

Malaysia

AJDF Category B (Bank Industri Malaysia Berhad)

Report date: March 2001

Field survey: August 2000

1. Project Profile and Japan's ODA Loan



Project Area Location Map



Metal processing factory in the suburbs of Kuala Lumpur

1.1. Background

Insufficient development of small- and medium-sized domestic enterprises has been pointed out as its structural problem in Malaysia. The majority of manufactured goods exports are electrical, electronic equipment and textiles. Since few inter-industry relations exist among assembly type manufacturing industries, small- and medium-sized enterprises that should form the foundation of these industries have not been developed. Under these circumstances, the government of Malaysia considered this project as one under which loans would be provided at a preferential interest rate as investment funds to promote capital investment in the manufactory sector and to enhance productivity in line with the Malaysia's development policies, especially the policy for small-medium enterprises. In addition, they expected that this project would offer domestic financial institutions an opportunity to shift the focus of their financing with a view to expanding the productive capacity of the country through, in particular, export promotion and the development of growth industries.

Japan, on its part, established the ASEAN-Japan Development Fund (AJDF) as part of its financial recycling scheme with the aim of helping ASEAN nations promote regional economic cooperation and private sector development, and accordingly, the decision was made to provide financial assistance¹ (Category B-the portion of a project contributing to the development of the private sector which is covered by Japan's ODA loan (the "ODA loan")).

¹ Category A covers projects contributing to the promotion of regional economic cooperation and Category B covers projects contributing to the development of the private sectors.

1.2. Objectives

The objective of the project was to provide long-term low-interest capital funds mainly to small- and medium-sized enterprises in Malaysia through Bank Industri & Teknologi Malaysia Berhad (BITM, the Industry Promotion Bank), a governmental development financial institution, thus promoting their businesses.

1.3. Project Scope

The ODA loan covers the source fund of sub-loans which is necessary for the implementation of the project and the funds for consulting services.

Eligibility: Enterprises with Malaysian shareholding of at least 51% and a debt-to-equity ratio of up to 3.5 : 1

Eligible Industries: Metal and machine manufacturing including foundry, forging, fabrication, etc.

Items Covered by Loans: Capital investment and buildings (excluding land)

Terms and Conditions:

Loan amount: up to M\$20 million

Interest rate: 6.5% per annum (upper limit)

Repayment period: over 1 year up to 15 years (grace period up to 5 years)

Percentage of financing: less than 85% of necessary funds

1.4. Borrower/Executing Agency

Bank Industri & Teknologi Malaysia Berhad (BITM) (guaranteed by the government of Malaysia)

1.5. Outline of Loan Agreement

| | |
|-----------------------------------|--|
| Loan amount/Loan disbursed amount | ¥5.89 billion/¥5.716 billion |
| Exchange of notes/Loan agreement | December 1988/December 1988 |
| Terms and conditions | Interest Rate: 3.5%, Repayment period (grace period): 25 years (7 years), General untied |
| Final disbursement date | February 1994 |

2. Results and Evaluation

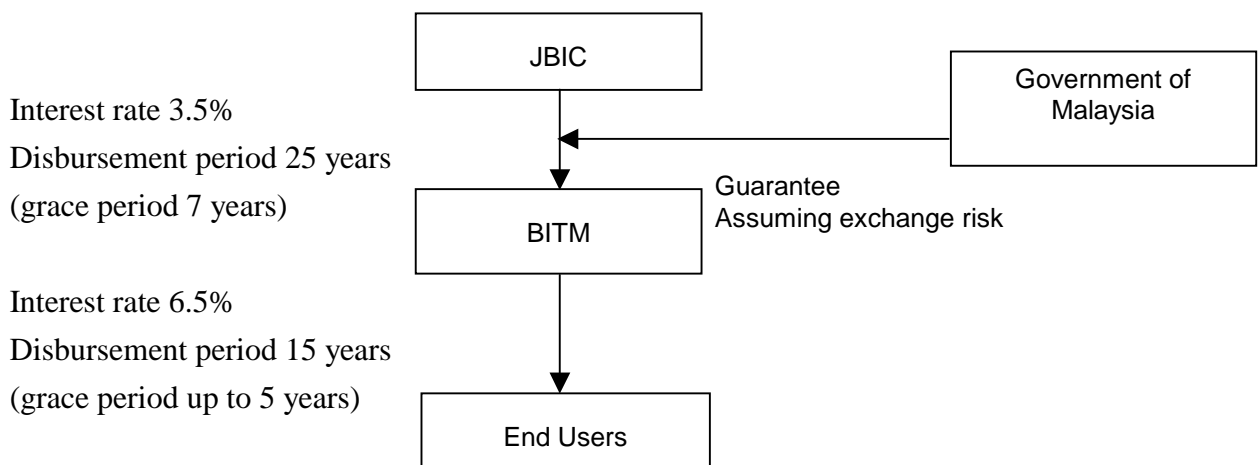
2.1. Relevance

The 1st Industrial Master Plan (IMP) for 1986-1995 laid out the outline of development of wide-ranging manufacturing sectors in line with the policy to promote export-oriented industrialization. Based on that outline, development of small- and medium-sized enterprises was promoted with the aim of strengthening inter-industry relations. The project was implemented as a financing support project to promote capital investment of underdeveloped small- and medium-sized local enterprises as part of the national policy to develop such enterprises. The project plan was relevant in

