

## QUARTERLY REPORT

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

### CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30 Sept 2007 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 Sept 2006 RM'000 Restated	CURRENT YEAR TO DATE 30 Sept 2007 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 Sept 2006 RM'000 Restated
<b>Continuing Operations</b>					
Interest income	A22	20,743	9,445	52,061	25,698
Interest expense	A23	(9,391)	(427)	(21,976)	(1,497)
Net interest income		11,352	9,018	30,085	24,201
Non interest income	A24	48,514	19,466	178,160	67,704
Net Income		59,866	28,484	208,245	91,905
Overhead expenses	A25	(37,225)	(22,002)	(115,792)	(67,366)
Operating profits		22,641	6,482	92,453	24,539
Allowance for losses					
on loans, advances and financing	A26a	(890)	(662)	(1,829)	(629)
Allowance on bad and doubtful accounts on trade receivables	A26	(904)	409	(1,751)	4,025
Provision for commitment and contingencies		(620)	-	(620)	-
Share of associates		(30)	-	(30)	-
Profit before taxation		20,197	6,229	88,223	27,935
Taxation		(717)	(963)	(17,213)	(6,032)
Profit for the period from continuing operations		19,480	5,266	71,010	21,903
<b>Discontinued operations</b>					
Profit/(loss) for the period from discontinued operations					
- profit from disposal of building		-	-	37,336	-
-profit/(loss) from discontinued operations		(347)	(1,238)	542	(4,632)
Profit for the period		19,133	4,028	108,888	17,271

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

(i) Profit for the period attributable to				
- Equity holders of the parent	18,419	3,523	106,715	16,173
- Minority interests	714	505	2,173	1,098
	<u>19,133</u>	<u>4,028</u>	<u>108,888</u>	<u>17,271</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) (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)	3.0	0.6	17.4	2.6
(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 the year ended 31st December 2006

## CONDENSED INCOME STATEMENTS

### Company

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 Sept 2007 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 Sept 2006 RM'000 Restated	CURRENT YEAR TO DATE 30 Sept 2007 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 Sept 2006 RM'000 Restated
<b>Continuing Operations</b>				
Interest income	739	1,446	3,706	4,067
Interest expense	-	-	(2,645)	-
Net interest income	739	1,446	1,061	4,067
Non interest income	376	10,746	9,231	11,989
Net Income	1,115	12,192	10,292	16,056
Overhead expenses	(2,075)	(1,136)	(5,488)	(2,392)
Operating (loss)/profits	(960)	11,056	4,804	13,664
Allowance for losses on loans, advances and financing	-	-	-	-
Allowance on bad and doubtful accounts on trade receivables	-	-	-	-
(Loss)/profit before taxation	(960)	11,056	4,804	13,664
Taxation	547	(2,939)	(1,693)	(3,613)
(Loss)/profit for the period from continuing operations	(413)	8,117	3,111	10,051
<b>Discontinued operations</b>				
Loss for the period from discontinued operations	-	-	-	-
(Loss)/profit for the period	(413)	8,117	3,111	10,051

## CONDENSED INCOME STATEMENTS

### Company

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 Sept 2007 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 Sept 2006 RM'000	CURRENT YEAR TO DATE 30 Sept 2007 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 Sept 2006 RM'000
(i) (Loss)/profit for the period attributable to - Equity holders of the parent	(413)	8,117	3,111	10,051
	(413)	8,117	3,111	10,051
3 (a) (Loss)/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) (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)	(0.1)	1.3	0.5	1.6
(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 Sept 2007 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31 December 2006 RM'000 <u>Restated</u>
<b>ASSETS</b>	<b>Note</b>		
Cash and short-term funds		577,265	232,816
Deposits and placements with financial institutions		131,253	75,385
Securities purchased under resale agreements		-	118,706
Securities held for trading	A10	255,165	24,907
Securities available for sales	A11	306,976	34,954
Securities held to maturity	A12	1,490	1,490
Loans, advances and financing	A13	155,302	56,783
Other assets			
- Trade receivables		725,439	460,621
- Assets segregated for customers		334,633	359,850
- Other receivables	A14	85,464	8,965
Statutory deposits with Central Banks		6,300	-
Investment in associated companies		10,029	-
Intangible assets		70,106	70,106
Property, plant and equipment		27,138	25,304
Deferred tax assets		3,313	390
Tax recoverable		1,880	7,935
Asset of disposal group/non current assets classified as held for sale		8,321	131,599
<b>TOTAL ASSETS</b>		<b>2,700,074</b>	<b>1,609,811</b>
<b>LIABILITIES</b>			
Deposits from customers	A15	294,231	-
Deposits and placements of banks and other financial institutio	A16	431,030	-
Obligations on securities sold under repurchase agreements		-	-
Bills and acceptances payable		-	-
Borrowings	A18	147,547	154,169
Other liabilities			
-Trade payables		680,517	518,678
- Amount held in trust		229,341	131,325
- Other payables	A17	75,039	46,839
Provision for taxation and zakat		3,379	742
Deferred tax liabilities		1,161	6,672
Subordinated obligations	A16	1,367	1,350
Liabilities directly associated with assets classified as held for sale		39	4,187
<b>TOTAL LIABILITIES</b>		<b>1,863,651</b>	<b>863,962</b>
<b>SHAREHOLDERS EQUITY</b>			
Share Capital		611,759	611,759
Share Premium		75	75
Profit and loss reserve		178,345	86,973
Exchange fluctuation reserve		(617)	(591)
Available for sale reserve		(12)	8,992
Capital reserve		40,952	34,352
		830,502	741,560
Minority Interest		5,921	4,289
Total equity		836,423	745,849
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>2,700,074</b>	<b>1,609,811</b>
Net Assets Per Share (RM)		1.37	1.22

