THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action you should take, please consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your ordinary shares in Avenue Capital Resources Berhad ("ACRB" or "Company"), you should at once hand this Circular together with the enclosed Notice of Extraordinary General Meeting ("EGM") and Form of Proxy to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The approval of the Securities Commission ("SC") for the Proposed Merger (as defined herein) shall not be taken that the SC recommends the said proposal. Shareholders should rely on their own evaluation to assess the merits and risk of the Proposals (as defined herein). Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular. Shareholders should rely on their own evaluation to access the merits and risk of the Proposals.

AVENUE

AVENUE CAPITAL RESOURCES BERHAD (478-A)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

(I) PROPOSED MERGER BETWEEN AVENUE CAPITAL RESOURCES BERHAD AND ECM LIBRA BERHAD ("ECM LIBRA"), VIA THE PROPOSED ACQUISITIONS BY AVENUE INTERNATIONAL CAPITAL BERHAD ("AICB") OF THE OPERATING SUBSIDIARIES OF ECM LIBRA, IN CONSIDERATION OF THE ALLOTMENT AND ISSUANCE OF 442,000,000 NEW ORDINARY SHARES OF RM1.00 EACH IN AICB ("AICB SHARES") TO BE CREDITED AS FULLY PAID UP TO ECM LIBRA ("PROPOSED MERGER"); AND

(II) PROPOSED EXEMPTION PURSUANT TO PRACTICE NOTE 2.9.1 OF THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS, 1998 TO ECM LIBRA AND PARTIES DEEMED ACTING IN CONCERT FROM THE OBLIGATION TO UNDERTAKE A MANDATORY OFFER FOR ALL THE REMAINING AICB SHARES NOT ALREADY OWNED BY THEM UPON COMPLETION OF THE PROPOSED MERGER ("PROPOSED EXEMPTION")

(COLLECTIVELY REFERRED TO AS "PROPOSALS')

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser

AVENUE

AVENUE SECURITIES SDN BHD (682-X)

Notice of the EGM together with the Form of Proxy are enclosed in this Circular. To be valid, the Form of Proxy must be completed and reach the Registered Office of the Company at Level 1, Bangunan Avenue, 8, Jalan Damansara Endah, Damansara Heights, 50490 Kuala Lumpur no later than 48 hours before the time fixed for holding the EGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently decide to do so.

Last date and time for lodging the Form of Proxy of EGM	:	16 May 2006 at 3.00 p.m.
Date and time of the EGM	:	18 May 2006 at 3.00 p.m.
Venue of the EGM	:	Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur

This Circular is dated 3 May 2006

DEFINITIONS

Unless the context otherwise requires, the following definitions shall apply throughout this Circular and the accompanying appendices:

"ACRB" or "Company"	:	Avenue Capital Resources Berhad
"ACRB Group" or "Group"	:	ACRB and its existing subsidiaries and associated companies
"ACRB Share(s)"	:	Ordinary share(s) of RM1.00 each in ACRB
"Act"	:	Companies Act, 1965
"AICB"	:	Avenue International Capital Berhad
"AICB Group"	:	AICB and its subsidiaries and associated company, after completion of the Reorganisation
"AICB Share(s)"	:	Ordinary share(s) of RM1.00 each in AICB
"Aroma"	:	Aroma Teraju Sdn Bhd
"Avenue"	:	Avenue Securities Sdn Bhd
"BNM"	:	Bank Negara Malaysia
"Board"	:	Board of Directors
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"Code"	:	Malaysian Code on Take-Overs and Mergers, 1998
"Consideration Shares"	:	442,000,000 new AICB Shares to be credited as fully paid-up to be issued pursuant to the Proposed Merger
"ECMLC"	:	ECM Libra Capital Sdn Bhd
"ECMLCM"	:	ECM Libra Capital Markets Sdn Bhd
"ECMLH"	:	ECM Libra Holdings Limited
"ECMLP"	:	ECM Libra Partners Sdn Bhd
"ECMLS"	:	ECM Libra Securities Sdn Bhd
"ECM Companies"	:	ECMLC, ECMLP, ECMLH, ECMLCM and ECMLS, collectively
"ECM Libra"	:	ECM Libra Berhad
"ECM Libra Group"	:	ECM Libra and its subsidiaries and associated company
"ECM Libra Share(s)"	:	Ordinary share(s) of RM1.00 each in ECM Libra
"EGM"	:	Extraordinary general meeting

DEFINITIONS *(Cont'd)*

"EPS"	:	Earnings per share
"ESOS"	:	Employees' share option scheme
"FYE"	:	Financial year ended/ending
"GDP"	:	Gross domestic product
"HKD"	:	Hong Kong Dollar
"ICULS"	:	Irredeemable convertible unsecured loan stocks 2002/2007 of RM1.00 nominal value each in ACRB
"Kenanga"	:	K&N Kenanga Bhd
"KLCI"	:	Kuala Lumpur Composite Index
"LAT"	:	Loss after taxation
"LBT"	:	Loss before taxation
"LPS"	:	Loss per share
"NA"	:	Net assets
"NTA"	:	Net tangible assets
"PACs"	:	Parties deemed acting in concert with ECM Libra for the purpose of the Proposed Merger only, namely Dato' Kalimullah bin Masheerul Hassan, Lim Kian Onn and Chua Ming Huat, collectively
"PAT"	:	Profit after taxation
"PBT"	:	Profit before taxation
"Proposals"	:	Proposed Merger and Proposed Exemption, collectively
"Proposed Exemption"	:	Proposed exemption to ECM Libra and the parties deemed acting in concert from the obligation to undertake a mandatory offer for all the remaining AICB Shares not already held by them upon completion of the Proposed Merger
"Proposed Merger"	:	Proposed merger between ACRB and ECM Libra, via the proposed acquisitions by AICB of the entire equity interests in each of the ECM Companies from ECM Libra, in consideration of the allotment and issuance of 442,000,000 Consideration Shares to ECM Libra
"PSH"	:	Pos Malaysia & Services Holdings Berhad
"PSH Share(s)"	:	Ordinary share(s) of RM1.00 each in PSH

"Reorganisation"	:	Reorganisation exercise of ACRB Group as approved by the SC on 29 September 2005 and the stockholders of ACRB on 1 December 2005, involving the following inter-conditional transactions: (a) Exchange of all the ACRB Shares, ICULS and Warrants with new AICB Shares pursuant to a scheme of arrangement of ACRB under Section 176 of the Act; (b) Distribution of assets in specie comprising all the PSH Shares held by ACRB and all the shareholdings of ACRB in its subsidiaries and associated company involved in the provision of financial services to AICB, via a reduction in the share capital of ACRB under Section 64 of the Act; (c) Distribution of assets in specie comprising all the PSH Shares held by AICB to its shareholders after (a) and (b) above via a reduction in the share capital of AICB under Section 64 of the Act; (d) Cancellation of goodwill arising from (a) above pursuant to a reduction in the share capital of AICB under Section 64 of the Act; (e) Consolidation of the AICB shares after (c) and (d) above back to its par value of RM1.00 each; and (f) Transfer of the listing status of ACRB to AICB, such that ACRB will be delisted and AICB will assume the listing status of ACRB on the Main Board of Bursa Securities
"RM"	:	Ringgit Malaysia
"SC"	:	Securities Commission
"SC Guidelines"	:	SC's Policies and Guidelines on Issue/Offer of Securities
"SGD"	:	Singapore Dollar
"SSA"	:	Conditional Share Sale Agreement dated 19 January 2006 entered into between ACRB, AICB and ECM Libra for the purpose of the Proposed Merger
"USD"	:	United States Dollar
"Unconditional Date of the SSA"	:	The date on which the last of the conditions precedent specified in the SSA is received, obtained, fulfilled or waived, as the case may be, or such other date as mutually agreed by ECM Libra, ACRB and AICB
"WAMP"	:	Weighted average market price
"Warrants"	:	Warrants 2002/2007 in ACRB

In this Circular, unless there is something in the subject or context inconsistent herewith, the singular includes the plural, references to gender include both genders and the neuter.

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AVENUE

AVENUE CAPITAL RESOURCES BERHAD (478-A)

Registered Office:
Level 1, Bangunan Avenue
8, Jalan Damansara Endah
Damansara Heights
50490 Kuala Lumpur

3 May 2006

Board of Directors:

Wee Hoe Soon @ Gooi Hoe Soon *(Executive Deputy Chairman)*
Datuk Siti Maslamah binti Osman *(Non-Executive Director)*
Tajuddin bin Atan *(Non-Executive Director)*
Dato' Lim Tong Yong @ Lim Tong Yaim *(Non-Executive Director)*
Datuk Dr. Baharun Azhar bin Raffiai *(Independent Non-Executive Director)*
Ooi Giap Ch'ng *(Independent Non-Executive Director)*
Lim Poh Seong *(Alternate Director to Dato' Lim Tong Yong @ Lim Tong Yaim)*

To: **The Shareholders of ACRB**

Dear Sir / Madam

(I) PROPOSED MERGER; AND

(II) PROPOSED EXEMPTION;

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1. INTRODUCTION

On 19 January 2006, Avenue on behalf of ACRB, announced that the Company and AICB had on even date entered into the SSA with ECM Libra for the Proposed Merger. On even date, Avenue also announced that ECM Libra and parties deemed acting in concert propose to seek an exemption under Practice Note 2.9.1 of the Code from the obligation to undertake a mandatory offer for all the remaining AICB Shares not already held by them upon completion of the Proposed Merger.

On 24 March 2006, Avenue further announced that the SC (Take-Overs and Mergers Department) had via its letter dated 23 March 2006 stated that it will only consider the Proposed Exemption after the conditions as set out in Section 9.3 of the Circular have been met/obtained.

Subsequently on 14 April 2006, Avenue announced that the SC had via its letter dated 13 April 2006 approved the Proposed Merger under Section 32(5) of the Securities Commission Act, 1993 and the Guidelines on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests, subject to certain conditions as detailed in Section 9.2 of this Circular.

Pursuant to one of the conditions imposed by the SC (Take-Overs and Mergers Department) for the Proposed Exemption, Kenanga has been appointed as Independent Adviser on 6 March 2006 to advise the Directors and shareholders of ACRB as to whether the Proposed Exemption is fair and reasonable so far as the shareholders are concerned and whether the Proposed Exemption is to the detriment of the shareholders of ACRB. In addition, Kenanga has also been appointed as Independent Adviser on 6 March 2006 to advise the Directors and shareholders of ACRB as to whether the Proposed Merger is fair and reasonable so far as the shareholders are concerned and whether the Proposed Merger is to the detriment of the shareholders of ACRB. The Independent Advice Circular from Kenanga will be furnished to the shareholders of ACRB in due course.

The purpose of this Circular is to provide you with information on the details of the Proposals and to seek shareholders' approval for the resolutions pertaining to the Proposals which will be tabled at the forthcoming EGM of the Company, the notice of which is set out in this Circular.

THE SHAREHOLDERS OF ACRB ARE ADVISED TO READ THE CONTENTS OF THIS CIRCULAR AND THE INDEPENDENT ADVICE CIRCULAR (WHICH WILL BE FURNISHED IN DUE COURSE) IN RELATION TO THE PROPOSALS CAREFULLY BEFORE VOTING ON THE ORDINARY RESOLUTIONS PERTAINING TO THE PROPOSALS AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Merger

2.1.1 Background

The ACRB Group is currently undertaking the Reorganisation, which in summary, would result in AICB emerging as the new holding company of the ACRB Group. AICB will also assume the listing status of ACRB, and will be listed on the Main Board of Bursa Securities in place of ACRB.

The Reorganisation is currently in the process of being implemented. ACRB has obtained all necessary approvals for the Reorganisation including the Orders of the High Court of Malaya.

The Reorganisation is expected to be completed by the second quarter of 2006.

2.1.2 Details of the Proposed Merger

The Proposed Merger entails the proposed acquisitions by AICB, of the entire equity interests in each of the ECM Companies, in consideration of the allotment and issuance of 442,000,000 Consideration Shares to ECM Libra.

