- non-residential	83,912	46,871	59,806	23,137
	General commerce	46,875	15,245	25,156	12,699
	Transport, storage and communication	26,333	33,049	20,814	27,271
	Finance, insurance and business services	11,971	13,300	5,410	8,321
	Purchase of securities	15,536	16,243	-	-
	Purchase of transport vehicles	1,175,635	1,321,253	54	-
	Consumption credit	3,850	3,425	3,835	3,407
	Others	28,957	27,624	7,148	12,787
		1,883,124	1,746,508	415,994	249,142
(iv)	Movements in the provision for bad and doubtful debts and financing and income-in-suspense accounts are as follows:				
	Income-in-suspense (IIS)				
	As at beginning of the year	7,070	3,977	188	53
	Provisions made during the year	19,493	8,429	1,013	135
	Amount written back	(13,183)	(4,279)	(770)	-
	Amount written off	(200)	(1,057)	-	-
	As at end of the year	13,180	7,070	431	188
	Specific provision (SP)				
	As at beginning of the year	8,727	6,528	16	47
	Provisions made during the year	28,650	8,664	272	11
	Amount written back	(12,817)	(5,781)	(113)	(42)
	Amount written off	(5,496)	(684)	-	-
	As at end of the year	19,064	8,727	175	16

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

44 The operations of Islamic Banking (continued)

		The Group		The Bank	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
(d) Loans, advances and financing (continued)					
(iv)	Movements in the provision for bad and doubtful debts and financing and income-in-suspense accounts are as follows: (continued)				
	General provision (GP)				
	As at beginning of the year	48,186	20,905	3,733	1,242
	Provisions made during the year	2,485	27,281	2,485	2,491
	Amount written back	(6,828)	-	-	-
	As at end of the year	43,843	48,186	6,218	3,733
	(as % of total loans less SP and IIS)	2.4%	2.8%	1.5%	1.5%
(v)	Movements in the non-performing loans and financing are as follows:				
	As at beginning of the year	75,544	43,827	1,989	1,201
	Non-performing during the year	220,172	56,794	25,200	8,251
	Accrued income on existing non-performing loans and financing	320	62	320	62
	Performing during the year	(143,273)	(18,136)	(19,478)	(6,369)
	Amount written back in respect of recoveries	(43,977)	(4,623)	(2,329)	(1,156)
	Amount written off	(5,696)	(2,380)	-	-
	As at end of the year	103,090	75,544	5,702	1,989
	Ratio of non-performing loans to total loans, both net of SP and IIS	3.8%	3.5%	1.2%	0.7%
(e) Other assets					
	Other debtors, deposits and prepayments	66,749	105,639	61,669	67,187

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

44 The operations of Islamic Banking (continued)

The Group	Office furniture, fittings, equipment and renovations RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Total RM'000
(f) Fixed assets				
2003				
Cost				
As at beginning of the year	268	183	-	451
Additions	41	28	5	74
As at end of the year	309	211	5	525
Accumulated depreciation				
As at beginning of the year	111	145	-	256
Charge for the year	23	31	-	54
As at end of the year	134	176	-	310
Net book value as at 30 June 2003	175	35	5	215

The Group	Office furniture, fittings, equipment and renovations RM'000	Computer equipment and software RM'000	Total RM'000
Fixed assets			
2002			
Cost			
As at beginning of the year	226	144	370
Additions	42	39	81
As at end of the year	268	183	451
Accumulated depreciation			
As at beginning of the year	72	97	169
Charge for the year	39	48	87
As at end of the year	111	145	256
Net book value as at 30 June 2002	157	38	195

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

44 The operations of Islamic Banking (continued)

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
(g) Deferred tax assets:				
General provision				
As previously reported	-	-	-	-
Prior year adjustment	13,492	5,853	1,045	348
As restated	13,492	5,853	1,045	348
(Charged)/credited to income statement	(1,216)	7,639	696	697
As at end of the year	12,276	13,492	1,741	1,045
Other temporary difference				
As at beginning of the year	-	-	-	-
Credited to income statement	1,135	-	-	-
As at end of the year	1,135	-	-	-
Total				
As previously reported	-	-	-	-
Prior year adjustment	13,492	5,853	1,045	348
As restated	13,492	5,853	1,045	348
(Charged)/credited to income statement	(81)	7,639	696	697
As at end of the year	13,411	13,492	1,741	1,045
(h) Deposits from customers				
General investment deposits	2,347,242	2,471,481	942,864	856,117
Demand deposits	107,858	56,443	107,858	56,443
Savings deposits	393,228	280,836	223,617	110,157
Others	92	92	92	92
	2,848,420	2,808,852	1,274,431	1,022,809
(i) Maturity structure of general investment deposits is as follows:				
Due within:				
- six months	2,090,679	2,202,732	878,928	736,782
- six months to one year	247,570	245,825	58,877	119,335
- one year to three years	8,637	22,485	5,059	-
- three years to five years	356	439	-	-
	2,347,242	2,471,481	942,864	856,117

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

44 The operations of Islamic Banking (continued)

	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
(h) Deposits from customers (continued)				
(ii) The deposits are sourced from the following customers:				
Business enterprises	681,824	638,571	379,086	230,185
Individuals	511,511	458,601	242,884	122,711
Others	1,655,085	1,711,680	652,461	669,913
	2,848,420	2,808,852	1,274,431	1,022,809
(i) Deposits and placements of banks and other financial institutions				
Licensed banks	26,100	-	-	-
Licensed finance companies	3,150	4,080	3,100	-
Other financial institutions	-	-	-	-
	29,250	4,080	3,100	-
(j) Other liabilities				
Zakat	7	7	-	-
Other liabilities	149,773	302,632	9,262	14,362
	149,780	302,639	9,262	14,362
(k) Islamic Banking funds				
Funds allocated from Head Office	102,970	102,970	37,500	37,500
Retained profit	181,339	112,829	23,213	10,570
	284,309	215,799	60,713	48,070
(l) Income from Islamic Banking operations				
Income derived from investment of depositors' funds and funds allocated from Head Office	197,576	194,488	45,134	42,750
Income attributable to depositors:				
- other customers	(87,193)	(81,610)	(25,751)	(30,543)
- banks and financial institutions	(2,247)	(4,541)	(2,247)	(4,541)
Income attributable to:				
- Group/Bank	108,136	108,337	17,136	7,666
- other Islamic Banking income	5,004	2,930	1,652	913
	113,140	111,267	18,788	8,579

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

44 The operations of Islamic Banking (continued)

Details of income derived from investment of depositors' funds and funds allocated from Head Office are as follows:

	The Group		The Bank	
	Depositors' Funds RM'000	IBF RM'000	Depositors' Funds RM'000	IBF RM'000
(l) Income from Islamic Banking operations (continued)				
2003				
Income from financing	159,288	17,988	41,528	1,889
Net profit from dealing securities	16,780	2,255	432	20
Gain from sales of investment securities	351	16	351	16
Provision for diminution in value of investment securities	859	39	859	39
	177,278	20,298	43,170	1,964
Other Islamic Banking income	4,529	475	1,580	72
	181,807	20,773	44,750	2,036
2002				
Income from financing	160,311	12,849	38,608	1,775
Net profit from dealing securities	17,805	1,601	425	20
Gain from sales of investment securities	2,966	136	2,966	136
Provision for diminution in value of investment securities	(1,127)	(53)	(1,127)	(53)
	179,955	14,533	40,872	1,878
Other Islamic Banking income	2,723	207	874	39
	182,678	14,740	41,746	1,917
	The Group		The Bank	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
(m) Overhead expenses				
Personnel costs	1,400	1,104	433	457
Establishment costs	351	223	106	23
Marketing expenses	2,884	7,984	174	247
Administration and general expenses	157	290	104	151
	4,792	9,601	817	878
(n) Loan and financing loss and provision				
Provision for bad and doubtful debts and financing:				
- SP	15,833	2,883	159	(31)
- GP	(4,343)	27,281	2,485	2,491
- Bad debts recovered	(5)	-	-	-
	11,485	30,164	2,644	2,460

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

44 The operations of Islamic Banking (continued)

(o) Capital adequacy

(i) The capital adequacy ratios of the Islamic Banking operations of the Bank are as follows:

	The Bank	
	2003 RM'000	2002 RM'000
Tier-1 capital	58,972	47,025
Tier-2 capital	6,218	3,733
Capital base	65,190	50,758
Capital ratios		
Core capital ratio	12.73%	9.44%
Risk-weighted capital ratio	14.08%	10.18%
(ii) Components of Tier-1 and Tier-2 capital are as follows:		
Tier-1 capital		
Islamic Banking Fund (adjusted)	58,972	47,025
Total Tier-1 capital	58,972	47,025
Tier-2 capital		
General provision for bad and doubtful debts	6,218	3,733
Total Tier-2 capital	6,218	3,733
Total capital base	65,190	50,758
(iii) Breakdown of risk-weighted assets in the various categories of risk-weights		
0%	628,634	302,458
10%	-	-
20%	215,904	588,563
50%	258,287	123,419
100%	290,787	318,970
	1,393,612	1,333,410
Total risk-weighted assets	463,111	498,392

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2003 (continued)

44 The operations of Islamic Banking (continued)

(p) Prior year adjustments

During the year, the Group changed its accounting policies with respect to the recognition of deferred taxation and the accounting treatment of dealers' handling fees for hire purchase loans. Please refer to Note 41 to the financial statements.

