

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended 31 December 2008

The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENTS

Group

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31 December 2008 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 December 2007 RM'000 Restated	CURRENT YEAR TO DATE 31 December 2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 December 2007 RM'000 Restated
Continuing Operations					
Interest income	A21	25,698	21,686	107,645	73,747
Interest expense	A22	(12,357)	(9,680)	(51,195)	(31,656)
Net interest income		13,341	12,006	56,450	42,091
Non interest income	A23	27,154	131,865	128,188	310,025
Net Income		40,495	143,871	184,638	352,116
Other operating expenses	A24	(35,624)	(129,656)	(170,529)	(245,447)
Operating profits		4,871	14,215	14,109	106,669
Allowance for losses					
on loans, advances and financing	A25a	(6,257)	14,723	(61,025)	12,798
Allowance for bad and doubtful accounts on balances from clients & brokers	A25	394	17,034	(3,585)	14,758
Impairment of securities available for sales		-	-	(18,308)	-
Share of losses in associates		(588)	(137)	(1,295)	(167)
Profit/(loss) before taxation		(1,580)	45,835	(70,104)	134,058
Taxation		1,905	(11,271)	19,366	(28,484)
Profit/(loss) for the period from continuing operations		325	34,564	(50,738)	105,574
Discontinued operations					
Profit for the period from discontinued operations		-	332	-	38,210
Profit/(loss) for the period		325	34,896	(50,738)	143,784

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 December 2008 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 December 2007 RM'000	CURRENT YEAR TO DATE 31 December 2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 December 2007 RM'000
(i) Profit/(loss) for the period attributable to				
- Equity holders of the parent	23	34,398	(53,059)	141,113
- Minority interests	302	498	2,321	2,671
	<u>325</u>	<u>34,896</u>	<u>(50,738)</u>	<u>143,784</u>
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)	0.0	5.6	(8.7)	23.1
(ii) Fully diluted	N/A	N/A	N/A	N/A

The condensed Consolidated Income statements should be read in conjunction with the Annual Financial Report for the year ended 31st December 2007

CONDENSED INCOME STATEMENTS

Company

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 December 2008 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 December 2007 RM'000	CURRENT YEAR TO DATE 31 December 2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 December 2007 RM'000
Continuing Operations				
Interest income	1,128	547	4,253	4,253
Interest expense	-	-	-	(2,644)
Net interest income	1,128	547	4,253	1,609
Non interest income	(439)	24,573	56,073	33,803
Net Income	689	25,120	60,326	35,412
Overhead expenses	(2,440)	(7,626)	(10,226)	(13,114)
Operating (loss)/profits	(1,751)	17,494	50,100	22,298
Allowance for losses on loans, advances and financing	-	-	-	-
Allowance on bad and doubtful accounts on trade receivables	-	-	-	-
(Loss)/Profit before taxation	(1,751)	17,494	50,100	22,298
Taxation	(758)	(8,080)	(11,176)	(9,773)
(Loss)/Profit for the period from continuing operations	(2,509)	9,414	38,924	12,525
Discontinued operations	-	-	-	-
(Loss)/Profit for the period	(2,509)	9,414	38,924	12,525

CONDENSED INCOME STATEMENTS

Company

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 December 2008 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 December 2007 RM'000	CURRENT YEAR TO DATE 31 December 2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 December 2007 RM'000
(i) (Loss)/profit for the period attributable to - Equity holders of the parent	(2,509)	9,414	38,924	12,525
	<u>(2,509)</u>	<u>9,414</u>	<u>38,924</u>	<u>12,525</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 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)	(0.4)	1.5	6.4	2.0
(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 31 December 2008 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31 December 2007 RM'000 <u>Restated</u>
	Note		
ASSETS			
Cash and short-term funds		1,004,940	609,143
Deposits and placements with financial institutions		13,867	18,847
Securities purchased under resale agreements			-
Securities held for trading	A9	88,597	218,853
Securities available for sales	A10	228,121	471,173
Securities held to maturity	A11	1,490	1,490
Loans, advances and financing	A12	860,055	542,631
Other assets			
- Balance due from clients and brokers		131,858	333,814
- Assets segregated for customers		447,230	397,079
- Other receivables	A13	17,818	18,875
Statutory deposits with the Central Bank		24,340	10,500
Investments in associated companies		77,397	78,073
Intangible assets		70,106	70,106
Property, plant and equipment		29,166	26,758
Deferred tax assets		21,215	3,983
Tax recoverable		17,524	257
Asset of disposal group/non current assets classified as held for sale		-	-
TOTAL ASSETS		<u>3,033,724</u>	<u>2,801,582</u>
LIABILITIES			
Deposits from customers	A14	927,011	387,344
Deposits and placements of banks and other financial institutions	A15	483,390	473,601
Obligations on securities sold under repurchase agreements		-	-
Bills and acceptances payable		-	-
Borrowings	A17	69,991	104,195
Other liabilities			
-Balance due to clients and brokers		505,400	666,505
- Amount held in trust		199,801	218,225
- Other payables	A16	52,398	79,913
Provision for taxation and zakat		302	1,795
Deferred tax liabilities		56	1,067
Subordinated obligations	A15	1,384	1,384
Liabilities directly associated with assets classified as held for sale		-	-
TOTAL LIABILITIES		<u>2,239,733</u>	<u>1,934,029</u>
SHAREHOLDERS EQUITY			
Share Capital		611,759	611,759
Share Premium		75	75
Profit and loss reserve		60,658	167,352
Exchange fluctuation reserve		(328)	(1,326)
Statutory reserve		45,718	45,718
Available for sale reserve		(1,883)	(696)
Capital reserve		71,952	40,952
		<u>787,951</u>	<u>863,834</u>
Minority Interests		6,040	3,719
Total equity		<u>793,991</u>	<u>867,553</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>3,033,724</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

