



ANNUAL REPORT 2008



KENANGA

K & N KENANGA HOLDINGS BERHAD (COMPANY NO. 302859-X)



OUR MISSION

To strive for excellence
To practise the highest degree of professionalism
To establish meaningful corporate citizenship

COVER RATIONALE

This cover design explores the dynamics of the watch, an instrument of synchronized perfection. Within it, each piece ticks away in absolute harmony. Therein lies Kenanga's resilience and strength that resonates throughout reflecting its determination to 'tick' on through thick and thin.

Just like the numerous parts of the timepiece, so too, it accentuates the cooperative spirit of teamwork in Kenanga's management and staff, each one working in unison to strike the right chord with each passing second, minute and hour.

The watch is a treasured piece of craftsmanship and it reflects Kenanga's own passion for excellence and perfection. It is this professionalism that is driving Kenanga forward to the next level as a responsible and dynamic corporate citizen.

Overall, the cover design reflects an artistic concept of time that captures the fine sense of balance – a timely synergy that synchronizes with the progress of Kenanga.

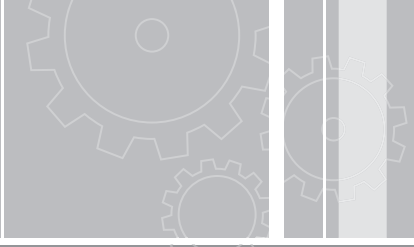


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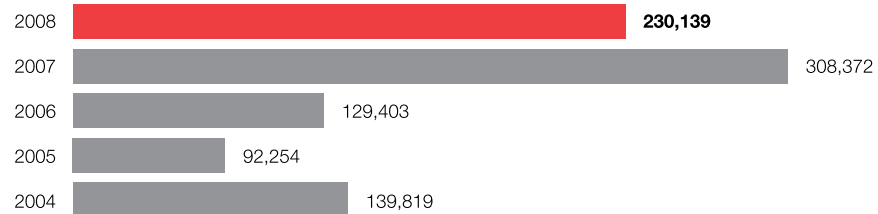
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5 Year Group Financial Summary

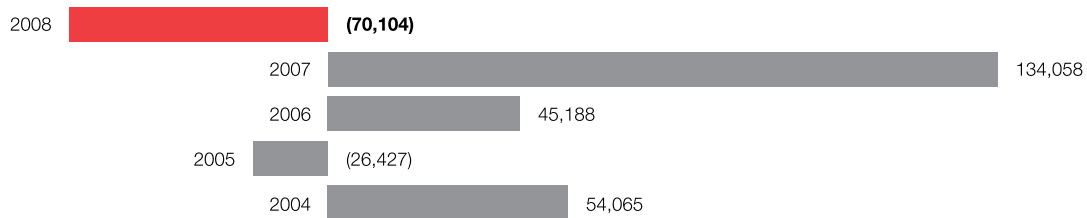
	2008	2007	2006	2005	2004
	RM ' 000	RM ' 000	RM ' 000	RM ' 000	RM ' 000
Results					
Operating Revenue	230,139	308,372	129,403	92,254	139,819
(Loss) / Profit Before Taxation - continuing operations	(70,104)	134,058	45,188	(26,427)	54,065
(Loss) / Profit After Taxation and minority interests	(53,059)	141,113	28,684	(38,189)	38,632
Assets					
Total Assets	3,033,724	2,801,582	1,609,811	1,227,531	1,385,564
Net Assets	793,991	867,553	746,365	714,042	765,980
Shareholders' funds					
Paid-up share capital	611,759	611,759	611,759	611,759	611,759
Shareholders' funds	787,951	863,834	742,076	711,304	763,765
Financial ratios					
Net return on average shareholders' funds (%)	(6.42)	17.57	3.95	(5.18)	5.15
Net return on average assets (%)	(1.82)	6.40	2.02	(2.92)	2.85
Share information					
Basic earnings per share	(8.7) sen	23.1 sen	4.7 sen	(6.2) sen	6.3 sen
Net assets backing per share	RM1.21	RM1.42	RM1.22	RM1.17	RM1.25
Dividend rate	-	5%	2%	1.5%	3%
Dividend cover (times)	-	6.24 x	3.22 x	(5.74) x	2.92 x
Net dividend per share	-	3.70 sen	1.46 sen	1.08 sen	2.16 sen



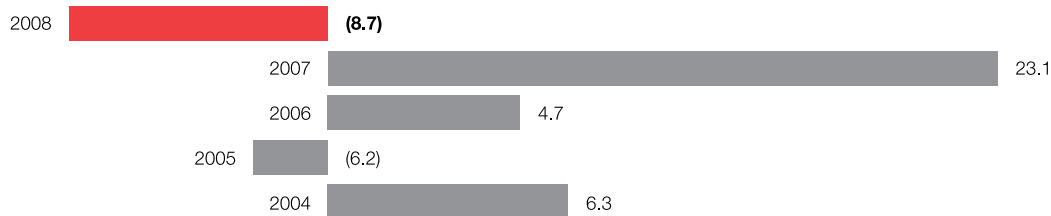
Operating Revenue (RM'000)



(Loss)/Profit Before Taxation - continuing operations (RM'000)



Basic Earning per Share (Sen)



Shareholders' Fund (RM'000)



Net Assets (RM'000)



Corporate Information

Board of Directors

YM Tengku Dato' Paduka Noor Zakiah Binti Tengku Ismail	(Executive Chairman)
Abdul Aziz Bin Hashim	(Non-Executive Director/Deputy Chairman)
Y Bhg Dato' Ramli Ismail	(Managing Director)
YM Raja Dato' Seri Abdul Aziz Bin Raja Salim	(Independent Non-Executive Director)
Y Bhg Dato' Richard Alexander John Curtis	(Non- Executive Director)
Luigi Fortunato Ghirardello	(Non-Executive Director)
Kevin How Kow	(Independent Non-Executive Director)
Izlan Bin Izhab	(Independent Non-Executive Director)

Audit Committee

YM Raja Dato' Seri Abdul Aziz Bin Raja Salim	(Independent Non-Executive Director/Chairman)
Kevin How Kow	(Independent Non-Executive Director)
Izlan Bin Izhab	(Independent Non-Executive Director)

Remuneration & Nomination Committee

YM Raja Dato' Seri Abdul Aziz Bin Raja Salim	(Independent Non-Executive Director/Chairman)
Kevin How Kow	(Independent Non-Executive Director)
Y Bhg Dato' Richard Alexander John Curtis	(Non-Executive Director)

Company Secretary

Yap Pik Yoon (MAICSA 0739805)

Registered Office

8th Floor, Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 03-2162 1490
Fax : 03-2161 4990
URL : www.kenanga.com.my
E-mail : kenanga@kenanga.com.my

Company No.

302859-X

Share Registrar

Symphony Share Registrars Sdn Bhd
Level 26, Menara Multi Purpose
Capital Square
No. 8 Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03-2721 2222
Fax : 03-2721 2530/2531
E-mail : ssrs@symphony.com.my

Auditors

Ernst & Young
(AF 0039)
(Chartered Accountants)

Principal Bankers

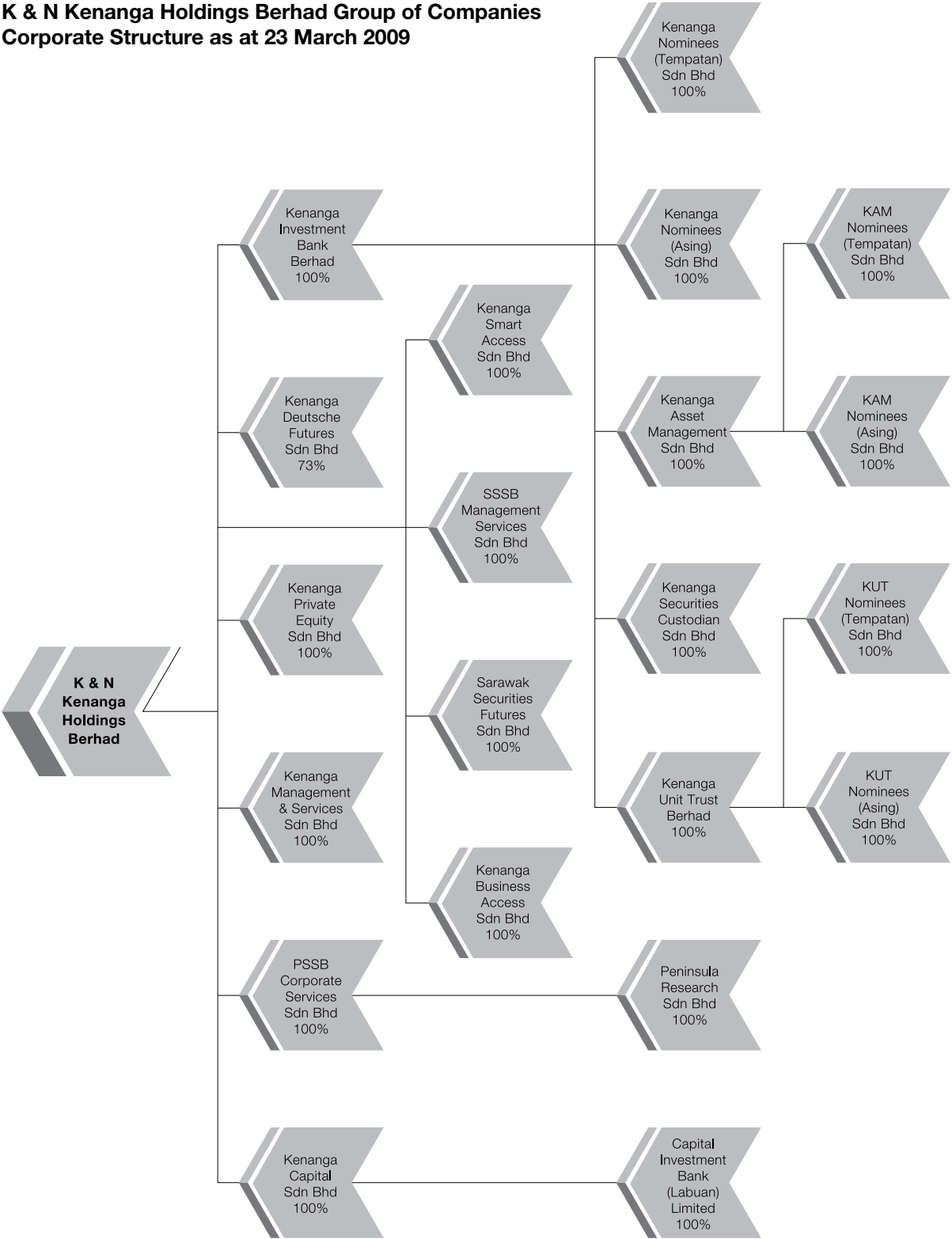
Deutsche Bank (Malaysia) Berhad
Malayan Banking Berhad
Public Bank Berhad
RHB Bank Berhad
Standard Chartered Bank (Malaysia) Berhad

Stock Exchange Listing

Bursa Malaysia Securities Berhad
Main Board

Corporate Structure

K & N Kenanga Holdings Berhad Group of Companies Corporate Structure as at 23 March 2009



Directors' Profile

YM Tengku Dato' Paduka Noor Zakiah Binti Tengku Ismail

Malaysian, age 81
Executive Chairman
Chairman of Tender Committee

YM Tengku Dato' Paduka Noor Zakiah Binti Tengku Ismail is the Executive Chairman of K & N Kenanga Holdings Berhad ("Kenanga Holdings") having been appointed to the Board on 22 July 1996.

She was the co-founder of K & N Kenanga Bhd (Stockbrokers) (now known as Kenanga Investment Bank Berhad) in 1973 and has been the major shareholder since the Bank was incorporated and subsequently Kenanga Holdings. Prior to this, she was a partner in a stockbroking firm, Hallam & Co.

She was the first lady member of Bursa Malaysia Securities Berhad in 1964 and has over 41 years' experience in the securities industry. She was one of the founders of the Association of Stockbroking Companies Malaysia and appointed as President of the Association, a post she held until 1994 when she became its chairperson. She retired as Chairperson in 1997 and was made a Life Advisor to the Association.

YM Tengku Noor is a director of Kenanga Investment Bank Berhad, Kenanga Unit Trust Berhad and other subsidiaries of Kenanga Group.

She has no conflict of interest with the Company and has no family relationship with any other director and/or major shareholder of the Company. She has never been convicted for any offences within the past 10 years.

Abdul Aziz Bin Hashim

Malaysian, age 73
Deputy Chairman, Non-Executive Director

Abdul Aziz Hashim was appointed to the Board of Kenanga Holdings on 22 July 1996.

He is a Barrister-at-Law from the Middle Temple, United Kingdom.

He joined K & N Kenanga Bhd (Stockbrokers) (now known as Kenanga Investment Bank Berhad) as shareholder and Executive Director in 1979. He retired from his executive position in 2004 and was redesignated as Non-Executive Deputy Chairman of the Company. Prior to joining Kenanga Holdings, he worked as Company Secretary in Majlis Amanah Rakyat (MARA) from 1960 to 1972. From 1972 to 1975, he was a partner in Hj. Ariffin & Co. (Stockbrokers) and subsequently became a Dealer in Charles Bradburne (1930) & Co Sdn Bhd from 1975 to 1976. He assumed the position of General Manager and Dealer in the stockbroking firm, Razak & Ramli from 1976 to 1979. He had served as a Member of Bursa Malaysia Securities Berhad Committee for a year in 1984.

He has no conflict of interest with the Company and has no family relationship with any other director and/or major shareholder of the Company. He has never been convicted for any offences within the past 10 years.

Y Bhg Dato' Ramli Ismail

**Malaysian, age 66
Managing Director**

Y Bhg Dato' Ramli Ismail was appointed to the Board of Kenanga Holdings on 22 July 1996.

He joined K & N Kenanga Bhd (Stockbrokers) (now known as Kenanga Investment Bank Berhad) as shareholder and Executive Director in 1980. In 1973, he was admitted as a Member of Bursa Malaysia Securities Berhad. In the same year, he established the stockbroking firm, Razak & Ramli and was there until 1980. He served as a Member of the Bursa Malaysia Securities Berhad Committee from 1985 to 1991 and was Deputy Chairman of the Committee for two terms from 1986 to 1987 and 1989 to 1991.

Dato' Ramli is also a director of Kenanga Investment Bank Berhad, Kenanga Unit Trust Berhad and other subsidiaries of Kenanga Group.

He has no conflict of interest with the Company and has no family relationship with any other director and/or major shareholder of the Company. He has never been convicted for any offences within the past 10 years.

Y Bhg Dato' Richard Alexander John Curtis

**British, Permanent Resident of Malaysia,
age 57
Non-Executive Director
Member of Remuneration &
Nomination Committee**

Y Bhg Dato' Richard Alexander John Curtis was appointed to the Board of Kenanga Holdings as Non-Executive Director on 29 September 2006.

He holds a Bachelor of Law (LL.B) from University of Bristol, United Kingdom and is admitted as a solicitor in England, Wales and Hong Kong. He is also a Sloan Fellow of London Business School, United Kingdom.

He is currently the Group Managing Director of Cahya Mata Sarawak Berhad, a conglomerate listed on the Main Board of Bursa Malaysia Securities Berhad with cement, construction materials, infrastructure and property development as its main businesses. He was appointed as the Group Managing Director in September 2006.

Dato' Richard is a director of Kenanga Investment Bank Berhad, Cahya Mata Sarawak Berhad, CMS Works Holding Berhad and several private limited companies. He is a Trustee of Yayasan Raja Muda Selangor.

He has no conflict of interest with the Company and has no family relationship with any other director and/or major shareholder of the Company. He has never been convicted for any offences within the past 10 years.

Directors' Profile (continued)

YM Raja Dato' Seri Abdul Aziz Bin Raja Salim

Malaysian, age 70
Independent Non-Executive Director
Chairman of Audit Committee
Chairman of Remuneration & Nomination Committee

YM Raja Dato' Seri Abdul Aziz was appointed to the Board of Kenanga Holdings as Independent Non-Executive Director on 26 July 1996.

He is an Honorary Fellow of the Malaysian Institute of Taxation, Fellow of the Chartered Association of Certified Accountants, United Kingdom, Fellow of the Chartered Institute of Management Accountants ("CIMA"), United Kingdom and a Chartered Accountant (Malaysia).

He served as Director General of Inland Revenue Malaysia from 1980 to 1990 and Accountant General Malaysia from 1990 to 1994. After his retirement from the Government service, he was appointed as Chairman of BSN Commercial Bank (M) Berhad from 1995 to 1999. He was a Board Member of several Government agencies and organisations as well as Deputy Chairman of the Employees Provident Fund and Deputy Chairman of the Universiti Pertanian Malaysia Council. YM Raja Dato' Seri Abdul Aziz was the President of

CIMA, Malaysia from 1976 to 1993 and a council member of CIMA, United Kingdom from 1990 to 1996. He was awarded the CIMA Gold Medal in recognition of his outstanding service to the Accounting Profession. He was a council member of the Malaysian Institute of Accountants ("MIA") until September 2005 and still sits on many MIA committees. At present, he is also the Chairman of Amanah Saham MARA Berhad.

YM Raja Dato' Seri Abdul Aziz is a director of Kenanga Investment Bank Berhad, Kenanga Unit Trust Berhad, Camerlin Group Bhd, Gamuda Berhad, Hong Leong Industries Berhad, Jerneh Asia Bhd, Jerneh Insurance Bhd, PPB Group Berhad, Panasonic Manufacturing Malaysia Berhad, Southern Steel Berhad and Tasek Corporation Berhad.

He has no conflict of interest with the Company and has no family relationship with any other director and/or major shareholder of the Company. He has never been convicted for any offences within the past 10 years.



Luigi Fortunato Ghirardello

Australian, age 45
Non-Executive Director

Luigi Ghirardello was appointed to the Board of Kenanga Holdings as Non-Executive Director on 15 February 2006.

He holds a Bachelor of Arts and a Bachelor of Law from the University of Sydney, Australia. He also holds a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia, Australia.

He was the Managing Director, Head of Global Finance – Asia Pacific for Deutsche Bank AG – Singapore Branch from May 2004 to March 2008. His role encompassed the management of Short Term Interest Rate Trading (STIRT) in Asia, an integrated short-term trading unit combining foreign exchange and money market products. In addition, he was responsible for interest rate trading in money markets/REPO and cash products and liquidity management in Japan and Australia. He also had regional responsibility for the Global Exchange Services platform in Asia Pacific.

Prior to which, he was Global Head of Money Markets Trading and Securities based in London as well as Deputy Chairman of the Global Markets Risk Committee.

Before joining Deutsche Bank in 1995, he was an Associate Director and Trading Manager at Schroders Australia Ltd and held various senior positions at National Australia Bank.

Luigi is a director of Kenanga Investment Bank Berhad.

He has no conflict of interest with the Company and has no family relationship with any other director and/or major shareholder of the Company. He has never been convicted for any offences within the past 10 years.

Directors' Profile (continued)

Kevin How Kow

Malaysian, age 60
Independent Non-Executive Director
Member of Audit Committee
Member of Remuneration & Nomination Committee

Kevin How was appointed to the Board of Kenanga Holdings as Independent Non-Executive Director on 4 February 2005.

He is a Fellow of The Institute of Chartered Accountants in England & Wales and a member of the Malaysian Institute of Accountants, the Malaysian Institute of Certified Public Accountants and the Institute of Certified Public Accountants of Singapore.

He was made a partner of Ernst & Young, Malaysia in 1984 and served as the partner-in-charge of its offices in Sabah and Sarawak and later from 1996 onwards as the partner-in-charge of the firm's practice in Sabah and Labuan until his retirement on 31 December 2003.

Kevin is a director of Kenanga Investment Bank Berhad, Cahya Mata Sarawak Berhad, CMS I-Systems Berhad, Sabah Development Bank Berhad and Saham Sabah Berhad.

He has no conflict of interest with the Company and has no family relationship with any other director and/or major shareholder of the Company. He has never been convicted for any offences within the past 10 years.

Izlan Bin Izhab

Malaysian, age 62
Independent Non-Executive Director
Member of Audit Committee

Izlan Bin Izhab was appointed to the Board of Kenanga Holdings as Independent Non-Executive Director on 20 October 2008.

Izlan graduated with a Bachelor of Law from the University of London, United Kingdom and attended the Advanced Management Program at the University of Hawaii, United States of America.

During his working career, he has served as Assistant Legal Officer for Majlis Amanah Rakyat from 1973 to 1975, Company Secretary for Kompleks Kewangan Malaysia Berhad from 1975 to 1978, Company Secretary for Permodalan Nasional Berhad from 1978 to 1984, and Executive Vice President, Corporate & Legal Affairs, Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad) from 1985 until his retirement in 2000.

Izlan is a director of Kenanga Investment Bank Berhad, Bank Perusahaan Kecil & Sederhana Malaysia Berhad (SME Bank), Box-Pak (Malaysia) Berhad, CIMB Aviva Assurance Berhad, CIMB Aviva Takaful Berhad, Malaysia Airports Holdings Berhad, N2N Connect Berhad, OSK-UOB Unit Trust Management Berhad and O&G Equities Berhad.

He has no conflict of interest with the Company and has no family relationship with any other director and/or major shareholder of the Company. He has never been convicted for any offences within the past 10 years.

Bursa Malaysia Outlook

Overview 2008

Another eventful year. Little did we realise an eventful year for the capital markets and the economy in 2007 would be succeeded with an even more turbulent episode in 2008. This prompted us to ask: is the worst over yet? Or will Malaysia's economy be much worse than it had experienced during the Asian Financial Crisis a decade ago. One thing is for sure, we don't think the worst is over. Nonetheless, we believe Malaysia is more resilient now than a decade ago but not much less immune to the whims of globalization and its dependence on US consumer demand as well as its addiction to the US dollar.

Mitigating factor in 2008. While many of its regional peers have registered much slower growth rates, the saviour for Malaysia was its abundance of natural resources especially crude oil, gas and palm oil. Both crude and palm oil prices rose to record high of US\$147.27/barrel (11 July) and US\$1,353.7/metric tonne (3 March). This helped mitigate the weakening electronics and electrical (E&E) shipments and partially support GDP growth of 7.1% in the 1H08.

The start of a slowdown in 2H08. Economic activity moved down a gear during the 3Q08, with data showing a broad-based moderation. Real GDP growth moderated to 4.7% from 6.7% in the 2Q08. Meanwhile, the sharp fall in prices of major commodities namely petroleum and palm oil, reduced Malaysia's ability to partially cushion the sharp decline in exports in 4Q08. As a result, GDP growth decelerated sharply to 0.1% in 4Q08 and will continue into 2009 as the global credit crisis intensifies, leading the world economy into a severe recession.

Economy slows in 2008 to 4.6%. The drastic pullback in US consumer demand, which accounts for about 70% of its GDP, continue to weigh on the world economy and Malaysia's growth in 2H08. Already, the economy of G3 namely the Euroland and Japan has contracted in the 3Q08 while the US has been officially declared to have entered into a recession since December 2007. Despite the intensifying global financial crisis in the 2H08, Malaysia's economy managed to hold its own thanks to a strong 1H08 performance and meaningful commodity-driven exports. However, for the whole of 2008, the economic growth moderated further to 4.6% from 6.3% in 2007. This is lower than the Government's growth target of 5.7%, International Monetary Fund (IMF) forecast of 5.8% and Asian Development Bank (ADB) projection of 5.6%.

2009 Outlook – Prevailing Uncertainties

The economy is next. Following the intensity of the global credit crisis, the world economy is worsening rapidly in recent months with streams of bad economic data especially from major economies led by the US. What is uncertain is how bad would the spillover of the financial meltdown impact the global economy. Would the on-going global concerted effort to lower interest rates, huge planned fiscal spending and bank bailouts be effective to put the brakes on the sharp downward slide on the global economy? And what happens if it doesn't?

How long will it last? Nonetheless, we believe the global economy have yet to experience the worst of the credit crisis fallout. Past experience shows that as the world becomes more globalised, the duration of the downturn tends to shorten. The worst of the past US economic downturn was the Great Depression which started in 1929 and lasted 44 months. The first and second oil crisis in 1973 and 1981 lasted 22 and 17 months respectively while the early 1990s recession and the recent burst of the dot.com bubble endured less than

Bursa Malaysia Outlook (continued)


12 months slowdown. While the current global credit crisis is unprecedented, measures undertaken by the US and other major economies are equally exceptional apart from being aggressive, fast and to a certain extent, coordinated. This will likely, we believe, prevent the global economy from falling into a prolonged and protracted downturn. Hence, the current global downturn may probably last about 18 to 20 months before a gradual and meaningful recovery emerges from 4Q09 onwards.

Looming deflationary threat. The expectation of sharply lower global demand in 2009 along with slowing inflationary trend in the US as well as many other countries raises concern of rising risk of deflation and prolonging the economic downturn. The prospect that the US Fed has run out of monetary options does not help either. It has cut its policy rates to virtually zero and is currently opting “quantitative easing” – printing money to buy assets. However, falling currencies worldwide may blunt deflationary pressures that might otherwise exacerbate the credit crisis. Nonetheless, worldwide inflation will continue to tumble in the coming months because of lower oil prices and recession. For now, aggressive global policy response would likely reduce any deflationary risk.


