

QUARTERLY REPORT

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

CONDENSED CONSOLIDATED INCOME STATEMENTS

Group

	Note	INDIVIDUAL QUARTER CURRENT YEAR QUARTER 31 Dec 2007 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 Dec 2006 RM'000 Restated	CUMULATIVE QUARTER CURRENT YEAR TO DATE 31 Dec 2007 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 Dec 2006 RM'000 Restated
Continuing Operations					
Interest income	A22	21,686	10,972	73,747	36,670
Interest expense	A23	(9,680)	(792)	(31,656)	(2,289)
Net interest income		12,006	10,180	42,091	34,381
Non interest income *	A24	131,865	75,139	310,025	142,843
Net Income		143,871	85,319	352,116	177,224
Overhead expenses *	A25	(129,656)	(69,196)	(245,448)	(136,562)
Operating profits		14,215	16,123	106,668	40,662
Allowance for losses on loans, advances and financing	A26a	(928)	15	(2,757)	(614)
Write back for bad and doubtful accounts on trade receivables	A26	32,685	1,114	30,934	5,139
Provision for commitment and contingencies		-	-	(620)	-
Share of losses in associates		(137)	-	(167)	-
Profit before taxation		45,835	17,252	134,058	45,187
Taxation		(11,271)	(3,114)	(28,484)	(9,146)
Profit for the period from continuing operations		34,564	14,138	105,574	36,041
Discontinued operations					
Profit/(loss) for the period from discontinued operations		-	-	37,336	-
- profit from disposal of building		-	-	874	-
-profit/(loss) from discontinued operations		332	(1,174)	874	(5,806)
Profit for the period		34,896	12,964	143,784	30,235

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 Dec 2007 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 Dec 2006 RM'000	CURRENT YEAR TO DATE 31 Dec 2007 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 Dec 2006 RM'000
(i) Profit for the period attributable to				
- Equity holders of the parent	34,398	12,511	141,113	28,684
- Minority interests	498	453	2,671	1,551
	<u>34,896</u>	<u>12,964</u>	<u>143,784</u>	<u>30,235</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)	5.6	2.0	23.1	4.7
(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

* - Previously, the brokerage incomes in the previous quarters were stated net of remisiers' commission. For the quarter ended 31st December 2007, the brokerage incomes were regressed to better reflect the industry's practice.

CONDENSED INCOME STATEMENTS

Company

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 Dec 2007 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 Dec 2006 RM'000 Restated	CURRENT YEAR TO DATE 31 Dec 2007 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 Dec 2006 RM'000 Restated
Continuing Operations				
Interest income	547	1,534	4,253	5,601
Interest expense	-	-	(2,644)	-
Net interest income	547	1,534	1,609	5,601
Non interest income	24,572	3,983	33,803	15,972
Net Income	25,119	5,517	35,412	21,573
Overhead expenses	(7,626)	(2,247)	(13,114)	(4,639)
Operating profits	17,493	3,270	22,298	16,934
Allowance for losses on loans, advances and financing	-	-	-	-
Allowance on bad and doubtful accounts on trade receivables	-	-	-	-
Profit before taxation	17,493	3,270	22,298	16,934
Taxation	(8,080)	175	(9,773)	(3,438)
Profit for the period from continuing operations	9,413	3,445	12,525	13,496
Discontinued operations				
Loss for the period from discontinued operations	-	-	-	-
Profit for the period	9,413	3,445	12,525	13,496

