

QUARTERLY REPORT

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

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Group

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31 Dec 2010 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 Dec 2009 RM'000	CURRENT YEAR TO DATE 31 Dec 2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 Dec 2009 RM'000
Continuing Operations					
Interest income	A21	30,401	25,965	111,094	98,031
Interest expense	A22	(14,807)	(8,663)	(43,809)	(35,062)
Net interest income		15,594	17,302	67,285	62,969
Non interest income	A23	62,002	41,978	201,797	162,399
Net Income		77,596	59,280	269,082	225,368
Other operating expenses	A24	(60,169)	(45,080)	(211,262)	(184,872)
Operating profit		17,427	14,200	57,820	40,496
(Allowance)/write-back for losses					
on loans, advances and financing	A25a	(28,431)	997	(88,450)	(991)
Write-back for bad and doubtful accounts on balances due from clients & brokers	A25	1,598	950	1,791	2,248
Loss on disposal of an associated company		-	2,126	-	(2,587)
Impairment of investment in an associated company		(17,689)	-	(17,689)	-
Share of losses in associates		(793)	(3,728)	(4,102)	(8,531)
(Loss)/profit before taxation		(27,888)	14,545	(50,630)	30,635
Taxation		3,583	(3,887)	5,795	(12,798)
(Loss)/profit for the period from continuing operations		(24,305)	10,658	(44,835)	17,837
Discontinued operations					
(Loss)/profit for the period		(67)	(682)	(448)	(682)
(Loss)/profit for the period		(24,372)	9,976	(45,283)	17,155

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 Dec 2010 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 Dec 2009 RM'000	CURRENT YEAR TO DATE 31 Dec 2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 Dec 2009 RM'000
Other comprehensive income				
Exchange fluctuation from translation of subsidiary and associated companies' net assets	(338)	(1,743)	(8,255)	(1,062)
Available for sale financial assets	1,008	386	3,129	1,684
Other comprehensive income for the year	670	(1,357)	(5,126)	622
Total comprehensive (losses)/income	(23,702)	8,619	(50,409)	17,777
(Loss)/profit for the period attributable to				
- Equity holders of the parent	(29,660)	9,753	(53,301)	16,169
- Minority interests	5,288	223	8,018	986
	<u>(24,372)</u>	<u>9,976</u>	<u>(45,283)</u>	<u>17,155</u>
Total comprehensive (losses)/income for the period attributable to				
- Equity holders of the parent	(28,990)	8,396	(58,427)	16,791
- Minority interests	5,288	223	8,018	986
	<u>(23,702)</u>	<u>8,619</u>	<u>(50,409)</u>	<u>17,777</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)	(4.8)	1.6	(8.7)	2.6
(ii) Fully diluted	<u>(4.8)</u>	<u>1.6</u>	<u>(8.7)</u>	<u>2.6</u>

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

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

Company

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 Dec 2010 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 Dec 2009 RM'000	CURRENT YEAR TO DATE 31 Dec 2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 Dec 2009 RM'000
Continuing Operations				
Interest income	459	483	1,854	2,560
Interest expense	-	-	-	(530)
Net interest income	459	483	1,854	2,030
Non interest income	4,868	3,973	27,202	44,850
Net Income	5,327	4,456	29,056	46,880
Overhead expenses	(4,797)	(5,037)	(20,314)	(14,432)
Operating profit/(loss)	530	(581)	8,742	32,448
Impairment of investment in an associated company	-	-	-	(4,713)
Profit/(loss) before taxation	530	(581)	8,742	27,735
Taxation	1,200	(350)	(350)	(1,839)
Profit/(loss) for the period from continuing operations	1,730	(931)	8,392	25,896
Profit/(loss) for the period	1,730	(931)	8,392	25,896

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

Company

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 Dec 2010 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 Dec 2009 RM'000	CURRENT YEAR TO DATE 31 Dec 2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 Dec 2009 RM'000
(i) Profit/(loss) for the period attributable to - Equity holders of the parent	1,730	(931)	8,392	25,896
	1,730	(931)	8,392	25,896
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 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)	0.3	(0.2)	1.4	4.2
(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 STATEMENT OF POSITIONS
GROUP**

		AS AT END OF CURRENT QUARTER 31 December 2010 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31 December 2009 RM'000
	Note		
ASSETS			
Cash and short-term funds		1,035,480	523,788
Deposits and placements with financial institutions		847	847
Securities purchased under resale agreements			
Securities held for trading	A9	303,199	90,171
Securities available for sales	A10	757,315	713,408
Securities held to maturity	A11	-	1,490
Loans, advances and financing	A12	605,264	863,008
Other assets			
- Balance due from clients and brokers		258,753	139,953
- Assets segregated for customers		351,768	367,575
- Other receivables	A13	31,937	28,309
Statutory deposits with the Central Bank		9,150	10,345
Investments in associated companies		49,102	79,173
Intangible assets		81,345	72,105
Property, plant and equipment		22,466	23,743
Deferred tax assets		15,558	10,529
Tax recoverable		19,122	18,899
Assets held for resale		6,332	6,939
TOTAL ASSETS		3,547,638	2,950,282
LIABILITIES			
Deposits from customers	A14	1,012,577	815,747
Deposits and placements of banks and other financial institutions	A15	806,689	520,469
Borrowings	A17	65,757	63,848
Other liabilities			
-Balance due to clients and brokers		598,574	469,304
- Amount held in trust		218,258	194,657
- Other payables	A16	82,317	68,498
Provision for taxation and zakat		239	-
Deferred tax liabilities		2,134	1,760
Subordinated obligations	A15	1,510	1,384
Liabilities held for resale		9	24
TOTAL LIABILITIES		2,788,064	2,135,691
SHAREHOLDERS EQUITY			
Share Capital		611,759	611,759
Share Premium		75	75
Profit and loss reserve		9,339	65,087
Exchange fluctuation reserve		(9,645)	(1,390)
Statutory reserve		57,458	57,458
Fair value reserve		2,930	(199)
Capital reserve		71,952	71,952
		743,868	804,742
Minority Interests		15,706	9,849
Total equity		759,574	814,591
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,547,638	2,950,282
Net Assets Per Share (RM)		1.22	1.32

