

## QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended 31st March 2010  
The figures have not been audited.

**K&N KENANGA HOLDINGS BERHAD**  
Company No. 302859-X

8th Floor, Kenanga International  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Malaysia

Tel (60) 3 2164 9080, 2162 1490  
Fax (60) 3 2161 4990, 2163 5927  
www.kenanga.com.my

### CONDENSED CONSOLIDATED INCOME STATEMENTS

#### Group

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31 March 2010 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 March 2009 RM'000	CURRENT YEAR TO DATE 31 March 2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 March 2009 RM'000
<b>Continuing Operations</b>					
Interest income	A21	28,029	24,421	28,029	24,421
Interest expense	A22	(9,177)	(10,779)	(9,177)	(10,779)
Net interest income		18,852	13,642	18,852	13,642
Non interest income	A23	43,402	20,569	43,402	20,569
Net Income		62,254	34,211	62,254	34,211
Other operating expenses	A24	(45,957)	(34,559)	(45,957)	(34,559)
Operating profit/(loss)		16,297	(348)	16,297	(348)
Allowance for losses on loans, advances and financing	A25a	(2,408)	(2,672)	(2,408)	(2,672)
Write-back for bad and doubtful accounts on balances due from clients & brokers	A25	269	941	269	941
Share of losses in associates		430	(2,948)	430	(2,948)
Profit/(loss) before taxation		14,588	(5,027)	14,588	(5,027)
Taxation		(4,214)	(227)	(4,214)	(227)
Profit/(loss) for the period from continuing operations		10,374	(5,254)	10,374	(5,254)
<b>Discontinued operations</b>					
Loss for the period		(199)	(617)	(199)	(617)
Profit/(loss) for the period		10,175	(5,871)	10,175	(5,871)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 March 2010 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 March 2009 RM'000	CURRENT YEAR TO DATE 31 March 2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 March 2009 RM'000
Other comprehensive income				
Exchange fluctuation from translation of subsidiary and associated companies' net assets	(3,741)	4,083	(3,741)	4,083
Available for sale financial assets	537	171	537	171
Other comprehensive income for the year	(3,204)	4,254	(3,204)	4,254
<b>Total comprehensive income/(losses)</b>	<b>6,971</b>	<b>(1,617)</b>	<b>6,971</b>	<b>(1,617)</b>
Profit/(loss) for the period attributable to				
- Equity holders of the parent	9,707	(6,139)	9,707	(6,139)
- Minority interests	468	268	468	268
	<u>10,175</u>	<u>(5,871)</u>	<u>10,175</u>	<u>(5,871)</u>
Total comprehensive income /(losses) for the period attributable to				
- Equity holders of the parent	6,503	(1,885)	6,503	(1,885)
- Minority interests	468	268	468	268
	<u>6,971</u>	<u>(1,617)</u>	<u>6,971</u>	<u>(1,617)</u>
(a) Earnings/(loss) per share attributable to ordinary equity holder of the parent				
(i) Basic (based on weighted average number of ordinary shares 611,759,499 for the current year quarter and ordinary shares of for the 611,759.499 cummulative quarter current year to date) (2009 : 611,759,499 ordinary shares for the previous year quarter and 611,759,499 ordinary shares for the cummulative quarter previous year to date) (sen)	1.6	(1.0)	1.6	(1.0)
(ii) Fully diluted	<u>1.6</u>	<u>(1.0)</u>	<u>1.6</u>	<u>(1.0)</u>

The condensed Consolidated Income statements should be read in conjunction with the Annual Financial Report for the year ended 31st December 2009

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

### Company

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 March 2010 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 March 2009 RM'000	CURRENT YEAR TO DATE 31 March 2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 March 2009 RM'000
<b>Continuing Operations</b>				
Interest income	485	912	485	912
Interest expense	-	-	-	-
Net interest income	485	912	485	912
Non interest income	4,884	31,809	4,884	31,809
Net Income	5,369	32,721	5,369	32,721
Overhead expenses	(6,528)	(2,477)	(6,528)	(2,477)
Operating (loss)/profit	(1,159)	30,244	(1,159)	30,244
Allowance for losses on loans, advances and financing	-	-	-	-
Allowance on bad and doubtful accounts on trade receivables	-	-	-	-
(Loss)/profit before taxation	(1,159)	30,244	(1,159)	30,244
Taxation	(750)	39	(750)	39
(Loss)/profit for the period from continuing operations	(1,909)	30,283	(1,909)	30,283
(Loss)/profit for the period	(1,909)	30,283	(1,909)	30,283

## CONDENSED INCOME STATEMENTS

### Company

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 March 2010 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 March 2009 RM'000	CURRENT YEAR TO DATE 31 March 2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 March 2009 RM'000
(i) Loss/(profit) for the period attributable to - Equity holders of the parent	(1,909)	30,283	(1,909)	30,283
	<u>(1,909)</u>	<u>30,283</u>	<u>(1,909)</u>	<u>30,283</u>
3 (a) (Loss)/earning per share attributable to ordinary equity holder of the parent above after deducting any provision for preference dividends, if any:-				
(i) Basic (based on weighted average number of ordinary shares 611,759,499 for the current year quarter and ordinary shares of 611,759,499 for the cumulative quarter current year to date) (2008 : 611,759,499 ordinary shares for the previous year quarter and 611,759,499 ordinary shares for the cumulative quarter previous year to date) (sen)	(0.3)	5.0	(0.3)	5.0
(ii) Fully diluted	N/A	N/A	N/A	N/A

The condensed Income statements should be read in conjunction with the Annual Financial Report for the year ended 31st December 2009

**CONDENSED CONSOLIDATED BALANCE SHEETS  
GROUP**

		AS AT END OF CURRENT QUARTER 31 March 2010 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31 December 2009 RM'000
	Note		
<b>ASSETS</b>			
Cash and short-term funds		541,719	523,788
Deposits and placements with financial institutions		847	847
Securities purchased under resale agreements			
Securities held for trading	A9	136,066	90,171
Securities available for sales	A10	766,212	713,408
Securities held to maturity	A11	-	1,490
Loans, advances and financing	A12	874,670	863,008
Other assets			
- Balance due from clients and brokers		257,823	139,953
- Assets segregated for customers		340,355	367,575
- Other receivables	A13	37,398	28,309
Statutory deposits with the Central Bank		11,790	10,345
Investments in associated companies		75,861	79,173
Intangible assets		71,828	72,105
Property, plant and equipment		23,012	23,743
Deferred tax assets		6,824	10,529
Tax recoverable		19,081	18,899
Assets held for resale		6,631	6,939
<b>TOTAL ASSETS</b>		<u>3,170,117</u>	<u>2,950,282</u>
<b>LIABILITIES</b>			
Deposits from customers	A14	1,086,209	815,747
Deposits and placements of banks and other financial institutions	A15	426,996	520,469
Borrowings	A17	26,528	63,848
Other liabilities			
-Balance due to clients and brokers		522,625	469,304
- Amount held in trust		213,667	194,657
- Other payables	A16	66,636	68,498
Provision for taxation and zakat		-	-
Deferred tax liabilities		2,512	1,760
Subordinated obligations	A15	1,228	1,384
Liabilities held for resale		13	24
<b>TOTAL LIABILITIES</b>		<u>2,346,414</u>	<u>2,135,691</u>
<b>SHAREHOLDERS EQUITY</b>			
Share Capital		611,759	611,759
Share Premium		75	75
Profit and loss reserve		76,935	65,087
Exchange fluctuation reserve		(5,131)	(1,390)
Statutory reserve		57,458	57,458
Fair value reserve		338	(199)
Capital reserve		71,952	71,952
		813,386	804,742
Minority Interests		10,317	9,849
Total equity		<u>823,703</u>	<u>814,591</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>3,170,117</u>	<u>2,950,282</u>
Net Assets Per Share (RM)		<u>1.35</u>	<u>1.33</u>

**The condensed Consolidated Balance Sheets should be read in conjunction with  
Financial Report for the year ended 31 December 2009**

