

## QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended 30 June 2008  
The figures have not been audited.

### CONDENSED CONSOLIDATED INCOME STATEMENTS

#### Group

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30 June 2008 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 June 2007 RM'000	CURRENT YEAR TO DATE 30 June 2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 June 2007 RM'000
	<b>Note</b>				
<b>Continuing Operations</b>					
Interest income	<b>A21</b>	28,770	18,000	55,006	31,318
Interest expense	<b>A22</b>	(14,088)	(8,372)	(26,922)	(12,585)
Net interest income		14,682	9,628	28,084	18,733
Non interest income	<b>A23</b>	33,956	78,108	86,497	182,036
Net Income		48,638	87,736	114,581	200,769
Other operating expenses	<b>A24</b>	(46,254)	(69,133)	(106,666)	(130,957)
Operating profits		2,384	18,603	7,915	69,812
Allowance for losses					
on loans, advances and financing	<b>A25a</b>	(8,436)	(84)	(12,017)	(939)
Allowance for bad and doubtful accounts on balances from clients & brokers	<b>A25</b>	(816)	(193)	(5,877)	(847)
Share of (losses)/profits in associates		(870)	-	(199)	-
(Loss)/profit before taxation		(7,738)	18,326	(10,178)	68,026
Taxation		786	(5,556)	522	(16,496)
(Loss)/profit for the period from continuing operations		(6,952)	12,770	(9,656)	51,530
<b>Discontinued operations</b>					
Profit for the period from discontinued operations		-	38,784	-	38,225
(Loss) /profit for the period		(6,952)	51,554	(9,656)	89,755

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 June 2008 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 June 2007 RM'000	CURRENT YEAR TO DATE 30 June 2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 June 2007 RM'000
(i) (Loss)/profit for the period attributable to				
- Equity holders of the parent	(7,517)	50,782	(11,132)	88,296
- Minority interests	565	772	1,476	1,459
	<u>(6,952)</u>	<u>51,554</u>	<u>(9,656)</u>	<u>89,755</u>
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) (2007 : 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)	(1.2)	8.3	(1.8)	14.4
(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 2007

**CONDENSED INCOME STATEMENTS****Company**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 June 2008 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 June 2007 RM'000	CURRENT YEAR TO DATE 30 June 2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 June 2007 RM'000
<b>Continuing Operations</b>				
Interest income	1,086	1,398	1,952	2,967
Interest expense	-	(1,387)	-	(2,645)
Net interest income	1,086	11	1,952	322
Non interest income	61,923	6,053	62,078	8,855
Net Income	63,009	6,064	64,030	9,177
Overhead expenses	(2,885)	(2,355)	(10,340)	(3,413)
Operating profits	60,124	3,709	53,690	5,764
Allowance for losses on loans, advances and financing	-	-	-	-
Allowance on bad and doubtful accounts on trade receivables	-	-	-	-
Profit before taxation	60,124	3,709	53,690	5,764
Taxation	(14,877)	(1,355)	(13,159)	(2,240)
Profit for the period from continuing operations	45,247	2,354	40,531	3,524
<b>Discontinued operations</b>	-	-	-	-
Profit for the period	45,247	2,354	40,531	3,524

## CONDENSED INCOME STATEMENTS

### Company

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 June 2008 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 June 2007 RM'000	CURRENT YEAR TO DATE 30 June 2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 June 2007 RM'000
(i) Profit for the period attributable to - Equity holders of the parent	45,247	2,354	40,531	3,524
	<u>45,247</u>	<u>2,354</u>	<u>40,531</u>	<u>3,524</u>
3 (a) Earnings per share attributable to ordinary equity holder of the parent above after deducting any provision for preference dividends, if any:-				
(i) Basic (based on weighted average number of ordinary shares 611,759,499 for the current year quarter and ordinary shares of 611,759,499 for the cumulative quarter current year to date) (2007 : 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)	7.4	0.4	6.6	0.6
(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 2007

**CONDENSED CONSOLIDATED BALANCE SHEETS  
GROUP**

		AS AT END OF CURRENT QUARTER 30 June 2008 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31 December 2007 RM'000
	Note		
<b>ASSETS</b>			
Cash and short-term funds		836,699	609,143
Deposits and placements with financial institutions		15,855	18,847
Securities purchased under resale agreements			-
Securities held for trading	A9	49,517	218,853
Securities available for sales	A10	295,046	471,173
Securities held to maturity	A11	1,490	1,490
Loans, advances and financing	A12	509,338	216,080
Other assets			
- Balance due from clients and brokers		625,990	660,365
- Assets segregated for customers		354,835	397,079
- Other receivables	A13	17,249	18,875
Statutory deposits with the Central Bank		26,730	10,500
Investments in associated companies		73,095	78,073
Intangible assets		70,106	70,106
Property, plant and equipment		27,253	26,758
Deferred tax assets		7,764	3,983
Tax recoverable		9,218	257
Asset of disposal group/non current assets classified as held for sale		-	-
<b>TOTAL ASSETS</b>		<b>2,920,185</b>	<b>2,801,582</b>
<b>LIABILITIES</b>			
Deposits from customers	A14	715,318	387,344
Deposits and placements of banks and other financial institutions	A15	472,664	473,601
Obligations on securities sold under repurchase agreements		-	-
Bills and acceptances payable		-	-
Borrowings	A17	73,344	104,195
Other liabilities			
- Balance due to clients and brokers		547,418	666,505
- Amount held in trust		205,987	218,225
- Other payables	A16	82,505	79,913
Provision for taxation and zakat		1,103	1,795
Deferred tax liabilities		65	1,067
Subordinated obligations	A15	1,384	1,384
Liabilities directly associated with assets classified as held for sale		-	-
<b>TOTAL LIABILITIES</b>		<b>2,099,788</b>	<b>1,934,029</b>
<b>SHAREHOLDERS EQUITY</b>			
Share Capital		611,759	611,759
Share Premium		75	75
Profit and loss reserve		102,586	167,353
Exchange fluctuation reserve		(6,221)	(1,326)
Statutory reserve		45,717	45,717
Available for sale reserve		(10,666)	(696)
Capital reserve		71,952	40,952
		815,202	863,834
Minority Interests		5,195	3,719
<b>Total equity</b>		<b>820,397</b>	<b>867,553</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>2,920,185</b>	<b>2,801,582</b>
 Net Assets Per Share (RM)		 1.34	 1.42

