

EON CAPITAL BERHAD
(454644-K)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED BALANCE SHEETS
AS AT 30 SEPTEMBER 2007

		Unaudited	Audited
		30 September	31 December
		2007	2006
	Note	RM'000	RM'000
ASSETS			
Cash and short-term funds		4,014,711	3,080,304
Deposits and placements with banks and other financial institutions		966,609	736,907
Held-for-trading securities	10	93,681	115,124
Derivative financial instruments	18	7,738	8,919
Available-for-sale securities	11	2,885,036	3,347,272
Held-to-maturity securities	12	661,684	2,332,762
Loans, advances and financing	13	27,823,749	27,192,125
Other assets	14	869,402	835,360
Statutory deposits with Bank Negara Malaysia		1,060,231	1,070,382
Deferred tax assets		111,097	111,189
Property, plant and equipment		266,469	268,391
Goodwill		136,448	137,925
TOTAL ASSETS		38,896,855	39,236,660
LIABILITIES AND SHAREHOLDERS' FUNDS			
Deposits from customers	16	24,828,347	25,903,412
Deposits and placements of banks and other financial institutions	17	5,350,715	7,061,255
Derivative financial instruments	18	39,828	26,873
Obligations on securities sold under repurchase agreements		1,934,868	129,328
Bills and acceptances payable		1,849,616	1,339,930
Other liabilities	19	816,631	713,538
Provision for taxation and zakat		17,836	44,914
Deferred tax liabilities		-	2,550
Subordinated obligations	38	750,598	761,372
Borrowings	39	247,427	256,114
TOTAL LIABILITIES		35,835,866	36,239,286
SHARE CAPITAL		693,209	693,209
RESERVES		2,367,780	2,304,165
SHAREHOLDERS' FUNDS		3,060,989	2,997,374
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		38,896,855	39,236,660
COMMITMENTS AND CONTINGENCIES	25	23,419,750	18,195,150
NET ASSETS PER ORDINARY SHARE (RM)		4.42	4.32

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL QUARTER/PERIOD ENDED 30 SEPTEMBER 2007

	Note	Individual quarter		Cumulative quarter	
		Current financial quarter ended 30 September 2007 RM'000	Preceding year corresponding quarter ended 30 September 2006 RM'000	Current financial period ended 30 September 2007 RM'000	Preceding year corresponding period ended 30 September 2006 RM'000
Interest income	20	493,999	475,419	1,477,254	1,335,390
Interest expense	21	(263,532)	(261,037)	(816,068)	(709,723)
Net interest income		230,467	214,382	661,186	625,667
Net income from Islamic Banking business	29	43,266	34,525	119,413	108,036
		273,733	248,907	780,599	733,703
Other operating income	22	82,817	38,021	232,865	180,740
Net income		356,550	286,928	1,013,464	914,443
Other operating expenses	23	(143,223)	(136,835)	(421,434)	(405,291)
Net operating profit		213,327	150,093	592,030	509,152
Allowances for losses on loans, advances and financing	24	(68,331)	(73,078)	(287,729)	(206,304)
Impairment losses on securities		(56,305)	(1,299)	(105,152)	(5,871)
Profit before taxation and zakat		88,691	75,716	199,149	296,977
Taxation	34	(24,207)	(15,462)	(52,807)	(82,001)
Zakat		(983)	(1,113)	(3,144)	(3,713)
Net profit for the financial quarter/period		63,501	59,141	143,198	211,263
Earnings per share (sen)					
- Basic	46	9.16	8.53	20.66	30.48
- Diluted	46	9.16	8.53	20.66	30.48

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2007

	Issued and fully paid ordinary shares of RM1 each			Cashflow hedge reserve	Cumulative net unrealised gains/(losses) on available-for-sale securities, net of tax	Retained profits	Total
	Share capital	Share premium	Statutory reserve				
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2007	693,209	1,066,296	532,032	(2,367)	45,389	662,815	2,997,374
Net fair value changes in available-for-sale securities, net of tax	-	-	-	-	(983)	-	(983)
Net fair value changes in interest rate derivatives, net of tax	-	-	-	2,367	-	-	2,367
Income and expenses recognised directly in equity	-	-	-	2,367	(983)	-	1,384
Net profit for the financial period	-	-	-	-	-	143,198	143,198
Total recognised income and expenses for the financial period	-	-	-	2,367	(983)	143,198	144,582
Dividend in respect of financial year ended 31 December 2006	-	-	-	-	-	(80,967)	(80,967)
Balance as at 30 September 2007	693,209	1,066,296	532,032	-	44,406	725,046	3,060,989
Balance as at 1 January 2006	693,209	1,066,296	473,986	-	3,020	588,242	2,824,753
Net fair value changes in available-for-sale securities, net of tax	-	-	-	-	16,361	-	16,361
Income and expenses recognised directly in equity	-	-	-	-	16,361	-	16,361
Net profit for the financial period	-	-	-	-	-	211,263	211,263
Total recognised income and expenses for the financial period	-	-	-	-	16,361	211,263	227,624
Dividend in respect of financial year ended 31 December 2005	-	-	-	-	-	(79,858)	(79,858)
Balance as at 31 September 2006	693,209	1,066,296	473,986	-	19,381	719,647	2,972,519

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2007

	Current financial period ended 30 September 2007	Preceding year corresponding period ended 30 September 2006
	RM'000	RM'000
Cash Flows From Operating Activities		
Net profit for the financial period	143,198	211,263
Adjustments for investing and financing items not involving movement of cash and cash equivalents	494,485	353,344
Operating profit before working capital changes	<u>637,683</u>	<u>564,607</u>
Increase in operating assets	(1,381,619)	(2,025,309)
Increase in operating liabilities	<u>(326,244)</u>	<u>3,559,912</u>
Cash (used in)/generated from operating activities	(1,070,180)	2,099,210
Zakat paid	(5,572)	(825)
Income tax paid	(82,780)	(79,072)
Income tax refund	6,736	-
Net cash (used in)/generated from operating activities	<u>(1,151,796)</u>	<u>2,019,313</u>
Cash Flows From Investing Activities		
Proceeds from sale of available-for-sale and held-to-maturity securities, net of purchases	2,028,624	(1,272,125)
Purchase of property, plant and equipment	(26,875)	(29,271)
Proceeds from disposal of property, plant and equipment	61	1,060
Acquisition of subsidiary companies (note 27)	-	(26,315)
Interest/dividend received from available-for-sales and held-to-maturity securities	184,362	164,415
Net dividends received	<u>2,516</u>	<u>517</u>
Net cash generated from/(used in) investing activities	<u>2,188,688</u>	<u>(1,161,719)</u>
Cash Flows From Financing Activities		
Net dividend paid	(80,967)	(79,858)
Repayment of short term borrowings	(10,000)	(50,621)
Interest paid on long term borrowings	(8,040)	(8,040)
Net interest received from interest rate related derivatives	38,791	5,977
Interest paid on subordinated obligations	<u>(42,269)</u>	<u>(45,015)</u>
Net cash used in financing activities	<u>(102,485)</u>	<u>(177,557)</u>
Net increase in cash and cash equivalents	934,407	680,037
Cash and cash equivalents:		
- as at beginning of financial period	<u>3,080,304</u>	<u>3,200,023</u>
- as at end of the financial period	<u><u>4,014,711</u></u>	<u><u>3,880,060</u></u>

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EXPLANATORY NOTES

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).

