

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED BALANCE SHEETS**  
**AS AT 30 JUNE 2006**

		<b>Unaudited</b>	<b>Audited</b>
		<b>30 June</b>	<b>31 December</b>
		<b>2006</b>	<b>2005</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>			
Cash and short-term funds		4,230,157	3,200,023
Deposits and placements with banks and other financial institutions		284,491	462,646
Held-for-trading securities	10	20,074	12,528
Derivative financial instruments	18	45,228	19,028
Available-for-sale securities	11	2,606,136	2,424,785
Held-to-maturity securities	12	1,477,941	1,517,082
Loans, advances and financing	13	26,823,945	25,925,754
Other assets	14	756,120	563,031
Statutory deposits with Bank Negara Malaysia		1,010,696	1,001,261
Property, plant and equipment		278,772	279,557
Deferred tax assets		116,584	118,342
Goodwill		137,925	66,497
<b>TOTAL ASSETS</b>		<b>37,788,069</b>	<b>35,590,534</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>			
Deposits from customers	16	24,265,973	23,965,678
Deposits and placements of banks and other financial institutions	17 18	6,785,889	4,583,163
Derivative financial instruments		55,878	41,643
Obligations on securities sold under repurchase agreements		439,507	1,201,241
Bills and acceptances payable		1,674,338	1,360,677
Other liabilities	19	581,923	405,491
Recourse obligations on loans sold to Cagamas Berhad		21,647	129,339
Provision for taxation and zakat		40,310	26,617
Long term borrowings	38	245,302	244,488
Subordinated obligations	39	775,525	807,444
<b>TOTAL LIABILITIES</b>		<b>34,886,292</b>	<b>32,765,781</b>
<b>SHARE CAPITAL</b>		693,209	693,209
<b>RESERVES</b>		2,208,568	2,131,544
<b>SHAREHOLDERS' EQUITY</b>		2,901,777	2,824,753
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<b>37,788,069</b>	<b>35,590,534</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	25	18,566,540	16,358,255
<b>NET ASSETS PER ORDINARY SHARE (RM)</b>		4.19	4.07

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED INCOME STATEMENT**  
**FOR THE FINANCIAL QUARTER/PERIOD ENDED 30 JUNE 2006**

	Note	Individual quarter		Cumulative quarter	
		Current financial quarter ended 30 June 2006	Preceding year corresponding quarter ended 30 June 2005	Current financial period ended 30 June 2006	Preceding year corresponding period ended 30 June 2005
		RM'000	RM'000	RM'000	RM'000
Interest income	20	440,381	399,663	859,971	792,385
Interest expense	21	(232,261)	(201,777)	(448,686)	(402,244)
Net interest income		208,120	197,886	411,285	390,141
Net income from Islamic Banking business	29	37,614	34,851	73,511	70,595
		245,734	232,737	484,796	460,736
Other operating income		79,548	85,610	142,719	127,845
Net income	22	325,282	318,347	627,515	588,581
Other operating expenses	23	(136,991)	(130,048)	(268,456)	(259,890)
Operating profit		188,291	188,299	359,059	328,691
Allowance for losses on loans, advances and financing	24	(74,272)	(55,634)	(133,226)	(104,610)
Impairment losses on securities		(1,649)	(4,175)	(4,572)	(12,273)
Profit before taxation and zakat		112,370	128,490	221,261	211,808
Taxation	34	(34,692)	(35,978)	(66,539)	(60,883)
Zakat		(1,206)	(1,364)	(2,600)	(2,557)
Net profit for the financial quarter/period		76,472	91,148	152,122	148,368
Earnings per share (sen)					
- Basic	46	11.03	13.15	21.94	21.40
- Diluted	46	11.03	13.15	21.94	21.40

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL QUARTER/PERIOD ENDED 30 JUNE 2006**

	Note	Issued and fully paid ordinary shares of RM1 each	Share premium	Statutory reserve	Reserve arising on consolidation	Cumulative net unrealised gains/ (losses) on available- for-sale securities	Retained profits	Total
		Share capital			RM'000	RM'000		
Balance as at 1 January 2006								
- as previously stated		693,209	1,066,296	473,986	200,897	3,020	387,345	2,824,753
- prior year adjustments	2	-	-	-	(200,897)	-	200,897	-
- as restated		693,209	1,066,296	473,986	-	3,020	588,242	2,824,753
Net profit for the financial period		-	-	-	-	-	152,122	152,122
Net fair value changes on available-for-sale securities, net of tax		-	-	-	-	4,760	-	4,760
Dividends in respect of financial year ended 31 December 2005		-	-	-	-	-	(79,858)	(79,858)
Balance as at 30 June 2006		693,209	1,066,296	473,986	-	7,780	660,506	2,901,777
Balance as at 1 January 2005								
- as previously stated		693,209	1,066,296	401,802	200,897	19,870	219,287	2,601,361
- prior year adjustments	2	-	-	-	(200,897)	-	200,897	-
- as restated		693,209	1,066,296	401,802	-	19,870	420,184	2,601,361
Net profit for the financial period		-	-	-	-	-	148,368	148,368
Net fair value changes on available-for-sale securities, net of tax		-	-	-	-	(4,716)	-	(4,716)
Dividends in respect of financial year ended 31 December 2004		-	-	-	-	-	(42,923)	(42,923)
Balance as at 30 June 2005		693,209	1,066,296	401,802	-	15,154	525,629	2,702,090

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2006**

	<b>Current financial period ended 30 June 2006</b>	<b>Preceding year corresponding quarter ended 30 June 2005</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash Flows From Operating Activities</b>		
Net profit for the financial period	152,122	148,368
Adjustments for investing and financing items not involving movement of cash and cash equivalents	241,952	174,345
Operating profit before working capital changes	<u>394,074</u>	<u>322,713</u>
Increase in operating assets	(1,151,946)	(1,515,439)
Increase in operating liabilities	<u>2,120,994</u>	<u>572,299</u>
Cash generated from/(used in) operating activities	1,363,122	(620,427)
Zakat paid	(6,295)	(4,451)
Income tax paid	(51,264)	(70,226)
Income tax refund	5,247	-
Net cash generated from/(used in) operating activities	<u>1,310,810</u>	<u>(695,104)</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of available-for-sales and held-to-maturity securities, net of purchases	(148,860)	218,962
Purchase of property, plant and equipment	(20,035)	(153,795)
Proceeds from disposal of property, plant and equipment	370	36,507
Acquisition of subsidiary companies (Note 27)	(26,311)	-
Interest/dividend received from available-for-sales and held-to-maturity securities	80,077	100,333
Net dividends received	<u>1,117</u>	<u>881</u>
Net cash (used in)/generated from investing activities	<u>(113,642)</u>	<u>202,888</u>
<b>Cash Flows From Financing Activities</b>		
Net dividends paid	(79,858)	(42,923)
Repayment of short term borrowings	(51,830)	-
Interest paid on long term borrowings	(8,041)	(9,349)
Net interest (paid)/received from interest rate related derivatives	(4,480)	2,444
Interest paid on subordinated obligations	<u>(22,825)</u>	<u>(22,978)</u>
Net cash used in financing activities	<u>(167,034)</u>	<u>(72,806)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	1,030,134	(565,022)
<b>Cash and cash equivalents:</b>		
- as at beginning of financial period	<u>3,200,023</u>	<u>3,639,250</u>
- as at end of the financial period	<u>4,230,157</u>	<u>3,074,228</u>

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

**EXPLANATORY NOTES**

<p><b>Disclosure requirements pursuant to Malaysian Accounting Standards Board's (MASB) Standard No. FRS134 (Interim Financial Reporting) and Bank Negara Malaysia's Revised Guidelines on Financial Reporting for Licensed Institutions (revised BNM/GP8).</b></p>
---

**1. Basis of Preparation**

The condensed interim financial statements have been prepared in accordance with the Malaysian Accounting Standards Board's (MASB) Standard, FRS134<sub>2004</sub> - Interim Financial Reporting, Bank Negara Malaysia's Revised Guidelines on Financial Reporting for Licensed Institutions (revised BNM/GP8) 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 2005.

The specific and general allowances for loans, advances and financing of the Group are computed based on BNM's guidelines on the "Classification of Non-Performing Loans and Provisions for Substandard, Bad and Doubtful Debts" ("BNM/GP3") requirements. In addition, for loans which are in arrears for seven years and above, we discount the collateral value to zero and make full specific provision there on.

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 for the financial year ended 31 December 2005, except for those disclosed in Note 2 of these explanatory notes.

**2. Changes in Accounting Policies**

The new and revised FRS issued by MASB which are applicable to the Group and have resulted in a change in accounting policies effective from 1 January 2006 are FRS 3 – Business Combination and FRS 136 – Impairment of Assets.

