

AmFinance Berhad
(8515-D)(Incorporated in Malaysia • Licensed Finance Company)
and its subsidiary companies

BALANCE SHEETS
AS AT 30 SEPTEMBER 2004

	The Group		The Company	
	As at	As at	As at	As at
	30.09.04	31.03.04	30.09.04	31.03.04
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Cash and short-term funds	2,101,964	3,054,767	2,097,912	3,052,558
Deposits and placements with financial institutions	261,339	19,230	261,241	19,132
Dealing securities	89,606	256,059	89,606	256,059
Investment securities	1,780,059	1,918,590	1,779,770	1,918,301
Loans, advances and financing	27,237,892	26,048,864	27,244,983	26,057,137
Other assets	149,860	165,639	155,768	169,219
Deferred Tax Assets	662,972	730,733	662,972	730,733
Statutory deposit with Bank Negara Malaysia	959,317	923,736	959,317	923,736
Investment in subsidiary companies	-	-	29,779	29,779
Investment in associated companies	332	250	150	150
Property and equipment	396,198	424,599	346,500	374,476
TOTAL ASSETS	33,639,539	33,542,467	33,627,998	33,531,280
LIABILITIES AND SHAREHOLDER'S FUNDS				
Deposits from customers	19,684,014	20,411,793	19,685,690	20,413,587
Deposits and placements of banks and other financial institutions	6,344,139	5,063,411	6,344,139	5,063,411
Obligation on securities sold under repo	4,883	274,991	4,883	274,991
Amount due to Cagamas Berhad	3,331,105	3,675,607	3,331,105	3,675,607
Other liabilities	851,353	825,929	847,755	821,008
Subordinated Term Loan	680,000	680,000	680,000	680,000
Subordinated Bonds	200,000	200,000	200,000	200,000
Total Liabilities	31,095,494	31,131,731	31,093,572	31,128,604
Minority interests	98	101	-	-
Share Capital	528,402	528,402	528,402	528,402
Reserves	2,015,545	1,882,233	2,006,024	1,874,274
Total Shareholder's Funds	2,543,947	2,410,635	2,534,426	2,402,676
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS	33,639,539	33,542,467	33,627,998	33,531,280
COMMITMENTS AND CONTINGENCIES				
	5,384,816	4,361,007	5,384,716	4,360,907
CAPITAL ADEQUACY (%)				
Core capital ratio	6.90%	6.48%	6.87%	6.46%
Risk-weighted capital ratio	11.64%	11.01%	11.51%	10.88%
Net tangible assets per share (RM)	4.81	4.56	4.80	4.55

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**CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 30 SEPTEMBER 2004**

	The Group		The Company	
	6 months ended		6 months ended	
	30.09.04	30.09.03	30.09.04	30.09.03
	RM'000	RM'000	RM'000	RM'000
Interest income	960,403	1,049,670	960,738	1,050,116
Interest expense	(479,551)	(515,813)	(479,577)	(515,847)
Net interest income	480,852	533,857	481,161	534,269
Net income from Islamic Banking Scheme	164,805	81,751	164,805	81,751
Non-interest income	18,764	18,529	17,578	18,263
Operating income	664,421	634,137	663,544	634,283
Staff costs and overheads	(235,502)	(232,197)	(236,491)	(235,101)
Profit before allowances	428,919	401,940	427,053	399,182
Loan and financing loss and allowances	(159,654)	(176,564)	(159,654)	(176,564)
Transfer to profit equalisation reserve	(29,449)	(11,211)	(29,449)	(11,211)
(Allowance) / Writeback of allowance for diminution in value of investments	(10,053)	11,222	(10,053)	11,222
Allowance for impairment loss of property	(28,386)	-	(28,386)	-
Profit before share in results of associated company and taxation	201,377	225,387	199,511	222,629
Share of profit in associated company	126	101	-	-
Profit before taxation	201,503	225,488	199,511	222,629
Taxation	(68,197)	129,638	(67,761)	130,043
Profit after taxation before minority interests	133,306	355,126	131,750	352,672
Minority shareholders' interests in results of subsidiary companies	6	1	-	-
Profit attributable to shareholder	<u>133,312</u>	<u>355,127</u>	<u>131,750</u>	<u>352,672</u>
Basic earnings per ordinary share (sen)	<u>25.23</u>	<u>67.21</u>	<u>24.93</u>	<u>66.74</u>