These changes in accounting policies have been accounted for retrospectively and comparatives have been restated as follows:

The Group	As previously reported RM'000	Effect of change in policy (A) RM'000	Effect of change in policy (B) RM'000	As restated RM'000
At 1 July 2001				
Balance Sheet:				
- retained profit	60,766	5,853	(4,556)	62,063
- deferred tax assets	-	5,853	-	5,853
At 30 June 2002				
Balance Sheet:				
- retained profit	108,285	13,492	(8,948)	112,829
- other assets	114,587	-	(8,948)	105,639
- deferred tax assets	-	13,492	-	13,492
Income Statement:				
- income	110,729	-	538	111,267
- overhead expenses	(4,671)	-	(4,930)	(9,601)
- profit before taxation	75,894	-	(4,392)	71,502
- taxation	(28,375)	7,639	-	(20,736)
- profit after taxation	47,519	7,639	(4,392)	50,766
The Bank				
At 1 July 2001				
Balance Sheet:				
- retained profit	5,917	348	-	6,265
- deferred tax assets	-	348	-	348
At 30 June 2002				
Balance Sheet:				
- retained profit	9,525	1,045	-	10,570
- deferred tax assets	-	1,045	-	1,045
Income Statement:				
- taxation	(1,633)	697	-	(936)
- profit after taxation	3,608	697	-	4,305

STATEMENT BY DIRECTORS

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' James Lim Cheng Poh and Zulkiflee Hashim, being two of the Directors of Hong Leong Bank Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 30 to 93 are drawn up so as to give a true and fair view of:

- (a) the state of affairs of the Group and the Bank as at 30 June 2003 and of the results of their operations for the year ended on that date; and
- (b) the cash flows of the Group and the Bank for the year then ended

in accordance with the provisions of the Companies Act, 1965, the applicable approved accounting standards in Malaysia and Bank Negara Malaysia Guidelines.

On behalf of the Board of Directors

Dato' James Lim Cheng Poh

Zulkiflee Hashim

Kuala Lumpur
18 August 2003

STATUTORY DECLARATION

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, Lim Boon Soon, being the officer primarily responsible for the financial management of Hong Leong Bank Berhad, do solemnly and sincerely declare that the financial statements set out on pages 30 to 93 are to the best of my knowledge and belief, 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.

Subscribed and solemnly declared by)	
the abovenamed LIM BOON SOON at)	
Kuala Lumpur in Wilayah Persekutuan)	LIM BOON SOON
on 18 August 2003		

Before me,

Teong Kian Meng
Commissioner for Oaths
18 August 2003

AUDITORS REPORT

Report of the auditors to the members of Hong Leong Bank Berhad

(Company no: 97141-X)

(Incorporated in Malaysia)

We have audited the financial statements set out on pages 30 to 93.

These financial statements are the responsibility of the Bank's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the 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 statement 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 provisions of the Companies Act, 1965, the applicable approved accounting standards in Malaysia and Bank Negara Malaysia Guidelines 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 Bank as at 30 June 2003 and of the results and cash flows of the Group and Bank 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 Bank and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The names of subsidiary companies of which we have not acted as auditors are indicated in Note 11 to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Bank are in 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.

The auditors' 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

(AF: 1146)

Chartered Accountants

Mohammad Faiz Bin Mohammad Azmi

(2025/03/04 (J))

Partner

Kuala Lumpur

18 August 2003

OTHER INFORMATION

1 Material contract

There were no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Bank and its subsidiaries involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 20, Part A, Appendix 9C of the Listing Requirements of the Kuala Lumpur Stock Exchange.

2 Analysis of shareholdings as at 29 August 2003

Authorised share capital	:	RM3,000,000,000
Issued & paid-up capital	:	RM1,579,540,034
Class of shares	:	Ordinary shares of RM1.00 each
Voting right		
- on show of hand	:	1 vote
- on a poll	:	1 vote for each share held

Distribution schedule of shareholdings

	No. of Shareholders	%	No. of shares	%
Less than 100	132	0.93	4,285	0.00
100 – 1,000	2,371	16.69	2,046,726	0.13
1,001 – 10,000	9,953	70.07	35,688,577	2.26
10,001 – 100,000	1,399	9.85	41,861,900	2.65
100,001 – less than 5% of issued shares	346	2.44	409,322,912	25.91
5% and above of issued shares	3	0.02	1,090,615,634	69.05
	14,204	100.00	1,579,540,034	100.00

Thirty largest shareholders

Name of Shareholders	No. of shares	%
1. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Credit Berhad	826,140,168	52.30
2. Employees Provident Fund Board	141,642,134	8.97
3. Hong Leong Credit Berhad	122,833,332	7.78
4. Bumiputra-Commerce Nominees (Tempatan) Sdn. Bhd. - Koperasi Polis Diraja Malaysia Berhad	40,000,666	2.53
5. Kurnia Insurans (Malaysia) Berhad	33,442,000	2.12
6. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad	25,453,000	1.61
7. HSBC Nominees (Asing) Sdn Bhd - Emerging Markets Growth Fund	24,190,000	1.53
8. Valuecap Sdn Bhd	19,114,000	1.21
9. Scotia Nominees (Tempatan) Sdn Bhd - Mohd Haneef Bin Mokhtar	9,000,000	0.57
10. Scotia Nominees (Tempatan) Sdn Bhd - Nik Ibrahim Kamil Bin Nik Ahmad Kamil	8,800,000	0.56

OTHER INFORMATION

(continued)

2 Analysis of shareholdings as at 29 August 2003 (continued)

Thirty largest shareholders (continued)

Name of Shareholders	No. of shares	%
11. UOBM Nominees (Asing) Sdn Bhd - The Genesis Group Trust Employee Benefit Plans	7,180,000	0.45
12. HSBC Nominees (Asing) Sdn Bhd - Capital International Emerging Markets Investment Fund	5,416,000	0.34
13. Bumiputra-Commerce Nominees (Tempatan) Sdn. Bhd. - Mohd Razali Bin Abdul Rahman	5,000,000	0.32
14. Bumiputra-Commerce Nominees (Tempatan) Sdn. Bhd. - Abd Rahman Bin Ibrahim	5,000,000	0.32
15. Kurnia Damai Sdn. Bhd.	5,000,000	0.32
16. HLG Nominee (Tempatan) Sdn Bhd - Chew Brothers Development Corporation Sdn Bhd	4,659,385	0.30
17. HSBC Nominees (Asing) Sdn Bhd - New Asia Fund	4,302,000	0.27
18. Hong Leong Assurance Berhad	4,228,000	0.27
19. AMMB Nominees (Tempatan) Sdn Bhd - Mazlifah Binti Mohd Johari	4,000,000	0.25
20. Citicorp Nominees (Tempatan) Sdn Bhd - Yusof Bin Jusof	4,000,000	0.25
21. HSBC Nominees (Asing) Sdn Bhd - Kwek Leng Hai	3,935,000	0.25
22. HSBC Nominees (Asing) Sdn Bhd - International Common Trust Fund	3,623,700	0.23
23. Electroscon Coletra Sdn Bhd	3,522,000	0.22
24. HSBC Nominees (Asing) Sdn Bhd - Stichting Pensioenfonds ABP.	3,496,000	0.22
25. HSBC Nominees (Asing) Sdn Bhd - The Great Eastern Life Assurance Co Ltd	3,378,600	0.21
26. Cartaban Nominees (Asing) Sdn Bhd - Liberty Newport Tiger Fund	3,141,000	0.20
27. Mayban Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Simpanan Pekerja	3,000,000	0.19
28. Cartaban Nominees (Asing) Sdn Bhd - Mellon Newton Universal Growth Funds Limited	2,944,000	0.19
29. HSBC Nominees (Asing) Sdn Bhd - Fidelity Funds Asean	2,897,000	0.18
30. Low Poh Weng	2,800,000	0.18
	1,332,137,985	84.34

