

## QUARTERLY REPORT

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

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### CONDENSED CONSOLIDATED INCOME STATEMENTS

#### Group

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30 Sept 2010 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 Sept 2009 RM'000	CURRENT YEAR TO DATE 30 Sept 2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 Sept 2009 RM'000
	<b>Note</b>				
<b>Continuing Operations</b>					
Interest income	<b>A21</b>	23,185	24,617	80,693	72,024
Interest expense	<b>A22</b>	(10,277)	(7,861)	(29,002)	(26,399)
Net interest income		12,908	16,756	51,691	45,625
Non interest income	<b>A23</b>	54,488	42,239	139,795	119,545
Net Income		67,396	58,995	191,486	165,170
Other operating expenses	<b>A24</b>	(55,702)	(47,023)	(151,093)	(138,228)
Operating profit		11,694	11,972	40,393	26,942
(Allowance)/write-back for losses					
on loans, advances and financing	<b>A25a</b>	(23,112)	1,890	(60,019)	(1,988)
Write-back for bad and doubtful accounts on balances due from clients & brokers	<b>A25</b>	81	692	193	1,298
Impairment of investment in an associated company		-	-	-	(4,713)
Share of losses in associates		(659)	(1,872)	(3,309)	(4,803)
(Loss)/(profit before taxation		(11,996)	12,682	(22,742)	16,736
Taxation		1,930	(4,385)	2,212	(8,895)
(Loss)/profit for the period from continuing operations		(10,066)	8,297	(20,530)	7,841
<b>Discontinued operations</b>					
(Loss)/profit for the period		(60)	159	(381)	(662)
(Loss)/profit for the period		(10,126)	8,456	(20,911)	7,179

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 Sept 2010 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 Sept 2009 RM'000	CURRENT YEAR TO DATE 30 Sept 2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 Sept 2009 RM'000
Other comprehensive income				
Exchange fluctuation from translation of subsidiary and associated companies' net assets	(3,925)	(1,410)	(7,917)	681
Available for sale financial assets	1,400	906	2,121	1,298
Other comprehensive income for the year	(2,525)	(504)	(5,796)	1,979
<b>Total comprehensive (losses)/income</b>	<b>(12,651)</b>	<b>7,952</b>	<b>(26,707)</b>	<b>9,158</b>
 (Loss)/profit for the period attributable to				
- Equity holders of the parent	(11,858)	8,230	(23,641)	6,416
- Minority interests	1,732	226	2,730	763
	<u>(10,126)</u>	<u>8,456</u>	<u>(20,911)</u>	<u>7,179</u>
 Total comprehensive (losses)/income for the period attributable to				
- Equity holders of the parent	(14,383)	7,726	(29,437)	8,395
- Minority interests	1,732	226	2,730	763
	<u>(12,651)</u>	<u>7,952</u>	<u>(26,707)</u>	<u>9,158</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 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)	(1.9)	1.3	(3.9)	1.0
(ii) Fully diluted	<u>(1.9)</u>	<u>1.3</u>	<u>(3.9)</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 INCOME STATEMENTS

### Company

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 Sept 2010 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 Sept 2009 RM'000	CURRENT YEAR TO DATE 30 Sept 2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 Sept 2009 RM'000
<b>Continuing Operations</b>				
Interest income	452	525	1,395	2,076
Interest expense	-	(529)	-	(529)
Net interest income	452	(4)	1,395	1,547
Non interest income	14,769	3,679	22,334	40,877
Net Income	15,221	3,675	23,729	42,424
Overhead expenses	(3,802)	(4,306)	(15,517)	(9,395)
Operating profit/(loss)	11,419	(631)	8,212	33,029
Impairment of investment in an associated company	-	-	-	(4,713)
Profit/(loss) before taxation	11,419	(631)	8,212	28,316
Taxation	(800)	(350)	(1,550)	(1,489)
Profit/(loss) for the period from continuing operations	10,619	(981)	6,662	26,827
Profit/(loss) for the period	10,619	(981)	6,662	26,827