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

	AS AT END OF CURRENT QUARTER 31 March 2010 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31 December 2009 RM'000
<b>ASSETS</b>		
Cash and short-term funds	46,701	52,705
Deposits and placements with financial institutions	-	-
Securities purchased under resale agreements	-	-
Securities held for trading	45,671	41,309
Securities available for sales	-	-
Securities held to maturity	-	-
Loans, advances and financing	-	-
Other assets		
- Balance due from clients and brokers	-	-
- Amount due from subsidiary companies	28,880	28,561
- Amount due from related companies	-	-
- Other receivables	280	315
Statutory deposits with the Central Bank	-	-
Investments in subsidiary companies	561,952	561,687
Investments in associated companies	20,210	20,210
Intangible assets	228	295
Property, plant and equipment	794	811
Deferred tax assets	-	-
Tax recoverable	3,366	3,348
Asset of disposal group/non current assets classified as held for sale	-	-
<b>TOTAL ASSETS</b>	<b>708,082</b>	<b>709,241</b>
<b>LIABILITIES</b>		
Deposits from customers	-	-
Deposits and placements of banks and other financial institutions	-	-
Obligations on securities sold under repurchase agreements	-	-
Bills and acceptances payable	-	-
Borrowings	-	-
Other liabilities		
- Balance due to clients and brokers	-	-
- Amount due to subsidiary companies	441	-
- Other payables	2,351	2,792
Provision for taxation and zakat	-	-
Deferred tax liabilities	2,500	1,750
Subordinated obligations	-	-
Liabilities directly associated with assets classified as held for sale	-	-
<b>TOTAL LIABILITIES</b>	<b>5,292</b>	<b>4,542</b>
<b>SHAREHOLDERS EQUITY</b>		
Share Capital	611,759	611,759
Share Premium	75	75
Profit and loss reserve	90,956	92,865
Capital reserve	-	-
	<u>702,790</u>	<u>704,699</u>
Total equity	<u>702,790</u>	<u>704,699</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>708,082</b>	<b>709,241</b>
Net Assets Per Share (RM)	<u>1.15</u>	<u>1.15</u>

The condensed Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31 December 2009

**Consolidated Condensed Cash Flow Statement**  
for the period ended 31 March 2010

	<u>Group</u>	
	CUMULATIVE QUARTER	
	CURRENT YEAR TO DATE 31 March 2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 March 2009 RM'000
<b>Cash flows from operating activities</b>		
Profit /(loss) before taxation		
- Continuing operations	14,588	(5,048)
- Discontinued operations	(200)	(594)
Adjustments for non operating and non cash items	321	(15,452)
<b>Operating profit/(loss) before changes in working capital</b>	<u>14,709</u>	<u>(21,094)</u>
Net changes in operating assets	(138,512)	11,005
Net changes in operating liabilities	247,300	(220,142)
<b>Cash generated from/(used in) operations</b>	<u>123,497</u>	<u>(230,231)</u>
Net tax paid	(309)	(761)
<b>Net cash generated from/(used in) operating activities</b>	<u>123,188</u>	<u>(230,992)</u>
<b>Net cash (used in)/generated from investing activities</b>	(94,192)	(143,975)
<b>Net cash (used in)/generated from financing activities</b>	(37,328)	4,774
Net decrease in cash and cash equivalents during the period	<u>(8,332)</u>	<u>(370,193)</u>
Cash and cash equivalents brought forward	334,609	819,005
Cash and cash equivalents carried forward	<u>326,277</u>	<u>448,812</u>

Cash and cash equivalents as at 31st March 2010 comprised of :-

Non trust cash and short term funds	319,835
Cash and short term funds classified as asset held for sale	<u>6,442</u>
	<u>326,277</u>

The condensed consolidated cash flow statement should be read in conjunction with the Annual Financial Report for the year ended 31st December 2009

**Condensed Cash Flow Statement**  
for the period ended 31 March 2010

	<u>Company</u>	
	CUMULATIVE QUARTER	
	CURRENT YEAR TO DATE 31 March 2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 March 2009 RM'000
<b>Cash flows from operating activities</b>		
<b>(Loss)/profit before taxation</b>		
- Continuing operations	(1,159)	30,244
Adjustments for non operating and non cash item	(3,769)	(31,993)
<b>Operating loss before changes in working capital</b>	<u>(4,928)</u>	<u>(1,749)</u>
Net changes in operating assets	175	(4,741)
Net changes in operating liabilities	(704)	(112)
<b>Cash used in operations</b>	<u>(5,457)</u>	<u>(6,602)</u>
Net dividends received	250	81
Interest income	486	911
<b>Net cash used in operating activities</b>	<u>(4,721)</u>	<u>(5,610)</u>
<b>Net cash used in from investing activities</b>	(1,282)	(3,082)
<b>Net cash used in financing activities</b>	-	-
Net decrease in cash and cash equivalents during the period	<u>(6,003)</u>	<u>(8,692)</u>
Cash and cash equivalents brought forward	52,704	77,903
Cash and cash equivalents carried forward	<u>46,701</u>	<u>69,211</u>
Cash and cash equivalents as at 31st March 2010 comprised of :-		
Non trust cash and short term funds	<u>46,701</u>	
	<u>46,701</u>	

**The condensed cash flow statement should be read in conjunction  
with the Annual Financial Report for the year ended 31st December 2009**



Consolidated Statement of changes in equity  
for the period ended 31 March 2010

Group

	<----Attributable to Equity Holders of the Parent----->						Minority Distributable Interests	Total Equity	
	<-----Non-Distributable----->								
	Share Capital RM'000	Share Premium RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Fair value Reserve RM'000	Statutory Reserve RM'000			Retained profits RM'000
As at 1 January 2010	611,759	75	(1,390)	71,952	(199)	57,458	65,087	9,849	814,591
FRS139 adjustment	-	-	-	-	-	-	2,141	-	2,141
As restated	611,759	75	(1,390)	71,952	(199)	57,458	67,228	9,849	816,732
Net profit for the period	-	-	-	-	-	-	9,707	-	9,707
Transaction with owners	-	-	-	-	-	-	9,707	-	9,707
Total comprehensive income for the period	-	-	(3,741)	-	537	-	-	468	(2,736)
As at 31 March 2010	611,759	75	(5,131)	71,952	338	57,458	76,935	10,317	823,703

Consolidated Statement of changes in equity  
for the period ended 31 March 2009

Group

	<----Attributable to Equity Holders of the Parent----->						Minority Distributable Interests	Total Equity	
	<-----Non-Distributable----->								
	Share Capital RM'000	Share Premium RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Fair value Reserve RM'000	Statutory Reserve RM'000			Retained profits RM'000
As at 1 January 2009	611,759	75	(328)	71,952	(1,883)	45,718	60,658	6,040	793,991
Net loss for the period	-	-	-	-	-	-	(6,139)	-	(6,139)
Transaction with owners	-	-	-	-	-	-	(6,139)	-	(6,139)
Total comprehensive income for the period	-	-	4,083	-	171	-	-	268	4,522
As at 31 March 2009	611,759	75	3,755	71,952	(1,712)	45,718	54,519	6,308	792,374

The Condensed Consolidated Statements of Changes in Equity should be read in  
conjunction with the Annual Financial Report for the year ended 31 December 2009

Statement of changes in equity  
for the period ended 31 March 2010

Company

	:----Attributable to Equity Holders of the Parent-- <-- Non Distributable-->			Total Equity
	Share Capital RM'000	Share Premium RM'000	Retained profits RM'000	
As at 1 January 2010	611,759	75	92,865	704,699
Net loss for the period	-	-	(1,909)	(1,909)
As at 31 March 2010	<u>611,759</u>	<u>75</u>	<u>90,956</u>	<u>702,790</u>

Statement of changes in equity  
for the period ended 31 March 2009

Company

	--Attributable to Equity Holders of the Parent---- <-- Non Distributable-->			Total Equity
	Share Capital RM'000	Share Premium RM'000	Retained profits RM'000	
As at 1 January 2009	611,759	75	66,969	678,803
Net profit for the period	-	-	30,283	30,283
As at 31 March 2009	<u>611,759</u>	<u>75</u>	<u>97,252</u>	<u>709,086</u>

The Condensed Statements of Changes in Equity should be read in  
conjunction with the Annual Financial Report for the year ended 31 December 2009

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

(Incorporated in Malaysia)

## **SELECTED EXPLANATORY NOTES REQUIREMENTS OF FRS134**

### **A1. Basis Of Preparation**

The quarterly interim financial statements have been prepared based on accounting policies and methods of computation consistent with those adopted in the most recent annual financial statements for the year ended 31 December 2009. In addition, the interim financial statements of the Company have also been prepared in accordance with FRS134 Interim Financial Reporting and Chapter 9 Part K of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and the Revised Guidelines on Financial Reporting for Licensed Financial Institutions (BNM/GP8) issued by Bank Negara Malaysia ("BNM").

