

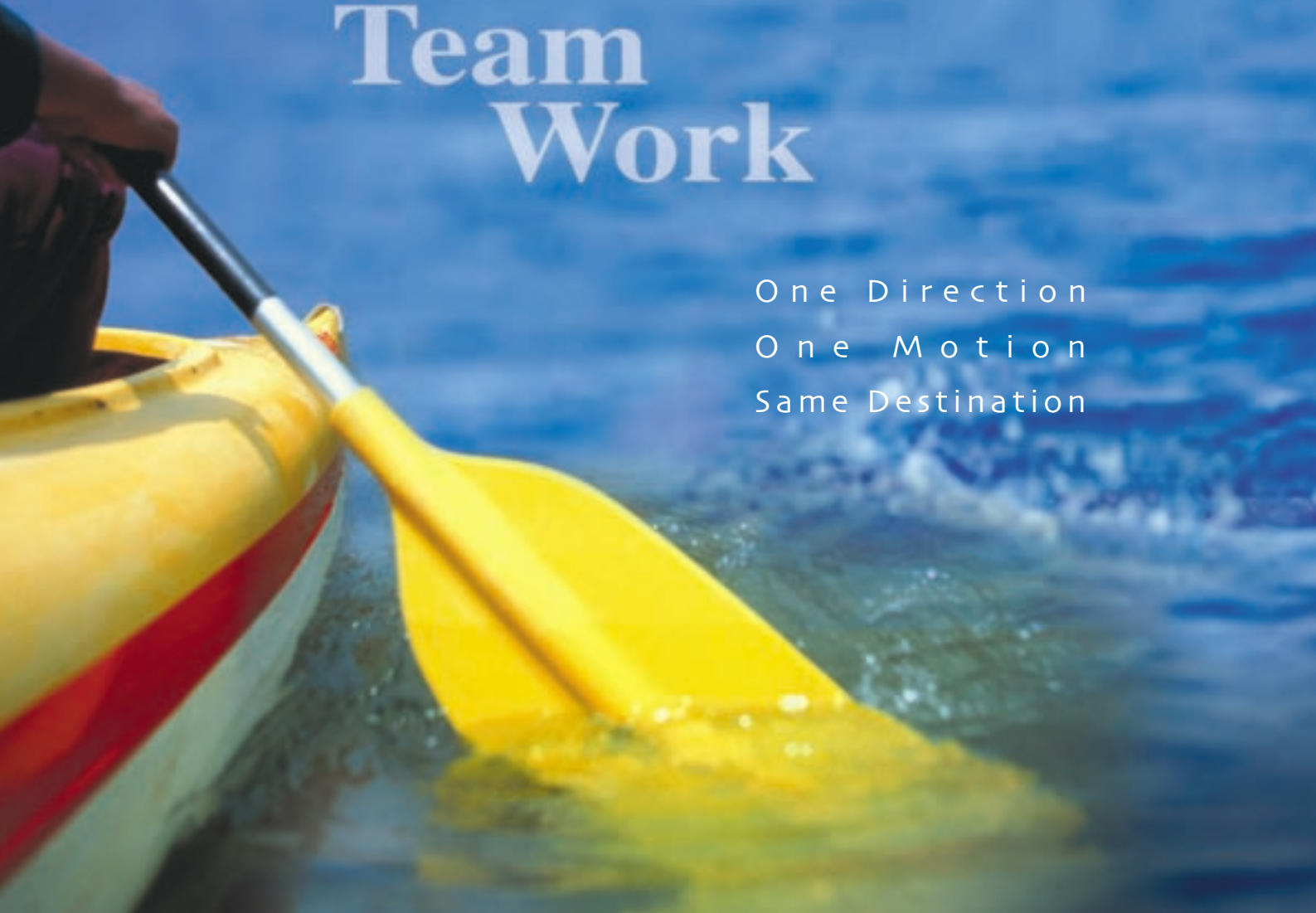
# EON CAPITAL BERHAD

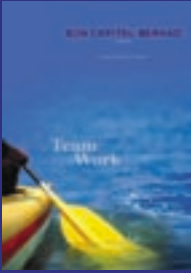
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2004 Annual Report

## Team Work

One Direction  
One Motion  
Same Destination





### Cover Rationale

The cover design is reflective of the true characteristics of EON Capital Berhad. Its emphasis on strategic and focussed direction with a clear vision has made EON Capital Berhad an integral part of Malaysia's business landscape.

Equally important are the commitment and perseverance of its qualified work force adapt at coping with change, evolving with the times and adapting to the changing demands of the economic landscape. Charting for an expansionary policy for the year ahead, EON Capital Berhad will enhance existing operation and search for the right opportunities to grow its core business with the finance sector.

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# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Seventh Annual General Meeting of **EON CAPITAL BERHAD** will be held at Grand Prince Ballroom, Level 3, Prince Hotel & Residence Kuala Lumpur, Jalan Conlay, 50450 Kuala Lumpur on Thursday, 26 May 2005 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 2004. **Resolution 1**
2. To declare a first and final gross dividend of 8.6 sen per share less Malaysian Income Tax of 28%. **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. Dato' Maznah binti Abdul Jalil **Resolution 3**
  - b. Dr. Tiong Ik King **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 RM420,000 for the financial year ended 31 December 2004. **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 8.6 sen per share less Malaysian Income Tax of 28% in respect of the financial year ended 31 December 2004, if approved by the shareholders at the Seventh Annual General Meeting, will be paid on 6 June 2005 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 27 May 2005.

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 27 May 2005 in respect of ordinary transfers; and
- b. Shares bought on Bursa Malaysia on a cum-entitlement basis according to the Rules of Bursa Malaysia.

By order of the Board.

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

Kuala Lumpur  
4 May 2005

### 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, Wisma Cyclocari, 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.

## 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. Dato' Maznah binti Abdul Jalil
- ii. Dr. Tiong Ik King

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 2004.

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

No.	Directors	Attendance
1.	Y. Bhg. Tan Sri Dato' Seri (Dr.) Mohd Saleh bin Sulong	4 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

All Directors have complied with the attendance requirements at Board Meetings as stipulated by the Listing Requirements of Bursa Malaysia.

## 3. Date, time and place of Annual General Meeting

The Seventh Annual General Meeting of the Company will be held on Thursday, 26 May 2005 at 10.00 a.m. at Grand Prince Ballroom, Level 3, Prince Hotel & Residence Kuala Lumpur, Jalan Conlay, 50450 Kuala Lumpur.

## Statement Accompanying Notice of Annual General Meeting (Cont'd)

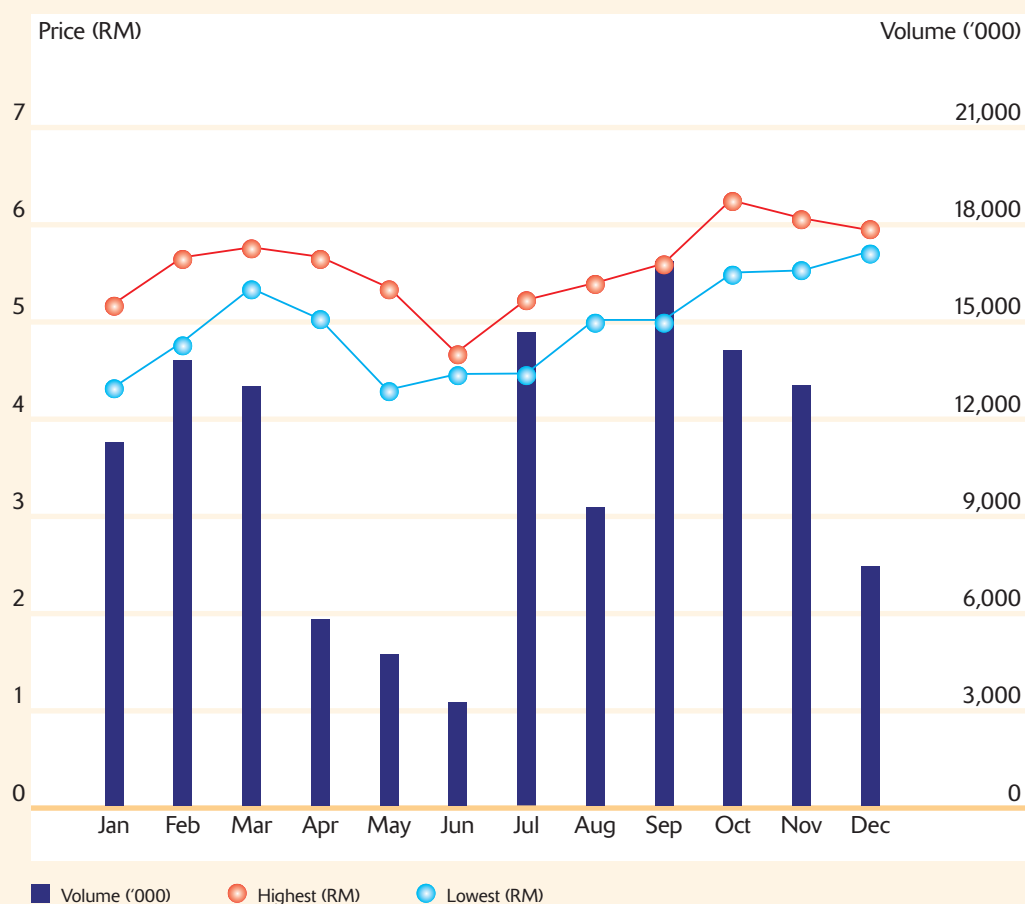
### 4. The details of Directors who are standing for re-election/re-appointment are as follows:

<b>Name</b>	Y. Bhg. Dato' Maznah binti Abdul Jalil	Dr. Tiong Ik King	Mr. Rin Ke Mei
<b>Age</b>	51 years	54 years	70 years
<b>Nationality</b>	Malaysian	Malaysian	Singaporean
<b>Qualification</b>	<ul style="list-style-type: none"> <li>Bachelor in Business Administration (Finance), Northern Illinois University, USA</li> <li>Master in Business Administration (Finance), Central Michigan University, USA</li> </ul>	<ul style="list-style-type: none"> <li>MBBS Medical Degree (National University of Singapore)</li> </ul>	<ul style="list-style-type: none"> <li>Degree in Chemical Engineering (University of Cheng Kung)</li> </ul>
<b>Position on the Board</b>	Non-Independent Non-Executive Director	Non-Independent Non-Executive Director	Non-Independent Non-Executive Director
<b>Working Experience</b>	<ul style="list-style-type: none"> <li>Manager, Corporate Finance, Amanah Merchant Bank Berhad</li> <li>Director, Corporate Affairs, Master-Carriage (Malaysia) Sdn Bhd</li> </ul>	<ul style="list-style-type: none"> <li>Company Director</li> </ul>	<ul style="list-style-type: none"> <li>Joint Managing Director of Perusahaan Sadur Timah Malaysia Sdn Bhd</li> <li>Managing Director of Kedah Cement Holdings Bhd</li> <li>Deputy Chairman of EON Bhd</li> </ul>
<b>Occupation</b>	Company Director	Company Director	Company Director
<b>Any other directorships of public companies</b>	<ul style="list-style-type: none"> <li>DRB-HICOM Berhad</li> <li>Edaran Otomobil Nasional Berhad</li> <li>EON Bank Berhad</li> <li>EON Finance Berhad</li> <li>Gadek (Malaysia) Berhad</li> <li>Horsedale Development Berhad</li> <li>HICOM Holdings Berhad</li> <li>Malaysian International Merchant Bankers Berhad</li> <li>Uni.Asia Life Assurance Berhad</li> <li>Uni.Asia General Insurance Berhad</li> </ul>	<ul style="list-style-type: none"> <li>Jaya Tiasa Holdings Berhad</li> <li>Sin Chew Media Corporation Berhad</li> </ul>	<ul style="list-style-type: none"> <li>EON Bank Berhad</li> <li>EON Finance Berhad</li> </ul>
<b>Securities holdings in the Company and its subsidiaries</b> (as at 31 March 2005)	<ul style="list-style-type: none"> <li>Direct interest in 399,440 shares in the Company</li> </ul>	<ul style="list-style-type: none"> <li>Direct interest in 43 shares in the Company</li> <li>Deemed interest in 118,640,080 shares in the Company</li> </ul>	<ul style="list-style-type: none"> <li>Direct interest in 389,550 shares in the Company</li> <li>Deemed interest in 106,754,411 shares in the Company</li> </ul>
<b>Family relationship with any Director and/or major shareholder of the Company</b>	None	None	None
<b>Any conflict of interest with the Company</b>	None	None	None
<b>List of conviction for offences within the past 10 years</b>	None	None	None

# SHARE PRICES AND TRADING VOLUME

The historical share prices and trading volume of EON Capital Berhad on Bursa Malaysia for 2004 are as follows:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Highest (RM)</b>	5.10	5.65	5.75	5.65	5.30	4.70	5.15	5.35	5.60	6.15	6.05	5.90
<b>Lowest (RM)</b>	4.38	4.86	5.30	5.05	4.34	4.58	4.58	5.00	5.00	5.50	5.55	5.70
<b>Volume '000</b>	11,283	13,454	12,516	5,971	4,351	3,186	14,319	9,613	16,603	13,824	12,529	7,544



# FIVE YEAR FINANCIAL HIGHLIGHTS

## FINANCIAL PERFORMANCE

For the financial year ended 31 December 2004, EON Capital Berhad and its subsidiaries ('the Group') recorded a pre-tax profit of RM400.2 million. The Group achieved a profit after tax of RM282.3 million, representing a return on average shareholders' funds of 11.6%. The Group's earnings per share for the financial year ended 31 December 2004 stood at 40.7 sen and net tangible assets per share as at 31 December 2004 was RM3.60.

The Group's balance sheet as at 31 December 2004 continued to remain strong with total assets of RM33.3 billion, an increase of 5.3% compared with RM31.6 billion as at 31 December 2003. Total shareholders' funds of the Group increased by 10.8% to RM2.6 billion.

Amount in RM Millions	EON Bank Group					EON Capital Berhad		
	2000	2001	Actual 2002	2003	2004	Proforma <sup>1</sup> 2002	Actual 2003	Actual 2004
<b>INCOME</b>								
Operating Income Before Loan Loss and Provision	412	549	548	636	<b>579</b>	551	627	<b>570</b>
Profit Before Taxation	319	328	390	460	<b>410</b>	393	451	<b>400</b>
Profit After Taxation	265	229	266	333	<b>286</b>	277	328	<b>282</b>
<b>BALANCE SHEET</b>								
Total Assets	17,827	24,797	30,963	31,881	<b>33,503</b>	30,706	31,641	<b>33,314</b>
Net Loans, Advances and Financing	11,659	17,388	20,574	21,288	<b>23,557</b>	20,574	21,288	<b>23,557</b>
Total Deposits	14,854	20,025	25,823	26,504	<b>27,380</b>	25,786	26,472	<b>27,363</b>
Shareholders' Funds	1,823	2,152	2,495	2,814	<b>3,031</b>	1,986	2,314	<b>2,564</b>
Net Tangible Assets Backing per Ordinary Share (RM)	1.4	1.5	1.7	1.9	<b>2.1</b>	2.9	3.3	<b>3.6</b>
<b>FINANCIAL RATIOS</b>								
Earnings per share (sen) - basic	23.6	19.0	20.7	25.0	<b>21.5</b>	40.0	47.4	<b>40.7</b>
Return on Average Shareholders' Funds (%)	16.1	11.5	11.4	12.5	<b>9.8</b>	13.9	15.3	<b>11.6</b>
Risk Weighted Capital Ratio (%) (EON Bank Berhad)	11.7	12.5	11.8	14.6	<b>14.7</b>	N/A	N/A	<b>N/A</b>
Gross Non Performing Loan Ratio (%)	8.2	8.7	7.5	6.4	<b>6.0</b>	7.5 <sup>2</sup>	6.4	<b>6.0</b>
Net Non Performing Loan Ratio (%)	5.2	5.7	4.9	3.8	<b>3.4</b>	4.9 <sup>2</sup>	3.8	<b>3.4</b>

### Notes:

#### Note 1

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.

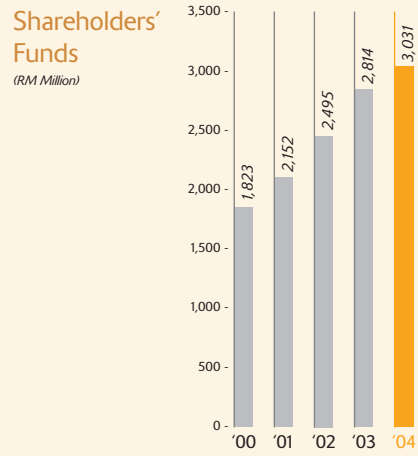
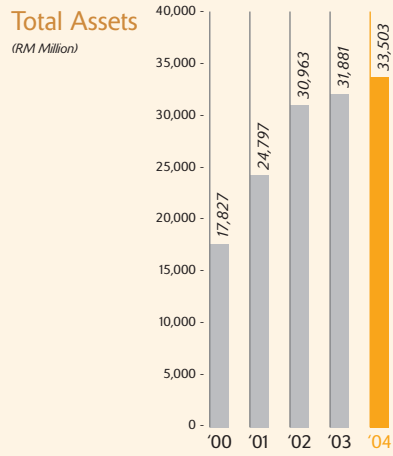
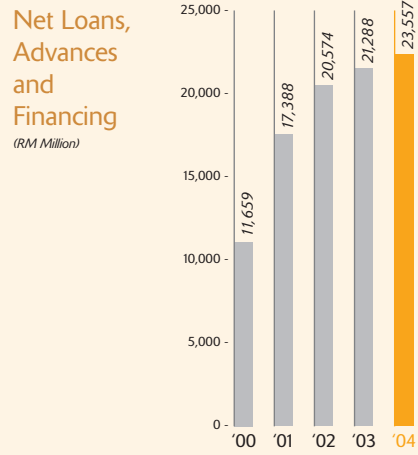
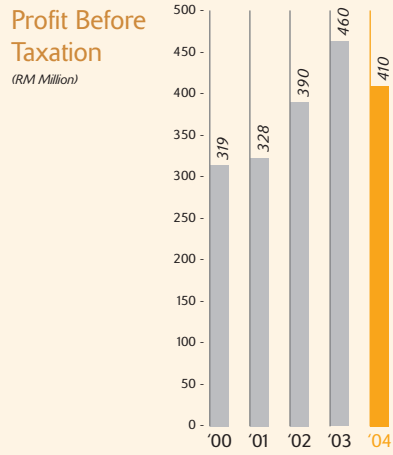
EON Capital Berhad was previously a dormant company and commenced its operations as an investment holding company upon the acquisition of EON Bank Berhad and its subsidiary companies on 2 December 2002. The five year financial highlights of EON Bank Berhad are provided to reflect the underlying business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

Denotes actual ratios as at 31 December 2002.

# Five Year Financial Highlights (Cont'd)

## EON BANK GROUP'S FINANCIAL TRENDS <sup>1</sup>





# CORPORATE INFORMATION

As at 31 March 2005

## BOARD OF DIRECTORS

### Chairman

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

### Deputy Chairperson

Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh

### Members

Mr. Rin Kei Mei

Y. Bhg. Dato' Maznah binti Abdul Jalil

Dr. Tiong Ik King

Mr. Wizayaratnam Somasundram

## COMPANY SECRETARY

Lee Cheau Peng (MAICSA 7005134)

## REGISTERED OFFICE

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

## SHARE REGISTRAR

ShareWorks Sdn Bhd  
No. 23, Jalan Sri Hartamas 7  
Sri Hartamas  
50480 Kuala Lumpur  
Telephone: 03-6201 1120  
Facsimile: 03-6201 3121

## AUDITORS

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

## PRINCIPAL BANKER

EON Bank Berhad

## SOLICITOR

Nik Saghir & Ismail

## STOCK EXCHANGE LISTING

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

# PROFILE OF THE DIRECTORS

As at 31 March 2005



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

Y. Bhg. Tan Sri Dato' Seri (Dr.) Mohd Saleh bin Sulong, Malaysian, aged 53, was appointed as Chairman, Non-Independent Non-Executive Director of EON Capital Berhad on 23 December 2002. He is the Chairman of the Nominating Committee and Remuneration Committee, and a member of the Audit Committee.

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

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

Tan Sri has direct holdings of 274,732 ordinary shares in the Company and is a deemed major shareholder of the Company.

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



**Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh**

Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh, Malaysian, aged 58, was appointed as Deputy Chairperson, Independent Non-Executive Director of EON Capital Berhad on 17 December 2002. She is the Chairperson of the Audit Committee and a member of the Nominating Committee and Remuneration Committee.

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

Datin Dr. Umikalsum was Assistant Director of Budget in the Ministry of Finance (Budget Division), and was seconded to Malaysian Highway Authority as Director of Finance. She was the Deputy Secretary in the Ministry of Finance (Supply & Contract

Division) and in the Ministry of Finance (Tax Division). While working for her Ph. D. (University of Malaya) she was attached to the Centre for Research on Federal Financial Relations, Australian National University. She was Head of Business Development Division, and subsequently was appointed as Managing Director of Kinta Kellas PLC. 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, EON Finance Berhad and Malaysian International 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.

## Profile of The Directors (Cont'd)



**Mr. Rin Kei Mei**

**Mr. Rin Kei Mei**, Singaporean, aged 70, was appointed as Non-Independent Non-Executive Director of EON Capital Berhad on 23 December 2002.

Mr. Rin graduated with a Degree in Chemical Engineering (University of Cheng Kung), Taiwan. He is a Company Director. His directorship in other public companies are EON Bank Berhad and EON Finance Berhad. Previously he was Joint Managing Director of Perusahaan Sadur Timah Malaysia (PERSTIMA) Sdn Bhd from 1980 to 1982 and Managing Director of Kedah

Cement Holdings 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.

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



**Y. Bhg. Dato' Maznah binti Abdul Jalil**

**Y. Bhg. Dato' Maznah binti Abdul Jalil**, Malaysian, aged 51, was appointed as a Non-Independent Non-Executive director of EON Capital Berhad on 23 December 2002. She is a member of the Remuneration Committee.

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

Dato' Maznah is the Chairperson of Uni.Asia Life Assurance Berhad, Uni.Asia General Insurance Berhad, Uni.Asia Capital Berhad and Hicom Properties Sdn. Bhd. She is an Executive Director of DRB-HICOM Berhad and Edaran Otomobil Nasional Berhad. She is also a director of EON Bank Berhad, EON Finance Berhad, Gadek (Malaysia) Berhad, HICOM Holdings Berhad, Horsedale Development Berhad, Malaysian International

Merchant Bankers Berhad, Labuan Reinsurance (L) Ltd and several private limited companies under DRB-HICOM Berhad. She is also a member of the Board of University Technology MARA, and a member of the Board of Trustee of Malaysian AIDS Foundation in her capacity as Treasurer.

Prior to joining DRB-HICOM Berhad, she was with a local merchant bank from 1979 to 1992 with exposure in 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 Berhad in 1998.

Dato' Maznah 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**

**Dr. Tiong Ik King**, Malaysian, aged 54, 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 Director and/or major shareholder of the Company. He has no convictions for offences within the past 10 years.



**Mr. Wizayaratnam Somasundram**

**Mr. Wizayaratnam Somasundram**, Malaysian, aged 65, was appointed as Independent Non-Executive Director of EON Capital Berhad on 17 December 2002. He is a member of the Audit Committee and Nominating Committee.