## CONDENSED INCOME STATEMENTS

### Company

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 Sept 2010 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 Sept 2009 RM'000	CURRENT YEAR TO DATE 30 Sept 2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 Sept 2009 RM'000
(i) Profit/(loss) for the period attributable to - Equity holders of the parent	10,619	(981)	6,662	26,827
	10,619	(981)	6,662	26,827
3 (a) Earning/(loss) per share attributable to ordinary equity holder of the parent above after deducting any provision for preference dividends, if any:-				
(i) Basic (based on weighted average number of ordinary shares 611,759,499 for the current year quarter and ordinary shares of 611,759,499 for the cumulative quarter current year to date) (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)	1.7	(0.2)	1.1	4.4
(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 Sept 2010 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31 December 2009 RM'000
	Note		
<b>ASSETS</b>			
Cash and short-term funds		670,864	523,788
Deposits and placements with financial institutions		847	847
Securities purchased under resale agreements			
Securities held for trading	A9	225,198	90,171
Securities available for sales	A10	632,997	713,408
Securities held to maturity	A11	-	1,490
Loans, advances and financing	A12	657,863	863,008
Other assets			
- Balance due from clients and brokers		798,662	139,953
- Assets segregated for customers		271,303	367,575
- Other receivables	A13	29,994	28,309
Statutory deposits with the Central Bank		8,580	10,345
Investments in associated companies		67,948	79,173
Intangible assets		81,621	72,105
Property, plant and equipment		21,080	23,743
Deferred tax assets		12,337	10,529
Tax recoverable		19,779	18,899
Assets held for resale		6,402	6,939
<b>TOTAL ASSETS</b>		<b>3,505,475</b>	<b>2,950,282</b>
<b>LIABILITIES</b>			
Deposits from customers	A14	820,178	815,747
Deposits and placements of banks and other financial institutions	A15	523,334	520,469
Borrowings	A17	18,739	63,848
Other liabilities			
-Balance due to clients and brokers		1,035,133	469,304
- Amount held in trust		259,471	194,657
- Other payables	A16	60,567	68,498
Provision for taxation and zakat		94	-
Deferred tax liabilities		3,304	1,760
Subordinated obligations	A15	1,367	1,384
Liabilities held for resale		12	24
<b>TOTAL LIABILITIES</b>		<b>2,722,199</b>	<b>2,135,691</b>
<b>SHAREHOLDERS EQUITY</b>			
Share Capital		611,759	611,759
Share Premium		75	75
Profit and loss reserve		38,999	65,087
Exchange fluctuation reserve		(9,307)	(1,390)
Statutory reserve		57,458	57,458
Fair value reserve		1,922	(199)
Capital reserve		71,952	71,952
		772,858	804,742
Minority Interests		10,418	9,849
Total equity		783,276	814,591
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>3,505,475</b>	<b>2,950,282</b>
Net Assets Per Share (RM)		1.28	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 Sept 2010 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31 December 2009 RM'000
<b>ASSETS</b>		
Cash and short-term funds	56,225	52,705
Deposits and placements with financial institutions	-	-
Securities purchased under resale agreements	-	-
Securities held for trading	51,093	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	17,579	28,561
- Amount due from related companies	-	-
- Other receivables	131	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	163	295
Property, plant and equipment	700	811
Deferred tax assets	-	-
Tax recoverable	5,399	3,348
Asset of disposal group/non current assets classified as held for sale	-	-
<b>TOTAL ASSETS</b>	<b>713,187</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	-	-
- Other payables	3,114	2,792
Provision for taxation and zakat	-	-
Deferred tax liabilities	3,300	1,750
Subordinated obligations	-	-
Liabilities directly associated with assets classified as held for sale	-	-
<b>TOTAL LIABILITIES</b>	<b>6,414</b>	<b>4,542</b>
<b>SHAREHOLDERS EQUITY</b>		
Share Capital	611,759	611,759
Share Premium	75	75
Profit and loss reserve	94,939	92,865
Capital reserve	-	-
	<b>706,773</b>	<b>704,699</b>
Total equity	<b>706,773</b>	<b>704,699</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>713,187</b>	<b>709,241</b>
Net Assets Per Share (RM)	1.16	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 September 2010

	<b>Group</b>	
	CUMULATIVE QUARTER	
	CURRENT YEAR TO DATE 30 Sept 2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 Sept 2009 RM'000
<b>Cash flows from operating activities</b>		
<b>(Loss)/profit before taxation</b>		
- Continuing operations	(22,742)	16,736
- Discontinued operations	(376)	(646)
Adjustments for non operating and non cash items	60,295	11,131
<b>Operating profit before changes in working capital</b>	<u>37,177</u>	<u>27,221</u>
Net changes in operating assets	(484,347)	75,541
Net changes in operating liabilities	628,656	(159,945)
<b>Cash generated from/(used in) operations</b>	<u>181,486</u>	<u>(57,183)</u>
Net tax refund/(paid)	803	(2,087)
<b>Net cash generated from/(used in) operating activities</b>	<u>182,289</u>	<u>(59,270)</u>
<b>Net cash used in investing activities</b>	(51,983)	(385,332)
<b>Net cash used in financing activities</b>	(53,108)	(29,707)
Net increase/(decrease) in cash and cash equivalents during the period	<u>77,198</u>	<u>(474,309)</u>
Cash and cash equivalents brought forward	334,609	819,005
Cash and cash equivalents carried forward	<u>411,807</u>	<u>344,696</u>

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

Non trust cash and short term funds	405,487
Cash and short term funds classified as asset held for sale	6,320
	<u>411,807</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 September 2010

	<u>Company</u>	
	CUMULATIVE QUARTER	
	CURRENT YEAR TO DATE 30 Sept 2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 Sept 2009 RM'000
<b>Cash flows from operating activities</b>		
<b>Profit before taxation</b>		
- Continuing operations	8,212	28,316
Adjustments for non operating and non cash items	(19,709)	26,048
<b>Operating (loss)/profit before changes in working capital</b>	<u>(11,497)</u>	<u>54,364</u>
Net changes in operating assets	11,165	(45,854)
Net changes in operating liabilities	323	(88)
<b>Cash (used in)/generated from operations</b>	<u>(9)</u>	<u>8,422</u>
Net dividends received	6,628	359
Interest income	1,395	1,546
<b>Net cash generated from operating activities</b>	<u>8,014</u>	<u>10,327</u>
<b>Net cash generated from / (used in) investing activities</b>	95	(39,953)
<b>Net cash used in financing activities</b>	(4,588)	-
Net increase/(decrease) in cash and cash equivalents during the period	<u>3,521</u>	<u>(29,626)</u>
Cash and cash equivalents brought forward	52,704	77,903
Cash and cash equivalents carried forward	<u>56,225</u>	<u>48,277</u>

