

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter
ended 30th June 2010
The figures have not been audited.

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CONDENSED CONSOLIDATED INCOME STATEMENTS

Group

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30 June 2010 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 June 2009 RM'000	CURRENT YEAR TO DATE 30 June 2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 June 2009 RM'000
Continuing Operations					
Interest income	A21	29,479	23,006	57,508	47,407
Interest expense	A22	(9,548)	(7,759)	(18,725)	(18,538)
Net interest income		19,931	15,247	38,783	28,869
Non interest income	A23	41,905	56,737	85,307	77,306
Net Income		61,836	71,984	124,090	106,175
Other operating expenses	A24	(49,434)	(56,646)	(95,391)	(91,205)
Operating profit		12,402	15,338	28,699	14,970
Allowance for losses on loans, advances and financing	A25a	(34,499)	(1,206)	(36,907)	(3,878)
(Allowance)/write-back for bad and doubtful accounts on balances due from clients & brokers	A25	(157)	(335)	112	606
Impairment of investment in an associated company		-	(4,713)	-	(4,713)
Share of (losses)/profits in associates		(3,080)	17	(2,650)	(2,931)
(Loss)/(profit before taxation)		(25,334)	9,101	(10,746)	4,054
Taxation		4,496	(4,283)	282	(4,510)
(Loss)/profit for the period from continuing operations		(20,838)	4,818	(10,464)	(456)
Discontinued operations					
Loss for the period		(122)	(224)	(321)	(821)
(Loss)/profit for the period		(20,960)	4,594	(10,785)	(1,277)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
	RM'000	RM'000	RM'000	RM'000
Other comprehensive income				
Exchange fluctuation from translation of subsidiary and associated companies' net assets	(251)	(1,992)	(3,992)	2,091
Available for sale financial assets	184	221	721	392
Other comprehensive income for the year	(67)	(1,771)	(3,271)	2,483
Total comprehensive (losses)/income	(21,027)	2,823	(14,056)	1,206
Loss/(profit) for the period attributable to				
- Equity holders of the parent	(21,490)	4,325	(11,783)	(1,814)
- Minority interests	530	269	998	537
	<u>(20,960)</u>	<u>4,594</u>	<u>(10,785)</u>	<u>(1,277)</u>
Total comprehensive (losses)/income for the period attributable to				
- Equity holders of the parent	(21,557)	2,554	(15,054)	669
- Minority interests	530	269	998	537
	<u>(21,027)</u>	<u>2,823</u>	<u>(14,056)</u>	<u>1,206</u>
(a) (Loss)/earnings 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 611,759,499 for the cumulative quarter current year to date) (2009 : 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)	(3.5)	0.7	(1.9)	(0.3)
(ii) Fully diluted	<u>(3.5)</u>	<u>0.7</u>	<u>(1.9)</u>	<u>(0.3)</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 30 June 2010 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 June 2009 RM'000	CURRENT YEAR TO DATE 30 June 2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 June 2009 RM'000
Continuing Operations				
Interest income	458	640	943	1,551
Interest expense	-	-	-	-
Net interest income	458	640	943	1,551
Non interest income	2,681	5,389	7,565	37,198
Net Income	3,139	6,029	8,508	38,749
Overhead expenses	(5,187)	(2,613)	(11,715)	(5,089)
Operating (loss)/profit	(2,048)	3,416	(3,207)	33,660
Impairment of investment in an associated company	-	(4,713)	-	(4,713)
(Loss)/profit before taxation	(2,048)	(1,297)	(3,207)	28,947
Taxation	-	(1,178)	(750)	(1,139)
(Loss)/profit for the period from continuing operations	(2,048)	(2,475)	(3,957)	27,808
(Loss)/profit for the period	(2,048)	(2,475)	(3,957)	27,808

CONDENSED INCOME STATEMENTS

Company

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 June 2010 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 June 2009 RM'000	CURRENT YEAR TO DATE 30 June 2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 June 2009 RM'000
(i) (Loss)/profit for the period attributable to - Equity holders of the parent	(2,048)	(2,475)	(3,957)	27,808
	<u>(2,048)</u>	<u>(2,475)</u>	<u>(3,957)</u>	<u>27,808</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) (2009 : 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)	(0.4)	(0.6)	4.5
(ii) Fully diluted	N/A	N/A	N/A	N/A

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

**CONDENSED CONSOLIDATED BALANCE SHEETS
GROUP**

		AS AT END OF CURRENT QUARTER 30 June 2010 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31 December 2009 RM'000
	Note		
ASSETS			
Cash and short-term funds		474,454	523,788
Deposits and placements with financial institutions		847	847
Securities purchased under resale agreements			
Securities held for trading	A9	188,061	90,171
Securities available for sales	A10	612,530	713,408
Securities held to maturity	A11	-	1,490
Loans, advances and financing	A12	862,615	863,008
Other assets			
- Balance due from clients and brokers		171,790	139,953
- Assets segregated for customers		246,738	367,575
- Other receivables	A13	24,999	28,309
Statutory deposits with the Central Bank		10,630	10,345
Investments in associated companies		72,531	79,173
Intangible assets		81,867	72,105
Property, plant and equipment		21,576	23,743
Deferred tax assets		11,577	10,529
Tax recoverable		17,683	18,899
Assets held for resale		6,484	6,939
TOTAL ASSETS		2,804,382	2,950,282
LIABILITIES			
Deposits from customers	A14	871,171	815,747
Deposits and placements of banks and other financial institutions	A15	445,215	520,469
Borrowings	A17	29,453	63,848
Other liabilities			
-Balance due to clients and brokers		397,015	469,304
- Amount held in trust		206,498	194,657
- Other payables	A16	53,041	68,498
Provision for taxation and zakat		4	-
Deferred tax liabilities		2,500	1,760
Subordinated obligations	A15	1,383	1,384
Liabilities held for resale		14	24
TOTAL LIABILITIES		2,006,294	2,135,691
SHAREHOLDERS EQUITY			
Share Capital		611,759	611,759
Share Premium		75	75
Profit and loss reserve		50,857	65,087
Exchange fluctuation reserve		(5,382)	(1,390)
Statutory reserve		57,458	57,458
Fair value reserve		522	(199)
Capital reserve		71,952	71,952
		787,241	804,742
Minority Interests		10,847	9,849
Total equity		798,088	814,591
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,804,382	2,950,282
Net Assets Per Share (RM)		1.30	1.33

