

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

**CONDENSED FINANCIAL STATEMENTS**  
**AUDITED CONSOLIDATED BALANCE SHEETS**  
**AS AT 31 DECEMBER 2006**

		<b>Audited</b>	<b>Audited</b>
		<b>31 December</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		3,080,304	3,200,023
Deposits and placements with banks and other financial institutions		736,907	462,646
Held-for-trading securities	10	115,124	12,528
Derivative financial instruments	18	8,919	19,028
Available-for-sale securities	11	3,347,272	2,424,785
Held-to-maturity securities	12	2,332,762	1,517,082
Loans, advances and financing	13	27,192,125	25,925,754
Other assets	14	823,648	563,031
Statutory deposits with Bank Negara Malaysia		1,070,382	1,001,261
Deferred tax assets		111,189	118,342
Property, plant and equipment		280,103	279,557
Goodwill		137,925	66,497
<b>TOTAL ASSETS</b>		<b>39,236,660</b>	<b>35,590,534</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>			
Deposits from customers	16	25,903,412	23,965,678
Deposits and placements of banks and other financial institutions	17	7,061,255	4,583,163
Derivative financial instruments	18	26,873	41,643
Obligations on securities sold under repurchase agreements		129,328	1,201,241
Bills and acceptances payable		1,339,930	1,360,677
Recourse obligations on loans sold to Cagamas Berhad		15,005	129,339
Other liabilities	19	698,533	405,491
Provision for taxation and zakat		44,914	26,617
Deferred tax liabilities		2,550	-
Subordinated obligations	38	761,372	807,444
Borrowings	39	256,114	244,488
<b>TOTAL LIABILITIES</b>		<b>36,239,286</b>	<b>32,765,781</b>
<b>SHARE CAPITAL</b>		693,209	693,209
<b>RESERVES</b>		2,304,165	2,131,544
<b>SHAREHOLDERS' EQUITY</b>		<b>2,997,374</b>	<b>2,824,753</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<b>39,236,660</b>	<b>35,590,534</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	25	18,195,150	16,395,410
<b>NET ASSETS PER ORDINARY SHARE (RM)</b>		<b>4.32</b>	<b>4.07</b>

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

**CONDENSED FINANCIAL STATEMENTS**  
**AUDITED CONSOLIDATED INCOME STATEMENT**  
**FOR THE FINANCIAL QUARTER/YEAR ENDED 31 DECEMBER 2006**

	Note	Individual quarter		Cumulative quarter	
		Current financial quarter ended 31 December 2006 RM'000	Preceding year corresponding quarter ended 31 December 2005 RM'000	Current financial year ended 31 December 2006 RM'000	Preceding year ended 31 December 2005 RM'000
Interest income	20	490,005	397,985	1,825,395	1,585,921
Interest expense	21	(283,815)	(209,113)	(993,538)	(821,743)
Net interest income		206,190	188,872	831,857	764,178
Net income from Islamic Banking business	29	34,188	41,539	142,224	150,850
		240,378	230,411	974,081	915,028
Other operating income	22	90,185	80,338	270,925	267,664
Net income		330,563	310,749	1,245,006	1,182,692
Other operating expenses	23	(127,226)	(180,517)	(532,517)	(574,818)
Operating profit		203,337	130,232	712,489	607,874
Allowance for losses on loans, advances and financing	24	(98,891)	(33,090)	(305,195)	(188,294)
Impairment losses on securities		(82,502)	(3,823)	(88,373)	(19,253)
Profit before taxation and zakat		21,944	93,319	318,921	400,327
Taxation	34	(18,341)	(26,468)	(100,342)	(113,437)
Zakat		(2,389)	(20)	(6,102)	(3,725)
Net profit for the financial quarter/period		1,214	66,831	212,477	283,165
Earnings per share (sen)					
- Basic	46	0.18	9.64	30.65	40.85
- Diluted	46	0.18	9.64	30.65	40.85

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

**CONDENSED FINANCIAL STATEMENTS**  
**AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

	Note	Issued and fully paid ordinary shares of RM1 each		Statutory reserve	Reserve arising on consolidation	Cashflow hedge reserve	Cumulative net unrealised gains/ (losses) on available-for-sale securities	Retained profits	Total
		Share capital	Share premium						
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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 year		-	-	-	-	-	-	212,477	212,477
Transfer to statutory reserves		-	-	58,046	-	-	-	(58,046)	-
Net fair value changes on available-for-sale securities, net of tax		-	-	-	-	-	42,369	-	42,369
Cashflow hedge reserve, net of tax		-	-	-	-	(2,367)	-	-	(2,367)
Dividends in respect of financial year ended 31 December 2005		-	-	-	-	-	-	(79,858)	(79,858)
Balance as at 31 December 2006		693,209	1,066,296	532,032	-	(2,367)	45,389	662,815	2,997,374
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 year		-	-	-	-	-	-	283,165	283,165
Transfer to statutory reserve		-	-	72,184	-	-	-	(72,184)	-
Net fair value changes on available-for-sale securities, net of tax		-	-	-	-	-	(16,850)	-	(16,850)
Dividends in respect of financial year ended 31 December 2004		-	-	-	-	-	-	(42,923)	(42,923)
Balance as at 31 December 2005		693,209	1,066,296	473,986	-	-	3,020	588,242	2,824,753

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

**CONDENSED FINANCIAL STATEMENTS**  
**AUDITED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

	<b>Current financial year ended 31 December 2006 RM'000</b>	<b>Preceding year ended 31 December 2005 RM'000</b>
<b>Cash Flows From Operating Activities</b>		
Net profit for the financial period	212,477	283,165
Adjustments for investing and financing items not involving movement of cash and cash equivalents	439,936	322,326
Operating profit before working capital changes	<u>652,413</u>	<u>605,491</u>
Increase in operating assets	(2,398,963)	(2,862,169)
Increase in operating liabilities	<u>3,514,299</u>	<u>2,086,998</u>
Cash generated from/(used in) operating activities	1,767,749	(169,680)
Zakat paid	(10,662)	(10,658)
Income tax paid	(86,449)	(117,329)
Income tax refund	5,247	-
Net cash generated from/(used in) operating activities	<u>1,675,885</u>	<u>(297,667)</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of available-for-sales and held-to-maturity securities, net of sale proceeds	(1,720,841)	(27,017)
Purchase of property, plant and equipment	(43,937)	(179,680)
Proceeds from disposal of property, plant and equipment	1,175	36,600
Acquisition of subsidiary companies (Note 27)	(26,311)	-
Interest/dividend received from available-for-sales and held-to-maturity securities	164,415	184,447
Net proceeds from return of capital from available for sale securities	-	3,409
Net dividends received	1,985	1,927
Initial payment for acquisition of subsidiary companies	-	(4,976)
Net cash (used in)/generated from investing activities	<u>(1,623,514)</u>	<u>14,710</u>
<b>Cash Flows From Financing Activities</b>		
Net dividends paid	(79,858)	(42,923)
Repayment of short term borrowings	(50,621)	-
Redemption on long term borrowings	-	(50,000)
Interest paid on long term borrowings	(15,857)	(18,699)
Net interest received from interest rate related derivatives	19,854	1,270
Interest paid on subordinated obligations	<u>(45,608)</u>	<u>(45,918)</u>
Net cash used in financing activities	<u>(172,090)</u>	<u>(156,270)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(119,719)</b>	<b>(439,227)</b>
<b>Cash and cash equivalents:</b>		
- as at beginning of financial year	<u>3,200,023</u>	<u>3,639,250</u>
- as at end of the financial year	<u>3,080,304</u>	<u>3,200,023</u>