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

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

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

# BOARDS OF PRINCIPAL SUBSIDIARIES

As at 31 March 2005

## EON BANK BERHAD

### Chairperson

Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh

### Members

Mr. Rin Kei Mei  
Y. Bhg. Dato' Maznah binti Abdul Jalil  
Y. Bhg. Dato' Zulkifli bin Ali  
Mr. Tiong Chiong Ong  
Y. Bhg. Datuk Choo Keng Kit  
Y. Bhg. Dato' Dr. Mohamad Hashim bin Che Nik Omar  
Mr. Wizyaratnam Somasundram  
Mr. Rin Nan Lun  
– (Alternate Director to Mr. Rin Kei Mei)



## MALAYSIAN INTERNATIONAL MERCHANT BANKERS BERHAD

MIMB

### 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. 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

**EONCAP SECURITIES SDN BHD** (formerly known as Leong & Company Sdn Berhad)

### Chairperson

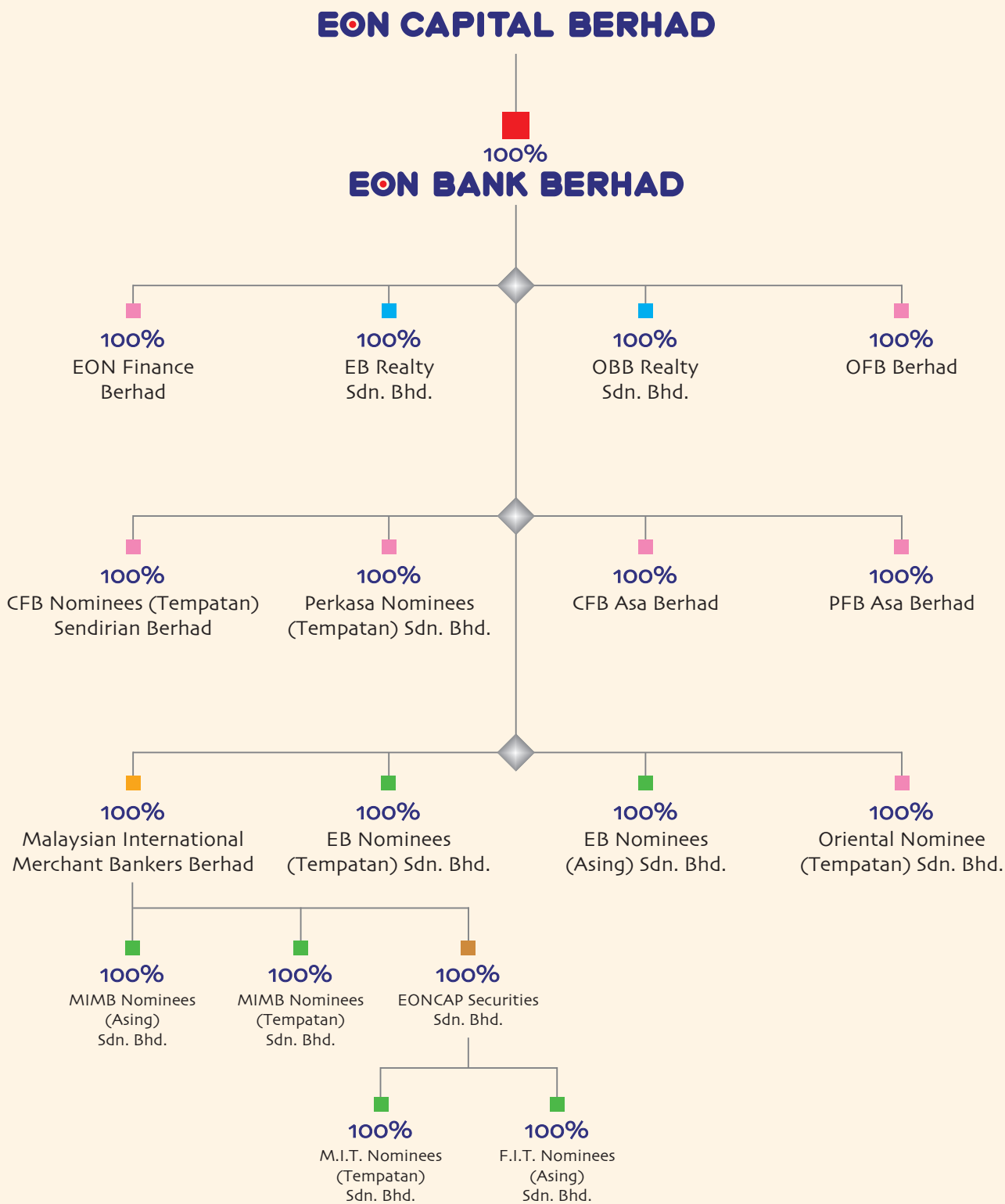
Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh

### 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 and Executive Director)  
Mr. Leong Sek Hoe  
– (Executive Director of Operations)

# GROUP STRUCTURE

As at 31 March 2005

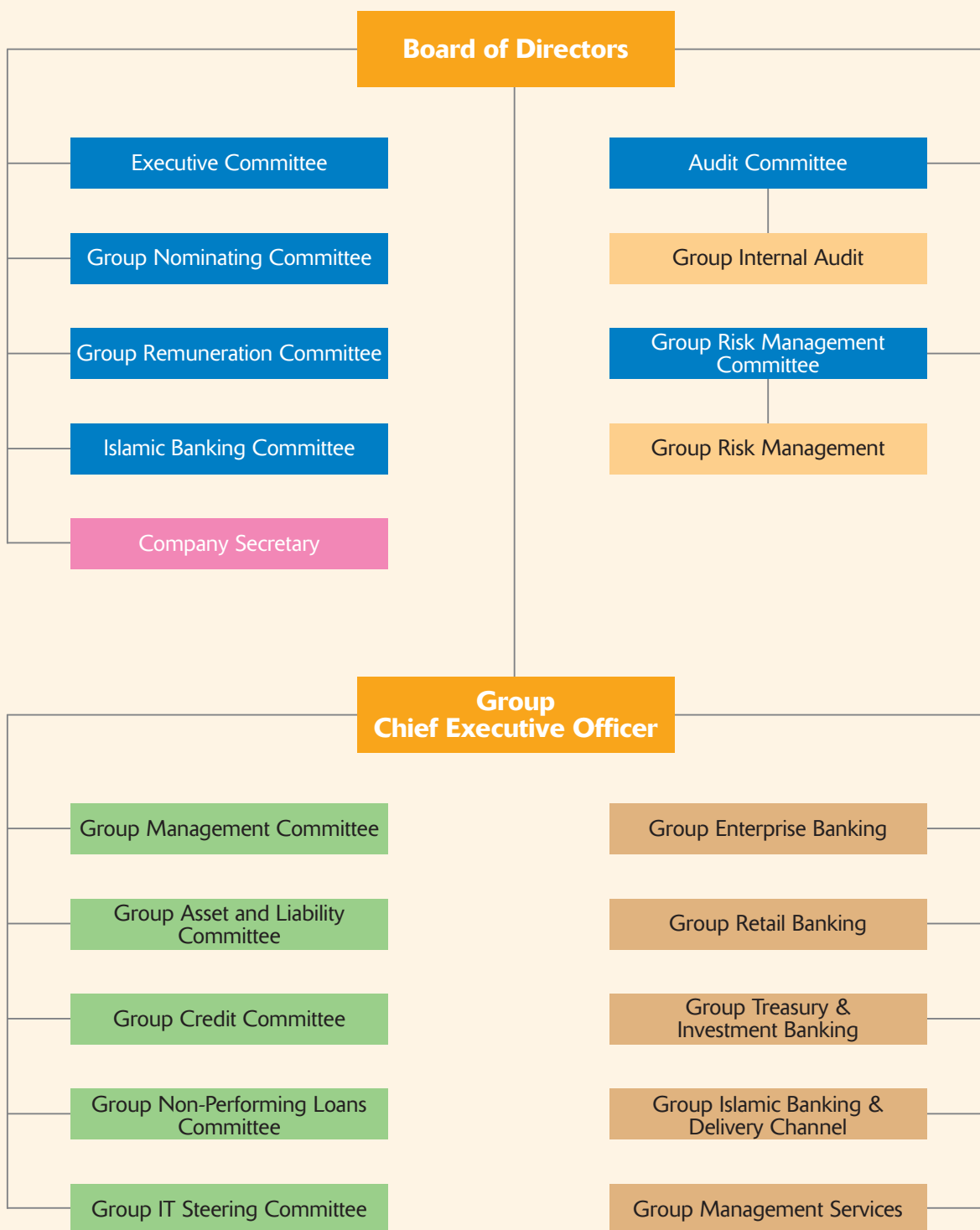


- Banking and Finance Company
- Stockbroking
- Merchant Banking
- Property Investment
- Nominees Services
- Dormant

# GROUP OPERATING STRUCTURE

As at 31 March 2005

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



# BOARD AND MANAGEMENT COMMITTEES

As at 31 March 2005

## BOARD OF DIRECTORS

<b>Executive Committee of Directors (EXCO)</b>	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 business 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.
<b>Audit Committee (AC)</b>	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.
<b>Group Risk Management Committee (GRMC)</b>	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.
<b>Group Remuneration Committee (GRC)</b>	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.
<b>Group Nominating Committee (GNC)</b>	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.
<b>Islamic Banking Committee (IBC)</b>	The IBC formulates strategies to take advantage of new opportunities of the changing environment in the Islamic banking industry. The IBC holds meetings as and when required.
<b>Group Management Committee (GMC)</b>	The GMC reviews and formulates the Group's business plans and policies for EXCO and thereafter implements the approved plans and policies. The GMC holds monthly meetings and as and when required.
<b>Group Asset &amp; Liabilities Committee (ALCO)</b>	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.
<b>Group Credit Committee (GCC)</b>	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.
<b>Group Non-Performing Loans Committee (GNPLC)</b>	The GNPLC assists the Board to oversee, monitor and make recommendations on reduction of the level of non-performing loan in the Group. The GNPLC holds bi-monthly meetings and as and when required.
<b>Group IT Steering Committee (GITSC)</b>	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.



# GROUP MANAGEMENT

As at 31 March 2005

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.

**1. ALBERT LAU YIONG**

*Group Chief Executive Officer*



**2. ABDUL JAMEL BIN PAWANTEH**

*Deputy Group Chief Executive Officer,  
Group Islamic Banking and  
Delivery Channel*



**3. PETER CHOW YING CHOON**

*Deputy Chief Executive Officer,  
Group Enterprise Banking*



**4. MARTIN CHU LEONG MENG**

*Deputy Chief Executive Officer,  
Group Management Services*



**5. GOPALA KRISHNAN**

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



# CHAIRMAN'S STATEMENT



*In 2004, Malaysia's Gross Domestic Product experienced a healthy growth of 7.1% compared to 5.2% in 2003. According to Bank Negara Malaysia, the Federal Government continued with its fiscal consolidation program while the private sector continued to lead the expansion in domestic demand.*

Tan Sri Dato' Seri (Dr.) Mohd Saleh Bin Sulong

## OVERALL BUSINESS ENVIRONMENT

In 2004, Malaysia's Gross Domestic Product experienced a healthy growth of 7.1% compared to 5.2% in 2003. According to Bank Negara Malaysia, the Federal Government continued with its fiscal consolidation programme while the private sector continued to lead the expansion in domestic demand. The rise in consumer sentiment was attributed to stable employment conditions and sustained high disposable incomes. In addition, favourable financing conditions, low interest rates and low inflation led to an increase in private consumption.

The banking industry exhibited strong performance in 2004, with a high level of capitalisation and robust lending activities supportive of the increased demand from households and businesses. Interest margins continued to narrow as keen competition in the lending market continued to exert downward pressure on lending rates, particularly in the retail and small and medium enterprises ('SMEs') lending segments.

Asset quality of the banking industry showed further improvement in 2004 with non-performing loans ('NPLs') at its

lowest level since the Asian financial crisis. The favourable economic environment had positive impact on the capacity of borrowers to service loans. However, loan loss provisions rose slightly as a number of banking institutions capitalised on their strong performance and adopted more prudent loan provisioning for NPLs.

*[Source: Bank Negara Malaysia, Annual Report 2004]*

## OVERVIEW OF THE GROUP

During the year under review, the Group continued to focus on building its presence in the retail and middle market segments. In 2004, the Group recorded an impressive growth in gross loans, advances and financing of 10.1% as compared to the industry growth of 8.5%. This encouraging growth was largely due to increase in lending to the retail and middle market sectors.

Hire-purchase business grew in tandem with increased car sales spurred by introduction of new models, competitive pricing and attractive financing packages. Meanwhile, the retail mortgage segment registered healthy growth particularly in the first half of

**For the financial year ended 31 December 2004, EON Capital Group recorded profit before tax of RM400.2 million and profit after tax of RM282.3 million, representing a return on average shareholders funds of 11.6%.**

2004 as purchasers rushed to close deals by end of May 2004 to take advantage of tax exemptions granted under the economic stimulus package implemented by the Government. As part of the Group's on-going efforts to introduce customer centric financial products and services, we launched the new "Impian" MasterCard and the Platinum MasterCard to complement the range of product offerings for our customers. The Premium Refund term insurance plan was also introduced during the year under EON Bank Group's strategic alliance with Uni.Asia Group.

In the non-retail sector, the Group focused on SMEs, in line with the Government's call to promote the development of this sector. During the year, the Group launched the SME Easipac financing package specifically tailored to meet the needs of SMEs. This new product was well received and the net growth in loans to SMEs represented 75.7% of the net increase in the loan portfolio of Group Enterprise Banking.

As the Group continues to grow and expand through a broader range of business activities, it places increasing emphasis on risk management to ensure that risks are adequately managed. In addition to continually enhancing and promoting a strong 'credit-culture', the Group intensified its risk management programme; adopting well tested risk management models and execution methodology for credit risk and operational risk management. In 2003, the first phase of the programme was completed with encouraging results. Under the second phase of the programme a modular implementation schedule was rolled out throughout the Group in 2004. The Group has also aligned its corporate governance framework towards best practices and is committed to inculcate a strong corporate governance culture throughout the Group.

During the year, the Group rationalised its backroom processes with the setting up of new processing hubs to support branches. The hubbing of backroom processes is aimed to improve operational efficiency and enable branches to focus on business development and to improve on our customer service quality.

## CORPORATE EXERCISES

### **Bafin**

Effective 15 January 2004, the Banking and Financial Institutions Act, 1989, ('BAFIA') was amended to provide for the creation of a new banking entity called "banking and finance company" or Bafin. Subsequently on 1 November 2004, the Group merged the operations of its commercial bank EON Bank Berhad and its finance company EON Finance Berhad to form a Bafin.

The consolidation of the commercial bank and finance company businesses under EON Bank Berhad is in line with the Malaysian Financial Sector Masterplan and will enable EON Bank Berhad to benefit from both revenue and cost synergies through cross-selling products, consolidating back-office processes and rationalising branch operations. The merged businesses will also enable EON Bank Berhad to build stronger customer knowledge and relationship management.

During the year, the Bank had identified new potential high growth areas for opening of new branches. The requisite approvals have been obtained to expand the Bank's branch network gradually over the next three years. As at end 2004, the Bank had 123 branches. The planned strategic expansion of the Bank's branch network to cover more growth areas in the country will enhance the Bank's customer reach in line with our retail-focused orientation.

### **Stockbroking**

As part of the Group's strategic move to complement its existing operations with stockbroking operations, the Group's merchant banking arm, Malaysian International Merchant Bankers Berhad acquired Leong & Company Sdn Berhad on 30 September 2004. This strategic move will enable the Group to widen its service and product offerings and tap into other potential business

opportunities apart from cross-selling stockbroking services to its existing customers. Leong & Company Sdn Berhad was subsequently renamed as EONCAP Securities Sdn Bhd effective 10 December 2004.

### ***Holding Company***

On 14 July 2004, upon the distribution of EON Capital Berhad shares by Edaran Otomobil Nasional Berhad ('EON Berhad') to its shareholders as dividend in specie and capital repayment, EON Berhad had ceased to be the ultimate holding company of the Group.

### ***Purchase of Building***

In 2004, EON Bank Berhad entered into a conditional Sale and Purchase Agreement to acquire Wisma Cyclecarri for RM140 million and a conditional Sale and Purchase agreement to dispose Oriental Bank Building for RM35 million. Both Sale and Purchase Agreements were inter-conditional and the transaction was completed on 31 January 2005. At the time when the conditional Sale and Purchase Agreements were signed, the Group occupied approximately 67% of the lettable areas of Wisma Cyclecarri. Acquiring this building will abolish the risk of subjecting the Group to periodic rental revision, non-renewal of tenancy upon expiry or additional cost to relocate its Head Office and operations in the event of non-renewal of the tenancy. The disposal consideration of RM35 million for Oriental Bank Building was derived after taking into consideration the net book value of the building and future operating costs for maintaining the said building.

## **FINANCIAL PERFORMANCE**

For the financial year ended 31 December 2004, EON Capital Group recorded profit before tax of RM400.2 million and profit after tax of RM282.3 million, representing a return on average shareholders funds of 11.6%. The Group's earnings per share for

the financial year ended 31 December 2004 stood at 40.7 sen and net tangible asset per share registered an increase of 7.8% to RM3.60 as at 31 December 2004.

The Group recorded higher net interest income and income from Islamic Banking of RM928.9 million for the financial year ended 31 December 2004 as compared with RM923.4 million in 2003 on the back of stronger loan growth during the last quarter. The Group adopted a more stringent basis for collateral valuation of NPLs that are overdue for seven years and longer. Full provisions were made after ascribing zero value to the collateral of affected NPLs. Net loan and financing loss and provision for 2004 amounted to RM169.3 million which was RM6.5 million lower (or 3.7%) as compared to last year. Higher overhead costs incurred by the Group and reduced contribution from the merchant banking subsidiary attributable to lower gain from dealing securities resulted in a lower net profit of RM282.3 million for the financial year. Net profit for the previous financial year was RM328.4 million.

EON Capital Group's balance sheet as at 31 December 2004 continued to remain strong with total assets of RM33.3 billion, an increase of 5.3% compared with RM31.6 billion as at 31 December 2003. Total shareholders' funds of the Group increased by 10.8% to RM2.6 billion. Meanwhile, the Group's gross loans grew from RM22.6 billion as at 31 December 2003 to RM24.8 billion as at 31 December 2004.

The Group's retail loans grew by 10.8% to RM16.2 billion which represents 65.2% of the Group's total loan portfolio at the end of 2004. As at balance sheet date, the main component of retail loans is the financing for purchase of motor vehicle, which constitutes 34.0% of the Group's total loan portfolio. In 2004, the Group's hire purchase business grew by 11.4% reflecting our strong car financing franchise and strong presence in the retail segment. The Group's hire purchase business is predominantly for new passenger cars and in 2004, our market share of the total motor vehicles sold in Malaysia remained at 17%.

***For the financial year ended 31 December 2004, the Board of Directors is pleased to recommend the payment of a first and final gross dividend of 8.6 sen per share on 693,208,732 ordinary shares, less income tax at 28%, amounting to RM43,063,000.***

The second largest component of retail loans is mortgages which make up 17.8% of the Group's total loan portfolio. The mortgage market was highly competitive and the Group managed to grow its portfolio through attractive home loan product offerings. The Group also works closely with established developers to provide end-financing for new housing projects and actively participated in various property launches in the country. These various measures helped to boost the mortgage loan base by 11.2% to RM4.4 billion at the end of 2004.

In the non-retail sector, gross loans and advances increased by 8.9% due to the strong growth in lending to the SMEs. The growth in lending to the SMEs was spurred by focused relationship management and attractive product bundling. Lending to the SMEs accounted for 12.5% of the Group's total loan portfolio in 2004 compared to 11.4% in 2003. In 2004, efforts to promote trade finance facilities also reaped good results as the Group enjoyed healthy increase in trade loans.

The Group's Islamic Banking operations experienced an impressive growth in net income of 63.4% from RM46.2 million in previous financial year to RM75.5 million for the financial year ended 31 December 2004. Total Islamic banking assets grew by 28.0% to RM3.9 billion and constituted 11.8% of the Group's total assets. Total Islamic financing of the Group increased by 38.4% to RM3.3 billion, with emphasis on purchase of residential property and financing of motor vehicles. As at 31 December 2004, Islamic financing accounted for 14.2% of the Group's total loan portfolio.

The Group's net non-performing loans decreased to RM804.7 million during the financial year. Consequently, the Group's net non-performing loans ratio also reduced from 3.8% in 2003 to 3.4% in 2004, significantly lower than the banking industry average net NPL ratio of 5.9%. Loan loss and provision for 2004 was lower at RM169.3 million compared to RM175.8 million in 2003. This improvement in asset quality was due to improved collection and recovery efforts.

Total customer deposits increased by 8.3% to RM22.6 billion at the end of 2004 of which 45.4% came from individual depositors. The net loan (less loans sold to Cagamas Berhad) to deposit ratio increased from 99.2% at the end of 2003 to 103.1% at the end of 2004.

### CAPITAL MANAGEMENT

On 21 January 2004, our wholly-owned subsidiary, EON Bank Berhad ('the Bank') 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. The Notes would mature on 21 January 2014 and is callable on 21 January 2009. The Notes are listed on the Luxembourg Stock Exchange and have been rated Baa3 by Moody's Investors Service Limited. Fitch Ratings Ltd rated the Notes BB+. The net proceeds arising from the issuance of the Notes have been utilised for general banking purposes.

Following the transfer of EON Finance Berhad's net assets to EON Bank Berhad on 1 November 2004, the Bank's risk weighted assets increased substantially. Despite the enlarged asset base, the Bank's capital base remained strong due to the issuance of the Notes which qualified as Tier-2 Capital for the Bank. As at 31 December 2004, EON Capital Group remained strongly capitalised with EON Bank Berhad's risk weighted capital ratio at 14.7% compared to the industry average of 13.8%. EON Bank Berhad's Tier-1 capital ratio was 11.2%.

### DIVIDENDS

For the financial year ended 31 December 2004, the Board of Directors is pleased to recommend the payment of a first and final gross dividend of 8.6 sen per share on 693,208,732 ordinary shares, less income tax at 28%, amounting to RM43,063,000. The dividend payment will be paid upon approval by shareholders at the forthcoming Annual General Meeting.

### HUMAN RESOURCES

The Group recognises that employees are our most valuable assets. Staff development and training continued to be given priority and was expanded to include diversified products training, cross-selling competencies and soft skills development.

In preparation for the merger of EON Bank Berhad and EON Finance Berhad on 1 November 2004, focused and intensive training was rolled out well in advance to ensure that our employees are familiar with products and services offered by both our commercial bank and finance company. To further inculcate a sense of team spirit amongst the employees, the Group successfully organised the "M-Brace" programme, a teambuilding exercise, for all branches.

### COMMUNITY OUTREACH

The Group continually strives to be a good corporate citizen and is committed to a broad range of community and educational initiatives. In 2004, the Group continued to organise events and activities under its School Adoption Programme to educate students on the importance of financial planning at a young age.

Other than educational events, the Group also celebrated our nation's multi-racial festivities with children and senior citizens from orphanages and welfare homes and supported such establishments with donations.

In 2004, the Group also participated in programmes to assist unemployed graduates through sponsorship of graduates under the following programmes:

- **Banking Industry Training Scheme:** This programme was initiated by Bank Negara Malaysia. The Group sponsored the training programmes which were held at Institut Bank-Bank Malaysia for unemployed graduates.
- **Capital Market Graduate Trainee Scheme:** The Securities Commission and the Association of Merchant Banks in Malaysia jointly organised this programme. The Group sponsored graduates who had to undergo one month familiarisation training at the Securities Commission and 11

months at the Group's merchant banking subsidiary, Malaysian International Merchant Bankers Berhad.

### GROUP BUSINESS DIRECTION

In line with global and regional economic developments, Malaysia's economy is expected to remain positive in 2005. The favourable economic condition is expected to further strengthen the banking industry. For the year ahead, the Group expects to continue to deliver solid financial results. Greater synergy benefits are expected following the completion of the merger between the bank and finance company and the acquisition of the stockbroking business. With improved cross-selling opportunities, coupled with prudent risk management and cost management, the Group is optimistic of reaching its financial goals.

The Group will continue to build its presence in the retail and middle market segments, with emphasis on efficient and effective delivery of services to our customers.

### A WORD OF APPRECIATION

On behalf of the Board of Directors, I would like to extend our sincere appreciation to our shareholders, customers and business partners for your continued support of the Group. I would also like to thank the Group's employees for the dedication and invaluable contributions and 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 Ms. Vimala Menon, Mr. Adam Keswick and Mr. Kung Beng Hong for their invaluable contribution during their tenure as directors of EON Bank Berhad and extend our warmest congratulation to Mr. Albert Lau Yiong who has been appointed as Group Chief Executive Officer of EON Bank Berhad.

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

# REVIEW OF OPERATIONS

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

## Group Islamic Operations



## Review of Operations (Cont'd)



For the financial year ended 31 December 2004, the Group's Islamic Banking operations recorded an increase of RM29.7 million or 57.9% in profit before zakat from RM51.3 million recorded for 2003 to RM81.0 million for 2004. The improvement was mainly due to growth in Islamic financing assets which increased by RM0.9 billion or 38.4% from RM2.4 billion as at 31 December 2003 to RM3.3 billion as at 31 December 2004.

The major products that had contributed to the increase in financing assets were Gratuity Financing-i which increased from RM29.8 million to RM87.9 million, Hire Purchase-i (AITAB) which increased from RM1.1 billion to RM1.3 billion and Cashline Facility-i from RM88.4 million to RM246.7 million.

In tandem with the favourable growth in financing assets, customer deposits increased by RM0.7 billion or 36.4% from RM1.9 billion as at 31 December 2003 to RM2.6 billion as at 31 December 2004. At year end, Islamic Banking operations garnered 11.8% of the Group's total banking assets, 14.2% of total loan, advances and financing portfolio and 12.7% of total deposits.

The Group continually supports measures to increase public awareness of Islamic banking products and services. In 2004, Group Islamic Banking participated in the Malaysian International Halal Showcase (MIHAS) and the Islamic Banking and Takaful Expo. Product seminars were also conducted to update our Small and Medium Enterprise customers on Islamic financing products and services as well as the latest developments and trends in Islamic banking related matters.





Group Individual Banking was renamed Group Retail Banking, signifying our continuous focus on the ever important and growing retail market segment. Group Retail Banking covers both conventional and Islamic Banking retail business which include financing of motor vehicles, retail loans in the broad property sector, retail share financing, credit cards, prestige banking, retail deposits, and sales of third party products and services, like bancassurance and unit trusts.

## Group Retail Banking



## Review of Operations (Cont'd)



The Group offered both conventional and Islamic financing for purchase of motor vehicles. In tandem with strong growth in passenger car sales in the domestic market, hire purchase portfolio grew 11.4% from RM7.5 billion in 2003 to RM8.4 billion in 2004.

In 2004, the Group launched a new housing loan package, the Super Easi Flexi (SEF), giving customers the flexibility to manage their financing, as the SEF allows customers to utilise surplus funds to make additional payments into their housing loan accounts and subsequently withdraw these excess payments when required. The Group has continued its focus on financing the purchase of mid-range residential properties and also supported the purchase of low and medium cost housing units. These initiatives contributed to the increase in housing loans portfolio from RM4.0 billion as at end 2003 to RM4.4 billion as at end 2004.

Having achieved the targeted credit card base, the focus in 2004 was to rationalise the credit card business and fully convert all magnetic stripe cards to EMV Chip embedded ones for all cardholders. With the successful completion of these activities, the credit card business is poised for accelerated growth in 2005.

Retail share financing increased 32.2% from RM293.7 million to RM388.2 million on the back of an active local stock market which saw the KLCI ending the year at 907.4 points and brought the benchmark index full year gains for 2004 to 14.3%.

The Group's strategic alliance with Uni.Asia Group resulted in the emergence of the EON Bank Group ('EBG') Bancassurance Premium Refund Plan and issuance of electronic motor insurance cover notes or e-cover notes by EBG branches. For third party unit trusts, a total of 30 funds from SBB Mutual Berhad, Hwang-DBS Unit Trust Berhad and TA Unit Trust Management Berhad are being distributed by the Group. For the financial year under review, the Wealth Management business managed to secure total sales of RM70.5 million and RM39.8 million of bancassurance and unit trusts products respectively.

Overall, Group Retail Banking increased its loan assets by 10.8% to RM16.2 billion which accounted for 65.2% of the Group's total gross loans and advances of RM24.8 billion.





## Group Enterprise Banking

Group Enterprise Banking offers credit facilities to meet the financing needs of our customers which range from small and medium enterprises ('SMEs') to major corporates. The Commercial Banking unit primarily caters to the financing needs of SMEs while the business needs of the bumiputra and public sectors are met by the Bumiputra Enterprise and Public Sector unit. Corporate Banking unit focuses on the financing needs of middle market and public listed companies.