The specific and general allowances for loans, advances and financing for the Group are computed based on BNM's Guidelines on Classification of Non-Performing Loans, Advances and Financing and Provision for Substandard, Bad And Doubtful Debts (BNM/GP3).

The accounting policies and methods of computation adopted for this interim financial report are consistent with those adopted in the annual financial statements for the year ended 31<sup>st</sup> December 2009 except for the implementation of provisions of Financial Reporting Standard 139, Financial Instruments: Recognition and Measurement ("FRS139").

The Group adopted FRS139 on 1 January 2010 which has resulted in changes to accounting policies relating to classification, recognition and measurement of its financial assets and liabilities as described in the changes in accounting policy section below.

In accordance with the provision of the standard, the changes are applied prospectively and the comparatives as at 31 December 2009 are not restated. Instead, the opening balances of the financial assets and financial liabilities at 1 January 2010 are restated. The effects on the financial statements of the Group are as follows:-

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

(Incorporated in Malaysia)

**SELECTED EXPLANATORY NOTES  
REQUIREMENTS OF FRS134 (Contd)****A1. Basis Of Preparation (contd)****Group****Balance Sheet**

Nature of accounts	Balance as at 1.1.2010 before adjustment (RM'000)	FRS 139 Adjustments (RM'000)	Balance as at 1.1.2010 after adjustments (RM'000)
Securities available- for-sale	713,408	1,490	714,898
Securities held-to- maturity	1,490	(1,490)	-
Loans, advances and financing	863,008	2,409	865,417
Deferred tax assets	10,529	(268)	10,261
Reserves	192,983	2,141	195,124

**Statement of Changes In Equity**

Nature of accounts	Balance before adjustment (RM'000)	Adjustments (RM'000)	Balance after adjustments (RM'000)
Retained profits	65,087	2,141	67,228

**Company**

Nature of accounts	Balance as at 1.1.2010 before adjustment (RM'000)	Adjustments (RM'000)	Balance as at 1.1.2010 after adjustments (RM'000)
Investment in subsidiary companies	28,561	637	29,198
Other payables	2,792	637	3,429

Arising from the adoption of FRS139, the changes in accounting policies have resulted in the Group's recognition of reversal of an individual impairment loss of RM1.30 million, a net reversal for collective impairment loss of RM1.11 million for the Group's loans, advances and financing and a reclassification of equity instruments of RM1.49 million from securities held-to-maturity to securities available for sale on 1 January 2010.

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

(Incorporated in Malaysia)

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

### **A1. Basis Of Preparation (contd)**

Pursuant to the transitional provision of FRS139, the corresponding reversal of the cumulative impairment loss amount net of tax of approximately RM2.14 million is recognised in the retained profits of the Group as shown in the Statement of Changes in Equity.

At the Company level, the financial performance guarantee issued by the Company in order to assist its subsidiaries to obtain facilities from financial institutions are now fairly valued in the Company's individual balance sheet, resulting in an increase of the Company's other liabilities of RM0.637 million and a corresponding increase in investment in subsidiaries of the same amount on 1 January 2010.

- Changes in accounting policies

#### **(a) Classification and measurement of financial assets**

##### **(i) Loans and receivables**

Prior to 1 January 2010, loans and receivables category comprises loans, advances and financing and balances due from clients and brokers which were stated at gross amounts receivable less any interest-in-suspense and allowance for losses and bad and doubtful debts. Under FRS139, loans and receivables are initially measured at fair value plus directly attributable transaction costs and subsequently measured at fair value plus the effective interest rate method. Gains or losses are recognised in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

##### **(ii) Held-to-maturity**

Prior to 1 January 2010, unquoted shares in organization 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 classified as security held-to-maturity. Under FRS 139, only non-derivative financial assets with fixed or determinable payments and fixed maturity comprising debt securities are classified as held-to-maturity when the Group has the positive intention and ability to hold the assets till maturity.

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

(Incorporated in Malaysia)

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

### **A1. Basis Of Preparation (contd)**

- Changes in accounting policies (contd)

(ii) Held-to-maturity (contd)

The reclassification of unquoted shares and equity instrument from securities held-to-maturity to securities available-for-sales shall not be subject to the tainting rules when the provisions of FRS139 are first applied, in accordance with the transitional arrangement set out in BNM's Guidelines on Financial Reporting for Banking Institutions.

(b) Impairment on loans, advances and financing

Financial assets other than those measured at fair value through profit and loss which comprise securities held-for-trading and derivatives (except for a derivative that is a designated and is an effective hedging instrument) are subject to impairment review at each reporting date. In general, an impairment loss is recognised when there is objective evidence that the carrying amount of the asset is below its recoverable amount.

In determining the impairment loss on loss on loans and receivables category which are carried at amortised costs, financial assets that are individually significant are assessed individually. The resulting impairment loss are referred to as individual impairment in the financial statements.

In accordance with the transitional provision set out in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing, collective provision is maintained for estimated losses inherent in but not currently identifiable to the individual financial assets.

(c) Fair value measurement

The fair value of financial assets and financial liabilities that are quoted in active markets are determined by their bid and asked prices respectively at the valuation date without any deduction for transaction costs. An active market is where price information is readily available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and the price information is from action and regularly occurring market transactions on arm's length basis.

When the markets for certain financial instruments are not active, fair values are established using valuation techniques commonly used by market participants and based on assumptions and data observable in the market.

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

(Incorporated in Malaysia)

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

#### **A2. Condensed financial statements**

These interim financial statements have been prepared on a condensed basis and as such should be read in conjunction with the latest annual financial statements for the year ended 31 December 2009. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2009.

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

The preceding financial year audit report in respect of the financial year ended 31 December 2009 was not qualified by the external auditors.

#### **A4. Seasonal or Cyclical Factors**

The Group's performance is mainly dependent on Bursa Malaysia market volume and value which in turn is affected by market sentiment and the country's macro economic cycles.

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

There are no exceptional items affecting assets, liabilities, equity, net income or cash flows during the quarter ended 31 March 2010 except for adjustments made in respect of selective balances as described in Note A1 above, in respect of FRS139.

#### **A6. Changes in the nature and amount of estimated figures reported in prior interim periods and or financial years**

There were no changes made in estimates for amounts reported in prior interim periods or financial year.

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

There were no issues and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the quarter ended 31 March 2010.

#### **A8. Dividends paid per share**

No dividends were paid during the quarter ended 31 March 2010.