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

CONDENSED STATEMENT OF POSITIONS

COMPANY

	AS AT END OF CURRENT QUARTER 31 December 2010 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31 December 2009 RM'000
ASSETS		
Cash and short-term funds	37,435	52,705
Deposits and placements with financial institutions	-	-
Securities purchased under resale agreements	-	-
Securities held for trading	21,422	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	13,638	28,561
- Amount due from related companies	-	-
- Other receivables	105	315
Statutory deposits with the Central Bank	-	-
Investments in subsidiary companies	615,994	561,687
Investments in associated companies	20,210	20,210
Intangible assets	130	295
Property, plant and equipment	643	811
Deferred tax assets	-	-
Tax recoverable	5,438	3,348
Asset of disposal group/non current assets classified as held for sale	-	-
TOTAL ASSETS	715,015	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	4,412	2,792
Provision for taxation and zakat	-	-
Deferred tax liabilities	2,100	1,750
Subordinated obligations	-	-
Liabilities directly associated with assets classified as held for sale	-	-
TOTAL LIABILITIES	6,512	4,542
SHAREHOLDERS EQUITY		
Share Capital	611,759	611,759
Share Premium	75	75
Profit and loss reserve	96,669	92,865
Capital reserve	-	-
	708,503	704,699
Total equity	708,503	704,699
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	715,015	709,241
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 Statement of Cash Flows
for the year ended 31 December 2010

	Group	
	CUMULATIVE QUARTER	
	CURRENT YEAR TO DATE 31 Dec 2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 Dec 2009 RM'000
Cash flows from operating activities		
(Loss)/profit before taxation		
- Continuing operations	(50,630)	30,635
- Discontinued operations	(443)	(661)
Adjustments for non operating and non cash items	65,665	(13,188)
Operating profit before changes in working capital	<u>14,592</u>	<u>16,786</u>
Net changes in operating assets	44,816	76,819
Net changes in operating liabilities	651,284	(99,224)
Cash generated from/(used in) operations	<u>710,692</u>	<u>(5,619)</u>
Net tax refund/(paid)	132	(2,238)
Net cash generated from/(used in) operating activities	<u>710,824</u>	<u>(7,857)</u>
Net cash used in investing activities	(218,497)	(473,163)
Net cash used in financing activities	(7,388)	(3,376)
Net increase/(decrease) in cash and cash equivalents during the period	<u>484,939</u>	<u>(484,396)</u>
Cash and cash equivalents brought forward	334,609	819,005
Cash and cash equivalents carried forward	<u>819,548</u>	<u>334,609</u>

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

Non trust cash and short term funds	813,271
Cash and short term funds classified as asset held for sale	6,277
	<u>819,548</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 Statement of cash flows
for the year ended 31 December 2010

	<u>Company</u>	
	CUMULATIVE QUARTER	
	CURRENT YEAR TO DATE 31 Dec 2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 Dec 2009 RM'000
Cash flows from operating activities		
Profit before taxation		
- Continuing operations	8,742	27,735
Adjustments for non operating and non cash items	(24,021)	(37,978)
Operating loss before changes in working capital	<u>(15,279)</u>	<u>(10,243)</u>
Net changes in operating assets	923	15,625
Net changes in operating liabilities	1,622	800
Cash (used in)/generated from operations	<u>(12,734)</u>	<u>6,182</u>
Net dividends received	6,815	555
Interest income	1,738	2,560
Net cash (used in)/generated from operating activities	<u>(4,181)</u>	<u>9,297</u>
Net cash used in investing activities	(6,501)	(33,965)
Net cash used in financing activities	(4,588)	(530)
Net decrease in cash and cash equivalents during the period	<u>(15,270)</u>	<u>(25,198)</u>
Cash and cash equivalents brought forward	52,705	77,903
Cash and cash equivalents carried forward	<u>37,435</u>	<u>52,705</u>
Cash and cash equivalents as at 31st December 2010 comprised of :-		
Non trust cash and short term funds	<u>37,435</u>	
	<u>37,435</u>	

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

**Consolidated Statement of changes in equity
for the period ended 31 December 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
Total comprehensive income for the year	-	-	(8,255)	-	3,129	-	(53,301)	8,018	(50,409)
Dividends paid	-	-	-	-	-	-	(4,588)	(2,161)	(6,749)
Transaction with owners	-	-	-	-	-	-	(4,588)	(2,161)	(6,749)
As at 31 December 2010	611,759	75	(9,645)	71,952	2,930	57,458	9,339	15,706	759,574

