

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended 30 June 2007
The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENTS

Group

	Note	INDIVIDUAL QUARTER CURRENT YEAR QUARTER 30 June 2007 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 June 2006 RM'000 Restated	CUMULATIVE QUARTER CURRENT YEAR TO DATE 30 June 2007 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 June 2006 RM'000 Restated
Continuing Operations					
Interest income	A22	18,000	8,433	31,318	16,253
Interest expense	A23	(8,372)	(537)	(12,585)	(1,070)
Net interest income		9,628	7,896	18,733	15,183
Non interest income	A24	52,712	26,793	129,646	48,238
Net Income		62,340	34,689	148,379	63,421
Overhead expenses	A25	(43,737)	(23,579)	(78,567)	(45,364)
Operating profits		18,603	11,110	69,812	18,057
Allowance for losses					
on loans, advances and financing	A26a	(84)	33	(939)	33
Allowance on bad and doubtful accounts on trade receivables	A26	(193)	(10)	(847)	3,616
Profit before taxation		18,326	11,133	68,026	21,706
Taxation		(5,556)	(3,735)	(16,496)	(5,069)
Profit for the period from continuing operations		12,770	7,398	51,530	16,637
Discontinued operations					
Profit/(loss) for the period from discontinued operations					
- profit from disposal of building		37,336	-	37,336	-
-profit/(loss) from discontinued operations		1,448	(1,584)	889	(3,394)
Profit for the period		51,554	5,814	89,755	13,243

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR	PRECEDING YEAR	CURRENT YEAR	PRECEDING YEAR
	QUARTER	CORRESPONDING	TO DATE	CORRESPONDING
	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	RM'000	RM'000	RM'000	RM'000

(i) Profit for the period attributable to				
- Equity holders of the parent	50,782	5,478	88,296	12,650
- Minority interests	772	336	1,459	593
	<u>51,554</u>	<u>5,814</u>	<u>89,755</u>	<u>13,243</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 611,759,499 cummulative quarter current year to date) (2006 : 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)	8.3	0.9	14.4	2.1
(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

CONDENSED INCOME STATEMENTS

Company

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 June 2007 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 June 2006 RM'000 Restated	CURRENT YEAR TO DATE 30 June 2007 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 June 2006 RM'000 Restated
Continuing Operations				
Interest income	1,398	1,376	2,967	2,621
Interest expense	(1,387)	-	(2,645)	-
Net interest income	11	1,376	322	2,621
Non interest income	6,053	(148)	8,855	1,243
Net Income	6,064	1,228	9,177	3,864
Overhead expenses	(2,355)	(627)	(3,413)	(1,256)
Operating profits	3,709	601	5,764	2,608
Allowance for losses on loans, advances and financing	-	-	-	-
Allowance on bad and doubtful accounts on trade receivables	-	-	-	-
Profit before taxation	3,709	601	5,764	2,608
Taxation	(1,355)	(167)	(2,240)	(674)
Profit for the period from continuing operations	2,354	434	3,524	1,934
Discontinued operations				
Loss for the period from discontinued operations	-	-	-	-
Profit for the period	2,354	434	3,524	1,934

CONDENSED INCOME STATEMENTS

Company

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 June 2007 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 June 2006 RM'000	CURRENT YEAR TO DATE 30 June 2007 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 June 2006 RM'000
(i) Profit for the period attributable to - Equity holders of the parent	2,354	434	3,524	1,934
	2,354	434	3,524	1,934
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 611,759,499 cumulative quarter current year to date) (2006 : 611,759,499 ordinary shares for the previous year quarter and 611,759,499 ordinary shares for the cumulative quarter previous year to date) (sen)	0.4	0.1	0.6	0.3
(ii) Fully diluted	N/A	N/A	N/A	N/A

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

**CONDENSED CONSOLIDATED BALANCE SHEETS
GROUP**

		AS AT END OF CURRENT QUARTER 30 June 2007 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31 December 2006 RM'000 <u>Restated</u>
	Note		
ASSETS			
Cash and short-term funds		833,503	232,816
Deposits and placements with financial institutions		101,126	75,385
Securities purchased under resale agreements		-	118,706
Securities held for trading	A10	125,912	24,907
Securities available for sales	A11	119,944	34,954
Securities held to maturity	A12	1,490	1,490
Loans, advances and financing	A13	96,500	56,783
Other assets			
- Trade receivables		794,076	460,621
- Assets segregated for customers		644,442	359,850
- Other receivables	A14	115,443	8,965
Statutory deposits with Central Banks		-	-
Investment in associated companies		10,063	-
Intangible assets		70,106	70,106
Property, plant and equipment		27,061	25,304
Deferred tax assets		979	390
Tax recoverable		2,174	7,935
Asset of disposal group/non current assets classified as held for sale		8,426	131,599
TOTAL ASSETS		2,951,245	1,609,811
LIABILITIES			
Deposits from customers	A15	254,001	-
Deposits and placements of banks and other financial institutio	A16	377,190	-
Obligations on securities sold under repurchase agreements		-	-
Bills and acceptances payable		-	-
Borrowings	A18	79,915	154,169
Other liabilities			
- Trade payables		1,092,560	518,678
- Amount held in trust		246,895	131,325
- Other payables	A17	72,421	46,839
Provision for taxation and zakat		7,258	742
Deferred tax liabilities		1,815	6,672
Subordinated obligations	A16	1,383	1,350
Liabilities directly associated with assets classified as held for sale		470	4,187
TOTAL LIABILITIES		2,133,908	863,962
SHAREHOLDERS EQUITY			
Share Capital		611,759	611,759
Share Premium		75	75
Profit and loss reserve		159,926	86,973
Exchange fluctuation reserve		(741)	(591)
Available for sale reserve		159	8,992
Capital reserve		40,952	34,352
		812,130	741,560
Minority Interest		5,207	4,289
Total equity		817,337	745,849
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,951,245	1,609,811
Net Assets Per Share (RM)		1.34	1.22