OTHER INFORMATION

(continued)

2 Analysis of shareholdings as at 29 August 2003 (continued)

Substantial shareholders

Name of shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
Hong Leong Credit Berhad	948,973,500	60.08	6,828,000#	0.43
Hong Leong Company (Malaysia) Berhad	-	-	955,801,500*	60.51
Tan Sri Quek Leng Chan	40,000	0.002	955,801,500**	60.51
HL Holdings Sdn Bhd	-	-	955,801,500**	60.51
Kwek Holdings Pte Ltd	-	-	955,801,500**	60.51
Kwek Leng Beng	-	-	955,801,500**	60.51
Hong Realty (Private) Limited	-	-	955,801,500**	60.51
Hong Leong Investment Holdings Pte Ltd	-	-	955,801,500**	60.51
Davos Investment Holdings Private Limited	-	-	955,801,500**	60.51
Kwek Leng Kee	-	-	955,801,500**	60.51
Quek Leng Chye	-	-	955,801,500**	60.51
Guoco Assets Sdn Bhd	-	-	955,801,500*	60.51
Guoline Overseas Limited	-	-	955,801,500*	60.51
Guoco Group Limited	-	-	955,801,500*	60.51
Guoline Capital Assets Limited	-	-	955,801,500*	60.51
Employees Provident Fund Board	150,806,834	9.55	-	-

Notes:

* Deemed interest through Hong Leong Credit Berhad

** Deemed interest through Hong Leong Company (Malaysia) Berhad

Deemed interest through subsidiaries

3 Directors' interests as at 29 August 2003

Subsequent to the financial year end, there is no change as at 29 August 2003 to the Directors' interests in the ordinary shares and/or stock units and/or warrants/options/irredeemable convertible unsecured loan stocks of the Bank and/or its related corporations, appearing in the Directors' Report on pages 23 to 26 as recorded in the Register of Directors' Shareholdings kept by the Bank under Section 134 of the Companies Act, 1965 except for the changes set out below:

	No. of shares	Direct	Ordinary shares		Indirect	%
			%	No. of shares		
YBhg Tan Sri Quek Leng Chan						
Hong Leong Bank Berhad	-	-		955,801,500		60.51
Hong Leong Credit Berhad	-	-		814,826,754		78.34
Malaysian Pacific Industries Berhad	53,500		0.03	112,939,009		56.78
Hong Leong Industries Berhad	1,268,000		0.58	128,877,200		59.18
YBhg Dato' James Lim Cheng Poh						
Hong Leong Bank Berhad	658,490		0.04	-		

OTHER INFORMATION

(continued)

4 List of properties

Location	Tenure	Description of property held	Gross area (sq ft)	Approx. age (years)	Net book value (RM'000)	Date of acquisition
1, Light Street Georgetown 10200 Pulau Pinang	Freehold	Branch premises	20,594	69	7,537	30/12/1986
15-G-1, 15-1-1 & 15-2-1 15, Medan Kampung Relau Bayan Point 11900 Pulau Pinang	Freehold	Branch premises	9,968	4	2,534	26/6/1997
42, Jalan Pending 93450 Kuching Sarawak	Leasehold - 999 years (31/12/2779)	Branch premises	4,425	21	2,569	27/12/1983
133, 135 & 137 Jalan Kampong Nyabor 96000 Sibul Sarawak	Freehold	Branch premises	4,871	11	3,326	28/12/1992
Jungle land at Sungai Lisut Rejang Sarawak Occupation Ticket 612 of 1931	Leasehold - 99 years (31/12/2026)	Jungle land	1,217,938	n/a	1	31/12/1938
25, Jalan Tun Ismail 25000 Kuantan Pahang Darul Makmur	Freehold	Branch premises	1,600	12	1,569	29/6/1996
69, 70 & 71, Jalan Dato' Bandar Tunggal 70000 Seremban Negri Sembilan Darul Khusus	Freehold	Branch premises	6,000	Pre-war	1,532	27/12/1994
26, Lorong Rahim Kajai 14 Taman Tun Dr Ismail 60000 Kuala Lumpur	Freehold	Branch premises	3,750	17	588	30/12/1986
120-122, Jalan Mersing 86000 Kluang Johor Darul Takzim	Leasehold - 99 years (22/8/2063)	Branch premises	3,355	37	799	31/5/1990
100, Jalan Gurney 72100 Bahau Negri Sembilan Darul Khusus	Freehold	Branch premises	5,107	17	2,717	1/7/1992
12, 14 & 16, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	4,174	12	4,051	25/6/1992
6, Jalan Merdeka 96100 Sarikei Sarawak	Leasehold - 60 years (31/12/2029)	Branch premises	2,240	34	133	18/10/1969
Vacant land at Jalan Peace Kuching, Lot 2081 Section 64 KTL, Sarawak	Leasehold - 99 years (31/12/2037)	Vacant land	22,172	n/a	45	31/12/1967

OTHER INFORMATION

(continued)

4 List of properties (continued)

Location	Tenure	Description of property held	Gross area (sq ft)	Approx. age (years)	Net book value (RM'000)	Date of acquisition
63 & 65, Jalan SS 23/15 47400 Petaling Jaya Selangor Darul Ehsan	Freehold	Branch premises	4,760	8	3,824	28/4/1997
24, Medan Taming 2 Taman Taming Jaya 43300 Balakong Selangor Darul Ehsan	Freehold	Branch premises	3,037	7	1,314	28/4/1997
1, Jalan Takal 15/21 Seksyen 15 40000 Shah Alam Selangor Darul Ehsan	Leasehold - 99 years (29/6/2086)	Branch premises	2,625	16	1,436	26/6/1997
Lots 35948 & 3595 Jalan Baru Pak Sabah 23000 Dungun Terengganu Darul Iman	Leasehold - 84 years (2/2/2079)	Branch premises	3,199	9	258	26/6/1997
Sublot 1 & 2 on parent lot 2633 Bintulu Siwa District Bintulu, Sarawak	Leasehold - 60 years (12/2/2056)	Branch premises	2,582	8	1,463	26/6/1997
Lot 34, Industrial Land 47000 Sungai Buloh Selangor Darul Ehsan	Freehold	Warehouse	96,219	9	2,834	26/1/1995
1540, Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman	Leasehold - 55 years (28/2/2028)	Branch premises	10,619	28	69	30/6/1977
9A & 9B, Jalan Kampong Baru 08000 Sungai Petani Kedah Darul Aman	Freehold	Branch premises	9,320	10	1,006	1/1/1994
31, Jalan Ibrahim 08000 Sungai Petani Kedah Darul Aman	Freehold	Vacant premises	2,448	19	733	1/7/1988
45, Jalan Burma 10500 Pulau Pinang	Freehold	Branch premises	14,277	25	2,420	24/11/1978
33A-C, Lintang Angsana Bandar Baru Air Hitam 11500 Pulau Pinang	Leasehold - 83 years (8/4/2082)	Branch premises	4,394	8	555	26/12/1995
452, Jalan Pinang 10000 Pulau Pinang	Freehold	Branch premises	2,874	7	1,278	1/12/1996
33 & 34, Taman Usahaniaga Bukit Mertajam 14000 Pulau Pinang	Freehold	Vacant premises	4,407	8	1,048	26/3/1996

OTHER INFORMATION

(continued)

