

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended 30 September 2008

The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30 Sept 2008 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 Sept 2007 RM'000 Restated	CURRENT YEAR TO DATE 30 Sept 2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 Sept 2007 RM'000 Restated
Continuing Operations					
Interest income	A21	26,941	20,743	81,947	52,061
Interest expense	A22	(11,916)	(9,391)	(38,838)	(21,976)
Net interest income		15,025	11,352	43,109	30,085
Non interest income	A23	24,303	72,270	110,800	252,509
Net Income		39,328	83,622	153,909	282,594
Other operating expenses	A24	(38,005)	(61,601)	(144,671)	(190,761)
Operating (loss)/profits		1,323	22,021	9,238	91,833
Allowance for losses					
on loans, advances and financing	A25a	(42,751)	(986)	(54,768)	(1,925)
Allowance for bad and doubtful accounts on balances from clients & brokers	A25	1,898	(808)	(3,979)	(1,655)
Impairment of securities available for sales		(18,308)	-	(18,308)	-
Share of losses in associates		(508)	(30)	(707)	(30)
(Loss)/profit before taxation		(58,346)	20,197	(68,524)	88,223
Taxation		16,939	(717)	17,461	(17,213)
(Loss)/profit for the period from continuing operations		(41,407)	19,480	(51,063)	71,010
Discontinued operations					
Loss for the period from discontinued operations		-	(347)	-	37,878
(Loss) /profit for the period		(41,407)	19,133	(51,063)	108,888

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 Sept 2008 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 Sept 2007 RM'000	CURRENT YEAR TO DATE 30 Sept 2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 Sept 2007 RM'000
(i) (Loss)/profit for the period attributable to				
- Equity holders of the parent	(41,950)	18,419	(53,082)	106,715
- Minority interests	543	714	2,019	2,173
	<u>(41,407)</u>	<u>19,133</u>	<u>(51,063)</u>	<u>108,888</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)	(6.9)	3.0	(8.7)	17.4
(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 Sept 2008 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 Sept 2007 RM'000	CURRENT YEAR TO DATE 30 Sept 2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 Sept 2007 RM'000
Continuing Operations				
Interest income	1,173	739	3,125	3,706
Interest expense	-	-	-	(2,645)
Net interest income	1,173	739	3,125	1,061
Non interest income	2,172	376	64,250	9,231
Net Income	3,345	1,115	67,375	10,292
Overhead expenses	(5,184)	(2,075)	(15,524)	(5,488)
Operating (loss)/profits	(1,839)	(960)	51,851	4,804
Allowance for losses on loans, advances and financing	-	-	-	-
Allowance on bad and doubtful accounts on trade receivables	-	-	-	-
(Loss)/profit before taxation	(1,839)	(960)	51,851	4,804
Taxation	2,741	547	(10,418)	(1,693)
Profit/(loss) for the period from continuing operations	902	(413)	41,433	3,111
Discontinued operations	-	-	-	-
Profit/(loss) for the period	902	(413)	41,433	3,111

CONDENSED INCOME STATEMENTS

Company

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 Sept 2008 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 Sept 2007 RM'000	CURRENT YEAR TO DATE 30 Sept 2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 Sept 2007 RM'000
(i) Profit/(loss) for the period attributable to - Equity holders of the parent	902	(413)	41,433	3,111
	902	(413)	41,433	3,111
3 (a) Earnings/(loss) 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)	0.1	(0.1)	6.8	0.5
(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 Sept 2008 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31 December 2007 RM'000 <u>Restated</u>
ASSETS			
Cash and short-term funds		611,044	609,143
Deposits and placements with financial institutions		15,220	18,847
Securities purchased under resale agreements			-
Securities held for trading	A9	42,764	218,853
Securities available for sales	A10	334,191	471,173
Securities held to maturity	A11	1,490	1,490
Loans, advances and financing	A12	889,007	542,631
Other assets			
- Balance due from clients and brokers		140,925	333,814
- Assets segregated for customers		453,368	397,079
- Other receivables	A13	17,195	18,875
Statutory deposits with the Central Bank		28,780	10,500
Investments in associated companies		77,358	78,073
Intangible assets		70,106	70,106
Property, plant and equipment		29,599	26,758
Deferred tax assets		19,169	3,983
Tax recoverable		17,079	257
Asset of disposal group/non current assets classified as held for sale		-	-
TOTAL ASSETS		<u>2,747,295</u>	<u>2,801,582</u>
LIABILITIES			
Deposits from customers	A14	480,199	387,344
Deposits and placements of banks and other financial institutions	A15	584,608	473,601
Obligations on securities sold under repurchase agreements		-	-
Bills and acceptances payable		-	-
Borrowings	A17	67,043	104,195
Other liabilities			
-Balance due to clients and brokers		565,030	666,505
- Amount held in trust		198,257	218,225
- Other payables	A16	58,026	79,913
Provision for taxation and zakat		242	1,795
Deferred tax liabilities		65	1,067
Subordinated obligations	A15	1,367	1,384
Liabilities directly associated with assets classified as held for sale		-	-
TOTAL LIABILITIES		<u>1,954,837</u>	<u>1,934,029</u>
SHAREHOLDERS EQUITY			
Share Capital		611,759	611,759
Share Premium		75	75
Profit and loss reserve		60,636	167,353
Exchange fluctuation reserve		(1,030)	(1,326)
Statutory reserve		45,717	45,717
Available for sale reserve		(2,389)	(696)
Capital reserve		71,952	40,952
		<u>786,720</u>	<u>863,834</u>
Minority Interests		5,738	3,719
Total equity		<u>792,458</u>	<u>867,553</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>2,747,295</u>	<u>2,801,582</u>
Net Assets Per Share (RM)		<u>1.30</u>	<u>1.42</u>