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

**CONDENSED BALANCE SHEETS**  
**COMPANY**

	AS AT END OF CURRENT QUARTER 30 Sept 2007 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31 December 2006 RM'000 <u>Restated</u>
<b>ASSETS</b>		
Cash and short-term funds	836	838
Deposits and placements with financial institutions	36,394	33,464
Securities purchased under resale agreements	-	-
Securities held for trading	35,227	16,535
Securities available for sales	-	-
Securities held to maturity	-	-
Loans, advances and financing	-	-
Other assets		
- Trade receivables	-	4
- Amount due from subsidiary companies	18,569	143,976
- Amount due from related companies	-	39
- Other receivables	145	32
Statutory deposits with Central Banks	-	-
Investment in subsidiary companies	1,008,157	871,707
Investment in associated companies	10,063	-
Intangible assets	-	-
Property, plant and equipment	655	81
Deferred tax assets	-	-
Tax recoverable	1,334	830
Asset of disposal group/non current assets classified as held for sale	-	-
<b>TOTAL ASSETS</b>	<b>1,111,380</b>	<b>1,067,506</b>
<b>LIABILITIES</b>		
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	356,287	308,115
- Other payables	2,407	1,837
Provision for taxation and zakat	-	-
Deferred tax liabilities	1,051	288
Subordinated obligations	-	-
Liabilities directly associated with assets classified as held for sale	-	-
<b>TOTAL LIABILITIES</b>	<b>359,745</b>	<b>310,240</b>
<b>SHAREHOLDERS EQUITY</b>		
Share Capital	611,759	611,759
Share Premium	75	75
Profit and loss reserve	10,984	16,615
Capital reserve	128,817	128,817
	<u>751,635</u>	<u>757,266</u>
Total equity	<u>751,635</u>	<u>757,266</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,111,380</b>	<b>1,067,506</b>
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 September 2007**

	<b>Group</b>	
	CUMULATIVE QUARTER CURRENT YEAR TO DATE 30 Sept 2007 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 Sept 2006 RM'000 <b>Restated</b>
<b>Cash flows from operating activities</b>		
<b>Profit before taxation</b>		
- Continuing operations	88,223	27,935
- Discontinued operations	37,878	(4,070)
Adjustments for non operating and non cash items	(15,140)	5,755
<b>Operating profit before changes in working capital</b>	110,961	29,620
Net changes in operating assets	(552,752)	(103,513)
Net changes in operating liabilities	1,007,939	157,698
<b>Cash generated from operations</b>	566,148	83,805
Net tax paid	(11,885)	(7,891)
<b>Net cash generated from operating activities</b>	554,263	75,914
<b>Net cash generated used in investing activities</b>	(161,827)	(8,757)
<b>Net cash used in financing activities</b>	(18,051)	(102,109)
Net increase/(decrease) in cash and cash equivalents during the period	374,385	(34,952)
Cash and cash equivalents brought forward	103,822	223,955
Cash and cash equivalents carried forward	478,207	189,003

Cash and cash equivalents as at 30th September 2007 comprised of :-

Non trust deposits with financial institutions, cash and short term funds	478,207
	478,207

**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 September' 2007**

**Group**

	<---Attributable to Equity Holders of the Parent----->						Minority Interests	Total Equity
	< ---Non -Distributable----->				Distributable			
	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	-	-	-	8,992	-	3,726	-	12,718
As restated	611,759	(591)	34,352	8,992	75	86,973	4,289	745,849
Exchange differences from translation of subsidiary company's net assets	-	(26)	-	-	-	-	-	(26)
Reversal of reserve from disposal of securities	-	-	-	(9,004)	-	-	-	(9,004)
Net profit for the period	-	-	-	-	-	106,715	2,173	108,888
Income reserve capitalised to capital reserve	-	-	6,600	-	-	(6,600)	-	-
Dividend paid	-	-	-	-	-	(8,743)	(541)	(9,284)
As at 30 September 2007	611,759	(617)	40,952	(12)	75	178,345	5,921	836,423

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

**Group**

	<---Attributable to Equity Holders of the Parent----->						Minority Interests	Total Equity
	< ---Non -Distributable----->				Distributable			
	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	-	-	-	3,014	-	2,558	-	5,572
As restated	611,759	(51)	34,352	3,014	75	64,169	2,738	716,056
Exchange differences from translation of subsidiary company's net assets	-	(212)	-	-	-	-	-	(212)
Reversal of reserve from disposal of securities	-	-	-	-	-	-	-	0
Unrealised gains for the period	-	-	-	13,027	-	-	-	13,027
Net profit for the period	-	-	-	-	-	16,173	1,098	17,271
Dividend paid	-	-	-	-	-	(6,607)	-	(6,607)
As at 30 September 2006	611,759	(263)	34,352	16,041	75	73,735	3,836	739,535

