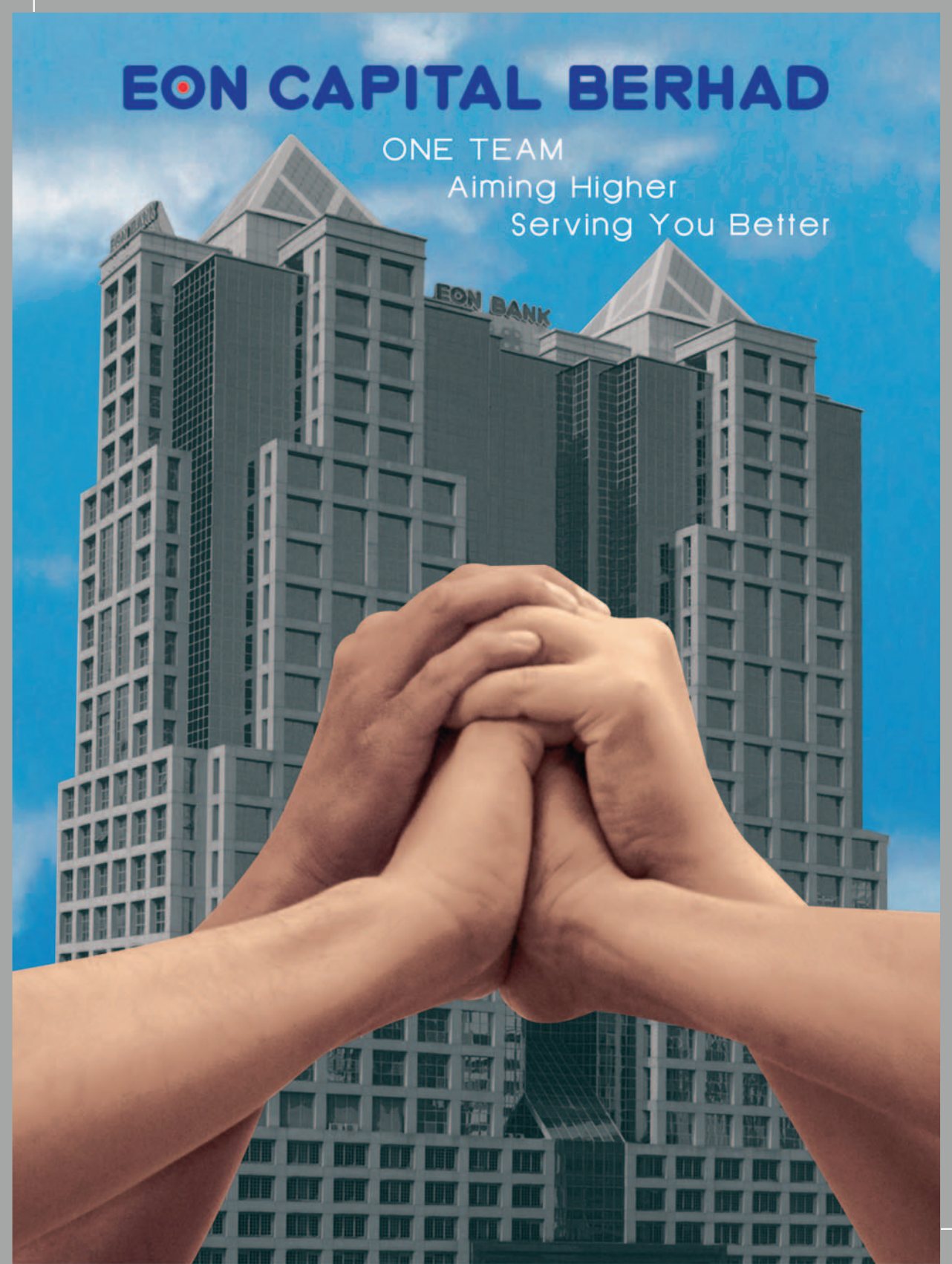




EON CAPITAL BERHAD

Annual Report 2005



Annual Report
2005



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Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting of **EON CAPITAL BERHAD** will be held at the Pacific Ballroom, Pan Pacific Kuala Lumpur, Jalan Putra, 50746 Kuala Lumpur on Thursday, 8 June 2006 at 10.00 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Reports of the Directors and Auditors and the Audited Financial Statements for the financial year ended 31 December 2005. **Resolution 1**
2. To declare a first and final gross dividend of 16.0 sen per share less Malaysian Income Tax of 28% for the financial year ended 31 December 2005. **Resolution 2**
3. To re-elect the following Directors who retire in accordance with Article 97 of the Company's Articles of Association:
 - a. Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh **Resolution 3**
 - b. Mr. Wizayaratham Somasundram **Resolution 4**
4. To re-appoint Mr. Rin Kei Mei, who is over seventy years of age, as a Director of the Company and to hold office until the next Annual General Meeting of the Company in accordance with Section 129(6) of the Companies Act, 1965. **Resolution 5**
5. To approve the payment of Non-Executive Directors' fees of RM406,301 for the financial year ended 31 December 2005. **Resolution 6**
6. To re-appoint Messrs. PricewaterhouseCoopers as Auditors and to authorise the Directors to fix their remuneration. **Resolution 7**
7. To transact any other ordinary business of the Company for which due notice has been given.

NOTICE OF DIVIDEND PAYMENT AND BOOK CLOSURE

NOTICE IS HEREBY GIVEN that a first and final gross dividend of 16.0 sen per share less Malaysian Income Tax of 28% in respect of the financial year ended 31 December 2005, if approved by the shareholders at the Eighth Annual General Meeting, will be paid on 16 June 2006 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 9 June 2006.

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

- a. Shares transferred into the depositor's securities account before 4.00 p.m. on 9 June 2006 in respect of ordinary transfers; and
- b. Shares bought on Bursa Malaysia Securities Berhad on a cum-entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By order of the Board.

LEE CHEAU PENG
(MAICSA 7005134)
Company Secretary

Kuala Lumpur
11 May 2006

Notes:

- i. A member entitled to attend the meeting may appoint a proxy who may but need not be a member of the Company.
- ii. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 12th Floor, Menara EON Bank (formerly known as Wisma Cyclecarri), 288, Jalan Raja Laut, 50350, Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting.
- iii. If the member is a corporation, the proxy form should be executed under its Common Seal or under the hand of an officer or attorney duly authorised.

Statement Accompanying Notice Of Annual General Meeting

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

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

Under Article 97 of the Company's Articles of Association

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

Pursuant to Section 129(6) of the Companies Act, 1965

- i. Mr. Rin Kei Mei

2. Details of attendance of Directors at Board Meetings

Four (4) board meetings were held during the financial year ended 31 December 2005.

Attendance of the Directors holding office at the end of the financial year is shown below:-

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

* Y. Bhg. Tan Sri Dato' Seri Mohd Saleh bin Sulong has resigned as Director and Chairman of the Company with effect from 1 March 2006.

3. Date, Time and Place of Annual General Meeting

The Eighth Annual General Meeting of the Company will be held on Thursday, 8 June 2006 at 10.00 a.m. at the Pacific Ballroom, Pan Pacific Kuala Lumpur, Jalan Putra, 50746 Kuala Lumpur.

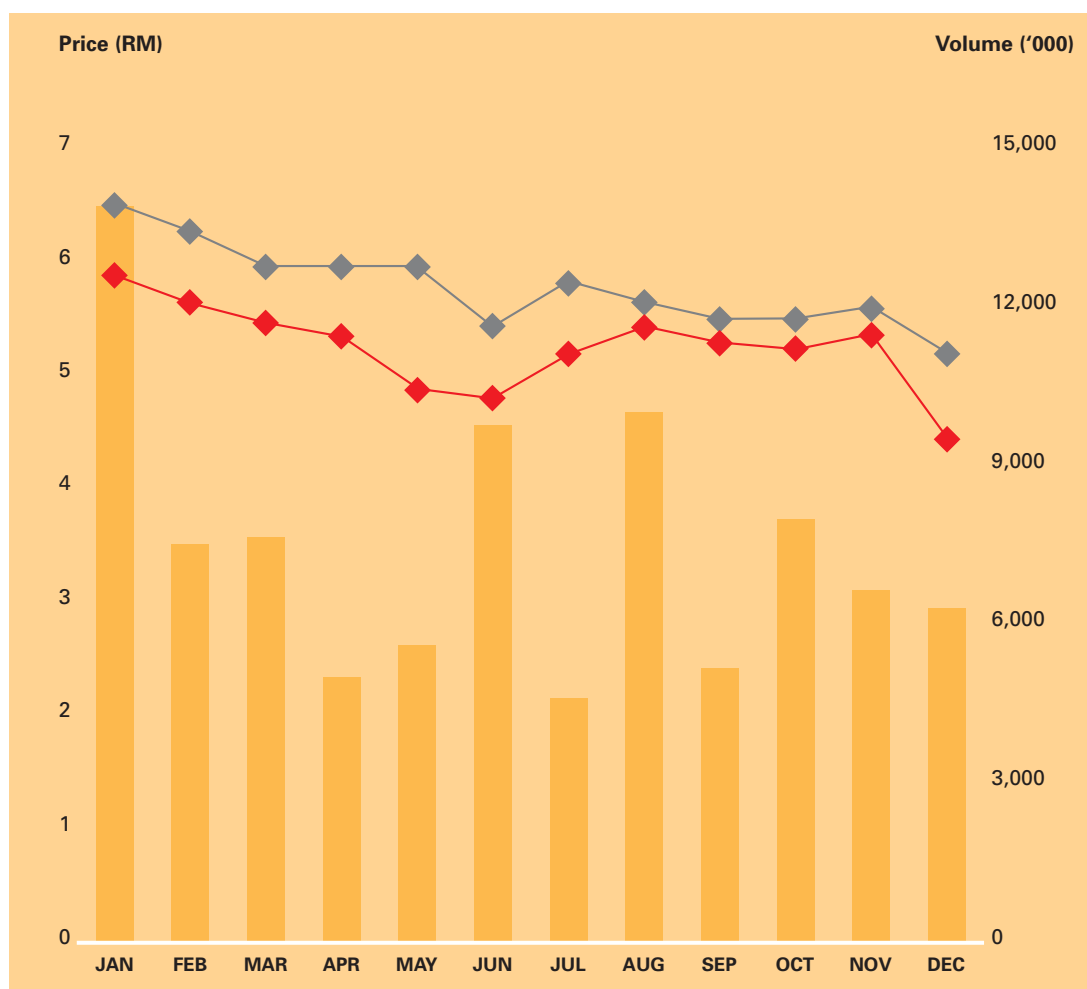
4. The details of Directors who are standing for re-election / re-appointment are as follows:

Name	Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh	Mr. Wizayaratnam Somasundram	Mr Rin Kei Mei
Age	59 years	66 years	71 years
Nationality	Malaysian	Malaysian	Singaporean
Qualification	<ul style="list-style-type: none"> • Bachelor of Economics (Hons), University of Malaya • Master of Arts (Public Policy & Administration), University of Wisconsin, USA • Doctorate in Philosophy (Economics - Public Finance), University of Malaya 	<ul style="list-style-type: none"> • Bachelor of Arts (Economics, Money, Banking and Public Finance), University of Western Australia 	<ul style="list-style-type: none"> • Degree in Chemical Engineering (University of Cheng Kung)
Position on the Board	Independent Non-Executive Director	Independent Non-Executive Director	Non-Independent Non-Executive Director
Working Experience	<ul style="list-style-type: none"> • Assistant Director, Budget Division, Ministry of Finance • Director of Finance, Malaysian Highway Authority • Deputy Secretary, Supply & Contract Division and Tax Division, Ministry of Finance • Managing Director, Kinta Kellas PLC 	<ul style="list-style-type: none"> • Examiner, Bank Negara Malaysia • Head of Operations of a local commercial bank 	<ul style="list-style-type: none"> • Joint Managing Director of Perusahaan Sadur Timah Malaysia Sdn Bhd • Managing Director of Kedah Cement Holdings Sdn Bhd • Deputy Chairman of Edaran Otomobil Nasional Berhad
Occupation	Company Director	Company Director	Company Director
Any other directorships of public companies	<ul style="list-style-type: none"> • EON Bank Berhad • Malaysian International Merchant Bankers Berhad 	<ul style="list-style-type: none"> • EON Bank Berhad 	<ul style="list-style-type: none"> • EON Bank Berhad
Securities holdings in the Company and its subsidiaries (as at 31 March 2006)	Direct holding of 79,006 ordinary shares of the Company	None	<ul style="list-style-type: none"> • Direct interest in 389,550 shares in the Company • Deemed interest in 106,754,411 shares in the Company
Family relationship with any Director and/or major shareholder of the Company	None	None	None
Any conflict of interest with the Company	None	None	None
List of conviction for offences within the past 10 years	None	None	None

Share Prices & Trading Volume

The historical share prices and trading volume of **EON Capital Berhad** on Bursa Malaysia Securities Berhad for 2005 are as follows:

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Highest (RM)	6.60	6.25	5.95	5.95	5.95	5.30	5.80	5.75	5.45	5.45	5.55	5.20
Lowest (RM)	5.85	5.75	5.65	5.60	4.96	4.94	5.20	5.40	5.30	5.25	5.35	4.60
Volume '000	14,113	7,514	7,647	5,234	5,847	9,976	5,094	10,469	5,394	8,512	6,910	6,348



- Volume ('000)
- ◆ Highest (RM)
- ◆ Lowest (RM)

Five Year Financial Highlights

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2005, EON Capital Berhad and its subsidiaries ('the Group') recorded a pre-tax profit of RM400.3 million. The Group achieved a profit after tax of RM283.2 million, representing a return on average shareholders' funds of 10.4%. The Group's earnings per share for the financial year ended 31 December 2005 stood at 40.8 sen and net tangible assets per share as at 31 December 2005 was RM3.98.

The Group's balance sheet as at 31 December 2005 continued to remain strong with total assets of RM35.6 billion, an increase of 6.7% compared with RM33.4 billion as at 31 December 2004. Total shareholders' funds of the Group increased by 8.6% to RM2.8 billion.

Amount in RM Millions	EON BANK GROUP Actual					EON Capital Berhad Proforma ³ Actual Actual Actual			
	2001	2002	2003	2004 ¹	2005 ²	2002	2003	2004 ¹	2005 ²
INCOME									
Operating Income Before Loan Loss and Provision	549	548	636	580	594	551	627	571	589
Profit Before Taxation	328	390	460	411	406	393	451	401	400
Profit After Taxation	229	266	333	287	284	277	328	283	283
BALANCE SHEET									
Total Assets	24,797	30,963	31,881	33,544	35,798	30,706	31,641	33,354	35,591
Net Loans, Advances and Financing	17,388	20,574	21,288	23,557	25,926	20,574	21,288	23,557	25,926
Total Deposits	20,025	25,823	26,504	27,380	28,753	25,786	26,472	27,363	28,549
Shareholders' Funds	2,152	2,495	2,814	3,068	3,074	1,986	2,314	2,601	2,825
Net Tangible Assets Backing per Ordinary Share (RM)	1.5	1.7	1.9	2.1	2.1	2.9	3.3	3.7	3.9
FINANCIAL RATIOS									
Earnings per share (sen) - basic	19.0	20.7	25.0	21.6	21.4	40.0	47.4	40.8	40.8
Return on Average Shareholders' Funds (%)	11.5	11.4	12.5	9.8	9.2	13.9	15.3	11.5	10.4
Risk Weighted Capital Ratio (%) (EON Bank Berhad)	12.5	11.8	14.6	14.7	13.2	N/A	N/A	N/A	N/A
Gross Non Performing Loan Ratio (%)	8.7	7.5	6.4	5.0	6.9	7.5 ⁴	6.4	5.0	6.9
Net Non Performing Loan Ratio (%)	5.7	4.9	3.8	3.4	5.3	4.9 ⁴	3.8	3.4	5.3

Note 1

Certain balances for financial year ended 31 December 2004 have been restated to take into account the effects of the changes in accounting policies with respect to the adoption of the revised Bank Negara Malaysia's ('BNM') Revised Guidelines on Financial Reporting for Licensed Institutions (revised BNM/GP8) during the financial year ended 31 December 2005.

Note 2

In 2005, the Group changed its basis of classification of non-performing loans and suspension of interest income for customers' loans and overdrafts from 6 months to 3 months in arrears.

Note 3

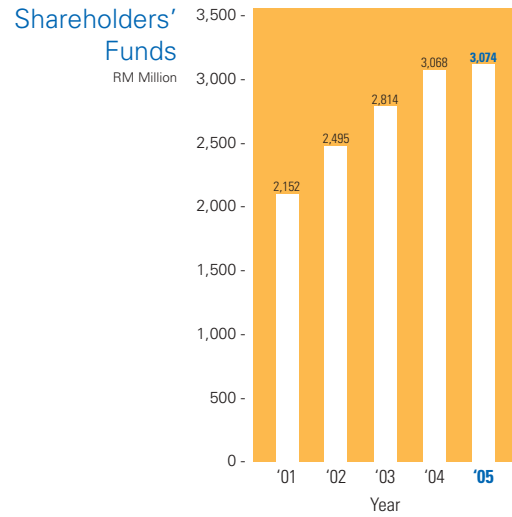
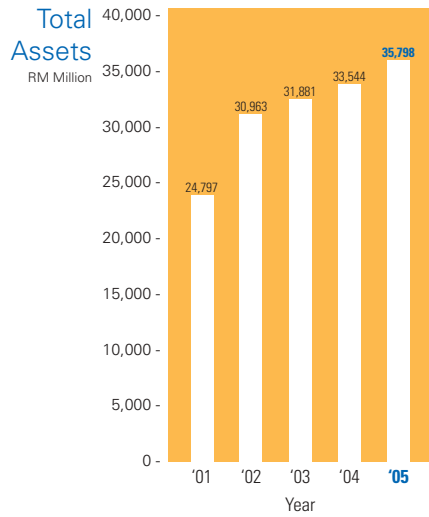
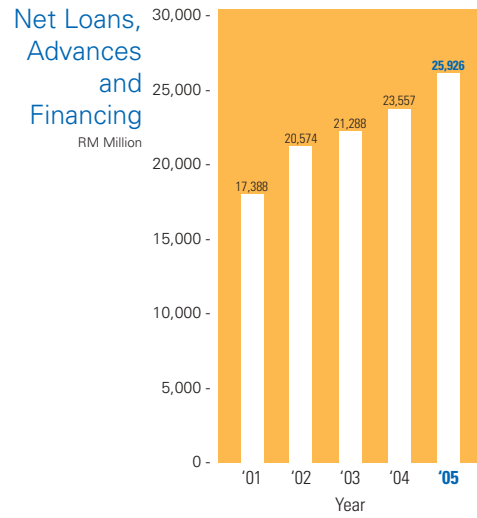
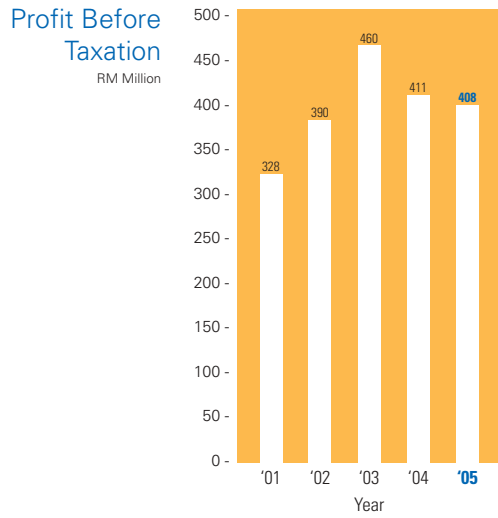
For the financial year ended 31 December 2002, the consolidated results of EON Capital Berhad incorporated the one month consolidated results of EON Bank Berhad and its subsidiary companies. EON Bank Berhad became a wholly-owned subsidiary company of EON Capital Berhad on 2 December 2002, pursuant to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

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

Note 4

Denotes actual ratios as at 31 December 2002.

EON BANK GROUP'S FINANCIAL TRENDS ³



Corporate Information

As At 31 March 2006

BOARD OF DIRECTORS

Deputy Chairman

Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh

Members

Mr. Rin Kei Mei

Y. Bhg. Dato' Maznah binti Abdul Jalil

Dr. Tiong Ik King

Mr. Wizayaratnam Somasundram

COMPANY SECRETARY

Mdm. Lee Cheau Peng MAICSA 7005134

REGISTERED OFFICE

12th Floor, Menara EON Bank (formerly known as Wisma Cyclecarri)

No. 288, Jalan Raja Laut

50350 Kuala Lumpur

Tel: 03-2694 1188

Fax: 03-2692 1851

Website: www.eonbank.com.my

SHARE REGISTRAR

ShareWorks Sdn Bhd

No. 23, Jalan Sri Hartamas 7

Sri Hartamas

50480 Kuala Lumpur

Tel: 03-6210 1120

Fax: 03-6201 3121

AUDITORS

PricewaterhouseCoopers

11th Floor, Wisma Sime Darby

Jalan Raja Laut

P.O. Box 10192

50706 Kuala Lumpur

PRINCIPAL BANKER

EON Bank Berhad

SOLICITOR

Nik Saghir & Ismail

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad (since 23 December 2002)
(stock code: 5266)

Profile Of The Directors

As At 31 March 2006



Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh

Malaysian, aged 59, was appointed as Deputy Chairman, Independent Non-Executive Director of EON Capital Berhad on 17 December 2002. She is the Chairperson of the Audit Committee and member of the Nominating Committee and Remuneration Committee.

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

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

Datin Dr. Umikalsum is a Company Director, and also holds directorship in EON Bank Berhad, Malaysian International Merchant Bankers Berhad and EONCAP Securities Sdn Bhd.

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

Mr. Rin Kei Mei

Singaporean, aged 71, was appointed as Non-Independent Non-Executive Director of EON Capital Berhad on 23 December 2002.

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

Mr. Rin has direct holdings of 389,550 ordinary shares in the Company and is a deemed major shareholder of the Company.

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



Y. Bhg. Dato' Maznah binti Abdul Jalil

Malaysian, aged 52, was appointed as a Non-Independent Non-Executive Director of EON Capital Berhad on 23 December 2002. She is a member of the Remuneration Committee.

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

Dato' Maznah currently holds the position of Senior Group Director - Corporate Finance & Advisory of DRB-HICOM Berhad ('DRB-HICOM'). She is the Chairperson of Uni.Asia General Insurance Berhad and, Uni.Asia Life Assurance Berhad.

Dato' Maznah is also a Director of EON Bank Berhad, Malaysian International Merchant Bankers Berhad, Uni.Asia Capital Berhad, Gadek (Malaysia) Berhad, HICOM Properties Sdn Bhd, Horsedale Development Berhad, Labuan Reinsurance (L) Ltd and several private limited companies under DRB-HICOM. She is also a member of the Board of University Technology MARA, Malaysia and a member of the Board of Trustee of Malaysian AIDS Foundation in her capacity as Treasurer.

Prior to joining DRB-HICOM, she was with a local merchant bank from 1979 to 1992 with exposure in various corporate advisory assignments. In 1992, she joined Master-Carriage (Malaysia) Sdn Bhd as Director, Corporate Affairs. Later in 1997, she was appointed as Vice President, HICOM Holdings Berhad and as Executive Director, DRB-HICOM in 1998 until 2005. She is currently involved in various aspects of investment banking and corporate advisory work for the DRB-HICOM group.

She has direct holdings of 399,440 ordinary shares in the Company and has no family relationship with any Director and/or major shareholder of the Company. She has no convictions for offences within the past 10 years.

Dr. Tiong Ik King

Malaysian, aged 55, was appointed as Non-Independent Non-Executive Director of EON Capital Berhad on 17 December 2002.

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

Dr. Tiong is a Director of Jaya Tiasa Holdings Berhad and Sin Chew Media Corporation Berhad.

Dr. Tiong has direct holdings of 43 ordinary shares in the Company and is a deemed major shareholder of the Company.

Dr. Tiong has no family relationship with any Directors and/or major shareholders of the Company and he has no convictions for offences within the past 10 years.

Mr. Wizayaratnam Somasundram

Malaysian, aged 66, was appointed as Independent Non-Executive Director of EON Capital Berhad on 17 December 2002. He is a member of the Audit Committee and Nominating Committee.

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

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

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

Boards Of Principal Subsidiaries

As At 31 March 2006

EON Bank Berhad

Chairperson	Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh
Members	Mr. Rin Kei Mei Y. Bhg. Dato' Maznah binti Abdul Jalil Mr. Tiong Chiong Ong Y. Bhg. Dato' Zulkifli bin Ali Y. Bhg. Datuk Choo Keng Kit Y. Bhg. Dato' Dr. Mohamad Hashim bin Che Nik Omar Mr. Wizayaratham Somasundram Mr. Albert Lau Yiong (Group Chief Executive Officer and Executive Director)

EONCAP Islamic Bank Berhad

Chairperson	Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh
Members	Y. Bhg. Dato' Maznah binti Abdul Jalil Mr. Albert Lau Yiong Encik Abdul Jamel bin Pawanteh Prof. Dr. Saiful Azhar bin Rosly

Malaysian International Merchant Bankers Berhad

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

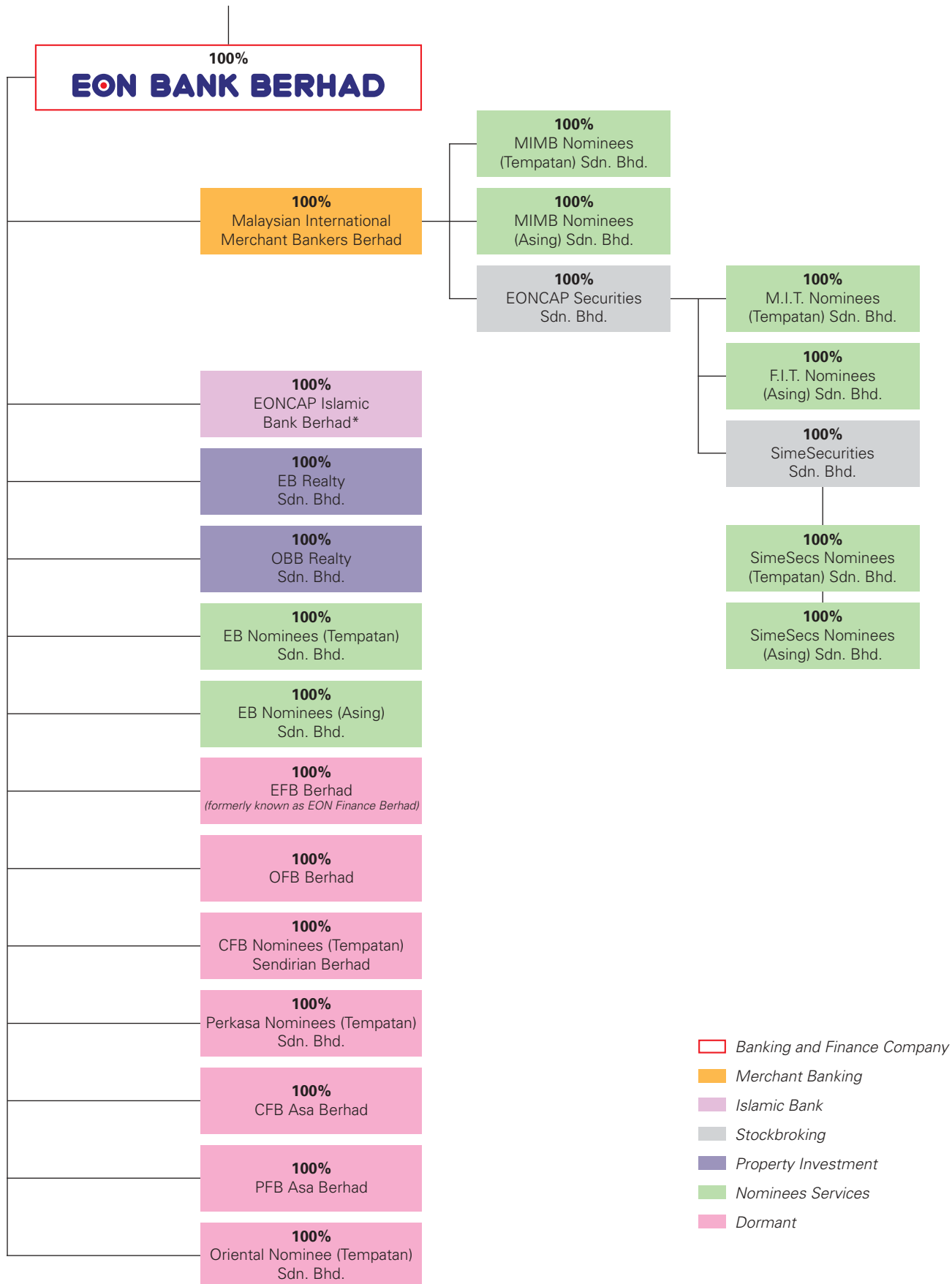
EONCAP Securities Sdn Bhd

Chairperson	Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh
Members	Y. Bhg. Dato' Mohd Hussin bin Abd. Hamid Encik Musa bin Mohd. Dahan Mr. Gopala Krishnan a/l C P Gopalan Mr. Peter Leong Tuck Leng (Chief Executive Officer/Executive Director - Dealing) Mr. Leong Sek Hoe (Executive Director - Operations)

Group Structure

As At 31 March 2006

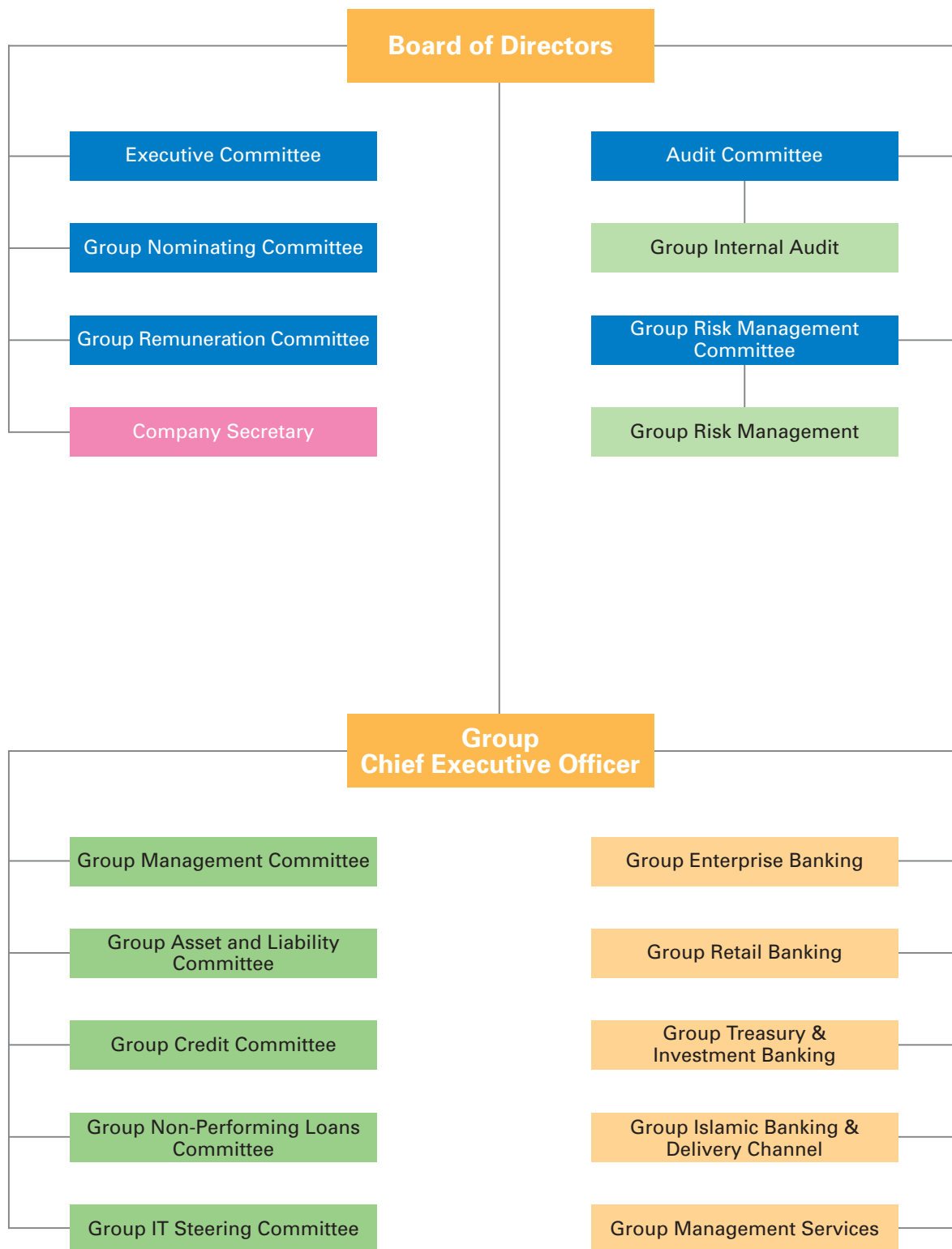
EON CAPITAL BERHAD



* The Group's Islamic Bank commenced business operations on 1 April 2006.