CONDENSED BALANCE SHEETS
COMPANY

	AS AT END OF CURRENT QUARTER 31 December 2008 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31 December 2007 RM'000
ASSETS		
Cash and short-term funds	77,903	40,708
Deposits and placements with financial institutions	-	-
Securities purchased under resale agreements	-	-
Securities held for trading	16,996	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	43,610	45,555
- Amount due from related companies	-	-
- Other receivables	143	145
Statutory deposits with the Central Bank	-	-
Investments in subsidiary companies	588,087	588,137
Investments in associated companies	10,063	10,063
Intangible assets	-	-
Property, plant and equipment	1,110	942
Deferred tax assets	89	-
Tax recoverable	3,199	-
Asset of disposal group/non current assets classified as held for sale	-	-
TOTAL ASSETS	741,203	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	60,409	52,904
- Other payables	1,991	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	62,400	57,631
SHAREHOLDERS EQUITY		
Share Capital	611,759	611,759
Share Premium	75	75
Profit and loss reserve	66,969	50,680
Capital reserve	-	-
	678,803	662,514
Total equity	678,803	662,514
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	741,203	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 year ended 31 December 2008

	<u>Group</u>	
	CUMULATIVE QUARTER	
	CURRENT YEAR TO DATE 31 December 2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 December 2007 RM'000
Cash flows from operating activities		
(Loss)/Profit before taxation		
- Continuing operations	(70,104)	134,058
- Discontinued operations	-	36,391
Adjustments for non operating and non cash items	84,928	(96,198)
Operating profit before changes in working capital	<u>14,824</u>	<u>74,251</u>
Net changes in operating assets	(161,799)	(383,303)
Net changes in operating liabilities	348,557	1,040,750
Cash generated from operations	<u>201,582</u>	<u>731,698</u>
Net tax paid	(17,164)	(22,155)
Net cash generated from operating activities	<u>184,418</u>	<u>709,543</u>
Net cash generated from investing activities	350,276	(407,459)
Net cash used in financing activities	(62,729)	(61,918)
Net increase in cash and cash equivalents during the period	<u>471,965</u>	<u>240,166</u>
Cash and cash equivalents brought forward	347,040	106,874
Cash and cash equivalents carried forward	<u>819,005</u>	<u>347,040</u>
Cash and cash equivalents as at 31st December 2008 comprised of :-		
Non trust cash and short term funds	<u>819,005</u>	
	<u>819,005</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 year ended 31 December 2008

	<u>Company</u>	
	CUMULATIVE QUARTER	
	CURRENT YEAR TO DATE 31 December 2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 December 2007 RM'000
Cash flows from operating activities		
Profit before taxation		
- Continuing operations	50,100	22,298
Adjustments for non operating and non cash item	(57,007)	(29,472)
Operating loss before changes in working capital	<u>(6,907)</u>	<u>(7,174)</u>
Net changes in operating assets	9,451	146,422
Net changes in operating liabilities	(1,102)	1,253
Cash generated from operations	<u>1,442</u>	<u>140,501</u>
Net tax paid	-	(795)
Net dividends received	45,868	17,066
Interest income	3,405	3,770
Net cash generated from operating activities	<u>50,715</u>	<u>160,542</u>
Net cash generated from/(used in) investing activities	9,116	(142,561)
Net cash used in financing activities	(22,635)	(11,576)
Net increase in cash and cash equivalents during the period	<u>37,196</u>	<u>6,405</u>
Cash and cash equivalents brought forward	40,707	34,302
Cash and cash equivalents carried forward	<u>77,903</u>	<u>40,707</u>
Cash and cash equivalents as at 31st December 2008 comprised of :-		
Non trust cash and short term funds	<u>77,903</u>	
	<u>77,903</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 year ended 31 December 2008

Group

	<---Attributable to Equity Holders of the Parent----->						Minority Distributable Interests	Total Equity	
	< ---Non -Distributable----->					Share Premium			
	Share Capital RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Available For Sale Reserve RM'000	Statutory Reserve RM'000				Retained profits RM'000
As at 1 January 2008	611,759	(1,326)	40,952	(696)	45,718	75	167,352	3,719	867,553
Retained profits capitalized as bonus issue in subsidiary	-	-	31,000	-	-	-	(31,000)	-	-
As at 1 January 2008 (restated)	611,759	(1,326)	71,952	(696)	45,718	75	136,352	3,719	867,553
Exchange differences from translation of subsidiary and associated company's net assets	-	998	-	-	-	-	-	-	998
Net unrealised losses on securities	-	-	-	(1,187)	-	-	-	-	(1,187)
Net loss for the year	-	-	-	-	-	-	(53,059)	2,321	(50,738)
Dividend paid	-	-	-	-	-	-	(22,635)	-	(22,635)
As at 31 December 2008	611,759	(328)	71,952	(1,883)	45,718	75	60,658	6,040	793,991