1. Basis of Preparation

The condensed interim financial statements have been prepared in accordance with the Malaysian Accounting Standards Board's (MASB) Standard, FRS134²⁰⁰⁴ - 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 2006.

The accounting policies, accounting estimates 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 2006, except for those disclosed in Note 2 and Note 6 of these explanatory notes.

2. Changes in Accounting Policies

The revised FRS issued by MASB which are applicable to the Group and have resulted in a change in accounting policies effective from 1 January 2007 are FRS 117 - Leases and FRS 124 - Related Party Disclosures.

Under the revised FRS 117, the cost of acquiring leasehold land should be accounted for as operating lease and classified as pre-paid lease payments if the risks and rewards are not fully transferred to the acquirer. The lease payments should be amortised over the period of the lease term in accordance with the patterns of benefits provided.

The revision to FRS 117 has resulted in a reclassification of the cost of acquiring leasehold land of the Group from property, plant and equipment to prepaid lease payments, which are included under "Other assets". The change in accounting policy has been applied retrospectively, and the comparative financial information has been restated to conform to the new policy. There is no impact on the financial results and financial position of the Group as the cost of acquiring leasehold has already been amortised over the lease term prior to the adoption of this standard.

The revised FRS 124 is a disclosure standard. The standard further clarify and expand the definition of related parties to include entities which are under the significant influence of a related party that is an individual (i.e key management personnel, significant shareholders and/or their close family members) and post employment benefits plan. The adoption of revised FRS 124 does not have any financial impact on the financial results and position of the Group for the financial quarters/period ended 30 September 2007.

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

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 September 2007.

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6. Changes in Estimates

With effect from 1 January 2007, the Group revised its policy on specific allowances for losses on loans, advances and financing whereby specific allowance will be made when repayments are in arrears for more than 3 months. This revised policy is more prudent than the current policy prescribed under Bank Negara Malaysia Guidelines on the Classification of Non-performing Loans and Provision for Substandard, Bad and Doubtful Debts" (BNM/GP3). The change in accounting estimates has been accounted for prospectively in accordance with FRS108 - Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies and has the effect of decreasing the Group's net profit for the current financial quarter and current financial period by RM2,198,000 and RM15,904,000 respectively.

Other than the above, there were no significant changes in estimates arising from prior financial year that have a material effect on the financial results and position of the Group for the financial quarter/period ended 30 September 2007.

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 September 2007.

8. Dividends Paid During the Current Financial Quarter

There were no interim dividends paid or declared in respect of financial year ending 31 December 2007 during the financial quarter ended 30 September 2007.

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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>Total</u> RM'000
<u>Current financial quarter ended 30 September 2007</u>					
Gross operating revenue ⁽¹⁾	151,164	306,697	78,136	132,507	668,504
Less: Inter-segment revenue ⁽²⁾	(4,200)	(8,396)	-	(2,210)	(14,806)
	<u>146,964</u>	<u>298,301</u>	<u>78,136</u>	<u>130,297</u>	<u>653,698</u>
Segment results	(13,534)	67,974	13,250	23,920	91,610
Unallocated costs					<u>(2,919)</u>
Profit before taxation and zakat					88,691
Taxation and zakat					<u>(25,190)</u>
Net profit for the financial quarter ended 30 September 2007					<u><u>63,501</u></u>
<u>Preceding year corresponding quarter ended 30 September 2006</u>					
Gross operating revenue ⁽¹⁾	133,151	282,649	69,922	96,760	582,482
Less: Inter-segment revenue ⁽²⁾	(203)	(292)	-	(257)	(752)
	<u>132,948</u>	<u>282,357</u>	<u>69,922</u>	<u>96,503</u>	<u>581,730</u>
Segment results	21,693	12,985	8,940	34,688	78,306
Unallocated costs					<u>(2,590)</u>
Profit before taxation and zakat					75,716
Taxation and zakat					<u>(16,575)</u>
Net profit for the financial quarter ended 30 September 2006					<u><u>59,141</u></u>

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9. Segment reporting (continued)

(a) Segment revenue and segment results (continued)

<u>Group</u>	<u>Enterprise Banking</u>	<u>Retail Banking</u>	<u>Islamic Banking</u>	<u>Treasury and Investment Banking</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Current financial period ended</u>					
<u>30 September 2007</u>					
Gross operating revenue ⁽¹⁾	431,124	912,922	226,347	404,639	1,975,032
Less: Inter-segment revenue ⁽²⁾	(11,802)	(24,234)	-	(4,719)	(40,755)
	<u>419,322</u>	<u>888,688</u>	<u>226,347</u>	<u>399,920</u>	<u>1,934,277</u>
Segment results	(39,996)	129,588	36,280	83,691	209,563
Unallocated costs					<u>(10,414)</u>
Profit before taxation and zakat					199,149
Taxation and zakat					<u>(55,951)</u>
Net profit for the financial period ended 30 September 2007					<u>143,198</u>
<u>Preceding year corresponding period ended 30 September 2006</u>					
Gross operating revenue ⁽¹⁾	385,400	859,111	202,028	272,156	1,718,695
Less: Inter-segment revenue ⁽²⁾	(543)	(939)	-	(1,386)	(2,868)
	<u>384,857</u>	<u>858,172</u>	<u>202,028</u>	<u>270,770</u>	<u>1,715,827</u>
Segment results	69,669	86,255	35,245	114,262	305,431
Unallocated costs					<u>(8,454)</u>
Profit before taxation and zakat					296,977
Taxation and zakat					<u>(85,714)</u>
Net profit for the financial period ended 30 September 2006					<u>211,263</u>

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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⁽³⁾</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
As at					
<u>30 September 2007</u>					
Segment assets	8,976,065	16,783,080	5,715,178	6,544,662	38,018,985
Unallocated assets					877,870
Total assets					<u>38,896,855</u>
As at					
<u>31 December 2006</u>					
Segment assets	8,069,236	17,298,605	5,123,598	7,924,336	38,415,775
Unallocated assets					820,885
Total assets					<u>39,236,660</u>

⁽¹⁾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.

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

⁽³⁾On 30 December 2006, the stockbroking business was merged with the investment bank to form the investment banking business unit pursuant to the Guidelines on Investment Banks jointly issued by Bank Negara Malaysia and Securities Commission. With effect from 1 January 2007, the segment results and segment assets of the stockbroking business are reported under the Treasury and Investment Banking segment. The comparative financial information has been restated to reflect such changes.