Group Operating Structure

As At 31 March 2006



Board And Management Committees

As At 31 March 2006

BOARD OF DIRECTORS

Executive Committee of Directors (EXCO)	<p>The EXCO reviews and approves all Group policies and guidelines as recommended by the Group Management Committee, and ensures that all aspects of the Group's businesses are aligned with its strategic objectives. The Board also empowers the EXCO to concur, modify or veto loan applications submitted by GCC. The EXCO holds monthly meetings and as and when required.</p>
Audit Committee (AC)	<p>The AC appraises the effectiveness of the system of internal controls and corporate governance framework, review audit findings, annual financial statements, appointment of auditors and their performance. The AC holds monthly meetings and as and when required.</p>
Group Risk Management Committee (GRMC)	<p>The GRMC assists the Board to oversee the effectiveness of credit, market and operational risk management of the banking and finance operations. The GRMC holds quarterly meetings and as and when required.</p>
Group Remuneration Committee (GRC)	<p>The GRC recommends to the Board, policies and framework relating to remuneration and terms of employment for Directors, CEO and key Senior Management. The GRC meets at least once a year and as and when required.</p>
Group Nominating Committee (GNC)	<p>The GNC is responsible for evaluating and recommending new nominees for the Board, Board Committees and CEO. The GNC also assesses the effectiveness of the Board and Board Committees and the performance of Directors, Board Committee members, CEO and key Senior Management. The GNC meets at least once a year and as and when required.</p>
Group Management Committee (GMC)	<p>The GMC reviews and formulates the Group's business plans and policies for EXCO/Board approval and thereafter implements the approved plans and policies. The GMC holds monthly meetings and as and when required.</p>
Group Asset & Liability Committee (ALCO)	<p>The Group ALCO sets objectives and develops policies, procedures and internal measures for the management of the balance sheet structure, market risk and liquidity risk of the Group. The ALCO holds monthly meetings and as and when required.</p>
Group Credit Committee (GCC)	<p>The GCC formulates, reviews and implements credit policies and guidelines approved by the EXCO, as well as approves loan applications. The GCC holds weekly meetings and as and when required.</p>
Group Non-Performing Loans Committee (GNPLC)	<p>The GNPLC assists the Board to oversee, monitor and make recommendations on reduction of the level of non-performing loans in the Group. The GNPLC holds bi-monthly meetings and as and when required.</p>
Group IT Steering Committee (GITSC)	<p>The GITSC develops IT plans, policies, standards and procedures of the Group that are consistent with the business objectives and goals of the Group. The GITSC holds bi-monthly meetings and as and when required.</p>

Group Management

As At 31 March 2006

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



MR. ALBERT LAU YIONG
Group Chief Executive Officer



EN. ABDUL JAMEL BIN PAWANTEH
Deputy Group Chief Executive Officer,
Group Islamic Banking and Delivery Channel



MR. PETER CHOW YING CHOON
Deputy Chief Executive Officer,
Group Enterprise Banking



MR. MARTIN CHU LEONG MENG
Deputy Chief Executive Officer,
Group Management Services



MR. GOPALA KRISHNAN
Deputy Chief Executive Officer,
Group Treasury and Investment Banking

Chairman's Statement



OVERALL BUSINESS ENVIRONMENT

Malaysia's Gross Domestic Product ('GDP') expanded by 5.3% in 2005. According to Bank Negara Malaysia, the growth was driven by the private sector and was underpinned by supportive macroeconomic policies and favourable financial conditions.

Despite concerns on rising oil prices, there was buoyant expansion in private sector activities which was driven by higher disposal incomes arising from high export earnings, favourable job market conditions and measures taken by the Government to contain inflationary pressures.

In 2005, the banking industry recorded strong performance with higher revenues derived from lending and financing activities, sale of wealth management products, provision of remittance services as well as trading and investment activities. Loan quality in the banking industry also improved in 2005.

[Source: Bank Negara Malaysia, Annual Report 2005]

OVERVIEW OF THE GROUP

The Group's gross loans, advances and financing grew by 9.6% as compared to the banking industry where total outstanding loans expanded by 8.6% in 2005. During the year, the Group continued to expand its niche presence in the retail and middle market segments. As at end 2005, the Group's mix of retail and non-retail loans was 67.8% and 32.2% respectively compared to 65.7% and 34.3% as at end 2004.

The growth in retail loans by 13.2% to RM18.2 billion as at end 2005, was largely spurred by the hire purchase business which recorded an impressive growth of 15.9% in 2005. This was in line with the strong demand for passenger vehicles arising from positive market sentiment, attractive financing schemes and introduction of various new models in 2005.

The Group also focused on expanding its credit card business, which has a card base of about 400,000 currently. In 2005, EON Bank Berhad launched its Platinum MasterCard and Touch 'n Go Zing Card. With these new cards and creative promotion programmes, the Group further promoted its presence in this sector. In addition, the Group started to recruit new merchants and introduced our merchant services to the Group's existing corporate clients and business associates towards the end of 2005.

EON Bank Priority Investment Centres ('EPIC') were launched in 8 EON Bank branches in 2005. EPIC is designed to offer convenient facilities for customers to place orders for purchase and sale of shares, settlement and obtaining financing and professional advisory services under one roof. Orders placed with the EPIC Manager are routed to EONCAP Securities Sdn Bhd for onward execution at Bursa Malaysia and payment/settlement will be handled at the branch by crediting or debiting customers' accounts.

To gain wider customer reach, the Group expanded its branch network in 2005 with the opening of five new branches during the year. The new branches are located in Sarikei in Sarawak, Bandar Sri Petaling and Taman Connaught in Wilayah Persekutuan, Bukit Tinggi in Selangor and Kluang in Johor. In addition, the Group will continue to roll out Electronic Banking Centres at selected new and existing branches.

During the year, the Group launched its reengineered business model with the implementation of the 5Cs – Regional Business Centre, Area Business Centre, Retail Centre, Credit Administration Centre and Credit Recovery Centre nationwide. The hubbing of backroom processes and marketing functions will enable the branches to focus their attention on customer service and sale of bancassurance and wealth management products.

AWARDS AND RECOGNITION

EON Bank Berhad has been selected, as one of the four banks, to be the recipient of the 11th CGC Top SMI Supporter Award 2005. This is in recognition of the progress made by the Bank toward supporting the SMEs in 2005. In 2005, SME financing registered an impressive growth of 25.7% to RM3.1 billion as at end 2005 and constituted 14.4% of the Group's total loan portfolio.

The Group's merchant banking subsidiary, Malaysian International Merchant Bankers Berhad ('MIMB') received three prestigious international awards for its role in lead arranging Jimah Energy Ventures' RM5.1 billion Structure Islamic Financing Facilities. The awards are the 2005 Malaysia Best Deal Award from The Asset, the 2005 Asia Pacific Bond Deal of the Year Award from Project Finance International and the 2005 Asia Project Bond Deal of the Year Award from Euromoney Project Finance. On the local front, MIMB was also awarded the 2005 Malaysia Best Corporate Finance Deal from The Edge.

The Jimah Energy Ventures project financing is a landmark transaction, which sets a benchmark not only in Malaysia, but in the Asia Pacific region due to the uniquely innovative structure using Islamic Bonds instruments to finance a greenfield power plant project. As the architect of the Jimah project financing, MIMB is recognised for introducing the first Islamic Floating Rate Bonds issue, the first securitisation of the project's equity via subordinated Islamic Bonds by a special purpose vehicle and the longest dated deferred issuance of Islamic debt instrument in the Malaysian capital markets. The Jimah deal is also recognised as the largest non-recourse power project debt financing in Asia for 2005.

CORPORATE EXERCISES

On 22 February 2006, the Group's stockbroking arm, EONCAP Securities Sdn Bhd acquired SimeSecurities Sdn Bhd. This is in line with the "Framework on Consolidation of Stockbroking Companies" issued by the Securities Commission. This acquisition will provide the Group with a platform to form its investment bank involving the integration of the merchant banking and stockbroking companies within the group to enhance operational efficiency and effectiveness.

On 1 April 2006, EON Bank Berhad's Islamic Banking business was transferred to its new wholly owned subsidiary, EONCAP Islamic Bank Berhad. Effective from that date, the Group's Islamic Banking business is carried out under this Islamic Bank subsidiary. The Group is set to further expand its Islamic Banking business through dedicated business focus while leveraging on its group branch network and infrastructure to maximise on revenue and cost synergies.

In 2005, EON Bank Berhad completed the acquisition of Wisma Cyclecarri, the Corporate Head Office and renamed the building "Menara EON Bank" effective 28 December 2005.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2005, EON Capital Group recorded a profit before tax of RM400.3 million, a marginal decline of 0.3% compared to the previous financial year of RM401.3 million amidst highly competitive market conditions. Profit after tax for the financial year was RM283.2 million, representing a 10.4% return on average shareholders funds. The Group's earnings per share for the financial year ended 31 December 2005 stood at 40.8 sen and net tangible assets per share registered an increase of 9.0% to RM3.98 as at 31 December 2005.

As compared to the previous financial year, the Group's non-interest income and income from Islamic Banking increased by RM103.9 million and RM20.6 million respectively. The increase in non-interest income is largely contributed by the increase in gain on sale of securities as well as fee and commission income from advisory, management and service fees. The increase in income from Islamic Banking was due to favourable growth in the Islamic Banking portfolio.

During the year, the Group adopted the 3-month classification for non-performing loans ('NPL') which resulted in a reduction in net interest income by RM17.8 million. Overhead expenses also increased, largely due to one-off expenses incurred on the Voluntary Separation Scheme and loss on disposal of Oriental Bank Building.

EON Capital Group's balance sheet as at 31 December 2005 continued to remain strong with total assets of RM35.6 billion, an increase of 6.6% compared with RM33.4 billion (incorporating prior year adjustments arising from the adoption of Bank Negara Malaysia's revised BNM/GP8) as at 31 December 2004. Total shareholders' funds of the Group increased by 8.0% to RM2.8 billion, representing net tangible assets per share of RM3.98.

In 2005, the Group's gross loans, advances and financing grew by 9.6%, mainly due to the growth in financing for transport vehicles which constitutes 36.3% of the Group's total loan portfolio and was the largest component. This was in line with the strong demand for passenger vehicles coupled with the Group's marketing efforts and attractive promotional packages. Our market share (in terms of car units) of financing for new passenger cars improved from 21.2% in 2004 to 22.9% in 2005.

As at end 2005, mortgage financing made up 18.3% of the Group's total loan portfolio and was the Group's second largest component of retail loans. Mortgage financing increased by 12.1% to RM4.9 billion as at end 2005 and the healthy growth was attributable to the Group's continual efforts to provide enhanced and diverse mortgage financing packages.

The Group's Islamic Banking operations registered an increase in profit after zakat of RM32.0 million or 43.2% in the financial year ended 31 December 2005 compared to the previous financial year. The improvement in performance was due to the growth in Islamic financing assets, which increased by 12.8% to RM3.8 billion as at 31 December 2005. As at 31 December 2005, total Islamic financing assets accounted for 14.5% of the Group's total loan portfolio while total Islamic banking assets constituted 12.0% of the Group's total assets.

Arising from the change in NPL classification from 6-months to 3-months, the volume of NPLs (excluding interest-in-suspense and NPLs which have no adverse financial impact on the Group) increased to RM1.38 billion at the end of 31 December 2005. Had the NPL classification remained at 6-months, the Group's outstanding NPL would have been lower in 2005 compared to 2004. Notwithstanding that, gross and net NPL ratios remained below industry average at 6.9% and 5.3% respectively as at 31 December 2005. Following the adoption of the more prudent 3-months classification for NPL, we have reduced the general provision rate from 1.7% to 1.5% this year.

Total deposits from customers increased by 6.0% to RM24.0 billion as at the end of 31 December 2005. Approximately 83.9% of the Group's funding as at 31 December 2005 was derived from customer deposits.

As at 31 December 2005, EON Bank Berhad remained strongly capitalised with a risk weighted capital ratio of 13.1% and Tier-1 capital ratio was 10.1%.

DIVIDENDS

For the financial year ended 31 December 2005, the Board of Directors is pleased to recommend the payment of a first and final gross dividend of 16.0 sen per share on 693,208,732 ordinary shares, less income tax at 28%, amounting to RM79,857,646. The dividend payment will be made upon approval by shareholders at the forthcoming Annual General Meeting.

HUMAN RESOURCES

Following the merger of EON Bank Berhad with Oriental Bank Berhad in 2001, and the subsequent merger of EON Bank Berhad and EON Finance Berhad (now known as EFB Berhad) in 2004, the Group has taken various initiatives to improve on the synergies from the mergers and to operate in an effective and efficient manner. These initiatives include Information Technology systems migration to one common platform, Branch Rationalisation Exercises and Business Model Re-engineering. To further improve productivity, the Group launched a Voluntary Separation Scheme for staff of EON Bank Berhad towards end 2005.

COMMUNITY OUTREACH

The Group continues to uphold its role as an exemplary corporate citizen. In 2005, zakat payments totalling RM10.6 million were made to various state religious authorities and organizations such as Yayasan Pembangunan Ekonomi Islam Malaysia, Majlis Agama Islam dan Adat Melayu Terengganu, Majlis Agama Islam dan Adat Melayu Kelantan, Jawatankuasa Zakat Negeri Kedah Darul Aman and Majlis Agama Islam dan Adat Istiadat Melayu Perlis.

GROUP BUSINESS DIRECTION

The economic environment in Malaysia is expected to remain favourable and the financial services industry is expected to remain keenly competitive in 2006. The Group will continue to build its presence and strengthen its niche position in the retail and middle market segment via efficient and effective delivery services to remain competitive.

A WORD OF APPRECIATION

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

On behalf of the Board, I would like to express our gratitude and appreciation to Tan Sri Dato' Seri Mohd Saleh bin Sulong for the invaluable contribution during his tenure as Chairman of EON Capital Berhad.

DR. UMIKALSUM BINTI MOHD NOH

Deputy Chairman

Review Of Operations



GROUP ISLAMIC OPERATIONS

Group Islamic Banking provides a range of Syariah compliant products and services such as House Financing-i, Gratuity Financing-i, Ar Rahn Pawning-i, Hire Purchase-i, Cash Line Facility-i and General Investment Account-i. Islamic Banking operations are performed through Islamic windows in conventional branches and full-fledged Islamic branches. The Group's Islamic Banking financing assets are managed by Group Retail Banking and Group Enterprise Banking.

The Group's Islamic Banking operations recorded a higher profit before zakat of RM109.7 million for the financial year ended 31 December 2005, an increase of 37.8% compared to RM79.6 million in the previous financial year. The growth in gross Islamic financing assets, which grew by 12.5% to RM3.9 billion, was the main reason for the improvement in profit before zakat.

In line with the Group's focus, retail financing constitutes 75.6% of Islamic Banking financing assets as at end 2005. In 2005, Hire Purchase-i and Gratuity Financing-i continued to be the major contributors to the growth in financing assets. Hire Purchase-i financing grew by 30.0% to RM1.7 billion as at end 2005 compared to RM1.3 billion as at end 2004 and Gratuity Financing-i registered a growth of 90.0% to RM166.9 million.

On the funding side, Mudarabah general investment deposits registered the most significant growth of 35.4% to RM2.1 billion as at end 2005. Overall, total customer deposits increased by 14.1% to RM3.0 billion.

As at end 2005, Islamic Banking operations accounted for 12.0% of the total banking assets, 14.5% of the total gross loans and financing portfolio and 13.1% of the total deposits of the Group.

On 1 April 2006, EON Bank Berhad's wholly owned subsidiary, EONCAP Islamic Bank Berhad, commenced business as an Islamic Bank licensed under Section 3(4) of the Islamic Banking Act, 1983. Effective from this date, EON Bank's Islamic Banking business was transferred to EONCAP Islamic Bank Berhad. To take advantage of revenue and cost synergies, Islamic Banking products and services will be marketed by both EON Bank Berhad and EONCAP Islamic Bank Berhad's branches. Moving forward, EONCAP Islamic Bank Berhad aims to strengthen its presence in the retail segment and also focus on lending to the small and medium enterprise ('SME').



GROUP RETAIL BANKING

Group Retail Banking provides a range of retail conventional as well as Islamic banking products and services. This includes hire purchase financing, retail loans for the broad property sector, credit cards, retail share financing, retail deposits, prestige banking and wealth management products and services, such as bancassurance and unit trusts.

The continuous strong growth of motor vehicle sales in 2005 was largely driven by low interest rates and attractive promotional packages. Several new car models were also launched and introduced in the year. In line with the industry, hire purchase business grew and increased by 15.9% to reach RM10.7 billion as at 31 December 2005. Total amount of financing for the purchase of transport vehicle made up 36.3% of the Group's total gross loan portfolio.

The Super Easi 123, Super Easi Flexi and Non-Residential Financing housing loan packages were enhanced with additional packages available for residential properties under construction and a special package for low cost housing scheme. These efforts have increased the loans portfolio for the purchase of residential properties by RM533.6 million to RM4.9 billion as at 31 December 2005.

Having successfully converted all existing magnetic stripe credit cards to the security enhanced EMV embedded chip cards, total credit card base increased strongly in 2005 to nearly 400,000. The Group has also collaborated with Rangkaian Segar Sdn Bhd to launch the EON Bank Touch 'n Go Zing Card with enhanced security features. The Zing Card is linked to EON BANK GROUP Visa or MasterCard Credit Card and provides the convenience of automatic reload service for Touch 'n Go cards used at highway toll concessionaires and several car parks and public transport services.

The Kuala Lumpur Composite Index started the year at 907 points and lifted to a high of 952 in early August 2005 when the ringgit was de-pegged on 21 July 2005. The Kuala Lumpur Composite Index ended the year down 0.8% to 899.8 amidst concerns of high crude oil prices and rising interest rates. Likewise, retail share financing also showed a decline of RM33.5 million or 8.6% to RM354.7 million as at 31 December 2005.

Wealth Management's strategic alliances with the Uni.Asia Group resulted in strong bancassurance sales of RM93.7 million in the financial year ended 31 December 2005. In the distribution of third party unit trusts, the Group tied-up with ING Fund Berhad and Prudential Unit Trust and together with existing partners, namely SBB Mutual Berhad, Hwang-DBS Unit Trust Berhad and TA Unit Trust Management Berhad, the Group secured total unit trust sales of RM67.1 million in 2005.

Overall, retail banking loans asset portfolio grew by 13.2% or RM2.1 billion to RM18.2 billion and accounted for 67.8% of the Group's total gross loans and financing of RM26.9 billion as at 31 December 2005.



GROUP ENTERPRISE BANKING

Group Enterprise Banking offers both conventional and Islamic credit facilities to meet the financing needs of its customers which range from small and medium enterprises ('SMEs') to large Corporations listed on Bursa Malaysia.

As at 31 December 2005, total loans and advances managed by Group Enterprise Banking stood at RM8.9 billion which was a 2.8% increase from RM8.6 billion in 2004.

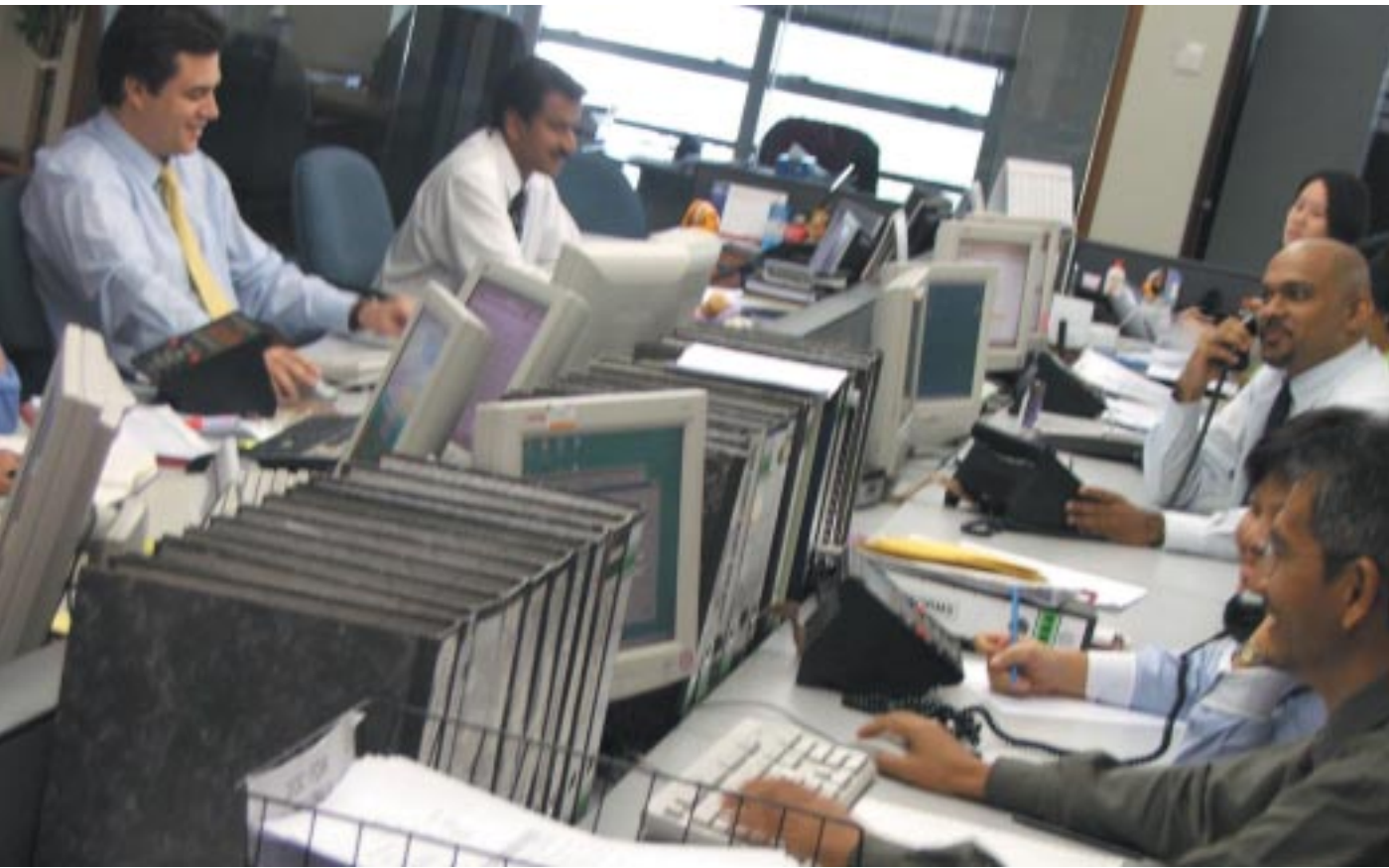
In 2005, loans to the SME sector grew strongly by 25.7% or RM798.0 million to RM3.9 billion as at end 2005 from RM3.1 billion as at end 2004. However, loans to non-SMEs declined 10.3% to RM4.9 billion from RM5.5 billion in the preceding year as there was an increasing preference of corporations to seek private debt securities as an alternative source of funding. Loans and advances managed by Group Enterprise Banking was 32.2% of the Group's total loans and advances as at 31 December 2005.

The Bank has been selected, as one of 4 banks, to be the recipient of the 11th CGC Top SMI Supporter Award 2005. This is in recognition of the progress made by the Bank towards supporting the SMEs in 2005.

Group Enterprise Banking remains focused on lending to the SMEs with the ultimate objective of becoming a leading financial services provider to the SME sector. SME lending as a percentage of loans managed by Group Enterprise Banking increased by 8.0% to 44.0% from 36.0% in 2004. Likewise, SMEs share of the Group's loans and advances increased to 14.4% from 12.6% in 2004.

As a result of concerted efforts to promote trade services especially to the SMEs, trade loans grew 12.0% to RM2.1 billion from RM1.9 billion in the previous year. The two trade finance centers - one in Penang and the other in Kuala Lumpur - continued to play an effective role in ensuring speedy processing of trade documents as well as the provision of advice on trade related matters.

Moving forward, Group Enterprise Banking will continue to focus on significantly increasing its lending to the SME sector and continue to enhance non-interest income especially from trade finance and its related fee businesses. In addition, Group Enterprise Banking will also preserve as well as strengthen its loan assets quality through effective management of existing loans portfolio, as well as good credit culture and improve its customer service.



GROUP TREASURY & INVESTMENT BANKING

Group Treasury & Investment Banking comprises EON BANK GROUP's Treasury Operations, merchant banking business under Malaysian International Merchant Bankers Berhad ('MIMB') and stockbroking business under EONCAP Securities Sdn Bhd ('EONCAP Securities'). Group Treasury & Investment Banking's activities envelope a broad financial range and covers liquidity management, balance sheet management, portfolio management, capital market operations, equities broking, share margin financing and fee-based advisory services. The average treasury securities portfolio under its management amounted to RM4.0 billion in 2005.

Group Treasury Operations

In 2005, continued US monetary tightening saw the Federal Funds Rate increased from 2.25% to 4.25% in eight equal 25 basis points move at each of the eight Federal Open Market Committee meetings. Under such an environment of steady increases, foreign exchange investors increased holdings of US dollars even in the face of increased risk from ballooning US fiscal and trade deficits. The US dollar appreciated 14.7% by year-end against the Japanese Yen and 12.5% against the Euro.

Following the US Federal Reserve, Asian monetary authorities begin tightening monetary policy to stem the expected outflow of funds, and in the process sent bond yields up and prices down. In this environment, fixed income portfolios suffered, with yields on corporate debt closing the spread against government securities.

Accordingly, in anticipation of higher domestic interest rates, Group Treasury Operations adopted a prudent approach when building its fixed income investment portfolio during the year. On 30th November 2005, BNM raised the Overnight Policy Rate by 30 basis points, citing strong economic activity and persistent inflationary pressure from higher energy prices. This move in monetary policy aided in reducing capital outflow and provided relief to the capital markets, which had been pressured by falling asset prices. Group Treasury's selective asset purchases for trading, investment and liquidity requirements enabled it to make modest gains.

Events locally were also governed by expectations of the lifting of the Ringgit fixed exchange regime, with sentiments being driven by US pressure on China to revalue its currency following trade imbalances between the countries. Expectations were realised on 21 July 2005 when China lifted its fixed regime to one of a managed float, trade-weighted against a basket of currencies. BNM followed immediately with the lifting of its own fixed rate regime with a similar move to weigh the Ringgit against its own basket of trade-currencies.

The move to a free float currency contributed to higher earnings from exchange related transactions as foreign exchange turnover in Group Treasury surged by 60% in July 2005, year on year. Business volume tapered off towards the end of the year as the expected wide fluctuations in the currency did not materialise, with the currency range being 3.7405 to 3.7900.

In supporting the Group-wide operations, the Division continues to provide value-added services to the other business units of the Group with regards to marketing, funding, pricing and distribution of Group products and services. During the year, Group Treasury Operations worked hand in hand with MIMB, in the financing and distribution of new private debt securities with total face value of RM6.8 billion.

Merchant Banking Business

MIMB's existing business activities are focused on rendering full client services in key areas of investment banking such as corporate finance, structured finance, debt capital markets, placements and underwriting.

In year 2005, MIMB Group delivered strong results with a net profit of RM24.1 million, a 231.4% increase compared to year 2004.

Among the major deals that contributed to MIMB's good performance in 2005 were:

- Jimah Energy Ventures Sdn Bhd - RM4,847,000,000 Senior Istisna' Medium Term Notes Facility which was awarded The Asset Country Awards - Malaysia's Best Deal.
- Special Power Vehicle - RM1,001,700,000 Bai' Inah Medium Term Notes Facility
- CapOne Berhad -RM1,000,000,000 Nominal Value Asset-Backed Bonds arising from a Primary Collateralised Loan Obligations Transaction.
- Ample Zone Berhad - RM150,000,000 Sukuk Al-Ijarah Facility.

In the Initial Public Offerings scene, MIMB had successfully listed IQ Group Holdings Berhad on the Main Board of Bursa Malaysia Securities Berhad and Daya Materials Berhad on the MESDAQ market in 2005.

Moving forward, MIMB will continuously strive to introduce more innovative products and services to the market. MIMB also plans to strengthen research capabilities to better serve its institutional clients.

Stockbroking Business

On 28 October 2005, MIMB's wholly-owned subsidiary, EONCAP Securities, entered into a Share Sale Agreement for the acquisition of SimeSecurities Sdn Bhd ('SimeSecurities') to comply with the Securities Commission's ('SC') Policy for Consolidation of the Stockbroking Industry and the Guidelines of Investment Banking ('IB') jointly issued by Bank Negara Malaysia and SC. The acquisition of SimeSecurities was completed on 22 February 2006. This will position MIMB to move forward in the formation of IB, offering stockbroking services and generating synergies with other capital market services currently being offered by MIMB.

In 2005, EONCAP Securities further expanded its stockbroking services by launching the EON Bank Priority Investment Centre (EPIC) at EON Bank Branches. In 2005, EPIC was launched in 8 branches and plans are in the pipeline to roll out EPIC at another 37 EON Bank branches by the middle of 2006. These one-stop solutions complement the Group's existing stockbroking business and are designed to offer convenience to EON Bank's customers. This unique stockbroking service will strengthen the Bank's niche of providing well-designed services to meet the growing demands of its customers.

As at 31 December 2005, EONCAP Securities continues to maintain a healthy Capital Adequacy Ratio ('CAR') of 18.6 times with Shareholders' Funds of more than RM100 million. Its CAR is well above the minimum requirement of 1.2 times.

Statement On Corporate Governance

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

Set out below is a statement by the Board of EON Capital Berhad on the application by the Group of the principles contained in the Malaysian Code on Corporate Governance ('Code'), and the extent of compliance with the best practices of the Code for the financial year ended 31 December 2005.

BOARD OF DIRECTORS

COMPOSITION

As at 31 December 2005, the Board comprised six (6) members, all of whom are Non-Executive Directors; of which four (4) are non-independent and two (2) are independent. On 1 March 2006, Y. Bhg. Tan Sri Dato' Seri Mohd Saleh bin Sulong resigned as Director and Chairman of EON Capital Berhad and ceased to be Chairman / member of the various Board Committees. The appointment of the new Chairman of EON Capital Berhad is currently pending the approval of Bank Negara Malaysia.

The Board is of the view that the Board composition fairly reflects the extent of the investment of shareholders in the Company. The profiles of the members of the Board are presented on page 9 and 10 of the Annual Report.

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

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

BOARD RESPONSIBILITIES

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

The Board:

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

BOARD MEETING AND SUPPLY OF INFORMATION

During the financial year, four (4) board meetings were held. The attendance of the Directors at board meetings are presented on page 3 of the Annual Report.

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

APPOINTMENT OF DIRECTORS

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

RE-ELECTION OF DIRECTORS

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

DIRECTORS' TRAINING AND CONTINUING EDUCATION PROGRAMME

All the Directors have attended the Mandatory Accreditation Programme conducted by Research Institute of Investment Analysts Malaysia and completed the Continuing Education Programme within the stipulated timeframe.

In the financial year ended 31 December 2005, all Directors attended training on the new Financial Reporting Standards. In addition, some Directors have also attended other training to keep abreast with developments in the market place and to aid the Directors in the discharge of their duties as directors.

BOARD COMMITTEES

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

- Audit Committee
- Nominating Committee
- Remuneration Committee

THE AUDIT COMMITTEE

The Audit Committee of EON Capital Berhad comprises of three (3) members, the majority of whom are Independent Non-Executive Directors of the Board. The Committee is responsible to implement and support the oversight function of the Board. A separate Audit Committee of its principal subsidiaries, namely EON Bank Berhad and Malaysian International Merchant Bankers Berhad are also in operation. All Audit Committees appraise the effectiveness of the system of internal controls and corporate governance framework, review annual financial statements, audit findings from internal auditors, external auditors and regulatory authorities and recommend appropriate remedial action to their respective Boards.

The Report of the Audit Committee is set out on page 31 and 32 of the Annual Report.

THE NOMINATING COMMITTEE

The Committee comprises three (3) members, the majority of whom are Independent Non-Executive Directors of the Board. The Committee is responsible to:

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

The members of the Nominating Committee as at 31 December 2005 are as follows:

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

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

THE REMUNERATION COMMITTEE

The Committee comprises three (3) members, the majority of whom are Non-Executive Directors of the Board. The Committee is responsible to:

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

The members of the Remuneration Committee as at 31 December 2005 are as follows:

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

The Board of EON Bank Berhad has also formed a Group Nominating Committee and Group Remuneration Committee. The EON BANK GROUP Nominating Committee assists in identifying and nominating new Directors for EON Bank Berhad and its subsidiaries. The EON BANK GROUP Remuneration Committee develops and recommends remuneration policies and packages for Directors of the EON BANK GROUP, Group Chief Executive Officer and key Senior Management. The EON BANK GROUP Remuneration Committee also determines and approves the basis for the annual salary increment for executive staff of EON BANK GROUP.

The Board of EON Bank Berhad also established other Board and Management Committees with clear terms of reference as presented on page 13 and 14 of the Annual Report to review EON BANK GROUP's business activities and operations.

DIRECTORS' REMUNERATION

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

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

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

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

Directors' Remuneration	Total
RM50,001 - RM100,000	2
RM100,001 - RM150,000	–
RM150,001 - RM200,000	–
RM200,001 - RM250,000	–
RM250,001 - RM300,000	2
RM300,001 - RM350,000	–
RM350,001 - RM400,000	1
RM400,001 - RM450,000	–
RM450,001 - RM500,000	1

The aggregate remuneration paid to Non-Executive Directors of the Company, analysed by category are disclosed in Note 30 to the financial statements as set out in page 106 of the Annual Report.

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

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

INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION

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

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

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

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

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

Name	Telephone No.	Facsimile No.
Company Secretary	03-2696 2864	03-2693 0773

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

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

The Statement of Directors' responsibility for preparing the financial statements is set out on page 30 of this Annual Report.

INTERNAL CONTROL

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

The Group's Statement of Internal Control is set out on page 33 and 34 of the Annual Report.

RELATIONSHIP WITH EXTERNAL AUDITORS

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

The role of the Audit Committee in relation to the external auditors may be found in the Audit Committee Report set out on page 31 and 32 of the Annual Report.