Consolidated Statement of changes in equity
for the year ended 31 December 2007

Group

	<---Attributable to Equity Holders of the Parent----->						Minority Distributable Interests	Total Equity	
	< ---Non -Distributable----->					Share Premium			
	Share Capital RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Available For Sale Reserve RM'000	Statutory Reserve 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 As restated	-	-	-	8,992	-	-	4,242	-	13,234
As at 1 January 2007 (restated)	611,759	(591)	34,352	8,992	-	75	87,489	4,289	746,365
Exchange differences from translation of subsidiary company's net assets	-	(735)	-	-	-	-	-	-	(735)
Reversal of reserve from disposal of securities	-	-	-	(9,688)	-	-	-	-	(9,688)
Retained profits capitalized as bonus issue in subsidiary	-	-	6,600	-	-	-	(6,600)	-	-
Net profit for the year	-	-	-	-	-	-	141,113	2,671	143,784
Transfer to statutory reserve	-	-	-	-	45,718	-	(45,718)	-	-
Dividend paid	-	-	-	-	-	-	(8,932)	(3,241)	(12,173)
As at 31 December 2007	611,759	(1,326)	40,952	(696)	45,718	75	167,352	3,719	867,553
Retained profits capitalized as bonus issue in subsidiary	-	-	31,000	-	-	-	(31,000)	-	-
As at 31 December 2007 (restated)	611,759	(1,326)	71,952	(696)	45,718	75	136,352	3,719	867,553

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 year ended 31 December 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	-	-	-	38,924	38,924
Dividend paid	-	-	-	(22,635)	(22,635)
As at 31 December 2008	<u>611,759</u>	<u>-</u>	<u>75</u>	<u>66,969</u>	<u>678,803</u>

Statement of changes in equity
for the year ended 31 December 2007

Company

	--Attributable to Equity Holders of the Parent--				Total Equity
	Share Capital RM'000	Capital Reserve RM'000	Share Premium RM'000	Retained profits RM'000	
As at 1 January 2007	611,759	29,956	75	15,289	657,079
Application of GP8	-	-	-	1,842	1,842
As restated	<u>611,759</u>	<u>29,956</u>	<u>75</u>	<u>17,131</u>	<u>658,921</u>
Net profit for the year	-	-	-	12,525	12,525
Transfer from capital reserve to retained profits	-	(29,956)	-	29,956	-
Dividend paid	-	-	-	(8,932)	(8,932)
As at 31 December 2007	<u>611,759</u>	<u>0</u>	<u>75</u>	<u>50,680</u>	<u>662,514</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 31 December 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 31 December 2008.

A8. Dividends paid per share

No dividends were paid during the quarter ended 31 December 2008.

K & N KENANGA HOLDINGS BERHAD (302859-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 31st December 2007			
Allowance for loans, advances and financing	(2,757)	15,555	12,798
Allowance for bad and doubtful debts on balances due from clients and brokers	30,313	(15,555)	14,758

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

	December 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	-	19,787
Bank Negara Malaysia Bills and Notes	-	-
Bankers' Acceptances and Islamic Accepted Bills	49,855	-
Cagamas Bonds	-	-
Foreign Government Securities	-	-
Others	-	-
Total Money Market Instruments	49,855	19,787
Quoted securities:		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	28,753	39,324
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	-	-
Unquoted securities:		
Private and Islamic Debt Securities in Malaysia	9,989	159,742
Foreign Private Debt Securities	-	-
	9,989	159,742
Total securities held-for-trading	88,597	218,853
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	15,016	15,021
Cagamas Bonds	59,874	69,916
Bank Negara Monetary Notes	-	-
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	74,890	174,901

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

	December 2008 RM' 000	December 2007 RM' 000
Quoted securities:		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	10,476	11,246
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	4,768	-
	<u>15,244</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	147,929	282,923
Malaysian Government Bonds	-	-
Foreign Islamic and Private Debt Securities	-	-
Credit Link Notes	-	-
Malaysia Global Sukuk	-	-
Others	3,100	3,100
	<u>153,132</u>	<u>288,126</u>
Accumulated impairment losses	(15,145)	(3,100)
Total securities available-for-sale	<u>228,121</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	-	-
Shares in Malaysia	1,490	1,490
	<u>1,490</u>	<u>1,490</u>
Accumulated impairment losses	-	-
Total securities held-to-maturity	<u>1,490</u>	<u>1,490</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

	December 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	479,115	101,579
- Constructions	-	-
Credit card receivables	-	-
Bills receivables	-	-
Trust receipts	-	-
Claims on customers under acceptance credits	-	-
Share margin financing	380,658	332,147
Revolving credits	-	-
Staff loans	-	-
Housing loans to	-	-
- Executive directors of the Bank	-	-
- Executive directors of subsidiaries	-	-
Others	70,299	118,095
	<u>930,072</u>	<u>551,821</u>
Unearned interest and income	-	(2)
Gross loans, advances and financing	930,072	551,819
Allowances for bad and doubtful debts and financing:		
- specific	(58,810)	(2,600)
- general	(11,207)	(6,588)
Net loans, advances and financing	<u>860,055</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	11,917	101,579
- Others	487,040	85,278
Government and statutory bodies	-	-
Individuals	431,115	364,962
Other domestic entities	-	-
Foreign entities	-	-
Total domestic operations	<u>930,072</u>	<u>551,819</u>
Overseas operations:		
Singapore	-	-
Hong Kong SAR	-	-
United States of America	-	-
People's Republic of China	-	-
Others (Please specify)	-	-
	<u>-</u>	<u>-</u>
Gross loans, advances and financing	<u>930,072</u>	<u>551,819</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

