

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended 31 March 2007
 The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31 March 2007 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 March 2006 RM'000 Restated	CURRENT YEAR TO DATE 31 March 2007 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 March 2006 RM'000 Restated
Continuing Operations					
Interest income	A22	13,318	7,820	13,318	7,820
Interest expense	A23	(4,213)	(533)	(4,213)	(533)
Net interest income		9,105	7,287	9,105	7,287
Non interest income	A24	76,934	21,445	76,934	21,445
Net Income		86,039	28,732	86,039	28,732
Overhead expenses	A25	(34,830)	(21,785)	(34,830)	(21,785)
Operating profits		51,209	6,947	51,209	6,947
Allowance for losses					
on loans, advances and financing	A26a	(855)	-	(855)	-
Allowance on bad and doubtful accounts on trade receivables	A26	(654)	3,626	(654)	3,626
Profit before taxation		49,700	10,573	49,700	10,573
Taxation		(10,940)	(1,754)	(10,940)	(1,754)
Profit for the period from continuing operations		38,760	8,819	38,760	8,819
Discontinued operations					
Loss for the period from discontinued operations		(559)	(1,390)	(559)	(1,390)
Profit for the period		38,201	7,429	38,201	7,429

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 March 2007 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 March 2006 RM'000	CURRENT YEAR TO DATE 31 March 2007 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 March 2006 RM'000
(i) Profit for the period attributable to				
- Equity holders of the parent	37,514	7,172	37,514	7,172
- Minority interests	687	257	687	257
	<u>38,201</u>	<u>7,429</u>	<u>38,201</u>	<u>7,429</u>
3. (a) Earnings per share attributable to ordinary equity holder of the parent above after deducting any provision for preference dividends, if any:-				
(i) Basic (based on weighted average number of ordinary shares 611,759,499 for the current year quarter and ordinary shares of for the 611,759.499 cummulative quarter current year to date) (2005 : 611,759,499 ordinary shares for the previous year quarter and 611,759,499 ordinary shares for the cummulative quarter previous year to date) (sen)	6.1	1.2	6.1	1.2
(ii) Fully diluted	N/A	N/A	N/A	N/A

The condensed Consolidated Income statements should be read in conjunction with the Annual Financial Report for year ended 31st December 2006

		END OF CURRENT QUARTER 31 March 2007 RM'000	PRECEDING FINANCIAL YEAR END 31 December 2006 RM'000 <u>Restated</u>
	Note		
ASSETS			
Cash and short-term funds		524,088	232,816
Deposits and placements with financial institutions		84,842	75,385
Securities purchased under resale agreements		-	118,706
Securities held for trading	A10	31,074	24,907
Securities available for sales	A11	119,422	34,954
Securities held to maturity	A12	1,490	1,490
Loans, advances and financing	A13	84,823	56,783
Other assets			
- Trade receivables		760,087	460,621
- Assets segregated for customers		379,200	359,850
- Other receivables	A14	103,961	8,965
Statutory deposits with Central Banks		-	-
Investment in associated companies		-	-
Intangible assets		70,106	70,106
Property, plant and equipment		25,496	25,304
Deferred tax assets		173	390
Tax recoverable		2,101	7,935
Asset of disposal group/non current assets classified as held for sale		143,026	131,599
TOTAL ASSETS		2,329,889	1,609,811
LIABILITIES			
Deposits from customers	A15	90,000	-
Deposits and placements of banks and other financial institutions	A16	240,880	-
Obligations on securities sold under repurchase agreements		6,930	-
Bills and acceptances payable		-	-
Borrowings	A18	190,301	154,169
Other liabilities			
-Trade payables		751,242	518,678
- Amount held in trust		196,857	131,325
- Other payables	A17	57,362	46,839
Provision for taxation and zakat		3,428	742
Deferred tax liabilities		3,512	6,672
Subordinated obligations	A16	1,350	1,350
Liabilities directly associated with assets classified as held for sale		13,584	4,187
TOTAL LIABILITIES		1,555,446	863,962
SHAREHOLDERS EQUITY			
Share Capital		611,759	611,759
Share Premium		75	75
Profit and loss reserve		117,887	86,973
Exchange fluctuation reserve		(749)	(591)
Available for sale reserve		(457)	8,992
Capital reserve		40,952	34,352
		769,467	741,560
Minority Interest		4,976	4,289
Total equity		774,443	745,849
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			
		2,329,889	1,609,811
Net Assets Per Share (RM)		1.27	1.22

The condensed Consolidated Balance Sheets should be read in conjunction
Financial Report for the year ended 31 December 2006

**Consolidated Condensed Cash Flow Statement
for the period ended 31 March 2007**

	Group	
	CUMULATIVE QUARTER	
	CURRENT YEAR TO DATE 31 March 2007 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 March 2006 RM'000 Restated
Cash flows from operating activities		
Profit before taxation		
- Continuing operations	49,700	10,573
- Discontinued operations	(559)	(1,390)
Adjustments for non operating and non cash items	(20,180)	(1,578)
Operating profit before changes in working capital	28,961	7,605
Net changes in operating assets	(208,011)	35,936
Net changes in operating liabilities	308,298	47,534
Cash generated from operations	129,248	91,075
Net tax paid	(1,925)	(2,562)
Net cash generated from operating activities	127,323	88,513
Net cash generated from/(used in) investing activities	34,969	(9,099)
Net cash generated from/(used in) financing activities	36,291	(91,273)
Net increase/(decrease) in cash and cash equivalents during the period	198,583	(11,859)
Cash and cash equivalents brought forward	103,822	223,955
Cash and cash equivalents carried forward	302,405	212,096
Cash and cash equivalents as at 31st March 2007 comprised of :-		
Non trust fixed deposits	82,837	
Non trust cash at bank	219,568	
	302,405	

The condensed consolidated cash flow statement should be read in conjunction with the Annual Financial Report for the year ended 31st December 2006.

Consolidated Statement of changes in equity
for the period ended 31 March 2007

Group

	←Attributable to Equity Holders of the Parent→					Minority Distributable Interests RM'000	Total Equity RM'000	
	←Non-Distributable→			Available				
	Share Capital RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	For Sale Reserve RM'000	Share Premium RM'000			Retained profits RM'000
As at 1 January 2007	611,759	(591)	34,352	-	75	83,247	4,289	733,131
Application of GP8 As restated	-	-	-	8,992	-	3,726	-	12,718
	<u>611,759</u>	<u>(591)</u>	<u>34,352</u>	<u>8,992</u>	<u>75</u>	<u>86,973</u>	<u>4,289</u>	<u>745,849</u>
Exchange differences from translation of subsidiary company's net assets	-	(158)	-	-	-	-	-	(158)
Reversal of reserve from disposal of securities	-	-	-	(10,359)	-	-	-	(10,359)
Unrealised gains for the period	-	-	-	910	-	-	-	910
Net profit for the period	-	-	-	-	-	37,514	687	38,201
Income reserve capitalised to capital reserve	-	-	6,600	-	-	(6,600)	-	-
Dividends paid	-	-	-	-	-	-	-	-
As at 31 March 2007	<u>611,759</u>	<u>(749)</u>	<u>40,952</u>	<u>(457)</u>	<u>75</u>	<u>117,887</u>	<u>4,976</u>	<u>774,443</u>