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

CONDENSED BALANCE SHEETS
COMPANY

	AS AT END OF CURRENT QUARTER 30 June 2007 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31 December 2006 RM'000 <u>Restated</u>
ASSETS		
Cash and short-term funds	544	838
Deposits and placements with financial institutions	8,322	33,464
Securities purchased under resale agreements	-	-
Securities held for trading	50,692	16,535
Securities available for sales	-	-
Securities held to maturity	-	-
Loans, advances and financing	-	-
Other assets		
- Trade receivables	-	4
- Amount due from subsidiary companies	45,876	143,976
- Amount due from related companies	-	39
- Other receivables	142	32
Statutory deposits with Central Banks	-	-
Investment in subsidiary companies	994,507	871,707
Investment in associated companies	10,063	-
Intangible assets	-	-
Property, plant and equipment	672	81
Deferred tax assets	-	-
Tax recoverable	1,175	830
Asset of disposal group/non current assets classified as held for sale	-	-
TOTAL ASSETS	1,111,993	1,067,506
LIABILITIES		
Deposits from customers	-	-
Deposits and placements of banks and other financial institutions	-	-
Obligations on securities sold under repurchase agreements	-	-
Bills and acceptances payable	-	-
Borrowings	-	-
Other liabilities		
- Trade payables	-	-
- Amount due to subsidiary companies	356,289	308,115
- Other payables	1,979	1,837
Provision for taxation and zakat	-	-
Deferred tax liabilities	1,677	288
Subordinated obligations	-	-
Liabilities directly associated with assets classified as held for sale	-	-
TOTAL LIABILITIES	359,945	310,240
SHAREHOLDERS EQUITY		
Share Capital	611,759	611,759
Share Premium	75	75
Profit and loss reserve	11,397	16,615
Capital reserve	128,817	128,817
	752,048	757,266
Total equity	752,048	757,266
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,111,993	1,067,506
Net Assets Per Share (RM)	1.23	1.24

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

Consolidated Condensed Cash Flow Statement
for the period ended 30 June 2007

	Group	
	CUMULATIVE QUARTER	
	CURRENT YEAR TO DATE 30 June 2007 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 June 2006 RM'000 Restated
Cash flows from operating activities		
Profit before taxation		
- Continuing operations	68,026	21,706
- Discontinued operations	38,225	(3,157)
Adjustments for non operating and non cash items	(60,160)	3,078
Operating profit before changes in working capital	<u>46,091</u>	<u>21,627</u>
Net changes in operating assets	(708,672)	(23,271)
Net changes in operating liabilities	1,225,538	89,490
Cash generated from operations	<u>562,957</u>	<u>87,846</u>
Net tax paid	(5,135)	(6,084)
Net cash generated from operating activities	<u>557,822</u>	<u>81,762</u>
Net cash generated from/(used in) investing activities	54,894	(19,460)
Net cash used in financing activities	(83,409)	(106,696)
Net increase/(decrease) in cash and cash equivalents during the period	<u>529,307</u>	<u>(44,394)</u>
Cash and cash equivalents brought forward	103,822	223,955
Cash and cash equivalents carried forward	<u>633,129</u>	<u>179,561</u>
Cash and cash equivalents as at 30th June 2007 comprised of :-		
Non trust deposits with financial institutions	548,003	
Non trust cash and short term funds	85,126	
	<u>633,129</u>	

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 30 June 2007**

Group

	<---Attributable to Equity Holders of the Parent----->					Minority Distributable Interests	Total Equity	
	< ---Non -Distributable----->				Share Premium			
	Share Capital RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Available For Sale Reserve 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	-	(150)	-	-	-	-	-	(150)
Reversal of reserve from disposal of securities	-	-	-	(8,833)	-	-	-	(8,833)
Unrealised gains for the period	-	-	-	-	-	-	-	0
Net profit for the period	-	-	-	-	-	88,296	1,459	89,755
Income reserve capitalised to capital reserve	-	-	6,600	-	-	(6,600)	-	-
Dividends paid	-	-	-	-	-	(8,743)	(541)	(9,284)
As at 30 June 2007	<u>611,759</u>	<u>(741)</u>	<u>40,952</u>	<u>159</u>	<u>75</u>	<u>159,926</u>	<u>5,207</u>	<u>817,337</u>

**Consolidated Statement of changes in equity
for the period ended 30 June 2006**

Group

	<---Attributable to Equity Holders of the Parent----->					Minority Distributable Interests	Total Equity	
	< ---Non -Distributable----->				Share Premium			
	Share Capital RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Available For Sale Reserve 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	-	2,558	-	5,572
	<u>611,759</u>	<u>(51)</u>	<u>34,352</u>	<u>3,014</u>	<u>75</u>	<u>64,169</u>	<u>2,738</u>	<u>716,056</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	-	-	-	2,590	-	-	-	2,590
Net profit for the period	-	-	-	-	-	12,650	593	13,243
Dividends paid	-	-	-	-	-	-	-	-
As at 30 June 2006	<u>611,759</u>	<u>(310)</u>	<u>34,352</u>	<u>5,509</u>	<u>75</u>	<u>76,819</u>	<u>3,331</u>	<u>731,535</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**