Lesson learned – building up resilience. The absence of prolonged and protracted global slump may just translate into a cyclical downturn for emerging Asian economies including Malaysia. The lesson learned and measures taken to fortify the financial system and efforts to diversify the real economy may have paid off for economies that suffered in the Asian Financial Crisis in 1997. Unlike then, Asian economies now have less short-term debt, larger external reserves and most countries have large current account surplus. In particular, Malaysia’s financial institutions, corporates and households are not-heavily geared and are generally more liquid. Though we do not think that the impact on emerging Asia would be as severe as the 1997 crisis, it is likely to last longer due to the absence of strong demand for Asian exports that spurred a faster recovery a decade ago.

2009 Growth Prospects

Downward momentum builds up. Following the surprisingly lower 4Q08 performance, Malaysia appeared to be joining other Asian countries in recession. Nonetheless, the delayed adverse growth effect on Malaysia could be a blessing in disguise as Malaysia remains vulnerable to the slowing US economy which largely depends on the success of the Obama administration in managing US worst financial crisis since the Great Depression. To make things worse, the US economy shrank at an annual rate of 6.2% in the fourth quarter, the most since 1982 while consumer spending dropped at an annual rate of 4.3%, the fastest decline since 1980.

Malaysia GDP Growth Forecast 							
By Sector	2005	2006	2007	1H08	2H08	2008	2009F
Agriculture	2.6	5.4	2.2	6.1	1.8	3.8	-1.7
Mining	-0.4	-2.7	3.3	1.6	-3.1	-0.8	-1.5
Manufacturing	5.2	7.1	3.1	6.3	-3.5	1.3	-2.0
Construction	-1.5	-0.5	4.6	4.6	-0.2	2.1	3.0
Services	7.2	7.3	9.7	8.4	6.4	7.3	3.2
Real GDP	5.3	5.8	6.3	7.1	2.4	4.6	0.6

Source: Dept. of Statistics, Kenanga Research, F=denotes forecast by Kenanga Research



1H09 will be bad. For sure, Malaysia's downturn has just begun and it may experience perhaps its worst in 1H09 before signs of recovery emerge in the second half of the year. As the current global downturn deteriorates, we expect that Malaysia's average GDP growth to contract between 2.0-3.0% in the 1H09 on the back of further decline in exports and domestic demand. As the global economic environment appears to deteriorate, it may compel the Government to be more expedient in implementing necessary measures to defend Malaysia from the adverse external shock.

Policy flexibility in managing crisis. Hence, we believe the Government still has ample room to apply both the fiscal and monetary policy to partially shield the domestic economy from the contagious effect of slowing global growth. The second stimulus package, unveiled on 10 March, was substantially larger at RM60.0b compared to the RM7.0b announced last November. Furthermore, Bank Negara may still have room to reduce the benchmark Overnight Policy Rate (OPR) by as much as 50 basis points (bps) to 1.50%. In line with the global trend, it has slashed the OPR by 150 bps since November last year. On the assumption of a gradual and steady recovery beginning 4Q09 onwards, at this juncture, our GDP forecast for 2009 remains at 0.6%. However, we do not discount further downside risk to any meaningful growth recovery due to possible delays to the implementation of the fiscal stimulus and lack of response towards measures to induce lending and private spending.

Fiscal Policy To Sustain Growth Recovery

Domestic demand to cushion the impact. The key to resilience is the ability of domestic demand, led by Government's pump priming effort, to cushion the adverse impact from the sharp decline of external demand. Plus the fact that Malaysia's overall financial sector's ability to remain relatively unscathed following the US subprime debt crisis is another factor that may lessen the overall adverse impact on the economy.

Managing fiscal deficit. Although the Government remains committed to contain its budget deficit to ensure that it is sustainable over the medium term, we believe its current priority is to sustain growth. This means that the tax collected from fuel consumption will likely be rechanneled into more productive sectors such as improving public transport, education, as well as boosting construction activities. With depletion in tax revenue and the burgeoning fiscal spending, the Government is projecting the budget deficit to widen to 7.6% of GDP in 2009 from an estimated 3.3% in 2008.

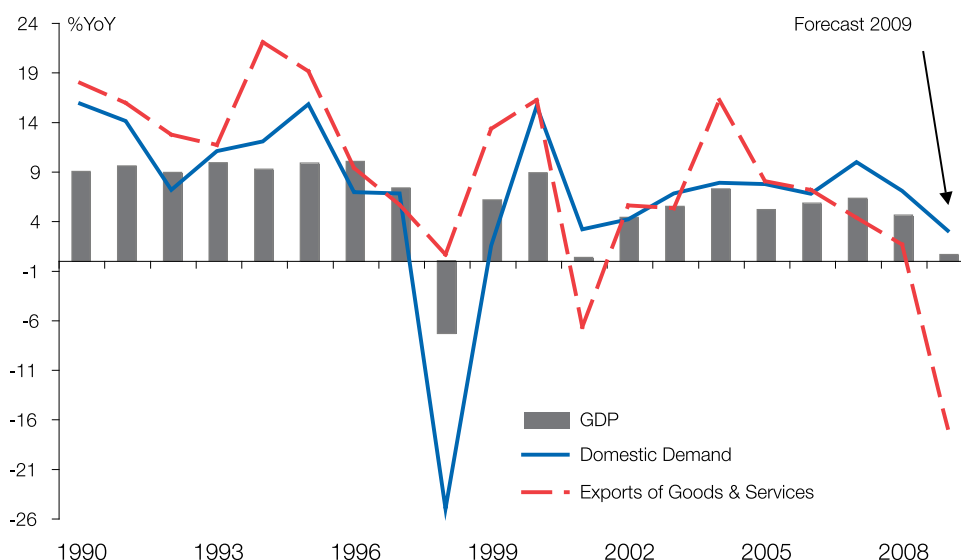
Show us the money. Ample liquidity and domestic resource surplus should continue to provide the capability and flexibility to the Government in implementing expansionary measures to support growth. Malaysia still enjoys fiscal flexibility, and the continued expansionary budget in 2009 will not create adverse risks to the economy. This is because public sector debt (comprising domestic and external borrowings) remains manageable, with total federal government debt over GDP remains relatively low at 41.2% as at end-2008. The present debt level is way below the average of 93.2% of GDP during the period 1986-90 and its peak of 103.2% of GDP in 1986 when the economy was in recession. Despite the large portfolio fund outflows, Malaysia's current external reserves position remains commendable. Having the luxury of sizeable domestic financial liquidity and ample reserves of about 44.5% GDP, the Government could stomach two consecutive years of record fiscal deficits without entirely abandoning fiscal prudence in the strict technical sense.

Bursa Malaysia Outlook (continued)

Domestic raised funds. Low public debt level provides greater flexibility for the Government to raise domestic sources of funds, especially from the non-inflationary sources to bridge the financing gap. Specifically, the 2009 budget shortfall would continue to be financed through issuance of Malaysian Government Securities (MGS) which largely would be absorbed mainly by the provident, pension and insurance funds. We estimate about RM80.0b (Official estimate: RM73.0b) worth of government bonds will be issued this year to meet development financing, growth target, as well as maturities. So far, the Government raised RM15.5b in the first two months of this year, the most for that period in at least a decade. The Government sold a record RM60.0b of notes in 2008.

The multiplier effect. Assuming the multiplier effect of the November fiscal stimulus starts to kick in during the 2Q09 and the latest RM60.0b stimulus package in March would start to have an impact on the economy in 4Q09, we believe it would help support domestic demand growth and eventually cushion the growth downturn. Hence, public expenditure is projected to expand by 9.4% in 2009 up from an estimated 6.1% in 2008. This would mean that public spending contribution to the overall GDP may likely increase to 2.8 percentage points (pps) in 2009 from 1.6 pps in 2008. The efficiency of the multiplier effect, however, is premised on speedy implementation of projects and disbursements of payments to the relevant economic parties.

Malaysia's GDP vs. Demand-Side Growth Trend

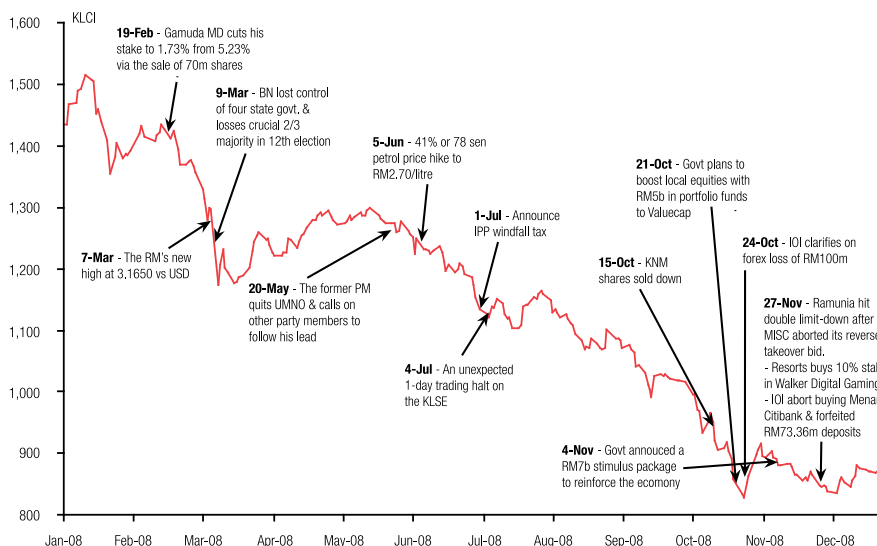


Source: Dept. of Statistics, BNM, Kenanga Research

Supporting domestic demand. Nonetheless, sharply lower projected private spending of -0.4% in 2009 (2008: +7.1%) would weigh down domestic demand. With the support from public spending, aggregate domestic demand is projected to grow by 2.9% in 2009 albeit smaller than 6.8% in 2008. Nonetheless, domestic demand is relatively sufficient to take up some slack in net exports which is expected to shave off 3.4pps from the overall GDP growth in 2009 on the back of 26.0% YoY contraction as the world economy goes into a deep recession.

MARKET OUTLOOK

KLCI-Past Market Milestones



Source: Kenanga Research

Financial Sector is strong. Loan growth is still healthy at 7%-9%. Liquidity remains high. A low loan to deposit of 76.0% and low government debt to GDP of less than 40.0% (it was at its peak of 103.2% of GDP during the recession in the mid-1980s) signals ability to gear up more. Banks and fixed income investors need to come to terms with the higher risks in comparing yields to the lower OPR.

The Government has ample room with various policy tools to pump prime the economy. With an additional RM7b added to the remaining RM140b (out of RM230b 9th MP capital expenditure) to be spent for 2009-2010, we expect public spending to contribute 2.3% out of 3.3% GDP for 2009.

Can the Government execute it this time? With the transition of leadership in BN clearly mapped out and the opposition party conceding that a switchover in government is unlikely, we clearly believe that the closing of ranks within the component parties of the ruling government will result in policies put in place being carried out swiftly.

However, more substantive impact from the Government initiatives to the economy should be seen in 4Q09 as it should take 6 to 9 months to take effect after the award of contracts.

Malaysia Inc is much stronger this time. Unlike the previous Asian Crisis where Malaysian companies were heavily geared especially with Eurobonds debt burden inflated by 50% because of the Ringgit depreciation, the companies have stronger financial discipline. We do not expect any spectacular corporate failure.

Corporate fraud and incidence of poor corporate governance could spook the market. Given that the global crisis has surfaced so many breaches and frauds, investors are likely to react swiftly by dumping the stocks on any wind of such fiasco.

Bursa Malaysia Outlook (continued)

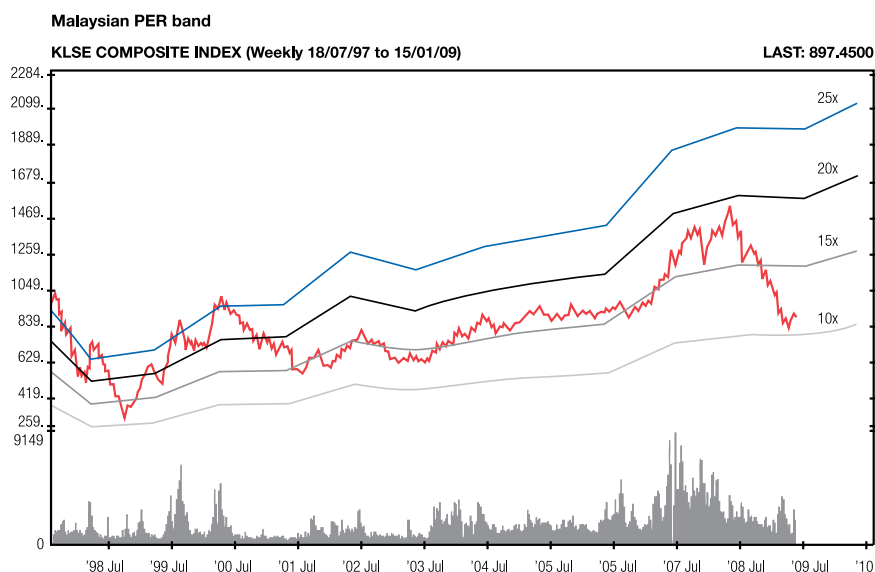
Focus on 1) profitable companies that are able to 2) **generate positive cashflow** in the 3) **foreseeable next 2 to 3 years** will build 4) **strong balance sheet** and will emerge triumph after the economic slowdown.

Sector wise, we like sectors which are direct beneficiaries to the pump priming like banks and construction. We also like sectors which have defensive earnings and high cashflow generations namely plantations, construction, gaming, infrastructure / concessions and telecommunications.

KLCI Valuation

We have arrived at a year end 2009 KLCI target of 1128 by ascribing a 12x FY09 PER to FY09E earnings which is expected to be flat from FY08. We have downgraded our earnings forecast across the board and are confident that we have been conservative with our earnings forecast going forward.

Our 12x PER is conservative given that the average PER since 2000 has been 15x. The PER expansion from a 11x in FY08 is to take into account of the recovering economy in 4Q09.



Regional Comparison PE ratio

	2008E	2009E
Malaysia	10.4	11.2
Singapore	5.7	9.6
Thailand	6.2	7.7
Hong kong	7.7	9.5
Philippine	9.4	8.7
Indonesia	7.9	6.2
Korea	10.7	10.7
Taiwan	8.7	10.6
Japan	11.5	15.4

Source: Bloomberg

Chairman's Statement



YM Tengku Dato' Paduka Noor Zakiah Binti Tengku Ismail

Dear Shareholders

On behalf of the Board of Directors of K & N Kenanga Holdings Berhad (“Kenanga Holdings” or “Group”), I am pleased to present to you the Annual Report and Audited Financial Statements of the Company for the financial year ended 31 December 2008.

Chairman's Statement (continued)

Financial Performance

2008 was a difficult year for the global financial markets. The global financial crisis which started with the subprime mortgage blowout affected the real economies and in turn Malaysia was not spared given that more than 50% of our GDP is derived from exports. Kenanga Holdings was affected as well with a pretax loss of RM70.1million for the financial year ended 31 December 2008 compared to the previous year's pretax profit of RM134million.

While pretax loss contribution from the stock broking division of RM19.27million was lower by 115% year on year, this was in line with 46% decline in annual total equity market turnover to RM626.2billion from RM1,163.5billion in 2007. However, our market share of daily traded volume fell only 0.68% to 6.78% while maintaining the position as the fourth largest broker by market share.

Our losses arose from provision for bad and doubtful debts amounting to RM61.03million and impairment losses on the securities portfolio (of shares held as collateral) of RM18.31million from our Investment Banking subsidiary, Kenanga Investment Bank Berhad ("KIBB" or "Bank"). The Management has taken a prudent approach by deciding to "bite the bullet" and taking a more stringent approach on its loans and proprietary trading portfolio. This will better reflect its financial position so it will not be further weighed down by provisioning and writedown in respect of the affected loans and investment portfolio.

The crisis has actually provided us the opportunity to strengthen our Investment Banking unit which is only in the second year of operations as our more seasoned competitors are also re-strategising their directions going forward. While many of our peers are cutting back, the current environment has allowed us to hire experienced professionals to enhance our investment banking business, operating processes and implement more rigorous procedures to improve our processes and risk management capabilities.

Our frontline delivery has also been augmented with several senior investment bankers joining the Bank which would allow us to be well positioned to compete for mandates arising from the pump priming stimulus.

In March 2009, our stock broking division launched a global trading platform which offers trading in more than one market, and thus, enlarging our earnings base. Already early results showed that it is popular among both remisiers and their clients resulting in new internet broking clients.

Awards

The Kenanga Group's ("Group") futures broking subsidiary, Kenanga Deutsche Futures Sdn Bhd, continues to maintain its position as the leading futures broker in Malaysia and was again awarded the "Top Overall Futures Broker" by Bursa Malaysia Derivatives Berhad for the sixth consecutive year as well as being awarded the "Top Equities Futures Broker" recognition for 2008.

Dividends

In view of the negative performance of the Group, the Board of Directors took cognizance of the fact that the Group requires to conserve cash for its operations and hence has recommended that no dividend shall be declared in respect of the financial year 2008.

In Appreciation

Despite the beating that the local economy and its financial players have endured, including the Group, I am pleased to note that our management and staff continue to serve the Group with unwavering support and dedication. Thank you as well to our valued shareholders for their continued belief in the Group. Not forgetting our stakeholders, regulators and relevant authorities, bankers, advisors, brokers, remisiers, business associates and clients for their support during this difficult period.

In this global economic and credit crisis, the Group will continue to implement stringent risk management measures to preserve shareholders' equity and to strategically position itself to capitalise on the eventual upturn in the capital market. The Board of Directors and Management are confident that the Group will achieve continuous growth and build upon the Group's sound financial base, with the continued guidance and support of the authorities, namely, Bank Negara Malaysia, Securities Commission, and Bursa Malaysia Securities Berhad.

Thank you.

**YM TENGKU DATO' PADUKA NOOR
ZAKIAH BINTI TENGKU ISMAIL**

Executive Chairman

Operations Review

Kenanga Investment Bank Berhad

In 2008, Kenanga Investment Bank Berhad (“KIBB” or “Bank”) conducted a stringent provisioning exercise and adopted a more prudent approach than Bank Negara Malaysia’s requirements, to its loans and proprietary trading portfolio. This has enabled the Bank to present a more prudent view on its financial position.

Despite the loss before taxation and prudential provisioning approach, the Bank is on a sound financial footing with a risk weighted capital ratio of 33%, well above the minimum 8% as prescribed by Bank Negara Malaysia.

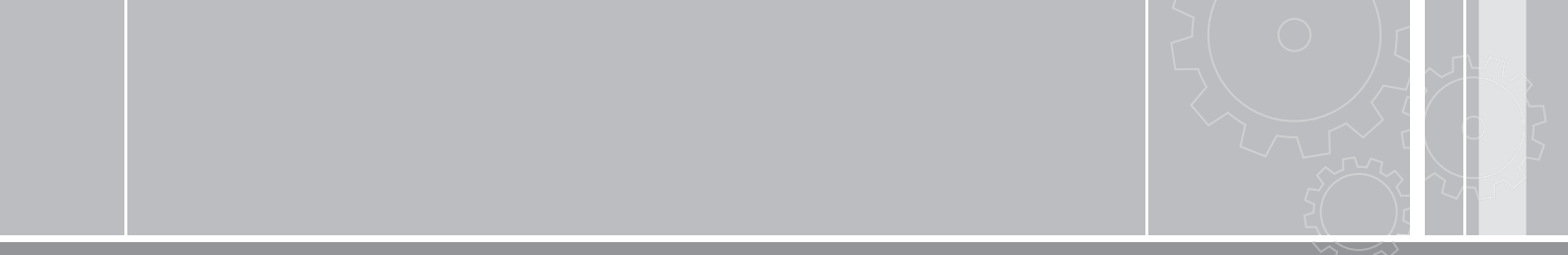
In view of increasing efficiency in bringing new products to the Bank’s clients, a Product Development Department was established with dedicated resources to coordinate the development of new products that are identified and planned for the Bank.

Equity Derivatives and Structured Products (“EDSP”) division issued our maiden Structured Warrant on Bursa Malaysia Securities Berhad in 2008 after obtaining approvals from the relevant authorities. Our maiden warrant was well received by the investing public with the warrants frequently traded in the top 10 most active warrants on the Warrants Board. The EDSP team continues to focus on the issuance of warrants, market making and complementary trading activities.

The Bank’s customer deposits registered a robust growth compared to the preceding financial year. Significant growth in deposit was part of the Bank liquidity strategy in avoiding deposit concentration risk where the number of depositors grew substantially from diversified sectors namely business enterprises, corporations, government linked companies, government agencies and financial institutions. In terms of deposit mix, fixed deposits with maturity of more than 1 month and short-term deposit remained as the main source of funding that assist to yield a better spread on the Bank’s asset.

Going forward into 2009, the Bank will continue to further diversify and expand the deposit base to fund the ongoing and expanded business operations. Initiatives have been taken to cross-sell deposit products across the Bank’s diversified network that includes the branches, subsidiaries and remisiers.

We continue to carve our niche in providing advisory and sponsoring services to companies listed on the MESDAQ market, wherein we presently sponsor approximately 20% of the total MESDAQ companies. Following the recent proposal by the authorities to revamp the MESDAQ Market to a sponsored based regime and, at the same time, opening the platform to all business and economic sectors as opposed to the current regime where only companies which are either high technology based or high growth are eligible to be listed, we foresee an uptick in corporate activities for this market. To this end, we intend to capitalise on our strong track record with high technology based and high growth companies to further expand into this segment.



Whilst 2009 will be extremely challenging for corporate finance activities, nonetheless we expect opportunities in the area of mergers & acquisitions, fund raising and corporate restructuring.

Kenanga Deutsche Futures Sdn Bhd

Kenanga Deutsche Futures Sdn Bhd (“KDF”) continued to maintain its leading position and was awarded the “Top Overall Futures Broker” by Bursa Malaysia Derivatives Berhad for the sixth consecutive year. In recognition of its contribution to the volume in Equity Futures, KDF was also awarded the “Top Equity Futures Broker 2008”.

Despite the turmoil experienced in financial markets during the last quarter of 2008, KDF’s operating revenue dropped by only less than 5% compared to previous year.

During the year, the Malaysian futures market went through access liberalisation with the successful launch of Direct Market Access for derivatives market in April 2008. KDF became the first Malaysian futures broker offering such service to the clients. A first US Dollar palm oil contract was also launched in October 2008.

Given our market leadership, we are confident that the company will continue to be profitable in 2009 and remained at the forefront of the Malaysian futures industry.

Kenanga Capital Sdn Bhd

Our wholly-owned financing subsidiary, Kenanga Capital Sdn Bhd, was impacted by loan loss provisions and impairment for investment in its subsidiary, Capital Investment Bank (Labuan) Ltd. It posted growth in turnover and profit during the first half of the year compared to the previous financial year but was dragged by the declining business and loss provisions in tandem with the dismal and volatile equity investment market during the second half of the year.

Under currently challenging economic environment, financing for share financing is drying up. This has enabled the company to have its pick of choice customers. Nevertheless, the company has strengthened its business operations to ensure that the loan assets quality is maintained with stringent credit policies. Although the company will remain cautious, it will continue its effort to provide lending selectively for quality and good valuation equity deals in view of the underlying market risks until the market condition stabilises.

Given a combination of the above and the lower financing cost, the company is expected to stay resilient with a cautious outlook to seize the opportunities when the market recovers.



Operations Review (continued)

Capital Investment Bank (Labuan) Ltd

Capital Investment Bank (Labuan) Ltd (“CIB”) reported a net loss of RM1.607.8million in 2008 compared to net profit of RM697,000 in 2007 as the dearth of US Dollar funding resulted in delays in closing several mandates. Given the fall in US Dollar interest rates and the global pump priming stimulus, we remain optimistic that the US Dollar funding market would ease enabling funding to proceed albeit that lending conditions would be stricter.

Kenanga Asset Management Sdn Bhd

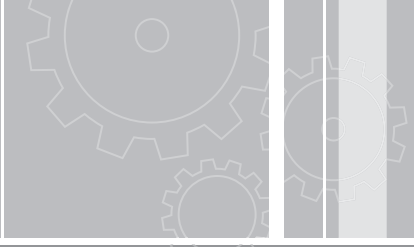
For 2008, Kenanga Asset Management Sdn Bhd (“KAM”) focused on increasing the number of clients under management. By 31 December 2008, although the number of clients under management had grown during the reporting year, the value of assets under management had shrunk slightly.

However, true to the brand we are creating as a total return fund manager, the performance of the portfolios under KAM’s management was both relatively better than our competitors. According to an independent report, KAM’s composite performance topped the list in terms of returns, as well as the amount of risk taken per unit of returns. The unit trust funds under KAM’s management also continued to do well, consistently maintaining their positions in the top quartile for all periods, as disclosed in the report regularly compiled by Lipper.

Foreign Ventures

SMB-Kenanga Investment Corporation (Pte) Ltd, our joint venture company in Sri Lanka, which was launched in May 2007, has recorded a profit of LKR7 million in its second year of operations.

In the follow-up to the Memorandum of Understanding signed in December 2007, Kenanga Holdings is in the midst of completing its investment in Vietnam Golden Securities Company (now known as Kenanga Vietnam Securities). The joint-venture Vietnam securities company, for which, upon completion, Kenanga Holdings will own 49% equity interest is now awaiting approval from the State Securities Commission of Vietnam for Kenanga Holding’s participation. We believe the Vietnamese economy is one of the most vibrant in Asia and given that we are investing at the bottom of the market, our downside risk is capped. The future remains bright for our venture as this young economy is expected to lead the region in economic recovery.