ADDITIONAL COMPLIANCE INFORMATION

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

1. Utilisation of Proceeds raised from Corporate Proposal

During the financial year ended 31 December 2005, no Corporate Exercise was undertaken by the Group to raise additional capital for working capital or acquisition of major business or assets.

On 21 January 2004, EON Bank Berhad, the commercial bank subsidiary issued USD225 million (equivalent to RM855 million) nominal value fixed coupon Subordinated Notes, which mature on 21 January 2014. The salient terms and conditions of the Notes are disclosed in Note 21 to the financial statements as set out on page 100 and 101 of the Annual Report. The net proceeds arising from the issuance of the Notes have been utilized for general banking purposes.

2. Sanctions and/or Penalties

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

3. Non-Audit Fees

The amount of non-audit fees paid and payable by the Company and its subsidiaries to the external auditors and their affiliated companies for the financial year ended 31 December 2005 was RM316,785.

4. Material Contracts

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

5. Recurrent Related Party Transactions

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

Statement Of Directors' Responsibility For Preparing The Financial Statements

In the course of preparing the annual financial statements of the Group and of the Company, the Directors are collectively responsible in ensuring that these financial statements are drawn up in accordance with the requirements of the Malaysian Accounting Standards Board ('MASB') approved accounting standards in Malaysia, Bank Negara Malaysia Guidelines, the provision of the Companies Act, 1965 and the Listing Requirement of Bursa Malaysia Securities Berhad.

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

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

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

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

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 61 of the Annual Report.

Audit Committee Report

1. MEMBERSHIP

The Audit Committee serves to implement and support the oversight function of the Board. Details of its membership for the financial year ended 31 December 2005 are as follows:

Composition	Designation/Directorship Status
Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh	Chairperson/Independent Non-Executive Director
Y. Bhg. Tan Sri Dato' Seri Mohd Saleh bin Sulong	Member/Non-Independent Non-Executive Director
Mr. Wizayaratnam Somasundram	Member/Independent Non-Executive Director

During the financial year ended 31 December 2005, there were five (5) meetings convened in January, March, April, July and October 2005. The details of the attendance of each member are as follows:

No.	Committee Members	Attendance
1.	Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh	5 out of 5 meetings
2.	Y. Bhg. Tan Sri Dato' Seri Mohd Saleh bin Sulong	5 out of 5 meetings
3.	Mr. Wizayaratnam Somasundram	5 out of 5 meetings

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

2. COMPOSITION AND TERMS OF REFERENCE

2.1 Members

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

2.2 Chairperson

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

2.3 Secretary

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

2.4 Meetings

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

2.5 Authority

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

3. DUTIES AND RESPONSIBILITIES

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

i. External Auditors

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

ii. Internal Auditors

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

iii. Others

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

4. THE INTERNAL AUDIT FUNCTION AND SUMMARY OF ACTIVITIES

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

Statement On Internal Control

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

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

The key controls of the EON BANK GROUP are:

BUSINESS AND ORGANISATIONAL STRUCTURE

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

FINANCIAL REPORTING

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

RISK MANAGEMENT

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

Operational risks are inherent in the complexity of banking operation, particularly in branch and other delivery channels and in IT infrastructure and activities. The branch network is overseen by a Branch Supervision function that has put in place a self-audit checklist to institute continual awareness and implementation of controls. Additionally, Group Risk Management function has implemented an Operational Risk Management framework, including processes and tools, for identifying, assessing, monitoring and managing operational risks across the branches and head office departments of the Bank and Malaysian International Merchant Bankers Berhad, with work-in-progress being implemented for the rest of the Group. Audit reports on the compliance level for controls as well as adequacy and integrity of management information systems are reviewed regularly by the Audit Committee of the Board, which reports to the Board on emerging issues and trends.

PROCEDURAL GUIDELINES AND TRAINING AND DEVELOPMENT PROGRAMS

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

INTERNAL AUDIT

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

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

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

Risk Management Framework

Risk is inherent in all businesses and the effective management of risk is a core competence within EON Capital Group. EON Capital Berhad, relies on the risk management structure of EON BANK GROUP ('the Group') to efficiently manage the Group's major risks including market risk, liquidity risk, operational risk and credit risk.

Risk is defined as adverse impact on profitability arising from several distinct sources of uncertainties. Main sources of uncertainties are interest rate, market, liquidity, operational and credit.

The underlying principal of risk management is for the risk functions to operate as an independent control working in partnership with the business units to provide competitive advantage to the Group. This is also to establish a common risk management language that includes common measures around likelihood and impact and common risk categories.

Ultimate responsibility for the effective management of risk rests with the Board of Directors ('the Board') who control and manage risk through the Group Risk Management Committee.

Group Risk Management Committee is responsible for the following:

1. Reviewing and recommending risk management strategies, policies and risk tolerance for Board's approval;
2. Reviewing and assessing adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively;
3. Ensuring infrastructure, resources and systems are in place for risk management i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of EON BANK GROUP's risk taking activities; and
4. Reviewing Management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

Group Risk Management provides the main support to the Group Risk Management Committee. Group Risk Management is responsible in assisting Group Risk Management Committee and the Board in ensuring the risk management activities are carried out as per its directives. Among others, Group Risk Management is responsible for setting the risk management framework and developing tools and methodologies for the identification, measurement, monitoring, control and valuation of risks.

Group Risk Management consists of 3 main units namely Market Risk Management Unit, Credit Risk Management Unit and Operational Risk Management Unit. The roles and responsibilities of each unit are elaborated under the Risk Management Approach section below.

In addition to Group Risk Management, the Group Internal Audit also complements the role of managing risk in the following manner:

1. Ensure that the risk policies prepared by Group Risk Management are enforced through regular audit cycle;
2. Perform independent review to assess the risk control environment developed by Group Risk Management;
3. Perform independent review to assess the risk grading system and the credit process;
4. Form independent opinion on risk controls being formulated by Group Risk Management.

RISK MANAGEMENT OBJECTIVES

The Group's broad risk management objectives are: -

- Align risk appetite and strategy – Risk appetite is the degree of risk, on a broad-based level, that the Group is willing to accept in pursuit of its goals. Risk appetite is set first in evaluating strategic alternatives, then in setting objectives aligned with the selected strategy and in developing mechanisms to manage the related risks;
- Link growth, risk and return – The Group accepts risk as part of value creation and preservation, and expects return to commensurate with the risk. The Framework provides an enhanced ability to identify and assess risks and establish acceptable levels of risk relative to growth and return objectives;
- Enhance risk response decisions – The Group strives to identify and select among alternative risk responses - risk avoidance, reduction, sharing and acceptance based on generally accepted practices and methodologies;
- Minimise operational surprises and losses – The Group continually enhances its capability to identify potential events, assess risk and establish responses, thereby reducing the occurrence of surprises and related costs or losses;
- Identify and manage cross-risks – Every product faces a myriad of risks. The Group not only manages individual risks, but also manages interrelated impacts;
- Provide integrated responses to multiple risks – Business processes carry many inherent risks and the Group continually finds solutions for managing the risks;
- Seize opportunities – The Group considers potential events, using risk management as offensive initiatives rather than just risks (defensive), and by considering a full range of events, the Group gains an understanding of how certain events represent opportunities; and
- Rationalise capital – More robust information on total risk allows the Group to more effectively assess overall capital needs and improve capital allocation.

RISK MANAGEMENT APPROACH

MARKET AND LIQUIDITY RISKS

Definition

Market Risk

Market risk is the potential adverse change in the value of a portfolio of financial instruments due to changes in interest rates, foreign exchange rates and equity prices.

Liquidity Risk

The Group recognises two types of liquidity risk:

1. Funding liquidity risk is the risk that the Group is unable to meet its payment obligation as they arise; and
2. Market liquidity risk is the risk that the Group cannot easily eliminate or offset a particular position without significantly affecting the previous market price because of inadequate market depth of market disruption.

Risk Management Responsibility

Policies and terms of reference are set within Group Treasury & Investment Banking which manages market and liquidity risk exposures on a day-to-day basis, whilst Group Risk Management is responsible to control and provide oversight of market and liquidity risks at Group level through risk limits approved by the Board.

Roles and responsibilities of the Market Risk Management Unit:

1. Providing daily independent oversight of the Group's trading and capital market activities;
2. Ensuring that the Group's market risk management objectives are achieved through the development, implementation, maintenance and enhancement of a comprehensive risk management framework that comprises qualitative and quantitative methodologies to identify, measure, monitor, control and report market risks, which cover exposures/sensitivity of current exposures to market movements;
3. Providing consultative services to all relevant units within the Group on all matters pertaining market risks management and treasury operations;
4. Providing revaluation prices of relevant treasury products transacted by various business units within the Group.

Risk Identification

1. All market and liquidity risk management policies and limits are tabled to the Group Asset and Liability Committee and Group Risk Management Committee before being approved by the Board.
2. New products and variations of existing products are vetted through the new product implementation process and signed-off by respective business units, risk control units and support units before they are allowed to be transacted.

Risk Measurement

Risk limits are determined for each portfolio. Limits are set by product and risk type. The risk appetite being a principal factor in determining the level of limits set. Limits are set using a combination of the following risk measurement techniques:

Nominal:	Limits are placed on gross nominal positions
Marking-to-Market:	Limits are established to avoid the accumulation of excessive losses in trading position.
Interest Rate Sensitivity Analysis:	Interest rates are analysed under various scenarios to gauge the impact on net interest income and economic value
Maturity Gap Analysis:	Analysis is done to enable the Group to gauge the risk of adverse changes in interest rates.
Regulatory:	Application of regulatory New Liquidity Framework.

Risk Control

1. Group Risk Management develops a comprehensive set of written policies to govern the management of market and liquidity risks of the Group. These policies and procedures take into account the size, nature, scope and structural complexity of the products transacted by the Group.
2. Policies and limits are reviewed periodically and affirmed by the Board.
3. Group Risk Management also develops measurement techniques and reviews limit utilisation on periodic basis.
4. To ensure a stable source of funds, customer deposits are widely diversified by type and maturity.

Risk Reporting

Group Risk Management provides regular risk reporting to the Board and Senior Management to communicate risk exposures and steps to mitigate exposures.

OPERATIONAL RISK

Definition

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputation risks.

Risk Management Responsibility

An Operational Risk Management Framework has been implemented across the Group. The framework consists of processes, procedures, governance structure and methodologies that will assist all business and support units to identify, assess, monitor and control their operational risks in a structured, systematic and consistent manner.

The guiding principle of the framework is that all line management at all levels is responsible for directing and controlling their own operational risks. The goal of operational risk management is to reduce the Group's exposure to unexpected losses and to manage expected losses.

Roles and responsibilities of the Operational Risk Management Unit:

1. Evaluate and assess adequacy of strategies to manage the operational risks associated with the Group's activities.
2. Ensure that the Group's operational risk management objectives are achieved through formalized operational risk management policies and framework.
3. Ensure that all operational risks within the Group are identified, assessed, monitored and reported accordingly.
4. Assist and administer in the assessment, monitoring and reporting of all operational risks using operational risk tools.
5. Provide consultative services and facilitate the discussion on operational risk issues through new products development, business continuity management, etc.

Risk Identification

- All operational risks are identified and categorised according to an agreed risk dimension in a Risk Catalogue.
- Key processes and workflows are documented to assist in the identification of key risk and its root causes.
- New products and variations of existing products are vetted through the new product implementation process and signed-off by respective business units, risk control units and support units before they are allowed to be transacted.

Risk Measurement

- Risk level of all operational risk are assessed and measured using a self-assessment methodology.
- The quality of the overall and specific internal control environment are conducted and provided through control self-assessment ('CSA') statements.
- All operational loss events are collected and root causes of operational failures are investigated.

Risk Control

- Group Risk Management collects Key Risk Indicators ('KRI') to identify potential operating losses before they happen or get larger.
- Preventive and corrective actions are implemented and monitored for all operational loss events reported.
- Group Risk Management enhances the Group's Business Continuity Plan that looks into its business resumption in an organized and timely manner in time of disaster.
- Existing and new operational risks are monitored and managed on an ongoing basis.

Risk Reporting

- Operational risk correspondents ('ORC') are appointed in all business and support units across the Group to ensure that all operational risks are managed effectively.
- A reporting structure has been put in place where the ORC are liaisons between the units and Group Risk Management.
- Prioritised operational risks and issues are being reported and resolved with Senior Management and/or the Group Risk Management Committee.
- Group Risk Management has established a Loss Event Reporting structure to collect loss data. An automatic loss database collection system has been built to facilitate gathering of loss data and analysis of root cause of operational risk failures.

CREDIT RISK

Definition

Credit risk is the potential loss of revenue and principal arising from failure of customer in meeting its obligations to service debts.

Risk Management Responsibility

Group Risk Management provides control and oversight of credit risk at Group level by parameterised lending activities, credit extension and operational activities as approved by the Board of Directors.

Roles and responsibilities of the Credit Risk Management Unit:

1. Ensuring that the Group's credit risk management objectives are achieved through the development, implementation, maintenance and enhancement of a comprehensive risk management framework that comprises qualitative and quantitative methodologies to identify, measure, monitor, control and report credit risks.
2. Provide pre-approval independent credit review for lending activities of certain size and nature.
3. Providing consultative services to all relevant units within the Group on all matters pertaining credit risk management.

Risk Identification

- All credit policies and limits are tabled to Group Credit Committee and Group Risk Management Committee before being approved by the Board.
- New products and variations of existing products are vetted through the new product implementation process and signed-off by respective business units, risk control units and support units before they are allowed to be transacted.

Risk Measurement

- Internal rating scorecards have been implemented for retail and enterprise loans.
- External rating is used for listed companies and Multi National Corporations.
- Stress testing of loans portfolio and asset quality is done on regular basis as well as on an ad-hoc basis.
- Targeted Portfolio limits by Economic sectors are set as management action triggers to avoid over concentration.
- An internal single customer limit that is more prudent than the regulatory requirement is adopted.

Risk Control

- Independent pre and post approval credit reviews for loans are conducted.
- Annual reviews of performing loans are conducted.
- Discretionary Lending Power is assigned to individual credit signers according to their own credit experience and track record.
- Group Risk Management develops and maintains written policies to govern the management of credit risk of the Group.
- Policies and limits are reviewed periodically and affirmed by the Board.

Risk Reporting

- Post mortem review of accounts that turned non-performing. Criteria for selection of accounts for post mortem are established.
- Group Risk Management provides regular reporting to the Board and Senior Management to communicate risk exposures and steps to mitigate risk exposures such as loan exposures and movement of non-performing loans.

RISK MANAGEMENT ACTIVITIES FOR 2005

In 2005, the Group continued to enhance its risk management policies in key areas.

Market risk management framework and policies were reviewed and improved during the year. To further improve market risk management, the Group is in the process of implementing a new Treasury Risk Management system.

The Group has introduced a Whistle-Blowing Policy where it provides protection and confidentiality to any staff that reports malpractice of another fellow staff. This policy will assist to further minimise operational risks, in particular staff fraudulent activities.

Under Credit Risk Management, analysis on asset quality particularly on sector, customer and product concentration is refined. The internal scoring model for enterprise loans has been recalibrated to improve its robustness. Group Risk Management has initiated review and enhancement of the Group's credit policies to provide active lending direction and to provide direction to areas such as detailed substantive stress testing, transaction risk measurement, segmentation, pre-screening, cross selling, spreading tools, early warning signals, customer profitability and pricing and collections.

In addition to the above, Group Risk Management has conducted training programmes on an on-going basis to cultivate a pro-active risk management culture.

GOING FORWARD

Market Risk

- Market risk management framework and policies shall be enhanced further to incorporate the improvement resulting from the deployment of more advanced technology.
- Steps are underway to gradually progress from measuring risk in a standardised approach to internal model approach.

Operational Risk

- Group Risk Management will continue to conduct operational risk training and awareness sessions to all staff to facilitate the new risk culture change.
- An ongoing Business Continuity Management program is underway to better prepare the Group in defending and restoring its business operations in the event of a crisis or disaster.
- Group Risk Management will seek to review its operational risk management procedures, processes and tools with all business and support units within the Group.

Credit Risk

- Implementation of risk-based profitability measurement.
- Enhance pricing capability based on enhanced portfolio management capability.
- Re-calibration of the retail scoring model to improve its robustness.
- Develop scoring model for listed companies.

Basel II Implementation

In line with the implementation of Basel II in Malaysia as announced by Bank Negara Malaysia, a Basel II Steering Committee has been set up to ensure the identified gaps in the current risk management capabilities is addressed. The Board has endorsed the Group 's Basel II Implementation roadmap, budget and timeline.

The implementation organisational structure includes a cross-functional project team, representing internal stakeholders of the Basel implementation project. The team reports the project progress to the Basel II Steering Committee and Board on a regular basis.

Significant efforts have commenced to ensure adoption of the Standardised Approach by 2008 and preparing for the adoption of Internal Ratings Based Approach thereafter. Progress has been made in areas such as data mapping and cleansing, enhancement of credit policies and processes and internal risk grading models. Where necessary, the existing IT infrastructure will be further enhanced or replaced to support the business needs as well as Basel II compliance.

The following are among initiatives that the Group is pursuing with regards to IT infrastructure to support business needs and to further enhance its credit risk management capabilities:

- Loan Origination System – promotes more efficient credit processes that also includes among others faster approval process, comprehensive monitoring and timely reporting as well as minimising operational risks
- Collection and Collateral Management system – to streamline collateral information to provide a consolidated portfolio view and to facilitate effective and timely monitoring and reporting
- Data Warehouse – promotes efficient centralized data capturing to support a more holistic analysis and reporting

Calendar Of Significant Events And Activities

For The Financial Year 2005

JANUARY

- Launching of EON Bank Platinum MasterCard
- MIMB was appointed one of the Managing Underwriters for Evergreen Fibreboard Berhad
- Zakat payment to the state of Terengganu
- Completion of acquisition of Menara EON Bank (formerly known as Wisma Cyclecarri)

FEBRUARY

- Zakat payment to the state of Sarawak and Negeri Sembilan
- EON BANK GROUP participated in the Bank Negara Malaysia Duitaku.com campaign
- EON BANK GROUP participated in the Islamic Banking & Takaful Roadshow at Shah Alam

MARCH

- EON BANK GROUP participated in the Islamic Banking & Takaful Roadshow at Dataran Ipoh

APRIL

- Zakat payment to the state of Selangor and Perak
- EON BANK GROUP organised a blood donation campaign
- Bukit Bintang and Pandan Jaya branch (relocation)

MAY

- EON BANK GROUP participated in the Islamic Banking & Takaful Roadshow at Alor Setar
- Seventh Annual General Meeting of EON Capital Berhad
- Opening of Taman Connaught branch
- Relocation of Jalan Hang Lekiu branch to Jalan Tun Tan Cheng Lock
- Bukit Tinggi branch opening

JUNE

- EON BANK GROUP participated in SMI 1 Stop Solution 2005 held at Putra World Trade Centre
- EON BANK GROUP participated in Investors Conference held at Kuala Lumpur Convention Centre
- EON Bank offer financial assistance to revive the abandoned housing project of Taman Seri Bayu, Penang
- Zakat payment to Pertubuhan Kemajuan Islam Malaysia
- Opening of Sri Petaling branch

JULY

- EON BANK GROUP participated in the Islamic Banking & Takaful Roadshow at Johor Bharu
- EON BANK GROUP participated in the LBS Property Showcase 2005
- Zakat payment to Pusat Pungutan Zakat

AUGUST

- EON BANK GROUP participated in the SMIDEX 2005 at Putra World Trade Centre
- EON BANK GROUP participated in the Sibu Motor & Lifestyle Show 2005
- EON BANK GROUP signed an implementation of Internet Protocol Contact with Hewlett Packard

SEPTEMBER

- MIMB arranged RM1 Billion Primary Collateralised Loan Obligations Transaction
- Launching of EON Bank Touch N Go Zing Card
- EON BANK GROUP participated in the Islamic Banking & Takaful Roadshow at Putra Jaya
- Opening of Sarikei branch, Sarawak

OCTOBER

- EON BANK GROUP organised a Blood Donation Campaign
- EONCAP Securities Sdn Bhd entered into a conditional share sale agreement with SimeSecurities Holdings Sdn Bhd for the proposed acquisition of the entire issued and paid-up share capital of SimeSecurities Sdn Bhd

DECEMBER

- Change of name from Wisma Cyclecarri to Menara EON Bank

Analysis Of Shareholdings

As At 31 March 2006

Class of shares : Ordinary Shares of RM1.00 each fully paid
 Voting rights : One vote per ordinary share

DISTRIBUTION OF SHAREHOLDERS

Size of Shareholding	Number of Shareholders	% of Shareholders	Total Holdings	% of Total Holdings
Less than 100	918	9.59	42,670	0.01
100 - 1,000	2,550	26.64	2,080,678	0.30
1,001 - 10,000	5,078	53.06	16,731,739	2.41
10,001 - 100,000	819	8.56	22,811,112	3.29
100,001 to less than 5% of issued shares	201	2.10	215,601,138	31.10
5% and above of issued shares	5	0.05	435,941,395	62.89
TOTAL	9,571	100.00	693,208,732	100.00

SUBSTANTIAL SHAREHOLDERS

Name	No. of Shares Held Direct	No. of Shares Held Indirect	Percentage
HICOM Holdings Berhad (HICOM)	140,010,526	–	20.20
R.H. Development Corporation Sdn Bhd (RHD)	112,717,213	–	16.26
Kualapura (M) Sdn Bhd (Kualapura)	77,050,465	–	11.12
Khazanah Nasional Berhad	69,320,892	–	10.00
Employees Provident Fund Board	35,358,934	22,537,660 ^A	8.35
DRB-HICOM Berhad	–	140,010,526 ^B	20.20
Etika Strategi Sdn Bhd	–	140,010,526 ^C	20.20
Y. Bhg. Tan Sri Dato' Syed Mokhtar Shah bin Syed Nor	–	140,010,526 ^D	20.20
Y. Bhg. Tan Sri Datuk Diong Hiew King @ Tiong Hiew King	–	118,640,080 ^E	17.11
Dr. Tiong Ik King	43	118,640,080 ^E	17.11
Mr. Tiong Chiong Ong	–	118,640,080 ^E	17.11
Mr. Rin Kei Mei	389,550	106,754,411 ^F	15.46
Mitsubishi Motor Corporation	–	77,050,465 ^G	11.12
Mitsubishi Corporation	–	77,050,465 ^G	11.12

Notes:

- A Shares are managed by Portfolio Managers namely Alliance Capital Asset Management Bhd, Amanah SSCM Asset Management Bhd, AmlInvestment Management Sdn Bhd, Mayban Investment Management Sdn Bhd, Nomura Asset Management (Singapore) Ltd, PHEIM Asset Management Sdn Bhd, RHB Asset Management Sdn Bhd and SBB Asset Management Sdn Bhd.
- B Deemed interested in EON Capital Berhad through its effectively wholly-owned subsidiary, HICOM.
- C Deemed interested in EON Capital Berhad by virtue of its substantial interest in DRB-HICOM Berhad.
- D Deemed interested in EON Capital Berhad by virtue of his substantial interest in Etika Strategi Sdn Bhd.
- E Deemed interested in EON Capital Berhad via his substantial direct and indirect interest in RHD and Tiong Toh Siong Holdings Sdn Bhd.
- F Deemed interested in EON Capital Berhad via his deemed substantial interest in Kualapura, substantial direct interest in Lintang Emas Sdn Bhd, and his son, Mr Rin Nan Yoong's direct interest in EON Capital Berhad.
- G Deemed interested in EON Capital Berhad by virtue of its substantial interest in Kualapura.

DIRECTORS' INTERESTS AS AT 31 MARCH 2006

Name	No. of Shares Held Direct	No. of Shares Held Indirect	Percentage
Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh	79,006	–	0.01
Mr. Rin Kei Mei	389,550	106,754,411 ¹	15.46
Y. Bhg. Dato' Maznah binti Abdul Jalil	399,440	–	0.06
Dr. Tiong Ik King	43	118,640,080 ²	17.11
Mr. Wizayaratnam Somasundram	–	–	–

Notes:

- 1 Deemed interested in EON Capital Berhad by virtue of his deemed substantial interest in Kualapura, substantial direct interest in Lintang Emas Sdn Bhd, and his son, Mr Rin Nan Yoong's direct interest in EON Capital Berhad.
- 2 Deemed interested in EON Capital Berhad via his substantial direct and indirect interest in RHD and Tiong Toh Siong Holdings Sdn Bhd.

LIST OF 30 LARGEST SHAREHOLDERS AS AT 31 MARCH 2006

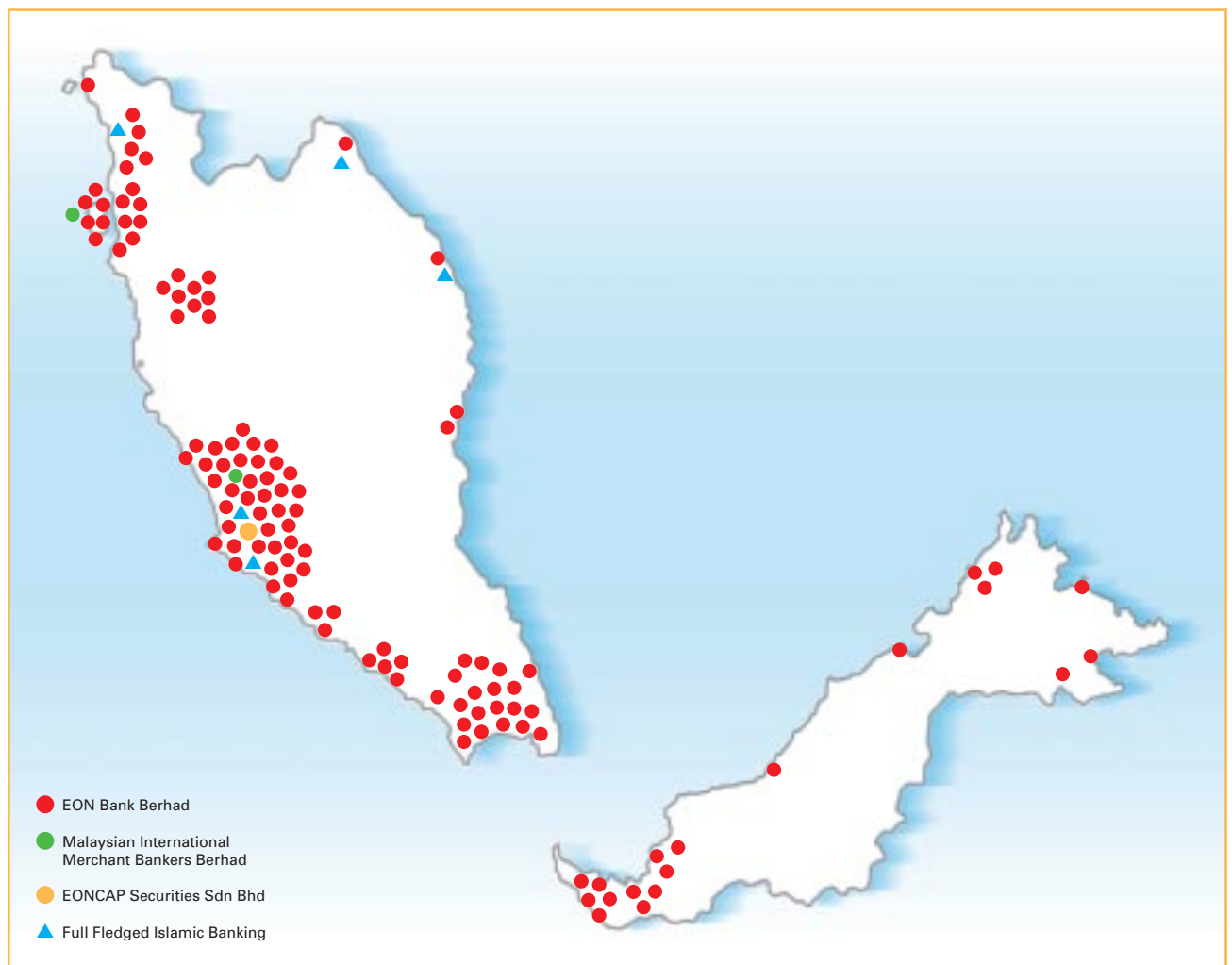
Registered Shareholder/Beneficial Owner	Shares	%
1 HICOM Holdings Berhad	140,010,526	20.20
2 R.H. Development Corporation Sdn Bhd	112,717,213	16.26
3 Kualapura (M) Sdn Bhd	77,050,465	11.12
4 Khazanah Nasional Berhad	69,320,892	10.00
5 Employees Provident Fund Board	36,842,534	5.31
6 Lintang Emas Sdn Bhd	29,357,879	4.24
7 HSBC Nominees (Asing) Sdn Bhd <i>JPMorgan Chase Bank, National Association (USA)</i>	11,409,200	1.65
8 Musman Holdings Sdn Bhd	11,251,157	1.62
9 Cartaban Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board</i>	7,830,000	1.13
10 Empire Wood Sdn Bhd	7,661,950	1.11
11 Citigroup Nominees (Asing) Sdn Bhd <i>American International Assurance Company Ltd</i>	6,351,118	0.92
12 Lembaga Kemajuan Bintulu	6,124,588	0.88
13 Tiong Toh Siong Holdings Sdn Bhd	5,922,867	0.85
14 HSBC Nominees (Asing) Sdn Bhd <i>JPMorgan Chase Bank, National Association (U.A.E.)</i>	4,736,300	0.68
15 Malaysia Nominees (Tempatan) Sdn Bhd <i>Great Eastern Life Assurance (Malaysia) Berhad</i>	4,524,436	0.65
16 AM Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board</i>	4,282,356	0.62
17 Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board</i>	4,000,000	0.58
18 HSBC Nominees (Asing) Sdn Bhd <i>Lee Rubber Company Pte Ltd</i>	3,750,000	0.54
19 HLG Nominee (Asing) Sdn Bhd <i>Asia Fountain Investment Company Ltd</i>	3,586,400	0.52
20 Hong Leong Fund Management Sdn Bhd <i>Hong Leong Bank Berhad</i>	3,500,000	0.50

Analysis Of Shareholdings As At 31 March 2006 (Cont'd)

Registered Shareholder/Beneficial Owner	Shares	%
21 HSBC Nominees (Asing) Sdn Bhd <i>JP Morgan Bank Luxembourg S.A.</i>	3,336,000	0.48
22 Citigroup Nominees (Tempatan) Sdn Bhd <i>Oriental Rubber & Palm Oil Sdn Bhd</i>	3,000,000	0.43
23 Citigroup Nominees (Tempatan) Sdn Bhd <i>Prudential Assurance Malaysia Berhad</i>	2,943,060	0.42
24 Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Amanah Saham Wawasan 2020</i>	2,738,500	0.40
25 HSBC Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board</i>	2,304,304	0.33
26 HDM Nominees (Asing) Sdn Bhd <i>Top Link Ltd</i>	2,268,386	0.33
27 Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Amanah Saham Malaysia</i>	2,000,000	0.29
28 Universal Trustee (Malaysia) Berhad <i>Mayban Unit Trust Fund</i>	1,970,000	0.28
29 Malaysian Reinsurance Berhad	1,800,000	0.26
30 SBB Nominees (Tempatan) Sdn Bhd <i>Kumpulan Wang Amanah Pencen</i>	1,673,600	0.24
TOTAL	574,263,731	82.84

Group Corporate Directory

As At 31 March 2006



	ADDRESS	TELEPHONE	FAX NO.
HEAD OFFICE	12th Floor, Menara EON Bank, 288, Jalan Raja Laut, 50350 Kuala Lumpur www.eonbank.com.my	603-2694 1188	603-2694 9588
EAST MALAYSIA REGIONAL OFFICE	2nd Floor, No. 345-347, Central Park Commercial Centre, Jalan Tun Ahmad Zaidi Adruce, 93200 Kuching, Sarawak	6082-230 788	6082-251 488
NORTHERN REGIONAL OFFICE	2nd Floor, Wisma Wang, 251-A, Jalan Burma, 10350 Pulau Pinang	604-226 5388	604-228 2145
SELANGOR REGIONAL OFFICE	3rd Floor, No. 28, Jalan Kapar, 41400 Klang, Selangor D.E.	603-3343 6488	603-3343 1488
EAST COST REGIONAL OFFICE	No. B278 & B280, Jalan Beserah, 25300 Kuantan, Pahang Darul Makmur	609-566 4100	609-566 4800