Statement of changes in equity
for the period ended 30 June 2007

Company

	--Attributable to Equity Holders of the Parent--				Total Equity
	<-- Non Distributable-->		Distributable		
	Share Capital RM'000	Capital Reserve RM'000	Share Premium RM'000	Retained profits RM'000	RM'000
As at 1 January 2007	611,759	128,817	75	15,289	755,940
Application of GP8	-	-	-	1,327	1,327
As restated	<u>611,759</u>	<u>128,817</u>	<u>75</u>	<u>16,616</u>	<u>757,267</u>
Net profit for the period	-	-	-	3,524	3,524
Dividends paid	-	-	-	(8,743)	(8,743)
As at 30 June 2007	<u>611,759</u>	<u>128,817</u>	<u>75</u>	<u>11,397</u>	<u>752,048</u>

Statement of changes in equity
for the period ended 30 June 2006

Company

	Attributable to Equity Holders of the Parent--				Total Equity
	<-- Non Distributable-->		Distributable		
	Share Capital RM'000	Capital Reserve RM'000	Share Premium RM'000	Retained profits RM'000	RM'000
As at 1 January 2006	611,759	128,817	75	8,726	749,377
Application of GP8	-	-	-	1,092	1,092
As restated	<u>611,759</u>	<u>128,817</u>	<u>75</u>	<u>9,818</u>	<u>750,469</u>
Net profit for the period	-	-	-	1,934	1,934
Dividends paid	-	-	-	-	-
As at 30 June 2006	<u>611,759</u>	<u>128,817</u>	<u>75</u>	<u>11,752</u>	<u>752,403</u>

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

K & N KENANGA HOLDINGS BERHAD (302859-X)

(Incorporated in Malaysia)

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 30 June 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.

K & N KENANGA HOLDINGS BERHAD (302859-X)

(Incorporated in Malaysia)

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 RM1,454,774 resulting in a corresponding reduction in loans, advances and financing as well as reduction in the profit for the cumulative current quarter ended 30 June 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.

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**

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 consolidated reserve and consolidated 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
Effects of adopting fair value accounting on securities held for trading	3,726	2,558	-	-
As restated	<u>86,973</u>	<u>64,169</u>	<u>8,992</u>	<u>3,014</u>

6 months ended
30.6.2007
RM'000

Consolidated profit for the period before changes in accounting policies	84,873
Effects of fair value accounting on securities held for trading	4,882
Consolidated profit for the financial period after changes in accounting policies	<u>89,755</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 consolidated 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	-	-	232,816	232,816
Deposits and placements with financial institutions	-	-	75,385	75,385
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 30th June 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	65,373	-	(65,373)	-
Other operating income	20,869	-	(20,869)	-
Interest income	-	-	16,292	16,253
Interest expense	-	-	(2,130)	(1,070)

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)

The following comparative figures for the consolidated income statement for the period ended 30th June 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		Reclassi- fication BNM/ GP8	As restated
		BNM /GP	FRS		
-----RM'000-----					
Non interest income	-	874	(3,008)	50,372	48,238
Staff cost	(21,303)	-	-	21,303	-
Depreciation and amortisation	(4,400)	-	-	4,400	-
Other operating expenses	(43,440)	-	-	43,440	-
Overhead expenses	-	-	5,144	(50,508)	(45,364)
Allowances for losses on trade receivables	-	577	-	3,039	3,616
Allowances of losses on loans, advances and financing	-	-	-	33	33
Profit before taxation	17,099	1,451	3,156	-	21,706
Taxation	(5,400)	93	238	-	(5,069)
Profit for the period	11,699	1,544	3,394	-	16,637
Loss from discontinued operations	-	-	(3,394)	-	(3,394)

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 30 June 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 30 June 2007.

A9. Dividends paid per share

Dividend for the financial year ended 31 December 2006 amounting to RM8,743,586.63 was paid during the quarter ended 30 June 2007.

K & N KENANGA HOLDINGS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007

	June 2007 RM' 000	December 2006 RM' 000
A10 (a) 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	38,924	24,907
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	-	-
Unquoted securities:		
Private and Islamic Debt Securities in Malaysia	86,988	-
Foreign Private Debt Securities	-	-
	<u>86,988</u>	<u>-</u>
Total securities held-for-trading	<u>125,912</u>	<u>24,907</u>
A11 (b) 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	9,947	-
Foreign Government Securities	-	-
Malaysian Government Treasury Bills	-	-
Malaysian Government Investment Issues	-	-
Foreign Government Treasury Bills	-	-
Negotiable Instruments of Deposits	-	-
Bankers' Acceptances and Islamic Accepted Bills	20,635	-
Khazanah Bonds	-	-
Bank Negara Malaysia Sukuk Ijarah Bonds	-	-
Foreign Certificates of Deposits	-	-
Total Money market instruments	<u>30,582</u>	<u>-</u>

K & N KENANGA HOLDINGS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007

	June 2007 RM' 000	December 2006 RM' 000
Quoted securities:		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	9,426	17,934
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	-	-
	<u>9,426</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	77,993	15,034
Malaysian Government Bonds	-	-
Foreign Islamic and Private Debt Securities	-	-
Credit Link Notes	-	-
Malaysia Global Sukuk	-	-
Others	1,010	1,053
	<u>79,936</u>	<u>17,020</u>
Accumulated impairment losses	-	-
Total securities available-for-sale	<u>119,944</u>	<u>34,954</u>
A12 (c) 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>

