

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended 31st March 2011

The figures have not been audited.

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Group

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Note	CURRENT YEAR QUARTER 31 March 2011 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 March 2010 RM'000	CURRENT YEAR TO DATE 31 March 2011 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 March 2010 RM'000
Continuing Operations					
Interest income	A21	28,224	28,029	28,224	28,029
Interest expense	A22	(15,273)	(9,177)	(15,273)	(9,177)
Net interest income		12,951	18,852	12,951	18,852
Non interest income	A23	58,190	43,402	58,190	43,402
Net Income		71,141	62,254	71,141	62,254
Other operating expenses	A24	(58,468)	(45,957)	(58,468)	(45,957)
Operating profit		12,673	16,297	12,673	16,297
Write-back/(impairment)					
on loans, advances and financing	A25a	(223)	(2,408)	(223)	(2,408)
(Impairment)/reversal for bad and doubtful accounts on balances due from clients & brokers	A25	(288)	269	(288)	269
Share of losses in associates		(804)	430	(804)	430
Profit before taxation		11,358	14,588	11,358	14,588
Taxation		(1,997)	(4,214)	(1,997)	(4,214)
Profit for the period from continuing operations		9,361	10,374	9,361	10,374
Discontinued operations					
Loss for the period		(88)	(199)	(88)	(199)
Profit for the period		9,273	10,175	9,273	10,175

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 March 2011 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 March 2010 RM'000	CURRENT YEAR TO DATE 31 March 2011 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 March 2010 RM'000
Other comprehensive income				
Exchange fluctuation from translation of associated companies' net assets	(1,156)	(3,741)	(1,156)	(3,741)
Available for sale financial assets	(973)	537	(973)	537
Other comprehensive income for the year	(2,129)	(3,204)	(2,129)	(3,204)
Total comprehensive income	7,144	6,971	7,144	6,971

Profit for the period attributable to				
- Equity holders of the parent	4,363	9,707	4,363	9,707
- Minority interests	4,910	468	4,910	468
	<u>9,273</u>	<u>10,175</u>	<u>9,273</u>	<u>10,175</u>
Total comprehensive income for the period attributable to				
- Equity holders of the parent	2,234	6,503	2,234	6,503
- Minority interests	4,910	468	4,910	468
	<u>7,144</u>	<u>6,971</u>	<u>7,144</u>	<u>6,971</u>

(a) 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)	0.7	1.6	0.7	1.6
(ii) Fully diluted	<u>0.7</u>	<u>1.6</u>	<u>0.7</u>	<u>1.6</u>

The condensed Consolidated Income statements should be read in conjunction with the Annual Financial Report for the year ended 31st December 2010.

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

Company

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 March 2011 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 March 2010 RM'000	CURRENT YEAR TO DATE 31 March 2011 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 March 2010 RM'000
Continuing Operations				
Interest income	528	485	528	485
Interest expense	-	-	-	-
Net interest income	528	485	528	485
Non interest income	1,780	4,884	1,780	4,884
Net Income	2,308	5,369	2,308	5,369
Overhead expenses	(3,640)	(6,528)	(3,640)	(6,528)
Operating loss	(1,332)	(1,159)	(1,332)	(1,159)
Loss before taxation	(1,332)	(1,159)	(1,332)	(1,159)
Taxation	(150)	(750)	(150)	(750)
Loss for the period from continuing operations	(1,482)	(1,909)	(1,482)	(1,909)
Loss for the period	(1,482)	(1,909)	(1,482)	(1,909)

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

Company

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 March 2011 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 March 2010 RM'000	CURRENT YEAR TO DATE 31 March 2011 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 March 2010 RM'000
(i) Loss for the period attributable to - Equity holders of the parent	(1,482)	(1,909)	(1,482)	(1,909)
	<u>(1,482)</u>	<u>(1,909)</u>	<u>(1,482)</u>	<u>(1,909)</u>
3 (a) 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)	(0.2)	(0.3)	(0.2)	(0.3)
(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 2010.

**CONDENSED CONSOLIDATED STATEMENT OF POSITIONS
GROUP**

		AS AT END OF CURRENT QUARTER 31 March 2011 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31 December 2010 RM'000
	Note		
ASSETS			
Cash and short-term funds		1,125,924	1,035,480
Deposits and placements with financial institutions		847	847
Securities purchased under resale agreements			
Securities held for trading	A9	189,413	303,199
Securities available for sales	A10	753,642	757,315
Securities held to maturity	A11	-	-
Loans, advances and financing	A12	519,296	605,264
Other assets			
- Balance due from clients and brokers		250,272	258,753
- Assets segregated for customers		383,993	351,768
- Other receivables	A13	27,615	31,937
Statutory deposits with the Central Bank		15,980	9,150
Investments in associated companies		47,143	49,102
Intangible assets		81,072	81,345
Property, plant and equipment		25,127	22,466
Deferred tax assets		14,693	15,558
Tax recoverable		13,491	19,122
Assets held for resale		6,243	6,332
TOTAL ASSETS		3,454,751	3,547,638
LIABILITIES			
Deposits from customers	A14	926,366	1,012,577
Deposits and placements of banks and other financial institutions	A15	783,107	806,689
Borrowings	A17	26,176	65,757
Other liabilities			
-Balance due to clients and brokers		617,793	598,574
- Amount held in trust		252,731	218,258
- Other payables	A16	80,059	82,317
Provision for taxation and zakat		516	239
Deferred tax liabilities		2,351	2,134
Subordinated obligations	A15	1,541	1,510
Liabilities held for resale		9	9
TOTAL LIABILITIES		2,690,649	2,788,064
SHAREHOLDERS EQUITY			
Share Capital		611,759	611,759
Share Premium		75	75
Profit and loss reserve		13,702	9,339
Exchange fluctuation reserve		(10,801)	(9,645)
Statutory reserve		57,458	57,458
Fair value reserve		1,957	2,930
Capital reserve		71,952	71,952
		746,102	743,868
Minority Interests		18,000	15,706
Total equity		764,102	759,574
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,454,751	3,547,638
Net Assets Per Share (RM)		1.22	1.22