**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 30 June 2010 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31 December 2009 RM'000
ASSETS		
Cash and short-term funds	50,749	52,705
Deposits and placements with financial institutions	-	-
Securities purchased under resale agreements	-	-
Securities held for trading	46,300	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	17,795	28,561
- Amount due from related companies	-	-
- Other receivables	220	315
Statutory deposits with the Central Bank	-	-
Investments in subsidiary companies	561,687	561,687
Investments in associated companies	20,210	20,210
Intangible assets	195	295
Property, plant and equipment	754	811
Deferred tax assets	-	-
Tax recoverable	3,394	3,348
Asset of disposal group/non current assets classified as held for sale	-	-
TOTAL ASSETS	701,304	709,241
LIABILITIES		
Deposits from customers	-	-
Deposits and placements of banks and other financial institutions	-	-
Obligations on securities sold under repurchase agreements	-	-
Bills and acceptances payable	-	-
Borrowings	-	-
Other liabilities		
- Balance due to clients and brokers	-	-
- Amount due to subsidiary companies	-	-
- Other payables	2,650	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	-	-
TOTAL LIABILITIES	5,150	4,542
SHAREHOLDERS EQUITY		
Share Capital	611,759	611,759
Share Premium	75	75
Profit and loss reserve	84,320	92,865
Capital reserve	-	-
	696,154	704,699
Total equity	696,154	704,699
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	701,304	709,241
Net Assets Per Share (RM)	1.14	1.15

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 30 June 2010

	<u>Group</u>	
	CUMULATIVE QUARTER	
	CURRENT YEAR TO DATE 30 June 2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 June 2009 RM'000
Cash flows from operating activities		
(Loss)/profit before taxation		
- Continuing operations	(10,746)	4,054
- Discontinued operations	(317)	(814)
Adjustments for non operating and non cash items	39,051	10,652
Operating profit before changes in working capital	<u>27,988</u>	<u>13,892</u>
Net changes in operating assets	43,042	(165,822)
Net changes in operating liabilities	(97,076)	(145,441)
Cash used in operations	<u>(26,046)</u>	<u>(297,371)</u>
Net tax refund/(paid)	752	(1,431)
Net cash used in operating activities	<u>(25,294)</u>	<u>(298,802)</u>
Net cash used in investing activities	(1,487)	(136,929)
Net cash used in financing activities	(39,879)	(28,301)
Net decrease in cash and cash equivalents during the period	<u>(66,660)</u>	<u>(464,032)</u>
Cash and cash equivalents brought forward	334,609	819,005
Cash and cash equivalents carried forward	<u>267,949</u>	<u>354,973</u>

Cash and cash equivalents as at 30th June 2010 comprised of :-

Non trust cash and short term funds	261,594
Cash and short term funds classified as asset held for sale	6,355
	<u>267,949</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 30 June 2010

	<u>Company</u>	
	CUMULATIVE QUARTER	
	CURRENT YEAR TO DATE 30 June 2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 June 2009 RM'000
Cash flows from operating activities		
(Loss)/profit before taxation		
- Continuing operations	(3,207)	28,947
Adjustments for non operating and non cash items	(5,653)	(31,828)
Operating loss before changes in working capital	(8,860)	(2,881)
Net changes in operating assets	11,171	18,887
Net changes in operating liabilities	(435)	(394)
Cash generated from operations	1,876	15,612
Net dividends received	410	106
Interest income	942	1,551
Net cash generated from operating activities	3,228	17,269
Net cash used in from investing activities	(595)	(12,325)
Net cash used in financing activities	(4,588)	-
Net (decrease)/increase in cash and cash equivalents during the period	(1,955)	4,944
Cash and cash equivalents brought forward	52,704	77,903
Cash and cash equivalents carried forward	<u>50,749</u>	<u>82,847</u>
Cash and cash equivalents as at 30th June 2010 comprised of :-		
Non trust cash and short term funds	<u>50,749</u>	
	<u>50,749</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 30 June 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	-	-	-	-	-	-	(11,783)	-	(11,783)
Dividends paid	-	-	-	-	-	-	(4,588)	-	(4,588)
Transaction with owners	-	-	-	-	-	-	(16,371)	-	(16,371)
Total comprehensive income for the period	-	-	(3,992)	-	721	-	-	998	(2,273)
As at 30 June 2010	611,759	75	(5,382)	71,952	522	57,458	50,857	10,847	798,088

Consolidated Statement of changes in equity
for the period ended 30 June 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	-	-	-	-	-	-	(1,814)	-	(1,814)
Transaction with owners	-	-	-	-	-	-	(1,814)	-	(1,814)
Total comprehensive income for the period	-	-	2,091	-	392	-	-	537	3,020
As at 30 June 2009	611,759	75	1,763	71,952	(1,491)	45,718	58,844	6,577	795,197

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 30 June 2010

Company

	---Attributable to Equity Holders of the Parent--- <-- Non Distributable-->			Total Equity RM'000
	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	-	-	(3,957)	(3,957)
Dividends paid	-	-	(4,588)	(4,588)
As at 30 June 2010	<u>611,759</u>	<u>75</u>	<u>84,320</u>	<u>696,154</u>

Statement of changes in equity
for the period ended 30 June 2009

Company

	---Attributable to Equity Holders of the Parent--- <-- Non Distributable-->			Total Equity RM'000
	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	-	-	27,808	27,808
As at 30 June 2009	<u>611,759</u>	<u>75</u>	<u>94,777</u>	<u>706,611</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 31st 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.

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.

**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.

**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 30 June 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 30 June 2010.

A8. Dividends paid per share

Final dividends declared in respect of the financial year ended 31st December 2009 of 1% less 25% tax of RM4,588,196 were paid during the quarter ended 30 June 2010.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2010

	June 2010 RM' 000	December 2009 RM' 000
A9 (a) Securities held-for-trading		
At Fair Value		
Money Market Instruments:-		
Malaysian Government Treasury Bills	-	-
Malaysian Government Securities	-	-
Malaysian Government Investment Issues	-	-
Bank Negara Malaysia Bills and Notes	-	-
Bankers' Acceptances and Islamic Accepted Bills	-	-
Cagamas Bonds	-	-
Foreign Government Securities	-	-
Others	-	-
Total Money Market Instruments	<u>-</u>	<u>-</u>
Quoted securities:		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	54,743	52,800
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	-	-
Total quoted securities	<u>54,743</u>	<u>52,800</u>
Unquoted securities:		
Private and Islamic Debt Securities in Malaysia	133,318	37,371
Foreign Private Debt Securities	-	-
Total unquoted securities	<u>133,318</u>	<u>37,371</u>
Total securities held-for-trading	<u>188,061</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	315,725	305,626
Islamic Cagamas Bonds	-	-
Cagamas Bonds	60,108	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	6,840	69,981
Khazanah Bonds	-	-
Bank Negara Malaysia Sukuk Ijarah Bonds	-	-
Foreign Certificates of Deposits	-	-
Total Money market instruments	<u>382,673</u>	<u>486,240</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2010