**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 September 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	611,759	128,817	75	16,616	757,267
Net profit for the period	-	-	-	3,111	3,111
Dividend paid	-	-	-	(8,743)	(8,743)
As at 30 September 2007	611,759	128,817	75	10,984	751,635

Statement of changes in equity  
for the period ended 30 September 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	611,759	128,817	75	9,818	750,469
Net profit for the period	-	-	-	10,051	10,051
Dividend paid	-	-	-	(6,607)	(6,607)
As at 30 September 2006	611,759	128,817	75	13,262	753,913

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 31<sup>st</sup> 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 30th September 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 they are acquired principally for the purpose of selling or repurchasing them in the near term or they are 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 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 is 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 which 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 RM1.83 million resulting in a corresponding reduction in loans, advances and financing as well as reduction in the profit for the cumulative current quarter ended 30 September 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 <sup>st</sup> 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>

9 months ended  
30.9.2007  
RM'000

Consolidated profit for the period before changes in  
accounting policies 104,597

Effects of fair value accounting on securities held for  
trading 4,291

Consolidated profit for the financial period after  
changes in accounting policies 108,888

**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

	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 September 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	94,811	-	(94,811)	-
Other operating income	32,436	-	(32,436)	-
Interest income	-	-	25,760	25,698
Interest expense	-	-	(2,936)	(1,497)

**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 September 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	-	998	(5,335)	72,041	67,704
Staff cost	(33,212)	-	-	33,212	-
Depreciation and amortisation	(6,616)	-	-	6,616	-
Other operating expenses	(66,015)	-	-	66,015	-
Overhead expenses	-	886	8,028	(76,280)	(67,366)
Allowances for losses on trade receivables	-	577	-	3,448	4,025
Allowances of losses on loans, advances and financing	-	-	-	(629)	(629)
Profit before taxation	21,404	2,461	4,070	-	27,935
Taxation	(6,314)	(280)	562	-	(6,032)
Profit for the period	15,090	2,181	4,632	-	21,903
Loss from discontinued operations	-	-	(4,632)	-	(4,632)



# **K & N KENANGA HOLDINGS BERHAD** (302859-X)

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## **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 September 2007 other than as 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 as 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 September 2007.

#### **A9. Dividends paid per share**

No dividend was paid for the quarter ended 30 September 2007.

**K & N KENANGA HOLDINGS SDN. BHD.**  
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**NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2007**

	September 2007 RM' 000	December 2006 RM' 000
<b>A10 (a) Securities held-for-trading</b>		
<b>At Fair Value</b>		
<b>Money Market Instruments:-</b>		
Malaysian Government Treasury Bills	-	-
Malaysian Government Securities	5,039	-
Malaysian Government Investment Issues	19,956	-
Bank Negara Malaysia Bills and Notes	-	-
Bankers' Acceptances and Islamic Accepted Bills	-	-
Cagamas Bonds	19,944	-
Foreign Government Securities	-	-
Others	-	-
<b>Total Money Market Instruments</b>	<b>44,939</b>	<b>-</b>
<b>Quoted securities:</b>		
<b>In Malaysia:</b>		
Shares, Warrants, Trust Units and Loan Stocks	40,326	24,907
<b>Outside Malaysia:</b>		
Shares, Warrants, Trust Units and Loan Stocks	-	-
<b>Unquoted securities:</b>		
Private and Islamic Debt Securities in Malaysia	91,530	-
Foreign Private Debt Securities	78,370	-
	<b>169,900</b>	<b>-</b>
<b>Total securities held-for-trading</b>	<b>255,165</b>	<b>24,907</b>
<b>A11 (b) Securities Available-for-sale</b>		
<b>At Fair Value, or amortised cost less impairment losses for certain unquoted equity instruments</b>		
<b>Money market instruments:-</b>		
Malaysian Government Securities	5,047	-
Islamic Cagamas Bonds	15,018	-
Foreign Government Securities	-	-
Malaysian Government Treasury Bills	-	-
Malaysian Government Investment Issues	4,989	-
Foreign Government Treasury Bills	-	-
Negotiable Instruments of Deposits	-	-
Bankers' Acceptances and Islamic Accepted Bills	14,607	-
Khazanah Bonds	-	-
Bank Negara Malaysia Sukuk Ijarah Bonds	-	-
Foreign Certificates of Deposits	-	-
<b>Total Money market instruments</b>	<b>39,661</b>	<b>-</b>

**K & N KENANGA HOLDINGS SDN. BHD.**  
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**NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2007**

