

BACKGROUND INFORMATION ON ECM LIBRA

1. HISTORY AND BUSINESS

ECM Libra was incorporated in Malaysia under the Act on 29 January 1994 as a public company under the name South Peninsular Industries Berhad. The company changed its name to ECM Libra Berhad on 31 March 2004.

ECM Libra was listed on the Second Board of Bursa Securities on 12 May 1995 and was subsequently transferred to the Main Board of Bursa Securities on 6 April 2004. The principal activity of ECM Libra is that of investment holding.

2. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of ECM Libra and their shareholdings, according to the Register of Substantial Shareholders of the company as at 14 April 2006 are as follows:

Name	Nationality/Place of Incorporation	<---- Direct ---->		<---- Indirect ---->	
		No. of shares '000	%	No. of shares '000	%
Lim Kian Onn	Malaysian	76,456	17.66	-	-
Dato' Kalimullah bin Masheerul Hassan	Malaysian	56,259	12.99	-	-
Chua Ming Huat	Malaysian	56,259	12.99	-	-
Hikkaya Jaya Sdn Bhd	Malaysia	22,127	5.11	-	-
Arab-Malaysian Corporation Berhad	Malaysia	-	-	⁽¹⁾ 35,067	8.10
Tan Sri Dato' Azman Hashim	Malaysian	-	-	⁽¹⁾ 35,067	8.10
Slan Sdn Bhd	Malaysia	-	-	⁽¹⁾ 35,067	8.10
Ginagini Sdn Bhd	Malaysia	-	-	⁽¹⁾ 35,067	8.10

Note:

(1) Deemed interested through Hikkaya Jaya Sdn Bhd, Mezzanine Capital (Malaysia) Sdn Bhd and Corporateview Sdn Bhd pursuant to Section 6A of the Act

3. DIRECTORS

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

Name	Nationality	Designation	<---- Direct ---->		<---- Indirect ---->	
			No. of shares '000	%	No. of shares '000	%
Dato' Kalimullah bin Masheerul Hassan	Malaysian	Executive Chairman & Co-Chief Executive Officer / Non-Independent Director	56,259	12.99	-	-
Datuk Roger Tan Kim Hock	Malaysian	Deputy Chairman / Non-Independent Director	-	-	-	-
Lim Kian Onn	Malaysian	Co-Chief Executive Officer / Non-Independent Director	76,456	17.66	-	-
Chua Ming Huat	Malaysian	Chief Operating Officer / Non-Independent Director	56,259	12.99	-	-
Dato' Mohd Ali bin Abd Samad	Malaysian	Independent Non-Executive Director	-	-	-	-
Tan Sri Dato' Dr. Sak Cheng Lum	Malaysian	Independent Non-Executive Director	-	-	-	-

4. SUBSTANTIAL SHAREHOLDINGS IN OTHER PUBLIC LISTED COMPANIES

Save as disclosed below, ECM Libra does not have any substantial shareholdings in other public listed company as at 14 April 2006:

Name of company	Principal activities	Place of listing	Effective equity interest %
Westcomb Financial Group Limited	Investment holding	SGX-ST Dealing and Automated Quotation System	29.22

ACCOUNTANTS' REPORT IN RELATION TO THE ECM COMPANIES
(Prepared for inclusion in this Circular)



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ACCOUNTANTS' REPORT
(Prepared for inclusion in this Circular to Shareholders)

27 April 2006

The Board of Directors
Avenue Capital Resources Berhad
 Level 1, Bangunan Avenue
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 Damansara Heights
 50490 Kuala Lumpur

Dear Sirs

ACCOUNTANTS REPORT ON THE SUBSIDIARIES OF ECM LIBRA BERHAD

1. INTRODUCTION

This report has been prepared by Ernst & Young, an approved company auditor, for inclusion in the Circular to Shareholders of Avenue Capital Resources Berhad to be dated 3 May 2006, in connection with proposed merger between Avenue Capital Resources Berhad ("ACRB") and ECM Libra Berhad ("ECM Libra"), via the proposed acquisitions by Avenue International Capital Berhad ("AICB") of the operating subsidiaries of ECM Libra.

2. GENERAL INFORMATION

This report has been prepared in relation to the subsidiaries of ECM Libra Berhad which are to be acquired by AICB, which comprise the following:

- (i) ECM Libra Securities Sdn Bhd ("ECMLS") and its four wholly-owned subsidiaries comprising:
 - ECM Libra Securities Nominees Sdn Bhd ("ECMLSN")
 - ECM Libra Securities Nominees (Tempatan) Sdn Bhd ("ECMLSN(T)")
 - ECM Libra Securities Nominees (Asing) Sdn Bhd ("ECMLSN(A)")
 - ECM Libra Securities Portfolio Management Sdn Bhd ("ECMLSPM")
- (ii) ECM Libra Holdings Limited ("ECMLH") and its three wholly-owned subsidiaries comprising:
 - ECM Libra Investment Bank Limited ("ECMLIB")
 - ECM Libra Investments Limited ("ECML Investments")
 - ECM Libra Securities Limited ("ECML SecLtd")

- (iii) ECM Libra Partners Sdn Bhd (“ECMLP”)
 - (iv) ECM Libra Capital Sdn Bhd (“ECMLC”)
 - (v) ECM Libra Capital Markets Sdn Bhd (“ECMLCM”)
- (collectively known as the “Acquiree Companies”)

2.1 ECMLS

ECMLS was incorporated on 19 September 1987 in Malaysia as a private limited company under the Companies Act, 1965 as BBMB Securities Sdn Bhd and assumed its present name on 20 May 2004. Its authorised and issued and fully paid-up share capital as at 31 March 2005 was RM130,000,000 and RM101,038,732 comprising 130,000,000 and 101,038,732 ordinary shares of RM1.00 each respectively. The principal activity of ECMLS is that of a stockbroking company.

Prior to 18 August 2000, the holding company and the ultimate holding company of ECMLS were BBMB Securities (Holdings) Sdn. Bhd. and Bank Bumiputra Malaysia Berhad, both of which were incorporated in Malaysia. Pursuant to the merger of Bank Bumiputra Malaysia Berhad and Bank of Commerce Berhad, ECMLS was acquired by Khazanah Nasional Berhad, the Malaysian Government investment arm. Subsequent to another corporate exercise in 2004, and effective from 30 March 2004, ECMLS became a wholly owned subsidiary of ECM Libra.

ECMLS has four wholly owned subsidiaries namely:

- ECMLSN
- ECMLSN(T)
- ECMLSN(A)
- ECMLSPM

2.2 ECMLSN

ECMLSN was incorporated in Malaysia as a private limited company under the Companies Act, 1965 on 3 February 1988 under the name of BBMB Securities Nominees Sdn. Bhd. ECMLSN adopted its present name on 20 May 2004 and is currently dormant. Its authorised and issued and fully paid-up share capital as at 31 March 2005 was RM50,000 and RM2 comprising 50,000 and 2 ordinary shares of RM1.00 each respectively.

2.3 ECMLSN(T)

ECMLSN(T) was incorporated in Malaysia as a private limited company under the Companies Act, 1965 on 11 June 1993 under the name of BBMB Securities Nominees (Tempatan) Sdn. Bhd. ECMLSN(T) adopted its present name on 20 May 2004 and is principally engaged in the provision of nominee services for clients in Malaysia. Its authorised and issued and fully paid-up share capital as at 31 March 2005 was RM50,000 and RM10,000 comprising 50,000 and 10,000 ordinary shares of RM1.00 each respectively.

2.4 ECMLSN(A)

ECMLSN(A) was incorporated in Malaysia as a private limited company under the Companies Act, 1965 on 9 June 1993 under the name of BBMB Securities Nominees (Asing) Sdn. Bhd. ECMLSN(A) adopted its present name on 20 May 2004 and is principally engaged in the provision of nominee services for clients outside Malaysia. Its authorised and issued and fully paid-up share capital as at 31 March 2005 was RM50,000 and RM10,000 comprising 50,000 and 10,000 ordinary shares of RM1.00 each respectively.

2.5 ECMLSPM

ECMLSPM was incorporated in Malaysia as a private limited company under the Companies Act, 1965 on 8 August 1990 under the name of BBMB Securities Portfolio Management Sdn Bhd. ECMLSPM adopted its present name on 20 May 2004 and has not commenced operations since its incorporation. Its authorised and issued and fully paid-up share capital as at 31 March 2005 was RM50,000 and RM2 comprising 50,000 and 2 ordinary shares of RM1.00 each respectively.

2.6 ECMLH

ECMLH was incorporated in the Federal Territory of Labuan on 19 June 2002 under the Offshore Companies Act, 1990 under the name of ECM Holdings Limited. It changed its name to the present name on 31 March 2004. Its authorised share capital as at 31 March 2005 was USD6,000,000 comprising 6,000,000 ordinary shares of USD1.00 each, of which 1,316,000 ordinary shares of USD1.00 each are issued and fully paid-up. The principal activities of ECMLH are that of investment holding and provision of advisory services.

ECMLH has three wholly owned subsidiaries namely:

- ECMLIB
- ECML Investments
- ECML SecLtd

2.7 ECMLIB

ECMLIB was incorporated in the Federal Territory of Labuan on 29 August 2002 under the Offshore Companies Act, 1990 and licensed as an offshore investment bank by the Labuan Offshore Financial Services Authority ("LOFSA"). Its principal activities include provision of offshore investment banking and related financial services under the Offshore Banking Act, 1990. As at 31 March 2005, the authorised share capital of ECMLIB was USD15,000,000 comprising 15,000,000 ordinary shares of USD1.00 each, of which 10,000,000 ordinary shares of USD1.00 each are issued and fully paid-up.

2.8 ECML Investments

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

As at 31 March 2005, the authorised share capital of ECML Investments was USD50,000 comprising 50,000 ordinary shares of USD1.00 each, of which 1 ordinary share of USD1.00 each is issued and fully paid-up.

2.9 ECML SecLtd

ECML SecLtd is a member firm of the Stock Exchange of Hong Kong and is principally involved in securities dealing. It was incorporated in Hong Kong 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. Its authorised share capital as at 31 March 2005 was HKD10,000,000 divided into 10,000,000 ordinary shares of HKD1.00 each, of which all are issued and fully paid-up.

2.10 ECMLP

ECMLP was incorporated as Synergy Transform Sdn Bhd, a private limited company on 21 April 1999 under the Companies Act, 1965. It changed its name to Libra Partners Sdn Bhd on 1 June 1999 and assumed its present name on 9 September 2002. As at 31 March 2005, ECMLP had an authorised share capital of RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each, of which 500,000 ordinary shares of RM1.00 each are issued and fully paid-up. ECMLP is licensed by the Ministry of Housing and Local Government for the provision of credit services.

2.11 ECMLC

ECMLC was incorporated as a private limited company on 7 May 2002 under the Companies Act, 1965 under the name of ECM Capital Sdn. Bhd. It changed its name to the present name on 31 March 2004. As at 31 March 2005, ECMLC had an authorised share capital of RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, of which 1,000,000 ordinary shares of RM1.00 each are issued and fully paid-up. ECMLC is principally engaged in providing management, investment advisory and investment consulting services.

2.12 ECMLCM

ECMLCM was incorporated as a private limited company on 17 January 1994 under the Companies Act, 1965 under the name of MAC Ventures (Malaysia) Sdn. Bhd and then changed its name to Libra Capital Markets Sendirian Berhad on 12 December 1994. It changed its name to the present name on 21 October 2004. As at 31 March 2005, ECMLCM had an authorised share capital of RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, of which 2,000,000 ordinary shares of RM1.00 each are issued and fully paid-up. ECMLCM is principally engaged as a fund manager and holds a fund manager's licence issued by the SC.