Consolidated Statement of changes in equity
for the period ended 31 March 2006

	←Attributable to Equity Holders of the Parent→					Minority Distributable Interests RM'000	Total Equity RM'000	
	←Non-Distributable→			Available				
	Share Capital RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	For Sale Reserve RM'000	Share Premium RM'000			Retained profits RM'000
As at 1 January 2006	611,759	(51)	34,352	-	75	61,611	2,738	710,484
Application of GP8 As restated	-	-	-	3,014	-	2,982	-	5,996
	<u>611,759</u>	<u>(51)</u>	<u>34,352</u>	<u>3,014</u>	<u>75</u>	<u>64,593</u>	<u>2,738</u>	<u>716,480</u>
Exchange differences from translation of subsidiary company's net assets	-	(259)	-	-	-	-	-	(259)
Reversal of reserve from disposal of securities	-	-	-	(95)	-	-	-	(95)
Unrealised gains for the period	-	-	-	3,284	-	-	-	3,284
Net profit for the period	-	-	-	-	-	7,172	257	7,429
Dividends paid	-	-	-	-	-	-	-	-
As at 31 March 2006	<u>611,759</u>	<u>(310)</u>	<u>34,352</u>	<u>6,203</u>	<u>75</u>	<u>71,765</u>	<u>2,995</u>	<u>726,839</u>

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2006

SELECTED EXPLANATORY NOTES

REQUIREMENTS OF FRS134

A1. Basis Of Preparation

The quarterly interim financial statements have been prepared based on accounting policies and methods of computation consistent with those adopted in the most recent annual financial statements for the year ended 31 December 2006. In addition, the interim financial statements of the Company have also been prepared in accordance with FRS134 Interim Financial Reporting and Chapter 9 Part K of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and the Revised Guidelines on Financial Reporting for Licensed Financial Institutions (BNM/GP8) issued by Bank Negara Malaysia ("BNM").

The specific and general allowances for loans, advances and financing for the Group are computed based on BNM's Guidelines on Classification of Non-performing Loans, Advances and Financing and Provision for Substandard, Bad And Doubtful Debts (BNM/GP3).

The accounting policies and methods of computation adopted for this interim financial report are consistent with those adopted in the annual financial statements for the year ended 31st December 2006 except for the guidelines set out in BNM/GP8

The principal effects of changes in accounting policies and estimates are as follows: -

(a) BNM/GP8

(1) Presentation of Financial Statements

The consolidated income statement and balance sheet in respect of the current quarter and financial period ended 31 March 2007 are now prepared in accordance with BNM/GP8 requirements.

(2) Securities Portfolio

Previously, securities were classified as either "Non-current investments", "Short term investments" or a component of "funds under management". Non-current investments are stated at cost, adjusted for allowance for diminution in value for non-temporary decline in value. Short-term investments are stated at lower of cost, adjusted for accrued interest, where applicable and market value. Funds under management held in the form of securities are stated at the lower of cost and market value on a total portfolio basis. Any gain/loss arising from revaluation or sale of securities is recognized in the income statement.

SELECTED EXPLANATORY NOTES

REQUIREMENTS OF FRS134 (Cont'd)

A1. Basis Of Preparation (Cont'd)

(a) BNM/GP8 (cont'd)

(2) Securities Portfolio (cont'd)

Based on BNM/GP8 guidelines, equity instruments and debt securities held are classified based on the following categories: -

(i) Securities held-for-trading

Securities are classified as held-for-trading if it is acquired principally for these purpose of selling or repurchasing it in the near term or it is part of a portfolio of identified securities that are managed together and for which there is evidence of recent actual pattern of short-term profit taking. Such securities will be stated at fair value and any gain or loss arising from a change in fair value will be recognized in the income statement.

Interest calculated using the effective interest method is recognized in the income statement. Dividends on equity instruments are recognized in the income statement when the right to receive payment is established.

(ii) Securities available for sale

Securities available for sale are securities that are not classified as held for trading or held to maturity and are measured at fair value. Equity investments that do not have a quoted market price in an active market and whose fair value cannot be measured reliably will be stated at cost. Any gain or loss arising from the a change in fair value is recognised directly in equity, except impairment loss and foreign exchange gain/loss which are recognized in income statement until the securities are derecognised, at which time the cumulative gain/loss previously recognised in equity will be transferred to the income statement.

Interest calculated using the effective interest method is recognised in the income statement. Dividends on equity instruments are recognised in the income statement when the right to receive payment is established.

SELECTED EXPLANATORY NOTES

REQUIREMENTS OF FRS134 (Cont'd)

A1. Basis Of Preparation (cont'd)

(a) BNM/GP8 (cont'd)

(2) Securities Portfolio (cont'd)

(iii) Securities held to maturity

Securities held to maturity are securities with fixed or determinable payments and fixed maturity that the group has the positive intent and ability to hold to maturity. These securities are measured at amortised cost using the effective interest method. Any gain or loss is recognised in the income statement when the securities are derecognised or impaired and through amortisation process.

In line with the requirements of BNM/GP8, the comparative figures have been restated. The analysis of these changes is summarized in Note A3 below.

(b) BNM/GP3

The Group has adopted BNM/GP3 guidelines in respect of classification of non-performing accounts, loan loss provisioning and interest income recognition.

The allowance for bad and doubtful loans, advances and financing of the Group are now computed based on BNM/GP3 requirements. When loans, advances and financing of the Group become non performing, interest accrued and recognised as income prior to the date the loans are classified as non performing are reversed out of interest income in the income statement and taken to interest-in-suspense for set off against the accrued interest receivable in the balance sheet. Subsequent to suspension, interest earned on the non-performing loans, advances and financing ('NPL') shall be recognised as income on cash basis.

The financial impact arising from the adoption of BNM/GP3 is an additional general allowances for loan losses of RM1,288,721, resulting in a corresponding reduction in loans, advances and financing as well as reduction in the profit for the current quarter ended 31 March 2007.

A2. Condensed financial statements

These interim financial statements have been prepared on a condensed basis and as such should be read in conjunction with the latest annual financial statements for the year ended 31 December 2006. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2006.

SELECTED EXPLANATORY NOTES**REQUIREMENTS OF FRS134 (Cont'd)****A3. Effects In Changes Of Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2006 except for the adoption of BNM/GP8 for the financial period beginning 1 January 2007: -

The principal effects of the changes in accounting policies resulting from the adoption of the new guidelines are discussed below:

(i) Changes to the opening reserve and financial results are as follows: -

	Retained profits		Available for sale reserve	
	1.1.2007	1.1.2006	1.1.2007	1.1.2006
	-----RM'000-----			
As at 1 st January as previously stated	83,247	61,611	-	-
Effects of adopting fair value accounting on securities available for sale	-	-	8,992	3,014
Trading	3,726	2,982	-	-
As restated	<u>86,973</u>	<u>64,593</u>	<u>8,992</u>	<u>3,014</u>

	3 months ended 31.3.2007 RM'000
Profit for the period before changes in accounting policies	35,672
Effects of fair value accounting on securities held for trading	2,529
Profit for the financial period after changes in accounting policies	<u><u>38,201</u></u>

K & N KENANGA HOLDINGS BERHAD (302859-X)

(Incorporated in Malaysia)