The condensed Consolidated Balance Sheets should be read in conjunction with
Financial Report for the year ended 31 December 2010

CONDENSED STATEMENT OF POSITIONS

COMPANY

	AS AT END OF CURRENT QUARTER 31 March 2011 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31 December 2010 RM'000
ASSETS		
Cash and short-term funds	30,476	37,435
Deposits and placements with financial institutions	-	-
Securities purchased under resale agreements	-	-
Securities held for trading	22,237	21,422
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	15,000	13,638
- Amount due from related companies	-	-
- Other receivables	153	105
Statutory deposits with the Central Bank	-	-
Investments in subsidiary companies	620,337	615,994
Investments in associated companies	20,210	20,210
Intangible assets	97	130
Property, plant and equipment	1,025	643
Deferred tax assets	-	-
Tax recoverable	5,438	5,438
Asset of disposal group/non current assets classified as held for sale	-	-
TOTAL ASSETS	714,973	715,015
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	759	-
- Other payables	4,943	4,412
Provision for taxation and zakat	-	-
Deferred tax liabilities	2,250	2,100
Subordinated obligations	-	-
Liabilities directly associated with assets classified as held for sale	-	-
TOTAL LIABILITIES	7,952	6,512
SHAREHOLDERS EQUITY		
Share Capital	611,759	611,759
Share Premium	75	75
Profit and loss reserve	95,187	105,061
Capital reserve	-	-
	707,021	716,895
Total equity	707,021	716,895
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	714,973	723,407
Net Assets Per Share (RM)	1.16	1.17

The condensed Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31 December 2010

Consolidated Condensed Statement of Cash Flows
for the period ended 31 March 2011

	Group	
	CUMULATIVE QUARTER	
	CURRENT YEAR TO DATE 31 March 2011 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 March 2010 RM'000
Cash flows from operating activities		
Profit/(loss) before taxation		
- Continuing operations	11,358	14,588
- Discontinued operations	(88)	(200)
Adjustments for non operating and non cash items	3,513	321
Operating profit before changes in working capital	<u>14,783</u>	<u>14,709</u>
Net changes in operating assets	61,082	(138,512)
Net changes in operating liabilities	(85,205)	247,300
Cash (used in)/generated from operations	<u>(9,340)</u>	<u>123,497</u>
Net tax refund/(paid)	5,326	(309)
Net cash (used in)/generated from operating activities	<u>(4,014)</u>	<u>123,188</u>
Net cash generated from/(used in) investing activities	111,113	(94,192)
Net cash used in financing activities	(40,135)	(37,328)
Net increase/(decrease) in cash and cash equivalents during the period	<u>66,964</u>	<u>(8,332)</u>
Cash and cash equivalents brought forward	815,548	334,609
Cash and cash equivalents carried forward	<u>882,512</u>	<u>326,277</u>

Cash and cash equivalents as at 31st March 2011 comprised of :-

Non trust cash and short term funds	876,381
Cash and short term funds classified as asset held for sale	<u>6,131</u>
	<u>882,512</u>

The condensed consolidated cash flow statement should be read in conjunction with the Annual Financial Report for the year ended 31st December 2010

**Condensed Statement of cash flows
for the period ended 31 March 2011**

	<u>Company</u>	
	CUMULATIVE QUARTER	
	CURRENT YEAR TO DATE 31 March 2011 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 March 2010 RM'000
Cash flows from operating activities		
Loss before taxation		
- Continuing operations	(1,332)	(1,159)
Adjustments for non operating and non cash items	(1,239)	(3,769)
Operating loss before changes in working capital	<u>(2,571)</u>	<u>(4,928)</u>
Net changes in operating assets	(4,993)	175
Net changes in operating liabilities	530	(704)
Cash used in operations	<u>(7,034)</u>	<u>(5,457)</u>
Net dividends received	-	250
Interest income	528	486
Net cash used in operating activities	<u>(6,506)</u>	<u>(4,721)</u>
Net cash used in investing activities	(453)	(1,282)
Net cash used in financing activities	-	-
Net decrease in cash and cash equivalents during the period	<u>(6,959)</u>	<u>(6,003)</u>
Cash and cash equivalents brought forward	37,435	52,704
Cash and cash equivalents carried forward	<u>30,476</u>	<u>46,701</u>
Cash and cash equivalents as at 31st March 2011 comprised of :-		
Non trust cash and short term funds	<u>30,476</u>	
	<u>30,476</u>	

**The condensed cash flow statement should be read in conjunction
with the Annual Financial Report for the year ended 31st December 2010**