WILAYAH PERSEKUTUAN

	ADDRESS	TELEPHONE	FAX NO.
Bandar Park	No. 120 & 122, Jalan Mega Mendung, Kompleks Bandar, Batu 5, Off Jln Klang Lama, 58000 Kuala Lumpur	603-7982 9400	603-7981 5824
Bandar Sri Petaling	Ground Floor, No. 5 & 7, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur	603-9058 8210	603-9058 8310
Bangsar Baru	38 & 40, Jalan Telawi, Bangsar Baru, 59000 Kuala Lumpur	603-2283 6288	603-2283 1288
Brickfields	150, Jln Tun Sambanthan, 50470 Kuala Lumpur	603-2274 7100	603-2274 9568
Bukit Bintang	No. 53 & 55, Jalan Sultan Ismail, 50250 Kuala Lumpur	603-2148 8077	603-2148 3488
Jalan Tun Razak	Lot G105B & G105E, Ground Floor, City Square Centre, No. 182, Jalan Tun Razak, 50400 Kuala Lumpur	603-2163 1457	603-2163 1469
Kepong	60, Jalan Dua, Kepong Baru, 52100 Kuala Lumpur	603-6258 5931	603-6251 4855
KL Main	Suite G2.01, Menara EON Bank, No. 288 Jalan Raja Laut, 50350 Kuala Lumpur	603-2694 2288	603-2694 7588
Jln Tun Tan Cheng Lock	No. 9 Jalan Tun Tan Cheng Lock, 50000 Kuala Lumpur	603-2032 4700	603-2026 4515
▲ Maju Junction Mall (IBS)	Ground Floor, Menara EON Bank, No. 288, Jalan Raja Laut, 50350 Kuala Lumpur	603-2694 7688	603-2694 4588
Pandan Jaya	1M3, Jalan Pandan 3/5, Pandan Jaya, Cheras 55100 Kuala Lumpur	603-9283 7988	603-9282 9788
▲ Putrajaya (IBS)	Lot T00 - U01, No. 5, Jalan P16, Precinct 16, 62150 Putrajaya, Wilayah Persekutuan	603-8888 2188	603-8888 7288
Segambut	36 & 38, Jalan Segambut Utara, 51200 Kuala Lumpur	603-6252 3598	603-6252 3606
Selayang	166 & 168, Jalan 2/3A Off KM 12, Jalan Ipoh, 68100 Batu Caves, Kuala Lumpur	603-6138 8988	603-6136 0388
Tmn Cheras Indah	Ground Floor, Wisma Dergahayu, 26, Jalan Indah 23, Tmn Cheras Indah, 56100 Kuala Lumpur	603-9282 7058	603-9284 0043
Tmn Connaught	No. 134 & 136, Jalan Cerdas, Taman Connaught, Cheras, 56000 Kuala Lumpur	603-9100 1022	603-9100 1568
Tmn Midah	No. 15, 16 & 17, Jalan Midah Satu, Taman Midah, Cheras, 56000 Kuala Lumpur	603-9131 9388	603-9132 6388
Tmn Sg. Besi	38, Jln 7/108C, Jalan Sungai Besi, Taman Sungai Besi, 57100 Kuala Lumpur	603-7980 0747	603-7980 3652
Tmn Sri Hartamas	2, Jalan Sri Hartamas 8, Taman Sri Hartamas, 50480 Kuala Lumpur	603-6201 2743	603-6201 2751
UOA Centre	19A-1-1, Level 1, UOA Centre, 19 Jalan Pinang, 50450 Kuala Lumpur	603-2164 6451	603-2164 6454
Wangsa Maju	10, Jalan 1/27B, Section 1, Bandar Wangsa Maju, 53300 Kuala Lumpur	603-4142 2989	603-4142 2930

SELANGOR DARUL EHSAN

	ADDRESS	TELEPHONE	FAX NO.
Balakong	S-7, Jalan 1/6, Taman Indah, Batu 11, Jalan Balakong, 43200 Cheras, Selangor Darul Ehsan	603-9074 4205	603-9074 7194
Bdr Baru Ampang	2-G & 4-G, Jalan Wawasan Ampang 2/4, Bandar Baru Ampang, 68000 Ampang, Selangor Darul Ehsan	603-4296 3488	603-4295 0988
Bandar Sg. Long	5, Jalan SL 1/4, Bandar Sungai Long, 43000 Kajang, Selangor Darul Ehsan	603-9074 9950	603-9075 0902
Bukit Tinggi	No. 1, Jalan Batu Nilam 5, Bandar Bukit Tinggi, 41200 Klang, Selangor Darul Ehsan	603-3323 3201	603-3323 3901
Kajang	Ground Floor, 36, Jalan Sulaiman, 43000 Kajang, Selangor Darul Ehsan	603-8734 1022	603-8734 2082
Klang	26-32, Jalan Kapar, 41400 Klang, Selangor Darul Ehsan	603-3343 1188	603-3343 2988
Pandamaran	266 & 268, Jalan Batu Unjur 7, Bayu Perdana, 41200 Klang, Selangor Darul Ehsan	603-3324 3303	603-3324 3305
Petaling Jaya	No. 32 & 34, Jalan 21/19, Sea Park, 46300 Petaling Jaya, Selangor Darul Ehsan	603-7874 5968	603-7874 5488
PJ New Town	No. 9 & 11, Jalan 52/2, PJ New Town Centre, 46200 Petaling Jaya, Selangor Darul Ehsan	603-7958 6488	603-7957 1405
Port Klang	90, Persiaran Raja Muda Musa, 42000 Pelabuhan Klang, Selangor Darul Ehsan	603-3166 1188	603-3167 1488
Puchong	3, Jalan Bandar Satu, Pusat Bandar Puchong, 47100 Puchong, Selangor Darul Ehsan	603-5882 4388	603-8075 1433
Puchong Jaya	No. 26 & 27, Jalan Kenari 1, Bandar Puchong Jaya, 47100 Puchong, Selangor Darul Ehsan	603-5882 7100	603-5882 7116
Rawang	17 & 19, Jalan Bandar Rawang 5, 48000 Rawang, Selangor	603-6093 5288	603-6093 5388
Serendah	No. 5 & 7, Jalan Cempaka 1, Taman Cempaka, 48200 Serendah, Hulu Selangor, Selangor Darul Ehsan	603-6081 3182	603-6081 3186
Seri Kembangan	1501 A-G, Jalan Besar, 43300 Seri Kembangan, Selangor Darul Ehsan	603-8943 6788	603-8943 9088
Shah Alam	34, Jalan Perbahan Satu, Section 26/2A, 40000 Shah Alam, Selangor Darul Ehsan	603-5191 8888	603-5191 6298
Shah Alam 2	No. 10, Jalan Tuanku Ampuan Zabedah D9/D, Seksyen 9, 40100 Shah Alam, Selangor Darul Ehsan	603-5512 9888	603-5512 9889
SS2	No. 28 & 30, Jalan SS 2/67, 47300 Petaling Jaya, Selangor Darul Ehsan	603-7877 6800	603-7877 6686
Subang Jaya	No. 1, Jalan SS 15/4E, City Centre Subang Jaya, 47500 Subang Jaya, Selangor Darul Ehsan	603-5633 2516	603-5634 8161
Sungai Buloh	51 & 53, Jalan TSB 10A, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor Darul Ehsan	603-6157 5811	603-6157 5812
USJ	Lot 43, Jalan USJ 10/1G, 47620 Subang Jaya, Selangor Darul Ehsan	603-5637 1984	603-5637 1989
One Utama	B21 & B22, Basement 1, 1 Utama Shopping Centre, Lebuhraya Utama, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan	603-7710 9488	603-7710 6488

KEDAH DARUL AMAN

	ADDRESS	TELEPHONE	FAX NO.
▲ Alor Setar 1 (IBS)	1546, Jln Sultan Badlishah, 05000 Alor Setar, Kedah Darul Aman	604-734 6988	604-734 4988
Alor Setar 2	26 & 28, Ground & 1st Floor, Jln Putera, 05100 Alor Setar, Kedah	604-730 6461	604-730 6458
Gurun	18K & 18L, Jln Raya, 08300 Gurun, Kedah	604-468 4785	604-468 4766
Langkawi	No. 93, Langkawi Mall, Jalan Kelibang, 07000 Kuah, Langkawi, Kedah	604-966 8118	604-966 8228
Sg. Petani 1	26 & 27, Jalan Permatang Gedong, Taman Sejati Indah, 08000 Sungai Petani, Kedah Darul Aman	604-431 2288	604-431 1627
Sg. Petani 2	Lot 525B & C, Jln Kuala Ketil, 08000 Sungai Petani, Kedah	604-422 4352	604-422 4355

PULAU PINANG

Bandar Baru Ayer Itam	No. 71-A-B-C, Lintang Angsana, Bandar Baru Ayer Itam, 11500 Pulau Pinang	604-827 1688	604-827 1632
Bayan Baru	No. 58 & 60, Jalan Tengah, Taman Seri Tunas, Bandar Bayan Baru, 11950 Bayan Lepas, Penang	604-645 2881	604-645 2995
Bukit Mertajam	No. 31, 33, 35, Jalan Usahaniaga 1, Tmn Niagajaya, 14000 Bukit Mertajam, Pulau Pinang	604-538 1549	604-539 8466
Butterworth	No. 130 & 132, Jalan Raja Uda, Pusat Perniagaan Raja Uda, 12300 Butterworth, Pulau Pinang	604-324 3288	604-324 8288
Jalan Burmah	No. 421 & 423, Jalan Burmah, 10350 Pulau Pinang	604-228 3202	604-228 1654
Jelutong	No. 300 Jalan Jelutong, 11600 Pulau Pinang	604-282 6688	604-281 9650
Nibong Tebal	No. 52 & 54, Jalan Besar Air Lintas, Taman Merbah, 14300 Nibong Tebal, Pulau Pinang	604-593 8988	604-593 7988
Penang 1	Ground Floor, Wisma Wang, 251-A, Jalan Burma, 10350 Pulau Pinang	604-229 6288	604-229 7288
Penang 2	Ground Floor, Bangunan KWSP, 123, Jln Anson, 10400 Penang	604-226 4177	604-226 3946
Prai	No. 7 & 9, Tingkat Kikik 7, Taman Inderawasih, 13600 Prai, Penang	604-398 0286	604-398 0204
Seberang Jaya	33, Jln Todak 2, Pusat Bandar Seberang Jaya, 13700 Seberang Jaya, Pulau Pinang	604-397 1129	604-397 1136
Sungai Bakap	1435 & 1436, Jln Besar, 14200 Sungai Bakap, Seberang Prai Selatan, Penang	604-582 1134	604-582 5826
Sg. Dua	No. 26, 28 & 30, Lorong Murni 1, Taman Desa Murni, Sungai Dua, 13800 Butterworth, Penang	604-356 2688	604-356 5288

PERAK DARUL RIDZUAN

	ADDRESS	TELEPHONE	FAX NO.
Ayer Tawar	86 & 88, Jln Besar, 32400 Ayer Tawar, Perak	605-672 7470	605-672 7478
Ipoh	No. 48, Persiaran Greentown 1, Greentown Business Centre, 30450 Ipoh, Perak	605-255 7688	605-255 5788
Ipoh	No. 54, 56 & 58, Jalan Kamaruddin Isa, 31400 Ipoh, Perak	605-547 4203	605-547 2777
Kamunting	No. 396 & 398 Taman Saujana, Kamunting, 34600 Taiping, Perak	605-807 8915	605-807 8905
Langkap	Lot 63, Jln Chui Chak, 36700 Langkap, Perak	605-659 2840	605-659 2843
Parit Buntar	No. 2 & 4, Persiaran Perwira, Pusat Bandar Baru, 34200 Parit Buntar, Perak	605-716 8766	605-716 8771
Simpang Pulai	738 & 740, Jln Gopeng, Tmn Chandan Desa, Simpang Pulai, 31300 Ipoh, Perak	605-357 5073	605-357 5077
Sitiawan	No. 33 & 34, Taman Sentosa, Jalan Lumut, 32000 Sitiawan, Perak	605-691 9988	605-691 8988
Tanjong Malim	No. 25 & 27, Jalan Bunga Anggerik, Taman Bunga Raya 35900 Tanjong Malim, Perak	605-459 8272	605-458 3178

PERLIS INDERA KAYANGAN

Kangar	No. 10E, Lot 17, Jalan Raja Syed Alwi, 01000 Kangar, Perlis	604-977 3392	604-977 3396
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NEGERI SEMBILAN DARUL KHUSUS

Seremban	No. 120 & 121, Jalan Dato' Bandar Tunggal, 70000 Seremban, Negeri Sembilan	606-761 7075	606-761 7078
Lukut	Lot 3120 & 3121, Jalan Besar Lukut, 71010 Port Dickson, Negeri Sembilan Darul Khusus	606-651 1878	606-651 1900
Nilai	Lot PT 5729 & 5730, Jalan TS 2/1D, Taman Semarak, 71800 Nilai, Negeri Sembilan Darul Khusus	606-799 5289	606-799 5292

MELAKA

Batu Berendam	Lot BB-371A & B, Taman Melaka Baru, Batu Berendam, 75350 Melaka	606-317 3235	606-317 2660
Malim Jaya	No. 26, Jalan Suria Dua, Taman Malim Jaya, 75250 Melaka	606-334 2173	606-337 3188
Masjid Tanah	Lot 215 & 130, Jalan Besar, 78300 Masjid Tanah, Melaka	606-384 7137	606-384 7232
Melaka 1	No. 67 & 69, Jalan Merdeka, Taman Melaka Raya, 75000 Melaka	606-283 7675	606-284 1151
Melaka 2	Ground Floor, Bangunan Graha Maju, Lot 315, Jalan Graha Maju, 75300 Melaka	606-283 8229	606-283 6795

JOHOR DARUL TAKZIM

	ADDRESS	TELEPHONE	FAX NO.
Taman Bukit Indah	No. 21 & 23, Jalan Indah 15/1, Bukit Indah, 81200 Johor Bahru, Johor Darul Takzim	607-239 1388	607-232 5988
Bandar Baru Uda	No. 70, Jalan Padi Satu, Bandar Baru UDA, 81200 Tampoi, Johor Bahru, Johor Darul Takzim	607-234 0309	607-234 0363
Batu Pahat	9, Jalan Kundang, Taman Bukit Pasir, 83000 Batu Pahat, Johor Darul Takzim	607-432 4902	607-432 4886
Desa Cemerlang	37 & 39, Jalan Johar 1, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor Darul Takzim	607-861 7488	607-861 4588
Gelang Patah	14, Jalan Besar, 81550 Gelang Patah, Johor Darul Takzim	607-510 4188	607-510 4088
Johor Bahru	Ground Floor, Asia Life Building, 33 Jalan Segget, 80000 Johor Bahru, Johor Darul Takzim	607-223 5488	607-224 3488
Kluang	Ground & 1st Floor, No. 12 & 14, Jalan Haji Manan, 86000 Kluang, Johor Darul Takzim	607-776 9388	607-776 2088
Kulai	No. 2 & 3, Jalan Anggerik 1, Taman Kulai Utama, 81000 Johor Bahru, Johor Darul Takzim	607-662 6388	607-662 6366
Masai	105-106, Jalan Besar, 81750 Masai, Johor	607-252 2960	607-252 2963
Muar	No. 55-2 & 55-3, Jalan Bentayan, 84000 Muar, Johor	606-954 2888	606-954 8333
Pasir Gudang	30 & 31, Jalan Mawar 1, Taman Mawar, 81700 Pasir Gudang, Johor Darul Takzim	607-252 2740	607-252 2723
Permas Jaya	No. 21, Jalan Permas 10/1, Bandar Baru Permas Jaya, 81750 Masai, Johor Darul Takzim	607-387 1828	607-387 5330
Pontian	No. 30 & 31, Jalan Delima, Pusat Perdagangan Pontian, 82000 Pontian, Johor Darul Takzim	607-687 5002	607-687 4998
Segamat	No. 43A & 45, Jalan Genuang Kampung, Kampung Abdullah, 85000 Segamat, Johor Darul Takzim	607-943 3650	607-943 3560
Senai	1, 1A, 1B & 1C, Jalan Belimbing, 81400 Senai, Johor Darul Takzim	607-599 4598	607-599 4231
Taman Abad	No. 20 & 21, Jalan Harimau Tarum, Taman Abad, 80250 Johor Bahru, Johor Darul Takzim	607-331 1421	607-331 1409
Taman Molek	No. 29 & 31, Jalan Molek 2/4, Taman Molek, 81100 Johor Bahru, Johor Darul Takzim	607-353 7003	607-353 6997
Tmn Sri Tebrau (formerly known as Tmn Pelangi)	Ground Floor, Bangunan Persekutuan Tiong Hua Johor Baru, No. 8, Jalan Keris, Taman Sri Tebrau, 80400 Johor Bahru, Johor Darul Takzim	607-332 1323	607-332 5841
Tampoi	1 & 3, Jalan Persiaran Tanjung Susur 1, Taman Bukit Alif, Tampoi, 81200 Johor Bahru, Johor Darul Takzim	607-235 5930	607-235 5927
Yong Peng	No. 242 & 244, Jalan Besar, Taman Sembrong Baru, 83700 Yong Peng, Johor Darul Takzim	607-467 4850	607-467 3170

PAHANG DARUL MAKMUR

Kuantan 2	5, Jalan Bukit Ubi, 25200 Kuantan, Pahang Darul Makmur	609-514 3377	609-513 6733
Mentakab	119 & 121, Jalan Temerloh, 28400 Mentakab, Pahang Darul Makmur	609-277 0400	609-277 9929

TERENGGANU DARUL IMAN

	ADDRESS	TELEPHONE	FAX NO.
▲ Kuala Terengganu 1 (IBS)	Ground & Mezzanine Floor, Menara Yayasan Islam Terengganu, Jln Sultan Omar, 20300 Kuala Terengganu	609-623 6288	609-622 6588
Kuala Terengganu 2	No. 1107 - R,S & T, Jalan Pejabat, 20200 Kuala Terengganu, Terengganu Darul Iman	609-622 7701	609-624 2372

KELANTAN DARUL NAIM

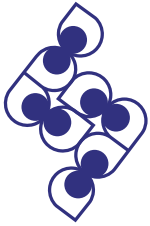
▲ Kota Bharu 1 (IBS)	PT 174 & 175, Block C, Jalan Parit Dalam, Section 8, 15000 Kota Bharu, Kelantan Darul Naim	609-743 8188	609-743 6188
Kota Bharu 2	PT 320 & 321, Seksyen 25, Jalan Sultan Yahya Petra, 15200 Kota Bharu, Kelantan Darul Naim	609-748 6888	609-748 6288

SABAH

Inanam	Lot 11 & 12, Inanam Plaza, Lorong Inanam Plaza, 88450 Kota Kinabalu, Sabah	6088-437 601	6088-437 596
Kota Kinabalu 1	Lot 3-0-14 to 3-0-16, Block 3, Lorong Api-Api 2, Api-Api Centre, 88000 Kota Kinabalu, Sabah	6088-247 688	6088-246 327
Kota Kinabalu 2	No. 8, Jln Pantai, Locked Bag No. 124, 88999 Kota Kinabalu, Sabah	6088-214 733	6088-233 134
Sandakan	Lot 46 & 47, Bandar Pasaraya, Mile 4, Jalan Utara, 90000 Sandakan, Sabah	6089-222 202	6089-222 209
Tawau	TB 4282 - TB 4285, Jalan Haji Karim, 91000 Tawau, Sabah	6089-779 441	6089-763 899
Lahad Datu	MDLD 4712, Lot 4, Jalan Kastam Lama, 91100 Lahad Datu, Sabah	6089-884 488	6089-884 848

SARAWAK

Bandar Sri Aman	Lot 171, Jalan Council, 95000 Bandar Sri Aman, Sarawak	6083-322 117	6083-320 512
Bintulu	No. 153 & 155, Jln Masjid, Taman Sri Dagang, 97007 Bintulu, Sarawak	6086-312 941	6086-313 617
Central Park	345-347, Ground Floor & 1st Floor, Central Park Commercial Centre, Jalan Tun Ahmad Zaidi Adruce, 93200 Kuching, Sarawak	6082-254 224	6082-243 618
Kapit	122, Kapit-By-Pass, P O Box 15, 96807 Kapit, Sarawak	6084-796 413	6084-796 939
Krokop	Lot 2499 & 2500, Ground & 1st Floor, Boulevard Commercial Centre, Jalan Miri-Pujut, KM 3, 98000 Miri, Sarawak	6085-424 521	6085-424 520
Kuching 1	Lot 619-623, Section 62, KTL, Jalan Padungan, 93100 Kuching, Sarawak	6082-420 101	6082-246 010
Kuching 2	Lot 230 & 231, Seksyen 49, Jln Abell, 93746 Kuching, Sarawak	6082-243 621	6082-420 229
Kuching 3	Lot 122, 123 & 124, Jalan Song Thian Cheok, 93100 Kuching, Sarawak	6082-246 661	6082-414 446
Limbang	Lot 1078-1079, Buangsiol Road, P O Box 69, 98707 Limbang, Sarawak	6085-212 097	6085-212 897
Miri	Ground & First Floor, Lot 715, Merbau Road, 98008 Miri, Sarawak	6085-415 371	6085-411 176
Upper Lanang (formerly known as Rejang Park)	Ground Flr, No. 22 & 23, Suria Commercial Centre, Lanang Road, 96000 Sibul, Sarawak	6084-324 566	6084-320 561
Sarikei	No. 18C & 20, Lorong Tun Razak 1, Jalan Masjid Lama, 96100 Sarikei Sarawak	6084-659 188	6084-659 488
Sibu	10, 12, 14, 16 & 18, Mission Road, P.O. Box 656, 96007 Sibu, Sarawak	6084-334 599	6084-313 177



MIMB

MALAYSIAN INTERNATIONAL MERCHANT BANKERS BERHAD

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Facsimile:

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EONCAP SECURITIES SDN BHD (8789-P)

A Participating Organisation of Bursa Malaysia Securities Berhad

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Website: www.eoncapsec.com.my

List Of Properties

Held By The Group As At 31 December 2005

No.	Address	Description (Land or Building)	Approximate Area (sq. ft.)	Age of Building (years)	Existing Usage	Tenure & Expiry Date	Net Book Value (RM'000)	Date of Acquisition
EB REALTY								
1	No. 7, Jalan Tun Perak 50100 Kuala Lumpur Wilayah Persekutuan	2 units of double storey building	3,374	27	Vacant and pending disposal	Freehold	1,000	15/7/1991
2	No. 122, Kapit By-Pass 96807 Kapit, Sarawak	4 storey building	1,200	12	Branch premises	Leasehold (29/4/2045)	209	30/4/1985
OBB REALTY								
1	No. 12A, Block B Level 2, Fraser's Hill Condominium 49000 Bukit Fraser's Pahang Darul Makmur	1 unit apartment	1,792	18	Staff recreation	Leasehold (23/5/2082)	201	24/5/1983
EON BANK								
1	No. 288, Jalan Raja Laut 50350 Kuala Lumpur Wilayah Persekutuan	27 storey building	839,574	12	Head office and branch premises	Freehold	142,469	31/1/2005
2	No. 9, Jalan Cheng Lock 50000 Kuala Lumpur Wilayah Persekutuan	3 1/2 storey office building	2,199	32	Branch premises	Freehold	380	18/9/1972
3	No. 3, Jalan Bandar Satu Pusat Bandar Puchong 47100 Puchong Selangor Darul Ehsan	4 storey building	4,687	10	Branch premises	Freehold	2,251	4/3/1997
4	No. 1, Jln SS15/4E 47500 Subang Jaya Petaling Jaya Selangor Darul Ehsan	3 storey shop house	3,261	23	Branch premises	Freehold	495	12/2/1991
5	No. 32 & 34, Jln 21/19 46300 Petaling Jaya Selangor Darul Ehsan	2 storey terrace shop houses	3,080	42	Branch premises	Freehold	2,302	19/8/1997
6	No. 1 Jalan Goh Hock Huat 41400 Klang Selangor Darul Ehsan	4 1/2 storey shop house	2,776	22	Branch premises	Freehold	1,907	7/9/1998
7	No. 26 & 27 Jalan Kenari 1 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan	3 1/2 storey shop house	3,600	9	Branch premises	Freehold	1,806	22/1/1999
8	No. 177, Limbok Hill 70000 Seremban Negeri Sembilan Darul Khusus	Single-storey detached house	6,700	32	For investment	Freehold	18	16/8/1972

List Of Properties Held By The Group As At 31 December 2005 (Cont'd)

No.	Address	Description (Land or Building)	Approximate Area (sq. ft.)	Age of Building (years)	Existing Usage	Tenure & Expiry Date	Net Book Value (RM'000)	Date of Acquisition
9	No. J09-06 and J02-06 Paradise Lagoon Holiday Apartment, Batu 3 1/2 Jalan Pantai 70100 Port Dickson Negeri Sembilan Darul Khusus	2 units apartment	2,088	9	Staff recreation	Leasehold (6/7/2087)	285	21/4/1994
10	No. S-3, Kompleks Negeri Jalan Dr. Krishnan 70000 Seremban Negeri Sembilan Darul Khusus	3 storey shop house	1,680	21	Branch Storage	Leasehold (30/1/2078)	518	29/6/1981
11	Lot 4 & 5, Jalan TMR 1 Taman Melaka Raya 75000 Melaka	2 units of 3 storey shop office	3,132	9	Branch premises	Leasehold (20/3/2094)	855	17/4/1998
12	No. 67 & 69 Jalan Merdeka 75000 Taman Merdeka Raya, Melaka	3 storey shop house	3,080	10	Branch premises	Leasehold (7/7/2093)	900	15/8/1999
13	No. 21 & 23 Jalan Indah 15/1 Bukit Indah 81200 Johor Bahru Johor Darul Takzim	2 units of 3 storey shop office	5,090	3	Branch premises	Freehold	1,903	27/5/2002
14	No. 35, 37 & 39 Jalan Johor Satu Taman Desa Cemerlang 81800 Ulu Tiram Johor Darul Takzim	3 units of 3 storey shop office	13,965	2	Branch premises	Freehold	2,501	2/12/2003
15	No. 21, Jalan Permas 10/1 Bandar Baru Permas Jaya 81750 Masai Johor Darul Takzim	4 storey shop house	2,624	8	Branch premises	Freehold	1,347	4/5/1999
16	No. C05-07 Genting Permai Park & Resort, 6th Mile 69000 Genting Highland Pahang Darul Makmur	1 unit apartment	1,029	6	Staff recreation	Freehold	242	2/9/1996
17	No. B-278 & B-280 Jalan Beserah 25300 Kuantan Pahang Darul Makmur	4 storey shop house	3,208	4	Branch premises	Freehold	1,750	8/4/1999
18	No. 31, 33, 35 & 37 Jalan Usahaniaga 1 Taman Niagajaya 14000 Bukit Mertajam Seberang Perai Tengah Pulau Pinang	4 units of 3 storey shop office	15,844	2	Branch premises	Freehold	1,282	7/10/2003

List Of Properties Held By The Group As At 31 December 2005 (Cont'd)

No.	Address	Description (Land or Building)	Approximate Area (sq. ft.)	Age of Building (years)	Existing Usage	Tenure & Expiry Date	Net Book Value (RM'000)	Date of Acquisition
19	No. 26 & 27 Jalan Permatang Gedong Taman Sejati Indah 08000 Sungai Petani Kedah Darul Aman	3 storey terrace shoplot	2,800	8	Branch premises	Freehold	744	3/9/1999
20	Lot 171, Jalan Council 95000 Bandar Sri Aman Sarawak	3 storey building	1,740	9	Branch premises	Leasehold (20/6/2050)	304	21/6/1990
21	No. 23, Jalan Tun Abang Haji Openg 93000 Kuching, Sarawak	2 storey building	2,691	38	Branch premises	Leasehold (5/8/2784)	873	17/2/1966
22	Ground and First Floor Merdeka Plaza 93000 Kuching, Sarawak	2 units office space	3,078	8	Branch premises	Leasehold (3/8/2782)	1,114	12/1/1996
23	Lot No. 2013 Jalan Pisang Barat 93150 Kuching, Sarawak	3 storey building	1,390	12	Branch storage	Leasehold (31/12/2038)	Nil	23/9/1992
24	No. 3/G14, 3/G15 & 3/G16 Block 3 Api-Api Centre 88000 Kota Kinabalu Sabah	3 units of shoplots	4,141	10	Branch premises	Leasehold (31/12/2086)	2,939	2/4/1997



REPORTS AND FINANCIAL STATEMENTS

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- Summary of Significant Accounting Policies **69** • Notes to the Financial Statements **77**

Directors' Report

The Directors have pleasure in submitting their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The Group is involved in banking and finance company business, merchant banking, Islamic Banking business, stockbroking business and nominee and custodian services. The principal activities of the subsidiary companies are as stated in Note 11 to the financial statements.

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

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit before taxation and zakat	400,327	96,296
Taxation	(113,437)	(27,241)
Zakat	(3,725)	-
Profit after taxation and zakat	283,165	69,055

DIVIDENDS

The amount of dividend paid or declared by the Company since 31 December 2004 is as follows:

	RM'000
In respect of financial year ended 31 December 2004 as shown in the Directors' report of that year:	
First and final gross dividends of 8.6 sen per share, less income tax of 28%, paid on 6 June 2005	42,923

The Directors now recommend the payment of a first and final gross dividend of 16.0 sen per share on 693,208,732 ordinary shares, less income tax at 28%, amounting to RM79,857,646 for the financial year ended 31 December 2005, which is subject to the members' approval at the forthcoming Annual General Meeting of the Company.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL DEBTS AND FINANCING

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

Directors' Report (Cont'd)

BAD AND DOUBTFUL DEBTS AND FINANCING (Cont'd)

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature, except those disclosed in Note 41 and 42 to the financial statements.

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

Directors' Report (Cont'd)

DIRECTORS

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

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

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

In accordance with Article 102 of the Company's Articles of Association, Tan Sri Dato' Seri Mohd Saleh bin Sulong retires from the Board at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election.

In accordance with Section 129 of the Companies Act, 1965, Rin Kei Mei, who is over seventy years of age, shall retire at the forthcoming Annual General Meeting and, being eligible, offers himself for re-appointment in accordance with Section 129(6) of the Act to hold office until the next Annual General Meeting of the Company.

DIRECTORS' INTEREST IN SHARES

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

	Number of ordinary shares of RM1.00 each			
	Balance at 1.1.2005	Acquired	Disposed	Balance at 31.12.2005
The Company				
<u>Direct interest</u>				
Tan Sri Dato' Seri Mohd Saleh bin Sulong	274,732	-	-	274,732
Datin Dr. Umikalsum binti Mohd Noh	79,006	-	-	79,006
Rin Kei Mei	389,550	-	-	389,550
Dato' Maznah binti Abdul Jalil	399,440	-	-	399,440
Dr. Tiong Ik King	43	-	-	43
<u>Deemed interest</u>				
Tan Sri Dato' Seri Mohd Saleh bin Sulong	140,010,526	-	-	140,010,526
Rin Kei Mei	88,070,349	18,684,062	-	106,754,411
Dr. Tiong Ik King	118,640,080	-	-	118,640,080

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

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

Directors' Report (Cont'd)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' remuneration and benefits-in-kind as disclosed in Note 30 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

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

RATING BY EXTERNAL RATING AGENCIES

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

(a) EON Bank Berhad

Rating Agency	Date	Rating Classification	Rating received
Moody's Investor Service Limited	15 February 2006	Long term deposits	Baa2 ^{Note 1}
		Short term deposits	P-3 ^{Note 2}
		Financial strength rating	D ^{Note 3}
		Outlook	Stable

(b) Malaysian International Merchant Bankers Berhad

Rating Agency	Date	Rating Classification	Rating received
Rating Agency Malaysia Berhad	15 December 2005	Long term	A3 ^{Note 4}
		Short term	P1 ^{Note 5}

Notes:

1. Banks rated Baa for deposits offer adequate credit quality. However, certain protective elements may be lacking or may be characteristically unreliable over any great length of time. The modifier 2 indicates a mid-range ranking of its letter-rating category.
2. Banks rated P-3 for deposits offer acceptable credit quality and an adequate capacity for timely payment of short-term deposit obligations.
3. Banks rated D display modest intrinsic financial strength, potentially requiring some outside support at times. Such institutions may be limited by one or more of the following factors: a weak business franchise; financial fundamentals that are deficient in one or more respects; or an unpredictable and unstable operating environment.
4. Financial institutions rated in this category are adjudged to offer adequate safety for timely payments of financial obligations. This level of rating indicates corporate entities with adequate credit profiles, but which possess one or more problem areas, giving rise to the possibility of future riskiness. Entities rated in this category have generally performed at industry average and are considered to be more vulnerable to changes in economic conditions than those rated in the higher categories. The subscript 3 indicates that the financial institution ranks at the lower end of its generic rating category.
5. Financial institutions in this category have superior capacities for timely payments of obligations.

Directors' Report (Cont'd)

AUDITORS

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

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

DR. UMIKALSUM BINTI MOHD NOH
DIRECTOR

WIZAYARATNAM SOMASUNDRAM
DIRECTOR

Kuala Lumpur
23 February 2006

Statement By Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Dr. Umikalsum binti Mohd Noh and Wizayaratnam Somasundram, being two of the Directors of EON Capital Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 63 to 142 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2005 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the Malaysian Accounting Standards Board ('MASB') approved accounting standards in Malaysia, Bank Negara Malaysia Guidelines and the provisions of the Companies Act, 1965.

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

DR. UMIKALSUM BINTI MOHD NOH
DIRECTOR

WIZAYARATNAM SOMASUNDRAM
DIRECTOR

Kuala Lumpur
23 February 2006

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Lau Yiong, the officer primarily responsible for the financial management of EON Capital Berhad, do solemnly and sincerely declare that the financial statements set out on pages 63 to 142 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

LAU YIONG

Subscribed and solemnly declared by the abovenamed Lau Yiong at Kuala Lumpur on 23 February 2006, before me.