CONDENSED INCOME STATEMENTS

Company

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 Dec 2007 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 Dec 2006 RM'000	CURRENT YEAR TO DATE 31 Dec 2007 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 Dec 2006 RM'000
(i) Profit for the period attributable to - Equity holders of the parent	9,413	3,445	12,525	13,496
	9,413	3,445	12,525	13,496
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 for the 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)	1.5	0.6	2.0	2.2
(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 31 December 2007 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31 December 2006 RM'000 <u>Restated</u>
	Note		
ASSETS			
Cash and short-term funds		609,143	306,201
Deposits and placements with financial institutions		18,847	2,000
Securities purchased under resale agreements		-	118,706
Securities held for trading	A10	218,853	24,907
Securities available for sales	A11	471,173	34,954
Securities held to maturity	A12	1,490	1,490
Loans, advances and financing	A13	216,080	56,783
Other assets			
- Trade receivables		660,365	459,438
- Assets segregated for customers		397,079	359,850
- Other receivables	A14	18,875	10,148
Statutory deposits with the Central Bank		10,500	-
Investments in associated companies		78,073	-
Intangible assets		70,106	70,106
Property, plant and equipment		26,758	25,304
Deferred tax assets		3,983	390
Tax recoverable		257	7,935
Asset of disposal group/non current assets classified as held for sale		-	131,599
TOTAL ASSETS		2,801,582	1,609,811
LIABILITIES			
Deposits from customers	A15	387,344	-
Deposits and placements of banks and other financial institutions	A16	473,601	-
Obligations on securities sold under repurchase agreements		-	-
Bills and acceptances payable		-	-
Borrowings	A18	104,195	153,747
Other liabilities			
- Trade payables		666,505	518,678
- Amount held in trust		218,225	131,325
- Other payables	A17	79,913	47,261
Provision for taxation and zakat		1,795	742
Deferred tax liabilities		1,067	6,156
Subordinated obligations	A16	1,384	1,350
Liabilities directly associated with assets classified as held for sale		-	4,187
TOTAL LIABILITIES		1,934,029	863,446
SHAREHOLDERS EQUITY			
Share Capital		611,759	611,759
Share Premium		75	75
Profit and loss reserve		167,353	87,489
Exchange fluctuation reserve		(1,326)	(591)
Statutory reserve		45,717	-
Available for sale reserve		(696)	8,992
Capital reserve		40,952	34,352
		863,834	742,076
Minority Interests		3,719	4,289
Total equity		867,553	746,365
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,801,582	1,609,811
Net Assets Per Share (RM)		1.42	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 31 December 2007 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31 December 2006 RM'000 <u>Restated</u>
ASSETS		
Cash and short-term funds	40,708	34,302
Deposits and placements with financial institutions	-	-
Securities purchased under resale agreements	-	-
Securities held for trading	34,595	16,535
Securities available for sales	-	-
Securities held to maturity	-	-
Loans, advances and financing	-	-
Other assets		
- Trade receivables	-	4
- Amount due from subsidiary companies	45,555	143,976
- Amount due from related companies	-	39
- Other receivables	145	32
Statutory deposits with the Central Bank	-	-
Investments in subsidiary companies	588,137	590,765
Investments in associated companies	10,063	-
Intangible assets	-	-
Property, plant and equipment	942	81
Deferred tax assets	-	227
Tax recoverable	-	831
Asset of disposal group/non current assets classified as held for sale	-	-
TOTAL ASSETS	720,145	786,792
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	52,904	126,034
- Other payables	3,091	1,837
Provision for taxation and zakat	643	-
Deferred tax liabilities	993	-
Subordinated obligations	-	-
Liabilities directly associated with assets classified as held for sale	-	-
TOTAL LIABILITIES	57,631	127,871
SHAREHOLDERS EQUITY		
Share Capital	611,759	611,759
Share Premium	75	75
Profit and loss reserve	50,680	17,131
Capital reserve	-	29,956
	662,514	658,921
Total equity	662,514	658,921
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	720,145	786,792
Net Assets Per Share (RM)	1.08	1.08

**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 31 December 2007

	Group	
	CUMULATIVE QUARTER	
	CURRENT YEAR TO DATE 31 December 2007 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 December 2006 RM'000 Restated
Cash flows from operating activities		
Profit before taxation		
- Continuing operations	134,058	45,188
- Discontinued operations	36,391	(4,759)
Adjustments for non operating and non cash items	(95,460)	2,295
Operating profit before changes in working capital	74,989	42,724
Net changes in operating assets	(379,233)	(309,814)
Net changes in operating liabilities	1,040,750	325,749
Cash generated from operations	736,506	58,659
Net tax paid	(22,156)	(8,575)
Net cash generated from operating activities	714,350	50,084
Net cash generated from investing activities	(407,345)	(196,467)
Net cash (used in)/generated from financing activities	(66,839)	9,141
Net increase/(decrease) in cash and cash equivalents during the period	240,166	(137,242)
Cash and cash equivalents brought forward	106,874	244,116
Cash and cash equivalents carried forward	347,040	106,874
Cash and cash equivalents as at 31st December 2007 comprised of :-		
Non trust deposits with financial institutions, cash and short term funds	347,040	
	347,040	

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 year ended 31 December 2007**

Group

	←—Attributable to Equity Holders of the Parent—→						Minority Interests	Total Equity	
	< ---Non -Distributable--->			Distributable					
	Share Capital	Exchange Reserve	Capital Reserve	Available For Sale Reserve	Statutory Reserve	Share Premium	Retained profits		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
As at 1 January 2007	611,759	(591)	34,352	-	-	75	83,247	4,289	733,131
Application of GP8	-	-	-	8,992	-	-	4,242	-	13,234
As restated	611,759	(591)	34,352	8,992	-	75	87,489	4,289	746,365
Exchange differences from translation of subsidiary company's net assets	-	(735)	-	-	-	-	-	-	(735)
Reversal of reserve from disposal of securities	-	-	-	(9,688)	-	-	-	-	(9,688)
Net profit for the year	-	-	-	-	-	-	141,113	2,671	143,784
Transfer to statutory reserve	-	-	-	-	45,717	-	(45,717)	-	-
Income reserve capitalised to capital reserve	-	-	6,600	-	-	-	(6,600)	-	-
Dividend paid	-	-	-	-	-	-	(8,932)	(3,241)	(12,173)
As at 31 December 2007	611,759	(1,326)	40,952	(696)	45,717	75	167,353	3,719	867,553