The joint-venture in the Kingdom of Saudi Arabia, Wasatah Capital (formerly known as Alwasatah Almaliah), has commenced business operations since December 2008 and was officially launched in April 2009. Wasatah Capital is an authorised member firm of Tawadul, the Saudi Stock Exchange, with the right to conduct brokerage services and deals as a principal and agent.

For our investment in Saudi Arabia, our prudent and patient approach towards doing business has paid off with our staff continuing to monitor the situation on the ground and at the same time build potential business opportunities and brand awareness. This approach has enabled us to avoid being caught in the sell down of the Middle East equity markets which started with the sub-prime mortgage crisis in mid-2007. Our investment in this venture remains intact.

Our Dubai-based unit, MENA Financial Group Ltd (“MENA”), commenced full business operations, starting with advisory services in April 2008. With the global financial crisis affecting the GCC (Gulf Cooperation Council) region, MENA is currently operating in a very challenging economic environment with a slower growth outlook.

Corporate Governance Statement

The Board of Directors recognises the importance of good corporate governance in directing the businesses of the Group and is committed to ensure that the highest standards of corporate governance are implemented and consistently practiced throughout the Group in discharging its duties and responsibilities to safeguard and enhance shareholders' value and the financial performance of the Group. In compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Group has taken steps to ensure that the Group's operations are managed with transparency, integrity and accountability whilst internal control systems are further strengthened to enhance the checks and balances that have always been an integral part of the Group's business plan and operations.

Compliance with the Code

The Board is pleased to report on the application by the Group of the principles of Corporate Governance as contained in the Malaysian Code on Corporate Governance ("the Code") and the extent of compliance with the best practices as set out in the Code. The Board is of the opinion that it has adhered to the principles and complied in all material respects with the Best Practices outlined in the Code.

1.0 The Board of Directors

1.1 Composition and Board Balance

As at 31 December 2008, the Board of Directors consists of nine (9) members, two (2) of whom are Executive Directors, four (4) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors. However, Charles McLaughlin, who is one of our Non-Independent Non-Executive Directors, resigned on 18 March 2009.

The Board views the number and composition of the current Board members as sufficient and well-balanced for the Company to discharge its duties effectively, whilst providing greater assurance that no individual or small group of individuals can dominate the Board's decision making. The large number of Non-Executive Directors on the Board bring strong independent judgement and objective participation in the proceedings and decision-making process of the Board provides an effective check and balance for the Executive Directors.

The profile of the current Directors, reflecting their diverse backgrounds and experience in both public sector service and different areas of the corporate sector, are presented separately on pages 6 to 10 of this Annual Report.

Mr Kevin How Kow is the Senior Independent Non-Executive Director to whom concerns may be conveyed.

The composition of the Board is also in compliance with Paragraph 15.02 of the Listing Requirements of Bursa Securities, which requires one-third of the Board members to be independent directors.

All Board members participate in discussions and decisions on the key issues involving the Group and include the approval of major investments and financial decisions and annual budgets including key policies and procedures.

The presence of three (3) Independent Non-Executive Directors who are persons of calibre and credibility ensures that the Board is well-balanced and could carry sufficient weight on the Board's decisions. Although all the Directors have equal responsibilities for the Group's operations, the role of these Independent Non-Executive Directors is particularly important in ensuring that all business strategies proposed by the Management are fully discussed, and take into account the long term interest, not only of shareholders, but also employees, customers, suppliers and other stakeholders in which the Group operates.

There is a clear division of responsibilities between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The Chairman of the Board is responsible for ensuring Board's effectiveness and decorum whilst the Managing Director has overall responsibility for the operational and business units, organisational effectiveness and implementation of Board policies, directives, strategies and decisions.

1.2 Responsibilities of the Board of Directors

The Board oversees the overall corporate governance and performance of the Group. Without intending to limit this general role and its statutory duties, the Board's principal functions and responsibilities include the following:-

- Overseeing the conduct of the Group's businesses;
- Reviewing and adopting strategic business plans for the Group;
- Identifying principal risks and ensure the implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training and fixing the remuneration of directors and key senior management; and
- Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

1.3 Board Structures and Procedures

During the financial year ended 31 December 2008, six (6) Board meetings were held. Details of each Director's attendance at such meetings are as set out below:-

Directors	Total no. of Meetings	No. of Meetings attended	% of attendance
YM Tengku Dato' Paduka Noor Zakiah Binti Tengku Ismail	6	6	100
Abdul Aziz Bin Hashim	6	6	100
Dato' Ramli Ismail	6	6	100
YM Raja Dato' Seri Abdul Aziz Bin Raja Salim	6	6	100
Dato' Richard Alexander John Curtis	6	6	100

Corporate Governance Statement (continued)

Directors	Total no. of Meetings	No. of Meetings attended	% of attendance
Luigi Fortunato Ghirardello	6	6	100
Kevin How Kow	6	6	100
Izlan Bin Izzah (Appointed on 20.10.2008)	1	1	100
Tan Sri Dato' Mohd Ibrahim Bin Mohd Zain (Retired on 14.5.2008)	3	2	67
Haji Salleh Bin Abdullah (Resigned on 30.6.2008)	3	3	100
Charles McLaughlin (Resigned on 18.3.2009)	6	6	100

1.4 Directors' Training

In compliance with the Listing Requirements of Bursa Securities, all members of the Board have completed the Mandatory Accreditation Programme.

During the financial year ended 31 December 2008, a training programme consisting of the following topic was conducted in-house for members of the Board by an external training provider, FIMA Strategic Resources:-

- The Cause, Effect & Implications of Financial Contagion for Investment Banking on 26 November 2008.

Other trainings attended by some Directors during the financial year were:-

- Unraveling the Genius of Warren Buffet
- IFSB-IIF Conference: Enhancing the Resilience and Stability of the Islamic Financial System
- Updates on Corporate Governance Regulatory Framework and Current Issues "Effective Governance The Way Forward"

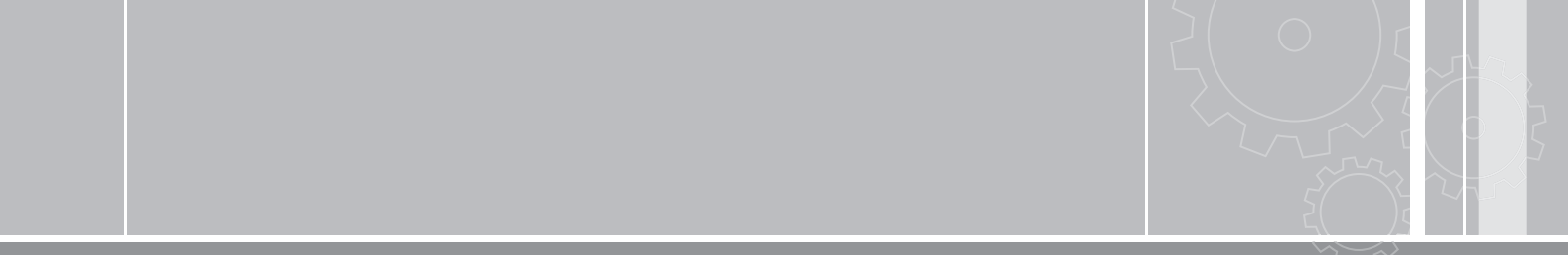
The Directors will continue to participate in other relevant training programmes to keep abreast with the latest developments in the financial industry, particularly in areas of corporate governance and regulatory changes so that they would be able to discharge their duties as Directors efficiently and effectively.

1.5 Appointments to the Board

The appointment of any additional Director is made as and when it is deemed necessary by the existing Board with due consideration given to the mix of expertise and experience required for an effective Board.

1.6 Retirement and Re-Election of Directors

The Company's Articles of Association requires at least one-third (1/3) of the Board of



Directors to retire from office at each Annual General Meeting and subject to eligibility can offer themselves for re-election. Directors who are appointed by the Board during any part of the year are subject to re-election by shareholders at the next Annual General Meeting following their appointments. The Directors also shall retire from office at least once in three (3) years, but shall be eligible for re-election.

Directors who are over seventy (70) years of age are subject to retirement annually and may seek re-appointment in accordance with Section 129(6) of the Companies Act, 1965.

1.7 Supply of Information

The agenda and board papers are circulated to all Board Members prior to Board meetings to give Directors time to deliberate on issues to be raised at the Board meetings.

The Board is kept updated on the Group's activities and their operations on a regular basis. The Directors also have access to reports on the Group's activities, both financial and operational.

All Directors have full and unrestricted access to the services of the Company Secretary and the Board members may also take independent professional advice, at the Company's expense, in furtherance of their duties in the event such services are required. However, no such advice was sought by any of the Directors during the year 2008.

The Board members also have unlimited access to all information with regard to the activities of the Company and the Group.

1.8 Relationship of the Board to Management

- Quality of Information

Information plays a key role in the Board's decision-making and in setting up the policies and strategies of the Group.

The Board has unrestricted access to timely and accurate information, which is not only confined to qualitative and quantitative information, but also to other information deemed suitable such as customer satisfaction, product and services quality, market share, market reaction and macro economic performance.

- Use of Board Committees

As appropriate, the Board has delegated certain of its responsibilities to Board Committees, which operate within the clearly defined terms of reference. On 26 February 2008, the Board resolved to combine the remuneration and nomination functions into a single committee, namely Remuneration & Nomination Committee.

Corporate Governance Statement (continued)

The Committees are:-

- a. Audit Committee
- b. Remuneration & Nomination Committee
- c. Tender Committee

2.0 Directors' Remuneration

2.1 The Level and Make-Up of Remuneration

The Directors' fees are approved by the shareholders at the Annual General Meeting.

The remuneration of the Directors of the Company for the financial year ended 31 December 2008 is set out below:-

- i. Aggregate remuneration of Directors with categorisation into appropriate components:-

	Executive Directors (RM)	Non Executive Directors (RM)	Total (RM)
# Fees	-	304,999	304,999
Salary	1,932,000	-	1,932,000
Bonus	2,334,500	-	2,334,500
Meeting Allowance	-	42,000	42,000
Other emoluments	235,200	-	235,200
Benefits-in-kind/ Perquisites	154,691	-	154,691

Subject to shareholders' approval at the forthcoming Annual General Meeting.

- ii. The number of Directors whose remuneration falls into the following bands:-

	Executive Directors	Non Executive Directors	Total
RM50,000 and below	-	5	5
RM50,001 – RM100,000	-	3	3
RM2,150,001 – RM2,200,000	1	-	1
RM2,450,001 – RM2,500,000	1	-	1

The above disclosure is in full compliance with the Listing Requirements of Bursa Securities. Although the said disclosure does not fully comply with the requirements of the Code, the Board of Directors is of the view that sufficient information is contained therein.

3.0 Shareholders

3.1 Investor Relations and Shareholder Communication

The Group values dialogue with investors as a means of effective communication that enables the Board to convey information about the Group's performance, corporate strategy and other matters affecting shareholders' interests.

The Annual General Meeting is the principal forum for dialogue with individual shareholders. It is a crucial mechanism in shareholder communication for the Company.

At the Company's Annual General Meeting, shareholders have direct access to the Board members and are given the opportunity to raise questions pertaining to the Group's business activities and other businesses (if applicable).

The Board is also committed to ensure that the shareholders and potential investors are well informed of major developments of the Company and the information is communicated to them through the following means:-

- a. the Annual Report;
- b. various disclosures and announcements made to Bursa Securities including the quarterly results and annual results;
- c. press releases; and
- d. the Company's website www.kenanga.com.my through which shareholders and the public in general can gain access to the latest corporate information of the Group.

Shareholders and investors who wish to contact the Company on matters relating to their shareholdings may channel their queries to the following personnel:-

Name : Ms Wendy Yap (Company Secretary)
Contact No. : 03-21621490 ext 8514
E-mail Address : wendy@kenanga.com.my

Name : Mr Liong Cheong Tuck (Senior Manager)
Symphony Share Registrars Sdn Bhd
Contact No. : 03-27212222 ext 118
E-mail Address : ssrs@symphony.com.my

3.2 Annual General Meeting

Notice of Annual General Meeting and the Annual Report are despatched to shareholders at least 21 days before the date of the meeting.

Each item of special business included in the notice of meeting will be accompanied by an explanatory statement for the proposed resolution to facilitate full understanding and evaluation of the issues involved.

Corporate Governance Statement (continued)

4.0 Accountability and Audit

4.1 Financial Reporting

The Board acknowledges its responsibilities to shareholders and the requirement to present a balanced and comprehensive assessment of the Group's financial position, through the annual and quarterly reports and other published information. In this regard, the Board is primarily responsible for the preparation of the financial statements to present a fair and balanced report of the financial state of affairs of the Group.

The quarterly and annual financial results are reviewed by the Audit Committee and approved by the Board of Directors prior to its release to Bursa Securities. The details of the Company's and the Group's financial positions are included in the Financial Statements section of the Annual Report.

4.2 Internal Control

The Statement on Internal Control set out on pages 38 to 39 of this Annual Report provides an overview of the state of internal control within the Group.

4.3 Audit Committee

The terms of reference and activities of the Audit Committee during the financial year ended 31 December 2008 are set out under the Audit Committee Report on pages 34 to 37 of this Annual Report.

4.4 Internal Audit

The Group has an Internal Audit Department, which assists the Audit Committee in the discharge of its duties and responsibilities. Its role is to provide independent and objective reports to the Board via the Audit Committee on the Group's management, records, accounting policies and system of internal controls. The internal audits include evaluation of the processes by which significant risks are identified, assessed and managed. Such audits also ensure implemented controls are appropriate and are effectively applied to achieve acceptable risk exposure in line with the Group's risk management policy.

The Internal Audit Department operates independent of the management of the Group.

4.5 Relationship with External Auditors

The Board has, via the Audit Committee, maintained a formal and transparent professional relationship with the external auditors, Messrs Ernst & Young, in seeking professional advice and ensuring compliance with the applicable accounting standards and statutory requirements.

The auditors are invited to attend the meeting of the Audit Committee and to present the audited financial statements of the Group. The external auditors have continued to report to members of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements.



Directors' Responsibility Statement on Annual Financial Statements

The Board of Directors is required, under Paragraph 15.27(a) of the Listing Requirements of Bursa Securities, to issue a statement explaining its responsibility in the preparation of the annual financial statements.

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the profit and loss of the Company and of the Group for the financial year.

In preparing those financial statements, the Directors are required to:-

- a. use appropriate accounting policies and consistently apply them;
- b. make judgments and estimates that are reasonable and prudent; and
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records, which disclose, with reasonable accuracy at any time, the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965.

The Directors are satisfied that, in preparing the financial statements of the Group for the year ended 31 December 2008, the Group has used appropriate accounting policies and applied them consistently and prudently. The Directors are of the opinion that all relevant approved accounting standards have been followed and confirmed that the financial statements have been prepared on an ongoing concern basis.

Corporate Governance Statement (continued)

Other Information

- **Options, Warrants or Convertible Securities**

The Company did not issue any options, warrants or convertible securities during the financial year.

- **Share buy-back**

The Company did not undertake any share buy-back during the financial year.

- **Utilisation of proceeds**

This is not applicable as the Company did not undertake any corporate exercises during the year.

- **American Depository Receipt (“ADR”)/Global Depository Receipt (“GDR”)**

The Company did not sponsor any ADR or GDR programmes during the financial year.

- **Sanctions and/or Penalties**

There were no sanctions and/or penalties imposed on the Company and its subsidiary companies, Directors or management by the relevant regulatory bodies.

- **Non-Audit Fees**

The total amount of non-audit fees payable to the external auditors for the financial year amounted to RM3,560.

- **Variation in results**

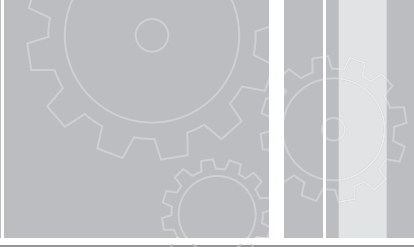
There were no profit estimate, forecast or projection issued by the Company and its subsidiary companies during the financial year.

- **Profit Guarantee**

There were no profit guarantees given by the Company and its subsidiary companies during the financial year.

- **Material Contracts**

There were no material contracts entered into by the Company or its subsidiary companies involving Directors' and major shareholders' interests, which subsisted at the end of the financial year ended 31 December 2008 or, if not then subsisting, entered into in the previous financial year.



- **Corporate Responsibility**

The Group is committed to undertake Corporate Responsibility (“CR”) and initiatives that impact positively to all our stakeholders, be they our employees or communities, and the environment we operate in.

The Group believes that its employees are its greatest assets. Its CR initiatives for the employees over the year involved systematic training programmes and career development opportunities to enhance their professionalism as well as to encourage their involvement in extracurricular activities to achieve a good work-life balance. The Group has, in collaboration with Fonterra Brands, carried out a Bone Health Awareness campaign for the employees and remisiers of the Group in 2008.

As a responsible citizen, the Group is mindful of its role in helping to sustain and improve the environment for the future generations. As part of its initiatives, our employees are encouraged to reduce the use of paper, recycle any recyclable items and reduce wastage.

The Group supports good causes and continuously contributes to the welfare of the community through donations to some non-profitable organisations, the underprivileged and orphanage, including Pertubuhan Rumah Amal Cahaya Tengku Ampuan Rahimah Selangor Darul Ehsan.

- **Recurrent Related Party Transactions of a Revenue or Trading Nature**

There were no recurrent related party transactions entered into by the Company and its subsidiary companies during the financial year.

Audit Committee Report

The Audit Committee meets regularly with senior management and internal audit management, and the external auditors to review the Company's and the Group's financial reporting, the nature and scope of audit reviews, the effectiveness of the systems of internal control and compliance with existing operational procedures.

Members

The Audit Committee consists of three (3) members all of whom are Independent Non-Executive Directors. The Company has complied with Paragraph 15.10 of Bursa Malaysia Securities Berhad's ("Bursa Securities") Listing Requirements, which requires the majority of the Audit Committee members to be Independent Directors.

The present members of the Audit Committee of the Company are:-

1. YM Raja Dato' Seri Abdul Aziz Bin Raja Salim (Independent Non-Executive Director/Chairman)
2. Kevin How Kow (Independent Non-Executive Director)
3. Izlan Bin Izhab (Independent Non-Executive Director)

Meetings

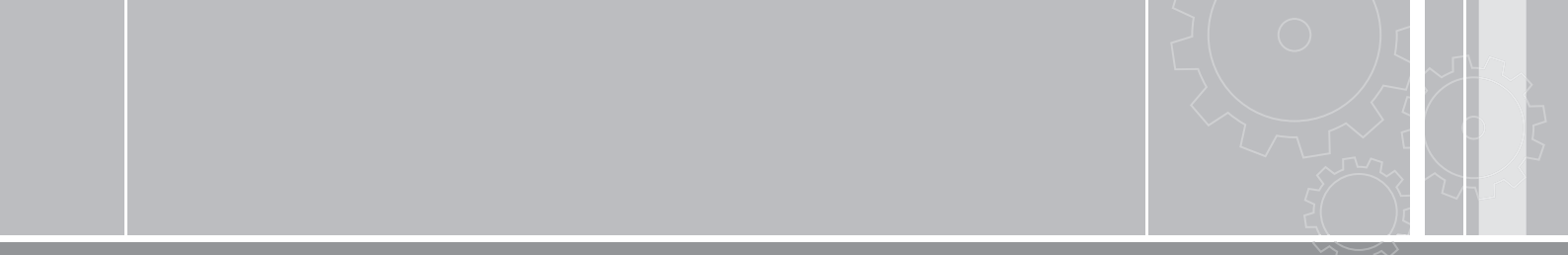
During the financial year ended 31 December 2008, the Audit Committee comprising the following members held a total of five (5) meetings. The details of attendance of the Committee members are as follows:-

Name of Committee Members	No. of Meetings attended
YM Raja Dato' Seri Abdul Aziz Bin Raja Salim (Independent Non-Executive Director) (Chairman)	5/5
Kevin How Kow (Independent Non-Executive Director)	5/5
Izlan Bin Izhab (Independent Non-Executive Director) (Appointed on 20 October 2008)	1/1
Tan Sri Dato' Mohd Ibrahim Bin Mohd Zain (Independent Non-Executive Director) (Retired on 14 May 2008)	3/3

Activities of the Audit Committee

The activities undertaken by the Audit Committee during the financial year ended 31 December 2008 were as follows:-

1. Reviewed and approved the scope and adequacy of the internal audit plans including resource needs;
2. Reviewed with Management and the external auditors on the Company's general policies and procedures to reasonably ensure the adequacy of internal accounting and financial reporting controls;

- 
3. Reviewed the unaudited quarterly results and annual financial statements of the Company and the Group prior to their submission to the Board for approval and release of the Group's results to the relevant authorities;
 4. Reviewed the internal audit reports for the Group's companies, audit recommendations made and Management's response to these recommendations and actions taken to improve the system of internal controls and procedures. A total of 35 internal audit reports were tabled in 2008;
 5. Reviewed 30 processes and procedures manuals drawn up by Management of Kenanga Investment Bank Berhad and other subsidiary companies before being presented by the Management to the Board for approval;
 6. Reviewed the results of the risk-based audit works carried out by the internal auditors and to ensure all key risks and controls have been addressed;
 7. Reviewed the inspection and examination reports issued by the regulatory authorities and the status of remedial actions taken by Management in respect of such findings;
 8. Reviewed the following Statements/Report before being tabled to the Board for approval for inclusion in the Annual Report:-
 - Statement of Internal Control
 - Corporate Governance Statement
 - Audit Committee Report
 9. Tabled the minutes of each Committee meeting to the Board for its notation, and for further direction by the Board, where necessary; and
 10. Reviewed the recurrent related party transactions reviews carried out by Internal Auditors on quarterly basis to ensure that recurrent transactions are undertaken on an arm's length basis and on normal commercial terms and are not detrimental to the minority shareholders.

Evaluation of Audit Committee

The Board of Directors shall review the term of office and the performance of the Audit Committee and each of its members at least once in every three (3) years to determine whether the Audit Committee has carried out its duties in accordance with its terms of reference.

Terms of Reference

Composition

The Audit Committee shall be appointed from amongst the Directors of the Company and should consist of no fewer than three (3) members, all of whom shall be non-executive directors. The majority of the Committee members shall be independent directors.

Audit Committee Report (continued)

At least one member of the Committee:-

- i. must be a member of the Malaysian Institute of Accountants (“MIA”); or
- ii. if he is not a member of the MIA, he must have at least three (3) years’ working experience and:-
 - he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- iii. fulfills such other requirements as prescribed by Bursa Securities.

No alternate director shall be appointed as a member of the Audit Committee.

The Chairman of the Committee shall be an Independent Non-Executive Director appointed by the Board.

In the event of any vacancy in the Audit Committee resulting in the number of members being reduced to below three (3), the Company must fill the vacancy within three (3) months.

Authority

The Audit Committee shall be granted the authority to investigate any activity of the Company and its subsidiaries within its terms of reference and all employees shall be directed to cooperate as and when required by the Audit Committee. The Committee shall also be empowered to consult independent experts, where necessary, to assist in executing its duties and shall have direct communication channels with the external and internal auditors. The internal audit function shall report directly to the Audit Committee.

Meeting

The Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties. In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any committee member, the Company’s Chief Executive, or the internal or external auditors.

Other Board members and employees may attend meetings upon the invitation of the Audit Committee. However, at least twice a year, the Committee shall meet with the external auditors without any executive Board member present. In order to form a quorum, the majority of members present must be independent directors.

Minutes of each meeting shall be kept and distributed to each member of the Audit Committee and the Board. The Chairman of the Audit Committee shall report on each meeting to the Board.

Responsibilities and Duties of the Committee

The duties and responsibilities of the Committee shall include:-

1. To review:-
 - a. With the external auditors, the audit plan;
 - b. With the external auditors, the evaluation of the systems of internal controls of the Group and audit findings;
 - c. With the external auditors, the auditors' report;
 - d. The assistance given by the Company's officers to the internal and external auditors;
 - e. The adequacy of the scope, functions, competency and resources of the internal audit department and that it has the necessary authority to carry out its work;
 - f. The internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit department;
 - g. Any problems and reservations arising from the interim and final external audits, and any matters the external auditors may wish to discuss;
 - h. The quarterly results and year end financial statements of the Company, prior to approval by the Board of Directors, focusing particularly on:-
 - h.1 changes in or implementation of major accounting policy changes;
 - h.2 significant and unusual events; and
 - h.3 compliance with accounting standards and other legal requirements.
 - i. Any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.
2. To recommend the appointment of the external auditors and in relation thereto, to discuss their audit fees and any questions of resignation or dismissal;
3. To monitor organisational compliance with statutory and Bursa Securities' requirements; and
4. To perform any other functions as may be mutually agreed by the Committee and the Board of Directors.

Secretary

The Secretary of the Company shall also be the Secretary of the Committee.



Statement of Internal Control

Introduction

As stated in the Malaysian Code on Corporate Governance, the Board of Directors should maintain a sound system of internal control, including the review of its effectiveness in order to safeguard shareholders' investment and Group's assets. Set out below is the Board's Statement of Internal Control in compliance with the Bursa Malaysia Securities Berhad's ("Bursa Securities") Listing Requirements.