The condensed Consolidated Balance Sheets should be read in conjunction with  
Financial Report for the year ended 31 December 2007

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

	AS AT END OF CURRENT QUARTER 30 June 2008 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31 December 2007 RM'000
<b>ASSETS</b>		
Cash and short-term funds	83,145	40,708
Deposits and placements with financial institutions	-	-
Securities purchased under resale agreements	-	-
Securities held for trading	16,487	34,595
Securities available for sales	-	-
Securities held to maturity	-	-
Loans, advances and financing	-	-
Other assets		
- Balance due from clients and brokers	3	-
- Amount due from subsidiary companies	56,531	45,555
- Amount due from related companies	-	-
- Other receivables	292	145
Statutory deposits with the Central Bank	-	-
Investments in subsidiary companies	588,137	588,137
Investments in associated companies	10,063	10,063
Intangible assets	-	-
Property, plant and equipment	862	942
Deferred tax assets	1,130	-
Tax recoverable	163	-
Asset of disposal group/non current assets classified as held for sale	-	-
<b>TOTAL ASSETS</b>	<b>756,813</b>	<b>720,145</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		
- Balance due to clients and brokers	-	-
- Amount due to subsidiary companies	52,876	52,904
- Other payables	23,527	3,091
Provision for taxation and zakat	-	643
Deferred tax liabilities	-	993
Subordinated obligations	-	-
Liabilities directly associated with assets classified as held for sale	-	-
<b>TOTAL LIABILITIES</b>	<b>76,403</b>	<b>57,631</b>
<b>SHAREHOLDERS EQUITY</b>		
Share Capital	611,759	611,759
Share Premium	75	75
Profit and loss reserve	68,576	50,680
Capital reserve	-	-
	<b>680,410</b>	<b>662,514</b>
Total equity	<b>680,410</b>	<b>662,514</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>756,813</b>	<b>720,145</b>
Net Assets Per Share (RM)	1.11	1.08

**The condensed Balance Sheets should be read in conjunction with the Annual  
Financial Report for the year ended 31 December 2007**

**Consolidated Condensed Cash Flow Statement**  
for the period ended 30 June 2008

	<b>Group</b>	
	CUMULATIVE QUARTER	
	CURRENT YEAR TO DATE 30 June 2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 June 2007 RM'000
<b>Cash flows from operating activities</b>		
<b>(Loss)/Profit before taxation</b>		
- Continuing operations	(10,178)	68,026
- Discontinued operations	-	38,225
Adjustments for non operating and non cash items	28,722	(60,160)
<b>Operating profit before changes in working capital</b>	<u>18,544</u>	<u>46,091</u>
Net changes in operating assets	62,782	(708,672)
Net changes in operating liabilities	246,103	1,225,538
<b>Cash generated from operations</b>	<u>327,429</u>	<u>562,957</u>
Net tax paid	(10,493)	(5,135)
<b>Net cash generated from operating activities</b>	<u>316,936</u>	<u>557,822</u>
<b>Net cash generated from investing activities</b>	9,059	54,894
<b>Net cash used in financing activities</b>	(31,451)	(83,409)
Net increase in cash and cash equivalents during the period	<u>294,544</u>	<u>529,307</u>
Cash and cash equivalents brought forward	347,040	103,822
Cash and cash equivalents carried forward	<u>641,584</u>	<u>633,129</u>

Cash and cash equivalents as at 30th June 2008 comprised of :-

Non trust cash and short term funds	<u>641,584</u>
	<u>641,584</u>

**The condensed consolidated cash flow statement should be read in conjunction  
with the Annual Financial Report for the year ended 31st December 2007**

**Condensed Cash Flow Statement**  
for the period ended 30 June 2008

	<u>Company</u>	
	CUMULATIVE QUARTER	
	CURRENT YEAR TO DATE 30 June 2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 June 2007 RM'000
<b>Cash flows from operating activities</b>		
<b>Profit before taxation</b>		
- Continuing operations	53,690	5,764
Adjustments for non operating and non cash item	(57,464)	(11,617)
<b>Operating loss before changes in working capital</b>	<u>(3,774)</u>	<u>(5,853)</u>
Net changes in operating assets	(11,152)	146,275
Net changes in operating liabilities	(1,867)	73
<b>Cash (used in)/ generated from operations</b>	<u>(16,793)</u>	<u>140,495</u>
Net tax paid	-	(596)
Net dividends received	45,805	1,630
Interest income	1,952	2,967
<b>Net cash generated from operating activities</b>	<u>30,964</u>	<u>144,496</u>
<b>Net cash generated from/(used in) investing activities</b>	11,805	(144,534)
<b>Net cash used in financing activities</b>	(331)	(8,744)
Net increase/(decrease) in cash and cash equivalents during the period	<u>42,438</u>	<u>(8,782)</u>
Cash and cash equivalents brought forward	40,707	34,302
Cash and cash equivalents carried forward	<u>83,145</u>	<u>25,520</u>

Cash and cash equivalents as at 30th June 2008 comprised of :-

Non trust cash and short term funds	83,145
	<u>83,145</u>

**The condensed cash flow statement should be read in conjunction  
with the Annual Financial Report for the year ended 31st December 2007**