FRS 3 requires goodwill acquired in business combinations to be measured at cost less accumulated impairment losses. Goodwill is no longer amortised but is subject to impairment test to be conducted annually as required under FRS 136. The accumulated amortisation of goodwill arising from business combination before 1 January 2006 is netted off against gross goodwill and there is no impact on the shareholders' funds of the Group.

FRS 3 also requires negative goodwill/reserve arising from consolidation, which represents the excess of fair value of the net identifiable assets acquired over the cost of acquisition, to be recognised immediately in the income statement. The adoption of this accounting policy has resulted in the Group's reserve arising from consolidation in respect of business combination effected prior to 1 January 2006 being adjusted against the opening balance of the Group's retained earnings and there is no impact on the shareholders' funds of the Group.

The change in accounting policies arising from adoption of FRS 3 and FRS 136 has been accounted for prospectively. The discontinuation of amortisation of goodwill has resulted in an increase in profit before tax of the Group of RM1,413,510 and RM2,351,327 for the financial quarter and financial period ended 30 June 2006 respectively. No impairment loss on goodwill has been recommended for the financial period/quarter ended 30 June 2006.

Apart from the above, the other revised and new FRS issued by MASB, which are applicable to the Group and are operative from 1 January 2006, have not resulted in any significant changes to the accounting policies of the Group.

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

**EXPLANATORY NOTES**

**3. Audit Report**

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

**4. Seasonality or Cyclicity of Operations**

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

**5. Items Affecting Net Income and Cash Flow**

Other than the acquisition of SSSB Jaya (1987) Sdn Bhd (formerly known as SimeSecurities Sdn Bhd) and its subsidiary companies as disclosed in Note 27, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial quarter/period ended 30 June 2006.

**6. Changes in Estimates**

There were no significant changes in estimates arising from prior financial quarter/period that have a material effect on the financial results and position of the Group for the financial quarter/period ended 30 June 2006.

**7. Issuance and Repayments**

There were no cancellation, repurchase, resale or repayment of debt and equity securities during the current financial quarter/period ended 30 June 2006.

**8. Dividends Paid During the Current Financial Quarter**

The first and final gross dividend of 16.0 sen per share on 693,208,732 ordinary shares, less income tax of 28%, amounting to RM79,857,646 for the financial year ended 31 December 2005 was paid on 16 June 2005.

There were no interim dividends paid or declared in respect of financial year ending 31 December 2006 during the financial quarter ended 30 June 2006.

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

**EXPLANATORY NOTES**

**9. 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>Stock- broking Business</u> RM'000	<u>Total</u> RM'000
<b><u>Current financial quarter ended 30 June 2006</u></b>						
Gross operating revenue <sup>(1)</sup>	127,376	292,582	67,126	97,724	2,707	587,515
Less: Inter-segment revenue <sup>(2)</sup>	(167)	(325)	-	(491)	-	(983)
	<u>127,209</u>	<u>292,257</u>	<u>67,126</u>	<u>97,233</u>	<u>2,707</u>	<u>586,532</u>
Segment results	21,971	27,009	14,910	51,085	215	115,190
Unallocated costs						<u>(2,820)</u>
Profit before taxation and zakat						112,370
Taxation and zakat						<u>(35,898)</u>
Net profit for the financial quarter ended 30 June 2006						<u>76,472</u>
<b><u>Preceding year corresponding quarter ended 30 June 2005</u></b>						
Gross operating revenue <sup>(1)</sup>	117,112	278,087	61,690	95,500	2,123	554,512
Less: Inter-segment revenue <sup>(2)</sup>	(9)	(294)	-	(5,068)	(434)	(5,805)
	<u>117,103</u>	<u>277,793</u>	<u>61,690</u>	<u>90,432</u>	<u>1,689</u>	<u>548,707</u>
Segment results	18,821	58,285	8,937	50,209	(3,955)	132,297
Unallocated costs						<u>(3,807)</u>
Profit before taxation and zakat						128,490
Taxation and zakat						<u>(37,342)</u>
Net profit for the financial quarter ended 30 June 2005						<u>91,148</u>

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

**9. 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>Stock- broking Business</u> RM'000	<u>Total</u> RM'000
<b><u>Current financial period ended 30 June 2006</u></b>						
Gross operating revenue <sup>(1)</sup>	252,249	576,462	132,106	170,550	4,846	1,136,213
Less: Inter-segment revenue <sup>(2)</sup>	(340)	(647)	-	(1,129)	-	(2,116)
	<u>251,909</u>	<u>575,815</u>	<u>132,106</u>	<u>169,421</u>	<u>4,846</u>	<u>1,134,097</u>
Segment results	47,976	73,270	26,305	79,297	277	227,125
Unallocated costs						(5,864)
Profit before taxation and zakat						221,261
Taxation and zakat						(69,139)
Net profit for the financial period ended 30 June 2006						<u>152,122</u>
<b><u>Preceding year corresponding period ended 30 June 2005</u></b>						
Gross operating revenue <sup>(1)</sup>	232,210	549,878	122,451	141,150	4,800	1,050,489
Less: Inter-segment revenue <sup>(2)</sup>	(18)	(474)	-	(6,079)	(1,005)	(7,576)
	<u>232,192</u>	<u>549,404</u>	<u>122,451</u>	<u>135,071</u>	<u>3,795</u>	<u>1,042,913</u>
Segment results	31,799	93,393	26,203	72,238	(3,798)	219,835
Unallocated costs						(8,027)
Profit before taxation and zakat						211,808
Taxation and zakat						(63,440)
Net profit for the financial period ended 30 June 2005						<u>148,368</u>

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

**EXPLANATORY NOTES**

**9. 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 30 June 2006</u></b>						
Segment assets	8,850,388	17,129,689	4,576,348	6,194,884	164,453	36,915,762
Unallocated assets						872,307
Total assets						<u>37,788,069</u>
<b><u>As at 31 December 2005</u></b>						
Segment assets	8,492,816	16,989,984	4,312,536	5,075,870	89,771	34,960,977
Unallocated assets						629,557
Total assets						<u>35,590,534</u>

<sup>(1)</sup>Gross operating revenue comprise gross interest income received from loans, advances and financing (net of interest/income suspended), financial investments (net of accretion of discount less amortisation of premium) and inter-bank placements and deposits, realised gains or losses from financial investments, 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.

**10. Held for Trading Securities**

	<u>Unaudited 30 June 2006</u>	<u>Audited 31 December 2005</u>
	RM'000	RM'000
Quoted equity securities in Malaysia	15,138	7,526
Private and Islamic debt securities	4,936	5,002
	<u>20,074</u>	<u>12,528</u>

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

**EXPLANATORY NOTES**

**11. Available-for-sale Securities**

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June 2006</b>	<b>31 December 2005</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Available-for-sale securities, at fair value</b>		
Bank Negara negotiable notes	139,023	249,286
Malaysian Government Investment Issue	71,963	-
Malaysian Government treasury bills	73,138	19,992
Malaysian Government securities	1,076,749	1,103,977
Cagamas bonds	310,803	448,005
Quoted equity securities in Malaysia	30,406	24,578
Quoted private debt securities	3,371	2,251
Private and Islamic debt securities	651,492	497,404
Negotiable instruments of deposit	200,006	-
Commercial papers	-	46,672
Islamic commercial papers	45,733	28,759
	<u>2,602,684</u>	<u>2,420,924</u>
<b>Available-for-sale securities, at cost</b>		
Unquoted equity securities in Malaysia	6,666	7,075
Allowance for impairment	(3,214)	(3,214)
	<u>3,452</u>	<u>3,861</u>
	<u>2,606,136</u>	<u>2,424,785</u>

**12. Held-to-maturity Securities**

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June 2006</b>	<b>31 December 2005</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Held-to-maturity securities, at amortised cost</b>		
Cagamas Mudharabah bonds	35,380	35,380
Khazanah bonds	1,234	1,212
Private and Islamic debt securities	667,132	672,014
Islamic commercial papers (Murabahah Notes Issuance Facility)	-	11,000
Credit link notes denominated in USD	183,575	188,975
Callable range accrual notes denominated in USD	627,827	646,294
	<u>1,515,148</u>	<u>1,554,875</u>
<b>Held-to-maturity securities, at cost</b>		
Unquoted equity securities in Malaysia	17,557	17,557
	<u>1,532,705</u>	<u>1,572,432</u>
Allowance for impairment	(54,764)	(55,350)
	<u>1,477,941</u>	<u>1,517,082</u>