	September 2007 RM' 000	December 2006 RM' 000
<b>Quoted securities:</b>		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	7,891	17,934
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	-	-
	<u>7,891</u>	<u>17,934</u>
<b>Unquoted securities:</b>		
Shares, trust units and loan stocks in Malaysia	934	933
Shares, trust units and loan stocks outside Malaysia	-	-
Private and Islamic Debt Securities in Malaysia	257,422	15,034
Malaysian Government Bonds	-	-
Foreign Islamic and Private Debt Securities	-	-
Credit Link Notes	-	-
Malaysia Global Sukuk	-	-
Others	3,100	3,100
	<u>261,456</u>	<u>19,067</u>
Accumulated impairment losses	(2,032)	(2,047)
<b>Total securities available-for-sale</b>	<u><b>306,976</b></u>	<u><b>34,954</b></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	-	-
<b>Total Money market instruments</b>	<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	-	-
<b>Total securities held-to-maturity</b>	<u><b>1,490</b></u>	<u><b>1,490</b></u>

**K & N KENANGA HOLDINGS SDN. BHD.**  
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**NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2007**

	September 2007 RM' 000	December 2006 RM' 000
<b>A13 Loans, advances and financing</b>		
Overdrafts	-	-
Term loans	-	-
- Housing loans/financing	-	-
- Syndicated term loan/financing	-	-
- Hire purchase receivables	-	-
- Lease receivables	-	-
- Other term loans/financing	-	-
- Constructions	5,862	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	152,110	57,090
	<u>157,972</u>	<u>57,670</u>
Unearned interest and income	(2)	(51)
Gross loans, advances and financing	<u>157,970</u>	<u>57,619</u>
Allowances for bad and doubtful debts and financing:		
- specific	(303)	(836)
- general	(2,365)	-
Net loans, advances and financing	<u>155,302</u>	<u>56,783</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	5,862	580
- Others	80,164	8,102
Government and statutory bodies	-	-
Individuals	71,946	48,988
Other domestic entities	-	-
Foreign entities	-	-
Total domestic operations	<u>157,972</u>	<u>57,670</u>

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**NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2007**

	September 2007 RM' 000	December 2006 RM' 000
<b>Overseas operations:</b>		
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>
 <b>(ii) By interest/profit rate sensitivity</b>		
Fixed rate		
- Housing loans/financing	-	-
- Hire purchases receivable	-	-
- Cost price	5,862	-
- Other fixed rate loans/financing	-	580
Variable rate		
- Base lending rate plus	152,110	57,090
- Cost plus	-	-
- Other variable rates	-	-
Gross loans, advances and financing	<u>157,972</u>	<u>57,670</u>
 <b>(iii) Total loans by economic purposes</b>		
<b>Domestic operations:</b>		
Purchase of securities	152,110	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	5,862	-
Others	-	-
Total domestic operations	<u>157,972</u>	<u>57,670</u>
 <b>Overseas operations:</b>		
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>

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	September 2007 RM' 000	December 2006 RM' 000
<b>(iii) Non-performing loans by economic purpose</b>		
Purchase of securities	303	305
Purchase of transport vehicles	-	531
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	<u>303</u>	<u>836</u>
<b>Overseas operations:</b>		
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>
<b>(iv) Movement in non-performing loans, advances and financing ("NPL") are as follows</b>		
At beginning of the period	836	345
Non-performing during the period	49	531
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>303</u>	<u>836</u>
Specific allowance	-	-
Net non-performing loans, advances and financing	<u>303</u>	<u>836</u>
Net NPL as a% of gross loans, advances and financing (including Islamic loans sold to Cagamas) less specific allowances	<u>0.19%</u>	<u>1.45%</u>

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**NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2007**

	September 2007 RM' 000	December 2006 RM' 000
<b>(v) Movement in specific allowance for bad and doubtful debts (and financing) accounts are as follows</b>		
<u>Specific Allowance</u>		
At beginning of the period	836	345
Allowance made during the period	49	531
Amount written back in respect of recoveries	(582)	(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	303	836
<b>(vi) Movement in general allowance for bad and doubtful debts (and financing) accounts are as follows</b>		
<u>General Allowance</u>		
At beginning of the period	-	-
Allowance made during the period	2,365	-
Amount written back	-	-
Acquired upon business acquisition	-	-
Transfer from specific allowance	-	-
Exchange differences	-	-
At end of the period	2,365	-
As % of gross loans, advances and financing (including Islamic loans sold to Cagamas) less specific allowances	1.50%	0%
<b>A14 Other Assets</b>		
Interest/Income receivable	-	-
Prepayments and deposits	83,190	5,720
Other debtors	2,274	3,245
Foreclosed properties	-	-
Investment properties	-	-
Derivative assets	-	-
	85,464	8,965

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**NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2007**

