

EON CAPITAL BERHAD
(454644-K)

CONDENSED FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2004

	Unaudited	Audited
	30 June 2004	31 December 2003
	RM'000	RM'000
ASSETS		
Cash and short term funds	3,883,272	3,143,578
Deposits and placements with financial institutions	348,700	503,761
Dealing securities	87,276	161,168
Investment securities	3,703,219	4,443,270
Loans, advances and financing	21,757,398	21,288,355
Other assets	823,019	888,879
Statutory deposits with Bank Negara Malaysia	905,001	898,361
Property, plant and equipment	184,637	176,192
Tax recoverable	5,247	5,194
Deferred tax assets	135,182	132,124
TOTAL ASSETS	31,832,951	31,640,882
LIABILITIES AND SHAREHOLDERS' FUNDS		
Deposits from customers	21,523,577	20,878,018
Deposits and placements of banks and other financial institutions	4,913,788	5,594,009
Obligations on securities sold under repurchase agreements	213,781	402,119
Bills and acceptances payable	938,894	1,114,764
Amount due to Cagamas Berhad	273,218	572,168
Provision for taxation and zakat	73,834	71,010
Subordinated obligations	844,034	-
Other liabilities	345,688	404,015
Long term borrowings	291,598	290,563
TOTAL LIABILITIES	29,418,412	29,326,666
SHARE CAPITAL	693,209	693,209
RESERVES	1,721,330	1,621,007
SHAREHOLDERS' FUNDS	2,414,539	2,314,216
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	31,832,951	31,640,882
COMMITMENTS AND CONTINGENCIES	12,229,008	9,768,138
Net Tangible Assets per ordinary share (RM)	3.48	3.34

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2004

	<u>Individual quarter</u>		<u>Cumulative period</u>	
	<u>Current financial quarter ended 30 June 2004</u>	<u>Preceding year corresponding quarter ended 30 June 2003</u>	<u>Current financial period ended 30 June 2004</u>	<u>Preceding year corresponding period ended 30 June 2003</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Interest income	396,345	413,113	806,293	830,759
Interest expense	(204,590)	(209,973)	(406,972)	(421,889)
Net interest income	191,755	203,140	399,321	408,870
Income from Islamic Banking	31,042	24,371	60,746	43,377
	222,797	227,511	460,067	452,247
Loan and financing loss and provision	(47,536)	(42,498)	(105,892)	(84,476)
	175,261	185,013	354,175	367,771
Non-interest income (Note 16)	25,121	35,322	69,636	59,027
Net income	200,382	220,335	423,811	426,798
Overhead expenses	(112,906)	(116,585)	(232,616)	(223,447)
Profit before taxation and zakat	87,476	103,750	191,195	203,351
Taxation	(23,211)	(25,418)	(55,514)	(56,225)
Zakat	(1,486)	(1,233)	(2,916)	(2,455)
Net profit for the financial period	62,779	77,099	132,765	144,671
Earnings per share (sen) (Note 30)				
- Basic	9.06	11.12	19.15	20.87
- Diluted	9.06	11.12	19.15	20.87

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2004

	Issued and Fully paid Ordinary shares of RM1 each					
	Share Capital RM'000					
Balance as at 1 January 2004	693,209	1,066,296	165,096	200,897	188,718	2,314,216
Net profit for the financial period	-	-	-	-	132,765	132,765
Transfer to statutory reserve	-	-	27,193	-	(27,193)	-
Dividend in respect of financial year ended 31 December 2003	-	-	-	-	(32,442)	(32,442)
Balance as at 30 June 2004	693,209	1,066,296	192,289	200,897	261,848	2,414,539
Balance as at 1 January 2003	693,209	1,066,440	7,075	200,897	18,346	1,985,967
Listing expenses written off	-	(144)	-	-	-	(144)
Net profit for the financial period	-	-	-	-	144,671	144,671
Balance as at 30 June 2003	693,209	1,066,296	7,075	200,897	163,017	2,130,494