Total loans and advances managed by Group Enterprise Banking grew 8.9% from RM7.9 billion in 2003 to RM8.6 billion in 2004. This was mainly attributable to Islamic financing portfolio which increased from RM0.5 billion as at end 2003 to RM1.0 billion as at end 2004. Group Enterprise Banking's share of the Group's loan and advances was 34.8% as at 31 December 2004.

Group Enterprise Banking's focus is on lending to SMEs with the objective of becoming a leading financial services provider to the SMEs sector. SMEs share of the Group's loans and advances grew from 11.4% in 2003 to 12.5% in 2004. Lending to SMEs grew RM535 million or 20.8% from RM2.6 billion to RM3.1 billion and accounted for 75.7% of the net increase in Group Enterprise Banking's loan and financing portfolio as at 31 December 2004.

SME Easipac, a competitive financing package specially tailored for the SMEs was launched in the year and was partly instrumental in the encouraging growth in SMEs loans. The Bank continued to actively participate in the various SMEs exhibitions and seminars in support of the SMEs sector.

Efforts to promote the Group's trade services to both SMEs and corporate clients were rewarded with encouraging growth of 27.0% in trade loans to RM1.9 billion from RM1.5 billion the previous year. The two trade finance centers - one in Penang and the other in Kuala Lumpur - played an effective role to ensure speedy processing of trade documents, provision of advice on trade related matters as well as encouraging higher trade bills utilisation.

Going forward, Group Enterprise Banking will continue to focus on and drive SMEs lending and trade finance business through effective account relationship management. Emphasis will also be given to include Islamic financing products in credit packages offered to both SMEs and corporate clients.



## Group Treasury & Investment Banking



Group Treasury & Investment Banking's main responsibilities encompass proactive liquidity management and balance sheet management, investment in debt and equities market and smooth execution of fee-based advisory services. In 2004, the average treasury securities portfolio under management amounted to RM4.3 billion.

### LIQUIDITY MANAGEMENT

For the year, ample liquidity within the banking system continued to keep domestic interest rates low. Within this environment, proactive management of the Group's funding and liquidity position resulted in a favourable deposit mix and lowered the Bank's cost of funds, whilst ensuring that the Group maintained adequate liquidity. Intensified marketing efforts and close rapport with depositors also led to the increase in the Group's depositor base during the year.

### CAPITAL MARKET

The domestic bond market started on a bearish note with prices pressured downwards by higher global interest rate expectations. As the year progressed, prices began to improve as the liquidity in the banking system was viewed as a shield against higher global interest rates. The resurgent talk of a Ringgit re-peg caused sentiment to turn bullish, with surging prices and plunging yields brought on by demand from offshore parties taking a speculative view on currency gains. Against this environment, Group Treasury's selective asset purchases for trading, investment and liquidity requirements enabled it to capture modest capital gain.

Group Treasury & Investment Banking continues to support group-wide operations by providing value-added services to the other business units of the Group with regard to marketing, funding, pricing and distribution of Group products and services. During the year, Group Treasury & Investment Banking worked hand in hand with the Group's merchant banking arm, Malaysian International Merchant Bankers Berhad ('MIMB'), to step up its activities, particularly in the arranging and distribution of new private debt securities.

### FOREIGN EXCHANGE

In 2004, movements in the major currencies was influenced largely by the weakening of the US dollar amidst growing concern about the US twin deficits of both the Fiscal and Trade accounts. The dollar depreciated against the euro by 11% and against the yen by 4% during the year.

In view of volatility of the foreign exchange market in recent years, the Division focused on enhancing foreign exchange services to the Bank's retail and corporate customers to help clients mitigate foreign exchange risk. This was achieved through increased marketing efforts to foster closer customer relationships and through constant review of existing and potential agency requirements. The Group also maintained good reciprocal relationships with major international banks in order to provide customers with quality remittance and trade finance facilities. Through these efforts, the Group was able to increase fee income from foreign exchange business despite slimmer margins and increased competition during the year.

### MERCHANT BANKING

MIMB is positioned as a niche advisory house and offers financial solutions to clients in the key areas of investment banking including corporate finance, equity and debt capital markets, structured finance, placements, underwriting, mergers and acquisitions advisory.

In 2004, MIMB undertook an internal reorganisation exercise which focuses on streamlining operations and improving efficiency to set the foundation for effective networking and franchise building, with the creation of three new units, i.e. Investment Banking unit, Corporate Finance unit and Equity Capital Markets unit.

The Investment Banking unit concentrates on advisory jobs for corporate exercises and in making markets in a wide spectrum of financial instruments. The Corporate Finance unit's core function is provision of effective financial advisory services, structuring corporate transactions for both equity and debt capital market deals in addition to the execution of all mandates. The Equity Capital Markets unit focuses on assisting clients to gain access to capital markets for their financing requirements by facilitating in the origination, structuring, underwriting and distribution of equity and equity related products, as well as mergers and acquisitions.

In 2004, MIMB contributed to the listing of 5 companies on Bursa Malaysia by taking on the role of Advisor and Manager in the Initial Public Offerings exercise. In the area of debt capital markets, MIMB was co-arranger of RM3.4 billion bonds issued by Kapar Energy Venture Sdn Bhd which was awarded the PFI Award - Asia Pacific's Bond Deal of the Year 2004. In addition, MIMB played a role in the issuance of EON Bank Berhad's USD225 million subordinated bonds.

### STOCKBROKING

On 30 September 2004, MIMB completed its acquisition of a retail-based stockbroker, Leong & Company Sdn Berhad, in line with the Group's plan to offer the full range of share investment services to its customers. In December 2004, Leong & Company Sdn Berhad changed its name to EONCAP Securities Sdn Bhd.

The inclusion of a stockbroking subsidiary in the group will provide MIMB and the Group with an opportunity to position itself as one of the participants in the stockbroking industry and to create synergies and benefits to the Group and its shareholders. In line with the industry development to create a full-fledged investment bank, the acquisition of the stockbroking entity will provide MIMB with a platform for this setting.

EONCAP Securities Sdn Bhd maintained a strong and healthy capital adequacy ratio, measured by liquid capital against total risk requirements, of 9.28 times as at 31 December 2004. This is well above the minimum requirement of 1.2 times. Moving forward, the Group will take advantage of cross-selling opportunities to promote stockbroking products and services at EON Bank's branch network throughout the country.

# 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 2004.

## BOARD OF DIRECTORS

### COMPOSITION

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

The Directors bring together a wide range of business management skills and banking and financial experience to the Board. Their background, diversity, quality, skills and experience 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 policies, 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 meeting. The Directors have full access to Senior Management and the advice of the Company Secretary and may seek external professional advice, if required.

### APPOINTMENT OF DIRECTORS

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

### RE-ELECTION OF DIRECTORS

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

### **DIRECTORS' TRAINING**

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

### **BOARD COMMITTEES**

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

- Audit Committee
- Nominating Committee
- Remuneration Committee

### **THE AUDIT COMMITTEE**

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

The Report of the Audit Committee is set out on pages 35 to 36 of the Annual Report.

### **THE NOMINATING COMMITTEE**

The Committee comprises the Chairman of the Company and two other Independent Non-Executive Directors of the Board and 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 are as follows:

- Y. Bhg. Tan Sri Dato' (Dr.) Seri Mohd Saleh bin Sulong (Chairman)
- Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh
- Mr. Wizayaratnam 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 the Chairman of the Company and two other Non-Executive Directors of the Board and is responsible to:

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

## Statement on Corporate Governance (Cont'd)

The members of the Remuneration Committee are as follows:

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

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

The Board of EON Bank Berhad also established other Board and Management Committees with clear terms of reference, as presented on pages 14 to 15 of the Annual Report, to review 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 lead 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 respective Board on all elements of remuneration and terms of employment for Executive Directors. The Executive Directors concerned 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:

<b>Directors' Remuneration</b>	<b>No. of Directors</b>
RM50,001 – RM100,000	1
RM100,001 – RM150,000	2
RM150,001 – RM200,000	–
RM200,001 – RM250,000	1
RM250,001 – RM300,000	1
RM300,001 – RM350,000	–
RM350,001 – RM400,000	–
RM400,001 – RM450,000	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 100 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 communication 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](http://www.eonbank.com.my), for shareholders and the public to gain access to corporate information, news and events related to the Group.

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

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

### ACCOUNTABILITY AND AUDIT

#### FINANCIAL REPORTING

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

The Statement of Directors' Responsibility for preparing the financial statements is set out on page 34 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 pages 37 to 38 of the Annual Report.

#### RELATIONSHIP WITH EXTERNAL AUDITORS

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

The role of the Audit Committee in relation to the external auditors may be found in the Audit Committee Report set out on pages 35 to 36 of the Annual Report.

### ADDITIONAL COMPLIANCE INFORMATION

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

#### 1. Utilisation of Proceeds raised from Corporate Proposal

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 19 to the financial statements as set out on pages 95 to 96 of the Annual Report. The net proceeds arising from the issuance of the Notes have been utilised for general banking purposes.

#### 2. Sanctions and/or Penalties

During the financial year, there are no 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 2004 was RM464,000.

#### 4. Material Contracts

Other than as disclosed in Note 41(4) to the financial statements as set out on page 115 of the Annual Report on acquisition and disposal of building, there were no other 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 the 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 as defined in the Listing Requirements 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 applicable approved accounting standards in Malaysia, Bank Negara Malaysia Guidelines, the provision of the Companies Act, 1965 and the Listing Requirements 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 ensured that proper accounting records are kept so as to enable the preparation of the financial statements with reasonable accuracy.

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

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 63 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 as at 31 March 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 (Dr.) Mohd Saleh bin Sulong	Member/Non-Independent Non-Executive Director
Mr. Wizayaratnam Somasundram	Member/Independent Non-Executive Director

During the financial year ended 31 December 2004, there were four (4) meetings convened in February, April, August and November 2004. The details of the attendance of each member are as follows:

No.	Committee Members	Attendance
1.	Y. Bhg. Datin Dr. Umikalsum binti Mohd Noh	4 out of 4 meetings
2.	Y. Bhg. Tan Sri Dato' Seri (Dr.) Mohd Saleh bin Sulong	4 out of 4 meetings
3.	Mr. Wizayaratnam Somasundram	4 out of 4 meetings

The Group has also established Audit Committees in EON Bank Berhad and Malaysian International Merchant Bankers Berhad. 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 responsibilities. 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 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 to and act upon 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. Activities of the Group Internal Audit are reported to the Audit Committees of EON Capital Berhad and EON Bank Berhad on a quarterly basis. The Audit Committee regularly appraises the resources and training needs of Group Internal Audit to meet the competencies and skills required for effective performance of internal auditing for the Group.

# STATEMENT ON INTERNAL CONTROL

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

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

The key controls of the EON Bank Group are:

## **BUSINESS AND ORGANISATIONAL STRUCTURE**

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

The Operational Risk Unit under the Group Risk Management function has developed an Operational Risk Management framework, consisting of tools and processes, for identifying, assessing, monitoring and managing operational risks across the Group. Currently, the framework has been implemented across all branches. By end of year 2005, the framework would have been implemented to the remaining head office departments and subsidiaries of the Group.

Operational risks are inherent in the complexity of banking operation, particularly in branch and other delivery channels and in IT infrastructure and activities. The branch network is overseen by a Branch Supervision function that has put in place a self-audit checklist to institute continual awareness and implementation of controls. Audit reports on the compliance level for controls as well as adequacy and integrity of management information systems are reviewed regularly by the Audit Committee of the Board, which reports to the Board on emerging issues and trends.

### PROCEDURAL GUIDELINES AND TRAINING AND DEVELOPMENT PROGRAMS

Policy 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 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.

The key element of risk management philosophy is for the risk functions to operate as an independent control working in partnership with the business units to provide a competitive advantage to the Group. Ultimate responsibility for the effective management of risk rests with the Group's Board of Directors who control and manage risk through the Group Risk Management Committee.

Group Risk Management Committee is responsible for the following:

- a) Reviewing and recommending risk management strategies, policies and risk tolerance for Board's approval;
- b) 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;
- c) Ensuring infrastructure, resources and systems are in place for risk management; ensuring that the staff responsible for implementing risk management systems perform those duties independently of EON Bank Group's risk taking activities; and
- d) 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. The roles and responsibilities of Group Risk Management are elaborated under the Risk Management Approach section below.

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

- a) Ensure that the risk policies prepared by Group Risk Management are enforced through regular audit cycle.
- b) Perform independent review to assess the risk control environment developed by Group Risk Management.
- c) Perform independent review to assess the risk grading system and the credit process.
- d) Perform 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;
- **Link growth, risk and return** – The Group accepts risk as part of value creation and preservation, and expects return to commensurate with the risk;
- **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;
- **Minimize 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 manage 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 Framework (Cont'd)

### RISK MANAGEMENT APPROACH

#### Market and Liquidity Risks

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

#### 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:

- Funding-liquidity risk is the risk that the Group is unable to meet its payment obligation as they arise; and
- 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 or market disruption.

#### Risk Identification

- All market and liquidity risks management policies and limits are tabled to the Group Asset and Liability 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

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 notional positions.
- **Marking-to-Market:** Limits are established to avoid the accumulation of excessive losses in a 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

- 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.
- Policies and limits are reviewed periodically and affirmed by the Board.
- Group Risk Management also develops measurement techniques and reviews limit utilisation on periodic basis.
- 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

#### **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 managed expected losses.

#### Definition

**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 reputation risks.

#### Risk Identification

- All operational risks are identified and categorized 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 categories 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

The appointment of operational risk correspondents in branches and departments across the Group ensures that all operational risks are managed effectively. The Group has put in place a reporting structure where the operational risk correspondents are liaisons between business units and Group Risk Management. Prioritized operational risks and issues are being reported and resolved with Senior Management and/or the Group Risk Management Committee.

Throughout the year, Group Risk Management has conducted numerous operational risk training and awareness sessions to key staff of branches and departments. One of the main objectives of this ongoing training course is to facilitate the new operational risk management change culture to the organization.

Group Risk Management has also established a new Loss Event Reporting structure during the year to collect accurate and consistent loss data collection. An automatic loss database collection system is being built to facilitate the conduct of root cause analysis and gathering of loss data.

## Risk Management Framework (Cont'd)

### CREDIT RISK

**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.

#### Definition

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

#### Risk Identification

- All credit policies and limits are tabled to Management and Group Credit Committee, 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.
- Stress testing of loans portfolio and asset quality are performed.
- 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

- Group Risk Management provides regular risk reporting to the Board and Senior Management to communicate risk exposures and steps to mitigate exposures such as loan exposures and movement of non-performing loans.

### ACHIEVEMENTS AND FUTURE INITIATIVES

In 2004, major initiatives undertaken by the Group to enhance its risk management processes and infrastructure are as follows:

#### **Operational Risk Management Framework and Information System**

During the year, the Operational Risk Management Framework was rolled out to all branches and training was completed to ensure that the branches are well aware of the importance of Operational Risk Management. The framework will be extended to the head office departments and subsidiaries of the Group in 2005. To support the Operational Risk Management Framework, Group Risk Management Department also introduced the Operational Risk Management Information System for the purpose of monitoring and collecting operational risk data across the Group. In 2005, Group Risk Management Department will continue its efforts to enhance the overall Operational Risk Management Framework by pursuing various planned initiatives such as to develop Key Performance Indicators and to enhance the tools and processes for effective management of operational risks. To ensure a pro-active risk management culture is cultivated within the Group and staffs are adequately skilled in managing operational risks, ongoing training programmes will also be conducted.

#### **Credit risk management**

In 2004, the Group redesigned the credit approval process to be more risk focused and implemented web-based scorecards as an effort to improve the delivery mechanism of the credit risk grading system to capture customer information. In addition, initiatives were also undertaken to grade all existing SME and corporate customers using the risk grading model. To enable a more comprehensive monitoring of the Group's credit risk position, the Group performs analysis on the Group's asset quality based on sectoral, customer and product concentration. The Group also established Industry Concentration Limits via monitoring and managing concentration and migration of risk. Moving forward, the Group will continue to take initiatives to further enhance and streamline the risk grading system to ensure that the Group has a robust model for decision making.

#### **Basel II Implementation**

In line with the implementation guidelines for Basel II compliance announced by Bank Negara Malaysia, the Group has established a BASEL II Steering Committee which reports to the Group Risk Management Committee. Currently, efforts are being directed at shaping the Group's internal roadmap and efforts will be intensified to enhance and align the Group's frameworks, processes and system to comply with Basel II framework and implementation deadline.

#### **Other Initiatives**

In addition to the above, the Group also developed a more comprehensive New Product Process policy, where the Group's new and existing products must undergo a rigorous risk management process. The Group takes a pro-active stand on risk management and moving forward the Group will continue to focus on areas which will enhance and ensure that the Group's Risk Management framework remains robust.

# CALENDAR OF SIGNIFICANT EVENTS AND ACTIVITIES

For Financial Year 2004

## JANUARY

- Group Deputy Chief Executive Officer, Abdul Jamel bin Pawanteh was interviewed live on RTM's "Selamat Pagi Malaysia" program on the Bank's SME Easipac package and the Ar Rahnu Pawn Broking-i facility.
- Launching of SME Easipac.
- MIMB was appointed one of the Advisers, Managing Underwriters and Placement Agents for G.A. Blue International Bhd and UDS Capital Berhad.

## FEBRUARY

- The Bank organised a tea time talk on "Investment - Unit Trust" to Prestige Banking members.
- EON Bank Group participated in the LBS Property Showcase 2004.

## MARCH

- Northern Region of EON Bank Group held an evening cocktail reception for its customers at the Shangri-la Hotel in Penang.
- MIMB signed a Sale and Purchase Agreement to acquire the entire issued and paid-up capital of Leong & Company Sdn Berhad for RM170 million.
- EON Bank Group participated in the Malaysian Property Expo (MAPEX) 2004 organised by the Real Estate and Housing Developer's Association Malaysia (Uohor branch).

## APRIL

- EON Bank Group sponsored the CIMA Management Accounting Conference held at Hotel Nikko, Kuala Lumpur.
- EON Bank Group participated in the LBS Property Gallery 2004 at Plaza Alam Sentral Atrium, Shah Alam.

## MAY

- EON Bank Group participated in the Sunway Property Showcase organised by Sunway City Berhad.
- Sixth Annual General Meeting of EON Capital Berhad
- EON Bank Berhad signed a conditional Sale and Purchase Agreement to acquire Wisma Cyclecarri for RM140 million and a conditional Sale and Purchase Agreement to dispose Oriental Bank Building for RM35 million.

## JUNE

- EON Bank Group participated in the SMI 1-Stop Solution 2004 International Trade Exhibition and Conference held at the Putra World Trade Centre, Kuala Lumpur.
- MIMB was appointed as Co-arranger for Kapar Energy Venture's bond issue which was awarded the PFI Award - Asia Pacific's Bond Deal of the Year for 2004.

## AUGUST

- EON Bank Group participated in the Islam Hadhari Talk to promote Islam in a working environment.
- Group Islamic Banking Division organised public seminars on Islamic Banking Products in Kuala Terengganu, Kuantan and Kuching.
- EON Bank Group was one of the panel members for the public forum on Gratuity Financing organised by the Malaysian Army.
- EON Bank Group participated in the 5th International Trade Fair for SMEs held at the Putra World Trade Centre, Kuala Lumpur.
- EON Bank Group participated in first Malaysian International Halal Showcase at the Malaysian International Exhibition and Convention Centre, Mines Resort City, Selangor.
- MIMB was appointed as Adviser and Managing Underwriter for the proposed listing of Modular Group on the MESDAQ Market of Bursa Malaysia.
- Extraordinary General Meeting of EON Capital Berhad for the proposed acquisition of Leong & Company Sdn Berhad.

## SEPTEMBER

- EON Bank Group participated in the Islam Hadhari Talk.
- A 'Health and Wealth' seminar was conducted for EON Bank Group's Prestige members at the HSC Medical Centre, Kuala Lumpur.
- Launching of Super Easi Flex Housing Loan.

## OCTOBER

- EON Bank Group participated in the Migguan Perbankan Islam & Takaful Exhibition held at the Putra World Trade Centre, Kuala Lumpur.
- MIMB was appointed as Joint Principal Advisers and Joint Lead Arrangers together with Affin Bank Berhad for the issuance of Murabahah Underwritten Notes Issuance Facility and Murabahah Medium Term Notes by Peremba Jaya Holdings Sdn Bhd.

## NOVEMBER

- On 1 November 2004, the operations of EON Bank Berhad and EON Finance Berhad were merged to form a banking and finance company or BAFIN under EON Bank Berhad.
- EON Bank Berhad and SP Setia Berhad signed an agreement for EON Bank Berhad to provide RM350 million end-financing for the Bandar Seri Alam Development.
- Launching of the "Impian" Unembossed Card, together with Adimus Publishing House Sdn Bhd.
- Launching of EON Bank Premium Refund Insurance Plan in partnership with Uni.Asia Life Assurance Berhad.
- Extraordinary General Meeting of EON Capital Berhad for the proposed acquisition of Wisma Cyclecarri and proposed disposal of Oriental Bank Building.
- EON Bank Berhad entered into new strategic partnerships with various unit trust companies to distribute unit trusts through the Bank's branch network.

## DECEMBER

- EON Bank Group, in partnership with Uni.Asia General Insurance Berhad introduced the electronic motor insurance cover notes (e-notes) at all its branches.
- With effect from 10 December 2004, Leong & Company Sdn Berhad changed its name to EONCAP Securities Sdn Bhd.
- MIMB was appointed as Lead Arranger for issuance of Islamic Private Debt Securities of Bina Darulaman Bhd.

# ANALYSIS OF SHAREHOLDINGS

As at 31 March 2005

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	854	8.52	39,421	0.01
100 - 1,000	2,672	26.66	2,176,907	0.31
1,001 - 10,000	5,456	54.43	17,799,913	2.57
10,001 - 100,000	823	8.21	22,099,638	3.19
100,001 to less than 5% of issued shares	214	2.13	223,877,158	32.29
5% and above of issued shares	5	0.05	427,215,695	61.63
<b>Total</b>	<b>10,024</b>	<b>100.00</b>	<b>693,208,732</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS

Name	No. of Shares Held Direct	No. of Shares Held Indirect	Percentage
HICOM Holdings Berhad (HICOM)	235	140,010,291 <sup>A</sup>	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	53,656,892	15,223,000 <sup>B</sup>	9.94
Employees Provident Fund Board	43,780,834	8,155,756 <sup>C</sup>	7.49
DRB-HICOM Berhad	-	140,010,526 <sup>D</sup>	20.20
Mega Consolidated Sdn Bhd	-	140,010,526 <sup>E</sup>	20.20
Gadek (Malaysia) Berhad	-	140,010,526 <sup>E</sup>	20.20
Citaria Sdn Bhd	-	140,010,526 <sup>E</sup>	20.20
Sharikat Manhamat Sdn Bhd	-	140,010,526 <sup>E</sup>	20.20
Billiards Distributors Sdn Bhd	-	140,010,526 <sup>E</sup>	20.20
Tan Sri Dato' Seri (Dr.) Mohd Saleh bin Sulong	274,732	140,010,526 <sup>E</sup>	20.24
Estate of Allahyarham Tan Sri Dato' Seri Yahaya bin Ahmad	549,465	140,010,526 <sup>E</sup>	20.28
Dato' Yatina binti Yahaya	-	140,559,991 <sup>E</sup>	20.28
Dato' Tik bin Mustaffa	-	140,559,991 <sup>E</sup>	20.28
Ahmad Othman bin Yahaya	-	140,559,991 <sup>E</sup>	20.28
Ahmad Faez bin Yahaya	-	140,559,991 <sup>E</sup>	20.28
Tan Sri Datuk Diong Hiew King @ Tiong Hiew King	-	118,640,080 <sup>F</sup>	17.11
Dr. Tiong Ik King	43	118,640,080 <sup>F</sup>	17.11
Tiong Kiong King	-	118,640,080 <sup>F</sup>	17.11
Tiong Kiu King	-	118,640,080 <sup>F</sup>	17.11
Tiong Thai King	-	118,640,080 <sup>F</sup>	17.11
Tiong Chiong Ong	-	118,640,080 <sup>F</sup>	17.11

## Analysis of Shareholdings (Cont'd)

### SUBSTANTIAL SHAREHOLDERS (Cont'd)

Name	No. of Shares Held Direct	No. of Shares Held Indirect	Percentage
Tiong Chiew	-	118,640,080 <sup>F</sup>	17.11
Rin Kei Mei	389,550	106,754,411 <sup>G</sup>	15.46
Rin Nan Lun	-	107,143,961 <sup>H</sup>	15.46
Mitsubishi Motor Corporation	-	77,050,465 <sup>I</sup>	11.12
Mitsubishi Corporation	-	77,050,465 <sup>I</sup>	11.12

#### Notes:

- A Shares are registered in the name of Malaysian Trustees Bhd.
- B Deemed interested in ECB through its wholly-owned subsidiary, Bio-Fast Fusion Sdn Bhd.
- C Shares are managed by Portfolio Managers namely Alliance Capital Asset Management Bhd, Amanah SSCM Asset Management Bhd, AmlInvestment Management Sdn Bhd, Commerce Asset Fund Managers Sdn Bhd, Mayban Investment Management Sdn Bhd, Nomura Asset Management (Singapore) Ltd, PHEIM Asset Management Sdn Bhd and RHB Asset Management Sdn Bhd.
- D Deemed interested in ECB through its effectively wholly-owned subsidiary HICOM.
- E Deemed interested in ECB by virtue of its/his/her deemed substantial interest in HICOM.
- F Deemed interested in ECB via his/her substantial direct and indirect interest in RHD and Tiong Toh Siong Holdings Sdn Bhd.
- G Deemed interested in ECB via his deemed substantial interest in Kualapura, substantial direct interest in Lintang Emas Sdn Bhd and Ceria Alam Sdn Bhd and his son, Mr. Rin Nan Yoong's direct interest in ECB.
- H Deemed interested in ECB via his deemed substantial interest in Kualapura, substantial direct interest in Ceria Alam Sdn Bhd, and being a person connected to Mr. Rin Kei Mei and Mr. Rin Nan Yoong.
- I Deemed interest in ECB by virtue of its substantial interest in Kualapura.