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

	AS AT END OF CURRENT QUARTER 30 Sept 2008 RM'000	AS AT PREVIOUS FINANCIAL YEAR END 31 December 2007 RM'000
ASSETS		
Cash and short-term funds	76,459	40,708
Deposits and placements with financial institutions	-	-
Securities purchased under resale agreements	-	-
Securities held for trading	15,523	34,595
Securities available for sales	-	-
Securities held to maturity	-	-
Loans, advances and financing	-	-
Other assets		
- Balance due from clients and brokers	4	-
- Amount due from subsidiary companies	48,194	45,555
- Amount due from related companies	-	-
- Other receivables	140	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	887	942
Deferred tax assets	1,066	-
Tax recoverable	2,972	-
Asset of disposal group/non current assets classified as held for sale	-	-
TOTAL ASSETS	743,445	720,145
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		
-Balance due to clients and brokers	-	-
- Amount due to subsidiary companies	60,382	52,904
- Other payables	1,751	3,091
Provision for taxation and zakat	-	643
Deferred tax liabilities	-	993
Subordinated obligations	-	-
Liabilities directly associated with assets classified as held for sale	-	-
TOTAL LIABILITIES	62,133	57,631
SHAREHOLDERS EQUITY		
Share Capital	611,759	611,759
Share Premium	75	75
Profit and loss reserve	69,478	50,680
Capital reserve	-	-
	681,312	662,514
Total equity	681,312	662,514
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	743,445	720,145
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 September 2008

	<u>Group</u>	
	CURRENT YEAR TO DATE 30 Sept 2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 Sept 2007 RM'000
Cash flows from operating activities		
(Loss)/Profit before taxation		
- Continuing operations	(68,524)	88,223
- Discontinued operations	-	37,878
Adjustments for non operating and non cash items	97,428	(15,140)
Operating profit before changes in working capital	<u>28,904</u>	<u>110,961</u>
Net changes in operating assets	(286,615)	(552,752)
Net changes in operating liabilities	143,494	1,007,939
Cash (used in)/generated from operations	<u>(114,217)</u>	<u>566,148</u>
Net tax paid	(15,778)	(11,885)
Net cash (used in) /generated from operating activities	<u>(129,995)</u>	<u>554,263</u>
Net cash generated from investing activities	275,768	(161,827)
Net cash used in financing activities	(64,767)	(18,051)
Net increase in cash and cash equivalents during the period	<u>81,006</u>	<u>374,385</u>
Cash and cash equivalents brought forward	347,040	103,822
Cash and cash equivalents carried forward	<u>428,046</u>	<u>478,207</u>
Cash and cash equivalents as at 30th September 2008 comprised of :-		
Non trust cash and short term funds	<u>428,046</u>	
	<u>428,046</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 September 2008

	<u>Company</u>	
	CUMULATIVE QUARTER	
	CURRENT YEAR TO DATE 30 Sept 2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 Sept 2007 RM'000
Cash flows from operating activities		
Profit before taxation		
- Continuing operations	51,851	4,804
Adjustments for non operating and non cash item	(57,169)	(12,649)
Operating loss before changes in working capital	<u>(5,318)</u>	<u>(7,845)</u>
Net changes in operating assets	(37)	159,903
Net changes in operating liabilities	3,457	540
Cash (used in)/ generated from operations	<u>(1,898)</u>	<u>152,598</u>
Net tax refund/(paid)	-	(795)
Net dividends received	45,842	1,785
Interest income	3,125	3,705
Net cash generated from operating activities	<u>47,069</u>	<u>157,293</u>
Net cash generated from/(used in) investing activities	11,236	(145,622)
Net cash used in financing activities	(22,553)	(8,743)
Net increase in cash and cash equivalents during the period	<u>35,752</u>	<u>2,928</u>
Cash and cash equivalents brought forward	40,707	34,302
Cash and cash equivalents carried forward	<u>76,459</u>	<u>37,230</u>
Cash and cash equivalents as at 30th September 2008 comprised of :-		
Non trust cash and short term funds	<u>76,459</u>	
	<u>76,459</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 September 2008