2.13 AUDITORS, FINANCIAL STATEMENTS AND FINANCIAL ACCOUNTING DATES

The financial statements of the Acquiree Companies set out in this Report were audited by the following firms of auditors and all of these financial statements were reported on without qualification:

<u>Company</u>	<u>Financial year/period ended</u>	<u>Auditors</u>
ECMLS*	31 March 2001; 31 December 2001, 2002 and 2003; and 31 March 2005	Ernst & Young
ECMLSN*	31 March 2001; 31 December 2001, 2002 and 2003; and 31 March 2005	Ernst & Young

<u>Company</u>	<u>Financial year/period ended</u>	<u>Auditors</u>
ECMLSN(T)*	31 March 2001; 31 December 2001, 2002 and 2003; and 31 March 2005	Ernst & Young
ECMLSN(A)*	31 March 2001; 31 December 2001, 2002 and 2003; and 31 March 2005	Ernst & Young
ECMLSPM*	31 March 2001; 31 December 2001, 2002 and 2003; and 31 March 2005	Ernst & Young
ECMLH	31 March 2003, 2004 and 2005	Ernst & Young
ECMLIB	31 March 2003, 2004 and 2005	Ernst & Young
ECML Investments	31 March 2005	Ernst & Young
ECML SecLtd	31 March 2003, 2004 and 2005	RSM Nelson Wheeler
ECMLP **	30 June 2001, 2002	Arthur Andersen & Co.
ECMLP **	31 March 2003, 2004 and 2005	Ernst & Young
ECMLC	31 March 2003, 2004 and 2005	Ernst & Young
ECMLCM	31 March 2000, 2001 and 2002	Arthur Andersen & Co.
ECMLCM	31 March 2003, 2004 and 2005	Ernst & Young

* Upon its acquisition by Khazanah Nasional Berhad, the financial year of ECMLS and its subsidiaries, namely ECMLSN, ECMLSN(T), ECMLSN(A) and ECMLSPM, was changed from 31 March to 31 December to be coterminous with that of Khazanah Nasional Berhad, its then holding company. Subsequent to the acquisition by ECM Libra, the financial year end of ECMLS and its subsidiaries were changed once again from 31 December to 31 March to be coterminous with that of ECM Libra.

** On 9 September 2002, ECMLP changed its name from Libra Partners Sdn. Bhd. to its present name, and concurrently changed its financial year end from 30 June to 31 March.

3. DIVIDENDS

The dividends declared by the Acquiree Companies during the period as set out in this report are as follows:

Company	Financial year/period ended	Dividends Rate %	Net dividends	
			(Denominated in Foreign Currency) '000	(Denominated in Ringgit Malaysia) RM'000
ECMLS	31.12.03	27.49% less 28% taxation	-	20,000
	31.3.05	21% less 28% taxation	-	15,277
ECMLH	31.3.03	5.66%, tax exempt	USD74	283
	31.3.04	569.83%, tax exempt	USD7,499	28,496
	31.3.05	30%, tax exempt	USD395	1,501
ECM SecLtd	31.3.05	468.23%, tax exempt	HK46,823	22,812
ECMLC	31.3.03	139%, less 28% taxation	-	1,000
	31.3.05	500%, less 28% taxation	-	3,600

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Acquiree Companies are summarised as follows:

(a) Basis of Accounting

Other than ECM SecLtd, the financial statements of the Acquiree Companies are prepared under the historical cost convention and comply with applicable MASB Approved Accounting Standards in Malaysia and provisions of the Companies Act, 1965.

The financial statements of ECM SecLtd have been prepared in accordance with generally accepted accounting principles in Hong Kong and with accounting standards issued by the Hong Kong Institute of Certified Public Accountants.

(b) Revenue Recognition

- Gross brokerage is recognised upon the execution of trade on behalf of clients, computed based on a pre-determined percentage of the contract value.
- Margin income comprise margin interest income and rollover fees. Margin interest income is recognised on an accrual basis except where such margin account is considered non-performing in accordance with Schedule 7A of the Rules of Bursa Securities, in which case recognition of such interest is suspended. Subsequent to suspension, interest is recognised upon receipt until all arrears have been paid. Rollover fees are recognised on an accrual basis. Rollover fees from non-performing margin accounts will be suspended until the accounts are reclassified as performing.
- Gains or losses on disposal of investments are recognised upon confirmation of transactions by the stockbrokers.
- Advisory, arrangement and placement fees are recognised as and when services are performed.
- Interest income is recognised on an accrual basis unless collectibility is in doubt, in which case they are recognised on receipt basis.
- Dividend income is recognised when the right to receive payment is established.

(c) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with accounting policy 4(i) below.

Depreciation is calculated on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Renovation, furniture and fittings	10% - 20%
Office equipment	15%
Computers	25%
Motor vehicles	20%

Upon the disposal of property, plant and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

(d) Foreign Currency Conversion

(i) Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost, are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These exchange differences are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement.

(ii) Foreign Entities

Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are recognised in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the investor and translated at the exchange rate ruling at the date of the transaction.

(e) Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the respective companies. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Each company makes statutory contributions to statutory approved provident funds, and contributions are charged to the income statements when incurred. Once the contributions have been paid, the companies have no further payment obligations. The post employment benefit scheme is in accordance with local practices in which it operates and is a defined contribution plan.

(ii) Retirement Benefits

In addition to statutory contributions to statutory approved provident funds as mentioned above, ECMLS also operates an unfunded defined contribution retirement benefits scheme for its employees. The benefits are determined based on the length of service at predetermined contribution rates.

The liability in respect of the scheme is based on the amounts identified for eligible employees and on the subsidiary company's contribution obligations in relation to the past earnings of such employees.

The initial provision was established in the financial year ended 31 December 2000 when the benefits of eligible employees first vested. Thereafter, the provision for each financial year is based on the accretion of ECMLS' contribution obligations computed on the appropriate proportion of the earnings of the eligible employees during the financial year. The provision in respect of individual employees is written back in the event of their cessation of employment prior to retirement.

(f) Income Tax

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(g) Investments in Subsidiary Companies, Associates and Other Non-Current Investments

Investments in subsidiary companies are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with policy 4(i) below. Impairment losses are charged to the income statement.

Investments in associates and other non-current investments are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with accounting policy 4(i) below. All impairment losses are charged to the income statement.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

In relation to ECMLS and ECMLH, as permitted by paragraph 5(4)(a) of the Ninth Schedule of the Companies Act, 1965, the financial statements of the respective subsidiary companies of ECMLS and ECMLH have not been consolidated as ECMLS and ECMLH are both wholly owned subsidiaries of another body corporate incorporated in Malaysia.

(h) Goodwill

Goodwill represents the excess of the cost of acquisition over the investor's interest in the fair value of the identifiable assets and liabilities of a subsidiary company or associate at the date of acquisition. Goodwill is stated at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with policy 4(i) below.

Goodwill arising on the acquisition of subsidiary company is presented separately in the balance sheet while goodwill arising on the acquisition of associates and jointly controlled entities is included within the respective carrying amounts of these investments. Negative goodwill represents the excess of the investor's interest in the fair value of the identifiable assets and liabilities of a subsidiary company of an associate at the date of acquisition over the cost of acquisition.

(i) Impairment of Assets

At each balance sheet date, each company reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

(j) Provisions for Liabilities

Provisions for liabilities are recognised when the company has a present obligation as result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(k) Financial Instruments

Financial instruments are recognised in the balance sheet when the company has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Marketable Securities

Marketable securities represent quoted shares which are carried at the lower of cost and market value, determine on a portfolio basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in the income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in the income statement.

(ii) Receivables

In relation to ECMLS, trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. Specific provisions for bad and doubtful receivables are made for accounts which have been classified as non-performing, net of interest-in-suspense and taking into consideration any collateral held, in accordance with the Rules of Bursa Securities. General provisions are made on a certain percentage of trade receivables (excluding outstanding purchase contracts which are not due for payment), net of interest-in-suspense and specific provision already made. When an account is classified as non-performing, interest is suspended and is subsequently recognised on a cash basis.

Clients' accounts are classified as non-performing under the specific circumstances as laid out and in accordance with the Rules of Bursa Securities.

Other receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on review of all outstanding amounts as at the balance sheet date.

(iii) Payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iv) Interest Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs. All borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(v) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(vi) Cash and Cash Equivalents

Cash and cash equivalents include cash and bank balances and short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value, excluding monies held in trust.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management of the Acquiree Companies are carried out on a group-wide basis which encompasses ECM Libra Berhad and its subsidiaries ("ECM Libra group"). As disclosed in the financial statements of ECM Libra for the financial year ended 31 March 2005, the operations of the ECM Libra group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, liquidity risk and cash flows risk. The ECM Libra group has formulated a financial risk management framework whose principal objective is to minimise the ECM Libra group's exposure to risks and/or costs associated with the financing, investing and operating activities of the ECM Libra group.

Various risk management policies are made and approved by the Board of Directors of ECM Libra for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments and ECM Libra group's policy is not to engage in speculative transactions.

ECM Libra group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of its businesses whilst managing its liquidity and credit risks. ECM Libra group operates within clearly defined guidelines that are approved by the Board of Directors of ECM Libra.

5.1 Operational Risk

The operational risk losses which would result from inadequate or failed internal processes, people and systems are managed through established operational risk management processes, proper monitoring and reporting of business activities by control and support units which are independent of the business units and oversight by the management and the Board of Directors of ECM Libra.

The operational risk management processes include comprehensive documentation of processes and procedures and built-in system of internal controls. Key back-up procedures, regular contingency planning, self-compliance audit and independent audits also form an integral part of the operational risk management process.

5.2 Equity Price Risk

Equity price risk refers to the risk of an adverse deviation of the mark-to-market value of a portfolio of securities in the time it takes for liquidation. It is the risk of loss that has to be absorbed by a company in the course of facilitation of client's trades or underwriting/placement activities.

Market risk arising from trading activities is independently marked-to-market on a daily basis against their predetermined market risk limits within internally approved policies and guidelines of Bursa Securities.

5.3 Foreign Currency Risk

Foreign currency exchange risk which arises from exchange rate movements may affect certain subsidiaries of the ECM Libra group's exposure to receivables and payables denominated in foreign currency. The ECM Libra group's exposure to foreign currency risk is minimal as its transactions are mainly denominated in Ringgit Malaysia (RM) and United States Dollar (USD). Up to financial year ended 31 March 2005, the imposition of currency controls via the pegging of RM to USD at the fixed exchange rate of USD1.00 to RM3.80 by Bank Negara Malaysia since September 1998 has stabilised the risk arising from foreign exchange fluctuations.

Hedging of foreign currency exchange risk through the use of forward exchange contracts may be adopted should the foreign exchange rate fluctuate widely.

5.4 Interest Rate Risk

Interest rate risk refers to volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate risk is managed through interest rate sensitivity gap analysis. The potential reduction in net interest income from unfavourable interest rate movement is monitored closely and mark-to-market valuations are regularly reported to management.

The ECM Libra group is exposed to interest rate risk through the impact of rate changes on bank borrowings and interest bearing investments. It is the ECM Libra group's policy to place cash deposits on a short-term basis and therefore allows the ECM Libra group to respond to significant changes of interest rates promptly. This has minimised the ECM Libra group's interest rate exposure on interest bearing investments.

5.5 Credit Risk

Credit risk is the potential loss of revenue and principal losses in the form of specific provisions as a result of partial or total default of debts and/or margin financing.