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2004

	Current Financial period ended 30 June 2004	Preceding year corresponding period ended 30 June 2003
	RM'000	RM'000
Cash Flow from Operating Activities		
Net profit for the financial period	132,765	144,671
Adjustments for investing and financing items not involving movement of cash and cash equivalents	171,873	146,474
Operating profit before working capital changes	304,638	291,145
Increase in operating assets	(336,706)	(859,542)
Increase/(decrease) in operating liabilities	(779,792)	622,010
Cash (used in)/generated from operating activities	(811,860)	53,613
Income tax paid	(58,656)	(67,770)
Income tax refunded	2,500	17,981
Net cash (used in)/generated from operating activities	(868,016)	3,824
Cash Flow from Investing Activities		
Proceeds from disposal of investment securities, net of purchases	752,042	(389,185)
Purchase of property, plant and equipment	(24,451)	(28,028)
Proceeds from disposal of property, plant and equipment	1,711	2,505
Interest/Dividend received from investment securities	94,107	92,881
Deposit paid for the acquisition of a subsidiary company	(17,000)	-
Net cash generated from/(used in) investing activities	806,409	(321,827)
Cash Flow from Financing Activities		
Net dividend paid	(32,442)	-
Proceeds from issuance of subordinated obligations	843,079	-
Interest payment on bonds	(9,336)	(9,349)
Listing expenses	-	(144)
Net cash generated from/(used in) financing activities	801,301	(9,493)
Net increase/(decrease) in cash and cash equivalents	739,694	(327,496)
Cash and cash equivalents		
- at beginning of financial period	3,143,578	2,221,890
- at end of financial period	3,883,272	1,894,394

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EXPLANATORY NOTES

Disclosure requirements pursuant to Malaysian Accounting Standards Board's Standard No. 26

1. Basis of Preparation

The interim financial report has been prepared in accordance with the Malaysian Accounting Standards Board's (MASB) Standard No. 26 (Interim Financial Reporting) and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group's financial statements for the financial year ended 31 December 2003.

The accounting policies and methods of computation adopted by the Group for the condensed interim financial statements are consistent with those adopted in its latest audited financial statements.

2. Audit Report

The audit report of the latest audited annual financial statements was not subject to any qualification.

3. Seasonality or Cyclicity of Operations

The business operations of the Group have not been affected by any material seasonal or cyclical factors.

4. Items Affecting Net Income and Cash Flow

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial period ended 30 June 2004.

5. Changes in Estimates

There were no significant changes in estimates arising from prior financial period/year that have a material effect on the financial results and position for the financial period ended 30 June 2004.

6. Issuance and Repayments

Other than the issuance of subordinated obligations by the Group as disclosed in Note 23, there were no cancellation, repurchase, resale or repayment of debt and equity securities during the current financial quarter/period under review.

7. Dividend Paid

The first and final gross dividend of 6.5 sen, less income tax of 28%, amounting to RM32,442,168 for the financial year ended 31 December 2003 was paid on 4 June 2004.

There were no interim dividend paid or declared in respect of financial year ending 31 December 2004 during the financial period ended 30 June 2004.

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EXPLANATORY NOTES

8. **Segment reporting**

(a) Segment revenue and segment results

<u>Group</u>	<u>Enterprise Banking</u> RM'000	<u>Retail Banking</u> RM'000	<u>Islamic Banking</u> RM'000	<u>Treasury and Investment Banking</u> RM'000	<u>Total</u> RM'000
<u>Current financial quarter ended 30 June 2004</u>					
Gross operating revenue ⁽¹⁾	105,822	274,646	51,804	53,346	485,618
Less: Inter-segment revenue ⁽²⁾	(15)	(2,781)	-	(127)	(2,923)
	105,807	271,865	51,804	53,219	482,695
Segment results	11,228	67,776	11,985	695	91,684
Unallocated costs					(4,208)
Profit before taxation and zakat					87,476
Taxation and zakat					(24,697)
Net profit for the financial period ended 30 June 2004					62,779
<u>Preceding year corresponding quarter ended 30 June 2003</u>					
Gross operating revenue ⁽¹⁾	117,368	303,474	59,699	37,937	518,478
Less: Inter-segment revenue ⁽²⁾	(199)	(2,467)	-	(27)	(2,693)
	117,169	301,007	59,699	37,910	515,785
Segment results	30,795	55,310	7,807	14,795	108,707
Unallocated costs					(4,957)
Profit before taxation and zakat					103,750
Taxation and zakat					(26,651)
Net profit for the financial period ended 30 June 2003					77,099

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EXPLANATORY NOTES

8. **Segment reporting (continued)**

(a) Segment revenue and segment results (continued)