Group

	<----Attributable to Equity Holders of the Parent----->						Minority Interests	Total Equity	
	< ---Non -Distributable----->			Available					
	Share Capital RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	For Sale Reserve RM'000	Statutory Reserve RM'000	Share Premium RM'000	Retained profits 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 and associated company's net assets	-	296	-	-	-	-	-	-	296
Net unrealised losses on securities	-	-	-	(1,693)	-	-	-	-	(1,693)
Net loss for the year	-	-	-	-	-	-	(53,082)	2,019	(51,063)
Income reserve capitalised to capital reserve	-	-	31,000	-	-	-	(31,000)	-	-
Dividend paid	-	-	-	-	-	-	(22,635)	-	(22,635)
As at 30 September 2008	611,759	(1,030)	71,952	(2,389)	45,717	75	60,636	5,738	792,458

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

Group

	<----Attributable to Equity Holders of the Parent----->						Minority Interests	Total Equity
	< ---Non -Distributable----->			Available				
	Share Capital RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	For Sale Reserve RM'000	Share Premium RM'000	Retained profits RM'000		
As at 1 January 2007	611,759	(591)	34,352	-	75	83,247	4,289	733,131
Application of GP8				8,992		3,726		12,718
As restated	611,759	(591)	34,352	8,992	75	86,973	4,289	745,849
Exchange differences from translation of subsidiary company's net assets	-	(26)	-	-	-	-	-	(26)
Reversal of reserve from disposal of securities	-	-	-	(9,004)	-	-	-	(9,004)
Income reserve capitalised to capital reserve	-	-	6,600	-	-	(6,600)	-	-
Net profit for the year	-	-	-	-	-	106,715	2,173	108,888
Dividend paid	-	-	-	-	-	(8,743)	(541)	(9,284)
As at 30 September 2007	611,759	(617)	40,952	(12)	75	178,345	5,921	836,423

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 September 2008

Company

	--Attributable to Equity Holders of the Parent--				Total Equity
	<-- Non Distributable-->		Distributable		
	Share Capital RM'000	Capital Reserve RM'000	Share Premium RM'000	Retained profits RM'000	RM'000
As at 1 January 2008	611,759	-	75	50,680	662,514
Net profit for the year	-	-	-	41,433	41,433
Dividend paid	-	-	-	(22,635)	(22,635)
As at 30 September 2008	<u>611,759</u>	<u>-</u>	<u>75</u>	<u>69,478</u>	<u>681,312</u>

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

Company

	-Attributable to Equity Holders of the Parent--				Total Equity
	<-- Non Distributable-->		Distributable		
	Share Capital RM'000	Capital Reserve RM'000	Share Premium RM'000	Retained profits RM'000	RM'000
As at 1 January 2007	611,759	128,817	75	15,209	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	-	-	-	3,111	3,111
Dividend paid	-	-	-	(8,743)	(8,743)
As at 30 September 2007	<u>611,759</u>	<u>128,817</u>	<u>75</u>	<u>10,984</u>	<u>751,635</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

**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 31st 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 and value which in turn is affected by market sentiment and the country's macro economic cycles.

**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 September 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 September 2008.

- A8. Dividends paid per share**

No dividends were paid during the quarter ended 30 September 2008.

K & N KENANGA HOLDINGS BERHAD (002359-X)

(Incorporated in Malaysia)

8a. Comparative Figures

In accordance with the Guidelines for Submission of Financial Institution Statistical System Reports version 3.5 Release 8 ("FISS") issued by BNM which is applicable to the Bank, share margin accounts is now classified as loans, advances and financing. Previously, the margin accounts were classified as balances due from clients and brokers. The following figures have been restated to conform with the current financial period presentation: -

	As previously reported (RM'000)	Reclassification (RM'000)	As restated (RM'000)
Balance Sheet as at 31st December 2007			
Loans, advances and financing	216,080	326,551	542,631
Balances due from clients and brokers	660,365	(326,551)	333,814
Income Statement for the financial year ended 30th September 2007			
Allowance for loans, advances and financing	(1,829)	(96)	(1,925)
Allowance for bad and doubtful debts on balances due from clients and brokers	(1,751)	96	(1,655)

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2008

	September 2008 RM' 000	December 2007 RM' 000
A9 (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	18,433	59,111
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	-	-
Unquoted securities:		
Private and Islamic Debt Securities in Malaysia	24,331	159,742
Foreign Private Debt Securities	-	-
	<u>24,331</u>	<u>159,742</u>
Total securities held-for-trading	<u>42,764</u>	<u>218,853</u>

A10 (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	15,012	15,021
Cagamas Bonds	59,568	69,916
Bank Negara Monetary Notes	109,444	
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>184,024</u>	<u>174,901</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2008

	September 2008 RM' 000	December 2007 RM' 000
Quoted securities:		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	10,242	11,246
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	511	-
	<u>10,753</u>	<u>11,246</u>
Unquoted securities:		
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	137,311	282,923
Malaysian Government Bonds	-	-
Foreign Islamic and Private Debt Securities	-	-
Credit Link Notes	-	-
Malaysia Global Sukuk	-	-
Others	3,100	3,100
	<u>142,514</u>	<u>288,126</u>
Accumulated impairment losses	<u>(3,100)</u>	<u>(3,100)</u>
Total securities available-for-sale	<u>334,191</u>	<u>471,173</u>