**Consolidated Statement of changes in equity
for the period ended 31 December 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)	45,717	60,659	6,040	793,991
Total comprehensive income for the year	-	-	(1,062)	-	1,684	-	16,169	986	17,777
Transfer to statutory reserve	-	-	-	-	-	11,741	(11,741)	-	-
Transaction with owners	-	-	-	-	-	11,741	(11,741)	-	-
Arising from consolidation of unit trust funds	-	-	-	-	-	-	-	2,823	2,823
As at 31 December 2009	611,759	75	(1,390)	71,952	(199)	57,458	65,087	9,849	814,591

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

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

Company

	:---Attributable to Equity Holders of the Parent-- <-- Non Distributable-->			Total Equity
	Share Capital RM'000	Share Premium RM'000	Retained profits RM'000	
As at 1 January 2010	611,759	75	92,865	704,699
Comprehensive income for year	-	-	8,392	8,392
Dividends paid	-	-	(4,588)	(4,588)
Transaction with owners	-	-	(4,588)	(4,588)
As at 31 December 2010	611,759	75	96,669	708,503

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

Company

	--Attributable to Equity Holders of the Parent--- <-- Non Distributable-->			Total Equity
	Share Capital RM'000	Share Premium RM'000	Retained profits RM'000	
As at 1 January 2009	611,759	75	66,969	678,803
Comprehensive income for year	-	-	25,896	25,896
As at 31 December 2009	611,759	75	92,865	704,699

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	490	713,898
Securities held-to- maturity	1,490	(1,490)	-
Other assets	28,309	1,000	29,309
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	576,337	637	576,974
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.

SELECTED EXPLANATORY NOTES
REQUIREMENTS OF FRS134 (Contd)

A1. Basis Of Preparation (contd)

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

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

- Changes in accounting policies

(a) Classification and measurement of financial assets

(i) Loans and receivables

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

(ii) Held-to-maturity

Prior to 1 January 2010, unquoted shares in organization set up for socio-economic purposes and equity instruments received as a result of loan restructuring or loan conversion which do not have a quoted market price in an active market and whose fair value cannot be reliably measured are classified as security held-to-maturity. Under FRS 139, only non-derivative financial assets with fixed or determinable payments and fixed maturity comprising debt securities are classified as held-to-maturity when the Group has the positive intention and ability to hold the assets till maturity.

K & N KENANGA HOLDINGS BERHAD (302859-X)

(Incorporated in Malaysia)

SELECTED EXPLANATORY NOTES REQUIREMENTS OF FRS134 (Contd)

A1. Basis Of Preparation (contd)

- Changes in accounting policies (contd)

- (ii) Held-to-maturity (contd)

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

- (b) Impairment on loans, advances and financing

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

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

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

- (c) Fair value measurement

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

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

K & N KENANGA HOLDINGS BERHAD (302859-X)

(Incorporated in Malaysia)

SELECTED EXPLANATORY NOTES REQUIREMENTS OF FRS134 (Contd)

A2. Condensed financial statements

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

A3. Preceding financial year audit report

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

A4. Seasonal or Cyclical Factors

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

	December 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	30,457	-
Malaysian Government Investment Issues	34,934	-
Bank Negara Malaysia Bills and Notes	129,969	-
Bankers' Acceptances and Islamic Accepted Bills	-	-
Cagamas Bonds	-	-
Foreign Government Securities	-	-
Others	-	-
Total Money Market Instruments	<u>195,360</u>	<u>-</u>
Quoted securities:		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	33,475	52,800
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	-	-
Total quoted securities	<u>33,475</u>	<u>52,800</u>
Unquoted securities:		
Private and Islamic Debt Securities in Malaysia	74,364	37,371
Foreign Private Debt Securities	-	-
Total unquoted securities	<u>74,364</u>	<u>37,371</u>
Total securities held-for-trading	<u>303,199</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	381,269	305,626
Islamic Cagamas Bonds	-	-
Cagamas Bonds	-	60,630
Foreign Government Securities	-	-
Malaysian Government Treasury Bills	-	-
Malaysian Government Investment Issues	119,720	-
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>500,989</u>	<u>486,240</u>

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	December 2010	December 2009
	RM' 000	RM' 000
Quoted securities:		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	190	1,576
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	62	909
	<u>252</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	253,484	224,013
Malaysian Government Bonds	-	-
Foreign Islamic and Private Debt Securities	-	-
Credit Link Notes	-	-
Malaysia Global Sukuk	-	-
Others	490	3,100
	<u>256,074</u>	<u>229,213</u>
Accumulated impairment losses	-	(4,530)
Total securities available-for-sale	<u>757,315</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 - 31 DECEMBER 2010

	December 2010	December 2009
	RM' 000	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	179,350	452,802
- Constructions	-	-
Credit card receivables	-	-
Bills receivables	-	-
Trust receipts	-	-
Claims on customers under acceptance credits	-	-
Share margin financing	464,865	401,890
Finance, insurance and business services	-	-
Revolving credits	-	-
Staff loans	-	-
Housing loans to	-	-
- Executive directors of the Bank	-	-
- Executive directors of subsidiaries	-	-
Others	80,261	86,078
	<u>724,476</u>	<u>940,770</u>
Interest in suspense	-	(5,684)
Unearned interest and income	-	(74)
Gross loans, advances and financing	<u>724,476</u>	<u>935,012</u>
Allowances for bad and doubtful debts and financing:		
- Individual Impairment	(111,053)	(58,859)
- Collective Impairment	(8,159)	(13,145)
Net loans, advances and financing	<u>605,264</u>	<u>863,008</u>
(i) By maturity structure		
Within one year	710,952	692,178
1 year to 2 years	-	122,625
More than 2 years	13,524	120,209
Gross loans, advances and financing	<u>724,476</u>	<u>935,012</u>