<u>Group</u>	<u>Enterprise Banking</u> RM'000	<u>Retail Banking</u> RM'000	<u>Islamic Banking</u> RM'000	<u>Treasury and Investment Banking</u> RM'000	<u>Total</u> RM'000
<u>Current financial period ended 30 June 2004</u>					
Gross operating revenue ⁽¹⁾	224,182	566,827	97,434	92,371	980,814
Less: Inter-segment revenue ⁽²⁾	(31)	(5,393)	-	(232)	(5,656)
	<u>224,151</u>	<u>561,434</u>	<u>97,434</u>	<u>92,139</u>	<u>975,158</u>
Segment results	27,517	148,007	16,723	7,441	199,688
Unallocated costs					(8,493)
Profit before taxation and zakat					191,195
Taxation and zakat					(58,430)
Net profit for the financial period ended 30 June 2004					<u>132,765</u>
<u>Preceding year corresponding period ended 30 June 2003</u>					
Gross operating revenue ⁽¹⁾	238,335	572,916	110,617	100,433	1,022,301
Less: Inter-segment revenue ⁽²⁾	(853)	(6,673)	-	(679)	(8,205)
	<u>237,482</u>	<u>566,243</u>	<u>110,617</u>	<u>99,754</u>	<u>1,014,096</u>
Segment results	47,769	125,911	13,015	26,793	213,488
Unallocated costs					(10,137)
Profit before taxation and zakat					203,351
Taxation and zakat					(58,680)
Net profit for the financial period ended 30 June 2003					<u>144,671</u>

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8. **Segment reporting (continued)**

(b) Segment assets

<u>Group</u>	<u>Enterprise Banking</u> RM	<u>Retail Banking</u> RM'000	<u>Islamic Banking</u> RM'000	<u>Treasury and Investment Banking</u> RM'000	<u>Total</u> RM'000
<u>As at 30 June 2004</u>					
Segment assets	8,018,077	15,694,152	3,295,534	3,797,027	30,804,790
Unallocated assets					<u>1,028,161</u>
Total assets					<u><u>31,832,951</u></u>
<u>As at 31 December 2003</u>					
Segment assets	8,507,939	15,400,702	3,095,518	3,528,477	30,532,636
Unallocated assets					<u>1,108,246</u>
Total assets					<u><u>31,640,882</u></u>

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

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

No information by geographical segments is disclosed as the Group carried out its operations predominantly in Malaysia.

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EXPLANATORY NOTES

9. Loans, Advances and Financing

	Unaudited 30 June 2004	Audited 31 December 2003
	RM'000	RM'000
Overdrafts	2,787,784	2,797,140
Term loans		
- fixed rate	2,291,834	1,653,418
- floating rate	8,294,617	8,663,684
Hire purchase receivables	10,135,079	9,738,272
Lease receivables	5,239	5,311
Bills receivables	8,736	7,595
Trust receipts	123,007	86,911
Claims on customers under acceptance credits	1,335,156	1,252,682
Staff loans	218,476	216,156
Other loans	590,511	699,028
	<u>25,790,439</u>	<u>25,120,197</u>
Unearned interest and income	(2,658,276)	(2,570,189)
Gross loans, advances and financing	<u>23,132,163</u>	<u>22,550,008</u>
Provision for bad and doubtful debts and financing		
- Specific	(649,093)	(576,553)
- General	(396,698)	(390,107)
Interest-in-suspense/income-in-suspense	(328,974)	(294,993)
Net loans, advances and financing	<u>21,757,398</u>	<u>21,288,355</u>

a) Loans, Advances and Financing Analysed by Economic Sectors

	Unaudited 30 June 2004	Audited 31 December 2003
	RM'000	RM'000
Agriculture	164,744	180,526
Mining and quarrying	34,892	33,208
Manufacturing	2,083,426	2,011,785
Electricity, gas and water	70,887	69,240
Construction	1,543,809	1,569,520
(of which : Infrastructure)	176,268	255,638
Real estate	456,055	571,244
Purchase of landed property	5,701,709	5,516,783
(of which : (i) Residential	4,212,683	3,982,916
(ii) Non-residential)	1,489,026	1,533,867
General commerce	1,649,445	1,547,835
Transport, storage and communication	597,081	626,173
Finance, insurance and business services	573,472	432,754
Purchase of securities	739,686	694,379
Purchase of transport vehicles	7,907,396	7,571,432
Consumption credit	1,189,503	1,167,617
Others	420,058	557,512
	<u>23,132,163</u>	<u>22,550,008</u>