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

**EXPLANATORY NOTES**

**13. Loans, Advances and Financing**

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June 2006</b>	<b>31 December 2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	2,448,718	2,325,974
Term loans/financing:		
Housing loans/financing	5,758,739	5,526,004
Syndicated term loan/financing	709,639	308,345
Hire purchase receivables	12,696,413	12,417,469
Lease receivables	26	2,265
Other term loans/financing	4,808,476	4,878,189
Bills receivable	7,657	5,549
Trust receipts	190,443	174,824
Claims on customers under acceptance credits	2,062,298	1,881,473
Staff loans/financing	213,199	217,821
Credit cards	833,729	756,137
Revolving credit	1,114,981	1,342,882
Other loans/financing	64,429	45,696
	30,908,747	29,882,628
Less: Unearned interest and income	(3,062,587)	(3,003,501)
Gross loans, advances and financing	27,846,160	26,879,127
Less: Allowances for bad and doubtful debts and financing:		
- General	(408,492)	(394,821)
- Specific	(613,723)	(558,552)
Total net loans, advances and financing	26,823,945	25,925,754

**(i) The loans, advances and financing are disbursed to the following type of customers:**

Domestic non-bank financial institutions	253,171	281,453
(of which: Stockbroking companies)	-	-
Domestic business enterprises	9,953,617	9,300,254
(of which: Small and medium enterprises)	4,571,854	3,819,201
Government and statutory bodies	22,349	35,238
Individuals	17,557,749	17,220,058
Other domestic entities	23,674	8,198
Foreign entities	35,600	33,926
Gross loans, advances and financing	27,846,160	26,879,127

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

**EXPLANATORY NOTES**

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

	<b>Unaudited</b> <b>30 June 2006</b>	<b>Audited</b> <b>31 December 2005</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(ii) The loans, advances and financing analysed by interest rate/profit rate sensitivity are as follows:</b>		
Fixed rate	14,430,531	14,099,651
(of which: (i) Housing loans/financing	1,947,592	1,857,523
(ii) Hire purchase receivables)	10,878,541	10,661,980
Variable rate	13,415,629	12,779,476
(of which: (i) Base lending rate plus	8,914,097	8,696,964
(ii) Cost plus)	3,592,719	3,127,909
 Gross loans, advances and financing	 <u>27,846,160</u>	 <u>26,879,127</u>
 <b>(iii) The loans, advances and financing analysed by their economic purposes are as follows:</b>		
Agriculture, hunting, forestry and fishing	324,236	274,194
Mining and quarrying	32,362	35,237
Manufacturing	2,517,592	2,355,575
Electricity, gas and water	169,372	104,571
Construction	2,002,644	1,665,334
(of which: Infrastructure)	234,034	117,254
Real estate	925,061	618,515
Purchase of landed property	5,875,323	6,248,374
(of which: (i) Residential	5,167,400	4,930,292
(ii) Non-residential )	707,923	1,318,082
Wholesale and retail trade and restaurants and hotels	2,311,969	2,149,183
Transport, storage and communication	574,396	553,484
Finance, insurance and business services	780,921	639,320
Purchase of securities	285,873	666,180
Purchase of transport vehicles	9,911,040	9,760,553
Consumption credit	1,518,418	1,493,021
Others	616,952	315,586
Gross loans, advances and financing	<u>27,846,160</u>	<u>26,879,127</u>

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

**EXPLANATORY NOTES**

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

	<b>Unaudited</b> <b>30 June 2006</b>	<b>Audited</b> <b>31 December 2005</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(iv) Movements in non-performing loans, advances and financing are as follows:</b>		
Balance as at 1 January	2,136,520	1,573,028
Classified as non-performing during the financial period/year	2,353,292	1,935,810
Reclassified as performing during the financial period/year	(2,006,325)	(750,132)
Loans/financing converted to securities	-	(365)
Amount recovered	(310,481)	(383,998)
Amount written off	(86,260)	(237,823)
Balance as at 30 June/ 31 December	<u>2,086,746</u>	<u>2,136,520</u>
 Non-performing loans, advances and financing which have no adverse financial impact on the Group	 (277,490)	 (294,388)
	<u>1,809,256</u>	<u>1,842,132</u>
Specific allowance	(518,958)	(458,880)
Net non-performing loans, advances and financing	<u>1,290,298</u>	<u>1,383,252</u>
As % of total loans, advances and financing, net of specific allowance	<u>4.8%</u>	<u>5.3%</u>
 <b>(v) The non-performing loans, advances and financing analysed by their economic purposes are as follows:</b>		
Agriculture, hunting, forestry and fishing	15,954	5,014
Mining and quarrying	259	4,099
Manufacturing	323,425	261,968
Electricity, gas and water	315	102
Construction	202,944	236,766
(of which: (i) Infrastructure)	<u>3,717</u>	<u>13,906</u>
Real estate	98,080	73,698
Purchase of landed property	642,701	841,995
(of which: (i) Residential	<u>561,002</u>	<u>592,036</u>
(ii) Non-residential )	<u>81,699</u>	<u>249,959</u>
Wholesale and retail trade and restaurants and hotels	153,604	112,215
Transport, storage and communication	31,474	27,049
Finance, insurance and business services	67,232	58,688
Purchase of securities	28,218	72,939
Purchase of transport vehicles	315,745	312,159
Consumption credit	86,200	94,056
Others	120,596	35,772
	<u>2,086,746</u>	<u>2,136,520</u>

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

**EXPLANATORY NOTES**

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

	<b>Unaudited</b> <b>30 June 2006</b>	<b>Audited</b> <b>31 December 2005</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(vi) Movements in allowances for bad and doubtful debts and financing:</b>		
<b>General allowance</b>		
Balance as at 1 January	394,821	408,350
Allowance made during the financial period/year	13,671	(13,529)
Balance as at 30 June / 31 December	<u>408,492</u>	<u>394,821</u>
As % of gross loans, advances and financing, net of specific allowance	<u>1.5%</u>	<u>1.5%</u>
<b>Specific allowance</b>		
Balance as at 1 January	558,552	561,931
Allowance made during the financial period/year	185,427	360,727
Allowance charged to deferred asset/other assets during the financial period/year	2,676	10,649
Amount recovered	(45,011)	(109,892)
Recoveries set-off against deferred asset	(1,662)	(26,675)
Amount transferred to allowance for impairment of securities	-	(365)
Amount written off	(86,259)	(237,823)
Balance as at 30 June/ 31 December	<u>613,723</u>	<u>558,552</u>

**14. Other Assets**

	<b>Unaudited</b> <b>30 June 2006</b>	<b>Audited</b> <b>31 December 2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Trade receivables, net of allowances for bad and doubtful debts of RM RM3,984,900 (31.12.2005: RM3,965,000)	15,441	13,890
Interest/income receivable	76,799	49,032
Other debtors, deposits and prepayments, net of allowances for bad and doubtful debts of RM6,726,300 (31.12.2005: RM6,874,000)	276,570	67,839
Initial payment for acquisition of subsidiary companies	-	4,976
Tax recoverable	17,655	22,364
Deferred asset account	348,007	382,220
Amount due from originating non-banking institutions for mortgage loans sold on their behalf to Cagamas Berhad	21,647	22,710
	<u>756,120</u>	<u>563,031</u>

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

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

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

**EXPLANATORY NOTES**

**16. Deposits from Customers**

	<b>Unaudited 30 June 2006</b>	<b>Audited 31 December 2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Demand deposits	2,409,442	2,372,991
Savings deposits	2,182,596	2,143,456
Fixed/investment deposits	19,657,934	18,948,431
Negotiable instruments of deposit	16,000	500,800
	24,265,973	23,965,678
 <b>(i) The maturity structure of fixed/investment deposits and negotiable instruments of deposit is as follows:</b>		
One year or less	19,332,870	19,241,902
More than one year	341,065	207,329
	19,673,935	19,449,231
 <b>(ii) The deposits are sourced from the following type of customers:</b>		
Government and statutory bodies	3,356,020	2,889,073
Business enterprises	9,336,331	9,827,144
Individuals	10,557,222	10,432,138
Others	1,016,400	817,323
	24,265,973	23,965,678

**17. Deposits and Placements of Banks and Other Financial Institutions**

	<b>Unaudited 30 June 2006</b>	<b>Audited 31 December 2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	1,255,424	256,437
Licensed finance companies	13	453
Licensed merchant banks	42,100	60,043
Bank Negara Malaysia	1,456,016	1,453,007
Other financial institutions	4,032,336	2,813,223
	6,785,889	4,583,163
 <b>(i) The maturity structure of deposits and placements of banks and other financial institutions is as follows:</b>		
One year or less	5,011,828	3,118,661
More than one year	1,774,061	1,464,502
	6,785,889	4,583,163

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

**EXPLANATORY NOTES**

**18. Derivative Financial Instruments**

The fair values of derivative financial instruments recognised on balance sheet are as follows:

	<b>Unaudited</b> <b>30 June 2006</b>	<b>Audited</b> <b>31 December 2005</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Derivatives at fair value through profit and loss:</b>		
- Interest rate swaps	23,743	11,302
- Foreign currency forwards	21,485	7,726
Total derivative financial instruments - assets	<u>45,228</u>	<u>19,028</u>
<b>Derivatives at fair value through profit and loss:</b>		
- Foreign currency forwards	16,053	7,095
- Forward equity contracts	352	-
<b>Derivatives designated as fair value hedges:</b>		
- Interest rate swaps	39,473	34,548
Total derivative financial instruments - liabilities	<u>55,878</u>	<u>41,643</u>

**19. Other Liabilities**

	<b>Unaudited</b> <b>30 June 2006</b>	<b>Audited</b> <b>31 December 2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Trade payable	12,771	9,421
Other liabilities	366,477	194,625
Interest/dividend payable	193,247	191,788
Profit equalisation reserves	9,428	9,657
	<u>581,923</u>	<u>405,491</u>

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

**EXPLANATORY NOTES**

**20. Interest Income**

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 30 June 2006	Preceding year corresponding quarter ended 30 June 2005	Current financial period ended 30 June 2006	Preceding year corresponding period ended 30 June 2005
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than recoveries	374,528	336,764	738,444	671,172
- Recoveries from non-performing loans, advances and financing	10,139	14,681	24,526	24,402
Money at call and deposit placements with financial institutions	49,013	20,430	86,127	41,071
Held for trading securities	2,945	6,369	6,456	11,490
Available-for-sale securities	28,825	27,690	56,154	56,652
Held-to-maturity securities	8,892	17,136	18,409	34,192
	474,342	423,070	930,116	838,979
Amortisation of premium less accretion of discount	(7,181)	(11,439)	(14,595)	(23,221)
Interest suspended	(26,780)	(11,968)	(55,550)	(23,373)
Total interest income	440,381	399,663	859,971	792,385

**21. Interest Expense**

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 30 June 2006	Preceding year corresponding quarter ended 30 June 2005	Current financial period ended 30 June 2006	Preceding year corresponding period ended 30 June 2005
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	38,971	24,733	78,740	51,588
Deposits from customers	176,010	156,609	334,717	309,869
Loans sold to Cagamas Berhad	814	2,708	1,884	5,376
Subordinated obligations	11,634	12,102	23,500	24,205
Long term borrowings	417	5,204	992	10,409
Others	4,415	421	8,853	797
	232,261	201,777	448,686	402,244

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

**EXPLANATORY NOTES**

**22. Other Operating Income**

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 30 June 2006	Preceding year corresponding quarter ended 30 June 2005	Current financial period ended 30 June 2006	Preceding year corresponding period ended 30 June 2005
	RM'000	RM'000	RM'000	RM'000
Fee and commission income:				
- Commission	9,205	7,902	17,595	15,349
- Service charges and fees	26,656	18,200	54,337	35,471
- Guarantee fees	3,109	2,707	5,897	5,644
- Advisory and arrangement fees	2,587	10,964	4,701	14,602
- Underwriting commission	943	1,809	1,905	2,592
- Brokerage	2,009	1,148	3,631	3,153
Net (losses)/gains arising from sale of securities:				
- Held for trading securities	(281)	(1,321)	(121)	(762)
- Available-for-sale securities	21,495	40,953	22,073	44,865
Gains on redemption of held-to- maturity securities	-	167	-	1,175
Dividend income				
- Held for trading securities	-	150	-	150
- Available-for-sale securities	1,212	876	1,467	949
Net unrealised (losses)/gains on fair value changes on held for trading securities	(435)	(112)	441	(2,391)
Net unrealised gains/(losses) on fair value changes on derivatives held at fair value through profit and loss				
- interest rate swaps	4,704	-	12,442	-
- foreign currency forwards	7,246	-	4,801	-
- future contracts	(29)	-	(29)	-
- equity forwards	(1)	-	(352)	-
Net unrealised gains on fair value changes between the interest rate swaps and subordinated debts designated as fair value hedges	267	-	5,215	-
Net (losses)/gains from foreign exchange translations	(2,571)	2,164	2,186	4,170
Other income/(expenditure):				
- Rental income from premises	722	785	1,372	1,324
- Gain on disposal of property, plant and equipment	109	295	139	689
- Other operating income	1,898	153	3,979	264
- Other non-operating income	546	2,461	912	4,424
- Net allowances writeback/(made) in respect of other bad and doubtful debts	157	(3,691)	128	(3,823)
	79,548	85,610	142,719	127,845

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

**EXPLANATORY NOTES**

**23. Other Operating Expenses**

	<b>Individual quarter</b>		<b>Cumulative quarter</b>	
	<b>Current financial quarter ended 30 June 2006</b>	<b>Preceding year corresponding quarter ended 30 June 2005</b>	<b>Current financial period ended 30 June 2006</b>	<b>Preceding year corresponding period ended 30 June 2005</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Personnel expenses	71,975	65,621	138,323	126,287
Promotion and marketing related expenses	11,614	16,666	25,319	31,824
Establishment related expenses	28,285	26,061	55,684	54,464
General administrative expenses	25,117	21,700	49,130	47,315
	<u>136,991</u>	<u>130,048</u>	<u>268,456</u>	<u>259,890</u>

**(i) Personnel expenses comprise the following:**

Salaries, bonuses and allowances	57,836	53,778	112,213	103,088
Defined contribution plan	9,428	8,343	18,561	16,551
Other employee benefits	4,711	3,500	7,549	6,648
	<u>71,975</u>	<u>65,621</u>	<u>138,323</u>	<u>126,287</u>

**(ii) Promotion and marketing related expenses comprise the following:**

Hire-purchase handling fees and commissions	8,873	14,384	20,769	26,306
Others	2,741	2,282	4,550	5,518
	<u>11,614</u>	<u>16,666</u>	<u>25,319</u>	<u>31,824</u>

**(iii) Establishment related expenses comprise the following:**

Depreciation of property, plant and equipment	10,035	10,066	20,080	20,241
Repair and maintenance	3,102	2,755	8,413	8,786
Rental of premises	6,746	4,862	10,459	10,673
Hire of equipment	783	1,561	1,653	2,767
Others	7,619	6,817	15,079	11,997
	<u>28,285</u>	<u>26,061</u>	<u>55,684</u>	<u>54,464</u>

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

**EXPLANATORY NOTES**

**23. Other Operating Expenses (continued)**

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 30 June 2006	Preceding year corresponding quarter ended 30 June 2005	Current financial period ended 30 June 2006	Preceding year corresponding period ended 30 June 2005
	RM'000	RM'000	RM'000	RM'000
<b>(iv) General administrative expenses comprise the following:</b>				
Communication costs	4,875	5,122	9,701	9,755
Printing and stationeries	4,337	4,033	7,377	6,686
Loss on disposal of property, plant and equipment	71	7	192	6,020
Property, plant and equipment written off	317	-	317	-
Amortisation of goodwill	-	698	-	1,403
Legal and other professional charges	5,923	4,644	12,585	9,418
Others	9,594	7,196	18,958	14,033
	25,117	21,700	49,130	47,315

**24. Allowances for Losses on Loans, Advances and Financing**

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 30 June 2006	Preceding year corresponding quarter ended 30 June 2005	Current financial period ended 30 June 2006	Preceding year corresponding financial period ended 30 June 2005
	RM'000	RM'000	RM'000	RM'000
Allowances for bad and doubtful debts and financing:				
(a) Specific allowance:				
- Made	98,329	77,383	185,428	144,154
- Written back	(21,527)	(24,055)	(45,344)	(42,837)
(b) General allowance:				
- Made	8,047	9,027	13,670	16,666
Bad debts and financing:				
- Recovered	(10,616)	(6,780)	(20,567)	(13,495)
- Written off	39	59	39	122
	74,272	55,634	133,226	104,610

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

**EXPLANATORY NOTES**

**25. 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 30 June 2006</b>			<b>Audited 31 December 2005</b>		
	<b>Principal amount</b>	<b>Credit equivalent amount*</b>	<b>Risk weight amount</b>	<b>Principal amount</b>	<b>Credit equivalent amount*</b>	<b>Risk weight amount</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>
Direct credit substitutes	376,416	376,416	376,416	329,386	329,386	329,386
Certain transaction-related contingent items	803,102	401,551	401,551	757,860	378,930	378,930
Short term self-liquidating trade-related contingencies	140,610	28,122	28,122	148,980	29,796	29,796
Assets sold with recourse and commitments with certain drawdown	376,000	376,000	306,062	474,000	474,000	444,886
Obligations under underwriting agreements	555,000	277,500	34,688	474,000	237,000	29,625
Irrevocable commitments to extend credit :						
- maturity more than one year	2,255,713	1,127,857	836,166	1,860,019	930,010	615,700
- maturity less than one year	7,632,934	-	-	7,093,110	-	-
Foreign exchange related contracts						
- maturity less than one year	4,041,757	66,773	53,713	2,660,485	44,944	34,837
Interest rate related contracts						
- maturity more than one year	2,280,002	45,601	10,589	2,347,070	70,412	16,350
Others	105,006	-	-	213,345	-	-
	<u>18,566,540</u>	<u>2,699,820</u>	<u>2,047,307</u>	<u>16,358,255</u>	<u>2,494,478</u>	<u>1,879,510</u>

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

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

**EXPLANATORY NOTES**

**26. Capital Adequacy**

The Group is not required to maintain any capital adequacy ratio requirements. The following disclosure of capital adequacy ratios of the Group is made on a voluntary basis for information only.