The details of the ECM Companies and the number of shares to be acquired by AICB under the Proposed Merger are summarised as follows:

Name of ECM Company	Date and place of incorporation	Principal activities	No. of ordinary shares to be acquired
ECMLC	07.05.02; Malaysia	Provision of management, investment advisory and investment consulting services	1,000,000
ECMLP	21.04.99; Malaysia	Provision of credit services	500,000
ECMLCM	17.01.94; Malaysia	Fund management	2,000,000
ECMLH	19.06.02; Labuan, Malaysia	Investment holding and provision of advisory services	1,316,000
ECMLS	19.09.87; Malaysia	Stockbroking	101,038,732

ECMLH and ECMLS will be acquired by AICB based on their existing group structure. The subsidiaries of ECMLH are ECM Libra Investment Bank Limited, ECM Libra Securities Limited and ECM Libra Investments Limited while the subsidiaries of ECMLS are ECM Libra Securities Nominees Sdn Bhd, ECM Libra Securities Nominees (Tempatan) Sdn Bhd, ECM Libra Securities Nominees (Asing) Sdn Bhd and ECM Libra Securities Portfolio Management Sdn Bhd. In addition, ECM Libra Investments Limited has an associated company i.e. Westcomb Financial Group Limited, by virtue of its 29.2% equity interest in the company. Further details of the ECM Companies are as set out in Appendix I(A) to (E) of this Circular.

The Consideration Shares shall be issued to ECM Libra on terms that they rank pari passu in all respects with the AICB Shares in issue at the date of allotment, save that ECM Libra shall not be entitled to any dividends, rights, allotment and/or distributions as permitted under the SSA, the entitlement date of which is prior to the date of allotment of the Consideration Shares. For the avoidance of doubt, the Consideration Shares shall not be entitled to participate in the Reorganisation.

The total number of Consideration Shares to be issued pursuant to the Proposed Merger was arrived at on a willing buyer-willing seller basis after taking into consideration, inter-alia, the following:

(a) the total market capitalisation of ECM Libra of RM459.0 million, based on the closing market price of the shares of RM1.06 as at 17 January 2006 (being the last practicable date prior to the date of signing of the SSA);

(b) the agreed total audited NTA of the ECM Companies of RM210.0 million as at the Unconditional Date of the SSA; and

(c) the future earnings potential of the ECM Companies.

The issue price of the Consideration Shares of RM1.00 each has been arrived at after taking into consideration, inter-alia, the following:

(a) the proforma NTA per AICB Share after taking into consideration the Reorganisation of RM1.00; and

(b) the par value of the AICB Shares of RM1.00 each.

Upon completion of the Proposed Merger, ECM Libra will undertake a capital reconstruction exercise which comprises, amongst others, the proposed distribution of 433,000,000 out of the 442,000,000 AICB Shares to be received by ECM Libra pursuant to the Proposed Merger to the shareholders of ECM Libra via a reduction in the par value of each ECM Libra Share under Section 64 of the Act by an amount equivalent to the cost of investment of each AICB Share ("Proposed ECM Distribution"). Based on the current issued and paid-up share capital of ECM Libra comprising 433,000,000 ECM Libra Shares, the distribution of the 433,000,000 AICB Shares pursuant to the Proposed ECM Distribution would be on the basis of 1 AICB Share for every 1 ECM Libra Share held. The effects of the Proposed ECM Distribution on the shareholding structure of AICB are as set out in Section 8.2 of this Circular.

2.1.3 Original cost and dates of investment

Details of the original costs and dates of investments of ECM Libra in the ECM Companies are as follows:

Name of ECM Company	Date of investment	Original cost of investment RM'000
ECMLC	30 March 2004	330,990
ECMLP		
ECMLH		
ECMLCM	18 October 2004	2,376
ECMLS	30 March 2004	[(1)]185,441

Note:

(1) Subject to certain final adjustments to be agreed between ECM Libra (as purchaser) and Khazanah Nasional Berhad (as vendor)

2.1.4 Others

AICB shall purchase and accept the transfer of the shares of the ECM Companies from ECM Libra free from all Encumbrances (as defined hereinafter) and together with all rights and benefits attaching thereto, including all dividends and distributions declared paid or made in respect thereof on or after the date of the SSA, save and except for such payment or distribution as permitted under the SSA. For the purpose herein, Encumbrances means any mortgage, charge, pledge, lien, assignment, hypothecation, security interest, title retention, preferential right or trust arrangement or other security arrangement or agreement conferring a right to a priority of payment.

There are no liabilities of the ECM Companies to be assumed by AICB pursuant to the Proposed Merger. The liabilities of the ECM Companies shall remain in the books of the respective companies and shall be settled in the ordinary course of business. Furthermore, no significant financial commitment shall be required to put the businesses of the ECM Companies on-stream.

The Proposed Merger is expected to be completed within 9 months from 19 January 2006 (being the date of the SSA).

2.1.5 NA and PAT of the ECM Companies

The latest audited NA and PAT of the ECM Companies for FYE 31 March 2005 are as follows:

Company Name	NA RM'000	PAT RM'000
ECMLH[(1)]	[(3)]30,011	[(3)]22,800
ECM Libra Investment Bank Limited	[(3)]43,602	[(3)]7,193
ECM Libra Securities Limited	[(4)]5,106	[(4)]7,127
ECM Libra Investments Limited	[(5)] (3)	[(5)] (3)
ECMLC	3,002	4,851
ECMLP	1,573	867
ECMLCM	2,288	10
ECMLS[(2)]	160,839	23,232

Notes:

(1) The NA and PAT of ECMLH shown above are at company level and does not take into account the consolidation adjustments, particularly its cost of investments and dividends received from a subsidiary

(2) The NA and PAT of ECMLS shown above does not include its subsidiaries as they are not material

(3) At the exchange rate of USD1.00 : RM3.80

(4) At the exchange rate of HKD0.4872 : RM1.00

2.2 Proposed Exemption

The shareholdings of ECM Libra in AICB will increase from zero to approximately 53.2% pursuant to the Proposed Merger. ECM Libra and the PACs will therefore, be obliged to undertake a mandatory offer for all the remaining AICB Shares not already owned by them after the Proposed Merger in accordance with the provisions of Part II of the Code.

In relation thereto, ECM Libra and the PACs have sought an exemption from the SC under Practice Note 2.9.1 of the Code from the obligation to undertake a mandatory offer for all the remaining AICB Shares not already held by them upon completion of the Proposed Merger.

3. SALIENT FEATURES OF THE SSA

(a) The sale, purchase and transfer of the shares of the ECM Companies shall be conditional upon:

   (i) approvals being obtained from the parties as set out in Section 9 of this Circular; and

   (ii) completion of the Reorganisation by ACRB and AICB in accordance with the terms of the explanatory statement and circular issued by ACRB on 9 November 2005;

   (collectively referred to as "Conditions Precedents");

(b) If any of the Conditions Precedents are not fulfilled by the date falling 9 calendar months after the date of the SSA or such longer period as the parties may mutually agree, either party may rescind the SSA by written notice to the other party; and

(c) The NTA of the ECM Companies as at the Unconditional Date of the SSA shall be RM210.0 million. If the NTA of the ECM Companies as at the Unconditional Date of the SSA is greater than RM210.0 million, ECM Libra shall be entitled to declare and pay dividends and other distributions or make such other arrangements, payments or distributions by the ECM Companies to ECM Libra up to the amount of the surplus. If the NTA of the ECM Companies as at the Unconditional Date of the SSA is below RM210.0 million, ECM Libra shall pay to the ECM Companies an amount equivalent to the shortfall.

(d) The NTA of the ACRB Group or AICB Group (as the case may be) as at the Unconditional Date of the SSA shall be RM398.0 million ("Agreed Avenue NTA"). Where there is a variation between the NTA of the ACRB Group or AICB Group (as the case may be) as at the Unconditional Date of the SSA and the Agreed Avenue NTA, and the variation is more than five per cent (5%) of the Agreed Avenue NTA, the parties agree that ECM Libra shall be entitled to rescind the SSA, whereupon the SSA shall immediately thereafter cease to have any effect and become null and void, and neither party shall have any claim or claims against the other party save and except for any antecedent breach.

4. RATIONALE FOR THE PROPOSALS

4.1 Proposed Merger

BNM and the SC had on 1 July 2005, jointly issued the Guidelines on Investment Banks, which sets out the detailed guidelines for transformation into an investment bank, and which effectively changed the financial landscape for merchant banks, discount houses and stockbroking companies in Malaysia. Subsequently, in a joint statement made on 17 January 2006, BNM and the SC envisaged that there would potentially be 17 investment banks emerging from the implementation of the framework for investment banks.

In view of the changing financial landscape, both ACRB and ECM Libra believe that the Proposed Merger is timely and imperative in order for both groups to create a larger and more robust investment bank that is able to withstand and compete within a more competitive landscape. The Proposed Merger is therefore expected to put the enlarged AICB Group on a stronger platform to move forward and to face future challenges brought about by further consolidation and liberalisation of the financial services industry.

Both ACRB Group and the ECM Companies are established players within the financial services industry, each group having their key strengths. The Proposed Merger thus represents a window of opportunity for both groups to yield various benefits latent in the assimilation of the ECM Companies with the existing businesses of AICB Group, such as the generation of synergies in financial products and services, which would widen the market accessibility and diversification of financial services offered by the enlarged AICB Group.

The Proposed Merger will also enable the enlarged AICB Group to analyse key value chains of each business within the enlarged group, to identify opportunities for cost sharing, skills transfer, and/or enhancement or differentiation in financial products and services as well as product delivery. Upon completion of the Proposed Merger, the enlarged AICB Group is also expected to be functionally integrated, in order to reap the benefits of economies of scale and improved efficiencies.

The abovementioned benefits are expected to strengthen the earnings capability of the enlarged AICB Group.

Further details of the benefits of the Proposed Merger as well as the prospects of the enlarged AICB Group are as set out in Section 5 of this Circular.

4.2 Proposed Exemption

The Proposed Merger and Proposed Exemption are inter-conditional upon each other. As such, the Proposed Exemption, if approved by the SC and the shareholders of ACRB would enable AICB to proceed ahead with the Proposed Merger, and to realise the expected benefits of the Proposed Merger.

Furthermore, in view of the Proposed ECM Distribution, ECM Libra's shareholding of 53.2% in AICB is only temporary pending completion of the distribution in specie by ECM Libra to its shareholders. Upon completion of the Proposed ECM Distribution, ECM Libra's shareholding in AICB will decrease to only 1.1%.

5. BENEFITS OF THE PROPOSED MERGER AND FUTURE PROSPECTS AND PLANS OF ACRB/AICB

The Proposed Merger represents a coordinated effort by ACRB and ECM Libra to achieve more than just an investment banking status. The Proposed Merger will enable the merged entity to build on the existing core expertise and competencies of each product groups within the AICB Group and ECM Libra Group, and to deliver tangible value in various areas of branding, integration synergies such as enhanced efficiencies and capacities, and improved earnings performance.

5.1 Transformation into a larger investment bank

Although both ACRB and ECM Libra had earlier initiated plans to become investment banks, the Proposed Merger is still viable for both ACRB and ECM Libra as it enables both groups to create a larger and more robust investment bank via Avenue, that is able to withstand and compete within a more competitive financial landscape, brought about by further consolidation and liberalisation of the financial services industry.

Further, the Proposed Merger will also enable both AICB and ECM Libra to overcome the costly effort of its respective stockbroking subsidiaries having to meet the RM500 million minimum capital funds requirement imposed by BNM and the SC under the Guidelines on Investment Banks. Upon the completion of the Proposed Merger and internal rationalisation exercise, Avenue, the entity to be transformed into an investment bank, should be able to achieve an unimpaired shareholder's fund of at least RM500 million.

The transformation into a larger investment bank, coupled with an impending brand rationalisation exercise will also put the enlarged entity on a stronger footing to pursue future alliances, mergers and acquisitions and/or licensing arrangements that will further build the organisation's strengths and revenue base in the financial services market.

5.2 Brand rationalisation

Brand identity and positioning is an important aspect of a financial services company as it helps build confidence among customers, investors and shareholders as well as attract and retain valuable talent. Given the wave of liberalisation of the Malaysian financial services industry and in light of the entry of more established foreign players in the domestic scene, there is a need for domestic financial services companies to re-invent and re-position themselves in order to better compete with the more established players.

The Proposed Merger will thus enable the merged entity the opportunity to undertake a vigorous branding exercise:

(a) To rationalise and leverage on the already established brand equity of "Avenue" and "ECM Libra"; and

(b) To re-brand and re-position the merged entity in the financial services industry to create one refined brand and corporate identity capable of providing enduring value that is greater than the sum of parts of the two individual brand names.

5.3 Integration synergies

The Proposed Merger will enable both AICB Group and ECM Libra Group to capture various benefits from the integration process to improve on both the strategic and financial performance of the merged entity. The integration synergies are broadly categorised as follows:

(a) Consolidated product range

The Proposed Merger will enable the enlarged AICB Group to analyse key value chains of each businesses within the enlarged group and to narrow product gaps between the existing business models of the two groups to identify further opportunities for enhancement or differentiation in financial products and services as well as product delivery.

(b) Increased revenue opportunities

The Proposed Merger will enable the merged AICB Group to increase its geographical reach and market accessibility. The internal rationalisation within the merged AICB Group post-merger will in turn, enhance information flow within each business division so that cross selling of products can be executed and implemented effectively.