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

**EXPLANATORY NOTES**

<p><b>Disclosure requirements pursuant to Malaysian Accounting Standards Board's (MASB) Standard No. FRS 134 (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<sup>2004</sup> - 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"). In addition, the Group has evaluated its portfolio of non-performing loans that had been in default and remained uncollected for more than 7 years and also non-performing loans in default for more than 5 years but less than 7 years. For the loans in default for more than 7 years, no value is assigned as the realisable value of collateral. For loans in default for more than 5 years but less than 7 years, 50% of the realisable value of asset held has been assigned as collateral value. Full specific provision is made thereon.

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 RM1,414,250 and RM5,657,000 for the financial quarter and financial year ended 31 December 2006 respectively. No impairment loss on goodwill has been recommended for the financial year ended 31 December 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 or the financial results 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/year ended 31 December 2006.

**6. Changes in Estimates**

There were no significant changes in estimates arising from prior financial quarter/year that have a material effect on the financial results and position of the Group for the financial quarter/year ended 31 December 2006.

**7. Issuance and Repayments**

There were no cancellation, repurchase, resale or repayment of debt and equity securities during the current financial quarter/year ended 31 December 2006.

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

There were no interim dividends paid or declared in respect of financial year ended 31 December 2006 during the financial quarter/year ended 31 December 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 31 December 2006</u></b>						
Gross operating revenue <sup>(1)</sup>	141,269	294,545	71,828	143,340	2,694	653,676
Less: Inter-segment revenue <sup>(2)</sup>	(280)	(221)	-	(166)	-	(667)
	<u>140,989</u>	<u>294,324</u>	<u>71,828</u>	<u>143,174</u>	<u>2,694</u>	<u>653,009</u>
Segment results	(61,405)	19,293	2,110	64,555	201	24,754
Unallocated costs						<u>(2,810)</u>
Profit before taxation and zakat						21,944
Taxation and zakat						<u>(20,730)</u>
Net profit for the financial quarter ended 31 December 2006						<u>1,214</u>
<b><u>Preceding year corresponding quarter ended 31 December 2005</u></b>						
Gross operating revenue <sup>(1)</sup>	129,477	267,523	62,581	79,722	363	539,666
Less: Inter-segment revenue <sup>(2)</sup>	(592)	91	-	(1,922)	(539)	(2,962)
	<u>128,885</u>	<u>267,614</u>	<u>62,581</u>	<u>77,800</u>	<u>(176)</u>	<u>536,704</u>
Segment results	24,021	18,529	18,418	34,229	721	95,918
Unallocated costs						<u>(2,599)</u>
Profit before taxation and zakat						93,319
Taxation and zakat						<u>(26,488)</u>
Net profit for the financial quarter ended 31 December 2005						<u>66,831</u>

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

<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 year ended 31 December 2006</u></b>						
Gross operating revenue <sup>(1)</sup>	526,669	1,153,656	273,856	408,821	9,369	2,372,371
Less: Inter-segment revenue <sup>(2)</sup>	(823)	(1,160)	-	(1,552)	-	(3,535)
	<u>525,846</u>	<u>1,152,496</u>	<u>273,856</u>	<u>407,269</u>	<u>9,369</u>	<u>2,368,836</u>
Segment results	8,264	105,548	37,355	178,654	364	330,185
Unallocated costs						<u>(11,264)</u>
Profit before taxation and zakat						318,921
Taxation and zakat						<u>(106,440)</u>
Net profit for the financial period ended 31 December 2006						<u>212,477</u>
<b><u>Preceding year ended 31 December 2005</u></b>						
Gross operating revenue <sup>(1)</sup>	470,236	1,086,939	243,757	298,305	9,015	2,108,252
Less: Inter-segment revenue <sup>(2)</sup>	(619)	(1,115)	-	(8,609)	(2,116)	(12,459)
	<u>469,617</u>	<u>1,085,824</u>	<u>243,757</u>	<u>289,696</u>	<u>6,899</u>	<u>2,095,793</u>
Segment results	83,311	135,519	60,343	136,121	(1,709)	413,585
Unallocated costs						<u>(13,258)</u>
Profit before taxation and zakat						400,327
Taxation and zakat						<u>(117,162)</u>
Net profit for the financial period ended 31 December 2005						<u>283,165</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</u></b>						
<b><u>31 December 2006</u></b>						
Segment assets	8,069,236	17,298,604	5,123,598	7,846,664	77,672	38,415,776
Unallocated assets						820,884
Total assets						<u>39,236,660</u>
<b><u>As at</u></b>						
<b><u>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>Audited</u> <u>31 December 2006</u> RM'000	<u>Audited</u> <u>31 December 2005</u> RM'000
Malaysian Government investment issues	105,105	-
Quoted equity securities in Malaysia	5,100	7,526
Private and Islamic debt securities	4,919	5,002
	<u>115,124</u>	<u>12,528</u>