AmFinance Berhad
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**STATEMENTS OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2004**

	← <u>Non-distributable</u> →				→ <u>Distributable</u>	
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Capital Reserve RM'000	Unappropriated Profit RM'000	Total RM'000
The Group						
Balance as at 1 April 2004						
As previously stated	528,402	379,953	483,070	237,845	857,216	2,486,486
Prior year adjustments	-	-	-	29,497	(105,348)	(75,851)
As restated	528,402	379,953	483,070	267,342	751,868	2,410,635
Profit for the year	-	-	-	-	133,312	133,312
Transfer from capital reserve to unappropriated profit	-	-	-	(67,761)	67,761	-
Balance as at 30 September 2004	528,402	379,953	483,070	199,581	952,941	2,543,947
The Company						
Balance as at 1 April 2004						
As previously stated	528,402	379,953	483,070	237,845	849,257	2,478,527
Prior year adjustments	-	-	-	29,497	(105,348)	(75,851)
As restated	528,402	379,953	483,070	267,342	743,909	2,402,676
Profit for the year	-	-	-	-	131,750	131,750
Transfer from capital reserve to unappropriated profit	-	-	-	(67,761)	67,761	-
Balance as at 30 September 2004	528,402	379,953	483,070	199,581	943,420	2,534,426

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NOTES

1. ACCOUNTING POLICIES AND METHOD OF COMPUTATION

The financial statements of the Group and Company have been prepared and presented on a basis consistent with the accounting policies as stated in the annual financial statements ended 31 March 2004 of the Group and Company except for the change in accounting policy on hire purchase handling fee.

During the financial period, the Group and the Company changed its accounting policy on handling fees. In the previous years, handling fees paid to motor vehicle dealers for hire purchase loans and financing approved and disbursed after 1 January 2004 were expensed off to income statements in the period in which the handling fees were incurred, whereas handling fees paid to motor vehicle dealers for hire purchase loans and financing approved and disbursed prior to 1 January 2004 were amortised to the income statements over the tenor of the hire purchase loans using the "sum-of-digits" method. During the current period, the Company changed its accounting policy to fully expense off all handling fees paid in the period incurred.

The accounting change has been accounted for retrospectively and the effects on prior years have been taken up as prior year adjustments in the financial statements.

Certain comparative figures have been adjusted/reclassified as a result of the following:

- a) The change in accounting policy in respect of handling fees on hire purchase loans
- b) The reclassification of handling fees expense from staff costs and overheads to interest and dividend expense

	As previously stated RM'000	Prior year Adjustments RM'000	Reclassification RM'000	As restated RM'000
The Group				
As at 31 March 2004				
Other assets	270,987	(105,348)		165,639
Deferred tax assets	701,236	29,497		730,733
Reserves	<u>1,958,084</u>	(75,851)		<u>1,882,233</u>
For the half year ended 30 September 2003				
Interest expense	(498,895)		(16,918)	(515,813)
Net Income from Islamic Banking Scheme	111,588		(29,837)	81,751
Staff cost and overheads	(255,339)	(23,613)	46,755	(232,197)
Taxation	123,026	6,612		129,638
Earning per share (sen) - Basic	<u>70.43</u>	(3.22)		<u>67.21</u>

	As previously stated RM'000	Prior year Adjustments RM'000	Reclassification RM'000	As restated RM'000
The Company				
As at 31 March 2004				
Other assets	274,567	(105,348)		169,219
Deferred tax assets	701,236	29,497		730,733
Reserves	<u>1,950,125</u>	(75,851)		<u>1,874,274</u>
For the half year ended 30 September 2003				
Interest expense	(498,929)		(16,918)	(515,847)
Net Income from Islamic Banking Scheme	111,588		(29,837)	81,751
Staff cost and overheads	(258,243)	(23,613)	46,755	(235,101)
Taxation	123,431	6,612		130,043
Earning per share (sen) - Basic	<u>69.96</u>	(3.22)		<u>66.74</u>

2. EXCEPTIONAL ITEMS

There were no exceptional items during the financial period.

3. EXTRAORDINARY ITEMS

There were no extraordinary items during the financial period.