Cross selling of financial products remains on the top of the priority list for financial services groups, in view of heightening competition in the converged financial services environment. As such, post-merger and internal rationalisation, the merged entity will be able to leverage on the combined customer data and established client relationships coupled with the increased geographical reach and regional expertise of the enlarged AICB Group to identify avenues for cross selling of the enhanced product range. The cross selling strategy will enable the merged entity to increase customer retention and to build on a loyal customer franchise, to attract new customers as well as to increase profitability per customer thus enabling greater predictability of revenue stream within the merged entity. The ability of the merged entity to cross sell a wider range of products will also enhance value proposition offered to customers.

(c) Enhanced human capital

A cornerstone of ACRB Group's and ECM Libra Group's growth in the financial services industry is their dynamic and talented human capital. Post-merger, the enlarged entity will be helmed by the existing key management of ACRB Group and ECM Libra Group, who have years of experience in the financial services industry, both domestic and regional. The amassed wealth of experience will enable the merged entity to build on a multifaceted and valuable talent-based competitive advantage which will enable the investment bank to:

(i) Create capabilities that will differentiate the company in the marketplace to compete with its peers in a more effective manner; and

(ii) Strengthen its ability in the creation and circulation of new ideas to branch into a wide variety of related markets within the financial services industry.

In addition, the merged entity will also be able to take advantage of its re-branded corporate identity in its recruitment process to attract new talents from the financial services fraternity, and to retain and motivate existing staff.

(d) Scale economies in administration and business support

Upon completion of the Proposed Merger, the enlarged AICB Group is also expected to be functionally integrated, in order to reap the benefits of economies of scale and improved efficiencies, in particular in areas of administration and business support. The consolidation of back-office processes and rationalisation of branch operations will enable the merged entity to achieve significant costs savings, improved operating efficiencies and bottom-line.

Based on the above benefits, the Proposed Merger will not only garner immediate synergies for the merged entity, but will poise the merged entity for further growth in the financial services industry.

5.4 Future prospects and plans of AICB Group

Moving forward, the Proposed Merger is expected to augur well for AICB Group as it will provide the enlarged group with a stronger footing to take advantage of new opportunities for further growth brought about by the current wave of liberalisation of the Malaysian financial services industry. On a combined basis, the Proposed Merger will enable the merged entity to establish the necessary infrastructure to achieve additional businesses at a much quicker pace and at minimal cost.

Post-merger and internal rationalisation exercise, the merged entity would be able to strengthen its core competencies and build synergies to capitalise on new business opportunities, increase its competitive advantage as well as leverage on a larger customer and capital base to support its expanded range of activities.

In terms of branding, the enlarged AICB Group will embark on a vigorous branding exercise to rationalise and leverage on the established brand equity of "Avenue" and "ECM Libra" and to re-brand and re-position the merged entity as a transformed investment bank with enhanced capacity and capabilities.

The enlarged AICB Group will capitalise on the enlarged stockbroking division and retail branches to increase the market share of the enlarged group in an increasingly competitive market, that is characterised by lower commission rates and reducing market share. The enlarged AICB Group will also leverage on the combined research capabilities of the two groups to enhance sales support to its customers. The AICB Group also plans to further develop on its distribution network to increase its scale of operations.

In terms of geographical coverage, the enlarged AICB Group would also provide the platform for the investment bank to expand its franchise in the regional market. The existing operations of the ECM Companies in Labuan and Hong Kong as well as the affiliation with a Singapore financial group would further broaden the merged entity's offshore and regional business activities. The AICB Group also hopes to tap into the regional economies i.e. Hong Kong and Singapore to capture cross-border deals and other opportunities for growth.

Lending services permitted under the Guidelines on Investment Banks would complement the corporate finance activities of the investment bank, and would enable the investment bank greater flexibility to support its fee-based mandates. In relation thereto, the AICB Group hopes to leverage on the combined balance sheet and capital base of the two groups to reduce the overall cost of funds and to undertake additional activities in the money market to support the lending business.

In terms of human capital, the enlarged AICB Group will further develop on its human resource framework to retain and motivate existing employees as well as to attract new talent. The human resource initiative may include developing a more competitive remuneration package and perks, management succession planning as well as increasing training and cross-training opportunities across all product divisions in the investment bank.

6. INDUSTRY OVERVIEW

6.1 Overview of the Malaysian economy

The Malaysian economy expanded at a strong annual rate of 5.2% in the fourth quarter of 2005. The manufacturing and services sectors were the main drivers of this growth. A stronger upturn in exports provided added support to domestic private sector activities. Higher consumer sentiment and sustained business confidence underpinned the strong growth. For the whole of 2005, the combination of strong domestic demand and exports resulted in an overall growth in real GDP of 5.3%.

(Source: BNM Press Release, 22 February 2006)

6.2 Overview of the Malaysian capital markets - Summary of the Capital Markets Masterplan and the Financial Sector Masterplan

Capital Markets Masterplan

The release of the Capital Markets Masterplan ("CMP") in February 2001 marked a significant milestone in Malaysia as its release represented the first ever blueprint to chart the direction and destiny of the Malaysian capital markets.

The CMP sets out a vision for the Malaysian capital markets to be internationally competitive in all core areas necessary to support Malaysia's basic capital and investment needs, as well as its longer term economic objective, a highly efficient conduit for the mobilisation and allocation of funds, and supported by a strong and facilitative regulatory framework that enables the capital market to perform its functions effectively and provides a high degree of confidence to its users.

Six key objectives that form the basis for both the masterplan's strategic initiatives as well as specific recommendations have been identified in support of the CMP. These key objectives are:

(a) To be the preferred fund-raising center for Malaysian companies;

(b) To promote an effective investment management industry and a more conducive environment for investors;

(c) To enhance the competitive position and efficiency of market institutions;

(d) To develop a strong and competitive environment for intermediation services;

(e) To ensure a stronger and more facilitative regulatory regime; and

(f) To establish Malaysia as an international Islamic capital market center.

The deregulation and liberalisation of the capital markets are two areas in which pragmatic sequencing is particularly essential. Appropriate preparatory measures must precede the facilitation of greater competition within the domestic market to enhance the resilience of market participants and reduce the severity of economic displacement arising from an increase in competitive pressures.

Taking into consideration the above issues, the CMP can be characterised into 3 distinct phases:

Phase 1 (2001-2003):	To strengthen domestic capacity and develop strategic and nascent sectors.
Phase 2 (2004-2005):	To further strengthen key sectors and gradually liberalise market access.
Phase 3 (2006-2010):	To further expand and strengthen market processes and infrastructure towards becoming a fully-developed capital market and enhancing international positioning in areas of comparative and competitive advantage.

(Source: SC – Capital Market Masterplan 2001)

As at the end-2005, which marks the end of Phase 2 of the CMP, 99 recommendations or 65% of the 152 recommendations in the CMP were completed, with the remaining 35% are still in progress or due to be implemented in Phase 3 (2006-2010).

(Source: SC Press Release, 14 March 2006)

Financial Sector Masterplan

The Financial Sector Masterplan ("FSMP") which was launched in March 2001 sets out the broad strategies for the development of the financial sector over a ten year period. The objective of the FSMP is to develop a more resilient, competitive and dynamic financial system with best practices, that supports and contributes positively to the growth of the economy throughout the economic cycle and has a core of strong and forward looking domestic financial institutions that are more technology driven and ready to face the challenges of liberalisation and globalisation.

As changes in the global financial industry continue to evolve and accelerate in the new millennium, the Malaysian financial system, particularly domestic banking institutions and insurance companies will face mounting pressure to become more efficient and competitive, innovative, technology-driven and strategically more focused. The financial infrastructure will have to be developed accordingly to facilitate and support this development. Given the important roles played by domestic financial institutions in ensuring the stability of the financial system and supporting the economy, steps will need to be taken to:

(a) Develop the domestic institutions by building the capabilities of domestic institutions and increasing the incentive for domestic institutions to drive performance;

(b) Maintain stability of the financial system through an efficient infrastructure, more resilient institutions as well as strong prudential regulations and supervision;

(c) Meet the socioeconomic objectives of Malaysia that will result in the least possible distortion and to minimise the burden on the institutions; and

(d) Promote a more market driven consumer protection infrastructure.

The change programme will be implemented over the next 8-10 years in three phases, subject to achieving specified milestone and safeguards. The first phase is on building the domestic capacity, the second phase in which domestic competition increases and the third phase in which the pace for the integration with the international market is increased. While measures to increase domestic capacity would be implemented during the first phase, these measures will continue to be strengthen during the second and third phases to ensure orderly adjustment to a more competitive and increasingly deregulated and liberalised market.

The FSMP encourages mergers between merchant banks and stockbroking companies or discount houses of the same group to create full-fledged investment banks. The merchant banks should be developed into full-fledged investment banks, so as to be at par with international investment banks and to have the ability to undertake trading and brokerage activities, apart from merely providing advisory services. As such, mergers between merchant banks and discount houses, and between merchant banks and stockbroking companies within the same financial group will be encouraged and facilitated to reduce duplication and improve efficiency.

(Source: BNM – Financial Sector Masterplan 2001)

6.3 Overview of the Malaysian capital market

2005 continued to see significant fund raising activity both within the corporate debt and equity markets. Total funds from corporate fund-raising proposals approved by the SC rose by 16.9% to RM65.75 billion from RM56.25 billion in 2004. Out of a total of 124 submissions for new listing on Bursa Securities in 2005, there were 69 approvals, 51 rejections while 4 were deferred. Of the new listings, 8 were approved for the Main Board, 11 for the Second Board and 50 for the MESDAQ Market. The increase in listings on the MESDAQ Market reflected the growing importance of MESDAQ as a major source of funding for the growth of small and high-growth companies in Malaysia.

The corporate bond market maintained its strong position as a source of fund raising with the SC approving 126 private debt securities ("PDS") issues in 2005 amounting to RM60.7 billion, an increase of 27% from the RM47.8 billion approved in 2004. It is noted that a significant portion of the funds raised was for debt refinancing.

The number of companies listed on the exchange increased to 1,021 accounting for a total market capitalisation of RM695 billion as at end-2005, as compared to 963 companies with a total market capitalisation of RM722 billion as at end-2004. The drop in market capitalisation was mainly due to the weaker performance of the stock market in 2005.

Presented with an environment where individual savings are growing into a more prominent pool of investible assets, the investment management industry is increasingly becoming a key intermediary in the intermediation of retail savings for financing economic activity. To facilitate the growth of investment management, the SC has worked in 2005 to further broaden the range of products and investment opportunities available for Malaysian savers and investors. Consistent with the government's objectives that were articulated in the 2004 and 2005 budget announcements, the SC introduced new guidelines to expand the range of products to cover real estate investment trusts ("REITs"), exchange traded funds and structured warrants. The REITs guidelines were introduced to provide investors with an alternative investment opportunity and at the same time establish a vibrant and competitive REITs industry in Malaysia. These efforts were also supported by several tax incentives provided by the government to facilitate the growth of this product segment.

To allow local investors opportunities to diversify their portfolios overseas as well as to facilitate cross–border activities in the capital market, the SC revised the regulatory framework with a view to provide clarity to the industry and ensure an orderly flow of funds. These revisions covered areas in relation to investment in foreign securities, secondary market trading of non-ringgit bonds, primary offering of non-ringgit bonds and offering of foreign shares in Malaysia. In addition, investment management companies were allowed to invest abroad up to 30% of resident net asset value ("NAV"). Domestic futures brokers and futures fund managers were also allowed to trade in 34 different foreign exchanges in 21 countries in June 2005.

These overall efforts contributed to the investment management industry continuing to grow strongly with funds under management growing from RM114 billion in 2004 to RM127 billion in 2005. The NAV of unit trust funds grew by 12.7% to RM98.49 billion, accounting for 14.2% of market capitalisation at end-2005. The total approved fund size of the unit trust industry also grew by 22% to 267.33 billion units in 2005.

(Source: SC Press Release, 14 March 2006)

Bursa Securities, which staged a rally in the fourth quarter of 2004, extended its favourable performance into 2005 with the benchmark KLCI breaching a four and a half-year high at 937 points in January. The market however, retracted some of its gains in line with other regional markets as investors were affected by high oil prices and slower global economic growth. The market was also affected by heavy sell-down of second and third liner stocks following the withdrawal of share financing of some banks. As a result, the second board index plunged to its lowest level in nearly seven years at 81.75 points while the MESDAQ market index fell to 84.3 point, a two-year low. However, market sentiment improved following the Government's swift action to restore market integrity and confidence as well as continued assurance by local banks to maintain and expand share financing facilities. Investors also responded positively towards the Government's decision to lift the ringgit peg with the KLCI surging to a five year high to close at 952.59 points on 3 August, with market capitalisation of RM738.9 billion. The upward trend, however, could not be sustained, as concerns over the impact of record high oil prices on economic growth led to more cautious sentiments in global and regional stock markets. The KLCI closed at 921.99 points on 16 September 2005 with a gain of 1.6% (end 2004: 907.43 points).