	September 2007 RM' 000	December 2006 RM' 000
<b>A15 Deposits from Customers</b>		
Fixed deposits and negotiable instruments of deposits		
- One year or less	294,231	-
- More than one year	-	-
Savings deposits	-	-
Demand deposits	-	-
Structured deposits	-	-
	<u>294,231</u>	<u>-</u>
Business enterprise	277,231	-
Individuals	-	-
Government and statutory bodies	17,000	-
Others	-	-
	<u>294,231</u>	<u>-</u>
<b>A16 Deposits and Placement of Banks and Other Financial Institutions and Debt Securities</b>		
Licensed banks	-	-
Licensed finance companies	-	-
Licensed merchant banks	-	-
Other financial institutions	431,030	-
	<u>431,030</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	1,367	1,350
	<u>1,367</u>	<u>1,350</u>
<b>A17 Other liabilities</b>		
Interest/Profit payable	393	-
Provision for outstanding claims	-	-
Unearned premium reserves	-	-
Profit Equalisation Reserves	-	-
Provision and accruals	73,544	46,166
Due to brokers and clients	-	-
Deposits and other creditors	1,102	673
Derivative liabilities	-	-
	<u>75,039</u>	<u>46,839</u>



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**NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2007**

	<b>September 2007</b>	<b>December 2006</b>
	<b>RM' 000</b>	<b>RM' 000</b>
<b>A18 Bank Borrowings</b>		
Hire purchase creditors	128	422
Revolving bank loan	147,419	6,503
Term loan	-	27,244
Secured notes insurance facility	-	120,000
	<u>147,547</u>	<u>154,169</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2007

	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				
<b>A20 Interest/Profit Rate Risk</b>									
Cash and short-term funds	285,265	-	-	-	-	292,000	-	577,265	3.51%
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-	-
Securities purchased under resale agreements	113,406	-	-	-	-	17,847	-	131,253	3.37%
Securities held-for-trading	-	-	-	-	-	328	254,837	255,165	4.27%
Securities available-for-sale	44,572	19,914	72,640	132,182	27,777	8,823	1,068	306,976	4.13%
Securities held-to-maturity	-	-	-	-	-	1,490	-	1,490	-
Loans, advances and financing	-	-	-	-	-	-	-	-	-
- performing	30,363	73,744	47,240	1,287	-	-	-	152,634	7.93%
- non-performing	-	-	-	-	-	2,668	-	2,668	-
Other assets n1	311,180	-	-	-	-	496,004	-	807,184	-
Other non-interest sensitive balances	332,633	-	2,000	-	-	130,806	-	465,439	7.22%
<b>TOTAL ASSETS</b>	<b>1,117,419</b>	<b>93,658</b>	<b>121,880</b>	<b>133,469</b>	<b>27,777</b>	<b>949,966</b>	<b>255,905</b>	<b>2,700,074</b>	
<b>Interest/Profit Rate Risk</b>									
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>									
Deposits from customers	212,816	78,415	3,000	-	-	-	-	294,231	3.37%
Deposits and placements of banks and other financial institutions	64,050	3,000	206,050	157,930	-	-	-	431,030	3.68%
Borrowings	147,547	-	-	-	-	-	-	147,547	5.55%
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-	-	-	-
Bills and acceptances payable	-	-	-	-	-	-	-	-	-
Recourse obligation on loans sold to Cagamas	-	-	-	-	-	-	-	-	-
Subordinated notes	-	-	-	1,367	-	-	-	1,367	5.00%
Other non-interest sensitive balances	336,079	-	-	-	-	653,377	-	989,476	-
<b>Total Liabilities</b>	<b>760,492</b>	<b>81,415</b>	<b>209,050</b>	<b>159,297</b>	<b>20</b>	<b>653,377</b>	<b>-</b>	<b>1,863,651</b>	
Shareholders' equity	-	-	-	-	-	830,502	-	830,502	-
Minority interests	-	-	-	-	-	5,921	-	5,921	-
<b>Total Liabilities and Shareholders' Equity</b>	<b>760,492</b>	<b>81,415</b>	<b>209,050</b>	<b>159,297</b>	<b>20</b>	<b>1,489,800</b>	<b>-</b>	<b>2,700,074</b>	
On-balance sheet interest sensitivity gap	356,927	12,243	(87,170)	(25,828)	27,757	(539,834)	255,905	-	-
<b>Total interest sensitivity gap</b>	<b>356,927</b>	<b>12,243</b>	<b>(87,170)</b>	<b>(25,828)</b>	<b>27,757</b>	<b>(539,834)</b>	<b>255,905</b>	<b>-</b>	<b>-</b>

n1 Other assets comprise trade receivables, 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 RM'000				
<b>A20 Interest/Profit Rate Risk</b>									
Cash and short-term funds	93,478	-	-	-	-	139,338	-	232,816	3.52%
Deposits and placements with banks and other financial institutions	75,385	-	-	-	-	-	-	75,385	3.43%
Securities purchased under resale agreements	118,706	-	-	-	-	-	24,907	118,706	
Securities held-for-trading	-	-	-	-	-	-	-	24,907	
Securities available-for-sale	9,985	-	-	-	5,049	19,920	-	34,954	3.44%
Securities held-to-maturity	-	-	-	-	-	1,490	-	1,490	
Loans, advances and financing	-	-	-	-	-	-	-	-	
- performing	35,191	9,566	11,189	-	-	-	-	55,946	8.00%
- non-performing	-	-	-	-	-	836	-	836	
Other assets n1	289,147	-	-	-	-	171,060	-	460,207	
Other non-interest sensitive balances	-	-	-	-	-	604,564	-	604,564	6.36%
<b>TOTAL ASSETS</b>	<b>621,892</b>	<b>9,566</b>	<b>11,189</b>	<b>-</b>	<b>5,049</b>	<b>937,208</b>	<b>24,907</b>	<b>1,609,811</b>	