4. TAXATION

Included in the taxation charge for the period are:

	The Group 6 months ended		The Company 6 months ended	
	<u>30.09.04</u> RM'000	<u>30.09.03</u> RM'000	<u>30.09.04</u> RM'000	<u>30.09.03</u> RM'000
Estimated current tax payable	(392)	(416)	-	-
Over provision of current taxation in respect of prior years	-	31	-	-
Net transfer (from) / to deferred taxation	(67,761)	130,043	(67,761)	130,043
Share in taxation of associated company	<u>(44)</u>	<u>(20)</u>	<u>-</u>	<u>-</u>
Taxation (expense) / credit	<u>(68,197)</u>	<u>129,638</u>	<u>(67,761)</u>	<u>130,043</u>

The tax credit of the Group and the Company for the financial period ended 30 September 2003 was due to recognition of additional deferred tax credit on unabsorbed tax losses brought forward as a result of the full adoption of the MASB 25 – Income Taxes.

The effective tax rate of the Group and the Company for the current financial period are higher than the statutory tax rate due to certain expenses being disallowed for tax purposes.

5. **PRE-ACQUISITION PROFITS**

There were no pre-acquisition profits during the financial period.

6. **SALE OF INVESTMENTS AND PROPERTIES**

Gain on sale of investments for the financial period were as follows:

The Group and the Company	6 months ended	
	30.09.04	30.09.03
	RM'000	RM'000
(Allowance) / Writeback of allowance for diminution in value of investments	(10,053)	11,222
Gain/(Loss) on sale of investments	<u>(7,024)</u>	<u>(7,591)</u>

7. **QUOTED INVESTMENTS**

This note is not applicable to financial institutions.

8. **CHANGES IN THE COMPOSITION OF THE GROUP AND THE COMPANY**

There were no changes during the financial period.

9. **STATUS OF CORPORATE PROPOSALS**

There were no new corporate proposals during the financial period.

10. **SEASONALITY AND CYCLICALITY OF OPERATIONS**

The operations of the Group and the Company are not subject to seasonal or cyclical fluctuations.

11. **ISSUANCE AND REPAYMENT OF DEBT AND EQUITY**

There were no issuance and repayment of debt and equity during the financial period.

12. DEPOSITS AND PLACEMENTS AND BORROWINGS

	The Group		The Company	
	As at 30.09.04 RM'000	As at 31.03.04 RM'000	As at 30.09.04 RM'000	As at 31.03.04 RM'000
(i) Deposits from customers				
Due within one year	18,443,288	19,389,488	18,444,964	19,391,282
More than one year	<u>1,240,726</u>	<u>1,022,305</u>	<u>1,240,726</u>	<u>1,022,305</u>
	<u>19,684,014</u>	<u>20,411,793</u>	<u>19,685,690</u>	<u>20,413,587</u>
(ii) Deposits and placements of banks and other financial institutions				
Due within one year				
- Interbank borrowing *	192,950	200	192,950	200
- Others	<u>4,058,586</u>	<u>3,353,479</u>	<u>4,058,586</u>	<u>3,353,479</u>
	4,251,536	3,353,679	4,251,536	3,353,679
More than one year				
- Others	<u>2,092,603</u>	<u>1,709,732</u>	<u>2,092,603</u>	<u>1,709,732</u>
	<u>6,344,139</u>	<u>5,063,411</u>	<u>6,344,139</u>	<u>5,063,411</u>
Recap:				
Interbank lending	2,144,141	2,952,432	2,144,141	2,952,432
* Interbank borrowing	<u>192,950</u>	<u>200</u>	<u>192,950</u>	<u>200</u>
Net interbank lending	<u>1,951,191</u>	<u>2,952,232</u>	<u>1,951,191</u>	<u>2,952,232</u>
(iii) Obligation on securities sold under repo				
Due within one year	<u>4,883</u>	<u>274,991</u>	<u>4,883</u>	<u>274,991</u>
(iv) Unsecured Subordinated Term Loan				
More than one year	<u>680,000</u>	<u>680,000</u>	<u>680,000</u>	<u>680,000</u>
(v) Redeemable Unsecured Subordinated Bonds				
More than one year	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>

13. COMMITMENT AND CONTINGENCIES

In the normal course of business, the Group and the Company make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Group's and the Company's assets.