4 List of properties (continued)

Location	Tenure	Description of property held	Gross area (sq ft)	Approx. age (years)	Net book value (RM'000)	Date of acquisition
55-57, Jalan Yang Kalsom 30250 Ipoh Perak Darul Ridzuan	Freehold	Branch premises	11,720	24	1,284	1/10/1984
72 & 74, Jalan Kota 34000 Taiping Perak Darul Ridzuan	Leasehold - 999 years (18/02/2880)	Vacant premises	6,574	19	531	19/5/1995
27, Jalan Dewangsa 31000 Batu Gajah Perak Darul Ridzuan	Leasehold - 79 years (26/2/2078)	Branch premises	4,694	8	328	24/11/1995
232, Jalan Bercham Taman Ria 31400 Ipoh Perak Darul Ridzuan	Leasehold - 93 years (23/11/2092)	Branch premises	2,540	8	321	24/10/1995
75, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan	Freehold	Branch premises	1,900	6	692	15/6/1998
80 & 82, Jalan Othman 1/14 46000 Petaling Jaya Selangor Darul Ehsan	Leasehold - 90 years (15/6/2089)	Branch premises	9,062	13	1,355	1/6/1994
36, Jalan Midah 1 Taman Midah, Cheras 56000 Kuala Lumpur	Freehold	Branch premises	2,700	16	231	30/11/1984
19, Jalan 54, Desa Jaya 52100 Kepong Selangor Darul Ehsan	Leasehold - 99 years (8/3/2081)	Branch premises	5,859	21	396	29/11/1985
151, Jalan Genting Klang 53300 Kuala Lumpur	Freehold	Vacant premises	4,290	24	314	30/1/1989
17, Jalan SS 2/64 47300 Petaling Jaya Selangor Darul Ehsan	Freehold	Vacant premises	6,624	10	1,255	1/10/1994
55, Jalan Pasar 55100 Kuala Lumpur	Freehold	Branch premises	4,313	23	349	1/4/1980
Lot 111, Jalan Mega Mendung Kompleks Bandar Off Jalan Klang Lama 58200 Kuala Lumpur	Leasehold - 99 years (11/10/2076)	Branch premises	4,978	23	568	31/7/1988
161, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant premises	2,454	7	2,664	14/2/1996
109, Jalan SS 21/37 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan	Freehold	Vacant premises	6,446	7	1,776	23/9/1996

OTHER INFORMATION

(continued)

4 List of properties (continued)

Location	Tenure	Description of property held	Gross area (sq ft)	Approx. age (years)	Net book value (RM'000)	Date of acquisition
114, Jalan Dato' Bandar Tunggal 70000 Seremban Negri Sembilan Darul Khusus	Freehold	Branch premises	8,798	27	512	18/7/1978
8A-C, Jalan Station 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	12,854	10	554	22/10/1977
139, Jalan Muar 84900 Tangkak Johor Darul Takzim	Freehold	Vacant premises	3,186	15	180	19/8/1988
115, Jalan Genuang Bandar Baru 85000 Segamat Johor Darul Takzim	Freehold	Branch premises	5,460	18	433	21/3/1986
16, Jalan Jaafar 81900 Kota Tinggi Johor Darul Takzim	Leasehold - 99 years (3/9/2071)	Vacant premises	5,700	31	309	31/10/1987
109, Main Road 83700 Yong Peng Johor Darul Takzim	Freehold	Branch premises	2,740	15	219	1/9/1988
31 & 32, Jalan Kundang Taman Bukit Pasir 83000 Batu Pahat Johor Darul Takzim	Freehold	Branch premises	8,932	11	572	5/3/1996
103, Jalan Rahmat 83000 Batu Pahat Johor Darul Takzim	Freehold	Branch premises	12,222	29	725	30/6/1977
26 & 28, Jalan Mersing 86000 Kluang Johor Darul Takzim	Freehold	Branch premises	7,040	19	1,500	22/5/1995
21, Jalan Tun Razak 27600 Raub Pahang Darul Makmur	Freehold	Branch premises	4,480	17	447	26/6/1986
1, Bentong Heights 28700 Bentong Pahang Darul Makmur	Freehold	Branch premises	5,432	35	44	30/6/1977
36, Main Road Tanah Rata 39000 Cameron Highland Pahang Darul Makmur	Leasehold - 99 years (24/11/2039)	Branch premises	1,728	63	182	30/8/1982

OTHER INFORMATION

(continued)

4 List of properties (continued)

Location	Tenure	Description of property held	Gross area (sq ft)	Approx. age (years)	Net book value (RM'000)	Date of acquisition
241, Lorong Tun Ismail 1 Off Jalan Bukit Ubi 25000 Kuantan Pahang Darul Makmur	Freehold	Branch premises	4,675	8	594	16/6/1995
16A, Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman	Leasehold - 99 years (31/8/2003)	Branch premises	2,125	6	1,437	15/6/1998
TB426 Block J Lot 1 Bandar Sabindo 91008 Tawau Sabah	Leasehold - 99 years (31/12/2070)	Branch premises	6,384	28	428	14/12/1989
U0391, Jalan Rampai WDT 131 87009 Labuan FT	Leasehold - 999 years (30/6/2902)	Vacant premises	3,168	18	575	28/8/1985
168, Jalan Putra 12 Pusat Perniagaan Putra Kilang Lama 09000 Kulim Kedah Darul Aman	Leasehold - 99 years (5/8/2095)	Vacant premises	5,652	4	517	30/7/1998
15-G-12A, Medan Kampung Relau Bayan Point Bandar Bayan Baru 11900 Pulau Pinang	Freehold	Branch premises	5,708	4	1,406	15/7/1999
W-1-0, W-2-0 & W-1-1 Subang Square Business Centre Jalan SS15/4G 47500 Subang Jaya Selangor Darul Ehsan	Freehold	Branch premises	4,545	4	1,908	18/12/1999
2828-G-02 & 2828-1-02 Jalan Bagan Luar 12000 Butterworth Pulau Pinang	Freehold	Branch premises	12,173	4	3,259	18/12/1999
Lots 568-G-17 & 568-1-17 Kompleks Mutiara 3 1/2 Mile Jalan Ipoh 51200 Kuala Lumpur	Freehold	Branch premises	4,945	4	3,330	23/11/1999
Plot No 20, Jalan Bidor Raya 35500 Bidor Perak Darul Ridzuan	Freehold	Branch premises	3,243	4	556	23/11/1999
1, Persiaran Greentown 2 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan	Leasehold - 99 years (21/11/2094)	Branch premises	7,870	3	2,258	23/11/1999

OTHER INFORMATION

(continued)

4 List of properties (continued)

Location	Tenure	Description of property held	Gross area (sq ft)	Approx. age (years)	Net book value (RM'000)	Date of acquisition
Lots 39 & 40 Kompleks Munshi Abdullah 75100 Melaka	Leasehold - 99 years (24/2/2084)	Branch premises	5,988	4	1,582	31/5/1991
Lots 17 & 18, Mukim Serdang Daerah Bandar Baharu Kedah Darul Aman	Freehold	Branch premises	5,840	2	423	20/9/2000
133 & 135, Jalan Gopeng 31900 Kampar Perak Darul Ridzuan	Freehold	Branch premises	4,700	2	377	13/12/2000
65-67, Jalan Tun HS Lee 50000 Kuala Lumpur	Freehold	Vacant premises	2,223	7	5,073	14/10/1996
34, Jalan Yong Shook Lin 46200 Petaling Jaya Selangor Darul Ehsan	Leasehold - 99 years (09/09/2059)	Branch premises	1,875	10	656	26/11/1993
8, Jalan Carpenter Street 93000 Kuching Sarawak	Leasehold - 837 years (31/12/2775)	Branch premises	1,860	34	154	25/8/1969
64, Jalan Tun Mustapha 87007 Labuan Sarawak	Leasehold - 999 years (31/12/2775)	Branch premises	1,370	12	650	30/5/1991
18, Old Street 96008 Sibu Sarawak	Leasehold - 900 years (29/08/2816)	Branch premises	3,624	13	1,240	15/11/1990
486, Jalan Pudu 55100 Kuala Lumpur	Freehold	Vacant premises	2,396	6	1,402	22/8/1997
Lot 3088, Lanang Road Sibu Town District Sarawak	Leasehold - 60 years (31/12/2028)	Godown	3,210	35	36	25/11/1968
Island Road Sibu Lot 454, Block 5 Sibu Town District Sarawak	Leasehold - 60 years (30/11/2055)	Vacant premises	10,587	7	1,289	26/2/1996
Parcel 37 Section 50 Kuching Town Land District Sarawak Location	Leasehold - 800 years (31/5/2737) Tenure	Vacant premises	17,082	4	543	13/7/1999