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	December 2010	December 2009
	RM' 000	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	-	9,056
- Others	204,996	561,819
Government and statutory bodies	-	-
Individuals	506,032	350,562
Other domestic entities	-	-
Foreign entities	13,448	13,575
Total domestic operations	<u>724,476</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>724,476</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	464,865	398,857
Variable rate	-	-
- Base lending rate plus	80,262	83,353
- Cost plus	179,349	452,802
- Other variable rates	-	-
Gross loans, advances and financing	<u>724,476</u>	<u>935,012</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

	December 2010	December 2009
	RM' 000	RM' 000
(iv) Total loans by economic purposes		
Domestic operations:		
Purchase of securities	63,248	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	6,861	207,144
Construction	41,778	13,885
Real Estate	-	-
Transport, storage and communication	117,597	120,208
Finance, insurance and business services	13,114	111,565
Working capital	17,014	-
Others	464,863	398,857
Total domestic operations	<u>724,476</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>724,476</u>	<u>935,012</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

	December 2010	December 2009
	RM' 000	RM' 000
(v) Impaired loans by economic purpose		
Domestic operations:		
Purchase of securities	21,705	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	185,432	52,386
Others	-	-
Total domestic operations	<u>207,137</u>	<u>78,032</u>
Overseas operations:		
Singapore	-	-
Hong Kong SAR	-	-
United States of America	-	-
People's Republic of China	-	-
Others (Please specify)	-	-
	<u>-</u>	<u>-</u>
	<u>207,137</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	177,532	3,505
Amount written back in respect of recoveries	-	-
Reclassified as performing	-	(8,831)
Acquired upon business acquisition	-	-
Transfer from a subsidiary	-	-
Recovered	(45,775)	(5,645)
Amount written off	(2,651)	(72)
Converted to securities	-	-
At end of the period	<u>207,137</u>	<u>78,032</u>
Individual Impairment	(111,053)	(58,859)
Interest in suspense	-	(2,651)
Unearned interest and income	-	-
Net impaired loans, advances and financing	<u>96,085</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>15.66%</u>	<u>1.89%</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

December 2010 **December 2009**
RM' 000 **RM' 000**

(vii) Movement in individual impairment for loans and advances (and financing) accounts are as follows

Individual Impairment

At beginning of the period	58,859	58,810
Adjustment due to FRS 139	5,012	-
Allowance made during the period	101,704	6,137
Amount written back in respect of recoveries	(9,340)	(6,019)
Acquired upon business acquisition	-	-
Transfer from a subsidiary	-	-
Amount of allowance set off against gross loans	(45,181)	(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	111,053	58,859

(viii) Movement in collective impairment for loans and advances (and financing) accounts are as follows

Collective Impairment

At beginning of the period	13,145	11,208
Adjustment due to FRS 139	(1,074)	-
Allowance made during the period	4,409	1,937
Amount written back	(8,322)	-
Acquired upon business acquisition	-	-
Transfer from individual impairment	-	-
Exchange differences	-	-
At end of the period	8,159	13,145
As % of gross loans, advances and financing (including Islamic loans sold to Cagamas) less individual impairment	1.33%	1.50%

A13 Other Assets

Interest/Income receivable	9,752	6,491
Prepayments and deposits	12,602	14,299
Other debtors	11,353	8,303
Foreclosed properties	-	-
Investment properties	-	-
Derivative assets	-	-
	33,707	29,093
Impairment	(1,770)	(784)
	31,937	28,309

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

	December 2010 RM' 000	December 2009 RM' 000
A14 Deposits from Customers		
Fixed deposits and negotiable instruments of deposits		
- One year or less	1,012,577	815,747
- More than one year	-	-
Savings deposits	-	-
Demand deposits	-	-
Structured deposits	-	-
	<u>1,012,577</u>	<u>815,747</u>
Business enterprise	768,389	634,229
Individuals	-	-
Government and statutory bodies	244,189	181,518
	<u>1,012,577</u>	<u>815,747</u>
A15 Deposits and Placement of Banks and Other Financial Institutions and Debt Securities		
Licensed banks	304,000	170,000
Licensed finance companies	-	-
Licensed investment banks	70,000	10,000
Non-banking institutions	-	230,423
Other financial institutions	432,689	110,046
	<u>806,689</u>	<u>520,469</u>
Subordinated obligations		
Unsecured		
- less than one year	-	-
- more than one year	1,510	1,384
	<u>1,510</u>	<u>1,384</u>
A16 Other liabilities		
Interest/Profit payable	8,609	4,719
Provision for outstanding claims	-	-
Unearned premium reserves	-	-
Profit Equalisation Reserves	-	-
Provision and accruals	44,601	54,959
Retention for Contra Losses	16,272	-
Hire purchase creditors	-	29
Due to brokers and clients	-	-
Deposits and other creditors	11,264	3,856
Derivative liabilities	1,571	4,935
	<u>82,317</u>	<u>68,498</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

	December 2010	December 2009
	RM' 000	RM' 000
A17 Bank Borrowings		
Hire purchase creditors	-	-
Revolving bank loan	65,757	63,848
Term loan	-	-
Secured notes insurance facility	-	-
	<u>65,757</u>	<u>63,848</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