K & N KENANGA HOLDINGS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007

	June 2007	December 2006
	RM' 000	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	852	580
Credit card receivables	-	-
Bills receivables	-	-
Trust receipts	-	-
Claims on customers under acceptance credits	-	-
Loans/financing to banks and other financial institutions	-	-
Revolving credits	-	-
Staff loans	-	-
Housing loans to	-	-
- Executive directors of the Bank	-	-
- Executive directors of subsidiaries	-	-
Others	97,423	57,090
	<u>98,275</u>	<u>57,670</u>
Unearned interest and income	(2)	(51)
Gross loans, advances and financing	<u>98,273</u>	<u>57,619</u>
Allowances for bad and doubtful debts and financing:		
- specific	(303)	(836)
- general	(1,470)	-
Net loans, advances and financing	<u><u>96,500</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	852	579
- Others	16,382	8,103
Government and statutory bodies	-	-
Individuals	81,041	48,988
Other domestic entities	-	-
Foreign entities	-	-
Total domestic operations	<u><u>98,275</u></u>	<u><u>57,670</u></u>

K & N KENANGA HOLDINGS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007

	June 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)	-	-
	<u>-</u>	<u>-</u>
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	-	580
Variable rate	-	-
- Base lending rate plus	97,423	57,090
- Cost plus	852	-
- Other variable rates	-	-
Gross loans, advances and financing	<u>98,275</u>	<u>57,670</u>
(iii) Total loans by economic purposes		
Domestic operations:		
Purchase of securities	97,423	57,090
Purchase of transport vehicles	-	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	852	-
Others	-	-
Total domestic operations	<u>98,275</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>

K & N KENANGA HOLDINGS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007

	June 2007 RM' 000	December 2006 RM' 000
(iii) Non-performing loans by economic purpose		
Purchase of securities	1,760	305
Purchase of transport vehicles	-	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	13	-
Others	-	-
Total domestic operations	<u>1,773</u>	<u>885</u>
Overseas operations:		
Singapore	-	-
Hong Kong SAR	-	-
United States of America	-	-
People's Republic of China	-	-
Others (Please specify)	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
(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	1,470	580
Reclassified as performing	-	-
Acquired upon business acquisition	-	-
Transfer from a subsidiary	-	-
Recovered	(582)	(40)
Amount written off	-	-
Converted to securities	-	-
Exchange differences and expenses debited	-	-
At end of the period	<u>1,773</u>	<u>885</u>
Specific allowance	-	-
Net non-performing loans, advances and financing	<u>1,773</u>	<u>885</u>
Net NPL as a% of gross loans, advances and financing (including Islamic loans sold to Cagamas) less specific allowances	<u>1.81%</u>	<u>1.56%</u>

K & N KENANGA HOLDINGS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007

	June 2007	December 2006
	RM' 000	RM' 000
(v) Movement in specific allowance for bad and doubtful debts (and financing) accounts are as follows		
<u>Specific Allowance</u>		
At beginning of the period	836	345
Allowance made during the period	1	531
Amount written back in respect of recoveries	(534)	(40)
Acquired upon business acquisition	-	-
Transfer from a subsidiary	-	-
Amount written off	-	-
Transfer to general allowances	-	-
Transfer to impairment lossess in value of securities	-	-
Transfer to restructured/rescheduled loans	-	-
Exchange differences	-	-
At end of the period	<u>303</u>	<u>836</u>

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

<u>General Allowance</u>		
At beginning of the period	-	-
Allowance made during the period	1,470	-
Amount written back	-	-
Acquired upon business acquisition	-	-
Transfer from specific allowance	-	-
Exchange differences	-	-
At end of the period	<u>1,470</u>	<u>-</u>
As % of gross loans, advances and financing (including Islamic loans sold to Cagamas) less specific allowances	<u>1.50%</u>	<u>0%</u>

A14 Other Assets

Interest/Income receivable	-	-
Prepayments and deposits	11,693	5,720
Other debtors	103,750	3,245
Foreclosed properties	-	-
Investment properties	-	-
Derivative assets	-	-
	<u>115,443</u>	<u>8,965</u>

K & N KENANGA HOLDINGS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007

	June 2007	December 2006
	RM' 000	RM' 000
A15 Deposits from Customers		
Fixed deposits and negotiable instruments of deposits	-	-
- One year or less	254,001	-
- More than one year	-	-
Savings deposits	-	-
Demand deposits	-	-
Structured deposits	-	-
	254,001	-
Business enterprise	-	-
Individuals	-	-
Government and statutory bodies	-	-
Others	254,001	-
	254,001	-
A16 Deposits and Placement of Banks and Other Financial Institutions and Debt Securities		
Licensed banks	-	-
Licensed finance companies	-	-
Licensed merchant banks	-	-
Other financial institutions	377,190	-
	377,190	-
Maturity structure of deposits and placements of banks and other financial institutions		
- One year or less	-	-
- More than one year	-	-
	-	-
Subordinated obligations	-	-
Unsecured	-	-
- less than one year	-	-
- more than one year	1,383	1,350
	1,383	1,350
A17 Other liabilities		
Interest/Profit payable	-	-
Provision for outstanding claims	-	-
Unearned premium reserves	-	-
Profit Equalisation Reserves	-	-
Provision and accruals	8,870	46,166
Due to brokers and clients	-	-
Deposits and other creditors	63,551	673
Derivative liabilities	-	-
	72,421	46,839