**Consolidated Statement of changes in equity
for the year ended 31 December 2006**

Group

	←—Attributable to Equity Holders of the Parent—→						Minority Interests	Total Equity
	< ---Non -Distributable--->			Distributable				
	Share Capital	Exchange Reserve	Capital Reserve	Available For Sale Reserve	Share Premium	Retained profits		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2006	611,759	(51)	34,352	-	75	61,611	2,738	710,484
Application of GP8	-	-	-	3,014	-	3,801	-	6,815
As restated	611,759	(51)	34,352	3,014	75	65,412	2,738	717,299
Exchange differences from translation of subsidiary company's net assets	-	(540)	-	-	-	-	-	(540)
Reversal of reserve from disposal of securities	-	-	-	-	-	-	-	0
Unrealised gains for the year	-	-	-	5,978	-	-	-	5,978
Net profit for the year	-	-	-	-	-	28,684	1,551	30,235
Dividend paid	-	-	-	-	-	(6,607)	-	(6,607)
As at 31 December 2006	611,759	(591)	34,352	8,992	75	87,489	4,289	746,365

**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 year ended 31 December 2007

Company

	---Attributable to Equity Holders of the Parent--- <-- Non Distributable-->				Total Equity
	Share Capital RM'000	Capital Reserve RM'000	Share Premium RM'000	Retained profits RM'000	
As at 1 January 2007	611,759	29,956	75	15,289	657,079
Application of GP8	-	-	-	1,842	1,842
As restated	611,759	29,956	75	17,131	658,921
Impairment of investment in subsidiary company		(29,956)	-	29,956	-
Net profit for the year	-	-	-	12,525	12,525
Dividend paid	-	-	-	(8,932)	(8,932)
As at 31 December 2007	611,759	-	75	50,680	662,514

Statement of changes in equity
for the year ended 31 December 2006

Company

	-Attributable to Equity Holders of the Parent---				Total Equity
	Share Capital RM'000	Capital Reserve RM'000	Share Premium RM'000	Retained profits RM'000	
As at 1 January 2006	611,759	128,817	75	8,726	749,377
Effects of FRS 127	-	(98,861)	-	-	(98,861)
Application of GP8				1,516	1,516
As restated	611,759	29,956	75	10,242	652,032
Net profit for the year	-	-	-	13,496	13,496
Dividend paid	-	-	-	(6,607)	(6,607)
As at 31 December 2006	611,759	29,956	75	17,131	658,921

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 31st December 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.

K & N KENANGA HOLDINGS BERHAD (302859-X)

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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)

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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 RM1.52 million resulting in a corresponding reduction in loans, advances and financing as well as reduction in the profit for the cumulative current quarter ended 31 December 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)

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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	4,242	3,801	-	-
As restated	<u>87,489</u>	<u>65,412</u>	<u>8,992</u>	<u>3,014</u>

12 months ended
31.12.2007
RM'000

Consolidated profit for the period before changes in accounting policies 139,122

Effects of fair value accounting on securities held for trading 4,662

Consolidated profit for the financial period after changes in accounting policies 143,784

K & N KENANGA HOLDINGS BERHAD (302859-X)

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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	-	-	306,201	306,201
Deposits and placements with financial institutions	-	-	2,000	2,000
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	-	(57,966)	459,438

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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)	(3,538)	-	(6,156)
Reserves	(117,083)	(13,234)	-	(130,317)

The following comparative figures for the consolidated income statement for the period ended 31 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	Reclassi- fication BNM/ GP8	As restated
	-----RM'000-----			
		BNM FRS /GP		
Revenue	129,403	-	(129,403)	-
Other operating income	49,558	-	(49,558)	-
Interest income	-	(84)	36,754	36,670
Interest expense	-	1,822	(4,111)	(2,289)

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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 31 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		Reclassi- fication BNM/ GP8	As restated
		BNM /GP	FRS		
-----RM'000-----					
Non interest income	-	485	(7,301)	149,659	142,843
Staff cost	(45,312)	-	-	45,312	-
Depreciation and amortisation	(4,404)	-	-	4,404	-
Other operating expenses	(40,452)	-	-	40,452	-
Overhead expenses	-	-	10,324	(146,886)	(136,562)
Allowances for losses on trade receivables	-	-	-	5,139	5,139
Allowances of losses on loans, advances and financing	-	-	-	(614)	(614)
Profit before taxation	44,703	484	-	-	45,187
Taxation	(9,103)	(43)	-	-	(9,146)
Profit for the period	29,794	441	5,806	-	36,041
Loss from discontinued operations	-	-	(5,806)	-	(5,806)

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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 31 December 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 31 December 2007.