Experienced key personnel are appointed to high level management committees to establish overall credit risk limits, margin financing assessment, collateral and prudent lending policies.

The ECM Libra group is exposed to credit risk mainly from trade receivables. The ECM Libra group extends credit to its customers upon careful evaluation of the customer's financial condition and credit history. The ECM Libra group also ensures a large number of customers so as to limit high credit concentration in a customer or customers from a particular market.

5.6 Liquidity Risk

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

Liquidity risk is controlled through the Capital Adequacy Requirements of Bursa Securities and the ECM Libra group's liquidity risk management policy.

5.7 Cash Flow Risk

The ECM Libra group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

6. FINANCIAL INFORMATION AND LIMITATIONS

As this report is only prepared in relation to the Acquiree Companies, no proforma group results and statement of assets and liabilities have been prepared. Instead, the historical financial information of each of the Acquiree Companies are presented as follows:

6.1 HISTORICAL FINANCIAL PERFORMANCE OF ECMLS

The historical financial information of ECMLS as set out below is based on its audited financial statements for the past five (5) FYE 31 March 2001, nine (9) months financial period ended ("FPE") 31 December 2001, FYE 31 December 2002 and 2003, and the fifteen (15) months FPE 31 March 2005.

6.1.1 Summarised Income Statements

		1.4.00	1.4.01	1.1.02	1.1.03	1.1.04
		to	to	to	to	to
		31.3.01	31.12.01	31.12.02	31.12.03	31.3.05
	Ref	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	(a)	44,184	20,736	30,555	39,348	55,305
Other operating income	(b)	448	508	1,746	281	12,811
Operating expenses	(c)	(40,423)	(14,228)	(24,069)	(31,297)	(38,961)
Profit before interest and tax ("PBIT")		4,209	7,016	8,232	8,332	29,155
Interest/Finance costs	(d)	(5)	-	-	-	-
Profit before tax ("PBT")		4,204	7,016	8,232	8,332	29,155
Taxation	(e)	-	(1,680)	(1,945)	1,872	(5,923)
Net profit for the period/year		4,204	5,336	6,287	10,204	23,232
Gross earnings per share ("EPS") (RM)		0.04	0.07	0.08	0.08	0.29
Net EPS (RM)		0.04	0.05	0.06	0.10	0.23

- (a) Due to the inherent volatility of the stock market, ECMLS's operation and results are directly affected by the performance of Bursa Securities. For the financial year/period under review, brokerage income was the main source of revenue followed by margin and interest income. For the financial period ended 31.3.05, share placement fee income also contributed significantly to revenue.
- (b) Other operating income comprises underwriting commission, dividend income, capital gain from the disposal of property, plant and equipment and shares as well as other sundry income. The significant increase in other operating income for the financial period ended 31.3.05 was due to the capital gain arising from the receipt of shares in Bursa Malaysia Berhad following the demutualization of the then Kuala Lumpur Stock Exchange.
- (c) Operating expenses mainly comprise remisiers and dealers' commission, staff costs, depreciation and provisions for doubtful debts and diminution in value of investments.
- (d) Finance costs are mainly related to interest expense on the bank credit facilities obtained, i.e overdrafts, Guarantee Revolving Underwriting Facility and Revolving Credit facilities, and utilised to finance the working capital requirement for the daily business trading. No interest expenses were incurred for the financial years/periods from 31.12.01 as ECMLS has no borrowings.
- (e) There was no tax charge for FYE 31.3.2001 as ECMLS was in a tax loss position. The effective tax rate for FPE 31.12.2001 and FYE 31.12.2002 was lower than the statutory tax rate mainly due to income not subject to tax and the utilisation of tax losses brought forward from prior years. There was no tax charge for FYE 31.12.2003 and FPE 31.3.2005 mainly due to income not subject to tax and the utilisation of tax losses brought forward from prior years.

6.1.2 Summarised Balance Sheets

	31.3.01 RM'000	31.12.01 RM'000	31.12.02 RM'000	31.12.03 RM'000	31.3.05 RM'000
Non-Current Assets					
Property, plant and equipment	3,143	2,296	3,076	2,316	11,643
Investments	725	725	-	-	-
Subsidiary companies	20	20	20	20	20
Goodwill	-	-	33,800	33,800	33,800
Deferred tax assets	-	-	-	-	600
	<u>3,888</u>	<u>3,041</u>	<u>36,896</u>	<u>36,136</u>	<u>46,063</u>
Current Assets	232,629	214,910	333,297	283,956	228,607
Less: Current Liabilities	83,916	61,013	206,968	166,791	113,656
Net Current Assets	<u>148,713</u>	<u>153,897</u>	<u>126,329</u>	<u>117,165</u>	<u>114,951</u>
	<u>152,601</u>	<u>156,938</u>	<u>163,225</u>	<u>153,301</u>	<u>161,014</u>

	31.3.01 RM'000	31.12.01 RM'000	31.12.02 RM'000	31.12.03 RM'000	31.3.05 RM'000
Financed By:					
Share capital	101,039	101,039	101,039	101,039	101,039
Retained profits	50,017	55,353	61,640	51,845	59,800
Shareholders' equity	151,056	156,392	162,679	152,884	160,839
Deferred tax liabilities	-	-	-	70	-
Provision for retirement benefits	1,545	546	546	347	175
	<u>152,601</u>	<u>156,938</u>	<u>163,225</u>	<u>153,301</u>	<u>161,014</u>
 Net Tangible Assets per share (RM) ¹	 1.50	 1.55	 1.28	 1.18	 1.26

(1) Net tangible assets ("NTA")/ Number of shares in issue

6.1.3 Statement of Assets and Liabilities

The statement of assets and liabilities of ECMLS based on its latest audited financial statements as at 31 March 2005 is as set out below:

	Ref	31.3.05 RM'000
Non-Current Assets		
Property, plant and equipment	6.1.4	11,643
Subsidiary companies	6.1.5	20
Goodwill	6.1.6	33,800
Deferred tax assets	6.1.7	600
		<u>46,063</u>
 Current Assets		
Marketable securities	6.1.8	1,900
Trade receivables	6.1.9	116,000
Other receivables	6.1.10	10,830
Tax recoverable	6.1.11	4,512
Deposits with licensed banks and financial institutions	6.1.12	85,121
Cash and bank balances	6.1.12	10,244
		<u>228,607</u>
 Current Liabilities		
Trade payables	6.1.13	98,755
Other payables	6.1.14	12,155
Amount held in trust	6.1.15	2,746
		<u>113,656</u>
 Net Current Assets		<u>114,951</u>
		<u>161,014</u>

	Ref	31.3.05 RM'000
Financed By:		
Share capital		101,039
Retained profits		59,800
Shareholders' equity		160,839
Provision for retirement benefits	6.1.16	175
		<u>161,014</u>

6.1.4 The breakdown of ECMLS' property, plant and equipment as at 31 March 2005 is as follows:

	Renovation, furniture and fittings RM'000	Office Equipment RM'000	Computers RM'000	Motor vehicles RM'000	Total RM'000
Cost					
As at 1 January 2004	5,425	2,616	10,343	453	18,837
Additions	6,552	547	4,067	-	11,166
Disposals	-	(7)	-	-	(7)
Write off	-	(17)	-	-	(17)
As at 31 March 2005	<u>11,977</u>	<u>3,139</u>	<u>14,410</u>	<u>453</u>	<u>29,979</u>
Accumulated Depreciation					
As at 1 January 2004	5,055	2,285	8,997	184	16,521
Charge for the period	570	228	925	102	1,825
Disposals	-	(5)	-	-	(5)
Write off	-	(5)	-	-	(5)
As at 31 March 2005	<u>5,625</u>	<u>2,503</u>	<u>9,922</u>	<u>286</u>	<u>18,336</u>
Net Book Value ("NBV")					
As at 31 March 2005	<u>6,352</u>	<u>636</u>	<u>4,488</u>	<u>167</u>	<u>11,643</u>

The acquisitions during the year was made in line with the relocation of the principal place of business from Menara Olympia to Wisma Genting, which in turn was made concurrently with the listing of the reorganised ECM Libra group on Bursa Securities.

6.1.5 The detailed information of ECMLS' subsidiaries, all of which are incorporated in Malaysia, are summarised as follows:

Name of Subsidiaries	Principal Activities	Cost of Investment RM'000	Issued and Paid-up Share Capital RM	Equity Interest Held %
ECMLSN	Dormant	*	2	100
ECMLSN(T)	Provision of nominee services for clients in Malaysia	10	10,000	100
ECMLSN(A)	Provision of nominee services for clients outside Malaysia	10	10,000	100
ECMLSPM	Dormant	<u>*</u>	<u>2</u>	<u>100</u>
		<u>20</u>		

* Denotes total issued and paid-up share capital of RM2.

6.1.6 ECMLS had previously acquired the operations of Smith Zain Securities Sdn. Bhd. in FYE 31 December 2002 for a cash consideration of approximately RM39 million. The difference between the cost of investment and the NBV of the operations acquired resulted in the goodwill of RM33.8 million as at 31.12.02.

6.1.7 The components of the net deferred tax assets as at 31 March 2005 comprised the following:

	Amount RM'000
Components of deferred tax assets:	
Provision for diminution in value	483
Provision for doubtful debts	175
Interest in suspense	203
Provision for retirement benefits	49
Other accruals	617
	<u>1,527</u>
Components of deferred tax liabilities:	
Accelerated capital allowances	(927)
Net deferred tax assets	<u><u>600</u></u>

As at 31 March 2005, deferred tax assets have not been recognised in respect of unused tax losses amounting to approximately RM8.8 million as there is uncertainty of the quantum available for use by ECMLS against future taxable profits, pending finalisation with the Inland Revenue Board.

6.1.8 An analysis of ECMLS' marketable securities is as follows:

	31.3.05 RM'000
Quoted shares, at cost	
- Outside Malaysia	95
- In Malaysia	3,530
Less: Provision for diminution in value	(1,725)
	<u>1,900</u>
 Quoted shares, at market value	 <u>2,954</u>

6.1.9 Trade receivables of ECMLS can be analysed as follows:

	31.3.05 RM'000
Trade receivables:	
Due from clients	109,997
Due from brokers	13,021
	<u>123,018</u>
Less: Interest-in-suspense	(725)
Less: Provision for doubtful debts	(6,293)
	<u><u>116,000</u></u>

Amounts due from clients represents margin and non-margin accounts and outstanding purchase contracts entered into on behalf of clients where settlement has yet to be made by clients. The amount due from brokers represents outstanding sales contracts where settlement has yet to be made by Securities Clearing Automated Network Services Sdn Bhd ("SCANS").

The credit term as at 31 March 2005 for trade settlement was 3 market days according to the Bursa Securities Fixed Delivery and Settlement System ("FDSS") trading rules. The credit terms for margin clients are set within standard margin agreements.

Specific provisions are made for bad and doubtful receivables for accounts which have been classified as non-performing. General provisions are made based on a certain percentage of trade receivables (excluding outstanding purchase contracts) net of specific provisions made and interest-in-suspense. ECMLS' policy is to also to make a general provision of not less than 1% of outstanding trade receivable balances.

Based on the audited financial statements for the year ended 31 March 2005, the classification and provision for bad and doubtful debts are in line with the Rules of Bursa Securities.

