

QUARTERLY REPORT

Quarterly report on consolidated results for the financial quarter ended 30th June 2011

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 30 June 2011 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 June 2010 RM'000	CURRENT YEAR TO DATE 30 June 2011 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 June 2010 RM'000
Continuing Operations					
Interest income	A21	26,293	29,479	54,517	57,508
Interest expense	A22	(12,555)	(9,548)	(27,828)	(18,725)
Net interest income		13,738	19,931	26,689	38,783
Non interest income	A23	46,110	41,905	104,300	85,307
Net Income		59,848	61,836	130,989	124,090
Other operating expenses	A24	(49,814)	(49,434)	(108,282)	(95,391)
Operating profit		10,034	12,402	22,707	28,699
Write-back/(impairment)					
on loans, advances and financing	A25a	3,713	(34,499)	3,490	(36,907)
Reversal/(impairment) for bad and doubtful accounts on balances due from clients & brokers	A25	848	(157)	560	112
Reversal of impairment in an associated company		1,875	-	1,875	-
Share of losses in associates		(1,300)	(3,080)	(2,104)	(2,650)
Profit/(loss) before taxation		15,170	(25,334)	26,528	(10,746)
Taxation		(3,250)	4,496	(5,247)	282
Profit/(loss) for the period from continuing operations		11,920	(20,838)	21,281	(10,464)
Discontinued operations					
Loss for the period		(83)	(122)	(171)	(321)
Profit/(loss) for the period		11,837	(20,960)	21,110	(10,785)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 June 2011 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 June 2010 RM'000	CURRENT YEAR TO DATE 30 June 2011 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 June 2010 RM'000
Other comprehensive income				
Exchange fluctuation from translation of associated companies' net assets	153	(251)	(1,003)	(3,992)
Available for sale financial assets	1,278	184	305	721
Other comprehensive income for the year	1,431	(67)	(698)	(3,271)
Total comprehensive income	13,268	(21,027)	20,412	(14,056)
Profit for the period attributable to				
- Equity holders of the parent	5,579	(21,490)	9,942	(11,783)
- Minority interests	6,258	530	11,168	998
	<u>11,837</u>	<u>(20,960)</u>	<u>21,110</u>	<u>(10,785)</u>
Total comprehensive income for the period attributable to				
- Equity holders of the parent	7,010	(21,557)	9,244	(15,054)
- Minority interests	6,258	530	11,168	998
	<u>13,268</u>	<u>(21,027)</u>	<u>20,412</u>	<u>(14,056)</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) (2010: 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)	0.9	(3.5)	1.6	(1.9)
(ii) Fully diluted	0.9	(3.5)	1.6	(1.9)

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 30 June 2011 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 June 2010 RM'000	CURRENT YEAR TO DATE 30 June 2011 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 June 2010 RM'000
Continuing Operations				
Interest income	532	458	1,060	943
Interest expense	-	-	-	-
Net interest income	532	458	1,060	943
Non interest income	3,997	2,681	5,777	7,565
Net Income	4,529	3,139	6,837	8,508
Overhead expenses	(3,346)	(5,187)	(6,986)	(11,715)
Operating profit/(loss)	1,183	(2,048)	(149)	(3,207)
Profit/(loss) before taxation	1,183	(2,048)	(149)	(3,207)
Taxation	(850)	-	(1,000)	(750)
Profit/(loss) for the period from continuing operations	333	(2,048)	(1,149)	(3,957)
Profit/(loss) for the period	333	(2,048)	(1,149)	(3,957)