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

**EXPLANATORY NOTES**

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

	<b>Audited</b> <b>31 December 2006</b>	<b>Audited</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	144,530	249,286
Malaysian Government Investment Issue	73,496	-
Malaysian Government treasury bills	49,668	19,992
Malaysian Government Islamic Treasury Bills	19,862	-
Malaysian Government securities	1,017,349	1,103,977
Cagamas bonds	45,007	448,005
Sukuk Bank Negara Malaysia Ijarah	278,249	-
Quoted equity securities in Malaysia	33,883	24,578
Quoted private debt securities	3,406	2,251
Private and Islamic debt securities	931,573	497,404
Negotiable instruments of deposit	700,018	-
Commercial papers	1,991	46,672
Islamic commercial papers	43,931	28,759
	<u>3,342,963</u>	<u>2,420,924</u>
<b>Available-for-sale securities, at cost</b>		
Unquoted equity securities in Malaysia	6,666	7,075
Unquoted equity securities outside Malaysia	857	-
Allowance for impairment	(3,214)	(3,214)
	<u>4,309</u>	<u>3,861</u>
	<u>3,347,272</u>	<u>2,424,785</u>

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

	<b>Audited</b> <b>31 December 2006</b>	<b>Audited</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	-	1,212
Private and Islamic debt securities	758,149	672,014
Islamic commercial papers (Murabahah Notes Issuance Facility)	-	11,000
Credit link notes denominated in USD	176,375	188,975
Callable range accrual notes denominated in USD	603,203	646,294
Structured notes denominated in USD	875,730	-
	<u>2,448,837</u>	<u>1,554,875</u>
<b>Held-to-maturity securities, at cost</b>		
Unquoted equity securities in Malaysia	17,557	17,557
	<u>2,466,394</u>	<u>1,572,432</u>
Allowance for impairment	(133,632)	(55,350)
	<u>2,332,762</u>	<u>1,517,082</u>

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

**EXPLANATORY NOTES**

**13. Loans, Advances and Financing**

	<b>Audited</b> <b>31 December 2006</b> <b>RM'000</b>	<b>Audited</b> <b>31 December 2005</b> <b>RM'000</b>
Overdrafts	2,461,601	2,325,974
Term loans/financing:		
Housing loans/financing	6,179,096	5,526,004
Syndicated term loan/financing	682,703	308,345
Hire purchase receivables	12,499,780	12,417,469
Lease receivables	26	2,265
Other term loans/financing	5,014,877	4,878,189
Bills receivable	9,246	5,549
Trust receipts	185,707	174,824
Claims on customers under acceptance credits	2,238,836	1,881,473
Staff loans/financing	206,849	217,821
Credit cards	920,547	756,137
Revolving credit	1,017,346	1,342,882
Other loans/financing	41,235	45,696
	<u>31,457,849</u>	<u>29,882,628</u>
Less: Unearned interest and income	(3,250,962)	(3,003,501)
Gross loans, advances and financing	<u>28,206,887</u>	<u>26,879,127</u>
Less: Allowances for bad and doubtful debts and financing:		
- General	(414,102)	(394,821)
- Specific	(600,660)	(558,552)
Total net loans, advances and financing	<u><u>27,192,125</u></u>	<u><u>25,925,754</u></u>

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

Domestic non-bank financial institutions	207,536	281,453
(of which: Stockbroking companies)	-	-
Domestic business enterprises	10,108,593	9,300,254
(of which: Small and medium enterprises)	4,909,492	3,819,201
Government and statutory bodies	24,712	35,238
Individuals	17,797,735	17,220,058
Other domestic entities	23,505	8,198
Foreign entities	44,806	33,926
Gross loans, advances and financing	<u>28,206,887</u>	<u>26,879,127</u>

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

**EXPLANATORY NOTES**

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

	<b>Audited</b> <b>31 December 2006</b> <b>RM'000</b>	<b>Audited</b> <b>31 December 2005</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	14,277,610	14,099,651
(of which: (i) Housing loans/financing	1,963,620	1,857,523
(ii) Hire purchase receivables)	10,686,473	10,661,980
Variable rate	13,929,277	12,779,476
(of which: (i) Base lending rate plus	9,345,111	8,696,964
(ii) Cost plus)	3,601,456	3,127,909
 Gross loans, advances and financing	 <u>28,206,887</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	369,696	274,194
Mining and quarrying	34,050	35,237
Manufacturing	2,655,771	2,355,575
Electricity, gas and water	72,224	104,571
Construction	2,085,370	1,665,334
(of which: Infrastructure)	240,304	117,254
Real estate	757,317	618,515
Purchase of landed property	6,144,073	6,248,374
(of which: (i) Residential	5,427,357	4,930,292
(ii) Non-residential )	716,717	1,318,082
Wholesale and retail trade and restaurants and hotels	2,419,212	2,149,183
Transport, storage and communication	593,476	553,484
Finance, insurance and business services	711,738	639,320
Purchase of securities	286,712	666,180
Purchase of transport vehicles	9,723,835	9,760,553
Consumption credit	1,686,399	1,493,021
Others	667,014	315,586
Gross loans, advances and financing	<u>28,206,887</u>	<u>26,879,127</u>

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

**EXPLANATORY NOTES**

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

	<b>Audited</b> <b>31 December 2006</b> <b>RM'000</b>	<b>Audited</b> <b>31 December 2005</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 year	4,726,703	1,935,810
Reclassified as performing during the financial year	(3,914,767)	(750,132)
Amount recovered	(651,665)	(383,998)
Amount written off	(387,533)	(237,823)
Loans/financing converted to securities	-	(365)
Balance as at 31 December	<u>1,909,258</u>	<u>2,136,520</u>
 Non-performing loans, advances and financing which have no adverse financial impact on the Group	 <u>(223,999)</u>	 <u>(294,388)</u>
	1,685,259	1,842,132
Specific allowance	<u>(449,079)</u>	<u>(458,880)</u>
Net non-performing loans, advances and financing	<u>1,236,180</u>	<u>1,383,252</u>
As % of total loans, advances and financing, net of specific allowance	<u>4.5%</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	15,950	5,014
Mining and quarrying	235	4,099
Manufacturing	175,270	261,968
Electricity, gas and water	504	102
Construction	223,060	236,766
(of which: (i) Infrastructure)	<u>7,709</u>	<u>13,906</u>
Real estate	70,435	73,698
Purchase of landed property	669,459	841,995
(of which: (i) Residential	<u>586,141</u>	<u>592,036</u>
(ii) Non-residential )	<u>83,318</u>	<u>249,959</u>
Wholesale and retail trade and restaurants and hotels	197,271	112,215
Transport, storage and communication	32,440	27,049
Finance, insurance and business services	40,799	58,688
Purchase of securities	27,328	72,939
Purchase of transport vehicles	261,632	312,159
Consumption credit	89,151	94,056
Others	105,724	35,772
	<u>1,909,258</u>	<u>2,136,520</u>

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

**EXPLANATORY NOTES**

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

	<b>Audited</b> <b>31 December 2006</b> <b>RM'000</b>	<b>Audited</b> <b>31 December 2005</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 year	19,281	(13,529)
Balance as at 31 December	<u>414,102</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 year	445,674	360,727
Allowance charged to deferred asset/other assets during the financial year	93,324	10,649
Amount recovered	(103,893)	(109,892)
Recoveries set-off against deferred asset	(5,463)	(26,675)
Amount written off	(387,534)	(237,823)
Amount transferred to allowance for impairment of securities	-	(365)
Balance as at 31 December	<u>600,660</u>	<u>558,552</u>

Currently, the Group is classifying loans, advances and financing as non-performing when the repayments are in arrears for 3 months. Specific allowances of the non-performing loans, advances and financing are made when repayments are in arrears for 6 months. Should the Group made specific allowances upon the loans, advances and financing turn non-performing, an additional specific allowances of approximately RM11.2 million (2005: RM15.1. million) would have been required.

