

**EON CAPITAL BERHAD**  
**(454644-K)**

**CONDENSED FINANCIAL STATEMENTS**  
**CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2004**

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 September 2004</b>	<b>31 December 2003</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
Cash and short term funds	3,659,354	3,143,578
Deposits and placements with financial institutions	100,269	503,761
Dealing securities	29,767	161,168
Investment securities	3,598,426	4,443,270
Loans, advances and financing	22,380,733	21,288,355
Other assets	838,339	888,879
Statutory deposits with Bank Negara Malaysia	896,643	898,361
Property, plant and equipment	186,993	176,192
Tax recoverable	5,247	5,194
Deferred tax assets	138,336	132,124
Goodwill	69,961	-
<b>TOTAL ASSETS</b>	<b>31,904,068</b>	<b>31,640,882</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>		
Deposits from customers	20,846,287	20,878,018
Deposits and placements of banks and other financial institutions	5,450,425	5,594,009
Obligations on securities sold under repurchase agreements	217,921	402,119
Bills and acceptances payable	1,028,166	1,114,764
Amount due to Cagamas Berhad	255,271	572,168
Provision for taxation and zakat	77,010	71,010
Subordinated obligations	844,571	-
Other liabilities	401,165	404,015
Long term borrowings	292,115	290,563
<b>TOTAL LIABILITIES</b>	<b>29,412,931</b>	<b>29,326,666</b>
SHARE CAPITAL	693,209	693,209
RESERVES	1,797,928	1,621,007
<b>SHAREHOLDERS' FUNDS</b>	<b>2,491,137</b>	<b>2,314,216</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>	<b>31,904,068</b>	<b>31,640,882</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>12,394,072</b>	<b>9,768,138</b>
<b>Net Tangible Assets per ordinary share (RM)</b>	<b>3.49</b>	<b>3.34</b>

**EON CAPITAL BERHAD**  
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**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED INCOME STATEMENT**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2004**

	<u>Individual quarter</u>		<u>Cumulative period</u>	
	<u>Current financial quarter ended 30 September 2004</u>	<u>Preceding year corresponding quarter ended 30 September 2003</u>	<u>Current financial period ended 30 September 2004</u>	<u>Preceding year corresponding period ended 30 September 2003</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Interest income	396,927	421,221	1,203,220	1,251,980
Interest expense	(199,713)	(207,639)	(606,685)	(629,528)
Net interest income	197,214	213,582	596,535	622,452
Income from Islamic Banking	34,506	22,067	95,252	65,444
	231,720	235,649	691,787	687,896
Loan and financing loss and provision	(20,202)	(56,116)	(126,094)	(140,592)
	211,518	179,533	565,693	547,304
Non-interest income (Note 16)	36,539	76,951	106,175	135,978
Net income	248,057	256,484	671,868	683,282
Overhead expenses	(133,953)	(123,493)	(366,569)	(346,940)
Profit before taxation and zakat	114,104	132,991	305,299	336,342
Taxation	(35,916)	(35,570)	(91,430)	(91,795)
Zakat	(1,590)	(1,310)	(4,506)	(3,765)
Net profit for the financial period	76,598	96,111	209,363	240,782
Earnings per share (sen) (Note 30)				
- Basic	11.05	13.86	30.20	34.73
- Diluted	11.05	13.86	30.20	34.73

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

	<b>Issued and Fully paid Ordinary shares of RM1 each</b>						
	<b>Share Capital</b>	<b>Share Premium</b>	<b>Statutory Reserve</b>	<b>Reserve Arising On Consolidation</b>	<b>Retained Profits</b>	<b>Total</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	
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	-	-	-	-	209,363	209,363	
Transfer to statutory reserve	-	-	27,193	-	(27,193)	-	
Dividend in respect of financial year ended 31 December 2003	-	-	-	-	(32,442)	(32,442)	
<b>Balance as at 30 September 2004</b>	<b>693,209</b>	<b>1,066,296</b>	<b>192,289</b>	<b>200,897</b>	<b>338,446</b>	<b>2,491,137</b>	
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	-	-	-	-	240,782	240,782	
<b>Balance as at 30 September 2003</b>	<b>693,209</b>	<b>1,066,296</b>	<b>7,075</b>	<b>200,897</b>	<b>259,128</b>	<b>2,226,605</b>	