Trading on Bursa Securities was higher at 74,817 million units in the first eight months of 2005 (January-August 2004: 72,323 million units). The market attracted higher foreign participation, accounting for 34.5% trading activity during the period. Foreign funds were encouraged by several positive developments including the resilience of the Malaysian economy, the ongoing reform of government-linked companies and further liberalisation in financial services. On a sectorial basis, the plantation sector was the top-performing sector with an increase of 6.4% in the plantation index on account of favorable earnings of plantation companies. The MESDAQ market index declined about 26%, underpinned by the down-cycle of the technology sector, particularly in the semi-conductor segment.

The equity market remained an important avenue for the private sector to raise funds. Funds raised rose more than twofold to RM4,228 million (January-July 2004: RM1,577 million). With 1,003 companies listed at the end of August 2005, Bursa Securities ranked third in East Asia (excluding Japan) in terms of listings on a stock exchange.

(Source: Economic Report 2005/2006)

In January 2006, gross financing to the private sector from the banking system and the capital market amounted to RM46.9 billion, expanding at an annual rate of 3.9% (December 2005: RM53.7 billion; 3.9%). After the relatively higher level recorded in the previous month, gross financing moderated in January 2006, amid lower banking system loan disbursements and raising of funds in the capital market due to the fewer working days during the month. On a net basis, financing of the private sector through banking system loans and PDS outstanding expanded at a combined annual rate of 9.5% (December: 9.3%).

A higher amount of RM3.3 billion was sourced from the capital market in January 2006 (December 2005: RM2.4 billion) on a net basis. Financing from issuance of PDS remained active, despite the lower net funds raised. A total of 16 corporations (December 2005: 13) raised gross funds of RM2.2 billion, while Cagamas Berhad raised another RM1 billion. The bulk of the funds raised through the PDS market were for financing new activity and for refinancing. The Federal Government reopened a 3-year Malaysian Government Securities in January 2006. Financing activity through the equity market recorded a lower amount of RM122.4 million.

Sentiment in the local market was uplifted with expectations of better economic performance and favourable domestic corporate developments in January 2006. As at end-January 2006, the KLCI closed higher at 914.01 points (since end-December 2005: +1.6%) with market capitalisation increasing to RM713.2 billion (since end-December 2005: +2.6%). The daily average turnover during the month improved significantly to 630.1 million units (December: 278.3 million units). As at 21 February 2006, the KLCI closed higher at 925.67 points (since end-January 2006: +1.3%) with higher market capitalisation at RM724.5 billion (since end -January 2006: +1.6%). Trading activity increased substantially with daily average turnover at 1,004.7 million units.

(Source: BNM Press Release, 22 February 2006)

6.4 Outlook of the Malaysian economy

The Malaysian economy is expected to maintain its growth momentum in 2006 in line with sustained private sector activities, favourable external environment and the Government's continuing efforts to further diversify the economy through new sources of growth. Growth is expected to be broad based with expansion in all sectors, driven by private investment spending and strong activities in the services sector. Accordingly, real GDP growth is forecast to expand by 5.5% in 2006 and per capital income envisaged to rise further by 7.1% to RM18,995 (2005: 6.8%; RM17,741). In terms of purchasing power parity, per capita income will increase by 6.9% to USD11,030 (2005: 7.2%; USD10,323).

(Source: Economic Report 2005/2006)

Prospects are for stronger growth in the Malaysian economy in 2006. Of significance, the outlook for global economic growth remains sound and would be driven by the upturn in the global investment and electronics cycle. Additional support is expected to come from Japan and the euro area, as domestic demand strengthens in these economies. Regional demand is also expected to remain robust supported by the recovery in the global electronics cycle, in particular in semiconductors, and sustained economic expansion in the People's Republic of China, India and South Korea. Commodity prices have also shown signs of remaining firm. These trends would continue to have positive impact on both exports and private consumption. With high capacity utilisation rates in both the domestic-oriented and export-oriented electronics and electrical industries in the manufacturing sector, private investment activities would be sustained. Thus private sector activities would continue to underpin growth. The latest Department of Statistics, Malaysia leading index indicates that the Malaysian economy would continue to expand during 2006.

(Source: BNM Press Release, 22 February 2006)

6.5 Outlook of the Malaysian capital market

Islamic financial services in Malaysia are set to further expand with the transformation of Islamic windows of domestic banks into Islamic subsidiaries as well as the entry of foreign players. The presence of foreign Islamic financial institutions as well as higher foreign equity in domestic Islamic subsidiaries is expected to further spur competition and accelerate the global integration of the Malaysian Islamic banking system. Meanwhile, some Malaysian financial institutions are gearing to be important financial players through their presence in regional markets as well as plans to expand to other growth areas, such as the Middle East.

The capital market will continue to remain an important source of financing for the economy. With successful completion of financial restructuring in Malaysia, PDS issuance in expected to be largely used for business expansion and new activity in tandem with the rebound in private investment. The issuance of asset backed securities is set to grow, supported by the securitisation of Government staff housing loans. Other ongoing initiatives will further drive the development of Malaysia's capital market, such as the proposed Bursa Securities-Singapore Exchange tie-up, a common trading platform for equities and derivatives and an electronic exchange for trading in bonds, as well as the creation of a regional index series involving five Asean stock exchange, including Bursa Securities. Meanwhile, regional economic and financial cooperation under the Asean Bond Markets Initiative is set to further accelerate with efforts in exploring securitisation and cross-border bond issuance.

(Source: Economic Report 2005/2006)

7. INVESTMENT CONSIDERATIONS IN RELATION TO THE PROPOSED MERGER

The operations of the ECM Companies are more or less similar to the existing operations of ACRB Group. As such, the operations of the ECM Companies are exposed to risks similar to that already faced by the ACRB Group, a summary of which is set out below. Shareholders should consider the risks as set out below (which may not be exhaustive) in addition to the other information contained elsewhere in this Circular before voting on the resolution pertaining to the Proposed Merger.

7.1 General risk

(a) General business risk

As a financial services group covering activities including stockbroking, corporate advisory, origination of debt and equity capital market products, trading and investment of financial instruments and securities trading on behalf of clients and management of funds, the enlarged AICB Group will be subject to business which are inherent in the financial services industry. Generally, these business risks can be broadly divided into:

(i) Market risk, which is the risk of loss associated with changes in the value of portfolios and financial instruments caused by movements in market variables, such as interest rates, foreign exchange rates and equity prices;

(ii) Funding risk, which is the risk that the enlarged AICB Group is not able to fund its day-to-day operations at a reasonable cost;

(iii) Credit risk, which is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations;

(iv) Operational risk, which is the risk of potential loss from a breakdown in internal processes and systems, deficiencies in people and management or operational failure arising from external events; and

(v) Legal and regulatory risk, which is the risk of breaches of applicable laws and regulatory requirements, breaches of obligations of fidelity, unenforceability of counterparty obligations and inappropriate documentation of contractual obligations.

To counter the business risks, the AICB Group will enhance its risk management system to manage uncertainties such that deviations from the group's intended objectives are kept within acceptable levels. The risk management system will seek to identify, capture and analyse the risks assumed by the AICB Group at an early stage, as well as to measure and monitor the risks on a continuous basis and to set limits, policies and procedures to control them so as to ensure sustainable risk-taking and sufficient return.

However, the risk management framework may not always be fully effective as there may be risks (including external risks which are beyond management control) that are not anticipated or identified or risks that are significantly greater than indicated by historical data. Further, the data relied upon to formulate the risk management framework may not be accurate, complete, up-to-date or properly evaluated. The process to manage operational, legal and regulatory risks would require proper recording and verifying a large number of transactions and events. Such process may not be fully effective in all cases.

(b) Market volatility

The business of the enlarged AICB Group, in particular its stockbroking division, is highly susceptible to the condition of the financial markets as well as economic conditions both domestically and globally. Unfavourable financial or economic conditions (which may include, inter-alia, adverse movement in interest rates, foreign exchange rates and equity prices) would adversely affect the AICB Group's operations e.g. a reduction in the number and size of transactions or a downturn in the equity and debt markets would adversely affect the fee income earned by the AICB Group in respect of services provided in areas of corporate advisory, underwriting and placement syndications, treasury, broking and equity and debt capital market fund raising.

In the event of significant adverse fluctuations in the financial markets, the overall business of the AICB Group would be affected, resulting in a decline in both revenue and profitability.

(c) Business volume

A portion of the AICB Group's revenue is transaction based, e.g. corporate advisory services are generally transaction specific and are non-recurring as it is unlikely for the same customer to undertake corporate exercises repeatedly or on a regular basis.

As such, the revenue of the AICB Group will be dependent on the group's ability to secure new transactions. In relation thereto, the Relationship Management division of the enlarged AICB Group which will be the hub of the investment bank, will apply the required resources within the investment bank to evaluate potential transactional opportunities in the marketplace, to identify opportunities for cross selling of financial products, and to provide value added propositions to the customers of the bank. However, there is no assurance that the AICB Group will successfully procure mandates for all its sales pitch.

(d) Political and economic factors

Political and economic conditions and developments in Malaysia as well as abroad could have a profound effect on the financial performance of the enlarged AICB Group. Adverse political and economic conditions or developments, such as unstable political system, nationalisation and severe fluctuations in interest and currency exchange rates, create uncertainty and may discourage the free flow of investment capital and affect international trade, ultimately resulting in adverse developments in national economic activity. This in turn may have a material adverse impact on the financial performance of the AICB Group as a financial services provider. As a result of globalisation, economic or market problems in a single country or region are increasingly affecting other markets generally. A prolonged continuation of adverse situations in other countries or region could adversely affect the global economic conditions and world markets. This in turn, could cause a chain reaction effect and thus adversely affect the AICB Group's businesses.

(e) Regulatory considerations

The AICB Group's proposed investment banking businesses will be subject to regulatory purview and measures imposed by the relevant regulatory agencies. The proposed investment banking activities of the enlarged AICB Group will be regulated under the Banking and Financial Institution Act, 1989, while broking and funds management activities of the investment bank will be subject to the Securities Industry Act, 1983, Securities Commission Act, 1993 and the Futures Industry Act, 1993. Such regulatory measures will include restrictions on operations such as the maintenance of reserves and minimum capital adequacy requirement.

Regulatory measures which are presently imposed, or which are introduced from time to time by various regulatory agencies could affect the AICB Group's business activities. Further, any change in the rules relating to minimum capital adequacy requirement, e.g. increase in minimum capital adequacy ratio or a change in the computation and/or composition of regulatory capital, could significantly affect the operations of the AICB Group if the group's internally generated capital (i.e. retained earnings) is insufficient to meet the increased capital funds requirement. Under such circumstances, the AICB Group would need to raise fresh capital which may involve a cash call on the shareholders.

(f) Competition

The Malaysian financial services industry continues to operate in a very competitive environment, especially with the opening up of the local stockbroking and fund management industries for direct foreign participation through issuance of new licenses to foreign stockbrokers as well as foreign fund managers. Although these policies are designed, in part, to encourage further development of financial institutions in Malaysia and to strengthen domestic financial institutions in preparation for increased foreign competition, it will also result in increased competition, which could have an adverse effect on the enlarged AICB Group's operations in the form of reduced margins, smaller market share and reduced fee income.

Although the AICB Group would plan for expansion and growth in future business volume, the group's future growth would inevitably be subject to competition from other service providers and also customer preference. As such, there can be no assurance that the AICB Group will be able to maintain or increase its present market share in the future.

Notwithstanding the aforesaid, both the existing ACRB Group and the ECM Companies have developed a strong franchise value in the financial services industry, and together with the broad experience of the management, will enable the enlarged AICB Group to maintain its competitive edge.

(g) Dependence on key personnel

The enlarged AICB Group's performance shall be largely dependent on the skills, expertise and continued commitment of its employees, especially the directors and senior management staff. The enlarged group's continued ability to compete effectively in its businesses would thus depend on its ability to attract new employees as well as retain the existing employees of ACRB Group and the ECM Companies. In this respect, it is the intention of the enlarged group to devote considerable resources to recruiting, training and compensating its employees.