**14. Other Assets**

	<b>Audited</b> <b>31 December 2006</b> <b>RM'000</b>	<b>Audited</b> <b>31 December 2005</b> <b>RM'000</b>
Trade receivables, net of allowances for bad and doubtful debts of RM4,128,000 (31.12.2005: RM3,965,000)	38,703	13,890
Interest/income receivable	82,792	49,032
Other debtors, deposits and prepayments, net of allowances for bad and doubtful debts of RM5,592,500 (31.12.2005: RM6,874,000)	383,183	67,839
Initial payment for acquisition of subsidiary companies	-	4,976
Deferred asset account	283,854	382,220
Tax recoverable	20,110	22,364
Amount due from originating non-banking institutions for mortgage loans sold on their behalf to Cagamas Berhad	15,006	22,710
	<u>823,648</u>	<u>563,031</u>

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

**EXPLANATORY NOTES**

**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.

**16. Deposits from Customers**

	<b>Audited</b> <b>31 December 2006</b>	<b>Audited</b> <b>31 December 2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Demand deposits	2,899,738	2,372,991
Savings deposits	2,234,923	2,143,456
Fixed/investment deposits	20,768,751	18,948,431
Negotiable instruments of deposit	-	500,800
	25,903,412	23,965,678

**(i) The maturity structure of fixed/investment deposits and negotiable instruments of deposit is as follows:**

One year or less	19,964,918	19,241,902
More than one year	803,833	207,329
	20,768,751	19,449,231

**(ii) The deposits are sourced from the following type of customers:**

Government and statutory bodies	3,891,185	2,889,073
Business enterprises	10,167,724	9,827,144
Individuals	11,005,139	10,432,138
Others	839,364	817,323
	25,903,412	23,965,678

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

	<b>Audited</b> <b>31 December 2006</b>	<b>Audited</b> <b>31 December 2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	1,270,083	256,437
Licensed finance companies	-	453
Licensed merchant banks	99,691	60,043
Bank Negara Malaysia	1,468,402	1,453,007
Other financial institutions	4,223,079	2,813,223
	7,061,255	4,583,163

**(i) The maturity structure of deposits and placements of banks and other financial institutions is as follows:**

One year or less	5,144,738	3,118,661
More than one year	1,916,517	1,464,502
	7,061,255	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>Audited</b> <b>31 December 2006</b> <b>RM'000</b>	<b>Audited</b> <b>31 December 2005</b> <b>RM'000</b>
<b>Derivatives at fair value through profit and loss:</b>		
- Interest rate swaps	8,578	11,302
- Foreign currency forwards	341	7,726
<b>Total derivative financial instruments - assets</b>	<b>8,919</b>	<b>19,028</b>
<b>Derivatives at fair value through profit and loss:</b>		
- Foreign currency forwards	1,481	7,095
		-
<b>Derivatives designated as fair value hedge:</b>		
- Interest rate swaps	22,104	34,548
<b>Derivatives designated as cash flow hedge:</b>		
- Interest rate swaps	3,288	-
<b>Total derivative financial instruments - liabilities</b>	<b>26,873</b>	<b>41,643</b>

**19. Other Liabilities**

	<b>Audited</b> <b>31 December 2006</b> <b>RM'000</b>	<b>Audited</b> <b>31 December 2005</b> <b>RM'000</b>
Trade payable	13,196	9,421
Other liabilities	375,464	194,625
Interest/dividend payable	298,437	191,788
Profit equalisation reserves	11,436	9,657
	<b>698,533</b>	<b>405,491</b>



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

**EXPLANATORY NOTES**

**20. Interest Income**

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 December 2006	Preceding year corresponding quarter ended 31 December 2005	Current financial year ended 31 December 2006	Preceding year ended 31 December 2005
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than recoveries	376,308	347,918	1,456,321	1,365,232
- Recoveries from non-performing loans, advances and financing	11,178	13,171	50,299	46,093
Money at call and deposit placements with financial institutions	62,165	22,396	202,554	88,927
Held for trading securities	8,411	4,105	21,169	19,360
Available-for-sale securities	36,142	31,683	129,968	114,323
Held-to-maturity securities	8,122	8,862	29,233	52,971
	502,326	428,135	1,889,544	1,686,906
Amortisation of premium less accretion of discount	2,111	305	(14,560)	(34,182)
Interest suspended	(14,432)	(30,455)	(49,589)	(66,803)
Total interest income	490,005	397,985	1,825,395	1,585,921

**21. Interest Expense**

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 December 2006	Preceding year corresponding quarter ended 31 December 2005	Current financial year ended 31 December 2006	Preceding year ended 31 December 2005
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	58,952	29,745	187,417	115,003
Deposits from customers	208,377	161,019	737,705	627,621
Loans sold to Cagamas Berhad	-	1,159	1,884	8,924
Subordinated obligations	11,496	12,031	46,751	48,252
Long term borrowings	4,471	4,803	17,751	20,418
Others	519	356	2,030	1,525
	283,815	209,113	993,538	821,743