that it aimed to provide fixed funds at a low rate of interest to small- and medium-sized enterprises that had difficulty in obtaining access to such funds. The 2nd Industrial Master Plan (IMP2) for 1996-2005 was drawn up upon completion of IMP. IMP2 set the target of increasing value added particularly in manufacturing sectors, under which more capital-intensive industrialization strategies were carried out in order to deal with the shortage of unskilled labor. These strategies were promoted especially strongly in the area of electrical and electronic manufacturing including computer related manufacturing.² Capital investment of small- and medium-sized enterprises in manufacturing sectors, which form the wide-reaching foundations of the industry, remains very important today and, therefore, the project has maintained its relevancy to the present.

2.2. Efficiency

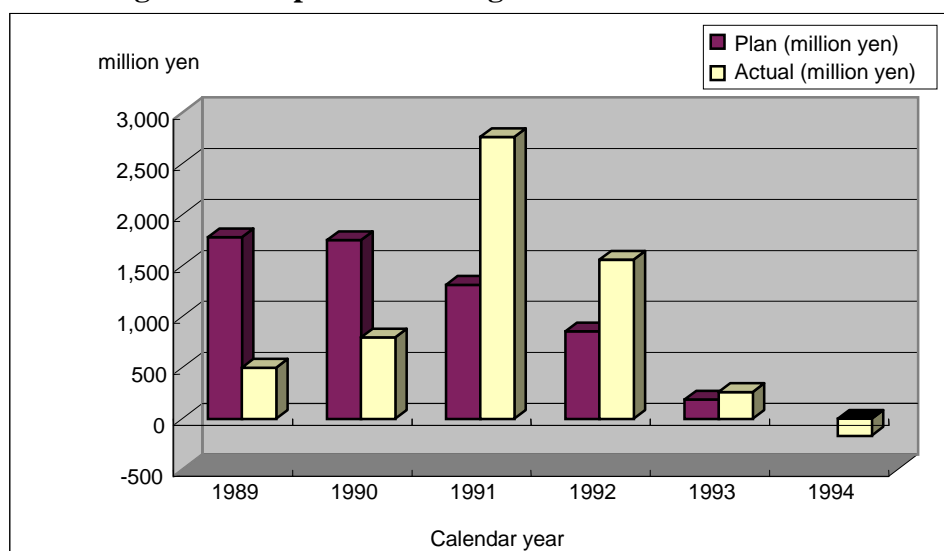
Figure 1 Implementation Scheme



The ODA loan was scheduled to be disbursed over a 5-year period from 1989 to 1993. As shown in Figure 2, the disbursement was implemented mostly in accordance with the planned disbursement schedule, excluding a slight delay in actual disbursement.

² "The Central Bank and the Financial system in Malaysia" Bank Negara Malaysia, 1999

Figure 2 Comparison of Original and Actual Disbursement



Source: JBIC's data

Note: The negative figure in 1994 is the amount of the refund.

First loan disbursement using ASEAN-Japan Development Fund (AJDF) was provided during the period when Malaysia was enjoying high economic growth and there was a great demand for funds. On the other hand, open market rates were high and the availability of low-interest funds was limited. These situations are considered to be the primary factors underpinning the efficient implementation of the project. Table 1 shows changes in the Base Lending Rate (BLR) and the Average Lending Rate (ALR) of commercial banks and the growth rates of GDP and manufacturing industries from 1988 to 1993. Since 1988, the BLR and ALR of commercial banks have been maintained at around 7-9% and 8-10% respectively. Offering loans with the annual interest rate fixed at 6.5% during this period meant providing small- and medium-sized enterprises, which have less access to funds than large enterprises, with a favorable opportunity to procure funds for investment. Above all, the Malaysian economy was growing rapidly at that time, as shown in the bottom column of Table 1, creating a great demand for funds.

Table 1 Changes in Interest Rates and Growth Rates of GDP, etc.

| Year | | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 |
|---|-----|------|------|------|------|------|------|
| Commercial banks | BLR | 7.0 | 7.0 | 7.5 | 8.7 | 9.3 | 8.2 |
| | ALR | 9.0 | 8.7 | 9.0 | 9.7 | 10.3 | 9.7 |
| Growth rate of GDP (%) | | 9.9 | 9.1 | 9.0 | 9.5 | 8.9 | 9.9 |
| Growth rate of the manufacturing industry (%) | | 17.0 | 20.3 | 15.3 | 14.0 | 7.0 | 14.6 |

Source: Bank Negara Malaysia (BNM) for interest rates and Department of Statistics for GDP statistics