A11 (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>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2008

	September 2008 RM' 000	December 2007 RM' 000
A12 Loans, advances and financing		
Overdrafts	-	-
Term loans	-	-
- Real estate	-	-
- Syndicated term loan/financing	-	-
- Hire purchase receivables	-	-
- Lease receivables	-	-
- Other term loans/financing	471,872	101,579
- Constructions	-	-
Credit card receivables	-	-
Bills receivables	-	-
Trust receipts	-	-
Claims on customers under acceptance credits	-	-
Share margin financing	408,236	332,147
Revolving credits	-	-
Staff loans	-	-
Housing loans to	-	-
- Executive directors of the Bank	-	-
- Executive directors of subsidiaries	-	-
Others	73,004	118,095
	<u>953,112</u>	<u>551,821</u>
Unearned interest and income	(372)	(2)
Gross loans, advances and financing	<u>952,740</u>	<u>551,819</u>
Allowances for bad and doubtful debts and financing:		
- specific	(52,238)	(2,600)
- general	(11,495)	(6,588)
Net loans, advances and financing	<u>889,007</u>	<u>542,631</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	11,911	101,579
- Others	483,591	85,278
Government and statutory bodies	-	-
Individuals	457,610	364,964
Other domestic entities	-	-
Foreign entities	-	-
Total domestic operations	<u>953,112</u>	<u>551,821</u>
Overseas operations:		
Singapore	-	-
Hong Kong SAR	-	-
United States of America	-	-
People's Republic of China	-	-
Others (Please specify)	-	-
Gross loans, advances and financing	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2008

	September 2008 RM' 000	December 2007 RM' 000
(ii) By interest/profit rate sensitivity		
Fixed rate		
- Housing loans/financing	-	-
- Hire purchases receivable	-	-
- Cost price	-	-
- Other fixed rate loans/financing	408,236	332,147
Variable rate		
- Base lending rate plus	73,004	118,095
- Cost plus	471,872	101,579
- Other variable rates	-	-
Gross loans, advances and financing	<u>953,112</u>	<u>551,821</u>
(iii) Total loans by economic purposes		
Domestic operations:		
Purchase of securities	73,004	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	228,279	45,176
Construction	86,232	56,403
Real Estate	25,005	-
Transport, storage and communication	98,199	-
Finance, insurance and business services	32,347	-
Working capital	-	-
Others	410,046	332,147
Total domestic operations	<u>953,112</u>	<u>551,821</u>
Overseas operations:		
Singapore	-	-
Hong Kong SAR	-	-
United States of America	-	-
People's Republic of China	-	-
Others (Please specify)	-	-
Gross loans, advances and financing	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2008

	September 2008 RM' 000	December 2007 RM' 000
(iii) Non-performing loans by economic purpose		
Purchase of securities	16,519	3,990
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	46,397	-
Total domestic operations	62,916	3,990
Overseas operations:		
Singapore	-	-
Hong Kong SAR	-	-
United States of America	-	-
People's Republic of China	-	-
Others (Please specify)	-	-
	-	-
	-	-
	-	-
(iv) Movement in non-performing loans, advances and financing ("NPL") are as follows		
At beginning of the period	3,990	4,049
Non-performing during the period	62,055	480
Amount written back in respect of recoveries	-	-
Reclassified as performing	-	-
Acquired upon business acquisition	-	-
Transfer from a subsidiary	-	-
Recovered	(2,907)	(539)
Amount written off	(222)	-
Converted to securities	-	-
Exchange differences and expenses debited	-	-
At end of the period	62,916	3,990
Specific allowance	-	-
Net non-performing loans, advances and financing	62,916	3,990
Net NPL as a% of gross loans, advances and financing (including Islamic loans sold to Cagamas) less specific allowances	6.60%	0.72%

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2008

(v) Movement in specific allowance for bad and doubtful debts (and financing) accounts are as follows

	September 2008 RM' 000	December 2007 RM' 000
<u>Specific Allowance</u>		
At beginning of the period	2,600	3,082
Allowance made during the period	49,867	54
Amount written back in respect of recoveries	(7)	(536)
Acquired upon business acquisition	-	-
Transfer from a subsidiary	-	-
Amount written off	(222)	-
Transfer to general allowances	-	-
Transfer to impairment losses in value of securities	-	-
Transfer to restructured/rescheduled loans	-	-
Exchange differences	-	-
At end of the period	<u>52,238</u>	<u>2,600</u>

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

<u>General Allowance</u>		
At beginning of the period	6,588	2,818
Allowance made during the period	5,713	3,770
Amount written back	(806)	-
Acquired upon business acquisition	-	-
Transfer from specific allowance	-	-
Exchange differences	-	-
At end of the period	<u>11,495</u>	<u>6,588</u>
As % of gross loans, advances and financing (including Islamic loans sold to Cagamas) less specific allowances	<u>1.28%</u>	<u>1.20%</u>