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

**EXPLANATORY NOTES**

**22. Other Operating Income**

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 December 2006 RM'000	Preceding year corresponding quarter ended 31 December 2005 RM'000	Current financial year ended 31 December 2006 RM'000	Preceding year ended 31 December 2005 RM'000
Fee and commission income:				
- Commission	10,516	8,856	38,471	32,149
- Service charges and fees	27,185	20,880	106,462	77,316
- Guarantee fees	3,619	2,529	13,202	11,379
- Advisory and arrangement fees	1,381	2,058	7,851	25,195
- Underwriting commission	832	1,003	3,255	4,144
- Brokerage	2,012	927	7,193	5,330
Net gains/(losses) arising from sale of securities:				
- Held for trading securities	2,884	(19)	4,575	(284)
- Available-for-sale securities	29,830	24,991	54,096	76,822
Gains on redemption of held-to- -maturity securities	-	-	-	1,244
Dividend income				
- Held for trading securities	787	-	787	214
- Available-for-sale securities	190	585	2,115	2,343
Net unrealised losses on fair value changes on held for trading securities	(16)	(803)	(1,373)	(3,486)
Net unrealised gains/(losses) on fair value changes on derivatives held at fair value through profit and loss				
- interest rate swaps	4,063	11,302	(2,724)	11,302
- foreign currency forwards	(1,041)	631	(1,770)	631
Net unrealised gains on fair value changes between the interest rate swaps and subordinated debts designated as fair value hedges	405	(158)	7,052	(158)
Net gains from foreign exchange translations	3,647	3,144	16,368	13,272
Other income/(expenditure):				
- Rental income from premises	755	630	2,893	2,327
- Gain on disposal of property, plant and equipment	25	130	169	930
- Other operating income	2,199	4,254	10,092	10,194
- Other non-operating income	402	506	1,610	1,710
- Net allowances written-back/(made) in respect of other bad and doubtful debts	481	(1,108)	542	(4,861)
- Bad debts recovered/(written off)	29	-	59	(49)
	90,185	80,338	270,925	267,664

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

**EXPLANATORY NOTES**

**23. Other Operating Expenses**

	<b>Individual quarter</b>		<b>Cumulative quarter</b>	
	<b>Current financial quarter ended 31 December 2006</b>	<b>Preceding year corresponding quarter ended 31 December 2005</b>	<b>Current financial year ended 31 December 2006</b>	<b>Preceding year ended 31 December 2005</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Personnel expenses	59,908	102,223	266,748	292,252
Promotion and marketing related expenses	11,015	18,734	48,959	65,306
Establishment related expenses	27,669	30,245	112,120	114,372
General administrative expenses	28,634	29,315	104,690	102,888
	<u>127,226</u>	<u>180,517</u>	<u>532,517</u>	<u>574,818</u>

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

Salaries, bonuses and allowances	46,681	66,584	214,644	220,411
Defined contribution plan	8,183	11,130	36,408	36,283
Voluntary separation scheme	-	20,263	-	20,263
Other employee benefits	5,044	4,246	15,696	15,295
	<u>59,908</u>	<u>102,223</u>	<u>266,748</u>	<u>292,252</u>

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

Hire-purchase handling fees and commissions	7,786	14,040	37,983	53,107
Others	3,229	4,694	10,976	12,199
	<u>11,015</u>	<u>18,734</u>	<u>48,959</u>	<u>65,306</u>

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

Depreciation of property, plant and equipment	9,850	10,828	39,322	40,951
Repair and maintenance	2,300	4,474	17,804	18,198
Rental of premises	6,859	5,320	21,009	21,440
Hire of equipment	1,005	1,013	3,617	5,592
Others	7,655	8,610	30,368	28,191
	<u>27,669</u>	<u>30,245</u>	<u>112,120</u>	<u>114,372</u>

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

**EXPLANATORY NOTES**

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

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	<b>Current financial quarter ended 31 December 2006</b>	<b>Preceding year corresponding quarter ended 31 December 2005</b>	<b>Current financial year ended 31 December 2006</b>	<b>Preceding year ended 31 December 2005</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(iv) General administrative expenses comprise the following:</b>				
Communication costs	5,196	5,631	20,492	21,267
Printing and stationeries	3,143	3,963	14,483	16,181
Loss on disposal of property, plant and equipment	401	28	411	6,060
Property, plant and equipment written off	2	477	763	525
Amortisation of goodwill	-	699	-	2,803
Statutory audit fees	-	207	-	506
Legal and other professional charges	6,853	7,343	25,958	22,328
Others	13,039	10,967	42,583	33,218
	<u>28,634</u>	<u>29,315</u>	<u>104,690</u>	<u>102,888</u>

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

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	<b>Current financial quarter ended 31 December 2006</b>	<b>Preceding year corresponding quarter ended 31 December 2005</b>	<b>Current financial year ended 31 December 2006</b>	<b>Preceding year ended 31 December 2005</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Allowances for bad and doubtful debts and financing:				
(a) Specific allowance:				
- Made	149,404	129,377	445,675	360,727
- Written back	(29,097)	(26,702)	(103,893)	(109,892)
(b) General allowance:				
- Made/(written back)	(850)	(41,273)	19,281	(13,528)
Bad debts and financing:				
- Recovered	(20,636)	(28,321)	(55,942)	(49,153)
- Written off	70	9	75	140
	<u>98,891</u>	<u>33,090</u>	<u>305,195</u>	<u>188,294</u>

**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>Audited</b>			<b>Audited</b>		
	<b>31 December 2006</b>			<b>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	415,539	415,539	415,539	329,386	329,386	329,386
Certain transaction-related contingent items	886,336	443,168	443,168	757,860	378,930	378,930
Short term self-liquidating trade-related contingencies	138,885	27,777	27,777	148,980	29,796	29,796
Assets sold with recourse and commitments with certain drawdown	292,000	292,000	211,487	474,000	474,000	444,886
Obligations under underwriting agreements	272,158	136,079	80,213	474,000	237,000	29,625
Irrevocable commitments to extend credit :						
- maturity more than one year	2,286,030	1,143,015	839,716	1,860,019	930,010	615,700
- maturity less than one year	8,218,662	-	-	7,130,265	-	-
Foreign exchange related contracts - maturity less than one year	2,443,853	52,474	80,934	2,660,485	44,944	34,837
Interest rate related contracts - maturity more than one year	3,037,178	60,743	13,560	2,347,070	70,412	16,350
Others	204,509	-	-	213,345	-	-
	<b>18,195,150</b>	<b>2,570,795</b>	<b>2,112,394</b>	<b>16,395,410</b>	<b>2,494,478</b>	<b>1,879,510</b>

\* 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>As at</b> <b>31 December 2006</b>	<b>As at</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	662,816	387,345
Other reserves	575,055	677,903
	2,997,376	2,824,753
Less: Goodwill	(137,925)	(66,497)
Deferred tax assets	(128,602)	(121,399)
Cumulative net unrealised gains on AFS securities and cash flow hedge reserves	(43,023)	(3,020)
Total Tier 1 Capital	2,687,826	2,633,837
Tier II Capital:		
Subordinated obligations	761,372	807,444
General allowance for bad and doubtful debts and financing	414,102	394,821
Total Tier II Capital	1,175,474	1,202,265
Total Capital base	3,863,300	3,836,102
Capital ratios:		
Core capital ratio	9.09%	9.48%
Risk-weighted capital ratio	13.07%	13.81%
Core capital ratio (net of proposed dividends)	8.82%	9.20%
Risk-weighted capital ratio (net of proposed dividends)	12.80%	13.53%