Consolidated Statement of changes in equity  
for the period ended 30 June 2008

Group

	<----Attributable to Equity Holders of the Parent----->						Distributable	Minority Interests	Total Equity
	< ---Non -Distributable----->					Share Premium			
	Share Capital RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	For Sale Reserve RM'000	Statutory Reserve RM'000				
As at 1 January 2008	611,759	(1,326)	40,952	(696)	45,717	75	167,353	3,719	867,553
Exchange differences from translation of subsidiary company's net assets	-	(4,895)	-	-	-	-	-	-	(4,895)
Net unrealised losses on securities	-	-	-	(9,970)	-	-	-	-	(9,970)
Net loss for the year	-	-	-	-	-	-	(11,132)	1,476	(9,656)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-
Income reserve capitalised to capital reserve	-	-	31,000	-	-	-	(31,000)	-	-
Dividend paid	-	-	-	-	-	-	(22,635)	-	(22,635)
As at 30 June 2008	611,759	(6,221)	71,952	(10,666)	45,717	75	102,586	5,195	820,397

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

Group

	<----Attributable to Equity Holders of the Parent----->						Distributable	Minority Interests	Total Equity
	< ---Non -Distributable----->					Share Premium			
	Share Capital RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	For Sale Reserve RM'000	Available				
As at 1 January 2007	611,759	(591)	34,352	-	75	83,247	4,289	733,131	
Application of GP8 As restated	611,759	(591)	34,352	8,992	75	3,726	86,973	4,289	745,849
Exchange differences from translation of subsidiary company's net assets	-	(150)	-	-	-	-	-	-	(150)
Reversal of reserve from disposal of securities	-	-	-	(8,833)	-	-	-	-	(8,833)
Income reserve capitalised to capital reserve	-	-	6,600	-	-	(6,600)	-	-	-
Net profit for the year	-	-	-	-	-	88,296	1,459	89,755	
Dividend paid	-	-	-	-	-	(8,743)	(541)	(9,284)	
As at 30 June 2007	611,759	(741)	40,952	159	75	159,926	5,207	817,337	

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007

Statement of changes in equity  
for the period ended 30 June 2008

**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 2008	611,759	-	75	50,680	662,514
Net profit for the year	-	-	-	40,531	40,531
Dividend paid	-	-	-	(22,635)	(22,635)
As at 30 June 2008	<u>611,759</u>	<u>-</u>	<u>75</u>	<u>68,576</u>	<u>680,410</u>

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

**Company**

	-Attributable to Equity Holders of the Parent--- 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	128,817	75	15,289	755,940
Application of GP8				1,327	1,327
As restated	<u>611,759</u>	<u>128,817</u>	<u>75</u>	<u>16,616</u>	<u>757,267</u>
Net profit for the year	-	-	-	3,524	3,524
Dividend paid	-	-	-	(8,743)	(8,743)
As at 30 June 2007	<u>611,759</u>	<u>128,817</u>	<u>75</u>	<u>11,397</u>	<u>752,048</u>

The Condensed Statements of Changes in Equity should be read in  
conjunction with the Annual Financial Report for the year ended 31 December 2007

# **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 2007. 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 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 2007. 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 2007.

### **A3. Preceding financial year audit report**

The preceding financial year audit report in respect of the financial year ended 31 December 2007 was not qualified by the external auditors.

### **A4. 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.

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

(Incorporated in Malaysia)

**SELECTED EXPLANATORY NOTES  
REQUIREMENTS OF FRS134 (Contd)**

**A5. Nature and amounts in relation to assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence**

There are no exceptional items affecting assets, liabilities, equity, net income or cash flows during the quarter ended 30 June 2008.

**A6. 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.

**A7. Issuance, cancellation, repurchases, resale and repayments of debt and equity securities**

There were no issues and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the quarter ended 30 June 2008.

**A8. Dividends paid per share**

Net dividends of 3.7 sen per share amounting to RM22,635,101 were paid during the quarter ended 30 June 2008.

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

**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2008**

	<b>June 2008</b>	<b>December 2007</b>
	<b>RM' 000</b>	<b>RM' 000</b>
<b>A9 (a) Securities held-for-trading</b>		
<b>At Fair Value</b>		
<b>Money Market Instruments:-</b>		
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	-	-
<b>Total Money Market Instruments</b>	<b>-</b>	<b>-</b>
<b>Quoted securities:</b>		
<b>In Malaysia:</b>		
Shares, Warrants, Trust Units and Loan Stocks	19,657	59,111
<b>Outside Malaysia:</b>		
Shares, Warrants, Trust Units and Loan Stocks	-	-
<b>Unquoted securities:</b>		
Private and Islamic Debt Securities in Malaysia	29,860	159,742
Foreign Private Debt Securities	-	-
	<b>29,860</b>	<b>159,742</b>
<b>Total securities held-for-trading</b>	<b>49,517</b>	<b>218,853</b>
<b>A10 (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	-	5,015
Islamic Cagamas Bonds	14,997	15,021
Cagamas Bonds	59,424	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	-	-
<b>Total Money market instruments</b>	<b>74,421</b>	<b>174,901</b>

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

**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2008**

	<b>June 2008</b> <b>RM' 000</b>	<b>December 2007</b> <b>RM' 000</b>
<b>Quoted securities:</b>		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	16,614	11,246
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	1,735	-
	<u>18,349</u>	<u>11,246</u>
<b>Unquoted securities:</b>		
Shares, trust units and loan stocks in Malaysia	2,103	2,103
Shares, trust units and loan stocks outside Malaysia	-	-
Private and Islamic Debt Securities in Malaysia	200,173	282,923
Malaysian Government Bonds	-	-
Foreign Islamic and Private Debt Securities	-	-
Credit Link Notes	-	-
Malaysia Global Sukuk	-	-
Others	3,100	3,100
	<u>205,376</u>	<u>288,126</u>
Accumulated impairment losses	(3,100)	(3,100)
<b>Total securities available-for-sale</b>	<b><u>295,046</u></b>	<b><u>471,173</u></b>
<b>11 (c) Securities Held-To-Maturity</b>		
<b>At Amortised Cost</b>		
<b>Money market instruments:-</b>		
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>
<b>Unquoted securities:</b>		
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>	<b><u>1,490</u></b>	<b><u>1,490</u></b>