The risk-weighted exposures of the Group and the Company are as follows:

The Group	As at 30.09.04		As at 31.03.04	
	Principal Amount RM'000	Credit Equivalent Amount* RM'000	Principal Amount RM'000	Credit Equivalent Amount* RM'000
Direct credit substitutes	30,576	30,576	81,045	81,045
Transaction-related contingent items	616	308	616	308
Unpaid portion of partly paid shares	250	250	250	250
Islamic financing sold to Cagamas Berhad with recourse	493,510	493,510	-	-
Irrevocable commitments to extend credit:				
- Maturing less than one year	2,861,454	-	2,880,399	-
- Maturing more than one year	568,410	284,205	568,697	284,349
Interest rate swap contracts				
- Maturing within one year	80,000	155	30,000	75
- Maturing more than one year	1,350,000	24,000	800,000	13,230
Total	5,384,816	833,004	4,361,007	379,257

The Company	As at 30.09.04		As at 31.03.04	
	Principal Amount RM'000	Credit Equivalent Amount* RM'000	Principal Amount RM'000	Credit Equivalent Amount* RM'000
Direct credit substitutes	30,576	30,576	81,045	81,045
Transaction-related contingent items	616	308	616	308
Unpaid portion of partly paid shares	150	150	150	150
Islamic financing sold to Cagamas Berhad with recourse	493,510	493,510	-	-
Irrevocable commitments to extend credit:				
- Maturing less than one year	2,861,454	-	2,880,399	-
- Maturing more than one year	568,410	284,205	568,697	284,349
Interest rate swap contracts				
- Maturing within one year	80,000	155	30,000	75
- Maturing more than one year	1,350,000	24,000	800,000	13,230
Total	5,384,716	832,904	4,360,907	379,157

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

The Company is contingently liable in respect of Islamic financing sold to Cagamas Berhad on the condition that the Company undertakes to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on prudent criteria.

14. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

As at 30 September, 2004, the value of off balance sheet financial instruments by remaining period to maturity are as follows:

The Group and the Company

Item	Principal Amount RM'000	1 mth or less RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	>5 years RM'000	Margin requirement RM'000
Interest rate swap contracts	1,430,000	-	-	30,000	50,000	1,350,000	-	-
Total	1,430,000	-	-	30,000	50,000	1,350,000	-	-

The Group and the Company uses the interest rate swaps as a hedging instrument. Interest income or interest expense associated with interest rate swaps is recognised over the life of the swap agreement as a component of interest income or interest expense.

15. MATERIAL LITIGATION

There are no material litigations. For pending litigations, please refer to Note 23.

16. SEGMENTAL INFORMATION

A. BY ACTIVITY

The Group 30 September 2004	Finance RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Revenue				
External revenue	1,240,097	214	-	1,240,311
Inter-segment revenue	<u>335</u>	<u>2,628</u>	<u>(2,963)</u>	<u>-</u>
Total revenue	<u>1,240,432</u>	<u>2,842</u>	<u>(2,963)</u>	<u>1,240,311</u>
Results				
Profit from operations	199,511	1,482	384	201,377
Share of profits of associated company				<u>126</u>
Profit before tax				201,503
Taxation				<u>(68,197)</u>
Profit after taxation				<u>133,306</u>
Other information				
Capital additions	26,971	-	-	26,971
Depreciation	22,179	408	18	22,605
Loan and financing loss and allowance (net of recoveries)	159,654	-	-	159,654
Allowance for value impairment on amount recoverable from Danaharta	-	-	-	-
Writeback of allowance / (allowance) for diminution in value of investments	10,053	-	-	10,053
Accretion of discounts less amortisation of premium	(3,506)	-	-	(3,506)
Property and equipment written off	3,557	-	-	3,557
Impairment of property and equipment – freehold land and building	28,386	-	-	<u>28,386</u>
Consolidated Balance Sheet				
Assets				
Segment assets	33,627,848	89,931	(78,572)	33,639,207
Investment in associated companies	150	-	182	<u>332</u>
Consolidated total assets				<u>33,639,539</u>
Liabilities				
Segment liabilities	31,093,572	158,490	(156,568)	<u>31,095,494</u>
Consolidated total liabilities				<u>31,095,494</u>