### DIRECTORS' INTERESTS AS AT 31 MARCH 2005

Name	No. of Shares Held Direct	No. of Shares Held Indirect	Percentage
Tan Sri Dato' Seri (Dr.) Mohd Saleh bin Sulong	274,732	140,010,526 <sup>1</sup>	20.24
Datin Dr. Umikalsum binti Mohd Noh	79,006	-	0.01
Rin Kei Mei	389,550	106,754,411 <sup>2</sup>	15.46
Dato' Maznah binti Abdul Jalil	399,440	-	0.06
Dr. Tiong Ik King	43	118,640,080 <sup>3</sup>	17.11
Wizayaratnam Somasundram	-	-	-

#### Notes:

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

## Analysis of Shareholdings (Cont'd)

### LIST OF 30 LARGEST SHAREHOLDERS

Registered Shareholder/Beneficial Owner	Shares	%
1 Malaysian Trustees Berhad <i>HICOM Holdings Berhad</i>	140,010,291	20.2
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	53,656,892	7.74
5 Employees Provident Fund Board	43,780,834	6.32
6 Ceria Alam Sdn Bhd	18,684,062	2.70
7 Bio-Fast Fusion Sdn Bhd	15,223,000	2.20
8 HSBC Nominees (Asing) Sdn Bhd <i>Emerging Markets Growth Fund</i>	11,273,000	1.63
9 Musman Holdings Sdn Bhd	11,251,157	1.62
10 Lintang Emas Sdn Bhd	10,673,817	1.54
11 Citicorp Nominees (Asing) Sdn Bhd <i>CB Spore GW-Aranda Investments (Mauritius) Pte Ltd</i>	10,027,000	1.45
12 Empire Wood Sdn Bhd	7,661,950	1.11
13 Lembaga Kemajuan Bintulu	6,124,588	0.88
14 Tiong Toh Siong Holdings Sdn Bhd	5,922,867	0.85
15 HSBC Nominees (Asing) Sdn Bhd <i>BBH and Co Boston for GMO Emerging Markets Fund</i>	5,692,923	0.82
16 Malaysia Nominees (Tempatan) Sdn Bhd <i>Great Eastern Life Assurance (Malaysia) Bhd</i>	4,524,436	0.65
17 Estate of Late Dato' Seri Ling Pung Sung @ Ling Beng Sung	4,328,091	0.62
18 AM Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (A/C1)</i>	4,150,256	0.60
19 HSBC Nominees (Asing) Sdn Bhd <i>HSBC SG for Lee Rubber Company Pte Ltd</i>	3,750,000	0.54
20 Citicorp Nominees (Asing) Sdn Bhd <i>American International Assurance Company Ltd</i>	3,074,586	0.44
21 HSBC Nominees (Asing) Sdn Bhd <i>Capital International Emerging Markets Investment Fund</i>	3,000,000	0.43
22 Citicorp Nominees (Tempatan) Sdn Bhd <i>Oriental Rubber &amp; Palm Oil Sdn Bhd</i>	3,000,000	0.43



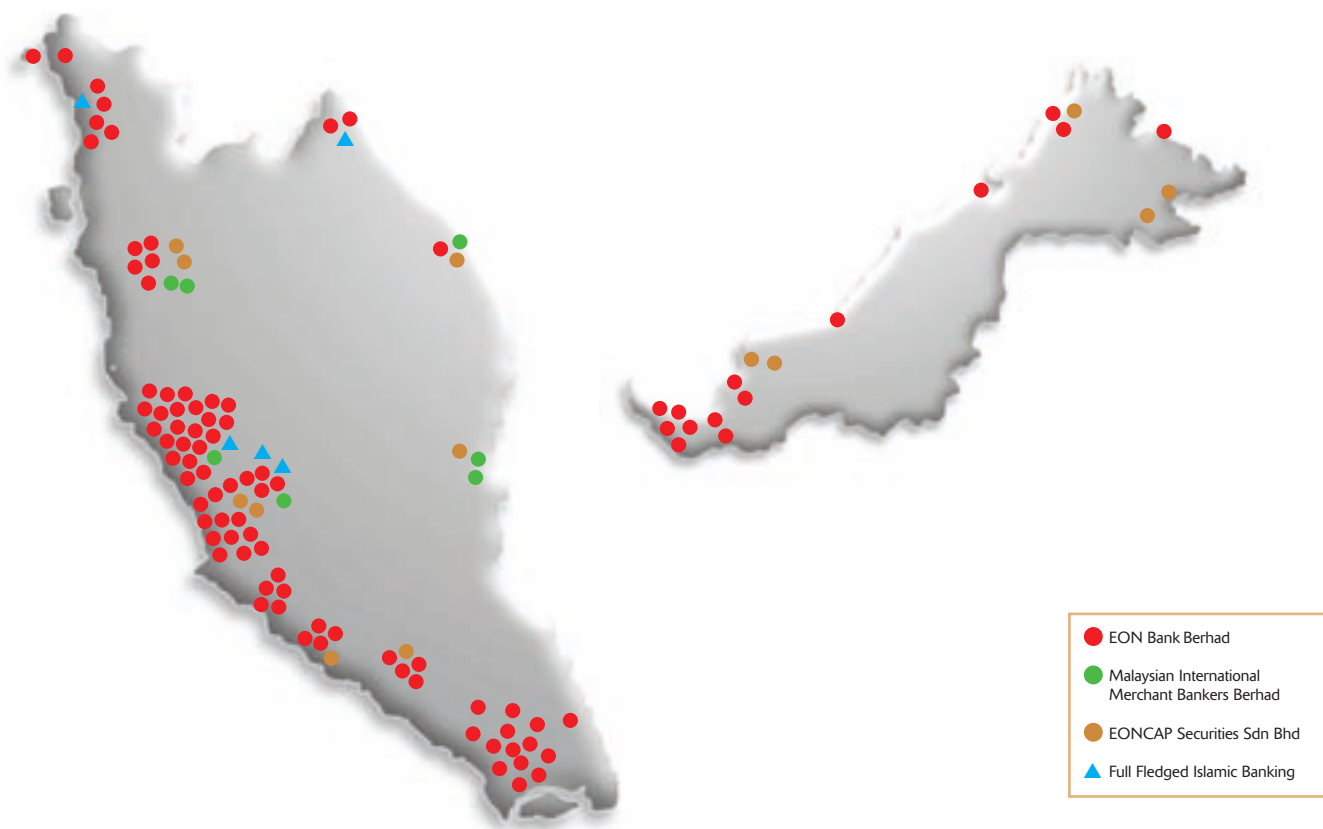
## Analysis of Shareholdings (Cont'd)

### LIST OF 30 LARGEST SHAREHOLDERS (Cont'd)

Registered Shareholder/Beneficial Owner	Shares	%
23 HSBC Nominees (Asing) Sdn Bhd <i>Abu Dhabi Investment Authority</i>	2,809,500	0.41
24 HSBC Nominees (Asing) Sdn Bhd <i>Aviva Funds</i>	2,663,900	0.38
25 HDM Nominees (Asing) Sdn Bhd <i>UOB Kay Hian (Hong Kong) Ltd for Top Link Ltd</i>	2,048,386	0.30
26 HSBC Nominees (Asing) Sdn Bhd <i>Invesco Series (Asian Equity Core)</i>	2,000,000	0.29
27 Universal Trustee (Malaysia) Bhd <i>Mayban Unit Trust Fund</i>	1,970,000	0.28
28 AMMB Nominees (Tempatan) Sdn Bhd <i>AmTrustee Bhd for HLG Penny Stock Fund</i>	1,763,345	0.25
29 BHLB Trustee Bhd <i>Prugrowth Fund</i>	1,758,700	0.25
30 HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Hasrat Jaguh Sdn Bhd</i>	1,755,600	0.25
<b>Total</b>	<b>572,346,859</b>	<b>82.56</b>

# GROUP CORPORATE DIRECTORY

As at 31 March 2005



- EON Bank Berhad
- Malaysian International Merchant Bankers Berhad
- EONCAP Securities Sdn Bhd
- ▲ Full Fledged Islamic Banking

## EON BANK BERHAD

### HEAD OFFICE

12th Floor, Wisma Cyclecarri, 288, Jalan Raja Laut, 50350 Kuala Lumpur  
Telephone: 603-2694 1188 • Facsimile: 603-2694 9588 • [www.eonbank.com.my](http://www.eonbank.com.my)

### EAST MALAYSIA REGIONAL OFFICE

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

### NORTHERN REGIONAL OFFICE

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

### SELANGOR REGIONAL OFFICE

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

### EAST COAST REGIONAL OFFICE

Ground & Mezzanine Floor  
Menara Yayasan Islam Terengganu  
Jalan Sultan Omar  
20300 Kuala Terengganu  
Tel: 609-566 4100  
Fax: 609-566 4800

### WILAYAH PERSEKUTUAN

#### Bandar Park

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

#### Bangsar Baru

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

#### Brickfields

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

#### Bukit Bintang

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

### Jalan Hang Lekiu

Ground, Mezzanine Floor and  
2nd Floor, 1, Jalan Hang Lekiu  
50100 Kuala Lumpur  
Tel: 603-2032 4700  
Fax: 603-2031 9537

### Jalan Tun Razak

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

### Kepong

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

### Kuala Lumpur Main Branch

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

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

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

**▲ Putrajaya**  
 Lot T 00 - U 01  
 5, Jalan P16, Precinct 16  
 62150 Putrajaya  
 Wilayah Persekutuan  
 Tel: 603-8888 2188  
 Fax: 603-8888 7288

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

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

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

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

**Taman Midah**  
 No. 15, 16 & 17, Jalan Midah Satu  
 Taman Midah, Cheras  
 56000 Kuala Lumpur  
 Tel: 603-9131 9388  
 Fax: 603-9132 6388

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

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

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

## SELANGOR DARUL EHSAN

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

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

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

**Kajang**  
 Ground Floor, 36, Jalan Sulaiman  
 43000 Kajang, Selangor  
 Tel: 603-8734 1022  
 Fax: 603-8734 2082

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

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

**Petaling Jaya**  
 No. 32 & 34, Jalan 21/19, Sea Park  
 46300 Petaling Jaya, Selangor  
 Tel: 603-7874 5968  
 Fax: 603-7874 5488

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

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

**Puchong**  
 3, Jalan Bandar Satu  
 Pusat Bandar Puchong,  
 47100 Puchong, Selangor  
 Tel: 603-8075 4088  
 Fax: 603-8075 1433

**Puchong Jaya**  
 No. 26 & 27, Jalan Kenari 1  
 Bandar Puchong Jaya  
 47100 Puchong, Selangor  
 Tel: 603-5882 7100  
 Fax: 603-5882 7116

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

**Serendah**  
 No. 5 & 7, Jalan Cempaka 1,  
 Taman Cempaka, 48200 Serendah  
 Hulu Selangor, Selangor  
 Tel: 603-6081 3182  
 Fax: 603-6081 3186

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

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

**Shah Alam**  
 No. 10, Jalan Tuanku Ampang Zabedah  
 D9/D, Seksyen 9  
 40100 Shah Alam, Selangor  
 Tel: 603-5512 9888  
 Fax: 603-5512 9889

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

**Subang Jaya**  
 No. 1, Jalan SS 15/4E  
 City Centre Subang Jaya  
 47500 Subang Jaya, Selangor  
 Tel: 603-5633 2516  
 Fax: 603-5634 8161

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

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

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

**KEDAH DARUL AMAN**

▲ **Alor Star 1**

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

**Alor Star 2**

26 & 28, Ground & 1st Floor  
Jalan Putera  
05100 Alor Star, Kedah  
Tel: 604-730 6461  
Fax: 604-730 6458

**Gurun**

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

**Langkawi**

No. 93, Langkawi Mall, Jalan Kelibang  
07000 Kuah, Langkawi, Kedah  
Tel: 604-966 8118  
Fax: 604-966 8228

**Sungai Petani 1**

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

**Sungai Petani 2**

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

**PULAU PINANG**

**Bandar Baru Ayer Itam**

No. 71-A-B-C, Lintang Angsana  
Bandar Baru Ayer Itam  
11500 Pulau Pinang  
Tel: 604-827 1688  
Fax: 604-827 1632

**Bayan Baru**

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

**Bukit Mertajam**

No. 31, 33, 35, Jalan Usahaniaga 1  
Taman Niagajaya  
14000 Bukit Mertajam, Pulau Pinang  
Tel: 604-538 1549  
Fax: 604-539 8466

**Butterworth**

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

**Jalan Burmah**

No. 421 & 423, Jalan Burmah  
10350 Pulau Pinang  
Tel: 604-228 3202  
Fax: 604-228 1654

**Jelutong**

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

**Nibong Tebal**

No. 52 & 54, Jalan Besar Air Lintas  
Taman Merbah, 14300 Nibong Tebal  
Pulau Pinang  
Tel: 604-593 8988  
Fax: 604-593 7988

**Prai**

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

**Pulau Pinang 1**

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

**Pulau Pinang 2**

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

**Seberang Jaya**

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

**Sungai Bakap**

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

**Sungai Dua**

No. 26, 28 & 30, Lorong Murni 1  
Taman Desa Murni, Sungai Dua  
13800 Butterworth, Pulau Pinang  
Tel: 604-356 2688  
Fax: 604-356 5288

**PERAK DARUL RIDZUAN**

**Ayer Tawar**

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

**Tanjung Malim**

No. 5, Jalan Chong Ah Peng  
35900 Tanjung Malim, Perak  
Tel: 605-459 8272  
Fax: 605-458 3178

**Ipoh**

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

**Ipoh**

No. 54, 56 & 58, Jalan Kamaruddin Isa  
31400 Ipoh, Perak  
Tel: 605-547 4203  
Fax: 605-547 2777

**Kamunting**

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

**Langkap**

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

**Parit Buntar**

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

**Simpang Pulai**

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

**Sitiawan**

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

**PERLIS INDERA KAYANGAN**

**Kangar**

No. 10E, Lot 17, Jalan Raja Syed Alwi  
01000 Kangar, Perlis  
Tel: 604-977 3392  
Fax: 604-977 3396

**NEGERI SEMBILAN DARUL KHUSUS**

**Lukut**

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

### Nilai

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

### Nilai

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

### Seremban

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

### Seremban

No. 120 & 121, Jalan Dato' Bandar Tunggal  
70000 Seremban, Negeri Sembilan  
Tel: 606-761 7075  
Fax: 606-761 7078

## MELAKA

### Batu Berendam

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

### Malim Jaya

No. 26, Jalan Suria Dua  
Taman Malim Jaya, 75250 Melaka  
Tel: 606-334 2173  
Fax: 606-337 3188

### Masjid Tanah

Lot 215 & 130, Jalan Besar  
78300 Masjid Tanah, Melaka  
Tel: 606-384 7137  
Fax: 606-384 7232

### Melaka 1

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

### Melaka 2

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

## JOHOR DARUL TAKZIM

### Taman Bukit Indah

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

### Bandar Baru UDA

No. 70, Jalan Padi Satu, Bandar Baru UDA  
81200 Tampoi, Johor Bahru, Johor  
Tel: 607-234 0309  
Fax: 607-234 0363

### Batu Pahat

9, Jalan Kundang, Taman Bukit Pasir  
83000 Batu Pahat, Johor  
Tel: 607-432 4902  
Fax: 607-432 4886

### Desa Cemerlang

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

### Gelang Patah

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

### Johor Bahru

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

### Kulai

No. 2 & 3, Jalan Anggerik 1  
Taman Kulai Utama  
81000 Johor Bahru, Johor  
Tel: 607-662 6388  
Fax: 607-662 6366

### Masai

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

### Muar

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

### Pasir Gudang

30 & 31, Jalan Mawar 1, Taman Mawar  
81700 Pasir Gudang, Johor  
Tel: 607-252 2740  
Fax: 607-252 2723

### Permas Jaya

No. 21, Jalan Permas 10/1  
Bandar Baru Permas Jaya  
81750 Masai, Johor  
Tel: 607-387 1828  
Fax: 607-387 5330

### Pontian

No. 188, Jalan Bakek  
82000 Pontian, Johor  
Tel: 607-687 5002  
Fax: 607-687 4998

### Segamat

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

### Senai

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

### Taman Abad

No. 20 & 21, Jalan Harimau Tarum  
Taman Abad, 80250 Johor Bahru, Johor  
Tel: 607-331 1421  
Fax: 607-331 1409

### Taman Molek

No. 29 & 31, Jalan Molek 2/4  
Taman Molek, 81100 Johor Bahru  
Johor  
Tel: 607-353 7003  
Fax: 607-353 6997

### Taman Sri Tebrau

Ground Floor, Bangunan Persekutuan  
Tiong Hua Johor Bahru, No. 8, Jalan Keris  
Taman Sri Tebrau, 80400 Johor Bahru  
Johor  
Tel: 607-332 1323  
Fax: 607-332 5841

### Tampoi

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

### Yong Peng

No. 242 & 244, Jalan Besar  
Taman Sembrong Baru, 83700 Yong Peng  
Johor  
Tel: 607-467 4850  
Fax: 607-467 3170

## PAHANG DARUL MAKMUR

### Kuantan 1

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

### Kuantan 2

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

### Mentakab

119 & 121, Jalan Temerloh  
28400 Mentakab, Pahang  
Tel: 609-277 0400  
Fax: 609-277 9929

**TERENGGANU DARUL IMAN**

**▲ Kuala Terengganu 1**

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

**Kuala Terengganu 2**

No. 1107-R, S & T, Jalan Pejabat  
20200 Kuala Terengganu, Terengganu  
Tel: 609-622 7701  
Fax: 609-622 1337

**KELANTAN DARUL NAIM**

**▲ Kota Bharu 1**

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

**Kota Bharu 2**

PT 320 & 321, Seksyen 25  
Jalan Sultan Yahya Petra  
15200 Kota Bharu, Kelantan  
Tel: 609-748 6888  
Fax: 609-748 6288

**SABAH**

**Inanam**

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

**Kota Kinabalu 1**

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

**Kota Kinabalu 2**

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

**Lahad Datu**

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

**Sandakan**

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

**Tawau**

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

**SARAWAK**

**Bandar Sri Aman**

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

**Bintulu**

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

**Central Park**

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

**Kapit**

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

**Krokop**

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

**Kuching 1**

Lot 619-623, Section 62, KTLTD  
Jalan Padungan, 93100 Kuching  
Sarawak  
Tel: 6082-420 101  
Fax: 6082-246 010

**Kuching 2**

Lot 230 & 231, Section 49, Jalan Abell  
93746 Kuching, Sarawak  
Tel: 6082-243 621  
Fax: 6082-420 229

**Kuching 3**

Lot 122, 123 & 124, Jalan Song Thian Cheok  
93100 Kuching, Sarawak  
Tel: 6082-246 661  
Fax: 6082-414 446

**Limbang**

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

**Miri**

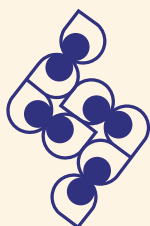
Ground & 1st Floor  
Lot 715, Merbau Road  
98008 Miri, Sarawak  
Tel: 6085-415 371  
Fax: 6085-411 176

**Rejang Park**

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

**Sibu**

10, 12, 14, 16 & 18, Mission Road  
P.O. Box 656, 96007 Sibu, Sarawak  
Tel: 6084-334 599  
Fax: 6084-313 177



**MIMB**

## **MALAYSIAN INTERNATIONAL MERCHANT BANKERS BERHAD**

### **HEAD OFFICE**

21st, Wisma Cyclecarri, 288, Jalan Raja Laut, 50350 Kuala Lumpur  
Telephone: 603-2691 0200 (10 lines)

Facsimile:

#### **Investment Banking**

603-2694 8388/603-2692 7488

#### **Equity Capital Markets**

603-2694 9788

#### **Corporate Finance**

603-2698 5388/603-2694 9788

#### **Debt Capital Markets**

603-2698 5388/603-2694 9788

#### **Compliance**

603-2694 9788

### **PENANG**

4th Floor, Wisma Leader  
8, Jalan Larut, 10050 Pulau Pinang  
Tel: 604-228 3021  
Fax: 604-228 8192/604-227 2580

### **EONCAP SECURITIES SDN BHD** (8789-P)

(formerly known as Leong & Company Sdn Bhd)

A Participating Organisation of Bursa Malaysia Securities Berhad

## **EONCAP SECURITIES**

### **BUSINESS ADDRESS**

18th & 19th Floor, Wisma Cyclecarri, 288 Jalan Raja Laut, 50350 Kuala Lumpur  
P. O. Box 10943, 50730 Kuala Lumpur, Malaysia  
Telephone: Operations: 603-2692 8899 Research: 603-2694 6188 Dealing: 603-2692 8888  
Facsimile: Operations: 603-2694 9088 Research: 603-2694 2304 Dealing: 603-2694 8088  
Email: corporate@eoncapsec.com.my Website: www.eoncapsec.com.my

# LIST OF PROPERTIES

Held by the Group as at 31 December 2004

No.	Address	Description (Land or Building)	Approximate Area (sq. ft.)	Age of Building (years)	Existing Usage	Tenure & Expiry Date	Net Book Value (RM'000)	Date of Acquisition
<b>EB REALTY</b>								
1	No. 7, Jalan Tun Perak 50100 Kuala Lumpur	2 units of double storey building	3,374	26	Branch storage	Freehold	1,007.7	15/7/1991
2	No. 122, Kapit By-Pass 96807 Kapit, Sarawak	4 storey building	1,200	11	Branch premises	Leasehold (29/4/2045)	214.3	30/4/1985
<b>OBB REALTY</b>								
1	No. 12A, Block B, Level 2 Fraser's Hill Condominium Bukit Fraser's 49000 Pahang	1 unit apartment	1,792	17	Staff recreation	Leasehold (23/05/2082)	207.4	24/5/1983
<b>EON BANK</b>								
1	Lot 171, Jalan Council 95000 Bandar Sri Aman Sarawak	3 storey building	1,740	8	Branch premises	Leasehold (20/6/2050)	100.0	21/6/1990
2	No. 23, Jalan Tun Abang Haji Openg, 93000 Kuching Sarawak	2 storey building	2,691	37	Branch premises	Leasehold (5/8/2784)	872.7	17/2/1966
3	Ground and First Floor Merdeka Plaza 93000 Kuching, Sarawak	2 units office space	3,078	7	Branch premises	Leasehold (3/8/2782)	1,113.9	12/1/1996
4	No. 3, Jalan Bandar Satu Pusat Bandar Puchong 47100 Puchong, Selangor	4 storey building	4,687	9	Branch premises	Freehold	2,219.4	4/3/1997
5	Lot 4 & 5, Jalan TMR 1 Taman Melaka Raya 75000 Melaka	2 units of 3 storey shop office	3,132	7	Branch premises	Leasehold (20/3/2094)	855.0	17/4/1998
6	No. 3/G14, 3/G15 & 3/G16 Block 3, Api-Api Centre 88000 Kota Kinabalu, Sabah	3 units of shoplots	4,141	9	Branch premises	Leasehold (31/12/2086)	2,835.0	2/4/1997
7	No. 9, Jalan Cheng Lock 50000 Kuala Lumpur Wilayah Persekutuan	3 1/2 storey office building	2,199	31	For investment	Freehold	387.1	18/9/1972
8	No. 177, Limbok Hill 70000 Seremban Negeri Sembilan	Single-storey detached house	6,700	31	For investment	Freehold	18.7	16/8/1972
9	No. 1, Jalan Hang Lekiu 50100 Kuala Lumpur Wilayah Persekutuan	21 storey office building	21,108	9	Training Centre - (2 floors) Branch premises - (4 floors) Vacant - 15 floors	Freehold	41,096.3	24/1/1996
10	No. J09-06 and J02-06 Paradise Lagoon Holiday Apartment, Batu 3 1/2 Jalan Pantai, 70100 Port Dickson Negeri Sembilan	2 units apartment	2,088	8	Staff recreation	Leasehold (6/7/2087)	292.2	21/4/1994
11	No. C05-07 Genting Permai Park & Resort, 6th Mile 69000 Genting Highland Pahang	1 unit apartment	1,029	5	Staff recreation	Freehold	247.8	2/9/1996



## List of Properties (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
12	No. 21 & 23, Jalan Indah 15/1 Bukit Indah 81200 Johor Bahru Johor	2 units of 3 storey shop office	5,090	2	Branch premises	Freehold	1,922.1	27/5/2002
13	Lot No. 2013 Jalan Pisang Barat 93150 Kuching	3 storey building	1,390	11	Branch storage	Leasehold (31/12/2038)	–	23/9/1992
14	No. 31, 33, 35 & 37 Jalan Usahaniaga 1 Taman Niagajaya 14000 Bukit Mertajam Seberang Perai Tengah Penang	4 units of 3 storey shop office	15,844	1	Branch premises	Freehold	1,291.0	07/10/2003
15	No. 35, 37 & 39 Jalan Johar Satu Taman Desa Cemerlang 81800 Ulu Tiram, Johor	3 units of 3 storey shop office	13,965	1	Branch premises	Freehold	2,467.5	02/12/2003
16	No. 80, Jalan Market 96007 Sibul	5 storey shop house	1,400	31	Sold on November 2004. Transaction completed on January 2005.	Leasehold (31/12/2029)	488.5	07/3/1991
17	No. 1, Jln SS15/4E 47500 Subang Jaya Petaling Jaya, Selangor	3 storey shop house	3,261	22	Branch premises	Freehold	505.2	12/2/1991
18	No. 32 & 34, Jln 21/19 46300 Petaling Jaya Selangor	2 storey terrace shop houses	3,080	41	Branch premises	Freehold	2,311.2	19/8/1997
19	No. 1, Jalan Goh Hock Huat 41400 Klang Selangor	4 1/2 storey shop house	2,776	21	Branch premises	Freehold	1,919.7	7/9/1998
20	No. B-278 & B-280 Jalan Beserah 25300 Kuantan, Pahang	4 storey shop house	3,208	5	Branch premises	Freehold	1,074.0	8/4/1999
21	No. 26 & 27 Jalan Kenari 1 Bandar Puchong Jaya 47100 Puchong, Selangor	3 1/2 storey shop house	3,600	8	Bramch premises	Freehold	1,819.5	22/1/1999
22	No. 21, Jalan Permas 10/1 Bandar Baru Permas Jaya 81750 Masai, Johor	4 storey shop house	2,624	7	Branch premises	Freehold	1,355.4	4/5/1999
23	No. 67 & 69, Jalan Merdeka 75000 Taman Merdeka Raya Melaka	3 storey shop house	3,080	9	Branch premises	Leasehold (07/07/2093)	900.0	15/8/1999
24	No. 26 & 27 Jalan Permatang Gedong Taman Sejati Indah 08000 Sungai Petani, Kedah	3 storey terrace shoplot	2,800	7	Branch premises	Freehold	750.1	3/9/1999
25	No. S-3, Kompleks Negeri Jalan Dr. Krishnan 70000 Seremban Negeri Sembilan	3 storey shop house	1,680	20	Branch Storage	Leasehold (30/01/2078)	517.6	29/6/1981



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# Reports and Financial Statements

# 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 2004.

## 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 10 to the financial statements.

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

There have been no significant changes in the nature of these principal activities of the Group and of the Company during the financial year except for those disclosed in Note 41 to the financial statements.