P. SETHURAMAN (No. W-217)
COMMISSIONER FOR OATHS

Report of the Auditors

To the Members of EON Capital Berhad

We have audited the financial statements set out on pages 63 to 142. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

In our opinion:

- (a) the financial statements have been prepared in accordance with MASB approved accounting standards in Malaysia, Bank Negara Malaysia Guidelines and the provisions of the Companies Act, 1965 so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Group and of the Company as at 31 December 2005 and of the results and cash flows of the Group and Company for the financial year ended on that date;

and

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

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

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

PRICEWATERHOUSECOOPERS

(No. AF: 1146)
Chartered Accountants

DATO' AHMAD JOHAN BIN MOHAMMAD RASLAN
(No. 1867/09/06 (J))
Partner of the firm

Kuala Lumpur
23 February 2006

Balance Sheets

As at 31 December 2005

	Note	GROUP		COMPANY	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
ASSETS					
Cash and short-term funds	3	3,200,023	3,639,250	203,807	16,828
Deposits and placements with financial institutions	4	462,646	91,736	-	33,736
Held for trading securities	5	12,528	115,533	-	-
Derivative financial instruments	17	19,028	8,423	-	-
Available-for-sale securities	6	2,424,785	2,198,632	-	-
Held-to-maturity securities	7	1,517,082	1,717,850	-	-
Loans, advances and financing	8	25,925,754	23,556,671	-	-
Other assets	9	563,031	777,706	128,732	295,151
Statutory deposits with Bank Negara Malaysia	10	1,001,261	871,379	-	-
Investment in subsidiary companies	11	-	-	1,808,353	1,808,353
Deferred tax assets	12	118,342	124,800	-	-
Property, plant and equipment	13	279,557	183,133	-	-
Goodwill	14	66,497	69,300	-	-
TOTAL ASSETS		35,590,534	33,354,413	2,140,892	2,154,068
LIABILITIES AND SHAREHOLDERS' FUNDS					
Deposits from customers	15	23,965,678	22,611,184	-	-
Deposits and placements of banks and other financial institutions	16	4,583,163	4,752,068	-	-
Derivative financial instruments	17	41,643	18,687	-	-
Obligations on securities sold under repurchase agreements		1,201,241	246,167	-	-
Bills and acceptances payable		1,360,677	1,337,864	-	-
Recourse obligation on loans sold to Cagamas Berhad	18	129,339	249,529	-	-
Provision for taxation and zakat	19	26,617	46,592	-	-
Deferred tax liabilities	12	-	-	31,649	22,735
Other liabilities	20	405,491	369,445	1,643	1,720
Subordinated obligations	21	807,444	828,883	-	-
Long term borrowings	22	244,488	292,633	244,488	292,633
TOTAL LIABILITIES		32,765,781	30,753,052	277,780	317,088
SHARE CAPITAL	23	693,209	693,209	693,209	693,209
RESERVES	24	2,131,544	1,908,152	1,169,903	1,143,771
SHAREHOLDERS' FUNDS		2,824,753	2,601,361	1,863,112	1,836,980
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		35,590,534	33,354,413	2,140,892	2,154,068
COMMITMENTS AND CONTINGENCIES	35	16,358,255	12,033,415		
Net tangible assets per ordinary share (RM)		3.98	3.65	2.69	2.65

Income Statements

For the Financial Year Ended 31 December 2005

	Note	GROUP		COMPANY	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Interest income	25	1,585,921	1,609,897	4,726	1,233
Interest expense	26	(821,743)	(804,407)	(20,418)	(20,922)
Net interest income/(expense)		764,178	805,490	(15,692)	(19,689)
Net income from Islamic Banking business	43(14)	150,850	130,224	-	-
Non-interest income	27	267,664	163,797	113,034	101,198
Net income		1,182,692	1,099,511	97,342	81,509
Overhead expenses	28	(574,818)	(513,679)	(1,046)	(970)
Operating profit		607,874	585,832	96,296	80,539
Allowances for losses on loans, advances and financing	29	(188,294)	(169,328)	-	-
Impairment losses on available-for-sale securities		(19,253)	(15,170)	-	-
Profit before taxation and zakat		400,327	401,334	96,296	80,539
Taxation	32	(113,437)	(112,630)	(27,241)	(22,737)
Zakat		(3,725)	(5,555)	-	-
Net profit for the financial year		283,165	283,149	69,055	57,802
Earnings per share (sen)					
Basic	33	40.8	40.8		
Diluted		40.8	40.8		
Dividend per share (sen)	34	16.0	8.6	16.0	8.6

Statements of Changes in Equity

For the Financial Year Ended 31 December 2005

	Note	Issued and fully paid ordinary shares of RM1 each Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Reserve arising on consolidation RM'000	Cumulative net unrealised gains/(losses) on available-for-sale securities RM'000	Retained profit RM'000	Total RM'000
THE GROUP								
Balance as at 1 January 2005:								
- As previously reported		693,209	1,066,296	393,111	200,897	-	210,596	2,564,109
- Prior year adjustments	42	-	-	8,691	-	19,870	8,691	37,252
- As restated		693,209	1,066,296	401,802	200,897	19,870	219,287	2,601,361
Net profit for the financial year		-	-	-	-	-	283,165	283,165
Transfer to statutory reserve		-	-	72,184	-	-	(72,184)	-
Dividends in respect of financial year ended 31 December 2004	34	-	-	-	-	-	(42,923)	(42,923)
Net fair value changes in available-for-sale securities, net of tax		-	-	-	-	(16,850)	-	(16,850)
Balance as at 31 December 2005		693,209	1,066,296	473,986	200,897	3,020	387,345	2,824,753

Balance as at 1 January 2004:								
- As previously reported		693,209	1,066,296	165,096	200,897	-	188,718	2,314,216
- Prior year adjustments	42	-	-	7,132	-	(19,332)	9,436	(2,764)
- As restated		693,209	1,066,296	172,228	200,897	(19,332)	198,154	2,311,452
Net profit for the financial year		-	-	-	-	-	283,149	283,149
Transfer to statutory reserve		-	-	229,574	-	-	(229,574)	-
Dividends in respect of financial year ended 31 December 2003	34	-	-	-	-	-	(32,442)	(32,442)
Net fair value changes in available-for-sale securities, net of tax		-	-	-	-	39,202	-	39,202
Balance as at 31 December 2004		693,209	1,066,296	401,802	200,897	19,870	219,287	2,601,361

	Note	Issued and fully paid ordinary shares of RM1 each Share capital RM'000	Non-distributable Share premium RM'000	Distributable Retained profits RM'000	Total RM'000
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THE COMPANY

Balance as at 1 January 2005		693,209	1,066,296	77,475	1,836,980
Net profit for the financial year		-	-	69,055	69,055
Dividend in respect of financial year ended 31 December 2004	34	-	-	(42,923)	(42,923)
Balance as at 31 December 2005		693,209	1,066,296	103,607	1,863,112
Balance as at 1 January 2004		693,209	1,066,296	52,115	1,811,620
Net profit for the financial year		-	-	57,802	57,802
Dividend in respect of financial year ended 31 December 2003	34	-	-	(32,442)	(32,442)
Balance as at 31 December 2004		693,209	1,066,296	77,475	1,836,980

Cash Flow Statements

For the Financial Year Ended 31 December 2005

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
CASH FLOW FROM OPERATING ACTIVITIES				
Net profit for the financial year	283,165	283,149	69,055	57,802
Adjustments for:				
Depreciation of property, plant and equipment	40,951	32,359	-	-
Net gain on disposal of property, plant and equipment	5,135	(938)	-	-
Net gains on redemption of held-to-maturity securities	(1,244)	(1,430)	-	-
Net gain from sale of available-for-sale securities	(76,822)	(19,465)	-	-
Net unrealised loss/(gain) on fair value changes for held for trading securities	3,486	(221)	-	-
Property, plant and equipment written off	525	608	-	-
Allowances for losses on loans, advances and financing	237,447	204,296	-	-
Allowances for bad and doubtful debts on other receivables	5,165	-	-	-
Profit equalisation reserves	(7,419)	1,597	-	-
Net interest/income suspended	66,802	30,947	-	-
Impairment losses on securities	19,253	15,170	-	-
Amortisation of premium - net	34,410	34,187	-	-
Net unrealised losses/(gains) on fair value changes between subordinated obligations and interest rate swaps designated as fair value hedge	158	(443)	-	-
Net unrealised gains on fair value changes on derivatives at fair value through profit and loss	(11,932)	(4,717)	-	-
Net gains on foreign exchange translation	(13,272)	(2,351)	-	-
Interest income from available-for-sale and held-to-maturity securities	(173,663)	(195,311)	-	-
Interest income on deposits and placements	-	-	(4,727)	(1,233)
Interest expense on long term borrowings	18,562	18,852	18,562	18,852
Amortisation of discounts long term borrowings	1,855	2,070	1,855	2,070
Amortisation of discounts from subordinated obligations	2,444	2,321	-	-
Interest expense on subordinated obligations	45,808	43,403	-	-
Interest expense/(income) from interest rate related derivatives	7,269	(16,302)	-	-
Amortisation of goodwill	2,803	697	-	-
Dividend income	(2,557)	(1,878)	-	-
Dividend income from subsidiary company	-	-	(113,034)	(101,198)
Taxation and zakat	117,162	118,185	27,241	22,737
	605,491	544,785	(1,048)	(970)
(Increase)/decrease in operating assets				
Deposits and placements with financial institutions	(370,910)	412,025	-	-
Dealing securities	98,744	45,856	-	-
Loans, advances and financing	(2,673,332)	(2,483,679)	-	-
Statutory deposits with Bank Negara Malaysia	(129,882)	26,982	-	-
Other assets	213,211	184,922	(9)	(2)
	(2,862,169)	(1,813,894)	(9)	(2)

Cash Flow Statements (Cont'd)

	Note	GROUP		COMPANY	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Increase/(decrease) in operating liabilities					
Deposits from customers		1,354,494	1,733,166	-	-
Deposits and placements of banks and other financial institutions		(168,905)	(841,941)	-	-
Obligations on securities sold under repurchase agreements		955,074	(155,952)	-	-
Bills and acceptances payable		22,813	223,099	-	-
Recourse obligation on loans sold to Cagamas Berhad		(120,190)	(322,639)	-	-
Other liabilities		43,712	(97,589)	60	(92)
		2,086,998	538,144	60	(92)
Cash used in operations		(169,680)	(730,965)	(997)	(1,064)
Income tax paid		(117,329)	(154,397)	-	(12)
Zakat paid		(10,658)	-	-	-
Income tax refund		-	3,675	-	-
Net cash used in operating activities		(297,667)	(881,687)	(997)	(1,076)
CASH FLOW FROM INVESTING ACTIVITIES					
Proceeds from sale of available-for-sales and held-to-maturity securities, net of purchases		(27,017)	534,402	-	-
Purchase of property, plant and equipment		(179,680)	(38,604)	-	-
Proceeds from disposal of property, plant and equipment		36,600	1,846	-	-
Deposits and placements with financial institutions		-	-	33,736	(33,736)
Interest received from deposits and placements		-	-	4,752	881
Interest received from available-for-sale and held-to-maturity securities		184,447	183,526	-	-
Net proceeds from return of capital from available-for-sale securities		3,409	-	-	-
Net dividends received		1,927	1,878	-	-
Net dividends received from subsidiary company		-	-	261,110	69,884
Acquisition of subsidiary companies	39	-	(84,668)	-	-
Initial payment for acquisition of subsidiary companies		(4,976)	-	-	-
Net cash generated from investing activities		14,710	598,380	299,598	37,029

Cash Flow Statements (Cont'd)

	Note	GROUP		COMPANY	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
CASH FLOW FROM FINANCING ACTIVITIES					
Net proceeds from issuance of subordinated obligations		-	841,986	-	-
Interest paid on subordinated obligations		(45,918)	(22,978)	-	-
Redemption on long term borrowings		(50,000)	-	(50,000)	-
Interest paid on long term borrowings		(18,699)	(18,853)	(18,699)	(18,853)
Interest received from interest rate related derivatives		1,270	11,266	-	-
Net dividend paid		(42,923)	(32,442)	(42,923)	(32,442)
Net cash generated from/(used in) financing activities		(156,270)	778,979	(111,622)	(51,295)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(439,227)	495,672	186,979	(15,342)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		3,639,250	3,143,578	16,828	32,170
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	3	3,200,023	3,639,250	203,807	16,828

Summary of Significant Accounting Policies

31 December 2005

The significant accounting policies of the Group and of the Company are consistent with the policies adopted in the previous financial year except for the adoption of the revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia which became operative for the financial year ended 31 December 2005.

A BASIS OF PREPARATION

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

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

During the current financial year, the Group adopted the revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia. The adoption of the revised BNM/GP8 has resulted in changes in the accounting policies of the Group which have been applied retrospectively and an analysis of the impact to the financial results and position of the Group are disclosed in Note 42 to the financial statements.

Bank Negara Malaysia has granted indulgence to EON Bank Berhad and its relevant subsidiary companies from complying with the requirement on the impairment of loans and advances under the revised BNM/GP8. The Group and the Bank will be deemed to be in compliance with the requirement on the loans impairment under the revised BNM/GP8 if the allowances for non-performing loans, advances and financing are computed based on the requirement of BNM/GP3, which is consistent with the accounting policy adopted in the previous financial year.

B BASIS OF CONSOLIDATION

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

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

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

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

C GOODWILL/RESERVE ARISING ON CONSOLIDATION

Goodwill represents the excess of the cost of acquisition over the fair values of the net assets of subsidiary companies at the date of acquisition. Goodwill is reported in the balance sheet as an intangible asset. Capitalised goodwill is amortised using the straight line method over its estimated useful life of 25 years. The carrying amount of goodwill is reviewed annually and written down for impairment where it is considered necessary.

Reserves arising on consolidation represents the excess of fair values of the subsidiary companies' net assets over the acquisition cost. Reserves arising on consolidation is not amortised.

Summary of Significant Accounting Policies (Cont'd)

D RECOGNITION OF INTEREST INCOME

Recognition of interest income on loan and advances

Interest income on loan accounts is recognised on an accrual basis using the effective interest method. Interest income on housing and term loans is recognised by reference to monthly rest periods. Interest income on hire purchase, lease receivables and block discounting is recognised using the "sum-of-digits" method, so as to produce a constant periodic rate of interest.

Where a loan account becomes non-performing, interest earned is reversed out from the interest income as "interest suspended" and reduce against the loan interest receivable accounts. Subsequently, interest earned on non-performing loan is recognised as interest income on a cash basis.

Customers' accounts are classified as non-performing when repayments are in arrears for 3 months or more from the first day of default for loans and overdrafts, and after 3 months from the maturity date for trade bills, bankers' acceptances and trust receipts. The Group's policy on classification of non-performing loans is generally more stringent than Bank Negara Malaysia's "Guidelines on the Classification of Non-performing Loans and Provision for Substandard, Bad and Doubtful Debts" (BNM/GP3). This is also applicable to Islamic financing income.

Recognition of Islamic financing income

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

Where an Islamic financing account becomes non-performing, interest earned is not reversed out from the interest income as "interest suspended" and reduce against the loan interest receivable accounts. Subsequently, interest earned on non-performing loan is recognised as interest income on a cash basis.

Recognition of interest income from securities portfolio

Interest income from securities portfolio is recognised on an accrual basis using the effective interest method. The interest income includes coupons earned and accrued discount and amortisation of premium of these securities.

Other interest income

Interest income from clients, overdue outstanding contracts, contra losses and share margin financing arising from share and stock-broking business are recognised on an accrual basis. When an account is classified as non-performing, in accordance to Chapter 11 of the Rules of Bursa Malaysia Securities Berhad, recognition of interest is suspended until it is realised on a cash basis.

E RECOGNITION OF FEES AND OTHER INCOME

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

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

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

Fees and other income/profit from Islamic Banking is recognised on an accrual basis in accordance with the principles of Syariah and the revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8).

Brokerage fees are recognised when contracts are executed.

Dividends from subsidiary companies are recognised when the shareholder's right to receive payment is established, while dividends from securities portfolio are recognised when received.

Summary of Significant Accounting Policies (Cont'd)

F SECURITIES PORTFOLIO

The Group classify their securities portfolio into the following categories: held for trading, available-for-sale and held-to-maturity securities. Management determines the classifications of its securities up-front at the point when transactions are entered into.

Purchase and sales of securities are recognised and derecognised on settlement date. For initial recognition, all securities are measured at fair value, which corresponds to the transaction price or purchase consideration given (in the case of acquisition of securities) or received (in the case for securities sold). All securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

The Group assesses at each balance sheet whether there is objective evidence that the available-for-sale and held-to-maturity securities portfolio held by the Group are impaired. The securities are impaired if their carrying value exceeds the estimated recoverable amount and there is objective evidence of impairment to these securities.

(a) Held for trading securities

Held for trading securities ('HFT') are securities that are acquired and held principally for the purpose of selling in the short term to generate a profit from short-term fluctuations in price or from dealer's margin, and are subsequently measured at fair value, with unrealised gains and losses arising from changes in fair value recognised directly in the current period income statement.

The amortisation of premium and accretion of discount on HFT securities is recognised as interest income using the effective interest method.

The realised gains or losses on derecognition of HFT securities, which are derived on the difference between the proceeds received and the carrying value of the securities, are credited or charged to the current period's income statement.

(b) Held-to-maturity securities

Held-to-maturity securities ('HTM') are securities with fixed or determinable payments and fixed maturities that the Group has the positive intent and ability to hold to maturity, and are subsequently measured carried at amortised cost using the effective interest method.

The Group also classify equity holdings held in organisations which are set up for specific socio-economic reasons as HTM securities, which are measured at cost as prescribed under the revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8).

The amortisation of premium and accretion of discount on HTM securities is recognised as interest income using the effective interest method.

The realised gains or losses on derecognition of HTM securities, which are derived based on the difference between the proceeds received and the carrying value of the securities, are credited or charged to the current period's income statement.

When impairment is determined to have occurred on HTM securities carried at amortised cost, the amount of impairment loss is measured as the difference between the carrying value and the present value of expected future cash flows discounted at the security's original effective interest rate. For HTM securities carried at cost, the amount of impairment loss is measured as the difference between the carrying value and the present value of expected future cash flows discounted at the current market rate of return for similar security. The carrying amount of the securities is reduced through use of an allowance account and the amount of impairment loss is recognised in the current period's income statement.

Summary of Significant Accounting Policies (Cont'd)

F SECURITIES PORTFOLIO (Cont'd)

(b) Held-to-maturity securities (Cont'd)

If, in subsequent periods, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised in the income statement, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the current period's income statement. For HTM securities stated at cost, no reversal of impairment loss is allowed when the amount of impairment loss decreases.

If the Group sold or reclassified more than an insignificant amount of the HTM securities portfolio before maturity (other than under those conditions specified in BNM/GP8) during the current financial year or the last two preceding financial years, the entire category would be tainted and reclassified as available-for-sale securities at fair value. The difference between the carrying value and fair value at the date of reclassification is recognised directly in shareholder's funds.

(c) Available-for-sale securities

Available-for-sale securities ('AFS') are securities not classified as held for trading or held-to-maturity securities and are subsequently measured at fair value, with unrealised gains and losses arising from changes in fair value recognised in shareholder's funds, net of income tax, until such securities are sold, collected or otherwise disposed of, or until such securities are determined to be impaired.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost, less impairment losses by the Group.

The amortisation of premium and accretion of discount on AFS securities is recognised as interest income using the effective interest method.

The realised gains or losses on derecognition of AFS securities, which are derived based on the difference between the proceeds received and the carrying value of the securities plus any cumulative unrealised gains and losses arising from changes in fair value previously recognised in shareholder's funds, are credited or charged to the current period's income statement.

When a decline in fair value of AFS securities has been recognised directly in shareholder's funds and there is objective evidence that the security is impaired, the cumulative loss that has been recognised directly in shareholder's funds is removed from equity and recognised in the current period's income statement even though the security has not been derecognised. The amount of cumulative loss is the difference between the acquisition price (net of principal repayment and amortisation) and current fair value, less any impairment loss on that security previously recognised in the income statement.

If, in subsequent periods, the fair value of a debts instrument classified as AFS increase and the increase can be objectively related to an event occurring after the impairment was recognised in the income statement, that portion of impairment loss is reversed through the income statements. For equity instruments, no reversal of impairment loss through the income statement is allowed when there is an increase in fair value of the equity instrument in subsequent period.

G DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

Derivatives financial instruments transacted by the Group during the financial year are open forward exchange contracts and interest rate swap. These derivative financial instruments are carried at fair value and presented separately in the balance sheets as assets (positive changes in fair values) or liabilities (negative changes in fair values). Unrealised gains or losses arising from changes in fair value of derivative financial instruments are recognised directly in current period's income statements, except for derivative financial instruments that are designated as effective hedging instruments.

Summary of Significant Accounting Policies (Cont'd)

G DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING (Cont'd)

For purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability or unrecognised firm commitment, or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction, that could affect income or loss.

To qualify for hedge accounting, the hedging relationship must meet several strict conditions on formal designation and documentation, probability of occurrence of a forecasted transaction, hedge effectiveness, the reliability of fair value measurement of hedge items and hedge instruments and an on going basis of assessment on the hedge effectiveness. If these conditions are not met, then the relationship does not qualify for hedge accounting. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting, or the Group revoke the hedge designation.

For qualifying fair value hedges, the change in fair value of the hedging derivative is recognised in current period's income statement. The changes in fair value of the hedged items, which are attributable to the risks hedged with the derivative financial instruments are reflected as an adjustment to the carrying value of the hedged items, and also recognised in current period's income statement. If the hedge relationship is discontinued, the difference between the carrying value of the hedged item at that point and the value at which it would have been carried had the hedge never existed (the "unamortized fair value adjustment") is, in the case of interest bearing instruments, amortized to income statement over the remaining term of the original hedge, while for non-interest bearing instruments that amount is immediately recognized in income statement. If the hedged instrument is derecognised, e.g., is sold or repaid, the unamortised fair value adjustment is recognized immediately in current period's income statement.

For qualifying cash flow hedges, the gain or loss arising from a change in fair value associated with the effective portion of a derivative designated as a cash flow hedge is recognised initially in shareholder's funds. When the cash flows that the derivative is hedging materialise, resulting in income or expense, then the associated gain or loss on the hedging derivative is simultaneously transferred from shareholder's funds to the corresponding income or expense line item. If the hedge relationship is discontinued, the cumulative gain or loss on the hedging derivative previously recognised in shareholder's funds remains in shareholder's funds until the forecast transaction occurs, at which point it is transferred from shareholder's fund to the current period's income statement.

H LOANS, ADVANCES AND FINANCING

Loans, advances and financing, include overdrafts, term loans, hire purchase financing, acceptances credit and staff loans which are recognised when cash is advanced to borrowers. They are initially recorded at fair value, which is the cash given to originate the loans, advances and financing, and subsequently are carried at amortised cost, which is represented by the gross value of the outstanding balance, net of allowances for bad and doubtful debts and financing and unearned interest/income.

I ALLOWANCE FOR BAD AND DOUBTFUL DEBTS AND FINANCING

The Group's allowance for non-performing loans, advances and financing is made in conformity with the minimum requirements of Bank Negara Malaysia's "Guidelines on the Classification of Non-performing Loans and Provision for Substandard, Bad and Doubtful Debts" (BNM/GP3).

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

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

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

Summary of Significant Accounting Policies (Cont'd)

J TRADE AND OTHER RECEIVABLES

Trade receivables arising from share and stock-broking business are carried at cost net of allowance for bad and doubtful debts and financing. The allowance for bad and doubtful debts is made in conformity with the minimum requirements of allowance for bad and doubtful debts specified in Rule 1104.1 of Schedule 7 (Chapter 11) of the Rules of Bursa Malaysia Securities Berhad.

Other receivables are carried at cost net of allowance for bad and doubtful debts. An estimate is made for doubtful debts based on a review of all outstanding amounts at the financial year end. Bad debts are written off during the financial year in which they are identified.

K INVESTMENT IN SUBSIDIARY COMPANIES

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

Investments in subsidiary companies are stated at cost and written down when, in the opinion of the Directors, there is an indication of impairment in the value of such investments. Impairment loss on investments in subsidiary companies is recognised as an expense in the period in which the impairment is identified.

L PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

M FINANCIAL LIABILITIES

All non-trading financial liabilities are initially recognised at fair value, being the consideration received at transaction date. Subsequently, non-trading financial liabilities are measured at amortised costs using the effective interest method.

Financial liabilities are derecognised when the obligations specified in the contracts are discharged or cancelled or expired.

Summary of Significant Accounting Policies (Cont'd)

N REPURCHASE AGREEMENTS

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

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

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

O BILLS AND ACCEPTANCES PAYABLE

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

P PROFIT EQUALISATION RESERVE ('PER')

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

Q PROVISIONS

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

R DIVIDENDS PAYABLE

Dividends on ordinary shares are recognised as liabilities in the period in which the dividends are declared.

S TAXATION AND DEFERRED TAXATION

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

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

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

T HANDLING FEES

Handling fee is recognised as an expense when incurred.

Summary of Significant Accounting Policies (Cont'd)

U LONG TERM BORROWINGS

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

V OPERATING LEASES

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

W EMPLOYEE BENEFITS

Short term employee benefits

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

Post-employment benefits

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

X CURRENCY TRANSLATION

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

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

Foreign currency	31.12.2005 RM	31.12.2004 RM
1 US Dollar	3.780	3.800
1 Euro	4.484	5.184
1 Pound Sterling	6.523	7.324
1 Japanese Yen	0.032	0.037
1 Singapore Dollar	2.273	2.328

Y CASH AND CASH EQUIVALENTS

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

Z SEGMENTAL PRESENTATION

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

Notes to the Financial Statements

31 December 2005

1 GENERAL INFORMATION

The Company is principally an investment holding company. The Group is involved in banking and finance company business, merchant banking, Islamic Banking business, stockbroking business and nominee and custodian services.

Islamic Banking business refers generally to the acceptance of deposits and granting of financing under the Syariah principles. The principal activities of the subsidiaries are as stated in Note 11 to the financial statements.

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

The number of employees in the Group and in the Company at the end of the financial year amounted to 4,932 (2004: 4,938) and Nil (2004: Nil) respectively.

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

The address of the registered office of the Company is:

12th Floor, Menara EON Bank
288, Jalan Raja Laut
50350 Kuala Lumpur
Malaysia

2 USE OF FINANCIAL INSTRUMENTS

A Financial risk management objectives and policies

Market risk

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

Credit risk

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

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

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

Notes to the Financial Statements (Cont'd)

2 USE OF FINANCIAL INSTRUMENTS (Cont'd)

A Financial risk management objectives and policies (Cont'd)

Liquidity risk

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

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

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risks.

An Operational Risk Management Framework is being implemented across the Group to all business and support units. The Framework consists of processes and tools that will assist these units to identify, assess, monitor and control their operational risks.

Additionally, on a day-to-day basis, each business and supporting unit level practices operational risk management through establishing and maintaining control/procedures that are appropriate for their operating environment. Integral elements such as sound banking processes, internal control, and independent audit groups are used to manage these risks. Additional support comes from group-wide functions such as internal audit, banking operations (including system and methods), compliance and financial control and risk management.

Within the Group, operational risk management is manifested in:

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

Interest rate risk

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

Notes to the Financial Statements (Cont'd)

2 USE OF FINANCIAL INSTRUMENTS (Cont'd)

B Interest rate risk

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

GROUP	31.12.2005							
	Up to	1 - 3	3 - 12	1 - 5	Over	Non-	Trading	Total
	1 month	months	months	years	5 years	interest bearing	book	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash and short-term funds	3,063,438	-	-	-	-	136,585	-	3,200,023
Deposits and placements with financial institutions	-	349,261	113,385	-	-	-	-	462,646
Held for trading securities	-	-	-	-	-	-	12,528	12,528
Derivative financial instruments	-	-	-	-	-	19,028	-	19,028
Available-for-sale securities	179,927	273,153	113,319	1,743,397	84,299	30,690	-	2,424,785
Held-to-maturity securities	846,270	45,000	-	479,828	128,427	17,557	-	1,517,082
Loans, advances and financing - performing	11,038,768	450,265	460,163	5,069,217	7,713,451	10,677	-	24,742,541
- non-performing	-	-	-	-	-	1,183,213 [^]	-	1,183,213
Other assets ⁽¹⁾	8,332	-	-	-	-	2,020,356	-	2,028,688
Total assets	15,136,735	1,117,679	686,867	7,292,442	7,926,177	3,418,106	12,528	35,590,534
Liabilities								
Deposits from customers	10,436,583	4,326,155	6,622,620	207,329	-	2,372,991	-	23,965,678
Deposits and placements of banks and other financial institutions	931,432	870,767	1,273,662	9,058	1,400,000	98,244	-	4,583,163
Derivative financial instruments	-	-	-	-	-	41,643	-	41,643
Obligations on securities sold under repurchase agreements	1,201,241	-	-	-	-	-	-	1,201,241
Bills and acceptances payable	-	-	-	-	-	1,360,677	-	1,360,677
Recourse obligation on loans sold to Cagamas Berhad	-	-	106,629	-	-	22,710	-	129,339
Long term borrowings	-	-	-	250,000	-	(5,512) ^{* (1)}	-	244,488
Subordinated obligations	-	-	-	855,000	-	(47,556) ^{* (2)}	-	807,444
Other liabilities ⁽²⁾	6,495	-	-	-	-	425,613	-	432,108
Total liabilities	12,575,751	5,196,922	8,002,911	1,321,387	1,400,000	4,268,810	-	32,765,781
Shareholder's Funds	-	-	-	-	-	2,824,753	-	2,824,753
Total Liabilities and Shareholder's Funds	12,575,751	5,196,922	8,002,911	1,321,387	1,400,000	7,093,563	-	35,590,534
On-balance sheet interest rate gap	2,560,984	(4,079,243)	(7,316,044)	5,971,055	6,526,177	-	-	-
Off-balance sheet interest rate gap	(1,000)	-	1,000	-	-	-	-	-
Net interest rate gap	2,559,984	(4,079,243)	(7,315,044)	5,971,055	6,526,177	-	-	-

[^] The amount represents non-performing loans net of specific allowance and general allowance for loans, advances and financing made in accordance with the Group's accounting policy on allowance for bad and doubtful debts and financing.

^{*} The negative balance represents (i) unamortised discount for long term secured fixed rate, and (ii) unamortised discount, positive changes in fair values arising from fair value hedge and foreign currency translation gains of the subordinated obligations calculated in accordance with the Group's accounting policy.

Note:

⁽¹⁾ Other assets include statutory deposits with Bank Negara Malaysia, property, plant and equipment, deferred tax assets, clients and brokers balances and goodwill arising on consolidation.

⁽²⁾ Other liabilities include clients and brokers balances, remisier deposits and provision for taxation and zakat.

Notes to the Financial Statements (Cont'd)

2 USE OF FINANCIAL INSTRUMENTS (Cont'd)

B Interest rate risk (Cont'd)

GROUP	31.12.2004							Total RM'000
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000	Trading book RM'000	
Assets								
Cash and short-term funds	3,519,012	-	-	-	-	120,238	-	3,639,250
Deposits and placements with financial institutions	-	91,736	-	-	-	-	-	91,736
Held for trading securities	-	-	-	-	-	-	115,533	115,533
Derivative financial instruments	-	-	-	-	-	8,423	-	8,423
Available-for-sale securities	-	-	30,332	2,096,840	10,911	60,549	-	2,198,632
Held-to-maturity securities	839,800	70,084	166,205	358,900	265,305	17,556	-	1,717,850
Loans, advances and financing								
- performing	10,499,857	493,000	434,687	5,406,389	6,108,267	11,630	-	22,953,830
- non-performing	-	-	-	-	-	602,841 [^]	-	602,841
Other assets ⁽¹⁾	6,363	-	-	-	-	2,019,955	-	2,026,318
Total assets	14,865,032	654,820	631,224	7,862,129	6,384,483	2,841,192	115,533	33,354,413
Liabilities								
Deposits from customers	9,025,131	3,995,632	6,814,876	592,743	-	2,182,802	-	22,611,184
Deposits and placements of banks and other financial institutions	1,248,501	954,882	825,605	134,807	1,400,000	188,273	-	4,752,068
Derivative financial instruments	-	-	-	-	-	18,687	-	18,687
Obligations on securities sold under repurchase agreements	246,167	-	-	-	-	-	-	246,167
Bills and acceptances payable	-	-	-	-	-	1,337,864	-	1,337,864
Recourse obligation on loans sold to Cagamas Berhad	-	-	85,613	138,981	-	24,935	-	249,529
Long term borrowings	-	-	50,000	250,000	-	(7,367) ⁽⁰⁾	-	292,633
Subordinated obligations	-	-	-	855,000	-	(26,117) ⁽⁰⁾	-	828,883
Other liabilities ⁽²⁾	6,924	-	-	-	-	409,113	-	416,037
Total liabilities	10,526,723	4,950,514	7,776,094	1,971,531	1,400,000	4,128,190	-	30,753,052
Shareholder's Funds	-	-	-	-	-	2,601,361	-	2,601,361
Total Liabilities and Shareholder's Funds	10,526,723	4,950,514	7,776,094	1,971,531	1,400,000	6,729,551	-	33,354,413
On-balance sheet interest rate gap	4,338,309	(4,295,694)	(7,144,870)	5,890,598	4,984,483			
Off-balance sheet interest rate gap	-	(855,000)	-	855,000	-			
Net interest rate gap	4,338,309	(5,150,694)	(7,144,870)	6,745,598	4,984,483			

[^] The amount represents non-performing loans net of specific allowance and general allowance for loans, advances and financing made in accordance with the Group's accounting policy on allowance for bad and doubtful debts and financing.

^{*} The negative balance represents (i) unamortised discount for long term secured fixed rate, and (ii) unamortised discount, positive changes in fair values arising from fair value hedge and foreign currency translation gains of the subordinated obligations calculated in accordance with the Group's accounting policy.

Note:

⁽¹⁾ Other assets include property, plant and equipment, deferred tax assets, clients and brokers balances and goodwill arising on consolidation.

⁽²⁾ Other liabilities include clients and brokers balances, remisier deposits and provision for taxation and zakat.