K & N KENANGA HOLDINGS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007

	June 2007	December 2006
	RM' 000	RM' 000
A18 Bank Borrowings		
Hire purchase creditors	140	422
Revolving bank loan	79,775	6,503
Term loan	-	27,244
Secured notes issuance facility	-	120,000
	<u>79,915</u>	<u>154,169</u>

	Non trading book					Non-interest sensitive RM	Trading books RM	Total RM	Effective interest rate %
	Up to 1 month RM	>1 - 3 month RM	>3 - 12 month RM	>1 - 5 years RM	over 5 RM				
A20 Interest/Profit Rate Risk									
Cash and short-term funds	434,632	-	-	-	-	398,871	-	833,503	3.52%
Deposits and placements with banks and other financial institutions	85,126	-	-	-	-	16,000	-	101,126	3.38%
Securities purchased under resale agreements	-	-	-	-	-	-	-	-	-
Securities held-for-trading	-	-	-	-	-	-	125,912	125,912	4.36%
Securities available-for-sale	-	35,563	-	45,284	-	10,359	1,010	119,944	3.92%
Securities held-to-maturity	-	-	-	-	-	1,490	-	1,490	-
Loans, advances and financing	-	-	-	-	-	-	-	-	-
- performing	25,140	10,657	60,702	-	-	-	-	96,499	8.00%
- non-performing	-	-	-	-	-	-	-	-	-
Other assets n1	316,793	-	-	-	-	480,078	-	796,871	-
Other non-interest sensitive balances	642,442	-	2,000	-	-	231,457	-	875,899	7.96%
TOTAL ASSETS	1,504,133	46,220	62,702	45,284	27,728	1,138,256	126,922	2,951,245	
Interest/Profit Rate Risk									
LIABILITIES AND SHAREHOLDERS' EQUITY									
Deposits from customers	238,753	3,248	12,000	-	-	-	-	254,001	3.35%
Deposits and placements of banks and other financial institutions	50,000	-	169,260	157,930	-	-	-	377,190	3.71%
Borrowings	-	-	-	-	-	-	-	-	-
Obligations on securities sold under repurchase agreements	79,915	-	-	-	-	-	-	79,915	5.55%
Bills and acceptances payable	-	-	-	-	-	-	-	-	-
Recourse obligation on loans sold to Cagamas	-	-	-	-	-	-	-	-	-
Subordinated notes	-	-	-	-	-	-	-	-	-
Other non-interest sensitive balances	-	-	-	1,383	-	-	-	-	-
Total Liabilities	645,934	3,248	181,260	159,313	15,281	760,204	-	1,421,419	5.00%
Shareholders' equity	1,014,602	-	-	-	-	760,204	-	2,133,908	-
Minority interest	-	-	-	-	-	812,130	-	812,130	-
Total Liabilities and Shareholders' Equity	1,014,602	3,248	181,260	159,313	15,281	1,577,541	-	2,951,245	
On-balance sheet interest sensitivity gap	489,531	42,972	(118,558)	(114,029)	12,447	(439,285)	126,922	-	-
Total interest sensitivity gap	489,531	42,972	(118,558)	(114,029)	12,447	(439,285)	126,922	-	

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	-	-	-	-	-	-	-	24,907	-
Securities held-to-maturity	9,985	-	-	-	5,049	19,920	-	34,954	3.44%
Loans, advances and financing	-	-	-	-	-	1,490	-	1,490	-
- performing	35,191	9,566	11,140	-	-	-	-	55,897	8.00%
- non-performing	-	-	-	-	-	-	-	885	-
Other assets n1	289,147	-	-	-	-	171,060	-	460,207	6.36%
Other non-interest sensitive balances	-	-	-	-	-	604,564	-	604,564	-
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	-
Other non-interest sensitive balances	-	-	-	-	-	708,443	-	708,443	5.00%
Total Liabilities	7,195	530	146,444	1,350	-	708,443	-	863,962	
Shareholders' equity	-	-	-	-	-	741,560	-	741,560	-
Minority interest	-	-	-	-	-	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 suspense in accordance with the Rules of Bursa Malaysia Securities Berhad.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007

A21 Capital Adequacy

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

	June 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	35,598	35,598
	<u>615,598</u>	<u>495,598</u>
Less: Deferred tax assets	(806)	-
Goodwill	(17,606)	(17,606)
Total Tier I capital	<u>597,186</u>	<u>477,992</u>
<u>Tier II capital</u>		
General allowances for bad and doubtful debts	13	-
Total Tier II capital	<u>13</u>	<u>-</u>
Total capital	597,199	477,992
Less: Investment in subsidiary companies	(23,838)	(28,370)
Capital base	<u>573,361</u>	<u>449,622</u>
Core capital ratio	43.74%	42.49%
Risk-weighted capital ratio	43.74%	42.49%

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007

A19 Commitments and Contingencies and Off-Balance Sheet Financial Instruments

	June 2007		December 2006	
	RM'000	RM'000	RM'000	RM'000
	Notional	Credit Equivalent	Notional	Credit Equivalent
		Weighted Risk		Weighted Risk
Performance bond	-	-	-	-
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	-	-	10,036	5,018
Obligations under underwriting agreements	-	-	-	-
Irrevocable commitments to extend credit:	-	-	-	-
- maturity within one year	2,480	-	-	-
- 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 facilities	748,834	374,417	548,199	269,238
Capital expenditure commitments	1,442	1,442	518	518
Non-cancellable lease rental commitments	558	-	618	-
	753,314	375,859	559,371	274,774
				274,774