	December 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>				
				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	654,477	-	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	-	-	-	-
	654,477	-	641,519	-

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 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	Trading books RM		
A19 Interest/Profit Rate Risk									
Cash and short-term funds	736,242	-	-	-	-	299,238	-	1,035,480	2.72%
Deposits and placements with banks and other financial institutions	-	-	-	-	-	847	-	847	-
Securities purchased under resale agreements	-	-	-	-	-	-	-	-	-
Securities held-for-trading	-	-	-	-	-	21,423	281,776	303,199	3.92%
Securities available-for-sale	122,654	-	64,323	545,723	20,002	4,613	-	757,315	4.19%
Securities held-to-maturity	-	-	-	-	-	-	-	-	-
Loans, advances and financing	-	-	-	-	-	-	-	-	-
- performing	342,248	64,188	4,542	-	-	-	-	410,978	7.56%
- impaired loans	-	-	-	-	-	194,286	-	194,286	-
Other assets n1	238,697	-	2,000	-	-	401,761	-	642,458	-
Other non-interest sensitive balances	-	-	-	-	-	203,075	-	203,075	-
TOTAL ASSETS	1,439,841	64,188	70,865	545,723	20,002	1,125,243	281,776	3,547,638	
Interest/Profit Rate Risk									
LIABILITIES AND SHAREHOLDERS' EQUITY									
Deposits from customers	744,176	206,150	62,251	-	-	-	-	1,012,577	3.07%
Deposits and placements of banks and other financial institutions	517,596	40,864	248,229	-	-	-	-	806,689	3.07%
Borrowings	65,757	-	-	-	-	-	-	65,757	5.01%
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-	-	-	-
Bills and acceptances payable	-	-	-	-	-	-	-	-	-
Recourse obligation on loans sold to Cagamas	-	-	-	-	-	-	-	-	-
Subordinated notes	-	-	-	1,510	-	-	-	1,510	5.00%
Other non-interest sensitive balances	353,735	-	-	-	13,039	534,757	-	901,531	-
Total Liabilities	1,681,264	247,014	310,480	1,510	13,039	534,757	-	2,788,064	
Shareholders' equity	-	-	-	-	-	743,868	-	743,868	-
Minority interests	-	-	-	-	-	15,706	-	15,706	-
Total Liabilities and Shareholders' Equity	1,681,264	247,014	310,480	1,510	13,039	1,294,331	-	3,547,638	
On-balance sheet interest sensitivity gap	(241,423)	(182,826)	(239,615)	544,213	6,963	(169,088)	281,776	-	-
Total interest sensitivity gap	(241,423)	(182,826)	(239,615)	544,213	6,963	(169,088)	281,776	-	

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

	Non trading book						Non- interest sensitive RM	Trading books RM	Total RM	Effective interest rate %
	Up to 1 month RM	>1 - 3 month RM	>3 - 12 month RM	>1 - 5 years RM	over 5 RM					
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	-	713,408	4.37%	
Securities held-to-maturity	-	-	1,000	-	-	490	-	1,490		
Loans, advances and financing	-	-	-	-	-	-	-	-		
- performing	520,737	86,267	191,792	64,212	-	-	-	863,008	7.19%	
- impaired loans	-	-	-	-	-	-	-	-		
Other assets n1	371,247	-	2,000	-	-	163,199	-	536,446		
Other non-interest sensitive balances	-	-	-	-	-	221,124	-	221,124		
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	-	-	-	1,384	-	-	-	1,384	5.00%	
Other non-interest sensitive balances	373,734	-	-	-	13,065	347,444	-	734,243		
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	-	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	-		

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 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:

	December 2010	December 2009
	RM'000	RM'000
Components of Tier I and Tier II capital:		
<u>Tier I capital</u>		
Paid-up share capital	620,000	580,000
Retained Profits	(68,509)	3,162
Statutory reserve	57,458	57,458
	<u>608,949</u>	<u>640,620</u>
Less: Deferred tax assets	(14,645)	(8,524)
Goodwill	(17,606)	(17,606)
Total Tier I capital	<u>576,698</u>	<u>614,490</u>
<u>Tier II capital</u>		
Collective impairment provision	<u>6,820</u>	<u>12,033</u>
Total Tier II capital	<u>6,820</u>	<u>12,033</u>
Total capital	583,518	626,523
Less: Investments in subsidiary companies	(36,150)	(13,081)
Capital base	<u>547,368</u>	<u>613,442</u>
Core capital ratio	41.76%	39.01%
Risk-weighted capital ratio	41.76%	39.01%

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NOTES TO INTERIM FINANCIAL REPORT
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A20. Capital Adequacy (continued)

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

	Bank 31 December 2010		Bank 31 December 2009	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
0%	891,511	-	501,769	-
20%	997,700	199,540	738,711	147,742
50%	110,891	55,445	96,354	48,177
100%	650,617	650,617	841,103	841,103
150%	49,311	73,967	148,743	223,115
Total Risk Weighted Assets for Credit Risk	2,700,030	979,569	2,326,680	1,260,137
Risk Weighted Assets Equivalent for Market Risk	-	32,926	-	3,579
Risk Weighted Assets Equivalent for Operational Risk	-	298,914	-	308,933
Large Exposure Risk Requirement for Single Equity	-	-	-	-
	2,700,030	1,311,409	2,326,680	1,572,649