SELECTED EXPLANATORY NOTES**REQUIREMENTS OF FRS134 (Cont'd)****A3. Effects In Changes Of Accounting Policies (Cont'd)****(ii) Comparative figures**

The following comparative figures for the balance sheet as at 31st December 2006 have been restated following the adoption of guidelines set out in BNM/GP8 as detailed below: -

	As stated previously	Effects of changes in accounting policies	Reclassifi- cation BNM/GP8	As restated
	-----RM'000-----			
Cash and short term funds	-	-	67,904	67,904
Deposits and placements with financial institutions	-	-	240,297	240,297
Securities purchased under resale agreement	-	-	118,706	118,706
Securities held for trading	-	2,392	22,515	24,907
Securities available for sales	-	14,384	20,570	34,954
Securities held to maturity	-	-	1,490	1,490
Investments	2,479	-	(2,479)	
Loan, advances and financing	-	-	56,783	56,783
Trade receivables	517,404	-	(56,783)	460,621

K & N KENANGA HOLDINGS BERHAD (302859-X)

(Incorporated in Malaysia)

SELECTED EXPLANATORY NOTES**REQUIREMENTS OF FRS134 (Cont'd)****A3. Effects In Changes Of Accounting Policies (Cont'd)**

(ii) Comparative figures (Cont'd)

	As stated previously	Effects of changes in accounting policies	Reclassifi- cation BNM/ GP8	As restated
	-----RM'000-----			
Clearing fund contribution	1,000	-	(1,000)	-
Short term investments	198,331	-	(198,331)	-
Short term deposits and cash	269,670	-	(269,670)	-
Deferred taxation	(2,618)	(4,054)	-	(6,672)
Reserves	(117,083)	(12,718)	-	(129,801)

The following comparative figures for the consolidated income statement for the period ended 31st March 2006 have been restated following the adoption of guidelines set out in BNM/GP8 as detailed below: -

	As stated previously	Effects of changes in accounting policies BNM FRS /GP	Reclassi- fication BNM/ GP8	As restated
	-----RM'000-----			
Revenue	28,266	-	(28,266)	-
Other operating income	9,335	-	(9,335)	-
Interest income	-	(18)	7,838	7,820
Interest expense	-	527	(1,060)	(533)

SELECTED EXPLANATORY NOTES**REQUIREMENTS OF FRS134 (Cont'd)****A3. Effects In Changes Of Accounting Policies (Cont'd)**

(ii) Comparative figures (Cont'd)

The following comparative figures for the consolidated income statement for the period ended 31st March 2006 have been restated following the adoption of guidelines set out in BNM/GP8 as detailed below: -

	As stated previously	Effects of changes in accounting policies BNM FRS /GP		Reclassi- fication BNM/ GP8	As restated
	-----RM'000-----				
Non interest income	-	908	(1,683)	22,220	21,445
Staff cost	(10,118)	-	-	10,118	-
Depreciation and amortisation	(2,118)	-	-	2,118	-
Other operating expenses	(17,568)	-	-	17,568	-
Overhead expenses	-	178	2,397	(24,360)	(21,785)
Allowances of losses on loans, advances and financing	-	(576)	-	(3,050)	(3,626)
Profit before taxation	7,727	1,092	1,754	-	10,573
Taxation	(1,716)	(206)	168	-	(1,754)
Profit for the period	6,011	889	1,919	-	8,819
Loss from discontinued operations	-	-	(1,390)	-	(1,390)

SELECTED EXPLANATORY NOTES

REQUIREMENTS OF FRS134 (Cont'd)

A4. Preceding financial year audit report

The preceding financial year audit report in respect of the financial year ended 31 December 2006 was not qualified by the external auditors.

A5. Seasonal or Cyclical Factors

The Group's performance is mainly dependent on Bursa Malaysia market volume which in turn is affected by market sentiment and the country's macro economic cycles.

A6. Nature and amounts in relation to assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence

There are no exceptional items affecting assets, liabilities, equity, net income or cash flows during the quarter ended 31 March 2007 other than disclosed under A3(ii).

A7. Changes in the nature and amount of estimated figures reported in prior interim periods and or financial years

There were no changes made in estimates for amounts reported in prior interim periods or financial year other than disclosed under A3(i).

A8. Issuance, cancellation, repurchases, resale and repayments of debt and equity securities

There were no issues and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the quarter ended 31 March 2007.

A9. Dividends paid per share

No dividend was paid during the quarter ended 31 March 2007.

SELECTED EXPLANATORY NOTES

	March 2007 RM'000	December 2006 RM'000
A10 Securities held-for-trading		
At Fair Value		
Money Market Instruments:-		
Malaysian Government Treasury Bills	-	-
Malaysian Government Securities	-	-
Malaysian Government Investment Issues	-	-
Bank Negara Malaysia Bills and Notes	-	-
Bankers' Acceptances and Islamic Accepted Bills	-	-
Cagamas Bonds	-	-
Foreign Government Securities	-	-
Others	-	-
Total Money Market Instruments	<u>-</u>	<u>-</u>
Quoted securities:		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	31,074	24,907
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	-	-
Unquoted securities:		
Private and Islamic Debt Securities in Malaysia	-	-
Foreign Private Debt Securities	-	-
Total securities held-for-trading	<u>31,074</u>	<u>24,907</u>
A11 Securities Available-for-sale		
At Fair Value, or amortised cost less impairment losses for certain unquoted equity instruments		
Money market instruments:-		
Malaysian Government Securities	-	-
Cagamas Bonds	-	-
Foreign Government Securities	-	-
Malaysian Government Treasury Bills	-	-
Malaysian Government Investment Issues	-	-
Foreign Government Treasury Bills	-	-
Negotiable Instruments of Deposits	40,001	-
Bankers' Acceptances and Islamic Accepted Bills	-	-
Khazanah Bonds	-	-
Bank Negara Malaysia Sukuk Ijarah Bonds	-	-
Foreign Certificates of Deposits	-	-
Total Money market instruments	<u>40,001</u>	<u>-</u>

SELECTED EXPLANATORY NOTES

	March 2007 RM'000	December 2006 RM'000
Quoted securities:		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	1,763	17,934
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	-	-
	<u>1,763</u>	<u>17,934</u>
Unquoted securities:		
Shares, trust units and loan stocks in Malaysia	933	933
Shares, trust units and loan stocks outside Malaysia	-	-
Private and Islamic Debt Securities in Malaysia	75,688	15,034
Malaysian Government Bonds	-	-
Foreign Islamic and Private Debt Securities	-	-
Credit Link Notes	-	-
Malaysia Global Sukuk	-	-
Others	1,037	1,053
	<u>77,658</u>	<u>17,020</u>
Accumulated impairment losses		
Total securities available-for-sale	<u>119,422</u>	<u>34,954</u>
A12 Securities Held-To-Maturity		
At Amortised Cost		
Money market instruments:-		
Malaysian Government Securities	-	-
Cagamas Bonds	-	-
Foreign Government Securities	-	-
Malaysian Government Investment Issues	-	-
Khazanah Bonds	-	-
Bankers' Acceptances and Islamic accepted bills	-	-
Negotiable Instruments of Deposits	-	-
Total Money market instruments	<u>-</u>	<u>-</u>
Unquoted securities:		
Private and Islamic Debt Securities in Malaysia	-	-
Malaysian Government Bonds	-	-
Foreign Government Bonds	-	-
Foreign Islamic and Private Debt Securities	-	-
Credit Linked Note	-	-
Others	1,490	1,490
	<u>1,490</u>	<u>1,490</u>
Accumulated impairment losses		
Total securities held-to-maturity	<u>1,490</u>	<u>1,490</u>