K & N KENANGA HOLDINGS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007

	Individual Quarter		Cummulative Quarter	
	30 June 2007 RM'000	30 June 2006 RM'000	30 June 2007 RM'000	30 June 2006 RM'000
A22 Interest Income				
Loans, advances and financing				
- Interest income other than recoveries from NPL	1,843	840	3,336	1,471
- Recoveries from NPLs	-	-	59	-
Money at call and deposit placements with financial institutions	9,023	2,184	12,397	4,400
Securities purchased under resale agreements	145	-	145	-
Securities held-for-trading	783	131	857	247
Securities available-for-sale	1,306	-	1,306	-
Securities held-to-maturity	-	-	-	-
Interest on Margin	6,268	4,709	12,059	8,808
Interest on reverse repo	(2,063)	-	13	-
Interest on Contra	473	559	813	1,316
Others	(111)	10	-	11
	<u>17,667</u>	<u>8,433</u>	<u>30,985</u>	<u>16,253</u>
Amortisation of premium less accretion of discount	333	-	333	-
Interest income suspended	-	-	-	-
	<u>18,000</u>	<u>8,433</u>	<u>31,318</u>	<u>16,253</u>
A23 Interest Expense				
Deposits and placement of banks and other financial institutions	2,904	514	4,347	1,031
Term loan	(570)	-	-	-
Deposits from customers	4,341	-	4,341	-
Loans sold to Cagamas	-	-	-	-
Floating rate certificate of deposits	-	-	-	-
Subordinated notes	-	-	-	-
Subordinated bonds	-	-	-	-
Others	1,697	23	3,897	39
	<u>8,372</u>	<u>537</u>	<u>12,585</u>	<u>1,070</u>
A24 Non-interest Income				
(a) Fee income:				
Commissions	2,414	1,788	5,846	3,367
Service charges and fees	1,949	960	3,382	1,123
Guarantee fees	(173)	(38)	-	-
Underwriting fees	168	28	365	77
Brokerage income	39,203	19,002	85,268	33,960
Other fee income	5,173	2,472	7,716	4,124
	<u>48,734</u>	<u>24,212</u>	<u>102,577</u>	<u>42,651</u>
(b) Gain/loss arising from sale of securities:				
Net gain from sale of securities held-for-trading	1,070	(396)	1,948	504
Net gain/(loss) from sale of securities available-for-sale	1	966	18,614	1,292
Net loss from redemption of securities held-to maturity	-	-	-	-
Net gain from sale of subsidiary company	-	-	-	-
	<u>1,071</u>	<u>570</u>	<u>20,562</u>	<u>1,796</u>
(c) Gross dividend from:				
Securities portfolio	235	775	384	979
(d) Unrealised losses on revaluation of securities held-for-trading and derivatives	1,947	(1,226)	4,476	-
Write back of impairment losses on securities	511	1,022	511	1,022
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,458</u>	<u>(204)</u>	<u>4,987</u>	<u>1,022</u>

K & N KENANGA HOLDINGS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2007

	Individual Quarter		Cumulative Quarter	
	30 June 2007 RM'000	30 June 2006 RM'000	30 June 2007 RM'000	30 June 2006 RM'000
(e) Other income:				
Foreign exchange profit	89	20	155	31
Net premiums written	-	-	-	-
Rental Income	-	9	-	9
Gains on disposal of property, plant and equipment	355	80	384	82
Gain on disposal of foreclosed properties	-	-	-	-
Others	(230)	1,331	597	1,668
	<u>214</u>	<u>1,440</u>	<u>1,136</u>	<u>1,790</u>
Total non-interest income	<u>52,712</u>	<u>26,793</u>	<u>129,646</u>	<u>48,238</u>
A25 Overhead expenses				
Personnel costs	22,900	10,868	40,943	20,718
- Salaries, allowances and bonuses	20,703	9,503	36,874	17,942
- Pension costs	1,388	(608)	2,628	280
- Others	809	1,973	1,441	2,496
Establishment costs	4,965	3,918	9,642	8,502
- Depreciation	1,568	1,152	3,104	2,300
- Rental of leasehold land and premises	1,562	1,153	2,664	2,720
- Repairs and maintenance of property, plant and equipment	404	317	830	999
- Information technology expenses	868	539	1,363	1,073
- Others	563	757	1,681	1,410
Marketing expenses	(2,052)	712	1,685	1,240
- Advertisement and publicity	139	35	297	68
- Others	(2,191)	677	1,388	1,172
Administration and general expenses	17,924	8,081	26,297	14,904
- Fees and brokerage	228	95	388	150
- Administrative expenses	17,157	7,609	25,205	14,496
- General expenses	(6)	(1)	-	-
- Claims incurred	52	8	81	21
- Others	493	370	623	237
	<u>43,737</u>	<u>23,579</u>	<u>78,567</u>	<u>45,364</u>
A26 Allowances on bad & doubtful accounts on trade receivables				
Allowances for bad and doubtful debts and financing:			-	
- general allowance made (net)	(106)	456	-	1,007
- specific allowance	(1,082)	(54)	1,012	587
- specific allowance written back	1,393	(390)	-	(5,415)
Bad debts and financing written off	-	-	-	219
Bad debts and financing recovered	(9)	(2)	(165)	(14)
Provision for other debts	(3)	-	-	-
	<u>193</u>	<u>10</u>	<u>847</u>	<u>(3,616)</u>
A26a Allowance for Losses on Loans, Advances and Financing				
Allowances for bad and doubtful debts and financing:				
- general allowance made (net)	181	-	1,470	-
- specific allowance	-	-	-	-
- specific allowance written back	441	(13)	-	(13)
Bad debts and financing written off	(8)	-	-	-
Bad debts and financing recovered	(530)	(20)	(531)	(20)
Provision for other debts	-	-	-	-
	<u>84</u>	<u>(33)</u>	<u>939</u>	<u>(33)</u>