A9. Dividends paid per share

No dividend was paid for the quarter ended 31 December 2007.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007

	December 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	59,111	24,907
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	-	-
Unquoted securities:		
Private and Islamic Debt Securities in Malaysia	159,741	-
Foreign Private Debt Securities	1	-
	<u>159,742</u>	<u>-</u>
Total securities held-for-trading	<u>218,853</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	5,015	-
Islamic Cagamas Bonds	15,021	-
Cagamas Bonds	69,916	-
Foreign Government Securities	-	-
Malaysian Government Treasury Bills	-	-
Malaysian Government Investment Issues	4,947	-
Foreign Government Treasury Bills	-	-
Negotiable Instruments of Deposits	80,002	-
Bankers' Acceptances and Islamic Accepted Bills	-	-
Khazanah Bonds	-	-
Bank Negara Malaysia Sukuk Ijarah Bonds	-	-
Foreign Certificates of Deposits	-	-
Total Money market instruments	<u>174,901</u>	<u>-</u>

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	December 2007 RM' 000	December 2006 RM' 000
Quoted securities:		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	11,246	17,934
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	-	-
	<u>11,245</u>	<u>17,934</u>
Unquoted securities:		
Shares, trust units and loan stocks in Malaysia	2,103	933
Shares, trust units and loan stocks outside Malaysia	-	-
Private and Islamic Debt Securities in Malaysia	282,923	15,034
Malaysian Government Bonds	-	-
Foreign Islamic and Private Debt Securities	-	-
Credit Link Notes	-	-
Malaysia Global Sukuk	-	-
Others	3,100	3,100
	<u>288,126</u>	<u>19,067</u>
Accumulated impairment losses	<u>(3,100)</u>	<u>(2,047)</u>
Total securities available-for-sale	<u>471,173</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	<u>-</u>	<u>-</u>
Total securities held-to-maturity	<u>1,490</u>	<u>1,490</u>

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	December 2007 RM' 000	December 2006 RM' 000
A13 Loans, advances and financing		
Overdrafts	-	-
Term loans	-	-
- Housing loans/financing	-	-
- Syndicated term loan/financing	-	-
- Hire purchase receivables	-	-
- Lease receivables	-	-
- Other term loans/financing	-	-
- Constructions	101,579	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	118,095	57,090
	<u>219,674</u>	<u>57,670</u>
Unearned interest and income	(2)	(51)
Gross loans, advances and financing	<u>219,672</u>	<u>57,619</u>
Allowances for bad and doubtful debts and financing:		
- specific	(302)	(836)
- general	(3,292)	-
Net loans, advances and financing	<u>216,080</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	101,579	580
- Others	85,278	8,102
Government and statutory bodies	-	-
Individuals	32,817	48,988
Other domestic entities	-	-
Foreign entities	-	-
Total domestic operations	<u>219,674</u>	<u>57,670</u>

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	December 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)	-	-
	<hr/>	<hr/>
Gross loans, advances and financing	-	-
	<hr/>	<hr/>
(ii) By interest/profit rate sensitivity		
Fixed rate		
- Housing loans/financing	-	-
- Hire purchases receivable	-	-
- Cost price	-	-
- Other fixed rate loans/financing	-	580
Variable rate		
- Base lending rate plus	-	-
- Cost plus	219,674	57,090
- Other variable rates	-	-
Gross loans, advances and financing	<hr/>	<hr/>
	219,674	57,670
	<hr/>	<hr/>
(iii) Total loans by economic purposes		
Domestic operations:		
Purchase of securities	118,095	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	101,579	-
Others	-	-
Total domestic operations	<hr/>	<hr/>
	219,674	57,670
	<hr/>	<hr/>
Overseas operations:		
Singapore	-	-
Hong Kong SAR	-	-
United States of America	-	-
People's Republic of China	-	-
Others (Please specify)	-	-
Gross loans, advances and financing	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007

	December 2007 RM' 000	December 2006 RM' 000
(iii) Non-performing loans by economic purpose		
Purchase of securities	302	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>302</u>	<u>836</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	836	345
Non-performing during the period	2	531
Reclassified as performing	-	-
Acquired upon business acquisition	-	-
Transfer from a subsidiary	-	-
Recovered	(536)	(40)
Amount written off	-	-
Converted to securities	-	-
Exchange differences and expenses debited	-	-
At end of the period	<u>302</u>	<u>836</u>
Specific allowance	-	-
Net non-performing loans, advances and financing	<u>302</u>	<u>836</u>
Net NPL as a% of gross loans, advances and financing (including Islamic loans sold to Cagamas) less specific allowances	<u>0.14%</u>	<u>1.45%</u>

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	December 2007 RM' 000	December 2006 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	2	531
Amount written back in respect of recoveries	(536)	(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	302	836

(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	3,291	-
Amount written back	-	-
Acquired upon business acquisition	-	-
Transfer from specific allowance	-	-
Exchange differences	-	-
At end of the period	3,291	-
As % of gross loans, advances and financing (including Islamic loans sold to Cagamas) less specific allowances	1.50%	0%