BRANCH NETWORK

as at 30 June 2003

Hong Leong Bank Berhad

HEAD OFFICE

Level 2, Wisma Hong Leong
18, Jalan Perak
50450 Kuala Lumpur
Wilayah Persekutuan
Tel: 03-21642828
Fax: 03-21641512

PENINSULAR MALAYSIA

Level 1, Wisma Hong Leong
18, Jalan Perak
50450 Kuala Lumpur
Tel: 03-21642525
Fax: 03-21641511

147, Jalan Imbi
55100 Kuala Lumpur
Tel: 03-21411402
Fax: 03-21411429

34, 36 & 38, Jalan Petaling
50000 Kuala Lumpur
Tel: 03-20723211
Fax: 03-20700492

47 & 48, Jalan Chow Kit
50350 Kuala Lumpur
Tel: 03-40433458
Fax: 03-40431914

Lots 568-G-17 & 568-1-17
Kompleks Mutiara
3 1/2 Mile, Jalan Ipoh
51200 Kuala Lumpur
Tel: 03-62583799
Fax: 03-62583804

1, Jalan Ambong Kiri Dua
Kepong Baru
52100 Kuala Lumpur
Tel: 03-62574033
Fax: 03-62519717

23 & 24, Jalan KIP 1
Taman Perindustrian KIP
52200 Selangor
Tel: 03-62776310
Fax: 03-62722687

8 & 10, Jalan 3/50C
Taman Setapak Indah Jaya
Off Jalan Genting Kelang
53300 Kuala Lumpur
Tel: 03-40239046
Fax: 03-40239041

180-0-7 & 180-0-8
Wisma Mahkota
Taman Maluri, Cheras
53700 Kuala Lumpur
Tel: 03-92821507
Fax: 03-92821549

2, Jalan 4/33
Pandan Indah
55100 Kuala Lumpur
Tel: 03-42972253
Fax: 03-42972258

6, Jalan Kenanga
55200 Kuala Lumpur
Tel: 03-92221498
Fax: 03-92221507

1-GM, Jalan Perdana 4/6
Pandan Perdana
55300 Kuala Lumpur
Tel: 03-92878735
Fax: 03-92877630

114 & 116, Jalan Cerdas
Taman Connaught, Cheras
56000 Kuala Lumpur
Tel: 03-91021499
Fax: 03-91021497

2, Jalan Kinrara
Taman Kinrara
Jalan Puchong
58200 Kuala Lumpur
Tel: 03-80752994
Fax: 03-80701635

31 & 33, Jalan 1/116B
Kuchai Entrepreneurs Park
Off Jalan Kuchai Lama
58200 Kuala Lumpur
Tel: 03-79826033
Fax: 03-79809324

30-34, Jalan Awan Hijau
Oversea Union Garden
Jalan Kelang Lama
58200 Kuala Lumpur
Tel: 03-79836611
Fax: 03-79817324

37, Jalan Telawi 3
Bangsar Baru
59100 Kuala Lumpur
Tel: 03-22833710
Fax: 03-22843349

26, Lorong Rahim Kajai 14
Taman Tun Dr Ismail
60000 Kuala Lumpur
Tel: 03-77293716
Fax: 03-77286312

A54, Jalan Tuanku Empat
Salak South Garden
Off Jalan Sungei Besi
57100 Kuala Lumpur
Tel: 03-79829063
Fax: 03-79829210

36 Jalan Midah 1
Taman Midah, Cheras
56000 Kuala Lumpur
Tel: 03-91308912
Fax: 03-91310433

55 Jalan Pasar
55100 Kuala Lumpur
Tel: 03-92235249
Fax: 03-92225105

No. 2 Jalan Kinrara
Taman Kinrara
Jalan Puchong
58200 Kuala Lumpur
Tel: 03-80752994
Fax: 03-80701635

91, Lorong Memanda 1
Ampang Point
68000 Ampang
Selangor Darul Ehsan
Tel: 03-42532449
Fax: 03-42532505

3, Jalan Takal 15/21
Seksyen 15
40000 Shah Alam
Selangor Darul Ehsan
Tel: 03-55109021
Fax: 03-55105307

Wisma Amsteel Securities
1, Lintang Pekan Baru
Off Jalan Meru
41050 Kelang
Selangor Darul Ehsan
Tel: 03-33437677
Fax: 03-33437621

169, Jalan Teluk Pulau
41100 Klang
Selangor Darul Ehsan
Tel: 03-33721000
Fax: 03-33727111

1 & 3, Jalan Sri Sarawak 17
Taman Sri Andalas
41200 Klang
Selangor Darul Ehsan
Tel: 03-33242545
Fax: 03-33242553

36, Jalan Dato Shahbudin 30
Taman Sentosa
41200 Klang
Selangor Darul Ehsan
Tel: 03-51611602
Fax: 03-51611919

Lots 127 & 129,
Jalan Sultan
42700 Banting
Selangor Darul Ehsan
Tel: 03-31876757
Fax: 03-31876652

174 & 174A, Jalan Besar
42800 Tanjung Sepat
Kuala Langat
Selangor Darul Ehsan
Tel: 03-31972059
Fax: 03-31972257

11 & 13, Jalan M/J 1
Taman Majlis Jaya
Jalan Sungai Chua
43000 Kajang
Selangor Darul Ehsan
Tel: 03-87376090
Fax: 03-87376517

24, Medan Taming 2
Taman Taming Jaya
43300 Balakong
Selangor Darul Ehsan
Tel: 03-89615948
Fax: 03-89615951

64, Jalan Stesen
45000 Kuala Selangor
Selangor Darul Ehsan
Tel: 03-32895957
Fax: 03-32895955

15 & 16, Jalan Menteri Besar 2
New Sekinchan Business Centre
45400 Sekinchan
Selangor Darul Ehsan
Tel: 03-8816351
Fax: 03-8816303

108 & 110, Jalan 1/14
46000 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-77814259
Fax: 03-77816831

12 & 14, Jalan PJS 11/28A
Metro Bandar Sunway
Bandar Sunway
46150 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-56375395
Fax: 03-56375397

18 & 20, Jalan 20/16A
Taman Paramount
46300 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-78765115
Fax: 03-78764836

Ground Floor
26 & 28, SS2/63
47300 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-78769646
Fax: 03-78769846

63 & 65, SS23/15
Taman SEA
47400 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-78048024
Fax: 03-78044049

W-1-0, W-2-0 & W-1-1
Subang Square Business Centre
Jalan SS 15/4G
47500 Subang Jaya
Selangor Darul Ehsan
Tel: 03-56329034
Fax: 03-56328764

No. 1 & 3
Jalan Seri Tanming 1F
Taman Seri Tanming
Batu 9, Cheras
43200 Selangor
Selangor Darul Ehsan
Tel: 03-91003770
Fax: 03-91003760

BRANCH NETWORK

as at 30 June 2003 (continued)

Hong Leong Bank Berhad

No. 68 Lorong Batu Nilam 4A
Bandar Bukit Tinggi
41200 Klang
Selangor Darul Ehsan
Tel: 03-33249490
Fax: 03-33241339

59A, Jalan Welman
48000 Rawang
Selangor Darul Ehsan
Tel: 03-60910459
Fax: 03-60916206

39 & 41, Jalan SJ 17
Taman Selayang Jaya
68100 Batu Caves
Selangor Darul Ehsan
Tel: 03-61206803
Fax: 03-61206797

45 Jalan USJ 10/1
Taipan Triangle
UEP Subang Jaya
47620 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-56367225
Fax: 03-56367230

30 Persiaran Tun Abdul Aziz
43000 Kajang
Selangor Darul Ehsan
Tel: 03-87363277
Fax: 03-87368133

3 Jalan Kenari Satu
Bandar Puchong Jaya
47100 Puchong
Selangor Darul Ehsan
Tel : 58828882
Fax: 58829911

26 Jalan Tengku Ampuan
Zabedah D9/D, Section 9
40100 Shah Alam
Selangor Darul Ehsan
Tel: 03-58808047
Fax: 03-58808726

29-1 Jalan SP2/1
Seksyen 2
Taman Serdang Perdana
43300 Seri Kembangan
Selangor Darul Ehsan
Tel: 03-89430745
Fax: 03-89430867