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

Non trust cash and short term funds	56,225
	<u>56,225</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 September 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 loss for the period	-	-	-	-	-	-	(23,641)	-	(23,641)
Dividends paid	-	-	-	-	-	-	(4,588)	(2,161)	(6,749)
Transaction with owners	-	-	-	-	-	-	(28,229)	(2,161)	(30,390)
Total comprehensive income for the period	-	-	(7,917)	-	2,121	-	-	2,730	(3,066)
As at 30 September 2010	611,759	75	(9,307)	71,952	1,922	57,458	38,999	10,418	783,276

Consolidated Statement of changes in equity  
for the period ended 30 September 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 profit for the period	-	-	-	-	-	-	6,416	-	6,416
Transaction with owners	-	-	-	-	-	-	6,416	-	6,416
Total comprehensive income for the period	-	-	681	-	1,298	-	-	763	2,742
Arising from consolidation of unit trust funds	-	-	-	-	-	-	-	2,801	2,801
As at 30 September 2009	611,759	75	353	71,952	(585)	45,718	67,074	9,604	805,950

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 September 2010

Company

	---Attributable to Equity Holders of the Parent---			Total Equity
	<-- Non Distributable-->		Distributable	
	Share Capital RM'000	Share Premium RM'000	Retained profits RM'000	RM'000
As at 1 January 2010	611,759	75	92,865	704,699
Net profit for the period	-	-	6,662	6,662
Dividends paid	-	-	(4,588)	(4,588)
As at 30 September 2010	<u>611,759</u>	<u>75</u>	<u>94,939</u>	<u>706,773</u>

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

Company

	---Attributable to Equity Holders of the Parent---			Total Equity
	<-- Non Distributable-->		Distributable	
	Share Capital RM'000	Share Premium RM'000	Retained profits RM'000	RM'000
As at 1 January 2009	611,759	75	66,969	678,803
Net profit for the period	-	-	26,827	26,827
As at 30 September 2009	<u>611,759</u>	<u>75</u>	<u>93,796</u>	<u>705,630</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 RM0.49 million and RM1.0 million from securities held-to-maturity to securities available for sale and other receivables 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.

**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 30 September 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 September 2010.

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

Final dividends declared in respect of the financial year ended 31<sup>st</sup> 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 SEPTEMBER 2010**

	September 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	30,779	-
Malaysian Government Investment Issues	10,054	-
Bank Negara Malaysia Bills and Notes	-	-
Bankers' Acceptances and Islamic Accepted Bills	-	-
Cagamas Bonds	-	-
Foreign Government Securities	-	-
Others	-	-
Total Money Market Instruments	<u>40,833</u>	<u>-</u>
<b>Quoted securities:</b>		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	61,067	52,800
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	-	-
Total quoted securities	<u>61,067</u>	<u>52,800</u>
<b>Unquoted securities:</b>		
Private and Islamic Debt Securities in Malaysia	123,298	37,371
Foreign Private Debt Securities	-	-
Total unquoted securities	<u>123,298</u>	<u>37,371</u>
Total securities held-for-trading	<u>225,198</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	346,677	305,626
Islamic Cagamas Bonds	-	-
Cagamas Bonds	-	60,630
Foreign Government Securities	-	-
Malaysian Government Treasury Bills	-	-
Malaysian Government Investment Issues	30,165	-
Foreign Government Treasury Bills	-	-
Negotiable Instruments of Deposits	-	50,003
Bankers' Acceptances and Islamic Accepted Bills	-	69,981
Khazanah Bonds	-	-
Bank Negara Malaysia Sukuk Ijarah Bonds	-	-
Foreign Certificates of Deposits	-	-
Total Money market instruments	<u>376,842</u>	<u>486,240</u>



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

**NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2010**

	September 2010 RM' 000	December 2009 RM' 000
<b>Quoted securities:</b>		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	201	1,576
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	157	909
	<u>358</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	119,112	224,013
Malaysian Government Bonds	-	-
Foreign Islamic and Private Debt Securities	-	-
Credit Link Notes	-	-
Malaysia Global Sukuk	-	-
Others	134,584	3,100
	<u>255,796</u>	<u>229,213</u>
Accumulated impairment losses	-	(4,530)
<b>Total securities available-for-sale</b>	<b><u>632,997</u></b>	<b><u>713,408</u></b>

**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	-	-
<b>Total securities held-to-maturity</b>	<b><u>-</u></b>	<b><u>1,490</u></b>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2010

	September 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	283,986	452,802
- Constructions	-	-
Credit card receivables	-	-
Bills receivables	-	-
Trust receipts	-	-
Claims on customers under acceptance credits	-	-
Share margin financing	481,388	401,890
Finance, insurance and business services	-	-
Revolving credits	-	-
Staff loans	-	-
Housing loans to	-	-
- Executive directors of the Bank	-	-
- Executive directors of subsidiaries	-	-
Others	31,104	86,078
	<u>796,478</u>	<u>940,770</u>
Interest in suspense	-	(5,684)
Unearned interest and income	-	(74)
Gross loans, advances and financing	<u>796,478</u>	<u>935,012</u>
Allowances for bad and doubtful debts and financing:		
- Individual Impairment	(128,849)	(58,859)
- Collective Impairment	(9,766)	(13,145)
Net loans, advances and financing	<u><b>657,863</b></u>	<u><b>863,008</b></u>
<b>(i) By maturity structure</b>		
Within one year	779,208	692,178
1 year to 2 years	2,859	122,625
More than 2 years	14,411	120,209
Gross loans, advances and financing	<u>796,478</u>	<u>935,012</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2010