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

	<b>Current financial period ended 30 September 2004</b>	<b>Preceding year corresponding period ended 30 September 2003</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash Flow from Operating Activities</b>		
Net profit for the financial period	209,363	240,782
Adjustments for investing and financing items not involving movement of cash and cash equivalents	235,604	200,250
Operating profit before working capital changes	444,967	441,032
Increase in operating assets	(703,487)	(54,646)
(Decrease)/increase in operating liabilities	(799,168)	1,096,699
Cash (used in)/generated from operating activities	(1,057,688)	1,483,085
Income tax paid	(96,505)	(119,004)
Income tax refunded	2,500	17,981
Net cash (used in)/generated from operating activities	(1,151,693)	1,382,062
<b>Cash Flow from Investing Activities</b>		
Proceeds from disposal of investment securities, net of purchases	856,741	(236,425)
Purchase of property, plant and equipment	(33,033)	(37,066)
Proceeds from disposal of property, plant and equipment	1,629	3,116
Interest/Dividend received from investment securities	148,483	157,018
Acquisition of subsidiary companies (Note 31)	(84,673)	-
Net cash generated from/(used in) investing activities	889,147	(113,357)
<b>Cash Flow from Financing Activities</b>		
Net dividend paid	(32,442)	-
Proceeds from issuance of subordinated obligations	843,078	-
Interest payment on subordinated obligations	(22,978)	-
Interest payment on long term borrowings	(9,336)	(9,349)
Listing expenses	-	(144)
Net cash generated from/(used in) financing activities	778,322	(9,493)
<b>Net increase in cash and cash equivalents</b>	<b>515,776</b>	<b>1,259,212</b>
<b>Cash and cash equivalents</b>		
- at beginning of financial period	3,143,578	2,221,890
- at end of financial period	3,659,354	3,481,102

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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**

Other than the acquisition of Leong & Company Sdn Berhad as disclosed in Note 31, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial period ended 30 September 2004. The net assets position of Leong & Company Sdn Berhad have been incorporated into the Group's financial statements as at 30 September 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 September 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 During the Financial Quarter**

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

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**EXPLANATORY NOTES**

8. **Segment reporting**

(a) Segment revenue and segment results

<b>Group</b>	<b>Enterprise Banking</b>	<b>Retail Banking</b>	<b>Islamic Banking</b>	<b>Treasury and Investment Banking</b>	<b>Stock- broking Business</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Current financial quarter ended 30 September 2004</u></b>						
Gross operating revenue <sup>(1)</sup>	112,466	282,513	57,178	38,512	-	490,669
Less: Inter-segment revenue <sup>(2)</sup>	(10)	(1,653)	-	-	-	(1,663)
	<u>112,456</u>	<u>280,860</u>	<u>57,178</u>	<u>38,512</u>	<u>-</u>	<u>489,006</u>
Segment results	40,776	52,678	17,279	7,383	-	118,116
Unallocated costs						(4,012)
Profit before taxation and zakat						114,104
Taxation and zakat						(37,506)
Net profit for the financial quarter ended 30 September 2004						<u>76,598</u>
<b><u>Preceding year corresponding quarter ended 30 September 2003</u></b>						
Gross operating revenue <sup>(1)</sup>	120,396	288,602	41,899	94,302	-	545,199
Less: Inter-segment revenue <sup>(2)</sup>	(27)	(2,828)	-	(17)	-	(2,872)
	<u>120,369</u>	<u>285,774</u>	<u>41,899</u>	<u>94,285</u>	<u>-</u>	<u>542,327</u>
Segment results	5,876	69,161	6,059	54,614	-	135,710
Unallocated costs						(2,719)
Profit before taxation and zakat						132,991
Taxation and zakat						(36,880)
Net profit for the financial quarter ended 30 September 2003						<u>96,111</u>

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**EXPLANATORY NOTES**

8. **Segment reporting (continued)**

(a) Segment revenue and segment results (continued)