	June 2010 RM' 000	December 2009 RM' 000
Quoted securities:		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	1,125	1,576
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	715	909
	<u>1,840</u>	<u>2,485</u>
Unquoted securities:		
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	225,768	224,013
Malaysian Government Bonds	-	-
Foreign Islamic and Private Debt Securities	-	-
Credit Link Notes	-	-
Malaysia Global Sukuk	-	-
Others	4,589	3,100
	<u>232,457</u>	<u>229,213</u>
Accumulated impairment losses	(4,440)	(4,530)
Total securities available-for-sale	<u>612,530</u>	<u>713,408</u>
A11 (c) Securities Held-To-Maturity		
At Amortised Cost		
Money market instruments:-		
Malaysian Government Securities	-	-
Cagamas Bonds	-	-
Foreign Government Securities	-	-
Malaysian Government Investment Issues	-	-
Khazanah Bonds	-	-
Bankers' Acceptances and Islamic accepted bills	-	-
Negotiable Instruments of Deposits	-	-
Total Money market instruments	<u>-</u>	<u>-</u>
Unquoted securities:		
Private and Islamic Debt Securities in Malaysia	-	-
Malaysian Government Bonds	-	-
Foreign Government Bonds	-	-
Foreign Islamic and Private Debt Securities	-	-
Credit Linked Note	-	-
Others	-	1,490
	<u>-</u>	<u>1,490</u>
Accumulated impairment losses	-	-
Total securities held-to-maturity	<u>-</u>	<u>1,490</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2010

	June 2010 RM' 000	December 2009 RM' 000
A12 Loans, advances and financing		
Overdrafts	-	-
Term loans	-	-
- Real estate	-	-
- Syndicated term loan/financing	-	-
- Hire purchase receivables	-	-
- Lease receivables	-	-
- Other term loans/financing	366,905	452,802
- Constructions	-	-
Credit card receivables	-	-
Bills receivables	-	-
Trust receipts	-	-
Claims on customers under acceptance credits	-	-
Share margin financing	560,548	401,890
Finance, insurance and business services	-	-
Revolving credits	-	-
Staff loans	-	-
Housing loans to	-	-
- Executive directors of the Bank	-	-
- Executive directors of subsidiaries	-	-
Others	54,497	86,078
	<u>981,950</u>	<u>940,770</u>
Interest in suspense	(3,833)	(5,684)
Unearned interest and income	-	(74)
	<u>978,117</u>	<u>935,012</u>
Gross loans, advances and financing		
Allowances for bad and doubtful debts and financing:		
- Individual Impairment	(102,981)	(58,859)
- Collective Impairment	(12,521)	(13,145)
	<u>862,615</u>	<u>863,008</u>
Net loans, advances and financing		
(i) By maturity structure		
Within one year	961,231	692,178
1 year to 2 years	3,146	122,625
More than 2 years	13,740	120,209
Gross loans, advances and financing	<u>978,117</u>	<u>935,012</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2010

	June 2010 RM' 000	December 2009 RM' 000
(ii) By type of customer		
Domestic operations:		
Domestic banking institutions	-	-
Domestic non-bank financial institutions	-	-
- Stockbroking companies	-	-
- Others	-	-
Domestic business enterprise	-	-
- Small and medium enterprise	5,626	9,056
- Others	366,465	561,819
Government and statutory bodies	-	-
Individuals	592,661	350,562
Other domestic entities	-	-
Foreign entities	13,365	13,575
Total domestic operations	<u>978,117</u>	<u>935,012</u>
Overseas operations:		
Singapore	-	-
Hong Kong SAR	-	-
United States of America	-	-
People's Republic of China	-	-
Others (Please specify)	-	-
	<u>-</u>	<u>-</u>
Gross loans, advances and financing	<u>978,117</u>	<u>935,012</u>
(iii) By interest/profit rate sensitivity		
Fixed rate		
- Housing loans/financing	-	-
- Hire purchases receivable	-	-
- Cost price	-	-
- Other fixed rate loans/financing	-	398,857
Variable rate		
- Base lending rate plus	54,498	83,353
- Cost plus	923,619	452,802
- Other variable rates	-	-
Gross loans, advances and financing	<u>978,117</u>	<u>935,012</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2010

	June 2010 RM' 000	December 2009 RM' 000
(iv) Total loans by economic purposes		
Domestic operations:		
Purchase of securities	18,635	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	143,890	207,144
Construction	10,437	13,885
Real Estate	-	-
Transport, storage and communication	120,347	120,208
Finance, insurance and business services	92,232	111,565
Working capital	35,863	-
Others	556,713	398,857
Total domestic operations	<u>978,117</u>	<u>935,012</u>
Overseas operations:		
Singapore	-	-
Hong Kong SAR	-	-
United States of America	-	-
People's Republic of China	-	-
Others (Please specify)	-	-
Gross loans, advances and financing	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2010

	June 2010 RM' 000	December 2009 RM' 000
(v) Impaired loans by economic purpose		
Domestic operations:		
Purchase of securities	16,516	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	213,255	52,386
Others	-	-
Total domestic operations	<u>229,771</u>	<u>78,032</u>
Overseas operations:		
Singapore	-	-
Hong Kong SAR	-	-
United States of America	-	-
People's Republic of China	-	-
Others (Please specify)	-	-
	<u>229,771</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	173,881	3,505
Amount written back in respect of recoveries	-	-
Reclassified as performing	-	(8,831)
Acquired upon business acquisition	-	-
Transfer from a subsidiary	-	-
Recovered	(22,142)	(5,645)
Amount written off	-	(72)
Converted to securities	-	-
At end of the period	<u>229,771</u>	<u>78,032</u>
Individual Impairment	(102,981)	(58,859)
Interest in suspense	-	(2,651)
Unearned interest and income	-	-
Net impaired loans, advances and financing	<u>126,790</u>	<u>16,522</u>
Net impaired loans as a% of gross loans, advances and financing (including Islamic loans sold to Cagamas) less individual impairment	<u>14.49%</u>	<u>1.89%</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2010