	September 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	928	9,056
- Others	286,562	561,819
Government and statutory bodies	-	-
Individuals	495,412	350,562
Other domestic entities	-	-
Foreign entities	13,576	13,575
Total domestic operations	<u>796,478</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>796,478</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	481,388	398,857
Variable rate		
- Base lending rate plus	31,105	83,353
- Cost plus	283,985	452,802
- Other variable rates	-	-
Gross loans, advances and financing	<u>796,478</u>	<u>935,012</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2010

	September 2010 RM' 000	December 2009 RM' 000
<b>(iv) Total loans by economic purposes</b>		
<b>Domestic operations:</b>		
Purchase of securities	6,528	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	135,441	207,144
Construction	8,598	13,885
Real Estate	-	-
Transport, storage and communication	119,680	120,208
Finance, insurance and business services	20,268	111,565
Working capital	24,577	-
Others	481,386	398,857
Total domestic operations	<u>796,478</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>796,478</u>	<u>935,012</u>

**NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2010**

	September 2010 RM' 000	December 2009 RM' 000
<b>(v) Impaired loans by economic purpose</b>		
<b>Domestic operations:</b>		
Purchase of securities	16,525	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	284,729	52,386
Others	-	-
Total domestic operations	<u>301,254</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>301,254</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	258,538	3,505
Amount written back in respect of recoveries	-	-
Reclassified as performing	-	(8,831)
Acquired upon business acquisition	-	-
Transfer from a subsidiary	-	-
Recovered	(35,316)	(5,645)
Amount written off	-	(72)
Converted to securities	-	-
At end of the period	<u>301,254</u>	<u>78,032</u>
Individual Impairment	(128,849)	(58,859)
Interest in suspense	-	(2,651)
Unearned interest and income	-	-
Net impaired loans, advances and financing	<u>172,406</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>25.82%</u>	<u>1.89%</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2010

	September 2010 RM' 000	December 2009 RM' 000
<b>(vii) Movement in individual impairment for loans and advances (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	7,663	-
Allowance made during the period	65,765	6,137
Amount written back in respect of recoveries	(3,440)	(6,019)
Acquired upon business acquisition	-	-
Transfer from a subsidiary	-	-
Amount written off	2	(69)
Transfer to collective impairment	-	-
Transfer to impairment lossess in value of securities	-	-
Transfer to restructured/rescheduled loans	-	-
Exchange differences	-	-
At end of the period	128,849	58,859

**(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	965	1,937
Amount written back	(3,270)	-
Acquired upon business acquisition	-	-
Transfer from individual impairment	-	-
Exchange differences	-	-
At end of the period	9,766	13,145
As % of gross loans, advances and financing (including Islamic loans sold to Cagamas) less individual impairment	1.46%	1.50%

**A13 Other Assets**

Interest/Income receivable	5,952	6,491
Prepayments and deposits	14,018	14,299
Other debtors	11,585	8,303
Foreclosed properties	-	-
Investment properties	-	-
Derivative assets	-	-
	31,555	29,093
Allowance for doubtful debts	(1,561)	(784)
	<b>29,994</b>	<b>28,309</b>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2010

	September 2010 RM' 000	December 2009 RM' 000
<b>A14 Deposits from Customers</b>		
Fixed deposits and negotiable instruments of deposits		
- One year or less	819,040	815,747
- More than one year	-	-
Savings deposits	-	-
Demand deposits	1,138	-
Structured deposits	-	-
	<u>820,178</u>	<u>815,747</u>
Business enterprise	741,936	634,229
Individuals	1,137	-
Government and statutory bodies	77,105	181,518
	<u>820,178</u>	<u>815,747</u>
<b>A15 Deposits and Placement of Banks and Other Financial Institutions and Debt Securities</b>		
Licensed banks	70,000	170,000
Licensed finance companies	-	-
Licensed investment banks	-	10,000
Non-banking institutions	-	230,423
Other financial institutions	453,334	110,046
	<u>523,334</u>	<u>520,469</u>
Subordinated obligations		
Unsecured		
- less than one year	-	-
- more than one year	1,367	1,384
	<u>1,367</u>	<u>1,384</u>
<b>A16 Other liabilities</b>		
Interest/Profit payable	4,491	4,719
Provision for outstanding claims	-	-
Unearned premium reserves	-	-
Profit Equalisation Reserves	-	-
Provision and accruals	50,581	54,959
Hire purchase creditors	5	29
Due to brokers and clients	-	-
Deposits and other creditors	2,686	3,856
Derivative liabilities	2,804	4,935
	<u>60,567</u>	<u>68,498</u>

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

**NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2010**

	<b>September 2010</b>	<b>December 2009</b>
	<b>RM' 000</b>	<b>RM' 000</b>
<b>A17 Bank Borrowings</b>		
Hire purchase creditors	-	-
Revolving bank loan	18,739	63,848
Term loan	-	-
Secured notes issuance facility	-	-
	<u>18,739</u>	<u>63,848</u>