	<b>Unaudited</b> <b>30 June 2006</b>	<b>Audited</b> <b>31 December 2005</b>
	<b>RM'000</b>	<b>RM'000</b>
The components of Tier 1 and Tier II Capital are as follows:		
Tier 1 Capital:		
Paid-up share capital	693,209	693,209
Share premium	1,066,296	1,066,296
Retained profits	508,384	387,345
Other reserves	473,986	674,883
	2,741,875	2,821,733
Less: Goodwill	(137,925)	(66,497)
Deferred tax assets	(121,399)	(121,399)
Total Tier 1 Capital	2,482,551	2,633,837
Tier II Capital:		
Subordinated obligations	775,525	807,444
General allowance for bad and doubtful debts and financing	408,492	394,821
Total Tier II Capital	1,184,017	1,202,265
Total Capital base	3,666,568	3,836,102
Capital ratios:		
Core capital ratio	8.61%	9.48%
Risk-weighted capital ratio	12.71%	13.81%
Core capital ratio (net of proposed dividends)	8.61%	9.20%
Risk-weighted capital ratio (net of proposed dividends)	12.71%	13.53%

The risk-weighted capital adequacy of the banking and finance company subsidiary company, EON Bank Berhad of 12.45%, the Islamic banking subsidiary company, EONCAP Islamic Banking Berhad of 12.21%, and the merchant bank subsidiary company, Malaysian International Merchant Bankers Berhad of 102.50% as at 30 June 2006, exceeded the minimum requirements of 8.00% prescribed by Bank Negara Malaysia.

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

**EXPLANATORY NOTES**

**27. Acquisition of subsidiary companies**

On 22 February 2006, SSSB Jaya (1987) Sdn Bhd (formerly known as SimeSecurities Sdn Bhd) and its subsidiary companies became wholly-owned subsidiary companies of the Group, via EONCAP Securities Sdn Bhd, the wholly-owned stockbroking subsidiary company of the Group. The acquisition of subsidiary companies was settled via cash consideration.

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

	<u>At date of acquisition</u> RM'000
Available-for-sale securities	7,453
Receivables	737
Cash and short term funds	4,692
Payables and accruals	(1,209)
Short term borrowings	(50,621)
Deferred tax liabilities	<u>(1,477)</u>
Net liabilities acquired at the date of acquisition	(40,425)
Goodwill arising on consolidation	<u>71,428</u>
Total purchase consideration discharged by cash (inclusive of incidental costs incurred)	31,003
Less : Cash and cash equivalents in subsidiary companies acquired	(4,692)
Net cash outflow on acquisition of subsidiary companies	<u><u>26,311</u></u>

The financial results of SSSB Jaya (1987) Sdn Bhd (formerly known as SimeSecurities Sdn Bhd) and its subsidiary companies for the period between the date of acquisition and the balance sheet date were not significant to the Group.

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

**EXPLANATORY NOTES**

**28. Interest/Profit Rate Risk**

	← Non-trading book →					Non-Interest /profit sensitive	Trading book	Total	Effective interest /profit rate %
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	1 – 5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>As at 30 June 2006</b>									
<b>Assets</b>									
Cash and short-term funds	4,103,888	-	-	-	-	126,269	-	4,230,157	3.39
Deposits and placements with financial institutions	-	-	284,491	-	-	-	-	284,491	3.89
Held for trading securities	-	-	-	-	-	-	20,074	20,074	3.86
Derivative financial instruments	-	-	-	-	-	45,228	-	45,228	-
Available-for-sale securities	48,545	419,409	311,229	1,596,684	193,040	37,229	-	2,606,136	4.17
Held-to-maturity securities	811,402	-	66,234	433,089	149,658	17,558	-	1,477,941	5.96
Loans, advances and financing							-		
- performing	11,757,674	147,239	704,985	5,026,748	8,112,551	10,156	-	25,759,353	6.87
- non-performing	-	-	-	-	-	^1,064,592	-	1,064,592	-
Other assets <sup>(1)</sup>	8,502	-	-	-	-	2,291,595	-	2,300,097	7.00
<b>Total assets</b>	<b>16,730,011</b>	<b>566,648</b>	<b>1,366,939</b>	<b>7,056,521</b>	<b>8,455,249</b>	<b>3,592,627</b>	<b>20,074</b>	<b>37,788,069</b>	

^ The amount represents non-performing loans, advances and financing, net of specific allowance and general allowance for loans, advances and financing made in accordance with the Group's accounting policy on allowances for bad and doubtful debts and financing.

Note:

(1) Other assets include statutory deposits with Bank Negara Malaysia, property, plant and equipment, deferred tax assets, clients and brokers balances and goodwill arising on consolidation.

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

**EXPLANATORY NOTES**

**28. Interest/Profit Rate Risk (continued)**

	← Non-trading book →					Non-Interest /profit sensitive	Trading book	Total	Effective interest /profit rate %
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	1 - 5 years	Over 5 years				
<b>As at 30 June 2006 (continued)</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>RM'000</b>	<b>RM'000</b>	
Liabilities									
Deposits from customers	10,802,362	3,716,654	6,835,619	341,064	-	2,570,274	-	24,265,973	3.17
Deposits and placements of banks and other financial institutions	2,754,825	902,418	1,311,648	321,013	1,400,000	95,985	-	6,785,889	3.96
Derivative financial instruments	-	-	-	-	-	55,878	-	55,878	-
Obligations on securities sold under repurchase agreements	439,507	-	-	-	-	-	-	439,507	3.12
Bills and acceptances payable	-	-	-	-	-	1,674,338	-	1,674,338	
Other liabilities <sup>(2)</sup>	6,931	-	-	-	-	615,302	-	622,233	3.05
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	-	-	21,647	-	21,647	-
Subordinated obligations	-	-	-	855,000	-	<sup>1(ii)</sup> (74,475)	-	775,525	5.38
Long term borrowings	-	-	-	250,000	-	<sup>1(i)</sup> (4,698)	-	245,302	6.45
<b>Total liabilities</b>	<b>14,003,625</b>	<b>4,619,072</b>	<b>8,147,267</b>	<b>1,767,077</b>	<b>1,400,000</b>	<b>4,949,251</b>	<b>-</b>	<b>34,886,292</b>	
Shareholders' Funds	-	-	-	-	-	2,901,777	-	2,901,777	
<b>Total Liabilities and Shareholders' Funds</b>	<b>14,003,625</b>	<b>4,619,072</b>	<b>8,147,267</b>	<b>1,767,077</b>	<b>1,400,000</b>	<b>7,851,028</b>	<b>-</b>	<b>37,788,069</b>	
On-balance sheet interest/profit sensitivity gap	2,726,386	(4,052,424)	(6,780,328)	5,289,444	7,055,249				
Off-balance sheet interest /profit sensitivity gap	-	(1)	1	-	-				
<b>Total interest sensitivity gap</b>	<b>2,726,386</b>	<b>(4,052,425)</b>	<b>(6,780,327)</b>	<b>5,289,444</b>	<b>7,055,249</b>				

**Note:**

(1) The negative balance represents (i) unamortised discount for long term secured fixed rate bonds, and (ii) unamortised discount, positive fair value changes arising from fair value hedges and foreign currency translation gains of the subordinated obligations derived in accordance with the Group's accounting policy.

(2) Other liabilities include clients and brokers balances, remisier deposits and provision for taxation and zakat.