**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	
<b>Total Liabilities</b>	<b>7,195</b>	<b>530</b>	<b>146,444</b>	<b>1,350</b>	<b>-</b>	<b>708,443</b>	<b>-</b>	<b>863,962</b>	
Shareholders' equity	-	-	-	-	-	741,560	-	741,560	
Minority interests	-	-	-	-	-	4,289	-	4,289	
<b>Total Liabilities and Shareholders' Equity</b>	<b>7,195</b>	<b>530</b>	<b>146,444</b>	<b>1,350</b>	<b>-</b>	<b>1,454,292</b>	<b>-</b>	<b>1,609,811</b>	
On-balance sheet interest sensitivity gap	614,697	9,036	(135,255)	(1,350)	5,049	(517,084)	24,907	-	
<b>Total interest sensitivity gap</b>	<b>614,697</b>	<b>9,036</b>	<b>(135,255)</b>	<b>(1,350)</b>	<b>5,049</b>	<b>(517,084)</b>	<b>24,907</b>	<b>-</b>	

n1 Other assets comprise trade receivables, 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 SEPTEMBER 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 is in respect of Kenanga Investment Bank Berhad:

	<b>September 2007</b>	<b>December 2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Components of Tier I and Tier II capital:</b>		
<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	(3,140)	-
Goodwill	<u>(17,606)</u>	<u>(17,606)</u>
Total Tier I capital	<u>594,852</u>	<u>477,992</u>
<u>Tier II capital</u>		
General allowances for bad and doubtful debts	<u>88</u>	<u>-</u>
Total Tier II capital	<u>88</u>	<u>-</u>
Total capital	594,940	477,992
Less: Investment in subsidiary companies	<u>(23,838)</u>	<u>(28,370)</u>
Capital base	<u>571,102</u>	<u>449,622</u>
Core capital ratio	48.46%	41.98%
Risk-weighted capital ratio	48.46%	41.98%

**NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2007**

	September 2007		December 2006	
	RM'000	RM'000	RM'000	RM'000
<u>A19 Commitments and Contingencies and Off-Balance Sheet</u>	Notional	Credit Equivalent	Notional	Credit Equivalent
<u>Financial Instruments</u>		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	-	-	-	-
Obligations under underwriting agreements	99,910	49,955	10,036	5,018
Irrevocable commitments to extend credit:				
- maturity within one year	12,296	-	9,723	-
- 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	683,975	-	538,476	-
Capital expenditure commitments	293	293	518	518
Non-cancellable lease rental commitments	591	-	618	-
	<b>797,065</b>	<b>50,248</b>	<b>559,371</b>	<b>5,536</b>

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

**NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2007**

	Individual Quarter		Cumulative Quarter	
	30 September 2007 RM'000	30 September 2006 RM'000	30 September 2007 RM'000	30 September 2006 RM'000
<b>A22 Interest Income</b>				
Loans, advances and financing				
- Interest income other than recoveries from NPL	2,278	497	5,614	1,968
- Recoveries from NPLs	-	-	59	-
- Inter-company	-	-	-	-
Money at call and deposit placements with financial institutions	8,064	2,938	20,461	7,337
Securities purchased under resale agreements	-	-	145	-
Securities held-for-trading	759	124	1,616	372
Securities available-for-sale	870	-	2,176	-
Securities held-to-maturity	-	-	-	-
Interest on Margin	5,727	5,536	17,786	14,344
Interest on reverse repo	4	-	17	-
Interest on Contra	706	361	1,519	1,677
Others	-	(11)	-	-
	<u>18,408</u>	<u>9,445</u>	<u>49,393</u>	<u>25,698</u>
Amortisation of premium less accretion of discount	2,335	-	2,668	-
Interest income suspended	-	-	-	-
	<u>20,743</u>	<u>9,445</u>	<u>52,061</u>	<u>25,698</u>
<b>A23 Interest Expense</b>				
Deposits and placement of banks and other financial institutions	10,312	409	14,659	1,440
Intercompany loan	-	-	-	-
Term loan	-	-	-	-
Deposits from customers	(1,081)	-	3,260	-
Obligations on securities sold under repurchase agreements	222	-	222	-
Floating rate certificate of deposits	-	-	-	-
Subordinated notes	-	-	-	-
Subordinated bonds	-	-	-	-
Others	(62)	18	3,835	57
	<u>9,391</u>	<u>427</u>	<u>21,976</u>	<u>1,497</u>
<b>A24 Non-interest Income</b>				
(a) Fee income:				
Commissions	2,622	2,619	8,468	5,986
Service charges and fees	1,537	678	4,919	1,802
Guarantee fees	98	-	98	-
Underwriting fees	(107)	82	258	159
Brokerage income	39,228	14,281	124,497	48,241
Other fee income	2,869	(30)	10,584	4,094
	<u>46,247</u>	<u>17,630</u>	<u>148,824</u>	<u>60,282</u>
(b) Gain/loss arising from sale of securities:				
Net gain from sale of securities held-for-trading	554	1,302	2,502	1,807
Net gain/(loss) from sale of securities available-for-sale	709	(1,292)	19,323	-
Net loss from redemption of securities held-to maturity	-	-	-	-
Net gain/(loss) from sale of subsidiary company	-	-	-	-
	<u>1,263</u>	<u>10</u>	<u>21,825</u>	<u>1,807</u>
(c) Gross dividend from:				
Securities portfolio	287	547	670	1,526
(d) Unrealised gains /(losses) on revaluation of securities held-for-trading and derivatives	-	-	-	-
Write back of impairment losses on securities	(185)	1,572	4,291	1,572
	<u>(511)</u>	<u>(1,022)</u>	<u>-</u>	<u>-</u>
	<u>(696)</u>	<u>550</u>	<u>4,291</u>	<u>1,572</u>