	June 2010 RM' 000	December 2009 RM' 000
(vii) Movement in individual impairment for loans and advances (and financing) accounts are as follows		
<u>Individual Impairment</u>		
At beginning of the period	58,859	58,810
Adjustment due to FRS 139	7,663	-
Allowance made during the period	37,065	6,137
Amount written back in respect of recoveries	(607)	(6,019)
Acquired upon business acquisition	-	-
Transfer from a subsidiary	-	-
Amount written off	1	(69)
Transfer to collective impairment	-	-
Transfer to impairment losses in value of securities	-	-
Transfer to restructured/rescheduled loans	-	-
Exchange differences	-	-
At end of the period	<u>102,981</u>	<u>58,859</u>
(viii) Movement in collective impairment for loans and advances (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	450	1,937
Amount written back	-	-
Acquired upon business acquisition	-	-
Transfer from individual impairment	-	-
Exchange differences	-	-
At end of the period	<u>12,521</u>	<u>13,145</u>
As % of gross loans, advances and financing (including Islamic loans sold to Cagamas) less individual impairment	<u>1.43%</u>	<u>1.50%</u>
A13 Other Assets		
Interest/Income receivable	6,288	6,491
Prepayments and deposits	12,855	14,299
Other debtors	7,373	8,303
Foreclosed properties	-	-
Investment properties	-	-
Derivative assets	-	-
	<u>26,516</u>	<u>29,093</u>
Allowance for doubtful debts	<u>(1,517)</u>	<u>(784)</u>
	<u>24,999</u>	<u>28,309</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2010

	June 2010 RM' 000	December 2009 RM' 000
A14 Deposits from Customers		
Fixed deposits and negotiable instruments of deposits		
- One year or less	871,171	815,747
- More than one year	-	-
Savings deposits	-	-
Demand deposits	-	-
Structured deposits	-	-
	<u>871,171</u>	<u>815,747</u>
Business enterprise	694,343	634,229
Individuals	-	-
Government and statutory bodies	<u>176,828</u>	<u>181,518</u>
	<u>871,171</u>	<u>815,747</u>
A15 Deposits and Placement of Banks and Other Financial Institutions and Debt Securities		
Licensed banks	65,000	170,000
Licensed finance companies	-	-
Licensed investment banks	25,000	10,000
Non-banking insitutions	-	230,423
Other financial institutions	<u>355,215</u>	<u>110,046</u>
	<u>445,215</u>	<u>520,469</u>
Subordinated obligations		
Unsecured		
- less than one year	-	-
- more than one year	<u>1,383</u>	<u>1,384</u>
A16 Other liabilities		
Interest/Profit payable	3,683	4,719
Provision for outstanding claims	-	-
Unearned premium reserves	-	-
Profit Equalisation Reserves	-	-
Provision and accruals	45,162	54,959
Hire purchase creditors	13	29
Due to brokers and clients	-	-
Deposits and other creditors	2,467	3,856
Derivative liabilities	<u>1,716</u>	<u>4,935</u>
	<u>53,041</u>	<u>68,498</u>

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

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2010

	June 2010 RM' 000	December 2009 RM' 000
A17 Bank Borrowings		
Hire purchase creditors	-	-
Revolving bank loan	29,453	63,848
Term loan	-	-
Secured notes issuance facility	-	-
	<u>29,453</u>	<u>63,848</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2010

A18 Commitments and Contingencies and Off-Balance Sheet Financial Instruments	Notional RM'000	June 2010		December 2009	
		RM'000 Credit Equivalent	RM'000 Risk Weighted	RM'000 Credit Equivalent	RM'000 Risk Weighted
Performance bond	-	-	-	-	-
Direct credit substitutes	-	-	-	-	-
Certain transaction-related contingent items	-	-	-	-	-
Short-term self-liquidating trade-related contingencies	-	-	-	-	-
Islamic housing and hire purchase loans sold to Cagamas Berhad	-	-	-	-	-
Obligations under underwriting agreements	-	-	-	-	-
Obligations under share financing	-	-	-	-	-
Irrevocable commitments to extend credit:	-	-	-	-	-
- maturity within one year	-	-	-	-	-
- Margin	545,204	-	-	-	-
- 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	-	-	-	-	-
	545,204	-	-	641,519	-

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2010

	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					
A19 Interest/Profit Rate Risk										
Cash and short-term funds	216,838	-	-	-	-	257,616	-	474,454	2.46%	
Deposits and placements with banks and other financial institutions	-	-	-	-	-	847	-	847	-	
Securities purchased under resale agreements	-	-	-	-	-	-	-	-	-	
Securities held-for-trading	-	-	-	-	-	46,301	141,760	188,061	5.10%	
Securities available-for-sale	6,840	60,108	22,219	519,275	-	4,088	-	612,530	4.40%	
Securities held-to-maturity	-	-	-	-	-	-	-	-	-	
Loans, advances and financing	-	-	-	-	-	-	-	-	-	
- performing	548,673	5,224	123,757	58,172	-	-	-	735,826	7.53%	
- impaired loans	-	-	-	-	-	126,789	-	126,789	-	
Other assets n1	238,697	-	2,000	-	-	202,830	-	443,527	-	
Other non-interest sensitive balances	-	-	-	-	-	222,348	-	222,348	-	
TOTAL ASSETS	1,011,048	65,332	147,976	577,447	-	860,819	141,760	2,804,382		
Interest/Profit Rate Risk										
LIABILITIES AND SHAREHOLDERS' EQUITY										
Deposits from customers	742,092	86,258	42,821	-	-	-	-	871,171	2.58%	
Deposits and placements of banks and other financial institutions	242,899	144,087	58,229	-	-	-	-	445,215	2.58%	
Borrowings	29,453	-	-	-	-	-	-	29,453	4.75%	
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-	-	-	-	
Bills and acceptances payable	-	-	-	-	-	-	-	-	-	
Recourse obligation on loans sold to Cagamas	-	-	-	-	-	-	-	-	-	
Subordinated notes	-	-	-	1,383	-	-	-	1,383	5.00%	
Other non-interest sensitive balances	243,264	-	-	-	13,035	402,773	-	659,072	-	
Total Liabilities	1,257,708	230,345	101,050	1,383	13,035	402,773	-	2,006,294	-	
Shareholders' equity	-	-	-	-	-	787,241	-	787,241	-	
Minority interests	-	-	-	-	-	10,847	-	10,847	-	
Total Liabilities and Shareholders' Equity	1,257,708	230,345	101,050	1,383	13,035	1,200,861	-	2,804,382		
On-balance sheet interest sensitivity gap	(246,660)	(165,013)	46,926	576,064	(13,035)	(340,042)	141,760	-	-	
Total interest sensitivity gap	(246,660)	(165,013)	46,926	576,064	(13,035)	(340,042)	141,760	-	-	

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.