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

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EXPLANATORY NOTES

10. Held for Trading Securities

	Unaudited 30 September 2007 RM'000	Audited 31 December 2006 RM'000
Malaysian Government securities	85,700	-
Malaysian Government investment issues	-	105,105
Quoted equity securities in Malaysia	3,039	5,100
Private debt securities	4,942	4,919
	<u>93,681</u>	<u>115,124</u>

11. Available-for-sale Securities

	Unaudited 30 September 2007 RM'000	Audited 31 December 2006 RM'000
Available-for-sale securities, at fair value		
Bank Negara Malaysia negotiable notes	-	144,530
Bank Negara Malaysia monetary notes	143,610	-
Malaysian Government investment issues	266,812	73,496
Malaysian Government treasury bills	-	49,668
Malaysian Government Islamic treasury bills	78,682	19,862
Malaysian Government securities	998,733	1,017,349
Sukuk Bank Negara Malaysia Ijarah	10,005	278,249
Cagamas bonds	139,681	45,007
Quoted equity securities in Malaysia	35,372	33,883
Quoted private debt securities	5,091	3,406
Private and Islamic debt securities	949,848	931,573
Negotiable instruments of deposit	200,019	700,018
Islamic negotiable instruments debt securities	49,862	-
Commercial papers	-	1,991
Islamic commercial papers	43,000	43,931
Allowance for impairment	(39,960)	-
	<u>2,880,755</u>	<u>3,342,963</u>
Available-for-sale securities, at cost		
Unquoted equity securities in Malaysia	6,666	6,666
Unquoted equity securities outside Malaysia	829	857
Allowance for impairment	(3,214)	(3,214)
	<u>4,281</u>	<u>4,309</u>
	<u>2,885,036</u>	<u>3,347,272</u>

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12. Held-to-maturity Securities

	Unaudited 30 September 2007	Audited 31 December 2006
	RM'000	RM'000
Held-to-maturity securities, at amortised cost		
Cagamas Mudharabah bonds	-	35,380
Private and Islamic debt securities	662,467	758,149
Credit link notes denominated in USD	170,625	176,375
Callable range accrual notes denominated in USD	-	603,203
Structured notes denominated in USD	-	875,730
	<u>833,092</u>	<u>2,448,837</u>
Held-to-maturity securities, at cost		
Unquoted equity securities in Malaysia	17,557	17,557
	850,649	2,466,394
Allowance for impairment	(188,965)	(133,632)
	<u>661,684</u>	<u>2,332,762</u>

13. Loans, Advances and Financing

	Unaudited 30 September 2007	Audited 31 December 2006
	RM'000	RM'000
Overdrafts/Cash line	2,512,098	2,461,601
Term loans/financing:		
Housing loans/financing	6,666,278	6,179,096
Syndicated term loans/financing	805,234	682,703
Hire purchase receivables	11,634,176	12,499,780
Lease receivables	26	26
Other term loans/financing	5,689,645	5,014,877
Bills receivable	8,322	9,246
Trust receipts	177,079	185,707
Claims on customers under acceptance credits/financing	2,661,666	2,238,836
Staff loans/financing	193,600	206,849
Credit cards	963,151	920,547
Revolving credit/financing	945,635	1,017,346
Other loans/financing	29,945	41,235
	<u>32,286,855</u>	<u>31,457,849</u>
Less: Unearned interest and income	(3,379,788)	(3,250,962)
Gross loans, advances and financing	28,907,067	28,206,887
Less: Allowances for bad and doubtful debts and financing:		
- Specific	(659,594)	(600,660)
- General	(423,724)	(414,102)
Total net loans, advances and financing	<u>27,823,749</u>	<u>27,192,125</u>

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13. Loans, Advances and Financing (continued)

	Unaudited 30 September 2007	Audited 31 December 2006
	RM'000	RM'000
(i) The loans, advances and financing are disbursed to the following type of customers:		
Domestic non-bank financial institutions (of which: Stockbroking companies)	242,909 -	207,536 -
Domestic business enterprises (of which: Small and medium enterprises)	11,044,520 5,523,494	10,108,593 4,909,492
Government and statutory bodies	25,354	24,712
Individuals	17,522,917	17,797,735
Other domestic entities	23,050	23,505
Foreign entities	48,317	44,806
Gross loans, advances and financing	<u>28,907,067</u>	<u>28,206,887</u>
(ii) The loans, advances and financing analysed by interest rate/profit rate sensitivity are as follows:		
Fixed rate (of which: (i) Housing loans/financing (ii) Hire purchase receivables)	13,436,968 1,690,860 9,977,968	14,277,610 1,963,620 10,686,473
Variable rate (of which: (i) Base lending rate plus (ii) Cost plus)	15,470,099 10,464,459 3,961,499	13,929,277 9,345,111 3,601,456
Gross loans, advances and financing	<u>28,907,067</u>	<u>28,206,887</u>
(iii) The loans, advances and financing analysed by their economic purposes are as follows:		
Agriculture, hunting, forestry and fishing	376,600	369,696
Mining and quarrying	103,517	34,050
Manufacturing	2,966,818	2,655,771
Electricity, gas and water	203,223	72,224
Construction (of which: Infrastructure)	2,423,839 103,382	2,085,370 240,304
Real estate	974,249	757,317
Purchase of landed property (of which: (i) Residential (ii) Non-residential)	6,420,275 5,693,148 727,127	6,144,073 5,427,356 716,717
Wholesale and retail trade and restaurants and hotels	2,423,317	2,419,212
Transport, storage and communication	528,243	593,476
Finance, insurance and business services	785,180	711,738
Purchase of securities	242,168	286,712
Purchase of transport vehicles	9,036,324	9,723,835
Consumption credit	1,867,759	1,686,399
Others	555,555	667,014
Gross loans, advances and financing	<u>28,907,067</u>	<u>28,206,887</u>

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13. Loans, Advances and Financing (continued)