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

**NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2007**

	Individual Quarter		Cummulative Quarter	
	30 September 2007 RM'000	30 September 2006 RM'000	30 September 2007 RM'000	30 September 2006 RM'000
(c) Other income:				
Foreign exchange profit	58	254	213	284
Net premiums written	-	-	-	-
Rental Income	-	(9)	-	-
Gains on disposal of property, plant and equipment	108	-	491	82
Gain on disposal of foreclosed properties	-	-	-	-
Others	1,246	484	1,846	2,151
	<u>1,412</u>	<u>729</u>	<u>2,550</u>	<u>2,517</u>
Total non-interest income	<u>48,514</u>	<u>19,466</u>	<u>178,160</u>	<u>67,704</u>
<b>A25 Overhead expenses</b>				
Personnel costs	17,165	8,920	58,106	29,638
- Salaries, allowances and bonuses	14,855	6,885	51,729	24,827
- Pension costs	1,358	59	3,985	339
- Others	952	1,976	2,392	4,472
Establishment costs	7,098	4,456	16,740	12,957
- Depreciation	1,653	1,116	4,757	3,415
- Rental of leasehold land and premises	3,415	1,351	6,079	4,071
- Repairs and maintenance of property, plant and equipment	564	343	1,394	1,342
- Information technology expenses	719	938	2,082	2,011
- Others	747	708	2,428	2,118
Marketing expenses	768	540	2,453	1,780
- Advertisement and publicity	29	18	326	86
- Others	739	522	2,127	1,694
Administration and general expenses	12,194	8,086	38,493	22,991
- Fees and brokerage	276	192	663	342
- Administrative expenses	11,358	7,330	36,563	21,827
- General expenses	-	25	-	25
- Claims incurred	19	8	101	29
- Others	541	531	1,166	768
	<u>37,225</u>	<u>22,002</u>	<u>115,792</u>	<u>67,366</u>
<b>A26 Allowances on bad &amp; doubtful accounts on trade receivables</b>				
Allowances for bad and doubtful debts and financing:				
- general allowance made (net)	27	(721)	27	286
- specific allowance	6,261	1,336	7,273	1,923
- specific allowance written back	(5,362)	(1,014)	(5,362)	(6,429)
Bad debts and financing written off	-	-	-	219
Bad debts and financing recovered	(22)	(10)	(187)	(24)
Provision for other debts	-	-	-	-
	<u>904</u>	<u>(409)</u>	<u>1,751</u>	<u>(4,025)</u>
<b>A26a Allowance for Losses on Loans, Advances and Financing</b>				
Allowances for bad and doubtful debts and financing:				
- general allowance made (net)	895	-	2,365	-
- specific allowance	-	540	-	540
- specific allowance written back	-	13	-	-
Bad debts and financing written off	-	-	-	-
Bad debts and financing recovered	(5)	(18)	(536)	(38)
Provision for other debts	-	127	-	127
	<u>890</u>	<u>662</u>	<u>1,829</u>	<u>629</u>