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

**EXPLANATORY NOTES**

**28. Interest/Profit Rate Risk (continued)**

	← Non-trading book →					Non-Interest /profit sensitive	Trading book	Total	Effective interest /profit rate %
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	1 - 5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>As at 31 December 2005</b>									
Assets									
Cash and short-term funds	3,063,438	-	-	-	-	136,585	-	3,200,023	3.48
Deposits and placements									
with financial institutions	-	349,261	113,385	-	-	-	-	462,646	3.14
Held for trading securities	-	-	-	-	-	-	12,528	12,528	2.56
Derivative financial instruments	-	-	-	-	-	19,028	-	19,028	-
Available-for-sale securities	179,927	273,153	113,319	1,743,397	84,299	30,690	-	2,424,785	4.18
Held-to-maturity securities	846,270	45,000	-	479,828	128,427	17,557	-	1,517,082	2.36
Loans, advances and financing									
- performing	11,038,768	450,265	460,163	5,069,217	7,713,451	10,677	-	24,742,541	6.73
- non-performing	-	-	-	-	-	^1,183,213	-	1,183,213	-
Other assets <sup>(1)</sup>	8,332	-	-	-	-	2,020,356	-	2,028,688	7.03
<b>Total assets</b>	<b>15,136,735</b>	<b>1,117,679</b>	<b>686,867</b>	<b>7,292,442</b>	<b>7,926,177</b>	<b>3,418,106</b>	<b>12,528</b>	<b>35,590,534</b>	

^ The amount represents non-performing loans, advances and financing, net of specific allowance and general allowance for loans, advances and financing made in accordance with the Group's accounting policy on allowances for bad and doubtful debts and financing.

**Note:**

(1) Other assets include statutory deposits with Bank Negara Malaysia, property, plant and equipment, deferred tax assets, clients and brokers balances and goodwill arising on consolidation.

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

**EXPLANATORY NOTES**

**28. Interest/Profit Rate Risk (continued)**

	←————— Non-trading book —————→					Non- Interest/ profit sensitive	Trading book	Total	Effective interest /profit rate %
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	1 – 5 years	Over 5 years				
<b>As at 31 December 2005 (continued)</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>RM'000</b>	<b>RM'000</b>	
Liabilities									
Deposits from customers	10,436,583	4,326,155	6,622,620	207,329	-	2,372,991	-	23,965,678	2.77
Deposits and placements of banks and other financial institutions	931,432	870,767	1,273,662	9,058	1,400,000	98,244	-	4,583,163	3.79
Derivative financial instruments	-	-	-	-	-	41,643	-	41,643	-
Obligations on securities sold under repurchase agreements	1,201,241	-	-	-	-	-	-	1,201,241	2.95
Bills and acceptances payable	-	-	-	-	-	1,360,677	-	1,360,677	-
Other liabilities <sup>(2)</sup>	6,495	-	-	-	-	425,613	-	432,108	2.80
Recourse obligation on loans sold to Cagamas Berhad	-	-	106,629	-	-	22,710	-	129,339	4.22
Subordinated obligations	-	-	-	855,000	-	<sup>1(ii)</sup> (47,556)	-	807,444	5.38
Long term borrowings	-	-	-	250,000	-	<sup>1(i)</sup> (5,512)	-	244,488	6.45
<b>Total liabilities</b>	<b>12,575,751</b>	<b>5,196,922</b>	<b>8,002,911</b>	<b>1,321,387</b>	<b>1,400,000</b>	<b>4,268,810</b>	<b>-</b>	<b>32,765,781</b>	
Shareholders' Funds	-	-	-	-	-	2,824,753	-	2,824,753	
<b>Total Liabilities and Shareholders' Funds</b>	<b>12,575,751</b>	<b>5,196,922</b>	<b>8,002,911</b>	<b>1,321,387</b>	<b>1,400,000</b>	<b>7,093,563</b>	<b>-</b>	<b>35,590,534</b>	
On-balance sheet interest/profit sensitivity gap	2,560,984	(4,079,243)	(7,316,044)	5,971,055	6,526,177				
Off-balance sheet interest/profit sensitivity gap	(1,000)	-	1,000	-	-				
<b>Total interest sensitivity gap</b>	<b>2,559,984</b>	<b>(4,079,243)</b>	<b>(7,315,044)</b>	<b>5,971,055</b>	<b>6,526,177</b>				

**Note:**

(1) The negative balance represents (i) unamortised discount for long term secured fixed rate bonds, and (ii) unamortised discount, positive fair value changes arising from fair value hedges and foreign currency translation gains of the subordinated obligations derived in accordance with the Group's accounting policy.

(2) Other liabilities include clients and brokers balances, remisier deposits and provision for taxation and zakat.

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

**EXPLANATORY NOTES**

**29. The Operation of Islamic Banking**

**29(i) Islamic banking assets and liabilities**

	<b>Unaudited 30 June 2006</b>	<b>Audited 31 December 2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Included in the Group's balance sheets are Islamic banking assets and liabilities of a subsidiary company as follows:		
<b>ASSETS</b>		
Cash and short term funds	136,296	220,401
Available-for-sale securities	207,043	99,334
Held-to-maturity securities	52,132	52,253
Financing, advances and other loans (Note 29(iii))	3,998,843	3,765,793
Other assets	17,768	7,416
Statutory deposits with Bank Negara Malaysia	163,404	137,843
Deferred tax assets	20,208	-
Property, plant and equipment	1,201	1,316
<b>TOTAL ASSETS</b>	<b>4,596,895</b>	<b>4,284,356</b>
<b>LIABILITIES</b>		
Deposits from customers (Note 29(iv))	3,407,330	2,985,396
Deposits and placements of banks and other financial institutions	663,963	746,115
Bills and acceptances payable	5,521	6,806
Provision for taxation and zakat	7,989	8,590
Other liabilities	104,587	34,073
<b>TOTAL LIABILITIES</b>	<b>4,189,390</b>	<b>3,780,980</b>
<b>NET ISLAMIC BANKING ASSETS</b>	<b>407,505</b>	<b>503,376</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>1,123,364</b>	<b>1,093,274</b>

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

**EXPLANATORY NOTES**

**29. The Operation of Islamic Banking (continued)**

**29(ii) Financial results contribution from operation of Islamic Banking**

The financial results contribution from Islamic Banking operation to the Group's financial results are as follows:	Individual quarter		Cumulative quarter	
	Current financial quarter ended	Preceding year corresponding quarter ended	Current financial period ended	Preceding year corresponding period ended
	30 June 2006	30 June 2005	30 June 2006	30 June 2006
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Income derived from investment of depositors' funds	60,991	54,842	120,191	109,484
Allowances for losses on financing	(7,688)	(8,177)	(16,008)	(12,036)
Transfer from/(to) profit equalisation reserve	2,673	(929)	229	(129)
Total attributable income	55,976	45,736	104,412	97,319
Income attributable to depositors	(32,185)	(24,221)	(58,824)	(48,867)
	23,791	21,515	45,588	48,452
Income derived from investment of shareholder's funds	6,135	5,159	11,915	10,107
Total net income	29,926	26,674	57,503	58,559
Other operating expenses	(15,016)	(5,180)	(20,097)	(9,782)
Profit before zakat	14,910	21,494	37,406	48,777
Taxation	(3,019)	-	(3,019)	-
Zakat	(1,206)	(1,364)	(2,600)	(2,557)
Profit after tax and zakat	10,685	20,130	31,787	46,220

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

**EXPLANATORY NOTES**

**30. The Operation of Islamic Banking (continued)**

**29(iii) Financing, Advances and Other Loans**

	<b>Unaudited 30 June 2006 RM'000</b>	<b>Audited 31 December 2005 RM'000</b>
Overdrafts	276,001	168,430
Term financing		
Housing financing	1,877,282	1,860,814
Hire purchase receivables	2,083,898	1,992,907
Other term financing	1,156,367	1,140,651
Trust receipts	7,246	2,398
Claims on customers under acceptance credits	103,326	65,869
Staff financing	39,955	40,697
Revolving credit	116,392	134,585
Other financing	5,861	5,434
	<u>5,666,328</u>	<u>5,411,785</u>
Less: Unearned income	(1,559,366)	(1,533,289)
	<u>4,106,962</u>	<u>3,878,496</u>
Less: Allowances for bad and doubtful financing:		
- General	(60,896)	(57,347)
- Specific	(47,223)	(55,356)
Total net financing, advances and other loans	<u>3,998,843</u>	<u>3,765,793</u>
 <b>(a) Movements in non-performing financing, advances and other loans are as follows:</b>		
Balance as at 1 January	281,559	140,303
Non-performing financing which have no adverse financial impact on the Group transferred out from Islamic banking operation	(19,858)	-
Classified as non-performing during the financial period/year	420,434	309,367
Reclassified as performing during the financial period/year	(385,299)	(120,108)
Amount recovered	(49,905)	(32,705)
Amount written off	(8,490)	(15,298)
Balance as at 30 June / 31 December	<u>238,441</u>	<u>281,559</u>
Non-performing financing which have no adverse financial impact on the Group	-	(20,143)
	<u>238,441</u>	<u>261,416</u>
Specific allowance	(47,223)	(42,116)
Net non-performing financing, advances and other loans	<u>191,208</u>	<u>219,300</u>
As % of total financing, advances and other loans, net of specific allowance	<u>4.7%</u>	<u>5.8%</u>