## FINANCIAL RESULTS

	GROUP RM'000	COMPANY RM'000
Profit before taxation and zakat	400,201	80,539
Taxation	(112,311)	(22,737)
Zakat	(5,555)	–
Profit after taxation and zakat	282,335	57,802

## DIVIDEND

The amount of dividends paid or declared by the Company since 31 December 2003 is as follows:

	RM'000
In respect of financial year ended 31 December 2003 as shown in the Directors' report of that year:	
First and final gross dividend of 6.5 sen per share, less income tax of 28%, paid on 4 June 2004	32,442

The Directors now recommend the payment of a first and final gross dividend of 8.6 sen per share on 693,208,732 ordinary shares, less income tax at 28%, amounting to RM43,063,000 for the financial year ended 31 December 2004, 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.

## ISSUE OF DEBENTURES

On 21 January 2004, the commercial bank subsidiary ('Bank'), 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. The Notes would mature on 21 January 2014 and is callable on 21 January 2009. The net proceeds arising from the issuance of the Notes have been utilised for general banking purposes.

The Bank may, at its option, but subject to the prior approval from 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.

### **BAD AND DOUBTFUL DEBTS AND FINANCING**

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

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

### **CURRENT ASSETS**

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that any current assets, other than debts and financing, which were unlikely to 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.

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

### DIRECTORS

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

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

In accordance with Article 97 of the Company's Articles of Association, Dato' Maznah binti Abdul Jalil and Dr. Tiong Ik King retire from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves 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 31.12.2004
	Balance at 1.1.2004	Acquired	Disposed	
<b>The Company</b>				
<u>Direct interest</u>				
Tan Sri Dato' Seri (Dr.) Mohd Saleh bin Sulong	–	274,732	–	274,732
Datin Dr. Umikalsum binti Mohd Noh	79,006	–	–	79,006
Rin Kei Mei	39,550	350,000	–	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 (Dr.) Mohd Saleh bin Sulong	347,270,469	140,010,526	(347,270,469)	140,010,526
Rin Kei Mei	36,249,817	60,420,532	(8,600,000)	88,070,349
Dr. Tiong Ik King	118,640,080	–	–	118,640,080

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

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

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' remuneration and benefits-in-kind as disclosed in Note 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 (Dr.) Mohd Saleh bin Sulong and Rin Kei Mei may be deemed to derive a benefit by virtue of credit facilities granted by the banking subsidiary, in the ordinary course of its business, to companies in which they are deemed to have substantial interest in shares.

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

## 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	7 January 2004	Long term deposits	Baa2 <sup>Note 1</sup>
		Short term deposits	P-3 <sup>Note 2</sup>
		Financial strength rating	D <sup>Note 3</sup>
		Outlook	Stable
Fitch Ratings Ltd	15 January 2004	Long term senior	BBB- <sup>Note 4</sup>
		Short term	F3 <sup>Note 5</sup>
		Individual	C <sup>Note 6</sup> /D <sup>Note 7</sup>
		Support	3 <sup>Note 8</sup>
		Outlook	Stable

### (b) Malaysian International Merchant Bankers Berhad

Rating Agency	Date	Rating Classification	Rating received
Rating Agency Malaysia Berhad	September 2004	Long term	A3 <sup>Note 9</sup>
		Short term	P1 <sup>Note 10</sup>

#### Notes:

1. Banks rated Baa for deposits offer adequate credit quality. However, certain protective elements may be lacking or may be characteristically unreliable over any great length of time. The modifier 2 indicates a mid-range ranking of its letter-rating category.
2. Banks rated P-3 for deposits offer acceptable credit quality and an adequate capacity for timely payment of short-term deposit obligations.
3. Banks rated D display modest intrinsic financial strength, potentially requiring some outside support at times. Such institutions may be limited by one or more of the following factors: a weak business franchise; financial fundamentals that are deficient in one or more respects; or an unpredictable and unstable operating environment.
4. Good credit quality. 'BBB' ratings indicate that there is currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity. This is the lowest investment-grade category.
5. Fair credit quality. The capacity for timely payment of financial commitments is adequate; however, near-term adverse changes could result in a reduction to non-investment grade.

### **RATING BY EXTERNAL RATING AGENCIES (Cont'd)**

#### **Notes: (Cont'd)**

6. C denotes: An adequate bank, which, however, possesses one or more troublesome aspects. There may be some concerns regarding its profitability and balance sheet integrity, franchise, management, operating environment or prospects.
7. D denotes: A bank, which has weaknesses of internal and/or external origin. There are concerns regarding its profitability and balance sheet integrity, franchise, management, operating environment or prospects. Banks in emerging markets are necessarily faced with a greater number of potential deficiencies of external origin.
8. 3 denotes: A bank for which there is a moderate probability of support because of uncertainties about the ability or propensity of the potential provider of support to do so. This probability of support indicates a minimum Long-term rating floor of 'BB-'.
9. Financial institutions rated in this category are adjudged to offer adequate safety for timely payments of financial obligations. This level of rating indicates corporate entities with adequate credit profiles, but which possess one or more problem areas, giving rise to the possibility of future riskiness. Entities rated in this category have generally performed at industry average and are considered to be more vulnerable to changes in economic conditions than those rated in the higher categories. The subscript 3 indicates that the financial institution ranks at the lower end of its generic rating category.
10. Financial institutions in this category have superior capacities for timely payments of obligations.

### **ULTIMATE HOLDING COMPANY**

On 14 July 2004, upon the distribution of EON Capital Berhad shares by Edaran Otomobil Nasional Berhad ('EON Berhad') to its shareholders as dividend in specie and capital repayment, EON Berhad had ceased to become the holding company of the Group and of the Company.

### **AUDITORS**

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

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

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

**DR. UMIKALSUM BINTI MOHD NOH**  
DIRECTOR

Kuala Lumpur  
28 February 2005

# STATEMENT BY DIRECTORS

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

We, Tan Sri Dato' Seri (Dr.) Mohd Saleh bin Sulong and Dr. Umikalsum binti Mohd Noh, being two of the Directors of EON Capital Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 65 to 132 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 2004 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the applicable approved accounting standards in Malaysia, Bank Negara Malaysia Guidelines and the provisions of the Companies Act, 1965.

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

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

**DR. UMIKALSUM BINTI MOHD NOH**  
DIRECTOR

Kuala Lumpur  
28 February 2005

# STATUTORY DECLARATION

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

I, Martin Chu Leong Meng, the officer primarily responsible for the financial management of EON Capital Berhad, do solemnly and sincerely declare that the financial statements set out on pages 65 to 132 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

**MARTIN CHU LEONG MENG**

Subscribed and solemnly declared by the abovenamed Martin Chu Leong Meng at Kuala Lumpur on 28 February 2005, 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 65 to 132. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:

- (a) the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia, Bank Negara Malaysia Guidelines and the provisions of the Companies Act, 1965 so as to give a true and fair view of:
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
  - (ii) the state of affairs of the Group and of the Company as at 31 December 2004 and of the results and cash flows of the Group and Company for the financial year ended on that date;

and

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

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

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

## **PRICEWATERHOUSECOOPERS**

(No. AF: 1146)

Chartered Accountants

## **MOHAMMAD FAIZ BIN MOHAMMAD AZMI**

(No. 2025/03/06 (J))

Partner of the firm

Kuala Lumpur

28 February 2005

# BALANCE SHEETS

As at 31 December 2004

	Note	GROUP		COMPANY	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>ASSETS</b>					
Cash and short-term funds	3	<b>3,639,250</b>	3,143,578	<b>16,828</b>	32,170
Deposits and placements with financial institutions	4	<b>91,736</b>	503,761	<b>33,736</b>	–
Dealing securities	5	<b>115,312</b>	161,168	–	–
Investment securities	6	<b>3,865,405</b>	4,443,270	–	–
Loans, advances and financing	7	<b>23,556,671</b>	21,288,355	–	–
Other assets	8	<b>782,423</b>	894,073	<b>295,151</b>	73,612
Statutory deposits with Bank Negara Malaysia	9	<b>871,379</b>	898,361	–	–
Investment in subsidiary companies	10	–	–	<b>1,808,353</b>	2,011,000
Deferred tax assets	11	<b>139,289</b>	132,124	–	–
Property, plant and equipment	12	<b>183,133</b>	176,192	–	–
Goodwill	13	<b>69,300</b>	–	–	–
<b>TOTAL ASSETS</b>		<b>33,313,898</b>	31,640,882	<b>2,154,068</b>	2,116,782
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>					
Deposits from customers	14	<b>22,611,184</b>	20,878,018	–	–
Deposits and placements of banks and other financial institutions	15	<b>4,752,068</b>	5,594,009	–	–
Obligations on securities sold under repurchase agreements		<b>246,167</b>	402,119	–	–
Bills and acceptances payable		<b>1,337,863</b>	1,114,764	–	–
Amount due to Cagamas Berhad	16	<b>249,529</b>	572,168	–	–
Provision for taxation and zakat	17	<b>46,592</b>	71,010	–	–
Deferred tax liabilities	11	–	–	<b>22,735</b>	12,786
Other liabilities	18	<b>369,446</b>	404,015	<b>1,720</b>	1,813
Long term borrowings	20	<b>292,633</b>	290,563	<b>292,633</b>	290,563
Subordinated obligations	19	<b>844,307</b>	–	–	–
<b>TOTAL LIABILITIES</b>		<b>30,749,789</b>	29,326,666	<b>317,088</b>	305,162
SHARE CAPITAL	21	<b>693,209</b>	693,209	<b>693,209</b>	693,209
RESERVES	22	<b>1,870,900</b>	1,621,007	<b>1,143,771</b>	1,118,411
<b>SHAREHOLDERS' FUNDS</b>		<b>2,564,109</b>	2,314,216	<b>1,836,980</b>	1,811,620
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<b>33,313,898</b>	31,640,882	<b>2,154,068</b>	2,116,782
<b>COMMITMENTS AND CONTINGENCIES</b>	35	<b>12,033,415</b>	9,768,138		
Net tangible assets per ordinary share (RM)		<b>3.60</b>	3.34	<b>2.65</b>	2.61

# INCOME STATEMENTS

For the Financial Year Ended 31 December 2004

	Note	GROUP		COMPANY	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Interest income	23	<b>1,601,601</b>	1,662,412	<b>1,233</b>	926
Interest expense	24	<b>(804,407)</b>	(831,828)	<b>(20,922)</b>	(20,713)
Net interest income/(expense)		<b>797,194</b>	830,584	<b>(19,689)</b>	(19,787)
Income from Islamic Banking	42(14)	<b>131,659</b>	93,780	–	–
Loan and financing loss and provision	25	<b>928,853</b> <b>(169,328)</b>	924,364 (175,877)	<b>(19,689)</b> –	(19,787) –
Fee and commission income		<b>759,525</b>	748,487	<b>(19,689)</b>	(19,787)
Net gain from investment securities	26	<b>119,258</b>	104,357	–	–
Net gain from dealing securities		<b>12,370</b>	18,933	–	–
Dividend income	27	<b>7,304</b>	30,843	–	–
Other income	28	<b>1,878</b>	3,700	<b>101,198</b>	87,270
		<b>13,545</b>	14,948	–	–
Net income		<b>913,880</b>	921,268	<b>81,509</b>	67,483
Overhead expenses	29	<b>(513,679)</b>	(470,593)	<b>(970)</b>	(1,070)
Profit before taxation and zakat		<b>400,201</b>	450,675	<b>80,539</b>	66,413
Taxation	32	<b>(112,311)</b>	(117,150)	<b>(22,737)</b>	(12,946)
Zakat		<b>(5,555)</b>	(5,132)	–	–
Net profit for the financial year		<b>282,335</b>	328,393	<b>57,802</b>	53,467
Earnings per share (sen)					
Basic	33	<b>40.7</b>	47.4		
Diluted		<b>40.7</b>	47.4		
Dividend per share (sen)	34	<b>8.6</b>	6.5	<b>8.6</b>	6.5

# STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2004

	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	Retained profit RM'000	Total RM'000
<b>THE GROUP</b>							
Balance as at 1 January 2004		<b>693,209</b>	<b>1,066,296</b>	<b>165,096</b>	<b>200,897</b>	<b>188,718</b>	<b>2,314,216</b>
Net profit for the financial year		–	–	–	–	<b>282,335</b>	<b>282,335</b>
Transfer to statutory reserve		–	–	<b>228,015</b>	–	<b>(228,015)</b>	–
Dividend in respect of financial year ended 31 December 2003	34	–	–	–	–	<b>(32,442)</b>	<b>(32,442)</b>
Balance as at 31 December 2004		<b>693,209</b>	<b>1,066,296</b>	<b>393,111</b>	<b>200,897</b>	<b>210,596</b>	<b>2,564,109</b>
Balance as at 1 January 2003		693,209	1,066,440	7,075	200,897	18,346	1,985,967
Share issue expenses written off		–	(144)	–	–	–	(144)
Net profit for the financial year		–	–	–	–	328,393	328,393
Transfer to statutory reserve		–	–	158,021	–	(158,021)	–
Balance as at 31 December 2003		693,209	1,066,296	165,096	200,897	188,718	2,314,216

	Note	Issued and fully paid ordinary shares of RM1 each Share capital RM'000	Non-distributable Share premium RM'000	Distributable Retained profit/ (Accumulated losses) RM'000	Total RM'000
<b>THE COMPANY</b>					
Balance as at 1 January 2004		<b>693,209</b>	<b>1,066,296</b>	<b>52,115</b>	<b>1,811,620</b>
Net profit for the financial year		–	–	<b>57,802</b>	<b>57,802</b>
Dividend in respect of financial year ended 31 December 2003	34	–	–	<b>(32,442)</b>	<b>(32,442)</b>
Balance as at 31 December 2004		<b>693,209</b>	<b>1,066,296</b>	<b>77,475</b>	<b>1,836,980</b>
Balance as at 1 January 2003		693,209	1,066,440	(1,352)	1,758,297
Share issue expenses written off		–	(144)	–	(144)
Net profit for the financial year		–	–	53,467	53,467
Balance as at 31 December 2003		693,209	1,066,296	52,115	1,811,620

# CASH FLOW STATEMENTS

For the Financial Year Ended 31 December 2004

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net profit for the financial year	<b>282,335</b>	328,393	<b>57,802</b>	53,467
Adjustments for:				
Depreciation of property, plant and equipment	<b>32,359</b>	29,210	–	–
Net gain on disposal of property, plant and equipment	<b>(938)</b>	(2,089)	–	–
Net gain from sale of investment securities	<b>(16,447)</b>	(44,230)	–	–
Property, plant and equipment written off	<b>608</b>	1,788	–	–
Loan and financing loss and provision	<b>204,295</b>	203,081	–	–
Profit equalisation reserves	<b>1,597</b>	1,471	–	–
Net interest/income suspended	<b>76,627</b>	81,539	–	–
Provision for amounts recoverable from Danaharta (Write-back)/Provision for diminution in value of investment securities	<b>(3,053)</b>	34,843	–	–
Accretion of discount less amortisation of premium	<b>39,053</b>	38,357	–	–
Write-back of provision for commitments and contingencies	–	(168)	–	–
Interest income from investment securities	<b>(195,311)</b>	(218,136)	–	–
Dividend income	<b>(1,878)</b>	(3,700)	–	–
Unrealised foreign exchange gain	<b>3,409</b>	(7,684)	–	–
Interest income on deposits and placements	–	–	<b>(1,233)</b>	(926)
Interest expense on long term borrowings	<b>20,922</b>	20,713	<b>20,922</b>	20,713
Amortisation of discounts from subordinated obligations	<b>2,321</b>	–	–	–
Interest expense on subordinated obligations	<b>43,403</b>	–	–	–
Interest income from interest rate related derivatives	<b>(16,302)</b>	–	–	–
Amortisation of goodwill	<b>697</b>	–	–	–
Dividend income from subsidiary company	–	–	<b>(101,198)</b>	(87,270)
Taxation and zakat	<b>117,866</b>	122,282	<b>22,737</b>	12,946
	<b>591,563</b>	586,058	<b>(970)</b>	(1,070)
<b>(Increase)/decrease in operating assets</b>				
Deposits and placements with financial institutions	<b>412,025</b>	(110,761)	–	–
Dealing securities	<b>45,856</b>	793,674	–	–
Loans, advances and financing	<b>(2,529,359)</b>	(1,218,085)	–	–
Statutory deposits with Bank Negara Malaysia	<b>26,982</b>	(33,148)	–	–
Other assets	<b>173,248</b>	169,843	<b>(2)</b>	(84)
	<b>(1,871,248)</b>	(398,477)	<b>(2)</b>	(84)

## Cash Flow Statements (Cont'd)

	Note	GROUP		COMPANY	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Increase/(decrease) in operating liabilities					
Deposits from customers		<b>1,733,166</b>	2,354,602	–	–
Deposits and placements of banks and other financial institutions		<b>(841,941)</b>	(1,668,131)	–	–
Obligations on securities sold under repurchase agreements		<b>(155,952)</b>	(766,277)	–	–
Bills and acceptances payable		<b>223,099</b>	959,199	–	–
Amount due to Cagamas Berhad		<b>(322,639)</b>	(269,813)	–	–
Other liabilities		<b>(97,589)</b>	15,488	<b>(92)</b>	252
		<b>538,144</b>	625,068	<b>(92)</b>	252
Cash (used in)/generated from operations					
		<b>(741,541)</b>	812,649	<b>(1,064)</b>	(902)
Income tax paid		<b>(154,397)</b>	(175,080)	<b>(12)</b>	(74)
Income tax refund		<b>3,675</b>	17,981	–	–
Net cash (used in)/generated from operating activities		<b>(892,263)</b>	655,550	<b>(1,076)</b>	(976)
CASH FLOW FROM INVESTING ACTIVITIES					
Proceeds from sale of investment securities, net of purchases		<b>544,978</b>	104,349	–	–
Purchase of property, plant and equipment		<b>(38,604)</b>	(50,362)	–	–
Proceeds from disposal of property, plant and equipment		<b>1,846</b>	4,375	–	–
Deposits and placements with financial institutions		–	–	<b>(33,736)</b>	–
Interest received from deposits and placements		–	–	<b>881</b>	860
Interest received from investment securities		<b>183,526</b>	222,970	–	–
Net dividend received		<b>1,878</b>	3,700	<b>69,884</b>	13,680
Acquisition of subsidiary companies	39	<b>(84,668)</b>	–	–	–
Net cash generated from investing activities		<b>608,956</b>	285,032	<b>37,029</b>	14,540

## Cash Flow Statements (Cont'd)

	Note	GROUP		COMPANY	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Net proceeds from issuance of subordinated obligations		<b>841,986</b>	–	–	–
Interest paid on subordinated obligations		<b>(22,978)</b>	–	–	–
Interest paid on long term borrowings		<b>(18,853)</b>	(18,750)	<b>(18,853)</b>	(18,750)
Interest received from interest rate related derivatives		<b>11,266</b>	–	–	–
Listing expenses		–	(144)	–	(144)
Net dividend paid		<b>(32,442)</b>	–	<b>(32,442)</b>	–
Net cash generated from/(used in) financing activities		<b>778,979</b>	(18,894)	<b>(51,295)</b>	(18,894)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<b>495,672</b>	921,688	<b>(15,342)</b>	(5,330)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		<b>3,143,578</b>	2,221,890	<b>32,170</b>	37,500
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	3	<b>3,639,250</b>	3,143,578	<b>16,828</b>	32,170

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

31 December 2004

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

## **A BASIS OF PREPARATION**

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

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

## **B BASIS OF CONSOLIDATION**

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

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

Under the acquisition method of accounting, the results of subsidiary companies which have been acquired or disposed during the financial 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.

## **D RECOGNITION OF INTEREST INCOME**

### **Recognition of interest income**

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



### **D RECOGNITION OF INTEREST INCOME (Cont'd)**

#### **Recognition of Islamic financing income**

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

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

#### **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 BNM/GP8.

Brokerage fees are recognised when contracts are executed.

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

### **F REPURCHASE AGREEMENTS**

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

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

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

### **G DEALING SECURITIES**

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

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

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

### **H INVESTMENT SECURITIES**

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

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

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

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

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

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

### **I LOANS, ADVANCES AND FINANCING AND OTHER RECEIVABLES**

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

### **J PROVISION FOR BAD AND DOUBTFUL DEBTS AND FINANCING**

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

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

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

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

## Summary of Significant Accounting Policies (Cont'd)

### **K PROFIT EQUALISATION RESERVE ('PER')**

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

### **L TRADE AND OTHER RECEIVABLES**

Trade receivables arising from share and stock-broking business are carried at cost net of provision for bad and doubtful debts and financing. The provision for bad and doubtful debts is in conformity with the requirements of provision 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 provision 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.

### **M INVESTMENT IN SUBSIDIARY COMPANIES**

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

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

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

### **N 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	10% - 33 1/3%
Furniture, fittings and equipment	10% - 20%
Computer equipment and software	20%
Motor vehicles	20%

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

### **O BILLS AND ACCEPTANCES PAYABLE**

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

### **P HANDLING FEE AND DEALERS' COMMISSION**

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

## Summary of Significant Accounting Policies (Cont'd)

### 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 CURRENCY TRANSLATION

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

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

Foreign currency	31.12.2004 RM	31.12.2003 RM
1 US Dollar	<b>3.800</b>	3.800
1 Euro	<b>5.184</b>	4.792
1 Pound Sterling	<b>7.324</b>	6.771
1 Japanese Yen	<b>0.037</b>	0.036
1 Singapore Dollar	<b>2.328</b>	2.235

### S OFF BALANCE SHEETS FINANCIAL INSTRUMENTS

Open forward exchange 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.

The principal interest rate contracts used are interest rate swap agreements. Interest rate swap transactions generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts. 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.

### T 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 arising between the tax bases of assets or liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of 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.

### U 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.

## Summary of Significant Accounting Policies (Cont'd)

### **V BORROWINGS**

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

### **W DIVIDEND PAYABLE**

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

### **X EMPLOYEE BENEFITS**

#### **Short term employee benefits**

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

#### **Post-employment benefits**

The Group contributes 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.

### **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 2004

## 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 10 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 except for those disclosed in Note 41 to the financial statements.