19 Jalan 54
Desa Jaya
52100 Kepong
Selangor Darul Ehsan
Tel : 03-62763701
Fax: 03-62744675

25-G, 27-G, 29-G & 29-1
Jalan SS21/60
Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-77269822
Fax : 03-77264037

40 & 42, Jalan Bukit Lagi
01000 Kangar
Perlis Indera Kayangan
Tel: 04-9771888
Fax: 04-9772888

24, 26 & 28
Jalan Teluk Wanjah
05200 Alor Setar
Kedah Darul Aman
Tel: 04-7315269
Fax: 04-7314582

10A, Jalan Kampong Baru
08000 Sungai Petani
Kedah Darul Aman
Tel: 04-4236117
Fax: 04-4236121

62 & 63, Jalan Bayu Satu
09000 Kulim
Kedah Darul Aman
Tel: 04-4913606
Fax: 04-4913604

1 & 2, Jalan Raya
09800 Serdang
Kedah Darul Aman
Tel: 04-4076919
Fax: 04-4076921

1, Light Street
10200 Georgetown
Pulau Pinang
Tel: 04-2615022
Fax: 04-2626360

441-G-1, 441-G-2 & 441-G-3
Jalan Burmah
10350 Pulau Pinang
Tel: 04-2288475
Fax: 04-2288472

294 & 296
Jalan Jelutong
11600 Pulau Pinang
Tel: 04-2813188
Fax: 04-2812148

15-G-1, Bayan Point
Medan Kampung Relau
11900 Pulau Pinang
Tel: 04-6428643
Fax: 04-6428640

2828-G-02 & 2828-1-02
Jalan Bagan Luar
12000 Butterworth
Pulau Pinang
Tel: 04-3315659
Fax: 04-3312145

9 & 10, Jalan Todak 2
Pusat Bandar, Seberang Jaya
13700 Prai
Pulau Pinang
Tel: 04-3972097
Fax: 04-3972094

4 & 6, Lorong Usahaniaga 1
Taman Usahaniaga
14000 Bukit Mertajam
Pulau Pinang
Tel: 04-5370452
Fax: 04-5370454

178 Jalan Panchor Indah
Taman Panchor Indah
Nibong Tebal
14300 Pulau Pinang
Tel : 04-5942889
Fax : 04-5942886

33A, B & C Lintang
Angsana, Bandar Baru
Ayer Itam
11500 Pulau Pinang
Tel : 04-8269836
Fax : 04-8269843

98-G-15, Prima Tanjung
Jalan Fettes
Tanjung Tokong
10470 Pulau Pinang
Tel : 04-8904188
Fax : 04-8998644

N-20, Jalan Bidor Raya
Off Jalan Persatuan
35500 Bidor
Perak Darul Ridzuan
Tel: 05-4341211
Fax: 05-4344313

Ground Floor, Lot-A-G-2
1, Persiaran Greentown 2
Greentown Business Centre
30450 Ipoh
Perak Darul Ridzuan
Tel: 05-2530044
Fax: 05-2542358

17, Jalan Persiaran
Kledang Timur 21
Bandar Baru Menglembu
31450 Ipoh
Perak Darul Ridzuan
Tel: 05-2829367
Fax: 05-2829372

28, Medan Silibin
30100 Ipoh
Perak Darul Ridzuan
Tel: 05-5266333
Fax: 05-5264333

16 & 17
Taman Sitiawan Maju
Jalan Lumut
32000 Sitiawan
Perak Darul Ridzuan
Tel: 05-6922316
Fax: 05-6922320

41, Jalan Taiping
34200 Parit Buntar
Perak Darul Ridzuan
Tel: 05-7164688
Fax: 05-7163648

53, 55 & 57,
Jalan Stesyen
34000 Taiping
Perak Darul Ridzuan
Tel: 05-8065229
Fax: 05-8065631

133 & 135 Jalan Gopeng
31900 Kampar
Perak Darul Ridzuan
Tel : 05-4665050
Fax : 05-4665191

27 Jalan Dewangsa
31000 Batu Gajah
Perak Darul Ridzuan
Tel : 05-3653192
Fax : 05-3653190

345, Jalan Ong Kim Wee
75300 Melaka
Tel: 06-2842309
Fax: 06-2830153

100, Jalan Gurney
72100 Bahau
Negeri Sembilan Darul Khusus
Tel: 06-4541413
Fax: 06-4545358

69, 70 & 71, Jalan Dato'
Bandar Tunggal
70000 Seremban
Negeri Sembilan Darul Khusus
Tel: 06-7628699
Fax: 06-7638288

112 Jalan Yam Tuan Raden
72000 Kuala Pilah
Negeri Sembilan Darul Khusus
Tel : 06-4816922
Fax : 06-4813284

12-16, Jalan Wong Ah Fook
80000 Johor Bahru
Johor Darul Takzim
Tel: 07-2228311
Fax: 07-2249317

37, Jalan Harimau Tarum
Taman Century
80250 Johor Bahru
Johor Darul Takzim
Tel: 07-3332519
Fax: 07-3315559

173 & 175, Jalan Sri Pelangi
Taman Pelangi
80400 Johor Bahru
Johor Darul Takzim
Tel: 07-3353614
Fax: 07-3342598

6 & 8, Jalan Nakhoda 12
Taman Ungku Tun Aminah
81300 Skudai
Johor Darul Takzim
Tel: 07-5566681
Fax: 07-5566682

BRANCH NETWORK

as at 30 June 2003 (continued)

Hong Leong Bank Berhad

17 & 18, Jalan Cempaka
81750 Masai
Johor Darul Takzim
Tel: 07-2526599
Fax: 07-2526378

2 & 2-01, Jalan Permas 10/7
Bandar Baru Permas Jaya
81750 Johor Bahru
Johor Darul Takzim
Tel: 07-3867065
Fax: 07-3880762

21, Jalan Ibrahim
81900 Kota Tinggi
Johor Darul Takzim
Tel: 07-8832020
Fax: 07-8835989

685, Jalan Taib
82000 Pontian
Johor Darul Takzim
Tel: 07-6876641
Fax: 07-6876561

49, Jalan Jenang
83000 Batu Pahat
Johor Darul Takzim
Tel: 07-4314435
Fax: 07-4311681

61-1, 61-2 & 61-3, Jalan Arab
84000 Muar
Johor Darul Takzim
Tel: 06-9515086
Fax: 06-9515215

32 & 33, Jalan Genuang
85000 Segamat
Johor Darul Takzim
Tel: 07-9312403
Fax: 07-9310212

70, Jalan Segamat
85300 Labis
Johor Darul Takzim
Tel: 07-9251200
Fax: 07-9251336

120-122, Jalan Mersing
86000 Kluang
Johor Darul Takzim
Tel: 07-7732233
Fax: 07-7724170

No. LC 531 Jalan Payamas
84900 Tangkak
Johor Darul Takzim
Tel : 06-9781994
Fax : 06-9784684

109 Main Road
83700 Yong Peng
Johor Darul Takzim
Tel : 07-4672350
Fax : 07-4674185

No. 6 & 7 Jalan Anggerik 1
Taman Kulai Utama
81000 Kulai
Johor Darul Takzim
Tel : 07-6632373
Fax : 07-6632336

No. 39 & 41,
Jalan Kebudayaan 1
Taman Universiti
81300 Skudai
Johor Darul Takzim
Tel : 07-5217806
Fax : 07-5217726

25, Jalan Tun Ismail
25000 Kuantan
Pahang Darul Makmur
Tel: 09-5157288
Fax: 09-5157130

A125 & A127, Jalan Air Putih
25300 Kuantan
Pahang Darul Makmur
Tel: 09-5683277
Fax: 09-5684359

59 & 60, Jalan Temerloh
Locked Bag 9
28409 Mentakab
Pahang Darul Makmur
Tel: 09-2772953
Fax: 09-2772995

21 Jalan Tun Razak
27600 Raub
Pahang Darul Makmur
Tel : 09-3554422
Fax : 09-3554455

F107 Jalan Kuantan
28000 Temerloh
Pahang Darul Makmur
Tel : 09-2967492
Fax : 09-2967553