The Group 30 September 2003	Finance RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Revenue				
External revenue	1,203,696	207	-	1,203,903
Inter-segment revenue	445	2,628	(3,073)	-
Total revenue	<u>1,204,141</u>	<u>2,835</u>	<u>(3,073)</u>	<u>1,203,903</u>
Results				
Profit from operations	222,629	2,776	(18)	225,387
Share of profits of associated company				101
Profit before tax				225,488
Taxation				<u>129,638</u>
Profit after taxation				<u>355,126</u>
Other information				
Capital additions	24,167	33	-	24,200
Depreciation	26,395	407	18	26,820
Loan and financing loss and allowance (net of recoveries)	134,224	-	-	134,224
Allowance for value impairment on amount recoverable from Danaharta	42,340	-	-	42,340
Writeback of allowance for diminution in value of investments	(11,222)	-	-	(11,222)
Accretion of discounts less amortisation of premium	(12,032)	-	-	(12,032)
Property and equipment written off	180	-	-	180
Allowance for diminution in value of foreclosed properties	4,464	-	-	<u>4,464</u>
Consolidated Balance Sheet				
Assets				
Segment assets	33,276,313	94,152	(80,235)	33,290,230
Investment in associated companies	150	-	46	<u>196</u>
Consolidated total assets				<u>33,290,426</u>
Liabilities				
Segment liabilities	31,046,111	164,142	(157,095)	<u>31,053,158</u>
Consolidated total liabilities				<u>31,053,158</u>

The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia.

B. SEGMENTAL REPORTING ON LOANS, ADVANCES AND FINANCING ANALYSED BY THEIR ECONOMIC PURPOSES

The Group	As at 30.09.04		As at 31.03.04	
	RM'000	%	RM'000	%
Purchase of transport vehicles	15,732,800	52.3	14,391,180	51.3
Purchase of landed property of which:				
(a) Residential property	5,416,022	18.0	5,073,287	18.1
(b) Non-residential property	1,370,408	4.5	1,450,322	5.2
Construction	1,780,186	5.9	1,776,356	6.3
Consumption credit	1,979,914	6.6	1,674,165	6.0
Manufacturing	750,895	2.5	742,257	2.6
Purchase of securities	657,666	2.2	652,792	2.3
General commerce	732,734	2.4	681,355	2.4
Transport, storage and communication	380,241	1.3	373,583	1.3
Real estate	288,353	1.0	319,434	1.2
Finance, insurance and business services	317,963	1.1	312,900	1.1
Agriculture	311,528	1.0	273,401	1.0
Mining and quarrying	29,267	0.1	33,511	0.1
Electricity, gas and water	11,646	0.0	11,507	0.0
Others	317,149	1.1	313,480	1.1
Gross loans, advances and financing	30,076,772	<u>100.0</u>	28,079,530	<u>100.0</u>
Less:				
Islamic financing sold to Cagamas Berhad	493,510		-	
	<u>29,583,262</u>		<u>28,079,530</u>	

The Company

	As at 30.09.04		As at 31.03.04	
	RM'000	%	RM'000	%
Purchase of transport vehicles	15,732,800	52.3	14,391,180	51.3
Purchase of landed property				
of which:				
(a) Residential property	5,416,022	18.0	5,073,287	18.1
(b) Non-residential property	1,377,499	4.5	1,458,596	5.2
Construction	1,780,186	5.9	1,776,356	6.3
Consumption credit	1,979,914	6.6	1,674,165	6.0
Manufacturing	750,895	2.5	742,257	2.6
Purchase of securities	657,666	2.2	652,792	2.3
General commerce	723,698	2.4	672,318	2.4
Transport, storage and communication	380,241	1.3	373,583	1.3
Real estate	288,353	1.0	319,434	1.2
Finance, insurance and business services	317,963	1.1	312,900	1.1
Agriculture	311,528	1.0	273,401	1.0
Mining and quarrying	29,267	0.1	33,511	0.1
Electricity, gas and water	11,646	0.0	11,507	0.0
Others	317,149	1.1	313,480	1.1
Gross loans, advances and financing	30,074,827	<u>100.0</u>	28,078,767	<u>100.0</u>
Less:				
Islamic financing sold to Cagamas Berhad	493,510		-	
	<u>29,581,317</u>		<u>28,078,767</u>	

C. NON-PERFORMING LOANS AND FINANCING

Movements in non-performing loans and financing (including interest and income receivables) are as follows:

	The Group		The Company	
	30.09.04 RM'000	31.03.04 RM'000	30.09.04 RM'000	31.03.04 RM'000
Gross				
Balance at beginning of period/year	4,051,944	4,349,529	4,042,907	4,340,492
Non-performing during the period/year	602,875	1,599,089	602,875	1,599,089
Reclassification to performing loan and financing	(235,283)	(297,627)	(235,283)	(297,627)
Amount recovered	(200,219)	(490,210)	(200,219)	(490,210)
Debt equity conversion	(8,415)	(53,770)	(8,415)	(53,770)
Amount written off	(11,517)	(1,055,067)	(11,517)	(1,055,067)
Balance at end of period/year	4,199,385	4,051,944	4,190,348	4,042,907
Less:				
Specific allowance	(893,068)	(677,506)	(890,512)	(674,950)
Interest/Income-in-suspense	(1,025,245)	(947,905)	(1,018,765)	(941,425)
	(1,918,313)	(1,625,411)	(1,909,277)	(1,616,375)
Non-performing loans and financing (net)	<u>2,281,072</u>	<u>2,426,533</u>	<u>2,281,071</u>	<u>2,426,532</u>
Gross loans, advances and financing	30,076,772	28,079,530	30,074,827	28,078,767
Less:				
Specific allowance	(893,068)	(677,506)	(890,512)	(674,950)
Interest/Income-in-suspense	(1,025,245)	(947,905)	(1,018,765)	(941,425)
	(1,918,313)	(1,625,411)	(1,909,277)	(1,616,375)
Net loans, advances and financing	<u>28,158,459</u>	<u>26,454,119</u>	<u>28,165,550</u>	<u>26,462,392</u>
Ratio of net non-performing loans to loans, advances and financing	<u>8.10%</u>	<u>9.17%</u>	<u>8.10%</u>	<u>9.17%</u>

D. GENERAL ALLOWANCE, SPECIFIC ALLOWANCE AND INTEREST/INCOME-IN-SUSPENSE

Movements in the allowances for bad and doubtful debts and financing and interest/income-in-suspense accounts are as follows:

	The Group		The Company	
	30.09.04 RM'000	31.03.04 RM'000	30.09.04 RM'000	31.03.04 RM'000
General allowance				
Balance at beginning of period/year	405,255	388,705	405,255	388,705
Allowance made during the period/year	<u>21,802</u>	<u>16,550</u>	<u>21,802</u>	<u>16,550</u>
Balance at end of period/year	<u><u>427,057</u></u>	<u><u>405,255</u></u>	<u><u>427,057</u></u>	<u><u>405,255</u></u>
% of total loans less specific allowance and interest/income-in-suspense	<u>1.52%</u>	<u>1.53%</u>	<u>1.52%</u>	<u>1.53%</u>
Specific allowance				
Balance at beginning of period/year	<u>677,506</u>	<u>989,277</u>	<u>674,950</u>	<u>986,721</u>
Allowance made during the period/year	375,582	696,900	375,582	696,900
Amount written back in respect of recoveries	<u>(149,482)</u>	<u>(268,848)</u>	<u>(149,482)</u>	<u>(268,848)</u>
Net charge to income statement	226,100	428,052	226,100	428,052
Debt equity conversion	-	(49,387)	-	(49,387)
Amount written off / Adjustment to Asset Deficiency Account	<u>(10,538)</u>	<u>(690,436)</u>	<u>(10,538)</u>	<u>(690,436)</u>
Balance at end of period/year	<u><u>893,068</u></u>	<u><u>677,506</u></u>	<u><u>890,512</u></u>	<u><u>674,950</u></u>

	The Group		The Company	
	30.09.04	31.03.04	30.09.04	31.03.04
	RM'000	RM'000	RM'000	RM'000
Interest/Income-in-Suspense				
Balance at beginning of period/year	947,905	1,190,485	941,425	1,184,005
Allowance made during the period/year	170,645	487,270	170,645	487,270
Amount written back in respect of recoveries	(87,141)	(221,362)	(87,141)	(221,362)
Net charge to income statement	83,504	265,908	83,504	265,908
Debt equity conversion	(2,521)	(135,778)	(2,521)	(135,778)
Amount written off / Adjustment to Asset Deficiency Account	(3,643)	(372,710)	(3,643)	(372,710)
Balance at end of period/year	<u>1,025,245</u>	<u>947,905</u>	<u>1,018,765</u>	<u>941,425</u>

E. AMOUNT RECOVERABLE FROM DANAHARTA

Balance at beginning of period/year	-	67,497	-	67,497
Allowance made during the period/year	-	(62,794)	-	(62,794)
Amount recovered	-	(4,703)	-	(4,703)
Balance at end of period/year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

17. PERFORMANCE REVIEW ON THE RESULTS OF THE COMPANY AND THE GROUP FOR THE QUARTER AND PERIOD ENDED 30 SEPTEMBER 2004

The Quarter

The Group and the Company recorded a pre-tax profit of RM90.6 million and RM89.5 million respectively for the current quarter as compared to RM110.9 million and RM110.0 million respectively for the preceding quarter.