The number of employees in the Group and in the Company at the end of the financial year amounted to 4,980 (2003: 4,791) and Nil (2003: 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, Wisma Cyclecarri  
288, Jalan Raja Laut  
50350 Kuala Lumpur  
Malaysia

## 2 USE OF FINANCIAL INSTRUMENTS

### A Financial risk management objectives and policies

#### Market risk

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

#### Credit risk

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

### 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.

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

## B Interest rate risk

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

GROUP	31.12.2004							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	Islamic banking RM'000	
<b>Assets</b>								
Cash and short-term funds and deposits and placements with financial institutions	3,370,131	71,736	–	–	–	107,257	181,862	3,730,986
Dealing securities	–	–	–	113,028	–	2,284	–	115,312
Investment securities	839,800	135,047	382,446	1,999,106	247,250	63,921	197,835	3,865,405
Loans, advances and financing	11,953,232	63,525	223,609	4,690,542	4,434,296	(1,146,018) <sup>^</sup>	3,337,485	23,556,671
Statutory deposits with Bank Negara Malaysia	–	–	–	–	–	758,496	112,883	871,379
Other assets <sup>(1)</sup>	5,309	–	–	–	–	1,063,783	105,053	1,174,145
<b>Total assets</b>	<b>16,168,472</b>	<b>270,308</b>	<b>606,055</b>	<b>6,802,676</b>	<b>4,681,546</b>	<b>849,723</b>	<b>3,935,118</b>	<b>33,313,898</b>
<b>Liabilities</b>								
Deposits from customers	8,306,552	3,386,119	5,922,721	488,075	–	1,890,167	2,617,550	22,611,184
Deposits and placements of banks and other financial institutions	950,436	595,701	673,544	124,220	1,400,000	161,874	846,293	4,752,068
Obligations on securities sold under repurchase agreements	246,167	–	–	–	–	–	–	246,167
Bills and acceptances payable	–	–	–	–	–	1,334,184	3,679	1,337,863
Amount due to Cagamas Berhad	–	–	85,613	138,981	–	24,935	–	249,529
Long term borrowings	–	–	50,000	250,000	–	(7,367) <sup>*</sup>	–	292,633
Subordinated obligations	–	–	–	855,000	–	(10,693) <sup>*</sup>	–	844,307
Other liabilities <sup>(2)</sup>	6,924	–	–	–	–	339,273	69,841	416,038
<b>Total liabilities</b>	<b>9,510,079</b>	<b>3,981,820</b>	<b>6,731,878</b>	<b>1,856,276</b>	<b>1,400,000</b>	<b>3,732,373</b>	<b>3,537,363</b>	<b>30,749,789</b>
On-balance sheet - interest rate gap	6,658,393	(3,711,512)	(6,125,823)	4,946,400	3,281,546	–	–	–
Off-balance sheet - interest rate gap	–	(855,000)	–	855,000	–	–	–	–
<b>Net interest rate gap</b>	<b>6,658,393</b>	<b>(4,566,512)</b>	<b>(6,125,823)</b>	<b>5,801,400</b>	<b>3,281,546</b>	<b>–</b>	<b>–</b>	<b>–</b>

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

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

Note:

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

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



**2 USE OF FINANCIAL INSTRUMENTS (Cont'd)****B Interest rate risk (Cont'd)**

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

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

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

Note:

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

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

**2 USE OF FINANCIAL INSTRUMENTS (Cont'd)****B Interest rate risk (Cont'd)**

COMPANY	31.12.2004						Non-interest bearing RM'000	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			
<b>Assets</b>								
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 <sup>(1)</sup>	-	-	-	-	-	295,151	295,151	
<b>Total assets</b>	<b>16,726</b>	<b>33,736</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,103,606</b>	<b>2,154,068</b>	
<b>Liabilities</b>								
Long term borrowings	-	-	50,000	250,000	-	(7,367) <sup>^</sup>	292,633	
Other liabilities <sup>(2)</sup>	-	-	-	-	-	24,455	24,455	
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>50,000</b>	<b>250,000</b>	<b>-</b>	<b>17,088</b>	<b>317,088</b>	
<b>Net interest rate gap</b>	<b>16,726</b>	<b>33,736</b>	<b>(50,000)</b>	<b>(250,000)</b>	<b>-</b>			

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

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

Note:

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

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

**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:

	<b>GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
	<b>%</b>	<b>%</b>
<u>Financial assets</u>		
Cash and short-term funds and deposits and placements with financial institutions	<b>2.75</b>	2.91
Dealing securities	<b>3.47</b>	6.58
Investment securities	<b>3.25</b>	3.28
Loans, advances and financing	<b>7.14</b>	7.69
Other assets	<b>7.00</b>	–
<u>Financial liabilities</u>		
Deposits from customers	<b>2.82</b>	2.99
Deposits and placements of banks and other financial institutions	<b>4.28</b>	3.22
Obligations on securities sold under repurchase agreements	<b>2.33</b>	2.62
Amount due to Cagamas Berhad	<b>4.87</b>	4.25
Other liabilities	<b>3.00</b>	–
Long term borrowings	<b>7.23</b>	7.23
Subordinated obligations	<b>5.38</b>	–
<u>Off balance sheet items</u>		
Interest rate swap	<b>4.08</b>	–
	<b>COMPANY</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
	<b>%</b>	<b>%</b>
<u>Financial asset</u>		
Cash and short-term funds	<b>2.70</b>	2.75
Deposits and placement with financial institutions	<b>2.67</b>	–
<u>Financial liability</u>		
Long term borrowings	<b>7.23</b>	7.23

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

### C Credit risk

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

	31.12.2004							
	Short term funds and placements with financial institutions	Statutory deposits with Bank Negara Malaysia	Dealing securities	Investment securities	Loans, advances and financing	Other assets	Total on-balance sheet exposures	Commitments and contingencies <sup>(1)</sup>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	–	–	–	50,000	175,099	773	225,872	12,895
Mining and quarrying	–	–	–	–	36,266	–	36,266	24,667
Manufacturing	–	–	–	166,329	2,067,744	3,794	2,237,867	198,489
Infrastructure and utilities	–	–	4,876	9,438	85,671	295	100,280	55,922
Construction	–	–	–	81,567	1,812,477	1,421	1,895,465	534,176
Real estate	–	–	–	316,016	447,967	5,411	769,394	6,069
General commerce	–	–	–	61,553	1,776,477	818	1,838,848	95,102
Transport, storage and communication	–	–	–	130,805	642,686	2,759	776,250	148,438
Finance, insurance and business services	800,121	–	–	1,471,958	592,247	47,657	2,911,983	217,114
Government and government agencies	2,845,899	871,379	108,152	1,512,516	–	32,974	5,370,920	–
Purchase of landed property	–	–	–	–	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
	<b>3,646,020</b>	<b>871,379</b>	<b>113,028</b>	<b>3,800,182</b>	<b>23,965,021<sup>^</sup></b>	<b>114,828</b>	<b>32,510,458</b>	<b>1,931,445</b>

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

<sup>^</sup> Excludes general provision for doubtful debts and financing amounting to RM408,350,000.

<sup>\*</sup> Excludes general provision for doubtful debts amounting to RM390,107,000.

Note:

<sup>(1)</sup> Risk concentrations for commitments and contingencies are based on the credit equivalents balances in Note 35 to the financial statements.

**3 CASH AND SHORT-TERM FUNDS**

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash and balances with banks and other financial institutions	<b>129,010</b>	106,979	<b>102</b>	151
Money at call and deposit placements maturing within one month	<b>3,510,240</b>	3,036,599	<b>16,726</b>	32,019
	<b>3,639,250</b>	3,143,578	<b>16,828</b>	32,170

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	<b>6,017</b>	–	–	–
Money at call and deposit placements maturing within one month	<b>8,005</b>	–	–	–
	<b>14,022</b>	–	–	–

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	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Licensed banks	<b>7,000</b>	155,000	<b>7,000</b>	–
Licensed finance companies	<b>46,736</b>	90,000	<b>26,736</b>	–
Other financial institutions	<b>38,000</b>	258,761	–	–
	<b>91,736</b>	503,761	<b>33,736</b>	–

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 20 to the financial statements) of RM20,000,000 that may only be used for the redemption of the bonds.

**5 DEALING SECURITIES**

	<b>GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Quoted money market instruments:		
Malaysian Government securities	<b>108,152</b>	–
Quoted securities:		
Shares quoted in Malaysia	<b>2,284</b>	4,447
Unquoted securities:		
Private and Islamic debt securities	<b>4,876</b>	156,721
	<b>115,312</b>	161,168
Market value of quoted money market instruments and securities:		
Malaysian Government securities	<b>108,373</b>	–
Shares quoted in Malaysia	<b>3,977</b>	6,753

**6 INVESTMENT SECURITIES**

	<b>GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Quoted money market instruments:		
Bank Negara Malaysia bills	–	98,876
Malaysian Government treasury bills	–	78,776
Malaysian Government securities	<b>1,420,637</b>	2,124,132
Malaysian Government investment issues	<b>29,040</b>	317,672
Cagamas bonds	<b>599,785</b>	605,458
Cagamas Mudharabah bonds	<b>35,380</b>	40,380
Khazanah bonds	<b>1,061</b>	25,191
Unquoted money market instruments:		
Negotiable instruments of deposit	–	19,994
	<b>2,085,903</b>	3,310,479

**6 INVESTMENT SECURITIES** (Cont'd)

	<b>GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Quoted securities:		
<u>In Malaysia</u>		
Shares	<b>157,115</b>	172,977
Private debt securities	<b>7,224</b>	32,702
	<b>2,250,242</b>	3,516,158
Unquoted securities:		
Shares	<b>31,110</b>	21,921
Commercial papers	–	47,876
Islamic commercial papers (Murabahah Notes Issuance Facility)	–	34,017
Private and Islamic debt securities	<b>1,028,239</b>	1,100,981
Credit-linked notes denominated in USD	<b>190,000</b>	–
Floating rate notes denominated in USD	<b>649,800</b>	–
	<b>4,149,391</b>	4,720,953
Amortisation of premium less accretion of discount	<b>(81,296)</b>	(51,969)
Provision for diminution in value of investment securities	<b>(202,690)</b>	(225,714)
	<b>3,865,405</b>	4,443,270

(i) Market value of quoted money market instruments and securities:

	<b>GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Bank Negara Malaysia bills	–	99,080
Malaysian Government treasury bills	–	79,017
Malaysian Government securities	<b>1,347,974</b>	2,034,618
Malaysian Government investment issues	<b>29,387</b>	327,302
Cagamas bonds	<b>597,746</b>	590,781
Cagamas Mudharabah bonds	<b>35,556</b>	40,414
Khazanah bonds	<b>1,195</b>	25,627
Shares quoted in Malaysia	<b>43,815</b>	48,998
Private debt securities quoted in Malaysia	<b>4,700</b>	17,546

(ii) The maturity structure of money market instruments held for investment is as follows:

Maturing within one year	<b>438,340</b>	1,030,133
One year to three years	<b>1,207,426</b>	862,763
Three years to five years	<b>440,137</b>	1,417,583
	<b>2,085,903</b>	3,310,479

**6 INVESTMENT SECURITIES (Cont'd)**

(iii) The aggregate carrying amounts of investment securities that have been mortgaged or pledged in the normal course of business to secure the liabilities of the Group arising from obligations on securities sold under repurchase agreements amounted to RM247,630,000 (2003: RM404,590,000).

**7 LOANS, ADVANCES AND FINANCING**

	<b>GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	<b>2,943,745</b>	2,797,140
Term loans		
- fixed rate	<b>3,346,465</b>	2,332,509
- floating rate	<b>8,496,578</b>	8,663,684
Hire purchase receivables	<b>10,761,882</b>	9,738,272
Lease receivables	<b>2,919</b>	5,311
Bills receivables	<b>10,892</b>	7,595
Trust receipts	<b>168,141</b>	86,911
Claims on customers under acceptance credits	<b>1,614,693</b>	1,252,682
Staff loans	<b>227,309</b>	216,156
Other loans	<b>50,505</b>	19,937
	<b>27,623,129</b>	25,120,197
Unearned interest and income	<b>(2,790,651)</b>	(2,570,189)
Gross loans, advances and financing	<b>24,832,478</b>	22,550,008
Provision for bad and doubtful debts and financing:		
- Specific	<b>(561,931)</b>	(576,553)
- General	<b>(408,350)</b>	(390,107)
Interest-in-suspense/income-in-suspense	<b>(305,526)</b>	(294,993)
Net loans, advances and financing	<b>23,556,671</b>	21,288,355
(i) The maturity structure of loans, advances and financing is as follows:		
Maturing within one year	<b>7,309,714</b>	6,141,842
One year to three years	<b>2,501,764</b>	2,292,158
Three years to five years	<b>4,387,645</b>	4,147,106
Over five years	<b>10,633,355</b>	9,968,902
	<b>24,832,478</b>	22,550,008



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

	<b>GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
(ii) Loans, advances and financing analysed by their economic purposes are as follows:		
Agriculture	<b>177,497</b>	180,526
Mining and quarrying	<b>36,376</b>	33,208
Manufacturing	<b>2,227,102</b>	2,011,785
Electricity, gas and water	<b>85,675</b>	69,240
Construction	<b>1,972,977</b>	1,569,520
(of which: Infrastructure)	<b>156,752</b>	255,638
Real estate	<b>474,984</b>	571,244
Purchase of landed property	<b>5,862,782</b>	5,516,783
(of which: i. Residential	<b>4,428,654</b>	3,982,916
ii. Non-residential)	<b>1,434,128</b>	1,533,867
General commerce	<b>1,840,524</b>	1,547,835
Transport, storage and communication	<b>655,820</b>	626,173
Finance, insurance and business services	<b>605,660</b>	432,754
Purchase of securities	<b>804,206</b>	694,379
Purchase of transport vehicles	<b>8,436,939</b>	7,571,432
Consumption credit	<b>1,252,420</b>	1,167,617
Others	<b>399,516</b>	557,512
	<b>24,832,478</b>	22,550,008
(iii) Movements in non-performing loans, advances and financing (including interest and income receivable) are as follows:		
Balance as at 1 January	<b>1,947,676</b>	2,560,656
Non-performing during the financial year (gross)	<b>1,141,901</b>	948,695
Amount recovered/reclassified	<b>(905,161)</b>	(806,612)
Amount written off	<b>(283,562)</b>	(402,905)
Amount converted to investment securities	<b>(22,300)</b>	(352,158)
	<b>1,878,554</b>	1,947,676
Non-performing loans which have no adverse financial impact on the Group	<b>(437,537)</b>	(544,846)
Balance as at 31 December	<b>1,441,017</b>	1,402,830
Net non-performing loans, advances and financing	<b>804,679</b>	814,504
(As % of total loans net of specific provision and interest-in-suspense/income-in-suspense)	<b>3.4%</b>	3.8%

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

	<b>GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
(iv) Movements in provision for bad and doubtful debts and financing and interest-in-suspense/income-in-suspense are as follows:		
<u>General provision</u>		
Balance as at 1 January	<b>390,107</b>	377,060
Provisions made during the financial year	<b>18,243</b>	13,047
Balance as at 31 December	<b>408,350</b>	390,107
(As % of total loans net of specific provision and interest-in-suspense/income-in-suspense)	<b>1.7%</b>	1.8%
<u>Specific provision</u>		
Balance as at 1 January	<b>576,553</b>	744,687
Provisions made during the financial year	<b>290,037</b>	302,749
Provisions charged to deferred asset/ other assets during the financial year	<b>27,031</b>	47,256
Amount written back in respect of recoveries/reclassification	<b>(106,191)</b>	(117,433)
Recoveries set-off against deferred asset	<b>(5,611)</b>	(16,847)
Amount transferred to provision for diminution in value of investment securities	<b>–</b>	(116,687)
Amount written off	<b>(219,888)</b>	(267,172)
Balance as at 31 December	<b>561,931</b>	576,553
<u>Interest-in-suspense/income-in-suspense</u>		
Balance as at 1 January	<b>294,993</b>	365,883
Provisions made during the financial year	<b>170,265</b>	189,162
Amount written back in respect of recoveries/reclassification	<b>(93,637)</b>	(107,623)
Amount transferred to provision for diminution in value of investment securities	<b>(2,420)</b>	(16,696)
Amount written off	<b>(63,675)</b>	(135,733)
Balance as at 31 December	<b>305,526</b>	294,993

**8 OTHER ASSETS**

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Interest/income receivable	<b>61,183</b>	49,398	<b>424</b>	72
Trade receivables (note (i))	<b>26,167</b>	–	–	–
Other debtors, deposits and prepayments, net of provision for doubtful debts of RM6,817,629 (2003: RM5,915,626)	<b>164,011</b>	246,883	<b>78</b>	76
Dividend receivable from subsidiary company	–	–	<b>261,110</b>	55,484
Amount due from originating non-banking institutions for mortgage loans sold on their behalf to Cagamas Berhad (note (ii))	<b>24,935</b>	26,943	–	–
Deferred asset account (note (iii))	<b>488,254</b>	565,655	–	–
Tax recoverable (note (iv))	<b>17,873</b>	5,194	<b>33,539</b>	17,980
	<b>782,423</b>	894,073	<b>295,151</b>	73,612

- (i) Trade receivables mainly arose from stock and share-broking activities of a subsidiary company and represent amount outstanding in purchase contracts and share margin financing. This amount is stated net of provision for bad and doubtful debts and interest in suspense of RM237,590 and 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 'Amount due to Cagamas Berhad' as disclosed in Note 16 is the outstanding balance of RM24,935,000 (2003: RM26,943,000) 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 arising from the acquisition of the assets and liabilities of OBB by EON Bank Berhad, is shown as deferred asset, and will be reduced progressively by an arrangement which has been agreed with Bank Negara Malaysia.
- (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.

**9 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA**

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

**10 INVESTMENT IN SUBSIDIARY COMPANIES**

	COMPANY	
	2004 RM'000	2003 RM'000
Unquoted shares, at cost	<b>2,011,000</b>	2,011,000
Less: Pre-acquisition dividend from a subsidiary company	<b>(202,647)</b>	–
	<b>1,808,353</b>	2,011,000

## Notes to the Financial Statements (Cont'd)

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

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

Name of subsidiary companies	Principal activities	Issued and paid-up ordinary capital		Percentage of equity held	
		2004 RM	2003 RM	2004 %	2003 %
<u>Held by the Company</u>					
EON Bank Berhad	Commercial bank	<b>1,329,807,163</b>	1,329,807,163	<b>100</b>	100
<u>Held by EON Bank Berhad</u>					
Malaysian International Merchant Bankers Berhad	Merchant bank	<b>75,000,000</b>	75,000,000	<b>100</b>	100
EON Finance Berhad	Finance company	<b>275,000,000</b>	275,000,000	<b>100</b>	100
EB Nominees (Tempatan) Sdn Bhd	Nominees services	<b>10,000</b>	10,000	<b>100</b>	100
EB Nominees (Asing) Sdn Bhd	Nominees services	<b>10,000</b>	10,000	<b>100</b>	100
EB Realty Sdn Bhd	Property investment	<b>100,000</b>	100,000	<b>100</b>	100
OBB Realty Sdn Bhd	Property investment	<b>330,000</b>	330,000	<b>100</b>	100
Oriental Nominee (Tempatan) Sdn Bhd	Nominees services	<b>10,000</b>	10,000	<b>100</b>	100
OFB Berhad	Dormant	<b>105,626,000</b>	105,626,000	<b>100</b>	100
CFB Asa Berhad	Dormant	<b>35,549,000</b>	35,549,000	<b>100</b>	100
CFB Nominees (Tempatan) Sdn Bhd	Dormant	<b>2</b>	2	<b>100</b>	100
PFB Asa Berhad	Dormant	<b>32,600,000</b>	32,600,000	<b>100</b>	100
Perkasa Nominees (Tempatan) Sdn Bhd	Dormant	<b>10,000</b>	10,000	<b>100</b>	100
<u>Held by Malaysian International Merchant Bankers Berhad</u>					
EONCAP Securities Sdn Bhd <i>(formerly known as Leong &amp; Company Sdn Berhad)</i>	Stockbroking	<b>75,000,000</b>	–	<b>100</b>	–
MIMB Nominees (Tempatan) Sendirian Berhad	Nominees services	<b>10,000</b>	10,000	<b>100</b>	100
MIMB Nominees (Asing) Sendirian Berhad	Nominees services	<b>10,000</b>	10,000	<b>100</b>	100
<u>Held by EONCAP Securities Sdn Bhd (formerly known as Leong &amp; Company Sdn Berhad)</u>					
M.I.T. Nominees (Tempatan) Sdn Bhd	Nominees services	<b>2</b>	–	<b>100</b>	–
F.I.T. Nominees (Asing) Sdn Bhd	Nominees services	<b>2</b>	–	<b>100</b>	–

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

	<b>GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Movements in deferred tax assets/(liabilities) during the financial year are as follows:		
Balance as at 1 January	<b>132,124</b>	133,358
Amount arising from acquisition of a subsidiary company	<b>(291)</b>	–
Transfer from/(to) income statement	<b>7,456</b>	(1,234)
Balance as at 31 December	<b>139,289</b>	132,124

<b>GROUP</b>	<b>General loan loss provision RM'000</b>	<b>Differences arising from excess of capital allow- ance over depreciation RM'000</b>	<b>Unutilised tax losses RM'000</b>	<b>Amortisation of premium less accretion of discounts RM'000</b>	<b>Profit equalisation reserves RM'000</b>	<b>Other temporary differences RM'000</b>	<b>Total RM'000</b>
<b>2004</b>							
As at 1 January	<b>109,230</b>	<b>(12,532)</b>	<b>15,371</b>	<b>14,551</b>	<b>4,334</b>	<b>1,170</b>	<b>132,124</b>
Amount arising from acquisition of subsidiary companies	–	<b>(388)</b>	<b>79</b>	–	–	<b>18</b>	<b>(291)</b>
Transfer to/(from) income statement	<b>5,109</b>	<b>(3,285)</b>	<b>(2,698)</b>	<b>8,209</b>	<b>447</b>	<b>(326)</b>	<b>7,456</b>
As at 31 December	<b>114,339</b>	<b>(16,205)</b>	<b>12,752</b>	<b>22,760</b>	<b>4,781</b>	<b>862</b>	<b>139,289</b>
<b>2003</b>							
As at 1 January	105,577	(8,971)	27,775	2,510	3,923	2,544	133,358
Transfer to/(from) income statement	3,653	(3,561)	(12,404)	12,041	411	(1,374)	(1,234)
As at 31 December	109,230	(12,532)	15,371	14,551	4,334	1,170	132,124

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

	<b>COMPANY</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 January	<b>(12,786)</b>	–
Transfer to income statement	<b>(9,949)</b>	(12,786)
Balance as at 31 December	<b>(22,735)</b>	(12,786)

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.

**12 PROPERTY, PLANT AND EQUIPMENT**

GROUP	Freehold land RM'000	Leasehold land and building		Buildings on freehold land RM'000	Office renovation RM'000	Furniture, fittings and equipment RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Total RM'000
		Less than 50 years RM'000	50 years and more RM'000						
<b>2004</b>									
Net book value									
Net book value as at 1 January	10,836	727	8,028	49,500	25,156	29,860	49,136	2,949	176,192
Amount arising from acquisition of subsidiary companies	–	–	–	–	–	302	1,195	715	2,212
Additions	–	–	–	2,268	4,315	5,494	25,360	1,167	38,604
Disposals and write off	–	–	(228)	–	(316)	(583)	(68)	(321)	(1,516)
Depreciation charge for the financial year	–	(21)	(8)	(1,242)	(6,292)	(6,291)	(17,559)	(946)	(32,359)
Net book value as at 31 December	10,836	706	7,792	50,526	22,863	28,782	58,064	3,564	183,133
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
<b>2003</b>									
Cost	10,836	1,012	8,042	53,567	40,287	59,441	90,337	3,106	266,628
Accumulated depreciation	–	(285)	(14)	(4,067)	(15,131)	(29,581)	(41,201)	(157)	(90,436)
Net book value as at 31 December	10,836	727	8,028	49,500	25,156	29,860	49,136	2,949	176,192

**13 GOODWILL**

	GROUP	
	2004 RM'000	2003 RM'000
<u>Cost</u>		
Balance as at 1 January	–	–
Amount arising from acquisition of a subsidiary company	69,997	–
Balance as at 31 December	69,997	–
<u>Accumulated amortisation</u>		
Balance as at 1 January	–	–
Amortisation charge for the financial year	(697)	–
Balance as at 31 December	(697)	–
Carrying value as at 31 December	69,300	–

**14 DEPOSITS FROM CUSTOMERS**

	<b>GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Demand deposits	<b>2,182,802</b>	1,976,262
Savings deposits	<b>1,983,107</b>	1,758,717
Fixed/Investment deposits	<b>18,445,275</b>	17,143,039
	<b>22,611,184</b>	20,878,018

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

Due within six months	<b>13,845,227</b>	12,934,752
Six months to one year	<b>4,007,298</b>	3,345,644
One year to three years	<b>571,381</b>	845,810
Three years to five years	<b>21,369</b>	16,833
	<b>18,445,275</b>	17,143,039

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

Business enterprises	<b>8,782,099</b>	7,083,530
Individuals	<b>10,256,332</b>	10,125,247
Others	<b>3,572,753</b>	3,669,241
	<b>22,611,184</b>	20,878,018

**15 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<b>GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	<b>439,252</b>	1,096,478
Licensed finance companies	<b>31,438</b>	197,578
Other financial institutions	<b>4,281,378</b>	4,299,953
	<b>4,752,068</b>	5,594,009

**16 AMOUNT DUE TO CAGAMAS BERHAD**

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

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

**17 PROVISION FOR TAXATION AND ZAKAT**

	GROUP	
	2004 RM'000	2003 RM'000
Taxation	31,069	61,042
Zakat (Note 42)	15,523	9,968
	<b>46,592</b>	71,010

**18 OTHER LIABILITIES**

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Trade payables (note (i))	6,967	–	–	–
Other liabilities	156,125	217,756	745	837
Interest/dividend payable	189,278	170,780	975	976
Profit equalisation reserves (note (ii))	17,076	15,479	–	–
	<b>369,446</b>	404,015	<b>1,720</b>	1,813

(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	
	2004 RM'000	2003 RM'000
Balance as at 1 January	15,479	14,008
Provisions made during the financial year	1,597	1,471
Balance as at 31 December	<b>17,076</b>	15,479

**19 SUBORDINATED OBLIGATIONS**

	GROUP	
	2004 RM'000	2003 RM'000
Subordinated obligations, at par	855,000	–
Less: Unaccreted discounts	(10,693)	–
	<b>844,307</b>	–



**19 SUBORDINATED OBLIGATIONS** (Cont'd)

On 21 January 2004, the commercial bank subsidiary ('Bank') issued USD225 million (equivalent to RM855 million) nominal value Subordinated Notes ('Notes') with a fixed coupon rate of 5.375% per annum payable semi-annually in arrears in July and January each year (subject to the revision of interest rates explained below) and which mature on 21 January 2014.

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

The Notes are rated Baa3 by Moody's Investors Service Limited and listed on the Luxembourg Stock Exchange. Fitch Ratings Ltd. has also rated the Notes BB+. The net proceeds arising from the issuance of the Notes have been utilised for general banking purposes.

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

**20 LONG TERM BORROWINGS**

	<b>GROUP AND COMPANY</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Secured fixed rate bonds, at par	<b>300,000</b>	300,000
Less: Unaccrued discounts	<b>(7,367)</b>	(9,437)
	<b>292,633</b>	290,563

The secured fixed rate bonds comprise of three (3) tranches with different nominal amount, interest rate and maturity.

<b>Tranche</b>	<b>Nominal value RM'000</b>	<b>Interest rate</b>	<b>Maturity date</b>
I	50,000	5.25%	12 December 2005
II	10,000	6.00%	12 December 2007
III	150,000	6.75%	12 December 2009

In July 2004, Rating Agency Malaysia Berhad ('RAM') has reaffirmed the long-term rating of A2<sup>Note 1</sup> for the Company's long term bonds, which was awarded by RAM on December 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;
- (iv) The bonds are constituted by a Trust Deed dated 25 November 2003 made between the Company and the Trustees, which are entrusted to act for the benefit of the bondholders;

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

- (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.

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.

**21 SHARE CAPITAL**

	<b>GROUP AND COMPANY</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Ordinary shares of RM1 each</u>		
Authorised:		
Balance as at 1 January/31 December	<b>2,000,000</b>	2,000,000
Issued and fully paid:		
Balance as at 1 January/31 December	<b>693,209</b>	693,209

**22 RESERVES**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Non-distributable</u>				
Share premium	<b>1,066,296</b>	1,066,296	<b>1,066,296</b>	1,066,296
Statutory reserve	<b>393,111</b>	165,096	–	–
Reserve arising on consolidation	<b>200,897</b>	200,897	–	–
	<b>1,660,304</b>	1,432,289	<b>1,066,296</b>	1,066,296
<u>Distributable</u>				
Retained profits	<b>210,596</b>	188,718	<b>77,475</b>	52,115
	<b>1,870,900</b>	1,621,007	<b>1,143,771</b>	1,118,411

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 RM641,000 (2003: RM502,000) of retained profits of the Company as at 31 December 2004 if paid out as dividend. The extent of the retained profits not covered as at 31 December 2004 amounted to RM76,834,000 (2003: RM51,613,000).