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010**

	March 2010 RM' 000	December 2009 RM' 000
<b>A9 (a) Securities held-for-trading</b>		
<b>At Fair Value</b>		
<b>Money Market Instruments:-</b>		
Malaysian Government Treasury Bills	-	-
Malaysian Government Securities	-	-
Malaysian Government Investment Issues	-	-
Bank Negara Malaysia Bills and Notes	-	-
Bankers' Acceptances and Islamic Accepted Bills	-	-
Cagamas Bonds	-	-
Foreign Government Securities	-	-
Others	-	-
Total Money Market Instruments	<u>-</u>	<u>-</u>
<b>Quoted securities:</b>		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	54,684	52,800
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	-	-
Total quoted securities	<u>54,684</u>	<u>52,800</u>
<b>Unquoted securities:</b>		
Private and Islamic Debt Securities in Malaysia	81,382	37,371
Foreign Private Debt Securities	-	-
Total unquoted securities	<u>81,382</u>	<u>37,371</u>
Total securities held-for-trading	<u>136,066</u>	<u>90,171</u>

**A10 (b) Securities Available-for-sale**

**At Fair Value, or amortised cost less impairment losses for certain unquoted equity instruments**

**Money market instruments:-**

Malaysian Government Securities	315,374	305,626
Islamic Cagamas Bonds	-	-
Cagamas Bonds	60,384	60,630
Foreign Government Securities	-	-
Malaysian Government Treasury Bills	-	-
Malaysian Government Investment Issues	-	-
Foreign Government Treasury Bills	-	-
Negotiable Instruments of Deposits	-	50,003
Bankers' Acceptances and Islamic Accepted Bills	160,293	69,981
Khazanah Bonds	-	-
Bank Negara Malaysia Sukuk Ijarah Bonds	-	-
Foreign Certificates of Deposits	-	-
Total Money market instruments	<u>536,051</u>	<u>486,240</u>



NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010

	March 2010 RM' 000	December 2009 RM' 000
<b>Quoted securities:</b>		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	1,279	1,576
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	1,399	909
	<u>2,678</u>	<u>2,485</u>
<b>Unquoted securities:</b>		
Shares, trust units and loan stocks in Malaysia	2,100	2,100
Shares, trust units and loan stocks outside Malaysia	-	-
Private and Islamic Debt Securities in Malaysia	225,513	224,013
Malaysian Government Bonds	-	-
Foreign Islamic and Private Debt Securities	-	-
Credit Link Notes	-	-
Malaysia Global Sukuk	-	-
Others	4,100	3,100
	<u>231,713</u>	<u>229,213</u>
Accumulated impairment losses	(4,230)	(4,530)
<b>Total securities available-for-sale</b>	<b><u>766,212</u></b>	<b><u>713,408</u></b>
<b>A11 (c) Securities Held-To-Maturity</b>		
<b>At Amortised Cost</b>		
<b>Money market instruments:-</b>		
Malaysian Government Securities	-	-
Cagamas Bonds	-	-
Foreign Government Securities	-	-
Malaysian Government Investment Issues	-	-
Khazanah Bonds	-	-
Bankers' Acceptances and Islamic accepted bills	-	-
Negotiable Instruments of Deposits	-	-
Total Money market instruments	<u>-</u>	<u>-</u>
<b>Unquoted securities:</b>		
Private and Islamic Debt Securities in Malaysia	-	-
Malaysian Government Bonds	-	-
Foreign Government Bonds	-	-
Foreign Islamic and Private Debt Securities	-	-
Credit Linked Note	-	-
Others	-	1,490
	<u>-</u>	<u>1,490</u>
Accumulated impairment losses	-	-
<b>Total securities held-to-maturity</b>	<b><u>-</u></b>	<b><u>1,490</u></b>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010

	March 2010 RM' 000	December 2009 RM' 000
<b>A12 Loans, advances and financing</b>		
Overdrafts	-	-
Term loans	-	-
- Real estate	-	-
- Syndicated term loan/financing	-	-
- Hire purchase receivables	-	-
- Lease receivables	-	-
- Other term loans/financing	384,925	452,802
- Constructions	-	-
Credit card receivables	-	-
Bills receivables	-	-
Trust receipts	-	-
Claims on customers under acceptance credits	-	-
Share margin financing	535,267	401,890
Finance, insurance and business services	-	-
Revolving credits	-	-
Staff loans	-	-
Housing loans to	-	-
- Executive directors of the Bank	-	-
- Executive directors of subsidiaries	-	-
Others	36,425	86,078
	<u>956,617</u>	<u>940,770</u>
Interest in suspense	(5,964)	(5,684)
Unearned interest and income	2,368	(74)
Gross loans, advances and financing	<u>953,021</u>	<u>935,012</u>
Allowances for bad and doubtful debts and financing:		
- Individual Impairment	(65,375)	(58,859)
- Collective Impairment	(12,976)	(13,145)
Net loans, advances and financing	<u><b>874,670</b></u>	<u><b>863,008</b></u>
<b>(i) By maturity structure</b>		
Within one year	939,634	692,178
1 year to 2 years	3,050	122,625
More than 2 years	10,337	120,209
Gross loans, advances and financing	<u>953,021</u>	<u>935,012</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010

	March 2010 RM' 000	December 2009 RM' 000
<b>(ii) By type of customer</b>		
<b>Domestic operations:</b>		
Domestic banking institutions	-	-
Domestic non-bank financial institutions	-	-
- Stockbroking companies	-	-
- Others	-	-
Domestic business enterprise	-	-
- Small and medium enterprise	7,377	9,056
- Others	387,763	561,819
Government and statutory bodies	-	-
Individuals	557,881	350,562
Other domestic entities	-	-
Foreign entities	-	13,575
Total domestic operations	<u>953,021</u>	<u>935,012</u>
<b>Overseas operations:</b>		
Singapore	-	-
Hong Kong SAR	-	-
United States of America	-	-
People's Republic of China	-	-
Others (Please specify)	-	-
	<u>-</u>	<u>-</u>
Gross loans, advances and financing	<u>953,021</u>	<u>935,012</u>
<b>(iii) By interest/profit rate sensitivity</b>		
Fixed rate		
- Housing loans/financing	-	-
- Hire purchases receivable	-	-
- Cost price	-	-
- Other fixed rate loans/financing	531,893	398,857
Variable rate		
- Base lending rate plus	33,699	83,353
- Cost plus	387,429	452,802
- Other variable rates	-	-
Gross loans, advances and financing	<u>953,021</u>	<u>935,012</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010

	March 2010 RM' 000	December 2009 RM' 000
<b>(iv) Total loans by economic purposes</b>		
<b>Domestic operations:</b>		
Purchase of securities	3,607	83,353
Purchase of transport vehicles	-	-
- Less Islamic loans sold to Cagamas	-	-
Purchase of landed properties	-	-
- residential	-	-
- non-residential	-	-
- Less Islamic housing loans sold to Cagamas	-	-
Purchase of fixed assets (exclude landed properties)	-	-
Personal use	-	-
Credit card	-	-
Purchase of consumer durables	-	-
Manufacturing	147,346	207,144
Construction	12,543	13,885
Real Estate	-	-
Transport, storage and communication	120,299	120,208
Finance, insurance and business services	107,240	111,565
Working capital	30,092	-
Others	531,894	398,857
Total domestic operations	<u>953,021</u>	<u>935,012</u>
<b>Overseas operations:</b>		
Singapore	-	-
Hong Kong SAR	-	-
United States of America	-	-
People's Republic of China	-	-
Others (Please specify)	-	-
Gross loans, advances and financing	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010

	March 2010 RM' 000	December 2009 RM' 000
<b>(v) Impaired loans by economic purpose</b>		
<b>Domestic operations:</b>		
Purchase of securities	9,620	25,646
Purchase of transport vehicles	-	-
Purchase of landed properties	-	-
- residential	-	-
- non-residential	-	-
Purchase of fixed assets (exclude landed properties)	-	-
Personal use	-	-
Credit card	-	-
Purchase of consumer durables	-	-
Construction	-	-
Working capital	222,791	52,386
Others	-	-
Total domestic operations	<u>232,411</u>	<u>78,032</u>
<b>Overseas operations:</b>		
Singapore	-	-
Hong Kong SAR	-	-
United States of America	-	-
People's Republic of China	-	-
Others (Please specify)	-	-
	<u>-</u>	<u>-</u>
	<u>232,411</u>	<u>78,032</u>

**(vi) Movement in impaired loans, advances and financing ("Impaired loans") are as follows**

At beginning of the period	78,032	89,075
Impaired during the period	157,267	3,505
Amount written back in respect of recoveries	-	-
Reclassified as performing	-	(8,831)
Acquired upon business acquisition	-	-
Transfer from a subsidiary	-	-
Recovered	(2,887)	(5,645)
Amount written off	(1)	(72)
Converted to securities	-	-
At end of the period	<u>232,411</u>	<u>78,032</u>
Individual Impairment	(65,375)	(58,859)
Interest in suspense	(2,591)	(2,651)
Unearned interest and income	-	-
Net impaired loans, advances and financing	<u>164,445</u>	<u>16,522</u>
Net impaired loans as a% of gross loans, advances and financing (including Islamic loans sold to Cagamas) less specific allowances	<u>18.53%</u>	<u>1.89%</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010