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

**EXPLANATORY NOTES**

**29. The Operation of Islamic Banking (continued)**

**29(iii) Financing, Advances and Other Loans (continued)**

	<b>Unaudited 30 June 2006 RM'000</b>	<b>Audited 31 December 2005 RM'000</b>
<b>(b) Movements in allowances for bad and doubtful financing are as follows:</b>		
<b><u>General allowance</u></b>		
Balance as at 1 January	57,347	57,717
Allowance made during the financial period/year	3,549	(370)
Balance as at 30 June / 31 December	60,896	57,347
As % of total financing, net of specific allowance	1.5%	1.5%
<b><u>Specific allowance</u></b>		
Balance as at 1 January	55,356	51,406
Allowance in respect of non-performing financing which have no adverse financial impact transferred out from Islamic banking operation	(13,005)	-
Allowance made during the financial period/year	18,937	30,799
Allowance charged to deferred asset/other assets during the financial period/year	34	156
Amount recovered	(5,610)	(11,292)
Recoveries set-off against deferred asset	-	(414)
Amount written off	(8,489)	(15,299)
Balance as at 30 June / 31 December	47,223	55,356

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

**EXPLANATORY NOTES**

**29. The Operation of Islamic Banking (continued)**

**29(iv) Deposits from Customers**

	<b>Unaudited 30 June 2006 RM'000</b>	<b>Audited 31 December 2005 RM'000</b>
<b><u>Non-Mudarabah:</u></b>		
Al-Wadiah demand deposits	451,066	425,570
Al-Wadiah savings deposits	123,709	120,941
	574,775	546,511
<b><u>Mudarabah:</u></b>		
Al-Fareed demand deposits	50,378	34,080
Al-Mudarabah savings deposits	37,122	32,055
Total demand and savings deposits	662,275	612,646
<b><u>Mudarabah:</u></b>		
General investment deposits	2,498,005	2,107,434
Bai Al-Inah HARI	247,050	265,316
Total investment deposits	2,745,055	2,372,750
Total deposits from customers	3,407,330	2,985,396

**30. Significant Events During the Financial Quarter/Period ended 30 June 2006**

- i) On 22 February 2006, EONCAP Securities Sdn Bhd ("ECS"), the stockbroking subsidiary of the Group, has completed the acquisition of the entire issued and paid-up share capital of SimeSecurities Sdn Bhd ("SimeSec") for a cash consideration of RM24,840,803. On 24 April 2006, SimeSec ceased business and, with effect from 3 May 2006, changed its name to SSSB Jaya (1987) Sdn Bhd. Its dealer's licence was surrendered to Bursa Malaysia on 8 May 2006. The salient terms and conditions of the acquisition are disclosed in EON Capital Berhad's announcement to Bursa Malaysia Securities Berhad on 28 October 2005.
- ii) EON Bank Berhad ("EBB") has set up EONCAP Islamic Bank Berhad ("EIBB"), a wholly-owned subsidiary company, to carry out the Islamic Banking business upon meeting all pre-licensing conditions. On 1 April 2006, EIBB commenced its Islamic Banking operation upon completion of the transfer of Islamic Banking business from EBB to EIBB ("Business Transfer") pursuant to an Order obtained from the High Court of Malaya under Section 3(4) of the Islamic Banking Act, 1983. The salient terms and conditions of the Business Transfer are disclosed in EON Capital Berhad's announcement to Bursa Malaysia Securities Berhad on 20 March 2006.
- iii) On 30 June 2006, Malaysian International Bankers Berhad ("MIMB"), the merchant bank subsidiary company of the Group had received a letter jointly issued by Bank Negara Malaysia ("BNM") and the Securities Commission ("SC") informing that the Minister of Finance had, on 28 June 2006, given its approval under Section 49(7) of the Banking and Financial Institutions Act 1989 and Section 124B of the Securities Commission Act 1993 for the merchant bank subsidiary company and its wholly-owned subsidiary company, ECS, to enter into an agreement for the transfer of the assets and liabilities ("Business Transfer") from ECS to MIMB in connection with the establishment of an investment bank by MIMB. The salient terms and conditions of the Business Transfer are disclosed in EON Capital Berhad's announcement to Bursa Malaysia Securities Berhad on 4 July 2006.

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

**EXPLANATORY NOTES**

**30. Significant Events During the Financial Quarter/Period ended 30 June 2006 (Cont'd)**

Other than the above, there were no significant events during the financial quarter/period ended 30 June 2006 that have not been disclosed in these condensed financial statements.

**31. Changes in the Composition of the Group**

Other than the acquisition of SSSB Jaya (1987) Sdn Bhd (formerly known as SimeSecurities Sdn Bhd) and the commencement operation of EONCAP Islamic Banking Berhad as mentioned in paragraph 30, there were no significant changes in the composition of the Group during the financial period ended 30 June 2006 that have not been disclosed in these condensed financial statements.

**32. Significant Event Subsequent to the Balance Sheet Date**

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

**33. Other Commitments**

	<b>Unaudited</b> <b>30 June 2006</b> <b>RM'000</b>	<b>Audited</b> <b>31 December 2005</b> <b>RM'000</b>
- Authorised and contracted for	13,418	48,494
- Authorised but not contracted for	11,018	12,598
	<u>24,436</u>	<u>61,092</u>
Analysed as follows:		
- Property, plant and equipment	24,436	34,727
- Acquisition of a subsidiary company	-	26,365
	<u>24,436</u>	<u>61,092</u>

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

**EXPLANATORY NOTES**

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

**34. Taxation**

The analysis of the tax expense for the financial period ended 30 June 2006 is as follows:-

	<b>Individual quarter</b>		<b>Cumulative quarter</b>	
	<b>Current financial quarter ended 30 June 2006</b>	<b>Preceding year corresponding quarter ended 30 June 2005</b>	<b>Current financial period ended 30 June 2006</b>	<b>Preceding year corresponding period ended 30 June 2005</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian income tax:				
- Charge for the financial quarter/period	34,779	33,352	68,472	64,173
- Under provision in respect of prior years	-	9	-	22
	34,779	33,361	68,472	64,195
Transfer to deferred tax asset	(87)	2,617	(1,933)	(3,312)
	34,692	35,978	66,539	60,883

The Group's effective tax rate for the financial quarter ended 30 June 2006 was higher than the statutory tax rate because certain expenses were not deductible for tax purposes.

**35. Unquoted Investments and Properties**

There were no sale of unquoted investments and properties for the financial quarter ended 30 June 2006 other than in the ordinary course of banking business.

**36. Quoted Securities**

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

**37. Status of Corporate Proposals Announced But Not Completed**

On 30 June 2006, Malaysian International Banker Berhad ("MIMB"), the merchant bank subsidiary company, had received a letter jointly issued by Bank Negara Malaysia ("BNM") and the Securities Commission ("SC") informing that the Minister of Finance had, on 28 June 2006, given its approval under Section 49(7) of the Banking and Financial Institutions Act 1989 and Section 124B of the Securities Commission Act 1993 for MIMB and its wholly-owned subsidiary, EONCAP Securities Sdn Bhd ("ECS"), to enter into an agreement for the transfer of the assets and liabilities ("Business Transfer") from ECS to MIMB in connection with the establishment of an investment bank by MIMB subject to, amongst others, the following conditions:

- (i) MIMB shall comply with all requirements of the Guidelines on Investment Bank issued by BNM and SC at all times; and
- (ii) MIMB shall complete the implementation of the proposed rationalisation within one (1) year from the date the approval was obtained from the Minister of Finance and shall inform BNM and the SC upon completion of the said scheme.

The salient terms and conditions of the Business Transfer are disclosed in EON Capital Berhad's announcement to Bursa Malaysia Securities Berhad on 4 July 2006.

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

**EXPLANATORY NOTES**

**38. Long Term Borrowings**

	<b>Unaudited 30 June 2006</b>	<b>Audited 31 December 2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Secured fixed rate bonds, at par	250,000	250,000
Less: Unamortised discounts	(4,698)	(5,512)
	245,302	244,488

The secured fixed rate bonds comprise of two tranches of RM100 million (Tranche 2 maturing on 12 December 2007) and RM150 million (Tranche 3 maturing on 12 December 2009). In December 2005, Rating Agency Malaysia Berhad has reaffirmed the Bond rating of A2, which was awarded in July 2003. The bonds bear interest at 6.00% per annum (Tranche 2) and 6.75% per annum (Tranche 3) on the nominal value of the outstanding bonds, payable semi annually. Tranche 1 of the bonds has been fully redeemed by the Group on its maturity date.