	December 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	380,658	332,147
Variable rate		
- Base lending rate plus	70,299	118,095
- Cost plus	479,115	101,577
- Other variable rates	-	-
Gross loans, advances and financing	<u>930,072</u>	<u>551,819</u>
(iii) Total loans by economic purposes		
Domestic operations:		
Purchase of securities	70,299	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	228,221	45,176
Construction	93,928	56,403
Real Estate	25,009	-
Transport, storage and communication	98,155	-
Finance, insurance and business services	31,992	-
Working capital	-	-
Others	382,468	332,145
Total domestic operations	<u>930,072</u>	<u>551,819</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 - 31 DECEMBER 2008

	December 2008 RM' 000	December 2007 RM' 000
(iii) Non-performing loans by economic purpose		
Purchase of securities	30,374	3,040
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	58,701	-
Others	-	-
Total domestic operations	<u>89,075</u>	<u>3,040</u>
Overseas operations:		
Singapore	-	-
Hong Kong SAR	-	-
United States of America	-	-
People's Republic of China	-	-
Others (Please specify)	-	-
	<u>89,075</u>	<u>3,040</u>
(iv) Movement in non-performing loans, advances and financing ("NPL") are as follows		
At beginning of the period	3,040	19,598
Non-performing during the period	89,357	173
Amount written back in respect of recoveries	-	-
Reclassified as performing	-	-
Acquired upon business acquisition	-	-
Transfer from a subsidiary	-	-
Recovered	(3,099)	(16,731)
Amount written off	(223)	-
Converted to securities	-	-
Exchange differences and expenses debited	-	-
At end of the period	<u>89,075</u>	<u>3,040</u>
Specific allowance	<u>(58,810)</u>	<u>(2,600)</u>
Net non-performing loans, advances and financing	<u>30,265</u>	<u>440</u>
Net NPL as a% of gross loans, advances and financing (including Islamic loans sold to Cagamas) less specific allowances	<u>3.47%</u>	<u>0.08%</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

	December 2008 RM' 000	December 2007 RM' 000
(v) Movement in specific allowance for bad and doubtful debts (and financing) accounts are as follows		
<u>Specific Allowance</u>		
At beginning of the period	2,600	2,978
Allowance made during the period	59,117	264
Amount written back in respect of recoveries	(2,677)	(642)
Acquired upon business acquisition	-	-
Transfer from a subsidiary	-	-
Amount written off	(230)	-
Transfer to general allowances	-	-
Transfer to impairment losses in value of securities	-	-
Transfer to restructured/rescheduled loans	-	-
Exchange differences	-	-
At end of the period	58,810	2,600
(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	2,816
Allowance made during the period	-	3,772
Amount written back	4,619	-
Acquired upon business acquisition	-	-
Transfer from specific allowance	-	-
Exchange differences	-	-
At end of the period	11,207	6,588
As % of gross loans, advances and financing (including Islamic loans sold to Cagamas) less specific allowances	1.29%	1.20%
A13 Other Assets		
Interest/Income receivable	120	3,276
Prepayments and deposits	11,718	11,048
Other debtors	6,858	6,438
Foreclosed properties	-	-
Investment properties	-	-
Derivative assets	-	-
	18,696	20,762
Allowance for doubtful debts	(878)	(1,887)
	17,818	18,875

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

	December 2008 RM' 000	December 2007 RM' 000
A14 Deposits from Customers		
Fixed deposits and negotiable instruments of deposits		
- One year or less	927,011	387,344
- More than one year	-	-
Savings deposits	-	-
Demand deposits	-	-
Structured deposits	-	-
	<u>927,011</u>	<u>387,344</u>
Business enterprise	596,173	291,127
Individuals	1,032	-
Government and statutory bodies	329,806	96,217
Others	-	-
	<u>927,011</u>	<u>387,344</u>
A15 Deposits and Placement of Banks and Other Financial Institutions and Debt Securities		
Licensed banks	100,000	-
Licensed finance companies	-	-
Licensed investment banks	-	-
Non-banking insitutions	268,779	470,561
Other financial institutions	114,611	3,040
	<u>483,390</u>	<u>473,601</u>
Subordinated obligations		
Unsecured		
- less than one year	-	-
- more than one year	1,384	1,384
	<u>1,384</u>	<u>1,384</u>
A16 Other liabilities		
Interest/Profit payable	6,747	7,944
Provision for outstanding claims	-	-
Unearned premium reserves	-	-
Profit Equalisation Reserves	-	-
Provision and accruals	42,390	70,923
Hire purchase creditors	78	246
Due to brokers and clients	-	-
Deposits and other creditors	1,236	800
Derivative liabilities	1,947	-
	<u>52,398</u>	<u>79,913</u>