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

**NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2010**

	September 2010		December 2009	
	RM'000	RM'000	RM'000	RM'000
<u>A18 Commitments and Contingencies and Off-Balance Sheet</u>	Notional	Credit Equivalent	Notional	Credit Equivalent
<u>Financial Instruments</u>		Weighted Risk		Weighted Risk
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	365	-	-	-
Obligations under share financing	-	-	-	-
Irrevocable commitments to extend credit:				
- maturity within one year	-	-	-	-
- Margin	590,205	-	624,819	-
- Term loan	-	-	16,700	-
- 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	-	-	-	-
	590,570	-	641,519	-

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2010

	Non trading book						Effective interest rate %
	Up to 1 month RM	>1 - 3 month RM	>3 - 12 month RM	>1 - 5 years RM	over 5 RM	Non-interest sensitive RM	
<b>A19 Interest/Profit Rate Risk</b>							
Cash and short-term funds	336,428	-	-	-	-	334,436	2.68%
Deposits and placements with banks and other financial institutions	-	-	-	-	-	847	-
Securities purchased under resale agreements	-	-	-	-	-	-	-
Securities held-for-trading	-	-	-	-	-	174,102	4.68%
Securities available-for-sale	-	-	64,323	545,723	20,002	2,949	4.33%
Securities held-to-maturity	-	-	-	-	-	-	-
Loans, advances and financing	-	-	-	-	-	-	-
- performing	444,914	8,472	9,371	4,814	2,859	-	7.48%
- impaired loans	-	-	-	-	-	187,432	-
Other assets n1	238,697	-	2,000	-	-	859,263	-
Other non-interest sensitive balances	-	-	-	-	-	217,747	-
<b>TOTAL ASSETS</b>	<b>1,020,039</b>	<b>8,472</b>	<b>75,694</b>	<b>550,537</b>	<b>22,861</b>	<b>1,653,770</b>	<b>174,102</b>
							<b>3,505,475</b>
<b>Interest/Profit Rate Risk</b>							
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>							
Deposits from customers	551,778	206,150	62,250	-	-	-	2.93%
Deposits and placements of banks and other financial institutions	234,241	40,864	248,229	-	-	-	2.93%
Borrowings	18,739	-	-	-	-	-	5.01%
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-	-
Bills and acceptances payable	-	-	-	-	-	-	-
Recourse obligation on loans sold to Cagamas	-	-	-	-	-	-	-
Subordinated notes	-	-	-	1,367	-	-	5.00%
Other non-interest sensitive balances	267,500	-	-	-	13,041	1,078,040	-
<b>Total Liabilities</b>	<b>1,072,258</b>	<b>247,014</b>	<b>310,479</b>	<b>1,367</b>	<b>13,041</b>	<b>1,078,040</b>	<b>2,722,199</b>
Shareholders' equity	-	-	-	-	-	772,858	772,858
Minority interests	-	-	-	-	-	10,418	10,418
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,072,258</b>	<b>247,014</b>	<b>310,479</b>	<b>1,367</b>	<b>13,041</b>	<b>1,861,316</b>	<b>3,505,475</b>
On-balance sheet interest sensitivity gap	(52,219)	(238,542)	(234,785)	549,170	9,820	(207,546)	174,102
<b>Total interest sensitivity gap</b>	<b>(52,219)</b>	<b>(238,542)</b>	<b>(234,785)</b>	<b>549,170</b>	<b>9,820</b>	<b>(207,546)</b>	<b>174,102</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						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	Non- interest sensitive 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	-		
Securities purchased under resale agreements	-	-	-	-	-	-	-		
Securities held-for-trading	-	-	-	-	-	41,310	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	-		
<b>TOTAL ASSETS</b>	<b>1,279,611</b>	<b>106,078</b>	<b>255,422</b>	<b>593,851</b>	<b>-</b>	<b>666,459</b>	<b>2,950,282</b>		
<b>Interest/Profit Rate Risk</b>									
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>									
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>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>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>		

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

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 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:

	September 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	(10,667)	(8,524)
Goodwill	(17,606)	(17,606)
Current unaudited unadjusted loss	(22,192)	-
Total Tier I capital	<u>590,155</u>	<u>614,490</u>
<u>Tier II capital</u>		
Collective impairment provision	<u>9,766</u>	<u>12,033</u>
Total Tier II capital	<u>9,766</u>	<u>12,033</u>
Total capital	599,921	626,523
Less: Investments in subsidiary companies	<u>(36,150)</u>	<u>(13,081)</u>
Capital base	<u>563,771</u>	<u>613,442</u>
Core capital ratio	37.23%	39.01%
Risk-weighted capital ratio	37.23%	39.01%