	Non trading book							Trading books	Total	Effective interest rate %
	Up to 1 month	>1 - 3 month	>3 - 12 month	>1 - 5 years	over 5 years	Non-interest sensitive	RM			
A19 Interest/Profit Rate Risk										
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	490	-	713,408	4.37%
Securities held-to-maturity	-	-	1,000	-	-	-	-	-	1,490	-
Loans, advances and financing	-	-	-	-	-	-	-	-	-	-
- performing	520,737	86,267	191,792	64,212	-	-	-	-	863,008	7.19%
- impaired loans	-	-	-	-	-	-	-	-	-	-
Other assets	371,247	-	2,000	-	-	-	163,199	-	536,446	-
Other non-interest sensitive balances	-	-	-	-	-	-	221,124	-	221,124	-
TOTAL ASSETS	1,279,611	106,078	255,422	593,851	-	666,459	48,861	2,950,282		
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	-	-	-	-	-	-	-	-	-	-
Other non-interest sensitive balances	373,734	-	-	1,384	-	13,065	347,444	-	734,243	5.00%
Total Liabilities	1,239,669	399,312	134,817	1,384	-	13,065	347,444	-	2,135,691	
Shareholders' equity	-	-	-	-	-	-	804,742	-	804,742	-
Minority interests	-	-	-	-	-	-	9,849	-	9,849	-
Total Liabilities and Shareholders' Equity	1,239,669	399,312	134,817	1,384	13,065	1,162,035	48,861	2,950,282		
On-balance sheet interest sensitivity gap	39,942	(293,234)	120,605	592,467	(13,065)	(495,576)	48,861	-	-	-
Total interest sensitivity gap	39,942	(293,234)	120,605	592,467	(13,065)	(495,576)	48,861	-	-	-

m1 Other assets comprise balances due from clients and brokers, net of specific and general allowances and interest in suspense in accordance with the Rules of Bursa Malaysia Securities Berhad.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 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:

	June 2010 RM'000	December 2009 RM'000
Components of Tier I and Tier II capital:		
<u>Tier I capital</u>		
Paid-up share capital	580,000	580,000
Retained Profits	3,162	3,162
Statutory reserve	57,458	57,458
	<u>640,620</u>	<u>640,620</u>
Less: Deferred tax assets	(8,428)	(8,524)
Goodwill	(17,606)	(17,606)
Current unaudited unadjusted loss	(7,304)	-
Total Tier I capital	<u>607,282</u>	<u>614,490</u>
<u>Tier II capital</u>		
Collective impairment provision	<u>12,521</u>	<u>12,033</u>
Total Tier II capital	<u>12,521</u>	<u>12,033</u>
Total capital	619,803	626,523
Less: Investments in subsidiary companies	(36,150)	(13,081)
Capital base	<u>583,653</u>	<u>613,442</u>
Core capital ratio	37.77%	39.01%
Risk-weighted capital ratio	37.77%	39.01%

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2010

A27. Capital Adequacy (continued)

(ii) Breakdown of gross risk-weighted assets in the various categories of risk-weights:

	Bank 30 June 2010		Bank 31 December 2009	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
0%	542,260	-	501,769	-
20%	585,132	117,026	738,711	147,742
50%	96,169	48,084	96,354	48,177
100%	876,227	876,227	841,103	841,103
150%	137,249	205,874	148,743	223,115
Total Risk Weighted Assets for Credit Risk	2,237,037	1,247,211	2,326,680	1,260,137
Risk Weighted Assets Equivalent for Market Risk	-	12,093	-	3,579
Risk Weighted Assets Equivalent for Operational Risk	-	285,996	-	308,933
Large Exposure Risk Requirement for Single Equity	-	-	-	-
	<u>2,237,037</u>	<u>1,545,300</u>	<u>2,326,680</u>	<u>1,572,649</u>

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2010

A24. Capital Adequacy (continued)

- (iii) Disclosure of capital adequacy of the Bank in accordance with the Concept Paper - Risk Weighted Capital Adequacy Framework (Basel II) and Capital Adequacy Framework for Islamic Bank (CAFIB) - Disclosure Requirements (Pillar 3) issued by Bank Negara Malaysia on 5 December 2008 is as follows:

Bank

At 30 June 2010

Exposure Class	Gross Exposures		Net Exposures		Risk	Capital
	RM'000	RM'000	RM'000	RM'000	Weighted Assets RM'000	Requirements RM'000
1 Credit Risk						
On-Balance Sheet Exposures						
<u>Performing Exposures</u>						
Sovereigns/Central Banks	416,627	416,627			4,040	323
Banks, Development Financial Institutions & MDBs	464,094	464,094			92,819	7,426
Corporates	234,064	234,064			124,584	9,967
Regulatory Retail	427	427			427	34
Higher Risk Assets	490	490			735	59
Other Assets	796,600	796,600			650,744	52,060
Equity Exposure	68,934	68,934			68,934	5,515
<u>Defaulted Exposures</u>						
Corporates	229,312	229,312			291,118	23,289
Other Assets	23,259	23,259			10,580	846
Total for On-Balance Sheet Exposures	<u>2,233,807</u>	<u>2,233,807</u>			<u>1,243,981</u>	<u>99,519</u>
Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	3,230	3,230			3,230	258
Total for Off-Balance Sheet Exposures	<u>3,230</u>	<u>3,230</u>			<u>3,230</u>	<u>258</u>
Total for On and Off-Balance Sheet Exposures	<u>2,237,037</u>	<u>2,237,037</u>			<u>1,247,211</u>	<u>99,777</u>
2 Large Exposure Risk Requirement	-	-			-	-
3 Market Risk						
	Long Positions	Short Positions				
Interest rate risks	133,319	-	133,319		8,764	701
Equity position risks	8,520	8,412	108		800	64
Foreign exchange risks	590	-	590		590	47
Option risks	8,412	-	8,412		1,939	155
4 Operational Risk					<u>285,996</u>	<u>22,880</u>
5 Total RWA and Capital Requirements					<u>1,545,300</u>	<u>123,624</u>

The Group and the Bank do not have any issuances of Profit-Sharing Investment Account ("PSIA") used as a risk absorbent.