Responsibility

The overall responsibility for K & N Kenanga Holdings Berhad's ("Kenanga Holdings") group-wide system of internal controls including the review of its effectiveness lies with the Board of Directors. The Board recognises the importance of maintaining a sound system of internal controls and has instituted internal control and management information systems to monitor the Group's effectiveness in safeguarding the shareholders' investments and the Group's assets. In addition, the Board also took steps to formalise a Risk Management Framework to identify key significant risks, evaluate the impact and set policies relating to the risk and relevant controls.

The Management is tasked with the responsibility of implementing the Board's policies on risks and controls.

Risk Management Framework

Both the Board and Management of Kenanga Holdings are committed to implementing an internal control system to manage those risks that could affect the Group's continued growth and financial viability. As such, measures are taken to evaluate changes in the risk profile of the industry and the Group to assist the Board and Management in anticipating and managing potential risks.

Among the key elements of Kenanga Holding's internal control system including the processes in place to review its adequacy are as follows:-

- An organisation structure which is aligned to business and operational requirements and led by Heads of Departments with accountability in place;
- Integrated business planning and operational budgeting processes driven by commercial objectives;
- Clear definition of authority and responsibilities that has been approved by the Board and subject to continuous updating and review;
- Standard operating manuals which documents organisation-wide procedures and controls which are regularly reviewed and updated to ensure alignment, standardisation and comprehensiveness of the procedures;
- Regular training and education given to employees on the importance of corporate governance, risk management and internal control;

- The Management is responsible for, amongst others:-
 - Reviewing the actual performance against expectations and budget on a quarterly basis;
 - Addressing any internal control issues with the Board/Audit Committee and the Internal Audit department; and
 - Addressing any matters arising from the meeting of the Board/Audit Committee and ensuring that Management acts upon those matters accordingly.
- A Risk Management Committee of Directors (“RMC”) has been set up at the banking subsidiary, Kenanga Investment Bank Berhad, to oversee the different types of risk common to financial institutions which include credit risk, market risk, operational risk and liquidity risk. At the Bank management level, risk management is facilitated through several management committees to manage specific risks. In addition to the Asset & Liability Management Committee and Credit Committee that addresses the liquidity risk and credit risk of the Bank respectively, a Business Risk Committee reporting to RMC has been set up to address and monitor risk related issues and segregate risk policy setting from their respective operational execution;
- The Internal Audit department reports to the Audit Committee on a quarterly basis, performs systematic reviews of key processes in relation to high-risk areas and assesses the effectiveness of the internal controls and compliance;
- The Audit Committee reviews quarterly, on behalf of the Board, with Management, those issues highlighted in the reports by internal and external auditors, and audits conducted by regulators such as the Securities Commission, Bursa Securities and Bank Negara Malaysia with actions taken to address them. If required, the internal auditors would also assist the Committee in reviewing periodically the measures taken to address the Committee’s concern on any internal control system;
- The Board of Directors, in its quarterly meetings, reviews operational and financial performance of the Group and would also look at any significant internal control issue highlighted by the Audit Committee, Internal Audit department and external auditors to seek resolution to those matters; and
- Senior Management has continued the initiative to formalise a risk management framework in the organisation, with the following objectives:-
 - To systemise a continuous process for identifying, evaluating and managing significant risks faced by the Group
 - To inculcate an organisation-wide culture of risk awareness and risk management.

Design of Internal Control System

The Board of Directors and Senior Management consistently endeavour to maintain an adequate system of internal control designed to manage risk rather than eliminate them. As such, it is recognised that the system of internal controls can only provide reasonable assurance and not absolute assurance against the occurrence of any material misstatement or loss.

The Board confirms that the system of internal controls, with the key elements highlighted above, was in place during the financial year. This system is subject to regular review by the Board.





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Directors' Report

The directors present their report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2008.

Principal Activities

The principal activities of the Company are that of investment holding and provision of management services. The principal activities of subsidiary companies are set out in Note 12 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

Results

	Group (RM'000)	Company (RM'000)
(Loss)/profit after tax from continuing operations	(49,365)	38,924
Share of results in associated companies	(1,373)	-
(Loss)/profit for the year	<u>(50,738)</u>	<u>38,924</u>
Attributable to:		
Equity holders of the Company	(53,059)	38,924
Minority interests	2,321	-
(Loss)/profit for the year	<u>(50,738)</u>	<u>38,924</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the Statement of Changes in Equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

During the year, the Company paid a first and final dividend of 5% less tax at 26%, amounting to RM22,635,101 in respect of the previous financial year.

The Directors do not recommend the payment of any dividend in respect of the current financial year.

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

YM Tengku Dato' Paduka Noor Zakiah Binti Tengku Ismail
Encik Abdul Aziz Bin Hashim
Dato' Ramli Ismail
YM Raja Dato' Seri Abdul Aziz Bin Raja Salim
Tan Sri Dato' Mohd. Ibrahim Bin Mohd. Zain (retired on 14th May 2008)
Haji Salleh Bin Abdullah (resigned on 30th June 2008)
Mr Kevin How Kow
Mr Charles McLaughlin
Mr Luigi Fortunato Ghirardello
Dato' Richard Alexander John Curtis
Encik Izlan Bin Izhah (appointed on 20th October 2008)

Directors' Interests

The following directors who held office at the end of the financial year had, according to the register required to be kept under Section 134 of the Companies Act, 1965, interests in shares in the Company as stated below:

The Company	Number of Ordinary Shares of Rm1 Each			At 31.12.2008
	At 1.1.2008	Acquired	Sold	
Direct interest:				
YM Tengku Dato' Paduka Noor Zakiah Binti Tengku Ismail	100,969,770	-	-	100,969,770
Encik Abdul Aziz Bin Hashim	29,753,712	-	-	29,753,712
Dato' Ramli Ismail	65,500,402	-	-	65,500,402
Luigi Fortunato Ghirardello	-	900,000	-	900,000
Deemed interest:				
YM Tengku Dato' Paduka Noor Zakiah Binti Tengku Ismail *	43,500	-	-	43,500
Encik Abdul Aziz Bin Hashim *	26,464,115	-	-	26,464,115
Dato' Ramli Ismail *	3,009,000	-	-	3,009,000

* Deemed interest by virtue of shares held by persons connected to them.

None of the other directors who held office at the end of the year had any interest in shares of the company and its related corporations during the financial year.

Directors' Report (continued)

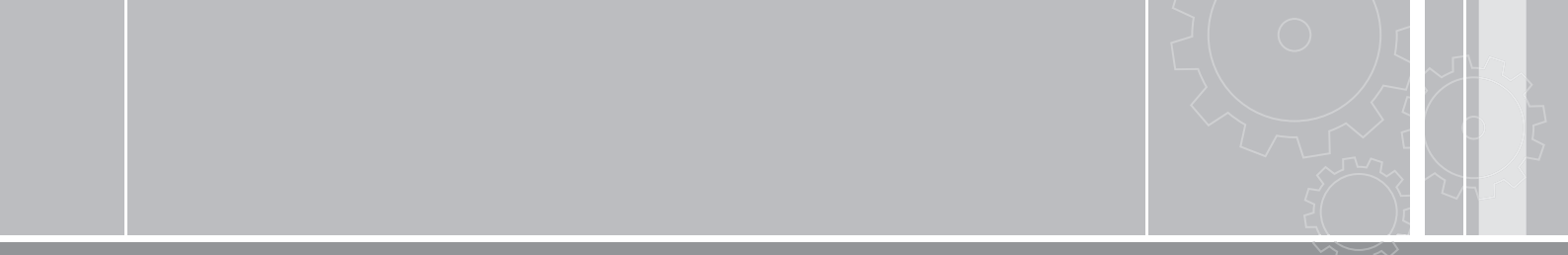
Directors' Benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby directors might acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the Group's financial statements or the fixed salary of a full time employee of the Company as shown in Note 33 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest required to be disclosed by Section 169(8) of the Companies Act 1965, except as disclosed in Note 33 to the financial statements.

Other Statutory Information

- (a) Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the consolidated financial statements misleading.
- (d) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

- 
- (e) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the Group or of the Company for the financial year in which this report is made.

Significant Events

Details of significant events are disclosed in Note 46 to the financial statements.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 February 2009.

YM Tengku Dato' Paduka Noor
Zakiah Binti Tengku Ismail

Ramli Ismail



Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, YM Tengku Dato' Paduka Noor Zakiah Binti Tengku Ismail and Dato' Ramli Ismail, being two of the directors of K & N Kenanga Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 49 to 140 are drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 February 2009.

YM Tengku Dato' Paduka Noor
Zakiah Binti Tengku Ismail

Ramli Ismail

Statutory Declaration

Pursuant to Section 169(15) of the Companies Act, 1965

I, Yap Kee Chong, being the person primarily responsible for the financial management of K & N Kenanga Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 49 to 140 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Yap Kee Chong at
Kuala Lumpur in Wilayah Persekutuan
on 27 February 2009

Yap Kee Chong

Before me,

Kathirvelayudham A/L Palaniappan, PPN
Commissioner for Oaths



Independent auditors' report to the members of K & N Kenanga Holdings Berhad

Report on the Financial Statements

We have audited the financial statements of K & N Kenanga Holdings Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 49 to 140.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of their financial performance and cash flows of the Group and of the Company for the year then ended.

Independent auditors' report to the members of K & N Kenanga Holdings Berhad (continued)

Report on other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (c) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
27 February 2009

Wong Lai Wah
No. 1956/04/09(J)
Chartered Accountant

Balance Sheets

Balance Sheets as at 31 December 2008

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Assets					
Cash and short-term funds	3	1,004,940	609,143	77,903	40,707
Deposits and placements with financial institutions	4	13,867	18,847	-	-
Securities held-for-trading	5	88,597	218,853	16,996	34,595
Securities available-for-sale	6	228,121	471,173	-	-
Securities held-to-maturity	7	1,490	1,490	-	-
Loans, advances and financing	8	860,055	542,631	-	-
Balances due from clients and brokers	9	131,858	333,814	-	-
Other assets	10	482,572	416,211	18,305	14,051
Statutory deposits with Bank Negara Malaysia	11	24,340	10,500	-	-
Investments in subsidiaries	12	-	-	616,737	619,787
Investments in associates	13	77,397	78,073	10,063	10,063
Property, plant and equipment	14	29,166	26,758	1,110	942
Deferred tax assets	16	21,215	3,983	89	-
Intangible assets	17	70,106	70,106	-	-
Total assets		3,033,724	2,801,582	741,203	720,145
Liabilities and equity					
Deposits from customers	18	927,011	387,344	-	-
Deposits and placements of banks and other financial institutions	19	483,390	473,601	-	-
Other liabilities	20	757,901	966,438	62,400	56,638
Subordinated obligations	21	1,384	1,384	-	-
Borrowings	22	69,991	104,195	-	-
Deferred tax liabilities	16	56	1,067	-	993
Total liabilities		2,239,733	1,934,029	62,400	57,631

Balance Sheets (continued)

Balance Sheets as at 31 December 2008 (continued)

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Share capital	23	611,759	611,759	611,759	611,759
Reserves	24	176,192	252,075	67,044	50,755
Equity attributable to equity holders of the company		787,951	863,834	678,803	662,514
Minority interest		6,040	3,719	-	-
Total equity		793,991	867,553	678,803	662,514
Total liabilities and equity		3,033,724	2,801,582	741,203	720,145
Commitments and contingencies	38	632,546	1,121,557	-	-

The accompanying notes form an integral part of the financial statements

Income Statements

Income statements for the year ended 31 December 2008

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Continuing operations					
Operating revenue	25	230,139	308,372	69,222	27,907
Interest income	26	107,645	73,747	4,253	4,253
Interest expense	27	(51,195)	(31,656)	-	(2,644)
Net interest income		56,450	42,091	4,253	1,609
Other operating income	28	128,188	310,025	56,073	33,803
Net income		184,638	352,116	60,326	35,412
Other operating expenses	29	(170,529)	(245,447)	(10,226)	(13,114)
Operating profit		14,109	106,669	50,100	22,298
(Allowance)/write back of allowance for losses on loans, advances and financing	30	(61,025)	12,798	-	-
(Allowance)/write back of allowance for bad and doubtful debts on balances due from clients, brokers and other receivables	31	(3,585)	14,758	-	-
Impairment losses		(18,308)	-	-	-
		(68,809)	134,225	50,100	22,298
Share of results in associates		(1,295)	(167)	-	-
(Loss)/profit before taxation		(70,104)	134,058	50,100	22,298
Taxation	35	19,366	(28,484)	(11,176)	(9,773)
(Loss)/profit for the year from continuing operations		(50,738)	105,574	38,924	12,525

Income Statements (continued)

Income statement for the year ended 31 December 2008 (continued)

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Discontinued operations					
Profit for the year from discontinued operations	15	-	38,210	-	-
(Loss)/profit for the year		(50,738)	143,784	38,924	12,525
Attributable to:					
Equity holders of the Company		(53,059)	141,113	38,924	12,525
Minority interests		2,321	2,671	-	-
(Loss)/profit for the year		(50,738)	143,784	38,924	12,525
(Loss)/earnings per share attributable to equity holders of the Company (sen)					
	36				
Basic (loss)/profit from continuing operations		(8.67)	16.82		
Basic profit from discontinued operations		-	6.25		
Basic (loss)/profit for the year		(8.67)	23.07		
Diluted (loss)/profit for the year		(8.67)	23.07		

The accompanying notes form an integral part of the financial statements

Statement of Changes in Equity

Consolidated statement of changes in equity for the year ended 31 December 2008

	Attributable to equity holders of the Company					Distributable			Total Equity RM'000	
	Share Capital (Note 23) RM'000	Capital Reserve (Note 24) RM'000	Share Premium (Note 24) RM'000	Exchange Reserve (Note 24) RM'000	Fair Value Reserve (Note 24) RM'000	Statutory Reserve (Note 24) RM'000	Retained Profits (Note 24) RM'000	Total RM'000		Minority Interests RM'000
At 1 January 2007	611,759	34,352	75	(591)	8,992	-	87,489	742,076	4,289	746,365
Foreign exchange differences on consolidation	-	-	-	(735)	-	-	-	(735)	-	(735)
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	-	(9,688)	-	-	(9,688)	-	(9,688)
Net expense recognised directly in equity	-	-	-	(735)	(9,688)	-	-	(10,423)	-	(10,423)
Net profit for the year	-	-	-	-	-	-	141,113	141,113	2,671	143,784
Total recognised income and expense for the year	-	-	-	(735)	(9,688)	-	141,113	130,690	2,671	133,361
Retained profits capitalised for bonus issue of shares in subsidiary	-	6,600	-	-	-	-	(6,600)	-	-	-
Transfer to statutory reserve	-	-	-	-	-	45,717	(45,717)	-	-	-
Dividends (Note 37)	-	-	-	-	-	-	(8,932)	(8,932)	(3,241)	(12,173)
At 31 December 2007	611,759	40,952	75	(1,326)	(696)	45,717	167,353	863,834	3,719	867,553
Retained profits capitalised for bonus issue of shares in subsidiary (Note 47 (a))	-	31,000	-	-	-	-	(31,000)	-	-	-
	611,759	71,952	75	(1,326)	(696)	45,717	136,353	863,834	3,719	867,553

Statement of Changes in Equity (continued)

Consolidated statement of changes in equity for the year ended 31 December 2008 (continued)

	Attributable to equity holders of the Company			Non-distributable			Distributable			Total Equity RM'000
	Share Capital (Note 23) RM'000	Capital Reserve (Note 24) RM'000	Share Premium (Note 24) RM'000	Exchange Reserve (Note 24) RM'000	Fair Value Reserve (Note 24) RM'000	Statutory Reserve (Note 24) RM'000	Retained Profits (Note 24) RM'000	Total RM'000	Minority Interests RM'000	
At 1 January 2008	611,759	40,952	75	(1,326)	(696)	45,717	167,353	863,834	3,719	867,553
Retained profits capitalised for bonus issue of shares in subsidiary (Note 47(a))	-	31,000	-	-	-	-	(31,000)	-	-	-
At 1 January 2008 (restated)	611,759	71,952	75	(1,326)	(696)	45,717	136,353	863,834	3,719	867,553
Foreign exchange differences on consolidation	-	-	-	998	-	-	-	998	-	998
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	-	(1,187)	-	-	(1,187)	-	(1,187)
Net expense recognised directly in equity	-	-	-	998	(1,187)	-	-	(189)	-	(189)
Net loss for the year	-	-	-	-	-	-	(53,059)	(53,059)	2,321	(50,738)
Total recognised income and expense for the year	-	-	-	998	(1,187)	-	(53,059)	(53,248)	2,321	(50,927)
Dividends (Note 37)	-	-	-	-	-	-	(22,635)	(22,635)	-	(22,635)
At 31 December 2008	611,759	71,952	75	(328)	(1,883)	45,717	60,659	787,951	6,040	793,991

The accompanying notes form an integral part of the financial statements

Statement of Changes in Equity (continued)

Statement of changes in equity for the year ended 31 December 2008

Note	← Non-distributable →			Distributable	
	Share Capital (Note 23) RM'000	Capital Reserve (Note 24) RM'000	Share Premium (Note 24) RM'000	Retained Profits (Note 24) RM'000	Equity RM'000
At 1 January 2007	611,759	29,956	75	17,131	658,921
Net profit for the year	-	-	-	12,525	12,525
Transfer from capital reserve to retained profits	-	(29,956)	-	29,956	-
Dividend paid	37	-	-	(8,932)	(8,932)
At 31 December 2007	611,759	-	75	50,680	662,514
At 1 January 2008	611,759	-	75	50,680	662,514
Net profit for the year	-	-	-	38,924	38,924
Dividend paid	37	-	-	(22,635)	(22,635)
At 31 December 2008	611,759	-	75	66,969	678,803

The accompanying notes form an integral part of the financial statements

Consolidated Cash Flow Statement

Consolidated cash flow statement for the year ended 31 December 2008

	Group	
	2008 RM'000	2007 RM'000
Cash flows from operating activities		
(Loss)/profit before taxation		
Continuing operations	(70,104)	134,058
Discontinued operations	-	36,391
Adjustments for:		
Depreciation:		
Continuing operations	6,966	6,425
Discontinued operations	-	58
Share of results in associates	1,295	167
Impairment loss on securities	18,308	-
Interest income	(93,434)	(62,196)
Interest on securities held-for-trading	(1,715)	(3,762)
Interest on securities available-for-sale	(12,496)	(7,789)
Gross dividend income	(1,033)	(1,140)
Gain on disposal of subsidiary company	-	(233)
Writeback for diminution in value of investments	-	(114)
Net loss/(gain) from sale of securities	2,842	(5,580)
Bad debts recovered on balances due from clients, brokers and other receivables	(148)	(17,173)
Bad debts recovered on loans, advances and financing	(34)	(16,728)
Bad debts on balances due from clients, brokers and other receivables written off	-	145
Bad debts on loans, advances and financing written off	-	2
Allowances for bad and doubtful debts on balances due from clients and brokers	3,733	1,650
Allowances for bad and doubtful debts and financing on loans, advances and financing	61,059	3,928
Hire purchase interest	6	17
Unrealised loss/(gains) on revaluation of securities held-for-trading	4,710	(4,662)
Property, plant and equipment written off	256	339

Consolidated cash flow statement for the year ended 31 December 2008 (continued)

	Group	
	2008 RM'000	2007 RM'000
Cash flows from operating activities (continued)		
Capital gain arising from sale of shares in Bursa Malaysia		
Securities Berhad	-	(18,839)
Amortisation of premium less accretion of discount	(289)	58
Provision for commitment and contingencies	-	620
Gain on disposal of property, plant and equipment	(118)	(37,901)
Net interest suspended	2,068	-
Operating (loss)/profit before working capital changes	(78,128)	7,741
Changes in working capital:		
Receivables	(244,229)	(303,680)
Trust deposits and accounts with licensed banks and financial institutions	81,149	(79,623)
Amount held in trust	(18,424)	-
Payables	366,981	1,040,750
Cash generated from operations	107,349	665,188
Net tax paid	(17,164)	(22,155)
Dividend received	799	863
Interest received	93,434	65,647
Net cash generated from operating activities	184,418	709,543
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,083)	(7,327)
Acquisition of shares in associated companies	-	(78,498)
Net dividend received from an associate	27	-
Acquisition of investments	-	(535,858)
Interest income from securities held-for-trading and available-for-sale	14,211	8,100
Proceeds from disposal of securities - net	345,878	40,106
Proceeds from disposal of subsidiary company	-	403
Proceeds from disposal of property, plant and equipment	243	165,615
Net cash generated from/(used in) investing activities	350,276	(407,459)

Consolidated Cash Flow Statement (continued)

Consolidated cash flow statement for the year ended 31 December 2008 (continued)

	Group		
	Note	2008 RM'000	2007 RM'000
Cash flows from financing activities			
Interest paid		(5,837)	(4,025)
Payment to minority interest for dividends		-	(3,241)
Net repayment of borrowings		(34,089)	(45,526)
Repayment of hire purchase and finance lease		(168)	(194)
Dividends paid		(22,635)	(8,932)
Net cash used in financing activities		<u>(62,729)</u>	<u>(61,918)</u>
Net increase in cash and cash equivalents		471,965	240,166
Cash and cash equivalents at beginning of year		<u>347,040</u>	<u>106,874</u>
Cash and cash equivalents at end of year		<u>819,005</u>	<u>347,040</u>
Cash and cash equivalents at end of year comprise:			
Cash and short term funds	3	<u>819,005</u>	<u>347,040</u>

The accompanying notes form an integral part of the financial statements

Cash Flow Statement

Cash flow statement for the year ended 31 December 2008

	Company	
	2008 RM'000	2007 RM'000
Cash flows from operating activities		
Profit before taxation	50,100	22,298
Adjustments for:		
Depreciation	211	87
Interest expenses	-	2,644
Interest income	(3,406)	(3,770)
Interest on securities held-for-trading	(847)	(483)
Gross dividend income	(61,967)	(23,350)
Unrealised loss/(gain) on revaluation of securities held-for-trading	5,072	(5,514)
Impairment of investment in subsidiaries	50	1,000
Inter-company balances written off	-	4,530
Waiver of intercompany balances	-	(1,303)
Net loss/(gain) arising from sale of securities	3,881	(3,313)
Operating loss before working capital changes	(6,906)	(7,174)
Changes in working capital:		
Receivables	(40)	(71)
Intercompany	9,490	146,493
Payables	(1,101)	1,253
Cash generated from operations	1,443	140,501
Tax refund/(paid)	1	(795)
Dividends received	45,868	17,066
Interest received	3,406	3,770
Net cash generated from operating activities	50,718	160,542
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	-	7
Investment in subsidiary companies	-	(122,800)
Acquisition of shares in an associate	-	(10,063)
Interest income on securities held-for-trading	847	483
Acquisition of investments	(7,057)	(42,990)
Purchase of property, plant and equipment	(379)	(955)
Proceeds from disposal of investments	15,702	33,757
Net cash generated from/(used in) investing activities	9,113	(142,561)

Cash Flow Statement (continued)

Cash flow statement for the year ended 31 December 2008 (continued)

	Company		
	Note	2008 RM'000	2007 RM'000
Cash flows from financing activities			
Drawdown of bank borrowings		-	120,000
Repayment of bank borrowings		-	(120,000)
Dividends paid		(22,635)	(8,932)
Interest paid		-	(2,644)
Net cash used in financing activities		(22,635)	(11,576)
Net increase in cash and cash equivalents		37,196	6,405
Cash and cash equivalents at beginning of year		40,707	34,302
Cash and cash equivalents at end of year		77,903	40,707
Cash and cash equivalents at end of year comprise:			
Cash and short term funds	3	77,903	40,707

The accompanying notes form an integral part of the financial statements

Notes to the Financial Statements - 31 December 2008

1. Corporate Information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office is located at 8th Floor, Kenanga International, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The principal activities of the Company are investment holding and provision of management services. The principal activities of subsidiary companies are set out in Note 12 to the financial statements. There have been no significant changes in the principal activities during the financial year.

The financial statements were authorised for issue by the board of directors in accordance with a resolution of the directors on 27 February 2009.

2. Significant Accounting Policies

2.1 Basis Of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and Financial Reporting Standards ("FRSs") in Malaysia as modified by Bank Negara Malaysia Guidelines. The Group and the Company had adopted the new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2008 as described fully in Note 2.2.

The financial statements of the Group and of the Company have also been prepared on a historical cost basis except for the following assets which are stated at fair value: securities held-for-trading and securities available-for-sale unless otherwise indicated.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 New Financial Reporting Standards (FRSs), amendments to published standards and interpretations

On 1 January 2008, the Company adopted the following revised FRSs, amendment to FRS and Interpretations mandatory for financial periods beginning on or after 1 July 2007:

- FRS 107 - Cash Flow Statements
- FRS 111 - Construction Contracts
- FRS 112 - Income Taxes
- FRS 118 - Revenue
- FRS 120 - Accounting for Government Grants and Disclosure of Government Assistance
- FRS 134 - Interim Financial Reporting
- FRS 137 - Provisions, Contingent Liabilities and Contingent Assets
- Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates
 - Net Investment in A Foreign Operation
- IC Interpretation 1: Changes in Existing Decommissioning, Restoration & Similar Liabilities
- IC Interpretation 2: Members' Shares in Co-operative Entities & Similar Instruments
- IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration & Environmental Rehabilitation Funds

Notes to the Financial Statements (continued)

2. Significant Accounting Policies (continued)

2.2 New Financial Reporting Standards (FRSs), amendments to published standards and interpretations (continued)

- IC Interpretation 6: Liabilities arising from Participating in a Specific Market
- Waste Electrical & Electronic Equipment
- IC Interpretation 7: Applying the Restatement Approach under IAS 29₂₀₀₄
Financial Reporting in Hyperinflationary Economies
- IC Interpretation 8: Scope of FRS 2

The revised FRSs, amendment to FRS and Interpretations above do not have any significant impact on the financial statements of the Group and the Company.