**23 INTEREST INCOME**

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Loans and advances	<b>1,416,985</b>	1,478,644	–	–
Money at call and deposit placements with financial institutions	<b>111,661</b>	85,383	<b>1,233</b>	926
Dealing securities	<b>7,311</b>	22,974	–	–
Investment securities	<b>184,393</b>	203,606	–	–
	<b>1,720,350</b>	1,790,607	<b>1,233</b>	926
Accretion of discount less amortisation of premium	<b>(46,373)</b>	(48,708)	–	–
Net interest suspended	<b>(72,376)</b>	(79,487)	–	–
	<b>1,601,601</b>	1,662,412	<b>1,233</b>	926

**24 INTEREST EXPENSE**

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Deposits and placements of banks and other financial institutions	<b>93,644</b>	116,018	–	–
Deposits from other customers	<b>626,366</b>	666,022	–	–
Subordinated obligations	<b>45,724</b>	–	–	–
Long term borrowings	<b>20,922</b>	20,713	<b>20,922</b>	20,713
Others	<b>17,751</b>	29,075	–	–
	<b>804,407</b>	831,828	<b>20,922</b>	20,713

**25 LOAN AND FINANCING LOSS AND PROVISION**

	GROUP	
	2004 RM'000	2003 RM'000
Provision for bad and doubtful debts and financing:		
- specific provision (net)	<b>183,337</b>	185,340
- general provision	<b>18,243</b>	13,047
Bad debts and financing:		
- written-off	<b>2,715</b>	4,694
- recovered	<b>(34,967)</b>	(27,592)
	<b>169,328</b>	175,489
Provision for amounts recoverable from Danaharta:		
- amount charged during the financial year	–	388
Total	<b>169,328</b>	175,877

**26 NET GAIN FROM INVESTMENT SECURITIES**

	GROUP	
	2004 RM'000	2003 RM'000
Net gain from sale of investment securities	<b>17,919</b>	43,799
Less: Provision for diminution in value of investment securities	<b>(5,549)</b>	(24,866)
	<b>12,370</b>	18,933

**27 DIVIDEND INCOME**

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Dividend income from its subsidiary	–	–	<b>101,198</b>	87,270
Other dividend income:				
- in Malaysia	<b>1,878</b>	3,700	–	–
	<b>1,878</b>	3,700	<b>101,198</b>	87,270

**28 OTHER INCOME**

	GROUP	
	2004 RM'000	2003 RM'000
Foreign exchange (loss)/gain:		
- realised	<b>10,477</b>	(36)
- unrealised	<b>(3,409)</b>	7,684
Rental income from premises	<b>400</b>	304
Gain on disposal of property, plant and equipment	<b>1,002</b>	2,306
Write back of provision for commitments and contingencies	–	168
Other non-operating income	<b>5,075</b>	4,522
	<b>13,545</b>	14,948

**29 OVERHEAD EXPENSES**

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Personnel costs	<b>253,555</b>	241,212	–	–
Establishment costs	<b>105,605</b>	96,247	–	–
Marketing expenses	<b>59,261</b>	53,169	–	–
Administration and general expenses	<b>95,258</b>	79,965	<b>970</b>	1,070
	<b>513,679</b>	470,593	<b>970</b>	1,070

**29 OVERHEAD EXPENSES** (Cont'd)

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
(a) Personnel costs comprise the following:				
Salaries, bonus and allowances	<b>203,384</b>	195,023	–	–
Defined contribution plan	<b>33,654</b>	31,776	–	–
Other employee benefits	<b>16,517</b>	14,413	–	–
	<b>253,555</b>	241,212	–	–
(b) The above expenditure includes the following statutory disclosures:				
Directors' remuneration (Note 30)	<b>1,227</b>	1,337	<b>471</b>	444
Rental of premises	<b>28,301</b>	27,966	–	–
Hire of equipment	<b>5,415</b>	4,331	–	–
Auditors' remuneration	<b>458</b>	385	<b>50</b>	35
Depreciation of property, plant and equipment	<b>32,359</b>	29,210	–	–
Property, plant and equipment written off	<b>606</b>	1,718	–	–
Amortisation of goodwill	<b>697</b>	–	–	–

**30 DIRECTORS' REMUNERATION**

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

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Non-Executive Directors:				
- Fees	<b>1,072</b>	1,204	<b>420</b>	420
- Other remuneration	<b>155</b>	133	<b>51</b>	24
	<b>1,227</b>	1,337	<b>471</b>	444

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

The estimated cash value of benefits-in-kind of Directors of the Group and of the Company amounted to RM29,569 (2003: RM9,114) and Nil (2003: Nil) respectively.

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

On 14 July 2004, upon the distribution of EON Capital Berhad shares by Edaran Otomobil Nasional Berhad ('EON Berhad') to its shareholders as dividend in specie and capital repayment, EON Berhad had ceased to become the holding company of the Group and of the Company.

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

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

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

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

Due to the change in holding company of the Group and of the Company during the financial year, all transactions and balances with the previous holding company, EON Berhad during the financial year have been disclosed under 'Other related parties'. As such, the comparative information has been reclassified accordingly.

	COMPANY		
	2004 RM'000	2003 RM'000	
<u>Income</u>			
Interest income from a subsidiary company	644	926	
<u>Amount due from</u>			
Fixed deposits placed with a subsidiary company	16,727	32,019	
	GROUP		
	Ultimate holding company RM'000	Subsidiary companies RM'000	Other related parties RM'000
<b>2004</b>			
<u>Income</u>			
Interest on loans and advances	-	-	15,010

**31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES** (Cont'd)**(b) Significant related party transactions and balances** (Cont'd)

	<b>GROUP</b>	
	<b>Ultimate holding company RM'000</b>	<b>Other related parties RM'000</b>
<b>2004</b>		
<u>Expenditure</u>		
Interest on deposits and placements	–	<b>23,855</b>
Other expenses	–	<b>23,069</b>
<u>Amount due from</u>		
Loans and advances	–	<b>26,687</b>
<u>Amount due to</u>		
Current accounts	–	<b>64,963</b>
Fixed deposits	–	<b>678,347</b>
Others	–	<b>38,258</b>
<b>2003</b>		
<u>Income</u>		
Interest on loans and advances	–	2,591
<u>Expenditure</u>		
Interest on deposits and placements:		
- previously reported	9,300	19,135
- reclassification	(9,300)	9,300
- restated	–	28,435
Other expenses:		
- previously reported	15,925	818
- reclassification	(15,925)	15,925
- restated	–	16,743
<u>Amount due from</u>		
Loans and advances	–	71,072
<u>Amount due to</u>		
Current accounts:		
- previously reported	794	85,447
- reclassification	(794)	794
- restated	–	86,241

**31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES** (Cont'd)**(b) Significant related party transactions and balances** (Cont'd)

	<b>GROUP</b>	
	<b>Ultimate holding company</b>	<b>Other related parties</b>
<b>2003</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Amount due to</u> (Cont'd)		
Fixed deposits:		
- previously reported	344,327	355,156
- reclassification	(344,327)	344,327
- restated	–	699,483
Others	–	10,562

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

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

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

	<b>GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Rental and service charges to CCL (Cyclecarri) Properties Sdn Bhd (a company in which a substantial shareholder is deemed to have an interest)	<b>9,666</b>	10,686
Insurance premium payable to Uni.Asia General Insurance Berhad (a subsidiary of DRB-HICOM Group)	<b>1,556</b>	2,739
Insurance premium payable to Uni.Asia Life Assurance Berhad (a subsidiary of DRB-HICOM Group)	<b>168</b>	607
Purchase of motor vehicles from Euromobil Sdn Bhd (a subsidiary of EON Berhad Group)	<b>840</b>	1,987
Purchase of motor vehicles from EON Berhad	–	477
Sales of motor vehicles to EON Berhad	–	739
Security services payable to SRT-EON Security Services Sdn Bhd (an associate of EON Berhad)	<b>1,384</b>	1,112



**32 TAXATION**

	GROUP		COMPANY	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Malaysian income tax:				
- Current year	<b>125,725</b>	130,798	<b>12,828</b>	160
- Overprovision of prior years	<b>(5,958)</b>	(14,882)	<b>(40)</b>	-
	<b>119,767</b>	115,916	<b>12,788</b>	160
Transfer (from)/to deferred taxation	<b>(7,456)</b>	1,234	<b>9,949</b>	12,786
Tax charge for the financial year	<b>112,311</b>	117,150	<b>22,737</b>	12,946

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	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Profit before taxation	<b>400,201</b>	450,675	<b>80,539</b>	66,413
Tax calculated at a rate of 28% (2003: 28%)	<b>112,056</b>	126,189	<b>22,551</b>	18,596
Tax effect of tax exempt dividend income	-	-	-	(6,330)
Tax effect of expenses not deductible for tax purposes	<b>6,213</b>	5,843	<b>226</b>	680
Overprovision in prior years	<b>(5,958)</b>	(14,882)	<b>(40)</b>	-
Tax charge for the financial year	<b>112,311</b>	117,150	<b>22,737</b>	12,946

**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	
	2004 RM'000	2003 RM'000
Net profit for the financial year (RM'000)	<b>282,335</b>	328,393
Weighted average number of ordinary shares in issue ('000)	<b>693,209</b>	693,209
Basic earnings per share (sen)	<b>40.7</b>	47.4

**(b) Diluted earnings per share**

As at 31 December 2004 and 31 December 2003, 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:

	<b>GROUP AND COMPANY</b>			
	<b>2004</b>		<b>2003</b>	
	<b>Gross dividend per share sen</b>	<b>Amount of dividend net of tax RM'000</b>	<b>Gross dividend per share sen</b>	<b>Amount of dividend net of tax RM'000</b>
Proposed first and final dividend	<b>8.6</b>	<b>43,063</b>	6.5	32,442

At the forthcoming Annual General Meeting, the first and final gross dividend of 8.6 (2003: 6.5) sen per share on 693,208,732 ordinary shares, less income tax of 28%, amounting to RM43,063,000 (2003: RM32,442,000) for the financial year ended 31 December 2004 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.

**35 COMMITMENTS AND CONTINGENCIES** (Cont'd)Nature of commitments and contingencies (Cont'd)

Risk Weighted Exposures of the Group as at 31 December:

	2004		2003	
	Principal amount RM'000	Credit equivalent amount* RM'000	Principal amount RM'000	Credit equivalent amount* RM'000
Direct credit substitutes	313,746	313,746	382,039	382,039
Certain transaction related contingent items	620,360	310,180	679,048	339,524
Short term self liquidating trade-related contingencies	229,482	45,896	177,572	35,514
Obligations under underwriting agreements	590,676	295,338	609,450	304,725
Irrevocable commitments to extend credit:				
- maturity more than one year	1,788,343	894,172	1,637,414	818,707
- maturity less than one year	5,733,376	–	4,575,807	–
Foreign exchange related contracts				
- maturity less than one year	1,723,185	37,913	1,454,540	31,907
Interest rate related contracts				
- maturity more than one year	855,000	34,200	–	–
Miscellaneous	179,247	–	252,268	–
<b>Total</b>	<b>12,033,415</b>	<b>1,931,445</b>	<b>9,768,138</b>	<b>1,912,416</b>

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

Foreign exchange and interest rate related contracts are subject to market risk and credit risk. There are no equity and commodity related contracts as at 31 December 2004 and 31 December 2003.

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 31 December 2004, the amount of contracts of the Group which were not hedged and, hence, exposed to market risk was RM14,592,598 (2003: RM12,245,096).

Credit risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Group has a gain position. As at 31 December 2004, the amount of credit risk of the Group, measured in terms of the cost to replace the profitable contracts, was RM7,823,463 (2003: RM14,385,090). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

**36 CAPITAL COMMITMENTS**

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

	<b>GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Property, plant and equipment		
- Authorised and contracted for	<b>139,353</b>	22,250
- Authorised but not contracted for	<b>18,107</b>	27,273
	<b>157,460</b>	49,523

**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:

	<b>GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Year</u>		
Within 1 year	<b>2,779</b>	4,474
Later than 1 year and not later than 5 years	<b>1,137</b>	4,035
Later than 5 years	<b>26,936</b>	26,432

**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 MASB 24, which requires the fair value information to be disclosed. These include property, plant and equipment, investment in subsidiaries and associated companies and intangibles.

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

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

	<b>GROUP 2004</b>	
	<b>Carrying value RM'000</b>	<b>Fair value RM'000</b>
<u>On-balance sheet items:</u>		
<u>Financial assets</u>		
Investment securities	<b>3,865,405</b>	<b>3,907,683</b>
Loans, advances and financing	<b>23,556,671</b>	<b>23,876,130</b>
<u>Financial liabilities</u>		
Deposits from customers	<b>22,611,184</b>	<b>22,750,282</b>

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

Off-balance sheet items

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

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

	<b>GROUP</b>					
	<b>2004</b>			<b>2003</b>		
	<b>Underlying notional amount RM'000</b>	<b>Year-end positive fair value RM'000</b>	<b>Year-end negative fair value RM'000</b>	<b>Underlying notional amount RM'000</b>	<b>Year-end positive fair value RM'000</b>	<b>Year-end negative fair value RM'000</b>
Foreign exchange related contracts:						
- Forward contracts	<b>1,723,185</b>	<b>8,047</b>	<b>3,426</b>	1,454,540	14,586	6,214
Interest rate related contracts						
- Interest rate swaps	<b>855,000</b>	-	<b>(14,981)</b>	-	-	-

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

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

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

#### Cash and short term funds

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

#### Deposits and placements with financial institutions

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

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

#### Dealing and investment securities

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

#### Loans, advances and financing

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

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

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

#### Deposits from customers

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

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

#### Deposits and placements of banks and other financial institutions

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

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

#### Obligations on securities sold under repurchase agreements

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

#### Bills and acceptances payable

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

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

Amount due to Cagamas Berhad

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

Long term borrowings

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

Other assets and liabilities

The carrying values less any estimated allowance for financial assets and liabilities included in 'Other assets and liabilities' are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

Foreign exchange and interest rate related contracts

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

**39 ACQUISITION OF SUBSIDIARY COMPANIES**

On 30 September 2004, EONCAP Securities Sdn Bhd (formerly known as Leong and Company Sdn Berhad) 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.

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

	<b>GROUP At date of acquisition RM'000</b>
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)

**39 ACQUISITION OF SUBSIDIARY COMPANIES (Cont'd)**

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

	<b>GROUP 2004 RM'000</b>
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)

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

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 and Treasury and Investment Banking and Stockbroking. 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)

<b>GROUP</b>	<b>Enterprise Banking RM'000</b>	<b>Retail Banking RM'000</b>	<b>Islamic Banking RM'000</b>	<b>Treasury and Investment Banking RM'000</b>	<b>Stock- broking Business RM'000</b>	<b>Total RM'000</b>
<b>2004</b>						
Gross operating revenue <sup>(1)</sup>	489,576	1,075,961	214,381	201,851	1,851	1,983,620
Less: Inter-segment revenue <sup>(2)</sup>	(58)	(10,655)	–	(1,700)	(471)	(12,884)
Total segment revenue	489,518	1,065,306	214,381	200,151	1,380	1,970,736
Segment results	101,029	222,908	39,024	54,543	(154)	417,350
Unallocated costs						(17,149)
Profit before taxation and zakat						400,201
Taxation and zakat						(117,866)
Net profit for the financial year						282,335

<b>GROUP</b>	<b>Enterprise Banking RM'000</b>	<b>Retail Banking RM'000</b>	<b>Islamic Banking RM'000</b>	<b>Treasury and Investment Banking RM'000</b>	<b>Total RM'000</b>
<b>2003</b>					
Gross operating revenue <sup>(1)</sup>	510,506	1,146,519	197,838	216,792	2,071,655
Less: Inter-segment revenue <sup>(2)</sup>	(958)	(12,064)	–	(736)	(13,758)
	509,548	1,134,455	197,838	216,056	2,057,897
Segment results	114,557	260,000	26,976	66,291	467,824
Unallocated costs					(17,149)
Profit before taxation and zakat					450,675
Taxation and zakat					(122,282)
Net profit for the financial year					328,393

Note:

<sup>(1)</sup> Gross operating revenue comprised gross interest income received from loans, advances and financing (net of interest/income suspended), dealing securities, investment securities (net of accretion of discount less amortisation of premium) and inter-bank placements and deposits, fees income, realised gains or loss from dealing and investment securities, gross income received from Islamic banking and other operating revenue.

<sup>(2)</sup> Inter-segment transactions are carried out on commercial terms at market rates obtainable in transactions with unrelated parties.

## 40 SEGMENTAL REPORTING (Cont'd)

<b>GROUP</b>	<b>Enterprise Banking RM'000</b>	<b>Retail Banking RM'000</b>	<b>Islamic Banking RM'000</b>	<b>Treasury and Investment Banking RM'000</b>	<b>Stock- broking Business RM'000</b>	<b>Total RM'000</b>
<b>2004</b>						
Segment assets	<b>8,664,981</b>	<b>15,606,392</b>	<b>3,952,923</b>	<b>4,193,701</b>	<b>106,279</b>	<b>32,524,276</b>
Unallocated assets						<b>789,622</b>
Total assets						<b>33,313,898</b>
Segment liabilities	<b>7,679,131</b>	<b>14,209,132</b>	<b>3,631,333</b>	<b>3,908,957</b>	<b>15,950</b>	<b>29,444,503</b>
Unallocated liabilities						<b>1,305,286</b>
Total liabilities						<b>30,749,789</b>
Other segment information:						
Capital expenditure	<b>6,227</b>	<b>24,621</b>	<b>3,512</b>	<b>4,213</b>	<b>31</b>	<b>38,604</b>
Depreciation of property, plant and equipment	<b>5,094</b>	<b>23,084</b>	<b>2,563</b>	<b>1,478</b>	<b>140</b>	<b>32,359</b>
Other non-cash expenses	<b>97,997</b>	<b>164,622</b>	<b>21,842</b>	<b>36,744</b>	<b>698</b>	<b>321,903</b>

<b>GROUP</b>	<b>Enterprise Banking RM'000</b>	<b>Retail Banking RM'000</b>	<b>Islamic Banking RM'000</b>	<b>Treasury and Investment Banking RM'000</b>	<b>Total RM'000</b>	
<b>2003</b>						
Segment assets		8,507,939	15,400,702	3,095,518	3,528,477	30,532,636
Unallocated assets						1,108,246
Total assets						31,640,882
Segment liabilities		8,186,244	14,775,394	2,859,847	3,017,743	28,839,228
Unallocated liabilities						487,438
Total liabilities						29,326,666
Other segment information:						
Capital expenditure		18,656	27,369	1,111	3,226	50,362
Depreciation of property, plant and equipment		10,132	17,033	279	1,766	29,210
Other non-cash expenses		151,326	206,608	34,136	53,848	445,918

**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:

	<b>GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Total segments gross operating revenue		
Of which: Gross operating revenue from Islamic Banking of RM214,381,000 (2003: RM197,838,000)]	<b>1,970,736</b>	2,057,897
Less:		
Interest expense [of which: Dividend expense from Islamic Banking of RM103,111,000 (2003: RM102,587,000)]	<b>(880,382)</b>	(934,415)
Loan and financing loss and provision	<b>(169,328)</b>	(175,877)
Profit equalisation reserves	<b>(1,597)</b>	(1,471)
Provision for diminution in value of investment securities	<b>(5,549)</b>	(24,866)
Net income	<b>913,880</b>	921,268

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 EVENT DURING THE FINANCIAL YEAR**

- On 21 January 2004, EON Bank Berhad ('the Bank'), the commercial bank subsidiary, issued USD225 million (equivalent to RM855 million) nominal value Subordinated Notes ('Notes') with a fixed coupon rate of 5.375% per annum payable semi-annually in arrears in July and January each year. The Notes would mature on 21 January 2014 and is callable on 21 January 2009. The net proceeds arising from the issuance of the Notes have been utilised for general banking purposes.
- On 16 March 2004, Malaysian International Merchant Bankers Berhad, the merchant bank subsidiary, entered into a conditional share sale agreement with Edaran Otomobil Nasional Berhad, Ceria Alam Sdn Bhd and the Leong family to acquire the entire issued and paid-up capital of Leong and Company Sdn Berhad ('L&C'), comprising 20,000,000 ordinary shares of RM1.00 each in L&C, for a total cash consideration of RM170 million.

The purchase consideration was arrived at on a willing buyer and willing seller basis, based on the adjusted net tangible assets of L&C on completion date of RM100 million.

The acquisition was completed on 30 September 2004. On 10 December 2004, L&C changed its name to EONCAP Securities Sdn Bhd.

- On 14 July 2004, upon the distribution of EON Capital Berhad shares by Edaran Otomobil Nasional Berhad ('EON Berhad') to its shareholders as dividend in specie and capital repayment, EON Berhad had ceased to become the ultimate holding company of the Group.

**41 SIGNIFICANT EVENT DURING THE FINANCIAL YEAR (Cont'd)**

4. On 29 May 2004, EON Bank Berhad ('the Bank'), the commercial bank subsidiary, 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 are inter-conditional upon one another.

The purchase consideration was arrived at on a willing buyer and willing seller basis, after taking into consideration the estimation of the 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.

5. On 27 September 2004, EON Bank Berhad ('the Bank'), the commercial bank subsidiary, entered into a Business Transfer Agreement with EON Finance Berhad ('EFB'), the finance company subsidiary, to merge their commercial banking and finance company operations, via the transfer of EFB's business and net assets to the Bank. As EFB is a wholly owned subsidiary of the Bank, the consideration for the business transfer was settled via inter-company balance. The resultant merged businesses shall be carried out under EON Bank Berhad as a banking and finance company.

On 2 September 2004, the Minister of Finance, via Bank Negara Malaysia gave its approval to issue a new license to the Bank to enable the Bank to carry on finance company business as well as its existing commercial banking business.

On 18 October 2004, the Bank and its finance company subsidiary obtained a Vesting Order from the High Court of Malaya pursuant to Section 50 of the Banking and Financial Institutions Act, 1989 for the transfer of business operations and net assets of EFB to the Bank.

Effective 1 November 2004, the Bank commenced business as a banking and finance company. Subsequent to the business transfer, the finance company license of EFB was surrendered to Bank Negara Malaysia.

**42 THE OPERATION OF ISLAMIC BANKING****BALANCE SHEETS AS AT 31 DECEMBER 2004**

	Note	GROUP	
		2004 RM'000	2003 RM'000
<b>ASSETS</b>			
Cash and short-term funds	3	<b>161,862</b>	6,502
Deposits and placements with financial institutions	4	<b>20,000</b>	–
Dealing securities	5	–	60,718
Investment securities	6	<b>197,835</b>	483,098
Loans, advances and financing	7	<b>3,337,485</b>	2,411,725
Other assets	8	<b>103,513</b>	5,804
Statutory deposits with Bank Negara Malaysia	9	<b>112,883</b>	105,976
Property, plant and equipment	10	<b>1,540</b>	1,538
<b>TOTAL ASSETS</b>		<b>3,935,118</b>	3,075,361
<b>LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS</b>			
Deposits from customers	11	<b>2,617,550</b>	1,919,030
Deposits and placements of banks and other financial institutions	12	<b>846,293</b>	649,716
Bills and acceptances payable		<b>3,679</b>	2,047
Provision of zakat		<b>15,523</b>	9,968
Other liabilities	13	<b>54,318</b>	172,304
<b>TOTAL LIABILITIES</b>		<b>3,537,363</b>	2,753,065
<b>ISLAMIC BANKING CAPITAL FUNDS</b>		<b>397,755</b>	322,296
<b>TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS</b>		<b>3,935,118</b>	3,075,361
<b>COMMITMENTS AND CONTINGENCIES</b>	17	<b>753,549</b>	705,294
<b>INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004</b>			
Income derived from investment of depositors' funds	14(i)	<b>194,081</b>	175,967
Transfer to profit equalisation reserves		<b>(1,597)</b>	(1,471)
<b>Total attributable income</b>		<b>192,484</b>	174,496
Income attributable to depositors	14	<b>(85,686)</b>	(102,587)
		<b>106,798</b>	71,909
Income derived from investment of head office's funds	14(i)	<b>24,861</b>	21,871
Income from Islamic Banking	14	<b>131,659</b>	93,780
Loan and financing loss and provision	15	<b>(31,768)</b>	(25,960)
<b>Net income</b>		<b>99,891</b>	67,820
Overhead expenses	16	<b>(18,877)</b>	(16,518)
<b>Profit before zakat</b>		<b>81,014</b>	51,302
Zakat		<b>(5,555)</b>	(5,132)
<b>Profit after zakat</b>		<b>75,459</b>	46,170

**42 THE OPERATION OF ISLAMIC BANKING (Cont'd)****STATEMENTS OF CHANGES IN ISLAMIC BANKING CAPITAL FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004**

<b>GROUP</b>	<b>Islamic Banking Funds RM'000</b>	<b>(Accumulated loss)/ retained profit RM'000</b>	<b>Total RM'000</b>
Balance as at 1 January 2004	<b>276,553</b>	<b>45,743</b>	<b>322,296</b>
Net profit for the financial year	–	<b>75,459</b>	<b>75,459</b>
Balance as at 31 December 2004	<b>276,553</b>	<b>121,202</b>	<b>397,755</b>
Balance as at 1 January 2003	276,553	(427)	276,126
Net profit for the financial year	–	46,170	46,170
Balance as at 31 December 2003	276,553	45,743	322,296

**CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004**

	<b>GROUP</b>	
	<b>2004 RM'000</b>	<b>2003 RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit after zakat	<b>75,459</b>	46,170
Adjustments for:		
Depreciation of property, plant and equipment	<b>396</b>	279
Net gain on disposal of property, plant and equipment	–	(42)
Net loss/(gain) from sale of investment securities	<b>1,472</b>	(432)
Property, plant and equipment written off	–	4
Loan and financing loss and provision	<b>31,916</b>	25,960
Profit equalisation reserves	<b>1,597</b>	1,471
Net income suspended	<b>4,251</b>	2,052
(Write back)/provision for diminution in value of investment securities	<b>(8,602)</b>	9,977
Accretion of discount less amortisation of premium	<b>(7,320)</b>	(10,351)
Dividend from investment securities	<b>(10,918)</b>	(14,530)
Zakat	<b>5,555</b>	5,132
	<b>93,806</b>	65,690

**42 THE OPERATION OF ISLAMIC BANKING** (Cont'd)**CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004** (Cont'd)

	Note	GROUP	
		2004 RM'000	2003 RM'000
CASH FLOW FROM OPERATING ACTIVITIES (Cont'd)			
(Increase)/decrease in operating assets			
Deposits and placements with financial institutions		<b>(20,000)</b>	–
Dealing securities		<b>60,718</b>	292,456
Loans, advances and financing		<b>(961,928)</b>	(550,559)
Statutory deposits with Bank Negara Malaysia		<b>(6,907)</b>	(62,845)
Other assets		<b>(98,141)</b>	19,860
		<b>(1,026,258)</b>	(301,088)
Increase/(decrease) in operating liabilities			
Deposits from customers		<b>698,520</b>	242,354
Deposits and placements of banks and other financial institutions		<b>196,577</b>	(223,133)
Bills and acceptances payable		<b>1,632</b>	803
Other liabilities		<b>(119,583)</b>	135,493
		<b>777,146</b>	155,517
Net cash used in operating activities		<b>(155,306)</b>	(79,881)
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of investment securities, net of purchases		<b>299,713</b>	65,383
Purchase of property, plant and equipment		<b>(398)</b>	(1,110)
Proceeds from disposal of property, plant and equipment		–	43
Dividend received from investment securities		<b>11,351</b>	16,235
Net cash generated from investing activities		<b>310,666</b>	80,551
NET INCREASE IN CASH AND CASH EQUIVALENTS		<b>155,360</b>	670
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		<b>6,502</b>	5,832
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	3	<b>161,862</b>	6,502

**42 THE OPERATION OF ISLAMIC BANKING (Cont'd)****(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 71 to 76 of the financial statements of the Group.