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FOR THE FINANCIAL HALF YEAR ENDED 31 DECEMBER 2010

A20. 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 2010

Exposure Class	Gross Exposures		Net Exposures		Risk	Capital
	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	750,403	750,403	750,403	4,019	322	
Banks, Development Financial Institutions & MDBs	839,901	839,901	839,901	167,980	13,438	
Corporates	142,734	142,734	142,734	59,615	4,769	
Regulatory Retail	389	389	389	389	31	
Higher Risk Assets	490	490	490	735	59	
Other Assets	802,776	802,776	802,776	578,025	46,242	
Equity Exposure	32,007	32,007	32,007	32,007	2,561	
<u>Defaulted Exposures</u>						
Corporates	89,414	89,414	89,414	107,763	8,621	
Other Assets	21,646	5,844	5,844	8,766	701	
Total for On-Balance Sheet Exposures	2,679,760	2,663,958	2,663,958	959,299	76,744	
Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	20,270	20,270	20,270	20,270	1,622	
Total for Off-Balance Sheet Exposures	20,270	20,270	20,270	20,270	1,622	
Total for On and Off-Balance Sheet Exposures	2,700,030	2,684,228	2,684,228	979,569	78,366	
2 Large Exposure Risk Requirement	-	-	-	-	-	
3 Market Risk	Long Positions	Short Positions				
Interest rate risks	269,725	-	269,725	30,188	2,416	
Equity position risks	6,951	7,021	(70)	575	46	
Foreign exchange risks	2,045	-	2,045	2,050	164	
Option risks	7,021	-	7,021	113	9	
4 Operational Risk				298,914	23,913	
5 Total RWA and Capital Requirements				1,311,409	104,914	

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 31 DECEMBER 2010

A20. 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	Capital
	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	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	146,546	146,546			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	103
Equity position risks	12,487	13,022	(535)		1,076	86
Foreign exchange risks	325	-	325		326	26
Options	13,022	-	13,022		889	71
4 Operational Risk					<u>308,933</u>	<u>24,715</u>
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 31 DECEMBER 2010

A20. Capital Adequacy (continued)

(iv) Credit Risk Disclosure on Risk Weights as at 31 December 2010

Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting & Credit Risk Mitigation		Total Risk Weighted Assets
	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	RM'000	
Bank									
Performing Exposures									
0%	730,309	-	-	-	-	145,400	-	875,709	-
10%	-	-	-	-	-	-	-	-	-
20%	20,094	839,901	46,916	-	-	90,789	-	997,700	199,540
35%	-	-	-	-	-	-	-	-	-
50%	-	-	91,172	-	-	13,439	-	104,611	52,305
75%	-	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-	-
100%	-	-	4,646	389	-	573,418	32,007	610,460	610,460
150%	-	-	-	-	490	-	-	490	735
Total	750,403	839,901	142,734	389	490	823,046	32,007	2,588,970	863,040
Defaulted Exposures									
0%	-	-	-	-	-	15,802	-	15,802	-
50%	-	-	6,280	-	-	-	-	6,280	3,140
100%	-	-	40,157	-	-	-	-	40,157	40,157
150%	-	-	42,977	-	-	5,844	-	48,821	73,232
Total	-	-	89,414	-	-	21,646	-	111,060	116,529
Grand Total	750,403	839,901	232,148	389	490	844,692	32,007	2,700,030	979,569

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL HALF YEAR ENDED 31 DECEMBER 2010

A20. 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 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%	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%	-	-	-	-	490	-	-	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

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NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL HALF YEAR ENDED 31 DECEMBER 2010

A20. Capital Adequacy (continued)

(v) Off Balance Sheet and Counterparty Credit Risk as at 31 December 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	13,551	100%	13,551	13,551
Obligation under an on-going underwriting agreement	13,439	50%	6,719	6,719
	<u>26,990</u>		<u>20,270</u>	<u>20,270</u>