Notes to the Financial Statements (Cont'd)

2 USE OF FINANCIAL INSTRUMENTS (Cont'd)

B Interest rate risk (Cont'd)

COMPANY	31.12.2005							Total RM'000
	Up to	1 - 3	3 - 12	1 - 5	Over	Non-		
	1 month	months	months	years	5 years	interest		
	RM'000	RM'000	RM'000	RM'000	RM'000	bearing		
						RM'000		
Assets								
Cash and short-term funds	203,784	-	-	-	-	23	203,807	
Deposits and placements with financial institutions	-	-	-	-	-	-	-	
Investment in subsidiary companies	-	-	-	-	-	1,808,353	1,808,353	
Other assets ⁽¹⁾	-	-	-	-	-	128,732	128,732	
Total assets	203,784	-	-	-	-	1,937,108	2,140,892	
Liabilities								
Long term borrowings	-	-	-	250,000	-	(5,512) [^]	244,488	
Other liabilities ⁽²⁾	-	-	-	-	-	33,292	33,292	
Total liabilities	-	-	-	250,000	-	27,780	277,780	
Shareholder's Funds	-	-	-	-	-	1,863,112	1,863,112	
Total Liabilities and Shareholder's Funds	-	-	-	250,000	-	1,890,892	2,140,892	
Net interest rate gap	203,784	-	-	(250,000)	-			

COMPANY	31.12.2004							Total RM'000
	Up to	1 - 3	3 - 12	1 - 5	Over	Non-		
	1 month	months	months	years	5 years	interest		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Assets								
Cash and short-term funds	16,726	-	-	-	-	102	16,828	
Deposits and placements with financial institutions	-	33,736	-	-	-	-	33,736	
Investment in subsidiary companies	-	-	-	-	-	1,808,353	1,808,353	
Other assets ⁽¹⁾	-	-	-	-	-	295,151	295,151	
Total assets	16,726	33,736	-	-	-	2,103,606	2,154,068	
Liabilities								
Long term borrowings	-	-	50,000	250,000	-	(7,367) [^]	292,633	
Other liabilities ⁽²⁾	-	-	-	-	-	24,455	24,455	
Total liabilities	-	-	50,000	250,000	-	17,088	317,088	
Shareholder's Funds	-	-	-	-	-	1,836,980	1,836,980	
Total Liabilities and Shareholder's Funds	-	-	50,000	250,000	-	1,854,068	2,154,068	
Net interest rate gap	16,726	33,736	(50,000)	(250,000)	-			

[^] The negative balance represents unamortised discount for long term secured fixed rate bonds calculated in accordance with the Company's accounting policy.

Note:

⁽¹⁾ Other assets include tax recoverable.

⁽²⁾ Other liabilities include deferred tax liabilities.

Notes to the Financial Statements (Cont'd)

2 USE OF FINANCIAL INSTRUMENTS (Cont'd)

B Interest rate risk (Cont'd)

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

	GROUP	
	2005	2004
	RM	RM

Financial assets

Cash and short-term funds	3.48	2.67
Deposits and placements with financial institutions	3.14	2.77
Held for trading securities	2.56	3.40
Available-for-sale securities	4.18	3.25
Held-to-maturity securities	2.36	5.49
Loans, advances and financing		
- performing	6.73	7.09
Other assets	7.03	7.05

Financial liabilities

Deposits from customers	2.77	2.84
Deposits and placements of banks and other financial institutions	3.79	4.09
Obligations on securities sold under repurchase agreements	2.95	2.35
Recourse obligation on loans sold to Cagamas Berhad	4.22	4.87
Other liabilities	2.80	3.00
Long term borrowings	6.45	7.10
Subordinated obligations	5.38	5.38

Off balance sheet items

Interest rate swap	2.69	1.12
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	COMPANY	
	2005	2004
	RM	RM

Financial asset

Cash and short-term funds	2.89	2.70
Deposits and placement with financial institutions	-	2.67

Financial liability

Long term borrowings	6.45	7.23
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Notes to the Financial Statements (Cont'd)

2 USE OF FINANCIAL INSTRUMENTS (Cont'd)

C Credit risk

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

	31.12.2005								
	Short term funds and placements with financial institutions RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Held for trading securities RM'000	Available-for-sale securities RM'000	Held-to-maturity securities RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total on-balance sheet exposures RM'000	Commitments and contingencies ⁽¹⁾ RM'000
Agriculture	-	-	-	27,085	-	273,397	492	300,974	27,891
Mining and quarrying	-	-	-	-	-	34,339	-	34,339	1,814
Manufacturing	-	-	-	1,498	196,051	2,219,469	2,268	2,419,286	179,298
Infrastructure and utilities	-	-	5,002	145,592	-	104,571	2,580	257,745	741,005
Construction	-	-	-	39,091	26,662	1,608,269	642	1,674,664	456,297
Real estate	-	-	-	42,349	220,554	605,680	4,086	872,669	38,806
General commerce	-	-	-	63,543	-	2,093,630	821	2,157,994	99,628
Transport, storage and communication	-	-	-	5,428	45,000	548,504	808	599,740	118,127
Finance, insurance and business services	1,807,800	-	-	697,865	870,650	629,141	44,755	4,050,211	195,250
Government and government agencies	1,752,562	1,001,261	-	1,373,255	140,610	-	19,207	4,286,895	-
Purchase of landed properties	-	-	-	-	-	6,160,862	419	6,161,281	537,101
Purchase of securities	-	-	-	-	-	624,943	6,376	631,319	6,624
Purchase of transport vehicles	-	-	-	-	-	9,646,168	-	9,646,168	49,903
Consumption credit	-	-	-	-	-	1,462,248	-	1,462,248	6,844
Others	-	-	-	-	-	309,998	68	310,066	35,890
	3,560,362	1,001,261	5,002	2,395,706	1,499,527	26,321,219[^]	82,522	34,865,599	2,494,478

[^] Excludes general allowance for doubtful debts and financing amounting to RM421,144,000.

Note:

⁽¹⁾ Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 35 to the financial statements.

Notes to the Financial Statements (Cont'd)

2 USE OF FINANCIAL INSTRUMENTS (Cont'd)

C Credit risk (Cont'd)

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

	31.12.2004								
	Short term funds and placements with financial institutions RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Held for trading securities RM'000	Available-for-sale securities RM'000	Held-to-maturity securities RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total on-balance sheet exposures RM'000	Commitments and contingencies ⁽¹⁾ RM'000
Agriculture	-	-	-	53,165	-	175,099	773	229,037	12,895
Mining and quarrying	-	-	-	-	-	36,266	-	36,266	24,667
Manufacturing	-	-	-	2,060	190,876	2,067,744	3,794	2,264,474	198,489
Infrastructure and utilities	-	-	4,876	10,911	-	85,671	295	101,753	55,922
Construction	-	-	-	-	81,335	1,812,477	1,421	1,895,233	534,176
Real estate	-	-	-	38,488	281,102	447,967	5,411	772,968	6,069
General commerce	-	-	-	56,551	5,007	1,776,477	818	1,838,853	95,102
Transport, storage and communication	-	-	-	35,889	95,412	642,686	2,759	776,746	148,438
Finance, insurance and business services	800,121	-	-	597,746	875,180	592,247	47,657	2,912,951	217,114
Government and government agencies	2,845,899	871,379	108,373	1,347,974	171,379	-	32,974	5,377,978	-
Purchase of landed properties	-	-	-	-	-	5,699,663	298	5,699,961	549,478
Purchase of securities	-	-	-	-	-	759,713	18,160	777,873	10,137
Purchase of transport vehicles	-	-	-	-	-	8,291,860	85	8,291,945	20,694
Consumption credit	-	-	-	-	-	1,216,172	-	1,216,172	8,666
Others	-	-	-	-	-	360,979	383	361,362	49,598
	3,646,020	871,379	113,249	2,142,784	1,700,291	23,965,021 [^]	114,828	32,553,572	1,931,445

[^] Excludes general allowance for doubtful debts and financing amounting to RM408,350,000.

Note:

⁽¹⁾ Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 35 to the financial statements.

Notes to the Financial Statements (Cont'd)

3 CASH AND SHORT-TERM FUNDS

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash and balances with banks and other financial institutions	136,585	129,010	23	102
Money at call and deposit placements maturing within one month	3,063,438	3,510,240	203,784	16,726
	3,200,023	3,639,250	203,807	16,828

Included in the cash and short-term funds are clients' monies placed in trust accounts maintained by the securities subsidiary company as follows:

Cash and balances with banks and other financial institutions	1,660	6,017	-	-
Money at call and deposit placements maturing within one month	9,553	12,236	-	-
	11,213	18,253	-	-

The cash and short-terms funds of the Company represent current deposits and fixed deposits maintained with the commercial bank subsidiary company.

4 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Licensed banks	90,029	7,000	-	7,000
Licensed finance companies	-	46,736	-	26,736
Other financial institutions	372,617	38,000	-	-
	462,646	91,736	-	33,736

Deposits placed with licensed banks and licensed finance companies of the Group and of the Company at the balance sheet date include balances held under sinking fund (operated and maintained in accordance with the Trust Deed of the secured fixed rate bonds as disclosed in Note 22 to the financial statements) of RM nil (31.12.2004: RM20,000,000) that may only be used for the redemption of the bonds.

Notes to the Financial Statements (Cont'd)

5 HELD FOR TRADING SECURITIES

	GROUP	
	2005 RM'000	2004 RM'000
Malaysian Government securities	–	108,373
Shares quoted in Malaysia	7,526	2,284
Private and Islamic debt securities	5,002	4,876
	12,528	115,533

6 AVAILABLE-FOR-SALE SECURITIES

	GROUP	
	2005 RM'000	2004 RM'000
Available-for-sale securities, at fair value		
Bank Negara Notes	249,286	–
Malaysian Government treasury bills	19,992	–
Malaysian Government securities	1,103,977	1,347,974
Cagamas bonds	448,005	597,746
Shares quoted in Malaysia	24,578	51,987
Quoted private debt securities	2,251	4,700
Private and Islamic debt securities	497,404	192,364
Commercial papers	46,672	–
Islamic commercial papers	28,759	–
	2,420,924	2,194,771
Available-for-sale securities, at cost		
Unquoted shares in Malaysia	7,075	7,075
Allowance for impairment	(3,214)	(3,214)
	3,861	3,861
	2,424,785	2,198,632

(i) The contractual maturities of investments in money market instruments and debt securities are as follows:

	GROUP	
	2005 RM'000	2004 RM'000
Maturing within one year	566,399	428,248
One year to three years	1,277,552	1,206,652
Three years to five years	468,096	493,367
Over five years	84,299	14,517
	2,396,346	2,142,784

Notes to the Financial Statements (Cont'd)

6 AVAILABLE-FOR-SALE SECURITIES (Cont'd)

- (ii) The aggregate carrying amounts of available-for-sale securities that have been mortgaged or pledged in the normal course of business to secure the liabilities of the Group and of the Bank arising from obligations on securities sold under repurchase agreements amounted to RM955,780,000 (2004: RM247,630,000).

7 HELD-TO-MATURITY SECURITIES

	GROUP	
	2005 RM'000	2004 RM'000
Held-to-maturity securities, at amortised cost		
Malaysian Government investment securities	-	29,183
Cagamas Mudharabah bonds	35,380	35,380
Khazanah bonds	1,212	1,168
Private and Islamic debt securities	672,014	863,631
Islamic commercial papers (Murabahah Notes Issuance Facility)	11,000	-
Credit linked notes denominated in USD	188,975	190,000
Range accrual notes denominated in USD	646,294	649,800
	1,554,875	1,769,162
Held-to-maturity securities, at cost		
Unquoted shares in Malaysia	17,557	17,557
	1,572,432	1,786,719
Allowance for impairment	(55,350)	(68,869)
	1,517,082	1,717,850

- (i) The contractual maturities of investments in money market instruments and debt securities are as follows:

	GROUP	
	2005 RM'000	2004 RM'000
Maturing within one year	64,148	244,644
One year to three years	302,355	221,975
Three years to five years	887,836	978,568
Over five years	300,536	323,975
	1,554,875	1,769,162

- (ii) The aggregate carrying amounts of held-to-maturity securities that have been mortgaged or pledged in the normal course of business to secure the liabilities of the Group and of the Bank arising from obligations on securities sold under repurchase agreements amounted to RM266,730,000 (2004: RM Nil).

Notes to the Financial Statements (Cont'd)

8 LOANS, ADVANCES AND FINANCING

	GROUP	
	2005 RM'000	2004 RM'000
Overdrafts	2,325,974	2,308,468
Term loans/financing		
Housing loans/financing	5,526,004	5,036,791
Syndicated term loan/financing	308,345	619,128
Hire purchase receivables	12,417,469	10,761,198
Lease receivables	2,265	2,846
Other term loans/financing	4,878,189	4,679,403
Bills receivable	5,549	10,896
Trust receipts	174,824	168,141
Claims on customers under acceptance credits	1,881,473	1,623,120
Staff loans/financing	217,821	226,327
Credit cards	756,137	566,128
Revolving credit	1,342,882	1,292,317
Other loans/financing	45,696	48,657
	29,882,628	27,343,420
Less: Unearned interest and income	(3,003,501)	(2,816,468)
Gross loans, advances and financing	26,879,127	24,526,952
Less: Allowances for bad and doubtful debts and financing:		
Specific	(558,552)	(561,931)
General	(394,821)	(408,350)
Total net loans, advances and financing	25,925,754	23,556,671

(i) The maturity structure of loans, advances and financing is as follows:

Maturing within one year	7,399,880	7,123,702
One year to three years	2,365,153	2,469,501
Three years to five years	4,529,459	4,366,591
Over five years	12,584,635	10,567,158
	26,879,127	24,526,952

(ii) The loans, advances and financing are disbursed to the following types of customers:

Domestic non-bank financial institutions	281,453	272,138
(of which: Stockbroking companies)	-	-
Domestic business enterprises	9,300,254	8,966,894
(of which: Small medium enterprises)	3,819,201	3,027,170
Government and statutory bodies	35,238	44,527
Individuals	17,220,058	15,134,954
Other domestic entities	8,198	21,261
Foreign entities	33,926	87,178
Gross loans, advances and financing	26,879,127	24,526,952

Notes to the Financial Statements (Cont'd)

8 LOANS, ADVANCES AND FINANCING (Cont'd)

(iii) Loans, advances and financing analysed by interest/profit rate sensitivity are as follows:

	GROUP	
	2005 RM'000	2004 RM'000
Fixed rate	14,099,651	12,505,107
(of which: (i) Housing loans/financing	1,857,523	1,796,492
(ii) Hire purchase receivables)	10,661,980	9,199,710
Variable rate	12,779,476	12,021,845
(of which: (i) Base lending rate plus	8,696,964	7,907,786
(ii) Cost plus)	3,127,909	3,357,662
Gross loans, advances and financing	26,879,127	24,526,952

(iv) Loans, advances and financing analysed by their economic sectors:

Agriculture, hunting, forestry and fishing	274,194	175,827
Mining and quarrying	35,237	36,325
Manufacturing	2,355,575	2,180,337
Electricity, gas and water	104,571	85,675
Construction	1,665,334	1,910,355
(of which: Infrastructure)	117,254	154,461
Real estate	618,515	460,377
Purchase of landed property	6,248,374	5,754,040
(comprise: i. Residential	4,930,292	4,396,688
ii. Non-residential)	1,318,082	1,357,352
Wholesale, retail trade and restaurants and hotels	2,149,183	1,827,559
Transport, storage and communication	553,484	651,169
Finance, insurance and business services	639,320	600,124
Purchase of securities	666,180	796,944
Purchase of transport vehicles	9,760,553	8,419,241
Consumption credit	1,493,021	1,241,959
Others	315,586	387,020
Gross loans, advances and financing	26,879,127	24,526,952

Notes to the Financial Statements (Cont'd)

8 LOANS, ADVANCES AND FINANCING (Cont'd)

(v) Movements in non-performing loans, advances and financing are as follows:

	GROUP	
	2005 RM'000	2004 RM'000
Balance as at 1 January	1,573,028	1,652,682
Classified as non-performing during the financial year	1,935,810	971,637
Reclassified as performing during the financial year	(750,132)	(508,285)
Amount recovered	(383,998)	(303,239)
Amount written off	(237,823)	(219,888)
Loans/financing converted to securities	(365)	(19,879)
Balance as at 31 December	2,136,520	1,573,028
Non-performing loans which have no adverse financial impact on the Group	(294,388)	(347,625)
	1,842,132	1,225,403
Specific allowance	(458,880)	(420,724)
Net non-performing loans, advances and financing	1,383,252	804,679
As % of total loans net of specific allowance	5.3%	3.4%

Previously, customers' loans and overdraft accounts are classified as non-performing when repayments are in arrears for 6 months or more from the first day of default and interest is suspended until it is realised on a cash basis. With effect from the current financial year, the Group has changed its basis of classification of non-performing loans and suspension of interest income for customers' loans and overdrafts from 6 month to 3 months in arrears. This change in accounting estimates has been accounted for prospectively in accordance with FRS108₂₀₀₄ Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies and has an effect of decreasing the current year's interest income and net profit by RM17,776,000 and RM12,798,720 respectively.

	GROUP	
	2005 RM'000	2004 RM'000
Agriculture, hunting, forestry and fishing	5,014	7,195
Mining and quarrying	4,099	236
Manufacturing	261,968	260,628
Electricity, gas and water	102	4
Construction	236,766	206,461
(of which: Infrastructure)	13,906	16,399
Real estate	73,698	71,883
Purchase of landed property	841,995	499,209
(comprise: i. Residential	592,036	240,578
ii. Non-residential)	249,959	258,631

Notes to the Financial Statements (Cont'd)

8 LOANS, ADVANCES AND FINANCING (Cont'd)

(vi) Non-performing loans, advances and financing analysed by their economic sectors are as follows: (Cont'd)

	GROUP	
	2005 RM'000	2004 RM'000
Wholesale, retail trade and restaurants and hotels	112,215	101,605
Transport, storage and communication	27,049	25,415
Finance, insurance and business services	58,688	12,132
Purchase of securities	72,939	55,435
Purchase of transport vehicles	312,159	200,228
Consumption credit	94,056	72,263
Others	35,772	60,334
	2,136,520	1,573,028

(vii) Movements in allowances for bad and doubtful debts and financing

General allowance

Balance as at 1 January	408,350	390,107
Allowance made during the financial year	(13,529)	18,243
Balance as at 31 December	394,821	408,350

As % of gross loans, advances and financing less specific allowance	1.5%	1.7%
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Specific allowance

Balance as at 1 January	561,931	576,553
Allowance made during the financial year	360,727	290,037
Allowance charged to deferred asset/other assets during the financial year	10,649	27,031
Amount written-back in respect of recoveries/reclassification	(109,892)	(106,191)
Recoveries set-off against deferred asset	(26,675)	(5,611)
Amount written off	(237,823)	(219,888)
Amount transferred to allowance for impairment on securities	(365)	-
Balance as at 31 December	558,552	561,931

Notes to the Financial Statements (Cont'd)

9 OTHER ASSETS

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Trade receivables (note (i))	13,890	26,167	-	-
Interest/income receivable	49,032	61,183	398	424
Other debtors, deposits and prepayments, net of allowance for doubtful debts of RM6,874,000 (2004: RM6,818,000)	67,839	159,294	87	78
Initial payment for acquisition of subsidiary companies	4,976	-	-	-
Dividend receivable from subsidiary company	-	-	81,384	261,110
Amount due from originating non-banking institutions for mortgage loans sold on their behalf to Cagamas Berhad (note (ii))	22,710	24,935	-	-
Deferred asset account (note (iii))	382,220	488,254	-	-
Tax recoverable (note (iv))	22,364	17,873	46,863	33,539
	563,031	777,706	128,732	295,151

- (i) Trade receivables mainly arose from stock and share-broking activities of a subsidiary company and represent amount receivable under outstanding purchase contracts and share margin financing. This amount is stated net of allowance for bad and doubtful debts and interest in suspense of RM3,964,744 (31.12.2004: RM237,590) and RM312,506 (31.12.2004: RM8,375) respectively.
- (ii) In the normal course of its banking operations, the merchant bank subsidiary enters into agreements with third parties to acquire loans for onward sale to Cagamas Berhad with recourse. Included in 'Recourse obligation on loans sold to Cagamas Berhad' as disclosed in Note 18 is the outstanding balance of RM22,710,000 (31.12.2004: RM24,935,000) for which the merchant bank subsidiary is liable in respect of loans sold to Cagamas Berhad. The liability is fully indemnified by the originators of the loans and accordingly the amount so indemnified is disclosed as 'Amount due from originating non-banking institutions for mortgage loans sold on their behalf to Cagamas Berhad'.
- (iii) The net asset deficiency, representing the excess of liabilities over the assets transferred which arose from the acquisition of the assets and liabilities of Oriental Bank Berhad by EON Bank Berhad, is shown as deferred asset, and will be reduced progressively by an arrangement which has been agreed with Bank Negara Malaysia.
- (iv) Tax recoverable comprises tax receivable from the tax authorities and tax deducted at source on dividend income received by the Group and the Company. This amount can be utilised to set-off future tax payable of the Group and the Company.

10 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

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

Notes to the Financial Statements (Cont'd)

11 INVESTMENT IN SUBSIDIARY COMPANIES

	COMPANY	
	2005 RM'000	2004 RM'000
Unquoted shares, at cost	1,808,353	2,011,000
Less: Pre-acquisition dividend from a subsidiary company	-	(202,647)
	1,808,353	1,808,353

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

Name of subsidiary companies	Principal activities	Issued and paid-up ordinary capital		Percentage of equity held	
		2005 RM	2004 RM	2005 %	2004 %
<u>Held by the Company</u>					
EON Bank Berhad	Commercial bank	1,329,807,163	1,329,807,163	100	100
<u>Held by EON Bank Berhad</u>					
Malaysian International Merchant Bankers Berhad	Merchant bank	75,000,000	75,000,000	100	100
EONCAP Islamic Bank Berhad	Incorporated to conduct islamic banking business	2	-	100	100
EFB Berhad (formerly EON Finance Berhad)	Dormant	2	275,000,000	100	100
EB Nominees (Tempatan) Sdn Bhd	Nominees services	10,000	10,000	100	100
EB Nominees (Asing) Sdn Bhd	Nominees services	10,000	10,000	100	100
EB Realty Sdn Bhd	Property investment	100,000	100,000	100	100
OBB Realty Sdn Bhd	Property investment	330,000	330,000	100	100
Oriental Nominee (Tempatan) Sdn Bhd	Nominees services	10,000	10,000	100	100
OFB Berhad	Dormant	105,626,000	105,626,000	100	100
CFB Asa Berhad	Dormant	35,549,000	35,549,000	100	100
CFB Nominees (Tempatan) Sdn Bhd	Dormant	2	2	100	100
PFB Asa Berhad	Dormant	32,600,000	32,600,000	100	100
Perkasa Nominees (Tempatan) Sdn Bhd	Dormant	10,000	10,000	100	100

Notes to the Financial Statements (Cont'd)

11 INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

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

Name of subsidiary companies	Principal activities	Issued and paid-up ordinary capital		Percentage of equity held	
		2005 RM	2004 RM	2005 %	2004 %
<u>Held by Malaysian International Merchant Bankers Berhad</u>					
EONCAP Securities Sdn Bhd	Stockbroking	75,000,000	75,000,000	100	100
MIMB Nominees (Tempatan) Sendirian Berhad	Nominees services	10,000	10,000	100	100
MIMB Nominees (Asing) Sendirian Berhad	Nominees services	10,000	10,000	100	100
<u>Held by EONCAP Securities Sdn Bhd</u>					
M.I.T. Nominees (Tempatan) Sdn Bhd	Nominees services	2	2	100	100
F.I.T. Nominees (Asing) Sdn Bhd	Nominees services	2	2	100	100

12 DEFERRED TAX ASSETS/(LIABILITIES)

	GROUP	
	2005 RM'000	2004 RM'000
Movements in deferred tax assets during the financial year are as follows:		
Balance as at 1 January		
- As previously reported	139,289	132,122
- Prior year adjustments (Note 42)	(14,489)	1,077
- As restated	124,800	133,199
Amount arising from acquisition of subsidiary companies	-	(291)
Transfer from income statement	(13,012)	7,137
Transfer from/(to) reserves	6,554	(15,245)
Balance as at 31 December	118,342	124,800

Notes to the Financial Statements (Cont'd)

12 DEFERRED TAX ASSETS/(LIABILITIES) (Cont'd)

GROUP	General loan loss allowance RM'000	Differences arising from excess of capital allowance over depreciation RM'000	Cumulative net unrealised gains on available-for-sale securities RM'000	Cumulative net unrealised gains/(losses) on derivative financial instruments RM'000	Changes in fair value on subordinated obligations RM'000	Unutilised tax losses RM'000	Amortisation of premium less accretion of discounts RM'000	Profit equalisation reserves RM'000	Other temporary differences RM'000	Total RM'000
2005										
As at 1 January										
- As previously reported	114,339	(16,205)	-	-	-	12,752	22,760	4,781	862	139,289
- Prior year adjustments (Note 42)	-	-	(7,727)	4,195	(4,319)	-	(5,947)	-	(691)	(14,489)
- As restated	114,339	(16,205)	(7,727)	4,195	(4,319)	12,752	16,813	4,781	171	124,800
Transfer from/(to) income statement	(3,779)	(2,969)	-	2,137	(5,413)	(10,555)	4,016	(2,077)	5,628	(13,012)
Transfer from/(to) reserves	-	-	6,554	-	-	-	-	-	-	6,554
As at 31 December	110,560	(19,174)	(1,173)	6,332	(9,732)	2,197	20,829	2,704	5,799	118,342
2004										
As at 1 January										
- As previously reported	109,230	(12,532)	-	-	-	15,371	14,551	4,334	1,168	132,122
- Prior year adjustments (Note 42)	-	-	7,518	-	-	-	(2,814)	-	(3,627)	1,077
- As restated	109,230	(12,532)	7,518	-	-	15,371	11,737	4,334	(2,459)	133,199
Amount arising from acquisition of subsidiary companies	-	(388)	-	-	-	79	-	-	18	(291)
Transfer from/(to) income statement	5,109	(3,285)	-	4,195	(4,319)	(2,698)	5,076	447	2,612	7,137
Transfer from/(to) reserves	-	-	(15,245)	-	-	-	-	-	-	(15,245)
As at 31 December	114,339	(16,205)	(7,727)	4,195	(4,319)	12,752	16,813	4,781	171	124,800

Notes to the Financial Statements (Cont'd)

12 DEFERRED TAX ASSETS/(LIABILITIES) (Cont'd)

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

	COMPANY	
	2005 RM'000	2004 RM'000
Balance as at 1 January	(22,735)	(12,786)
Transfer to income statement	(8,914)	(9,949)
Balance as at 31 December	(31,649)	(22,735)

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

13 PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land RM'000	Leasehold land and building		Buildings on freehold land RM'000	Office renovation RM'000	Furniture, fittings and equipment RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Total RM'000
		Less than 50 years RM'000	50 years and more RM'000						
2005									
<u>Net book value</u>									
Net book value as at									
1 January	10,836	706	7,792	50,526	22,863	28,782	58,064	3,564	183,133
Additions	30,500	-	-	114,254	7,092	9,897	17,846	91	179,680
Disposals and write off	-	(492)	-	(41,007)	(92)	(81)	(547)	(86)	(42,305)
Depreciation charge for the financial year	-	(5)	(4)	(2,511)	(11,267)	(5,905)	(20,285)	(974)	(40,951)
Net book value as at 31 December	41,336	209	7,788	121,262	18,596	32,693	55,078	2,595	279,557
Cost	41,336	261	7,814	124,672	45,377	51,955	120,713	4,926	397,054
Accumulated depreciation	-	(52)	(26)	(3,410)	(26,781)	(19,262)	(65,635)	(2,331)	(117,497)
Net book value as at 31 December	41,336	209	7,788	121,262	18,596	32,693	55,078	2,595	279,557
2004									
Cost	10,836	1,012	7,814	55,835	42,339	56,611	108,490	5,274	288,211
Accumulated depreciation	-	(306)	(22)	(5,309)	(19,476)	(27,829)	(50,426)	(1,710)	(105,078)
Net book value as at 31 December	10,836	706	7,792	50,526	22,863	28,782	58,064	3,564	183,133

Notes to the Financial Statements (Cont'd)

14 GOODWILL

	GROUP	
	2005 RM'000	2004 RM'000
<u>Cost</u>		
Balance as at 1 January	69,997	-
Amount arising from acquisition of subsidiary companies (Note 39)	-	69,997
Balance as at 31 December	69,997	69,997
<u>Accumulated amortisation</u>		
Balance as at 1 January	(697)	-
Amortisation charge for the financial year	(2,803)	(697)
Balance as at 31 December	(3,500)	(697)
Carrying value as at 31 December	66,497	69,300

15 DEPOSITS FROM CUSTOMERS

	GROUP	
	2005 RM'000	2004 RM'000
Demand deposits	2,372,991	2,182,802
Savings deposits	2,143,456	1,983,107
Fixed/Investment deposits	18,948,431	18,445,275
Negotiable instruments of deposits	500,800	-
Total	23,965,678	22,611,184

- (i) The maturity structure of fixed/investment and negotiable instruments of deposits is as follows:

Due within six months	15,805,864	13,845,227
Six months to one year	3,436,038	4,007,298
One year to three years	194,803	571,381
Three years to five years	12,526	21,369
Total	19,449,231	18,445,275

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

Government and statutory bodies	2,889,073	2,758,234
Business enterprises	9,827,144	8,782,099
Individuals	10,432,138	10,256,332
Others	817,323	814,519
Total	23,965,678	22,611,184

Notes to the Financial Statements (Cont'd)

16 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP	
	2005 RM'000	2004 RM'000
Licensed banks	256,437	386,040
Licensed finance companies	453	31,438
Licensed merchant banks	60,043	27,889
Bank Negara Malaysia	1,453,007	1,453,212
Other financial institutions	2,813,223	2,853,489
	4,583,163	4,752,068

17 DERIVATIVE FINANCIAL INSTRUMENTS

The following derivative financial instruments are used by the Group for economic hedging purposes:

- (i) Open forward currency forward contracts represent commitments to purchase or sell fixed amount of currency, including undelivered spot transactions. These contracts are valued at forward rates applicable to their respective dates of maturity as at balance sheet date and unrealised gains or losses are recognised in the income statement in the period in which they arise.
- (ii) Interest rate swaps involve the exchange of interest obligations with a counterparty for a specified period without the exchange of the underlying principal amount. The fair values of these contracts are determined by the discounting the estimated net cash flows at zero coupon yield at each reporting date. Interest income or interest expense associated with interest rate swaps are recognised over the life of the swap agreements as a component of interest income or interest expense.

Derivatives financial instruments that meet the stringent requirements of hedge accounting mentioned in the Group's accounting policies is accounted for as fair value hedges or cash flow hedges. Other derivatives financial instruments transacted as economic hedges and do not qualified for the stringent hedge accounting are classified as derivatives at fair value through profit and loss.

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

During the financial year, the Group hedged its existing interest rate risk arising from any potential changes in the fair value of its fixed rate subordinated obligations as a result of potential changes in the benchmark interest rate such as the six month LIBOR rate by using interest rate swaps. The interest rate swaps and the fixed rate subordinated debts meet the stringent requirements of hedge accounting mentioned in the Group's accounting policies and is accounted for as fair value hedges.

Apart from the above, the Group and the Bank also take position in foreign currency forward contract for trading purposes. These derivatives financial instruments are carried at fair value.

Notes to the Financial Statements (Cont'd)

17 DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

The fair values of derivative financial instruments recognised on balance sheet are as follows:

	GROUP			
	Notional amount		Fair value	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Derivatives at fair value through profit and loss:				
- Interest rate swaps	855,000	-	11,302	-
- Foreign currency forwards	1,335,998	915,475	7,726	8,423
Total derivative financial instruments assets			19,028	8,423
Derivatives at fair value through profit and loss:				
- Foreign currency forwards	1,360,418	866,526	7,095	3,706
Derivatives designated as fair value hedge:				
- Interest rate swaps	855,000	855,000	34,548	14,981
Total derivative financial instruments liabilities			41,643	18,687

18 RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD

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

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

19 PROVISION FOR TAXATION AND ZAKAT

	GROUP	
	2005	2004
	RM'000	RM'000
Taxation	18,027	31,069
Zakat (Note 43)	8,590	15,523
	26,617	46,592

Notes to the Financial Statements (Cont'd)

20 OTHER LIABILITIES

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Trade payables (note (i))	9,421	6,967	-	-
Other liabilities	194,625	156,124	804	745
Interest/dividend payable	191,788	189,278	839	975
Profit equalisation reserves (note (ii))	9,657	17,076	-	-
	405,491	369,445	1,643	1,720

(i) Trade payables mainly arose from the stock and share-broking activities of a subsidiary company and represent amount payable under outstanding sales contracts.

(ii) Movements in profit equalisation reserves are as follows:

	GROUP	
	2005 RM'000	2004 RM'000
Balance as at 1 January	17,076	15,479
Provisions (written-back)/made during the financial year	(7,419)	1,597
Balance as at 31 December	9,657	17,076

21 SUBORDINATED OBLIGATIONS

	GROUP	
	2005 RM'000	2004 RM'000
Subordinated obligations, at par	855,000	855,000
Fair value changes arising from fair value hedges	(34,758)	(15,424)
Foreign exchange translations	(4,533)	-
	815,709	839,576
Less: Unamortised discounts	(8,265)	(10,693)
	807,444	828,883

On 21 January 2004, the banking and finance subsidiary company issued USD225 million (equivalent to RM855 million) nominal value Subordinated Notes ('Notes') with a fixed coupon rate of 5.375% per annum payable semi-annually in arrears in July and January each year (subject to the revision of interest rates as explained below) and the Notes will mature on 21 January 2014 and listed on the Luxembourg Stock Exchange. On 15 February 2006, Moody's Investors Service Limited has reaffirmed the rating of the Notes of Baa3. The net proceeds arising from the issuance of the Notes have been utilised for general banking purposes.