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

	December 2008 RM' 000	December 2007 RM' 000
A17 Bank Borrowings		
Hire purchase creditors	-	-
Revolving bank loan	69,991	104,195
Term loan	-	-
Secured notes insurance facility	-	-
	<u>69,991</u>	<u>104,195</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

A18 Commitments and Contingencies and Off-Balance Sheet

Financial Instruments

	December 2008		December 2007		
	RM'000	RM'000 Credit Equivalent	RM'000 Notional	RM'000 Credit Equivalent	RM'000 Risk Weighted
Performance bond	-	-	-	-	-
Direct credit substitutes	-	-	-	-	-
Certain transaction-related contingent items	-	-	-	-	-
Short-term self-liquidating trade-related contingencies	-	-	-	-	-
Islamic housing and hire purchase loans sold to Cagamas Berhad	-	-	144,910	72,455	72,455
Obligations under underwriting agreements	25,000	-	-	-	-
Obligations under share financing	-	-	-	-	-
Irrevocable commitments to extend credit:	-	-	-	-	-
- maturity within one year	580,986	-	40	-	-
- Margin	3,790	-	779,039	-	-
- Term loan	-	-	-	-	-
- maturity exceeding one year	-	-	-	-	-
- Term loan	22,684	11,342	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	86	-	68	-	-
Non-cancellable lease rental commitments	-	-	-	-	-
	632,546	11,342	1,121,557	171,205	171,205

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

	Non trading book					Trading books RM	Total RM	Effective interest rate %
	Up to 1 month RM	>1 - 3 month RM	>3 - 12 month RM	>1 - 5 years RM	over 5 RM			
A19 Interest/Profit Rate Risk								
Cash and short-term funds	786,781	-	-	-	-	-	1,004,940	3.35%
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	
Securities purchased under resale agreements	-	-	-	-	-	-	13,867	
Securities held-for-trading	-	-	-	-	-	71,601	-	
Securities available-for-sale	-	15,016	15,001	174,867	17,935	-	88,597	4.78%
Securities held-to-maturity	-	1,000	1,000	-	-	-	228,121	3.97%
Loans, advances and financing	366,272	9,347	321,741	162,695	-	-	860,055	5.28%
Other assets n1	447,230	-	-	-	-	-	594,776	
Other non-interest sensitive balances	-	-	2,000	-	-	-	241,878	
TOTAL ASSETS	1,600,283	24,363	339,742	337,562	17,935	71,601	3,033,724	
Interest/Profit Rate Risk								
LIABILITIES AND SHAREHOLDERS' EQUITY								
Deposits from customers	668,492	200,519	58,000	-	-	-	927,011	3.62%
Deposits and placements of banks and other financial institutions	198,909	265,861	18,620	-	-	-	483,390	3.62%
Borrowings	69,991	-	-	-	-	-	69,991	5.28%
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	448,486	-	-	-	-	-	757,957	
Total Liabilities	1,385,878	466,380	76,620	1,384	-	-	2,239,733	
Shareholders' equity	-	-	-	-	-	-	787,951	
Minority interests	-	-	-	-	-	-	6,040	
Total Liabilities and Shareholders' Equity	1,385,878	466,380	76,620	1,384	-	-	3,033,724	
On-balance sheet interest sensitivity gap	214,405	(442,017)	263,122	336,178	17,935	71,601	-	
Total interest sensitivity gap	214,405	(442,017)	263,122	336,178	17,935	71,601	-	

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				
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	218,853	471,173	3.44%
Securities available-for-sale	-	-	-	-	-	1,490	-	1,490	8.00%
Securities held-to-maturity	344,368	110,381	87,882	-	-	324,444	-	542,631	6.36%
Loans, advances and financing	9,370	-	-	-	-	-	-	333,814	-
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	218,853	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	-	-	-	-	-	-	-	-	
Subordinated notes	-	-	-	1,384	-	-	-	1,384	5.00%
Other non-interest sensitive balances	4	9	40	72	13,013	954,367	-	967,505	
Total Liabilities	505,713	109,633	191,917	159,386	13,013	954,367	-	1,934,029	
Shareholders' equity	-	-	-	-	-	863,834	-	863,834	
Minority interests	-	-	-	-	-	3,719	-	3,719	
Total Liabilities and Shareholders' Equity	505,713	109,633	191,917	159,386	13,013	1,821,920	-	2,801,582	
On-balance sheet interest sensitivity gap	230,142	71,591	(45,366)	92,292	14,632	(582,144)	218,853	-	
Total interest sensitivity gap	230,142	71,591	(45,366)	92,292	14,632	(582,144)	218,853	-	

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 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:

	December 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	(8,579)	81,317
Statutory reserve	45,717	45,717
	<u>617,138</u>	<u>707,034</u>
Less: Deferred tax assets	(18,194)	(3,061)
Goodwill	(17,606)	(17,606)
Total Tier I capital	<u>581,338</u>	<u>686,367</u>
<u>Tier II capital</u>		
General allowances for bad and doubtful debts	10,300	4,822
Total Tier II capital	<u>10,300</u>	<u>4,822</u>
Total capital	591,638	691,189
Less: Investments in subsidiary companies	(23,873)	(23,838)
Capital base	<u>567,765</u>	<u>667,351</u>
Core capital ratio	33.00%	47.54%
Risk-weighted capital ratio	33.00%	47.54%
Core capital ratio (net of dividend payable / proposed dividend)	33.00%	44.29%
Risk-weighted capital ratio (net of dividend payable / proposed dividend)	33.00%	44.29%