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2010

A24. Capital Adequacy (continued)

- (iii) Disclosure of capital adequacy of the Bank in accordance with the Concept Paper - Risk Weighted Capital Adequacy Framework (Basel II) and Capital Adequacy Framework for Islamic Bank (CAFIB) - Disclosure Requirements (Pillar 3) issued by Bank Negara Malaysia on 5 December 2008 is as follows:

Bank

At 31 December 2009

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets	Capital Requirements
	RM'000	RM'000	RM'000	RM'000
1 Credit Risk				
On-Balance Sheet Exposures				
<u>Performing Exposures</u>				
Sovereigns/Central Banks	404,428	404,428	4,018	321
Banks, Development Financial Institutions & MDBs	626,934	626,934	125,387	10,031
Corporates	436,085	436,085	326,125	26,090
Regulatory Retail	4	4	4	-
Higher Risk Assets	490	490	735	59
Other Assets	614,111	614,111	505,083	40,407
Equity Exposure	69,489	69,489	69,489	5,559
<u>Defaulted Exposures</u>				
Corporates	146,543	146,543	213,535	17,083
Other Assets	24,820	7,990	11,985	959
Total for On-Balance Sheet Exposures	<u>2,322,904</u>	<u>2,306,074</u>	<u>1,256,361</u>	<u>100,509</u>
Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	<u>3,776</u>	<u>3,776</u>	<u>3,776</u>	<u>302</u>
Total for Off-Balance Sheet Exposures	<u>3,776</u>	<u>3,776</u>	<u>3,776</u>	<u>302</u>
Total for On and Off-Balance Sheet Exposures	<u>2,326,680</u>	<u>2,309,850</u>	<u>1,260,137</u>	<u>100,811</u>
2 Large Exposure Risk Requirement	-	-	-	-
3 Market Risk	Long Positions	Short Positions		
Interest rate risks	37,371	-	37,371	1,288
Equity position risks	12,487	13,022	(535)	1,076
Foreign exchange risks	325	-	325	326
Options	13,022	-	13,022	889
			<u>308,933</u>	<u>24,715</u>
4 Operational Risk				
5 Total RWA and Capital Requirements			<u>1,572,649</u>	<u>125,812</u>

The Group and the Bank do not have any issuances of Profit-Sharing Investment Account ("PSIA") used as a risk absorbent.

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2010

A24. Capital Adequacy (continued)

(iv) Credit Risk Disclosure on Risk Weights as at 30 June 2010

Risk Weights	Exposures after Netting and Credit Risk Mitigation										Total Risk Weighted Assets RM'000			
	Bank					Other Assets						Total Exposures after Netting & Credit Risk Mitigation RM'000		
	Sovereigns & Central Banks RM'000	Banks, MDBs and FDIs RM'000	Corporates RM'000	Regulatory Retail RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000							
Performing Exposures														
0%	396,427	-	-	-	-	-	-	-	-	129,627	-	-	526,054	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	20,200	464,094	80,553	-	-	-	-	-	-	20,285	-	-	585,132	117,026
35%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50%	-	-	90,074	-	-	-	-	-	-	-	-	-	90,074	45,037
75%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	63,437	427	-	-	427	-	-	649,918	68,934	-	782,716	782,716
150%	-	-	-	-	-	-	-	490	-	-	-	-	490	735
Total	416,627	464,094	234,064	427	490	799,830	68,934	-	-	1,984,466	945,514			
Defaulted Exposures														
0%	-	-	-	-	-	-	-	-	-	16,206	-	-	16,206	-
50%	-	-	6,095	-	-	-	-	-	-	-	-	-	6,095	3,047
100%	-	-	93,511	-	-	-	-	-	-	-	-	-	93,511	93,511
150%	-	-	129,706	-	-	-	-	-	-	7,053	-	-	136,759	205,139
Total	-	-	229,312	-	-	23,259	-	-	-	252,571	-	-	301,697	301,697
Grand Total	416,627	464,094	463,376	427	490	823,089	68,934	-	-	2,237,037	1,247,211			

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2010

A24. Capital Adequacy (continued)

(iv) Credit Risk Disclosure on Risk Weights as at 31 December 2009

Bank	Exposures after Netting and Credit Risk Mitigation							Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns & Central Banks RM'000	Banks, MDBs and FDI's RM'000	Corporates RM'000	Regulatory Retail RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000		
Performing Exposures									
0%	384,340	-	-	-	-	100,599	-	484,939	-
10%	-	-	-	-	-	-	-	-	-
20%	20,088	626,934	81,153	-	-	10,536	-	738,711	147,742
35%	-	-	-	-	-	-	-	-	-
50%	-	-	90,074	-	-	-	-	90,074	45,037
75%	-	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-	-
100%	-	-	268,198	-	4	503,412	69,489	841,103	841,103
150%	-	-	-	-	4	-	-	490	735
Total	404,428	626,934	439,425	4	490	614,547	69,489	2,155,317	1,034,617
Defaulted Exposures									
0%	-	-	-	-	-	16,830	-	16,830	-
50%	-	-	6,280	-	-	-	-	6,280	3,140
100%	-	-	-	-	-	-	-	-	-
150%	-	-	140,263	-	-	7,990	-	148,253	222,380
Total	-	-	146,543	-	-	24,820	-	171,363	225,520
Grand Total	404,428	626,934	585,968	4	490	639,367	69,489	2,326,680	1,260,137

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2010

A24. Capital Adequacy (continued)

(v) Off Balance Sheet and Counterparty Credit Risk as at 30 June 2010

Group and Bank

Nature	Principal Amount RM'000	Credit Conversion Factor	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Forward Asset Purchases	3,230	100%	3,230	3,230

Off Balance Sheet and Counterparty Credit Risk as at 31 December 2009

Group and Bank

Nature	Principal Amount RM'000	Credit Conversion Factor	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Forward Asset Purchases	436	100%	436	436
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	16,700	20%	3,340	3,340
	<u>17,136</u>		<u>3,776</u>	<u>3,776</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2010