Notes to the Financial Statements (Cont'd)

21 SUBORDINATED OBLIGATIONS (Cont'd)

The Bank may, at its option, but subject to the prior approval of Bank Negara Malaysia, redeem all of the Notes, at any time on or after the fifth (5) year from the Issue Date at the principal amount together with accrued interest. Should the Bank decide not to exercise its call option on the fifth (5) year from the Issue Date, the coupon rate will be revised to be equivalent to 3.95% above the US Treasury Rate per annum from the beginning of the sixth (6) year to the final maturity date.

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

22 LONG TERM BORROWINGS

	GROUP AND COMPANY	
	2005	2004
	RM'000	RM'000
Secured fixed rate bonds, at par	250,000	300,000
Less: Unamortised discounts	(5,512)	(7,367)
	244,488	292,633

The secured fixed rate bonds comprise of three (3) tranches with different nominal amount, interest rate and maturity. Tranche I of the fixed rate bonds has been fully repaid on maturity date.

Tranche	Nominal value RM'000	Interest rate	Maturity date
I	50,000	5.25%	12 December 2005
II	100,000	6.00%	12 December 2007
III	150,000	6.75%	12 December 2009

In December 2005, Rating Agency Malaysia Berhad ('RAM') has reaffirmed the long-term rating of A2^{Note 1} for the Company's long term bonds, which was awarded by RAM on July 2003.

The main features of these bonds are as follows:

- (i) Each tranche of these bonds are represented by a Global Certificate to be deposited with Bank Negara Malaysia ('BNM') and will be traded under the Scripless Securities Trading System maintained by BNM;
- (ii) The bonds are in the denominations of RM1 million each and in integral multiples of RM1 million;
- (iii) The bonds bear interest at 5.25% (Tranche 1), 6.00% (Tranche 2) and 6.75% (Tranche 3) on the nominal value of the outstanding bonds, payable semi annually;

Note:

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

Notes to the Financial Statements (Cont'd)

22 LONG TERM BORROWINGS (Cont'd)

- (iv) The bonds are constituted by a Trust Deed dated 25 November 2004 made between the Company and the Trustees, which are entrusted to act for the benefit of the bondholders;
- (v) The bonds is secured against the Sinking Fund Accounts, solely operated and maintained by the Trustee;
- (vi) The bonds will be redeemed by the Company at their nominal value on the maturity date of each tranche or purchased by tender or private treaty for cancellation; and
- (vii) The bonds shall constitute direct, secured and unconditional obligations of the Company, ranking pari passu without any preference or priority amongst themselves and with all others present and future secured and unsubordinated obligations of the Company.

23 SHARE CAPITAL

	GROUP AND COMPANY	
	2005	2004
	RM'000	RM'000
<u>Ordinary shares of RM1 each</u>		
Authorised:		
Balance as at 1 January/31 December	2,000,000	2,000,000
Issued and fully paid:		
Balance as at 1 January/31 December	693,209	693,209

24 RESERVES

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
<u>Non-distributable</u>				
Share premium	1,066,296	1,066,296	1,066,296	1,066,296
Statutory reserve	473,986	401,802	-	-
Reserve arising on consolidation	200,897	200,897	-	-
Cumulative net unrealized gains on available-for-sale securities, net of tax	3,020	19,870	-	-
	1,744,199	1,688,865	1,066,296	1,066,296
<u>Distributable</u>				
Retained profits	387,345	219,287	103,607	77,475
Total reserves	2,131,544	1,908,152	1,169,903	1,143,771

Notes to the Financial Statements (Cont'd)

24 RESERVES (Cont'd)

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

There are sufficient Section 108 tax credits to frank RM46,850,000 (2004: RM641,000) of retained profits of the Company as at 31 December 2005 if paid out as dividend. The extent of the retained profits not covered as at 31 December 2005 amounted to RM56,757,000 (2004: RM76,834,000).

25 INTEREST INCOME

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Loans and advances				
- Interest income other than recoveries	1,365,232	1,305,916	-	-
- Recoveries from non-performing loans, advances and financing	46,093	75,487	-	-
Money at call and deposit placements with financial institutions	88,927	111,661	4,726	1,233
Held for trading securities	19,360	18,450	-	-
Available-for-sale securities	114,323	134,421	-	-
Held-to-maturity securities	52,971	38,833	-	-
	1,686,906	1,684,768	4,726	1,233
Amortisation of premium less accretion of discount	(34,182)	(38,077)	-	-
Interest suspended	(66,803)	(36,794)	-	-
Total interest income	1,585,921	1,609,897	4,726	1,233

During the financial year, the Group and the Bank have changed their basis of classification of non-performing loans, advances and financing and suspension of interest income for customers' loans and overdrafts from 6 month to 3 months in arrears. The effect on the financial results are as disclosed in Note 8(v) to the financial statements.

26 INTEREST EXPENSE

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deposits and placements of banks and other financial institutions	115,003	93,644	-	-
Deposits from other customers	627,621	626,366	-	-
Loans sold to Cagamas Berhad	8,924	16,040	-	-
Subordinated obligations	48,252	45,724	-	-
Long term borrowings	20,418	20,922	20,418	20,922
Others	1,525	1,711	-	-
	821,743	804,407	20,418	20,922

Notes to the Financial Statements (Cont'd)

27 NON-INTEREST INCOME

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Fee and commission income:				
- Commission	32,149	27,319	-	-
- Service charges and fees	77,316	64,577	-	-
- Guarantee fees	11,379	10,429	-	-
- Advisory and arrangement fees	25,195	9,853	-	-
- Underwriting commission	4,144	5,724	-	-
- Brokerage	5,330	1,356	-	-
Gains/(losses) arising from sale of securities:				
- Held for trading securities	(284)	5,112	-	-
- Available-for-sale securities	76,822	22,929	-	-
Gains on redemption of held-to-maturity securities	1,244	1,052	-	-
Dividend income from:				
- Subsidiary companies	-	-	113,034	101,198
- Held for trading securities	214	477	-	-
- Available-for-sale securities	2,343	529	-	-
- Held-to-maturity securities	-	872	-	-
Net unrealised losses on fair value changes on held for trading securities	(3,486)	(420)	-	-
Net unrealised gains on fair value changes on derivative at fair value through profit and loss:				
- interest rate derivatives	11,302	-	-	-
- foreign currency forwards	631	4,717	-	-
Net unrealised (losses)/gains on fair value changes between the subordinated debts and interest rate derivatives designated as fair values hedges	(158)	443	-	-
Net gains from foreign exchange translations	13,272	2,351	-	-
Other income/(expenditure)				
- Rental income from premises	2,327	400	-	-
- Gains on disposal of property, plant and equipment	930	1,002	-	-
- Other operating income	10,194	4,384	-	-
- Other non-operating income	1,710	2,159	-	-
- Allowance made in respect of other bad and doubtful debts	(4,861)	(1,468)	-	-
- Bad debts written-off	(49)	-	-	-
	267,664	163,797	113,034	101,198

Notes to the Financial Statements (Cont'd)

28 OVERHEAD EXPENSES

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Personnel expenses	292,252	253,555	-	-
Promotion and marketing related expenses	65,306	59,139	-	-
Establishment related expenses	114,372	106,387	-	-
General administrative expenses	102,888	94,598	1,046	970
	574,818	513,679	1,046	970

(a) Personnel expenses comprise the following:

Salaries, bonus and allowances	220,411	204,306	-	-
Defined contribution plan	36,283	34,063	-	-
Voluntary separation scheme	20,263	-	-	-
Other employee benefits	15,295	15,186	-	-
	292,252	253,555	-	-

(b) Promotion and marketing related expenses comprise the following:

Hire-purchase handling fees	53,107	48,686	-	-
Others	12,199	10,453	-	-
	65,306	59,139	-	-

(c) Establishment related expenses comprise the following:

Depreciation of property, plant and equipment	40,951	32,341	-	-
Rental and maintenance for premises	21,440	28,429	-	-
Other repair and maintenance	18,198	19,575	-	-
Hire of equipment	5,592	6,151	-	-
Others	28,191	19,891	-	-
	114,372	106,387	-	-

(d) General administrative expenses comprise the following:

Communication costs	21,267	14,654	-	14
Printing and stationeries	16,181	21,226	159	110
Losses on disposal of property, plant and equipment	6,060	64	-	-
Property, plant and equipment written off	525	606	-	-
Amortisation of goodwill	2,803	697	-	-
Statutory audit fees	506	458	50	50
Legal and other professional charges	22,328	18,929	225	249
Others	33,218	37,964	612	547
	102,888	94,598	1,046	970

Notes to the Financial Statements (Cont'd)

29 ALLOWANCES FOR LOSSES ON LOANS, ADVANCES AND FINANCING

	GROUP	
	2005 RM'000	2004 RM'000
Allowance for bad and doubtful debts and financing:		
Specific allowance:		
- Made	360,727	289,528
- Written-back	(109,892)	(106,191)
General allowance		
- (Written-back)/made	(13,528)	18,243
Bad debts on loans, advances and financing:		
- Recovered	(49,153)	(34,967)
- Written-off	140	2,715
	188,294	169,328

30 DIRECTORS' REMUNERATION

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

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Non-Executive Directors:				
- Fees	1,246	1,072	406	420
- Other remuneration	257	155	42	51
	1,503	1,227	448	471

The aggregate fees and other remuneration paid to Non-Executive Directors of the Group and the Bank during the financial year, analysed into bands of RM50,000 are as follows:

	No. of Non-Executive Directors			
	GROUP		COMPANY	
	2005	2004	2005	2004
RM50,000 - RM100,000	2	1	6	6
RM100,001 - RM150,000	-	2	-	-
RM150,001 - RM200,000	-	-	-	-
RM200,001 - RM250,000	-	1	-	-
RM250,001 - RM300,000	2	1	-	-
RM300,001 - RM350,000	-	-	-	-
RM350,001 - RM400,000	1	1	-	-
Above RM400,001	1	-	-	-

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

The estimated cash value of benefits-in-kind of Directors of the Group and of the Company amounted to RM33,600 (2004: RM29,569) and RM Nil (2004: Nil) respectively.

Notes to the Financial Statements (Cont'd)

31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties and relationships

The related parties of, and their relationship (other than those disclosed in Note 11 to the financial statements) with the Group and the Company are as follows:

Related parties	Relationship
Edaran Otomobil Nasional Berhad Group of companies	Other related parties
DRB-HICOM Berhad Group of companies	Other related parties
Tan Sri Dato' Seri Mohd Saleh bin Sulong	Director of the Company
Rin Kei Mei	Director of the Company

(b) Significant related party transactions and balances

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

	COMPANY	
	2005 RM'000	2004 RM'000

Income

Interest income from a subsidiary company	3,653	644
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Amount due from

Fixed deposits placed with a subsidiary company	203,784	16,727
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	GROUP	
	2005 RM'000	2004 RM'000

Other related parties

Income

Interest on loans and advances	-	15,010
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Expenditure

Interest on deposits and placements	52,288	23,855
Other expenses	11,227	23,069

Amount due from

Loans and advances	3,000	26,687
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Amount due to

Current accounts	44,666	64,963
Fixed deposits	2,112,450	678,347
Others	245,849	38,258

Notes to the Financial Statements (Cont'd)

31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

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

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

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

	GROUP	
	2005 RM'000	2004 RM'000
Rental and service charges to CCL (Cyclecarri) Properties Sdn Bhd (a company in which a substantial shareholder is deemed to have an interest)	-	9,666
Insurance premium payable to Uni.Asia General Insurance Berhad (a subsidiary of DRB-HICOM Group)	170	1,556
Insurance premium payable to Uni.Asia Life Assurance Berhad (a subsidiary of DRB-HICOM Group)	178	168
Purchase of motor vehicles from Euromobil Sdn Bhd (a subsidiary of EON Berhad Group)	-	840
Security services payable to SRT-EON Security Services Sdn Bhd (an associate of EON Berhad)	509	1,384

32 TAXATION

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Malaysian income tax:				
- Current year	100,295	125,725	18,318	12,828
- Under/(over) provision of prior years	130	(5,958)	9	(40)
	100,425	119,767	18,327	12,788
Transfer from/(to) deferred taxation	13,012	(7,137)	8,914	9,949
Tax charge for the financial year	113,437	112,630	27,241	22,737

Notes to the Financial Statements (Cont'd)

32 TAXATION (Cont'd)

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

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Profit before taxation	400,327	401,334	96,296	80,539
Tax calculated at a rate of 28% (2004: 28%)	112,092	112,374	26,963	22,551
Tax effect of expenses not deductible for tax purposes	1,215	6,214	269	226
Overprovision in prior years	130	(5,958)	9	(40)
Tax charge for the financial year	113,437	112,630	27,241	22,737

33 EARNINGS PER SHARE

(a) Basic earnings per share

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

	GROUP	
	2005 RM'000	2004 RM'000
Net profit for the financial year (RM'000)	283,165	283,149
Weighted average number of ordinary shares in issue ('000)	693,209	693,209
Basic earnings per share (sen)	40.8	40.8

(b) Diluted earnings per share

As at 31 December 2005 and 31 December 2004, the basic earnings per share are equal to the diluted earnings per share as there were no dilutive potential ordinary shares outstanding.

34 DIVIDEND

Dividend proposed in respect of financial years are as follows:

	GROUP AND COMPANY			
	2005		2004	
	Gross dividends per share sen	Amount of dividends net of tax RM'000	Gross dividends per share sen	Amount of dividends net of tax RM'000
Proposed first and final dividends	16.0	79,858	8.6	43,063

Notes to the Financial Statements (Cont'd)

34 DIVIDEND (Cont'd)

At the forthcoming Annual General Meeting, the first and final gross dividends of 16.0 (2004: 8.6) sen per share on 693,208,732 ordinary shares, less income tax of 28%, amounting to RM79,857,646 (2004: RM43,063,000) for the financial year ended 31 December 2005 will be proposed for shareholder's approval. These financial statements do not reflect this final dividend which will be accrued as liability in the financial year ending 31 December 2005 when approved by the shareholders in the forthcoming Annual General Meeting.

35 COMMITMENTS AND CONTINGENCIES

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

Nature of commitments and contingencies

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

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

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

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

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

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

Interest rate swaps involve the exchange of interest obligations with a counterparty for a specified period without the exchange of the underlying principal.

Notes to the Financial Statements (Cont'd)

35 COMMITMENTS AND CONTINGENCIES (Cont'd)

Risk Weighted Exposures of the Group as at 31 December:

	2005			2004		
	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weight amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weight amount RM'000
Direct credit substitutes	329,386	329,386	329,386	313,746	313,746	313,746
Certain transaction related contingent items	757,860	378,930	378,930	620,360	310,180	310,180
Short term self liquidating trade-related contingencies	148,980	29,796	29,796	229,482	45,896	45,896
Assets sold with recourse and commitments with certain drawdown	474,000	474,000	444,886	-	-	-
Obligations under underwriting agreements	474,000	237,000	29,625	590,676	295,338	295,338
Irrevocable commitments to extend credit:						
- maturity more than one year	1,860,019	930,010	615,700	1,788,343	894,172	633,960
- maturity less than one year	7,093,110	-	-	5,733,376	-	-
Foreign exchange related contracts						
- maturity less than one year	2,660,485	44,944	34,837	1,723,185	29,926	12,088
Interest rate related contracts						
- maturity more than one year	2,347,070	70,412	16,350	855,000	34,200	6,840
Miscellaneous	213,345	-	-	179,247	-	-
Total	16,358,255	2,494,478	1,879,510	12,033,415	1,923,458	1,618,048

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

36 CAPITAL COMMITMENTS

	GROUP	
	2005 RM'000	2004 RM'000
- Authorised and contracted for	48,494	139,353
- Authorised but not contracted for	12,598	18,107
	61,092	157,460
Capital commitments can be analysed as follows:		
Property, plant and equipment	34,727	157,460
Acquisition of subsidiary companies	26,365	-
	61,092	157,460

Notes to the Financial Statements (Cont'd)

37 LEASE COMMITMENTS

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

	GROUP	
	2005 RM'000	2004 RM'000
<u>Year</u>		
Within 1 year	360	2,779
Later than 1 year and not later than 5 years	777	1,137
Later than 5 years	26,936	26,936

38 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

In addition, fair value information for non-financial assets and liabilities are excluded, as they do not fall within the scope of FRS132₂₀₀₄, which requires the fair value information to be disclosed. These include property, plant and equipment, investment in subsidiaries and associated companies and intangibles.

A range of methodologies and assumptions had been used in deriving the fair values of the Group's financial instruments at balance sheet date. The following table summarises the carrying amount and fair values of those financial assets and liabilities not presented on the Group's balance sheet at their fair values that are materially different:

	GROUP 2005	
	Carrying value RM'000	Fair value RM'000
<u>Financial assets</u>		
Loans, advances and financing	25,925,755	26,362,133
<u>Financial liabilities</u>		
Deposits from customers	24,169,485	24,146,107

Notes to the Financial Statements (Cont'd)

38 FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont'd)

	GROUP 2004	
	Carrying value RM'000	Fair value RM'000
<u>Financial assets</u>		
Loans, advances and financing	23,556,671	23,876,130
<u>Financial liabilities</u>		
Deposits from customers	22,611,184	22,750,282

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

Cash and short term funds

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

Deposits and placements with financial institutions

For deposits and placements with financial institutions with maturities of less than three months, the carrying values are reasonable estimates of their fair values.

For deposits and placements with maturities three months and above, estimated fair value are based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

Held for trading, available-for-sale and held-to-maturity securities

The estimated fair values are generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been assessed by reference to market indicative interest yields or net tangible asset backing of the investee where applicable.

Loans, advances and financing

For floating rate loans, the carrying values are generally reasonable estimates of their fair values.

For fixed rate loans, the fair values are estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

The fair values of impaired floating and fixed rate loans are represented by their carrying values, net of specific allowance and interest-in-suspense/income-in-suspense, being the expected recoverable amounts.

Deposits from customers

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

For deposit with maturities of three months or more, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

Notes to the Financial Statements (Cont'd)

38 FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont'd)

Deposits and placements of banks and other financial institutions

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than three months approximate their carrying values.

For deposits and placements with maturities three months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for deposits and placements with similar remaining period to maturities.

Obligations on securities sold under repurchase agreements

The fair values of obligations on securities sold under repurchase agreements approximate their carrying values.

Bills and acceptances payable

The fair values of bills and acceptances payable approximate their carrying values.

Recourse obligation on loans sold to Cagamas Berhad

The estimated fair values of recourse obligation on loans sold to Cagamas Berhad is based on discounted cash flows using the prevailing interest rates offered by Cagamas Berhad for hire-purchase and housing loans sold to Cagamas Berhad with similar remaining period to maturities.

Long term borrowings

The estimated fair values are estimated based on discounted cash flows using a discounted rate based upon the borrowing rate which the Directors expect would be available to the Group at the balance sheet date.

Other assets and liabilities

The carrying values less any estimated provision 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.

39 ACQUISITION OF SUBSIDIARY COMPANIES

There was no acquisition of subsidiary companies during the financial year ended 31 December 2005.

In the previous financial year, on 30 September 2004, EONCAP Securities Sdn Bhd and its subsidiary companies became wholly-owned subsidiaries of Malaysian International Merchant Bankers Berhad, the merchant bank subsidiary of EON Capital Group. The acquisition of subsidiary companies was settled via cash consideration.

Notes to the Financial Statements (Cont'd)

39 ACQUISITION OF SUBSIDIARY COMPANIES (Cont'd)

Details of net assets acquired, goodwill arising on consolidation and cash flow arising from the acquisition are as follows:

	GROUP At date of acquisition RM'000
Property, plant and equipment	2,212
Investment securities	6,546
Other assets	24,589
Cash and short term funds	86,161
Other liabilities	(18,020)
Deferred tax liabilities	(291)
Provision for taxation	(365)
Net assets acquired at date of acquisition	100,832
Goodwill arising on consolidation	69,997
Total purchase consideration discharged by cash (inclusive of incidental costs)	170,829
Less: Cash and cash equivalents in subsidiary companies acquired	(86,161)
Net cash outflows on acquisition of subsidiary companies	84,668

The effects of this acquisition on the financial results of the Group during the financial year ended 31 December 2004 are as follows:

	Group 2004 RM'000
Interest income	185
Interest expense	(1)
Net interest income	184
Fee and commission income	1,363
Other income	(157)
Net income	1,390
Overhead expenses	(2,008)
Profit before taxation	(618)
Taxation	377
Decrease in Group's net profit for the financial year	(241)

Notes to the Financial Statements (Cont'd)

39 ACQUISITION OF SUBSIDIARY COMPANIES (Cont'd)

The effects of this acquisition on the financial position of the Group as at 31 December 2004 are as follows:

	Group 2004 RM'000
Cash and short-term funds	81,915
Investment securities	6,546
Other assets	24,506
Property, plant and equipment	1,911
Goodwill	69,300
Deferred tax liabilities	(291)
Provision for taxation and zakat	(501)
Other liabilities	(12,798)
Increase in Group's net assets	170,588

40 SEGMENTAL REPORTING

The Group can be divided into five major business lines, i.e. Enterprise Banking, Retail Banking, Islamic Banking, Treasury and Investment Banking and Stockbroking Business. The business lines are the basis on which the Group reports its primary segment information.

Enterprise Banking focuses on providing a full range of commercial banking products to small and medium sized enterprises and corporate customers of the Group.

Retail Banking provides a complete selection of banking products and services to individual customers of the Group.

Islamic Banking focuses on providing a full range of banking products and services based on Islamic principles to individual customers, small and medium sized customers and corporate customers of the Group.

Treasury and Investment Banking is involved in the fund management of the Group and in proprietary trading in treasury related products and services. It is also involved in providing services to corporate clients and financial institutions in relation to structured financing, origination and distribution of debt and equity capital market products, mergers and acquisitions, debt restructurings, corporate advisory, Islamic capital market products and project advisory.

Stockbroking Business comprises of institutional and retail stockbroking business for securities listed on the Bursa Malaysia. It also includes income from share margin financing and fee income from nominees services.

Notes to the Financial Statements (Cont'd)

40 SEGMENTAL REPORTING (Cont'd)

GROUP	Enterprise Banking RM'000	Retail Banking RM'000	Islamic Banking RM'000	Treasury And Investment Banking RM'000	Stock- broking Business RM'000	Total RM'000
2005						
Gross operating revenue ⁽¹⁾	470,236	1,086,939	243,757	298,305	9,015	2,108,252
Less: Inter-segment revenue ⁽²⁾	(619)	(1,115)	-	(8,609)	(2,116)	(12,459)
Total segment revenue	469,617	1,085,824	243,757	289,696	6,899	2,095,793
Segment results	83,311	135,519	60,343	136,121	(1,709)	413,585
Unallocated costs						(13,258)
Profit before taxation and zakat						400,327
Taxation and zakat						(117,162)
Net profit for the financial year						283,165
2004						
Gross operating revenue ⁽¹⁾	484,730	1,059,091	217,676	239,618	1,851	2,002,966
Less: Inter-segment revenue ⁽²⁾	(58)	(10,655)	-	(1,700)	(471)	(12,884)
Total segment revenue	484,672	1,048,436	217,676	237,918	1,380	1,990,082
Segment results	101,613	201,866	49,500	65,658	(154)	418,483
Unallocated costs						(17,149)
Profit before taxation and zakat						401,334
Taxation and zakat						(118,185)
Net profit for the financial year						283,149

Notes:

- (1) Gross operating revenue comprised gross interest income received from loans, advances and financing (net of interest/income suspended), dealing securities, investment securities (net of amortisation of premium less accretion of discount) and inter-bank placements and deposits, fees income, gains or loss from sale of dealing and investment securities, gross income received from Islamic banking and other operating revenue.
- (2) Inter-segment transactions are carried out on commercial terms at market rates obtainable in transactions with unrelated parties.

Notes to the Financial Statements (Cont'd)

40 SEGMENTAL REPORTING (Cont'd)

GROUP	Enterprise Banking RM'000	Retail Banking RM'000	Islamic Banking RM'000	Treasury And Investment Banking RM'000	Stock- broking Business RM'000	Total RM'000
2005						
Segment assets	8,492,816	16,989,984	4,312,536	5,075,870	89,771	34,960,977
Unallocated assets						629,557
Total assets						<u>35,590,534</u>
Segment liabilities	7,398,168	15,485,484	3,772,389	5,479,896	19,366	32,155,303
Unallocated liabilities						610,478
Total liabilities						<u>32,765,781</u>
Other segment information:						
Capital expenditure	49,148	108,987	17,906	3,442	197	179,680
Depreciation of property, plant and equipment	10,872	24,109	3,961	909	1,100	40,951
Other non-cash expenses	135,191	200,670	16,359	51,588	2,803	406,611
2004						
Segment assets	8,284,721	15,112,572	3,818,178	5,165,924	110,771	32,492,166
Unallocated assets						862,247
Total assets						<u>33,354,413</u>
Segment liabilities	7,348,078	14,061,909	3,521,840	5,196,365	15,950	30,144,142
Unallocated liabilities						608,910
Total liabilities						<u>30,753,052</u>
Other segment information:						
Capital expenditure	6,227	24,621	3,512	4,213	31	38,604
Depreciation of property, plant and equipment	5,094	23,084	2,563	1,478	140	32,359
Other non-cash expenses	97,997	164,622	21,842	36,744	698	321,903

Notes to the Financial Statements (Cont'd)

40 SEGMENTAL REPORTING (Cont'd)

The reconciliation for total segments gross operating revenue to the net income of the consolidated income statement is as follows:

	GROUP	
	2005 RM'000	2004 RM'000
Total segments gross operating revenue	2,095,793	1,990,082
[of which: Gross operating revenue from Islamic Banking of RM239,592,000 (2004: RM214,381,000)]		
Unallocated costs	(378)	(8,592)
Less:		
Interest expense	(905,304)	(880,382)
[of which: Dividend expense from Islamic Banking of RM100,326,000 (2004: RM103,111,000)]		
Profit equalisation reserves	(7,419)	(1,597)
Net income	1,182,692	1,099,511

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

41 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (i) On 29 May 2004, EON Bank Berhad ('EBB'), the banking subsidiary of the Group had entered into conditional sale and purchase agreements with CCL (Cyclecarri) Properties Sdn Bhd ('CCL') for the acquisition of "Wisma Cyclecarri" for a total cash consideration of RM140 million and with Century Gardens Sdn Bhd ('CGSB') for the disposal of "Oriental Bank Building" for a total cash consideration of RM35 million respectively. The proposed acquisition and proposed disposal were inter-conditional upon one another.

The purchase consideration was arrived at on a willing buyer and willing seller basis, after taking into consideration the estimated market value of Wisma Cyclecarri and savings derived from the acquisition.

The disposal consideration was arrived at on a willing buyer and willing seller basis after taking into consideration the net book value of the Oriental Bank Building and future operating costs for maintaining such a building.

The acquisition and disposal were completed on 31 January 2005.

- (ii) On 28 October 2005, EONCAP Securities Sdn Bhd ('EONSEC'), the stockbroking subsidiary of the Group had entered into a conditional share sale agreement ('SSA') with SimeSecurities Holdings Sdn Bhd ('SSH') for the proposed acquisition of the entire issued and paid-up share capital of SimeSecurities Sdn Bhd ('SimeSec') for a cash consideration of RM24,840,803.

The purchase consideration was arrived at on a willing-buyer and willing seller basis after taking into consideration the dealer's licence of SimeSec, the adjusted audited net tangible liabilities of SimeSec and the estimated costs associated with a voluntary separation scheme to be carried out for all the employees of SimeSec.

The proposed acquisition is subject to the approvals of the Securities Commission ('SC'), Ministry of Finance via the SC and Equity Compliance Unit of the SC in respect of the guidelines on the acquisition of interests, mergers and take-overs by local and foreign interests issued by the Foreign Investment Committee.

The acquisition is expected to be completed by the end of first quarter of financial year ending 31 December 2006.

Notes to the Financial Statements (Cont'd)

42 PRIOR YEAR ADJUSTMENTS

On 5 October 2004, Bank Negara Malaysia issued revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) which provide guidance on recognition, measurement and classification of securities portfolio, which became operative for the financial year ended 31 December 2005. The adoption of the revised BNM/GP 8 has resulted in the following changes in accounting policies:

(a) Recognition and measurement of securities portfolio

Previously, trading securities were measured at lower of cost and market value. Bank guaranteed and government guaranteed private debt securities were measured at amortised cost, while non-bank guaranteed and non-government guaranteed private debts securities were measured at lower of cost and market value. Other investment securities were measured at cost and allowance is made in the event of any permanent diminution in value. Accretion of discount and amortisation of premium on non-bank guaranteed and non-government guaranteed private debt securities is not allowed.

With the revision, held for trading securities are now measured at fair value. Investment securities are classified into available-for-sale ('AFS') and held-to-maturity ('HTM') securities. AFS securities are measured at fair value, with changes in fair value recognised directly in shareholder's funds. Equity securities, which have no quoted price in an active market and whose fair value cannot be reliably measured, are classified as AFS securities and stated at cost. HTM securities are measured at amortised cost, except for investment in equity holdings in socio-economic entities which is stated at cost. Impairment losses arising from AFS and HTM securities are recognised in the current period's income statements. Accretion of discount and amortisation of premium on securities portfolio is allowed and recognised in the current period's income statements as interest income.

(b) Recognition and measurement of derivative financial instruments

Previously, derivative financial instruments transacted by the Group and Bank for both hedging and non-hedging were recognised as off-balance sheet items, except for foreign currency forward contracts. Foreign currency forward contracts were measured at fair value, with changes in fair value were recognised directly in current period's income statements.

With the revision, all derivative financial instruments transacted by the Group and the Bank, such as interest rate swaps and foreign currency forward contracts are carried at fair value and presented separately in the balance sheets as assets (positive changes in fair value) and liabilities (negative changes in fair values). Unrealised gains or losses arising from changes in fair values of derivative financial instruments are recognised directly in current period's income statements, except for derivative financial instruments that are designated as effective hedging instruments.

For qualifying fair value hedges, the changes in fair value of the hedging derivative financial instruments (hedging instruments) are recognised in current period's income statements. Those changes in fair value of the fixed rate subordinated obligations (hedged items), which are attributable to the risks hedged with the hedging instruments are reflected as an adjustment to the carrying value of the hedged items and also recognised in the current period's income statements.