At the date of authorisation of these financial statements, the following new FRSs and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

FRS, amendments to FRS and interpretations	Effective date
FRS 139 - Financial Instruments: Recognition and Measurement	1 January 2010
FRS 4 - Insurance Contracts	1 January 2010
FRS 7 - Financial Instruments: Disclosures	1 January 2010
FRS 8 - Operating Segments	1 July 2010
IC Interpretation 9 - Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10 - Interim Financial Reporting and Impairment	1 January 2010

The new FRS and Interpretations above are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for the changes in disclosures arising from the adoption of FRS 7 and FRS 8.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

2.3 Summary of Significant Accounting Policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the

(i) Subsidiaries (continued)

difference between net disposal proceeds and their carrying amounts is included in income statement.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statement.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investments in associates is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associates. The Group's share of the net profit or loss of the associates are recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associates, the Group recognises its share of such changes.

Notes to the Financial Statements (continued)

2. Significant Accounting Policies (continued)

2.3 Summary of Significant Accounting Policies (Continued)

(b) Associates (continued)

In applying the equity method, unrealised gains and losses on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associates. The associates are equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associates.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interest that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses.

On disposal of such investments, the difference between the sales proceeds and their carrying amounts is included in the income statement.

(c) Intangible assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

(i) Goodwill (continued)

Gains and losses on the disposal of an entity include the carrying amount of good will relating to the entity sold.

(ii) Merchant banking licence

This represents the contribution to Bank Negara Malaysia (“BNM”) for a licence to carry on merchant banking business by a subsidiary company to transform the subsidiary company from a licensed broker into an investment bank. The merchant banking licence has indefinite useful life and is stated at cost less accumulated impairment losses.

The merchant banking licence is not amortised but tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Any impairment loss is recognised in the income statement.

(d) Provisions for liabilities

Provisions for liabilities are recognised when the Group and the Company have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(e) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Buildings-in-progress are also not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Notes to the Financial Statements (continued)

2. Significant Accounting Policies (continued)

2.3 Summary of Significant Accounting Policies (continued)

(e) Property, plant and equipment and depreciation (continued)

Renovation	10%
Building	2%
Plant and machinery	6.66% to 33.33%
Furniture and fittings	10% to 20%
Motor vehicles	16% to 25%
Office equipment	10% to 33.33%
Research library	20%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in income statement taken directly to retained earnings.

(f) Impairment of financial assets

The carrying amounts of the Group's assets, except for deferred tax assets and financial assets (other than securities held-to-maturity and securities available-for-sale) are reviewed at each balance sheet date to determine whether there are any indications of impairment. If any such indications exist, the asset's recoverable amount is estimated to determine the amount of impairment loss. The policies on impairment of assets are summarised as follows:-

(i) Securities held-to-maturity

For securities carried at amortised cost in which there is objective evidence of impairment, impairment loss is measured as the difference between the securities' carrying amount and the present value of the estimated future cash flows discounted at the securities' original effective interest rate. The amount of the impairment loss is recognised in the income statement.

Subsequent reversals in the impairment loss is recognised when the decrease can be objectively related to an event occurring after the impairment was recognised, to the extent that the securities' carrying amount does not exceed its amortised cost if no impairment had been recognised. The reversal is recognised in the income statement.

(f) Impairment of financial assets (continued)

(i) Securities held-to-maturity (continued)

For securities carried at cost, impairment loss is measured as the difference between the securities' carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. The amount of impairment loss is recognised in the income statement and such impairment losses are not reversed subsequent to its recognition.

(ii) Securities available-for-sale

For securities available-for-sale in which there is objective evidence of impairment, the cumulative impairment loss that had been recognised directly in equity shall be transferred from equity to the income statement, even though the securities have not been derecognised. The cumulative impairment loss is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in the income statement.

Impairment losses on investment in equity instruments classified as available-for-sale recognised are not reversed subsequent to its recognition. Reversals of impairment losses on debt instruments classified as available-for-sale are recognised in the income statement if the increase in fair value can be objectively related to an event occurring after the recognition of the impairment loss in the income statement.

(g) Impairment of non-financial assets

(i) Intangible assets

Intangible assets that have an indefinite useful life are tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill from business combinations or intangible assets are allocated to cash-generating units ("CGU") which are expected to benefit from the synergies of the business combination or the intangible asset.

The recoverable amount is determined for each CGU based on its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in the income statement when the carrying amount of the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of goodwill or intangible assets allocated to the CGU and then to the other assets of the CGU on a pro-rata basis.

Notes to the Financial Statements (continued)

2. Significant Accounting Policies (continued)

2.3 Summary of Significant Accounting Policies (continued)

(g) Impairment of non-financial assets (continued)

(i) Intangible assets (continued)

Impairment loss on goodwill is not reversed in subsequent periods.

An impairment loss for intangible assets is reversed if and only if there has been a change in the estimates used to determine the intangible asset's recoverable amount since the last impairment loss was recognised and such reversal is through the income statement to the extent that the intangible asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised.

(ii) Other assets

Other assets such as property, plant and equipment, foreclosed properties and investments in subsidiaries and associates are reviewed for objective indications of impairment at each balance sheet date or whenever there is any indication that these assets may be impaired. Where such indications exist, impairment loss is determined as the excess of the asset's carrying value over its recoverable amount (greater of value in use or fair value less costs to sell) and is recognised in the income statement. The carrying amount is increased to its revised recoverable amount, provided that the amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

(h) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

(i) Finance leases

Assets acquired by way of finance lease are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(h) Leases (continued)

(i) Finance leases (continued)

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.3(e).

(ii) Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

(i) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the income statement for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(j) Contingent liabilities and contingent assets

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group.

Notes to the Financial Statements (continued)

2. Significant Accounting Policies (continued)

2.3 Summary of Significant Accounting Policies (continued)

(j) Contingent liabilities and contingent assets (continued)

The Group does not recognize contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(k) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

Income from the various business activities of the Group is recognised using the following bases:

(i) Interest income on overdrafts and term loans is accounted for on accrual basis by reference to rest periods as stipulated in the loan agreements, which are either monthly or daily

Where an account is classified as non-performing, interest accrued and recognised as income prior to the date the loan is classified as non-performing is reversed out of interest income and set-off against the accrued interest receivable account in the balance sheet. Thereafter, interest on the non-performing loan shall be recognised as income on a cash basis. Customers' accounts are deemed to be non-performing where repayments are in arrears for more than three (3) months from the first day of default or after maturity date.

The policy on interest recognition on non-performing loans is in conformity with the revised Guidelines on Financial Reporting for Licensed Institutions ("BNM/GP8") issued by Bank Negara Malaysia on 5 October 2004.

(ii) Fee and other income

Brokerage fees are recognised upon execution of trade on behalf of clients computed based on a pre-determined percentage of the contract value.

Loan arrangement fees and commissions, management and participation fees and underwriting commissions are recognised as income when all conditions precedent are fulfilled.

Commitment fees, guarantee fees and portfolio management fees which are material are recognised as income based on time apportionment basis.

Corporate advisory fees are recognised as income on the completion of each stage of the assignment.

Gain/(loss) on disposal of investments is recognised upon the transfer of risks and rewards of ownership.

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(l) Interest expense

Interest expenses is recognised on an accrual basis. Other related costs incurred on borrowings are expensed when incurred.

(m) Financial instruments

Financial instruments are recognised in the balance sheet when the Group and the Company have become parties to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group and the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The accounting policies for financial instruments recognised on the balance sheet other than the instruments disclosed below, are disclosed in the individual policy statements associated with each item.

(i) Cash and cash equivalents

The statement of cashflows carries changes in cash and cash equivalent according to operating, investing and financing activities. The Group and the Company do not regard any of the assets other than non-fiduciary cash and bank balances and short term deposit to meet the definition of cash and cash equivalent. The statement of cashflow is prepared using the indirect method.

(ii) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

(iii) Subordinated obligations

The interest-bearing instruments are recognised as liability and are recorded at face value. Interest expense are accrued based on the effective interest rate method.

Notes to the Financial Statements (continued)

2. Significant Accounting Policies (continued)

2.3 Summary of Significant Accounting Policies (continued)

(m) Financial instruments (continued)

(iv) Other assets

Other receivables are carried at anticipated realisable values. Bad debts are written-off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(v) Liabilities

Deposits from customers, deposits and placements of banks and other financial institutions are stated at placement values. Other liabilities are stated at fair value which is the consideration to be paid in the future for goods and services received.

(vi) Loans, advances and financing

Loans, advances and financing are stated at cost less any allowance for bad and doubtful debts and financing.

(1) Share margin accounts financing

In accordance with the Rules of Bursa Malaysia Securities Berhad, specific provisions are made for margin accounts deficits, after taking into consideration the realisable value of collateral and a general provision on outstanding balances due from share margin accounts, net of specific provision made and interest-in-suspense.

Interest income on these accounts is suspended when the accounts are considered non-performing in accordance with the Rules of Bursa Malaysia Securities Berhad and are only recognised upon full receipts of all arrears.

(2) Loans and advances

Specific allowances for bad and doubtful debts and financing are made with regard to specific risks and relate to those loans, advances and financing that have been individually reviewed and specifically identified as bad and doubtful debts.

A general allowance based on a percentage of total outstanding loans (including unearned interest), net of specific allowances for bad and doubtful debts and interest in suspense, is maintained by the Group against risks which are not identified.

An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.



(m) Financial instruments (continued)

(vi) Loans, advances and financing (continued)

(2) Loans and advances (continued)

The allowances for non-performing loans and advances are computed in compliance with the Guidelines on the Suspension of Interest on Non-Performing Loans and Provision for Bad and Doubtful Debts issued by BNM (BNM/GP3).

(vii) Balances due from clients and brokers

Balances due from clients and brokers are recognised on contract date and valued at original invoice amounts less an allowance for any uncollectible amounts.

In accordance with the Rules of Bursa Malaysia Securities Berhad, specific provisions are made for irrecoverable contra losses, overdue outstanding positions and margin accounts deficits, after taking into consideration the realisable value of collateral and a general provision on outstanding balances due from clients and brokers, net of specific provision made and interest-in-suspense.

Interest income on these accounts is suspended when they are considered non-performing in accordance with the Rules of Bursa Malaysia Securities Berhad and are only recognised upon receipt until all arrears have been paid.

(viii) Money lending

Loans and advances are recognised and carried at original invoice amounts less an allowance for any uncollectible amounts.

Specific allowances for bad and doubtful debts and financing are made with regard to specific risks and relate to those loans, advances and financing that have been individually reviewed and specifically identified as bad and doubtful debts.

A general allowance based on a percentage of total outstanding loans (including unearned interest), net of specific allowance for bad and doubtful debts, is maintained against risks which are not identified.

(ix) Repurchase agreements

Securities purchased under resale agreements are securities which the Group has purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group has sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligations to repurchase the securities are reflected as a liability on the balance sheet.

Notes to the Financial Statements (continued)

2. Significant Accounting Policies (continued)

2.3 Summary of Significant Accounting Policies (continued)

(m) Financial instruments (continued)

(x) Securities

The holdings of securities portfolio of the Group and of the Company are recognised based on the following categories and consequently their valuation methods. For the period from 1 July 2008 to 31 December 2009, BNM's circular dated 20 October 2008 allows the reclassification of securities held-for-trading to securities available-for-sale and securities held-to-maturity under certain limited circumstances.

(1) Securities held-for-trading

Securities are classified as held-for-trading if they are acquired principally for the purpose of selling or repurchasing in the near term or it is part of a portion of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Securities held-for-trading are stated at fair value and any gain or loss arising from a change in their fair values and the derecognition of securities held-for-trading are recognised in the income statement.

(2) Securities held-to-maturity

Securities held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that the Group and the Company have the positive intent and ability to hold to maturity. Unquoted shares in organisations set up for socio-economic purposes and equity instruments received as a result of loan restructuring or loan conversion which do not have a quoted market price in an active market and whose fair value cannot be reliably measured are also classified as securities held-to-maturity.

The securities held-to-maturity are measured at accreted/amortised cost based on the effective yield method. Amortisation of premium, accretion of discount and impairment as well as gain or loss arising from derecognition of securities held-to-maturity are recognised in the income statement.

Any sale or reclassification of more than an insignificant amount of securities held-to-maturity not close to their maturity would result in the reclassification of all securities held-to-maturity to securities available-for-sale, and prevent the Bank and the Group from classifying the similar class of securities as securities held-to-maturity for the current and following two (2) financial years.

(3) Securities available-for-sale

Securities available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. The securities available-for-sale are measured at fair value or at amortised cost (less impairment losses) if the fair value cannot be reliably measured.

(m) Financial instruments (continued)

(x) Securities (continued)

(3) Securities available-for-sale (continued)

Any gain or loss arising from a change in fair value is recognised directly in equity through the statement of changes in equity, until the financial asset is sold, collected, disposed of or impaired, at which time the cumulative gain or loss previously recognised in equity will be transferred to the income statement.

(n) Derivative financial instruments

Trading derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Any gain or loss arising from a change in the fair value of the derivatives is recognised in the income statement unless they are part of a hedging relationship which qualifies for hedge accounting.

(i) Fair value hedge

When a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instruments is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss recognised in the income statement.

(ii) Cash flow hedge

Gains and losses on hedging instruments, to the extent the hedge is effective, are deferred in the separate component of equity. The ineffective part of any gain or loss is recognised in the income statement. The deferred gains and losses are then released to the income statement in the periods when the hedged item affects the income statement.

(o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalisation.

All other borrowing costs are recognised in income statement in the period in which they are incurred. Interest expense and attributable profit (on activities relating to Islamic banking business) on borrowings of the investment bank and of the Group are recognised on an accrual basis.

Notes to the Financial Statements (continued)

2. Significant Accounting Policies (continued)

2.3 Summary of Significant Accounting Policies (continued)

(p) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the income statement as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(q) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in income statement for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation.

(q) Foreign currencies (continued)

(ii) Foreign currency transactions (continued)

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in income statement for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in income statement in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency RM of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

Notes to the Financial Statements (continued)

2. Significant Accounting Policies (continued)

2.3 Summary of Significant Accounting Policies (continued)

(r) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in income statement.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

2.4 Judgments, estimates and assumptions made in applying accounting policies

In the preparation of the financial statements, management is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following note:

(a) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of goodwill and other intangible asset

The Group determines whether goodwill and other intangible asset are impaired at least on an annual basis.

(a) Key sources of estimation uncertainty (continued)

(i) Impairment of goodwill and other intangible asset (continued)

This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill and other intangible asset are allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. More detailed disclosures on the assessment of impairment of goodwill and other intangible asset are disclosed in Note 17.

(ii) The valuation for securities held-for-trading (Note 5) and securities available-for-sale (Note 6) is based on fair value. However, if the securities are not traded in active market, fair value may be established by using a valuation technique which includes but is not limited to using recent arm's length market transactions between knowledgeable, willing parties, if available, and reference to the current fair value of another instrument that is substantially the same.

(iii) The Group makes allowances for losses on loans, advances and financing based on assessment of recoverability. Whilst management's judgement is guided by the relevant BNM and Bursa Malaysia Securities Berhad guidelines, judgement is made about the future and other key factors in respect of the recovery of the debts. Among the factors considered are the Group's aggregate exposure to the borrowers, net realisable value of the underlying collateral and capacity to generate sufficient cash flow to service debt obligations.

(iv) Deferred tax assets (Note 16) - deferred tax assets are recognised for all unutilised tax losses to the extent that it is probable that taxable profit will be available against which the tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(v) The Group estimates the useful lives of property, plant and equipment based on factors such as the expected level of usage due to physical wear and tear, future technological developments and legal or other limits on the use of the relevant assets. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the carrying value of property, plant and equipment.

Notes to the Financial Statements (continued)

3. Cash and short-term funds

	Company			
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cash and balances with banks and other financial institutions	39,018	470,063	3,428	1,338
Money at call and deposit placements maturing within one month	965,922	139,080	74,475	39,369
	<u>1,004,940</u>	<u>609,143</u>	<u>77,903</u>	<u>40,707</u>

Included in cash and short term funds are:

Monies and short-term deposits held in trust on behalf of dealer's representatives and clients	185,935	262,103	-	-
Monies and short-term deposits not in trust	819,005	347,040	77,903	40,707
	<u>1,004,940</u>	<u>609,143</u>	<u>77,903</u>	<u>40,707</u>

The weighted average interest rates as at the balance sheet date were as follows:

	Group Weighted average interest rate (% per annum)	
	2008	2007
Licensed financial institutions	3.35	3.50
Licensed banks	3.19	3.40

4. Deposits and placements with financial institutions

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trust deposits with licensed bank	13,867	14,847	-	-
Trust deposits with other financial institutions	-	4,000	-	-
	13,867	18,847	-	-

The above are deposits held on behalf of dealers' representatives and clients.

5. Securities held-for-trading

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At fair value				
Money Market Securities:				
Bank Negara Malaysia Monetary Notes	49,854	-	-	-
Malaysian Government Investment Certificates	-	19,787	-	-
Quoted Securities:				
Shares in Malaysia	28,754	39,323	16,996	34,595
Unquoted Private Debt Securities:				
Corporate Bills	9,989	68,610	-	-
Islamic Corporate Bonds	-	91,133	-	-
	88,597	218,853	16,996	34,595

Notes to the Financial Statements (continued)

6. Securities available-for-sale

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At fair value				
Money Market Instruments:				
Cagamas Bonds	59,874	69,916	-	-
Islamic Cagamas Bonds	15,016	15,021	-	-
Malaysian Government Securities	-	5,015	-	-
Malaysian Government Investment Certificates	-	4,947	-	-
Negotiable Instruments of Deposits	-	80,002	-	-
	74,890	174,901	-	-
Quoted securities:				
Shares in Malaysia	10,476	11,246	-	-
Shares outside Malaysia	4,768	-	-	-
Unquoted securities:				
Shares in Malaysia	2,103	2,103	-	-
Others	3,100	3,100	-	-
Unquoted Private Debt Securities:				
Islamic Corporate Bonds	17,037	121,928	-	-
Corporate Bonds	130,892	62,496	-	-
Islamic Corporate Bills	-	71,623	-	-
Corporate Bills	-	26,876	-	-
	168,376	299,372	-	-
Less: Impairment Loss	(15,145)	(3,100)	-	-
	153,231	296,272	-	-
	228,121	471,173	-	-

6. Securities available-for-sale (continued)

Disclosures of the reclassification from securities held-for-trading (“HFT”) to securities available-for-sale (“AFS”) category in the financial statements of the Group are as follows:

- (a) Amount reclassified from securities HFT to AFS category with effect from 5 December 2008

	Group RM'000
Fair value of securities HFT reclassified to AFS category	20,050

- (b) Carrying amount and fair value of securities HFT reclassified to AFS category as at financial year ended 31 December 2008

	Group RM'000
Securities HFT reclassified to AFS category	
Carrying amount	20,050
Fair value	20,048

- (c) The fair value gain/(loss) recognised in respect of the securities HFT reclassified to AFS category for the financial year ended 31 December 2008

	Group RM'000
Unrealised gain recognised in income statement	50
Unrealised loss recognised in equity	(2)

- (d) The effective interest rate of the securities HFT reclassified to AFS category as at 5 December 2008 is 4.68% per annum.

As at 31 December 2008, there is no significant change in the estimated amount of cash flows that the Group expect to recover from the securities HFT reclassified to AFS category.

7. Securities held-to-maturity

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At Amortised Cost				
Unquoted Securities:				
Shares in Malaysia	1,490	1,490	-	-

Notes to the Financial Statements (continued)

8. Loans, advances and financing

	Group	
	2008 RM'000	2007 RM'000
Term loans	479,115	101,579
Share margin financing	380,658	332,147
Others	70,300	118,095
	930,073	551,821
Unearned interest and income	-	(1)
Gross loans, advances and financing	930,073	551,820
Allowances for bad and doubtful debts and financing		
- specific	(58,810)	(2,600)
- general	(11,208)	(6,589)
Net loans, advances and financing	860,055	542,631
 (i) By type of customer		
Domestic business enterprise		
- Small and medium enterprise	11,911	852
- Others	605,873	186,005
Individuals	298,810	364,963
Foreign enterprise	13,479	-
Gross loans, advances and financing	930,073	551,820
 (ii) By interest rate sensitivity		
Fixed rate		
- Other fixed rate loans	380,658	-
Variable rate		
- Base lending rate plus	70,300	-
- Cost plus	479,115	551,820
Gross loans, advances and financing	930,073	551,820

8. Loans, advances and financing (continued)

	Group	
	2008 RM'000	2007 RM'000
(iii) By economic sectors		
Domestic operations:		
Purchase of securities	70,300	118,095
Real estate	25,009	-
Transport, storage and communication	98,155	-
Finance, insurance and business services	31,992	-
Construction	93,928	56,403
Manufacturing	228,221	45,176
Others	382,468	332,146
Gross loans, advances and financing	<u>930,073</u>	<u>551,820</u>
(iv) Non-performing loans by economic purposes		
Working Capital	58,701	-
Purchase of securities	30,374	3,040
	<u>89,075</u>	<u>3,040</u>
(v) Movement in non-performing loans, advances and financing ("NPL") :		
At beginning of the year	3,040	19,598
Non-performing during the year	89,357	173
Recovered	(3,099)	(16,731)
Written off	(223)	-
At end of the year	<u>89,075</u>	<u>3,040</u>
Specific allowance	(58,810)	(2,600)
Net non-performing loans, advances and financing	<u>30,265</u>	<u>440</u>
Net NPL as % of gross loans, advances and financing less specific allowances	<u>3.5%</u>	<u>0.1%</u>

Notes to the Financial Statements (continued)

8. Loans, advances and financing (continued)

	Group	
	2008 RM'000	2007 RM'000
(vi) Movement in specific allowance for bad and doubtful debts (and financing) accounts :		
<u>Specific Allowance</u>		
At beginning of the year	2,600	2,978
Allowance made during the year (Note 30)	59,117	264
Amount written off	(230)	-
Amount written back in respect of recoveries (Note 30)	(2,677)	(642)
At end of the year	58,810	2,600
(vii) Movement in general allowance for bad and doubtful debts (and financing) accounts :		
<u>General Allowance</u>		
At beginning of the year	6,589	2,817
Allowance made during the year (Note 30)	4,619	3,772
At end of the year	11,208	6,589
As % of gross loans, advances and financing less specific allowances	1.3%	1.2%

9. Balances due from clients and brokers

	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Due from clients and brokers	155,983	353,275	-	-
Less:				
Allowance for bad and doubtful debts	(15,540)	(11,519)	-	-
Interest in suspense	(8,585)	(7,942)	-	-
	131,858	333,814	-	-

Additional Financial Information On Stockbroking Subsidiary

(i) Classification of non-performing accounts and related expenses in accordance with the Rules of Bursa Malaysia Securities Berhad:

	Group	
	2008 RM'000	2007 RM'000
Classified as doubtful	569	1,459
Classified as bad	36,276	39,905
	36,845	41,364

(ii) Movements of allowance for bad and doubtful debts

At beginning of the year	11,519	10,173
Allowance for bad and doubtful debts	8,574	7,346
Reversal of allowance for bad and doubtful debts	(4,627)	(5,975)
Specific allowance set off against related balances due from clients and brokers	(28)	(25)
At end of the year	15,438	11,519

(iii) Movements of interest in suspense accounts

At beginning of the year	7,942	8,196
Interest suspended during the year	8,228	6,520
Interest written back during the year	(6,668)	(5,253)
Suspended interest set off against related trade receivables	(917)	(1,521)
At end of the year	8,585	7,942

Notes to the Financial Statements (continued)

10. Other assets

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Assets segregated for customers	(a)	447,230	397,079	-	-
Amounts due from subsidiary companies	(b)	-	-	14,959	13,945
Amount due from an associated company		360	-	-	-
Tax recoverable		17,524	257	3,199	-
Interest/income receivable		121	3,276	-	-
Prepayments and deposits		11,718	11,048	64	40
Other debtors		6,497	6,438	83	66
		483,450	418,098	18,305	14,051
Allowance for doubtful debts		(878)	(1,887)	-	-
		482,572	416,211	18,305	14,051

(a) Assets segregated for customers

	Group	
	2008 RM'000	2007 RM'000
Margin deposits with Malaysian Derivatives Clearing House	134,749	171,005
Segregated funds with licensed banks	312,481	226,074
	447,230	397,079

Amounts received for customers' margins have been segregated in separate accounts, as required by the Futures Industry Act 1993 and the Rules of Bursa Malaysia Securities Berhad. The corresponding liabilities are included in trade payables.

(b) Amounts due from subsidiary companies

The amounts due from subsidiary companies comprise payments of expenses made on the subsidiary companies' behalf.

The amounts due from subsidiary company, Kenanga Capital Sdn Bhd comprise advances granted to the subsidiary which are unsecured, bear interest at 4.5% (2007:4.5%) per annum and have no fixed terms of repayment.

The other balances are unsecured, non-interest bearing and have no fixed terms of repayment.