<b>Group</b>	<b>Enterprise Banking</b>	<b>Retail Banking</b>	<b>Islamic Banking</b>	<b>Treasury and Investment Banking</b>	<b>Stock- broking Business</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Current financial period ended 30 September 2004</u></b>						
Gross operating revenue <sup>(1)</sup>	336,649	849,340	154,612	130,883	-	1,471,484
Less: Inter-segment revenue <sup>(2)</sup>	(41)	(7,046)	-	(232)	-	(7,319)
	<u>336,608</u>	<u>842,294</u>	<u>154,612</u>	<u>130,651</u>	<u>-</u>	<u>1,464,165</u>
Segment results	68,293	200,685	34,002	14,824	-	317,804
Unallocated costs						(12,505)
Profit before taxation and zakat						305,299
Taxation and zakat						(95,936)
Net profit for the financial period ended 30 September 2004						<u>209,363</u>
<b><u>Preceding year corresponding period ended 30 September 2003</u></b>						
Gross operating revenue <sup>(1)</sup>	358,731	861,518	152,516	194,735	-	1,567,500
Less: Inter-segment revenue <sup>(2)</sup>	(880)	(9,501)	-	(696)	-	(11,077)
	<u>357,851</u>	<u>852,017</u>	<u>152,516</u>	<u>194,039</u>	<u>-</u>	<u>1,556,423</u>
Segment results	53,645	195,073	19,074	81,406	-	349,198
Unallocated costs						(12,856)
Profit before taxation and zakat						336,342
Taxation and zakat						(95,560)
Net profit for the financial period ended 30 September 2003						<u>240,782</u>

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**EXPLANATORY NOTES**

8. **Segment reporting (continued)**

(b) Segment assets

<u>Group</u>	<u>Enterprise Banking</u>	<u>Retail Banking</u>	<u>Islamic Banking</u>	<u>Treasury and Investment Banking</u>	<u>Stock- broking Business</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b><u>As at</u></b>						
<b><u>30 September 2004</u></b>						
Segment assets	8,066,680	15,702,442	3,571,012	3,376,461	141,031	30,857,626
Unallocated assets						<u>1,046,442</u>
Total assets						<u><u>31,904,068</u></u>
<b><u>As at</u></b>						
<b><u>31 December 2003</u></b>						
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>

<sup>(1)</sup> 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.

<sup>(2)</sup> 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**

	<b>Unaudited</b> <b>30 September 2004</b> <b>RM'000</b>	<b>Audited</b> <b>31 December 2003</b> <b>RM'000</b>
Overdrafts	2,991,009	2,797,140
Term loans		
- fixed rate	2,943,833	1,653,418
- floating rate	7,457,008	8,663,684
Hire purchase receivables	10,491,643	9,738,272
Lease receivables	3,249	5,311
Bills receivables	4,936	7,595
Trust receipts	105,923	86,911
Claims on customers under acceptance credits	1,466,349	1,252,682
Staff loans	224,144	216,156
Other loans	709,710	699,028
	<u>26,397,804</u>	<u>25,120,197</u>
Unearned interest and income	<u>(2,721,508)</u>	<u>(2,570,189)</u>
Gross loans, advances and financing	23,676,296	22,550,008
Provision for bad and doubtful debts and financing		
- Specific	(571,764)	(576,553)
- General	(408,348)	(390,107)
Interest-in-suspense/income-in-suspense	<u>(315,451)</u>	<u>(294,993)</u>
Net loans, advances and financing	<u><u>22,380,733</u></u>	<u><u>21,288,355</u></u>

**a) Loans, Advances and Financing Analysed by Economic Sectors**

	<b>Unaudited</b> <b>30 September 2004</b> <b>RM'000</b>	<b>Audited</b> <b>31 December 2003</b> <b>RM'000</b>
Agriculture	160,436	180,526
Mining and quarrying	37,606	33,208
Manufacturing	2,100,488	2,011,785
Electricity, gas and water	70,618	69,240
Construction	1,575,158	1,569,520
(of which : Infrastructure)	167,214	255,638
Real estate	467,484	571,244
Purchase of landed property	5,839,126	5,516,783
(of which : (i) Residential	4,327,038	3,982,916
(ii) Non-residential )	1,512,088	1,533,867
General commerce	1,705,383	1,547,835
Transport, storage and communication	587,210	626,173
Finance, insurance and business services	598,825	432,754
Purchase of securities	706,060	694,379
Purchase of transport vehicles	8,201,096	7,571,432
Consumption credit	1,206,406	1,167,617
Others	420,400	557,512
	<u>23,676,296</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**

	<b>Unaudited 30 September 2004 RM'000</b>	<b>Audited 31 December 2003 RM'000</b>
Balance as at 1 January	1,947,676	2,560,656
Non-performing during the financial period/year (gross)	779,046	948,695
Amount recovered/reclassified	(560,916)	(806,612)
Amount converted to investment securities	(22,300)	(352,158)
Amount written off	(189,101)	(402,905)
	1,954,404	1,947,676
Non-performing loans which have no adverse financial impact on the Group	(486,616)	(544,846)
Balance as at 30 September 2004 / 31 December 2003	1,467,788	1,402,830
Net non-performing loans, advances and financing	841,133	814,504
As % to total loans net of specific provision and interest-in-suspense/income-in-suspense	3.73%	3.81%