SELECTED EXPLANATORY NOTES

	March 2007 RM'000	December 2006 RM'000
A13 Loans, advances and financing		
Overdrafts	-	-
Term loans	-	-
- Housing loans/financing	-	-
- Syndicated term loan/financing	-	-
- Hire purchase receivables	-	-
- Lease receivables	-	-
- Other term loans/financing	88	580
Credit card receivables	-	-
Bills receivables	-	-
Trust receipts	-	-
Claims on customers under acceptance credits	-	-
Loans/financing to banks and other financial institutions	86,221	57,090
Revolving credits	-	-
Staff loans	-	-
Housing loans to	-	-
- Executive directors of the Bank	-	-
- Executive directors of subsidiaries	-	-
Others	200	-
	<u>86,509</u>	<u>57,670</u>
Unearned interest and income	(2)	(51)
Gross loans, advances and financing	<u>86,507</u>	<u>57,619</u>
Allowances for bad and doubtful debts and financing:		
- specific	(392)	(836)
- general	(1,292)	-
Net loans, advances and financing	<u><u>84,823</u></u>	<u><u>56,783</u></u>
(i) By type of customer		
Domestic operations:		
Domestic banking institutions	-	-
Domestic non-bank financial institutions	-	-
- Stockbroking companies	-	-
- Others	-	-
Domestic business enterprise	-	-
- Small and medium enterprise	288	579
- Others	16,360	8,103
Government and statutory bodies	-	-
Individuals	69,861	48,988
Other domestic entities	-	-
Foreign entities	-	-
Total domestic operations	<u><u>86,509</u></u>	<u><u>57,670</u></u>

SELECTED EXPLANATORY NOTES

	March 2007 RM'000	December 2006 RM'000
Overseas operations:		
Singapore	-	-
Hong Kong SAR	-	-
United States of America	-	-
People's Republic of China	-	-
Others (Please specify)	-	-
	-	-
Gross loans, advances and financing	<u>-</u>	<u>-</u>
(ii) By interest/profit rate sensitivity		
Fixed rate	-	-
- Housing loans/financing	-	-
- Hire purchases receivable	-	-
- Other fixed rate loans/financing	288	580
Variable rate	-	-
- Base lending rate plus	86,221	57,090
- Cost plus	-	-
- Other variable rates	-	-
Gross loans, advances and financing	<u>86,509</u>	<u>57,670</u>
(iii) Total loans by economic purposes		
Domestic operations:		
Purchase of securities	86,221	57,090
Purchase of transport vehicles	88	580
- Less Islamic loans sold to Cagamas	-	-
Purchase of landed properties	-	-
- residential	-	-
- non-residential	-	-
- Less Islamic housing loans sold to Cagamas	-	-
Purchase of fixed assets (exclude landed properties)	-	-
Personal use	-	-
Credit card	-	-
Purchase of consumer durables	-	-
Construction	-	-
Working capital	200	-
Others	-	-
Total domestic operations	<u>86,509</u>	<u>57,670</u>
Overseas operations:		
Singapore	-	-
Hong Kong SAR	-	-
United States of America	-	-
People's Republic of China	-	-
Others (Please specify)	-	-
	-	-
Gross loans, advances and financing	<u>-</u>	<u>-</u>

SELECTED EXPLANATORY NOTES

	March 2007 RM'000	December 2006 RM'000
(iii) Non-performing loans by economic purpose		-
Purchase of securities	1,593	305
Purchase of transport vehicles	87	580
Purchase of landed properties	-	-
- residential	-	-
- non-residential	-	-
Purchase of fixed assets (exclude landed properties)	-	-
Personal use	-	-
Credit card	-	-
Purchase of consumer durables	-	-
Construction	-	-
Working capital	-	-
Others	-	-
Total domestic operations	1,680	885
Overseas operations:		-
Singapore	-	-
Hong Kong SAR	-	-
United States of America	-	-
People's Republic of China	-	-
Others (Please specify)	-	-
	-	-
	-	-
	-	-
(iv) Movement in non-performing loans, advances and financing ("NPL") are as follows		-
At beginning of the period	885	345
Non-performing during the period	1,289	580
Reclassified as performing	-	-
Acquired upon business acquisition	-	-
Transfer from a subsidiary	-	-
Recovered	(494)	(40)
Amount written off	-	-
Converted to securities	-	-
Exchange differences and expenses debited	-	-
At end of the period	1,680	885
Specific allowance	-	-
Net non-performing loans, advances and financing	1,680	885
Net NPL as a% of gross loans, advances and financing		-
(including Islamic loans sold to Cagamas) less specific allowance	1.98%	1.56%

SELECTED EXPLANATORY NOTES

	March 2007 RM'000	December 2006 RM'000
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(v) Movement in specific allowance for bad and doubtful debts (and financing) accounts are as followsSpecific Allowance

At beginning of the period	836	345
Allowance made during the period	-	531
Amount written back in respect of recoveries	(444)	(40)
Acquired upon business acquisition	-	-
Transfer from a subsidiary	-	-
Amount written off	-	-
Transfer to general allowances	-	-
Transfer to impairment losses in value of securities	-	-
Transfer to restructured/rescheduled loans	-	-
Exchange differences	-	-
At end of the period	392	836

(vi) Movement in general allowance for bad and doubtful debts (and financing) accounts are as followsGeneral Allowance

At beginning of the period	-	-
Allowance made during the period	1,292	-
Amount written back	-	-
Acquired upon business acquisition	-	-
Transfer from specific allowance	-	-
Exchange differences	-	-
At end of the period	1,292	-
As % of gross loans, advances and financing (including Islamic loans sold to Cagamas) less specific allowances	1.52%	0.00%

A14 Other Debtors

Interest/Income receivable	-	-
Prepayments and deposits	7,318	5,720
Other debtors	96,643	3,245
Foreclosed properties	-	-
Investment properties	-	-
Derivative assets	-	-
	103,961	8,965

A15 Deposits from Customers

Fixed deposits and negotiable instruments of deposits	-	-
- One year or less	90,000	-
- More than one year	-	-
Savings deposits	-	-
Demand deposits	-	-
Structured deposits	-	-
	90,000	-
Business enterprise	-	-
Individuals	-	-
Government and statutory bodies	-	-
Others	90,000	-
	90,000	-