**Consolidated Statement of changes in equity
for the period ended 31 March 2011**

Group

	<---Attributable to Equity Holder's 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	RM'000	RM'000
As at 1 January 2011	611,759	75	(9,645)	71,952	2,930	57,458	9,339	15,706	759,574
Total comprehensive income for the year	-	-	(1,156)	-	(973)	-	4,363	4,910	7,144
Derecognition of special purpose vehicle	-	-	-	-	-	-	-	(2,616)	(2,616)
As at 31 March 2011	<u>611,759</u>	<u>75</u>	<u>(10,801)</u>	<u>71,952</u>	<u>1,957</u>	<u>57,458</u>	<u>13,702</u>	<u>18,000</u>	<u>764,102</u>

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

Group

	<---Attributable to Equity Holders of the Parent----->							Minority Distributable Interests	Total Equity
	<-----Non-Distributable----->								
	Share Capital RM'000	Share Premium RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Fair value Reserve RM'000	Statutory Reserve RM'000	Retained profits RM'000	RM'000	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	<u>611,759</u>	<u>75</u>	<u>(1,390)</u>	<u>71,952</u>	<u>(199)</u>	<u>57,458</u>	<u>67,228</u>	<u>9,849</u>	<u>816,732</u>
Total comprehensive income for the year	-	-	(3,741)	-	537	-	9,707	468	6,971
As at 31 March 2010	<u>611,759</u>	<u>75</u>	<u>(5,131)</u>	<u>71,952</u>	<u>338</u>	<u>57,458</u>	<u>76,935</u>	<u>10,317</u>	<u>823,703</u>

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2010

Statement of changes in equity
for the period ended 31 March 2011

Company

	---Attributable to Equity Holders of the Parent-- <-- Non Distributable-->			Distributable	Total Equity
	Share Capital RM'000	Share Premium RM'000	Retained profits RM'000		
As at 1 January 2011	611,759	75		96,669	708,503
Comprehensive income for period	-	-		(1,482)	(1,482)
As at 31 March 2011	<u>611,759</u>	<u>75</u>	<u>0</u>	<u>95,187</u>	<u>707,021</u>

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

Company

	--Attributable to Equity Holders of the Parent----			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 period	-	-		(1,909)	(1,909)
As at 31 March 2010	<u>611,759</u>	<u>75</u>		<u>90,956</u>	<u>702,790</u>

The Condensed Statements of Changes in Equity should be read in
conjunction with the Annual Financial Report for the year ended 31 December 2010

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 2010.

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 2010. 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 2010.

A3. Preceding financial year audit report

The preceding financial year audit report in respect of the financial year ended 31 December 2010 was not qualified by the external auditors.

A4. Seasonal or Cyclical Factors

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

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

There are no exceptional items affecting assets, liabilities, equity, net income or cash flows during the quarter ended 31 March 2011.

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

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

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

There were no issues and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the quarter ended 31 March 2011.

A8. Dividends paid per share

No dividends was declared or paid during the quarter ended 31 March 2011.

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

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2011

	March 2011 RM' 000	December 2010 RM' 000
A9 (a) Financial assets held-for-trading		
At Fair Value		
Money Market Instruments:-		
Malaysian Government Treasury Bills	-	-
Malaysian Government Securities	55,121	30,457
Malaysian Government Investment Issues	19,964	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>75,085</u>	<u>195,360</u>
Quoted securities:		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	40,491	33,475
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	-	-
Total quoted securities	<u>40,491</u>	<u>33,475</u>
Unquoted securities:		
Private and Islamic Debt Securities in Malaysia	73,837	74,364
Foreign Private Debt Securities	-	-
Total unquoted securities	<u>73,837</u>	<u>74,364</u>
Total financial assets held-for-trading	<u>189,413</u>	<u>303,199</u>
A10 (b) Financial investments available-for-sale		
At Fair Value, or amortised cost less impairment losses for certain unquoted equity instruments		
Money market instruments:-		
Malaysian Government Securities	380,123	381,269
Islamic Cagamas Bonds	-	-
Cagamas Bonds	-	-
Foreign Government Securities	-	-
Malaysian Government Treasury Bills	-	-
Malaysian Government Investment Issues	119,495	119,720
Foreign Government Treasury Bills	-	-
Negotiable Instruments of Deposits	-	-
Bankers' Acceptances and Islamic Accepted Bills	-	-
Khazanah Bonds	-	-
Bank Negara Malaysia Sukuk Ijarah Bonds	-	-
Foreign Certificates of Deposits	-	-
Total Money market instruments	<u>499,618</u>	<u>500,989</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2011

	March 2011 RM' 000	December 2010 RM' 000
Quoted securities:		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	489	190
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	-	62
	<u>488</u>	<u>252</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	250,945	253,484
Malaysian Government Bonds	-	-
Foreign Islamic and Private Debt Securities	-	-
Credit Link Notes	-	-
Malaysia Global Sukuk	-	-
Others	490	490
	<u>253,535</u>	<u>256,074</u>
Accumulated impairment losses	-	-
Total financial investments available-for-sale	<u>753,642</u>	<u>757,315</u>
A11 (e) Financial investments 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	-	-
	<u>-</u>	<u>-</u>
Accumulated impairment losses	-	-
Total financial investments held-to-maturity	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2011