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

**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2008**

	June 2008 RM' 000	December 2007 RM' 000
<b>A12 Loans, advances and financing</b>		
Overdrafts	-	-
Term loans	-	-
- Real estate	-	-
- Syndicated term loan/financing	-	-
- Hire purchase receivables	-	-
- Lease receivables	-	-
- Other term loans/financing	435,391	101,579
- Constructions	-	-
Credit card receivables	-	-
Bills receivables	-	-
Trust receipts	-	-
Claims on customers under acceptance credits	-	-
Finance, insurance and business services	-	-
Revolving credits	-	-
Staff loans	-	-
Housing loans to	-	-
- Executive directors of the Bank	-	-
- Executive directors of subsidiaries	-	-
Others	89,361	118,095
	<u>524,752</u>	<u>219,674</u>
Unearned interest and income	-	(2)
Gross loans, advances and financing	<u>524,752</u>	<u>219,672</u>
Allowances for bad and doubtful debts and financing:		
- specific	(7,658)	(302)
- general	(7,756)	(3,290)
Net loans, advances and financing	<u><b>509,338</b></u>	<u><b>216,080</b></u>
<b>(i) By type of customer</b>		
<b>Domestic operations:</b>		
Domestic banking institutions	-	-
Domestic non-bank financial institutions	-	-
- Stockbroking companies	-	-
- Others	-	-
Domestic business enterprise	-	-
- Small and medium enterprise	11,911	101,579
- Others	436,992	85,278
Government and statutory bodies	-	-
Individuals	75,849	32,817
Other domestic entities	-	-
Foreign entities	-	-
Total domestic operations	<u>524,752</u>	<u>219,674</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>
Gross loans, advances and financing	<u>-</u>	<u>-</u>

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	<b>June 2008</b> <b>RM' 000</b>	<b>December 2007</b> <b>RM' 000</b>
<b>(ii) By interest/profit rate sensitivity</b>		
Fixed rate		
- Housing loans/financing	-	-
- Hire purchases receivable	-	-
- Cost price	-	-
- Other fixed rate loans/financing	-	-
Variable rate		
- Base lending rate plus	89,361	118,095
- Cost plus	435,391	101,579
- Other variable rates	-	-
Gross loans, advances and financing	<u>524,752</u>	<u>219,674</u>
<b>(iii) Total loans by economic purposes</b>		
<b>Domestic operations:</b>		
Purchase of securities	89,361	118,095
Purchase of transport vehicles	-	-
- 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	-	-
Manufacturing	227,197	45,176
Construction	90,966	56,403
Real Estate	39,046	-
Transport, storage and communication	43,814	-
Finance, insurance and business services	32,558	-
Working capital	-	-
Others	1,810	-
Total domestic operations	<u>524,752</u>	<u>219,674</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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	<b>June 2008</b> <b>RM' 000</b>	<b>December 2007</b> <b>RM' 000</b>
<b>(iii) Non-performing loans by economic purpose</b>		
Purchase of securities	74	302
Purchase of transport vehicles	-	-
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>74</u>	<u>302</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	302	836
Non-performing during the period	-	2
Amount written back in respect of recoveries	-	-
Reclassified as performing	-	-
Acquired upon business acquisition	-	-
Transfer from a subsidiary	-	-
Recovered	(6)	(536)
Amount written off	(222)	-
Converted to securities	-	-
Exchange differences and expenses debited	-	-
At end of the period	<u>74</u>	<u>302</u>
Specific allowance	-	-
Net non-performing loans, advances and financing	<u>74</u>	<u>302</u>
Net NPL as a% of gross loans, advances and financing (including Islamic loans sold to Cagamas) less specific allowances	<u>0.01%</u>	<u>0.14%</u>

**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2008**

	June 2008 RM' 000	December 2007 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	302	836
Allowance made during the period	7,584	2
Amount written back in respect of recoveries	(6)	(536)
Acquired upon business acquisition	-	-
Transfer from a subsidiary	-	-
Amount written off	(222)	-
Transfer to general allowances	-	-
Transfer to impairment lossess in value of securities	-	-
Transfer to restructured/rescheduled loans	-	-
Exchange differences	-	-
At end of the period	<u>7,658</u>	<u>302</u>
<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	3,291	-
Allowance made during the period	4,893	3,290
Amount written back	(428)	-
Acquired upon business acquisition	-	-
Transfer from specific allowance	-	-
Exchange differences	-	-
At end of the period	<u>7,756</u>	<u>3,290</u>
As % of gross loans, advances and financing (including Islamic loans sold to Cagamas) less specific allowances	<u>1.50%</u>	<u>1.50%</u>
<b>A13 Other Assets</b>		
Interest/Income receivable	-	3,276
Prepayments and deposits	14,367	11,048
Other debtors	2,882	6,438
Foreclosed properties	-	-
Investment properties	-	-
Derivative assets	-	-
	<u>17,249</u>	<u>20,762</u>
Allowance for doubtful debts	-	(1,887)
	<u>17,249</u>	<u>18,875</u>

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2008**

	<b>June 2008</b> <b>RM' 000</b>	<b>December 2007</b> <b>RM' 000</b>
<b>A14 Deposits from Customers</b>		
Fixed deposits and negotiable instruments of deposits		
- One year or less	715,318	387,344
- More than one year	-	-
Savings deposits	-	-
Demand deposits	-	-
Structured deposits	-	-
	<b>715,318</b>	<b>387,344</b>
Business enterprise	-	291,127
Individuals	1,014	-
Government and statutory bodies	53,645	96,217
Others	660,659	-
	<b>715,318</b>	<b>387,344</b>
<b>A15 Deposits and Placement of Banks and Other Financial Institutions and Debt Securities</b>		
Licensed banks	-	-
Licensed finance companies	-	-
Licensed merchant banks	-	-
Non-banking institutions	472,664	470,561
Other financial institutions	-	3,040
	<b>472,664</b>	<b>473,601</b>
Subordinated obligations		
Unsecured		
- less than one year	-	-
- more than one year	1,384	1,384
<b>A16 Other liabilities</b>		
Interest/Profit payable	319	7,944
Provision for outstanding claims	-	-
Unearned premium reserves	-	-
Profit Equalisation Reserves	-	-
Provision and accruals	58,806	70,923
Hire purchase creditors	-	246
Due to brokers and clients	-	-
Deposits and other creditors	23,380	800
Derivative liabilities	-	-
	<b>82,505</b>	<b>79,913</b>