SELECTED EXPLANATORY NOTES

	March 2007 RM'000	December 2006 RM'000
A16 Deposits and Placement of Banks and Other Financial Institutions and Debt Securities		
Licensed banks	80,000	-
Licensed finance companies	-	-
Licensed merchant banks	-	-
Other financial institutions	160,880	-
	<u>240,880</u>	<u>-</u>
 Maturity structure of deposits and placements of banks and other financial institutions		
- One year or less	-	-
- More than one year	-	-
	<u>-</u>	<u>-</u>
 Subordinated obligations		
Unsecured		
- less than one year	-	-
- more than one year	1,350	1,350
	<u>1,350</u>	<u>1,350</u>
 A17 Other Payable		
Interest/Profit payable	-	-
Provision for outstanding claims	-	-
Unearned premium reserves	-	-
Profit Equalisation Reserves	-	-
Provision and accruals	56,240	46,166
Due to brokers and clients	112	-
Deposits and other creditors	1,010	673
Derivative liabilities	-	-
	<u>57,362</u>	<u>46,839</u>
 A18 Bank Borrowings		
Hire purchase creditors	377	422
Revolving bank loan	163,127	6,503
Term loan	26,797	27,244
Secured notes insurance facility	-	120,000
	<u>190,301</u>	<u>154,169</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2007

Group	March 2007		December 2006		
	RM'000 Notional	RM'000 Credit Equivalent	RM'000 Notional	RM'000 Credit Equivalent	RM'000 Risk Weighted
A19 Commitments and Contingencies and Off-Balance Sheet					
Financial Instruments					
Direct credit substitutes	-	-	-	-	-
Certain transaction-related contingent items	-	-	-	-	-
Short-term self-liquidating trade-related contingencies	-	-	-	-	-
Islamic housing and hire purchase loans sold to Cagamas Berhad	-	-	-	-	-
Obligations under underwriting agreements	3,030	1,515	10,036	5,018	5,018
Irrevocable commitments to extend credit:					
- maturity within one year	-	-	-	-	-
- maturity exceeding one year	-	-	-	-	-
Foreign exchange related contracts:					
- less than one year	-	-	-	-	-
- one year to less than five years	-	-	-	-	-
- five years and above	-	-	-	-	-
Interest rate related contracts:					
- less than one year	-	-	-	-	-
- one year to less than five years	-	-	-	-	-
- five years and above	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Undrawn margin and loan facilities	764,977	379,928	548,199	269,238	269,238
Capital expenditure commitments	1,654	531	518	518	518
Non-cancellable lease rental commitments	664	-	618	-	-
	770,325	381,974	559,371	274,774	274,774

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2007

	Non trading book					Non-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 month RM'000	>3 - 12 month RM'000	>1 - 5 years RM'000	over 5 RM'000				
A20 Interest/Profit Rate Risk									
Cash and short-term funds	199,500	-	-	-	-	324,588	-	524,088	3.52%
Deposits and placements with banks and other financial institutions	82,837	-	-	-	-	2,005	-	84,842	3.43%
Securities purchased under resale agreements	-	-	-	-	-	-	-	-	-
Securities held-for-trading	-	-	-	-	-	-	31,074	31,074	-
Securities available-for-sale	9,990	40,001	-	65,698	-	3,733	-	119,422	3.44%
Securities held-to-maturity	-	-	-	-	-	1,490	-	1,490	-
Loans, advances and financing	-	-	-	-	-	-	-	-	-
- performing	49,961	23,030	10,152	-	-	-	-	83,143	8.00%
- non-performing	-	-	-	-	-	1,680	-	1,680	-
Other assets n1	323,829	-	-	-	-	434,660	-	758,489	7.20%
Other non-interest sensitive balances	-	-	-	-	-	725,661	-	725,661	-
TOTAL ASSETS	666,117	63,031	10,152	65,698	-	1,493,817	31,074	2,329,889	

Interest/Profit Rate Risk

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits from customers	90,000	-	-	-	-	-	-	90,000	3.61%
Deposits and placements of banks and other financial institutions	-	-	80,000	160,880	-	-	-	240,880	3.92%
Borrowings	163,856	605	25,762	78	-	-	-	190,301	4.94%
Obligations on securities sold under repurchase agreements	6,930	-	-	-	-	-	-	6,930	3.45%
Bills and acceptances payable	-	-	-	-	-	-	-	-	-
Recourse obligation on loans sold to Cagamas	-	-	-	-	-	-	-	-	-
Subordinated notes	-	-	-	1,350	-	-	-	1,350	5.00%
Other non-interest sensitive balances	-	-	-	41,951	-	-	-	-	-
Total Liabilities	170,786	170,605	28,712	201,309	-	984,034	-	1,025,985	
Shareholders' equity	-	-	-	-	-	984,034	-	1,555,446	-
Minority interests	-	-	-	-	-	769,467	-	769,467	-
Total Liabilities and Shareholders' Equity	170,786	170,605	28,712	201,309	-	1,758,477	-	2,329,889	
On-balance sheet interest sensitivity gap	495,331	(107,574)	(18,560)	(135,611)	-	(264,660)	31,074	-	-
Total interest sensitivity gap	495,331	(107,574)	(18,560)	(135,611)	-	(264,660)	31,074	-	-

n1 Other assets comprise trade receivable, net of specific and general allowances and interest in suspense in accordance with the Rules of Bursa Malaysia Securities Berhad.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

	Non trading book					Non-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1-3 month RM'000	>3-12 month RM'000	>1-5 years RM'000	over 5 over 5 RM'000				
A20 Interest/Profit Rate Risk									
Cash and short-term funds	93,478	-	-	-	-	139,338	-	232,816	3.52%
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-	-
Securities purchased under resale agreements	75,385	-	-	-	-	-	-	75,385	3.43%
Securities held-for-trading	118,706	-	-	-	-	-	24,907	118,706	-
Securities available-for-sale	-	-	-	-	-	19,920	-	34,954	3.44%
Securities held-to-maturity	9,985	-	-	-	5,049	1,490	-	1,490	-
Loans, advances and financing	-	-	-	-	-	-	-	-	-
- performing	35,191	9,566	11,140	-	-	-	-	55,897	8.00%
- non-performing	-	-	-	-	-	885	-	885	-
Other assets n1	289,147	-	-	-	-	171,060	-	460,207	-
Other non-interest sensitive balances	-	-	-	-	-	604,564	-	604,564	6.36%
TOTAL ASSETS	621,892	9,566	11,140	-	5,049	937,257	24,907	1,609,811	

Interest/Profit Rate Risk

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits from customers	-	-	-	-	-	-	-	-	-
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	-	-	-
Borrowings	7,195	530	146,444	-	-	-	-	154,169	4.37%
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-	-	-	-
Bills and acceptances payable	-	-	-	-	-	-	-	-	-
Recourse obligation on loans sold to Cagamas	-	-	-	-	-	-	-	-	-
Subordinated notes	-	-	-	1,350	-	-	-	1,350	5.00%
Other non-interest sensitive balances	-	-	-	-	-	708,443	-	708,443	-
Total Liabilities	7,195	530	146,444	1,350	-	708,443	-	863,962	
Shareholders' equity	-	-	-	-	-	741,560	-	741,560	-
Minority interests	-	-	-	-	-	4,289	-	4,289	-
Total Liabilities and Shareholders' Equity	7,195	530	146,444	1,350	-	1,454,291	-	1,609,811	
On-balance sheet interest sensitivity gap	593,494	9,036	(135,304)	(1,350)	5,049	(495,833)	24,907	-	-
Total interest sensitivity gap	593,494	9,036	(135,304)	(1,350)	5,049	(495,833)	24,907	-	

n1 Other assets comprise trade receivable, net of specific and general allowances and interest in accordance with the Rules of Bursa Malaysia Securities Berhad.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2007