	Unaudited 30 September 2007 RM'000	Audited 31 December 2006 RM'000
(iv) Movements in non-performing loans, advances and financing are as follows:		
Balance as at 1 January	1,909,258	2,136,520
Classified as non-performing during the financial period/year	3,388,139	4,726,703
Reclassified as performing during the financial period/year	(2,775,900)	(3,914,767)
Amount converted to securities	(4,224)	-
Amount recovered	(441,534)	(651,665)
Amount written off	(297,643)	(387,533)
Balance as at 30 September/31 December	<u>1,778,096</u>	<u>1,909,258</u>
Non-performing loans, advances and financing which have no adverse financial impact on the Group	<u>(159,209)</u>	<u>(223,999)</u>
	1,618,887	1,685,259
Specific allowance	<u>(543,458)</u>	<u>(449,079)</u>
Net non-performing loans, advances and financing	<u>1,075,429</u>	<u>1,236,180</u>
As % of total loans, advances and financing, net of specific allowance	<u>3.8%</u>	<u>4.5%</u>
(v) The non-performing loans, advances and financing analysed by their economic purposes are as follows:		
Agriculture, hunting, forestry and fishing	15,391	15,950
Mining and quarrying	138	235
Manufacturing	192,379	175,270
Electricity, gas and water	258	504
Construction	274,965	223,060
(of which: (i) Infrastructure)	<u>5,780</u>	<u>7,709</u>
Real estate	60,339	70,435
Purchase of landed property	585,084	669,459
(of which: (i) Residential	<u>514,412</u>	<u>586,141</u>
(ii) Non-residential)	<u>70,673</u>	<u>83,318</u>
Wholesale and retail trade and restaurants and hotels	193,115	197,271
Transport, storage and communication	22,003	32,440
Finance, insurance and business services	36,187	40,799
Purchase of securities	19,710	27,328
Purchase of transport vehicles	225,259	261,632
Consumption credit	85,632	89,151
Others	67,636	105,724
	<u>1,778,096</u>	<u>1,909,258</u>

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13. Loans, Advances and Financing (continued)

	Unaudited 30 September 2007	Audited 31 December 2006
	RM'000	RM'000
(vi) Movements in allowances for bad and doubtful debts and financing:		
General allowance		
Balance as at 1 January	414,102	394,821
Allowance made during the financial period/year	9,622	19,281
Balance as at 30 September/31 December	<u>423,724</u>	<u>414,102</u>
As % of gross loans, advances and financing, net of specific allowance	<u>1.5%</u>	<u>1.5%</u>
Specific allowance		
Balance as at 1 January	600,660	558,552
Allowance made during the financial period/year	447,246	445,674
Allowance charged to deferred asset/other assets during the financial period/year	12,617	93,324
Amount written back in respect of recoveries/reclassification	(93,494)	(103,893)
Recoveries set-off against deferred asset	(5,950)	(5,463)
Amount transferred to allowance for impairment of securities	(3,843)	-
Amount written off	(297,642)	(387,534)
Balance as at 30 September/ 31 December	<u>659,594</u>	<u>600,660</u>

14. Other Assets

	Unaudited 30 September 2007	Audited 31 December 2006
	RM'000	RM'000
Trade receivable, net of allowances for bad and doubtful debts and interest in suspense of RM6,532,000 (31.12.2006: RM4,841,000)	157,348	38,703
Interest/income receivable	72,714	82,792
Other debtors, deposits and prepayments, net of allowances for bad and doubtful debts of RM4,945,700 (31.12.2006: RM5,592,500)	360,059	383,183
Deferred asset account	236,085	283,854
Tax recoverable	18,907	20,110
Prepaid lease payments on leasehold land	9,653	11,712
Amount due from originating non-banking institutions for mortgage loans sold on their behalf to Cagamas Berhad	14,636	15,006
	<u>869,402</u>	<u>835,360</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.

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16. Deposits from Customers

	Unaudited 30 September 2007 RM'000	Audited 31 December 2006 RM'000
Demand deposits	3,336,830	2,899,738
Savings deposits	2,476,737	2,234,923
Fixed/investment deposits	19,014,680	20,768,751
Negotiable Islamic debt certificates	100	-
	<u>24,828,347</u>	<u>25,903,412</u>
(i) The maturity structure of fixed/investment deposits and negotiable certificate of deposit is as follows:		
One year or less	18,108,137	19,964,918
More than one year	906,643	803,833
	<u>19,014,780</u>	<u>20,768,751</u>
(ii) The deposits are sourced from the following type of customers:		
Government and statutory bodies	3,596,023	3,891,185
Business enterprises	8,869,936	10,167,724
Individuals	11,507,672	11,005,139
Others	854,716	839,364
	<u>24,828,347</u>	<u>25,903,412</u>

17. Deposits and Placements of Banks and Other Financial Institutions

	Unaudited 30 September 2007 RM'000	Audited 31 December 2006 RM'000
Licensed banks	617,517	1,270,083
Licensed investment banks	109,612	99,691
Bank Negara Malaysia	1,472,134	1,468,402
Other financial institutions	3,151,452	4,223,079
	<u>5,350,715</u>	<u>7,061,255</u>
(i) The maturity structure of deposits and placements of banks and other financial institutions is as follows:		
One year or less	3,425,080	5,144,738
More than one year	1,925,635	1,916,517
	<u>5,350,715</u>	<u>7,061,255</u>
Included in the above are negotiable certificates of deposit/ Islamic debt certificates issued by the Group	<u>518,327</u>	<u>700,000</u>

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18. Derivative Financial Instruments

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

	Unaudited 30 September 2007 RM'000	Audited 31 December 2006 RM'000
Derivatives at fair value through profit and loss:		
- Interest rate swaps	7,738	8,578
- Foreign currency forwards	-	341
Total derivative financial instruments - assets	<u>7,738</u>	<u>8,919</u>
Derivatives at fair value through profit and loss:		
- Interest rate swaps	1,477	-
- Foreign currency forwards	28,861	1,481
Derivatives designated as fair value hedge:		
- Interest rate swaps	9,490	22,104
Derivatives designated as cash flow hedge:		
- Interest rate swaps	-	3,288
Total derivative financial instruments - liabilities	<u>39,828</u>	<u>26,873</u>

19. Other Liabilities

	Unaudited 30 September 2007 RM'000	Audited 31 December 2006 RM'000
Trade payable	29,912	13,196
Other liabilities	537,733	390,469
Interest/dividend payable	242,928	298,437
Profit equalisation reserves	6,058	11,436
	<u>816,631</u>	<u>713,538</u>

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20. Interest Income

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 30 September 2007 RM'000	Preceding year corresponding quarter ended 30 September 2006 RM'000	Current financial period ended 30 September 2007 RM'000	Preceding year corresponding period ended 30 September 2006 RM'000
Loans and advances				
- Interest income other than recoveries	377,805	373,057	1,126,094	1,080,013
- Recoveries from non-performing loans, advances and financing	14,098	14,595	38,395	39,121
Money at call and deposit placements with financial institutions	60,768	54,412	170,009	140,539
Held for trading securities	8,374	6,152	27,976	12,608
Available-for-sale securities	35,561	37,672	118,305	93,826
Held-to-maturity securities	7,579	2,702	23,382	21,111
Others	1,589	-	3,282	-
	505,774	488,590	1,507,443	1,387,218
Accretion of discount less amortisation of premium	(1,812)	(2,076)	4,149	(16,671)
Interest suspended	(9,963)	(11,095)	(34,338)	(35,157)
Total interest income	493,999	475,419	1,477,254	1,335,390