36 Main Road
Tanah Rata
39000 Cameron Highlands
Pahang Darul Makmur
Tel : 05-4915158
Fax : 05-4911158

1 Bentong Heights
28700 Bentong
Pahang Darul Makmur
Tel : 09-2221080
Fax : 09-2223592

PT 226 & 227
Jalan Kebun Sultan
15350 Kota Baru
Kelantan Darul Naim
Tel: 09-7476996
Fax: 09-7473799

116, Jalan Pejabat
20000 Kuala Terengganu
Terengganu Darul Iman
Tel: 09-6244458
Fax: 09-6244261

Lots 3594 & 3595
Jalan Baru Pak Sabah
23000 Dungun
Terengganu Darul Iman
Tel: 09-8482766
Fax: 09-8484480

64, Jalan Tun Mustapha
87007 Labuan Federal Territory
Tel: 087-423290
Fax: 087-423289

SABAH & SARAWAK

Lot 119, Jalan Gaya
88000 Kota Kinabalu
Sabah
Tel: 088-250811
Fax: 088-223261

Ground Floor, 5 & 6
Lorong Lintas Plaza 1
Lintas Plaza
88300 Kota Kinabalu
Sabah
Tel: 088-318806
Fax: 088-316226

Lots 1, 2 & 3, Block 18
Mile 4, North Road
Bandar Indah
90722 Sandakan
Sabah
Tel: 089-229545
Fax: 089-212731

Ground & 1st Floor
Lot 1, Block 35
Fajar Commercial Complex
Jalan Lembaga
91013 Tawau
Sabah
Tel: 089-770393
Fax: 089-770403

Ground Floor, Wisma
Sandaraya, Humprey Street
90000 Sandakan
Sabah
Tel : 089-226911
Fax : 089-226910

Lot 14, Electra House
Power Street
93000 Kuching
Sarawak
Tel: 082-240311
Fax: 082-415466

296 -297, Central Park
Commercial Centre
3rd Mile Rock Road
93200 Kuching
Sarawak
Tel: 082-236300
Fax: 082-230120

Lots 13 & 14, Olive Garden
7th Mile Bazaar
Jalan Pensrissen
93250 Kuching
Sarawak
Tel: 082-250717
Fax: 082-613422

155C, Jalan Satok
93400 Kuching
Sarawak
Tel: 082-233437
Fax: 082-253529

42, Jalan Pending
93450 Kuching
Sarawak
Tel: 082-336666
Fax: 082-336912

8, Carpenter Street
PO Box 1672
93634 Kuching
Sarawak
Tel: 082-424488
Fax: 082-427916

175, Serian Bazaar
94700 Serian
Sarawak
Tel: 082-874877
Fax: 082-874828

5E, Sabu Road
PO Box 106
95007 Sri Aman
Sarawak
Tel: 083-320459
Fax: 083-320460

Lot 124, Saratok Bazaar
PO Box 71
95407 Saratok
Sarawak
Tel: 083-436011
Fax: 083-436012

Sublot 6, Lot 538
Jalan Lee Kai Teng
PO Box 34
95700 Betong
Sarawak
Tel: 083-472278
Fax: 083-472326

18, Chew Geok Lin Street
PO Box 1461
96000 Sibul
Sarawak
Tel: 084-336653
Fax: 084-316833

133, 135 & 137
Jalan Kampung Nyabor
96000 Sibul
Sarawak
Tel: 084-332698
Fax: 084-312081

BRANCH NETWORK

as at 30 June 2003 (continued)

Hong Leong Bank Berhad

6, Jalan Merdeka
96100 Sarikei
Sarawak
Tel: 084-651461
Fax: 084-652784

722, Jalan Masjid
PO Box 19
96400 Mukah
Sarawak
Tel: 084-871726
Fax: 084-871737

8-10, Lorong Maju
PO Box 279
96508 Bintangor
Sarawak
Tel: 084-693049
Fax: 084-693689

Lots 3073 & 3074
Jalan Abang Galau
97000 Bintulu
Sarawak
Tel: 086-332393
Fax: 086-332433

Lots 1090 & 1091 Jalan Merpati
98007 Miri
Sarawak
Tel: 085-412132
Fax: 085-419095

Ground Floor, 43A
Jalan Buangsiol
98700 Limbang
Sarawak
Tel: 085-214451
Fax: 085-214452

SINGAPORE
20, Collyer Quay
Unit #01-02 & 02-02
Tung Centre
Singapore 049319
Tel: 02-65352466
Fax: 02-65339340

in-store

L2-K2, 1st Floor
Mines Shopping Fair
Jalan Dulang,
Mines Resort City
43300 Seri Kembangan
Selangor Darul Ehsan
Tel: 03-89433250
Fax: 03-89433257

Hong Leong Finance Berhad

HEAD OFFICE
Level 3A, Wisma Hong Leong
18, Jalan Perak
50450 Kuala Lumpur
Wilayah Persekutuan
Tel: 03-21643939
Fax: 03-21642815

PENINSULAR MALAYSIA
Level 1, Wisma Hong Leong*
18, Jalan Perak
50450 Kuala Lumpur
Tel: 03-21643939
Fax: 03-21642831

Ground Floor +
Hong Leong Building
117, Jalan Tun H.S. Lee
50000 Kuala Lumpur
Tel: 03-20721511
Fax: 03-20317784

Lots G01A-G02A *
Ground Floor, Wisma MPL
Jalan Raja Chulan
50200 Kuala Lumpur
Tel: 03-20319715
Fax: 03-20319712

4th Floor, Menara Bank
Pembangunan
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: 03-26916608
Fax: 03-26913629
471, 3rd Mile, Jalan Ipoh +
51200 Kuala Lumpur
Tel: 03-40444764
Fax: 03-40444606

11, Jalan Pandan Indah 4/1
Pandan Indah
55100 Kuala Lumpur
Tel: 03-42973484
Fax: 03-42973479

111, Jalan Mega Mendung
Kompleks Bandar
Off Jalan Kelang Lama
58200 Kuala Lumpur
Tel: 03-79814411
Fax: 03-79827811

26, Persiaran Ara Kiri
Lucky Garden, Bangsar
59100 Kuala Lumpur
Tel: 03-2543914
Fax: 03-2543745

20, Jalan Goh Hock Huat
41400 Klang
Selangor Darul Ehsan
Tel: 03-33428036
Fax: 03-33448872

Lot 9, Jalan 227C
46000 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-79681120
Fax: 03-79600706

80 & 82 *
Jalan Othman (1/14)
46000 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-77888888
Fax: 03-77821818

Ground Floor
18, Jalan 14/14
46100 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-79568490
Fax: 03-79550425

32, Jalan Yong Shook Lin +
46200 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-79581269
Fax: 03-79581032

25, Jalan Bersatu 10 *
Taman Bersatu
48000 Rawang
Selangor Darul Ehsan
Tel: 03-60925705
Fax: 03-60925906

8, Jalan SG 1/2
Taman Sri Gombak
68100 Batu Caves
Selangor Darul Ehsan
Tel: 03-61842492
Fax: 03-61852689

1540, Jalan Sultan Badlishah
05000 Alor Setar
Kedah Darul Aman
Tel: 04-7312037
Fax: 04-7311514

40, Jalan Putera *
05100 Alor Setar
Kedah Darul Aman
Tel: 04-7314197
Fax: 04-7336577

9A & 9B
Jalan Kampong Baru
08000 Sungei Petani
Kedah Darul Aman
Tel: 04-4205200
Fax: 04-4226012

452 & 452A, Jalan Pinang
10000 Pulau Pinang
Tel: 04-2266843
Fax: 04-2264264

45, Jalan Burma
10050 Pulau Pinang
Tel: 04-2103500
Fax: 04-2262779

33, Lebuhr Pantai *
10300 Pulau Pinang
Tel: 04-2615884
Fax: 04-2615828

288, Jalan Burma +
Pulau Tikus
10350 Pulau Pinang
Tel: 04-2271308
Fax: 04-2277505

3634 & 3635
Jalan Bagan Luar
12000 Butterworth
Pulau Pinang
Tel: 04-3312277
Fax: 04-3322277