**c) Loan Loss Provision**

	<b>Unaudited 30 September 2004 RM'000</b>	<b>Audited 31 December 2003 RM'000</b>
<u>General provision</u>		
Balance as at 1 January	390,107	377,060
Provision made during the financial period/year	18,241	13,047
Balance as at 30 September 2004 / 31 December 2003	408,348	390,107
<u>Specific provision</u>		
Balance as at 1 January	576,553	744,687
Provisions made during the financial period/year	216,398	302,749
Provisions charged to deferred asset/other asset during the financial period/year	22,920	47,256
Amount written back in respect of recoveries/reclassification	(91,326)	(117,433)
Recoveries set-off against deferred asset	(5,036)	(16,847)
Amount transferred to provision for diminution in value of investment securities	-	(116,687)
Amount written off	(147,745)	(267,172)
Balance as at 30 September 2004 / 31 December 2003	571,764	576,553

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**EXPLANATORY NOTES**

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

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

	<b>Unaudited 30 September 2004</b>	<b>Audited 31 December 2003</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Interest-in-suspense/income-in-suspense</u>		
Balance as at 1 January	294,993	365,883
Provisions made during the financial period/year	130,144	189,163
Amount written back in respect of recoveries/reclassification	(65,909)	(107,623)
Amount transferred to provision for diminution in value of investment securities	(2,421)	(16,696)
Amount written off	(41,356)	(135,734)
Balance as at 30 September 2004 / 31 December 2003	315,451	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 September 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. The Notes would mature on 21 January 2014 and is 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 Berhad ("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 Bursa Malaysia Securities Berhad 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 our Bursa Malaysia Securities Berhad announcement dated 31 May 2004 and 6 September 2004.
- (d) On 14 July 2004, upon the distribution of EON Capital Berhad shares by Edaran Otomobil Nasional Berhad ('EON Berhad') to its shareholders as dividend in specie and capital repayment, EON Berhad had ceased to become the holding company of the Group.

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**EXPLANATORY NOTES**

**11. Significant events during the financial period ended 30 September 2004 (continued)**

- (e) On 27 September 2004, EON Bank Berhad, the commercial bank subsidiary, proposed to merge its operations with EON Finance Berhad, the finance company subsidiary, via transfer of EON Finance Berhad's business and net assets to EON Bank Berhad. The resultant merged business shall be carried out under EON Bank Berhad as a banking and finance company. The salient terms and conditions of the Proposal are disclosed in Note 20 and in our Bursa Malaysia Securities Berhad announcements dated 27 September 2004 and 18 October 2004.

**12. Changes in the composition of the Group**

On 30 September 2004, Leong & Company Sdn Berhad and its subsidiary companies, via Malaysian International Merchants Bankers Berhad, became wholly-owned subsidiaries of EON Capital Group, upon the completion of the share sale agreement mentioned in paragraph 11(b).

Other than the above, there were no significant changes in the composition of the Group for the financial period ended 30 September 2004.

**13. 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 its customers. No material losses are anticipated as a result of these transactions.

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

	<b>Unaudited</b>		<b>Audited</b>	
	<b>30 September 2004</b>		<b>31 December 2003</b>	
	<b>Principal Amount</b>	<b>Credit Equivalent Amount*</b>	<b>Principal Amount</b>	<b>Credit Equivalent Amount*</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	299,439	299,329	382,039	382,039
Certain transaction-related contingent items	614,146	307,073	679,048	339,524
Short term self-liquidating trade-related contingencies	169,079	33,816	177,572	35,514
Obligations under underwriting agreements	664,108	332,054	609,450	304,725
Irrevocable commitments to extend credit :				
- maturity more than one year	1,735,961	867,981	1,637,414	818,707
- maturity less than one year	5,552,562	-	4,575,807	-
Foreign exchange related contracts				
- maturity less than one year	2,317,408	35,147	1,454,540	31,907
Interest rate related contracts				
- maturity more than one year	855,000	34,200	-	-
Others	186,369	-	252,268	-
	<u>12,394,072</u>	<u>1,909,710</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.

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**EXPLANATORY NOTES**

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

There were no significant events subsequent to the balance sheet date that have not been disclosed in these condensed financial statements.