7.2 Specific risks associated with the Proposed Merger

The Proposed Merger entails specific risks which are inherent in any mergers and acquisitions. The risks factors, which are non-exhaustive, are as follows:

(a) Merger risks

The ACRB Group (via AICB) and ECM Companies are merging as part of their growth strategy to create a larger and more robust investment bank. The success of this strategy will depend significantly on the ability of both groups to combine their operations to gain the synergies from the integration process. However, due to the difference in corporate cultures as well as management styles and operational systems, there is no assurance that both groups will be able to implement the integration process without encountering difficulties such as operational disruptions and the loss of clientele and key employees. Failure to integrate the operations of the two groups in an effective manner or within a relatively short span of time will in turn, lead to a loss or delay in achieving the expected synergies. Further, there is also no assurance that the Proposed Merger would yield the desired returns.

(b) **Licences and regulatory environment**

The Proposed Merger is for the enlarged AICB Group to create a larger and more robust investment bank. BNM and the SC have set numerous criterias to be satisfied in order for financial services groups to successfully achieve the investment bank status. In this respect, BNM and the SC have conducted due diligence reviews on Avenue, the entity to be transformed into an investment bank, to establish the necessary preconditions required by Avenue to become an investment bank. There is no guarantee that Avenue will be able to satisfy or fulfill the preconditions and all the other conditions which may be imposed by BNM and the SC in order to begin its transformation into an investment bank. Hence, there is no guarantee that the enlarged AICB Group will be able to transform into a full fledged investment banking group.

Further to the above risks factors, shareholders should also take note that certain statements in this Circular are based on historical data, which may not be reflective of the future results, and others are forward looking in nature and are subject to uncertainties and contingencies outside the control of ACRB and/or AICB. All forward-looking statements, opinions and/or views contained herein are based on estimates and assumptions made by ACRB. Although the Directors of ACRB believe that these forward looking statements, opinions and/or views are reasonable based on information currently available to them, the statements are nonetheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements expressed or implied in such statements. In light of these and other uncertainties, the inclusion of such forward-looking statement, opinions and/or views herein should not be regarded as a representation or warranty by ACRB, AICB or its advisers that the future plans and objectives of the enlarged AICB Group will be achieved.

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8. EFFECTS OF THE PROPOSALS

8.1 Share capital

The Proposals will not have any effect of the issued and paid-up share capital of ACRB.

The Proposed Exemption will not have any effects on the issued and paid-up share capital of AICB. As at the date hereof, the share capital of AICB comprises 2 AICB Shares. Upon completion of the Reorganisation, the share capital of AICB shall be increased to 388.902 million AICB Shares. The proforma effects of the Proposed Merger on the issued and paid-up share capital of AICB after the Reorganisation are as follows:

	No. of AICB Shares '000	RM'000
After the Reorganisation	388,902	388,902
To be issued pursuant to the Proposed Merger	442,000	442,000
	830,902	830,902
To be issued pursuant to the Proposed ESOS(1)	124,635	124,635
Proforma enlarged issued and paid-up share capital	955,537	955,537

Notes:

(1) Refers to the proposed establishment by AICB of an employees' share option scheme for the grant of options to the eligible employees and Directors of AICB Group ("Proposed ESOS"). The maximum number of options to be offered under the Proposed ESOS shall not exceed 15% of the total issued and paid-up share capital of AICB at any time during the existence of the Proposed ESOS. The Proposed ESOS was approved by Bursa Securities and the shareholders of ACRB on 18 November 2005 and 1 December 2005 respectively.

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8.2 Substantial shareholders

The Proposed Exemption will not have any effect on the shareholdings of the substantial shareholders of AICB. The proforma effects of the Proposed Merger, including the proforma effects of the Proposed ECM Distribution on the shareholdings of the substantial shareholders of ACRB/AICB after the Reorganisation are as follows:

	ACRB				AICB (I)			
	As at 14 April 2006				After Reorganisation			
	Direct		Indirect		Direct		Indirect	
	No. of ACRB Shares '000	%	No. of ACRB Shares '000	%	No. of AICB Shares '000	%	No. of AICB Shares '000	%
Aroma Teraju Sdn Bhd	230.168	29.53	-	-	128.019	32.92	-	-
Seraya Sensa Sdn Bhd	98,578	12.65	-	-	45.675	11.74	-	-
BH Builders Sdn Bhd	55,048	7.06	-	-	25,212	6.48	-	-
Parkway Group Healthcare Pte Ltd	-	-	(1)133.404	17.11	-	-	61.626	15.85
Parkway Holdings Limited	-	-	(2)133,404	17.11	-	-	61.626	15.85
Swiss Zone Sdn Bhd	-	-	(3)133.404	17.11	-	-	61.626	15.85
Pantai Holdings Berhad	-	-	(4)133.404	17.11	-	-	61.626	15.85
Pantai Group Resources Sdn Bhd	-	-	(5)133.404	17.11	-	-	61.626	15.85
Piramid Pertama Sdn Bhd	-	-	(6)230.168	29.53	-	-	128.019	32.92
Seleksi Arif Sdn Bhd	-	-	(6)230.168	29.53	-	-	128.019	32.92
Minister of Finance (Incorporated)	-	-	(7)230.168	29.53	-	-	128.019	32.92
Bank Simpanan Nasional	-	-	(8)230.168	29.53	-	-	128.019	32.92
ECM Libra	-	-	-	-	-	-	-	-
Lim Kian Onn	-	-	-	-	-	-	-	-
Dato' Kalimullah bin Masheerul Hassan	-	-	-	-	-	-	-	-
Chua Ming Huat	-	-	-	-	-	-	-	-

	AICB							
	(II) After (I) and Proposed Merger				(III) After (II) and Proposed ECM Distribution			
	Direct		Indirect		Direct		Indirect	
	No. of AICB Shares '000	**%**	**No. of AICB Shares '000**	**%**	**No. of AICB Shares '000**	**%**	**No. of AICB Shares '000**	**%**
Aroma Teraju Sdn Bhd	128,019	15.41	-	-	128,019	15.41	-	-
Seraya Sensa Sdn Bhd	45,675	5.50	-	-	45,675	5.50	-	-
BH Builders Sdn Bhd	25,212	3.03	-	-	25,212	3.03	-	-
Parkway Group Healthcare Pte Ltd	-	-	61,626	7.42	-	-	61,626	7.42
Parkway Holdings Limited	-	-	61,626	7.42	-	-	61,626	7.42
Swiss Zone Sdn Bhd	-	-	61,626	7.42	-	-	61,626	7.42
Pantai Holdings Berhad	-	-	61,626	7.42	-	-	61,626	7.42
Pantai Group Resources Sdn Bhd	-	-	61,626	7.42	-	-	61,626	7.42
Piramid Pertama Sdn Bhd	-	-	128,019	15.41	-	-	128,019	15.41
Seleksi Arif Sdn Bhd	-	-	128,019	15.41	-	-	128,019	15.41
Minister of Finance (Incorporated)	-	-	128,019	15.41	-	-	128,019	15.41
Bank Simpanan Nasional	-	-	128,019	15.41	-	-	128,019	15.41
ECM Libra	442,000	53.20	-	-	9,000	1.08	-	-
Lim Kian Onn[11]	-	-	[9]442,000	53.20	[10]76,456	9.20	9,000	1.08
Dato' Kalimullah bin Masheerul Hassan[11]	-	-	-	-	[10]56,259	6.77	-	-
Chua Ming Huat[11]	-	-	-	-	[10]56,259	6.77	-	-

Notes:

(1) Deemed interested by virtue of its shareholdings in Swiss Zone Sdn Bhd

(2) Deemed interested by virtue of its shareholdings in Parkway Group Healthcare Pte Ltd

(3) *Deemed interested by virtue of its shareholdings in Pantai Holdings Berhad*

(4) *Deemed interested by virtue of its shareholdings in Pantai Group Resources Sdn Bhd*

(5) *Deemed interested by virtue of its shareholdings in Seraya Sensa Sdn Bhd and Glossmere Investments Limited ("Glossmere"). Glossmere holds 34,826,200 shares in ACRB*

(6) *Deemed interested by virtue of their shareholdings in Aroma Teraju Sdn Bhd*

(7) *Deemed interested by virtue of its shareholdings in Piramid Pertama Sdn Bhd*

(8) *Deemed interested by virtue of its shareholdings in Seleksi Arif Sdn Bhd*

(9) *Deemed interested by virtue of his shareholdings in ECM Libra*

(10) *Computed based on his shareholdings in ECM Libra as at 14 April 2006 and assuming that none of the outstanding 5-year redeemable convertible unsecured loan stocks in ECM Libra are converted into new ECM Libra Shares prior to the entitlement date for the Proposed ECM Distribution*

(11) *These substantial shareholders have been identified as the proposed Directors of AICB pursuant to the Proposed Merger. However, the effects of the Proposed ESOS on their shareholdings in AICB are not presented, pending finalisation of the allocation criteria*

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8.3 NA/NTA and gearing

The Proposed Exemption will not have any effect on the NA/NTA and gearing of ACRB/AICB Group. The proforma effects of the Proposed Merger on the NA/NTA and gearing of AICB Group based on the audited consolidated balance sheet of ACRB Group as at 31 July 2005, adjusted for the effects of the Reorganisation, on the assumption that the said proposal and transactions have been completed on that date are as follows:

	<------ACRB	------>		<------AICB	------>	
		(I)	(II)	(III)	(IV)	(V)
	Audited as at 31 July 2005 RM'000	[1]After adjusting for new issue of ACRB Shares after 31 July 2005 RM'000	After (I) and Reorganisation RM'000	After Reorganisation RM'000	After (III) and Proposed Merger RM'000	[5]After (IV) and Proposed ESOS RM'000
Issued capital	779,494	779,496	127,551	388,902	830,902	955,537
Loan stocks	52,224	52,222	52,222	-	-	-
Share premium	152,022	152,022	152,022	-	-	-
Accumulated losses and other reserves	[2] (280,713)	[2] (280,713)	[2] (280,713)	-	[4](3,000)	(3,000)
Shareholders' funds/NA	703,027	703,027	51,082	388,902	827,902	952,537
Less: Intangibles	-	-	-	-	[3](232,000)	(232,000)
NTA	703,027	703,027	51,082	388,902	595,902	720,537
No. of shares ('000)	779,494	779,496	127,551	388,902	830,902	955,537
NA per share (RM)	0.90	0.90	0.40	1.00	1.00	1.00
NTA per share (RM)	0.90	0.90	0.40	1.00	0.72	0.75
Total bank borrowings (RM'000)	-	-	-	-	5,000	5,000
Gearing (times)	-	-	-	-	<0.01	<0.01

Notes:

(1) *After taking into conversion of RM2,000 nominal value of ICULS subsequent to 31 July 2005 at the conversion price of RM1.00 per share*

(2) *Inclusive of treasury shares amounting to RM786*

(3) *Computed based on 442.0 million Consideration Shares to be credited as fully paid-up and to be issued to ECM Libra and the agreed total NTA of the ECM Companies of RM210.0 million as at the Unconditional Date of the SSA*

(4) *Being estimated expenses of RM3.0 million in relation to the Proposed Merger*

(5) *Based on 15% of the proforma enlarged issued and paid-up share capital of AICB after the Proposed Merger and assuming that the subscription price of the AICB Shares is RM1.00 each*

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8.4 Earnings

Save for the consolidation of the ECM Companies into the books of AICB upon the completion of the Proposed Merger, the said proposal is not expected to have any material effect on the earnings of AICB for the FYE 31 January 2007 in terms of the synergistic effects to be derived from the Proposed Merger, given the lead time required for the transformation of the enlarged AICB Group into an investment banking group, and the internal rationalisation within the enlarged AICB Group.

Moving forward however, the Proposed Merger is expected to be earnings accretive in view of the synergistic benefits that would be realised subsequent to the successful integration of the ECM Companies with the businesses of AICB Group.

8.5 Dividends

The Proposals are not expected to have any material effect on the dividend policy or level of dividends to be declared by ACRB/AICB, if any, for the FYE 31 January 2007. The level of dividends to be declared in the future shall be determined by the Board after taking into consideration the performance of the enlarged AICB Group, its cashflow requirements and the prevailing economic conditions.