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

	Individual Quarter		Cumulative Quarter	
	31 December 2008 RM'000	31 December 2007 RM'000	31 December 2008 RM'000	31 December 2007 RM'000
A21 Interest Income				
Loans, advances and financing				
- Interest income other than recoveries from NPL	7,996	3,708	29,710	9,321
- Recoveries from NPLs	-	-	-	59
- Inter-company	-	-	-	-
Money at call and deposit placements with financial institutions	7,011	5,899	30,917	26,360
Securities purchased under resale agreements	-	-	-	145
Securities held-for-trading	233	2,146	1,715	3,762
Securities available-for-sale	2,864	5,613	12,496	7,789
Securities held-to-maturity	-	-	-	-
Interest on Margin	6,726	6,556	31,707	24,342
Interest on reverse repo	-	9	-	27
Interest on Contra	787	481	807	2,000
Others	3	-	3	-
	<u>25,620</u>	<u>24,412</u>	<u>107,355</u>	<u>73,805</u>
Amortisation of premium less accretion of discount	78	(2,726)	290	(58)
Interest income suspended	-	-	-	-
	<u><u>25,698</u></u>	<u><u>21,686</u></u>	<u><u>107,645</u></u>	<u><u>73,747</u></u>
A22 Interest Expense				
Deposits and placement of banks and other financial institutions	(2,375)	(5,070)	6,853	9,589
Intercompany loan	-	-	-	-
Term loan	6,257	2,645	6,257	2,645
Deposits from customers	8,360	14,753	37,946	18,013
Obligations on securities sold under repurchase agreements	114	-	113	222
Floating rate certificate of deposits	-	-	-	-
Subordinated notes	-	-	-	-
Subordinated bonds	-	-	-	-
Others	1	(2,648)	26	1,187
	<u>12,357</u>	<u>9,680</u>	<u>51,195</u>	<u>31,656</u>
A23 Non-interest Income				
(a) Fee income:				
Commissions	3,316	2,844	14,030	11,312
Service charges and fees	3,528	1,299	6,429	6,217
Guarantee fees	-	9	-	107
Underwriting fees	9	83	702	341
Brokerage income	17,940	118,187	95,595	242,684
Other fee income	(50)	4,392	15,415	14,976
	<u>24,743</u>	<u>126,814</u>	<u>132,171</u>	<u>275,637</u>
(b) Gain/(loss) arising from sale of securities:				
Net gain/(loss) from sale of securities held-for-trading	1,891	2,707	(2,524)	5,209
Net gain/(loss) from sale of securities available-for-sale	179	(18,952)	(318)	371
Net loss from redemption of securities held-to maturity	-	-	-	-
Net gain/(loss) from sale of subsidiary company	-	-	-	-
	<u>2,070</u>	<u>(16,245)</u>	<u>(2,842)</u>	<u>5,580</u>
(c) Gross dividend from:				
Securities portfolio	434	469	1,033	1,140
(d) Unrealised gains /(losses) on revaluation of securities held-for-trading and derivatives	(1,170)	371	(4,710)	4,662
Write back of impairment losses on securities	-	-	-	-
	<u>(1,170)</u>	<u>371</u>	<u>(4,710)</u>	<u>4,662</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

	Individual Quarter		Cumulative Quarter	
	31 December	31 December	31 December	31 December
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
(e) Other income:				
Foreign exchange profit	25	141	624	353
Net premiums written	-	-	-	-
Rental Income	-	-	-	-
Gains on disposal of property, plant and equipment	32	73	118	565
Gain on disposal of foreclosed properties	-	-	-	-
Intercompany written off	-	-	-	-
Capital gain arising from receipt of shares in Bursa Malaysia Berhad	-	18,839	-	18,839
Others	1,020	1,403	1,794	3,249
	<u>1,077</u>	<u>20,456</u>	<u>2,536</u>	<u>23,006</u>
	-	-	-	-
Total non-interest income	<u>27,154</u>	<u>131,865</u>	<u>128,188</u>	<u>310,025</u>
A24 Other operating expenses				
Personnel costs	11,710	18,647	65,423	76,754
- Salaries, allowances and bonuses	11,199	16,439	56,715	68,168
- Pension costs	1,431	1,407	6,168	5,393
- Others	(920)	801	2,540	3,193
Establishment costs	8,581	7,883	31,833	24,622
- Depreciation	1,792	1,668	6,966	6,425
- Rental of leasehold land and premises	3,407	3,520	13,568	9,599
- Repairs and maintenance of property, plant and equipment	873	445	2,149	1,838
- Information technology expenses	601	615	2,699	2,698
- Others	1,908	1,635	6,451	4,062
Marketing expenses	770	761	4,695	3,214
- Advertisement and publicity	869	163	1,016	489
- Others	(99)	598	3,679	2,725
Administration and general expenses	14,563	102,365	68,578	140,857
- Fees and brokerage	7,034	91,555	34,751	92,218
- Administrative expenses	7,114	10,407	31,359	46,970
- General expenses	-	-	-	-
- Claims incurred	16	8	90	108
- Unrealised losses on revaluation of securities held-for- trading and derivatives	-	-	-	-
- Net loss from sale of securities held-for-trading	-	-	-	-
- Net loss from sale of securities available-for-sale	-	-	-	-
- Impairment of securities available-for-sale	-	-	-	-
- Others	399	395	2,378	1,561
	<u>35,624</u>	<u>129,656</u>	<u>170,529</u>	<u>245,447</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)	(34)	(11)	(34)	(22)
- specific allowance	(210)	(5,437)	3,767	1,671
- specific allowance written back	-	5,255	-	-
Bad debts and financing written off	-	145	-	145
Bad debts and financing recovered	(150)	(16,986)	(148)	(17,173)
Provision for other debts	-	-	-	621
	<u>(394)</u>	<u>(17,034)</u>	<u>3,585</u>	<u>(14,758)</u>
A25a Allowance for Losses on Loans, Advances and Financing				
Allowances for bad and doubtful debts and financing:				
- general allowance made (net)	4,619	1,368	4,619	3,772
- specific allowance	4,349	99	59,117	156
- specific allowance written back	-	-	-	-
Bad debts and financing written off	(2,677)	2	(2,677)	2
Bad debts and financing recovered	(34)	(16,192)	(34)	(16,728)
Provision for other debts	-	-	-	-
	<u>6,257</u>	<u>(14,723)</u>	<u>61,025</u>	<u>(12,798)</u>