Notes to the Financial Statements (Cont'd)

42 PRIOR YEAR ADJUSTMENTS (Cont'd)

The changes in accounting policies have been applied retrospectively and an analysis of the impact to the financial results and position of the Group are summarised as follows:

	GROUP		
	As previously reported RM'000	Effects from changes in accounting policies RM'000	As restated RM'000

BALANCE SHEET AS AT 31 DECEMBER 2004

(a) Recognition and measurement of securities portfolio:			
Held for trading securities	115,312	221	115,533
Investment securities	3,865,405	(3,865,405)	-
Available-for-sale securities	-	2,198,632	2,198,632
Held-to-maturity securities	-	1,717,850	1,717,850
(b) Recognition and measurement of derivative financial instruments:			
Derivative financial instruments - assets	-	8,423	8,423
Derivative financial instruments - liabilities	-	(18,687)	(18,687)
Other assets	782,423	(4,717)	777,706
Subordinated obligations	(844,307)	15,424	(828,883)
(c) Deferred tax impact arising from changes in accounting policies:			
Deferred tax assets	139,289	(14,489)	124,800
(d) Total effects on reserves arising from changes in accounting policies:			
Reserves as at 31 December 2004	(1,870,900)	(37,252)	(1,908,152)
Reserves as at 1 January 2004	(1,621,007)	2,764	(1,618,243)

INCOME STATEMENT FOR FINANCIAL YEAR ENDED 31 DECEMBER 2004

Profit before taxation	400,201	1,133	401,334
Taxation	(112,311)	(319)	(112,630)
Net profit for the financial year	282,335	814	283,149
Earnings per share (sen)	40.7	0.1	40.8

Notes to the Financial Statements (Cont'd)

43 THE OPERATION OF ISLAMIC BANKING

BALANCE SHEETS AS AT 31 DECEMBER 2005

	Note	GROUP	
		2005 RM'000	2004 RM'000
ASSETS			
Cash and short-term funds	3	220,401	161,862
Deposits and placements with financial institutions	4	–	20,000
Available-for-sale securities	5	99,334	–
Held-to-maturity securities	6	52,253	197,486
Financing, advances and other loans	7	3,765,793	3,337,485
Other assets	8	7,416	103,513
Statutory deposits with Bank Negara Malaysia	9	137,843	112,883
Property, plant and equipment	10	1,316	1,540
TOTAL ASSETS		4,284,356	3,934,769
LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS			
Deposits from customers	11	2,985,396	2,617,550
Deposits and placements of banks and other financial institutions	12	746,115	845,245
Bills and acceptances payable		6,806	3,679
Provision of zakat		8,590	15,523
Other liabilities	13	34,073	55,366
TOTAL LIABILITIES		3,780,980	3,537,363
ISLAMIC BANKING CAPITAL FUNDS			
Islamic banking funds		310,035	276,553
Reserves		193,341	120,853
TOTAL ISLAMIC BANKING CAPITAL FUNDS		503,376	397,406
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS		4,284,356	3,934,769
COMMITMENTS AND CONTINGENCIES	20	1,093,274	753,549

Notes to the Financial Statements (Cont'd)

43 THE OPERATION OF ISLAMIC BANKING (Cont'd)

INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	Note	GROUP	
		2005 RM'000	2004 RM'000
Income derived from general investment of depositors' funds	15	222,820	192,748
Allowances for losses on financing	16	(18,396)	(31,768)
Transfer from/(to) profit equalisation reserves		7,419	(1,597)
Total attributable income		211,843	159,383
Income attributable to depositors	17	(100,325)	(85,686)
Income derived from investment of head office's funds	18	111,518	73,697
		20,936	24,759
Total net income		132,454	98,456
Overhead expenses	19	(22,740)	(18,877)
Profit before zakat		109,714	79,579
Zakat		(3,725)	(5,555)
Profit after zakat		105,989	74,024

STATEMENTS OF CHANGES IN ISLAMIC BANKING CAPITAL FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	Islamic Banking Funds RM'000	Cumulative net unrealised loss on available-for- sale securities RM'000	Retained profit RM'000	Total RM'000
GROUP				
Balance as at 1 January 2005				
- As previously reported	276,553	-	121,202	397,755
- Prior year adjustments (Note 43(24))	-	-	(349)	(349)
- As restated	276,553	-	120,853	397,406
Transfer to Islamic banking funds	33,482	-	(33,482)	-
Net profit for the financial year	-	-	102,166	102,166
Net fair value changes in available-for-sale securities	-	(19)	-	(19)
Balance as at 31 December 2005	310,035	(19)	189,537	499,553
Balance as at 1 January 2004				
- As previously reported	276,553	-	45,743	322,296
- Prior year adjustments (Note 43(24))	-	-	1,086	1,086
- As restated	276,553	-	46,829	323,382
Net profit for the financial year	-	-	74,024	74,024
Balance as at 31 December 2004	276,553	-	120,853	397,406

Notes to the Financial Statements (Cont'd)

43 THE OPERATION OF ISLAMIC BANKING (Cont'd)

CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	GROUP	
	2005 RM'000	2004 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit after zakat	105,989	74,024
Adjustments for:		
Depreciation of property, plant and equipment	416	396
Net gain on disposal of property, plant and equipment	(10)	-
Net losses from sale of held for trading securities	-	138
Net gains from sale of available-for-sale securities	-	(1,036)
Net gains from redemption of held-to-maturity securities	-	(395)
Allowances for bad and doubtful financing	19,137	31,916
Losses on financing written-off	2	1
Profit equalisation reserves	(7,419)	1,597
Accretion of discount less amortisation of premium	228	(4,871)
Dividend from held-to-maturity securities	(6,369)	(10,918)
Zakat	3,725	5,555
	115,699	96,407
(Increase)/decrease in operating assets		
Deposits and placements with financial institutions	20,000	(20,000)
Held for trading securities	-	60,580
Financing, advances and other loans	(447,447)	(957,677)
Statutory deposits with Bank Negara Malaysia	(24,960)	(6,907)
Other assets	93,827	(98,142)
	(358,580)	(1,022,146)
Increase/(decrease) in operating liabilities		
Deposits from customers	367,846	698,520
Deposits and placements of banks and other financial institutions	(99,721)	196,577
Bills and acceptances payable	3,127	1,632
Other liabilities	(13,283)	(119,583)
	257,969	777,146
Cash generated from/(used in) operations	15,088	(148,593)
Zakat paid	(10,658)	-
Net cash generated from/(used in) operating activities	4,430	(148,593)

Notes to the Financial Statements (Cont'd)

43 THE OPERATION OF ISLAMIC BANKING (Cont'd)

CASH FLOW STATEMENTS (Cont'd) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	Note	GROUP	
		2005 RM'000	2004 RM'000
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of held-to-maturity securities, net of purchases		144,924	293,000
Purchase of available-for-sale securities		(99,273)	–
Purchase of property, plant and equipment		(193)	(398)
Proceeds from disposal of property, plant and equipment		11	–
Dividend received from held-to-maturity securities		8,640	11,351
Net cash generated from investing activities		54,109	303,953
NET INCREASE IN CASH AND CASH EQUIVALENTS		58,539	155,360
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		161,862	6,502
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	3	220,401	161,862

(1) ACCOUNTING POLICIES

The financial statements of the Group's Islamic banking operations have been prepared in accordance with the accounting policies indicated in the Summary of Significant Accounting Policies on pages 69 to 76 of the financial statements of the Group.

During the current financial year, the Group adopted the revised guidelines on Financial Reporting for licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia. The adoption of the revised BNM/GP8 has resulted in changes in the accounting policies of the Group which have been applied retrospectively and an analysis of the impact to the financial results and position of the Group are disclosed in Note 43(24) to the financial statements.

(2) SHARIAH ADVISORS

The Shariah advisors' role and authority are to advise the Group's Islamic Banking on matters pertaining to the compliance of Islamic Laws and to determine and certify that all Islamic Banking transactions comply with relevant Islamic Laws. The Shariah advisors also confirm on the zakat payable on behalf of Muslim shareholders of the Group.

Notes to the Financial Statements (Cont'd)

43 THE OPERATION OF ISLAMIC BANKING (Cont'd)

(3) CASH AND SHORT-TERM FUNDS

	GROUP	
	2005 RM'000	2004 RM'000
Non-Mudarabah:		
Cash and balances with banks and other financial institutions	6,401	3,377
Mudarabah:		
Money at call and deposit placements maturing within one month	214,000	158,485
	220,401	161,862

(4) DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

Mudarabah:		
Licensed finance companies	-	20,000

(5) AVAILABLE-FOR-SALE SECURITIES

Available-for-sale securities, at fair value:

Bank Negara negotiable notes	99,334	-
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(i) The contractual maturities of investments in money market instruments are as follows:

Maturity within one year	99,334	-
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(6) HELD-TO-MATURITY SECURITIES

Held-to-maturity securities, at amortised cost:

Malaysian Government investment securities	-	29,183
Cagamas Mudharabah bonds	35,380	35,380
Khazanah bonds	1,211	1,168
Islamic private debt securities	15,662	131,755
	52,253	197,486

Notes to the Financial Statements (Cont'd)

43 THE OPERATION OF ISLAMIC BANKING (Cont'd)

(6) HELD-TO-MATURITY SECURITIES (Cont'd)

(i) The contractual maturities of investments in money market instruments and debt securities are as follows:

	GROUP	
	2005 RM'000	2004 RM'000
Maturity within one year	1,211	144,995
One year to three years	35,380	36,548
Three years to five years	15,662	15,943
	52,253	197,486

(7) FINANCING, ADVANCES AND OTHER LOANS

Overdrafts	168,430	265,238
Term financing		
Housing financing	1,860,814	1,833,464
Hire purchase receivables	1,992,907	1,531,421
Other term financing	1,140,651	1,107,026
Trust receipts	2,398	3,374
Claims on customer under acceptance credits	65,869	26,164
Staff financing	40,697	41,169
Revolving credit	134,585	115,951
Other financing	5,434	6,526
	5,411,785	4,930,333
Less: Unearned income	(1,533,289)	(1,483,725)
Gross financing, advances and other loans	3,878,496	3,446,608
Less: Allowances for bad and doubtful financing:		
- Specific	(55,356)	(51,406)
- General	(57,347)	(57,717)
Net financing, advances and other loans	3,765,793	3,337,485

(i) Financing, advances and other loans analysed by concepts are as follows:

Al-Bai' Bithaman Ajil (BBA)	2,033,326	2,027,072
Al-Ijarah Thumma Al-Bai (AITAB)	1,689,293	1,298,319
Al-Murabahah	39,523	51,477
Al-Istisna'	11,894	13,406
Other principles	104,460	56,334
	3,878,496	3,446,608

Notes to the Financial Statements (Cont'd)

43 THE OPERATION OF ISLAMIC BANKING (Cont'd)

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

(ii) The maturity structure of financing, advances and other loans are as follows:

	GROUP	
	2005 RM'000	2004 RM'000
Maturing within one year	437,842	472,724
One year to three years	344,889	280,922
Three years to five years	814,506	578,739
Over five years	2,281,259	2,114,223
	3,878,496	3,446,608

(iii) The financing, advances and other loans are disbursed to the following types of customers:

Domestic non-bank financial institutions	7,860	1,172
(of which : Stockbroking companies)	-	-
Domestic business enterprises	974,715	1,047,987
(of which : Small medium enterprises)	252,386	221,179
Government and statutory bodies	15,693	18,796
Individuals	2,878,436	2,377,309
Other domestic entities	243	77
Foreign entities	1,549	1,267
Gross financing, advances and other loans	3,878,496	3,446,608

(iv) Financing, advances and other loans analysed by profit rate sensitivity are as follows:

Fixed rate	3,492,583	3,071,773
(of which: (i) Housing financing	920,790	881,635
(ii) Hire purchase receivables)	1,689,299	1,298,317
Variable rate - other financing	385,913	374,835
Gross financing, advances and other loans	3,878,496	3,446,608

Notes to the Financial Statements (Cont'd)

43 THE OPERATION OF ISLAMIC BANKING (Cont'd)

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

(v) Financing, advances and other loans analysed by their economic purposes are as follows:

	GROUP	
	2005 RM'000	2004 RM'000
Agriculture, hunting, forestry and fishing	22,307	23,961
Mining and quarrying	1,034	1
Manufacturing	98,055	54,848
Electricity, gas and water	30,564	309
Construction	467,315	634,563
(of which: Infrastructure)	8,394	5,176
Real estate	37,406	35,340
Purchase of landed property	1,099,658	1,049,561
(comprise: i Residential	950,517	906,103
ii Non-residential)	149,141	143,458
Wholesale and retail trade and restaurants and hotels	62,164	46,279
Transport, storage and communication	114,850	115,129
Finance, insurance and business services	44,132	33,804
Purchase of securities	31,614	35,944
Purchase of transport vehicles	1,647,880	1,269,801
Consumption credit	201,515	126,699
Others	20,002	20,369
	3,878,496	3,446,608

(vi) Movements in non-performing financing, advances and other loans are as follows:

Balance as at 1 January	140,303	100,121
Classified as non-performing during the financial year	309,367	176,190
Reclassified as performing during the financial year	(120,108)	(84,064)
Amount recovered	(32,705)	(45,469)
Amount written off	(15,298)	(6,475)
Balance as at 31 December	281,559	140,303
Non-performing loans which have no adverse financial impact on the Group	(20,143)	(21,017)
Specific allowance	261,416	119,286
	(42,116)	(37,804)
Net non-performing financing, advances and other loans	219,300	81,482
As % of total financing, advances and other loans net of specific allowance	5.8%	2.4%

Notes to the Financial Statements (Cont'd)

43 THE OPERATION OF ISLAMIC BANKING (Cont'd)

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

(vi) Movements in non-performing financing, advances and other loans are as follows: (Cont'd)

Previously, customers' loans and overdraft accounts are classified as non-performing when repayments are in arrears for 6 months or more from the first day of default and interest is suspended until it is realised on a cash basis. With effect from the current financial year, the Group has changed its basis of classification of non-performing loans and suspension of interest income for customers' financing and overdrafts from 6 month to 3 months in arrears. This change in accounting estimates has been accounted for prospectively in accordance with FRS108₂₀₀₄ Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies and the effect on current year's net income is not material.

	GROUP	
	2005	2004
	RM'000	RM'000
(vii) Non-performing financing, advances and other loans (gross) analysed by their economic sectors are as follows:		
Agriculture, hunting, forestry and fishing	8	10
Mining and quarrying	-	-
Manufacturing	8,924	5,936
Electricity, gas and water	-	-
Construction	18,015	14,554
(of which: Infrastructure)	3,050	3,530
Real estate	20,504	7,687
Purchase of landed property	149,915	51,192
(comprise: i. Residential	129,612	40,196
ii. Non-residential)	20,303	10,996
Wholesale and retail trade and restaurants & hotels	13,813	14,882
Transport, storage and communication	2,670	5,697
Finance, insurance and business services	2,323	445
Purchase of securities	-	-
Purchase of transport vehicles	41,461	20,258
Consumption credit	9,787	7,884
Others	14,139	11,758
	281,559	140,303

(viii) Movements in allowance for bad and doubtful debts and financing are as follows:

General allowance

Balance as at 1 January	57,717	44,271
Allowances (written-back)/made during the financial year	(370)	13,446
Balance as at 31 December	57,347	57,717
As % of total financing less specific allowance	1.5%	1.7%

Notes to the Financial Statements (Cont'd)

43 THE OPERATION OF ISLAMIC BANKING (Cont'd)

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

(viii) Movements in allowance for bad and doubtful debts and financing are as follows: (Cont'd)

	GROUP	
	2005 RM'000	2004 RM'000
<u>Specific allowance</u>		
Balance as at 1 January	51,406	31,138
Allowances made during the financial year	30,799	27,075
Allowance charged to deferred asset/other assets during the financial year	156	8,281
Amount recovered	(11,292)	(8,605)
Recoveries set off against deferred asset	(414)	(8)
Amount written off	(15,299)	(6,475)
Balance as at 31 December	55,356	51,406

(8) OTHER ASSETS

Income receivable	672	2,943
Other debtors, deposits and prepayments	6,744	100,570
	7,416	103,513

(9) STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

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

(10) PROPERTY, PLANT AND EQUIPMENT

GROUP	Office renovation RM'000	Furniture, fittings and equipment RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Total RM'000
2005					
Net book value as at 1 January	371	549	617	3	1,540
Additions	14	67	112	-	193
Disposal	-	(1)	-	-	(1)
Depreciation charge for the financial year	(104)	(99)	(212)	(1)	(416)
Net book value as at 31 December	281	516	517	2	1,316
Cost	2,150	1,075	1,286	20	4,531
Accumulated depreciation	(1,869)	(559)	(769)	(18)	(3,215)
Net book value as at 31 December	281	516	517	2	1,316

Notes to the Financial Statements (Cont'd)

43 THE OPERATION OF ISLAMIC BANKING (Cont'd)

(10) PROPERTY, PLANT AND EQUIPMENT (Cont'd)

GROUP	Office renovation RM'000	Furniture, fittings and equipment RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Total RM'000
2004					
Cost	2,136	995	1,161	21	4,313
Accumulated depreciation	(1,765)	(446)	(544)	(18)	(2,773)
Net book value as at 31 December	371	549	617	3	1,540

(11) DEPOSITS FROM CUSTOMERS

	GROUP	
	2005 RM'000	2004 RM'000
Non-Mudarabah:		
Al-Wadiah Demand deposits	425,570	264,684
Al-Wadiah Savings deposits	120,941	120,817
	546,511	385,501
Mudarabah:		
Al-Fareed Demand deposits	34,080	27,950
Al-Mudarabah Savings deposits	32,055	23,069
Total demand and savings deposits	612,646	436,520
Mudarabah:		
General investment deposits	2,107,434	1,556,945
Special investment deposits	–	334,594
Bai Al-Inah HARI	265,316	289,491
Total investment deposits	2,372,750	2,181,030
	2,985,396	2,617,550
(i) The maturity structure of investment deposits are as follows:		
Due within six months	1,959,185	1,623,482
Six months to one year	376,272	452,873
One year to three years	26,858	90,912
Three years to five years	10,435	13,763
	2,372,750	2,181,030

Notes to the Financial Statements (Cont'd)

43 THE OPERATION OF ISLAMIC BANKING (Cont'd)

(11) DEPOSITS FROM CUSTOMERS (Cont'd)

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

	GROUP	
	2005 RM'000	2004 RM'000
Government and statutory bodies	832,541	631,776
Business enterprises	1,568,277	1,368,864
Individuals	566,310	601,369
Others	18,268	15,541
	2,985,396	2,617,550

(12) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP	
	2005 RM'000	2004 RM'000
Non-Mudarabah:		
Licensed finance companies	-	9,625
Other financial institutions	9,296	5,640
	9,296	15,265
Mudarabah:		
Licensed Islamic banks	50,000	15,000
Licensed banks	40,000	200,000
Licensed merchant companies	10,000	-
Bank Negara Malaysia	3,439	2,593
Other financial institutions	633,380	612,387
	746,115	845,245

(13) OTHER LIABILITIES

Dividend payable	14,618	15,453
Amount due to Head Office (Note (i))	-	2,138
Other liabilities	9,798	20,699
Profit equalisation reserves (Note (ii))	9,657	17,076
	34,073	55,366

(i) Amount due to Head Office is arising from normal course of business between Conventional and Islamic Banking business for settlement purposes. The amount is unsecured, interest-free and repayable within a short period of time.

Notes to the Financial Statements (Cont'd)

43 THE OPERATION OF ISLAMIC BANKING (Cont'd)

(13) OTHER LIABILITIES (Cont'd)

(ii) Movements in profit equalisation reserves are as follows:

	GROUP	
	2005 RM'000	2004 RM'000
Balance as at 1 January	17,076	15,479
Provisions (written-back)/made during the financial year	(7,419)	1,597
Balance as at 31 December	9,657	17,076

(14) NET INCOME FROM ISLAMIC BANKING BUSINESS

	GROUP	
	2005 RM'000	2004 RM'000
Income derived from general investment of depositors' funds (Note 43(15))	222,820	192,748
Transfer from/(to) profit equalisation reserves	7,419	(1,597)
Total attributable income	230,239	191,151
Income attributable to depositors (Note 43(17))	(100,325)	(85,686)
	129,914	105,465
Income derived from investment of head office's funds (Note 43(18))	20,936	24,759
Net income from Islamic Banking business	150,850	130,224

(15) INCOME DERIVED FROM GENERAL INVESTMENT OF DEPOSITORS' FUNDS

	GROUP	
	2005 RM'000	2004 RM'000
Income from financing:		
Al-Bai Bithaman Ajil (BBA)	102,175	82,593
Al-Ijarah Thumma Al-Bai (AITAB)	92,495	81,493
Al-Murabahah	3,601	3,465
Al-Istisna	1,046	1,170
Others	9,381	5,790
Income from securities portfolio:		
Dividend from held for trading securities	-	37
Dividend from held-to-maturity securities	5,923	10,154
Net losses from held for trading securities	-	(128)
Net gains from available-for-sale securities	-	964
Net gains from held-to-maturity securities	-	367
Income from inter-bank placements	5,915	1,296
Accretion of discount less amortisation of premium	(213)	4,404
Recoveries from non-performing financing	2,497	1,143
	222,820	192,748

Notes to the Financial Statements (Cont'd)

43 THE OPERATION OF ISLAMIC BANKING (Cont'd)

(16) ALLOWANCES FOR LOSSES ON FINANCING

	GROUP	
	2005 RM'000	2004 RM'000
Allowances for bad and doubtful financing:		
Specific allowance:		
- Made	30,799	26,899
- Written-back	(11,292)	(8,429)
General allowance		
- (Written-back)/made	(370)	13,446
Losses on financing:		
- Recovered	(743)	(149)
- Written-off	2	1
	18,396	31,768

(17) INCOME ATTRIBUTABLE TO DEPOSITORS

	GROUP	
	2005 RM'000	2004 RM'000
Deposits from customers:		
Mudarabah fund	90,093	58,463
Non-mudarabah fund	7,988	6,763
Deposits and placements of Banks and other financial institutions:		
Mudarabah fund	-	10,034
Non-mudarabah fund	2,203	10,306
Others	41	120
	100,325	85,686

Notes to the Financial Statements (Cont'd)

43 THE OPERATION OF ISLAMIC BANKING (Cont'd)

(18) INCOME DERIVED FROM INVESTMENT OF HEAD OFFICE'S FUNDS

	GROUP	
	2005 RM'000	2004 RM'000
Income from financing:		
Al-Bai Bithaman Ajil (BBA)	7,690	6,846
Al-Ijarah Thumma Al-Bai (AITAB)	6,962	10,227
Al-Murabahah	271	261
Al-Istisna	79	88
Others	706	436
Income from securities portfolio:		
Dividend from held for trading securities	-	3
Dividend from held-to-maturity securities	446	764
Net losses from held for trading securities	-	(10)
Net gains from available-for-sale securities	-	72
Net gains from held-to-maturity securities	-	28
Income from inter-bank placements	445	115
Accretion of discount less amortisation of premium	(16)	467
Recoveries from non-performing financing	188	86
	16,771	19,383
Other income:		
Other fee income		
- Commission	874	686
- Service charges and fees	1,660	3,276
- Guarantee fees	724	433
- Underwriting commission	-	296
Other non-operating income		
- Gains from foreign exchange translations	50	36
- Rental income from premises	3	13
- Gain on disposal of property, plant and equipment	10	-
- Others	844	636
	20,936	24,759

All types of deposits received from the Group's depositors are co-mingled into a single pool of funds. Islamic income/profit generated from the depositors' funds and Islamic banking capital funds is allocated proportionately between these funds using the weighted average method balances outstanding during the year.

The Group distributes Islamic income/profit derived from depositors' funds based on a pre-determined rate in the case of Mudarabah, and based on a ratio determined at the discretion of the Group in the case of Non-Mudarabah. The profit/income distribution rate is arrived at after taking into consideration all direct expenditure attributable to the investment of those funds.

Notes to the Financial Statements (Cont'd)

43 THE OPERATION OF ISLAMIC BANKING (Cont'd)

(19) OVERHEAD EXPENSES

	GROUP	
	2005 RM'000	2004 RM'000
Personnel expenses	5,043	6,831
Promotion and marketing related expenses	10,632	7,763
Establishment related expenses	2,907	2,409
General administrative expenses	4,158	1,874
	22,740	18,877

(a) Personnel expenses comprise the following:

Salaries, bonus and allowances	3,734	5,499
Defined contribution plan	636	896
Voluntary separation scheme	286	–
Other employee benefits	387	436
	5,043	6,831

(b) Promotion and marketing related expenses comprise the following:

Hire-purchase handling fees and commissions	9,924	7,274
Others	708	489
	10,632	7,763

(c) Establishment related expenses comprise the following:

Depreciation of property, plant and equipment	416	396
Repair and maintenance	306	440
Rental of premises	1,270	1,053
Hire of equipment	36	32
Others	879	488
	2,907	2,409

(d) General administrative expenses comprise the following:

Communication costs	531	22
Printing and stationeries	313	234
Legal and other professional charges	908	754
Others	2,406	864
	4,158	1,874

Notes to the Financial Statements (Cont'd)

43 THE OPERATION OF ISLAMIC BANKING (Cont'd)

(20) COMMITMENTS AND CONTINGENCIES

In the normal course of the Group's banking and finance business, the Company's subsidiary companies make various commitments and incurs certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions. The nature of these commitments and contingencies is disclosed in Note 35 to the financial statements.

Risk Weighted Exposure of the Group as at 31 December:

	2005			2004		
	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weight amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weight amount RM'000
Direct credit substitutes	9,041	9,041	9,041	3,849	3,849	1,357
Certain transaction related contingent items	39,805	19,902	19,902	21,330	10,665	10,665
Short term self liquidating trade-related contingencies	4,113	823	823	3,336	667	667
Obligations under underwriting agreements	141,000	70,500	8,813	115,000	57,500	57,500
Irrevocable commitments to extend credit:						
- maturity more than one year	298,752	149,376	116,836	238,911	119,456	88,157
- maturity less than one year	599,464	-	-	369,341	-	-
Miscellaneous	1,099	-	-	1,782	-	-
Total	1,093,274	249,642	155,415	753,549	192,137	158,346

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

(21) SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(i) Related parties and relationships

The related parties of and their relationship with the Group are disclosed in Note 31 to the financial statements.

(ii) Significant related party transactions and balances

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

Notes to the Financial Statements (Cont'd)

43 THE OPERATION OF ISLAMIC BANKING (Cont'd)

(21) SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

2005	Group Other related parties RM'000
<u>Expenditure</u>	
Dividend on investment deposits	12,025
Hire purchase handling fees	1,442
<hr/>	
<u>Amount due to</u>	
Investment deposits	404,054
Al-Wadiah Demand deposits	4,512
<hr/>	
2004	
<u>Expenditure</u>	
Dividend on investment deposits	1,105
Hire purchase handling fees	3,030
<hr/>	
<u>Amount due to</u>	
Investment deposits	56,110
Al-Wadiah Demand deposits	5,629
<hr/>	

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.

(22) DISTRIBUTION OF ASSETS

The table below summarises the distribution of assets of Islamic Banking operations of the Group at carrying amounts in accordance with their respective periods to maturity:

GROUP	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Assets with		Total RM'000
					Over 5 years RM'000	no fixed maturity RM'000	
2005							
Cash and short-term funds	214,000	-	-	-	-	6,401	220,401
Available-for-sale securities	-	99,334	-	-	-	-	99,334
Held-to-maturity securities	-	-	1,211	51,042	-	-	52,253
Financing, advances and other loans:							
- performing	502,801	23,678	113,841	854,229	2,102,388	-	3,596,937
- non-performing	-	-	-	-	-	168,856 [^]	168,856
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	137,843	137,843
Other assets and property, plant and equipment	-	-	-	-	-	8,732	8,732
Total assets	716,801	123,012	115,052	905,271	2,102,388	321,832	4,284,356

Notes to the Financial Statements (Cont'd)

43 THE OPERATION OF ISLAMIC BANKING (Cont'd)

(22) DISTRIBUTION OF ASSETS (Cont'd)

GROUP	Up to	1 - 3	3 - 12	1 - 5	Over	Assets with	Total
	1 month	months	months	years	5 years	no fixed maturity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2004							
Cash and short-term funds	158,485	-	-	-	-	3,377	161,862
Deposit and placements with financial institutions	-	20,000	-	-	-	-	20,000
Held-to-maturity securities	-	36,020	124,918	36,548	-	-	197,486
Financing, advances and other loans:							
- performing	615,378	22,024	67,339	865,806	1,735,758	-	3,306,305
- non-performing	-	-	-	-	-	31,180 [^]	31,180
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	112,883	112,883
Other assets and property, plant and equipment	-	-	-	-	-	105,053	105,053
Total assets	773,863	78,044	192,257	902,354	1,735,758	252,493	3,934,769

[^] The amount represents non-performing financing net of specific allowance and general allowance for financing, advances and other loans made in accordance with the Group's accounting policy on allowance for bad and doubtful financing.

(23) CONCENTRATION OF ASSETS RISKS

The table below sets out the concentrations of assets by economic sectors of Islamic Banking operations of the Group:

	31.12.2005						
	Short term funds and placements with financial institutions	Statutory deposits with Bank Negara Malaysia	Available -for-sale securities	Held-to-maturity securities	Financing, advances and other loans	Other assets	Total on-balance sheet exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	-	-	22,304	-	22,304
Mining and quarrying	-	-	-	-	1,034	-	1,034
Manufacturing	-	-	-	-	96,708	-	96,708
Infrastructure and utilities	-	-	-	15,662	30,564	-	46,226
Construction	-	-	-	-	456,200	282	456,482
Real estate	-	-	-	-	35,342	-	35,342
General commerce	-	-	-	-	51,258	-	51,258
Transport, storage and communication	-	-	-	-	114,652	-	114,652
Finance, insurance and business services	215,511	-	-	35,380	44,077	60	295,028
Government and government agencies	1,729	137,843	99,334	1,211	-	330	240,447
Purchase of landed properties	-	-	-	-	1,089,223	-	1,089,223
Purchase of securities	-	-	-	-	31,614	-	31,614
Purchase of transport vehicles	-	-	-	-	1,636,334	-	1,636,334
Consumption credit	-	-	-	-	193,840	-	193,840
Others	-	-	-	-	19,990	-	19,990
	217,240	137,843	99,334	52,253	3,823,140[^]	672	4,330,482

[^] Excludes general allowance for doubtful financing amounting to RM57,347,000.

Notes to the Financial Statements (Cont'd)

43 THE OPERATION OF ISLAMIC BANKING (Cont'd)

(23) CONCENTRATION OF ASSETS RISKS (Cont'd)

The table below sets out the concentrations of assets by economic sectors of Islamic Banking operations of the Group:

	31.12.2004						Total on-balance sheet exposures RM'000
	Short term funds and placements with financial institutions RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Available -for-sale securities RM'000	Held-to- maturity securities RM'000	Financing, advances and other loans RM'000	Other assets RM'000	
Agriculture	-	-	-	-	23,959	-	23,959
Mining and quarrying	-	-	-	-	1	-	1
Manufacturing	-	-	-	-	53,661	-	53,661
Infrastructure and utilities	-	-	-	-	5,005	-	5,005
Construction	-	-	-	81,596	618,305	996	700,897
Real estate	-	-	-	-	33,292	-	33,292
General commerce	-	-	-	5,010	35,450	75	40,535
Transport, storage and communication	-	-	-	45,498	111,219	1,064	157,781
Finance, insurance and business services	162,317	-	-	65,731	33,736	31	261,815
Government and government agencies	19,545	112,883	-	-	-	777	133,205
Purchase of landed properties	-	-	-	-	1,044,997	-	1,044,997
Purchase of securities	-	-	-	-	35,944	-	35,944
Purchase of transport vehicles	-	-	-	-	1,258,184	-	1,258,184
Consumption credit	-	-	-	-	121,105	-	121,105
Others	-	-	-	-	20,344	-	20,344
	181,862	112,883	-	197,835	3,395,202 [^]	2,943	3,890,725

[^] Excludes general allowance for doubtful financing amounting to RM57,717,000.

(24) PRIOR YEAR ADJUSTMENTS

On 5 October 2004, Bank Negara Malaysia ('BNM') issued a revised BNM/GP8 which provides guidance on recognition, measurement and classification of securities portfolio, which became operative for the financial year ended 31 December 2005. The adoption of the revised BNM/GP8 has resulted the changes in accounting policies for recognition and measurement of securities portfolio of the Group's Islamic Banking operations.

Previously, trading securities are measured at lower of cost and market value. Bank guaranteed and government guaranteed private debt securities are measured at amortised cost, while non-bank guaranteed and non-government guaranteed private debts securities are measured at lower of cost and market value. Other investment securities are measured at cost and allowance is made in the event of any permanent diminution in value. Accretion of discount and amortisation of premium on non-bank guaranteed and non-government guaranteed private debt securities is not allowed.

With the revision, held for trading securities are now measured at fair value. Investment securities are classified into available-for-sale ('AFS') and held-to-maturity ('HTM') securities. AFS securities are measured at fair value, with changes in fair value recognised directly in shareholder's funds. Equity securities, which have no quoted price in an active market and whose fair value cannot be reliably measured, are classified as AFS securities and stated at cost. HTM securities are measured at amortised cost, except for investment in equity holdings in socio-economic entities which is stated at cost. Impairment losses arising from AFS and HTM securities are recognised in the current period's income statements. Accretion of discount and amortisation of premium on securities portfolio is allowed and recognised in the current period's income statements as interest income.

Notes to the Financial Statements (Cont'd)

43 THE OPERATION OF ISLAMIC BANKING (Cont'd)

(24) PRIOR YEAR ADJUSTMENTS (Cont'd)

The changes in accounting policies has been applied retrospectively and an analysis of the impact to the results and financial position of the Islamic Banking operations of the Group are summarised as follows:

	GROUP		
	As previously reported RM'000	Effects from change in accounting policies RM'000	As restated RM'000
Balance sheet			
As at 31 December 2004			
Investment securities	197,835	(197,835)	-
Held-to-maturity securities	-	197,486	197,486
Reserves	121,202	(349)	120,853
<hr/>			
Reserves as at 1 January 2004	45,743	1,086	46,829
<hr/>			
Income statement			
For financial year ended 31 December 2004			
Profit before zakat	81,014	(1,435)	79,579
Zakat	(5,555)	-	(5,555)
Profit after zakat	75,459	(1,435)	74,024
<hr/>			

Proxy Form

EON CAPITAL

EON Capital Berhad
(454644-K) (Incorporated in Malaysia)

I/WE _____
(FULL NAME IN BLOCK CAPITALS)
of _____ being a
(FULL ADDRESS)
member of EON Capital Berhad, hereby appoint _____
(FULL NAME)
of _____
(FULL ADDRESS)
or failing him/her _____
(FULL NAME)
of _____
(FULL ADDRESS)

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Eighth Annual General Meeting of the Company to be held at Pacific Ballroom, Pan Pacific Kuala Lumpur, Jalan Putra, 50746 Kuala Lumpur on Thursday, 8 June 2006 at 10.00 a.m. and at any adjournment thereof, as indicated below:

NO	RESOLUTIONS	FOR	AGAINST
1	Adoption of the Reports of the Directors and Auditors and the Audited Financial Statements for the financial year ended 31 December 2005.		
2	Declaration of a first and final gross dividend of 16.0 sen per share less Malaysian Income Tax of 28% for the financial year ended 31 December 2005.		
3	Re-election of Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh as Director in accordance with Article 97 of the Company's Articles of Association.		
4	Re-election of Mr. Wizayaratnam Somasundram as Director in accordance with Article 97 of the Company's Articles of Association.		
5	Re-appointment of Mr. Rin Kei Mei, as a Director of the Company in accordance with Section 129(6) of the Companies Act, 1965.		
6	Approval for the payment of Non-Executive Directors' fees of RM406,301 for the financial year ended 31 December 2005.		
7	Re-appointment of Messrs. PricewaterhouseCoopers as Auditors and authorising the Directors to fix their remuneration.		

Please indicate with an "X" in the spaces above on how you wish your vote to be cast. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Dated this _____ day of _____

Signature/Seal

No. of Shares

Notes:

- A member entitled to attend the meeting may appoint a proxy who may but need not be a member of the Company.
- The instrument appointing a proxy must be deposited at the Registered Office of the Company at 12th Floor, Menara EON Bank (formerly known as Wisma Cyclecarri), 288, Jalan Raja Laut, 50350, Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting.
- If the member is a corporation, the proxy form should be executed under its Common Seal or under the hand of an officer or attorney duly authorised.