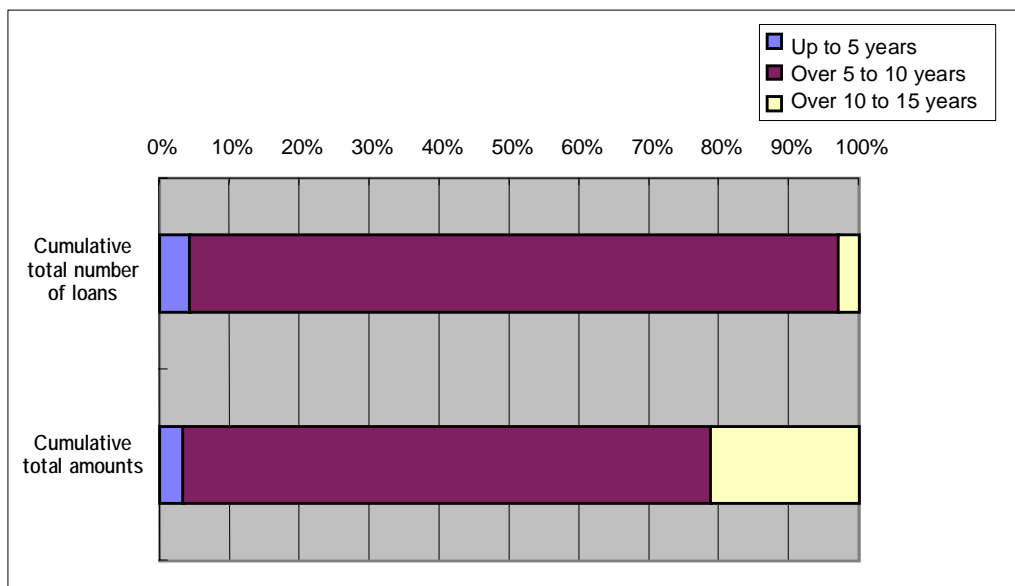
Note: BLR and ARL are as of the end of each year.

Compared with other policy financing schemes available from 1988 to 1993, the AJDF project, which included non-Malaysian enterprises among eligible borrowers if they

satisfied the conditions “enterprises with at least 51% of Malaysian shareholding”, was more attractive and convenient until 1993, at which time a policy financing scheme financed by Ministry of International Trade and Industry (MITI) of Malaysia was introduced (borrowers were not required to be enterprises with Malaysian capital and the interest rate was 4% per annum).

Figure 3 is the classification of sub-loans covered by the first loan disbursement³ by repayment period based on the cumulative total of actually approved loans as of March 1993⁴. It shows that sub-loans with a repayment period of more than 5 years and up to 10 years accounted for 92.9% in terms of the number of loans and 75.5% in terms of amount, evidencing that medium and long-term loans were extended to small- and medium-sized enterprises that otherwise had little access to such loans.

Figure 3 Classification of Sub-loans by Repayment Period



Source: BITM

Note: Percentages for cumulative totals of loans and the ratio of cumulative totals of loan amounts refer to the ratios of the number and amount of sub-loans of each category of repayment period against the cumulative total of all sub-loans approved by the end of March 1993.

The risk of exchange fluctuation was assumed by the government when providing funds under the AJDF projects. The Malaysian government’s commitment to the development of small- and medium-sized enterprises on a long-term basis was one of the important factors which contributed to the success of the project.

³ Financing using the ODA loan as the source of funds and excluding the funds repaid by end users to the source fund.

⁴ No data on loans limited to first disbursement borrowers have been obtained. However, judging from the disbursement of the ODA loan fund, most of the loans that had been extended by the end of 1993 are presumed to be first loan disbursement loans. Therefore, analyzing the status of the first loan disbursement based on these data would not lead to much variance from the conclusions drawn from that based on the accurate data.