A27. SEGMENTAL REPORTING

Continued Operations

Discontinued Operations

	Continued Operations										Discontinued Operations									
	Investment Bank	Stock broking	Futures	Capital Financing	Property Management	Investment Management	Corporate and Others	Eliminations	Total	Property Management	Investment Management	Property Management	Investment Management	Total	Property Management	Investment Management				
	2008	2008	2008	2008	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	RM'000	RM'000	RM'000	RM'000				
Revenue																				
External sales	103,428	32,801	95,595	242,624	21,153	22,069	8,425	9,579	535	740	832	-	230,139	308,372	-	914	230,139	312,073		
Inter-segment sales	103,428	32,801	95,595	242,624	21,153	22,069	8,425	9,579	140	68,771	23,857	(69,232)	230,139	308,372	-	2,787	914	230,139	312,073	
Total revenue																				
Result																				
Segment results	1,548	10,376	(19,263)	120,519	17,083	20,552	(2,251)	9,650	(313)	48	(1,495)	(1,236)	(60,006)	252,031	163,164	38,994	114	(17,614)	202,272	
Loss on disposal of discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unallocated corporate expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Profit from operation	1,548	10,376	(19,263)	120,519	17,083	20,552	(2,251)	9,650	(313)	48	(1,495)	(1,236)	(60,006)	252,031	163,164	38,994	114	(17,614)	202,272	
Finance cost, net	(42,110)	(20,237)	(14)	(31)	(6,823)	(5,951)	(6,324)	(5,651)	-	-	-	-	4,076	2,859	(31,656)	-	-	(51,195)	(31,656)	
Share of results of associates	-	-	-	-	-	-	-	-	-	-	-	-	(1,295)	(200)	(200)	-	-	(1,295)	(200)	
Share of results of jointly controlled entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Taxation	-	-	15,641	(19,962)	(2,719)	(3,655)	1,564	(1,160)	(78)	(12)	3	-	15,979	6,363	(28,451)	-	1,819	-	19,366	
Profit after taxation	(40,562)	(9,861)	(3,656)	100,526	7,541	10,946	(7,011)	2,839	(391)	36	(1,492)	(1,236)	15,979	6,363	(28,451)	-	40,813	(50,738)	143,784	
Minority interest	(40,562)	(9,861)	(3,656)	100,526	7,541	10,946	(7,011)	2,839	(391)	36	(1,492)	(1,236)	(53,059)	100,186	(2,671)	-	40,813	(53,059)	(2,671)	
Net profit for the year	(40,562)	(9,861)	(3,656)	100,526	7,541	10,946	(7,011)	2,839	(391)	36	(1,492)	(1,236)	(53,059)	100,186	(2,671)	-	40,813	(53,059)	(2,671)	
Assets																				
Segments assets	942,600	514,143	1,366,608	1,577,387	501,510	445,626	92,940	130,517	61,722	62,705	13,776	15,404	(792,762)	(748,199)	2,917,588	2,718,844	-	2,917,588	2,718,844	
Investments in equity method of associates	-	-	68,435	68,435	-	-	-	-	-	-	-	-	(1,101)	77,397	78,498	-	-	77,397	78,498	
Investments in equity method of jointly controlled entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unallocated corporate assets	-	-	31,463	3,069	302	274	3,536	648	54	-	-	5	3,384	244	4,240	-	-	38,739	4,240	
Consolidated total assets	942,600	514,143	1,466,506	1,648,891	501,812	445,900	96,476	131,165	61,776	62,705	13,776	15,409	750,641	731,568	2,801,582	2,801,582	-	3,033,724	2,801,582	
Liabilities																				
Segment liabilities	1,489,852	902,374	297,999	554,323	479,442	430,207	91,253	118,932	174	597	164	305	64,308	57,178	1,931,166	2,239,375	-	2,239,375	1,931,166	
Unallocated corporate liabilities	-	-	-	-	302	865	-	1	47	162	-	-	9	1,835	2,863	-	-	-	358	2,863
Consolidated total liabilities	1,489,852	902,374	297,999	554,323	479,442	431,072	91,253	118,933	221	759	164	305	64,317	59,013	1,934,029	2,239,375	-	2,239,733	1,934,029	
Other information																				
Capital expenditure	-	*	9,285	5,671	176	242	47	180	164	226	2	14	409	994	10,083	7,327	-	10,083	7,327	
Depreciation & Amortisation	-	*	5,848	5,419	253	224	228	236	85	82	220	236	332	228	6,966	6,425	-	6,966	6,425	
Impairment losses	-	-	18,308	-	(1,170)	-	-	-	-	-	-	-	-	1,056	18,308	(114)	-	-	18,308	
Reversal of impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Non-cash expenses other than depreciation, amortisation and impairment losses	47,183	*	8,227	(48,417)	-	-	9,415	1,764	-	-	(17)	3	9,560	(10,562)	74,368	(57,212)	-	(37,336)	74,368	