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2010

	Individual Quarter		Cummulative Quarter	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
<b>A21 Interest Income</b>				
Loans, advances and financing				
- Interest income other than recoveries from impaired loans	2,033	7,139	18,046	22,384
- Recoveries from impaired loans	-	-	-	-
- Inter-company	-	-	-	-
Money at call and deposit placements with financial institutions	3,443	3,053	8,859	11,609
Securities purchased under resale agreements	-	-	-	-
Securities held-for-trading	1,639	843	3,792	2,655
Securities available-for-sale	7,086	4,370	21,554	9,105
Securities held-to-maturity	-	-	-	-
Interest on Margin	8,922	9,069	28,391	25,647
Interest on reverse repo	-	-	-	-
Interest on Contra	361	207	881	561
Others	2	-	4	5
	<u>23,486</u>	<u>24,701</u>	<u>81,527</u>	<u>71,966</u>
Amortisation of premium less accretion of discount	(301)	(64)	(834)	58
Interest income suspended	-	-	-	-
	<u><b>23,185</b></u>	<u><b>24,617</b></u>	<u><b>80,693</b></u>	<u><b>72,024</b></u>
<b>A22 Interest Expense</b>				
Deposits and placement of banks and other financial institutions	768	825	2,937	1,959
Intercompany loan	-	-	-	-
Term loan	450	579	1,452	2,275
Deposits from customers	9,059	6,457	24,613	22,165
Obligations on securities sold under repurchase agreements	-	-	-	-
Floating rate certificate of deposits	-	-	-	-
Subordinated notes	-	-	-	-
Subordinated bonds	-	-	-	-
Others	-	-	-	-
	<u>10,277</u>	<u>7,861</u>	<u>29,002</u>	<u>26,399</u>
<b>A23 Non-interest Income</b>				
(a) Fee income:				
Commissions	3,582	3,285	9,647	10,999
Service charges and fees	6,273	1,862	17,290	4,440
Guarantee fees	-	-	-	-
Underwriting fees	212	-	212	-
Brokerage income	27,504	29,951	81,206	85,624
Other fee income	4,469	1,847	9,621	4,861
	<u>42,040</u>	<u>36,945</u>	<u>117,976</u>	<u>105,924</u>
(b) Gain/loss arising from sale of securities:				
Net gain/(loss) from sale of securities held-for-trading	3,700	2,505	2,411	5,855
Net gain/(loss) from sale of securities available-for-sale	155	3	454	(81)
Net loss from redemption of securities held-to maturity	-	-	-	-
Net gain/(loss) from sale of subsidiary company	-	-	-	-
	<u>3,855</u>	<u>2,508</u>	<u>2,865</u>	<u>5,774</u>
(c) Gross dividend from:				
Securities portfolio	1,019	392	2,087	929
(d) Unrealised gains/(losses) on revaluation of securities held-for-trading and derivatives	-	-	-	-
Write back of impairment losses on securities	2,727	758	9,311	2,758
	<u>2,727</u>	<u>758</u>	<u>9,311</u>	<u>2,758</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2010

	Individual Quarter		Cumulative Quarter	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
(e) Other income:				
Foreign exchange profit	616	647	1,518	1,034
Net premiums written	-	-	-	-
Rental Income	-	-	-	-
Gains on disposal of property, plant and equipment	124	28	669	137
Gain on disposal of foreclosed properties	-	-	-	-
Intercompany written off	-	-	-	-
Capital gain arising from receipt of shares in Bursa Malaysia Berhad	306	-	306	-
Others	3,801	961	5,063	2,989
	<u>4,847</u>	<u>1,636</u>	<u>7,556</u>	<u>4,160</u>
Total non-interest income	<u>54,488</u>	<u>42,239</u>	<u>139,795</u>	<u>119,545</u>
<b>A24 Other operating expenses</b>				
Personnel costs	25,064	18,350	57,837	50,843
- Salaries, allowances and bonuses	22,377	10,781	49,391	39,843
- Pension costs	1,309	1,622	4,335	4,353
- Others	1,378	5,947	4,111	6,647
Establishment costs	7,777	7,178	22,316	21,630
- Depreciation	1,692	1,997	5,062	6,064
- Rental of leasehold land and premises	3,936	3,380	10,933	10,049
- Repairs and maintenance of property, plant and equipment	384	316	1,102	1,230
- Information technology expenses	640	684	1,823	1,928
- Others	1,125	801	3,396	2,359
Marketing expenses	620	715	2,468	2,152
- Advertisement and publicity	16	78	152	372
- Others	604	637	2,316	1,780
Administration and general expenses	22,241	20,780	68,472	63,603
- Fees and brokerage	14,317	8,538	40,947	31,986
- Administrative expenses	7,803	12,097	27,038	30,958
- 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	9	31	32
- Others	111	136	456	627
	<u>55,702</u>	<u>47,023</u>	<u>151,093</u>	<u>138,228</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)	-	(1,599)	-	(55)
- individual impairment reversal	45	1,690	(1,055)	(1,135)
Bad debts and financing written off	-	-	-	-
Bad debts and financing recovered	(171)	(72)	(326)	(109)
Provision for other debts	45	(711)	1,188	1
	<u>(81)</u>	<u>(692)</u>	<u>(193)</u>	<u>(1,298)</u>
<b>A25a Allowance for Losses on Loans, Advances and Financing</b>				
Allowances for bad and doubtful debts and financing:				
- collective impairment (net)	(2,755)	(4,685)	(2,305)	(513)
- individual impairment/(reversal)	25,871	2,796	62,327	2,504
Bad debts and financing written off	-	-	-	-
Bad debts and financing recovered	(5)	(2)	(4)	(5)
Provision for other debts	-	1	-	2
	<u>23,112</u>	<u>(1,890)</u>	<u>60,019</u>	<u>1,988</u>