The risk-weighted capital adequacy of the banking and finance company subsidiary company, EON Bank Berhad of 12.92%, the Islamic banking subsidiary company, EONCAP Islamic Banking Berhad of 12.26%, and the investment bank subsidiary company, MIMB Investment Bank Berhad of 58.23% as at 31 December 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:

	<b>At date of acquisition</b>
	<b>RM'000</b>
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	(1,477)
	(40,425)
Net liabilities acquired at the date of acquisition	(40,425)
Goodwill arising on consolidation	71,428
	31,003
Total purchase consideration discharged by cash (inclusive of incidental costs incurred)	31,003
Less : Cash and cash equivalents in subsidiary companies acquired	(4,692)
	26,311
Net cash outflow on acquisition of subsidiary companies	26,311

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				
As at 31 December 2006	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets									
Cash and short-term funds	2,948,048	-	-	-	-	132,256	-	3,080,304	3.27
Deposits and placements with financial institutions	-	300,662	436,245	-	-	-	-	736,907	5.05
Held for trading securities	-	-	-	-	-	-	115,124	115,124	4.26
Derivative financial instruments	-	-	-	-	-	8,919	-	8,919	-
Available-for-sale securities	127,875	1,097,935	801,720	1,006,471	271,672	41,599	-	3,347,272	3.51
Held-to-maturity securities	819,518	10,000	251,569	1,173,158	60,962	17,555	-	2,332,762	6.22
Loans, advances and financing									
- performing	12,177,580	297,314	460,383	5,051,323	8,301,204	9,767	-	26,297,571	6.82
- non-performing	-	-	-	-	-	894,554 <sup>^</sup>	-	894,554	-
Other assets <sup>(1)</sup>	28,076	-	-	-	-	2,395,171	-	2,423,247	-
<b>Total assets</b>	<b>16,101,097</b>	<b>1,705,911</b>	<b>1,949,917</b>	<b>7,230,952</b>	<b>8,633,838</b>	<b>3,499,821</b>	<b>115,124</b>	<b>39,236,660</b>	

<sup>^</sup> 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 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	9,883,282	4,485,870	7,830,688	803,833	-	2,899,739	-	25,903,412	3.20
Deposits and placements of banks and other financial institutions	1,420,428	2,572,188	1,096,834	516,517	1,400,000	55,288	-	7,061,255	3.88
Derivative financial instruments	-	-	-	-	-	26,873	-	26,873	-
Obligations on securities sold under repurchase agreements	129,328	-	-	-	-	-	-	129,328	2.68
Bills and acceptances payable	-	-	-	-	-	1,339,930	-	1,339,930	-
Other liabilities <sup>(2)</sup>	7,206	-	-	-	-	738,791	-	745,997	3.25
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	-	-	15,005	-	15,005	-
Subordinated obligations	-	-	-	855,000	-	(93,628) <sup>1(ii)</sup>	-	761,372	5.38
Borrowings	10,000	-	100,000	150,000	-	(3,886) <sup>1(i)</sup>	-	256,114	6.45
<b>Total liabilities</b>	<b>11,450,244</b>	<b>7,058,058</b>	<b>9,027,522</b>	<b>2,325,350</b>	<b>1,400,000</b>	<b>4,978,112</b>	<b>-</b>	<b>36,239,286</b>	
Shareholders' Funds	-	-	-	-	-	2,997,374	-	2,997,374	
<b>Total Liabilities and Shareholders' Funds</b>	<b>11,450,244</b>	<b>7,058,058</b>	<b>9,027,522</b>	<b>2,325,350</b>	<b>1,400,000</b>	<b>7,975,486</b>	<b>-</b>	<b>39,236,660</b>	
On-balance sheet interest/profit sensitivity gap	4,650,853	(5,352,147)	(7,077,605)	4,905,602	7,233,838				
Off-balance sheet interest /profit sensitivity gap	-	846,600	-	(846,600)	-				
<b>Total interest sensitivity gap</b>	<b>4,650,853</b>	<b>(4,505,547)</b>	<b>(7,077,605)</b>	<b>4,059,002</b>	<b>7,233,838</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, deferred taxation liabilities 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				
As at 31 December 2005 (continued)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>Liabilities</b>									
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>	
<b>On-balance sheet interest/profit sensitivity gap</b>	<b>2,560,984</b>	<b>(4,079,243)</b>	<b>(7,316,044)</b>	<b>5,971,055</b>	<b>6,526,177</b>				
<b>Off-balance sheet interest/profit sensitivity gap</b>	<b>(1,000)</b>	<b>-</b>	<b>1,000</b>	<b>-</b>	<b>-</b>				
<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>Audited</b>	<b>Audited</b>
	<b><u>31 December 2006</u></b>	<b><u>31 December 2005</u></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	455,383	220,401
Available-for-sale securities	259,007	99,334
Held-to-maturity securities	50,747	52,253
Financing, advances and other loans (Note 29(iii))	4,089,622	3,765,793
Other assets	96,784	7,416
Statutory deposits with Bank Negara Malaysia	161,674	137,843
Deferred tax assets	19,348	-
Property, plant and equipment	2,453	1,316
<b>TOTAL ASSETS</b>	<b><u>5,135,018</u></b>	<b><u>4,284,356</u></b>
<b>LIABILITIES</b>		
Deposits from customers (Note 29(iv))	3,906,366	2,985,396
Deposits and placements of banks and other financial institutions	716,766	746,115
Bills and acceptances payable	26,880	6,806
Provision for taxation and zakat	4,028	8,590
Other liabilities	70,231	34,073
<b>TOTAL LIABILITIES</b>	<b><u>4,724,271</u></b>	<b><u>3,780,980</u></b>
<b>NET ISLAMIC BANKING ASSETS</b>	<b><u>410,747</u></b>	<b><u>503,376</u></b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b><u>1,096,087</u></b>	<b><u>1,093,274</u></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**