6.1.10 Other receivables of ECMLS as at 31 March 2005 can be analysed as follows:

	31.3.05 RM'000
Deposits	1,220
Prepayments	342
Staff loans	449
Sundry receivables	8,861
Amounts due from related companies	271
Less: Provision for doubtful debts	(313)
	<u>10,830</u>

6.1.11 Tax recoverable mainly arises from Section 110 tax credit from dividend income received and over-payment of tax.

6.1.12 The breakdown of deposits with licensed banks and financial institutions and cash and bank balances is as follows:

	31.3.05 RM'000
Short term deposits with:	
- Licensed banks	8,367
- Other financial institutions	76,754
	<u>85,121</u>
Cash and bank balances:	
- Cash in hand	*
- Other bank balances	2,937
- Trust account	7,307
	<u>10,244</u>
	<u>95,365</u>

* Denotes balance less than RM1,000.

6.1.13 The trade payables of ECMLS consist of the following:

	31.3.05
	RM'000
Due to clients	67,393
Due to brokers	31,362
	<u>98,755</u>

Amount due to clients mainly relates to contracts entered into on behalf of clients where settlement has yet to be made and contra gains owing to non-margin clients. Amount due to brokers relates to amount due to SCANS and represents outstanding purchase contracts where settlement has yet to be made to SCANS. The credit term for settlement for non-margin clients is 3 market days according to the Bursa Securities FDSS trading rules.

6.1.14 The breakdown of other payables of ECMLS is as follows:

	31.3.05
	RM'000
Sundry payables	10,379
Accruals	1,776
	<u>12,155</u>

6.1.15 This represents the amount held in trust on behalf of dealers' representatives. Decrease in amount held in trust mainly due to the off set of such security deposits against contra losses incurred by the dealers' representatives.

6.1.16 ECMLS operates an unfunded and defined Retirement Benefit Scheme ("the Scheme") for its eligible employees who have exceeded 10 years of service with ECMLS. The obligation under this Scheme is determined based on the number of years of service and salary of the entitled employee.

6.1.17 As at 31 March 2005, commitments of ECMLS are as follows:

	31.3.05
	RM'000
Capital Commitments	
Approved and contracted for - Property, plant and equipment	328
Approved but not contracted for - Property, plant and equipment	46
	<u>374</u>
Operational Commitments	
Underwriting commitment	<u>50,800</u>
Non-Cancellable Operating Lease Commitments	
Future minimum rentals payable:	
Not later than 1 year	1,922
Later than 1 year and not later than 5 years	2,580
	<u>4,502</u>

6.1.18 Cash Flow Statement for the year ended 31 March 2005

	1.1.04 to 31.3.05 RM'000
Cash Flows From Operating Activities	
Profit before taxation	29,155
Adjustments for:	
Depreciation	1,825
Net unrealised foreign exchange gain	41
Provision for diminution in value of marketable securities	710
Gain on disposal of property, plant and equipment	(4)
Property, plant and equipment written off	12
Capital gain arising from receipt of shares in Bursa Malaysia Berhad	(12,500)
Gain on disposal of marketable securities	(5,863)
Interest income	(5,050)
Provision for doubtful debts	5,169
Write back of provision for retirement benefits	(135)
Gross dividends	(3)
Operating profit before working capital changes	13,357
Decrease in receivables	65,436
Decrease in payables	(56,428)
Cash generated from operations	22,365
Net tax refunded	2,868
Net cash generated from operating activities	25,233
Cash Flows From Investing Activities	
Purchase of property, plant and equipment	(11,166)
Proceeds from disposal of property, plant and equipment	7
Purchase of marketable securities	(14,113)
Proceeds from disposal of marketable securities	21,177
Proceeds from disposal of Bursa Malaysia Berhad shares	10,624
Net dividends received	2
Net cash generated from investing activities	6,531
Cash Flows From Financing Activity	
Dividend paid	(15,277)
Net cash used in financing activity	(15,277)
Net increase in cash and cash equivalents	16,487
Cash and cash equivalents at beginning of period	61,088
Cash and cash equivalents at end of period	77,575
Cash and cash equivalents comprise:	
Short term deposits	85,121
Cash and bank balances	10,244
	95,365
Less: Monies held in trust	
- Short term deposits	(10,483)
- Cash and bank balances	(7,307)
	77,575

6.2 HISTORICAL FINANCIAL PERFORMANCE OF ECMLSN

The historical financial information of ECMLSN as set out below is based on its audited financial statements for the past five (5) FYE 31 March 2001, nine (9) months FPE 31 December 2001, FYE 31 December 2002 and 2003, and the fifteen (15) months FPE 31 March 2005.

6.2.1 Summarised Income Statements

		1.4.00 to 31.3.01 RM'000	1.4.01 to 31.12.01 RM'000	1.1.02 to 31.12.02 RM'000	1.1.03 to 31.12.03 RM'000	1.1.04 to 31.3.05 RM'000
	Ref					
Revenue	(a)	-	-	-	-	-
Other operating expenses	(b)	-	-	-	(3)	(3)
Loss before taxation		-	-	-	(3)	(3)
Taxation	(c)	-	-	-	-	-
Net loss for the year		-	-	-	(3)	(3)
Gross loss per share		-	-	-	(1.5)	(1.5)
Net loss per share		-	-	-	(1.5)	(1.5)

- (a) ECMLSN has not commenced operations as at 31 March 2005, hence there was no revenue reported for the financial years/periods under review.
- (b) Operating expenses for FYE 2003 and FPE 2005 relates to administrative expenses. Administrative expenses for FYE 2002 and before were previously absorbed by ECMLS.
- (c) There is no tax charge for FYE 2003 and FPE 2005 as ECMLSN was in tax loss positions.

6.2.2 Summarised Balance Sheets

	31.3.01 RM'000	31.12.01 RM'000	31.12.02 RM'000	31.12.03 RM'000	31.3.05 RM'000
Current Assets	21	21	23	20	20
Less : Current Liabilities	21	21	23	23	26
Net Current Assets/(Liabilities)	*	*	*	(3)	(6)
Financed By:					
Share capital	*	*	*	*	*
Accumulated losses	-	-	-	(3)	(6)
Shareholder's funds/(deficit)	*	*	*	(3)	(6)
NTA/(NTL) per share	**	**	**	(1.5)	(3.0)

* Denotes an amount of RM2

** Denotes an amount of RM1

6.2.3 Statement of Assets and Liabilities

The statement of assets and liabilities of ECMLSN based on its latest audited financial statements as at 31 March 2005 is as set out below:

	Ref	31.3.05 RM'000
Current Assets		
Cash and bank balances	(a)	20
Current Liabilities		
Sundry payables	(b)	22
Amount due to ECMLS		4
		<u>26</u>
Net Current Assets/(Liabilities)		<u>(6)</u>
Financed By:		
Share capital		*
Accumulated losses		(6)
Shareholder's deficit		<u>(6)</u>

* Denotes an amount of RM2

(a) Cash and bank balances relate to free cash either held on hand or in the company's current account.

(b) Sundry payables relate mainly to accruals made for administrative services received.

6.2.4 Cash Flow Statement for the year ended 31 March 2005

	1.1.04 to 31.3.05 RM'000
Cash Flows From Operating Activities	
Loss before taxation	(3)
Increase in payables	3
Net cash used in operating activities	<u>*</u>
Net decrease in cash and cash equivalents	<u>*</u>
Cash and cash equivalents at beginning of period	20
Cash and cash equivalents at end of period	<u>20</u>
Cash and cash equivalents comprise:	
Cash and bank balances	<u>20</u>

* Denotes an amount of less than RM1,000

6.3 HISTORICAL FINANCIAL PERFORMANCE OF ECMLSN(T)

The historical financial information of ECMLSN(T) as set out below is based on its audited financial statements for the past five (5) FYE 31 March 2001, nine (9) months FPE 31 December 2001, FYE 31 December 2002 and 2003, and the fifteen (15) months FPE 31 March 2005.

6.3.1 Summarised Income Statements

		1.4.00 to 31.3.01	1.4.01 to 31.12.01	1.1.02 to 31.12.02	1.1.03 to 31.12.03	1.1.04 to 31.3.05
	Ref	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	(a)	-	-	-	86	101
Operating expenses	(b)	-	-	-	(6)	(7)
Profit before taxation		-	-	-	80	94
Taxation		-	-	-	(16)	(19)
Net profit for the year		-	-	-	64	75
Gross EPS (RM)		-	-	-	8	9
Net EPS (RM)		-	-	-	6	8

(a) Prior to FYE 31.12.2003, all income and expenses of ECMLSN(T) were recorded and reflected in the financial statements of its holding company. Revenue comprised fees earned from the provision of nominee services.

(b) Operating expenses for FYE 2003 and FPE 2005 mainly relate to administrative expenses.

6.3.2 Summarised Balance Sheets

	31.3.01 RM'000	31.12.01 RM'000	31.12.02 RM'000	31.12.03 RM'000	31.3.05 RM'000
Current Assets	45,233	222	25	86	167
Less : Current Liabilities	45,223	212	15	12	18
Net Current Assets	10	10	10	74	149
Financed By:					
Share capital	10	10	10	10	10
Retained profits	-	-	-	64	139
Shareholder's funds	10	10	10	74	149
NTA per share (RM)	1	1	1	7	15

6.3.3 Statement of Assets and Liabilities

The statement of assets and liabilities of ECMLSN(T) based on its latest audited financial statements as at 31 March 2005 is as set out below:

	Ref	31.3.05 RM'000
Current Assets		
Cash and bank balances		<u>167</u>
Current Liabilities		
Sundry payables	(a)	9
Amount due to ECMLS	(b)	8
Provision for taxation		<u>1</u>
		<u>18</u>
Net Current Assets		<u>149</u>
Financed By:		
Share capital		10
Retained profits		<u>139</u>
Shareholder's funds		<u>149</u>

- (a) Sundry payables includes accruals made for administrative services received.
- (b) The amount due to ECMLS is unsecured, interest free and has no fixed terms of repayment.

6.3.4 Cash Flow Statement for the year ended 31 March 2005

	1.1.04 to 31.3.05 RM'000
Cash Flow From Operating Activities	
Profit before taxation	94
Increase in payables	<u>8</u>
Cash generated from operations	102
Tax paid	<u>(21)</u>
Net cash generated from operating activities	<u>81</u>
Net increase in cash and cash equivalents	81
Cash and cash equivalents at beginning of period	<u>86</u>
Cash and cash equivalents at end of period	<u>167</u>
Cash and cash equivalents comprise:	
Cash and bank balances	<u>167</u>

6.4 HISTORICAL FINANCIAL PERFORMANCE OF ECMLSN(A)

The historical financial information of ECMLSN(A) as set out below is based on its audited financial statements for the past five (5) FYE 31 March 2001, nine (9) months FPE 31 December 2001, FYE 31 December 2002 and 2003, and the fifteen (15) months FPE 31 March 2005.

6.4.1 Summarised Income Statements

		1.4.00 to 31.3.01 RM'000	1.4.01 to 31.12.01 RM'000	1.1.02 to 31.12.02 RM'000	1.1.03 to 31.12.03 RM'000	1.1.04 to 31.3.05 RM'000
	Ref					
Revenue	(a)	-	-	-	14	13
Other operating expenses	(b)	-	-	-	(4)	(7)
Profit before taxation		-	-	-	10	6
Taxation	(c)	-	-	-	(2)	(1)
Net profit for the year		-	-	-	8	5
Gross EPS (RM)		-	-	-	1	0.6
Net EPS (RM)		-	-	-	0.8	0.5

(a) Prior to FYE 31.12.2003, all income and expenses of ECMLSN(A) were recorded and reflected in the financial statements of its holding company. Revenue comprised fees earned from the provision of nominee services.

(b) Operating expenses for FYE 2003 and FPE 2005 mainly relate to administrative expenses.