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EXPLANATORY NOTES

9. **Loans, Advances and Financing (continued)**

b) Non-performing Loans, Advances and Financing

	Unaudited 30 June 2004 RM'000	Audited 31 December 2003 RM'000
Balance as at 1 January	1,947,676	2,560,656
Non-performing during the financial period/year (gross)	486,552	948,695
Amount recovered/reclassified	(317,732)	(806,612)
Amount converted to investment securities	(22,300)	(352,158)
Amount written off	(60,347)	(402,905)
	<u>2,033,849</u>	<u>1,947,676</u>
Non-performing loans which have no adverse financial impact on the Group	(540,416)	(544,846)
	<u>1,493,433</u>	<u>1,402,830</u>
Balance as at 30 June 2004 / 31 December 2003		
Net non-performing loans, advances and financing	<u>820,251</u>	<u>814,504</u>
As % to total loans net of specific provision and interest-in-suspense/income-in-suspense	<u>3.74%</u>	<u>3.81%</u>

c) Loan Loss Provision

	Unaudited 30 June 2004 RM'000	Audited 31 December 2003 RM'000
<u>General provision</u>		
Balance as at 1 January	390,107	377,060
Provision made during the financial period/year	6,591	13,047
Balance as at 30 June 2004 / 31 December 2003	<u>396,698</u>	<u>390,107</u>
<u>Specific provision</u>		
Balance as at 1 January	576,553	744,687
Provisions made during the financial period/year	155,889	302,749
Provisions charged to deferred asset/other asset during the financial period/year	19,870	47,256
Amount written back in respect of recoveries/reclassification	(45,878)	(117,433)
Recoveries set-off against deferred asset	(4,109)	(16,847)
Amount transferred to provision for diminution in value of investment securities	-	(116,687)
Amount written off	(53,232)	(267,172)
Balance as at 30 June 2004 / 31 December 2003	<u>649,093</u>	<u>576,553</u>

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EXPLANATORY NOTES

9. **Loans, Advances and Financing (continued)**

c) **Loan Loss Provision (continued)**

	Unaudited 30 June 2004	Audited 31 December 2003
	RM'000	RM'000
<u>Interest-in-suspense/income-in-suspense</u>		
Balance as at 1 January	294,993	365,883
Provisions made during the financial period/year	86,500	189,163
Amount written back in respect of recoveries/reclassification	(42,983)	(107,623)
Amount transferred to provision for diminution in value of investment securities	(2,421)	(16,696)
Amount written off	(7,115)	(135,734)
Balance as at 30 June 2004 / 31 December 2003	328,974	294,993

10. **Valuation of Property, Plant and Equipment**

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

11. **Significant events during the financial period ended 30 June 2004**

- (a) On 21 January 2004, EON Bank Berhad, the commercial bank subsidiary, issued USD225 million (equivalent to RM855 million) nominal value Subordinated Notes ('Notes') with a fixed coupon rate of 5.375% per annum payable semi-annually in arrears in July and January each year and which mature on 21 January 2014 and callable on 21 January 2009. The salient terms and conditions of the Notes are disclosed in Note 23.
- (b) On 16 March 2004, Malaysian International Merchant Bankers Berhad, the merchant bank subsidiary, entered into a conditional share sale agreement with Edaran Otomobil Nasional Berhad, Ceria Alam Sdn Bhd and the Leong family for the proposed acquisition of the entire issued and paid-up capital of Leong and Company Sdn Bhd ("L&C"), comprising 20,000,000 ordinary shares of RM1.00 each in L&C, for a total cash consideration of RM170 million ('Proposed Acquisition'). The salient terms and conditions of the Proposed Acquisition are disclosed in our earlier announcement dated 13 May 2004.
- (c) On 29 May 2004, EON Bank Berhad, the commercial bank subsidiary, entered into conditional sale and purchase agreements with CCL (Cyclecarri) Properties Sdn Bhd ("CCL") for the proposed acquisition of "Wisma Cyclecarri" for a total cash consideration of RM140 million and with Century Gardens Sdn Bhd ("CGSB") for the proposed disposal of "Oriental Bank Building" for a total cash consideration of RM35 million respectively. The proposed acquisition and proposed disposal are inter-conditional upon one another. The salient terms and conditions of the Proposals are disclosed in Note 20.

12. **Significant Events Subsequent to the Balance Sheet Date**

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

Other than the above, there were no significant events subsequent to the balance sheet date that have not been disclosed in these condensed financial statements.

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EXPLANATORY NOTES

13. Changes in the composition of the Group

There were no significant changes in the composition of the Group for the financial period ended 30 June 2004.