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 December 2006 RM'000	Preceding year corresponding quarter ended 31 December 2005 RM'000	Current financial year ended 31 December 2006 RM'000	Preceding year ended 31 December 2005 RM'000
The financial results contribution from Islamic Banking operation to the Group's financial results are as follows:				
Income derived from investment of depositors' funds	65,073	57,081	248,681	222,820
Allowances for losses on financing	(10,079)	(1,422)	(33,295)	(18,396)
Transfer (to)/from profit equalisation reserve	(855)	4,624	(1,780)	7,419
Total attributable income	54,139	60,283	213,607	211,843
Income attributable to depositors	(36,784)	(25,665)	(129,852)	(100,325)
	17,355	34,618	83,755	111,518
Income derived from investment of shareholder's funds	6,755	5,499	25,175	20,936
Total net income	24,110	40,117	108,930	132,454
Other operating expenses	(21,999)	(7,130)	(60,473)	(22,740)
Profit before zakat	2,111	32,987	48,457	109,714
Taxation	(4,207)	-	(8,647)	-
Zakat	(2,389)	(20)	(6,102)	(3,725)
Profit after tax and zakat	(4,485)	32,967	33,708	105,989

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

**EXPLANATORY NOTES**

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

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

	<b>Audited</b> <b>31 December 2006</b>	<b>Audited</b> <b>31 December 2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash line	263,100	168,430
Term financing		
Housing financing	2,173,837	1,860,814
Hire purchase receivables	2,037,746	1,992,907
Other term financing	1,248,506	1,140,651
Trust receipts and bill receivables	5,820	2,398
Claims on customers under acceptance credits	101,390	65,869
Staff financing	37,710	40,697
Revolving credit	77,280	134,585
Other financing	4,922	5,434
	5,950,311	5,411,785
Less: Unearned income	(1,751,312)	(1,533,289)
	4,198,999	3,878,496
Less: Allowances for bad and doubtful financing:		
- General	(62,278)	(57,347)
- Specific	(47,099)	(55,356)
Total net financing, advances and other loans	4,089,622	3,765,793
 <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 year	847,974	309,367
Reclassified as performing during the financial year	(753,869)	(120,108)
Amount recovered	(87,822)	(32,705)
Amount written off	(25,542)	(15,298)
Balance as at 31 December	242,442	281,559
Non-performing financing which have no adverse financial impact on the Group	-	(20,143)
	242,442	261,416
Specific allowance	(47,099)	(42,116)
Net non-performing financing, advances and other loans	195,343	219,300
As % of total financing, advances and other loans, net of specific allowance	4.8%	5.8%

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

**EXPLANATORY NOTES**

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

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

	<b>Audited</b> <b>31 December 2006</b> <b>RM'000</b>	<b>Audited</b> <b>31 December 2005</b> <b>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	4,931	(370)
Balance as at 31 December	62,278	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 year	41,369	30,799
Allowance charged to deferred asset/other assets during the financial year	34	156
Amount recovered	(11,113)	(11,292)
Recoveries set-off against deferred asset	-	(414)
Amount written off	(25,542)	(15,299)
Balance as at 31 December	47,099	55,356

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

**EXPLANATORY NOTES**

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

**29(iv) Deposits from Customers**

	<b>Audited</b> <b>31 December 2006</b>	<b>Audited</b> <b>31 December 2005</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Non-Mudarabah:</u></b>		
Al-Wadiah demand deposits	685,286	425,570
Al-Wadiah savings deposits	128,434	120,941
<b><u>Mudarabah:</u></b>		
Al-Fareed demand deposits	78,972	34,080
Al-Mudarabah savings deposits	51,665	32,055
Total demand and savings deposits	944,357	612,646
<b><u>Mudarabah:</u></b>		
General investment deposits	2,838,478	2,107,434
Bai Al-Inah HARI	123,531	265,316
Total investment deposits	2,962,009	2,372,750
Total deposits from customers	3,906,366	2,985,396

**30. Significant Events During the Financial Quarter/Year ended 31 December 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 September 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.



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

**EXPLANATORY NOTES**

**30. Significant Events During the Financial Quarter/Year ended 31 December 2006 (Cont'd)**

On 14 December 2006, MIMB had made announcement to Bursa Malaysia Securities Berhad on the transformation into an Investment Bank and changed its name to 'MIMB Investment Bank Berhad'.

On 30 December 2006, ECS transferred the entire stockbroking business and the prescribed assets and liabilities to MIMB pursuant to a Vesting Order granted from High Court of Malaya

Other than the above, there were no significant events during the financial quarter/year ended 31 December 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), the commencement of operation of EONCAP Islamic Bank Berhad and formation of MIMB Investment Bank Berhad as mentioned in paragraph 30, there were no significant changes in the composition of the Group during the financial year ended 31 December 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>Audited</b> <b>31 December 2006</b>	<b>Audited</b> <b>31 December 2005</b>
	<b>RM'000</b>	<b>RM'000</b>
- Authorised and contracted for	31,618	48,494
- Authorised but not contracted for	10,182	12,598
	<u>41,800</u>	<u>61,092</u>
Analysed as follows:		
- Property, plant and equipment	41,800	34,727
- Acquisition of a subsidiary company	-	26,365
	<u>41,800</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 quarter/year ended 31 December 2006 is as follows:-

	<b>Individual quarter</b>		<b>Cumulative quarter</b>	
	<b>Current financial quarter ended 31 December 2006</b>	<b>Preceding year corresponding quarter ended 31 December 2005</b>	<b>Current financial year ended 31 December 2006</b>	<b>Preceding year ended 31 December 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/year	31,031	4,449	117,460	100,295
- Under/(over) provision in respect of prior years	(9,917)	121	(9,915)	130
	21,114	4,570	107,544	100,425
Transfer from deferred tax asset	(2,773)	21,898	(7,203)	13,012
	18,341	26,468	100,342	113,437

The Group's effective tax rate for the financial quarter/year ended 31 December 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/year ended 31 December 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 7 February 2007, the Company announced that Bank Negara Malaysia has no objection-in-principle for the Company to make offers for the securities of Rashid Hussain Berhad ("RHB") and/or RHB Capital Berhad ("RHBC") and/or the assets and liabilities of RHBC.

On the same date, the Company served a conditional notice of conditional voluntary offer on the Board of Directors of RHB to acquire all ordinary shares of RM1.00 each, ICULS-A, ICULS-B, warrants and all new ordinary shares of RM1.00 each in RHB, which are issued upon conversion of ICULS-A and/or warrants in RHB, not already held by the Company.

Concurrently, the Company also made an offer to the Board of Directors of RHBC to acquire the entire business and undertakings as carried on by RHBC which shall include but not limited to all the assets and liabilities of RHBC subject to conditional formal agreements to be entered into between the Company and/or its subsidiaries and RHBC and/or its subsidiaries ("Proposed Business Acquisition").