The decrease in pre-tax profit of the Group and the Company is mainly due to:-

- a) An allowance made for impairment loss on property amounting to RM28.4 million during the current quarter.

Partially mitigated by:

- b) A write-back of allowance of RM6.7 million for diminution in value of quoted shares due to improvement in market value, as compared to a provision of RM16.8 million made.
- c) A decrease in loan loss and allowances by RM14.4 million.

The Period

The Group and the Company recorded a Pre-tax profit of RM201.5 million and RM199.5 million respectively for the six months ended 30 September 2004 as compared to RM225.5 million and RM222.6 million respectively for the corresponding period last year.

The decrease in pre-tax profit of the Group and the Company is mainly due to:-

- a) A reduction in net interest income by RM53.0 million (Group) and RM53.1 million (Company) as a result of narrowing interest margins.
- b) An allowance made for impairment loss on property amounting to RM28.4 million during the current period.
- c) A provision of RM10.1 million made for diminution in value of quoted shares due to deterioration of market value, as compared to a write-back of allowance of RM11.2 million in the corresponding period last year.
- d) A higher amount transferred to Profit Equalization Reserve of RM29.5 million as compared to RM11.2 million in the last corresponding period

Partially mitigated by:

- e) A significant improvement in the net income from Islamic Banking Operations by RM83.1 million or 101.6%, as a result of significant loan growth of 53%. The loan growth was contributed mainly by financing for the purchase of transport vehicles.

- f) A reduction in loan loss and allowances by RM16.9 million as a result of no provision made for value impairment on amount recoverable from Danaharta in the current period as compared to RM42.3 million provision in the corresponding period last year. The amount recoverable from Danaharta has been fully provided as at December 2003. These are however partially mitigated by higher general provision (+ RM12.6 million) in the current period as a result of loan growth over the period and lower bad debt recovery (- RM16.8 million).

In the opinion of the directors, the results of the operations of the Group and the Company for the financial period have not been substantially affected by any item, transaction or event of a material and unusual nature.

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

18. PROSPECTS FOR CURRENT FINANCIAL YEAR

Based on expectations of growth in the economy, demand for consumer financing and loans for the Small and Medium Enterprises is expected to improve further. However, the intense competition within the banking industry is expected to result in narrowing interest margins. Demand for large business loans is expected to remain moderate given the increase usage of private debt securities as an alternative source of funding for large corporates.

The Company will focus on growing consumer loans especially for the purchase of residential properties, transport vehicles and financing the small and medium enterprises and continue to proactively manage its asset quality. Additionally, emphasis is placed on increasing fee based income and reorganizing its retail delivery channels through cross-servicing and cross-selling activities within the Ambank Group.

19. VARIANCE FROM PROFIT FORECAST AND SHORTFALL ON PROFIT GUARANTEE

This is not applicable to the Group and the Company.

20. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the current financial period.

21. EARNINGS PER SHARE

Basic

The basic earnings per ordinary share is calculated by dividing the net profit for the financial period attributable to shareholder of the Company by the weighted average number of ordinary shares in issue during the financial period.

	The Group 6 months ended		The Company 6 months ended	
	30.09.04 RM'000/ '000	30.09.03 RM'000/ '000	30.09.04 RM'000/ '000	30.09.03 RM'000/ '000
Net profit attributable to shareholders' of the Company	<u>133,312</u>	<u>355,127</u>	<u>131,750</u>	<u>352,672</u>
Number of ordinary shares at beginning and end of period	<u>528,402</u>	<u>528,402</u>	<u>528,402</u>	<u>528,402</u>
Basic earnings per share (sen)	<u>25.23</u>	<u>67.21</u>	<u>24.93</u>	<u>66.74</u>

Fully Diluted

This is not applicable to the Group and the Company as there was no issuable ordinary shares as at end of current and last corresponding financial period.

22. GOODWILL ON CONSOLIDATION

There is no goodwill on consolidation during the financial period.