11. Statutory deposits with Bank Negara Malaysia

The non-interest bearing statutory deposit is maintained with BNM in compliance with Section 37 (1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994), the amount is determined as a set percentage of net eligible liabilities. As at the balance sheet date, the statutory deposit maintained with BNM is RM24,340,000 (2007: RM10,500,000).

12. Investments in subsidiaries

	Note	Company	
		2008 RM'000	2007 RM'000
Unquoted shares, at cost		588,087	588,137
Subordinated loan to a subsidiary company	(a)	28,650	31,650
		<u>616,737</u>	<u>619,787</u>

(a) Subordinated loan to a subsidiary company

The subordinated loan of RM28.65 million (2007: RM31.65 million) granted to a subsidiary company, Kenanga Deutsche Futures Sdn Bhd ("KDF") is unsecured and bears interest at 5% (2007: 5%) per annum and is due for repayment in November 2011, subject to approvals being obtained from Bursa Malaysia Derivatives Berhad.

The subsidiary companies, which are all incorporated in Malaysia are:

	Equity Interest		Principal Activities
	2008 %	2007 %	
Kenanga Management & Services Sdn Bhd	100	100	Property and facilities management
Kenanga Deutsche Futures Sdn Bhd	73	73	Futures broker
Kenanga Investment Bank Berhad	100	100	Stockbroking and Investment Banking

The subsidiary companies of Kenanga Investment Bank Berhad are:

Kenanga Nominees (Tempatan) Sdn Bhd	100	100	Provision of nominee services
Kenanga Nominees (Asing) Sdn Bhd	100	100	
Kenanga Securities Custodian Sdn Bhd	100	100	Dormant
Kenanga Asset Management Sdn Bhd	100	100	Provision of fund management services

Notes to the Financial Statements (continued)

12. Investments in subsidiaries (continued)

The subsidiary companies of Kenanga Asset Management Sdn Bhd are:

	Equity interest		Principal Activities
	2008 %	2007 %	
KAM Nominees (Tempatan) Sdn Bhd	100	100	Provision of nominee services
KAM Nominees (Asing) Sdn Bhd	100	100	
Kenanga Unit Trust Berhad	100	100	Management of unit trusts schemes

The subsidiary companies of Kenanga Unit Trust Berhad are:

KUT Nominees (Tempatan) Sdn Bhd	100	100	Provision of nominee services
KUT Nominees (Asing) Sdn Bhd	100	100	
Kenanga Capital Sdn Bhd	100	100	Money lending

The subsidiary company of Kenanga Capital Sdn Bhd is:

Capital Investment Bank (Labuan) Limited	100	100	Offshore investment banking
Kenanga Private Equity Sdn Bhd	100	100	Venture capital
Kenanga Smart Access Sdn Bhd	100	100	Dormant
Kenanga Business Access Sdn Bhd	100	100	Commission agents
SSSB Management Services Sdn Bhd	100	100	Dormant
PSSB Corporate Services Sdn Bhd	100	100	Dormant

The subsidiary company of PSSB Corporate Services Sdn Bhd is:

Peninsula Research Sdn Bhd	100	100	Dormant
Sarawak Securities Futures Sdn Bhd	100	100	Dormant

13. Investment in associates

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Unquoted shares at cost	78,498	78,498	10,063	10,063
Share of post acquisition losses	(1,567)	(200)	-	-
Dividends received	(27)	-	-	-
Exchange differences	493	(225)	-	-
	<u>77,397</u>	<u>78,073</u>	<u>10,063</u>	<u>10,063</u>
Represented by:				
Share of net tangible assets	<u>77,397</u>	<u>78,073</u>		

Details of the associates are as follows:

Name	Place of incorporation	Principal activities	Effective equity interest	
			2008	2007
Mena Financial Group Limited	Dubai	Securities and advisory business	20%	20%
SMB Kenanga Investment Corporation Ltd	Sri Lanka	Investment banking, corporate finance services and placements	45%	45%
Al Wasatah Al Maliah Co.	Kingdom of Saudi Arabia	Securities and advisory business	29.6%	29.6%

Notes to the Financial Statements (continued)

13. Investment in associates (continued)

The financial statements of the above associates are coterminous with those of the Group except for Mena Financial Group Limited which closes its accounts on 30 June every year. For the purpose of applying the equity method of accounting, the financial statements of Mena Financial Group Limited for the period ended 31 December 2008 have been used.

The summarised financial information of the associates is as follows:

	Group	
	2008 RM'000	2007 RM'000
Assets and Liabilities		
Current assets	238,372	249,754
Non-current assets	14,511	165
Total assets	252,883	249,919
Current liabilities	8,062	126
Total liabilities	8,062	126
Results		
Revenue	156	111
Loss for the year	(6,927)	(972)

14. Property, plant and equipment

Group	Capital Work- In-Progress RM'000	Building/ Renovations RM'000	Motor Vehicles RM'000	Office Equipment RM'000	Furniture and Fittings RM'000	Research Library RM'000	Total RM'000
At 31 December 2008							
Cost							
At 1 January 2008	551	3,070	10,021	47,208	38,964	703	100,517
Additions	3,306	-	348	5,761	668	-	10,083
Reclassification	(891)	-	150	39	702	-	-
Disposals/write-off	-	(28)	(272)	(5,493)	(1,962)	-	(7,755)
Charged to income statement	(238)	-	-	-	(11)	-	(249)
At 31 December 2008	2,728	3,042	10,247	47,515	38,361	703	102,596
Accumulated depreciation							
At 1 January 2008	-	1,390	6,345	40,819	24,502	703	73,759
Charge for the year	-	267	1,281	2,998	2,420	-	6,966
Disposals/write-off	-	(28)	(272)	(5,463)	(1,532)	-	(7,295)
At 31 December 2008	-	1,629	7,354	38,354	25,390	703	73,430
Net Carrying Amount							
At 31 December 2008	2,728	1,413	2,893	9,161	12,971	-	29,166

14. Property, plant and equipment (continued)

Group	Capital Work- In-Progress RM'000	Building/ Renovations RM'000	Motor Vehicles RM'000	Office Equipment RM'000	Furniture and Fittings RM'000	Research Library RM'000	Total RM'000
At 31 December 2007							
Cost							
At 1 January 2007	152	2,027	9,547	56,702	37,856	703	106,987
Additions	1,094	1,051	1,488	1,743	1,951	-	7,327
Contra to other liabilities	-	-	999	-	-	-	999
Reclassification	(587)	-	-	-	587	-	-
Disposals/write-off	-	(8)	(2,013)	(11,237)	(1,430)	-	(14,688)
Charged to income statement	(108)	-	-	-	-	-	(108)
At 31 December 2007	551	3,070	10,021	47,208	38,964	703	100,517
Accumulated depreciation							
At 1 January 2007	-	1,178	7,252	49,277	23,273	703	81,683
Charge for the year	-	251	1,091	2,705	2,414	-	6,425
Disposals/write-off	-	(3)	(1,998)	(11,163)	(1,185)	-	(14,349)
At 31 December 2007	-	1,390	6,345	40,819	24,502	703	73,759
Net Carrying Amount							
At 31 December 2007	551	1,680	3,676	6,389	14,462	-	26,758

14. Property, plant and equipment (continued)

Company	Furniture and Fittings RM'000	Renovations RM'000	Motor Vehicles RM'000	Office Equipment RM'000	Total RM'000
At 31 December 2008					
Cost					
At 1 January 2008	2	12	1,004	75	1,093
Additions	-	-	220	159	379
At 31 December 2008	2	12	1,224	234	1,472
Accumulated Depreciation					
At 1 January 2008	1	1	115	34	151
Charge for the year (Note 29)	-	2	177	32	211
At 31 December 2008	1	3	292	66	362
Net Carrying Amount					
At 31 December 2008	1	9	932	168	1,110
At 31 December 2007					
Cost					
At 1 January 2007	1	1	97	48	147
Additions	1	11	907	36	955
Disposals	-	-	-	(9)	(9)
At 31 December 2007	2	12	1,004	75	1,093
Accumulated Depreciation					
At 1 January 2007	1	-	40	25	66
Charge for the year (Note 29)	-	1	75	11	87
Disposals	-	-	-	(2)	(2)
At 31 December 2007	1	1	115	34	151
Net Carrying Amount					
At 31 December 2007	1	11	889	41	942

Notes to the Financial Statements (continued)

14. Property, plant and equipment (continued)

During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM10,083,000 (2007: RM7,327,000) and RM379,000 (2007: RM955,000) respectively of which RMNil (2007: RMNil) and RMNil (2007: RMNil) respectively were acquired by means of hire purchase and finance lease arrangements. Net carrying amounts of property, plant and equipment held under hire purchase and finance lease arrangements are as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Office equipment and computers	-	265	-	-
Motor vehicles	85	143	-	-
	85	408	-	-

Details of the terms and conditions of the hire purchase and finance lease arrangements are disclosed in Note 20.

15. Discontinued operations and disposal groups classified as held-for-sale

(a) Disposal of building

On 17 November 2006, the Group entered into a conditional sale and purchase agreement for the disposal of "Kenanga International" to Injaz AsiaEquity Property Berhad together with the existing and new machinery, equipment (including all generators (save and except for the 350kVa generators belonging to Kenanga), air conditioners, lifts, fixtures and fittings thereon ("the Plant and Machinery") and the rights and benefits of all existing tenancy agreements and all warrants and guarantees pertaining to the property and the plant and equipment for a cash consideration of RM165 million.

The transaction was approved by shareholders in the general meeting and the sale was completed during the year 2007. The gain arising on this disposal amounted to RM37.34 million and this gain has been recognised in the income statement for the financial year ended 31 December 2007.

(b) Disposal of subsidiary

On 8 December 2006, the group entered into a Share Purchase Agreement in respect of the disposal of 5,000,000 ordinary shares of RM1.00 each at par, representing 100% of equity interest of Kenanga Investment Management Sdn Bhd to Amara Rose Holdings Sdn Bhd for a total cash consideration of RM3,456,350. The sale was completed during the financial year ended 2007. The gain arising on this disposal amounted to RM233,000 and this gain has been recognised in the income statement for the financial year 2007.

15. Discontinued operations and disposal groups classified as held-for-sale (continued)

(b) Disposal of subsidiary (continued)

The effects on income statement of discontinued operations for the year ended 31 December 2007 are as follows:

	Group	
	2008 RM'000	2007 RM'000
Revenue	-	3,793
Cost of sales	-	-
Gross profit	-	3,793
Other income	-	38,172
Staff Cost	-	(622)
Depreciation	-	(58)
Operating expense	-	(4,191)
Finance cost	-	(703)
Profit before tax from discontinued operations	-	36,391
Taxation (Note 35)	-	1,819
Profit for the year from discontinued operations	-	38,210

The following amounts have been included in arriving at profit before tax from discontinued operations:

	Group	
	2008 RM'000	2007 RM'000
Depreciation	-	58
Gain on disposal of property, plant and equipment	-	(37,336)

Notes to the Financial Statements (continued)

16. Deferred Taxation

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At beginning of the year	(2,916)	5,766	993	(227)
Recognised in income statement (Note 35)	(17,847)	(4,861)	(1,082)	1,220
Recognised in equity	(396)	(3,821)	-	-
At end of the year	(21,159)	(2,916)	(89)	993

Analysed as follows:

Deferred tax assets	(21,215)	(3,983)	(89)	-
Deferred tax liabilities	56	1,067	-	993
	(21,159)	(2,916)	(89)	993

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Unrealised gains of securities available -for-sale RM'000	Unrealised gains of securities held-for- trading RM'000	Excess of capital allowances over depreciation RM'000	Total RM'000
At 1 January 2008	(427)	1,489	4,011	5,073
Recognised in income statement	-	(1,434)	(1,181)	(2,615)
Recognised in equity	(201)	-	(180)	(381)
At 31 December 2008	(628)	55	2,650	2,077
At 1 January 2007	3,394	-	5,008	8,402
Recognised in income statement	-	1,489	(997)	492
Recognised in equity	(3,821)	-	-	(3,821)
At 31 December 2007	(427)	1,489	4,011	5,073

16. Deferred Taxation (continued)

Deferred tax assets of the Group:

	Provisions RM'000	Unabsorbed capital allowances and tax losses RM'000	Total RM'000
At 1 January 2008	(7,989)	-	(7,989)
Recognised in equity	(15)	-	(15)
Recognised in income statement	(5,115)	(10,117)	(15,232)
At 31 December 2008	<u>(13,119)</u>	<u>(10,117)</u>	<u>(23,236)</u>
At 1 January 2007	(2,603)	(33)	(2,636)
Recognised in income statement	(5,386)	33	(5,353)
At 31 December 2007	<u>(7,989)</u>	<u>-</u>	<u>(7,989)</u>

Deferred tax liabilities of the Company:

	Unrealised gains of securities held-for-sale and trading RM'000	Excess of capital allowances over depreciation RM'000	Total RM'000
At 1 January 2008	1,489	35	1,524
Recognised in income statement	(1,434)	16	(1,418)
At 31 December 2008	<u>55</u>	<u>51</u>	<u>106</u>
At 1 January 2007	-	13	13
Recognised in income statement	1,489	22	1,511
At 31 December 2007	<u>1,489</u>	<u>35</u>	<u>1,524</u>

Notes to the Financial Statements (continued)

16. Deferred Taxation (continued)

Deferred tax assets of the Company:

	Provisions RM'000	Unabsorbed capital allowances and tax losses RM'000	Total RM'000
At 1 January 2008	(531)	-	(531)
Recognised in income statement	336	-	336
At 31 December 2008	(195)	-	(195)
At 1 January 2007	(207)	(33)	(240)
Recognised in income statement	(324)	33	(291)
At 31 December 2007	(531)	-	(531)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2008 RM'000	2007 RM'000
Unutilised tax losses carried forward	10,224	7,564
Unutilised capital allowances carried forward	1,004	839
	11,228	8,403

The unutilised tax losses and unabsorbed capital allowances of the Group amounting to RM10,224,000 (2007: RM7,564,000) and RM1,004,000 (2007: RM839,000) respectively are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

17. Intangible assets

	Purchased goodwill RM'000	Merchant banking licence RM'000	Total RM'000
Group			
Cost			
At 1 January 2007 and 2008	53,373	52,500	105,873
Accumulated impairment loss at beginning/ end of the year	(35,767)	-	(35,767)
At 31 December 2007 and 31 December 2008	17,606	52,500	70,106

(a) Impairment test on intangible assets

The intangible assets consist of:

- Purchased goodwill is allocated to one subsidiary's stockbroking operating units. The unit was an acquired firm which was converted to a branch. Purchased goodwill is considered to have an indefinite useful life, which is not amortised and is assessed for impairment annually.
- Merchant Banking Licence which is allocated to a subsidiary's investment banking division represents contribution to Bank Negara Malaysia ("BNM") for a licence to carry on merchant banking business to transform the subsidiary from a Universal Broker into an Investment Bank and is considered to have indefinite useful life, which is not amortised and is assessed for impairment annually.

An annual impairment review has been carried out on intangible assets with indefinite useful lives in accordance with FRS 136: Impairment of Assets and FRS 138: Intangible Assets.

Key assumptions used in value-in-use calculations

For annual impairment testing purposes, the recoverable amounts of the CGUs, which are reportable business segments, are determined based on their value-in-use. The value-in-use calculations apply a discounted cash flow model using cash flow projections based on financial budget and projections approved by management.

Notes to the Financial Statements (continued)

17. Intangible assets (continued)

(a) Impairment test on intangible assets (continued)

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of intangible assets:

(i) Cash flow projections and growth rate

Cash flow projections are based on the most recent one-year financial budget approved by the Board, taking into account projected regulatory capital requirements. Cash flows for the second to fifth years are extrapolated using growth rates that do not exceed the long term average growth rate for the market in which the business operates. Cash flows beyond the fifth year are projected to remain constant.

(ii) Discount rate

The discount rate used is based on the subsidiary's pre-tax weighted average cost of capital plus an appropriate risk premium at the date of assessment of the respective CGU.

Impairment is recognised in the income statement when the carrying amount of a CGU exceeds its recoverable amount. No impairment charge is required for the current financial year in respect of the intangible assets accruing to the CGUs.

(b) Sensitivity to changes in assumptions

Management believes that a reasonable possible change in any of the above key assumptions would not cause the carrying amounts of the goodwill and merchant bank licence to exceed the recoverable amounts of the CGUs, which would warrant any impairment loss to be recognised.

18. Deposits from customers

	Group	
	2008 RM'000	2007 RM'000
(i) Analysed by type of deposit		
Fixed/investment deposits	927,011	387,344
(ii) Analysed by maturity:		
Due within six months	927,011	384,344
Six months to one year	-	3,000
	927,011	387,344
(iii) Analysed by type of customer:		
Government and statutory bodies	329,806	96,217
Individuals	1,032	-
Business enterprises	596,173	291,127
	927,011	387,344

19. Deposits and placements of banks and other financial institutions

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
- Licensed Banks	100,000	-	-	-
- Non-banking institutions	268,779	470,561	-	-
- Other financial institutions	114,611	3,040	-	-
	483,390	473,601	-	-

Notes to the Financial Statements (continued)

20. Other liabilities

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trade payables	(a)	505,399	666,505	-	-
Amounts held in trust	(b)	199,801	218,225	-	-
Hire purchase creditors	(c)	78	246	-	-
Provision for taxation		302	1,795	-	643
Interest payable		6,747	7,944	-	-
Amounts due to subsidiary companies	(d)	-	-	60,409	52,904
Provision and accruals		42,390	70,923	1,431	2,596
Deposits and other creditors		1,237	800	560	495
Derivative financial liabilities	(e)	1,947	-	-	-
		<u>757,901</u>	<u>966,438</u>	<u>62,400</u>	<u>56,638</u>

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from one month to three months apart from balance due to SCANS where settlement is T+ 3 days.

(b) Amount held in trust

	Group	
	2008 RM'000	2007 RM'000
Amounts held in trust on behalf of:		
- clients	156,340	164,640
- dealers' representatives	43,461	53,585
	<u>199,801</u>	<u>218,225</u>

20. Other liabilities (continued)

(c) Hire purchase payable

	Group	
	2008 RM'000	2007 RM'000
Future minimum finance lease payments:		
Not later than 1 year	51	178
Later than 1 year and not later than 2 years	30	81
	<hr/> 81	<hr/> 259
Less: Future finance charges	(3)	(13)
Present value of finance lease liabilities	<hr/> 78	<hr/> 246

Analysis of present value of finance lease payments:

Not later than 1 year	49	168
Later than 1 year and not later than 2 years	29	78
	<hr/> 78	<hr/> 246

Analysed as:

Due within 12 months	48	168
Due after 12 months	30	78
	<hr/> 78	<hr/> 246

(d) Amount due to subsidiary companies

The amounts due to subsidiary companies comprise payments of expenses made on the Company's behalf. The balances are unsecured, non-interest bearing and have no fixed terms of repayment.

(e) Derivative financial liabilities

Derivative financial liabilities represent the initial offer price of structured call warrants received by a subsidiary from call warrant holders upon the sale of the call warrants and subsequently stated at fair value.

Notes to the Financial Statements (continued)

21. Subordinated obligations

The subordinated loan represents a loan from a shareholder of a subsidiary company, Kenanga Deutsche Futures Sdn Bhd. The loan is unsecured, bears interest at 5% per annum (2007: 5%) and is due for repayment in January 2010, subject to approval being obtained from the Bursa Malaysia Derivatives Berhad.

22. Borrowings

	Group	
	2008 RM'000	2007 RM'000
Short Term Borrowings		
Unsecured:		
Revolving bank loan	69,991	104,195

This revolving bank loan to a subsidiary, Kenanga Capital Sdn Bhd bears interest of 1.65% over KLIBOR (2007: 1.65% over KLIBOR) plus cost of maintaining statutory reserve and liquidity requirements and is payable on maturity of the loan. The maximum tenure for the loan is 90 days.

This loan is secured by:

- (a) corporate guarantees given by the Company of RM165 million; and
- (b) letter of subordination signed by the Company agreeing to subordinate the Company's advances to the lender.

23. Share Capital

	Number of Ordinary Shares of RM1 each		Amount	
	2008 '000	2007 '000	2008 RM'000	2007 RM'000
Authorised:				
At 1 January/31 December	800,000	800,000	800,000	800,000
Issued and fully paid:				
At 1 January/31 December	611,759	611,759	611,759	611,759

24. Reserves

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Non-distributable					
Capital reserve (note 47 (a))	(a)	71,952	71,952	-	-
Share premium		75	75	75	75
Exchange reserve	(b)	(328)	(1,326)	-	-
Available-for-sale reserve	(c)	(1,883)	(696)	-	-
Statutory reserve	(d)	45,717	45,717	-	-
		115,533	115,722	75	75
Distributable					
Retained profits (note 47 (a))		60,659	136,353	66,969	50,680
		176,192	252,075	67,044	50,755

The nature and purpose of each category of reserve are as follows:

(a) Capital reserve

The capital reserve of the Group arose from the capitalisation of bonus issue in certain subsidiaries.

(b) Exchange reserve

The exchange reserve represents foreign exchange differences arising from the translation of the financial statements of a foreign subsidiary and associated companies.

(c) Available-for-sale reserve

Available-for-sale reserve is in respect of unrealised fair value gains and losses on securities available-for-sale, net of tax.

(d) Statutory reserve

The statutory reserve is maintained by the investment banking subsidiary in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and is not distributable as dividends.

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years,

Notes to the Financial Statements (continued)

24. Reserves (continued)

expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2008 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act, 2007. As at 31 December 2008, the Company has sufficient credit in the 108 balance to pay franked dividends out of its entire retained profits.

25. Operating revenue

Operating revenue of the Group and Company comprises the following:-

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Dividend income	210	334	61,967	23,350
Gross brokerage	95,595	242,684	-	-
Fund management fees	262	466	-	-
Commission income	14,077	22,116	-	-
Custodian fees	465	1,247	-	-
Advisory fees	8,203	8,823	-	1
Interest income	100,133	30,740	4,254	4,253
Management services	595	-	3,001	303
Transaction fees	-	47	-	-
Placement fees	517	1,193	-	-
Underwriting fees	702	311	-	-
Fees on loans and advances	2,243	405	-	-
Roll over fees	4,465	-	-	-
Other fee income	1,672	-	-	-
Processing fees	1,000	6	-	-
	230,139	308,372	69,222	27,907

26. Interest income

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Loans, advances and financing				
- Interest income other than recoveries from NPLs	63,484	33,663	-	-
- Recoveries from NPLs	-	59	-	-
- Inter-company	-	-	1,857	3,216
Money at call and deposit placements with financial institutions	30,919	26,360	1,549	554
Securities purchased under resale agreements	-	145	-	-
Securities held-for-trading	1,715	3,762	847	483
Securities available-for-sale	12,496	7,789	-	-
Interest on reverse repo	-	27	-	-
Others	3	-	-	-
Interest on contra	807	2,000	-	-
	109,424	73,805	4,253	4,253
Amortisation of premium less accretion of discount	289	(58)	-	-
Interest income suspended	(2,068)	-	-	-
	107,645	73,747	4,253	4,253

27. Interest expense

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Deposits and placement of banks and other financial institutions	6,853	9,589	-	-
Revolving bank loan	6,257	2,644	-	2,644
Deposits from customers	37,946	18,013	-	-
Obligations on securities sold under repurchase agreements	113	222	-	-
Others	26	1,186	-	-
	51,195	31,656	-	2,644

Notes to the Financial Statements (continued)

28. Other operating income

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
(a) Fee income:				
Commissions	14,030	11,312	-	-
Service charges and fees	6,429	6,217	-	-
Guarantee fees	-	107	-	-
Underwriting fees	702	341	-	-
Brokerage income	95,595	242,684	-	-
Other fee income	15,956	14,976	-	1
	<u>132,712</u>	<u>275,637</u>	<u>-</u>	<u>1</u>
(b) (Loss)/gain arising from sale of:				
Securities held-for-trading	(2,524)	5,209	(3,881)	3,313
Securities available-for-sale	(318)	371	-	-
	<u>(2,842)</u>	<u>5,580</u>	<u>(3,881)</u>	<u>3,313</u>
(c) Gross dividend income from:				
- Securities held-for-trading	574	775	210	637
- Securities available-for-sale	287	218	-	-
- Securities held-to-maturity	172	147	-	-
- Subsidiary companies	-	-	61,757	22,713
	<u>1,033</u>	<u>1,140</u>	<u>61,967</u>	<u>23,350</u>
(d) Unrealised gains on revaluation of securities held-for-trading	(4,710)	4,662	(5,072)	5,514
(e) Other income:				
Foreign exchange profit	624	353	-	-
Gains on disposal of property, plant and equipment	118	565	-	-
Waiver of intercompany balances	-	-	-	1,303
Capital gain arising from receipt of shares in Bursa Malaysia Securities Berhad	-	18,839	-	-
Others	1,253	3,249	3,059	322
	<u>1,995</u>	<u>23,006</u>	<u>3,059</u>	<u>1,625</u>
Total other operating income	<u>128,188</u>	<u>310,025</u>	<u>56,073</u>	<u>33,803</u>