K & N KENANGA HOLDINGS BERHAD  
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2010  
A26. SEGMENTAL REPORTING

---Discontinued Operations---

Continued Operations

	Continued Operations										---Discontinued Operations---									
	Investment Bank	Stock broking	Futures	Money lending	Investment Management	Corporate and Others	Eliminations	Total	Others	Others	Total									
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000								
<b>Revenue</b>	64,576	75,817	102,002	85,624	12,870	14,078	4,682	4,286	17,996	273	7,225	510	205,131	180,588	74	268	205,205	180,856		
External sales	0	0	0	0	384	297	0	0	136	137	9,112	2,390	0	0	0	0	0	0		
Inter-segment sales	64,576	75,817	102,002	85,624	13,254	14,375	4,682	4,286	18,132	410	16,337	2,900	(13,852)	(2,824)	74	268	205,205	180,856		
<b>Total revenue</b>																				
<b>Result</b>	(8,111)	28,800	10,949	16,408	5,804	5,546	1,414	2,806	(1,375)	(2,435)	10,764	29,093	(9,501)	(31,633)	9,944	48,585	(375)	(647)	9,569	47,938
Segment results	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loss on disposal of discontinued operations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unallocated corporate expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Profit from operation	(8,111)	28,800	10,949	16,408	5,804	5,546	1,414	2,806	(1,375)	(2,435)	10,764	29,093	1,710	2,866	9,944	48,585	(375)	(647)	9,569	47,938
Finance cost, net	(27,852)	(24,650)	(17)	0	(1,354)	(1,768)	(1,489)	(2,317)	0	0	0	(530)	(3,309)	(4,803)	(29,002)	(26,399)	0	0	(29,002)	(26,399)
Share of results of associates	0	0	0	0	0	0	0	0	0	0	0	0	(3,309)	(4,803)	(3,309)	(4,803)	0	0	(3,309)	(4,803)
Share of results of jointly controlled entities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Profit before taxation	(35,963)	4,150	10,932	16,408	4,450	3,778	(75)	489	(1,375)	(2,435)	10,764	28,563	0	0	(22,367)	17,383	(375)	(647)	(22,742)	16,736
Taxation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,212	(8,895)	0	0	2,212	(8,895)
Taxation from discontinuing operations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Profit after taxation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(20,155)	8,488	0	0	(20,530)	7,841
Loss from discontinued operations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(662)	(381)	(647)	(381)	(662)
Minority interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(2,730)	(763)	0	0	(2,730)	(763)
Net profit for the year	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(22,885)	7,063	(381)	(647)	(23,641)	6,416
<b>Assets</b>	242,329	438,709	2,765,431	1,792,009	295,622	419,914	39,398	60,521	29,245	13,964	716,812	711,024	(689,828)	(699,807)	3,399,009	2,736,337	6,402	0	3,405,411	2,736,336
Segments assets	0	0	68,434	68,435	0	0	0	0	0	0	20,210	24,160	(20,696)	(6,990)	67,948	86,505	0	0	67,948	86,506
Investments in equity method of associates	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Investments in equity method of jointly controlled entities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unallocated corporate assets	0	0	24,133	24,798	180	456	1,941	3,934	0	0	5,862	3,538	0	0	32,116	32,727	0	0	32,116	32,727
Consolidated total assets	242,329	438,709	2,857,998	1,885,242	295,802	420,370	41,339	64,455	29,245	13,964	742,884	738,722	(689,828)	(699,807)	3,499,073	2,855,569	6,402	0	3,505,475	2,855,569
<b>Liabilities</b>	876,964	989,295	1,600,545	703,890	274,318	395,173	32,868	55,804	3,541	234	5,535	4,027	(74,985)	(100,216)	2,718,786	2,048,208	15	0	2,718,801	2,048,210
Segment liabilities	0	0	0	0	0	0	0	0	0	0	3,301	1,411	0	0	3,398	1,410	0	0	3,398	1,409
Unallocated corporate liabilities	0	0	0	0	90	0	0	0	7	0	0	0	0	0	0	0	0	0	0	0
Consolidated total liabilities	876,964	989,295	1,600,545	703,890	274,408	395,173	32,868	55,804	3,548	234	8,836	5,438	(74,985)	(100,216)	2,722,184	2,049,618	15	0	2,722,199	2,049,619
<b>Other information</b>	0	0	1,920	3,830	670	487	86	258	3	246	63	532	(134)	(134)	2,742	5,353	0	0	2,742	5,353
Capital expenditure	0	0	4,785	4,306	265	255	157	987	399	148	366	383	(134)	(134)	5,838	6,079	19	0	5,857	6,080
Depreciation & Amortisation	0	0	9,615	0	0	0	1,374	0	0	0	0	4,713	0	0	59,826	4,713	0	0	59,826	4,713
Impairment losses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reversal of impairment losses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-cash expenses other than depreciation, amortisation and impairment losses	0	(2,159)	(2,424)	3,524	135	0	(26)	(1,990)	0	62	(12,074)	7,954	1,705	(1,705)	(12,594)	6,491	0	0	(12,594)	6,491

## **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 September 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 period ended 30 September 2010, the Group recorded a loss before taxation from continuing operations of RM22.74 million as compared to a loss of RM10.75 million in the previous cumulative quarter ended 30 June 2010.

The loss before taxation that arises during the quarter ended 30 September 2010 was due mainly to additional impairment made in respect of the investment bank's loan and advances amounting to RM22.63 million.