Continued Operations

Discontinued Operations

	Continued Operations										Discontinued Operations														
	Investment Bank		Stock broking		Futures		Capital Financing		Property Management		Investment Management		Corporate and Others		Eliminations		Total		Property Management		Investment Management		Total		
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	
	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	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Revenue	15,433	-	137,603	54,019	14,445	5,942	4,081	1,766	35	-	159	212	1,202	376	-	172,958	62,315	-	914	2,665	393	173,872	65,373	Restated	
Inter-segment sales	15,433	-	137,603	54,019	14,445	5,942	4,081	1,766	-	66	225	448	3,471	802	(426)	172,958	62,315	-	914	2,665	393	173,872	65,373	Restated	
Result	3,147	-	54,902	13,074	10,210	3,576	4,117	1,879	(353)	-	(673)	(652)	9,367	2,623	(106)	2,274	80,611	22,774	38,835	95	(1,735)	(361)	80,611	22,774	
Loss on disposal of discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated corporate operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated corporate expenses	3,147	-	54,902	13,074	10,210	3,576	4,117	1,879	(353)	-	(673)	(652)	9,367	2,623	(106)	2,274	80,611	22,774	38,835	95	(1,735)	(361)	80,611	22,774	
Profit from operation	(6,590)	-	(34)	(27)	(2,740)	(514)	(2,135)	(956)	-	-	-	-	(2,708)	(62)	1,622	490	(12,585)	(1,069)	(705)	-	-	-	(16,496)	(5,306)	
Finance cost, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of results of associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of results of jointly controlled entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxation	(3,443)	-	(11,675)	(3,469)	(2,068)	(866)	(963)	(63)	-	-	-	-	(2,330)	(671)	540	(16,496)	(5,069)	-	(237)	(3,032)	(361)	(16,496)	(5,306)		
Profit after taxation	-	-	43,193	9,578	5,402	2,196	1,019	860	(353)	-	(673)	(652)	4,329	1,890	-	51,430	16,636	38,130	95	(3,032)	(361)	89,755	13,243		
Minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,459)	(593)	-	-	-	-	(1,459)	(593)	-	
Net profit for the year	(3,443)	-	43,193	9,578	5,402	2,196	1,019	860	(353)	-	(673)	(652)	4,329	1,890	-	50,071	16,043	38,130	95	(3,032)	(361)	88,296	12,650		
Assets	-	-	2,053,453	792,865	695,109	172,145	108,090	43,751	60,481	2,470	15,888	14,667	1,422,179	1,255,222	(1,425,597)	(1,189,654)	2,929,603	1,091,466	8,426	128,225	3,524	2,938,029	1,223,215		
Investments in equity method of associates	-	-	-	-	-	-	-	-	-	-	-	-	10,063	-	-	-	10,063	-	-	-	-	10,063	-	-	
Investments in equity method of jointly controlled entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unallocated corporate assets	-	-	806	6,939	173	71	765	1,381	-	5	5	1,404	625	-	3,153	9,021	-	-	90	43	3,153	9,154	-		
Consolidated total assets	-	-	2,054,259	799,804	695,282	172,216	108,855	45,132	60,481	2,470	15,893	14,672	1,433,646	1,255,847	(1,425,597)	(1,189,654)	2,929,603	1,091,466	8,426	128,225	3,567	2,951,245	1,232,369		
Liabilities	-	-	1,393,582	306,794	674,036	159,185	95,890	30,376	614	74,198	227	586	364,102	313,794	(404,086)	(418,492)	2,124,365	466,441	470	28,892	184	2,124,835	495,517		
Segment liabilities	-	-	4,379	1,956	1,962	696	52	48	943	-	-	-	1,737	418	-	-	9,073	3,118	-	2,224	-	9,073	5,342		
Unallocated corporate liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Consolidated total liabilities	-	-	1,397,961	308,750	675,998	159,881	95,942	30,424	1,557	74,198	227	586	365,839	314,212	(404,086)	(418,492)	2,124,365	466,441	470	28,892	184	2,124,835	495,517		
Other information	-	-	2,890	3,805	179	85	106	90	226	-	11	161	652	591	-	-	4,064	4,732	-	90	40	4,064	5,673		
Capital expenditure	-	-	2,632	1,867	154	70	115	107	39	-	121	84	94	72	-	-	3,145	2,300	-	2,042	58	3,145	4,400		
Depreciation & Amortisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Reversal of impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Non-cash expenses other than depreciation, amortisation and impairment losses	-	-	(19,852)	(2,518)	-	-	1,455	-	-	-	-	(6)	(7,645)	(593)	-	(26,042)	(3,137)	(37,316)	-	-	-	(63,378)	(3,137)		

* Assets and liabilities can not be allocated between investment bank and stock broking

K & N KENANGA HOLDINGS BERHAD (302859-X)

(Incorporated in Malaysia)

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 30 June 2007 except for share subscription in the following companies:

- Subscription of 4,500,000 new ordinary shares of Rupees 10 each fully paid at par in the share capital of SMB-Kenanga Investment Corporation Limited, being K&N Kenanga Holdings Berhad associated company in Sri Lanka
- Subscription of 2,550,000 new ordinary shares of USD1.00 each fully paid at par for cash in the share capital of MENA Financial Group Limited, its associated company in Dubai International Financial Centre ("DIFC")

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 RM949 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.