(c) For both FYE 2003 and FPE 2005, tax was charged at the statutory rate of 20%.

6.4.2 Summarised Balance Sheets

	31.3.01 RM'000	31.12.01 RM'000	31.12.02 RM'000	31.12.03 RM'000	31.3.05 RM'000
Current Assets	20	31	11	23	30
Less : Current Liabilities	10	21	1	5	7
Net Current Assets	10	10	10	18	23
Financed By:					
Share capital	10	10	10	10	10
Retained profits	-	-	-	8	13
Shareholder's funds	10	10	10	18	23
NTA per share (RM)	1	1	1	2	2

6.4.3 Statement of Assets and Liabilities

The statement of assets and liabilities of ECMLSN(A) based on its latest audited financial statements as at 31 March 2005 is as set out below:

	Ref	31.3.05 RM'000
Current Assets		
Cash and bank balances		29
Tax recoverable		1
		<u>30</u>
Current Liabilities		
Sundry payables	(a)	4
Amount due to ECMLS	(b)	3
		<u>7</u>
Net Current Assets		<u>23</u>
Financed By:		
Share capital		10
Retained profits		13
Shareholder's funds		<u>23</u>

(a) Sundry payables include accruals made for administrative services received.

(b) The amount due to ECMLS is unsecured, interest free and has no fixed terms of repayment.

6.4.4 Cash Flow Statement for the year ended 31 March 2005

	1.1.04 to 31.3.05 RM'000
Cash Flow From Operating Activities	
Profit before taxation	6
Increase in payables	3
Cash generated from operations	<u>9</u>
Tax paid	<u>(3)</u>
Net cash generated from operating activities	<u>6</u>
Net increase in cash and cash equivalents	6
Cash and cash equivalents at beginning of period	<u>23</u>
Cash and cash equivalents at end of period	<u>29</u>
Cash and cash equivalents comprise:	
Cash and bank balances	<u>29</u>

6.5 HISTORICAL FINANCIAL PERFORMANCE OF ECMLSPM

The historical financial information of ECMLSPM as set out below is based on its audited financial statements for the past five (5) FYE 31 March 2001, nine (9) months FPE 31 December 2001, FYE 31 December 2002 and 2003, and the fifteen (15) months FPE 31 March 2005.

6.5.1 Summarised Income Statements

No historical summarised income statement is presented as the company has not commenced operations as at 31 March 2005.

6.5.2 Summarised Balance Sheets

	31.3.01 RM'000	31.12.01 RM'000	31.12.02 RM'000	31.12.03 RM'000	31.3.05 RM'000
Current Assets	*	*	*	*	*
Financed By:					
Share capital	*	*	*	*	*
NTA per share (RM)	1	1	1	1	1

* Denotes an amount of RM2

6.5.3 Statement of Assets and Liabilities

The statement of assets and liabilities of ECMLSPM based on its latest audited financial statements as at 31 March 2005 is as set out below:

	31.3.05 RM'000
Current Assets	
Cash and bank balances	*
Financed By:	
Share capital	*
NTA per share (RM)	1

* Denotes an amount of RM2

6.5.4 Cash Flow Statement for the year ended 31 March 2005

	1.1.04 to 31.3.05 RM'000
Cash Flow From Operating Activities	-
Net increase in cash and cash equivalents	-
Cash and cash equivalents at beginning of period	*
Cash and cash equivalents at end of period	*
Cash and cash equivalents comprise:	
Cash and bank balances	*

* Denotes an amount of RM2

6.6 HISTORICAL FINANCIAL PERFORMANCE OF ECMLH

The historical financial information of ECMLH as set out below is based on its audited financial statements for the past three (3) FYE 31 March 2003 to 2005. The financial information of ECMLH as set out in the following sections have been translated into Ringgit Malaysia from the original reporting currency in United States Dollar ("USD"). The principal exchange rate for every unit of foreign USD ruling at balance sheet date used is RM3.800.

6.6.1 Summarised Income Statement

		19.6.02 to 31.3.03	19.6.02 to 31.3.03	1.4.03 to 31.3.04	1.4.03 to 31.3.04	1.4.04 to 31.3.05	1.4.04 to 31.3.05
	Ref	USD'000	RM'000	USD'000	RM'000	USD'000	RM'000
Revenue	(a)	1,669	6,343	6,791	25,806	6,003	22,811
Interest and other income		3	13	158	601	2	8
Other operating expenses	(b)	(42)	(161)	(18)	(68)	(5)	(19)
Profit before tax		1,630	6,195	6,931	26,339	6,000	22,800
Taxation	(c)	(5)	(20)	(5)	(20)	-	-
Net profit for the year		1,625	6,175	6,926	26,319	6,000	22,800
Gross EPS (USD)/(RM)		1.24	4.71	5.26	20.01	4.55	17.33
Net EPS (USD)/(RM)		1.23	4.69	5.26	20.00	4.55	17.33

(a) Revenue for FPE 2003 and FYE 2004 comprised fees earned from providing advisory services. Revenue for FYE 2005 was entirely made up of dividend income from a subsidiary.

(b) Other operating expenses generally comprise personnel, administration and general expenses.

- (c) The tax charge is computed based on 3% of accounting profit or RM20,000, whichever is lower, in accordance with the provisions of the Labuan Offshore Business Activity Tax Act 1990. For the FPE 2003 and FYE 2004, ECMLH had elected to pay RM20,000 as tax liability. There was no tax charge for FYE 2005 as dividend income from a subsidiary is not chargeable to tax.

6.6.2 Summarised Balance Sheet

	31.3.03 USD'000	31.3.03 RM'000	31.3.04 USD'000	31.3.04 RM'000	31.3.05 USD'000	31.3.05 RM'000
Non-Current Asset						
Investment in subsidiaries	3,997	15,188	3,997	15,188	9,532	36,222
Current Assets	338	1,282	2,008	7,631	215	817
Current Liabilities	1,468	5,577	3,712	14,106	1,849	7,026
Net Current Liabilities	(1,130)	(4,295)	(1,704)	(6,475)	(1,634)	(6,209)
	2,867	10,893	2,293	8,713	7,898	30,013
Financed By:						
Share capital	1,316	5,001	1,316	5,001	1,316	5,001
Retained profits	1,551	5,892	977	3,712	6,582	25,012
Shareholders' funds	2,867	10,893	2,293	8,713	7,898	30,013
NTA per share (USD)/(RM)	2.18	8.28	1.74	6.62	6.00	22.81

6.6.3 Statement of Assets and Liabilities

The statement of assets and liabilities of ECMLH based on its latest audited financial statements as at 31 March 2005 is as set out below:

	Ref	31.3.05 USD'000	31.3.05 RM'000
Non-Current Asset			
Investment in subsidiaries	(a)	9,532	36,222
Current Assets			
Short term funds	(b)	215	817
		215	817
Current Liabilities			
Other payables		3	11
Due to subsidiaries and fellow subsidiaries	(c)	1,846	7,015
		1,849	7,026
Net Current Liabilities		(1,634)	(6,209)
		7,898	30,013
Financed By:			
Share capital		1,316	5,001
Retained profits		6,582	25,012
Shareholders' funds		7,898	30,013

- (a) The details of the investment in direct subsidiaries for the FY under review are as follows:

	Effective Interest %	31.3.05 USD'000	31.3.05 RM'000
ECMLIB*	100	8,247	31,339
ECML SecLtd	100	1,285	4,883
		<u>9,532</u>	<u>36,222</u>

*ECMLIB is the holding company of a wholly-owned subsidiary, ECML Investments.

- (b) Short term funds comprised the following:

	31.3.05 USD'000	31.3.05 RM'000
Cash at bank	115	437
Fixed deposits placed with a licensed offshore bank	100	380
	<u>215</u>	<u>817</u>

The weighted average effective interest rate and the average remaining maturity of the fixed deposits are 2.67% per annum and 31 days respectively.

- (b) For the purpose of this report, director-related companies are defined as companies within ECM Libra group. The outstanding amounts due to fellow subsidiaries are unsecured, interest free and have no fixed term of repayment.

6.6.4 Cash Flow Statement for the year ended 31 March 2005

	31.3.05 USD'000	31.3.05 RM'000
Cash Flows From Operating Activities		
Profit before taxation	6,000	22,800
Adjustment for:		
Dividend income	(6,003)	(22,811)
Interest income	(2)	(8)
Operating loss before working capital changes	<u>(5)</u>	<u>(19)</u>
Decrease in due from subsidiaries	3,599	13,676
Decrease in due from other related party	115	437
Decrease in other receivables	2	7
Decrease in due to subsidiary of holding company	(132)	(500)
Increase in other payables	1	4
Cash flows generated from operations	<u>3,580</u>	<u>13,605</u>
Dividend income received	468	1,778
Interest income received	2	7
Taxes paid	(5)	(20)
Net cash generated from operating activities	<u>4,045</u>	<u>15,370</u>

	31.3.05 USD'000	31.3.05 RM'000
Cash Flows From Financing Activity		
Dividends paid	(3,856)	(14,652)
Net cash used in financing activity	(3,856)	(14,652)
Net increase in cash and cash equivalents	189	718
Cash and cash equivalents at beginning of year	26	99
Cash and cash equivalents at end of year	215	817
Cash and cash equivalents comprise:		
Short term funds (Note 6.6.3(b))	215	817

6.7 HISTORICAL FINANCIAL PERFORMANCE OF ECMLIB

The historical financial information of ECMLIB as set out below is based on its audited financial statements for the past three (3) FYE 31 March 2003 to 2005. The financial information of ECMLIB as set out in the following sections have been translated into Ringgit Malaysia from the original reporting currency in United State Dollar ("USD"). The principal exchange rate for every unit of USD ruling at balance sheet date used is RM3.800.

6.7.1 Summarised Income Statement

		29.8.02 to 31.3.03	29.8.02 to 31.3.03	1.4.03 to 31.3.04	1.4.03 to 31.3.04	1.4.04 to 31.3.05	1.4.04 to 31.3.05
	Ref	USD'000	RM'000	USD'000	RM'000	USD'000	RM'000
Interest income	(a)	10	38	338	1,284	117	444
Non-interest income	(b)	306	1,163	1,241	4,716	2,427	9,223
Preliminary expenses	(c)	(5)	(19)	-	-	-	-
Finance cost	(d)	(1)	(4)	(63)	(239)	(138)	(524)
Overhead expenses	(e)	(52)	(197)	(430)	(1,633)	(508)	(1,930)
Profit before taxation		258	981	1,086	4,128	1,898	7,213
Taxation	(f)	(5)	(20)	(5)	(20)	(5)	(20)
Net profit for the period/ year		253	961	1,081	4,108	1,893	7,193
Gross EPS (USD)/(RM)		0.10	0.36	0.40	1.52	0.18	0.72
Net EPS (USD)/(RM)		0.09	0.35	0.39	1.51	0.18	0.72

(a) Interest income is mainly derived from loans and short term funds placements.

(b) Non-interest income mainly consists of gain on disposal of investment securities, management, documentation and processing fees, as well as dividend income.

(c) Preliminary expenses relate to incorporation fees and related expenses.

- (d) Finance cost relates to interest on advances extended by the holding company, ECMLH, as well as by the ultimate holding company, ECM Libra.
- (e) Overhead expenses for the financial period/years under review generally comprise personnel costs, establishment costs and other administrative and general expenses.
- (f) The tax charge is computed based on 3% of accounting profit or RM20,000, whichever is lower, in accordance with the provisions of the Labuan Offshore Business Activity Tax Act 1990. For all the three financial period/years under review, ECMLIB had elected to pay RM20,000 as tax liability.