14. Commitments and Contingencies

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

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

	Unaudited		Audited	
	30 June 2004		31 December 2003	
	Principal Amount	Credit Equivalent Amount*	Principal Amount	Credit Equivalent Amount*
	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	300,348	300,348	382,039	382,039
Certain transaction-related contingent items	612,625	306,313	679,048	339,524
Short term self-liquidating trade-related contingencies	177,188	35,438	177,572	35,514
Obligations under underwriting agreements	560,929	280,465	609,450	304,725
Irrevocable commitments to extend credit :				
- maturity more than one year	1,505,140	752,570	1,637,414	818,707
- maturity less than one year	5,080,000	-	4,575,807	-
Foreign exchange related contracts				
- maturity less than one year	2,947,977	39,794	1,454,540	31,907
Interest rate related contracts				
- maturity more than one year	855,000	34,200	-	-
Others	189,801	-	252,268	-
	<u>12,229,008</u>	<u>1,749,128</u>	<u>9,768,138</u>	<u>1,912,416</u>

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

15. Other Commitments

	Unaudited	Audited
	30 June 2004	31 December 2003
	RM'000	RM'000
- Authorised and contracted for	284,702	22,250
- Authorised but not contracted for	17,855	27,273
	<u>302,557</u>	<u>49,523</u>
Analysed as follows:		
- Property, plant and equipment	149,557	49,523
- Acquisition of Leong and Company Sdn Bhd	153,000	-
	<u>302,557</u>	<u>49,523</u>

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EXPLANATORY NOTES

16. **Non-interest income**

	Individual quarter		Cumulative period	
	Current financial quarter ended 30 June 2004	Preceding year corresponding quarter ended 30 June 2003	Current financial period ended 30 June 2004	Preceding year corresponding period ended 30 June 2003
	RM'000	RM'000	RM'000	RM'000
Fee and commission income	28,298	24,265	55,498	48,402
Net gain from investment securities	5,564	3,132	6,691	2,906
Net gain from dealing securities	1,861	7,000	3,972	9,919
Dividend income	418	2,786	1,191	2,830
Other income	2,440	5,790	7,061	8,663
	<u>38,581</u>	<u>42,973</u>	<u>74,413</u>	<u>72,720</u>
Provision for diminution in value of investment securities	(13,460)	(7,651)	(4,777)	(13,693)
	<u>25,121</u>	<u>35,322</u>	<u>69,636</u>	<u>59,027</u>

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Additional disclosure requirements pursuant to paragraph 9.22 of the Listing Requirements of Bursa Malaysian Securities Berhad

17. **Taxation**

The analysis of the tax expense for the financial period ended 30 June 2004 are as follows:-

	Individual quarter		Cumulative period	
	Current financial quarter ended 30 June 2004 RM'000	Preceding year corresponding quarter ended 30 June 2003 RM'000	Current financial period ended 30 June 2004 RM'000	Preceding year corresponding period ended 30 June 2003 RM'000
Malaysian income tax:				
- Charge for the financial period	30,855	40,804	63,321	71,611
- Over-provision in respect of prior years	(5,276)	(6,345)	(4,749)	(6,345)
	25,579	34,459	58,572	65,266
Transfer to deferred tax asset	(2,368)	(9,041)	(3,058)	(9,041)
	23,211	25,418	55,514	56,225

The Group's effective tax rate for the financial period ended 30 June 2004 was higher than the statutory tax rate because certain expenses were not deductible for tax purposes.

18. **Unquoted Investments and Properties**

There were no sale of unquoted investments and properties for the financial period ended 30 June 2004 other than in the ordinary course of banking business.

19. **Quoted Securities**

Financial institutions are exempted from the disclosure requirements relating to quoted securities.

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EXPLANATORY NOTES

20. Status of Corporate Proposals Announced But Not Completed

- (1) On 16 March 2004, Malaysian International Merchant Bankers Berhad (“MIMB”), the merchant bank subsidiary entered into a conditional share sale agreement (“SSA”) with Edaran Otomobil Nasional Berhad (“EON Bhd”), Ceria Alam Sdn Bhd and the Leong family for the acquisition of the entire issued and paid-up capital of Leong and Company Sdn Bhd (“L&C”), comprising 20,000,000 ordinary shares of RM1.00 each in L&C, for a cash consideration of RM170.0 million (“Proposed Acquisition”). Upon the execution of the SSA, MIMB has paid 10% of the purchase consideration, amounting to RM17 million. The balance of the purchase consideration of RM153 million will be paid on the completion date of the Proposed Acquisition.