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007

	December 2007 RM' 000	December 2006 RM' 000
A14 Other Assets		
Interest/Income receivable	3,276	-
Prepayments and deposits	11,048	5,720
Other debtors	6,438	6,036
Foreclosed properties	-	-
Investment properties	-	-
Derivative assets	-	-
	<u>20,762</u>	<u>11,756</u>
Allowance for doubtful debts	(1,887)	(1,608)
	<u>18,875</u>	<u>10,148</u>
A15 Deposits from Customers		
Fixed deposits and negotiable instruments of deposits		
- One year or less	387,344	-
- More than one year	-	-
Savings deposits	-	-
Demand deposits	-	-
Structured deposits	-	-
	<u>387,344</u>	<u>-</u>
Business enterprise	291,127	-
Individuals	-	-
Government and statutory bodies	96,217	-
Others	-	-
	<u>387,344</u>	<u>-</u>
A16 Deposits and Placement of Banks and Other Financial Institutions and Debt Securities		
Licensed banks	-	-
Licensed finance companies	-	-
Licensed merchant banks	-	-
Non-banking institutions	470,561	-
Other financial institutions	3,040	-
	<u>473,601</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	1,384	1,350
	<u>1,384</u>	<u>1,350</u>

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	December 2007	December 2006
	RM' 000	RM' 000
A17 Other liabilities		
Interest/Profit payable	7,944	-
Provision for outstanding claims	-	-
Unearned premium reserves	-	-
Profit Equalisation Reserves	-	-
Provision and accruals	70,923	46,166
Hire purchase creditors	246	422
Due to brokers and clients	-	-
Deposits and other creditors	799	673
Derivative liabilities	-	-
	<u>79,913</u>	<u>47,261</u>
 A18 Bank Borrowings		
Hire purchase creditors	-	-
Revolving bank loan	104,195	6,503
Term loan	-	27,244
Secured notes issuance facility	-	120,000
	<u>104,195</u>	<u>153,747</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 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				
A20 Interest/Profit Rate Risk									
Cash and short-term funds	332,708	-	-	-	-	276,435	-	609,143	3.50%
Deposits and placements with banks and other financial institutions	-	-	-	-	-	18,847	-	18,847	-
Securities purchased under resale agreements	-	-	-	-	-	-	-	-	-
Securities held-for-trading	-	-	-	-	-	-	218,853	218,853	3.71%
Securities available-for-sale	48,990	70,843	58,669	251,678	27,645	13,349	-	471,173	4.85%
Securities held-to-maturity	-	-	-	-	-	1,490	-	1,490	-
Loans, advances and financing	-	-	-	-	-	-	-	-	-
- performing	17,817	110,381	87,882	-	-	-	-	216,080	7.23%
- non-performing	-	-	-	-	-	-	-	-	-
Other assets n1	354,012	-	-	-	-	324,444	-	678,456	-
Assets segregated for customers	391,053	-	2,000	-	-	4,026	-	397,079	2.45%
Other non-interest sensitive balances	419	-	-	-	-	190,042	-	190,461	-
TOTAL ASSETS	1,144,998	181,224	148,551	251,678	27,645	828,633	218,852	2,801,582	
Interest/Profit Rate Risk									
LIABILITIES AND SHAREHOLDERS' EQUITY									
Deposits from customers	347,414	32,104	7,826	-	-	-	-	387,344	3.43%
Deposits and placements of banks and other financial institutions	54,100	77,520	184,051	157,930	-	-	-	473,601	3.64%
Borrowings	104,195	-	-	-	-	-	-	104,195	5.44%
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-	-	-	-
Bills and acceptances payable	-	-	-	-	-	-	-	-	-
Recourse obligation on loans sold to Cagamas	-	-	-	-	-	-	-	-	-
Subordinated notes	-	-	-	1,384	-	-	-	1,384	-
Other non-interest sensitive balances	4	9	40	72	13,013	954,367	-	967,505	5.00%
Total Liabilities	505,713	109,633	191,917	159,386	13,013	954,367	-	1,934,029	
Shareholders' equity	-	-	-	-	-	863,834	-	863,834	-
Minority interests	-	-	-	-	-	3,719	-	3,719	-
Total Liabilities and Shareholders' Equity	505,713	109,633	191,917	159,386	13,013	1,821,920	-	2,801,582	
On-balance sheet interest sensitivity gap	639,286	71,591	(43,366)	92,292	14,632	(993,286)	218,852	-	-
Total interest sensitivity gap	639,286	71,591	(43,366)	92,292	14,632	(993,286)	218,852	-	