2.3. Effectiveness

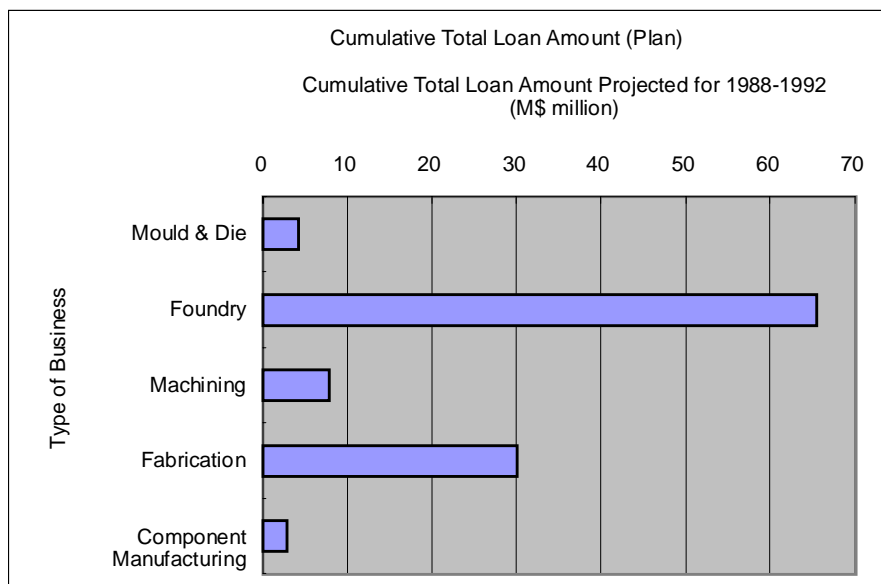
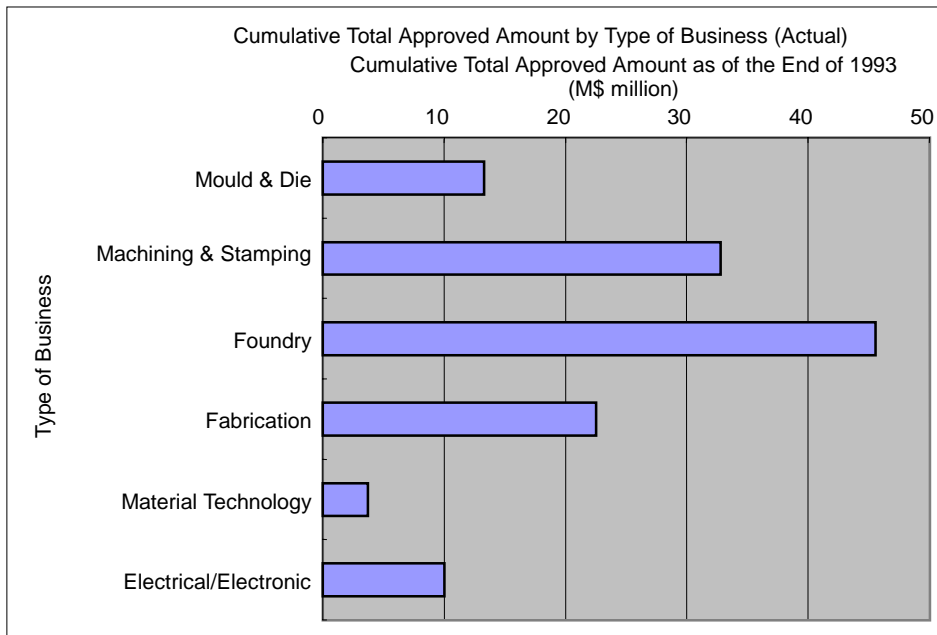
(2.3.1.) Results of Financing

In this section, in order to evaluate the target achievement level, the status of sub-loan disbursement is analyzed by type of business, number of employees and amount of sub-loans in comparison with the plan submitted by BITM at the time of appraisal. All data are totals of the number of cases and amounts that have been approved since the start of the project as reported in semiannual progress reports submitted to the Japan Bank for International Cooperation (JBIC) by BITM.

(a) Financing results by type of business

Figure 4 is a comparison between the cumulative totals of approved amounts (actual results) as of the end of 1993 and the cumulative totals of the planned disbursement of the AJDF fund (the portion of the ODA loan only) for 1989 to 1993 which was submitted by BITM at the time of loan application. It shows that the results cover the majority of eligible industries initially planned. In the planning stage, it was projected that loans for foundry and fabrication would occupy 90% of the ODA loan fund. The results indicate that loans were also provided to supporting industries such as machining and stamping and mould and die manufacturing. According to BITM's report, this is because loans to the foundry industry decreased from the level of the initial plan as a result of borrower screening, and consideration was given to priority sectors designated by government policy. It is concluded that the project was implemented in line with its objectives.

Figure 4 Comparison of Plan and Actual Results by Type of Business



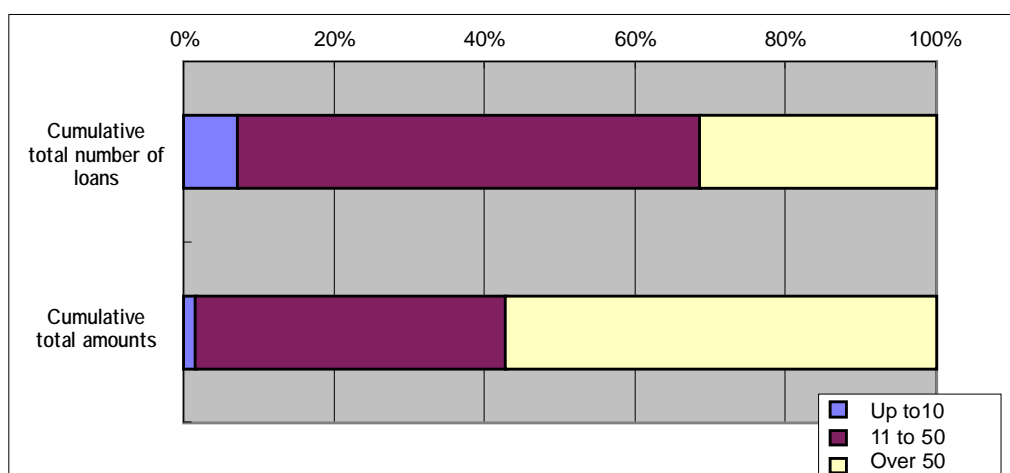
Sources: BITM for the actual results and the loan application by the Malaysian government for the plan (1988)