A13 Other Assets

Interest/Income receivable	-	3,276
Prepayments and deposits	15,639	11,048
Other debtors	1,556	6,438
Foreclosed properties	-	-
Investment properties	-	-
Derivative assets	-	-
	<u>17,195</u>	<u>20,762</u>
Allowance for doubtful debts	-	(1,887)
	<u>17,195</u>	<u>18,875</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2008

	September 2008 RM' 000	December 2007 RM' 000
A14 Deposits from Customers		
Fixed deposits and negotiable instruments of deposits		
- One year or less	480,199	387,344
- More than one year	-	-
Savings deposits	-	-
Demand deposits	-	-
Structured deposits	-	-
	<u>480,199</u>	<u>387,344</u>
Business enterprise	279,095	291,127
Individuals	1,023	-
Government and statutory bodies	192,875	96,217
Others	7,206	-
	<u>480,199</u>	<u>387,344</u>
A15 Deposits and Placement of Banks and Other Financial Institutions and Debt Securities		
Licensed banks	130,000	-
Licensed finance companies	-	-
Licensed investment banks	50,000	-
Non-banking institutions	404,608	470,561
Other financial institutions	-	3,040
	<u>584,608</u>	<u>473,601</u>
Subordinated obligations		
Unsecured		
- less than one year	-	-
- more than one year	1,367	1,384
	<u>1,367</u>	<u>1,384</u>
A16 Other liabilities		
Interest/Profit payable	360	7,944
Provision for outstanding claims	-	-
Unearned premium reserves	-	-
Profit Equalisation Reserves	-	-
Provision and accruals	56,622	70,923
Hire purchase creditors	-	246
Due to brokers and clients	-	-
Deposits and other creditors	1,044	800
Derivative liabilities	-	-
	<u>58,026</u>	<u>79,913</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2008

	September 2008 RM' 000	December 2007 RM' 000
A17 Bank Borrowings		
Hire purchase creditors	90	-
Revolving bank loan	66,953	104,195
Term loan	-	-
Secured notes issuance facility	-	-
	<u>67,043</u>	<u>104,195</u>

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

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2008

	September 2008		December 2007		
	RM'000	RM'000 Credit Equivalent	RM'000 Notional	RM'000 Credit Equivalent	RM'000 Risk Weighted
A18 Commitments and Contingencies and Off-Balance Sheet					
Financial Instruments					
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	-	-	-	-	-
Obligations under share financing	-	-	-	-	-
Irrevocable commitments to extend credit:					
- maturity within one year	522,739	-	779,079	-	-
- Margin	13,850	-	-	-	-
- Term loan	-	-	-	-	-
- maturity exceeding one year	22,684	11,342	197,500	98,750	98,750
- Term loan	-	-	-	-	-
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	88	-	68	-	-
Capital expenditure commitments	-	-	-	-	-
Non-cancellable lease rental commitments	-	-	-	-	-
	559,361	11,342	1,121,557	171,205	171,205

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2008

	Non trading book						Trading books RM	Total RM	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			
A19 Interest/Profit Rate Risk									
Cash and short-term funds	359,559	-	-	-	-	251,485	611,044	5.48%	
Deposits and placements with banks and other financial institutions	350	-	-	-	-	14,870	15,220		
Securities purchased under resale agreements	-	-	-	-	-	15,523	42,764	4.78%	
Securities held-for-trading	-	119,371	29,999	154,173	17,792	12,856	334,191	3.97%	
Securities available-for-sale	-	-	1,000	-	-	490	1,490		
Securities held-to-maturity	-	-	-	-	-	-	-		
Loans, advances and financing	409,591	32,449	270,383	176,584	-	-	889,007	6.48%	
- performing	-	-	-	-	-	-	-		
- non-performing	448,600	-	-	-	-	140,925	140,925		
Other assets n1	448,600	-	2,000	-	-	262,054	712,654		
Other non-interest sensitive balances	1,218,100	151,820	303,382	330,757	17,792	698,263	2,747,295		
TOTAL ASSETS									

Interest/Profit Rate Risk

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits from customers	374,192	103,007	3,000	-	-	-	480,199	5.62%
Deposits and placements of banks and other financial institutions	308,540	39,113	236,955	-	-	-	584,608	5.63%
Borrowings	67,043	-	-	-	-	-	67,043	5.43%
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-	-	
Bills and acceptances payable	-	-	-	-	-	-	-	
Recourse obligation on loans sold to Cagamas	-	-	-	1,367	-	-	1,367	5.08%
Subordinated notes	463,864	-	-	-	13,051	344,705	821,620	
Other non-interest sensitive balances	1,213,639	142,120	239,955	1,367	13,051	344,705	1,951,837	
Total Liabilities								
Shareholders' equity	-	-	-	-	-	786,720	786,720	
Minority interests	-	-	-	-	-	5,738	5,738	
Total Liabilities and Shareholders' Equity	1,213,639	142,120	239,955	1,367	13,051	1,137,163	2,747,295	
On-balance sheet interest sensitivity gap	4,461	9,700	63,427	329,390	4,741	(438,960)	27,241	
Total interest sensitivity gap	4,461	9,700	63,427	329,390	4,741	(438,960)	27,241	