On 16 February 2007, the Company has extended the last day for the Board of RHBC to accept the offer for the Proposal Business Acquisition from 16 February 2007 to 2 March 2007.

The proposed transactions are subject to the approval from relevant authorities.

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

**EXPLANATORY NOTES**

**38. Subordinated Obligations**

	<b>Audited</b> <b>31 December 2006</b> <b>RM'000</b>	<b>Audited</b> <b>31 December 2005</b> <b>RM'000</b>
Subordinated obligations, at par	855,000	855,000
Fair value changes arising from fair value hedges	(27,076)	(34,758)
Foreign exchange translations	(61,312)	(4,533)
	<u>766,612</u>	<u>815,709</u>
Less: Unamortised discounts	(5,240)	(8,265)
	<u>761,372</u>	<u>807,444</u>

On 21 January 2004, the Bank 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 December 2006, 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 the Bank 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 the Bank.

**39. Borrowings**

	<b>Audited</b> <b>31 December 2006</b> <b>RM'000</b>	<b>Audited</b> <b>31 December 2005</b> <b>RM'000</b>
<b>Short term borrowing</b>		
Revolving credit - Unsecured and repayable within 1 year	10,000	-
<b>Long term borrowing:</b>		
Secured fixed rate bonds, at par	250,000	250,000
Less: Unamortised discounts	(3,886)	(5,512)
	<u>246,114</u>	<u>244,488</u>
Total borrowings	<u>256,114</u>	<u>244,488</u>

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 2006, 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.

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

**EXPLANATORY NOTES**

**40. Derivative Financial Instruments**

Based on the balance sheet as at 23 February 2007, 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	2,443,853	1,092,891	470,731	444,686	174,901	-	-
Interest rate related contracts							
- Interest rate swaps	3,227,663	-	-	1,587,375	-	1,640,288	-

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 23 February 2007.

**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 23 February 2007, the amount of contracts of the Group which were not hedged and, hence, exposed to market risk was RM22,151,616 (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 23 February 2006, the amount of credit risk of the Group, measured in terms of the cost to replace the profitable contracts, was RM12,995,212 (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 31 December 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 December 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 9 January 2007. On this date, the judge directed the parties to file written skeletal submissions and fixed 6 April 2007 for a decision.

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

- (2) 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)**

**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 in 1996 of the Plaintiff's property resulting from the Court of Appeal setting aside the auction and also for assessment of damages. The respective parties were directed to file in the Written Submissions and Court 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 Plaintiff has filed the Summons-In-Chambers for assessment of damages and the hearing fixed on 8 February 2007 has been adjourned to 2 March 2007 for hearing. The total aggregate of the Plaintiff's claim is RM138.3 mil.

Our solicitors are of the view that the damages and costs to be awarded should be substantially lower than the amount claimed and would not have a material adverse impact on the financial position of the Group.

**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.

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

**EXPLANATORY NOTES**

**41. Material Litigation (continued)**

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

- (4) 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 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 30 November 2006 has been postponed to 12 March 2007.

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

- (5) 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 mention has been fixed on 21 September 2006 pending Defendant's application to transfer the counterclaim to the High Court fixed for hearing on 31 January 2007 has been adjourned to 11 April 2007 for decision.

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

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

**EXPLANATORY NOTES**

**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, the Group's net operating income for the current financial quarter increased by 35% to RM203.3 million. The growth was mainly attributable to a rise in other operating income by RM52.1 million. The increase was substantially offset by an increase in allowances for losses on loans, advances and financing of RM25.8 million and impairment losses on securities of RM81.2 million respectively. As a result, the Group registered a pre-tax profit of RM21.9 million as compared to the RM75.7 million registered during the immediate preceding financial quarter ended 30 September 2006.

**44. Review of performance for the financial quarter/year ended 31 December 2006 against the corresponding financial quarter of preceding year and the previous financial year respectively**

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

For the current financial quarter ended 31 December 2006, the Group recorded a net operating income of RM203.3 million, a 56% increase as compared to RM130.2 million achieved in the preceding year's corresponding financial quarter ended 31 December 2005. The increase in net operating income was, however, largely offset by higher allowances for losses on loan, advances and financing of RM65.8 million and impairment losses on securities of RM78.7 million respectively. As a result, the Group registered a pre-tax profit of RM21.9 million, a decline of 76% as compared to RM93.3 million achieved in the corresponding quarter of preceding year.

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

For the current financial year ended 31 December 2006, the Group recorded a net operating income of RM712.5 million, a 17% increase as compared to RM607.9 million achieved in the previous financial year ended 31 December 2005. The increase in net operating income was, however, largely offset by higher allowances for losses on loan, advances and financing of RM116.9 million and impairment losses on securities of RM69.1 million respectively. As a result, the Group registered a pre-tax profit of RM318.9 million as compared to the pre-tax profit of RM400.3 million achieved in the previous financial year.

**45. Prospects for 2007**

The economic condition in Malaysia is expected to remain positive in the financial year 2007, with more liberalisation moves anticipated in the domestic banking environment. The Group will continue to focus on the retail and middle market segment and expects to achieve a satisfactory performance in 2007.



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

**EXPLANATORY NOTES**

**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/year ended 31 December 2006 and 31 December 2005 respectively and the weighted average number of ordinary shares in issue during the respective financial quarter/year, are set out as follows:

	<b>Individual quarter</b>		<b>Cumulative quarter</b>	
	<b>Current financial quarter ended 31 December 2006</b>	<b>Preceding year corresponding quarter ended 31 December 2005</b>	<b>Current financial year ended 31 December 2006</b>	<b>Preceding year ended 31 December 2005</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net profit for the financial quarter/year	1,214	66,831	212,477	283,165
Weighted average number of ordinary shares in issue during the financial quarter/year	693,209	693,209	693,209	693,209
Basic earnings per share (sen) - basic/diluted	0.18	9.64	30.65	40.85

There were no dilutive potential ordinary shares outstanding as at 31 December 2006 and 31 December 2005.

**47. Proposed First and Final Dividend**

The Board of Directors is pleased to recommend a first and final gross dividend of 16.0 (2005: 16.0) sen per share on 693,208,732 ordinary shares, less income tax of 27%, amounting to RM80,966,780 (2005: RM79,857,646) for the financial year ended 31 December 2006, which is subject to the members' approval at the forthcoming Annual General Meeting of the Company. The entitlement and payment date will be announced at a later date.