(b) Results of financing by number of employees

The results of financing by number of employees are shown in Figure 5. Sub-loans given to enterprises with fewer than 50 employees account for 68.5% in terms of the number of loans and 42.7% in terms of amount, evidencing that a significant portion of loans were extended to small enterprises.⁵

⁵ The definition of small- and medium-sized enterprises in Malaysia (MITI of Malaysia as of January 1998) is enterprises with fewer than 150 full-time employees and annual sales not exceeding M\$25 million. Among them, small-sized enterprises are defined as enterprises with fewer than 50 full-time employees and annual sales not exceeding M\$10 million.

Figure 5 Classification of Sub-loans by Number of Employees



Source: BITM data

Note: The numbers of employees are those at the time of sub-loan appraisal

(c) Results of financing by amount of sub-loans

Table 2 shows cumulative totals of the number and amount of sub-loans approved by the end of 1993. Sub-loans of M\$0.2 million to M\$1 million occupied more than 77% in terms of number, although they accounted for only 22% in terms of amount. The average amount per sub-loan in this range was M\$520,000, indicating that in many cases sub-loans relatively small denomination have been provided.

Table 2 Status of Sub-loan Approval by Amount

| Amount of sub-loan | Number | | Amount | | Average Sub-loan Amount (M\$ thousand) |
|--------------------------------|-------------------------|-------|--------------------------------|--------|--|
| | Approved cases (number) | Ratio | Approved amount (M\$ thousand) | Ratio | |
| M\$0.2 million to M\$1 million | 54 | 77.1% | 28,103 | 22.0% | 520 |
| M\$1 million to M\$5 million | 9 | 7.1% | 23,695 | 18.5% | 2,633 |
| M\$5 million to M\$ 10 million | 4 | 0.0% | 36,000 | 28.2% | 9,000 |
| Over M\$10 million | 3 | 4.3% | 40,000 | 31.3% | 13,333 |
| Total | 70 | 1.4% | 127,798 | 100.0% | 1,826 |

Source: BITM's Data

(2.3.2.) Viability of Borrower Enterprises

No data is available on the number of enterprises that borrowed AJDF funds and remain in business today. In view of the fact that, according to BITM, appraisal of AJDF fund borrowers was particularly strict and that the non-performing rate of the AFJD sub-loans is low (slightly less than 10%), the viability rate of borrower enterprises is considered to be relatively high.

(2.3.3.) Improvement of Export Competitiveness through Enhancement of Technical Capability of Equipment within Export-Oriented Industries

In the post-evaluation survey, we visited and interviewed 10 enterprises that obtained loans for capital investment from the AJDF fund. According to the survey, 9 out of 10 enterprises exported their products (including indirect export). In six of the enterprises, exports occupied over 50% of sales. Eight enterprises projected that the ratio of exports would increase in the future. Examining how the AJDF fund was used in these 10 enterprises, it is suggested that the AJDF fund was used to enhance the equipment capacity of export-oriented enterprises.

(2.3.4.) Sales Increases

Sales figures for the 10 enterprises interviewed during the past 3 years are shown in Table 3. Given that each enterprise obtained their loans at different times and that their sales are greatly affected by economic conditions, it is difficult to determine to what extent the newly introduced equipment directly contributed to the increase of sales from the result of this survey alone. The average sales of 10 enterprises have increased during the past 3 years on a continuous basis. By enterprise, 5 of the 10 enterprises have continuously increased their sales in the past 3 years, evincing the positive aspects of the business conditions of borrower enterprises.⁶

Table 3 Sales Increases

Unit: M\$ million

| | Enterprise 1 | Enterprise 2 | Enterprise 3 | Enterprise 4 | Enterprise 5 | Enterprise 6 | Enterprise 7 | Enterprise 8 | Enterprise 9 | Enterprise 10 | Average |
|------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------|
| 1999 | 1.6 | 5.0 | 0.8 | 10.0 | 1.5 | 1.5 | 160.0 | 61.0 | 44.8 | 38.0 | 32.4 |
| 1998 | 1.1 | 4.8 | 0.6 | 9.0 | 1.9 | 1.2 | 97.0 | 65.0 | 21.4 | 32.0 | 23.4 |
| 1997 | 1.0 | 6.5 | NA | 8.0 | 2.0 | 1.0 | 92.0 | 59.0 | 30.8 | 28.0 | 22.8 |

Source: Interview results

(2.3.5.) Creation and Promotion of Employment Generated by New Investment and Business Expansion

Under the first loan disbursement, 70 sub-loans (gross) were approved, amounting to M\$127.8 million. Sub-loan usage is classified into new investment and business expansion. The number of approved sub-loans and their amounts are shown in Table 4 below.