	March 2011 RM' 000	December 2010 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	132,287	179,350
- Constructions	-	-
Credit card receivables	-	-
Bills receivables	-	-
Trust receipts	-	-
Claims on customers under acceptance credits	-	-
Share margin financing	469,811	464,865
Finance, insurance and business services	-	-
Revolving credits	-	-
Staff loans	-	-
Housing loans to	-	-
- Executive directors of the Bank	-	-
- Executive directors of subsidiaries	-	-
Others	36,634	80,261
	<u>638,732</u>	<u>724,476</u>
Interest in suspense	-	-
Unearned interest and income	-	-
Gross loans, advances and financing	<u>638,732</u>	<u>724,476</u>
Allowances for bad and doubtful debts and financing:		
- Individual Impairment	(111,917)	(111,053)
- Collective Impairment	(7,519)	(8,159)
Net loans, advances and financing	<u>519,296</u>	<u>605,264</u>
(i) By maturity structure		
Within one year	624,859	710,952
1 year to 2 years	-	-
More than 2 years	13,873	13,524
Gross loans, advances and financing	<u>638,732</u>	<u>724,476</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2011

	March 2011	December 2010
	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	-	-
- Others	141,535	325,730
Government and statutory bodies	-	-
Individuals	478,949	385,298
Other domestic entities	-	-
Foreign entities	18,248	13,448
Total domestic operations	<u>638,732</u>	<u>724,476</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>638,732</u>	<u>724,476</u>
(iii) By interest/profit rate sensitivity		
Fixed rate		
- Housing loans/financing	-	-
- Hire purchases receivable	-	-
- Cost price	-	-
- Other fixed rate loans/financing	469,811	464,865
Variable rate	-	-
- Base lending rate plus	36,635	80,262
- Cost plus	132,286	179,349
- Other variable rates	-	-
Gross loans, advances and financing	<u>638,732</u>	<u>724,476</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2011

	March 2011 RM' 000	December 2010 RM' 000
(iv) Total loans by economic purposes		
Domestic operations:		
Purchase of securities	3,653	63,248
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	6,314	6,861
Construction	7,269	41,778
Real Estate	-	-
Transport, storage and communication	118,368	117,597
Finance, insurance and business services	336	13,114
Working capital	32,981	17,014
Others	469,811	464,864
Total domestic operations	<u>638,732</u>	<u>724,476</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>638,732</u>	<u>724,476</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2011

	March 2011 RM' 000	December 2010 RM' 000
(v) Impaired loans by economic purpose		
Domestic operations:		
Purchase of securities	21,869	21,705
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	147,125	185,433
Others	-	-
Total domestic operations	<u>168,994</u>	<u>207,138</u>
Overseas operations:		
Singapore	-	-
Hong Kong SAR	-	-
United States of America	-	-
People's Republic of China	-	-
Others (Please specify)	-	-
	<u>168,994</u>	<u>207,138</u>
(vi) Movement in impaired loans, advances and financing ("Impaired loans") are as follows		
At beginning of the period	207,138	78,032
Impaired during the period	6,383	177,532
Amount written back in respect of recoveries	-	-
Reclassified as performing	-	-
Acquired upon business acquisition	-	-
Transfer from a subsidiary	-	-
Recovered	(44,527)	(45,775)
Amount written off	-	(2,651)
Converted to securities	-	-
At end of the period	<u>168,994</u>	<u>207,138</u>
Individual Impairment	(111,917)	(111,053)
Interest in suspense	-	-
Unearned interest and income	-	-
Net impaired loans, advances and financing	<u>57,077</u>	<u>96,085</u>
Net impaired loans as a% of gross loans, advances and financing (including Islamic loans sold to Cagamas) less individual impairment	<u>10.83%</u>	<u>15.66%</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2011

	March 2011 RM' 000	December 2010 RM' 000
(vii) Movement in individual impairment for loans and advances (and financing) accounts are as follows		
<u>Individual Impairment</u>		
At beginning of the period	111,053	58,859
Adjustment due to FRS 139	-	5,012
Allowance made during the period	1,155	101,704
Amount written back in respect of recoveries	(291)	(9,338)
Acquired upon business acquisition	-	-
Transfer from a subsidiary	-	-
Amount of allowance set off against gross loans	-	(45,184)
Transfer to collective impairment	-	-
Transfer to impairment losses in value of securities	-	-
Transfer to restructured/rescheduled loans	-	-
Exchange differences	-	-
At end of the period	<u>111,917</u>	<u>111,053</u>
(viii) Movement in collective impairment for loans and advances (and financing) accounts are as follows		
<u>Collective Impairment</u>		
At beginning of the period	8,159	13,145
Adjustment due to FRS 139	-	(1,074)
Allowance made during the period	767	4,409
Amount written back	(1,407)	(8,321)
Acquired upon business acquisition	-	-
Transfer from individual impairment	-	-
Exchange differences	-	-
At end of the period	<u>7,519</u>	<u>8,159</u>
As % of gross loans, advances and financing (including Islamic loans sold to Cagamas) less individual impairment	<u>1.43%</u>	<u>1.33%</u>
A13 Other Assets		
Interest/Income receivable	6,923	9,752
Prepayments and deposits	11,872	12,602
Other debtors	10,167	11,353
Foreclosed properties	-	-
Investment properties	-	-
Derivative assets	-	-
	<u>28,962</u>	<u>33,707</u>
Impairment	<u>(1,347)</u>	<u>(1,770)</u>
	<u>27,615</u>	<u>31,937</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2011