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 years RM'000				
A20 Interest/Profit Rate Risk									
Cash and short-term funds	166,863	-	-	-	-	139,338	-	306,201	3.52%
Deposits and placements with banks and other financial institutions	-	-	2,000	-	-	-	-	2,000	3.43%
Securities purchased under resale agreements	118,706	-	-	-	-	-	24,907	118,706	
Securities held-for-trading	-	-	-	-	-	19,920	-	24,907	3.44%
Securities available-for-sale	9,985	-	-	5,049	-	1,490	-	34,954	
Securities held-to-maturity	-	-	-	-	-	-	-	1,490	
Loans, advances and financing									
- performing	35,191	9,566	11,189	-	-	-	-	55,946	8.00%
- non-performing	-	-	-	-	-	837	-	837	
Other assets n1	289,147	-	-	-	-	170,291	-	459,438	6.36%
Assets segregated for customers	355,365	-	-	-	-	4,485	-	359,850	1.40%
Other non-interest sensitive balances	-	-	-	-	-	245,482	-	245,482	
TOTAL ASSETS	621,892	9,566	11,189	-	5,049	581,843	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	146,022	-	-	-	-	153,747	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	-	-	-	-	-	708,349	-	708,349	
Total Liabilities	7,195	530	146,022	1,350	-	708,349	-	863,446	
Shareholders' equity	-	-	-	-	-	742,076	-	742,076	
Minority interests	-	-	-	-	-	4,289	-	4,289	
Total Liabilities and Shareholders' Equity	7,195	530	146,444	1,350	-	1,454,292	-	1,609,811	
On-balance sheet interest sensitivity gap	614,697	9,036	(135,255)	(1,350)	5,049	(517,084)	24,907	-	
Total interest sensitivity gap	614,697	9,036	(135,255)	(1,350)	5,049	(517,084)	24,907	-	

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.

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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:

	December 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	81,317	35,599
Statutory reserve	45,717	-
	<u>707,034</u>	<u>495,599</u>
Less: Deferred tax assets	(3,061)	-
Goodwill	(17,606)	(17,606)
Total Tier I capital	<u>686,367</u>	<u>477,993</u>
<u>Tier II capital</u>		
General allowances for bad and doubtful debts	1,524	-
Total Tier II capital	<u>1,524</u>	<u>-</u>
Total capital	687,891	477,993
Less: Investments in subsidiary companies	<u>(23,838)</u>	<u>(28,369)</u>
Capital base	<u>664,053</u>	<u>449,624</u>
Core capital ratio	47.31%	41.98%
Risk-weighted capital ratio	47.31%	41.98%

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007

A19 Commitments and Contingencies and Off-Balance Sheet

Financial Instruments

	December 2007		December 2006		
	RM'000	RM'000 Credit Equivalent	RM'000 Notional	RM'000 Credit Equivalent	RM'000 Risk Weighted
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	144,910	72,455	10,036	5,018	5,018
Irrevocable commitments to extend credit:	-	-	-	-	-
- maturity within one year	40	-	9,723	-	-
- maturity exceeding one year	197,500	98,750	-	-	-
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	779,039	-	538,476	-	-
Term loan	-	-	-	-	-
Capital expenditure commitments	68	-	518	518	518
Non-cancellable lease rental commitments	-	-	618	-	-
	1,121,557	171,205	559,371	5,536	5,536

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007

	Individual Quarter		Cumulative Quarter	
	31 December 2007 RM'000	31 December 2006 RM'000	31 December 2007 RM'000	31 December 2006 RM'000
A22 Interest Income				
Loans, advances and financing				
- Interest income other than recoveries from NPL	3,708	989	9,321	2,957
- Recoveries from NPLs	-	-	59	-
- Inter-company	-	-	-	-
Money at call and deposit placements with financial institutions	5,899	3,293	26,360	10,631
Securities purchased under resale agreements	-	43	145	43
Securities held-for-trading	2,146	200	3,762	571
Securities available-for-sale	5,613	106	7,789	106
Securities held-to-maturity	-	-	-	-
Interest on Margin	6,556	6,007	24,342	20,351
Interest on reverse repo	9	-	27	-
Interest on Contra	481	337	2,000	2,014
Others	-	-	-	-
	<u>24,412</u>	<u>10,975</u>	<u>73,805</u>	<u>36,673</u>
Amortisation of premium less accretion of discount	(2,726)	(3)	(58)	(3)
Interest income suspended	-	-	-	-
	<u>21,686</u>	<u>10,972</u>	<u>73,747</u>	<u>36,670</u>
A23 Interest Expense				
Deposits and placement of banks and other financial institutions	(5,070)	791	9,589	2,231
Intercompany loan	-	-	-	-
Term loan	2,645	-	2,645	-
Deposits from customers	14,753	31	18,013	31
Obligations on securities sold under repurchase agreements	-	-	222	-
Floating rate certificate of deposits	-	-	-	-
Subordinated notes	-	-	-	-
Subordinated bonds	-	-	-	-
Others	(2,648)	(30)	1,187	27
	<u>9,680</u>	<u>792</u>	<u>31,656</u>	<u>2,289</u>
A24 Non-interest Income				
(a) Fee income:				
Commissions	2,844	2,275	11,312	8,261
Service charges and fees	1,299	916	6,217	2,718
Guarantee fees	9	-	107	-
Underwriting fees	83	-	341	159
Brokerage income	118,187	61,477	242,684	109,719
Other fee income	4,392	5,116	14,976	9,210
	<u>126,814</u>	<u>69,784</u>	<u>275,637</u>	<u>130,067</u>
(b) Gain/loss arising from sale of securities:				
Net gain from sale of securities held-for-trading	2,707	3,884	5,209	5,691
Net gain/(loss) from sale of securities available-for-sale	(18,952)	5	371	5
Net loss from redemption of securities held-to maturity	-	-	-	-
Net gain/(loss) from sale of subsidiary company	-	-	-	-
	<u>(16,245)</u>	<u>3,889</u>	<u>5,580</u>	<u>5,696</u>
(c) Gross dividend from:				
Securities portfolio	469	945	1,140	2,471
(d) Unrealised gains /(losses) on revaluation of securities held-for-trading and derivatives	371	(216)	4,662	1,356
Write back of impairment losses on securities	-	-	-	-
	<u>371</u>	<u>(216)</u>	<u>4,662</u>	<u>1,356</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007