Status

On 24 August 2004, MIMB has obtained all the required approvals as stated in the SSA.

- (2) On 29 May 2004, EON Bank Berhad, the commercial bank subsidiary, entered into conditional sale and purchase agreements:-
- (a) with CCL (Cyclecarri) Properties Sdn Bhd (“CCL”) for the proposed acquisition of a piece of freehold land measuring approximately 5,666 square metres, together with a 28-Floor commercial building erected thereon known as “Wisma Cyclecarri”, from CCL for a total cash consideration of RM140,000,000 (“Proposed Acquisition”); and
- (b) with Century Gardens Sdn Bhd (“CGSB”) for the proposed disposal of a piece of freehold land measuring approximately 1,961 square metres, together with a 24-Floor commercial building erected thereon known as “Oriental Bank Building”, to CGSB for a total cash consideration of RM35,000,000 (“Proposed Disposal”),

collectively referred to as the “Proposals”. Upon the execution of the Wisma Cyclecarri SPA and the OBB Building SPA, EBB has paid 10% of the purchase consideration and received 10% of the disposal consideration, amounting to RM14 million and RM3.5 million respectively. The balance of the purchase consideration of RM126 million and disposal consideration of RM31.5 million will be settled on the completion date of the Proposals.

The purchase consideration of RM140 million for the Proposed Acquisition was arrived at on a “willing buyer and willing seller” basis after taking into consideration, inter-alia, the following: -

- a) EBB’s estimation of the market value of the Sale Properties; and
- b) the financial implications as highlighted in section 5.1 of the general announcement dated 31 May 2004 at www.bursamalaysia.com.

The disposal consideration of RM35 million for the Proposed Disposal was arrived at on a “willing buyer and willing seller” basis after taking into consideration, inter-alia, the following: -

- a) the audited net book value of the Disposal Properties as at 31 December 2003 of RM42,099,293;
- b) the operating loss incurred by EBB as a result of owning and managing the Oriental Bank Building which amounted to RM2,390,410 during the financial year ended 31 December 2003; and
- c) the financial implications as highlighted in section 5.2 of the general announcement dated 31 May 2004 at www.bursamalaysia.com.

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20. **Status of Corporate Proposals Announced But Not Completed (continued)**

The Proposals, where ECB is concerned, are subject to, inter-alia, the following approvals: -

- a) Bank Negara Malaysia ('BNM'), for the Proposals;
- b) the Foreign Investment Committee ('FIC'), for the Proposals;
- c) the approval of the relevant state authority pursuant to Section 433B of the National Land Code, 1965 for the Proposed Disposal; and
- d) the shareholders of ECB, at an extraordinary general meeting ("EGM") to be convened, for the Proposals.

The Proposed Acquisition and the Proposed Disposal are inter-conditional upon one another.

Status

EON Bank Berhad has submitted the Proposals for BNM and FIC approval.

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21. Deposits from Customers and Placements of Banks and Other Financial Institutions

	Unaudited 30 June 2004	Audited 31 December 2003
	RM'000	RM'000
Deposits from customers		
- Fixed deposits		
One year or less	16,836,701	16,280,396
More than one year	683,007	862,643
- Saving deposits	1,825,604	1,758,717
- Demand deposits	2,178,265	1,976,262
	<u>21,523,577</u>	<u>20,878,018</u>
Deposits and placements of banks and other financial institutions		
One year or less	3,453,233	3,821,273
More than one year	1,460,555	1,772,736
	<u>4,913,788</u>	<u>5,594,009</u>
Total	<u><u>26,437,365</u></u>	<u><u>26,472,027</u></u>

22. Long Term Borrowings

On 12 December 2002, the Company issued RM300 million nominal amount of secured fixed rate bonds, at a discount, in three tranches of RM50 million (Tranche 1), RM100 million (Tranche 2) and RM150 million (Tranche 3) maturing on 12 December 2005, 12 December 2007 and 12 December 2009 respectively.

In July 2003, Rating Agency Malaysia Berhad has reaffirmed the Bond rating of A₂, which was awarded in December 2002. The bonds bear interest at 5.25% (Tranche 1), 6.00% (Tranche 2) and 6.75% (Tranche 3) on the nominal value of the outstanding bonds, payable semi annually.