	March 2010 RM' 000	December 2009 RM' 000
<b>(vii) Movement in individual impairment for bad and doubtful debts (and financing) accounts are as follows</b>		
<u>Individual Impairment</u>		
At beginning of the period	58,859	58,810
Adjustment due to FRS 139	5,012	-
Allowance made during the period	1,741	6,137
Amount written back in respect of recoveries	(238)	(6,019)
Acquired upon business acquisition	-	-
Transfer from a subsidiary	-	-
Amount written off	1	(69)
Transfer to general allowances	-	-
Transfer to impairment losses in value of securities	-	-
Transfer to restructured/rescheduled loans	-	-
Exchange differences	-	-
At end of the period	65,375	58,859

**(viii) Movement in collective impairment for bad and doubtful debts (and financing) accounts are as follows**

<u>Collective Impairment</u>		
At beginning of the period	13,145	11,208
Adjustment due to FRS 139	(1,074)	-
Allowance made during the period	905	1,937
Amount written back	-	-
Acquired upon business acquisition	-	-
Transfer from specific allowance	-	-
Exchange differences	-	-
At end of the period	12,976	13,145
As % of gross loans, advances and financing (including Islamic loans sold to Cagamas) less specific allowances	1.46%	1.50%

**A13 Other Assets**

Interest/Income receivable	5,445	6,491
Prepayments and deposits	11,666	14,299
Other debtors	21,631	8,303
Foreclosed properties	-	-
Investment properties	-	-
Derivative assets	-	-
	38,742	29,093
Allowance for doubtful debts	(1,344)	(784)
	<b>37,398</b>	<b>28,309</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010

	March 2010 RM' 000	December 2009 RM' 000
<b>A14 Deposits from Customers</b>		
Fixed deposits and negotiable instruments of deposits		
- One year or less	1,086,209	815,747
- More than one year	-	-
Savings deposits	-	-
Demand deposits	-	-
Structured deposits	-	-
	<u>1,086,209</u>	<u>815,747</u>
Business enterprise	874,848	634,229
Individuals	-	-
Government and statutory bodies	211,361	181,518
	<u>1,086,209</u>	<u>815,747</u>
<b>A15 Deposits and Placement of Banks and Other Financial Institutions and Debt Securities</b>		
Licensed banks	130,000	170,000
Licensed finance companies	-	-
Licensed investment banks	-	10,000
Non-banking insitutions	266,996	230,423
Other financial institutions	30,000	110,046
	<u>426,996</u>	<u>520,469</u>
Subordinated obligations		
Unsecured		
- less than one year	-	-
- more than one year	1,228	1,384
	<u>1,228</u>	<u>1,384</u>
<b>A16 Other liabilities</b>		
Interest/Profit payable	3,954	4,719
Provision for outstanding claims	-	-
Unearned premium reserves	-	-
Profit Equalisation Reserves	-	-
Provision and accruals	58,174	54,959
Hire purchase creditors	171	29
Due to brokers and clients	-	-
Deposits and other creditors	2,573	3,856
Derivative liabilities	1,764	4,935
	<u>66,636</u>	<u>68,498</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010

	March 2010 RM' 000	December 2009 RM' 000
<b>A17 Bank Borrowings</b>		
Hire purchase creditors	-	-
Revolving bank loan	26,528	63,848
Term loan	-	-
Secured notes issuance facility	-	-
	<u>26,528</u>	<u>63,848</u>



NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010

	March 2010		December 2009		
	RM'000	RM'000 Credit Equivalent	RM'000 Notional	RM'000 Credit Equivalent	RM'000 Risk Weighted
<b>A18 Commitments and Contingencies and Off-Balance Sheet</b>					
<u>Financial Instruments</u>					
Performance bond	-	-	-	-	-
Direct credit substitutes	-	-	-	-	-
Certain transaction-related contingent items	-	-	-	-	-
Short-term self-liquidating trade-related contingencies	-	-	-	-	-
Islamic housing and hire purchase loans sold to Cagamas Berhad	-	-	-	-	-
Obligations under underwriting agreements	-	-	-	-	-
Obligations under share financing	2,925	-	-	-	-
Irrevocable commitments to extend credit:					
- maturity within one year	-	-	624,819	-	-
- Margin	563,317	-	16,700	-	-
- Term loan	-	-	-	-	-
- maturity exceeding one year	-	-	-	-	-
- Margin	-	-	-	-	-
- Term loan	-	-	-	-	-
Foreign exchange related contracts:					
- less than one year	-	-	-	-	-
- one year to less than five years	-	-	-	-	-
- five years and above	-	-	-	-	-
Interest rate related contracts:					
- less than one year	-	-	-	-	-
- one year to less than five years	-	-	-	-	-
- five years and above	-	-	-	-	-
Miscellaneous					
Undrawn margin facilities	-	-	-	-	-
Capital expenditure commitments	-	-	-	-	-
Non-cancellable lease rental commitments	-	-	-	-	-
	566,242	-	641,519	-	-

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010

	Non trading book					Trading books RM	Total RM	Effective interest rate %
	Up to 1 month RM	>1 - 3 month RM	>3 - 12 month RM	>1 - 5 years RM	Non- interest sensitive RM			
<b>A19 Interest/Profit Rate Risk</b>								
Cash and short-term funds	246,775	-	-	-	294,944	541,719	2.18%	
Deposits and placements with banks and other financial institutions	-	-	-	-	847	847		
Securities purchased under resale agreements	-	-	-	-	-	-		
Securities held-for-trading	-	-	-	-	45,672	136,066	4.73%	
Securities available-for-sale	25,411	128,083	69,212	538,858	4,648	766,212	4.40%	
Securities held-to-maturity	-	-	-	-	-	-		
Loans, advances and financing	-	-	-	-	-	-		
- performing	507,361	725	133,731	129,960	-	771,777	7.55%	
- impaired loans	-	-	-	-	102,893	102,893		
Other assets n1	333,187	-	2,000	-	300,389	635,576		
Other non-interest sensitive balances	-	-	-	-	215,027	215,027		
<b>TOTAL ASSETS</b>	<b>1,112,734</b>	<b>128,808</b>	<b>204,943</b>	<b>668,818</b>	<b>964,420</b>	<b>3,170,117</b>		

**Interest/Profit Rate Risk**

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Deposits from customers	948,692	87,290	50,227	-	-	-	1,086,209	2.30%
Deposits and placements of banks and other financial institutions	83,418	161,729	181,849	-	-	-	426,996	2.30%
Borrowings	26,263	-	-	-	-	-	26,263	4.96%
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-	-	
Bills and acceptances payable	-	-	-	-	-	-	-	
Recourse obligation on loans sold to Cagamas	-	-	-	-	-	-	-	
Subordinated notes	-	-	-	1,228	-	-	1,228	5.00%
Other non-interest sensitive balances	339,132	-	-	-	453,278	-	805,454	
<b>Total Liabilities</b>	<b>1,397,505</b>	<b>249,019</b>	<b>232,076</b>	<b>1,228</b>	<b>453,278</b>	<b>-</b>	<b>2,346,149</b>	
Shareholders' equity	-	-	-	-	813,386	-	813,386	
Minority interests	-	-	-	-	10,317	-	10,317	
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,397,505</b>	<b>249,019</b>	<b>232,076</b>	<b>1,228</b>	<b>1,276,981</b>	<b>-</b>	<b>3,169,852</b>	
On-balance sheet interest sensitivity gap	(284,771)	(120,211)	(27,133)	667,590	(312,561)	90,394	-	
<b>Total interest sensitivity gap</b>	<b>(284,771)</b>	<b>(120,211)</b>	<b>(27,133)</b>	<b>667,590</b>	<b>(312,561)</b>	<b>90,394</b>	<b>-</b>	