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 years RM'000				
A19 Interest/Profit Rate Risk									
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	-	-	-	-	-	-	-		
Securities held-for-trading	48,990	70,843	58,669	251,678	27,645	13,348	471,173	3.44%	
Securities available-for-sale	-	-	-	-	-	1,490	1,490		
Securities held-to-maturity	-	-	-	-	-	-	-		
Loans, advances and financing	344,368	110,381	87,882	-	-	-	542,631	8.00%	
- performing	-	-	-	-	-	-	-		
- non-performing	9,370	-	-	-	-	324,444	333,814	6.30%	
Other assets n1	419	-	-	-	-	605,212	605,631		
Other non-interest sensitive balances	-	-	-	-	-	-	-		
TOTAL ASSETS	735,855	181,224	146,551	251,678	27,645	1,239,776	2,801,582		

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	-	-	-	1,384	-	-	1,384	
Subordinated notes	4	9	40	72	13,013	954,367	967,505	
Other non-interest sensitive balances	505,713	109,633	191,917	159,386	13,013	863,834	1,934,029	
Total Liabilities	-	-	-	-	-	3,719	-	
Shareholders' equity	-	-	-	-	-	1,821,920	2,801,582	
Minority interests	505,713	109,633	191,917	159,386	13,013	-	-	
Total Liabilities and Shareholders' Equity	230,142	71,591	(45,366)	92,292	14,632	(582,144)	-	
(On-balance sheet interest sensitivity gap	230,142	71,591	(45,366)	92,292	14,632	(582,144)	-	
Total interest sensitivity gap	-	-	-	-	-	-	-	

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 SEPTEMBER 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:

	September 2008 RM'000	December 2007 RM'000
Components of Tier I and Tier II capital:		
<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	(15,564)	(3,061)
Goodwill	(17,606)	(17,606)
Current unaudited unadjusted loss	(44,582)	-
Total Tier I capital	<u>583,582</u>	<u>686,367</u>
<u>Tier II capital</u>		
General allowances for bad and doubtful debts	<u>10,535</u>	<u>1,524</u>
Total Tier II capital	<u>10,535</u>	<u>1,524</u>
Total capital	594,117	687,891
Less: Investments in subsidiary companies	<u>(23,838)</u>	<u>(23,838)</u>
Capital base	<u>570,279</u>	<u>664,053</u>
Core capital ratio	33.81%	47.31%
Risk-weighted capital ratio	33.81%	47.31%
Core capital ratio (net of dividend payable / proposed dividend)	33.81%	44.29%
Risk-weighted capital ratio (net of dividend payable / proposed dividend)	33.81%	44.29%

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2008

	Individual Quarter		Cumulative Quarter	
	30 September 2008 RM'000	30 September 2007 RM'000	30 September 2008 RM'000	30 September 2007 RM'000
A21 Interest Income				
Loans, advances and financing				
- Interest income other than recoveries from NPL	7,919	2,278	21,714	5,614
- Recoveries from NPLs	-	-	-	59
- Inter-company	-	-	-	-
Money at call and deposit placements with financial institutions	6,455	8,064	23,905	20,461
Securities purchased under resale agreements	1	-	1	145
Securities held-for-trading	521	759	1,482	1,616
Securities available-for-sale	2,815	870	9,632	2,176
Securities held-to-maturity	-	-	-	-
Interest on Margin	(15,160)	5,727	-	17,786
Interest on reverse repo	20	4	20	17
Interest on Contra	-	706	-	1,519
Others	24,295	-	24,981	-
	<u>26,866</u>	<u>18,408</u>	<u>81,735</u>	<u>49,393</u>
Amortisation of premium less accretion of discount	75	2,335	212	2,668
Interest income suspended	-	-	-	-
	<u>26,941</u>	<u>20,743</u>	<u>81,947</u>	<u>52,061</u>
A22 Interest Expense				
Deposits and placement of banks and other financial institutions	2,576	10,312	9,228	14,659
Intercompany loan	-	-	-	-
Term loan	-	2,645	-	2,645
Deposits from customers	9,328	(1,081)	29,586	3,260
Obligations on securities sold under repurchase agreements	-	222	-	222
Floating rate certificate of deposits	-	-	-	-
Subordinated notes	-	-	-	-
Subordinated bonds	-	-	-	-
Others	12	(2,707)	24	1,190
	<u>11,916</u>	<u>9,391</u>	<u>38,838</u>	<u>21,976</u>
A23 Non-interest Income				
(a) Fee income:				
Commissions	1,414	2,622	10,714	8,468
Service charges and fees	2,901	1,537	2,901	4,919
Guarantee fees	-	98	-	98
Underwriting fees	-	(107)	693	258
Brokerage income	14,992	62,985	77,655	198,845
Other fee income	2,875	2,868	15,465	10,584
	<u>22,182</u>	<u>70,003</u>	<u>107,428</u>	<u>223,172</u>
(b) Gain/(loss) arising from sale of securities:				
Net gain/(loss) from sale of securities held-for-trading	852	554	271	2,502
Net gain/(loss) from sale of securities available-for-sale	251	709	-	19,323
Net loss from redemption of securities held-to maturity	-	-	-	-
Net gain/(loss) from sale of subsidiary company	-	-	-	-
	<u>1,103</u>	<u>1,263</u>	<u>271</u>	<u>21,825</u>
(c) Gross dividend from:				
Securities portfolio	264	286	599	670
(d) Unrealised gains /(losses) on revaluation of securities held-for-trading and derivatives	(66)	(696)	1,043	4,291
Write back of impairment losses on securities	-	-	-	-
	<u>(66)</u>	<u>(696)</u>	<u>1,043</u>	<u>4,291</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2008