23. PENDING LITIGATION

By a Vesting Order of the High Court of Malaya dated 21 May 2002 pursuant to Section 50 of the Banking And Financial Institutions Act, 1989, all rights and liabilities (including rights and liabilities under and or in respect of any past, pending or future litigation) accruing to, owed or incurred by AMFB Holdings in relation to its finance company business have been transferred to and assumed by the Company with effect from 15 June 2002 and AMFB Holdings shall cease to be liable in respect of such liabilities with effect therefrom. Therefore, the Company had assumed the rights and liabilities in respect of the following three (3) legal suits relating to the Highland Towers tragedy, whereby the plaintiffs had contended that AMFB Holdings caused or contributed to the collapse of Block 1 and forced evacuation of Blocks 2 and 3 of the Highland Towers.

On 31 May 2004, the Company, entered into a Settlement Agreement with the plaintiffs in respect of the legal suits in relation to the Highland Towers tragedy.

These legal suits are as follows:

- (i) A suit dated 15 October 1994 was filed by six individuals against AMFB Holdings and eight other defendants in relation to the collapse of a building in which AMFB Holdings is sued in its capacity as owner of the land adjacent to the building and for the acts and omissions of another company as alleged servant and/or agent of AMFB Holdings.

The claim against AMFB Holdings and eight other defendants based on negligence, nuisance and breach of statutory duty is for general damages, special damages, exemplary damages and/or aggravated damages. On 7 August 1998, the plaintiffs obtained an order whereby this suit was consolidated with the suit referred to in (ii) below. This suit has been adjourned sine die pending the disposal of the suit in (ii) below.

- (ii) A suit dated 5 December 1996 was filed by seventy-three parties against AMFB Holdings and nine other defendants in relation to two buildings in which AMFB Holdings is sued in its capacity as owner of the land adjacent to the buildings. The claim against AMFB Holdings and nine other defendants based on negligence, nuisance and breach of statutory duty is for general damages, special damages, exemplary damages and/or aggravated damages. Subsequently, judgement was delivered with partial liability of 30% apportioned to AMFB Holdings.

On 3 December 2002, the Court of Appeal dismissed the appeal by AMFB Holdings against the finding of liability by the High Court and had ordered that damages be assessed. The Court of Appeal has also excluded certain items of damage claimed by the plaintiffs.

On 2 January 2003, the Company filed an application for leave to appeal to the Federal Court against the finding of the Court of Appeal. The application for leave to appeal included an application for stay of the proceedings pertaining to the assessment of damages by the High Court. The application for leave to appeal came up for hearing on 4 February 2004, but was adjourned for a period of 6 months pending settlement negotiations with the plaintiffs in this suit as well as the plaintiffs in suit (i) above and in suit (iii) below.

- (iii) A suit dated 10 December 1996 was filed by sixty parties against AMFB Holdings and nine other defendants in relation to the collapse of a building in which AMFB Holdings is sued in its capacity as owner of the land adjacent to the building. The claim against AMFB Holdings and nine other defendants based on negligence, nuisance and breach of statutory duty is for general damages, special damages, exemplary and/or aggravated damages. Defence has been filed on 27 February 1998 and the case is pending trial.

On 7 August 1998, the plaintiffs obtained an order whereby this suit was consolidated with the suit referred to in (ii) above. This suit has been adjourned sine die pending the disposal of the suit in (ii) above.

The Company agreed to pay the plaintiffs a sum of RM52 million in full and final settlement of the suits and claims against AMFB Holdings, inclusive of costs, arising/or resulting whether directly or indirectly from the suits. In return for this settlement amount, the plaintiffs shall, among others, release and assign to the Company all their rights of action in the suits against Highland Properties Sdn Bhd (the developer of Highland Towers) as well as all their rights and title to their individual apartment units in Highland Towers and their rights to common property, unencumbered and free from claims of end financiers.

The Company had made full provision for the settlement sum of RM52 million in its accounts as at 31 March 2004, of which RM39 million has been paid during the current period.

24. CAPITAL ADEQUACY

The profit after taxation for the financial half year ended 30 September 2004 of the Company, had been subjected to a limited review by our external auditors in accordance with Technical Bulletin 4 issued by the Malaysian Institute of Accountants. The profit after taxation (excluding the effect of deferred tax asset) of the Company for the financial half year ended 30 September 2004 had been included in the capital base used in the computation of the Group's and the Company's Capital Adequacy Ratios respectively.