9. CONDITIONS TO THE PROPOSALS

9.1 The Proposals are subject to the following being obtained:

(a) the approval of the SC – Securities Issues Department for the Proposed Merger, which was obtained on 13 April 2006, subject to the conditions as set out in Section 9.2 of this Circular;

(b) the approval of the SC – Take Overs and Mergers Department for the Proposed Exemption;

(c) the approval of the SC – Market Supervision Division for the change in the shareholder of ECMLS, ECMLC and ECMLCM;

(d) the approval of the Labuan Offshore Financial Services Authority for the change in the shareholder of ECMLH, which was obtained on 23 March 2006;

(e) the approval of the Ministry of Housing and Local Government for the change in the shareholder of ECMLP, which was obtained on 28 March 2006;

(f) the approval of the Securities and Futures Commission of Hong Kong for AICB to become a substantial shareholder of ECM Libra Securities Limited via ECMLH pursuant to the Proposed Merger, which was obtained on 6 April 2006;

(g) the approval of the Foreign Investment Committee (through the SC) for the Proposed Merger, which was obtained on 13 April 2006, subject to the conditions as set out in Section 9.2 of this Circular;

(h) the approval of BNM (if required);

(i) the approval-in-principle of Bursa Securities for the listing of and quotation for the Consideration Shares on the Main Board of Bursa Securities;

(j) the approval of the shareholders of ACRB, for the Proposals at an EGM to be convened;

(k) the approval of the shareholders of ECM Libra, for the Proposed Merger which was obtained at an EGM convened on 17 April 2006; and

(l) the approval of any other regulatory authorities/parties, if required.

The Proposed Merger and Proposed Exemption are inter-conditional. The Proposed Merger is further conditional on the completion of the Reorganisation, but not vice versa.

9.2 Conditions imposed by the SC (Securities Issues Department) and the SC (on behalf of the Foreign Investment Committee)

	Conditions	Status of compliance
(a)	The new directors to be appointed to the board of AICB should submit their respective declarations as specified under Paragraph 4.10 of the SC Guidelines (i.e. declarations in relation to submissions of tax returns and settlement of tax liabilities) prior to the issuance of the circular to the shareholders of ACRB;	Complied, the existing and proposed directors of AICB have all submitted their respective declarations to the SC as at the date of this Circular.
(b)	All non-trade debts/advances owing by the directors and/or companies associated with the directors of the ECM Companies (i.e. the operating subsidiaries of ECM Libra to be acquired by AICB) should be settled prior to the completion of the Proposed Merger;	To be complied with
(c)	AICB should increase its Bumiputera equity to 30% of its new enlarged share capital;	To be complied with
(d)	All the companies licensed under the Securities Industry Act 1983 affected by the Proposed Merger shall obtain the necessary approval in relation to the proposed change of shareholders pursuant to their respective licensing conditions; and	To be complied with
(e)	Avenue and ACRB/AICB should inform the SC upon completion of the Proposed Merger.	To be complied with

9.3 Conditions imposed by the SC (Take-Overs and Mergers Department)

With regards to Section 9.1(b) above, the SC (Take-Overs and Mergers Department) had via its letter dated 23 March 2006 stated that it will only consider the Proposed Exemption after the following have been met/obtained:

	Conditions	Status of compliance
(a)	ECM Libra and the PACs to submit statutory declarations that they will not acquire any voting shares in ACRB/AICB during the period between the date of the application and the granting of the Proposed Exemption by the SC or the conclusion of the EGM to approve the exemption, whichever is the later;	To be complied with
(b)	Approval for the Proposed Exemption is obtained from the independent shareholders of ACRB/AICB on a poll in an EGM in which the person or group of persons acting in concert and any other interested party/parties are to abstain from voting; and	To be complied with

	Conditions	Status of compliance
(c)	Provision of competent independent advice regarding the Proposed Exemption is to be made to the shareholders of ACRB/AICB whereby the SC's prior approval is to be sought with regards to the appointment of the adviser and the circular to the shareholders.	The SC's approval for the appointment of Kenanga as the independent adviser was obtained on 29 March 2006. The independent advice circular will be furnished in due course.

10. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

None of the Directors and/or substantial shareholders of ACRB/AICB and persons connected with them have any interest, direct or indirect, in the Proposals.

11. INDEPENDENT ADVISER

In view of the SC's condition for the Proposed Exemption, Kenanga has been appointed as Independent Adviser to provide the shareholders of ACRB with competent independent advice regarding the Proposed Exemption pursuant to the provisions of the Code. In addition, Kenanga has also been appointed as Independent Adviser to advise the Directors and shareholders of ACRB as to whether the Proposed Merger is fair and reasonable so far as the shareholders are concerned and whether the Proposed Merger is to the detriment of the shareholders of ACRB.

Shareholders are advised to read both this Circular and Independent Advice Circular (which will be furnished in due course) carefully before voting on the resolutions relating to the Proposed Merger and Proposed Exemption to be tabled at the forthcoming EGM.

12. DIRECTORS' RECOMMENDATION

The Board is of the opinion that the Proposals are reasonable and recommends that you vote in favour of the resolutions pertaining to the Proposals.

13. EGM

The EGM, notice of which is enclosed in this Circular, will be held at Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Thursday, 18 May 2006 at 3.00 p.m., for purpose of considering and, if thought fit, passing the respective resolutions set out in the said notice.

If you are unable to attend and vote in person at the forthcoming EGM, you will find attached to this Circular, a Form of Proxy, which you are requested to complete, sign and return, in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the registered office of the Company not later than 48 hours before the date and time fixed for the forthcoming EGM or any adjournment thereof. The lodging of the Form of Proxy will not, however, preclude you from attending the forthcoming EGM and voting in person should you subsequently wish to do so.

14. FURTHER INFORMATION

Shareholders are requested to refer to the appendices enclosed for further information.

Yours faithfully,
For and on behalf of
AVENUE CAPITAL RESOURCES BERHAD

WEE HOE SOON @ GOOI HOE SOON
Executive Deputy Chairman

BACKGROUND INFORMATION ON ECMLC

1. HISTORY AND BUSINESS

ECMLC was incorporated in Malaysia as a private limited company under the Act as ECM Capital Sdn Bhd on 7 May 2002 and changed its name to the present name on 31 March 2004.

The principal activity of ECMLC is the provision of management, investment advisory and investment consulting services. ECMLC began its operations on 7 May 2002 and is licensed by the SC to provide investment advisory services. ECMLC operates from its principal office in Kuala Lumpur. Its revenue is generated domestically and its client base mainly consists of domestic mid to large-cap public listed companies and corporations.

ECMLC does not own any property, plant and equipment.

2. SHARE CAPITAL

2.1 Authorised and issued and fully paid-up share capital

The authorised and issued and fully paid-up share capital of ECMLC as at 14 April 2006 is as follows:

	No. of shares	Par value RM	Total RM
Authorised share capital			
Ordinary shares	5,000,000	1.00	5,000,000
Issued and fully paid-up share capital			
Ordinary shares	1,000,000	1.00	1,000,000

2.2 Movements in share capital

Details of the changes in the issued and fully paid-up share capital of ECMLC since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration/Type of issue	Total issued and paid-up share capital RM
07.05.02	2	Cash	2
17.05.02	999,998	Cash	1,000,000

3. SUBSTANTIAL SHAREHOLDERS

ECMLC is presently wholly-owned by ECM Libra.

4. DIRECTORS

The details of the Directors of ECMLC as at 14 April 2006 are as follows:

Name	Nationality	Designation
Dato' Kalimullah bin Masheerul Hassan	Malaysian	Director
Lim Kian Onn	Malaysian	Director
Chua Ming Huat	Malaysian	Director
Tan Kok Pin @ Kok Khong	Malaysian	Director
Lim Boon Soon	Malaysian	Director

5. SUBSIDIARY AND ASSOCIATED COMPANY

ECMLC has no subsidiary or associated company as at 14 April 2006.

6. PROFIT AND DIVIDEND RECORD

The audited results of ECMLC for the past 3 financial period/years ended 31 March 2005 and unaudited results for the 9-month financial period ended 31 December 2005 are summarised as follows:

	[1]Financial period ended 31 March 2003 RM'000	FYE 31 March 2004 RM'000	FYE 31 March 2005 RM'000	9 months ended 31 December 2005 RM'000
Revenue	1,000	11,344	11,219	7,676
PBT/(LBT)	(323)	4,265	5,344	3,204
Taxation	41	(2,232)	(493)	(1,209)
PAT/(LAT)[2]	(282)	2,033	4,851	1,995
Shareholders' funds/NA	718	1,751	3,002	4,997
Total bank borrowings	-	-	-	-
Gross EPS/(LPS) (RM)	(0.32)	4.26	5.34	[3]4.27
Net EPS/(LPS) (RM)	(0.28)	2.03	4.85	[3]2.66
Dividend rate (%)	139	-	500	-

Notes:

(1) Based on financial period from the date of its incorporation of 7 May 2002 to 31 March 2003

(2) There were no exceptional or extraordinary items and minority interest throughout the financial period/years under review

(3) Annualised

Commentaries on past performance

(a) ECMLC registered a loss in the financial period ended 2003 as it commenced operations during the period. The loss was mainly due to operating and start-up costs. During the FYE 31 March 2004 and 2005, ECMLC recorded a significant increase in profit due to an increase in the completion of advisory mandates.

(b) For the financial period ended 31 December 2005, ECMLC recorded a proportionately lower net profit compared to the preceding financial year as a result of fewer mandates secured and completed during the period due to weak market conditions.

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BACKGROUND INFORMATION ON ECMLP

1. HISTORY AND BUSINESS

ECMLP was incorporated in Malaysia as a private limited company under the Act as Synergy Transform Sdn Bhd on 21 April 1999. It subsequently changed its name to Libra Partners Sdn Bhd on 1 June 1999 and assumed its present name on 9 September 2002.

ECMLP is licensed by the Ministry of Housing and Local Government to provide credit services. ECMLP began its operations on 1 July 2002 and carries out its activities from its sole office in Kuala Lumpur.

ECMLP does not own any property, plant and equipment.

2. SHARE CAPITAL

2.1 Authorised and issued and fully paid-up share capital

The authorised and issued and fully paid-up share capital of ECMLP as at 14 April 2006 is as follows:

	No. of shares	Par value RM	Total RM
Authorised share capital			
Ordinary shares	1,000,000	1.00	1,000,000
Issued and fully paid-up share capital			
Ordinary shares	500,000	1.00	500,000

2.2 Movements in share capital

Details of the changes in the issued and fully paid-up share capital of ECMLP since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration/Type of issue	Total issued and paid-up share capital RM
21.04.99	2	Cash	2
02.08.02	499,998	Cash	500,000

3. SUBSTANTIAL SHAREHOLDERS

ECMLP is presently wholly-owned by ECM Libra.

4. DIRECTORS

The details of the Directors of ECMLP as at 14 April 2006 are as follows:

Name	Nationality	Designation
Dato' Kalimullah bin Masheerul Hassan	Malaysian	Director
Lim Kian Onn	Malaysian	Director
Lim Boon Soon	Malaysian	Director

5. SUBSIDIARY AND ASSOCIATED COMPANY

ECMLP has no subsidiary or associated company as at 14 April 2006.

6. PROFIT AND DIVIDEND RECORD

The audited results of ECMLP for the past 5 financial period/years ended 31 March 2005 and unaudited results for the 9-month financial period ended 31 December 2005 are summarised as follows:

	FYE 30 June 2001 RM'000	FYE 30 June 2002 RM'000	(1)9 months ended 31 March 2003 RM'000	FYE 31 March 2004 RM'000	FYE 31 March 2005 RM'000	9 months ended 31 December 2005 RM'000
Revenue	(2)-	(2)-	(2)-	587	3,026	3,937
PBT/(LBT)	(4)	(2)	(3)-	291	1,133	1,424
Taxation	-	-	(2)	(70)	(266)	(416)
PAT/(LAT)(4)	(4)	(2)	(2)	221	867	1,008
Shareholders' funds/NA/(Net liabilities)	(12)	(14)	485	706	1,573	2,581
Total bank borrowings	-	-	-	-	5,000	-
Gross EPS/(LPS) (RM)	(2,000)	(1,000)	<0.01	0.58	2.27	(5)3.80
Net EPS/(LPS) (RM)	(2,000)	(1,000)	<0.01	0.44	1.73	(5)2.69
Dividend rate (%)	-	-	-	-	-	-

Notes:

(1) On 9 September 2002, ECMLP changed its name from Libra Partners Sdn Bhd to its present name, and concurrently changed its FYE from 30 June to 31 March

(2) ECMLP has not commenced operation since the date of its incorporation up to 31 March 2003

(3) LBT is less than RM1,000

(4) There were no exceptional or extraordinary items and minority interest throughout the financial period/years under review

(5) Annualised

Commentaries on past performance

(a) No revenue was recorded for the financial years/period ended 2001, 2002 and 2003 as ECMLP had not commenced operations since its incorporation on 21 April 1999. ECMLP commenced operations in May 2003.

(b) ECMLP recorded its first net PAT of RM0.221 million during the FYE 31 March 2004 from the provision of credit services.

(c) ECMLP's net PAT improved 292% to RM0.867 million for the FYE 31 March 2005 as compared to the preceding financial year. The company's share financing loan base had increased significantly compared to the previous year and that led to improved financial results.

(d) For the financial period ended 31 December 2005, net PAT improved 16% to RM1.008 million due to the increase in share financing loans.