	Individual Quarter		Cumulative Quarter	
	30 September 2008	30 September 2007	30 September 2008	30 September 2007
	RM'000	RM'000	RM'000	RM'000
(e) Other income:				
Foreign exchange profit	418	58	399	213
Net premiums written	-	-	-	-
Rental income	-	-	-	-
Gains on disposal of property, plant and equipment	3	107	86	491
Gain on disposal of foreclosed properties	-	-	-	-
Intercompany written off	-	-	-	-
Capital gain arising from receipt of shares in Bursa Malaysia Berhad	-	-	-	-
Others	399	1,249	774	1,847
	<u>820</u>	<u>1,414</u>	<u>1,459</u>	<u>2,551</u>
Total non-interest income	<u>24,303</u>	<u>72,270</u>	<u>110,800</u>	<u>252,509</u>

A24 Other operating expenses

Personnel costs	13,210	17,164	53,713	58,107
- Salaries, allowances and bonuses	10,231	14,855	45,516	51,729
- Pension costs	(89)	1,357	4,737	3,985
- Others	3,068	952	3,460	2,393
Establishment costs	8,046	7,098	23,252	16,740
- Depreciation	1,778	1,653	5,174	4,757
- Rental of leasehold land and premises	3,508	3,415	10,161	6,079
- Repairs and maintenance of property, plant and equipment	385	564	1,276	1,394
- Information technology expenses	760	719	2,098	2,082
- Others	1,615	747	4,543	2,428
Marketing expenses	941	768	3,925	2,453
- Advertisement and publicity	34	29	147	326
- Others	907	739	3,778	2,127
Administration and general expenses	15,808	36,571	63,781	113,461
- Fees and brokerage	3,861	24,030	27,718	75,011
- Administrative expenses	7,487	11,358	24,245	36,563
- General expenses	-	-	-	-
- Claims incurred	27	20	75	101
- Unrealised losses on revaluation of securities held-for- trading and derivatives	4,583	-	4,583	-
- Net loss from sale of securities held-for-trading	(2,092)	-	4,686	-
- Net loss from sale of securities available-for-sale	497	-	497	-
- Others	1,445	1,163	1,977	1,786
	<u>38,005</u>	<u>61,601</u>	<u>144,671</u>	<u>190,761</u>

A25 Allowances on bad & doubtful accounts on balances due from clients and brokers

Allowances for bad and doubtful debts and financing:				
- general allowance made (net)	(875)	(11)	(96)	(11)
- specific allowance	(1,016)	6,096	4,215	7,108
- specific allowance written back	-	(5,255)	-	(5,255)
Bad debts and financing recovered	(7)	(22)	(140)	(187)
Provision for other debts	-	-	-	-
	<u>(1,898)</u>	<u>808</u>	<u>3,979</u>	<u>1,655</u>

A25a Allowance for Losses on Loans, Advances and Financing

Allowances for bad and doubtful debts and financing:				
- general allowance made (net)	820	934	5,713	2,404
- specific allowance	42,254	57	49,867	57
- specific allowance written back	(322)	-	(806)	-
Bad debts and financing recovered	(1)	(5)	(6)	(536)
Provision for other debts	-	-	-	-
	<u>42,751</u>	<u>986</u>	<u>54,768</u>	<u>1,925</u>

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 September 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 RM553 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.

**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

The challenging environment in the capital market in 2008, following from the global financial downturn has resulted in lower revenue for the Group and Kenanga Investment Bank Berhad (“the Bank”).

During the quarter ended 30 September 2008, the Group recorded a loss before taxation from continuing operations of RM58.34 million as compared to a loss of RM7.74 million in the previous quarter ended 30 June 2008. . For the 9 months period ended 30 September 2008, the Group recorded a loss before taxation of RM68.52 million.

The decrease in the stockbroking income for the Bank by 60% from RM198.8 million in 9 months period of 2007 compared to RM77.6 million for the same period in 2008 was in line with the decrease in trading value on Bursa Malaysia.