	March 2011 RM' 000	December 2010 RM' 000
A14 Deposits from Customers		
Fixed deposits and negotiable instruments of deposits		
- One year or less	926,366	1,012,577
- More than one year	-	-
Savings deposits	-	-
Demand deposits	-	-
Structured deposits	-	-
	<u>926,366</u>	<u>1,012,577</u>
Business enterprise	772,015	768,388
Individuals	-	-
Government and statutory bodies	154,351	244,189
	<u>926,366</u>	<u>1,012,577</u>
A15 Deposits and Placement of Banks and Other Financial Institutions and Debt Securities		
Licensed banks	295,000	304,000
Licensed finance companies	-	-
Licensed investment banks	70,000	70,000
Non-banking insitutions	-	-
Other financial institutions	418,107	432,689
	<u>783,107</u>	<u>806,689</u>
Subordinated obligations		
Unsecured		
- less than one year	-	-
- more than one year	1,541	1,510
	<u>1,541</u>	<u>1,510</u>
A16 Other liabilities		
Interest/Profit payable	5,713	8,609
Provision for outstanding claims	-	-
Unearned premium reserves	-	-
Profit Equalisation Reserves	-	-
Provision and accruals	49,274	44,601
Retention for Contra Losses	15,996	16,272
Hire purchase creditors	-	-
Due to brokers and clients	-	-
Deposits and other creditors	6,221	11,264
Derivative liabilities	2,855	1,571
	<u>80,059</u>	<u>82,317</u>

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

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2011

	March 2011	December 2010
	RM' 000	RM' 000
A17 Bank Borrowings		
Hire purchase creditors	-	-
Revolving bank loan	26,176	65,757
Term loan	-	-
Secured notes insurance facility	-	-
	<u>26,176</u>	<u>65,757</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2011

A18 Commitments and Contingencies and Off-Balance Sheet Financial Instruments

	RM'000	March 2011 RM'000 Credit Equivalent	RM'000 Risk Weighted	RM'000 Notional	December 2010 RM'000 Credit Equivalent	RM'000 Risk Weighted
Performance bond	-	-	-	-	-	-
Direct credit substitutes	-	-	-	-	-	-
Certain transaction-related contingent items	-	-	-	-	-	-
Short-term self-liquidating trade-related contingencies	-	-	-	-	-	-
Islamic housing and hire purchase loans sold to Cagamas Berhad	-	-	-	-	-	-
Obligations under underwriting agreements	-	-	-	13,439	6,720	6,720
Obligations under share financing	-	-	-	-	-	-
Irrevocable commitments to extend credit:	-	-	-	-	-	-
- maturity within one year	-	-	-	-	-	-
- Margin	655,954	-	-	654,477	-	-
- Term loan	-	-	-	-	-	-
- maturity exceeding one year	-	-	-	-	-	-
- Margin	-	-	-	-	-	-
- Term loan	-	-	-	-	-	-
Foreign exchange related contracts:	-	-	-	-	-	-
- less than one year	-	-	-	-	-	-
- one year to less than five years	-	-	-	-	-	-
- five years and above	-	-	-	-	-	-
Interest rate related contracts:	-	-	-	-	-	-
- less than one year	-	-	-	-	-	-
- one year to less than five years	-	-	-	-	-	-
- five years and above	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Undrawn margin facilities	-	-	-	-	-	-
Capital expenditure commitments	-	-	-	-	-	-
Non-cancellable lease rental commitments	-	-	-	-	-	-
	655,954	-	-	667,916	6,720	6,720

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2011

Non trading book

	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	Total RM	Effective interest rate %
A19 Interest/Profit Rate Risk									
Cash and short-term funds	796,761	-	-	-	-	329,163	-	1,125,924	2.74%
Deposits and placements with banks and other financial institutions	-	-	-	-	-	847	-	847	-
Securities purchased under resale agreements	-	-	-	-	-	-	-	-	-
Financial assets held-for-trading	-	-	-	-	-	22,238	167,175	189,413	4.00%
Financial investments available-for-sale	-	20,044	75,920	634,689	20,399	2,590	-	733,642	4.21%
Financial investments held-to-maturity	-	-	-	-	-	-	-	-	-
Loans, advances and financing	-	-	-	-	-	-	-	-	-
- non-impaired	461,543	4,504	3,667	2	-	-	-	469,716	7.37%
- impaired	-	-	-	-	-	49,580	-	49,580	-
Other assets n1	338,697	-	2,000	-	-	421,183	-	661,880	-
Other non-interest sensitive balances	-	-	-	-	-	203,749	-	203,749	-
TOTAL ASSETS	1,497,001	24,548	81,587	634,691	20,399	1,029,350	167,175	3,454,751	

Interest/Profit Rate Risk

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits from customers	689,565	13,534	45,725	177,542	-	-	-	926,366	3.09%
Deposits and placements of banks and other financial institutions	282,238	223,766	149,724	127,379	-	-	-	783,107	3.09%
Borrowings	26,176	-	-	-	-	-	-	26,176	5.01%
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-	-	-	-
Bills and acceptances payable	-	-	-	-	-	-	-	-	-
Recourse obligation on loans sold to Cagamas	-	-	-	-	-	-	-	-	-
Subordinated notes	-	-	-	1,541	-	-	-	1,541	5.00%
Other non-interest sensitive balances	384,641	-	-	-	13,031	555,787	-	953,459	-
Total Liabilities	1,382,620	237,300	195,449	306,462	13,031	555,787	-	2,690,649	
Shareholders' equity	-	-	-	-	-	746,102	-	746,102	-
Minority interests	-	-	-	-	-	18,000	-	18,000	-
Total Liabilities and Shareholders' Equity	1,382,620	237,300	195,449	306,462	13,031	1,319,889	-	3,454,751	
On-balance sheet interest sensitivity gap	114,381	(212,752)	(113,862)	328,229	7,368	(290,539)	167,175	-	-
Total interest sensitivity gap	114,381	(212,752)	(113,862)	328,229	7,368	(290,539)	167,175	-	