Table 4 Classification of Sub-loans by Use of Fund

| | Number (ratio %) | | Amount (M\$ million) (ratio %) | |
|--------------------|------------------|------|--------------------------------|------|
| New investment | 22 | 31% | 63.7 | 50% |
| Business expansion | 48 | 69% | 64.1 | 50% |
| Total | 70 | 100% | 127.8 | 100% |

Source: BITM's data

⁶ The consumer price index (CPI) increase rate during that period was around 3.6% on annual average.

In order to evaluate the employment creation effect, we inquired about the number of employees in the interview. The results are shown in Table 5 below. Although some figures may not correct because it was an oral inquiry, it is evident that in most enterprises the number of employees has increased sharply since the provision of sub-loans.

Table 5 Employment Creation Effect

Unit: person

| | Enterprise 1 | Enterprise 2 | Enterprise 3 | Enterprise 4 | Enterprise 5 | Enterprise 6 | Enterprise 7 | Enterprise 8 | Enterprise 9 | Enterprise 10 | Average |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------|
| Present employees | 24 | 46 | 120 | 126 | 20 | 13 | 900 | 550 | 238 | 440 | 248 |
| Employees in 1999 | 24 | 48 | 100 | 126 | 14 | 13 | 650 | 500 | 183 | 400 | 206 |
| Employees in 1998 | 14 | 52 | 90 | 110 | 18 | 10 | 600 | 450 | 134 | 350 | 183 |
| Employees in 1997 | 18 | 45 | NA | 100 | 20 | 8 | 550 | 400 | 196 | 320 | 184 |
| Employees before receiving loan | 10 | 15 | 60-70 | 20 | 24 | 5 | 100 | 350 | 30 | 310 | 93 |

Source: Interview results

2.4. Impact

(2.4.1.) Achievement of Overall Goal

The project aimed to promote exports and develop small- and medium-sized enterprises in manufacturing industries in Malaysia by providing funds for the expansion of production capacity. Although quantitative measurement of the achievement level is difficult, from the facts as described above, the project is considered to have been contributing to the achievement of the overall goal.

(2.4.2.) Impact on Environment and Society

No environmental monitoring system is in place. BITM considers that the borrowers of AJDF funds have had no impact on the environment. However, permission from the government (Department of Environment, etc.) is required for the implementation of sub projects. Accordingly, each loan application is checked to confirm that permission has been obtained. When necessary, we directly contact environment-related agencies to confirm permission.

2.5. Sustainability

Since the completion of the first loan disbursement, the project has been managed by BITM. Although the second loan disbursement using the special account is not as active as the first, there do not appear to be any particular problems in terms of the sustainability of the project.

(2.5.1.) Sustainability of the Project

Table 6 shows the status of the cash collection of first disbursement sub-loans. The

collection ratio declined in 1997 when the currency crisis occurred, and remained lower than 1996 levels in 1998. In 1999, however, the ratio increased to exceed 90%.

Table 6 Status of Cash Collection

Unit: M\$ million

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|--------------------------------|-------|-------|-------|-------|-------|-------|
| Principal and interest due (a) | 26.6 | 26.7 | 33.2 | 16.4 | 10.2 | 24.8 |
| Collected amount (b) | 21.0 | 21.2 | 27.9 | 12.6 | 7.9 | 22.6 |
| Cash collection ratio (b)/(a) | 79.2% | 79.4% | 84.0% | 76.8% | 77.5% | 91.1% |

Source: BITM's data

Table 7 shows the percentage of loans in arrears in number (Arrears Ratio by Number) and the percentage in amount (Arrears Ratio by Amount)⁷ related to the AJDF project.

Table 7 Status of Sub-loan Collection ^{note1)}

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|--|-------|------|------|------|------|------|
| Number of outstanding loans | 70 | 67 | 58 | 40 | 20 | 15 |
| Number of outstanding loans in arrears ^{note2)} | 16 | 16 | 16 | 11 | 7 | 7 |
| Arrears Ratio by Number (%) | 22.9 | 23.9 | 27.6 | 27.5 | 35.0 | 46.7 |
| Outstanding loan amount (M\$ million) | 101.1 | 84.5 | 60.2 | 49.1 | 42.0 | 22.2 |
| Amount in arrears (M\$ million) ^{note2)} | 5.5 | 5.5 | 5.3 | 3.8 | 2.4 | 2.2 |
| Arrears Ratio by Amount (%) | 5.5 | 6.5 | 8.8 | 7.7 | 5.6 | 9.8 |

Source: BITM's data

Note:

- 1) Above figures are the results for sub-loans that are considered to have been approved under the first loan disbursement as of the end of each fiscal year.
- 2) The number and amount of sub-loans on which all or part of the principal or interest is in arrears.