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

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 31 December 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 RM573 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

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 31 December 2008, the Group recorded a loss before taxation from continuing operations of RM1.58 million as compared to a loss of RM58.34 million in the previous quarter ended 30 September 2008. For the 12 months period ended 31 December 2008, the Group recorded a loss before taxation of RM70.10 million.

The loss before taxation that arises during the quarter ended 31 December 2008 was due mainly to allowances made in respect of loans, advances and financing of RM6.26 million.

For the 12 months period ended 31st December 2008, the Bank conducted a stringent provisioning exercise and adopted a more prudent approach 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% , well above the minimum of 8% as prescribed by Bank Negara Malaysia.

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

During the quarter ended 31 December 2008, the Group recorded a loss before taxation from continuing operations of RM1.58 million as compared to a loss of RM58.34 million in the previous quarter ended 30 September 2008. For the 12 months period ended 31 December 2008, the Group recorded a loss before taxation of RM70.10 million.

The loss before taxation that arises during the quarter ended 31 December 2008 was due mainly to allowances made in respect of loans, advances and financing of RM6.26 million.

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 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 sound 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 31 Dec 2008	Cumulative Quarter Current Year to date 31 Dec 2008
	-----RM'000-----	
Current period taxation	404	2,560
Overprovision–prior years	(93)	(4,157)
Deferred taxation	(2,234)	(17,847)
Share of associates taxation	18	78
Total	<u>(1,905)</u>	<u>(19,366)</u>

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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	(1,385)	(2,166)
Add: tax effect of expenses that are not deductible for tax purposes	407	8,057
Less: Inter-company dividends	-	(16,057)
Less: Utilization of Unabsorbed tax losses and capital allowances	(71)	(127)
Less: Non taxation of capital items	855	(88)
Add: Tax losses not recognised	598	12,941
Tax expense	<u>404</u>	<u>2,560</u>

B6. Profits on Sale of Investments and/or Properties

There were no sales of unquoted investments and properties for the quarter ended 31 December 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 31 December 2008 and the profit arising there from were as follows:

	Individual Quarter	Cumulative Quarter
	-----RM'000-----	
Total purchases for the period	<u>3,346</u>	<u>7,750</u>
Total sales for the period	<u>581</u>	<u>15,707</u>
Total gain/(loss) on disposal for the period	<u>126</u>	<u>(3,539)</u>

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

B7. Quoted Securities (contd)

- (b) Total investments in quoted securities by the Group other than the investment banking subsidiary as at 31 December 2008 were as follows:

	RM'000
Total investment at cost	<u>8,929</u>
Total investment at carrying value/book value	<u>7,713</u>
Total investment at market value at end of reporting period	<u>7,713</u>

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). VSGC is licensed by the State Securities Commission of Vietnam and will be principally conducting stockbroking and advisory operations, custodian services and such other securities related activities as may be permitted by the regulatory authorities of Vietnam.
- (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.

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SELECTED EXPLANATORY NOTES

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

B8. Status of Corporate Proposals (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	1,384
Short term loan from financial institutions (secured)	- Note 2	69,991

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. RM 5 million was repaid in December 2008 and the remaining balances of these subordinated loans amounting to RM28.65 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 RM69.9 million in order to finance its own working capital. These facilities have repayment periods of one month and the average interest rates charged were 5.28% per annum.

B10. Off Balance Sheet Financial Instruments

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

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SELECTED EXPLANATORY NOTES

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

B11. Changes in material Litigation

There are no changes in material litigation during the quarter ended 31 December 2008 except for a subsidiary of the Company who was served with writ of summons on 24 December 2008 from an individual demanding the transfer of shares in a few listed companies. These shares were purportedly subscribed at IPO prices and allegedly held by the subsidiary's nominated agent in trust for the individual.

B12. Dividend

No interim dividend has been declared for the current quarter ended 31 December 2008.

B13. Earnings per share

The amount used as the numerator for the purposes of calculating the basic loss per share for the twelve-month period is RM53.06 million representing the loss for the period attributable to ordinary equity holder of the parent (31 December 2007:-profits attributable to ordinary equity holder of parent: RM141.11 million)

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

By Order of the Board

K & N KENANGA HOLDINGS BERHAD

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

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