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BACKGROUND INFORMATION ON ECMLCM

1. HISTORY AND BUSINESS

ECMLCM is a private limited company incorporated in Malaysia under the Act on 17 January 1994 under the name MAC Ventures (Malaysia) Sdn Bhd. On 12 December 1994, it changed its name to Libra Capital Markets Sendirian Berhad and assumed its present name on 21 October 2004.

ECMLCM is a licensed fund management company. It began operations during the FYE 31 March 1995 upon obtaining a fund manager's license from the SC on 27 October 1994. ECMLCM carries out its activities from its sole office in Kuala Lumpur.

ECMLCM does not own any property, plant and equipment.

2. SHARE CAPITAL

2.1 Authorised and issued and fully paid-up share capital

The authorised and issued and fully paid-up share capital of ECMLCM as at 14 April 2006 is as follows:

	No. of shares	Par value RM	Total RM
Authorised share capital			
Ordinary shares	5,000,000	1.00	5,000,000
Issued and fully paid-up share capital			
Ordinary shares	2,000,000	1.00	2,000,000

2.2 Movements in share capital

Details of the changes in the issued and fully paid-up share capital of ECMLCM since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration/Type of issue	Total issued and paid-up share capital RM
17.01.94	2	Cash	2
28.02.94	1,999,998	Cash	2,000,000

3. SUBSTANTIAL SHAREHOLDERS

ECMLCM is presently wholly-owned by ECM Libra.

4. DIRECTORS

The details of the Directors of ECMLCM as at 14 April 2006 are as follows:

Name	Nationality	Designation
Lim Kian Onn	Malaysian	Director
Saifuddin bin Sajad Hussein	Malaysian	Director

5. SUBSIDIARY AND ASSOCIATED COMPANY

ECMLCM has no subsidiary or associated company as at 14 April 2006.

6. PROFIT AND DIVIDEND RECORD

The audited results of ECMLCM for the past 5 FYE 31 March 2005 and unaudited results for the 9-month financial period ended 31 December 2005 are summarised as follows:

	FYE 31 March 2001 RM'000	**FYE 31 March 2002 RM'000**	**FYE 31 March 2003 RM'000**	**FYE 31 March 2004 RM'000**	**FYE 31 March 2005 RM'000**	**9 months ended 31 December 2005 RM'000**
Revenue	480	100	45	36	-	-
PBT/(LBT)	(18)	(16)	(1)	2	17	(73)
Taxation	-	-	-	(2)-	(7)	-
PAT/(LAT)(1)	(18)	(16)	(1)	2	10	(73)
Shareholders' funds/NA	2,293	2,277	2,276	2,278	2,288	2,215
Total bank borrowings	-	-	-	-	-	-
Gross EPS/(LPS) (sen)	(0.90)	(0.80)	(0.05)	0.10	0.85	(3)(4.87)
Net EPS/(LPS) (sen)	(0.90)	(0.80)	(0.05)	0.10	0.50	(3)(4.87)
Dividend rate (%)	-	-	-	-	-	-

Notes:

(1) There were no exceptional or extraordinary items and minority interest throughout the financial years under review

(2) Denotes an amount less than RM1,000

(3) Annualised

Commentaries on past performance

(a) Revenue comprised fees earned from the provision of fund management services. Revenue was on a decreasing trend for the FYE 31 March 2001, 2002, 2003 and 2004 due to reducing fund size under management. Net loss decreased as operating expenses reduced accordingly.

(b) ECM Libra acquired ECMLCM on 18 October 2004 in line with its efforts to grow the group's asset management business. Operating expenses increased during the financial period ended 31 December 2005 due to increased staff costs.

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BACKGROUND INFORMATION ON ECMLH

1. HISTORY AND BUSINESS

ECMLH was incorporated in the Federal Territory of Labuan on 19 June 2002 under the Offshore Companies Act, 1990 as ECM Holdings Limited, and assumed its present name on 31 March 2004.

ECMLH began its operations on 19 June 2002, and its principal activities are that of investment holding and provision of advisory services. ECMLH, a Labuan based investment holding company has 3 subsidiaries, namely ECM Libra Investment Bank Limited ("ECMLIB"), ECM Libra Securities Limited ("ECML SecLtd") and ECM Libra Investments Limited ("ECML Investments") which are mainly involved in the provision of offshore investment banking services within and around the region, and the provision of stockbroking services in the Hong Kong Special Administrative Region. The ECMLH group provides services mainly to foreign and domestic mid to large-cap public listed companies and corporations. The ECMLH group's revenue is largely generated from overseas.

ECMLIB was incorporated in the Federal Territory of Labuan on 29 August 2002 under the Off-Shore Companies Act, 1990 and licensed as an offshore investment bank by the Labuan Offshore Financial Services Authority to provide offshore investment banking services in the region. ECMLIB conducts its business from Labuan and also has a marketing office in Kuala Lumpur.

ECML SecLtd, a member firm of the Stock Exchange of Hong Kong, is principally involved in the provision of stockbroking services. It was incorporated in Hong Kong Special Administrative Region under the Companies Ordinance (Chapter 32) on 1 March 2002 as Wolverton Holdings Limited and was renamed as Libra Asia Limited on 3 May 2002. The entity later assumed its present name on 21 March 2003. It is licensed under the Securities and Futures Ordinance, Cap. 571 to deal in securities. ECML SecLtd is the securities sales and distribution division of the ECM Libra Group, and operates in Hong Kong with focus mainly on individuals and institutional clients. ECML SecLtd derives its revenue from commissions and brokerage fees earned from securities trading.

ECML Investments was incorporated in the British Virgin Islands on 2 July 2004 as Bigfield Investments Limited, and subsequently adopted its present name on 26 August 2004. ECML Investments is principally an investment holding company. It holds 29.2% equity interest in Westcomb Financial Group Limited ("Westcomb"), a company incorporated in Singapore. Westcomb group's principal activities are the provision of corporate advisory, securities dealing and fund management services. Westcomb is listed on the SGX-ST Dealing and Automated Quotation System.

ECMLH and its subsidiaries do not own any property, plant and equipment.

2. SHARE CAPITAL

2.1 Authorised and issued and fully paid-up share capital

The authorised and issued and fully paid-up share capital of ECMLH as at 14 April 2006 is as follows:

	No. of shares	Par value USD	Total USD
Authorised share capital			
Ordinary shares	6,000,000	1.00	6,000,000
Issued and fully paid-up share capital			
Ordinary shares	1,316,000	1.00	1,316,000

2.2 Movements in share capital

Details of the changes in the issued and fully paid-up share capital of ECMLH since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration/Type of issue	Total issued and paid-up share capital USD
19.06.02	100	Cash	100
28.10.02	1,315,900	Cash	1,316,000

3. SUBSTANTIAL SHAREHOLDERS

ECMLH is presently wholly-owned by ECM Libra.

4. DIRECTORS

The details of the Directors of ECMLH as at 14 April 2006 are as follows:

Name	Nationality	Designation
Dato' Kalimullah bin Masheerul Hassan	Malaysian	Director
Lim Kian Onn	Malaysian	Director
Chua Ming Huat	Malaysian	Director
Lim Boon Soon	Malaysian	Director

5. SUBSIDIARY AND ASSOCIATED COMPANY

The details of the subsidiaries and associated company of ECMLH as at 14 April 2006 are as follows:

Name	Date and country of incorporation	Principal activities	Issued and paid-up capital	Effective equity interest %
Subsidiaries				
ECM Libra Investment Bank Limited	29.08.02 / Labuan, Malaysia	Provision of offshore investment banking and related financial services	USD10,000,000	100.00
ECM Libra Securities Limited	01.03.02 / Hong Kong	Securities dealing	HKD10,000,000	100.00
ECM Libra Investments Limited	02.07.04 / British Virgin Islands	Investment holding	USD1	100.00
Associated company				
Westcomb Financial Group Limited	19.07.01 / Singapore	Investment holding	SGD2,996,002	29.22

6. PROFIT AND DIVIDEND RECORD

In accordance with Section 113A of the Offshore Companies Act, 1990, it is not a statutory requirement for the consolidated financial position and results of ECMLH and its subsidiaries to be presented in the audited financial statements. Hence, the results of ECMLH and its subsidiaries i.e. ECMLIB, ECML Sec Ltd and ECML Investments based on their respective audited financial statements are presented below.

6.1 ECMLH

The audited results of ECMLH for the past 3 financial period/years ended 31 March 2005 and unaudited results for the 9-month financial period ended 31 December 2005 are summarised as follows:

	(1)(2) Financial period ended 31 March 2003 RM'000	(2)FYE 31 March 2004 RM'000	(2)FYE 31 March 2005 RM'000	(2)9 months ended 31 December 2005 RM'000
Revenue	6,343	25,806	22,811	12
PBT/(LBT)	6,195	26,339	22,800	(6)
Taxation	(20)	(20)	-	-
PAT/(LAT)(3)	6,175	26,319	22,800	(6)
Shareholders' funds/NA	10,893	8,713	30,013	29,847
Total bank borrowings	-	-	-	-
Gross EPS (RM)	4.71	20.01	17.33	(4)<0.01
Net EPS (RM)	4.69	20.00	17.33	(4)<0.01

	(1)(2) Financial period ended 31 March 2003 RM'000	(2)FYE 31 March 2004 RM'000	(2)FYE 31 March 2005 RM'000	(2)9 months ended 31 December 2005 RM'000
Dividend rate (%)	5.66	569.83	30.00	-

Notes:

(1) Based on financial period from the date of its incorporation of 19 June 2002 to 31 March 2003

(2) The financial information of ECMLH as set out above has been translated into RM from the original reporting currency in USD. The principal exchange rate for every unit of foreign USD ruling at balance sheet date used is RM3.80

(3) There were no exceptional or extraordinary items and minority interest throughout the financial period/years under review

(4) Annualised

Commentaries on past performance

(a) ECMLH commenced operations in December 2002. Revenue for the financial period ended 31 March 2003 and FYE 31 March 2004 comprised fees earned from providing advisory services. ECMLH had acquired ECMLIB and ECML SecLtd on 29 August 2002 and 19 March 2003, respectively.

(b) ECMLH's net PAT for the FYE 31 March 2004 showed a marked improvement of 326% to RM26.3 million as compared to preceding financial year mainly due to the significant increase of revenue generated from advisory services.

(c) ECMLH registered net PAT of RM22.8 million for the FYE 31 March 2005. Revenue for the financial year was entirely made up of dividend income from a subsidiary.

(d) There was no dividend income from any of its subsidiaries for the financial period ended 31 December 2005.

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6.2 ECMLIB

The audited results of ECMLIB for the past 3 financial period/years ended 31 March 2005 and unaudited results for the 9-month financial period ended 31 December 2005 are summarised as follows:

	(1)(2)Financial period ended 31 March 2003 RM'000	(2)FYE 31 March 2004 RM'000	(2)FYE 31 March 2005 RM'000	(2)9 months ended 31 December 2005 RM'000
Revenue	1,201	6,000	9,667	6,399
PBT	981	4,128	7,213	2,940
Taxation	(20)	(20)	(20)	(20)
PAT(3)	961	4,108	7,193	2,920
Shareholders' funds/NA	11,268	15,375	43,601	46,313
Total bank borrowings	-	-	-	-
Gross EPS (RM)	0.36	1.52	0.72	(4)0.39
Net EPS (RM)	0.35	1.51	0.72	(4)0.39
Dividend rate (%)	-	-	-	-

Notes:

(1) *Based on financial period from the date of its incorporation of 29 August 2002 to 31 March 2003*

(2) *The financial information of ECMLIB as set out above has been translated into RM from the original reporting currency in USD. The principal exchange rate for every unit of foreign USD ruling at balance sheet date used is RM3.80*

(3) *There were no exceptional or extraordinary items and minority interest throughout the financial period/years under review*

(4) *Annualised*

Commentaries on past performance

(a) For the financial period ended 31 March 2003, ECMLIB's revenue was predominantly derived from gain on disposal of investment securities.

(b) During the FYE 31 March 2004, ECMLIB's revenue was predominantly derived from gain on disposal of investment securities and income from lending activities. Net PAT for the financial year improved 327% to RM4.108 million due primarily to higher gains from investments and increased lending activities.

(c) ECMLIB's net PAT for the FYE 31 March 2005 improved further to RM7.193 million as compared to the preceding year. This was mainly due to higher gains from disposal of investments.

(d) Based on the net PAT of ECMLIB for the financial period ended 31 December 2005, the company registered a net PAT of RM3.893 million on an annualised basis. The lower PAT as compared to preceding year is mainly due to a lower investment income.