	Individual Quarter		Cumulative Quarter	
	31 December 2007 RM'000	31 December 2006 RM'000	31 December 2007 RM'000	31 December 2006 RM'000
(e) Other income:				
Foreign exchange profit	141	356	353	641
Net premiums written	-	-	-	-
Rental Income	-	-	-	-
Gains on disposal of property, plant and equipment	73	12	565	94
Gain on disposal of foreclosed properties	-	-	-	-
Intercompany written off	-	-	-	-
Capital gain arising from receipt of shares in Bursa Malaysia Berhad	18,839	-	18,839	-
Others	1,403	369	3,250	2,518
	<u>20,456</u>	<u>737</u>	<u>23,006</u>	<u>3,253</u>
Total non-interest income	<u>131,865</u>	<u>75,139</u>	<u>310,025</u>	<u>142,843</u>
A25 Overhead expenses				
Personnel costs	18,647	16,871	76,754	46,509
- Salaries, allowances and bonuses	16,439	16,009	68,168	40,836
- Pension costs	1,407	3,677	5,393	4,016
- Others	801	(2,796)	3,193	1,676
Establishment costs	7,883	4,461	24,622	17,418
- Depreciation	1,668	989	6,425	4,404
- Rental of leasehold land and premises	3,520	372	9,599	4,443
- Repairs and maintenance of property, plant and equipment	445	521	1,838	1,863
- Information technology expenses	615	1,469	2,698	3,480
- Others	1,635	1,110	4,062	3,228
Marketing expenses	761	8,809	3,214	10,589
- Advertisement and publicity	163	43	489	129
- Others	598	8,766	2,725	10,460
Administration and general expenses	102,365	39,055	140,858	62,046
- Fees and brokerage	91,555	48,083	92,218	48,425
- Administrative expenses	10,407	(10,715)	46,970	11,112
- General expenses	-	(25)	-	-
- Claims incurred	8	11	108	40
- Others	395	1,668	1,562	2,437
	<u>129,656</u>	<u>69,196</u>	<u>245,448</u>	<u>136,562</u>
A26 Allowances on bad & doubtful accounts on trade receivables				
Allowances for bad and doubtful debts and financing:				
- general allowance made (net)	432	395	459	681
- specific allowance	(5,446)	(7,867)	1,827	(5,944)
- specific allowance written back	5,362	6,679	-	250
Bad debts and financing written off	145	-	145	219
Bad debts and financing recovered	(33,178)	(321)	(33,365)	(345)
Provision for other debts	-	-	-	-
	<u>(32,685)</u>	<u>(1,114)</u>	<u>(30,934)</u>	<u>(5,139)</u>
A26a Allowance for Losses on Loans, Advances and Financing				
Allowances for bad and doubtful debts and financing:				
- general allowance made (net)	926	-	3,291	-
- specific allowance	-	1	-	541
- specific allowance written back	-	(10)	-	(10)
Bad debts and financing written off	2	1	2	1
Bad debts and financing recovered	-	(2)	(536)	(40)
Provision for other debts	-	(5)	-	122
	<u>928</u>	<u>(15)</u>	<u>2,757</u>	<u>614</u>

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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 31 December 2007 except for the incorporation of Alwasatah Almaliah Co.on 30th December 2007, a 29.6% associated company incorporated in the Kingdom of Saudi Arabia.

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 RM774 million.
- (ii) unsecured corporate guarantee in favour of a counter party in respect of a collateralized cash deposit for a subsidiary company amounting to RM85million.

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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 31 December 2007, the Group recorded a profit from continuing operations of RM45.83 million as compared to a profit of RM20.19 million in the previous quarter ended 30 September 2007. The performance for the quarter ended 31 December 2007 was much better than the last quarter due mainly to net recovery of previous years bad and doubtful debts of about RM32.7 million.

For the twelve-month period ended 31 December 2007, the Group made a total profit before taxation of RM170.45 million due mainly to the operating profits of the investment bank which recorded a profit before taxation of RM111.40 million, Kenanga Deutsche Futures Sdn. Bhd. which recorded a profit of RM 14.60million 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 31 December 2007, the Group recorded a profit from continuing operations of RM45.83 million as compared to a profit of RM20.19 million in the previous quarter ended 30 September 2007. The performance for the quarter ended 31 December 2007 was much better than the last quarter due mainly to net recovery of previous years bad and doubtful debts of about RM32.7 million.