A21 Capital Adequacy

The Group is not required to maintain any capital adequacy ratio requirements except for the investment banking subsidiary, Kenanga Investment Bank Berhad (KIBB). The following disclosure of capital adequacy ratio is in respect of KIBB:

	March 2007	December 2006
	RM'000	RM'000
Components of Tier I and Tier II capital:		
<u>Tier I capital</u>		
Paid-up share capital	580,000	460,000
Retained Profits	35,599	35,599
Available-for-sale-reserve	(458)	8,992
	<u>615,141</u>	<u>504,591</u>
Less: Deferred tax assets	71	3,455
Goodwill	(17,606)	(17,606)
Total Tier I capital	<u>597,606</u>	<u>490,440</u>
<u>Tier II capital</u>		
General allowances for bad and doubtful debts	<u>3</u>	<u>-</u>
Total Tier II capital	<u>3</u>	<u>-</u>
Total capital	597,609	490,440
Less: Investment in subsidiary companies	(28,370)	(28,370)
Capital base	<u>569,239</u>	<u>462,070</u>
Core capital ratio	36.39%	42.49%
Risk-weighted capital ratio	36.39%	42.49%

SELECTED EXPLANATORY NOTES

	March 2007	March 2006
	RM'000	RM'000
A22 Interest Income		
Loans, advances and financing		
- Interest income other than recoveries from NPL	1,493	631
- Recoveries from NPLs	59	-
Money at call and deposit placements with financial institutions	3,374	2,216
Securities purchased under resale agreements	-	-
Securities held-for-trading	73	116
Securities available-for-sale	-	-
Securities held-to-maturity	-	-
Interest on Margin	5,790	4,099
Interest on reverse repo	2,076	-
Interest on Contra	340	757
Others	111	-
	<u>13,318</u>	<u>7,820</u>
Amortisation of premium less accretion of discount	-	-
Interest income suspended	-	-
	<u>13,318</u>	<u>7,820</u>
A23 Interest Expense		
Deposits and placement of banks and other financial institutions	1,443	517
Deposits from customers	570	-
Loans sold to Cagamas	-	-
Floating rate certificate of deposits	-	-
Subordinated notes	-	-
Subordinated bonds	-	-
Others	2,200	16
	<u>4,213</u>	<u>533</u>
A24 Non-interest Income		
(a) Fee income:		
Commissions	3,432	1,579
Service charges and fees	1,433	163
Guarantee fees	173	38
Underwriting fees	197	49
Brokerage income	46,065	14,958
Other fee income	2,543	1,652
	<u>53,843</u>	<u>18,439</u>
(b) Gain/loss arising from sale of securities:		
Net gain from sale of securities held-for-trading	878	900
Net gain/(loss) from sale of securities available-for-sale	18,613	326
Net loss from redemption of securities held-to maturity	-	-
Net gain from sale of subsidiary company	-	-
	<u>19,491</u>	<u>1,226</u>
(c) Gross dividend from:		
Securities portfolio	149	204
(d) Unrealised losses on revaluation of securities held-for-trading and derivatives	2,529	1,226
Write back of impairment losses on securities	-	-
	<u>2,529</u>	<u>1,226</u>

SELECTED EXPLANATORY NOTES

	March 2007 RM'000	March 2006 RM'000
(e) Other income:		
Foreign exchange profit	66	11
Net premiums written		
Rental Income	-	-
Gains on disposal of property, plant and equipment	29	2
Gain on disposal of foreclosed properties	-	-
Others	827	337
	<u>922</u>	<u>350</u>
Total non-interest income	<u>76,934</u>	<u>21,445</u>
A25 Overhead expenses		
Personnel costs	18,043	9,850
- Salaries, allowances and bonuses	16,171	8,439
- Pension costs	1,240	888
- Others	632	523
Establishment costs	4,677	4,584
- Depreciation	1,536	1,148
- Rental of leasehold land and premises	1,102	1,567
- Repairs and maintenance of property, plant and equipment	426	682
- Information technology expenses	495	534
- Others	818	653
Marketing expenses	3,737	528
- Advertisement and publicity	158	33
- Others	3,579	495
Administration and general expenses	8,373	6,823
- Fees and brokerage	160	55
- Administrative expenses	8,048	6,887
- General expenses	6	1
- Claims incurred	29	13
- Others	130	(133)
	<u>34,830</u>	<u>21,785</u>
A26 Allowances on bad & doubtful accounts on trade receivables		
Allowances for bad and doubtful debts and financing:		
- general allowance made (net)	106	551
- specific allowance	2,094	641
- specific allowance written back	(1,393)	(5,025)
Bad debts and financing written off	-	219
Bad debts and financing recovered	(156)	(12)
Provision for other debts	3	-
	<u>654</u>	<u>(3,626)</u>
A26a Allowance for Losses on Loans, Advances and Financing		
Allowances for bad and doubtful debts and financing:		
- general allowance made (net)	1,289	-
- specific allowance	-	-
- specific allowance written back	(441)	-
Bad debts and financing written off	8	-
Bad debts and financing recovered	(1)	-
Provision for other debts	-	-
	<u>855</u>	<u>-</u>

7. SEGMENTAL REPORTING

	Continued Operations										Discontinued Operations									
	Stock broking	Futures	Money lending	Property Management	Investment Management	Corporate and Others	Eliminations	Total	Property Management	Investment Management	Property Management	Investment Management	Total	Mar 2007	Mar 2006	Total				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000				
Revenue	76,858	22,853	6,589	2,673	1,897	736	-	85,723	26,521	1,621	230	1,544	201	87,574	28,288	28,288				
Other segment sales	76,858	22,853	6,589	2,673	1,897	736	(201)	85,723	26,521	1,621	230	1,544	201	87,574	28,288	28,288				
Net profit for the year	43,195	6,399	4,293	1,514	1,512	564	932	53,673	11,107	380	(162)	(551)	(144)	53,891	10	53,891				
Segment results	43,195	6,399	4,293	1,514	1,512	564	932	53,673	11,107	380	(162)	(551)	(144)	53,891	10	53,891				
Loss on disposal of discontinued operations	(2,024)	(16)	(760)	(209)	(909)	(488)	769	(4,213)	(533)	(356)	-	(528)	-	(4,569)	(1)	(4,569)				
Unallocated corporate expenses	(8,513)	(891)	(987)	(353)	(528)	(911)	-	(10,939)	(1,754)	(182)	-	(163)	(5)	(11,121)	(1)	(11,121)				
Profit from operation	32,658	5,492	2,546	952	75	1,461	-	38,521	8,820	(158)	(162)	(1,242)	(149)	38,201	(7)	38,201				
Finance cost, net	-	-	-	-	-	-	-	(687)	(257)	-	-	-	-	(687)	-	(687)				
Share of results of jointly controlled entities	32,658	5,492	2,546	952	75	1,461	-	37,834	8,563	(158)	(162)	(1,242)	(149)	37,514	7	37,514				
Taxation	1,609,334	752,847	414,901	165,060	96,724	34,214	-	2,196,116	1,062,380	127,890	3,560	128,575	3,617	2,327,566	1,194	2,327,566				
Minority interest	-	-	-	-	-	-	-	(1,465,618)	(1,292,970)	(1,465,618)	-	-	-	-	-	-				
Net profit for the year	1,609,334	761,286	415,074	165,131	97,692	34,856	-	2,198,388	1,071,925	127,890	3,611	128,575	3,648	2,329,889	1,204	2,329,889				
Segment assets	959,584	270,986	395,360	153,655	85,670	20,884	-	1,544,396	468,057	3,740	370	3,879	192	1,548,506	2	1,548,506				
Investments in equity method of associates	1,950	2,600	1,286	385	52	48	-	6,940	5,182	-	-	-	-	6,940	5	6,940				
Investments in equity method of jointly controlled entities	961,534	273,586	396,646	154,040	85,722	20,932	-	1,551,336	473,239	3,740	370	3,879	192	1,555,446	7	1,555,446				
Unallocated corporate assets	1,609,334	761,286	415,074	165,131	97,692	34,856	-	2,198,388	1,071,925	127,890	3,611	128,575	3,648	2,329,889	1,204	2,329,889				
Liabilities	959,584	270,986	395,360	153,655	85,670	20,884	-	1,544,396	468,057	3,740	370	3,879	192	1,548,506	2	1,548,506				
Segment liabilities	1,950	2,600	1,286	385	52	48	-	6,940	5,182	-	-	-	-	6,940	5	6,940				
Unallocated corporate liabilities	961,534	273,586	396,646	154,040	85,722	20,932	-	1,551,336	473,239	3,740	370	3,879	192	1,555,446	7	1,555,446				
Other information	1,532	1,435	(23)	37	96	86	-	1,840	2,112	-	-	436	38	1,840	2	1,840				
Capital expenditure	1,306	986	73	35	55	56	-	1,556	1,147	-	-	1,012	29	1,556	2	1,556				
Depreciation & Amortisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Reversal of impairment losses	(18,055)	(8,797)	(4)	-	1,288	(645)	-	(20,125)	(9,442)	-	-	-	-	(20,125)	(9)	(20,125)				
Non-cash expenses other than depreciation, amortisation and impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				