**(2) SHARIAH ADVISORS**

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

**(3) CASH AND SHORT-TERM FUNDS**

	<b>GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Non-Mudarabah:		
Cash and balances with banks and other financial institutions	<b>3,377</b>	6,502
	<b>3,377</b>	6,502
Mudarabah:		
Money at call and deposit placements maturing within one month	<b>158,485</b>	–
	<b>161,862</b>	6,502

**(4) DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS**

Mudarabah:		
Licensed finance companies	<b>20,000</b>	–

**(5) DEALING SECURITIES**

Unquoted securities:		
Islamic private debts securities	–	60,718
	–	60,718

**(6) INVESTMENT SECURITIES**

Quoted money market instruments:		
Malaysian Government investment issues	<b>29,040</b>	226,513
Cagamas Mudharabah bonds	<b>35,380</b>	40,380
Khazanah bonds	<b>1,061</b>	25,191
Unquoted money market instruments:		
Negotiable Islamic debt certificates	–	19,994
	<b>65,481</b>	312,078



**42 THE OPERATION OF ISLAMIC BANKING** (Cont'd)**(6) INVESTMENT SECURITIES** (Cont'd)

	<b>GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted securities:		
Murabahah Notes Issuance Facility (MUNIF)	–	34,016
Islamic private debt securities	<b>134,395</b>	132,588
	<b>199,876</b>	478,682
Accretion of discount less amortisation of premium	<b>250</b>	8,596
Provision for diminution in value	<b>(2,291)</b>	(4,180)
	<b>197,835</b>	483,098
(i) Market value of quoted money market instruments:		
Malaysian Government investment issues	<b>29,387</b>	233,608
Cagamas Mudharabah bonds	<b>35,556</b>	40,414
Khazanah bonds	<b>1,195</b>	25,627
(ii) The maturity structure of money market instruments held for investment is as follows:		
Maturing within one year	<b>29,040</b>	119,785
One year to three years	<b>36,441</b>	156,913
Three years to five years	–	35,380
	<b>65,481</b>	312,078

**(7) LOANS, ADVANCES AND FINANCING**

Overdraft	<b>265,238</b>	94,981
Term financing	<b>4,475,931</b>	3,547,761
Bill financing	–	131
Trust receipts	<b>3,374</b>	2,096
Claims on customer under acceptance credits	<b>26,164</b>	6,842
Revolving credit	<b>115,947</b>	101,347
Staff financing	<b>41,169</b>	37,857
Other financing	<b>2,510</b>	3,108
	<b>4,930,333</b>	3,794,123
Unearned income	<b>(1,474,784)</b>	(1,297,858)
Gross loans, advances and financing	<b>3,455,549</b>	2,496,265
Housing loans sold to Cagamas Berhad	–	(3,490)
	<b>3,455,549</b>	2,492,775

**42 THE OPERATION OF ISLAMIC BANKING (Cont'd)****(7) LOANS, ADVANCES AND FINANCING (Cont'd)**

	<b>GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Provision for bad and doubtful debts and financing:		
- Specific	<b>(51,406)</b>	(31,138)
- General	<b>(57,717)</b>	(44,271)
Income-in-suspense	<b>(8,941)</b>	(5,641)
Net loans, advances and financing	<b>3,337,485</b>	2,411,725
(i) Loans, advances and financing analysed by concepts are as follows:		
Al-Bai' Bithaman Ajil (BBA)	<b>2,034,044</b>	1,266,462
Al-Ijarah Thumma Al-Bai (AITAB)	<b>1,299,298</b>	1,107,096
Al-Murabahah	<b>52,341</b>	48,188
Al-Istisna'	<b>13,406</b>	14,785
Other principles	<b>56,460</b>	59,734
	<b>3,455,549</b>	2,496,265
(ii) The maturity structure of loans, advances and financing is as follows:		
Maturing within one year	<b>473,258</b>	270,572
One year to three years	<b>282,607</b>	158,873
Three years to five years	<b>580,103</b>	575,848
Over five years	<b>2,119,581</b>	1,490,972
	<b>3,455,549</b>	2,496,265
(iii) Loans, advances and financing analysed by their economic purposes are as follows:		
Agriculture	<b>23,961</b>	34,684
Mining and quarry	<b>1</b>	-
Manufacturing	<b>55,415</b>	33,000
Electricity, gas and water	<b>309</b>	55
Construction	<b>635,208</b>	156,676
(of which: Infrastructure)	<b>5,763</b>	3,964
Real estate	<b>36,653</b>	59,015
Purchase of landed property	<b>1,052,670</b>	917,047
(of which: i Residential	<b>908,637</b>	764,473
ii Non-residential)	<b>144,033</b>	152,574
General commerce	<b>46,394</b>	20,580
Transport, storage and communication	<b>115,713</b>	35,747
Finance, insurance and business services	<b>33,816</b>	18,077
Purchase of securities	<b>35,944</b>	56,557
Purchase of transport vehicles	<b>1,270,769</b>	1,078,736
Consumption credit	<b>127,442</b>	68,647
Others	<b>21,254</b>	17,444
	<b>3,455,549</b>	2,496,265

**42 THE OPERATION OF ISLAMIC BANKING** (Cont'd)**(7) LOANS, ADVANCES AND FINANCING** (Cont'd)

	<b>GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
(iv) Movements in non-performing loans and financing (including income receivable) are as follows:		
Balance as at 1 January	<b>105,762</b>	80,982
Non-performing during the financial year (gross)	<b>183,719</b>	79,375
Amount recovered/reclassified	<b>(132,809)</b>	(39,572)
Amount written off	<b>(7,427)</b>	(14,665)
Amount converted to investment securities	–	(358)
	<b>149,245</b>	105,762
Non-performing loans which have no adverse financial impact on the Group	<b>(22,764)</b>	(23,202)
Balance as at 31 December	<b>126,481</b>	82,560
Net non-performing loans and financing	<b>81,483</b>	52,914
(As % of total loans net of specific provision and income-in-suspense)	<b>2.4%</b>	2.2%
(v) Movements in provision for bad and doubtful debts and financing and income-in-suspense are as follows:		
<u>General provision</u>		
Balance as at 1 January	<b>44,271</b>	34,707
Provisions made during the financial year	<b>13,446</b>	9,564
Balance as at 31 December	<b>57,717</b>	44,271
(As % of total loans net of specific provision and income-in-suspense)	<b>1.7%</b>	1.8%
<u>Specific provision</u>		
Balance as at 1 January	<b>31,138</b>	23,821
Provisions made during the financial year	<b>27,075</b>	22,914
Provisions charged to deferred asset during the financial year	<b>8,281</b>	2,269
Amount written back in respect of recoveries	<b>(8,605)</b>	(6,518)
Recoveries set off against deferred asset	<b>(8)</b>	(47)
Amount written off	<b>(6,475)</b>	(10,943)
Transfer to provision for diminution in value of investment securities	–	(358)
Balance as at 31 December	<b>51,406</b>	31,138

**42 THE OPERATION OF ISLAMIC BANKING (Cont'd)****(7) LOANS, ADVANCES AND FINANCING (Cont'd)**

	<b>GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
(v) Movements in provision for bad and doubtful debts and financing and income-in-suspense are as follows: (Cont'd)		
<u>Income-in-suspense</u>		
Balance as at 1 January	<b>5,641</b>	7,197
Provisions made during the financial year	<b>7,529</b>	6,716
Amount written back in respect of recoveries	<b>(3,277)</b>	(4,549)
Amount written off	<b>(952)</b>	(3,723)
Balance as at 31 December	<b>8,941</b>	5,641

**(8) OTHER ASSETS**

Income receivables	<b>2,943</b>	3,376
Other debtors, deposits and prepayments	<b>100,570</b>	2,428
	<b>103,513</b>	5,804

**(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**

<b>GROUP</b>	<b>Office renovation RM'000</b>	<b>Furniture, fittings and equipment RM'000</b>	<b>Computer equipment and software RM'000</b>	<b>Motor vehicle RM'000</b>	<b>Total RM'000</b>
<b>2004</b>					
Net book value as at 1 January	<b>264</b>	<b>534</b>	<b>737</b>	<b>3</b>	<b>1,538</b>
Additions	<b>207</b>	<b>112</b>	<b>79</b>	<b>–</b>	<b>398</b>
Reclassification	<b>–</b>	<b>(42)</b>	<b>42</b>	<b>–</b>	<b>–</b>
Charge for the financial year	<b>(100)</b>	<b>(96)</b>	<b>(200)</b>	<b>–</b>	<b>(396)</b>
Net book value as at 31 December	<b>371</b>	<b>508</b>	<b>658</b>	<b>3</b>	<b>1,540</b>

**42 THE OPERATION OF ISLAMIC BANKING** (Cont'd)**(10) PROPERTY, PLANT AND EQUIPMENT** (Cont'd)

<b>GROUP</b>	<b>Office renovation RM'000</b>	<b>Furniture, fittings and equipment RM'000</b>	<b>Computer equipment and software RM'000</b>	<b>Motor vehicle RM'000</b>	<b>Total RM'000</b>
<b>2004</b> (Cont'd)					
Cost	<b>2,136</b>	<b>954</b>	<b>1,202</b>	<b>20</b>	<b>4,312</b>
Accumulated depreciation	<b>(1,765)</b>	<b>(446)</b>	<b>(544)</b>	<b>(17)</b>	<b>(2,772)</b>
Net book value as at 31 December	<b>371</b>	<b>508</b>	<b>658</b>	<b>3</b>	<b>1,540</b>
<b>2003</b>					
Cost	1,929	880	1,134	20	3,963
Accumulated depreciation	(1,665)	(346)	(397)	(17)	(2,425)
Net book value as at 31 December	264	534	737	3	1,538

**(11) DEPOSITS FROM CUSTOMERS**

	<b>GROUP</b>	
	<b>2004 RM'000</b>	<b>2003 RM'000</b>
Non-Mudarabah:		
Al-Wadiah Demand deposits	<b>264,684</b>	160,721
Al-Wadiah Savings deposits	<b>120,817</b>	102,657
	<b>385,501</b>	263,378
Mudarabah:		
Al-Fareed Demand deposits	<b>27,950</b>	13,434
Al-Mudarabah Savings deposits	<b>23,069</b>	17,853
Total demand and savings deposits	<b>436,520</b>	294,665
Mudarabah:		
General investment deposits	<b>1,556,945</b>	781,956
Special investment deposits	<b>334,594</b>	488,090
Bai Al-Inah HARI	<b>289,491</b>	354,319
Total investment deposits	<b>2,181,030</b>	1,624,365
	<b>2,617,550</b>	1,919,030

**42 THE OPERATION OF ISLAMIC BANKING (Cont'd)****(11) DEPOSITS FROM CUSTOMERS (Cont'd)**

	<b>GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
(i) The maturity structure of investment deposits is as follows:		
Due within six months	<b>1,623,482</b>	1,158,989
Six months to one year	<b>452,873</b>	359,279
One year to three years	<b>90,912</b>	101,514
Three years to five years	<b>13,763</b>	4,583
	<b>2,181,030</b>	1,624,365
(ii) The deposits are sourced from the following types of customers:		
Business enterprises	<b>1,368,864</b>	660,371
Individuals	<b>601,369</b>	622,986
Others	<b>647,317</b>	635,673
	<b>2,617,550</b>	1,919,030

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

	<b>GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Non-Mudarabah:		
Licensed finance companies	<b>9,625</b>	5,268
Other financial institutions	<b>5,640</b>	5,692
	<b>15,265</b>	10,960
Mudarabah:		
Licensed banks	<b>218,641</b>	487,485
Licensed finance companies	–	50,000
Other financial institutions	<b>612,387</b>	101,271
	<b>846,293</b>	649,716

**(13) OTHER LIABILITIES**

Dividend payable	<b>15,453</b>	17,480
Amount due to Head Office (Note (i))	<b>2,138</b>	130,568
Other liabilities	<b>19,651</b>	8,777
Profit equalisation reserves (Note 18(ii))	<b>17,076</b>	15,479
	<b>54,318</b>	172,304

- (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.

**42 THE OPERATION OF ISLAMIC BANKING** (Cont'd)**(14) INCOME FROM ISLAMIC BANKING**

	<b>GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Income derived from investment of depositors' fund and funds allocated from Head Office (note(i))	<b>213,566</b>	194,904
Transfer to profit equalisation reserves	<b>(1,597)</b>	(1,471)
	<b>211,969</b>	193,433
Income attributable to depositors:		
Other customers	<b>(65,225)</b>	(82,144)
Banks and financial institutions	<b>(20,461)</b>	(20,443)
	<b>(85,686)</b>	(102,587)
Income attributable to Group	<b>126,283</b>	90,846
Other income	<b>5,376</b>	2,934
Income from Group's Islamic Banking	<b>131,659</b>	93,780

All types of deposits received from the Group's depositors are co-mingling into a single pool of funds. Islamic income/profit generated from the depositors' funds and Islamic banking 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 on a ratio determined at the discretion of the Group in the case of Non-Mudarabah. The profit/income distribution rate is arrived at after taking into consideration all direct expenditure attributable to the investment of those funds.

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

	<b>GROUP</b>		
	<b>Depositors' funds</b>	<b>IBCF</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2004</b>			
Income from financing:			
Al-Bai Bithaman Ajil (BBA)	<b>87,576</b>	<b>7,230</b>	<b>94,806</b>
Al-Ijarah Thumma Al-Bai (AITAB)	<b>81,600</b>	<b>10,232</b>	<b>91,832</b>
Al-Murabahah	<b>3,464</b>	<b>261</b>	<b>3,725</b>
Al-Istisna	<b>1,170</b>	<b>88</b>	<b>1,258</b>
Others	<b>5,791</b>	<b>437</b>	<b>6,228</b>
Investment income:			
Dividend from dealing securities	<b>36</b>	<b>3</b>	<b>39</b>
Net loss from dealing securities	<b>(6,371)</b>	<b>(479)</b>	<b>(6,850)</b>
Dividend from investment securities	<b>10,154</b>	<b>764</b>	<b>10,918</b>
Net loss from investment securities	<b>(1,369)</b>	<b>(103)</b>	<b>(1,472)</b>
Write back of provision for diminution in value of investment securities	<b>8,000</b>	<b>602</b>	<b>8,602</b>

**42 THE OPERATION OF ISLAMIC BANKING** (Cont'd)**(14) INCOME FROM ISLAMIC BANKING** (Cont'd)

	<b>GROUP</b>		
	<b>Depositors' funds RM'000</b>	<b>IBCF RM'000</b>	<b>Total RM'000</b>
<b>2004</b> (Cont'd)			
Income from inter-bank placements	<b>1,297</b>	<b>114</b>	<b>1,411</b>
Accretion of discount less amortisation of premium	<b>6,681</b>	<b>639</b>	<b>7,320</b>
Net income suspended	<b>(3,948)</b>	<b>(303)</b>	<b>(4,251)</b>
	<b>194,081</b>	<b>19,485</b>	<b>213,566</b>
Other income:			
Other fee income	–	<b>4,740</b>	<b>4,740</b>
Other non-operating income	–	<b>636</b>	<b>636</b>
	<b>194,081</b>	<b>24,861</b>	<b>218,942</b>
<b>2003</b>			
Income from financing:			
Al-Bai Bithaman Ajil (BBA)	55,898	4,717	60,615
Al-Ijarah Thumma Al-Bai (AITAB)	82,059	11,190	93,249
Al-Murabahah	2,989	225	3,214
Al-Istisna	1,249	94	1,343
Others	4,611	351	4,962
Investment income:			
Dividend from dealing securities	11,425	860	12,285
Net gain from dealing securities	4,148	312	4,460
Dividend from investment securities	13,513	1,017	14,530
Net gain from investment securities	402	30	432
Provision for diminution in value of investment securities	(9,279)	(698)	(9,977)
Income from inter-bank placements	1,334	158	1,492
Accretion of discount less amortisation of premium	9,471	880	10,351
Net income suspended	(1,853)	(199)	(2,052)
	175,967	18,937	194,904
Other income:			
Other fee income	–	2,074	2,074
Other non-operating income	–	860	860
	175,967	21,871	197,838

The above income includes the following statutory disclosures:

	<b>GROUP</b>	
	<b>2004 RM'000</b>	<b>2003 RM'000</b>
Gain on disposal of property, plant and equipment	–	42



**42 THE OPERATION OF ISLAMIC BANKING (Cont'd)****(15) LOAN AND FINANCING LOSS AND PROVISION**

	<b>GROUP</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Provision for bad and doubtful debts and financing:		
- specific provision (net)	<b>18,470</b>	16,396
- general provision	<b>13,446</b>	9,564
Bad debts:		
- written-off	<b>1</b>	-
- recovered	<b>(149)</b>	-
	<b>31,768</b>	25,960

**(16) OVERHEAD EXPENSES**

Personnel costs	<b>6,831</b>	7,143
Establishment costs	<b>2,409</b>	1,944
Marketing expenses	<b>7,616</b>	4,996
Administration and general expenses	<b>2,021</b>	2,435
	<b>18,877</b>	16,518

(a) Personnel costs comprise the following:

Salaries, bonus and allowances	<b>5,499</b>	5,840
Defined contribution plan	<b>896</b>	956
Other employee benefits	<b>436</b>	347
	<b>6,831</b>	7,143

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

Depreciation of property, plant and equipment	<b>396</b>	279
Property, plant and equipment written off	<b>-</b>	4
Rental on property	<b>1,053</b>	1,134
Hire of equipments	<b>32</b>	27

**42 THE OPERATION OF ISLAMIC BANKING (Cont'd)****(17) COMMITMENTS AND CONTINGENCIES**

In the normal course of the Group's banking and finance business, the Company's subsidiary companies make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions. The nature of these commitments and contingencies is disclosed in Note 33 to the financial statements.

Risk Weighted Exposures of the Group as at 31 December:

	2004		2003	
	Principal amount RM'000	Credit equivalent amount* RM'000	Principal amount RM'000	Credit equivalent amount* RM'000
Direct credit substitutes	3,849	3,849	1,378	1,378
Certain transaction related contingent items	21,330	10,665	14,912	7,456
Short term self liquidating trade-related contingencies	3,336	667	5,068	1,014
Housing loans sold directly and indirectly to Cagamas Berhad with recourse	–	–	3,490	3,490
Obligations under underwriting agreements	115,000	57,500	115,000	57,500
Irrevocable commitments to extend credit				
- maturity exceeding one year	238,911	119,456	449,386	224,693
- maturity not exceeding one year	369,341	–	116,012	–
Miscellaneous	1,782	–	48	–
<b>Total</b>	<b>753,549</b>	<b>192,137</b>	<b>705,294</b>	<b>295,531</b>

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

**(18) 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.

**42 THE OPERATION OF ISLAMIC BANKING** (Cont'd)**(18) SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES** (Cont'd)(ii) Significant related party transactions and balances

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

	<b>GROUP</b>		
	<b>Ultimate holding company RM'000</b>	<b>Subsidiary companies RM'000</b>	<b>Other related parties RM'000</b>
<b>2004</b>			
<u>Expenditure</u>			
Dividend on fixed deposits	–	–	<b>544</b>
<u>Amount due to</u>			
Fixed deposits	–	–	<b>5,629</b>
Al-Wadiah Current accounts	–	–	<b>56,110</b>
<b>2003</b>			
<u>Expenditure</u>			
Dividend on fixed deposits	–	–	1,884
<u>Amount due from</u>			
Short term advances	–	–	8,544
<u>Amount due to</u>			
Fixed deposits	–	–	34,167
Al-Wadiah Current Accounts	–	–	10,385

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.

**42 THE OPERATION OF ISLAMIC BANKING (Cont'd)****(19) DISTRIBUTION OF ASSETS**

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

<b>GROUP</b>	<b>Up to 1 month RM'000</b>	<b>1 - 3 months RM'000</b>	<b>3 - 12 months RM'000</b>	<b>1 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Assets with no fixed maturity RM'000</b>	<b>Total RM'000</b>
<b>2004</b>							
Cash and short-term funds	158,485	–	–	–	–	3,377	161,862
Deposit and placements with financial institutions	–	20,000	–	–	–	–	20,000
Investment securities	–	20,087	125,099	52,649	–	–	197,835
Loans, advances and financing	649,177	22,475	68,078	899,085	1,816,734	(118,064) <sup>^</sup>	3,337,485
Statutory deposits with Bank Negara Malaysia	–	–	–	–	–	112,883	112,883
Other assets <sup>(1)</sup>	–	–	–	–	–	105,053	105,053
<b>Total assets</b>	<b>807,662</b>	<b>62,562</b>	<b>193,177</b>	<b>951,734</b>	<b>1,816,734</b>	<b>103,249</b>	<b>3,935,118</b>
<b>2003</b>							
Cash and short-term funds	–	–	–	–	–	6,502	6,502
Dealing securities	–	–	–	10,171	50,547	–	60,718
Investment securities	19,994	5,002	183,006	275,096	–	–	483,098
Loans, advances and financing	27,929	23,999	172,539	746,433	1,521,875	(81,050) <sup>^</sup>	2,411,725
Statutory deposits with Bank Negara Malaysia	–	–	–	–	–	105,976	105,976
Other assets <sup>(1)</sup>	–	–	–	–	–	7,342	7,342
<b>Total assets</b>	<b>47,923</b>	<b>29,001</b>	<b>355,545</b>	<b>1,031,700</b>	<b>1,572,422</b>	<b>38,770</b>	<b>3,075,361</b>

<sup>^</sup> The negative balance represents specific provisions, income-in-suspense and general provisions for loans and advances made in accordance with the Group's accounting policy on provision for bad and doubtful debts and financing.

Note:

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

**42 THE OPERATION OF ISLAMIC BANKING (Cont'd)****(20) CONCENTRATION OF ASSETS RISKS**

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

	Short term funds and placements with financial institutions RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Dealing securities RM'000	Investment securities RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total on-balance sheet exposures RM'000
<b>2004</b>							
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
	<b>181,862</b>	<b>112,883</b>	<b>-</b>	<b>197,835</b>	<b>3,395,202<sup>^</sup></b>	<b>2,943</b>	<b>3,890,725</b>
<b>2003</b>							
Agriculture	-	-	-	-	34,684	-	34,684
Mining and quarrying	-	-	-	35,564	-	276	35,840
Manufacturing	-	-	-	1,065	32,224	10	33,299
Infrastructure and utilities	-	-	50,547	39,044	3,205	1,012	93,808
Construction	-	-	5,141	41,060	149,755	620	196,576
Real estate	-	-	-	-	53,321	-	53,321
General commerce	-	-	5,030	5,002	14,768	145	24,945
Transport, storage and communication	-	-	-	40,660	31,477	945	73,082
Finance, insurance and business services	1,441	-	-	60,374	17,289	368	79,472
Government and government agencies	1,773	105,976	-	260,329	-	-	368,078
Purchase of landed properties	-	-	-	-	916,079	-	916,079
Purchase of securities	-	-	-	-	56,557	-	56,557
Purchase of transport vehicles	-	-	-	-	1,066,594	-	1,066,594
Consumption credit	-	-	-	-	66,123	-	66,123
Others	-	-	-	-	17,410	-	17,410
	<b>3,214</b>	<b>105,976</b>	<b>60,718</b>	<b>483,098</b>	<b>2,459,486<sup>^</sup></b>	<b>3,376</b>	<b>3,115,868</b>

<sup>^</sup> Excludes general provision for doubtful debts and financing amounting to RM57,717,000 (2003: RM44,271,000).

# 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 Seventh Annual General Meeting of the Company to be held at Grand Prince Ballroom, Level 3, Prince Hotel & Residence Kuala Lumpur, Jalan Conlay, 50450 Kuala Lumpur on Thursday, 26 May 2005 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 2004.		
2	Declaration of a first and final gross dividend of 8.6 sen per share less Malaysian Income Tax of 28% for the financial year ended 31 December 2004.		
3	Re-election of Y. Bhg. Dato' Maznah binti Abdul Jalil as Director in accordance with Article 97 of the Company's Articles of Association.		
4	Re-election of Dr. Tiong Ik King 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 RM420,000 for the financial year ended 31 December 2004.		
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:**

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