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 - 31 DECEMBER 2010

	Individual Quarter		Cumulative Quarter	
	31 December 2010 RM'000	31 December 2009 RM'000	31 December 2010 RM'000	31 December 2009 RM'000
A21 Interest Income				
Loans, advances and financing				
- Interest income other than recoveries from impaired loans	12,927	15,927	59,364	63,958
- Recoveries from impaired loans	-	-	-	-
- Inter-company	-	-	-	-
Money at call and deposit placements with financial institutions	5,721	2,505	14,580	14,156
Securities purchased under resale agreements	-	-	-	-
Securities held-for-trading	2,040	612	5,832	3,267
Securities available-for-sale	6,409	6,872	27,963	15,977
Securities held-to-maturity	-	-	-	-
Interest on Margin	-	-	-	-
Interest income on impaired loans	2,099	-	2,099	-
Interest on Contra	368	292	1,249	853
Others	3	(1)	7	4
	<u>29,567</u>	<u>26,207</u>	<u>111,094</u>	<u>98,215</u>
Amortisation of premium less accretion of discount	834	(242)	-	(184)
Interest income suspended	-	-	-	-
	<u>30,401</u>	<u>25,965</u>	<u>111,094</u>	<u>98,031</u>
A22 Interest Expense				
Deposits and placement of banks and other financial institutions	2,241	1,066	5,178	3,025
Intercompany loan	-	-	-	-
Term loan	1,386	898	2,838	3,173
Deposits from customers	11,180	6,699	35,793	28,864
Obligations on securities sold under repurchase agreements	-	-	-	-
Floating rate certificate of deposits	-	-	-	-
Subordinated notes	-	-	-	-
Subordinated bonds	-	-	-	-
Others	-	-	-	-
	<u>14,807</u>	<u>8,663</u>	<u>43,809</u>	<u>35,062</u>
A23 Non-interest Income				
(a) Fee income:				
Commissions	3,330	1,481	12,977	12,480
Service charges and fees	8,247	(539)	25,537	3,901
Guarantee fees	-	-	-	-
Underwriting fees	-	476	212	476
Brokerage income	34,437	26,513	115,643	112,137
Other fee income	3,647	10,055	13,268	14,951
	<u>49,661</u>	<u>37,986</u>	<u>167,637</u>	<u>143,945</u>
(b) Gain/loss arising from sale of securities:				
Net gain/(loss) from sale of securities held-for-trading	6,787	1,827	9,198	7,839
Net gain/(loss) from sale of securities available-for-sale	28	87	482	6
Net loss from redemption of securities held-to maturity	-	-	-	-
Net gain/(loss) from sale of subsidiary company	-	-	-	-
	<u>6,815</u>	<u>1,914</u>	<u>9,680</u>	<u>7,845</u>
(c) Gross dividend from:				
Securities portfolio	547	234	2,634	1,274
(d) Unrealised gains /(losses) on revaluation of securities held-for-trading and derivatives	(2,691)	258	6,620	3,589
Write back of impairment losses on securities	-	-	-	-
	<u>(2,691)</u>	<u>258</u>	<u>6,620</u>	<u>3,589</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

	Individual Quarter		Cumulative Quarter	
	31 December 2010 RM'000	31 December 2009 RM'000	31 December 2010 RM'000	31 December 2009 RM'000
(e) Other income:				
Foreign exchange profit	925	515	2,443	1,549
Net premiums written	-	-	-	-
Rental Income	-	-	-	-
Gains on disposal of property, plant and equipment	29	114	698	251
Gain on disposal of foreclosed properties	-	-	-	-
Intercompany written off	-	-	-	-
Capital gain arising from receipt of shares in Bursa Malaysia Berhad	-	-	306	-
Others	6,716	957	11,779	3,946
	<u>7,670</u>	<u>1,586</u>	<u>15,226</u>	<u>5,746</u>
	-	-	-	-
Total non-interest income	62,002	41,978	201,797	162,399
A24 Other operating expenses				
Personnel costs	19,999	17,393	77,836	68,636
- Salaries, allowances and bonuses	13,556	13,377	62,947	53,576
- Pension costs	1,391	1,417	5,726	5,811
- Others	5,052	2,599	9,163	9,249
Establishment costs	8,068	7,271	30,384	29,032
- Depreciation	1,520	1,876	6,582	7,972
- Rental of leasehold land and premises	4,121	3,331	15,054	13,467
- Repairs and maintenance of property, plant and equipment	513	349	1,615	1,588
- Information technology expenses	642	811	2,465	2,742
- Others	1,272	904	4,668	3,263
Marketing expenses	1,202	721	3,670	2,873
- Advertisement and publicity	8	141	160	513
- Others	1,194	580	3,510	2,360
Administration and general expenses	30,900	19,695	99,372	84,331
- Fees and brokerage	18,601	13,245	59,548	45,231
- Administrative expenses	12,170	6,335	39,208	38,283
- 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	14	10	45	42
- Others	115	105	571	775
	<u>60,169</u>	<u>45,080</u>	<u>211,262</u>	<u>184,872</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)	-	4,048	-	3,993
- individual impairment/(reversal)	(206)	(4,795)	(1,261)	(5,930)
Bad debts and financing written off	-	-	-	-
Bad debts and financing recovered	(1,971)	(202)	(2,297)	(311)
Provision for other debts	579	(1)	1,767	-
	<u>(1,598)</u>	<u>(950)</u>	<u>(1,791)</u>	<u>(2,248)</u>
A25a Allowance for Losses on Loans, Advances and Financing				
Allowances for bad and doubtful debts and financing:				
- collective impairment (net)	(1,605)	8,587	(3,910)	8,074
- individual impairment	101,704	-	101,704	-
- write back of individual impairment	(71,667)	(8,523)	(9,340)	(6,019)
Bad debts and financing written off	-	-	-	-
Bad debts and financing recovered	(1)	(1,059)	(4)	(1,064)
Provision for other debts	-	(2)	-	-
	<u>28,431</u>	<u>(997)</u>	<u>88,450</u>	<u>991</u>

**SELECTED EXPLANATORY NOTES
REQUIREMENTS OF FRS134 (Cont'd)**

A27. Revaluation of property, plant and equipment

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

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

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

A29. Effects of changes in the Composition of the Group

There were no major changes in the composition of the Group for the quarter ended 31 December 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 RM673 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.

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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 year ended 31 December 2010, the Group recorded a loss before taxation from continuing operations of RM50.63 million as compared to a loss of RM22.74 million in the previous cumulative quarter ended 30 September 2010.

The loss before taxation that arises during the quarter ended 31 December 2010 was due mainly to additional impairment made in respect of the investment bank's loan and advances and investment in an associated company amounting to RM46.12 million.

For the year ended 31 December 2010, the loss was due mainly to impairment made in respect of the investment bank's loan and advances amounting to RM88.45million and impairment of investment in an associated company of RM17.69million.