K & N KENANGA HOLDINGS BERHAD (302859-X)

(Incorporated in Malaysia)

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 30 June 2007, the Group recorded a profit from continuing operations of RM18.32 million as compared to a profit of RM49.7 million in the previous quarter ended 31 March 2007. The performance for the quarter ended 30 June 2007 was much lower as compared to the last quarter (excluding exceptional gains from the disposal of Bursa Malaysia shares in the 1st quarter) due mainly to lower net brokerage earned by the bank of RM6.8 million during the quarter ended 30 June 2007. In addition, the Group also made a gain on disposal of its building during the quarter ended 30th June 2007 of RM37.3 million.

For the six-month period ended 30 June 2007, the Group made a total profit before taxation of RM105.25 million due mainly to the operating profits of the investment bank which recorded a profit before taxation of RM51.44 million and profits from the disposal of Kenanga International building amounting to RM37.3 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 30 June 2007, the Group recorded a profit from continuing operations of RM18.32 million as compared to a profit of RM49.7 million in the previous quarter ended 31 March 2007. The performance for the quarter ended 30 June 2007 was much lower as compared to the last quarter (excluding exceptional gains from the disposal of Bursa Malaysia shares in the 1st quarter) due mainly to lower net brokerage earned by the bank of RM6.8 million during the quarter ended 30 June 2007. In addition, the Group also made a gain on disposal of its building during the quarter ended 30th June 2007 of RM37.3 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.

K & N KENANGA HOLDINGS BERHAD (302859-X)

(Incorporated in Malaysia)

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 30 June 2007	Cumulative Quarter Current Year to date 30 June 2007
	-----RM'000-----	
Current period taxation	5,864	16,006
Overprovision—prior years	(162)	(162)
Deferred taxation	(146)	652
Total	<u>5,556</u>	<u>16,496</u>

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	6,682	19,370
Add: tax effect of expenses that are not deductible for tax purposes	806	4,410
Less: utilization of unabsorbed tax losses and capital allowances	(335)	(476)
Less: Non taxation of capital items	(749)	(6,758)
Less: elimination of inter- company dividends	(540)	(540)
Tax expense	<u>5,864</u>	<u>16,006</u>

B6. Profits on Sale of Investments and/or Properties

There were no sales of unquoted investments and properties for the quarter ended 30 June 2007 except for the completion in the disposal of Kenanga International building to Injaz Asia Equity Property Berhad on 12th June 2007 for a profit of RM37.3 million.

K & N KENANGA HOLDINGS BERHAD (302859-X)

(Incorporated in Malaysia)

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 30 June 2007 and the profit arising therefrom were as follows:

	Individual Quarter	Cumulative Quarter
	-----RM'000-----	
Total purchases for the period	<u>12,829</u>	<u>23,312</u>
Total sales for the period	<u>9,168</u>	<u>13,041</u>
Total gain on disposal for the period	<u>1,106</u>	<u>1,519</u>

- (b) Total investment in quoted securities by the Group other than the investment banking subsidiary as at 30 June 2007 were as follows:

	RM'000
Total investment at cost	<u>18,322</u>
Total investment at carrying value/book value	<u>20,984</u>
Total investment at market value at end of reporting period	<u>20,984</u>

K & N KENANGA HOLDINGS BERHAD (302859-X)

(Incorporated in Malaysia)

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 (“KNKHB”) 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.

Corporate proposals by the Group which have been announced and completed at the date of this report are as follows:-

- 1) On 18th June 2007, KNKHB subscribed for 4,500,000 ordinary shares of Rupees 10 each fully paid at par in the share capital of SMB-Kenanga Investment Corporation Limited, KNKHB’s associated company incorporated in Sri Lanka,
- 2) On 21 June 2007, KNKHB subscribed for 2,550,000 ordinary shares of USD1.00 each fully paid at par for cash in the share capital of MENA Financial Group Limited, its associated companies incorporated in the DIFC.

K & N KENANGA HOLDINGS BERHAD (302859-X)

(Incorporated in Malaysia)

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	1,383
Short term loan from a financial institution (secured)	- Note 2	79,915

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 and RM13 million were extended by K & N Kenanga Holdings Berhad in August 2006 and May 2007 respectively. The remaining balances of these subordinated loans amounting to RM27.04 million have been eliminated on group consolidation.

Note 2: 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 RM79.9 million in order to finance its own working capital. This facility is repayable in 14 days and the average interest rate charged is 5.53% per annum.

B10. Off Balance Sheet Financial Instruments

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

K & N KENANGA HOLDINGS BERHAD (302859-X)

(Incorporated in Malaysia)

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

There are no changes in material litigation during the quarter ended 30 June 2007.

B12. Dividend

No interim dividend has been declared for the current quarter ended 30 June 2007.

B13. Earnings per share

The amount used as the numerator for the purposes of calculating the basic earnings per share for the six-month period is RM88.30 million representing the profits for the period attributable to ordinary equity holder of the parent (30 June 2006:-profits attributable to ordinary equity holder of parent: RM12.65 million)

The weighted average number of shares used as the denominator in calculating the basic earnings per share for the six-month period is 611,759,499 (30 June 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.

K & N KENANGA HOLDINGS BERHAD (302859-X)

(Incorporated in Malaysia)

SELECTED EXPLANATORY NOTES

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

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' Khris Azman Abdullah, Director)