29. Other operating expenses

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Personnel costs				
- Salaries, allowances and bonuses	56,715	68,169	5,653	4,879
- Pension costs	6,168	5,383	559	312
- Others	2,540	3,200	607	70
	<u>65,423</u>	<u>76,752</u>	<u>6,819</u>	<u>5,261</u>
Establishment costs				
- Depreciation of property, plant and equipment	6,966	6,425	211	87
- Rental of premises	13,568	9,599	342	297
- Repairs and maintenance of property, plant and equipment	2,149	1,838	71	25
- Information technology expenses	2,698	2,698	-	6
- Others	6,452	4,062	101	-
	<u>31,833</u>	<u>24,622</u>	<u>725</u>	<u>415</u>
Marketing expenses				
- Advertisement and publicity	1,016	489	128	82
- Others	3,679	2,725	-	41
	<u>4,695</u>	<u>3,214</u>	<u>128</u>	<u>123</u>
Administration and general expenses				
- Dealer's representatives' commission and incentives	34,751	91,098	-	-
- Administrative expenses	31,359	46,972	2,504	1,785
- Impairment of investment in a subsidiary	-	-	50	1,000
- Write-off of intercompany balances	-	-	-	4,530
- Claims incurred	90	108	-	-
- Others	2,378	2,681	-	-
	<u>68,578</u>	<u>140,859</u>	<u>2,554</u>	<u>7,315</u>
Total other operating expenses	<u>170,529</u>	<u>245,447</u>	<u>10,226</u>	<u>13,114</u>

Notes to the Financial Statements (continued)

29. Other operating expenses (continued)

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Included in the other operating expenses are the following:				
Auditors' remuneration				
- current year	310	311	39	21
- underprovision in prior year	-	-	10	-
Directors' remuneration				
fees (Note 33)	452	467	305	320
- emoluments	6,924	4,455	2,146	810
- benefits-in-kind	265	356	42	67
(Write back)/provision for diminution in value of investments	-	(114)	-	-
Rental of equipment	1,030	875	-	-
Management fees paid to subsidiaries	-	-	250	219
Property, plant and equipment written off	205	337	-	-

30. (Allowance)/write back of allowance for losses on loans, advances and financing

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Allowances for bad and doubtful debts and financing:				
- general allowance (net)	(4,619)	(3,772)	-	-
- specific allowance	(59,117)	(264)	-	-
- amount written back	2,677	642	-	-
Bad debts and financing recovered	34	16,192	-	-
	(61,025)	12,798	-	-

31. (Allowance)/write back of allowance for bad & doubtful debts on balances due from clients, brokers and other receivables

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Allowances for bad and doubtful debts and financing:				
- general allowance (net)	34	22	-	-
- specific allowance	(3,767)	(1,672)	-	-
Bad debts and financing written off	-	(145)	-	-
Bad debts and financing recovered	148	17,173	-	-
Provision for other debts	-	(620)	-	-
	(3,585)	14,758	-	-

32. Significant related party transactions

In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions with related parties during the financial year:

	Company	
	2008 RM'000	2007 RM'000
Management fee paid to Amara Investment Management Sdn Bhd, a former subsidiary company	-	34
Management fee paid to Kenanga Asset Management Sdn Bhd, a subsidiary company	250	185
Rental paid to Kenanga Management & Services Sdn Bhd, a subsidiary company	-	145
Rental paid to Kenanga Investment Bank Berhad, a subsidiary company	342	-
Interest on advances, charged to Kenanga Capital Sdn Bhd, a subsidiary company	55	1,112
Interest on advances, charged to Kenanga Management & Services Sdn Bhd, a subsidiary company	-	1,021
Interest on subordinated loan, charged to Kenanga Deutsche Futures Sdn Bhd, a subsidiary company	1,802	1,083

Notes to the Financial Statements (continued)

32. Significant related party transactions (continued)

	Company	
	2008 RM'000	2007 RM'000
Interest on placement with Kenanga Investment Bank Berhad, a subsidiary company	2,113	631
Net dividend income received from Kenanga Investment Bank Berhad, a subsidiary company	45,700	-
Net dividend income received from Kenanga Capital Sdn Bhd, a subsidiary company	-	2,500
Net dividend income received from Kenanga Management & Services Sdn Bhd, a subsidiary company	-	5,320
Net dividend income received from Kenanga Deutsche Futures Sdn Bhd, a subsidiary company	-	8,760
Waiver of intercompany balances - PSSB Corporate Services Sdn Bhd, a subsidiary company	-	1,303
Write-off of intercompany balances - Kenanga Securities Custodian Sdn Bhd, a subsidiary company	-	61
Write-off of intercompany balances - Kenanga Private Equity Sdn Bhd, a subsidiary company	-	3,235
Write-off of intercompany balances - Kenanga Smart Access Sdn Bhd, a subsidiary company	-	112
Write-off intercompany balances - Peninsula Research Sdn Bhd, a subsidiary company	-	19
Write-off of intercompany balances - Kenanga Business Access Sdn Bhd, a subsidiary company	-	1,103

33. Compensation of key management personnel

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Short term employee benefits	16,068	10,486	2,146	810
Post-employment benefits:				
Defined contribution plan	1,608	886	-	-
Other long-term benefits	396	389	42	66
	<u>18,072</u>	<u>11,761</u>	<u>2,188</u>	<u>876</u>
Included in the total compensation of key management personnel are:				
Directors' remuneration	<u>8,301</u>	<u>5,361</u>	<u>2,535</u>	<u>1,237</u>

33. Compensation of key management personnel (continued)

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Directors' remuneration				
Executive directors' remuneration:				
Other emoluments	6,924	4,455	2,146	810
Non-executive directors' remuneration:				
Fees	452	467	305	320
Other remuneration, including meeting allowance	660	83	42	40
Total directors' remuneration	8,036	5,005	2,493	1,170
Estimated money value of benefits-in-kind	265	356	42	67
Total directors' remuneration including benefits-in-kind	8,301	5,361	2,535	1,237

The number of Directors of the Group and the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Executive directors:				
Below RM200,000	-	-	-	-
RM200,001 - RM250,000	-	-	-	-
RM300,001 - RM350,000	-	-	-	-
RM350,001 - RM450,000	2	3	-	-
Above RM450,000	3	3	1	1
Non-executive directors:				
Below RM50,000	3	6	5	2
RM50,001 - RM100,000	2	3	3	3
RM100,001 to RM200,000	2	-	-	-
Above RM450,000	1	1	-	-
Past Directors				
Executive directors:				
Below RM50,000	-	2	-	-
Above RM50,000	1	-	-	-
Past Directors				
Non-executive directors:				
Below RM50,000	-	1	-	-

Notes to the Financial Statements (continued)

34. Credit transactions and exposures with connected parties

	Group	
	2008 RM'000	2007 RM'000
Outstanding credit exposures with connected parties	13,642	-
Of which:		
Total credit exposure which is non-performing or in default	-	-
Total credit exposures	42,324	-
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	3.56%	-
- as a proportion of capital base	7.45%	-
- which is non-performing or in default	-	-

The disclosure on Credit Transactions and Exposures with Connected Parties above is presented in accordance with paragraph 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which became effective on 1 January 2008 for Kenanga Investment Bank Berhad, ("the Bank"), a subsidiary of the Company.

Based on these guidelines, a connected party refers to the following:

- (i) Directors of the Bank and their close relatives;
- (ii) Controlling shareholder and his close relatives;
- (iii) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Bank, and his close relatives;
- (iv) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;
- (v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;
- (vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and
- (vii) Subsidiary of or an entity controlled by the Bank and its connected parties.

35. Taxation

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Continuing Operations				
Current income tax:				
Tax expense for the year	2,559	34,759	15,402	8,400
(Over)/under provision in prior years	(4,156)	(3,965)	(3,144)	153
Share of tax in associate companies	78	33	-	-
Deferred tax (Note 16):				
Overprovision in previous year	(2,934)	-	(62)	-
Relating to reduction in Malaysian income tax	794	1,418	(35)	(8)
Relating to origination and reversal of temporary differences	(15,707)	(3,761)	(985)	1,228
Total income tax (credit)/expense from continuing operations	(19,366)	28,484	11,176	9,773
Discontinued operations				
Current income tax:				
Malaysian income tax	-	699	-	-
Deferred tax (Note 16):				
Relating to origination and reversal of temporary differences	-	(2,518)	-	-
Total income tax expense from discontinued operations	-	(1,819)	-	-
Total income tax (credit)/expense	(19,366)	26,665	11,176	9,773

Domestic income tax is calculated at the Malaysian statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 25% from the current year's rate of 26%, effective year of assessment 2009 and in subsequent years of assessment. The computation of deferred tax as at 31 December 2008 has reflected these changes.

Notes to the Financial Statements (continued)

35. Taxation (continued)

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
(Loss)/Profit before taxation:				
Continuing operations	(70,104)	134,058	50,100	22,298
Discontinued operations	-	36,391	-	-
	(70,104)	170,449	50,100	22,298
Tax at Malaysian statutory tax rate of 26% (2007: 27%)	(18,227)	46,021	13,026	6,020
Tax savings on first RM500,000 at 20%	29	(5)	-	-
Tax effect of expenses that are not deductible for tax purposes	6,083	4,175	1,401	3,979
Income not subject to tax	(1,214)	(21,080)	(10)	(371)
Deferred tax assets not recognised	259	101	-	-
Effect of changes in tax rate on opening deferred tax	794	1,418	(35)	(8)
Over provision of deferred tax in prior years	(2,934)	-	(62)	-
(Over)/under provision in prior years	(4,156)	(3,965)	(3,144)	153
	(19,366)	26,665	11,176	9,773
Tax savings recognised during the year arising from:				
Utilisation of current year tax losses	385	128	-	-

36. (Loss)/earnings per share - basic/diluted

Basic/diluted (loss)/earnings per share amounts are calculated by dividing (loss)/profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

36. (Loss)/earnings per share - basic/diluted (continued)

	2008 RM'000	2007 RM'000
(Loss)/profit from continuing operations attributable to ordinary equity holders of the Company	(53,059)	102,903
Profit from discontinued operations attributable ordinary equity holders of the Company	-	38,210
(Loss)/profit attributable to ordinary equity holders of the Company	<u>(53,059)</u>	<u>141,113</u>
	2008	2007
Weighted average number of ordinary shares in issue	<u>611,759,000</u>	<u>611,759,000</u>
Basic/diluted (loss)/earnings per share for:		
(Loss)/profit from continuing operations	(8.67)	16.82
Profit from discontinued operations	-	6.25
(Loss)/profit for the year	<u>(8.67)</u>	<u>23.07</u>

Diluted earnings per share is the same as basic earnings per share as there are no potential ordinary shares outstanding during the financial year.

37. Dividends

	Group/Company	
	2008 RM'000	2007 RM'000
Recognised during the year:		
First and final dividend of 2% less tax at 27%, based on 611,759,499 ordinary shares in respect of the year ended 31 December 2006.	-	8,932
First and final dividend of 5% less tax at 26%, based on 611,759,499 ordinary shares in respect of the year ended 31 December 2007.	22,635	-

Notes to the Financial Statements (continued)

37. Dividends (continued)

	Group/Company	
	2008 RM'000	2007 RM'000
Proposed for approval at AGM (not recognised as at 31 December):		

First and final dividend of 5% less 26% taxation on 611,759,499 ordinary shares (3.7 sen per ordinary share) in respect of the year ended 31 December 2007. - 22,635

The Directors do not recommend the payment of any dividend in respect of the current financial year.

38. Commitments and contingencies

In the normal course of business, the Group makes various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

Risk weighted exposures of the Group are as follows:

Group	Principal Amount RM'000	2008 Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	2007 Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000
Irrevocable commitments to extend credit:-						
- maturity not exceeding one year	25,000	-	-	40	-	-
Obligation under underwriting agreements	-	-	-	144,910	72,455	72,455
Commitments to extend credit with maturity of less than 1 year:						
- margin	580,986	-	-	779,039	-	-
- term loan	3,790	-	-	-	-	-
Commitments to extend credit with maturity more than 1 year						
- term loan	22,684	11,342	11,342	197,500	98,750	98,750
Other commitments and contingencies	86	-	-	68	-	-
	632,546	11,342	11,342	1,121,557	171,205	171,205

38. Commitments and contingencies (continued)

* The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia's guidelines.

39. Financial risk management policies

(a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of its business whilst managing its liquidity risk, interest rate risk, market risk, foreign currency risk and credit risks. The Group operates within clearly defined guidelines that are approved by the Board.

(b) Liquidity risk

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements in addition to maintaining available banking facilities, to meet any immediate operating cash flow requirements.

(c) Credit risk

Credit risk, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to customers with high creditworthiness. Balance due from clients and brokers are monitored on an ongoing basis via Group management reporting procedures. The Group through its directors and management, reviews all significant exposure to individual customers and counterparties and reviews any major concentration of credit risk related to any financial instruments.

The Group has risk management procedures in place to manage these risks to ensure that all the procedures and principles relating to risk management are adhered to.

(d) Interest rate risk

The Group's policy is to borrow principally on floating rate basis for the purposes of its working capital only. The information on effective interest rates of borrowings is disclosed in Note 22.

Financial asset investments are mainly short term in nature and have been placed mostly in fixed deposits at competitive rates obtainable. The information on effective interest rates of deposits is disclosed in Note 3.

Interest rates for share margin financing facilities provided by the Group are reflective of prevailing market rates.

Notes to the Financial Statements (continued)

39. Financial risk management policies (continued)

(e) Market risk

Market risk is the risk of loss arising from changes in prices of equity instruments and other financial instruments in the markets in which the Group operates. The Group also engages in bond proprietary trading to generate revenue in anticipation of changes in prices that may occur in the debt capital market.

The Group manages the risk of unfavourable price changes by cautious reviews of investments and collaterals held with continuous monitoring of their performance and risk profiles by qualified personnel.

(f) Foreign currency risk

The Group is exposed to transactional currency risk primarily through future trading that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is United States Dollars (USD). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

	Net Financial Assets/ (Liabilities) Held in Non Functional Currency	
	2008 RM'000	2007 RM'000
United States Dollars (USD)		
Assets segregated for customers	104,955	15,431
Trade payables	(104,926)	(15,298)
	29	133

40. Interest rate risk

In macro terms, interest rate risk refers to the overall sensitivity of the Group's earnings and/or economic values of the Group's portfolio to changes in interest rates. Interest rate risk is managed through various risk management techniques including re-pricing gap, net interest income simulation and stress testing.

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The effects of changes in the levels of interest rates on the market value of securities are monitored regularly and the outcome of mark-to-market valuations is escalated to Management regularly. The table below summarises the effective interest rates at the balance sheet date and the periods in which the financial instruments will reprice or mature, whichever is the earlier.

40. Interest rate risk (continued)

GROUP 2008	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short term funds	786,781	-	-	-	-	218,159	-	1,004,940	3.35%
Deposits and placement with financial institutions	-	-	-	-	-	13,867	-	13,867	
Securities held-for-trading	-	-	-	-	-	16,996	71,601	88,597	4.78%
Securities available-for-sale	-	15,016	15,001	174,867	17,935	5,302	-	228,121	4.16%
Securities held-to-maturity	-	-	1,000	-	-	490	-	1,490	
Loans, advances and financing	366,272	9,347	321,741	162,695	-	-	-	860,055	7.22%
Other assets (N1)	-	-	-	-	-	147,546	-	147,546	
Assets segregated by customers	447,230	-	-	-	-	-	-	447,230	2.45%
Other non interest sensitive balances	-	-	2,000	-	-	239,878	-	241,878	
Total assets	1,600,283	24,363	339,742	337,562	17,935	642,238	71,601	3,033,724	
Liabilities									
Deposits from customers	668,492	200,519	58,000	-	-	-	-	927,011	3.48%
Deposits and placement of banks and other financial institutions	198,909	265,861	18,620	-	-	-	-	483,390	3.55%
Borrowings	69,991	-	-	-	-	-	-	69,991	5.28%
Subordinated bonds	-	-	-	1,384	-	-	-	1,384	5.00%
Other non interest sensitive balances	448,486	-	-	-	-	309,471	-	757,957	
Total liabilities	1,385,878	466,380	76,620	1,384	-	309,471	-	2,239,733	
Equity	-	-	-	-	-	787,951	-	787,951	
Minority interest	-	-	-	-	-	6,040	-	6,040	
Total liabilities and equity	1,385,878	466,380	76,620	1,384	-	1,103,462	-	3,033,724	
On-balance sheet interest sensitivity gap	214,405	(442,017)	263,122	336,178	17,935	(461,224)	71,601	-	
Total interest sensitivity gap	214,405	(442,017)	263,122	336,178	17,935	(461,224)	71,601	-	

N1 : Specific allowance and general allowance of a subsidiary are classified under the non interest sensitive column.

40. Interest rate risk (continued)

COMPANY 2008	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short term funds	77,903	-	-	-	-	-	-	77,903	3.35%
Securities held-for-trading	-	-	-	-	-	-	16,996	16,996	3.49%
Other non interest sensitive balances	-	-	-	-	-	646,304	-	646,304	
Total assets	77,903	-	-	-	-	646,304	16,996	741,203	
Liabilities									
Other non interest sensitive balances	-	-	-	-	-	62,400	-	62,400	
Total liabilities	-	-	-	-	-	62,400	-	62,400	
Equity	-	-	-	-	-	678,803	-	678,803	
Total liabilities and equity	-	-	-	-	-	741,203	-	741,203	
On-balance sheet interest sensitivity gap	77,903	-	-	-	-	(94,899)	16,996	-	
Total interest sensitivity gap	77,903	-	-	-	-	(94,899)	16,996	-	

40. Interest rate risk (continued)

GROUP 2007	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short term funds	332,708	-	-	-	-	276,435	-	609,143	3.50%
Deposits and placement with financial institutions	-	-	-	-	-	18,847	-	18,847	
Securities held-for-trading	-	-	-	-	-	-	218,853	218,853	3.71%
Securities available-for-sale	48,990	70,843	58,669	251,678	27,645	13,348	-	471,173	4.85%
Securities held-to-maturity	-	-	-	-	-	1,490	-	1,490	
Loans, advances and financing	344,368	110,381	87,882	-	-	-	-	542,631	7.23%
Other assets (N1)	27,461	-	-	-	-	324,444	-	351,905	
Assets segregated by customers	391,053	-	2,000	-	-	4,026	-	397,079	2.45%
Other non interest sensitive balances	419	-	-	-	-	190,042	-	190,461	
Total assets	1,144,999	181,224	148,551	251,678	27,645	828,632	218,853	2,801,582	
Liabilities									
Deposits from customers	347,414	32,104	7,826	-	-	-	-	387,344	3.48%
Deposits and placement of banks and other financial institutions	54,100	77,520	184,051	157,930	-	-	-	473,601	3.64%
Borrowings	104,195	-	-	-	-	-	-	104,195	5.44%
Subordinated bonds	-	-	-	1,384	-	-	-	1,384	5.00%
Other non interest sensitive balances	4	9	40	72	-	967,380	-	967,505	
Total liabilities	505,713	109,633	191,917	159,386	-	967,380	-	1,934,029	
Equity	-	-	-	-	-	863,834	-	863,834	
Minority interest	-	-	-	-	-	3,719	-	3,719	
Total liabilities and equity	505,713	109,633	191,917	159,386	-	1,834,933	-	2,801,582	
On-balance sheet interest sensitivity gap	639,286	71,591	(43,366)	92,292	27,645	(1,006,301)	218,853	-	
Total interest sensitivity gap	639,286	71,591	(43,366)	92,292	27,645	(1,006,301)	218,853	-	

N1: Specific allowance and general allowance of a subsidiary are classified under the non interest sensitive column.

40. Interest rate risk (continued)

COMPANY 2007	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short term funds	39,397	-	-	-	-	1,310	-	40,707	3.41%
Securities held-for-trading	-	-	-	-	-	-	34,595	34,595	3.18%
Other non interest sensitive balances	-	-	-	-	-	644,843	-	644,843	
Total assets	39,397	-	-	-	-	646,153	34,595	720,145	
Liabilities									
Other non interest sensitive balances	-	-	-	-	-	57,631	-	57,631	
Total liabilities	-	-	-	-	-	57,631	-	57,631	
Equity	-	-	-	-	-	662,514	-	662,514	
Total liabilities and equity	-	-	-	-	-	720,145	-	720,145	
On-balance sheet interest sensitivity gap	39,397	-	-	-	-	(73,992)	34,595	-	
Total interest sensitivity gap	39,397	-	-	-	-	(73,992)	34,595	-	

Notes to the Financial Statements (continued)

41. Capital commitment

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Approved and contracted for	3,254	988	362	-
Approved but not contracted for	21,146	5,942	19,418	-
	<u>24,400</u>	<u>6,930</u>	<u>19,780</u>	<u>-</u>

42. Contingent liabilities/other commitments

	Group	
	2008 RM'000	2007 RM'000
(i) Contingent Liabilities - Unsecured		
Contingent liabilities arising from legal actions taken by clients and a former dealer's representative against a subsidiary company. Two of the three cases were struck out by the Court with costs. However, the Plaintiff has appealed to the Court of Appeal and the matter is pending.	<u>2,247</u>	<u>2,247</u>
A subsidiary company had served a formal demand on a software vendor for breach of contract for an amount of USD2,246,440. In response, the subsidiary company had, via its solicitors, been served with a formal demand on the same contract for an amount of USD1,240,800.	<u>4,353</u>	<u>4,095</u>
Bank guarantee issued to Bursa Malaysia Securities Berhad on behalf of a subsidiary company in relation to its obligation to contribute to the clearing guarantee fund.	<u>983</u>	<u>1,174</u>

Notes to the Financial Statements (continued)

42. Contingent liabilities/other commitments (continued)

(i) Contingent Liabilities - Unsecured (continued)

	Group	
	2008 RM'000	2007 RM'000
<p>On 19 July 2005, a subsidiary of the Company commenced legal proceedings against three clients for losses amounting to RM2.3 million arising from the force-selling of shares after the equity ratio for the shares fell below the force-selling ratio. These three clients have in turn initiated legal actions against the subsidiary company for the price difference between the purchase and sale of shares which were force-sold. All the three cases were dismissed by the Court but two of the clients have appealed against the decision.</p>	6,631	6,631
<p>A subsidiary of the Company litigated against a former dealer's representative ("defendant") for losses incurred by the clients and in the defence, the defendant counter claimed for commission that had been set off against the losses. The Court allowed the subsidiary's application to strike out the counter claim and upon appeal by the defendant to the High Court, the appeal was dismissed. The defendant filed an appeal to the Court of Appeal. In respect of the subsidiary's claim against the defendant, the Court dismissed the subsidiary's summary judgment application. The subsidiary has also filed an appeal to the Court of Appeal. Both claims are status quo until the claims are resolved by the Court of Appeal.</p>	3,113	3,113
<p>A subsidiary of the Company was on 23 March 2007 served with a letter of demand from an individual for the transfer of 10 million shares in a listed company purportedly to subscribe at an IPO price and allegedly held by the subsidiary's nominated agents in trust for the client. The subsidiary had lodged a police report on this matter as it was not a placement agent for these shares and was unaware of the purported transaction. The subsidiary company was on 24 March 2008 served with a writ of summons by that individual.</p>	1,000	1,000

42. Contingent liabilities/other commitments (continued)

(i) Contingent Liabilities - Unsecured (continued)

	Group	
	2008 RM'000	2007 RM'000
<p>A subsidiary of the Company was on 23 March 2007 served with 2 letters of demand from 2 individuals demanding the transfer to each of them 550,000 shares in a listed company. These shares were purportedly subscribed by them at an IPO price and allegedly held by the subsidiary's nominated agent in trust for them. The subsidiary had lodged a police report on this matter as it was not a placement agent for these shares and was unaware of these purported transactions. The individuals had served writs of summons on 31 January 2008 to the subsidiary company.</p>	2,940	1,870
<p>A subsidiary of the Company was on 24 December 2008 served with a writ of summons from an individual alleging that the subsidiary's nominated agent in trust represented that the subsidiary of the Company was the placement agent for the IPO shares of five listed companies. Payments for the shares were purportedly made to the nominated agent in trust. The subsidiary of the Company was never appointed as placement agent for the five mentioned IPOs. The individuals alleged non-receipt of the IPO shares or any proceeds therefrom.</p>	4,220	-

Based on the legal advice obtained, the Board of Directors is of the opinion that no provision needs to be made for these contingent liabilities as the Group has good grounds to defend these claims.

Notes to the Financial Statements (continued)

42. Contingent liabilities/other commitments (continued)

(i) Contingent Liabilities - Unsecured (continued)

	Group	
	2008 RM'000	2007 RM'000
Corporate guarantee provided by the Company for subsidiary companies for credit facilities granted by licensed banks.	573,000	774,000
Corporate guarantee provided by the Company for a subsidiary company to a counter party against cash collateral.	155,000	85,000

(ii) Non-Cancellable Operating Lease Commitments

	Group	
	2008 RM'000	2007 RM'000
(a) Underwriting commitments	-	144,910
(b) Future minimum rental payable:		
Within 1 year	15,325	14,418
Between one and five years	59,730	59,114
Later than 5 years	50,774	65,515
	125,829	139,047
(c) Future minimum sublease receipts:		
External parties	47,704	53,186

Operating lease payments represent rentals payable for the use of office equipment and premises. The operating lease of the Group's premises is for an initial period of 10 years with an option to renew for another 5 years and subject to rates revision every 3 years.