21. Interest Expense

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 30 September 2007 RM'000	Preceding year corresponding quarter ended 30 September 2006 RM'000	Current financial period ended 30 September 2007 RM'000	Preceding year corresponding period ended 30 September 2006 RM'000
Deposits and placements of banks and other financial institutions	47,813	49,725	172,643	128,465
Deposits from customers	199,871	194,611	595,923	529,328
Loans sold to Cagamas Berhad	-	-	-	1,884
Subordinated obligations	11,029	11,755	33,104	35,255
Long term borrowings	4,458	4,427	13,373	13,280
Others	361	519	1,025	1,511
	263,532	261,037	816,068	709,723

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22. Other Operating Income

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 30 September 2007	Preceding year corresponding quarter ended 30 September 2006	Current financial period ended 30 September 2007	Preceding year corresponding period ended 30 September 2006
	RM'000	RM'000	RM'000	RM'000
Fee and commission income:				
- Commission	12,933	10,360	33,924	27,955
- Service charges and fees	27,702	24,940	84,200	79,277
- Guarantee fees	3,286	3,686	10,182	9,583
- Advisory and arrangement fees	3,823	1,769	12,328	6,470
- Underwriting commission	644	518	4,617	2,423
- Brokerage	5,012	1,550	14,966	5,181
Net gains/(losses) arising from sale of securities:				
- Held for trading securities	(582)	1,812	8,752	1,691
- Available-for-sale securities	19,913	1,632	37,326	23,705
Net (losses)/gains on redemption of held- to-maturity securities	(470)	561	(470)	561
Dividend income				
- Held for trading securities	146	-	508	-
- Available-for-sale securities	2,335	458	2,770	1,925
Net unrealised gains/(losses) on fair value changes on held for trading securities	489	(1,798)	(165)	(1,357)
Net unrealised (losses)/gains on fair value changes on derivatives held at fair value through profit and loss:				
- interest rate derivatives	(3,824)	(19,229)	699	(6,787)
- foreign currency forwards	(29,455)	(5,528)	(27,039)	(727)
- index linked equity derivatives	-	27	-	(2)
- equity forwards	-	352	-	-
Net unrealised gains on fair value changes between the subordinated debts and interest rate derivatives designated as fair value hedges	1,651	1,432	121	6,647
Net gains from foreign exchange translations	36,632	10,535	40,497	12,721
Other income/(expenditure):				
- Rental income from premises	769	766	2,301	2,138
- Gain on disposal of property, plant and equipment	5	5	44	144
- Other operating income	1,927	3,914	6,075	7,893
- Other non-operating income	577	296	1,813	1,208
- Net allowances (made)/written-back in respect of other bad and doubtful debts	(1,273)	(67)	(1,432)	61
- Others bad debts recovered	577	30	848	30
	82,817	38,021	232,865	180,740

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23. Other Operating Expenses

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	Current financial quarter ended 30 September 2007 RM'000	Preceding year corresponding quarter ended 30 September 2006 RM'000	Current financial period ended 30 September 2007 RM'000	Preceding year corresponding period ended 30 September 2006 RM'000
Personnel expenses	75,603	68,517	223,320	206,840
Promotion and marketing related expenses	10,329	12,625	30,914	37,944
Establishment related expenses	29,238	28,762	86,764	84,446
General administrative expenses	28,053	26,931	80,436	76,061
	<u>143,223</u>	<u>136,835</u>	<u>421,434</u>	<u>405,291</u>

(i) Personnel expenses comprise the following:

Salaries, bonuses and allowances	60,684	55,750	180,616	167,963
Defined contribution plan	9,967	9,062	29,765	27,623
Other employee benefits	4,952	3,705	12,939	11,254
	<u>75,603</u>	<u>68,517</u>	<u>223,320</u>	<u>206,840</u>

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

Hire-purchase handling fees and commissions	6,415	9,428	18,500	30,197
Others	3,914	3,197	12,414	7,747
	<u>10,329</u>	<u>12,625</u>	<u>30,914</u>	<u>37,944</u>

(iii) Establishment related expenses comprise the following:

Depreciation of property, plant and equipment	9,641	9,387	28,732	29,467
Repair and maintenance	5,084	7,091	15,151	15,504
Rental of premises	5,812	3,691	16,929	14,150
Hire of equipment	987	959	2,835	2,612
Others	7,714	7,634	23,117	22,713
	<u>29,238</u>	<u>28,762</u>	<u>86,764</u>	<u>84,446</u>

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23. Other Operating Expenses (continued)

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	<u>Current financial quarter ended 30 September 2007</u>	<u>Preceding year corresponding quarter ended 30 September 2006</u>	<u>Current financial period ended 30 September 2007</u>	<u>Preceding year corresponding period ended 30 September 2006</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
(iv) General administrative expenses comprise the following:				
Communication costs	4,887	5,595	14,205	15,296
Printing and stationeries	3,512	3,963	10,706	11,340
Loss on disposal of property, plant and equipment	236	217	259	409
Property, plant and equipment written off	14	45	20	362
Legal and other professional charges	7,671	6,520	23,013	19,105
Others	11,733	10,591	32,233	29,549
	<u>28,053</u>	<u>26,931</u>	<u>80,436</u>	<u>76,061</u>

24. Allowances for Losses on Loans, Advances and Financing

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	<u>Current financial quarter ended 30 September 2007</u>	<u>Preceding year corresponding quarter ended 30 September 2006</u>	<u>Current financial period ended 30 September 2007</u>	<u>Preceding year corresponding period ended 30 September 2006</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Allowances for bad and doubtful debts and financing:				
(a) Specific allowance:				
- Made	138,848	110,843	447,246	296,271
- Written back	(31,435)	(29,452)	(93,494)	(74,796)
(b) General allowance:				
- Made	5,489	6,460	9,622	20,130
Bad debts and financing:				
- Recovered	(44,571)	(14,740)	(75,645)	(35,306)
- Written off	-	(33)	-	5
	<u>68,331</u>	<u>73,078</u>	<u>287,729</u>	<u>206,304</u>

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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 :

	Unaudited 30 September 2007			Audited 31 December 2006		
	Principal amount	Credit equivalent amount*	Risk weight amount	Principal amount	Credit equivalent amount*	Risk weight amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	413,128	413,128	413,128	415,539	415,539	415,539
Certain transaction- related contingent items	924,776	462,388	462,388	886,336	443,168	443,168
Short term self- liquidating trade- related contingencies	146,355	29,271	29,271	138,885	27,777	27,777
Assets sold with recourse and commitments with certain drawdown	332,839	293,130	80,992	292,000	292,000	211,487
Obligations under underwriting agreements	242,000	121,000	15,126	272,158	136,079	80,213
Irrevocable commitments to extend credit :						
- maturity more than one year	2,194,063	1,097,031	797,454	2,286,030	1,143,015	839,716
- maturity less than one year	9,013,066	-	-	8,218,662	-	-
Foreign exchange related contracts - maturity less than one year	7,436,564	132,776	108,210	2,443,853	52,474	80,934
Interest rate related contracts - maturity more than one year	2,628,438	39,272	8,574	3,037,178	60,743	13,560
Others	88,521	-	-	204,509	-	-
	<u>23,419,750</u>	<u>2,587,996</u>	<u>1,915,143</u>	<u>18,195,150</u>	<u>2,570,795</u>	<u>2,112,394</u>

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

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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.