SELECTED EXPLANATORY NOTES

REQUIREMENTS OF FRS134 (Cont'd)

A28. Revaluation of property, plant and equipment

The Group's property, plant and equipment have not been previously revalued.

A29. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period

There are no other material events subsequent to the end of the interim period which have not been reflected in the current quarter interim financial statements.

A30. Effects of changes in the Composition of the Group

There were no changes in the composition of the Group for the quarter ended 31 March 2007.

A31. Changes in contingent liabilities and assets since the last annual balance sheet date

Contingent liabilities at the date of this report are as follows:-

- (i) unsecured corporate guarantee in favour of various banks in respect of credit facilities extended to subsidiary companies amounting to RM989 million.
- (ii) unsecured corporate guarantee in favour of a counter party in respect of a collateralized cash deposit for a subsidiary company amounting to RM15 million.

SELECTED EXPLANATORY NOTES

REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of the performance of the Company and its principal subsidiary companies for the quarter and financial year to date

During the quarter ended 31 March 2007, the Group recorded a profit before taxation of RM49.7 million as compared to a profit before taxation of RM17.4 million in the previous quarter ended 31 December 2006. The performance for the quarter ended 31 March 2007 was much stronger as compared to the last quarter ended 31 December 2006 due mainly to higher net brokerage income by the stock broking division of the investment bank amounting to RM25million and gains on disposal of Bursa Malaysia shares of RM18.8 million.

For the three-month period ended 31 March 2007, the Group made a profit before taxation of RM49.7 million due mainly to the operating profits of the investment bank that recorded a profit before taxation of RM40.3 million, futures broking subsidiary company which generated a profit of RM3.5 million, gains on the revaluation of shares held for trading of RM2.5 million and profits from its money lending arm of RM0.7 million.

B2. Explanatory comments on any material change in profit before taxation (current quarter) as compared with the immediate preceding quarter)

During the quarter ended 31 March 2007, the Group recorded a profit before taxation of RM49.7 million as compared to a profit before taxation of RM17.4 million in the previous quarter ended 31 December 2006. The performance for the quarter ended 31 March 2007 was much stronger as compared to the last quarter ended 31 December 2006 due mainly to higher net brokerage income by the stock broking division of the investment bank amounting to RM25million and gains on disposal of Bursa Malaysia shares of RM18.8 million

B3. Current year prospects

The profitability of the Group for the year 2007 will still be heavily dependent on the volume transacted and market sentiment in Bursa Malaysia. In addition, the profitability of the other divisions in the full-fledged investment banking arm will have some impact on the results of the Group. The Group is expected to have a better performance as compared to the previous year.

B4. Variance From Profit Forecast And Profit Guarantee

This is not applicable as the Company did not issue any profit forecast or profit guarantee during the period.

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SELECTED EXPLANATORY NOTES**REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)****B5. Taxation**

	Individual Quarter Current Year Quarter 31 March 2007	Cumulative Quarter Current Year to date 31 March 2007
	-----RM'000-----	
Current period taxation	10,142	10,142
Deferred taxation	798	798
Total	10,940	10,940

The effective tax rate for the current quarter and financial year to date is lower than the statutory rate due to:-

	Individual Current Quarter	Cumulative Current Quarter
	-----RM'000-----	
Tax effect at statutory rate	12,688	12,688
Add: tax effect of expenses that are not deductible for tax purposes	3,604	3,604
Less: utilization of unabsorbed tax losses and capital allowances	(141)	(141)
Less: Non taxation of capital items	(6,009)	(6,009)
Tax expense	10,142	10,142

B6. Profits on Sale of Investments and/or Properties

There were no sales of unquoted investments and properties for the quarter ended 31 March 2007.

SELECTED EXPLANATORY NOTES**REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTD)****B7. Quoted Securities**

- (a) Total purchases and sales of quoted securities by the Group other than the investment banking subsidiary for the quarter ended 31 March 2007 and the profit arising therefrom were as follows:

	Individual Quarter	Cumulative Quarter
	-----RM'000-----	
Total purchases for the period	<u>10,485</u>	<u>10,485</u>
Total sales for the period	<u>3,874</u>	<u>3,874</u>
Total gain on disposal for the period	<u>412</u>	<u>412</u>

- (b) Total investment in quoted securities by the Group other than the investment banking subsidiary as at 31 March 2007 was as follows:

Total investment at cost	<u>RM'000 15,378</u>
Total investment at carrying value/book value	<u>17,685</u>
Total investment at market value at end of reporting period	<u>17,685</u>

SELECTED EXPLANATORY NOTES

REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B8. Status of Corporate Proposals

There are no corporate proposals by the Group which have been announced but not completed at the date of this report except for the following:-

- 1) The signing of a memorandum of agreement (MOA) on 23th February 2006 between K & N Kenanga Holdings Berhad and a Professor Dr. Al Jefri Yasin Abdulrahman, the representative of a group of investors from the Kingdom of Saudi Arabia, on the proposed setting up of a joint-venture to carry on securities and investment banking activities in Saudi Arabia.

K&N Kenanga Holdings Berhad is currently finalizing the terms and conditions of the shareholders' agreement with Professor Dr. Al Jefri Yasin Abdulrahman, the representative of a group of investors from the Kingdom of Saudi Arabia.