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

	Non trading book					Non-interest sensitive RM	Trading books RM	Total RM	Effective interest rate %
	Up to 1 month RM	>1 - 3 month RM	>3 - 12 month RM	>1 - 5 years RM	over 5 RM				
<b>A19 Interest/Profit Rate Risk</b>									
Cash and short-term funds	287,455	-	-	-	-	236,333	-	523,788	1.99%
Deposits and placements with banks and other financial institutions	-	-	-	-	-	847	-	847	-
Securities purchased under resale agreements	-	-	-	-	-	-	-	-	-
Securities held-for-trading	-	-	-	-	-	41,310	48,861	90,171	5.45%
Securities available-for-sale	100,172	19,811	60,630	529,639	-	3,156	-	713,408	4.37%
Securities held-to-maturity	-	-	1,000	-	-	490	-	1,490	-
Loans, advances and financing	-	-	-	-	-	-	-	-	-
- performing	520,737	86,267	191,792	64,212	-	-	-	863,008	7.19%
- impaired loans	-	-	-	-	-	-	-	-	-
Other assets n1	371,247	-	2,000	-	-	163,199	-	536,446	-
Other non-interest sensitive balances	-	-	-	-	-	221,124	-	221,124	-
<b>TOTAL ASSETS</b>	<b>1,279,611</b>	<b>106,078</b>	<b>255,422</b>	<b>593,851</b>	-	<b>666,459</b>	<b>48,861</b>	<b>2,950,282</b>	

**Interest/Profit Rate Risk**

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Deposits from customers	552,688	191,908	71,151	-	-	-	-	815,747	2.22%
Deposits and placements of banks and other financial institutions	249,399	207,404	63,666	-	-	-	-	520,469	2.25%
Borrowings	63,848	-	-	-	-	-	-	63,848	5.45%
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-	-	-	-
Bills and acceptances payable	-	-	-	-	-	-	-	-	-
Recourse obligation on loans sold to Cagamas	-	-	-	-	-	-	-	-	-
Subordinated notes	-	-	-	1,384	-	-	-	1,384	5.00%
Other non-interest sensitive balances	373,734	-	-	-	13,065	347,444	-	734,243	-
<b>Total Liabilities</b>	<b>1,239,669</b>	<b>399,312</b>	<b>134,817</b>	<b>1,384</b>	<b>13,065</b>	<b>347,444</b>	<b>-</b>	<b>2,135,691</b>	
Shareholders' equity	-	-	-	-	-	804,742	-	804,742	-
Minority interests	-	-	-	-	-	9,849	-	9,849	-
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,239,669</b>	<b>399,312</b>	<b>134,817</b>	<b>1,384</b>	<b>13,065</b>	<b>1,162,035</b>	<b>-</b>	<b>2,950,282</b>	
On-balance sheet interest sensitivity gap	39,942	(293,234)	120,605	592,467	(13,065)	(495,576)	48,861	-	-
<b>Total interest sensitivity gap</b>	<b>39,942</b>	<b>(293,234)</b>	<b>120,605</b>	<b>592,467</b>	<b>(13,065)</b>	<b>(495,576)</b>	<b>48,861</b>	<b>-</b>	

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

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010

A20 Capital Adequacy

- (i) The Group is not required to maintain any capital adequacy ratio requirements except for the investment banking subsidiary company, Kenanga Investment Bank Berhad (KIBB). The following disclosure of capital adequacy ratio is in respect of Kenanga Investment Bank Berhad:

	March 2010 RM'000	December 2009 RM'000
<b>Components of Tier I and Tier II capital:</b>		
<u>Tier I capital</u>		
Paid-up share capital	580,000	580,000
Retained Profits	3,162	3,162
Statutory reserve	57,458	57,458
	<u>640,620</u>	<u>640,620</u>
Less: Deferred tax assets	(4,850)	(8,524)
Goodwill	(17,606)	(17,606)
Current unaudited unadjusted loss	-	-
Total Tier I capital	<u>618,164</u>	<u>614,490</u>
<u>Tier II capital</u>		
General allowances for bad and doubtful debts	<u>12,977</u>	<u>12,033</u>
Total Tier II capital	<u>12,977</u>	<u>12,033</u>
Total capital	631,141	626,523
Less: Investments in subsidiary companies	<u>(13,081)</u>	<u>(13,081)</u>
Capital base	<u>618,060</u>	<u>613,442</u>
Core capital ratio	36.78%	39.01%
Risk-weighted capital ratio	36.78%	39.01%

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010

	Individual Quarter		Cumulative Quarter	
	31 March 2010 RM'000	31 March 2009 RM'000	31 March 2010 RM'000	31 March 2009 RM'000
<b>A21 Interest Income</b>				
Loans, advances and financing				
- Interest income other than recoveries from impaired loans	8,154	7,778	8,154	7,778
- Recoveries from impaired loans	-	-	-	-
- Inter-company	-	-	-	-
Money at call and deposit placements with financial institutions	2,729	5,132	2,729	5,132
Securities purchased under resale agreements	-	-	-	-
Securities held-for-trading	818	936	818	936
Securities available-for-sale	7,363	2,358	7,363	2,358
Securities held-to-maturity	-	-	-	-
Interest on Margin	8,918	8,054	8,918	8,054
Interest on reverse repo	-	-	-	-
Interest on Contra	301	77	301	77
Others	1	3	1	3
	<u>28,284</u>	<u>24,338</u>	<u>28,284</u>	<u>24,338</u>
Amortisation of premium less accretion of discount	(255)	83	(255)	83
Interest income suspended	-	-	-	-
	<u>28,029</u>	<u>24,421</u>	<u>28,029</u>	<u>24,421</u>
<b>A22 Interest Expense</b>				
Deposits and placement of banks and other financial institutions	1,172	2,003	1,172	2,003
Intercompany loan	-	-	-	-
Term loan	556	-	556	-
Deposits from customers	7,449	8,776	7,449	8,776
Obligations on securities sold under repurchase agreements	-	-	-	-
Floating rate certificate of deposits	-	-	-	-
Subordinated notes	-	-	-	-
Subordinated bonds	-	-	-	-
Others	-	-	-	-
	<u>9,177</u>	<u>10,779</u>	<u>9,177</u>	<u>10,779</u>
<b>A23 Non-interest Income</b>				
(a) Fee income:				
Commissions	2,976	3,574	2,976	3,574
Service charges and fees	3,703	657	3,703	657
Guarantee fees	-	-	-	-
Underwriting fees	-	-	-	-
Brokerage income	29,902	12,806	29,902	12,806
Other fee income	1,567	2,095	1,567	2,095
	<u>38,148</u>	<u>19,132</u>	<u>38,148</u>	<u>19,132</u>
(b) Gain/loss arising from sale of securities:				
Net gain/(loss) from sale of securities held-for-trading	(3,607)	-	(3,607)	-
Net gain/(loss) from sale of securities available-for-sale	-	-	-	-
Net loss from redemption of securities held-to maturity	-	-	-	-
Net gain/(loss) from sale of subsidiary company	-	-	-	-
	<u>(3,607)</u>	<u>-</u>	<u>(3,607)</u>	<u>-</u>
(c) Gross dividend from:				
Securities portfolio	547	93	547	93
(d) Unrealised gains /(losses) on revaluation of securities				
held-for-trading and derivatives	6,760	-	6,760	-
Write back of impairment losses on securities	-	-	-	-
	<u>6,760</u>	<u>-</u>	<u>6,760</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010