	Individual Quarter		Cumulative Quarter	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
A21 Interest Income				
Loans, advances and financing				
- Interest income other than recoveries from impaired loans	7,859	7,467	16,013	15,245
- Recoveries from impaired loans	-	-	-	-
- Inter-company	-	-	-	-
Money at call and deposit placements with financial institutions	2,687	3,444	5,416	8,556
Securities purchased under resale agreements	-	-	-	-
Securities held-for-trading	1,335	876	2,153	1,812
Securities available-for-sale	7,105	2,377	14,468	4,735
Securities held-to-maturity	-	-	-	-
Interest on Margin	10,551	8,524	19,469	16,578
Interest on reverse repo	-	-	-	-
Interest on Contra	219	277	520	354
Others	1	2	2	5
	<u>29,757</u>	<u>22,967</u>	<u>58,041</u>	<u>47,285</u>
Amortisation of premium less accretion of discount	(278)	39	(533)	122
Interest income suspended	-	-	-	-
	<u>29,479</u>	<u>23,006</u>	<u>57,508</u>	<u>47,407</u>
A22 Interest Expense				
Deposits and placement of banks and other financial institutions	997	119	2,169	1,134
Intercompany loan	-	-	-	-
Term loan	446	708	1,002	1,696
Deposits from customers	8,105	6,932	15,554	15,708
Obligations on securities sold under repurchase agreements	-	-	-	-
Floating rate certificate of deposits	-	-	-	-
Subordinated notes	-	-	-	-
Subordinated bonds	-	-	-	-
Others	-	-	-	-
	<u>9,548</u>	<u>7,759</u>	<u>18,725</u>	<u>18,538</u>
A23 Non-interest Income				
(a) Fee income:				
Commissions	3,089	4,140	6,065	7,714
Service charges and fees	7,314	(657)	11,017	-
Guarantee fees	-	-	-	-
Underwriting fees	-	-	-	-
Brokerage income	23,800	42,867	53,702	55,673
Other fee income	3,585	3,497	5,152	5,592
	<u>37,788</u>	<u>49,847</u>	<u>75,936</u>	<u>68,979</u>
(b) Gain/loss arising from sale of securities:				
Net gain/(loss) from sale of securities held-for-trading	2,318	3,350	(1,289)	3,350
Net gain/(loss) from sale of securities available-for-sale	299	(84)	299	(84)
Net loss from redemption of securities held-to maturity	-	-	-	-
Net gain/(loss) from sale of subsidiary company	-	-	-	-
	<u>2,617</u>	<u>3,266</u>	<u>(990)</u>	<u>3,266</u>
(c) Gross dividend from:				
Securities portfolio	521	444	1,068	537
(d) Unrealised gains /(losses) on revaluation of securities held-for-trading and derivatives	(176)	2,000	6,584	2,000
Write back of impairment losses on securities	-	-	-	-
	<u>(176)</u>	<u>2,000</u>	<u>6,584</u>	<u>2,000</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2010

	Individual Quarter		Cumulative Quarter	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
(e) Other income:				
Foreign exchange profit	423	209	902	387
Net premiums written	-	-	-	-
Rental Income	-	-	-	-
Gains on disposal of property, plant and equipment	196	109	545	109
Gain on disposal of foreclosed properties	-	-	-	-
Intercompany written off	-	-	-	-
Capital gain arising from receipt of shares in Bursa Malaysia Berhad	-	-	-	-
Others	536	862	1,262	2,028
	<u>1,155</u>	<u>1,180</u>	<u>2,709</u>	<u>2,524</u>
	-	-	-	-
Total non-interest income	<u>41,905</u>	<u>56,737</u>	<u>85,307</u>	<u>77,306</u>
A24 Other operating expenses				
Personnel costs	17,687	18,206	32,773	32,493
- Salaries, allowances and bonuses	15,926	16,659	27,014	29,062
- Pension costs	1,484	1,275	3,026	2,731
- Others	277	272	2,733	700
Establishment costs	7,176	7,037	14,539	14,452
- Depreciation	1,693	2,035	3,370	4,067
- Rental of leasehold land and premises	3,452	3,366	6,997	6,669
- Repairs and maintenance of property, plant and equipment	356	313	718	914
- Information technology expenses	584	583	1,183	1,244
- Others	1,091	740	2,271	1,558
Marketing expenses	827	782	1,848	1,437
- Advertisement and publicity	50	260	136	294
- Others	777	522	1,712	1,143
Administration and general expenses	23,744	30,621	46,231	42,823
- Fees and brokerage	14,374	16,730	26,630	23,448
- Administrative expenses	9,235	13,328	19,235	18,861
- 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	-	-	-	-
- Claims incurred	10	19	21	23
- Others	125	544	345	491
	<u>49,434</u>	<u>56,646</u>	<u>95,391</u>	<u>91,205</u>
A25 Allowances on bad & doubtful accounts on balances due from clients and brokers				
Allowances for bad and doubtful debts and financing:				
- collective impairment (net)	(1,839)	744	-	1,544
- individual impairment reversal	921	(1,108)	(1,100)	(2,825)
Bad debts and financing written off	-	-	-	-
Bad debts and financing recovered	(68)	(13)	(155)	(37)
Provision for other debts	1,143	712	1,143	712
	<u>157</u>	<u>335</u>	<u>(112)</u>	<u>(606)</u>
A25a Allowance for Losses on Loans, Advances and Financing				
Allowances for bad and doubtful debts and financing:				
- collective impairment (net)	(2,195)	1,245	450	4,172
- individual impairment/(reversal)	36,694	(38)	36,456	(292)
Bad debts and financing written off	-	-	-	-
Bad debts and financing recovered	-	(2)	1	(3)
Provision for other debts	-	1	-	1
	<u>34,499</u>	<u>1,206</u>	<u>36,907</u>	<u>3,878</u>

Continued 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		
Revenue	51,459	28,964	65,970	55,505	8,268	9,827	3,239	3,158	11,988	237	3,485	1,824	(6,015)	138,394	99,515	138,394	99,515	45	138,439	99,515	
External sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inter-segment sales	-	-	-	-	277	184	-	-	136	31	889	1,504	(1,302)	-	-	-	-	-	-	-	-
Total revenue	51,459	28,964	65,970	55,505	8,545	10,011	3,239	3,158	12,124	268	4,374	3,328	(7,317)	138,394	99,515	138,394	99,515	45	138,439	99,515	