6.7.2 Summarised Balance Sheet

	31.3.03 USD'000	31.3.03 RM'000	31.3.04 USD'000	31.3.04 RM'000	31.3.05 USD'000	31.3.05 RM'000
Total assets	2,986	11,350	6,879	26,140	35,364	134,383
Total liabilities	21	82	2,833	10,765	23,890	90,782
Share capital	2,712	10,306	2,712	10,306	10,000	38,000
Retained profits	253	962	1,334	5,069	1,474	5,601
Total shareholders' funds	2,965	11,268	4,046	15,375	11,474	43,601
Total liabilities and shareholder's funds	2,986	11,350	6,879	26,140	35,364	134,383
NTA per share (USD)/(RM)	1.09	4.15	1.49	5.67	1.15	4.36

6.7.3 Statement of Assets and Liabilities

The statement of assets and liabilities of ECMLIB based on its latest audited financial statements as at 31 March 2005 is as set out below:

	Ref	31.3.05 USD'000	31.3.05 RM'000
Assets			
Cash and cash equivalents	(a)	6,672	25,354
Investment securities	(b)	10,349	39,326
Loans	(c)	4,274	16,241
Other receivables	(d)	727	2,763
Due from ECMLH	(e)	1,733	6,585
Due from ECML Investments	(e)	11,604	44,095
Investment in a subsidiary	(f)	*	*
Property and equipment	(g)	5	19
		<u>35,364</u>	<u>134,383</u>

	Ref	31.3.05 USD'000	31.3.05 RM'000
Liabilities and Shareholder's Funds			
Taxation		5	19
Other payables		346	1,315
Due to ECM Libra	(e)	23,463	89,159
Due to other related companies	(e)	76	289
Total liabilities		<u>23,890</u>	<u>90,782</u>
Share capital		10,000	38,000
Retained profits		1,474	5,601
Total shareholders' funds		<u>11,474</u>	<u>43,601</u>
Total liabilities and shareholder's funds		<u>35,364</u>	<u>134,383</u>

* Denotes an amount of USD1 (equivalent to RM3.8)

(a) Short term funds comprised the following:

	31.3.05 USD'000	31.3.05 RM'000
Cash at bank	34	129
Fixed and call deposits placed with a licensed banks	6,638	25,225
	<u>6,672</u>	<u>25,354</u>

The weighted average effective interest rate and the average remaining maturity of the fixed and call deposits are 2.6% per annum and 5 days respectively.

(b) Investment securities refer to the following:

	31.3.05 USD'000	31.3.05 RM'000
Quoted shares:		
- in Malaysia	1,678	6,376
- in Switzerland	8,671	32,950
	<u>10,349</u>	<u>39,326</u>
Market value of quoted shares	<u>11,953</u>	<u>45,421</u>

(c) All loans granted by ECMLIB mature within one year and bear interest ranging between 8% - 10% per annum.

(d) Other receivables of ECMLIB as at 31 March 2005 can be analysed as follows:

	31.3.05 USD'000	31.3.05 RM'000
Money held in trust with stockbroker	64	243
Sundry deposits and prepayments	2	8
Income due and accrued from loans	661	2,512
	<u>727</u>	<u>2,763</u>

- (e) The amounts due from/to related companies are unsecured, have no fixed terms of repayment and are interest free.
- (f) ECMLIB's investment in a subsidiary relates to its wholly-owned subsidiary, ECML Investments, a company incorporated in the British Virgin Islands and which principal activities are investment holding and the provision of financial services.
- (g) Details of property and equipment of ECMLIB are as follows:

	Furniture and fittings USD'000	Office equipment USD'000	Motor vehicle USD'000	Total USD'000
Cost				
As at 1 April 2004	3	2	165	170
Additions	*	2	-	2
Disposal	-	-	(165)	(165)
At 31 March 2005	<u>3</u>	<u>4</u>	<u>-</u>	<u>7</u>
Accumulated Depreciation				
As at 1 April 2004	*	*	30	30
Depreciation charge	1	1	8	10
Disposal	-	-	(38)	(38)
At 31 March 2005	<u>1</u>	<u>1</u>	<u>-</u>	<u>2</u>
NBV				
At 31 March 2005	<u>2</u>	<u>3</u>	<u>-</u>	<u>5</u>
	RM'000	RM'000	RM'000	RM'000
Cost				
As at 1 April 2004	11	8	627	646
Additions	*	8	-	8
Disposal	-	-	(627)	(627)
At 31 March 2005	<u>11</u>	<u>15</u>	<u>-</u>	<u>27</u>
Accumulated Depreciation				
As at 1 April 2004	*	*	114	114
Depreciation charge	4	4	30	38
Disposal	-	-	(144)	(144)
At 31 March 2005	<u>4</u>	<u>4</u>	<u>-</u>	<u>8</u>
NBV				
At 31 March 2005	<u>8</u>	<u>11</u>	<u>-</u>	<u>19</u>

* represent an amount less than USD1,000 / RM1,000

6.7.4 Cash Flow Statement for the year ended 31 March 2005

	31.3.05 USD'000	31.3.05 RM'000
Cash Flows From Operating Activities		
Profit before taxation	1,898	7,213
Adjustments for:		
Depreciation	10	38
Gain on disposal of investment securities	(2,233)	(8,485)
Operating loss before working capital changes	(325)	(1,234)
Increase in loans and receivables	(2,832)	(10,762)
Increase in other payables	303	1,152
Increase in due to/from related companies	7,422	28,203
Cash flow generated from operations	4,568	17,359
Tax paid	(10)	(38)
Net cash generated from operating activities	4,558	17,321
Cash Flows From Investing Activities		
Purchase of investment in subsidiary	*	*
Purchase of investment securities	(18,675)	(70,965)
Proceeds from disposal of investment securities	10,768	40,918
Proceeds from disposal of property, plant and equipment	126	480
Purchase of property, plant and equipment	(2)	(8)
Net cash used in investing activities	(7,783)	(29,575)
Cash Flows From Financing Activity		
Proceeds from issuance of share capital	5,535	21,033
Net cash generated from financing activity	5,535	21,033
Net increase in cash and cash equivalents	2,310	8,779
Cash and cash equivalents at beginning of year	4,362	16,575
Cash and cash equivalents at end of year	6,672	25,354
Cash and cash equivalents comprise:		
Cash and bank balances	34	129
Short term funds	6,638	25,225
	6,672	25,354

* Denotes an amount of less than USD1,000 / RM1,000

6.8 HISTORICAL FINANCIAL PERFORMANCE OF ECML INVESTMENTS

The historical financial information of ECML Investments as set out below is based on its audited financial statement for FYE 31 March 2005, being its first set of financial statements since its incorporation on 2 July 2004. The financial information of ECML Investments as set out in the following sections have been translated into Ringgit Malaysia from the original reporting currency in United State Dollar ("USD"). The principal exchange rate for every unit of USD ruling at balance sheet date used is RM3.800.

6.8.1 Summarised Income Statement

		2.7.04 to 31.3.05 USD'000	2.7.04 to 31.3.05 RM'000
Ref			
	Revenue	(a) -	-
	Operating expenses	(b) (1)	(4)
	Loss before taxation	(1)	(4)
	Taxation	(c) -	-
	Net loss for the year	(1)	(4)
	Gross EPS	(1)	(4)
	Net EPS	(1)	(4)

(a) ECML Investments has not commenced operations as at 31 March 2005 since its incorporation.

(b) Operating expenses mainly comprised administrative costs.

(c) There was no tax charge for FPE 2005 as ECML Investments was in a tax loss position.

6.8.2 Summarised Balance Sheet and Statement of Assets and Liabilities

		31.3.05 USD'000	31.3.05 RM'000
Ref			
	Non-current Assets		
	Investment in associate	(a) 11,603	44,091
	Current Assets		
	Cash in hand	*	*
	Other receivable	**	**
		<1	<1
	Current Liabilities		
	Amount due to ECMLIB	(b) 11,604	44,095
	Net Liabilities	(1)	(4)

	31.3.05 USD'000	31.3.05 RM'000
Financed By:		
Share capital	*	*
Accumulated losses	(1)	(4)
Shareholder's deficit	(1)	(4)
NTL per share	(1)	(4)

* Denotes an amount of USD1 (equivalent to RM3.80)

** Denotes an amount of USD19 (equivalent to RM72)

- (a) Investment in associate relates to ECML Investments' 29.2% equity interest in the Westcomb Financial Group Limited, a company listed on Singapore's SGX-ST Dealing and Automated Quotation System. Westcomb Financial Group's principal activities are investment holding, the provision of corporate advisory, securities dealings and fund management services.

Had the equity method of accounting been applied, the carrying amount of investment in the associate would have been as follows:

	31.3.05 USD'000	31.3.05 RM'000
Investment in associate:		
At cost	11,603	44,091
Share of post-acquisition reserves	203	771
	<u>11,806</u>	<u>44,862</u>
Represented by:		
Share of net tangible assets	4,250	16,150
Premium on acquisition	7,556	28,712
	<u>11,806</u>	<u>44,862</u>

Had the equity method of accounting been applied, the income statement of ECML Investments would have been as follows:

	2.7.04 to 31.3.05 USD'000	2.7.04 to 31.3.05 RM'000
Loss before taxation and share of profit in an associate	(1)	(4)
Add : Share of profit of the associate	254	965
	<u>253</u>	<u>961</u>
Taxation before share of tax of the associate	-	-
Add : Share of tax of the associate	(51)	(194)
	<u>(51)</u>	<u>(194)</u>
Profit after taxation	<u>202</u>	<u>767</u>

- (b) The amount due to ECMLIB is unsecured, interest-free and has no fixed terms of repayment.

6.8.3 Cash Flow Statement for the financial period ended 31 March 2005

	2.7.04 to 31.3.05 USD'000	2.7.04 to 31.3.05 RM'000
Cash Flows From Operating Activities		
Loss before taxation	(1)	(4)
Adjustment for:		
Interest income	**	**
Net cash used in operating activities	(1)	(4)
Increase in due to holding company	1	4
Net cash generated from operating activities	-	-
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of period	*	*
Cash and cash equivalents at end of period	*	*
Cash and cash equivalents comprise:		
Cash in hand	*	*

* Denotes an amount of USD1 (equivalent to RM3.80)

** Denotes an amount of less than USD1,000/RM1,000

6.9 HISTORICAL FINANCIAL PERFORMANCE OF ECML SECLTD

The historical financial information of ECML SecLtd as set out below is based on its audited financial statement for the three (3) FYE 31 March 2003 to 2005. The financial information of ECML SecLtd as set out in the following sections have been translated into Ringgit Malaysia from the original reporting currency in HKD. For comparative purposes, the principal exchange rate for every unit of HKD ruling at balance sheet date used is RM0.4872.