**39. Subordinated Obligations**

	<b>Unaudited 30 June 2006</b>	<b>Audited 31 December 2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Subordinated obligations, at par	855,000	855,000
Fair value changes arising from fair value hedges	(44,898)	(34,758)
Foreign exchange translations	(27,568)	(4,533)
	782,534	815,709
Less: Unamortised discounts	(7,009)	(8,265)
	775,525	807,444

On 21 January 2004, EON Bank Berhad ('EBB') the banking and finance subsidiary company 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 (subject to the revision of interest rates as explained below). The Notes will mature on 21 January 2014 and are listed on the Luxembourg Stock Exchange. In March 2005, Moody's Investors Service Limited has reaffirmed the rating of the Notes of Baa3. The net proceeds arising from the issuance of the Notes have been utilised for general banking purposes.

The Bank may, at its option, but subject to the prior approval of 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 the Bank decide 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 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.

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

**EXPLANATORY NOTES**

**40. Derivative Financial Instruments**

Based on the balance sheet as at 22 August 2006, 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	3,940,976	1,450,576	1,207,909	1,069,071	213,420	-	-
Interest rate related contracts							
- Interest rate swaps	2,280,623	-	-	1,454,310	-	826,313	-

Foreign exchange and interest rate related contracts are subject to market risk and credit risk. There were no material equity and commodity related contracts as at 22 August 2006.

**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 22 August 2006, the amount of contracts of the Group which were not hedged and, hence, exposed to market risk was RM8,302,625 (31 December 2005: RM14,248,215).

**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 22 August 2006, the amount of credit risk of the Group, measured in terms of the cost to replace the profitable contracts, was RM15,338,360 (31 December 2005: RM7,567,814). 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 currency forward contracts represent commitments to purchase or sell fixed amount of currency, including undelivered spot transactions. These contracts are valued at forward rates applicable to their respective dates of maturity as at balance sheet date and unrealised gains or losses are recognised in the income statement in the period in which they arise.

*Interest rate swap*

Interest rate swaps involve the exchange of interest obligations with a counterparty for a specified period without the exchange of the underlying principal amount. The fair values of these contracts are determined by discounting the estimated net cash flows at zero coupon yield at each reporting date. 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.

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

**EXPLANATORY NOTES**

**41. 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 30 June 2006 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 sub-divide 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 and punitive damages and interest yet to be quantified.

**Status update**

Trial fixed on 15 to 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 14 October 2005 has been vacated. Hearing was fixed on 14 March 2006 but due to the short notice given by the Court, solicitors requested for a postponement. A new date has been fixed on 17 October 2006.

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 the borrower 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 27 June 2005 has been postponed to 14 October 2005. Pre-trial case management on the counterclaim has been postponed pending the disposal of the Summary Judgement hearing which was fixed on 14 August 2006 and has been postponed to 9 October 2006 for mention pending a restructuring proposal.

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

- (3) A Writ of Summons was filed on 25 January 2005 by the Plaintiff against EBB claiming RM50.3 million being General, Aggravated, Exemplary and Special Damages and Interest thereon as a result of EBB wrongfully claiming for an alleged fictitious unsecured claim of RM0.03 million. The property securing the facilities of RM0.19 million granted to a borrower in which the Plaintiff was a partner, was auctioned off and an Adjudicating and Receiving Order (AO & RO) was obtained against the Plaintiff. The Court of Appeal set aside the auction and the High Court set aside the AO & RO as the Court of Appeal and the High Court accepted the Plaintiff's contention that EBB had included a fictitious sum of RM0.03 million in its claim against the Plaintiff. The Plaintiff claims loss and damage for injury to her credit, character and reputation.

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

**EXPLANATORY NOTES**

**41. Material Litigation (continued)**

**EON Bank Berhad ('EBB') (continued)**

**(3) Status update**

The Writ of Summons was served on EBB on 3 February 2005. Memorandum of Appearance was filed on 4 February 2005. Application to strike out the Writ of Summons and Statement of Claim was filed and served on 21 February 2005. At the hearing fixed on 10 March 2005, the application to strike out the suit was withdrawn and solicitors have filed the Statement of Defence.

The Plaintiff has filed an application for Interlocutory Judgement against EBB for wrongful sale of the Plaintiff's property resulting from the Court of Appeal setting aside the auction and also for assessment of damages. The hearing fixed on 23 August 2005 has been postponed to 5 September 2005. On that day, the Senior Assistant Registrar directed parties to file in the Written Submissions and fixed 7 October 2005 for mention. The Court has fixed 27 October 2005 for a decision on this application. On that day, the Senior Assistant Registrar granted Order in Terms in favour of the Plaintiff's application with costs. Our solicitors filed an appeal to the Judge in Chambers on 31 October 2005. Hearing of Notice of Appeal has been fixed on 20 January 2006 and at this hearing, the Court ordered parties to file Written Submissions on or before 3 March 2006. On 27 July 2006, the High Court Judge dismissed our appeal with costs.

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

**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).

- (4) 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')**

- (5) A Writ of Summons was filed by MIMB on 17 December 1998 against the borrower and three 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. On that day, the Court fixed 13 June 2005 to 16 June 2005 for trial. Trial dates have been vacated and Court has fixed 28 July 2005 for mention pending the borrower obtaining a sanction letter from the Official Liquidator to proceed with the counterclaim against EBB as borrower has been wound up. Case Management fixed on 13 July 2006 has been postponed to 10 October 2006.

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

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

**EXPLANATORY NOTES**

**41. Material Litigation (continued)**

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

- (6) A Writ of Summons was filed by MIMB on 10 December 2003 for RM176,448 against the Defendant for providing advisory, consultancy and administrative services to Defendant wherein the Defendant was supposed to pay the professional fees for the services rendered by MIMB.

The Defendant filed a Defence and Counterclaim which was served on MIMB on 12 January 2006. In the Counterclaim, the Defendant alleged that MIMB was negligent and failed to carry out its duty diligently. The Defendant is claiming compensation totalling RM23,995,743 being expenses and costs incurred by the Defendant and damages.

**Status update**

MIMB filed an application for Summary Judgement on 23 July 2004 and mentioned has been fixed on 21 September 2006 pending Defendant's application to transfer the counterclaim to the High Court which has been fixed for hearing on 7 September 2006.

The solicitors are of the opinion that the Defendant's claim is defensible.

**42. Profit Forecast**

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

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

Compared with the immediate preceding financial quarter ended 31 March 2006, the Group's pre-tax profit increased by RM3.5 million from RM108.9 million to RM112.4 million. This was mainly attributable to an increase in net income by 7.6% or RM23.1 million. However, the improvement in pre-tax profit was partly offset by an increase in allowances for losses on loans, advances and financing by RM15.3 million and an increase in other operating expenses by RM5.5 million respectively.

**44. Review of performance for the financial quarter ended 30 June 2006 against the corresponding financial quarter of preceding year**

**Current financial quarter against corresponding financial quarter of preceding year**

For the current financial quarter ended 30 June 2006, the Group recorded a net income of RM325.3 million, a 2.2% increase as compared to RM318.3 million achieved in the preceding year's corresponding quarter ended 30 June 2005. The increase in net income was, however, partly offset by higher allowances for losses on loan, advances and financing of RM18.6 million and higher other operating expenses of RM6.9 million. As a result, the Group registered a pre-tax profit of RM112.4 million, which was 12.5% lower compared to the pre-tax profit of the corresponding quarter of preceding year.

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

For the current financial period ended 30 June 2006, the Group recorded a pre-tax profit of RM221.3 million, a 4.5% increase as compared to RM211.8 million achieved in the preceding year's corresponding financial period. The growth was mainly attributable to an increase in net income by 6.6% or RM38.9 million and a reduction in impairment losses on securities by RM7.7 million. This was partly off-set by an increase in allowances for losses on loans, advances and financing by RM28.6 million, coupled with an increase in other operating expenses by RM8.6 million.

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

**EXPLANATORY NOTES**

**45. Prospects for 2006**

The economic environment in Malaysia is expected to remain favourable and the financial services industry is expected to remain keenly competitive in 2006. The Group will continue to build its presence in the retail and middle market segment and barring any unforeseen circumstances, the Group expects to achieve a satisfactory performance in 2006.

**46. 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 2006 and 30 June 2005 respectively and the weighted average number of ordinary shares in issue during the respective financial quarter/period, are set out as follows:

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 30 June 2006	Preceding year corresponding quarter ended 30 June 2005	Current financial period ended 30 June 2006	Preceding year corresponding period ended 30 June 2005
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial quarter/period	76,472	91,148	152,122	148,368
Weighted average number of ordinary shares in issue during the financial quarter/period	693,209	693,209	693,209	693,209
Basic earnings per share (sen)				
- basic/diluted	11.03	13.15	21.94	21.40

There were no dilutive potential ordinary shares outstanding as at 30 June 2006.