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

	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	-	-	-	-	-	-	-	-	-
Financial assets held-for-trading	-	-	-	-	-	21,423	281,776	303,199	3.92%
Financial investments available-for-sale	122,654	-	64,323	545,723	20,002	4,613	-	757,315	4.19%
Financial investments held-to-maturity	-	-	-	-	-	-	-	-	-
Loans, advances and financing	-	-	-	-	-	-	-	-	-
- performing	342,248	64,188	4,542	-	-	-	-	410,978	7.56%
- impaired loans	-	-	-	-	-	-	-	194,286	-
Other assets n1	238,697	-	2,000	-	-	194,286	-	401,761	-
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	-	-	-	-	-
Other non-interest sensitive balances	353,735	-	-	-	-	-	-	1,510	5.00%
Total Liabilities	1,681,264	247,014	310,480	1,510	13,039	534,757	-	901,531	
Shareholders' equity	-	-	-	-	13,039	534,757	-	2,788,064	-
Minority interests	-	-	-	-	-	743,868	-	743,868	-
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 MARCH 2011

A20 Capital Adequacy

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

	March 2011 RM'000	December 2010 RM'000
Components of Tier I and Tier II capital:		
<u>Tier I capital</u>		
Paid-up share capital	620,000	620,000
Retained Profits	(68,509)	(68,509)
Statutory reserve	57,458	57,458
	<u>608,949</u>	<u>608,949</u>
Less: Deferred tax assets	(13,463)	(14,645)
Goodwill	(17,606)	(17,606)
Total Tier I capital	<u>577,880</u>	<u>576,698</u>
<u>Tier II capital</u>		
Collective impairment provision	<u>6,833</u>	<u>6,820</u>
Total Tier II capital	<u>6,833</u>	<u>6,820</u>
Total capital	584,713	583,518
Less: Investments in subsidiary companies	<u>(36,150)</u>	<u>(36,150)</u>
Capital base	<u>548,563</u>	<u>547,368</u>
Core capital ratio	36.44%	41.74%
Risk-weighted capital ratio	36.44%	41.74%

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2011

	Individual Quarter		Cumulative Quarter	
	31 March 2011 RM'000	31 March 2010 RM'000	31 March 2011 RM'000	31 March 2010 RM'000
A21 Interest Income				
Loans, advances and financing				
- Interest income other than recoveries from impaired loans	1,433	8,154	1,433	8,154
- Recoveries from impaired loans	-	-	-	-
- Interest income recognised on unimpaired portion of NPL	884	-	884	-
- Inter-company	-	-	-	-
Money at call and deposit placements with financial institutions	7,498	2,729	7,498	2,729
Securities purchased under resale agreements	-	-	-	-
Financial assets held-for-trading	1,782	818	1,782	818
Financial investments available-for-sale	7,553	7,108	7,553	7,108
Financial investments held-to-maturity	-	-	-	-
Interest on Margin	8,556	8,918	8,556	8,918
Interest income on impaired loans	-	-	-	-
Interest on Contra	518	301	518	301
Others	-	1	-	1
	<u>28,224</u>	<u>28,029</u>	<u>28,224</u>	<u>28,029</u>
Amortisation of premium less accretion of discount	-	-	-	-
Interest income suspended	-	-	-	-
	<u>28,224</u>	<u>28,029</u>	<u>28,224</u>	<u>28,029</u>
A22 Interest Expense				
Deposits and placement of banks and other financial institutions	2,772	1,172	2,772	1,172
Intercompany loan	-	-	-	-
Term loan	662	556	662	556
Deposits from customers	11,839	7,449	11,839	7,449
Obligations on securities sold under repurchase agreements	-	-	-	-
Floating rate certificate of deposits	-	-	-	-
Subordinated notes	-	-	-	-
Subordinated bonds	-	-	-	-
Others	-	-	-	-
	<u>15,273</u>	<u>9,177</u>	<u>15,273</u>	<u>9,177</u>
A23 Non-interest Income				
(a) Fee income:				
Commissions	3,927	2,976	3,927	2,976
Service charges and fees	1,906	3,703	1,906	3,703
Guarantee fees	-	-	-	-
Underwriting fees	-	-	336	-
Brokerage income	40,844	29,902	40,844	29,902
Other fee income	3,553	1,567	3,553	1,567
	<u>50,566</u>	<u>38,148</u>	<u>50,566</u>	<u>38,148</u>
(b) Gain/loss arising from sale of securities:				
Net gain/(loss) from sale of securities held-for-trading	96	(3,607)	96	(3,607)
Net gain/(loss) from sale of securities available-for-sale	24	-	24	-
Net loss from redemption of securities held-to maturity	-	-	-	-
Net gain/(loss) from sale of subsidiary company	-	-	-	-
	<u>120</u>	<u>(3,607)</u>	<u>120</u>	<u>(3,607)</u>
(c) Gross dividend from:				
Securities portfolio	313	547	313	547
(d) Unrealised gains/(losses) on revaluation of securities				
held-for-trading and derivatives	1,094	6,760	1,094	6,760
Write back of impairment losses on securities	-	-	-	-
	<u>1,094</u>	<u>6,760</u>	<u>1,094</u>	<u>6,760</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2011