B3. Current year prospects

The profitability of the Group for the year 2008 will 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 also have much impact on the results of the Group.

B4. Variance From Profit Forecast And Profit Guarantee

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

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

	Individual Quarter Current Year Quarter 31 Dec 2007	Cumulative Quarter Current Year to date 31 Dec 2007
	-----RM'000-----	
Current period taxation	10,795	34,759
Underprovision—prior years	450	(3,965)
Deferred taxation	(7)	(2,343)
Share of associates taxation	33	33
Total	<u>11,271</u>	<u>28,484</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	(65,190)	(41,945)
Add: tax effect of expenses that are not deductible for tax purposes	119,878	128,622
Less: utilization of unabsorbed tax losses and capital allowances	(392)	(942)
Less: Non taxation of capital items	(37,677)	(44,612)
Less: elimination of inter- company dividends	(5,824)	(6,364)
Tax expense	<u>10,795</u>	<u>34,759</u>

B6. Profits on Sale of Investments and/or Properties

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

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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 31 December 2007 and the profit arising therefrom were as follows:

	Individual Quarter	Cumulative Quarter
	-----RM'000-----	
Total purchases for the period	<u>7,998</u>	<u>47,517</u>
Total sales for the period	<u>11,263</u>	<u>39,737</u>
Total gain on disposal for the period	<u>1,286</u>	<u>4,098</u>

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

Total investment at cost	<u>RM'000</u> <u>32,894</u>
Total investment at carrying value/book value	<u>39,324</u>
Total investment at market value at end of reporting period	<u>39,324</u>

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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 Understanding (“MOU”) on 14th December 2007 where K& N Kenanga Holdings Berhad (“KNKHB”) or its subsidiary company will purchase up to 49% equity interest in Vietnam Golden Securities Corporation (“VGSC”), whose paid up capital/charter is VND40,000,000 divided into 4,000,000 ordinary shares of VND10,000 per share. (VND=Vietnamese Dong). VSGC is licensed by the State Securities Commission of Vietnam and will be principally conducting stockbroking and advisory operations, custodian services and such other securities related activities as may be permitted by the regulatory authorities of Vietnam.

The MOU shall be effective for three months from the date of signing and may be extended by mutual consent.

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

- 1) The signing of a Memorandum of agreement (MOA) on 23th February 2006 between 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.

On 30th December 2007, Alwasatah Almaliah Co.(“AAC”) was incorporated to undertake the above stated businesses and Kenanga Investment Bank Berhad (“KIBB”), a wholly-owned subsidiary company of KNKHB held 29.6% equity stake in AAC.

- 2) 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,
- 3) 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”).

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SELECTED EXPLANATORY NOTES

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

B8. Status of Corporate Proposals (Contd)

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

- 4) On 11th September 2007, KIBB entered into a MOU with Good Morning Shinhan Securities Co. Ltd, (“GMSH”) a company incorporated in Korea with the intention of establishing a strategic alliance to provide financial and investment services, ancillary services and investment products as will be agreed upon from time to time between KIBB and GMSH. The MOU comes into effect from the signing of the MOU and shall continue for a period of three years, with the option of extension in time period as confirmed in writing and signed by both parties

- 5) On 14th November 2007, KIBB entered into a MOU with PT Hortus Danavest, (“PTHD”) a company incorporated in Indonesia with the intention of establishing a strategic alliance to provide investment banking and stockbroking services, ancillary services and investment products as will be agreed upon from time to time between KIBB and PTHD. The MOU comes into effect from the signing of the MOU and shall continue for a period of three years, with the option of extension in time period as confirmed in writing and signed by both parties.

B9. Group Borrowings

		Total Loans RM'000
Subordinated Loan (unsecured)	- Note 1	1,384
Short term loan from a financial institution (secured)	- Note 2	104,195

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SELECTED EXPLANATORY NOTES

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

B9. Group Borrowings (Contd)

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 January 2010. Additions of RM10 million, RM13 million and RM5 million were extended by K & N Kenanga Holdings Berhad in August 2006 May 2007 and December 2007 respectively. These additional subordinated loans are also unsecured, charged at an interest rate of 5% and are due for repayment on November 2011. The remaining balances of these subordinated loans amounting to RM32.3 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 RM104 million in order to finance its own working capital. These facilities have repayment periods of 2 weeks and the average interest rates charged range from 5.44% 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.

B11. Changes in material Litigation

There are no changes in material litigation during the quarter ended 31 December 2007.

B12. Dividend

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

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SELECTED EXPLANATORY NOTES

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

B13. Earnings per share

The amount used as the numerator for the purposes of calculating the basic earnings per share for the twelve-month period is RM141.11 million representing the profits for the period attributable to ordinary equity holder of the parent (31 December 2006:-profits attributable to ordinary equity holder of parent: RM28.59 million)

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

By Order of the Board

K & N KENANGA HOLDINGS BERHAD

**YM TENGKU DATO' PADUKA NOOR
ZAKIAH BTE TENGKU ISMAIL
Executive Chairman**

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