6.3 ECML SecLtd

The audited results of ECML SecLtd for the past 3 FYE 31 March 2005 and unaudited results for the 9-month financial period ended 31 December 2005 are summarised as follows:

	[1]FYE 31 March 2003 RM'000	[1]FYE 31 March 2004 RM'000	[1]FYE 31 March 2005 RM'000	[1]9 months ended 31 December 2005 RM'000
Revenue	9	17,267	7,697	1,021
PBT / (LBT)	(31)	15,950	7,127	524
Taxation	-	-	-	(17)
PAT /(LAT) [2]	(31)	15,950	7,127	507
Shareholders' funds/NA	4,841	20,762	5,076	5,585
Total bank borrowings	-	-	-	-
Gross (LPS) / EPS (RM)	<0.01	1.59	0.71	[3]0.07
Net (LPS) / EPS (RM)	<0.01	1.59	0.71	[3]0.07
Dividend rate (%)	-	-	468.23	-

Notes:

(1) The financial information of ECML SecLtd as set out above has been translated into RM from the original reporting currency in HKD. The principal exchange rate for every unit of foreign HKD ruling at balance sheet date used is RM0.4872

(2) There were no exceptional or extraordinary items and minority interest throughout the financial period/years under review

(3) Annualised

Commentaries on past performance

(a) ECML SecLtd was relatively dormant from the date of its incorporation up to the financial period ended 31 March 2003. Its loss position was attributable to one-off preliminary and pre-operating expenses.

(b) For the FYE 31 March 2004, ECML SecLtd commenced full operations and thus, recorded a net PAT of RM15.950 million, a significant increase from the preceding year. Revenue was mainly generated from shares placement activities.

(c) ECML SecLtd recorded a net PAT of RM7.127 million for the FYE 31 March 2004. The decrease in PAT was mainly due to the reduction of placement fees in deteriorating equity market conditions.

(d) Based on the net PAT of ECML SecLtd for the financial period ended 31 December 2005, the company registered a net PAT of RM0.676 million on an annualised basis. The lower PAT was mainly due to the reduction of placement fee income in weak market conditions.

6.4 ECML Investments

The audited results of ECML Investments for the past financial period ended 31 March 2005 and unaudited results for the 9-month financial period ended 31 December 2005 are summarised as follows:

	[1][2]Financial period ended 31 March 2005 RM'000	[2]9 months ended 31 December 2005 RM'000
Revenue	-	85
PBT	(4)	74
Taxation	-	-
PAT[3]	(4)	74
Shareholders' funds/(deficit)/NA	(4)	71
Total bank borrowings	-	-
Gross EPS (RM'000)	(4.00)	[4]98.29
Net EPS (RM'000)	(4.00)	[4]98.29
Dividend rate (%)	-	-

Notes:

(1) Based on financial period from the date of its incorporation of 2 July 2004 to 31 March 2005

(2) The financial information of ECML Investments as set out above has been translated into RM from the original reporting currency in USD. The principal exchange rate for every unit of foreign USD ruling at balance sheet date used is RM3.80

(3) There were no exceptional or extraordinary items and minority interest throughout the financial period/years under review

(4) Annualised

Commentaries on past performance

ECML Investments was incorporated on 2 July 2004. During the financial period ended 31 March 2005, ECML Investments acquired a 29.22% equity stake in Westcomb, a company listed on Singapore's SGX-ST Dealing and Automated System, as a long term strategic investment of the ECM Libra Group. On a group basis, the net PAT from Westcomb shared by ECML Investments for the financial period was RM0.8 million.

BACKGROUND INFORMATION ON ECMLS

1. HISTORY AND BUSINESS

ECMLS was incorporated under the Act as a private limited company on 19 September 1987 as BBMB Securities Sdn Bhd. It assumed its present name on 20 May 2004.

The principal activity of ECMLS is that of stockbroking. It commenced its operations in 1988. Through its subsidiaries, ECMLS is also involved in the provision of nominee services. ECMLS is a Participating Organisation of Bursa Securities and operates from its Principal Office in Kuala Lumpur. ECMLS has a branch office in Penang and Electronic Access Facility with Permitted Activities ("EAF-PA") in Ipoh and Kota Kinabalu.

Prior to 18 August 2000, the holding company and ultimate holding company of ECMLS were BBMB Securities (Holdings) Sdn Bhd and Bank Bumiputera Malaysia Berhad, both of which were incorporated in Malaysia. Pursuant to the merger of Bank Bumiputera Malaysia Berhad and Bank of Commerce Berhad, ECMLS was acquired by Khazanah Nasional Berhad, the Malaysian Government investment arm. Subsequently, on 30 March 2004, the company was acquired by South Peninsular Industries Berhad, presently known as ECM Libra Berhad.

The broad range of activities provided by ECMLS are as follows:

(a) Stockbroking

ECMLS provides dealing and broking services in equities and related instruments listed on Bursa Securities. ECMLS's large and diversified client base of local and foreign corporate institutions places ECMLS in a strong position in the local stockbroking industry. Backed by a strong team of dealers and supported by its team of research analysts, ECMLS provides comprehensive economic, industry and company research and market outlook.

On the retail side, ECMLS clientele are serviced by a team of about 86 remisiers and 32 paid dealers representatives. An experienced in-house research team ensures that ECMLS is able to provide up-to-date information and efficient research service to clients.

(b) Share Margin Financing

ECMLS has an established Margin Financing Department with an experienced team which currently serves its individuals and corporate margin clients. Margin accounts are granted selectively through a rigorous credit assessment. Margin facilities to clients are monitored regularly to ensure compliance with policies and strict adherence to Bursa Securities' Rules and Regulations.

(c) Corporate Finance Activities

ECMLS has recently established a Corporate Finance Department which provides corporate advisory work.

(d) Marketing and Distribution of Unit Trusts

ECMLS has been approved by the SC and registered with the Federation of Malaysian Unit Trust Managers as an Institutional Unit Trust Agent to market and distribute unit trusts to its retail clients.

(e) Underwriting

ECMLS has, as part of its securities business, provided underwriting for public offerings and private placement of securities.

ECMLS and its subsidiaries do not own any property, plant and equipment.

2. SHARE CAPITAL

2.1 Authorised and issued and fully paid-up share capital

The authorised and issued and fully paid-up share capital of ECMLS as at 14 April 2006 is as follows:

	No. of shares	Par value RM	Total RM
Authorised share capital			
Ordinary shares	130,000,000	1.00	130,000,000
Issued and fully paid-up share capital			
Ordinary shares	101,038,732	1.00	101,038,732

2.2 Movements in share capital

Details of the changes in the issued and fully paid-up share capital of ECMLS since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration/Type of issue	Total issued and paid-up share capital RM
19.09.87	2	Subscribers' shares	2
19.09.87	19,999,998	Cash	20,000,000
29.06.91	80,000,000	Cash	100,000,000
16.03.93	*31,038,732	New certificate issued for capital reduction	31,038,732
22.05.98	50,000,000	Cash	81,038,732
15.12.98	20,000,000	Cash	101,038,732

Note:

* *Cancellation of share certificates pursuant to restructuring exercise and followed by the issuance of new share certificates for 31,038,732 ordinary shares of RM1.00 each.*

3. SUBSTANTIAL SHAREHOLDERS

ECMLS is presently wholly-owned by ECM Libra.

4. DIRECTORS

The details of the Directors of ECMLS as at 14 April 2006 are as follows:

Name	Nationality	Designation
Lim Ah Lay	Malaysian	Executive Director Operations
Chua Ming Huat	Malaysian	Executive Director Dealing
Ng Hoe Guan	Malaysian	Executive Director Operations
Dato' Mohd Ali bin Abd. Samad	Malaysian	Director
Tan Sri Dato' Dr Sak Cheng Lum	Malaysian	Director

5. SUBSIDIARY AND ASSOCIATED COMPANY

The details of the subsidiaries of ECMLS as at 14 April 2006 are as follows:

Name	Date and place of incorporation	Principal activities	Issued and paid-up capital	Effective equity interest %
ECM Libra Securities Nominees Sdn Bhd	03.02.88 / Malaysia	Dormant	RM2	100.00
ECM Libra Securities Nominees (Tempatan) Sdn Bhd	11.06.93 / Malaysia	Provision of nominee services for local clients	RM10,000	100.00
ECM Libra Securities Nominees (Asing) Sdn Bhd	09.06.93 / Malaysia	Provision of nominee services for foreign clients	RM10,000	100.00
ECM Libra Securities Portfolio Management Sdn Bhd	08.08.90 / Malaysia	Dormant	RM2	100.00

ECMLS does not have any associated companies as at 14 April 2006.

6. PROFIT AND DIVIDEND RECORD

As permitted by Paragraph 5(4)(a) of the Ninth Schedule of the Act, the financial statements of the subsidiaries of ECMLS have not been consolidated as ECMLS is a wholly-owned subsidiary of another body corporate in Malaysia. As the subsidiaries of ECMLS are pre-dominantly inactive and all the operating expenses of the subsidiaries have been captured in the financial statements of ECMLS, only the summary of the financial statements of ECMLS is presented herein.

The audited results of ECMLS for the past 5 financial periods/years ended 31 March 2005 and unaudited results for the 9-month financial period ended 31 December 2005 are summarised as follows:

	FYE 31 March 2001 RM'000	(1)9 months ended 31 December 2001 RM'000	FYE 31 December 2002 RM'000	FYE 31 December 2003 RM'000	(1)15 months ended 31 March 2005 RM'000	9 months ended 31 December 2005 RM'000
Revenue	44,184	20,736	30,555	39,348	55,305	27,594
PBT	4,204	7,016	8,232	8,332	29,155	4,717
Taxation	-	(1,680)	(1,945)	1,872	(5,923)	-
PAT(2)	4,204	5,336	6,287	10,204	23,232	4,717
Shareholders' funds/NA	151,056	156,392	162,679	152,884	160,839	125,556
Total bank borrowings	140	-	-	-	-	-
Gross EPS (RM)	0.04	0.07	0.08	0.08	0.29	(3)0.06
Net EPS (RM)	0.04	0.05	0.06	0.10	0.23	(3)0.06
Dividend rate (%)	-	-	-	27.49	21.00	54.98

Notes:

(1) *Upon its acquisition by Khazanah Nasional Berhad ("Khazanah"), the financial year of ECMLS and its subsidiaries was changed from 31 March to 31 December to be coterminous with that of Khazanah. Subsequent to the acquisition by ECM Libra, the financial year of ECMLS and its subsidiaries was changed from 31 December back to 31 March to be coterminous with that of ECM Libra*

(2) *There were no exceptional or extraordinary items and minority interest throughout the financial periods/years under review*

(3) *Annualised*

Commentaries on past performance

(a) For the financial years/period under review, brokerage income was the main source of income for ECMLS' operations, with a net brokerage contribution exceeding 60%, followed by margin and interest income.

Due to the inherent volatility of the stock market, ECMLS' operations and results are directly affected by the performance of Bursa Securities. Overall, the brokerage revenue and end trade volume done by ECMLS moved in tandem with Bursa Securities' trade volume and the performance of the KLCI.

Liberalisation of the brokerage commission rates effective September 2000 and uncertainty in the major world economies had resulted in poor market sentiment and affected the performance of the stockbroking industry including ECMLS for the financial periods/years ended 31 March 2001, 31 December 2001 and 31 December 2002.

Revenue for the financial period ended 31 March 2005 improved significantly following the acquisition of ECMLS by ECM Libra on 30 March 2004. For the same financial period, ECMLS earned substantial share placement fee due to the commencement of share placement activities undertaken by ECMLS.

During the financial period ended 31 December 2005, ECMLS' revenue was affected by the weak sentiment of the equity market that can be attributed to the concern on continued high oil prices.

(b) Arising from the demutualisation of the then Kuala Lumpur Stock Exchange which was completed on 5 January 2004, ECMLS had received 4,545,455 ordinary shares in Bursa Securities. In the absence of other clear indicators, the Directors of ECMLS considered that the underlying NTA value as reflected in the then latest financial statements of Bursa Securities on 31 December 2003, at RM2.75 per share, as a reasonable indication of the fair value at the time of receipt of the shares. Consequently, a total amount of RM12.500 million was recognised as a capital gain in the income statement of ECMLS for the financial period ended 31 March 2005.

(c) Fluctuations in ECMLS' operating expenses are mainly attributable to provision for bad and doubtful debts, provision for diminution in value of investments, SCORE (System on Computerised Order Routing and Execution) fee and the SC levy which were determined by the performance of Bursa Securities in terms of volume and value of shares traded.

Operating expenses increased in the FYE 31 December 2003 mainly due to the overhead costs incurred for the Penang branch whilst in the financial period ended 31 March 2005, higher staff costs were incurred for the voluntary separation scheme, which was proposed and opened to all employees of ECMLS.

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