	As at 30 September 2007	As at 31 December 2006
	RM'000	RM'000
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	581,848	662,815
Other reserves	575,054	575,054
	2,916,407	2,997,374
Less: Goodwill	(136,448)	(137,925)
Deferred tax assets	(128,602)	(128,602)
Cumulative net unrealised gains on available-for-sale securities and cash flow hedge reserve	(43,022)	(43,022)
Total Tier 1 Capital	2,608,335	2,687,825
Tier II Capital:		
Subordinated obligations	750,598	761,372
General allowance for bad and doubtful debts and financing	425,304	414,102
Total Tier II Capital	1,175,902	1,175,474
Total Capital base	3,784,237	3,863,299
Capital ratios:		
Core capital ratio	8.75%	9.09%
Risk-weighted capital ratio	12.69%	13.07%
Core capital ratio (net of proposed dividends)	8.75%	8.82%
Risk-weighted capital ratio (net of proposed dividends)	12.69%	12.80%

The risk-weighted capital adequacy of the banking and finance subsidiary company, EON Bank Berhad of 12.54%, the Islamic banking subsidiary company, EONCAP Islamic Bank Berhad of 12.26%, and the investment banking subsidiary company, MIMB Investment Bank Berhad of 56.19% as at 30 September 2007, exceeded the minimum requirements of 8.00% prescribed by Bank Negara Malaysia.

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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 MIMB Investment Bank Berhad, the wholly-owned investment banking subsidiary 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:

	At date of acquisition
	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	(1,477)
	<hr/>
Net liabilities acquired at the date of acquisition	(40,425)
Goodwill arising on consolidation	71,432
	<hr/>
Total purchase consideration discharged by cash (inclusive of incidental costs incurred)	31,007
Less : Cash and cash equivalents in subsidiary companies acquired	(4,692)
	<hr/>
Net cash outflow on acquisition of subsidiary companies	<u>26,315</u>

The financial results of SSSB Jaya (1987) Sdn Bhd and its subsidiary companies for the period between the date of acquisition and 31 December 2006 were not significant to the Group.

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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 30 September 2007	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets									
Cash and short-term funds	3,836,015	-	-	-	-	178,696	-	4,014,711	3.57
Deposits and placements with banks and other financial institutions	-	501,131	465,478	-	-	-	-	966,609	5.36
Held for trading securities	-	-	-	-	-	-	93,681	93,681	3.58
Derivative financial instruments	-	-	-	-	-	7,738	-	7,738	-
Available-for-sale securities	593,058	362,469	495,673	992,455	393,598	47,783	-	2,885,036	3.38
Held-to-maturity securities	89,940	15,014	110,247	331,229	44,702	70,552	-	661,684	5.97
Loans, advances and financing									
- performing	14,089,850	245,953	386,506	4,638,308	7,759,534	8,777	-	27,128,928	6.73
- non-performing	-	-	-	-	-	694,821 [^]	-	694,821 [^]	-
Other assets ⁽¹⁾	112,080	-	-	-	-	2,331,567	-	2,443,647	8.00
Total assets	18,720,943	1,124,567	1,457,904	5,961,992	8,197,834	3,339,934	93,681	38,896,855	

[^] 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.

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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 30 September 2007 (continued)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Liabilities									
Deposits from customers	9,356,599	3,981,718	7,246,558	906,644	-	3,336,828	-	24,828,347	3.01
Deposits and placements of banks and other financial institutions	1,359,090	1,108,197	915,249	502,209	1,404,078	61,892	-	5,350,715	3.65
Derivative financial instruments	-	-	-	-	-	39,828	-	39,828	-
Obligations on securities sold under repurchase agreements	1,934,868	-	-	-	-	-	-	1,934,868	3.37
Bills and acceptances payable	-	-	-	-	-	1,849,616	-	1,849,616	-
Other liabilities ⁽²⁾	54,061	-	-	-	-	780,406	-	834,467	2.93
Subordinated obligations	-	-	-	855,000	-	(104,402) ¹⁽ⁱⁱ⁾	-	750,598	5.38
Borrowings	-	100,000	-	150,000	-	(2,573) ¹⁽ⁱ⁾	-	247,427	6.45
Total liabilities	12,704,618	5,189,915	8,161,807	2,413,853	1,404,078	5,961,595	-	35,835,866	
Shareholders' Funds	-	-	-	-	-	3,060,989	-	3,060,989	
Total Liabilities and Shareholders' Funds	12,704,618	5,189,915	8,161,807	2,413,853	1,404,078	9,022,584	-	38,896,855	
On-balance sheet interest/profit sensitivity gap	6,016,325	(4,065,348)	(6,703,903)	3,548,139	6,793,756				
Off-balance sheet interest /profit sensitivity gap	-	(442,812)	-	442,812	-				
Total interest/profit sensitivity gap	6,016,325	(4,508,160)	(6,703,903)	3,990,951	6,793,756				

- 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 tax liabilities and provision for taxation and zakat.

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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	
As at 31 December 2006									
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 [^]	-	894,554	-
Other assets ⁽¹⁾	28,076	-	-	-	-	2,395,171	-	2,423,247	8.00
Total assets	16,101,097	1,705,911	1,949,917	7,230,952	8,633,838	3,499,821	115,124	39,236,660	

[^] 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.

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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 2006 (continued)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
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 ⁽²⁾	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) ¹⁽ⁱⁱ⁾	-	761,372	5.38
Borrowings	10,000	-	100,000	150,000	-	(3,886) ¹⁽ⁱ⁾	-	256,114	6.45
Total liabilities	11,450,244	7,058,058	9,027,522	2,325,350	1,400,000	4,978,112	-	36,239,286	
Shareholders' Funds	-	-	-	-	-	2,997,374	-	2,997,374	
Total Liabilities and Shareholders' Funds	11,450,244	7,058,058	9,027,522	2,325,350	1,400,000	7,975,486	-	39,236,660	
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)	-				
Total interest/profit sensitivity gap	4,650,853	(4,505,547)	(7,077,605)	4,059,002	7,233,838				

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 tax liabilities and provision for taxation and zakat.