	Individual Quarter		Cumulative Quarter	
	31 March 2011 RM'000	31 March 2010 RM'000	31 March 2011 RM'000	31 March 2010 RM'000
(e) Other income:				
Foreign exchange profit	469	479	469	479
Net premiums written	-	-	-	-
Rental Income	-	-	-	-
Gains on disposal of property, plant and equipment	-	349	-	349
Gain on disposal of foreclosed properties	-	-	-	-
Intercompany written off	-	-	-	-
Capital gain arising from receipt of shares in Bursa Malaysia Berhad	-	-	-	-
Others	5,627	726	5,627	726
	<u>6,096</u>	<u>1,554</u>	<u>6,096</u>	<u>1,554</u>
	-	-	-	-
Total non-interest income	<u>58,190</u>	<u>43,402</u>	<u>58,190</u>	<u>43,402</u>
A24 Other operating expenses				
Personnel costs	18,921	15,086	18,921	15,086
- Salaries, allowances and bonuses	16,102	11,088	16,102	11,088
- Pension costs	1,353	1,542	1,353	1,542
- Others	1,466	2,456	1,466	2,456
Establishment costs	7,879	7,363	7,879	7,363
- Depreciation	1,642	1,677	1,642	1,677
- Rental of leasehold land and premises	3,783	3,545	3,783	3,545
- Repairs and maintenance of property, plant and equipment	448	362	448	362
- Information technology expenses	886	599	886	599
- Others	1,120	1,180	1,120	1,180
Marketing expenses	921	1,021	921	1,021
- Advertisement and publicity	17	86	17	86
- Others	904	935	904	935
Administration and general expenses	30,747	22,487	30,747	22,487
- Fees and brokerage	16,891	12,256	16,891	12,256
- Administrative expenses	13,605	5,308	13,605	5,308
- 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	12	11	12	11
- Others	239	4,912	239	4,912
	<u>58,468</u>	<u>45,957</u>	<u>58,468</u>	<u>45,957</u>
A25 Allowances on bad & doubtful accounts on balances due from clients and brokers and other receivables				
Allowances for bad and doubtful debts and financing:				
- collective impairment (net)	-	1,839	-	1,839
- individual impairment/(reversal)	835	(2,021)	835	(2,021)
Bad debts and financing written off	(300)	-	(300)	-
Bad debts and financing recovered	(65)	(87)	(65)	(87)
Provision for other debts	(182)	-	(182)	-
	<u>288</u>	<u>(269)</u>	<u>288</u>	<u>(269)</u>
A25a Allowance for Losses on loans, advances and financing				
Allowances for bad and doubtful debts and financing:				
- collective impairment (net)	(640)	2,645	(640)	2,645
- individual impairment	1,154	(238)	1,154	(238)
- write back of individual impairment	(290)	-	(290)	-
Bad debts and financing written off	-	1	-	1
Bad debts and financing recovered	(1)	-	(1)	-
Provision for other debts	-	-	-	-
	<u>223</u>	<u>2,408</u>	<u>223</u>	<u>2,408</u>

K & N KENANGA HOLDINGS BERHAD
FOR THE 1ST QUARTER ENDED 31 MARCH 2011
A26. SEGMENTAL REPORTING

	Continued Operations												Discontinued Operations																							
	Investment Bank			Stock broking			Futures			Money lending			Investment Management			Corporate and Others			Eliminations			Total			Others			Total								
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000					
Revenue	12,593	22,366	57,368	39,880	6,019	3,983	1,840	1,554	2,188	80	2,794	1,177	(1,402)	(52)	81,400	68,987	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
External sales	-	-	-	-	143	145	-	-	-	66	542	461	(685)	(672)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Inter-segment sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Total revenue	12,593	22,366	57,368	39,880	6,162	4,128	1,840	1,554	2,188	146	3,336	1,638	(2,087)	(724)	81,400	68,987	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Result	18,684	17,254	5,904	8,255	2,365	1,155	1,267	1,417	164	58	559	499	(729)	(630)	28,213	28,008	11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Interest Income	51	115	-	44	-	-	-	-	-	-	262	388	-	-	313	547	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Dividend Income	502	-	1,118	1,649	88	74	42	51	55	36	113	120	-	-	1,918	1,930	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Depreciation & amortisation	118	(1,899)	(283)	269	-	-	(346)	(508)	-	-	-	-	-	-	(511)	(2,138)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Impairment losses	-	-	(35)	3,932	-	-	-	-	-	-	806	2,639	(410)	-	361	6,571	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Other Non-cash expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Segment results	15,611	14,160	5,431	9,014	2,828	1,583	755	509	(70)	(390)	1,009	(880)	1,959	(461)	27,523	23,555	(88)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Profit from operation	15,611	14,160	5,431	9,014	2,828	1,583	755	509	(70)	(390)	1,009	(880)	1,958	(461)	27,523	23,555	(88)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Finance cost, net	(14,238)	(8,820)	-	(10)	(1,086)	(386)	(667)	(571)	0	0	0	0	718	610	(15,273)	(9,177)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Share of results of associates	-	-	-	-	-	-	-	-	-	-	(804)	430	-	-	(804)	430	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit before taxation	1,373	5,340	5,431	9,004	1,742	1,197	88	(62)	(70)	(390)	205	(450)	-	-	11,446	14,788	(88)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,997)	(4,214)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Taxation from discontinuing operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,449	10,574	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Profit after taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Loss from discontinuing operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,910)	(468)	(88)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Minority interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,539	10,106	(88)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Investments in associates	-	-	-	-	-	-	-	-	-	-	51,964	88,644	(4,821)	(12,783)	47,143	75,861	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions to non-current assets	-	-	4,564	502	8	474	5	80	5	3	453	37	(1)	-	5,034	1,096	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Segments assets	114,063	400,183	2,825,827	2,295,818	428,414	384,295	52,135	48,453	29,995	13,358	752,674	732,874	(754,602)	(711,495)	3,448,506	3,163,486	6,245	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Segment liabilities	959,104	1,157,457	1,364,582	884,268	405,106	357,440	41,792	39,589	4,089	229	11,310	6,918	(95,347)	(99,560)	2,690,636	2,346,351	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

K & N KENANGA HOLDINGS BERHAD (302859-X)

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

A27. Revaluation of property, plant and equipment

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

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

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

A29. Effects of changes in the Composition of the Group

There were no major changes in the composition of the Group for the quarter ended 31 March 2011.