23. Subordinated Obligations

On 21 January 2004, EON Bank Berhad ('EBB'), the commercial bank subsidiary, issued USD225million (equivalent to RM855million) nominal value Subordinated Notes ('Notes') with a fixed coupon rate of 5.375% per annum payable semi-annually in arrears in July and January each year (subject to the revision of interest rates explained below) and which mature on 21 January 2014.

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

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

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

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24. **Off-Balance Sheet Financial Instruments**

As at 24 August 2004, value of contracts of financial instruments of the Group with off-balance sheet risk, traded in the ordinary course of business, classified by remaining period to maturity or next repricing date (whichever is earlier), are as follows:

Items	Principal Amount RM'000	1 month 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
Foreign exchange related contracts							
- Forward contracts	2,108,875	775,929	670,795	662,151	-	-	-
Interest rate related contracts							
- Interest rate swap	855,000	-	-	855,000	-	-	-

Foreign exchange and interest rate related contracts are subject to market risk and credit risk. There were no equity and commodity related contracts as at 24 August 2004.

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 24 August 2004, the amount of contracts of the Group which were not hedged and, hence, exposed to market risk was RM5,743,895 (31 December 2003: RM12,245,096).

Credit risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Group has a gain position. As at 24 August 2004, the amount of credit risk of the Group, measured in terms of the cost to replace the profitable contracts was RM4,895,277 (31 December 2003: RM14,385,090). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Related Accounting Policies

Foreign exchange related contracts

Open forward exchange contracts are valued at forward rates as at balance sheet date, applicable to their respective dates of maturity, and unrealised gains or losses are recognised in the income statement for the period in which they arise.

Interest rate swap

The principal interest rate contracts used are interest rate swap agreements. Interest rate swap transactions generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts. Interest income or interest expense associated with interest rate swaps are recognised over the life of the swap agreements as a component of interest income or interest expense.

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25. **Material Litigation**

The disclosure of material litigations is in compliance with the disclosure requirements pursuant to paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The following are pending material litigations in which the Group is involved in the ordinary course of business which, in the opinion of the Board of Directors, do not materially and adversely affect the financial position of the Group as at 24 August 2004 and at the date of this Announcement.

EON Bank Berhad ('EBB')

- (1) EBB granted a facility of RM4.6 million to the borrower in April 1996 to finance the purchase of properties. The account became non-performing in May 1998.

A Writ of Summons and Statement of Claim was filed by the borrower (Plaintiff) on 29 November 2002 against EBB, alleging that EBB refused to give consent for the Plaintiff's application to subdivide the land which was charged to EBB. The Plaintiff alleged that it had suffered loss and is claiming an amount of RM21.6 million plus general, aggravated, punitive damages and interest yet to be quantified.

Status update

On 4 March 2004, the Court fixed the trial dates on 1-2 and 5-6 April 2004. The Appeal on the application for striking out the Plaintiff's Statement of Claim fixed for hearing on 12 May 2004 was then brought forward to 25 March 2004. The appeal has been fixed for hearing on 6 October 2004.

The solicitors are of the view that EBB has a good case.

Ex-Oriental Bank Berhad ('Ex-OBB')

(Ex-OBB refers to litigation in relation to OBB where pursuant to the Vesting Order dated 5 December 2000, the assets and liabilities of the banking business of OBB have been vested to EBB).

- (2) A Writ of Summons was filed on 3 January 2000 by a guarantor for RM135.9 million for wrongful and inequitable enlistment of his name in the Credit Tip-Off Services by ex-OBB.

Status update

On 19 May 2003, the Court dismissed the Plaintiff's action with costs on the grounds that the Plaintiff did not have a valid cause of action and failed to prove his loss. The plaintiff has filed a Notice of Appeal against the Court's decision. No update since the last announcement.

- (3) A Writ of Summons was filed by the borrower on 14 September 2000 against ex-OBB, alleging that ex-OBB had unlawfully and fraudulently conspired with the Receivers and Managers to cheat and defraud the borrower. The borrower is claiming for general damages of RM15.0 million.

Status update

On 10 March 2003, the Court dismissed the Order 33 application (Preliminary Objections) filed by the Receivers & Managers, and fixed the date for full trial of the case on 9 August 2005. No update since the last announcement.

The solicitors are of the opinion that the suit is defensible.