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29. The Operation of Islamic Banking

29(i) Islamic banking assets and liabilities

	Unaudited	Audited
	<u>30 September 2007</u>	<u>31 December 2006</u>
	RM'000	RM'000
Included in the Group's balance sheets are Islamic banking assets and liabilities of a subsidiary company as follows:		
ASSETS		
Cash and short term funds	660,782	455,383
Available-for-sale securities	326,482	259,007
Held-to-maturity securities	15,141	50,747
Financing and advances (Note 29(iii))	4,497,967	4,089,622
Other assets	40,349	96,784
Statutory deposits with Bank Negara Malaysia	175,136	161,674
Deferred tax assets	19,884	19,348
Property, plant and equipment	2,420	2,453
TOTAL ASSETS	<u>5,738,161</u>	<u>5,135,018</u>
LIABILITIES		
Deposits from customers (Note 29(iv))	3,183,266	3,906,366
Deposits and placements of banks and other financial institutions	1,936,971	716,766
Bills and acceptances payable	107,297	26,880
Provision for taxation and zakat	1,602	4,028
Other liabilities	75,001	70,231
TOTAL LIABILITIES	<u>5,304,137</u>	<u>4,724,271</u>
NET ISLAMIC BANKING ASSETS	<u>434,024</u>	<u>410,747</u>
COMMITMENTS AND CONTINGENCIES	<u>1,140,539</u>	<u>1,096,087</u>

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29. The Operation of Islamic Banking (continued)

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

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	<u>Current financial quarter ended 30 September 2007</u>	<u>Preceding year corresponding quarter ended 30 September 2006</u>	<u>Current financial period ended 30 September 2007</u>	<u>Preceding year corresponding period ended 30 September 2006</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
The financial results contribution from Islamic Banking operation to the Group's financial results are as follows:				
Income derived from investment of depositors' funds	70,593	63,417	203,803	183,608
Income derived from investment of shareholder's funds	7,544	6,505	22,544	18,420
	78,137	69,922	226,347	202,028
Allowances for losses on financing and advances	(11,511)	(7,208)	(30,023)	(23,216)
Transfer from / (to) profit equalisation reserve	3,986	(1,153)	5,378	(924)
Total distributable income	70,612	61,561	201,702	177,888
Income attributable to depositors	(38,857)	(34,244)	(112,312)	(93,068)
Total net income	31,755	27,317	89,390	84,820
Other operating expenses	(18,505)	(18,377)	(53,110)	(38,474)
Profit before taxation and zakat	13,250	8,940	36,280	46,346
Taxation	(3,578)	(1,421)	(9,796)	(4,440)
Zakat	(983)	(1,113)	(3,144)	(3,713)
Net profit for the financial quarter/period	8,689	6,406	23,340	38,193

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29. The Operation of Islamic Banking (continued)

29(iii) Financing and advances

	Unaudited 30 September 2007	Audited 31 December 2006
	RM'000	RM'000
Cash line	392,990	263,100
Term financing		
Housing financing	2,605,705	2,173,837
Hire purchase receivables	1,911,533	2,037,746
Other term financing	1,365,974	1,248,506
Trust receipts and bill receivables	7,404	5,820
Claims on customers under acceptance credits/financing	215,274	101,390
Staff financing	34,320	37,710
Revolving financing	103,311	77,280
Other financing	3,928	4,922
	6,640,439	5,950,311
Less: Unearned income	(2,014,011)	(1,751,312)
	4,626,428	4,198,999
Less: Allowances for bad and doubtful financing:		
- General	(68,497)	(62,278)
- Specific	(59,964)	(47,099)
Total net financing and advances	4,497,967	4,089,622
 (a) Movements in non-performing financing and advances are as follows:		
Balance as at 1 January	242,442	281,559
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	662,132	847,974
Reclassified as performing during the financial period/year	(595,022)	(753,869)
Amount recovered	(58,452)	(87,822)
Amount written off	(13,022)	(25,542)
Balance as at 30 September/31 December	238,078	242,442
Specific allowance	(59,964)	(47,099)
Net non-performing financing and advances	178,114	195,343
As % of total financing and advances, net of specific allowance	3.9%	4.7%

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29. The Operation of Islamic Banking (continued)

29(iii) Financing and advances (continued)

	<u>Unaudited</u> <u>30 September 2007</u> RM'000	<u>Audited</u> <u>31 December 2006</u> RM'000
(b) Movements in allowances for bad and doubtful financing are as follows:		
<u>General allowance</u>		
Balance as at 1 January	62,278	57,347
Allowance made during the financial period/year	6,219	4,931
Balance as at 30 September/31 December	68,497	62,278
As % of total financing and advances, net of specific allowance	1.5%	1.5%
<u>Specific allowance</u>		
Balance as at 1 January	47,099	55,356
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	36,987	41,369
Allowance charged to deferred asset/other assets during the financial period/year	-	34
Amount written back in respect of recoveries/reclassification	(11,100)	(11,113)
Amount written off	(13,022)	(25,542)
Balance as at 30 September/31 December	59,964	47,099

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29. The Operation of Islamic Banking (continued)

29(iv) Deposits from Customers

	Unaudited 30 September 2007 RM'000	Audited 31 December 2006 RM'000
<u>Non-Mudharabah:</u>		
Al-Wadiah demand deposits	628,122	685,286
Al-Wadiah savings deposits	139,337	128,434
<u>Mudharabah:</u>		
Al-Fareed demand deposits	114,631	78,972
Al-Mudharabah savings deposits	74,630	51,665
Total demand and savings deposits	956,720	944,357
<u>Non-Mudharabah:</u>		
Bai Al-Inah HARI	68,479	123,531
Negotiable Islamic debt certificates	100	-
<u>Mudharabah:</u>		
General investment deposits	2,157,967	2,838,478
Total investment deposits	2,226,546	2,962,009
Total deposits from customers	3,183,266	3,906,366

30. Significant Events During the Financial Quarter/Period Ended 30 September 2007

There were no significant events during the financial quarter/period ended 30 September 2007 that have not been disclosed in these condensed financial statements.

31. Changes in the Composition of the Group

There were no significant changes in the composition of the Group during the financial quarter/period ended 30 September 2007 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

	Unaudited 30 September 2007 RM'000	Audited 31 December 2006 RM'000
- Authorised and contracted for	16,404	31,618
- Authorised but not contracted for	10,043	10,182
	26,447	41,800
Analysed as follows:		
- Property, plant and equipment	26,447	41,800
	26,447	41,800

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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/period ended 31 September 2007 is as follows:-

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 30 September 2007 RM'000	Preceding year corresponding quarter ended 30 September 2006 RM'000	Current financial period ended 30 September 2007 RM'000	Preceding year corresponding period ended 30 September 2006 RM'000
Malaysian income tax:				
- Charge for the financial quarter/period	32,733	17,957	62,006	86,429
Overprovision in respect of prior year	(7,776)	2	(8,405)	2
	24,957	17,959	53,601	86,431
Transfer to deferred tax asset	(750)	(2,497)	(794)	(4,430)
	24,207	15,462	52,807	82,001

The Group's effective tax rate for the financial period ended 30 September 2007 is higher than the statutory tax rate as certain expenses incurred are not deductible for tax purposes.