19, Jalan Bertam +
13200 Kepala Batas
Seberang Prai
Pulau Pinang
Tel: 04-5754900
Fax: 04-5757688

No 1, Lebuhr Kurau 1, +
Taman Chai Leng
13700 Prai
Pulau Pinang
Tel: 04- 3978018
Fax: 04-3977851

75, Jalan Sultan Idris Shah +
30000 Ipoh
Perak Darul Ridzuan
Tel: 05-2554482
Fax: 05-2547335

55-57, Jalan Yang Kalsom +
30250 Ipoh
Perak Darul Ridzuan
Tel: 05-2425289
Fax: 05-2542323

BRANCH NETWORK

as at 30 June 2003 (continued)

Hong Leong Finance Berhad

232, Jalan Bercham
Taman Ria
31400 Ipoh
Perak Darul Ridzuan
Tel: 05-5495161
Fax: 05-5495158

579 & 579A, Jalan Pasir Puteh
31650 Ipoh
Perak Darul Ridzuan
Tel: 05-3228989
Fax: 05-3229641

72 & 74, Jalan Kota *
34000 Taiping
Perak Darul Ridzuan
Tel: 05-8083915
Fax: 05-8089198

62, Jalan Pasar
36000 Teluk Intan
Perak Darul Ridzuan
Tel: 05-6233639
Fax: 05-6233642

150 & 152, Kompleks Munshi +
Abdullah
Jalan Munshi Abdullah
75100 Melaka
Tel: 06-2921212
Fax: 06-2838624

G03 & G04, Peringgit Poin
Jalan Raja, Batu Hampar
75320 Melaka
Tel: 06-2818229
Fax: 06-2818226

114, Jalan Dato' Bandar
Tunggal
70000 Seremban
Negeri Sembilan Darul Khusus
Tel: 06-7633558, 7634329
Fax: 06-7629640

1278, Jalan Rasah
70300 Seremban
Negeri Sembilan Darul Khusus
Tel: 06-7615789
Fax: 06-7615801

9267, Jalan T/S 2/1H +
Taman Semarak 2
71800 Nilai
Negeri Sembilan Darul Khusus
Tel: 06-7991752
Fax: 06-7991755

8A-C, Jalan Station
80000 Johor Bahru
Johor Darul Takzim
Tel: 07-2228462
Fax: 07-2763085

35, Jalan Dedap 16
Taman Johor Jaya
81100 Johor Bahru
Johor Darul Takzim
Tel: 07-3546320
Fax: 07-3552311

31 & 32, Jalan Kundang
Taman Bukit Pasir
83000 Batu Pahat
Johor Darul Takzim
Tel: 07-4314515
Fax: 07-4317071

103, Jalan Rahmat
83000 Batu Pahat
Johor Darul Takzim
Tel: 07-4320555
Fax: 07-4310641

45, Jalan Maharani *
84000 Muar
Johor Darul Takzim
Tel: 06-9518780
Fax: 06-9524780

115, Jalan Genuang *
Bandar Baru
85000 Segamat
Johor Darul Takzim
Tel: 07-9318191
Fax: 07-9317863

26, Jalan Mersing *
86000 Kluang
Johor Darul Takzim
Tel: 07-7722078
Fax: 07-7731836

241, Lorong Tun Ismail 1
Off Jalan Bukit Ubi
25000 Kuantan
Pahang Darul Makmur
Tel: 09-5159550
Fax: 09-5159557

16A, Jalan Sultan Ismail
20200 Kuala Terengganu
Terengganu Darul Iman
Tel: 09-6223290
Fax: 09-6227390

SABAH & SARAWAK
Block B, Hiong Tiong
Industrial Centre
7, Jalan Tuaran (11.2 km)
88815 Inanam
Sabah
Tel: 088-436624
Fax: 088-437302

TB 426, Block J *
Lot 1, Bandar Sabindo
91000 Tawau
Sabah
Tel: 089-762892
Fax: 089-763630

Lots 561 & 562 +
Jalan Datuk Wee
Kheng Chiang
Off Jalan Padungan
93100 Kuching
Sarawak
Tel: 082-235660
Fax: 082-235527

Lot 933, Jalan Permaisuri
Block 9, M C L D
98000 Miri
Sarawak
Tel: 085-426811
Fax: 085-426812

19 Jalan Haji Saman
P O Box 11989
88821 Kota Kinabalu
Sarawak
Tel: 088-235699
Fax No.: 088-218386

in-store

Carrefour Mid-Valley Megamall
Lot 7, Lower Ground Floor
Megamall Mid-Valley City
58000 Kuala Lumpur
Tel: 03-22834299
Fax: 03-22834375

Carrefour Sri Petaling
Ground Floor, Endah Parade
Bandar Baru Seri Petaling
57000 Kuala Lumpur
Tel: 03-95432090
Fax: 03-95432092

Carrefour Wangsa Maju
Ground Floor, 6, Jalan 8/27A
Section 5, Wangsa Maju
53300 Kuala Lumpur
Tel: 03-41498558
Fax: 03-41498634

Carrefour Subang Jaya
Ground Floor
3 Jalan SS 16/1
47500 Subang Jaya
Selangor Darul Ehsan
Tel: 03-56321715
Fax: 03-56321719

Jaya Jusco Klang
Lot G50, Jaya Jusco Bukit Raja
Jusco Shopping Centre
Persiaran Bukit Raja 2
Bandar Baru Klang
41150 Klang
Selangor Darul Ehsan
Tel: 03-33442562
Fax: 03-33442702

Carrefour Seberang Jaya
Ground Floor, 2929
Jalan Kelisa Emas 1
Off Jalan Tun Hussein Onn
13700 Seberang Jaya
Seberang Prai
Pulau Pinang
Tel: 04-3977640
Fax: 04-3977669

Giant Cash & Carry Sdn Bhd
Lot 33 (Inner Mall)
3, Jalan Masai Lama
Mukim Plentong
81750 Johor Bahru
Johor Darul Takzim
Tel: 07-3529854
Fax: 07-3529857

Carrefour Pandan
Ground Floor, Lot 138
Batu 7 1/2
Jalan Kota Tinggi
81100 Pandan
Johor Bahru
Johor Darul Takzim
Tel: 07-3536603
Fax: 07-3536735

Note:

* Rationalised after 30 June 2003

+ Converted to HLB branch after 30 June 2003



Hong Leong Bank Berhad

(97141 - X)

A Member of the Hong Leong Group Malaysia
(Incorporated in Malaysia)

FORM OF PROXY

I/We _____

of _____

being a member / members of HONG LEONG BANK BERHAD, hereby appoint _____

of _____

or failing him/her _____

of _____

of failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Sixty-Second Annual General Meeting of the Bank to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur, on Monday, 13 October 2003 at 11.00 a.m. and at any adjournment thereof.

My/Our proxy/proxies is to vote either on a show of hands or on a poll as indicated below with an "X":

RESOLUTIONS	FOR	AGAINST
1. To receive the Financial Statements and Reports		
2. To declare a final dividend of 18% less tax and special tax exempt dividend of 11%		
3. To approve the payment of Directors' fee		
4. To re-elect the following as Directors: (a) YBhg Datuk Dr Hussein Awang (b) Mr Tan Keok Yin (c) Mr Chew Peng Cheng (d) Ms Yvonne Chia (e) Encik Mohamed Nazim Bin Abdul Razak		
5. To re-appoint Messrs PricewaterhouseCoopers as Auditors and authorise the Directors to fix their remuneration		
6. As special business, to approve the ordinary resolution pursuant to Section 132D of the Companies Act, 1965		

Dated this day of2003

Number of shares held

Signature of Member(s)

Notes:

1. If you wish to appoint other person(s) to be your proxy, delete the words "the Chairman of the meeting" and insert the name(s) and address(es) of the person(s) desired in the space so provided.
2. If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.
3. A proxy may but need not be a member of the Bank and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Bank.
4. A member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where two proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in order for the appointments to be valid. Pursuant to paragraph 7.22 of the Listing Requirements of the Kuala Lumpur Stock Exchange, where a member of the Bank is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Bank standing to the credit of the said securities account.
5. In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.
6. All Forms of Proxy must be duly executed and deposited at the Registered Office of the Bank at Level 6, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time for holding the meeting or adjourned meeting.