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	<b>June 2008</b>	<b>December 2007</b>
	<b>RM' 000</b>	<b>RM' 000</b>
<b>A17 Bank Borrowings</b>		
Hire purchase creditors	102	-
Revolving bank loan	73,242	104,195
Term loan	-	-
Secured notes issuance facility	-	-
	<u>73,344</u>	<u>104,195</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2008

A18 Commitments and Contingencies and Off-Balance Sheet Financial Instruments

	June 2008		December 2007		
	RM'000 Notional	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	-	-	144,910	72,455	72,455
Obligations under underwriting agreements	19,263	-	-	-	-
Obligations under share financing	-	-	-	-	-
Irrevocable commitments to extend credit:	-	-	-	-	-
- maturity within one year	-	-	40	-	-
- Margin	548,282	-	779,039	-	-
- Term loan	15,000	-	-	-	-
- maturity exceeding one year	-	-	-	-	-
- Margin	91,722	45,861	197,500	98,750	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	-	-	-	-	-
Capital expenditure commitments	134	-	-	-	-
Non-cancellable lease rental commitments	28	-	68	-	-
	674,429	45,861	1,121,557	171,205	171,205

	Non trading book						Effective interest rate %
	Up to 1 month RM	>1 - 3 month RM	>3 - 12 month RM	>1 - 5 years RM	over 5 RM	Non-interest sensitive RM	
<b>A.19 Interest/Profit Rate Risk</b>							
Cash and short-term funds	575,442	-	-	-	-	261,257	3.52%
Deposits and placements with banks and other financial institutions	-	-	-	-	-	15,855	-
Securities purchased under resale agreements	-	-	-	-	-	16,487	4.89%
Securities held-for-trading	13,970	59,660	14,997	168,283	17,684	20,452	4.28%
Securities available-for-sale	-	-	1,000	-	-	490	-
Securities held-to-maturity	-	-	-	-	-	-	-
Loans, advances and financing	7,917	18,725	272,984	209,712	-	-	6.64%
- performing	-	-	-	-	-	-	-
- non-performing	425,707	-	-	-	-	200,283	-
Other assets n1	354,835	-	-	-	-	231,415	8.41%
Other non-interest sensitive balances	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>1,377,871</b>	<b>78,385</b>	<b>288,981</b>	<b>377,995</b>	<b>17,684</b>	<b>746,239</b>	<b>2,920,185</b>

**Interest/Profit Rate Risk**

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Deposits from customers	667,958	37,216	10,144	-	-	-	715,318	3.65%
Deposits and placements of banks and other financial institutions	177,452	45,264	249,948	-	-	-	472,664	3.65%
Borrowings	73,344	-	-	-	-	-	73,344	5.45%
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-	-	-
Bills and acceptances payable	-	-	-	-	-	-	-	-
Recourse obligation on loans sold to Cagamas	-	-	-	-	-	-	-	-
Subordinated notes	-	-	-	1,384	-	-	1,384	5.00%
Other non-interest sensitive balances	355,398	-	-	-	13,041	468,639	837,078	-
<b>Total Liabilities</b>	<b>1,274,152</b>	<b>82,480</b>	<b>260,092</b>	<b>1,384</b>	<b>13,041</b>	<b>468,639</b>	<b>2,099,788</b>	-
Shareholders' equity	-	-	-	-	-	815,202	815,202	-
Minority interests	-	-	-	-	-	5,195	5,195	-
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,274,152</b>	<b>82,480</b>	<b>260,092</b>	<b>1,384</b>	<b>13,041</b>	<b>1,289,037</b>	<b>2,920,185</b>	-
On-balance sheet interest sensitivity gap	103,719	(4,095)	28,889	376,611	4,643	(542,798)	33,030	-
<b>Total interest sensitivity gap</b>	<b>103,719</b>	<b>(4,095)</b>	<b>28,889</b>	<b>376,611</b>	<b>4,643</b>	<b>(542,798)</b>	<b>33,030</b>	-

n1 Other assets comprise balances due from clients and brokers, 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 2007

	Non trading book					Non-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 month RM'000	>3 - 12 month RM'000	>1 - 5 years RM'000	over 5 RM'000				
<b>A19 Interest/Profit Rate Risk</b>									
Cash and short-term funds	332,708	-	-	-	-	276,435	-	609,143	3.52%
Deposits and placements with banks and other financial institutions	-	-	-	-	-	18,847	-	18,847	3.43%
Securities purchased under resale agreements	-	-	-	-	-	-	218,853	218,853	3.44%
Securities held-for-trading	48,990	70,843	58,669	251,678	27,645	13,350	-	471,173	3.44%
Securities available-for-sale	-	-	-	-	-	1,490	-	1,490	-
Securities held-to-maturity	-	-	-	-	-	-	-	-	-
Loans, advances and financing	17,817	110,381	87,882	-	-	-	-	216,080	8.00%
- performing	-	-	-	-	-	-	-	-	-
- non-performing	-	-	-	-	-	-	-	-	-
Other assets n1	335,921	-	-	-	-	324,444	-	660,365	6.36%
Other non-interest sensitive balances	419	-	-	-	-	605,212	-	605,631	-
<b>TOTAL ASSETS</b>	<b>735,855</b>	<b>181,224</b>	<b>146,551</b>	<b>251,678</b>	<b>27,645</b>	<b>1,239,778</b>	<b>218,853</b>	<b>2,801,582</b>	