- 2) The signing of a memorandum of understanding (MOU) on 5th April 2006 between K & N Kenanga Holdings Berhad and Seylan Merchant Bank Limited, a company incorporated in Sri Lanka, on the proposed setting up of a joint venture to engage in investment banking activities in Sri Lanka and India.

The joint venture agreement was subsequently signed on 28th June 2006 and currently both parties are working on the setting up of the joint venture company.

- 3) On 15th February 2007, K& N Kenanga Holdings Berhad entered into a Joint Venture Agreement ("JVA") with Mr. Alsubai, Mohammed Nasser H., Alsaeed, Mr. Mazen Mohammed A., Mr. Almualem, Khalifah Abdullatif A. and Mr. Alharthi, Abdul Rahman Fahd J. (collectively referred to herein as the "Middle East Partners") for the establishment of an investment firm in the Dubai International Financial Centre ("DIFC") to offer financial and investment services including corporate finance, underwriting, stock broking and asset/fund management.

SELECTED EXPLANATORY NOTES**REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTD)****B9. Group Borrowings**

		Total Loans RM'000
Subordinated Loan (unsecured)	- Note 1	1,350
Short term loan from a financial institution (secured)	- Note 2	26,797
Short term revolving credit (unsecured)	- Note 3(i)	43,278
Short term revolving credit (unsecured)	- Note 3(ii)	120,000

Note 1: A subordinated loan amounting to RM5.00 million was extended in December 1995 by the shareholders of its subsidiary, Kenanga Deutsche Futures Sdn. Bhd. to the subsidiary. The amount of RM1.35 million represents the portion advanced by Deutsche Asia Pacific Holdings Pte Limited. The loan is unsecured, charged at an interest rate of 5% and is repayable, subject to approval from Bursa Malaysia Derivatives Berhad, upon maturity which was rescheduled to August 2011. An additional RM10.00 million was extended by K & N Kenanga Holdings Berhad in August 2006. The remaining balances of these subordinated loans amounting to RM13.65 million have been eliminated on group consolidation.

Note 2: A subsidiary company of K & N Kenanga Holdings Berhad, Kenanga Management & Services Sdn. Bhd secured a loan from a financial institution in order to finance its building refurbishment programme. This loan is secured by a charge on the Kenanga International building and is scheduled for repayment over a period of 15 years with an average interest rate of 5.35%.

Note 3: The Group obtained the following short term borrowings as follows:-

- i) Kenanga Capital Sdn. Bhd., the money lending subsidiary company, obtained a revolving credit facility from a financial institution for an amount of RM43.27 million in order to finance its own working capital. This facility is repayable in one month and the average interest rate charged is 5.36% per annum.
- ii) K & N Kenanga Holdings Berhad obtained a revolving credit facility of RM 120 million in order to finance additional shares subscription in its subsidiary company, Kenanga Investment Bank Berhad. The facilities are repayable in 180 days and the average interest rate charged is 4.73% per annum.

SELECTED EXPLANATORY NOTES

REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B10. Off Balance Sheet Financial Instruments

There were no off balance sheet transactions which are not accounted for at the date of this report.

B11. Changes in material Litigation

The changes in material litigation for the quarter ended 31 March 2007 were as follows: -

- (1) Har Mei Yee v K&N Kenanga Bhd
Kuala Lumpur High Court Civil Suit No.: D4-22-1049-2005

Plaintiff filed a suit against Kenanga Investment Bank Berhad on 22 July 2005 for general damages (including interest and cost) for loss of profit as a result of Kenanga's exercise of discretion to force sell a portion of the Plaintiff's shares after the equity ratio for the shares fell below the force-selling ratio.

Plaintiff's action was successfully struck out in the High Court and plaintiff had filed an appeal to the Court of Appeal on 28 November 2006. The hearing date of the appeal has not been fixed yet.

- (2) Teng Dark Kwong v K&N Kenanga Berhad
Kuala Lumpur High Court Civil Suit No.: D3-22-1051-2005

Plaintiff filed a suit against Kenanga Investment Bank Berhad on 22 July 2005 for general damages (including interest and cost) for loss of profit as a result of Kenanga's exercise of discretion to force sell a portion of the plaintiff's shares after the equity ratio for the shares fell below the force-selling ratio.

Kenanga had appealed to the High Court against the Registrar's decision in dismissing Kenanga's striking out application on the plaintiff's suit. The matter is fixed for mention on 30 March 2007 before the High Court Judge. Upon informing the Court that negotiations for settlement have failed, the Court fixed 5th July 2007 for decision.

SELECTED EXPLANATORY NOTES

**REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)**

B11. Changes in material Litigation (Cont'd)

- (3) **Har Weng v K&N Kenanga Bhd**
Kuala Lumpur High Court Civil Suit No.: D3-22-1050-2005

Plaintiff filed a suit against Kenanga Investment Bank on 22 July 2005 for general damages (including interest and cost) for loss of profit as a result of Kenanga's exercise of discretion to force sell a portion of the Plaintiff's shares after the equity ratio for the shares fell below the force-selling ratio.

Plaintiff's action was successfully struck out before the Senior Assistant Registrar on 6 February 2007 and the plaintiff had filed an appeal to the High Court. The hearing date of the appeal has not been fixed yet.

- (4) Letter of Demand against Kenanga Investment Bank Berhad (formerly known as K&N Kenanga Bhd)

(a) Kenanga Investment Bank Berhad was on 23 March 2007 served with a letter of demand from an individual for the transfer of 10,000,000 shares in LNG Resources Bhd purportedly subscribed at an IPO price of RM0.21 per share and allegedly held by Kenanga's nominated agent in trust for the client. Kenanga had lodged a police report on this matter as it was not a placement agent for these shares and was unaware of these purported transactions

(b) Kenanga Investment Bank Berhad was also on 23 March 2007 served with two (2) letters of demand from two (2) individuals demanding the transfer to each of them 550,000 shares in Alam Maritime Resources Bhd. These shares were purportedly subscribed by them at an IPO price of RM1.70 per share and are allegedly held by Kenanga's nominated agents in trust for them. Kenanga had lodged a police report on this matter as it was not a placement agent for these shares and was unaware of these purported transactions.

Kenanga Investment Bank Berhad has appointed solicitors to attend to the letters of demands.

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SELECTED EXPLANATORY NOTES

**REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTD)**

B12. Dividend

No interim dividend has been declared for the current quarter ended 31 March 2007.

B13. Earnings per share

The amount used as the numerator for the purposes of calculating the basic earnings per share for the three-month period is RM 37.51million representing the profits for the period attributable to ordinary equity holder of the parent (31 March 2006:-profits attributable to ordinary equity holder of parent: RM7.17 million)

The weighted average number of shares used as the denominator in calculating the basic earnings per share for the three-month period is 611,759,499 (31 March 2006: 611,759,499. The reconciliation of the two denominators used for the basic and diluted earnings per share is not made for the quarter as the Employee Share Option Scheme that will contribute to the dilution effect of the basic earnings per share (if any) expired on 17 February 2004.

By Order of the Board

K & N KENANGA HOLDINGS BERHAD

YM TENGKU DATO' PADUKA NOOR

ZAKIAH BTE TENGKU ISMAIL

Executive Chairman

c.c. Issues & Investment Division
Securities Commission
(Y.Bhg. Dato' Khair Azman Abdullah, Director)