For the period ended 30 September 2010, the loss was due mainly to impairment made in respect of the investment bank's loan and advances amounting to RM58.64 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 37.23%, 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 September 2010, the Group recorded a loss before taxation from continuing operations of RM11.99 million as compared to a loss of RM25.33 million in the previous quarter ended 30 June 2010.

The loss before taxation that arises during the quarter ended 30 September 2010 was due mainly to impairment made in respect of the investment bank's loan and advances amounting to RM22.63 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 ending 31<sup>st</sup> December 2010, the Group anticipates that it will be making a forecasted loss for the whole financial year.

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 Sept 2010	Cumulative Quarter Current Year to date 30 Sept 2010
	-----RM'000-----	
Current period taxation	(1,503)	(883)
Overprovision in prior year taxation	-	(97)
Deferred taxation	3,433	3,192
Total	<u>1,930</u>	<u>2,212</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	2,368	(706)
Add: Tax effect of expenses that are not deductible for tax purposes	657	2,076
Add: Tax losses not recognised	877	3,542
Less: Utilization of unabsorbed tax losses and capital allowances	(30)	(119)
Less: Non taxation of capital items	(3,429)	(3,730)
Less: Tax on inter- company dividends	(1,946)	(1,946)
Tax expense	<u>(1,503)</u>	<u>(883)</u>

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

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

	Individual Quarter	Cumulative Quarter
	-----RM'000-----	
Total purchases for the period	<u>5,756</u>	<u>14,192</u>
Total sales for the period	<u>6,454</u>	<u>14,314</u>
Total gains on disposal for the period	<u>1,726</u>	<u>3,172</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 September 2010 were as follows:

Total investment at cost	RM'000 25,108
Total investment at carrying value/book value	31,314
Total investment at market value at end of reporting period	31,314

#### **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.

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

	Total Loans RM'000
Subordinated Loan (unsecured) - Note 1	1,367
Short term loan from financial institutions (unsecured) - Note 2	18,739

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 RM18.7 million in order to finance its own working capital. These facilities have repayment period of 17 days and the average interest rates charged were 5.01% 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 except for the following:-

###### **Kenanga Investment Bank Berhad v Datuk Haji Ishak bin Ismail**

- Court of Appeal Civil Appeal No. W-02-834-2005
- Federal Court Civil Application No. 08-234(f)-2010(W)

###### **Background**

- Plaintiff (KIBB); 1<sup>st</sup> Defendant ( Datuk Hj Ishak), 2<sup>nd</sup> Defendant (Proasas Sdn Bhd), 3<sup>rd</sup> Defendant (Dynaboost Sdn Bhd).

The 2<sup>nd</sup> and 3<sup>rd</sup> Defendant had opened a corporate/investment trading account and a share margin trading account respectively in January 1998 with KIBB. Both the 2<sup>nd</sup> and 3<sup>rd</sup> Defendants subsequently suffered losses arising from their investment trading account and share margin trading account respectively. As a result of the execution orders, KIBB incurred losses, interest and/or charges on the said accounts as at 12 June 2001 amounting to a total of RM35,138,637.62.

## **SELECTED EXPLANATORY NOTES**

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

#### **B11. Changes in material Litigation (cont'd)**

The 1<sup>st</sup> Defendant, Datuk Ishak, had given a personal undertaking to effect payment of inter alia, all moneys, together with interest at such rate as may be determined by KIBB and legal costs which shall at any time be owing to KIBB on the share trading and margin facilities accounts granted by KIBB to the aforesaid clients who were introduced to KIBB by the 1<sup>st</sup> Defendant. The terms of this Letter of Undertaking was breached as the 1<sup>st</sup> Defendant failed to pay the amounts outstanding in the account of 2<sup>nd</sup> and 3<sup>rd</sup> Defendant.

#### **Status of the case**

The Court of Appeal had reinstated the order or Summary Judgment granted by the Senior Assistant Registrar and awarded the following sums to KIBB against the 1<sup>st</sup> Defendant:

- a) the sum of RM35,138,637.62;
- b) interest on the sum of RM23,148,354.41 at the rate of 9.5% per annum from 12 June 2001 to the date of full settlement;
- c) interest on the sum of RM11,990,283.21 at the rate of 9.3% per annum from 12 June 2001 to the date of full settlement; and
- d) costs.

The 1<sup>st</sup> Defendant then filed a Notice of Motion for leave to appeal to the Federal Court. The hearing for the said Motion for leave to appeal was held on 13<sup>th</sup> October 2010 and it was refused by the Federal Court.

Since the proposed appeal has been refused, the Court of Appeal Order is the final Order and KIBB will proceed to enforce the Summary Judgment.

## **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 September 2010.

#### **B13. Earnings per share**

The amount used as the numerator for the purposes of calculating the basic loss per share for the nine-month period is RM23.64 million representing the loss for the year attributable to ordinary equity holder of the parent (30 September 2009: - profit attributable to ordinary equity holder of parent: RM6.42 million)

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

#### **B14. Derivatives**

As at 30 September 2010, derivative financial liabilities are as follows:-

<b>Type of Derivatives</b>	<b>Contract/Notional Value (RM'000)</b>	<b>Fair Value (RM'000)</b>
Equity related contracts	-	-
Structured warrants		
- Less than 1 year	11,431	2,804
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-----	
Losses from fair value changes of financial liabilities	(764)	(988)

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