6.9.1 Summarised Income Statements

		1.3.02 to 31.3.03	1.3.02 to 31.3.03	1.4.03 to 31.3.04	1.4.03 to 31.3.04	1.4.04 to 31.3.05	1.4.04 to 31.3.05
	Ref	HKD'000	RM'000	HKD'000	RM'000	HKD'000	RM'000
Revenue	(a)	19	9	35,443	17,267	15,798	7,697
Other operating income	(b)	-	-	8	4	289	141
Other operating and administrative expenses	(c)	(82)	(40)	(2,713)	(1,321)	(1,459)	(711)
(Loss)/profit before taxation		(63)	(31)	32,738	15,950	14,628	7,127
Taxation	(d)	-	-	-	-	-	-
Net (loss)/profit for the period		(63)	(31)	32,738	15,950	14,628	7,127
Gross (LPS)/EPS (HKD)/(RM)		**	**	3.27	1.59	1.46	0.71
Net (LPS)/EPS (HKD)/(RM)		**	**	3.27	1.59	1.46	0.71

** Denotes a gross and net LPS amount of 0.63 cents (equivalent to 0.31 sen)

- (a) ECML SecLtd was relatively dormant up to the end of FPE 2003 since incorporation. Revenue generally comprised placement fee income, commission from securities dealing on overseas exchanges, interest and other fee income.
- (b) The significant increase in other operating income for FYE 2005 was mainly due to foreign exchange fluctuation gains.
- (c) Other operating expenses have increased in FYE 2004 and 2005 due to the commencement of the company's principal activities of securities dealing in FYE 2004.
- (d) For FPE 2003, there was no tax charge as ECML SecLtd had no assessable profit. There was no tax charge for FYE 2004 and 2005 as ECML SecLtd's income is derived from overseas sources which is not liable to profits tax in Hong Kong.

6.9.2 Summarised Balance Sheet

	31.3.03 HKD'000	31.3.03 RM'000	31.3.04 HKD'000	31.3.04 RM'000	31.3.05 HKD'000	31.3.05 RM'000
Current Assets	9,958	4,852	91,775	44,712	11,844	5,770
Less : Current Liabilities	21	11	49,160	23,950	1,424	694
Net Current Assets	9,937	4,841	42,615	20,762	10,420	5,076
Financed By:						
Share capital	10,000	4,872	10,000	4,872	10,000	4,872
(Accumulated losses)/						
Retained profits	(63)	(31)	32,615	15,890	420	204
Shareholders' funds	9,937	4,841	42,615	20,762	10,420	5,076
NTA per share (HKD)/(RM)	0.99	0.48	4.26	2.08	1.04	0.51

6.9.3 Statement of Assets and Liabilities

The statement of assets and liabilities of ECML SecLtd based on its latest audited financial statements as at 31 March 2005 is as set out below:

	Ref	31.3.05 HKD'000	31.3.05 RM'000
Current Assets			
Debtors and prepayments	(a)	329	160
Due from ECMLH	(b)	836	407
Due from other related companies	(b)	55	27
Cash and cash equivalents	(c)	10,624	5,176
		<u>11,844</u>	<u>5,770</u>
Current Liabilities			
Creditors and accruals	(d)	<u>1,424</u>	<u>694</u>
Net Current Assets		<u>10,420</u>	<u>5,076</u>
Financed By:			
Share capital		10,000	4,872
Retained profits		420	204
Shareholders' funds		<u>10,420</u>	<u>5,076</u>

- (a) Debtors and prepayments of ECML SecLtd mainly comprised sundry debtors and prepayments. Included in sundry debtors and prepayments are interest receivable and a refundable statutory deposit paid to the Securities and Futures Commission of Hong Kong for the application of a dealers' licence.
- (b) The amounts due from ECMLH and other related companies are unsecured, interest free and have no fixed term of repayment.

(c) Cash and cash equivalents comprised:

	31.3.05 HKD'000	31.3.05 RM'000
Cash at bank		
- general account	9,661	4,707
- segregated accounts	963	469
	<u>10,624</u>	<u>5,176</u>

(d) Creditors and accruals of ECML SecLtd comprised the following:

	31.3.05 HKD'000	31.3.05 RM'000
Cash clients	961	468
Sundry creditors and accruals	463	226
	<u>1,424</u>	<u>694</u>

6.9.4 Cash Flow Statement for the financial year ended 31 March 2005

	31.3.05 HKD'000	31.3.05 RM'000
Cash Flows From Operating Activities		
Profit before taxation	14,628	7,127
Adjustment for exchange gain	(285)	(138)
Profit before taxation before working capital changes	<u>14,343</u>	<u>6,989</u>
Decrease in trade and other receivables	35,485	17,287
Decrease in amount due from a fellow subsidiary	7,023	3,421
Decrease in creditors and accruals	(47,732)	(23,255)
Decrease in amount due to a fellow subsidiary	(4)	(2)
Net cash generated from operating activities	<u>9,115</u>	<u>4,440</u>
Cash Flows From Financing Activities		
Dividends paid	<u>(46,538)</u>	<u>(22,673)</u>
Net increase in cash and cash equivalents	<u>(37,423)</u>	<u>(18,233)</u>
Cash and cash equivalents at beginning of year	<u>48,047</u>	<u>23,409</u>
Cash and cash equivalents at end of year	<u>10,624</u>	<u>5,176</u>
Cash and cash equivalents comprise:		
Cash at bank		
- general account	9,661	4,707
- segregated accounts	963	469
	<u>10,624</u>	<u>5,176</u>

6.10 HISTORICAL FINANCIAL PERFORMANCE OF ECMLP

The historical financial information of ECMLP as set out below is based on its audited financial statement for the five (5) FYE 30 June 2001 and 2002, FPE 31 March 2003 and FYE 31 March 2004 and 2005.

6.10.1 Summarised Income Statements

		1.7.00 to 30.6.01 RM'000	1.7.01 to 30.6.02 RM'000	1.7.02 to 31.3.03 RM'000	1.4.03 to 31.3.04 RM'000	1.4.04 to 31.3.05 RM'000
	Ref					
Revenue	(a)	-	-	-	587	3,026
Other operating income	(b)	-	-	8	21	89
Operating expenses	(c)	(4)	(2)	(8)	(68)	(187)
Finance costs	(d)	-	-	-	(249)	(1,795)
(Loss)/profit before taxation		(4)	(2)	*	291	1,133
Taxation	(e)	-	-	(1)	(70)	(266)
Net (loss)/profit for the year/ period		(4)	(2)	(1)	221	867
Gross EPS/(LPS) (RM)		(2,000)	(1,000)	**	0.58	2.27
Net EPS/(LPS) (RM)		(2,000)	(1,000)	**	0.44	1.73

* Loss before taxation is less than RM1,000.

** The Net LPS is less than RM0.01.

- (a) There were no revenue recognised for FPE 2001, FYE 2002 and 2003 as ECMLP had not commenced operations since its incorporation on 21 April 1999. For FYE 2004 and 2005, revenue is mainly derived from interest income earned on the company's credit services.
- (b) Other operating income predominantly comprised interest income from placement of fixed deposits with financial institutions.
- (c) Other operating expenses have increase in FYE 2004 and 2005 due to the commencement of the provision of credit services.
- (d) Finance costs relates to interest expense incurred on external third party borrowings as well as financing and advances received from related companies.
- (e) The taxation charge for FPE 2003 was in respect of interest income received. The effective tax rate for FYE 2004 was slightly lower than the standard statutory Malaysian income tax rate of 28% due to a tax incentive given for companies with a paid-up capital of less than RM2.5 million, whereby the first chargeable income of RM500,000 is taxed at 20% instead of 28%. For FYE 2005, the effective tax rate was increased slightly from FYE 2004 due to certain expenses not deductible for tax purposes.

6.10.2 Summarised Balance Sheets

	30.6.01 RM'000	30.6.02 RM'000	31.3.03 RM'000	31.3.04 RM'000	31.3.05 RM'000
Current Assets	-	-	488	5,098	42,596
Less : Current Liabilities	12	14	3	4,392	41,023
Net Current (Liabilities)/Assets	(12)	(14)	485	706	1,573
Financed By:					
Share capital	*	*	500	500	500
(Accumulated losses)/ Retained profits	(12)	(14)	(15)	206	1,073
Shareholders' (deficit)/ funds	(12)	(14)	485	706	1,573
(NTL)/NTA per share (RM)	(6,000)	(7,000)	0.97	1.41	3.15

* Paid-up share capital of RM2 comprising 2 ordinary shares of RM1.00 each.

6.10.3 Statement of Assets and Liabilities

The statement of assets and liabilities of ECMLP based on its latest audited financial statements as at 31 March 2005 is as set out below:

	Ref	31.3.05 RM'000
Current Assets		
Due from ECMLIB	(a)	287
Trade receivables	(b)	35,399
Other receivables		346
Cash and bank balances	(c)	6,564
		<u>42,596</u>
Current Liabilities		
Borrowings	(d)	5,000
Due to ECM Libra	(a)	35,357
Due to ECMLC	(a)	29
Due to ECMLS	(a)	21
Sundry payables	(e)	549
Provision for taxation		67
		<u>41,023</u>
Net Current Assets		<u>1,573</u>
Financed By:		
Share capital		500
Retained profits		1,073
Shareholders' funds		<u>1,573</u>

- (a) The outstanding amounts due from/to related companies arose primarily from inter-company advances made and are unsecured, interest free and have no fixed term of repayment, except for the amount due to ECM Libra as at 31 March 2005 bears interest of 5.25% per annum.
- (b) Trade receivables relate to individuals and corporations to whom the company has granted credit facilities. Such credit facilities are generally reviewed and rolled-over on an annual basis and it is ECMLP's policy to require collateral of up to 2 times the amount of loan drawdown.
- (c) Cash and bank balances comprised:

	31.3.05
	RM'000
Cash at bank	112
Deposits with a licensed bank	6,452
	<u>6,564</u>
In relation to the deposits with a licensed bank:	
- Weighted average interest rate at end of financial year	2.63% per annum
- Average remaining maturity at balance sheet date	<u>9 days</u>

- (d) Borrowings relate to a revolving credit facility. The effective interest rate of the revolving credit is 5.0% per annum. There is no fixed term of repayment and it is secured by a corporate guarantee from ECM Libra.
- (e) Sundry payables comprised accrued expenses and accrued interest.

6.10.4 Cash Flow Statement for the financial year ended 31 March 2005

	31.3.05
	RM'000
Cash Flows From Operating Activities	
Profit before taxation representing net cash before	
working capital changes	1,133
Increase in amount due from holding company	35,359
Increase in amount due from/to other fellow subsidiaries	(4,349)
Increase in trade receivable	(34,234)
Increase in other receivables	(338)
Increase in sundry payables	295
Cash used in operations	<u>(2,134)</u>
Taxes paid	(225)
Net cash used in operating activities	<u>(2,359)</u>

	31.3.05
	RM'000
Cash Flow From Financing Activity	
Drawdown of borrowings	5,000
Net cash generated from financing activity	<u>5,000</u>
Net increase in cash and cash equivalents	2,641
Cash and cash equivalents at beginning of year	<u>3,923</u>
Cash and cash equivalents at end of year	<u><u>6,564</u></u>
Cash and cash equivalents comprised:	
Cash and bank balances	<u>6,564</u>

6.11 HISTORICAL FINANCIAL PERFORMANCE OF ECMLC

The historical financial information of ECMLC as set out below is based on its audited financial statements for the three (3) FYE 31 March 2003 to 2005.

6.11.1 Summarised Income Statements

		7.5.02 to 31.3.03 RM'000	1.4.03 to 31.3.04 RM'000	1.1.04 to 31.3.05 RM'000
	Ref			
Revenue	(a)	1,000	11,344	11,219
Other operating income	(b)	13	45	86
Other operating expenses	(c)	(1,336)	(7,124)	(5,961)
Profit/(loss) before taxation		(323)	4,265	5,344
Taxation	(d)	41	(2,232)	(493)
Net profit/(loss) for the period		<u>(282)</u>	<u>2,033</u>	<u>4,851</u>
Gross (LPS)/EPS (RM)		<u>(0.32)</u>	<u>4.26</u>	<u>5.34</u>
Net (LPS)/EPS (RM)		<u>(0.28)</u>	<u>2.03</u>	<u>4.85</u>

- (a) Revenue comprises fees earned from providing advisory services.
- (b) Other operating income predominantly consisted of interest income derived from deposits placed with licensed banks.
- (c) Other operating expenses mainly comprised personnel costs, depreciation charge, general and other administrative expenses.
- (d) There is no provision for taxation for the FPE 2003 as ECMLC was in a tax loss position. The tax credit in FPE 2003 is in relation to a deferred tax asset recognised. The effective tax rate for FYE 2004 was higher than the statutory tax rate of 28% mainly due to expenses which were not deductible for tax purposes. In FYE 2005, the effective tax rate was lower than the statutory tax rate mainly due to the recognition of deferred tax assets which were not recognised in previous financial years.