The number of loans has been small and the Arrears Ratio by Number has been high, whereas the Arrears Ratio by Amount has been relatively low.⁸ Arrears have occurred in small-size loans (average amount in arrears was M\$313,000/loan in 1999).⁹ The Arrears Ratio by Number almost doubled in 1999, whereas the amount in arrears decreased. This is attributable to a reduction in the outstanding loan amount resulted from facilitated repayment of principals. The Net NPL ratio of all

⁷ BITM uses NPL as the term to refer to both loans in arrears and non-performing loans. However, it used the Arrears Ratio in answering our survey questions. Accordingly, the Arrears Ratio is used here. The loan loss reserve ratio is 20% for loans in arrears for 6-9 months, 50% for loans in arrears for 9-12 months, and 100% for loans in arrears for more than 12 months.

⁸ Of those loans on which all or part of the principal or interest was in arrears as of the end of 1999 (amounting to M\$ 2,189,000 as shown in "Loan amount in arrears" in 1999 in Table 7), M\$2,168,000 or 99% was for the loans in arrears for 2 years or longer, and M\$21,000 was for the loans in arrears for 3-6 months. BITM considers the former to be uncollectible.

⁹ BITM pointed out the following situation as the cause of end users' delay in repayment and default: (i) Awareness of repayment obligations is low; (ii) economic conditions have deteriorated due to external factors; (iii) market access is limited for small- and medium-sized enterprises.

projects by BITM was 25% as of August 2000, and the AJDF project has produced excellent results compared with other BITM schemes.

(2.5.2.) Operational Status of Special Account

The table below shows the cash flow of the project's special account for 1994 to 1999. The amount of loan disbursement from the special account has been particularly small since 1997. This is because repayment of the principal and interest from end users has decreased while repayment from BITM to JBIC has increased.¹⁰

Table 8 Cash Flow of Special Account

Unit: M\$ million

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|---------------------------------------|-------|-------|-------|-------|-------|-------|
| Balance brought forward | -32.6 | -18.7 | -18.2 | -18.3 | -15.0 | -19.5 |
| Sources | 21.0 | 22.4 | 32.2 | 17.5 | 14.3 | 29.3 |
| Original fund (OF) | | | | | | |
| Repayment of principal from end users | 16.0 | 17.0 | 24.7 | 11.1 | 7.1 | 19.8 |
| Payment of interest from end users | 5.0 | 4.2 | 3.2 | 1.5 | 0.8 | 2.8 |
| Revolving fund (RF) | | | | | | |
| Repayment of principal by end users | 0.0 | 0.8 | 2.9 | 3.3 | 4.5 | 4.8 |
| Payment of interest from end users | 0.0 | 0.4 | 1.5 | 1.6 | 1.9 | 1.9 |
| Applications | 7.2 | 21.9 | 32.4 | 14.1 | 18.8 | 18.0 |
| Disbursement of sub-loans (OF) | 1.1 | 0.4 | 0.4 | 0.0 | 0.0 | 0.0 |
| Disbursement of sub-loans (RF) | | 14.1 | 22.0 | 1.4 | 4.0 | 1.9 |
| Repayment of principal to JBIC | | 3.3 | 6.1 | 8.0 | 9.5 | 10.6 |
| Payment of interest to JBIC | 6.1 | 4.0 | 3.8 | 4.7 | 5.2 | 5.5 |
| Balance carried forward | -18.7 | -18.2 | -18.3 | -15.0 | -19.5 | -8.1 |

Source: BITM data

Note:

1) No pre-1994 data has been provided by BITM.

(2.5.3.) Sustainability of Executing Agency

(a) Organization

The Board of Directors of BITM consists of 6-8 members including representatives of the Economic Planning Unit (EPU), Ministry of Finance, Bank Negara Malaysia (BNM) and Malaysia Industrial Development Authority (MIDA). As of August 2000, it has 205 employees and no branch offices.¹¹

¹⁰ In this project, it was agreed that the exchange risk would be assumed by the government and that any foreign loss would be reimbursed after completion. Table 8 "Cash Flow of Special Account" does not reflect the amount reimbursed by the government.

¹¹ Bank Industri changed its name to Bank Industri & Teknologi in February 2000. The word "Teknologi" was added because the bank is the executing agency of a government finance scheme "Technology Fund for Loans" funded by Ministry of Finance. The BI Group comprises BITM, its subsidiaries and affiliates. Its subsidiaries include BI Credit & Leasing Bhd. (BICL: 99 employees), Malaysia Export Credit Insurance Berhad (MECIB: 65 employees), Global Maritime Ventures Berhad (GMVB: 20 employees), Export-Import Bank of Malaysia Berhad (EXIM: 78 employees) and many other companies (the number of employees is as of August 2000).

(b) Financing system and loan management system

The AJDF project has been executed by two departments: the Manufacturing Loans Department responsible for marketing and appraisal, and the Loan Administration Department responsible for loan management. Since BITM's main borrowers are shipping companies and shipping-related businesses, it has a Technical Service Department which performs technical examinations regardless of the loan amount. A definite standard has been set for the appraisal period, which takes a maximum of just 41 days from loan application, for appraisal and legal procedures including guarantee to disbursement. BITM has been implementing organizational reforms since the beginning of 2000. As of February 2001, the first two departments above were combined into the Business Development Department, which consists of the Manufacturing Section and the Maritime Section. The Manufacturing Section employees nearly 20 loan officers. Moreover, a department to deal with non-performing loans was established in January 2001.