	Individual Quarter		Cumulative Quarter	
	31 March 2010 RM'000	31 March 2009 RM'000	31 March 2010 RM'000	31 March 2009 RM'000
(e) Other income:				
Foreign exchange profit	479	178	479	178
Net premiums written	-	-	-	-
Rental Income	-	-	-	-
Gains on disposal of property, plant and equipment	349	-	349	-
Gain on disposal of foreclosed properties	-	-	-	-
Intercompany written off	-	-	-	-
Capital gain arising from receipt of shares in Bursa Malaysia Berhad	-	-	-	-
Others	726	1,166	726	1,166
	<u>1,554</u>	<u>1,344</u>	<u>1,554</u>	<u>1,344</u>
Total non-interest income	<u>43,402</u>	<u>20,569</u>	<u>43,402</u>	<u>20,569</u>
<b>A24 Other operating expenses</b>				
Personnel costs	15,086	14,287	15,086	14,287
- Salaries, allowances and bonuses	11,088	12,403	11,088	12,403
- Pension costs	1,542	1,456	1,542	1,456
- Others	2,456	428	2,456	428
Establishment costs	7,363	7,415	7,363	7,415
- Depreciation	1,677	2,032	1,677	2,032
- Rental of leasehold land and premises	3,545	3,303	3,545	3,303
- Repairs and maintenance of property, plant and equipment	362	601	362	601
- Information technology expenses	599	661	599	661
- Others	1,180	818	1,180	818
Marketing expenses	1,021	655	1,021	655
- Advertisement and publicity	86	34	86	34
- Others	935	621	935	621
Administration and general expenses	22,487	12,202	22,487	12,202
- Fees and brokerage	12,256	6,718	12,256	6,718
- Administrative expenses	5,308	5,052	5,308	5,052
- Unrealised losses on revaluation of securities HFT	-	-	-	-
- Foreign exchange loss	-	-	-	-
- General expenses	-	-	-	-
- Impairment loss on Investment in Associate Company	-	-	-	-
- Impairment loss on Investment in Subsidiary Company	-	481	-	481
- Claims incurred	11	4	11	4
- Others	4,912	(53)	4,912	(53)
	<u>45,957</u>	<u>34,559</u>	<u>45,957</u>	<u>34,559</u>
<b>A25 Allowances on bad &amp; doubtful accounts on balances due from clients and brokers</b>				
Allowances for bad and doubtful debts and financing:				
- collective impairment (net)	1,839	800	1,839	800
- individual impairment reversal	(2,021)	(1,717)	(2,021)	(1,717)
Bad debts and financing written off	-	-	-	-
Bad debts and financing recovered	(87)	(24)	(87)	(24)
Provision for other debts	-	-	-	-
	<u>(269)</u>	<u>(941)</u>	<u>(269)</u>	<u>(941)</u>
<b>A25a Allowance for Losses on Loans, Advances and Financing</b>				
Allowances for bad and doubtful debts and financing:				
- collective impairment (net)	2,645	2,927	2,645	2,927
- individual impairment reversal	(238)	(254)	(238)	(254)
Bad debts and financing written off	-	-	-	-
Bad debts and financing recovered	1	(1)	1	(1)
Provision for other debts	-	-	-	-
	<u>2,408</u>	<u>2,672</u>	<u>2,408</u>	<u>2,672</u>

K & N KENANGA HOLDINGS BERHAD  
FOR THE 1ST QUARTER ENDED 31 MARCH 2010  
A26. SEGMENTAL REPORTING

	-----Continued Operations-----										-----Discontinued Operations-----										
	Investment Bank		Stock broking		Futures		Money lending		Investment Management		Corporate and Others		Eliminations		Total		Others		Total		
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000
<b>Revenue</b>	25,826	21,341	36,074	16,093	3,983	4,835	1,554	2,099	80	142	1,177	238	-	68,642	44,748	21	23	68,663	44,771	-	-
External sales	-	-	-	-	145	-	-	-	66	73	461	32,599	(672)	(32,672)	-	21	21	-	-	-	-
Inter-segment sales	25,826	21,341	36,074	16,093	4,128	4,835	1,554	2,099	146	215	1,658	32,857	(724)	68,642	44,748	21	44	68,663	44,771	-	-
<b>Total revenue</b>	25,826	21,341	36,074	16,093	4,128	4,835	1,554	2,099	146	215	1,658	32,857	(724)	68,642	44,748	21	44	68,663	44,771	-	-
<b>Result</b>	14,230	8,263	8,944	1,811	1,583	2,081	509	(898)	(390)	(520)	(880)	29,847	(461)	23,535	9,294	(200)	(594)	23,335	8,700	-	-
Segment results	14,230	8,263	8,944	1,811	1,583	2,081	509	(898)	(390)	(520)	(880)	29,847	(461)	23,535	9,294	(200)	(594)	23,335	8,700	-	-
Loss on disposal of discontinuing operations	(8,820)	(9,269)	(10)	(555)	(386)	(859)	(571)	(1,003)	-	-	(880)	29,847	610	(9,177)	(10,779)	-	-	(9,177)	(10,779)	-	-
Unallocated corporate expenses	-	-	-	-	-	-	-	-	-	-	-	-	430	430	(2,948)	-	-	430	(2,948)	-	-
Finance cost, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of results of associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of results of jointly controlled entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit before taxation	5,410	(1,006)	8,934	1,256	1,197	1,222	(62)	(1,901)	(390)	(520)	(880)	29,847	(461)	14,788	(4,433)	(200)	(594)	14,588	(5,027)	-	-
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,214)	(227)	-	-	(4,214)	(227)	-	-
Taxation from discontinuing operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit after taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	10,574	(4,660)	(200)	-	10,374	(5,254)	-	-
Loss from discontinuing operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(199)	(594)	(199)	(617)	-	-
Minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(468)	(268)	-	-	(468)	(268)	-	-
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	10,106	(4,928)	(399)	(594)	9,707	(6,139)	-	-
<b>Assets</b>	400,183	499,748	2,209,126	1,728,207	383,983	455,802	44,856	99,675	13,358	12,808	708,928	707,776	(698,714)	3,061,720	2,674,203	6,631	-	3,068,351	2,674,203	-	-
Segments assets	-	-	68,434	68,435	-	-	-	-	-	-	20,210	10,062	(334)	75,861	78,163	-	-	75,861	78,163	-	-
Investments in equity method of associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments in equity method of jointly controlled entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated corporate assets	-	-	18,258	30,847	312	303	3,597	4,209	-	-	3,737	3,551	-	25,904	38,910	-	-	25,905	38,910	-	-
Consolidated total assets	400,183	499,748	2,295,818	1,827,489	384,295	456,105	48,453	103,884	13,358	12,808	732,875	721,389	(698,714)	3,103,485	2,791,276	6,631	-	3,170,117	2,791,276	-	-
<b>Liabilities</b>	1,157,467	1,165,010	884,268	547,126	357,440	432,735	39,589	97,088	229	208	4,403	4,174	(99,557)	2,343,839	1,998,889	63	-	2,343,902	1,998,889	-	-
Segment liabilities	-	-	-	-	-	-	-	-	-	-	-	5	-	2,512	13	-	-	2,512	13	-	-
Unallocated corporate liabilities	-	-	-	-	-	-	-	8	-	-	2,512	5	-	-	-	-	-	-	-	-	-
Consolidated total liabilities	1,157,467	1,165,010	884,268	547,126	357,440	432,743	39,589	97,088	229	208	6,918	4,175	(99,557)	2,343,839	1,998,902	63	-	2,346,414	1,998,902	-	-
<b>Other information</b>	-	-	502	1,945	474	256	80	256	3	1	38	253	-	1,097	2,711	-	-	1,097	2,711	-	-
Capital expenditure	-	-	1,649	1,745	74	74	51	50	36	54	120	118	-	1,930	2,041	7	-	1,937	2,041	-	-
Depreciation & Amortisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversal of impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-cash expenses other than depreciation, amortisation and impairment losses	1,899	768	(201)	1,516	(2)	-	481	2,350	-	-	(3,351)	63	(1,109)	4,637	(1,109)	-	-	(1,109)	4,637	-	-

## **SELECTED EXPLANATORY NOTES**

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

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

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

#### **A28. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period**

There are no other material events subsequent to the end of the interim period which have not been reflected in the current quarter interim financial statements.

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

There were no major changes in the composition of the Group for the quarter ended 31 March 2010.

#### **A30. Changes in contingent liabilities and assets since the last annual balance sheet date**

Contingent liabilities at the date of this report are as follows:-

- (i) unsecured corporate guarantee in favour of various banks in respect of credit facilities extended to subsidiary companies amounting to RM573 million.
- (ii) unsecured corporate guarantee in favour of a counter party in respect of a collateralized cash deposit for a subsidiary company amounting to RM140million.