A30. Significant Events and Transactions

There were no major significant events and transactions during the period except as disclosed in B11 Changes in Material Litigation.

Due to the weakening of the US Dollar against Ringgit Malaysia, an additional impairment of RM786, 000 was also provided for in the current quarter due to deterioration of collateral values pledged for a loan in the investment bank.

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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 period ended 31 March 2011, the Group recorded a profit before taxation from continuing operations of RM11.36 million as compared to a loss of RM50.63 million in the previous cumulative quarter ended 31 December 2010.

The profit before taxation that arises during the quarter and year ended 31 March 2011 was due mainly to operational profits of RM8.54 million achieved by its investment banking and futures broker subsidiary companies.

The Group's financial position is still on a solid financial footing as evidenced by the Bank's risk weighted capital ratio of 36.44%, well above the minimum of 8% as prescribed by Bank Negara Malaysia.

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

During the quarter ended 31 March 2011, the Group recorded a profit before taxation from continuing operations of RM11.36 million as compared to a loss of RM27.89 million in the previous quarter ended 31 December 2010.

The profit before taxation that arises during the quarter ended 31 March 2011 was due mainly to operational profits of RM8.54 million achieved by its investment banking and futures broker subsidiary companies.

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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 March 2011	Cumulative Quarter Current Year to date 31 March 2011
	-----RM'000-----	
Current period -income tax	536	536
Underprovision in prior year – income tax	54	54
Deferred taxation	1,407	1,407
Total	<u>1,997</u>	<u>1,997</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 lower than the statutory rate due to:-

	Individual Current Quarter	Cumulative Current Quarter
	-----RM'000-----	
Tax effect at statutory rate	2,588	2,588
Add: Tax effect of expenses that are not deductible for tax purposes	1,553	1,553
Add: Tax losses not recognised	447	447
Less: Utilization of unabsorbed tax losses and capital allowances	(3,299)	(3,299)
Less: Non taxation of capital items	(753)	(753)
Less: Tax on inter- company dividends	-	-
Tax expense	<u>536</u>	<u>536</u>

B6. Profits on Sale of Investments and/or Properties

There were no sales of unquoted investments and properties for the quarter ended 31 March 2011.

B7. Quoted Securities

- (a) Total purchases and sales of quoted securities by the Group other than the investment banking subsidiary for the quarter ended 31 March 2011 and the profit arising there from were as follows:

	Individual Quarter	Cumulative Quarter
	-----RM'000-----	
Total purchases for the period	<u>9,161</u>	<u>9,161</u>
Total sales for the period	<u>5,761</u>	<u>5,761</u>
Total gains on disposal for the period	<u>718</u>	<u>718</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 March 2011 were as follows:

Total investment at cost	RM'000 22,163
Total investment at carrying value/book value	27,148
Total investment at market value at end of reporting period	27,148

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	1,541
Short term loan from financial institutions (unsecured) - Note 2	26,176

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 in order to finance its own working capital. These facilities have average repayment period of 30 days and the average interest rates charged were 5.1% 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.

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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.

The Court has on 31st March 2011, struck off Dato' Ishak's Writ and Statement of Claim with costs.

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SELECTED EXPLANATORY NOTES

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

B12. Dividend

No interim dividend has been declared for the current quarter ended 31 March 2011.

B13. Earnings per share

The amount used as the numerator for the purposes of calculating the basic profit per share for the three-month period is RM4.36 million representing the profit for the year attributable to ordinary equity holder of the parent (31 March 2010: - profit attributable to ordinary equity holder of parent: RM9.71 million)

The weighted average number of shares used as the denominator in calculating the basic earnings per share for the three-month period is 611,759,499 (31 March 2010: 611,759,499).

B14. Derivatives

As at 31 March 2011, 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	16,119	2,855
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.

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SELECTED EXPLANATORY NOTES

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

B14. Derivatives (contd)

Types of derivative financial instruments (contd)

(a) Structured warrants (contd)

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

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

(b) Futures

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

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

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

Purposes of engaging in derivative financial instruments

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

Risks associated with derivative financial instruments

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

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

	Individual Quarter	Cumulative Quarter
	-----RM'000-----	
Losses from fair value changes of financial liabilities	(137)	(137)

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 March 2011 (RM'000)	As at 31 December 2010 (RM'000)
Total retained profits / (accumulated losses) of Company and its subsidiaries:		
-- Realised	(274,797)	(280,988)
-- Unrealised	23,505	24,927
	(251,292)	(256,061)
Total share of retained profits / (accumulated losses) from associated companies:		
-- Realised	(12,169)	(11,915)
-- Unrealised	(836)	(286)
	(13,005)	(12,201)
Add : Consolidation adjustments	277,999	277,601
Total group retained profits as per consolidated accounts	13,702	9,339

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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