For the 9 months period ended 30th September 2008, the Bank conducted a stringent provisioning exercise and adopted a more prudent approach, beyond Bank Negara Malaysia’s requirements, with regard to its loans and proprietary trading portfolio. This approach is to enable the Bank to present a more prudent view on its financial position.

Despite the losses, the Group’s financial position is on a solid financial footing as evidenced by the Bank’s risk weighted capital ratio of 33.81% , well above the minimum of 8% as prescribed by Bank Negara Malaysia. The Bank’s core business of stockbroking and corporate advisory remains profitable.

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

During the quarter ended 30 September 2008, the Group recorded a loss before taxation from continuing operations of RM58.34 million as compared to a loss of RM7.74 million in the previous quarter ended 30 June 2008. .

The decrease in the stockbroking income for the Bank by 76% from RM62.98 million in 3 months period of 2007 compared to RM14.99 million for the same period in 2008 was in line with the decrease in trading value on Bursa Malaysia.

For the 3 months period ended 30th September 2008, the Bank also conducted a stringent provisioning exercise and adopted a more prudent approach, beyond Bank Negara Malaysia’s requirements, with regard to its loans and proprietary trading portfolio. This approach is to enable the Bank to present a more prudent view on its financial position

SELECTED EXPLANATORY NOTES

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

B3. Current year prospects

In this challenging environment with reduced trading volumes at the local bourse and adverse capital market condition for fund raising, the Group anticipates that profit contribution from its various profit centers will be affected.

In the short term, The Group will continue to implement stringent measures to preserve shareholders equity, in particular to its loans and proprietary trading activities. Furthermore, to strategically position the Group and the Bank to capitalize on any eventual upturn in the capital market, proactive measures are continuously being implemented. To this end, the Group and the Bank has formulated and is implementing business strategy which has taken into account of the current global economic environment. The new business strategy will provide positive growth to the Group's and the Bank's revenue and earnings as well as achieve greater diversification to its revenue base. With these measures in place, the Board of Directors and Management are confident in achieving continuous growth and build upon the Group's and Bank's solid financial capital base.

To further develop and sustain its business, the Group and the Bank continues to source and acquire good talents, emphasizing on continuous new product development and implementing innovative marketing strategies to meet clients' requirements and expectations.

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 Sept 2008	Cumulative Quarter Current Year to date 30 Sept 2008
	-----RM'000-----	
Current period taxation	1,047	2,156
Overprovision—prior years	(3,876)	(4,064)
Deferred taxation	(14,152)	(15,613)
Share of associates taxation	42	60
Total	(16,939)	(17,461)

K & N KENANGA HOLDINGS BERHAD (502859-X)

(Incorporated in Malaysia)

SELECTED EXPLANATORY NOTES

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

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	(14,459)	(781)
Add: tax effect of expenses that are not deductible for tax purposes	4,002	7,650
Less: Inter-company dividends		
Less: Utilization of Unabsorbed tax losses and capital allowances	-	(16,057)
Less: Non taxation of capital items	(917)	(943)
Add: Tax losses not recognised	11,949	12,343
Tax expense	<u>1,047</u>	<u>2,156</u>

B6. Profits on Sale of Investments and/or Properties

There were no sales of unquoted investments and properties for the quarter ended 30 September 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 September 2008 and the profit arising there from were as follows:

	Individual Quarter	Cumulative Quarter
	-----RM'000-----	
Total purchases for the period	<u>1,236</u>	<u>4,403</u>
Total sales for the period	<u>858</u>	<u>17,047</u>
Total gain/(loss) on disposal for the period	<u>30</u>	<u>(3,665)</u>

(Incorporated in Malaysia)

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

B7. Quoted Securities (contd)

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

Total investment at cost	RM'000 6,039
Total investment at carrying value/book value	5,351
Total investment at market value at end of reporting period	5,351

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 VND40,000,000,000 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.

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 (contd)

Bank Negara subsequently approved KNKHB's proposed acquisition of up to 49% equity interest in Vietnam Golden Securities Corporation.

B9. Group Borrowings

		Total Loans RM'000
Subordinated Loan (unsecured)	- Note 1	1,367
Short term loan from a financial institution (secured)	- Note 2	66,953

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 RM33.65 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 RM66.8 million in order to finance its own working capital. These facilities have repayment periods of one month and the average interest rates charged were 5.45% per annum.

B10. Off Balance Sheet Financial Instruments

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

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(Incorporated in Malaysia)

SELECTED EXPLANATORY NOTES

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

B11. Changes in material Litigation

There are no changes in material litigation during the quarter ended 30 September 2008.

B12. Dividend

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

B13. Earnings per share

The amount used as the numerator for the purposes of calculating the basic loss per share for the nine-month period is RM53.08 million representing the loss for the period attributable to ordinary equity holder of the parent (30 September 2007:-profits attributable to ordinary equity holder of parent: RM106.72 million)

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

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