6.11.2 Summarised Balance Sheets

	31.3.03 RM'000	31.3.04 RM'000	31.3.05 RM'000
Non-Current Asset			
Property and equipment	96	371	1,394
Deferred tax assets	41	-	732
	<u>137</u>	<u>371</u>	<u>2,126</u>
Current Assets	1,145	5,249	3,711
Less : Current Liabilities	<u>564</u>	<u>3,827</u>	<u>2,835</u>
Net Current Assets	<u>581</u>	<u>1,422</u>	<u>876</u>
	<u>718</u>	<u>1,793</u>	<u>3,002</u>
Financed By:			
Share capital	1,000	1,000	1,000
(Accumulated loss)/Retained profits	<u>(282)</u>	<u>751</u>	<u>2,002</u>
Shareholders' funds	<u>718</u>	<u>1,751</u>	<u>3,002</u>
Deferred tax liabilities	-	42	-
	<u>718</u>	<u>1,793</u>	<u>3,002</u>
NTA per share (RM)	<u>0.72</u>	<u>1.75</u>	<u>3.00</u>

6.11.3 Statement of Assets and Liabilities

The statement of assets and liabilities of ECMLC based on its latest audited financial statements as at 31 March 2005 is as set out below:

	Ref	31.3.05 RM'000
Non-Current Asset		
Property and equipment	(a)	1,394
Deferred tax assets	(b)	<u>732</u>
		<u>2,126</u>
Current Assets		
Due from ECM Libra	(c)	1
Due from ECMLH	(c)	19
Due from ECMLP	(c)	29
Due from ECMLCM	(c)	4
Due from South Peninsular Capital Sdn Bhd	(c)	4
Trade receivables	(d)	662
Other receivables	(e)	1,649
Cash and cash equivalents	(f)	<u>1,343</u>
		<u>3,711</u>

	Ref	31.3.05 RM'000
Current Liabilities		
Other payables	(g)	2,600
Due to ECMLS	(c)	235
		<u>2,835</u>
Net Current Assets		<u>876</u>
		<u>3,002</u>
Financed By:		
Share capital		1,000
Retained profits		2,002
Shareholders' funds		<u>3,002</u>

(a) Details of property and equipment are as follows:

	Renovation RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment and computers RM'000	Total RM'000
Cost					
At 1 April 2004	-	152	4	273	429
Additions	481	89	480	162	1,212
At 31 March 2005	<u>481</u>	<u>241</u>	<u>484</u>	<u>435</u>	<u>1,641</u>
Accumulated Depreciation					
At 1 April 2004	-	22	1	35	58
Depreciation charge	12	33	73	71	189
At 31 March 2005	<u>12</u>	<u>55</u>	<u>74</u>	<u>106</u>	<u>247</u>
Net Book Value					
At 31 March 2005	<u>469</u>	<u>186</u>	<u>410</u>	<u>329</u>	<u>1,394</u>

(b) The components of the net deferred tax assets and liabilities as at 31.3.05 are as follows:

	31.3.05 RM'000
Components of deferred tax assets:	
Provisions	269
Other payables and accruals	545
	<u>814</u>
Component of deferred tax liabilities:	
Accelerated capital allowances	<u>(82)</u>
Net deferred tax assets	<u>732</u>

- (c) All of the amounts due from/to related companies are unsecured, interest free and have no fixed terms of repayment.
- (d) Trade receivables comprised corporate advisory clients of the company.
- (e) Other receivables can be analysed as follows:

	31.3.05
	RM'000
Sundry debtors and utilities deposits	126
Tax recoverable	1,502
Prepayments	21
	<u>1,649</u>

- (f) Cash and cash equivalents comprised:

	31.3.05
	RM'000
Cash on hand and at bank	236
Deposits with licensed banks	1,107
	<u>1,343</u>

In relation to the deposits with licensed banks:

- Weighted average interest rate at end of financial year	3% per annum
- Average remaining maturity at balance sheet date	<u>6 days</u>

- (g) Other payables comprised the following:

	31.3.05
	RM'000
Provision for bonus	1,948
Accrued expenses	613
Service tax payable	39
	<u>2,600</u>

6.11.4 Cash Flow Statement for the financial year ended 31 March 2005

	31.3.05 RM'000
Cash Flows From Operating Activities	
Profit before taxation	5,344
Adjustment for:	
Interest income	(83)
Provision for doubtful debts	960
Depreciation	190
Operating profit before working capital changes	6,411
Decrease in due from/to other related companies	28
Decrease in due from/to fellow subsidiaries	806
Decrease in trade receivables	666
Increase in other receivables	(19)
Decrease in other payables	(1,227)
Cash generated from operations	6,665
Interest received	83
Taxes paid	(2,700)
Net cash generated from operating activities	4,048
Cash Flow From Investing Activity	
Purchase of property, plant and equipment	(1,213)
Net cash used in investing activity	(1,213)
Cash Flow From Financing Activity	
Dividends paid	(3,600)
Net cash used in financing activity	(3,600)
Net increase in cash and cash equivalents	(765)
Cash and cash equivalents at beginning of year	2,108
Cash and cash equivalents at end of year	1,343
Cash and cash equivalents comprised:	
Cash on hand and at bank	236
Deposits with licensed banks	1,107
	1,343

6.12 HISTORICAL FINANCIAL PERFORMANCE OF ECMLCM

The historical financial information of ECMLCM as set out below is based on its audited financial statement for the five (5) FYE 31 March 2001 to 2005.

6.12.1 Summarised Income Statements

The summarised income statement of ECMLCM as set out below is based on its audited financial statements for the financial years ended 31 March 2001 to 2005:

		31.3.01	31.3.02	31.3.03	31.3.04	31.3.05
	Ref	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	(a)	480	100	45	36	-
Other income	(b)	47	43	25	20	36
Staff costs		(315)	(81)	(55)	(36)	-
Other operating expenses		(230)	(78)	(16)	(18)	(19)
(Loss)/profit before taxation		(18)	(16)	(1)	2	17
Taxation	(c)	-	-	-	*	(7)
Net (loss)/profit for the year		(18)	(16)	(1)	2	10
Gross (LPS)/EPS (sen)		(0.9)	(0.8)	(0.05)	0.1	0.85
Net (LPS)/EPS (sen)		(0.9)	(0.8)	(0.05)	0.1	0.50

* Denotes an amount less than RM1,000.

- (a) Revenue comprises fees earned from the provision of fund management services.
- (b) Other income predominantly consisted of interest income derived from deposits placed with financial institutions.
- (c) There was no tax charge for FYE 2001 to 2003 as the company was in tax loss positions. The effective tax rate in FYE 2005 was higher than the Malaysian statutory income tax rate mainly due to expenses not deductible for tax purposes. Subject to the agreement by the IRB, the unabsorbed business losses and unutilised capital allowances available to ECMLCM as at 31 March 2005 were approximately RM33,000 and RM2,000 respectively.

6.12.2 Summarised Balance Sheets

	31.3.01	31.3.02	31.3.03	31.3.04	31.3.05
	RM'000	RM'000	RM'000	RM'000	RM'000
Non-Current Asset					
Property and equipment	-	-	-	-	-
Current Assets	2,415	2,283	2,326	2,324	2,303
Less : Current Liabilities	122	6	50	46	15
Net Current Assets	2,293	2,277	2,276	2,278	2,288
	2,293	2,277	2,276	2,278	2,288
Financed By:					
Share capital	2,000	2,000	2,000	2,000	2,000
Retained profits	293	277	276	278	288
Shareholders' funds	2,293	2,277	2,276	2,278	2,288
NTA per share (RM)	1.15	1.14	1.14	1.14	1.14

6.11.3 Statement of Assets and Liabilities

The statement of assets and liabilities of ECMLCM based on its latest audited financial statements as at 31 March 2005 is as set out below:

	Ref	31.3.05 RM'000
Non-Current Asset		
Property and equipment	(a)	-
Current Assets		
Sundry receivables		20
Deposits and bankers' acceptances	(b)	2,251
Cash on hand and at banks		32
		<u>2,303</u>
Current Liabilities		
Sundry payables		7
Tax payable		3
Due to ECMLC	(c)	4
Due to ECMLS	(c)	1
		<u>15</u>
Net Current Assets		<u>2,288</u>
		<u>2,288</u>
Financed By:		
Share capital		2,000
Retained profits		288
Shareholders' funds		<u>2,288</u>

(a) Included in property and equipment of ECMLCM are furniture and fittings costing RM4,850 which have been fully depreciated but still in use.

(b) Deposits and bankers' acceptances comprised the following:

	31.3.05 RM'000
Fixed deposits with licensed banks and other financial institutions*	672
Bankers' acceptances purchased from a licensed bank	1,579
	<u>2,251</u>

In relation to fixed deposits:

- Weighted average interest rate at balance sheet date	3% per annum
- Average remaining maturity at balance sheet date	17 days

In relation to bankers acceptances:

- Weighted average interest rate at balance sheet date	3% per annum
- Average remaining maturity at balance sheet date	<u>15 days</u>

* Included in fixed deposits is an amount of RM200,000 which has been pledged to a licensed bank as security deposit pursuant to Section 23 of the Securities Industries Act, 1983.

(c) The amounts due to ECMLC and ECMLS are unsecured, interest-free and had no fixed terms of repayment.

6.12.4 Cash Flow Statement for the financial year ended 31 March 2005

	31.3.05
	RM'000
Cash Flows From Operating Activities	
Profit before taxation	17
Adjustment for:	
Interest income	(36)
Operating loss before working capital changes	(19)
Decrease in sundry receivables	35
Decrease in amount due from shareholders	1,596
Increase in amount due to subsidiaries of holding company	5
Decrease in sundry payables	(39)
Cash generated from operations	1,578
Interest received	36
Taxes paid	(5)
Net cash generated from operating activities	1,609
Net increase in cash and cash equivalents	1,609
Cash and cash equivalents at beginning of year	674
Cash and cash equivalents at end of year	2,283
 Cash and cash equivalents comprised:	
Deposits and bankers' acceptances	2,251
Cash on hand and at banks	32
	2,283

7. OTHER MATTERS

7.1 Contingent Liabilities

The management has represented that there were no contingent liabilities against the Acquiree Companies as at 31 March 2005.

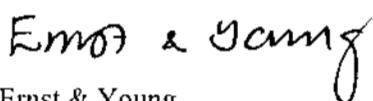
7.2 Significant Events

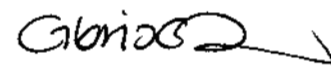
On 1 June 2005, ECMLS declared an interim dividend of 54.95%, less taxation of 28%, amounting to approximately RM40 million for the financial year ended 31 March 2006.

7.3 Audited Financial Statements

No audited financial statements of the Acquiree Companies have been prepared in respect of any period subsequent to their respective financial year/period ended 31 March 2005.

Yours faithfully,


Ernst & Young
AF: 0039
Chartered Accountants


Gloria Goh Ewe Gim
No. 1685/04/07(J)
Partner

Kuala Lumpur, Malaysia