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

(Incorporated in Malaysia)

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

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

During the quarter ended 31 March 2010, the Group recorded a profit before taxation from continuing operations of RM14.59 million as compared to a profit of RM14.55 million in the previous quarter ended 31 December 2009.

The profit before taxation that arises during the quarter ended 31 March 2010 were due to continued positive growth in net brokerage income earned by the equity division and write backs. In addition, corporate banking, corporate finance, Treasury and Fixed Income department of the Investment Bank also contributed to the profitability of the Group during the quarter.

However, these profits were negated by allowances for losses on loans, advances and financing amounting to RM2.41 million.

Despite the losses, the Group's financial position is on a solid financial footing as evidenced by the Bank's risk weighted capital ratio of 36.78%, well above the minimum of 8% as prescribed by Bank Negara Malaysia.

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

During the quarter ended 31 March 2010, the Group recorded a profit before taxation from continuing operations of RM14.59 million as compared to a profit of RM14.55 million in the previous quarter ended 31 December 2009.

The profit before taxation that arises during the quarter ended 31 March 2010 were due to continued positive growth in net brokerage income earned by the equity division and write backs. In addition, corporate banking, corporate finance, Treasury and Fixed Income department of the Investment Bank also contributed to the profitability of the Group during the quarter.

However, these profits were negated by allowances for losses on loans, advances and financing amounting to RM2.41 million.

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

(Incorporated in Malaysia)

## SELECTED EXPLANATORY NOTES

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

#### B3. Current year prospects

For the current financial year, the Group anticipates that the profit contribution from its various profit centres will remain encouraging.

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

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

#### B4. Variance From Profit Forecast And Profit Guarantee

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

#### B5. Taxation

	Individual Quarter Current Year Quarter 31 March 2010	Cumulative Quarter Current Year to date 31 March 2010
	-----RM'000-----	
Current period taxation	291	291
Overprovision in prior year taxation	(97)	(97)
Deferred taxation	4,020	4,020
Total	<u>4,214</u>	<u>4,214</u>

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

(Incorporated in Malaysia)

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

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

	Individual Current Quarter	Cumulative Current Quarter
	-----RM'000-----	
Tax effect at statutory rate	3,631	3,631
Add: Tax effect of expenses that are not deductible for tax purposes	(1,370)	(1,370)
Less: Utilization of unabsorbed tax losses and capital allowances	(2,556)	(2,556)
Less: Non taxation of capital items	(839)	(839)
Add: Tax losses not recognised	1,425	1,425
Tax expense	<u>291</u>	<u>291</u>

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

There were no sales of unquoted investments and properties for the quarter ended 31 March 2010.

**B7. Quoted Securities**

- (a) Total purchases and sales of quoted securities by the Group other than the investment banking subsidiary for the quarter ended 31 March 2010 and the profit arising there from were as follows:

	Individual Quarter	Cumulative Quarter
	-----RM'000-----	
Total purchases for the period	<u>5,137</u>	<u>5,137</u>
Total sales for the period	<u>3,857</u>	<u>3,857</u>
Total gains on disposal for the period	<u>443</u>	<u>443</u>

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

(Incorporated in Malaysia)

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

#### **B7. Quoted Securities (contd)**

- (b) Total investments in quoted securities by the Group other than the investment banking subsidiary as at 31 March 2010 were as follows:

Total investment at cost	RM'000 23,782
Total investment at carrying value/book value	28,398
Total investment at market value at end of reporting period	28,398

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

There are no corporate proposals by the Group which have been announced but not completed at the date of this report.

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

(Incorporated in Malaysia)

## **SELECTED EXPLANATORY NOTES**

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

#### **B9. Group Borrowings**

		Total Loans RM'000
Subordinated Loan (unsecured)	- Note 1	1,228
Short term loan from financial institutions (unsecured)	- Note 2	26,528

Note 1: A subordinated loan amounting to RM5.00 million was extended in December 1995 by the shareholders of its subsidiary, Kenanga Deutsche Futures Sdn. Bhd. to the subsidiary. The amount of RM1.23million represents the portion advanced by Deutsche Asia Pacific Holdings Pte Limited. The loan is unsecured, charged at an interest rate of 5% and is repayable, subject to approval from Bursa Malaysia Derivatives Berhad, upon maturity which was rescheduled to January 2015.

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(Incorporated in Malaysia)

## **SELECTED EXPLANATORY NOTES**

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

#### **B9. Group Borrowings (contd)**

Note 2:           The Group obtained the following short term borrowings as follows:-  
i) Kenanga Capital Sdn. Bhd., the money lending subsidiary company, obtained revolving credit facilities from financial institutions for the amount of RM26.5 million in order to finance its own working capital. These facilities have repayment period of one month and the average interest rates charged were 4.96% per annum.

#### **B10. Off Balance Sheet Financial Instruments**

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

#### **B11. Changes in material Litigation**

There are no changes in material litigation during the quarter ended 31 March 2010.

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

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

### B12. Dividend

No interim dividend has been declared for the current quarter ended 31 March 2010.

### B13. Earnings per share

The amount used as the numerator for the purposes of calculating the basic earnings per share for the three-month period is RM9.71 million representing the profit for the year attributable to ordinary equity holder of the parent (31 March 2009: -loss attributable to ordinary equity holder of parent: RM6.14 million)

The weighted average number of shares used as the denominator in calculating the basic earnings per share for the three-month period is 611,759,499 (31 March 2009: 611,759,499).

### B14. Derivatives

As at 31 March 2010, derivative financial liabilities are as follows:-

Type of Derivatives	Contract/Notional Value (RM'000)	Fair Value (RM'000)
Equity related contracts		
Structured warrants		
- Less than 1 year	10,237	1,764
Futures-Exchange traded		
- Less than 1 year	-	-

#### Types of derivative financial instruments

##### (a) Structured warrants

This is the type of call option that allows the call warrant holders to buy a specific amount of equity, index or other underlying asset from the investment banking subsidiary ("the Bank"), at a specified price and within a certain timeframe.

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

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## **SELECTED EXPLANATORY NOTES**

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

#### **B14. Derivatives (contd)**

##### **Types of derivative financial instruments (contd)**

(a) Structured warrants (contd)

The Bank does not issue warrants to raise funding but provide call warrant holders with an investment tool to manage their investment portfolio.

Options are contractual agreements upon which, typically the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option) or to sell (put option) by or at a set date, a specified quantity of a financial instrument or commodity at a predetermined price. The purchaser pays a premium to the seller for this right. Options may be traded in the form of a security ('warrant')

(b) Futures

Futures are exchange traded agreements to buy or sell a standardized value of a specified stock index at a specified future date.

There is minimal credit risk because these contracts are entered into through Bursa Malaysia.

Beside a small fee, the Group is required to place margin deposit for these outstanding contracts.

##### **Purposes of engaging in derivative financial instruments**

As the Bank has entered into similar derivative financial instruments in the previous financial year and such derivatives have already been disclosed in the previous year's financial statement, the rationale and expected benefits accruing to the Bank is not disclosed.

##### **Risks associated with derivative financial instruments**

There are no major changes in the associated risks of the derivative financial instruments above since the last financial year.



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

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**SELECTED EXPLANATORY NOTES**

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

**B15. Gains/Losses Arising From Fair Value Changes of Financial Liabilities**

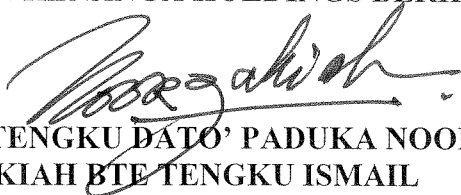
	Individual Quarter	Cumulative Quarter
	-----RM'000-----	
Losses from fair value changes of financial liabilities	617	617

The fair value changes above arose in respect of outstanding equity structured warrants mentioned in Note B14 above.

The losses were due to fluctuation of the market prices of the structured warrants concerned as quoted by Bursa Malaysia.

By Order of the Board

**K & N KENANGA HOLDINGS BERHAD**



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

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