**Interest/Profit Rate Risk**

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Deposits from customers	347,414	32,104	7,826	-	-	-	-	387,344	
Deposits and placements of banks and other financial institutions	54,100	77,520	184,051	157,930	-	-	-	473,601	
Borrowings	104,195	-	-	-	-	-	-	104,195	4.37%
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-	-	-	
Bills and acceptances payable	-	-	-	-	-	-	-	-	
Recourse obligation on loans sold to Cagamas	-	-	-	-	-	-	-	-	
Subordinated notes	-	-	-	1,384	-	-	-	1,384	5.00%
Other non-interest sensitive balances	4	9	40	72	13,013	954,367	-	967,505	
<b>Total Liabilities</b>	<b>505,713</b>	<b>109,633</b>	<b>191,917</b>	<b>159,386</b>	<b>13,013</b>	<b>954,367</b>	<b>-</b>	<b>1,934,029</b>	
Shareholders' equity	-	-	-	-	-	863,834	-	863,834	
Minority interests	-	-	-	-	-	3,719	-	3,719	
<b>Total Liabilities and Shareholders' Equity</b>	<b>505,713</b>	<b>109,633</b>	<b>191,917</b>	<b>159,386</b>	<b>13,013</b>	<b>1,821,920</b>	<b>-</b>	<b>2,801,582</b>	
On-balance sheet interest sensitivity gap	230,142	71,591	(45,366)	92,292	14,632	(582,142)	218,853	-	
<b>Total interest sensitivity gap</b>	<b>230,142</b>	<b>71,591</b>	<b>(45,366)</b>	<b>92,292</b>	<b>14,632</b>	<b>(582,142)</b>	<b>218,853</b>	<b>-</b>	

n1 Other assets comprise balances due from clients and brokers, net of specific and general allowances and interest in suspense in accordance with the Rules of Bursa Malaysia Securities Berhad.

## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2008

## A20 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:

	June 2008 RM'000	December 2007 RM'000
<b>Components of Tier I and Tier II capital:</b>		
<u>Tier I capital</u>		
Paid-up share capital	580,000	580,000
Retained Profits	35,617	81,317
Statutory reserve	45,717	45,717
	<u>661,334</u>	<u>707,034</u>
Less: Deferred tax assets	(5,925)	(3,061)
Goodwill	(17,606)	(17,606)
Current unaudited unadjusted loss	-	-
Total Tier I capital	<u>637,803</u>	<u>686,367</u>
<u>Tier II capital</u>		
General allowances for bad and doubtful debts	<u>10,632</u>	<u>1,524</u>
Total Tier II capital	<u>10,632</u>	<u>-</u>
Total capital	648,435	687,891
Less: Investments in subsidiary companies	<u>(23,838)</u>	<u>(23,838)</u>
Capital base	<u>624,597</u>	<u>664,053</u>
Core capital ratio	45.39%	47.31%
Risk-weighted capital ratio	44.31%	47.31%



**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2008**

	Individual Quarter		Cumulative Quarter	
	30 June 2008 RM'000	30 June 2007 RM'000	30 June 2008 RM'000	30 June 2007 RM'000
<b>A21 Interest Income</b>				
Loans, advances and financing				
- Interest income other than recoveries from NPL	8,435	1,841	13,794	3,336
- Recoveries from NPLs	-	-	-	59
- Inter-company	-	-	-	-
Money at call and deposit placements with financial institutions	8,685	9,023	17,451	12,397
Securities purchased under resale agreements	-	145	-	145
Securities held-for-trading	117	784	961	857
Securities available-for-sale	3,028	1,306	6,817	1,306
Securities held-to-maturity	-	-	-	-
Interest on Margin	8,193	6,269	15,160	12,059
Interest on reverse repo	(26)	(2,063)	-	13
Interest on Contra	(418)	473	-	813
Others	686	(111)	686	-
	<u>28,700</u>	<u>17,667</u>	<u>54,869</u>	<u>30,985</u>
Amortisation of premium less accretion of discount	70	333	137	333
Interest income suspended	-	-	-	-
	<u>28,770</u>	<u>18,000</u>	<u>55,006</u>	<u>31,318</u>
<b>A22 Interest Expense</b>				
Deposits and placement of banks and other financial institutions	4,067	2,904	6,652	4,347
Intercompany loan	-	-	-	-
Term loan	-	-	-	-
Deposits from customers	10,016	3,771	20,257	4,341
Obligations on securities sold under repurchase agreements	-	-	-	-
Floating rate certificate of deposits	-	-	-	-
Subordinated notes	-	-	-	-
Subordinated bonds	-	-	-	-
Others	5	1,697	13	3,897
	<u>14,088</u>	<u>8,372</u>	<u>26,922</u>	<u>12,585</u>
<b>A23 Non-interest Income</b>				
(a) Fee income:				
Commissions	5,363	2,414	9,300	5,846
Service charges and fees	(1,499)	1,949	-	3,382
Guarantee fees	-	(173)	-	-
Underwriting fees	-	168	693	365
Brokerage income	23,931	64,599	62,662	137,658
Other fee income	6,972	5,173	12,591	7,716
	<u>34,767</u>	<u>74,130</u>	<u>85,246</u>	<u>154,967</u>
(b) Gain/loss arising from sale of securities:				
Net gain/(loss) from sale of securities held-for-trading	(819)	1,070	(581)	1,948
Net gain/(loss) from sale of securities available-for-sale	(251)	1	(251)	18,614
Net loss from redemption of securities held-to maturity	-	-	-	-
Net gain/(loss) from sale of subsidiary company	-	-	-	-
	<u>(1,070)</u>	<u>1,071</u>	<u>(832)</u>	<u>20,562</u>
(c) Gross dividend from:				
Securities portfolio	207	235	335	384
(d) Unrealised gains /(losses) on revaluation of securities held-for-trading and derivatives	-	4,476	-	4,476
Write back of impairment losses on securities	(53)	(2,018)	1,110	511
	<u>(53)</u>	<u>2,458</u>	<u>1,110</u>	<u>4,987</u>

**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2008**

	Individual Quarter		Cumulative Quarter	
	30 June 2008 RM'000	30 June 2007 RM'000	30 June 2008 RM'000	30 June 2007 RM'000
(c) Other income:				
Foreign exchange profit	10	89	181	155
Net premiums written	-	-	-	-
Rental Income	-	-	-	-
Gains on disposal of property, plant and equipment	78	355	83	384
Gain on disposal of foreclosed properties	-	-	-	-
Intercompany written off	-	-	-	-
Capital gain arising from receipt of shares in Bursa Malaysia Berhad	-	-	-	-
Others	17	(229)	374	598
	<u>105</u>	<u>214</u>	<u>638</u>	<u>1,136</u>
Total non-interest income	<u>33,956</u>	<u>78,107</u>	<u>86,497</u>	<u>182,036</u>
<b>A24 Other operating expenses</b>				
Personnel costs	20,170	22,900	40,503	40,943
- Salaries, allowances and bonuses	16,575	20,703	35,285	36,874
- Pension costs	3,348	1,388	4,826	2,628
- Others	247	809	392	1,441
Establishment costs	7,535	4,965	15,206	9,642
- Depreciation	1,731	1,568	3,396	3,104
- Rental of leasehold land and premises	3,416	1,562	6,653	2,664
- Repairs and maintenance of property, plant and equipment	454	404	891	830
- Information technology expenses	645	868	1,339	1,363
- Others	1,289	563	2,927	1,681
Marketing expenses	1,317	(2,052)	2,984	1,685
- Advertisement and publicity	87	139	113	297
- Others	1,230	(2,191)	2,871	1,388
Administration and general expenses	17,233	43,320	47,973	78,687
- Fees and brokerage	10,284	25,624	23,857	52,778
- Administrative expenses	8,330	17,157	16,758	25,205
- General expenses	-	(6)	-	-
- Claims incurred	34	52	48	81
- Others	(1,415)	493	7,310	623
	<u>46,255</u>	<u>69,133</u>	<u>106,666</u>	<u>130,957</u>
<b>A25 Allowances on bad &amp; doubtful accounts on balances due from clients and brokers</b>				
Allowances for bad and doubtful debts and financing:				
- general allowance made (net)	777	(106)	779	-
- specific allowance	65	(1,082)	5,231	1,012
- specific allowance written back	-	1,393	-	-
Bad debts and financing written off	-	-	-	-
Bad debts and financing recovered	(26)	(9)	(133)	(165)
Provision for other debts	-	(3)	-	-
	<u>816</u>	<u>193</u>	<u>5,877</u>	<u>847</u>
<b>A25a Allowance for Losses on Loans, Advances and Financing</b>				
Allowances for bad and doubtful debts and financing:				
- general allowance made (net)	1,303	181	4,893	1,470
- specific allowance	7,586	-	7,614	-
- specific allowance written back	(450)	441	(483)	-
Bad debts and financing written off	-	(8)	-	-
Bad debts and financing recovered	(2)	(530)	(6)	(531)
Provision for other debts	(1)	-	(1)	-
	<u>8,436</u>	<u>84</u>	<u>12,017</u>	<u>939</u>

A27. SUPPLEMENTAL 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		
	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
<b>Revenue</b>	32,672	15,433	80,224	137,603	14,901	14,445	6,795	4,081	532	35	141	159	304	419
External sales	-	-	-	-	-	355	-	-	163	66	63,916	2,269	-	-
Inter-segment sales	32,672	15,433	80,224	137,603	14,901	14,445	7,150	4,081	532	304	225	64,220	2,688	-
<b>Total revenue</b>	32,672	15,433	80,224	137,603	14,901	14,445	7,150	4,081	532	304	225	64,220	2,688	-
<b>Result</b>	11,077	3,147	1,559	54,902	9,604	10,210	6,286	4,117	18	(353)	(788)	(673)	51,982	9,367
Segment results	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on disposal of discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated corporate expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit from operation	11,077	3,147	1,559	54,902	9,604	10,210	6,286	4,117	18	(353)	(788)	(673)	51,982	9,367
Finance cost, net	(20,312)	(6,590)	(5)	(34)	(3,838)	(2,740)	(3,804)	(2,135)	-	-	-	-	-	(2,708)
Share of results of associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of results of jointly controlled entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxation	-	-	(486)	(11,675)	(1,352)	(2,068)	(640)	(963)	(40)	3	-	(13,002)	(2,330)	-
Profit after taxation	(9,235)	(3,443)	1,068	43,193	4,414	5,402	1,842	1,019	(22)	(353)	(785)	(673)	38,980	4,329
Minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net profit for the year</b>	(9,235)	(3,443)	1,068	43,193	4,414	5,402	1,842	1,019	(22)	(353)	(785)	(673)	38,980	4,329
<b>Assets</b>	500,620	53,339	1,826,266	2,000,114	419,377	695,109	99,784	108,090	62,205	60,481	14,582	15,888	767,367	1,422,179
Segments assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments in equity method of associates	-	-	-	-	-	-	-	-	-	-	-	-	-	10,063
Investments in equity method of jointly controlled entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated corporate assets	-	-	13,973	806	356	173	1,162	765	-	8	5	1,483	1,404	-
<b>Consolidated total assets</b>	500,620	53,339	1,826,266	2,000,920	419,733	695,282	100,946	108,855	62,205	60,481	14,590	15,893	768,850	1,433,646
<b>Liabilities</b>	1,239,090	631,191	455,267	762,391	399,391	674,036	86,871	95,890	225	614	271	227	78,580	364,102
Segment liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated corporate liabilities	-	-	-	4,379	1,100	1,962	-	52	57	943	-	-	11	1,737
<b>Consolidated total liabilities</b>	1,239,090	631,191	455,267	766,770	400,491	675,998	86,871	95,942	282	1,537	271	227	78,591	365,839
<b>Other information</b>	-	-	3,906	2,890	71	179	4	106	8	226	2	11	38	652
Capital expenditure	-	-	2,833	2,622	124	154	123	115	43	39	112	121	161	94
Depreciation & Amortisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversal of impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-cash expenses other than depreciation, amortisation and impairment losses	13,104	-	5,877	(19,852)	-	-	(432)	1,455	-	-	18	1	6,641	(7,645)

## **SELECTED EXPLANATORY NOTES**

### **REQUIREMENTS OF FRS134 (Cont'd)**

#### **A27. Revaluation of property, plant and equipment**

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

#### **A28. 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.

#### **A29. Effects of changes in the Composition of the Group**

There were no changes in the composition of the Group for the quarter ended 30 June 2008 .

#### **A30. 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 784 million.
- (ii) unsecured corporate guarantee in favour of a counter party in respect of a collateralized cash deposit for a subsidiary company amounting to RM155million.

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

(Incorporated in Malaysia)

## **SELECTED EXPLANATORY NOTES**

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

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

During the quarter and year ended 30 June 2008, the Group recorded a loss before taxation from continuing operations of RM7.74 million as compared to a loss of RM2.43 million in the previous quarter ended 31 March 2008. The loss for the quarter ended 30 June 2008 was due mainly to provision made in respect of loans, advances and financing amounting to RM8.43 million. For the 6 months period ended 30<sup>th</sup> June 2008, the Group recorded a loss before taxation of RM10.18 million due mainly to provision made in respect of loans, advances & financing and balances from clients and brokers of RM12.02 million and 5.88 million respectively.

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

During the quarter and year ended 30 June 2008, the Group recorded a loss before taxation from continuing operations of RM7.74 million as compared to a loss of RM2.43 million in the previous quarter ended 31 March 2008. The loss for the quarter ended 30 June 2008 was due mainly to provision made in respect of loans, advances and financing amounting to RM8.43 million.

#### **B3. Current year prospects**

The profitability of the Group for the year 2008 will be dependent on the volume transacted and market sentiment in Bursa Malaysia. In addition, the results of the other divisions in the full-fledged investment banking arm will also have impact on the overall performance of the Group.

**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)****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.

**B5. Taxation**

	Individual Quarter Current Year Quarter 30 June 2008	Cumulative Quarter Current Year to date 30 June 2008
	-----RM'000-----	
Current period taxation	214	1,109
Overprovision–prior years	(188)	(188)
Deferred taxation	(820)	(1,461)
Share of associates taxation	8	18
Total	<u>(786)</u>	<u>(522)</u>

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

	Individual Current Quarter	Cumulative Current Quarter
	-----RM'000-----	
Tax effect at statutory rate	14,388	13,678
Add: tax effect of expenses that are not deductible for tax purposes	2,469	3,648
Less: Inter-company dividends	(16,057)	(16,057)
Less: Utilization of unabsorbed tax losses and capital allowances	(345)	(528)
Less: Non taxation of capital items	294	(26)
Add: Tax losses not recognised	(535)	394
Tax expense	<u>214</u>	<u>1,109</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 (CONTD)

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

There were no sales of unquoted investments and properties for the quarter ended 30 June 2008.

#### B7. Quoted Securities

- (a) Total purchases and sales of quoted securities by the Group other than the investment banking subsidiary for the quarter ended 30 June 2008 and the profit arising therefrom were as follows:

	Individual Quarter	Cumulative Quarter
	-----RM'000-----	
Total purchases for the period	<u>2,602</u>	<u>3,167</u>
Total sales for the period	<u>5,111</u>	<u>16,190</u>
Total gain on disposal for the period	<u>811</u>	<u>(1,635)</u>

- (b) Total investments in quoted securities by the Group other than the investment banking subsidiary as at 30 June 2008 were as follows:

Total investment at cost	<u>RM'000</u> <u>4,974</u>
Total investment at carrying value/book value	<u>4,242</u>
Total investment at market value at end of reporting period	<u>4,242</u>

## **SELECTED EXPLANATORY NOTES**

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

#### **B8. Status of Corporate Proposals**

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

- 1) The signing of a Memorandum of Understanding (“MOU”) on 14<sup>th</sup> 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 VND40,000,000,000 divided into 4,000,000 ordinary shares of VND10,000 per share. (VND=Vietnamese Dong). VGSC 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.
- (2) On 8th August 2008, KNKHB entered into the following agreements:-
  - i) Agreement for the Subscription of 4,050,000 new ordinary shares at VND20,000/- each Subscription share at the par value of VND10,000/- each representing 30% of the enlarged issued and paid-up share capital in VGSC for a total Subscription Price of VND81,000,000,000/-. The new ordinary shares shall rank pari passu with the existing share capital of VGSC.
  - ii) Sale and Purchase Agreement to acquire 2,565,000 fully paid up ordinary shares at VND20,000 per share free from all encumbrances and from all other third party rights at the par value of VND10,000/- each in VGSC representing 19% of VGSC's issued and paid-up share capital after completion of the Subscription Agreement as described in 2(i) above for a total Purchase Consideration of VND51,300,000,000/- from various parties and
  - iii) Shareholders Agreement to regulate the relationship between the shareholders of VGSC.



# 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 (CONT'D)

#### B9. Group Borrowings

		Total Loans RM'000
Subordinated Loan (unsecured)	- Note 1	1,367
Short term loan from a financial institution (secured)	- Note 2	73,242

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 RM1.36 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, RM5 million and RM8 million were extended by K & N Kenanga Holdings Berhad in August 2006, May 2007, December 2007 and March 2008 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 RM42 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 RM73.24 million in order to finance its own working capital. These facilities have repayment periods of one month and the average interest rates charged were 5.37% 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 30 June 2008.

**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 (CONT'D)**

**B12. Dividend**

No interim dividend has been declared for the current quarter ended 30 June 2008.

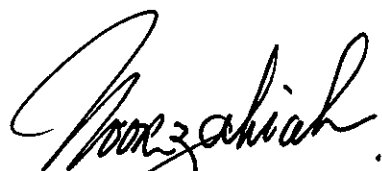
**B13. Earnings per share**

The amount used as the numerator for the purposes of calculating the basic loss per share for the six-month period is RM11.13 million representing the loss for the period attributable to ordinary equity holder of the parent (30 June 2007:- profits attributable to ordinary equity holder of parent: RM88.30 million )

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