15. **Other Commitments**

	<b>Unaudited 30 September 2004</b>	<b>Audited 31 December 2003</b>
	<b>RM'000</b>	<b>RM'000</b>
- Authorised and contracted for	18,353	22,250
- Authorised but not contracted for	14,185	27,273
	32,538	49,523
Analysed as follows:		
- Property, plant and equipment	32,538	49,523
	32,538	49,523

16. **Non-interest income**

	<b>Individual quarter</b>		<b>Cumulative period</b>	
	<b>Current financial quarter ended 30 September 2004</b>	<b>Preceding year corresponding quarter ended 30 September 2003</b>	<b>Current financial period ended 30 September 2004</b>	<b>Preceding year corresponding period ended 30 September 2003</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fee and commission income	27,531	28,514	83,029	76,916
Net gain from investment securities	1,809	27,463	8,500	30,369
Net gain from dealing securities	3,976	20,176	7,948	30,095
Dividend income	124	290	1,315	3,120
Other income	1,916	2,877	8,977	11,540
	35,356	79,320	109,769	152,040
Provision for diminution in value of investment securities	1,183	(2,369)	(3,594)	(16,062)
	36,539	76,951	106,175	135,978

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

17. **Taxation**

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

	<b>Individual quarter</b>		<b>Cumulative period</b>	
	<b>Current financial quarter ended 30 September 2004 RM'000</b>	<b>Preceding year corresponding quarter ended 30 September 2003 RM'000</b>	<b>Current financial period ended 30 September 2004 RM'000</b>	<b>Preceding year corresponding period ended 30 September 2003 RM'000</b>
Malaysian income tax:				
- Charge for the financial period	39,070	23,711	102,391	95,322
- Over-provision in respect of prior years	-	-	(4,749)	(6,345)
	39,070	23,711	97,642	88,977
Transfer (to)/from deferred tax asset	(3,154)	11,859	(6,212)	2,818
	35,916	35,570	91,430	91,795

The Group's effective tax rate for the financial quarter and period ended 30 September 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 September 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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**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 Berhad (“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**

The Proposed Acquisition has been completed on 30 September 2004. The balance of the purchase consideration of RM153 million has been paid in full to EON Bhd, Ceria Alam Sdn Bhd and the Leong family.

- (2) On 29 May 2004, EON Bank Berhad (“EBB”), the commercial bank subsidiary, entered into conditional sale and purchase agreements (“SPA”):-
- (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 RM140.0 million (“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 RM35.0 million (“Proposed Disposal”),

collectively referred to as the “Proposals”. Upon the execution of the Wisma Cyclecarri SPA and the Oriental Bank Building SPA, EBB has paid 10% of the purchase consideration and received 10% of the disposal consideration, amounting to RM14.0 million and RM3.5 million respectively. The balance of the purchase consideration of RM126.0 million and disposal consideration of RM31.5 million will be settled on the completion date of the Proposals.

**Status**

The approvals of Bank Negara Malaysia and the Foreign Investment Committee were obtained by EBB on 3 September 2004 and 22 September 2004 respectively.

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

- (3) EON Bank Berhad (“EBB”), the commercial bank subsidiary, proposed to merge the operations of EBB and EON Finance Berhad (“EFB”), the finance company subsidiary, via transfer of EFB’s business and net assets to EBB. The resultant merged business shall be carried out under EBB as a banking and finance company.

On 27 September 2004, EBB and EFB entered into a Business Transfer Agreement for the Proposed Business Transfer. As EFB is a wholly owned subsidiary of EBB, the consideration for the Proposed Business Transfer will be settled via inter-company balances. The consideration will be based on the net assets of EFB at a date to be mutually agreed between EBB and EFB.

Pursuant to Section 6(4) of BAFIA, the Minister of Finance, via Bank Negara Malaysia (“BNM”), had on 2 September 2004 given its approval to issue a new license to EBB to enable EBB to carry on finance company business as well as its existing commercial banking business. EFB will surrender its finance company license to BNM for cancellation on the transfer date to be mutually agreed by EBB and EFB

The approvals of its sole shareholder, EON Capital Berhad and the Foreign Investment Committee were obtained by EBB on 9 September 2004 and 27 September 2004 respectively.

The final requisite approval, being an Order from the High Court of Malaya pursuant to Section 50 of the BAFIA for the transfer of EFB’s entire finance company business and net assets to EBB was obtained on 18 October 2004.

**Status**

The Proposed Business Transfer has been completed on 1 November 2004 and EBB commenced business as a banking and finance company effective this date.