SEGMENTAL REPORTING

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	19,441	-	201,219	75,563	17,474	10,947	6,636	2,446	35	-	238	305	1,679	548	-	246,722	89,809	246,722	89,809	914	4,287	715	247,636	94,811
Operating results	5,641	-	75,438	15,741	15,798	6,152	6,586	2,575	12	-	(1,045)	(1,030)	8,216	1,137	(417)	110,229	29,430	110,229	29,430	95	(2,150)	(481)	110,229	29,430
Operating expenses	(7,068)	-	(49)	(57)	(4,765)	(982)	(3,685)	(1,367)	(1)	-	-	-	(2,738)	(94)	1,971	(21,976)	(1,498)	(21,976)	(1,498)	95	(2,150)	(481)	(21,976)	(2,937)
Profit for the year	(1,427)	-	170,781	70,276	11,033	7,134	3,151	1,208	11	-	333	305	1,481	1,043	(1,568)	88,253	30,932	88,253	30,932	0	0	0	88,253	26,493
Assets	2,040,076	710,836	387,591	317,432	162,700	74,874	59,895	2,355	15,570	14,018	1,420,998	1,255,694	(1,410,300)	(1,225,160)	8,321	2,676,530	1,150,049	2,676,530	1,150,049	-	128,552	3,561	2,684,851	1,282,121
Liabilities	(3,140)	8,934	173	71	303	1,405	-	-	5	5	1,573	843	-	-	-	5,194	11,238	5,194	11,238	-	-	41	5,194	11,299
Net assets	2,036,936	701,902	387,418	317,361	161,397	73,469	59,895	2,355	15,575	14,023	1,432,634	1,256,537	(1,410,300)	(1,225,160)	8,321	2,671,336	1,138,811	2,671,336	1,138,811	-	128,552	3,520	2,679,645	1,270,820
Information	4,613	6,312	206	91	110	94	226	-	14	482	683	190	-	-	-	5,852	7,169	5,852	7,169	-	2,407	40	5,852	9,616
Amortisation	4,029	2,897	165	106	174	138	60	-	179	140	150	113	-	-	-	4,757	3,414	4,757	3,414	-	3,114	88	4,757	6,616
Impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12	12	12	-	-	-	12	-
Other expenses	(16,516)	(4,116)	-	-	2,275	(38)	-	-	-	(6)	(7,966)	463	-	-	-	(22,207)	(3,697)	(22,207)	(3,697)	-	-	-	(22,207)	(3,697)

Assets and liabilities not allocated between investment bank and stock broking



**K & N KENANGA HOLDINGS BERHAD** (302859-X)

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**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 September 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 RM 774million.
- (ii) unsecured corporate guarantee in favour of a counter party in respect of a collateralized cash deposit for a subsidiary company amounting to RM85million.

# **K & N KENANGA HOLDINGS BERHAD** (302859-X)

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## **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 September 2007, the Group recorded a profit from continuing operations of RM20.19 million as compared to a profit of RM18.32 million in the previous quarter ended 30 June 2007. The performance for the quarter ended 30 September 2007 was much in line with the last quarter as equity market conditions affecting the income of the major contributing subsidiary company, Kenanga Investment Bank Berhad remained consistent during the quarter ended 30<sup>th</sup> September 2007.

For the nine-month period ended 30 September 2007, the Group made a total profit before taxation of RM126.1 million due mainly to the operating profits of the investment bank which recorded a profit before taxation of RM68.34 million, Kenanga Deutsche Futures Sdn. Bhd. which recorded a profit of RM11.03 million and profit from the disposal of Kenanga International building of 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 September 2007, the Group recorded a profit from continuing operations of RM20.19 million as compared to a profit of RM18.32 million in the previous quarter ended 30 June 2007. The performance for the quarter ended 30 September 2007 was much in line with the last quarter as equity market conditions affecting the income of the major contributing subsidiary company, Kenanga Investment Bank Berhad remained consistent during the quarter ended 30<sup>th</sup> September 2007.

#### **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 much 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 Sept 2007	Cumulative Quarter Current Year to date 30 Sept 2007
	-----RM'000-----	
Current period taxation	7,958	23,964
Overprovision–prior years	(4,253)	(4,415)
Deferred taxation	(2,988)	(2,336)
Total	<u>717</u>	<u>17,213</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	3,875	23,245
Add: tax effect of expenses that are not deductible for tax purposes	4,334	8,744
Less: utilization of unabsorbed tax losses and capital allowances	(74)	(550)
Less: Non taxation of capital items	(177)	(6,935)
Less: elimination of inter- company dividends	-	(540)
Tax expense	<u>7,958</u>	<u>23,964</u>

**B6. Profits on Sale of Investments and/or Properties**

There were no sales of unquoted investments and properties for the quarter ended 30 September 2007.

**K & N KENANGA HOLDINGS BERHAD (302859-X)**

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**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 September 2007 and the profit arising therefrom were as follows:

	Individual Quarter	Cumulative Quarter
	-----RM'000-----	
Total purchases for the period	<u>16,207</u>	<u>39,519</u>
Total sales for the period	<u>15,433</u>	<u>28,474</u>
Total gain on disposal for the period	<u>1,294</u>	<u>2,813</u>

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

Total investment at cost	<u>RM'000 33,214</u>
Total investment at carrying value/book value	<u>39,999</u>
Total investment at market value at end of reporting period	<u>39,999</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 (“KNKHB”) 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.

KNKHB is currently in the process of 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 18<sup>th</sup> 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, another associated company incorporated in the Dubai International Financial Centre (“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	1,367
Short term loan from a financial institution (secured)	- Note 2	147,419

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 revolving credit facilities from financial institutions for the amount of RM147.4 million in order to finance its own working capital. These facilities repayment periods range from 14 to 30 days and the average interest rates charged range from 5.44-5.49 % 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.

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## **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 September 2007.

#### **B12. Dividend**

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

#### **B13. Earnings per share**

The amount used as the numerator for the purposes of calculating the basic earnings per share for the nine-month period is RM106.72 million representing the profits for the period attributable to ordinary equity holder of the parent (30 September 2006:-profits attributable to ordinary equity holder of parent: RM16.17 million )

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

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(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)