Discontinued Operations

Result	3,135	14,462	7,490	9,580	3,918	3,996	1,160	2,659	(1,391)	(2,058)	(2,021)	28,417	(1,346)	(30,719)	10,945	26,337	(316)	(814)	10,629	25,525
Segment results	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on disposal of discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated corporate expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit from operation	3,135	14,462	7,490	9,580	3,918	3,996	1,160	2,659	(1,391)	(2,058)	(2,021)	28,417	(1,346)	(30,719)	10,945	26,337	(316)	(814)	10,629	25,525
Finance cost, net	(18,046)	(17,129)	(17)	(37)	(808)	(1,372)	(1,024)	(1,725)	-	-	-	-	1,170	1,725	(18,725)	(18,538)	-	(814)	(18,725)	(18,538)
Share of results of associates	-	-	-	-	-	-	-	-	-	-	-	-	(2,650)	(2,931)	(2,650)	(2,931)	-	-	(2,650)	(2,931)
Share of results of jointly controlled entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit before taxation	(14,911)	(2,667)	7,473	9,543	3,110	2,624	136	934	(1,391)	(2,058)	(2,021)	28,417	(10,430)	4,868	(4,510)	(821)	(316)	(814)	(10,746)	4,054
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	282	(4,510)	-	-	-	-	282	(4,510)
Taxation from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit after taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Assets	351,485	515,342	1,983,105	1,678,505	278,251	472,997	49,140	62,674	27,261	12,284	703,381	706,065	(696,516)	(696,503)	2,696,107	2,751,367	6,484	-	2,702,591	2,751,367
Segments assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments in equity method of associates	-	-	68,434	68,435	-	-	-	-	-	-	20,210	10,062	(16,113)	(2,789)	72,531	75,708	-	-	72,531	75,708
Investments in equity method of jointly controlled entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated corporate assets	-	-	23,360	28,862	240	303	1,916	3,708	92	-	3,651	3,430	-	-	29,260	36,304	-	-	29,260	36,304
Consolidated total assets	351,485	515,342	2,074,899	1,775,802	278,491	473,300	51,056	66,382	27,353	12,284	727,242	719,557	-	-	2,797,898	2,863,379	6,484	-	2,804,382	2,863,379

Liabilities	1,007,581	990,718	780,996	680,466	250,055	448,883	42,292	57,450	1,619	177	4,712	3,650	(83,503)	(114,284)	2,003,752	2,067,061	38	-	2,003,790	2,067,061
Segment liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated corporate liabilities	-	-	-	-	-	57	-	-	4	-	2,500	1,061	-	-	2,504	1,117	-	-	2,504	1,117
Consolidated total liabilities	1,007,581	990,718	780,996	680,466	250,055	448,940	42,292	57,450	1,623	177	7,212	4,711	(83,503)	(114,284)	2,006,256	2,068,178	38	-	2,006,294	2,068,178

Other information	-	-	539	2,740	631	470	86	258	23	246	56	484	(103)	-	1,335	4,198	-	-	1,335	4,198
Capital expenditure	-	-	-	3,271	3,473	177	161	105	98	250	246	247	-	-	3,946	4,086	14	-	3,960	4,086
Depreciation & Amortisation	28,113	-	7,785	-	-	-	897	-	-	-	-	-	-	-	36,795	4,713	-	-	36,795	4,713
Impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversal of impairment losses	-	769	(621)	1,701	153	-	(26)	(598)	-	-	(5,452)	(4,449)	846	-	(5,100)	(2,577)	-	-	(5,100)	(2,577)
Non-cash expenses other than depreciation, amortisation and impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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 30 June 2010 except for the completion in the acquisition of CMS Trust Berhad by Kenanga Investment Bank Berhad for a cash consideration of RM23 million.

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.

**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 period ended 30 June 2010, the Group recorded a loss before taxation from continuing operations of RM10.75 million as compared to a profit of RM14.59 million in the previous quarter ended 31 March 2010.

The loss before taxation that arises during the period ended 30 June 2010 were due mainly to impairment made in respect of the investment bank's loan and advances amounting to RM36.91 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 37.77%, 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 30 June 2010, the Group recorded a loss before taxation from continuing operations of RM25.33 million as compared to a profit of RM14.59 million in the previous quarter ended 31 March 2010.

The loss before taxation that arises during the quarter ended 30 June 2010 were due mainly to impairment made in respect of the investment bank's loan and advances amounting to RM34.50 million.

SELECTED EXPLANATORY NOTES**REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)****B3. Current year prospects**

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

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 30 June 2010	Cumulative Quarter Current Year to date 30 June 2010
	-----RM'000-----	
Current period taxation	329	620
Overprovision in prior year taxation	-	(97)
Deferred taxation	(4,825)	(805)
Total	<u>(4,496)</u>	<u>(282)</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 higher than the statutory rate due to:-

	Individual Current Quarter	Cumulative Current Quarter
	-----RM'000-----	
Tax effect at statutory rate	(6,705)	(3,074)
Add: Tax effect of expenses that are not deductible for tax purposes	2,789	1,419
Less: Utilization of unabsorbed tax losses and capital allowances	2,467	(89)
Less: Non taxation of capital items	538	(301)
Add: Tax losses not recognised	1,240	2,665
Tax expense	<u>329</u>	<u>620</u>

B6. Profits on Sale of Investments and/or Properties

There were no sales of unquoted investments and properties for the quarter ended 30 June 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 30 June 2010 and the profit arising there from were as follows:

	Individual Quarter	Cumulative Quarter
	-----RM'000-----	
Total purchases for the period	<u>3,298</u>	<u>8,436</u>
Total sales for the period	<u>4,003</u>	<u>7,860</u>
Total gains on disposal for the period	<u>1,003</u>	<u>1,446</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 30 June 2010 were as follows:

Total investment at cost	RM'000 24,080
Total investment at carrying value/book value	28,459
Total investment at market value at end of reporting period	28,459

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	1,383
Short term loan from financial institutions (unsecured)	- Note 2	29,453

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.

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 (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 RM29.4 million in order to finance its own working capital. These facilities have repayment period of 25 days and the average interest rates charged were 4.75% per annum.

B10. Off Balance Sheet Financial Instruments

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

B11. Changes in material Litigation

There are no changes in material litigation during the quarter ended 30 June 2010.

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)

B12. Dividend

No interim dividend has been declared for the current quarter ended 30 June 2010.

B13. Earnings per share

The amount used as the numerator for the purposes of calculating the basic loss per share for the six-month period is RM11.78 million representing the loss for the year attributable to ordinary equity holder of the parent (30 June 2009: -loss attributable to ordinary equity holder of parent: RM1.81 million)

The weighted average number of shares used as the denominator in calculating the basic earnings per share for the six-month period is 611,759,499 (30 June 2009: 611,759,499).

B14. Derivatives

As at 30 June 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	12,245	1,716
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.

**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)

(Incorporated in Malaysia)

**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-----	-----
Gains/(losses) from fair value changes of financial liabilities	393	(224)

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

The gains and 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)