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25. **Material Litigation (Continued)**

EON Bank Berhad ('EBB') (Continued)

Ex-Oriental Bank Berhad ('Ex-OBB') (Continued)

- (4) A Defence and Counterclaim was filed by the borrower on 1 March 2004 against EBB following EBB's suit against them for total outstanding banking facilities of RM27.3 million. The Defence and Counterclaim was for a sum of RM87.4 million due to inter alia, loss of net income as a result of EBB's alleged breach of the terms and conditions of the Facility Agreement dated 21 June 1997.

Status update

Hearing of Summary Judgement of EBB's suit fixed on 16 August 2004 has been postponed to 22 October 2004 as the borrower's solicitors sought an adjournment to file a Further Affidavit in Reply.

The solicitors are unable to provide a firm opinion at this juncture pending availability of all Affidavits and exhibits.

Malaysian International Merchant Bankers Berhad ('MIMB')

- (5) A Writ of Summons was filed by MIMB on 17 December 1998 against the borrower and 3 guarantors for RM21.4 million, being outstanding banking facilities granted plus interest thereon. On 10 April 2000, the High Court granted the order to the borrower to amend its Statement of Defence and to add the Counterclaim for RM70.2 million against MIMB for inter alia, wrongfully terminating the credit facilities of the borrower resulting in the loss of goodwill and reputation of the borrower and loss of projects.

Status update

Further Case Management fixed on 18 August 2004 for mention has been postponed to 19 October 2004.

The solicitors are of the opinion that the suit is defensible.

26. **Profit Forecast**

There were no profit forecast and profit guarantee issued by the Group.

27. **Review of performance for the financial quarter ended 30 June 2004 against the corresponding financial quarter of preceding year**

Current quarter against previous corresponding quarter of preceding year

For the current financial quarter, the Group recorded a pre-tax profit of RM87.5 million, a 15.7% decrease as compared to RM103.7 million achieved in the preceding year's corresponding quarter ended 30 June 2003. The decline was mainly attributable to the decrease in non-interest income by RM10.2 million and higher net loan loss provision by RM5.0 million, which was partly offset by a reduction in overhead expenses by RM3.7 million.

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27. **Review of performance for the financial quarter ended 30 June 2004 against the corresponding financial quarter of preceding year (Continued)**

Financial year-to-date against previous financial year-to-date

For the six months period ended 30 June 2004, the Group recorded a net income before loan loss provision of RM529.7 million, a 3.6% increase as compared to RM511.3 million achieved in the preceding year's corresponding period ended 30 June 2003. The growth was mainly attributable to higher net interest income and income from Islamic banking totalling RM7.8 million and higher non-interest income by RM 10.6 million. The increase was partly offset by higher net loan loss provision of RM21.4 million and higher overhead expenses of RM9.1 million. As a result, the Group registered a pre-tax profit of RM191.2 million, a 6.0% lower compared to pre-tax profit made in the corresponding period of preceding year.

28. **Review of performance for the current financial quarter against immediate preceding financial quarter**

Compared with the immediate preceding financial quarter, the Group's pre-tax profit decreased by 15.7% to RM87.5 million as a result of a reduction in net income before loan loss provision by RM33.9 million, which was partly offset by a reduction in loan and financing loss and provision by RM10.8 million and a reduction in overhead expenses by RM6.8 million.

29. **Prospects for 2004**

The Malaysian economic outlook remains favourable with an estimated GDP growth of 6.4% towards the end of year 2004. The banking sector will continue to benefit from the Government's encouragement to expand the SME market and the positive consumer sentiments. Barring any unforeseen circumstances, the Group expects to achieve a satisfactory growth in second half of year 2004.

30. **Earnings Per Share (EPS)**

The calculation of the basic earnings per share of the Group, which is based on the net profit for the financial quarter/period ended 30 June 2004 and 30 June 2003 respectively and the weighted average number of ordinary shares in issue during the respective financial quarter/period, is set out as follows:

	<u>Individual quarter</u>		<u>Cumulative period</u>	
	<u>Current financial quarter ended 30 June 2004</u>	<u>Preceding year corresponding quarter ended 30 June 2003</u>	<u>Current financial Period ended 30 June 2004</u>	<u>Preceding year corresponding period ended 30 June 2003</u>
Net profit for the financial quarter/period (RM'000)	62,779	77,099	132,765	144,671
Weighted average number of ordinary shares in issue during the financial quarter/period ('000)	693,209	693,209	693,209	693,209
Basic earnings per share (sen) - basic/diluted	<u>9.06</u>	<u>11.12</u>	<u>19.15</u>	<u>20.87</u>

There were no dilutive potential ordinary shares outstanding as at 30 June 2004.