(c) Financial status

BITM's financial status in the past 4 years is shown in Table 9, Balance Sheet, and Table 10, Profit and Loss Statement below. BITM recorded operating profits for 3 successive years prior to 1999. However, it posted losses in 1999. One reason is that a new standard was introduced for estimating the bad debts reserve in 1999 and, as a result, a large amount was added to the reserves (registered as deficit).¹² BITM's equity to assets ratio¹³ was 15.6% as of the end of 1999. Although the net profit ratio to financial income has been on the decline since 1997, as shown in Table 11, business performance improved in 2000.

Table 9 Balance Sheet

Unit: M\$ million

| | 1995 | 1996 | 1997 | 1998 | 1999 |
|--|-------|-------|-------|-------|-------|
| Current assets | 400 | 181 | 201 | 735 | 1,038 |
| Loans receivable | 550 | 873 | 957 | 1,674 | 1,029 |
| Investments and others | 500 | 667 | 895 | 1,363 | 2,104 |
| Fixed assets | 26 | 25 | 97 | 118 | 133 |
| Total assets | 1,476 | 1,746 | 2,150 | 3,890 | 4,304 |
| Current liabilities | 66 | 70 | 199 | 1,758 | 1,187 |
| Long-term liabilities and others | 1,242 | 1,420 | 1,528 | 1,707 | 2,442 |
| Capital stock | 120 | 200 | 320 | 320 | 670 |
| Reserve fund | 10 | 10 | 10 | 10 | 10 |
| Internal reserves | 37 | 44 | 92 | 95 | 6 |
| Total shareholders' equity | 168 | 255 | 423 | 425 | 675 |
| Total liabilities and shareholders' equity | 1,476 | 1,745 | 2,150 | 3,890 | 4,304 |

Source: BITM

¹² The bad debts reserve for 1998 was M\$10 million and that for 1999 was M\$140 million.

¹³ 100% financed by the Ministry of Finance of the Malaysian Government.

Table 10 Profit and Loss Statement

Unit: M\$ million

| | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|-------------|-------------|--------------|--------------|----------------|
| Operating income | 63 | 66 | 81 | 87 | 140 |
| Operating expenses (special reserve) | 47 (7.6) | 54 (7.3) | 70 (13.3) | 80 (10.3) | 243 (140) |
| Total expense | 16 | 12 | 11 | 7 | -103 |
| Operating profit | 16 | 12 | 11 | 7 | -103 |
| Pre-tax income | 13 | 7 | 48 | 4 | -101 |
| Net profit | 46 | 63 | 74 | -284 | -37 |

Source: BITM

Table 11 Financial Analysis of BITM

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|--|-------|-------|-------|-------|--------|--------|
| Return on asset = pre-tax income/total assets | 1.10 | 0.71 | 2.43 | 0.17 | -2.4 | 0.07 |
| Net profit ratio to income = pre-tax income/ financial income | 25.04 | 18.78 | 64.40 | 7.61 | -73.63 | 1.85 |
| Equity to assets ratio = equity/total assets | 8.16 | 11.49 | 14.90 | 8.24 | 15.58 | 14.56 |
| Reserve ratio = cash and deposits due/deposit | | | | 41.50 | 91.41 | 104.06 |
| Yield on loans = interest revenue/loans receivable | 11.37 | 6.99 | 8.16 | 3.41 | 5.33 | 3.96 |
| Interest on funding = interest paid/loans payable | 3.14 | 2.92 | 3.03 | 2.80 | 1.75 | 3.06 |

Source: BITM

Note: The indices for 1995 to 1999 are based on audited data.

Comparison of Original and Actual Results

| Item | Plan | Results |
|----------------------------|--|------------------|
| 1. Project scope | <p>1. Sub-loans</p> <p>Eligible Industries: Metal and machine manufacturing including foundry, forging, fabrication, etc.</p> <p>Eligibility: Enterprises with at least 51% of Malaysian shareholding and debt-to-equity ratio up to 3.5 : 1</p> <p>Items Covered by Loans: Capital investment and building (excluding land)</p> <p>Terms and Conditions: Loan amount up to M\$20 million; interest rate 6.5% per annum (upper limit); period over 1 year up to 15 years (grace period up to 5 years); percentage of financing: less than 85% of necessary funds</p> <p>2. Consulting services</p> | Same as the plan |
| 2. Implementation schedule | 1989 to 1993 | 1989 to 1994 |
| 3. Project cost | | |
| Foreign currency | ¥5.890 billion | ¥5.716 billion |
| Local currency | ¥ 0 | ¥ 0 |
| Total | ¥5.890 billion | ¥5.716 billion |
| ODA loan portion | ¥5.890 billion | ¥5.716 billion |
| Exchange rate | US\$1.00 = ¥133.77 | |