35. Unquoted Investments and Properties

There were no sale of unquoted investments and properties for the financial quarter/period ended 30 September 2007 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

There were no other corporate proposals announced but not completed for the financial quarter/period ended 30 September 2007.

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38. Subordinated Obligations (continued)

	Unaudited 30 September 2007	Audited 31 December 2006
	RM'000	RM'000
Subordinated obligations, at par	855,000	855,000
Fair value changes arising from fair value hedges	(13,893)	(27,076)
Foreign exchange translations	(87,188)	(61,312)
	<u>753,919</u>	<u>766,612</u>
Less: Unamortised discounts	(3,321)	(5,240)
	<u>750,598</u>	<u>761,372</u>

On 21 January 2004, the banking and finance subsidiary company (“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

	Unaudited 30 September 2007	Audited 31 December 2006
	RM'000	RM'000
Short term borrowing		
Revolving credit - Unsecured and repayable within 1 year	-	10,000
Long term borrowing:		
Secured fixed rate bonds, at par	250,000	250,000
Less: Unamortised discounts	(2,573)	(3,886)
	<u>247,427</u>	<u>246,114</u>
Total borrowings	<u>247,427</u>	<u>256,114</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.

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40. Derivative Financial Instruments

Based on the balance sheet as at 13 November 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	5,339,587	2,033,973	1,175,888	1,717,270	412,456	-	-
Interest rate related contracts:							
- Interest rate swaps	2,135,913	-	1,057,275	-	-	1,078,638	-

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 13 November 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 13 November 2007, the amount of contracts of the Group which were not hedged and, hence, exposed to market risk was RM 22,615,562 (31 December 2006: RM9,858,187).

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 13 November 2007, the amount of credit risk of the Group, measured in terms of the cost to replace the profitable contracts, was RM37,669,685 (31 December 2006: RM25,891,301). 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.

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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 13 November 2007 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. New date was fixed on 9 January 2007. On this date, the judge directed the parties to file written skeletal submissions and fixed 8 May 2007 for a decision. EBB's appeal was dismissed with costs. Solicitors have filed the Notice of Appeal to the Court of Appeal on 31 May 2007 against the decision of the High Court.

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

- (2) A Writ of Summon was filed by the borrower (Plaintiff) on 25 June 2007 against EBB and 7 other syndicated lenders (now collectively known as "the Lenders") for RM121.4 million for the breach by the Lenders of the terms of the Alleged Agreement made between the borrower and the Lenders for the restructuring of the borrower's existing loans with the said Lenders.

Status update

EBB has filed a Statement of Defence on 7 August 2007 denying that there was such an Alleged Agreement.

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

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EXPLANATORY NOTES

41. Material Litigation (continued)

EON Bank Berhad ('EBB') (continued)

- (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.

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 30 March 2007 has been adjourned to 11 May 2007 for hearing. The Bank has filed a Summons In Chambers for a stay of the hearing of assessment of damages pending the hearing of our appeal to the Court of Appeal on the Interlocutory Judgement granted in favour of the Plaintiff. The Court of Appeal has fixed the hearing on 3 September 2007. The hearing of the stay application for the hearing of the assessment of damages has been fixed on 18 May 2007. The hearing proceeded on 18 May 2007 and 31 May 2007 was fixed for a decision on stay application. The High Court has on 31 May 2007 granted the Bank a Stay Order on the application for assessment of damages. The hearing on the assessment of damages has been fixed for mention on 17 September 2007. The High Court fixed the continuation of the hearing of Assessment of Damages on 9 October 2007. On 9 October 2007, the hearing was postponed to 7 January 2008 for a DeNovo (rehearing) of the Assessment of Damages as a new Senior Registrar has been appointed. 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.

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42. Material Litigation (continued)

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

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

- (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 to 16 September 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 12 March 2007 has been postponed to 10 May 2007 for mention. On 10 May 2007, the Bank has obtained an Order to uplift the Stay Order. Case Management fixed on 24 July 2007 has been postponed to 26 September 2007 for mention and was further postponed to 14 December 2007 for mention.

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

- (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 with Sessions Court 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. The hearing had been adjourned to 11 April 2007 for decision. On 11 April 2007, the Judge allowed the transfer to the High Court. Once the file is physically transferred to the High Court, a new suit number would be given and the suit will continue. No development since the last announcement.

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

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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 pre-tax profit increased by RM28.9 million from RM59.8 million to RM88.7 million. This was mainly due to higher net income by RM26.3 million and lower allowances for losses on loans, advances and financing by RM33.1 million. However, this was partly offset by an increase in impairment losses on securities by RM30.4 million.

44. Review of performance for the financial quarter ended 30 September 2007 against the corresponding financial quarter of preceding year

Current financial quarter against corresponding financial quarter of preceding year

Compared with the corresponding financial quarter of preceding year, the Group's pre-tax profit increased by RM13.0 million from RM75.7 million to RM88.7 million. This was mainly due to higher net income by RM69.6 million and lower allowances for losses on loans, advances and financing by RM4.7 million. However, this was partly offset by the increase in impairment losses on securities and other operating expenses by RM55.0 million and RM6.4 million respectively.

Current financial period against corresponding financial period of preceding year

For the current financial period ended 30 September 2007, the Group recorded a net operating income of RM592.0 million, a 16.3% increase as compared to RM509.1 million achieved in the preceding year's corresponding financial period ended 30 September 2006. The increase in net operating profit was mainly due to higher other operating income and net interest income. However, this was offset by the increase in impairment losses on securities and allowances for losses on loans, advances and financing by RM99.3 million and RM81.4 million respectively. As a result, the Group registered a pre-tax profit of RM199.1 million, a decline of 32.9% as compared to RM297.0 million achieved in the corresponding period of preceding year.

45. Prospects for 2007

The economic environment in Malaysia is expected to remain favourable and the financial services industry is expected to remain keenly competitive in the last quarter of 2007. The Group will continue its efforts to strengthen its presence in the retail and middle market segment and, barring any unforeseen circumstances, the Group expects to achieve a satisfactory performance for the financial year ending 31 December 2007.

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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/period ended 30 September 2007 and 30 September 2006 respectively and the weighted average number of ordinary shares in issue during the respective financial quarter/period, are set out as follows:

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	Current financial quarter ended 30 September 2007	Preceding year corresponding quarter ended 30 September 2006	Current financial period ended 30 September 2007	Preceding year corresponding period ended 30 September 2006
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial quarter	63,501	59,141	143,198	211,263
Weighted average number of ordinary shares in issue during the financial quarter	693,209	693,209	693,209	693,209
Basic earnings per share (sen) - basic/diluted	9.16	8.53	20.66	30.48

There were no dilutive potential ordinary shares outstanding as at 30 September 2007 and 30 September 2006.