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 41.76%, well above the minimum of 8% as prescribed by Bank Negara Malaysia.

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

During the quarter ended 31 December 2010, the Group recorded a loss before taxation from continuing operations of RM27.88 million as compared to a loss of RM11.99 million in the previous quarter ended 30 September 2010.

The loss before taxation that arises during the quarter ended 31 December 2010 was due mainly to impairment made in respect of the investment bank's loan and advances amounting to RM28.43 million and impairment of investment in an associated company of RM17.69million.

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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 31st December 2011, the Group anticipates that it will be returning to profitability for the whole financial year.

In the short term, the Group will continue to implement stringent measures to preserve shareholders' equity, in particular in regard to its loan portfolio and trading activities. The Group's current business strategy is expected to provide positive growth to the Group's revenue and earnings as well as achieve greater diversification to its revenue base. With these measures in place, the Board of Directors and Management are confident the Group will continue to grow and build upon the Group's sound financial capital base.

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

B4. Variance From Profit Forecast And Profit Guarantee

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

B5. Taxation

	Individual Quarter Current Year Quarter 31 Dec 2010	Cumulative Quarter Current Year to date 31 Dec 2010
	-----RM'000-----	
Current period taxation	1,277	394
Underprovision in prior year taxation	(458)	(555)
Deferred taxation	2,764	5,956
Total	<u>3,583</u>	<u>5,795</u>

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

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

	Individual Current Quarter	Cumulative Current Quarter
	-----RM'000-----	
Tax effect at statutory rate	(13,544)	(14,250)
Add: Tax effect of expenses that are not deductible for tax purposes	9,870	11,946
Add: Tax losses not recognised	5,247	8,789
Less: Utilization of unabsorbed tax losses and capital allowances	(308)	(427)
Less: Non taxation of capital items	12	(3,718)
Less: Tax on inter- company dividends	-	(1,946)
Tax expense	<u>1,277</u>	<u>394</u>

B6. Profits on Sale of Investments and/or Properties

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

B7. Quoted Securities

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

	Individual Quarter	Cumulative Quarter
	-----RM'000-----	
Total purchases for the period	<u>4,014</u>	<u>18,206</u>
Total sales for the period	<u>37,330</u>	<u>51,644</u>
Total gains on disposal for the period	<u>5,181</u>	<u>8,353</u>

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

B7. Quoted Securities (contd)

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

	RM'000
Total investment at cost	-
Total investment at carrying value/book value	-
Total investment at market value at end of reporting period	-

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	1,510
Short term loan from financial institutions (unsecured)	- Note 2	65,757

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

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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 RM65.7 million in order to finance its own working capital. These facilities have average repayment period of 30 days and the average interest rates charged were 5.0% 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); 1st Defendant (Datuk Hj Ishak), 2nd Defendant (Proasas Sdn Bhd), 3rd Defendant (Dynaboost Sdn Bhd).

The 2nd and 3rd Defendant had opened a corporate/investment trading account and a share margin trading account respectively in January 1998 with KIBB. Both the 2nd and 3rd 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 1st 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 1st Defendant. The terms of this Letter of Undertaking was breached as the 1st Defendant failed to pay the amounts outstanding in the account of 2nd and 3rd 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 1st 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 1st 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 13th 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.

KIBB was served with a Writ of Summons and Statement of Claim on 5 January 2011.

Ishak is seeking a declaration that the Judgment (obtained by KIBB on 19 May 2003) be impeached and set aside and rendered null and void. Ishak is also claiming for an indemnity and general damages, including aggravated and /or exemplary damages to be assessed as well as interest and costs.

KIBB has been advised by its solicitors that the claim is unmeritorious and KIBB will be applying to Court to strike out Ishak's claims.

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

B12. Dividend

No interim dividend has been declared for the current quarter ended 31 December 2010. The directors do not recommend the payment of any dividends for the financial year ended 31st December 2010.

B13. Earnings per share

The amount used as the numerator for the purposes of calculating the basic loss per share for the twelve-month period is RM53.30 million representing the loss for the year attributable to ordinary equity holder of the parent (31 December 2009: -profit attributable to ordinary equity holder of parent: RM16.17 million)

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

B14. Derivatives

As at 31 December 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	5,834	1,571
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)

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SELECTED EXPLANATORY NOTES**REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)****B15. Gains/(Losses) Arising From Fair Value Changes of Financial Liabilities**

	Individual Quarter -----RM'000-----	Cumulative Quarter -----RM'000-----
Losses from fair value changes of financial liabilities	(331)	(1,319)

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.

B16. Realised and Unrealised Accumulated Profits/(losses) Disclosure

	As at 31 December 2010 (RM'000)	As at 30 September 2010 (RM'000)
Total retained profits / (accumulated losses) of Company and its subsidiaries:		
-- Realised	(280,988)	(233,662)
-- Unrealised	24,927	24,730
	(256,061)	(208,932)
Total share of retained profits / (accumulated losses) from associated companies:		
-- Realised	(11,915)	(11,121)
-- Unrealised	(286)	(262)
	(12,201)	(11,383)
Add : Consolidation adjustments	277,601	259,314
Total group retained profits as per consolidated accounts	9,339	38,999

Comparative figures for the preceding year 2009 are not required in the first financial year of complying with this disclosure.

K & N KENANGA HOLDINGS BERHAD (302859-X)

(Incorporated in 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