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

	<b>Unaudited</b> <b>30 September 2004</b>	<b>Audited</b> <b>31 December 2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Deposits from customers		
- Fixed deposits		
One year or less	15,943,476	16,280,396
More than one year	691,206	862,643
- Saving deposits	1,821,878	1,758,717
- Demand deposits	2,389,727	1,976,262
	<u>20,846,287</u>	<u>20,878,018</u>
Deposits and placements of banks and other financial institutions		
One year or less	3,952,529	3,821,273
More than one year	1,497,896	1,772,736
	<u>5,450,425</u>	<u>5,594,009</u>
<b>Total</b>	<u><b>26,296,712</b></u>	<u><b>26,472,027</b></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 September 2004, Rating Agency Malaysia Berhad has reaffirmed the Bond rating of A2, which was awarded in July 2003. 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 10 November 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	2,266,576	868,955	797,107	556,504	44,010	-	-
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 10 November 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 10 November 2004, the amount of contracts of the Group which were not hedged and, hence, exposed to market risk was RM5,597,967 (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 10 November 2004, the amount of credit risk of the Group, measured in terms of the cost to replace the profitable contracts was RM13,038,946 (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 10 November 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**

Trial fixed on 15-17 September 2004 has been postponed. No new dates have been fixed yet. The Appeal on the application for striking out the Plaintiff's Statement of Claim fixed for hearing on 26 October 2004 has been postponed to 3 January 2005.

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

- (2) 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 for 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 22 October 2004 has been postponed to 1 December 2004.

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

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**EXPLANATORY NOTES**

25. **Material Litigation (Continued)**

**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).

- (3) 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 development since the last announcement.

**Malaysian International Merchant Bankers Berhad ('MIMB')**

- (4) 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 19 October 2004 for mention has been postponed to 22 November 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 current financial quarter against immediate preceding financial quarter**

Compared with the immediate preceding financial quarter, the Group's pre-tax profit increased by 30.4% to RM114.1 million as a result of a rise in net interest income and income from Islamic Banking totalling RM8.9 million, a rise in non-interest income by RM11.4 million, followed by a reduction in loan and financing loss and provision by RM27.3 million. This increase was partly offset by an increase in overhead by RM21.0 million

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**28. Review of performance for the financial quarter ended 30 September 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 RM114.1 million, a 14.2% decrease as compared to RM133.0 million achieved in the preceding year's corresponding quarter ended 30 September 2003. The decline was mainly attributable to a decrease in non-interest income by RM40.4 million and increase in overhead expenses by RM10.5 million, which was partly offset by a reduction in loan and financing loss and provision by RM35.9 million.

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

The Group recorded a pre-tax profit of RM305.3 million, a 9.2% decrease as compared to RM336.3 million achieved in the preceding year's corresponding period ended 30 September 2003. As compared to the preceding year's corresponding period, the Group's total net interest income and income from Islamic banking increased by RM3.9 million while loan and financing loss and provision decreased by RM14.5 million. On the other hand, there was a reduction in non-interest income by RM29.8 million and an increase in overhead expenses by RM19.6 million.

**29. Prospects for 2004**

Barring any unforeseen circumstances, the Group expects to achieve a satisfactory results towards the end 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 September 2004 and 30 September 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 September 2004</u>	<u>Preceding year corresponding quarter ended 30 September 2003</u>	<u>Current financial period ended 30 September 2004</u>	<u>Preceding year corresponding period ended 30 September 2003</u>
Net profit for the financial quarter/period (RM'000)	76,598	96,111	209,363	240,782
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>11.05</u>	<u>13.86</u>	<u>30.20</u>	<u>34.73</u>

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

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31. **Acquisition of subsidiary companies**

On 30 September 2004, Leong and Company Sdn Berhad and its subsidiary companies became wholly-owned subsidiaries of EON Capital Group.

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

	<b>Unaudited At date of acquisition</b>
	<b>RM'000</b>
Property, plant and equipment	2,212
Investment securities	6,296
Receivables	24,589
Cash and short term funds	86,161
Payable and accrual	(18,020)
Provision for taxation	(365)
	<hr/>
Net assets acquired at the date of acquisition	100,873
Goodwill arising on consolidation	69,961
	<hr/>
Total purchase consideration discharged by cash	170,834
Less : Cash and cash equivalents in subsidiary companies acquired	(86,161)
	<hr/>
Net cash outflow on acquisition of subsidiary companies	<u>84,673</u>