43. 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 (Bank). The following disclosure of capital adequacy ratio is in respect of the Bank:

	Bank	
	2008 %	2007 %
Capital Ratios		
Core capital ratio	33.00%	47.54%
Risk-weighted capital ratio	33.00%	47.54%
	RM'000	RM'000
Tier I capital		
Paid-up share capital	580,000	580,000
(Accumulated losses)/retained profits	(8,579)	81,317
Statutory reserve	45,717	45,717
	<hr/>	<hr/>
	617,138	707,034
Less: Purchased goodwill	(17,606)	(17,606)
Deferred tax assets	(18,194)	(3,061)
Total Tier I capital	<hr/>	<hr/>
	581,338	686,367
Tier II Capital		
General allowance for bad and doubtful debts	10,300	4,822
Total Tier II capital	<hr/>	<hr/>
	10,300	4,822
Total Capital	591,638	691,189
Less: Investment in subsidiaries *	(23,873)	(23,838)
Total Capital Base	<hr/>	<hr/>
	567,765	667,351

* This amount represent the original cost of investment in subsidiaries. The carrying amount after provision for impairment amounted to RM13.2 million (2007: RM16.8 million).

Notes to the Financial Statements (continued)

43. Capital adequacy (continued)

Breakdown of risk weighted assets in the various categories of risk-weighted of the Bank is as follows:

	2008		2007	
	Notional RM'000	Risk- weighted RM'000	Notional RM'000	Risk- weighted RM'000
Credit risk	2,428,359	1,354,433	1,801,806	1,136,308
Market risk	-	38,342	-	266,300
Operational risk	-	282,439	-	-
Counterparty risk	-	45,315	-	1,093
Total Risk Weighted Assets	2,428,359	1,720,529	1,801,806	1,403,701

Note (a) General allowance at 31 December 2007 was restated due to reclassification of share margin financing. Previously, share margin financing was classified as "Balances due from clients and brokers" and this has now been reclassified to "Loans, advances and financing".

The capital adequacy ratios of the Bank as at 31 December 2008 are computed in accordance with BNM's Revised Risk-weighted Capital Adequacy Framework: Standardised Approach for Credit Risk and Market Risk and Basic Indicator Approach for Operational Risk ("RWCAF Basel II") which is effective from 1 January 2008. The capital adequacy ratios as at the previous financial year end have not been restated to comply with RWCAF Basel II as they represent the actual amounts reported for regulatory compliance purpose as of that date.

44. Segmental Reporting

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

(a) Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services provided. Segmental analysis by geographical location has not been prepared as the Group's operations are predominantly conducted in Malaysia. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(b) Business segment

Segment information is presented in respect of the Group's business segments. The Group comprises the following main business segments:

- (i) Investment bank services
- (ii) Stockbroking
- (iii) Futures
- (iv) Money lending
- (v) Property management
- (vi) Investment management
- (vii) Corporate and others

44. Segmental reporting (continued)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segments:

31 December 2008	Continuing Operations								Total RM'000
	Investment Bank RM'000	Stockbroking RM'000	Futures RM'000	Money Lending RM'000	Property Management RM'000	Investment Management RM'000	Corporate and others RM'000	Eliminations /Adjustments RM'000	
Revenue									
External sales	103,427	95,595	21,153	8,425	535	263	741	-	230,139
Inter-segment sales	-	-	-	-	140	321	68,771	(69,232)	-
Total revenue	103,427	95,595	21,153	8,425	675	584	69,512	(69,232)	230,139
Result									
Segment results	1,548	(19,262)	17,083	(2,251)	(313)	(1,495)	47,081	(60,006)	(17,615)
Loss from operation	(42,110)	(14)	(6,823)	(6,324)	-	-	-	4,076	(51,195)
Finance cost, net	-	15,642	(2,719)	1,564	(78)	3	(11,024)	15,979	19,367
Taxation	(40,562)	(3,634)	7,541	(7,011)	(391)	(1,492)	36,057	(39,951)	(49,443)
Loss after taxation	-	-	-	-	-	-	-	(1,295)	(1,295)
Share of results of associates	-	-	-	-	-	-	-	(2,321)	(2,321)
Minority interests	-	-	-	-	-	-	-	(43,567)	(43,567)
Net loss for the year	(40,562)	(3,634)	7,541	(7,011)	(391)	(1,492)	36,057	(53,059)	(53,059)
Assets									
Segments assets	942,600	1,429,043	501,510	92,940	61,722	13,776	747,256	(793,862)	2,994,985
Unallocated corporate assets	-	31,463	302	3,536	54	-	3,384	-	38,739
Consolidated total assets	942,600	1,460,506	501,812	96,476	61,776	13,776	750,640	(793,862)	3,033,724
Liabilities									
Segment liabilities	1,489,852	297,999	479,140	91,253	174	164	64,292	(183,499)	2,239,375
Unallocated corporate liabilities	-	-	302	-	47	-	9	-	358
Consolidated total liabilities	1,489,852	297,999	479,442	91,253	221	164	64,301	(183,499)	2,239,733
Other information									
Capital expenditure	-	9,285	176	47	164	2	409	-	10,083
Depreciation & Amortisation	-	5,848	253	228	85	220	332	-	6,966
Impairment losses	-	18,308	-	-	-	-	-	-	18,308
Non-cash expenses other than depreciation, amortisation and provision for diminution in value	47,183	8,227	-	9,415	-	(17)	9,560	-	74,368

44. Segmental Reporting (continued)

31 December 2007	Continuing Operations					Discontinuing Operations						
	Investment Bank RM'000	Stockbroking RM'000	Futures RM'000	Money Lending RM'000	Property Management RM'000	Investment Management RM'000	Corporate and others RM'000	Eliminations /Adjustments RM'000	Total RM'000	Property Management RM'000	Investment Management RM'000	Total RM'000
Revenue												
External sales	32,801	242,624	22,069	9,579	-	467	832	-	308,372	2,787	914	312,073
Inter-segment sales	-	-	-	-	-	160	23,857	(24,017)	-	-	-	-
Total revenue	32,801	242,624	22,069	9,579	-	627	24,689	(24,017)	308,372	2,787	914	312,073
Result												
Segment results	10,376	121,309	20,552	9,650	48	(1,236)	(249,566)	252,031	163,164	38,994	114	202,272
Profit from operation	(20,237)	(31)	(5,951)	(5,651)	-	-	(2,645)	2,859	(31,656)	-	-	(31,656)
Finance cost, net	-	(19,962)	(3,655)	(1,160)	(12)	-	(10,025)	6,363	(28,451)	1,819	-	(26,632)
Taxation	(9,861)	101,316	10,946	2,839	36	(1,236)	(262,236)	261,253	103,057	40,813	114	143,984
Share of results of associates	-	-	-	-	-	-	-	(200)	(200)	-	-	(200)
Minority interests	-	-	-	-	-	-	-	(2,671)	(2,671)	-	-	(2,671)
Net profit for the year	(9,861)	101,316	10,946	2,839	36	(1,236)	(262,236)	258,382	100,186	40,813	114	141,113
Assets												
Segments assets	514,143	1,645,822	445,626	130,517	62,705	15,404	731,324	(748,199)	2,797,342	-	-	2,797,342
Unallocated corporate assets	-	3,069	274	648	-	5	244	-	4,240	-	-	4,240
Consolidated total assets	514,143	1,648,891	445,900	131,165	62,705	15,409	731,568	(748,199)	2,801,582	-	-	2,801,582
Liabilities												
Segment liabilities	902,373	554,324	430,207	118,932	597	305	57,178	(132,749)	1,931,167	-	-	1,931,167
Unallocated corporate liabilities	-	-	865	1	162	-	1,834	-	2,862	-	-	2,862
Consolidated total liabilities	902,373	554,324	431,072	118,933	759	305	59,013	(132,749)	1,934,029	-	-	1,934,029
Other information												
Capital expenditure	-	5,671	242	180	226	14	994	-	7,327	-	-	7,327
Depreciation & Amortisation	-	5,419	224	236	82	236	228	-	6,425	-	58	6,483
Provision for diminution in value	-	-	(1,170)	-	-	-	1,056	-	(114)	-	-	(114)
Non-cash expenses other than depreciation, amortisation and provision for diminution in value	(1,524)	(46,562)	-	1,764	-	3	(10,562)	-	(56,851)	(37,589)	-	(94,470)

Notes to the Financial Statements (continued)

45. Fair value of financial assets and liabilities

The carrying amount and the fair value of the financial assets and liabilities of the Group and the Company are as follows:

Group	2008		2007	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial assets				
Cash and short-term funds	1,004,940	1,004,940	609,143	609,143
Deposits and placement with financial institutions	13,867	13,867	18,847	18,847
Securities held-for-trading	88,597	88,597	218,853	218,853
Securities available-for-sale	228,121	228,121	471,173	471,173
Securities held-to-maturity	1,490	1,490	1,490	1,490
Loans, advances and financing	860,055	860,370	542,631	542,631
Balances due from clients and brokers	131,858	131,858	333,814	333,814
Other assets	482,572	482,572	416,211	416,211
Financial liabilities				
Deposits from customers	927,011	927,011	387,344	387,344
Deposits and placements of bank and other financial institutions	483,390	483,390	473,601	473,601
Other liabilities	757,901	757,901	966,438	966,438
Subordinated Bonds	1,384	1,384	1,384	1,384
Borrowings	69,991	69,991	104,195	104,195
Company				
Financial assets				
Cash and short-term funds	77,903	77,903	40,707	40,707
Securities held-for-trading	16,996	16,996	34,595	34,595
Balances due from clients and brokers	3	3	-	-
Other assets	18,302	18,302	14,051	14,051
Financial liabilities				
Other liabilities	62,400	62,400	56,638	56,638

45. Fair value of financial assets and liabilities (continued)

Note: The fair value of the other assets, other liabilities and borrowings, which are considered short-term in nature, are estimated to be approximately their carrying values.

The methods and assumptions used in estimating the fair values of financial instruments are as follows:-

(i) Cash and short-term funds

The carrying amounts approximate fair values due to the relatively short maturity of the financial instruments.

(ii) Deposits and placements with financial institutions

The fair values of these financial instruments with remaining maturity of less than one year approximate their carrying amounts due to the relatively short maturity of the financial instruments. For those financial instruments with maturity of more than one year, the fair values are estimated based on discounted cash flows using applicable prevailing market rates for placements of similar credit risk and similar remaining maturity as at the balance sheet date.

(iii) Securities held-for-trading, Securities available-for-sale and Securities held-to-maturity

The fair values are estimated based on quoted or observable market prices at the balance sheet date. Where such quoted or observable market prices are not available, the fair values are estimated using pricing models or discounted cash flow techniques. Where discounted cash flow technique is used, the expected future cash flows are discounted using prevailing market rates for a similar instrument at the balance sheet date.

(iv) Loans, advances and financing

The fair values of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate their carrying values. For fixed rate loans and Islamic financing with remaining maturity of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at applicable prevailing rates at balance sheet date offered to new borrowers with similar credit profiles. In respect of non-performing loans, the fair values are deemed to approximate the carrying values, net of specific allowance for bad and doubtful debts and financing.

Notes to the Financial Statements (continued)

45. Fair value of financial assets and liabilities (continued)

(v) Deposits from customers

The fair values of deposit liabilities payable on demand (demand and savings deposits), or deposits with maturity of less than one year are estimated to approximate their carrying amounts. The fair values of fixed deposits with remaining maturities of more than one year are estimated based on expected future cash flows discounted at applicable prevailing rates offered for deposits of similar remaining maturities. The fair values of Islamic deposits are deemed to approximate their carrying amounts as profit rates are determined at the end of their holding periods based on the profit generated from the assets invested. For negotiable instruments of deposits, the fair values are estimated based on quoted or observable market prices as at the balance sheet date. Where such quoted or observable market prices are not available, the fair values of negotiable instruments of deposits are estimated using the discounted cash flow technique.

(vi) Deposits and placements of banks and other financial institutions.

The carrying values of these financial instruments with remaining maturity of less than one year approximate their carrying amounts due to the relatively short maturity of the financial instruments.

(vii) Subordinated obligations

The fair value of the Subordinated obligations is estimated based on the discounted cash flow techniques using the current yield curve appropriate for the remaining term to maturity.

(viii) Lending-related commitments

The unfunded portions of commitments to extend credit as well as standby and other letters of credit are stated at their carrying amounts, considering that estimating their fair values is not practicable within the constraints of timeliness or cost to determine with sufficient reliability.

(ix) Balances due from/due to clients and brokers

The carrying amounts are reasonable estimates of the fair values because of their short tenor.

46. Significant events

- (i) A Memorandum of Understanding was signed on 14 December 2007 where the Company or its subsidiary company will purchase up to 49% equity interest in Vietnam Golden Securities Corporation's ("VGSC") paid-up capital/charter of VND 40,000,000,000 divided into 4,000,000 ordinary shares of VND10,000 per share. 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.

On 8th August 2008, the Company 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 shares 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 (i) above for a total Purchase Consideration of VND51,300,000,000/- from various parties.
- (iii) Shareholders Agreement to regulate the relationship between the shareholders of VGSC.

Bank Negara subsequently approved the Company's proposed acquisition of up to 49% equity interest in VGSC.

- (ii) On 4 July 2008, a subsidiary company, Kenanga Management & Services Sdn Bhd proposed to reduce its paid up share capital from RM61,000,000 comprising 61,000,000 ordinary shares of RM1.00 each to RM600,000 comprising 600,000 ordinary shares of RM1.00 each by cancelling 60,400,000 ordinary shares of RM1.00 each; the amount of RM60,400,000 arising from the capital reduction shall be paid to its sole shareholder, K & N Kenanga Holdings Berhad.

The court has confirmed the reduction in the share capital of the subsidiary company on 15 December 2008 and this will be effective upon the lodgement of the official copy of the order and resolution with Companies Commission of Malaysia.

Notes to the Financial Statements (continued)

47. Comparative figures

The presentation and classification of items in the current year's financial statements are consistent with the previous financial year except for the following comparative figures which have been restated :-

- (a) The Group comparatives for capital reserves and distributable retained profits as disclosed in Statement of Changes in Equity and note 24 have been adjusted to include the capitalisation for bonus issue on shares in a subsidiary.
- (b) During the financial year, balances due from share margin account which were previously classified as balances due from clients and brokers, have been reclassified to loans, advances and financing.

	As previously reported RM'000	Re- classification RM'000	As restated RM'000
Balance Sheet as at 31 December 2007			
Loans, advances and financing	216,080	326,551	542,631
Balances due from clients and brokers	660,365	(326,551)	333,814
	876,445	-	876,445

Income statement for the financial year ended 31 December 2007

Allowance for losses on 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
	27,556	-	27,556

Analysis of Shareholdings

As at 23 March 2009

Authorised Share Capital	: RM800,000,000
Issued and Fully Paid-Up Share Capital	: RM611,759,499
Class of Shares	: Ordinary Shares of RM1.00 each
Voting Rights	: One vote per share

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shareholdings
Less than 100	12	0.09	160	0
100 to 1,000	1,122	8.27	1,024,900	0.17
1,001 to 10,000	10,717	78.96	34,893,340	5.71
10,001 to 100,000	1,590	11.71	44,068,600	7.20
100,001 to less than 5% of issued shares	127	0.93	142,793,683	23.34
5% and above of issued shares	5	0.04	388,978,816	63.58
Total	13,573	100	611,759,499	100.00

List of Thirty Largest Shareholders

As at 23 March 2009

No.	Shareholders	No. of Shares	Percentage (%)
1.	CMS Capital Sdn Bhd	153,353,000	25.07
2.	Deutsche Asia Pacific Holdings Pte Ltd	101,250,000	16.55
3.	Syed Mohd Yusof Bin Tun Syed Nasir	50,000,000	8.17
4.	Tengku Noor Zakiah Binti Tengku Ismail	43,875,816	7.17
5.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Tengku Noor Zakiah Binti Tengku Ismail	40,500,000	6.62
6.	Abdul Aziz Bin Hashim	29,753,712	4.86
7.	Aiza Binti Abdul Aziz	26,464,115	4.33
8.	ABB Nominee (Tempatan) Sdn Bhd Pledged Securities Account For Tengku Noor Zakiah Binti Tengku Ismail	16,593,954	2.71
9.	AmBank (M) Berhad Pledged Securities Account For Ramli Bin Ismail	12,500,000	2.04
10.	HSBC Nominees (Asing) Sdn Bhd BNY Brussels For Queensland Investment Corporation	6,225,000	1.02
11.	Rescom International Limited	4,092,000	0.67
12.	Raja Karib Shah Bin Shahrudin	3,268,100	0.53
13.	Ramli Bin Ismail	3,000,402	0.49
14.	DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt AN For British And Malayan Trustees Limited	2,300,000	0.38
15.	Citigroup Nominees (Asing) Sdn Bhd CBNY For DFA Emerging Markets Fund	2,209,100	0.36
16.	Kenanga Nominees (Tempatan) Sdn Bhd Tengku Halimah Binti Tengku Salim	2,000,000	0.33
17.	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Toh Pik Chai	1,997,600	0.33
18.	Lee Kim Poh	1,503,000	0.25
19.	Yeoh Kean Hua	1,152,000	0.19
20.	Hii Yu Guan	1,053,000	0.17
21.	Securities Asia Limited	1,000,000	0.16
22.	Luigi Fortunato Ghirardello	1,000,000	0.16
23.	Tengku Halimah Binti Tengku Salim	998,500	0.16
24.	Onn Kok Puay (Weng Guopei)	918,300	0.15
25.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Hwang Ai Mor	892,600	0.15
26.	Citigroup Nominees (Asing) Sdn Bhd CBNY For Dimensional Funds II PLC	795,500	0.13
27.	Citigroup Nominees (Asing) Sdn Bhd CBNY For DFA Emerging Markets Small Cap Series	762,300	0.12
28.	Johan Enterprise Sdn Bhd	700,000	0.11
29.	Asas Dunia Berhad	620,000	0.10
30.	Ng Tiong Seng Corporation Sdn Bhd	600,000	0.10
	Total	511,377,999	83.58

Substantial Shareholders

As at 23 March 2009

Name of Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	Percentage (%)	No. of Shares	Percentage (%)
CMS Capital Sdn Bhd	153,353,000	25.07	-	-
Cahaya Mata Sarawak Berhad	-	-	153,353,000 (a)	25.07
Deutsche Asia Pacific Holdings Pte Ltd	101,250,000	16.55	-	-
YM Tengku Dato' Paduka Noor Zakiah Binti Tengku Ismail	100,969,770	16.50	43,500 (b)	0.01
Syed Mohd Yusof Bin Tun Syed Nasir	50,000,000	8.17	-	-

Notes:-

(a) Deemed interested by virtue of shares held by CMS Capital Sdn Bhd.

(b) Deemed interested by virtue of shares held by person connected.

List of Directors' Interest in Shares of the Company

As at 23 March 2009

Name of Directors	Direct Interest		Indirect Interest	
	No. of Shares	Percentage (%)	No. of Shares	Percentage (%)
YM Tengku Dato' Paduka Noor Zakiah Binti Tengku Ismail	100,969,770	16.50	43,500 ^(a)	0.01
Abdul Aziz Bin Hashim	29,753,712	4.86	26,464,115 ^(a)	4.33
Y Bhg Dato' Ramli Ismail	15,500,402	2.53	3,009,000 ^(a)	0.49
Luigi Fortunato Ghirardello	1,000,000	0.16	-	-

Note:

^(a) Deemed interest by virtue of shares held by persons connected.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fifteenth Annual General Meeting of K & N Kenanga Holdings Berhad will be held at the Ballroom, Hotel Equatorial, Jalan Sultan Ismail, 50250 Kuala Lumpur on Tuesday, 19 May 2009 at 10.00 a.m. to transact the following businesses:-

As Ordinary Business

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2008 and the Reports of the Directors and Auditors thereon. Resolution 1
2. To re-elect the following Directors who retire in accordance with the Company's Articles of Association and who, being eligible, offer themselves for re-election:-
Article 74
 - 2.1 Mr Luigi Fortunato Ghirardello Resolution 2
 - 2.2 Y Bhg Dato' Richard Alexander John Curtis Resolution 3**Article 80**
 - 2.3 Encik Izlan Bin Izhab Resolution 4
3. To consider and, if thought fit, to pass the following Resolutions in accordance with Section 129 of the Companies Act, 1965:-
 - 3.1 "THAT, pursuant to Section 129(6) of the Companies Act, 1965, YM Tengku Dato' Paduka Noor Zakiah Binti Tengku Ismail be and is hereby re-appointed Director of the Company and to hold office until the conclusion of the next Annual General Meeting." Resolution 5
 - 3.2 "THAT, pursuant to Section 129(6) of the Companies Act, 1965, Encik Abdul Aziz Bin Hashim be and is hereby re-appointed Director of the Company and to hold office until the conclusion of the next Annual General Meeting." Resolution 6
 - 3.3 "THAT, pursuant to Section 129(6) of the Companies Act, 1965, YM Raja Dato' Seri Abdul Aziz Bin Raja Salim be and is hereby re-appointed Director of the Company and to hold office until the conclusion of the next Annual General Meeting." Resolution 7
4. To approve the Directors' fees of RM304,999 in respect of the year ended 31 December 2008. Resolution 8
5. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. Resolution 9

Notice of Annual General Meeting (continued)

6. To transact any other ordinary business of which due notice shall have been given.

By Order of the Board

YAP PIK YOON

Company Secretary

Kuala Lumpur
27 April 2009

Notes:-

- (a) A member entitled to attend and vote at the Meeting is entitled to appoint up to two (2) proxies to attend and vote on his behalf. A proxy may but need not be a member of the Company and Section 149(1) of the Companies Act, 1965 shall not apply. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportions of his holding to be represented by each proxy.
- (b) Where a member is an Authorised Nominee, as defined under Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
- (c) In the case of a corporate body, the proxy appointed must be in accordance with the Articles of Association and the instrument appointing a proxy shall be given under the company's common seal or under the hand of an officer or attorney of the corporation duly authorised.
- (d) The Proxy Form must be deposited at the Company's Registered Office at 8th Floor, Kenanga International, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.
- (e) All alteration in the Proxy Form must be initialled.



Statement Accompanying Notice of Fifteenth Annual General Meeting

The Directors who are standing for re-appointment and re-election at the Fifteenth Annual General Meeting of the Company are:-

1. Section 129 of the Companies Act, 1965
 - (a) YM Tengku Dato' Paduka Noor Zakiah Binti Tengku Ismail
 - (b) Encik Abdul Aziz Bin Hashim
 - (c) YM Raja Dato' Seri Abdul Aziz Bin Raja Salim

2. Article 74 of the Company's Articles of Association
 - (a) Mr Luigi Fortunato Ghirardello
 - (b) Y Bhg Dato' Richard Alexander John Curtis

3. Article 80 of the Company's Articles of Association
 - (a) Encik Izlan Bin Izhab

Details of the Directors seeking re-appointment and re-election are set out in the Directors' profiles' section of this Annual Report. Their shareholdings, where applicable, in the Company are set out in the Analysis of Shareholdings section of this Annual Report.

Proxy Form



K & N KENANGA HOLDINGS BERHAD
COMPANY NO. 302859-X
Incorporated in Malaysia

No. of shares

I/We _____ (IN BLOCK LETTERS)

of _____

being a member of **K & N Kenanga Holdings Berhad** hereby appoint _____

of _____

or failing him/her _____

of _____

as my/our proxy to vote for me/us and on my/our behalf at the Fifteenth Annual General Meeting of the Company to be held at the Ballroom, Hotel Equatorial, Jalan Sultan Ismail, 50250 Kuala Lumpur on Tuesday, 19 May 2009 at 10.00 a.m. and at any adjournment thereof.

My/Our proxy is to vote as indicated below:-

No.	Resolution	For	Against
	ORDINARY BUSINESS		
1	Adoption of Audited Financial Statements and Reports of Directors and Auditors. RESOLUTION 1		
2	Re-election of the following Directors pursuant to:- Article 74 2.1 Mr Luigi Fortunato Ghirardello RESOLUTION 2 2.2 Y Bhg Dato' Richard Alexander John Curtis RESOLUTION 3 Article 80 2.3 Encik Izlan Bin Izhab RESOLUTION 4		
3	Re-appointment of YM Tengku Dato' Paduka Noor Zakiah Binti Tengku Ismail pursuant to Section 129(6) of the Companies Act, 1965. RESOLUTION 5		
4	Re-appointment of Encik Abdul Aziz Bin Hashim pursuant to Section 129(6) of the Companies Act, 1965. RESOLUTION 6		
5	Re-appointment of YM Raja Dato' Seri Abdul Aziz Bin Raja Salim pursuant to Section 129(6) of the Companies Act, 1965. RESOLUTION 7		
6	Payment of Directors' fees. RESOLUTION 8		
7	Re-appointment of Messrs Ernst & Young as Auditors. RESOLUTION 9		

(Please indicate with "X" how you wish to cast your vote)

Date _____ 2009.

(Signature/Seal)

Notes:-

- A member entitled to attend and vote at the Meeting is entitled to appoint up to two (2) proxies to attend and vote on his behalf. A proxy may but need not be a member of the Company and Section 149(1) of the Companies Act, 1965 shall not apply. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportions of his holding to be represented by each proxy.
- Where a member is an Authorised Nominee, as defined under Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
- In the case of a corporate body, the proxy appointed must be in accordance with the Articles of Association and the instrument appointing a proxy shall be given under the company's common seal or under the hand of an officer or attorney of the corporation duly authorised.
- The Proxy Form must be deposited at the Company's Registered Office at 8th Floor, Kenanga International, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.
- All alteration in the Proxy Form must be initialled.

Stamp

Company Secretary
K & N Kenanga Holdings Berhad
8th Floor
Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia