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

Company

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 June 2011 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 June 2010 RM'000	CURRENT YEAR TO DATE 30 June 2011 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 June 2010 RM'000
(i) Profit/(loss) for the period attributable to - Equity holders of the parent	333	(2,048)	(1,149)	(3,957)
	333	(2,048)	(1,149)	(3,957)
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) (2010 : 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)	0.1	(0.3)	(0.2)	(0.6)
(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 30 June 2011 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31 December 2010 RM'000
	Note		
ASSETS			
Cash and short-term funds		677,720	1,035,480
Deposits and placements with financial institutions		847	847
Securities purchased under resale agreements			
Securities held for trading	A9	413,454	303,199
Securities available for sales	A10	696,978	757,315
Securities held to maturity	A11	-	-
Loans, advances and financing	A12	524,368	605,264
Other assets			
- Balance due from clients and brokers		185,795	258,753
- Assets segregated for customers		392,207	351,768
- Other receivables	A13	89,881	31,937
Statutory deposits with the Central Bank		23,530	9,150
Investments in associated companies		47,870	49,102
Intangible assets		80,821	81,345
Property, plant and equipment		26,140	22,466
Deferred tax assets		12,266	15,558
Tax recoverable		13,507	19,122
Assets held for resale		6,166	6,332
TOTAL ASSETS		3,191,550	3,547,638
LIABILITIES			
Deposits from customers	A14	839,281	1,012,577
Deposits and placements of banks and other financial institutions	A15	587,273	806,689
Borrowings	A17	33,523	65,757
Other liabilities			
- Balance due to clients and brokers		573,586	598,574
- Amount held in trust		231,918	218,258
- Other payables	A16	143,429	82,317
Provision for taxation and zakat		543	239
Deferred tax liabilities		3,201	2,134
Subordinated obligations	A15	1,383	1,510
Liabilities held for resale		13	9
TOTAL LIABILITIES		2,414,180	2,788,064
SHAREHOLDERS EQUITY			
Share Capital		611,759	611,759
Share Premium		75	75
Profit and loss reserve		19,281	9,339
Exchange fluctuation reserve		(10,648)	(9,645)
Statutory reserve		57,458	57,458
Fair value reserve		3,235	2,930
Capital reserve		71,952	71,952
		753,112	743,868
Minority Interests		24,258	15,706
Total equity		777,370	759,574
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,191,550	3,547,638
Net Assets Per Share (RM)		1.23	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 30 June 2011 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31 December 2010 RM'000
ASSETS		
Cash and short-term funds	25,869	37,435
Deposits and placements with financial institutions	-	-
Securities purchased under resale agreements	-	-
Securities held for trading	24,336	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	14,969	13,638
- Amount due from related companies	-	-
- Other receivables	416	105
Statutory deposits with the Central Bank	-	-
Investments in subsidiary companies	620,616	615,994
Investments in associated companies	20,210	20,210
Intangible assets	64	130
Property, plant and equipment	1,269	643
Deferred tax assets	-	-
Tax recoverable	5,438	5,438
Asset of disposal group/non current assets classified as held for sale	-	-
TOTAL ASSETS	713,187	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	-	-
- Other payables	2,733	4,412
Provision for taxation and zakat	-	-
Deferred tax liabilities	3,100	2,100
Subordinated obligations	-	-
Liabilities directly associated with assets classified as held for sale	-	-
TOTAL LIABILITIES	5,833	6,512
SHAREHOLDERS EQUITY		
Share Capital	611,759	611,759
Share Premium	75	75
Profit and loss reserve	95,520	105,061
Capital reserve	-	-
	707,354	716,895
Total equity	707,354	716,895
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	713,187	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 30 June 2011

	<u>Group</u>	
	CUMULATIVE QUARTER	
	CURRENT YEAR TO DATE 30 June 2011 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 June 2010 RM'000
Cash flows from operating activities		
Profit/(loss) before taxation		
- Continuing operations	26,528	(10,746)
- Discontinued operations	(171)	(317)
Adjustments for non operating and non cash items	(4,020)	39,051
Operating profit before changes in working capital	<u>22,337</u>	<u>27,988</u>
Net changes in operating assets	47,122	43,042
Net changes in operating liabilities	(336,690)	(97,076)
Cash used in operations	<u>(267,231)</u>	<u>(26,046)</u>
Net tax refund	5,025	752
Net cash used in operating activities	<u>(262,206)</u>	<u>(25,294)</u>
Net cash used in investing activities	(52,738)	(1,487)
Net cash used in financing activities	(33,128)	(39,879)
Net decrease in cash and cash equivalents during the period	<u>(348,072)</u>	<u>(66,660)</u>
Cash and cash equivalents brought forward	815,548	334,609
Cash and cash equivalents carried forward	<u>467,476</u>	<u>267,949</u>

Cash and cash equivalents as at 30th June 2011 comprised of :-

Non trust cash and short term funds	461,399
Cash and short term funds classified as asset held for sale	<u>6,077</u>
	<u>467,476</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 30 June 2011

	<u>Company</u>	
	CUMULATIVE QUARTER	
	CURRENT YEAR TO DATE 30 June 2011 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 June 2010 RM'000
Cash flows from operating activities		
Loss before taxation		
- Continuing operations	(149)	(3,207)
Adjustments for non operating and non cash items	(3,726)	(5,653)
Operating loss before changes in working capital	<u>(3,875)</u>	<u>(8,860)</u>
Net changes in operating assets	(6,264)	11,171
Net changes in operating liabilities	(1,680)	(435)
Cash (used in)/generated from operations	<u>(11,819)</u>	<u>1,876</u>
Net dividends received	-	410
Interest income	1,060	942
Net cash (used in)/ generated from operating activities	<u>(10,759)</u>	<u>3,228</u>
Net cash used in investing activities	(807)	(595)
Net cash used in financing activities	-	(4,588)
Net decrease in cash and cash equivalents during the period	<u>(11,566)</u>	<u>(1,955)</u>
Cash and cash equivalents brought forward	37,435	52,704
Cash and cash equivalents carried forward	<u>25,869</u>	<u>50,749</u>
Cash and cash equivalents as at 30th June 2011 comprised of :-		
Non trust cash and short term funds	<u>25,869</u>	
	<u>25,869</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 30 June 2011

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 2011	611,759	75	(9,645)	71,952	2,930	57,458	9,339	15,706	759,574
Total comprehensive income for the period	-	-	(1,003)	-	305	-	9,942	11,168	20,412
Derecognition of special purpose vehicle	-	-	-	-	-	-	-	(2,616)	(2,616)
As at 30 June 2011	<u>611,759</u>	<u>75</u>	<u>(10,648)</u>	<u>71,952</u>	<u>3,235</u>	<u>57,458</u>	<u>19,281</u>	<u>24,258</u>	<u>777,370</u>

Consolidated Statement of changes in equity
for the period ended 30 June 2010

Group

	<----Attributable to Equity Holders of the Parent----->						Minority Distributable Interests	Total Equity	
	<-----Non-Distributable----->								
	Share Capital RM'000	Share Premium RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Fair value Reserve RM'000	Statutory Reserve RM'000	Retained profits RM'000	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>
Transaction with owners									
Dividends paid	-	-	-	-	-	-	(4,588)	-	(4,588)
	-	-	-	-	-	-	(4,588)	-	(4,588)
Total comprehensive income for the period	-	-	(3,992)	-	721	-	(11,783)	998	(14,056)
As at 30 June 2010	<u>611,759</u>	<u>75</u>	<u>(5,382)</u>	<u>71,952</u>	<u>522</u>	<u>57,458</u>	<u>50,857</u>	<u>10,847</u>	<u>798,088</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 30 June 2011

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 2011	611,759	75	96,669	708,503
Comprehensive income for period	-	-	(1,149)	(1,149)
As at 30 June 2011	<u>611,759</u>	<u>75</u>	<u>95,520</u>	<u>707,354</u>

Statement of changes in equity
for the period ended 30 June 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 period	-	-	(3,957)	(3,957)
Dividends paid	-	-	(4,588)	(4,588)
As at 30 June 2010	<u>611,759</u>	<u>75</u>	<u>84,320</u>	<u>696,154</u>

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 except for some reclassification to conform with current year presentation.

**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 30 June 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 30 June 2011.

A8. Dividends paid per share

No dividends was declared or paid during the quarter ended 30 June 2011.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2011

	June 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	30,562	30,457
Malaysian Government Investment Issues	241,348	34,934
Bank Negara Malaysia Bills and Notes	-	129,969
Bankers' Acceptances and Islamic Accepted Bills	-	-
Cagamas Bonds	-	-
Foreign Government Securities	-	-
Others	25,788	-
Total Money Market Instruments	<u>297,698</u>	<u>195,360</u>
Quoted securities:		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	51,123	33,475
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	-	-
Total quoted securities	<u>51,123</u>	<u>33,475</u>
Unquoted securities:		
Private and Islamic Debt Securities in Malaysia	64,633	74,364
Foreign Private Debt Securities	-	-
Total unquoted securities	<u>64,633</u>	<u>74,364</u>
Total financial assets held-for-trading	<u>413,454</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	251,378	381,269
Islamic Cagamas Bonds	-	-
Cagamas Bonds	-	-
Foreign Government Securities	-	-
Malaysian Government Treasury Bills	-	-
Malaysian Government Investment Issues	220,150	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>471,528</u>	<u>500,989</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2011

	June 2011 RM' 000	December 2010 RM' 000
Quoted securities:		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	410	190
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	-	62
	<u>410</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	222,450	253,484
Malaysian Government Bonds	-	-
Foreign Islamic and Private Debt Securities	-	-
Credit Link Notes	-	-
Malaysia Global Sukuk	-	-
Others	490	490
	<u>225,040</u>	<u>256,074</u>
Accumulated impairment losses	-	-
Total financial investments available-for-sale	<u>696,978</u>	<u>757,315</u>
A11 (c) 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 - 30 JUNE 2011

	June 2011	December 2010
	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	122,201	179,350
- Constructions	-	-
Credit card receivables	-	-
Bills receivables	-	-
Trust receipts	-	-
Claims on customers under acceptance credits	-	-
Share margin financing	477,216	464,865
Finance, insurance and business services	-	-
Revolving credits	-	-
Staff loans	-	-
Housing loans to	-	-
- Executive directors of the Bank	-	-
- Executive directors of subsidiaries	-	-
Others	40,675	80,261
	<u>640,092</u>	<u>724,476</u>
Interest in suspense	-	-
Unearned interest and income	-	-
Gross loans, advances and financing	640,092	724,476
Allowances for bad and doubtful debts and financing:		
- Individual Impairment	(108,188)	(111,053)
- Collective Impairment	(7,536)	(8,159)
Net loans, advances and financing	<u>524,368</u>	<u>605,264</u>
(i) By maturity structure		
Within one year	626,125	710,952
1 year to 2 years	-	-
More than 2 years	13,967	13,524
Gross loans, advances and financing	<u>640,092</u>	<u>724,476</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2011

	June 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	140,461	325,730
Government and statutory bodies	-	-
Individuals	480,867	385,298
Other domestic entities	-	-
Foreign entities	18,764	13,448
Total domestic operations	<u>640,092</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>640,092</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	477,216	464,865
Variable rate		
- Base lending rate plus	40,676	80,262
- Cost plus	122,200	179,349
- Other variable rates	-	-
Gross loans, advances and financing	<u>640,092</u>	<u>724,476</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2011

	June 2011	December 2010
	RM' 000	RM' 000
(iv) Total loans by economic purposes		
Domestic operations:		
Purchase of securities	22,952	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	871	6,861
Construction	2,196	41,778
Real Estate	-	-
Transport, storage and communication	119,135	117,597
Finance, insurance and business services	-	13,114
Working capital	17,724	17,014
Others	477,214	464,864
Total domestic operations	<u>640,092</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>640,092</u>	<u>724,476</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2011

	June 2011 RM' 000	December 2010 RM' 000
(v) Impaired loans by economic purpose		
Domestic operations:		
Purchase of securities	22,486	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	139,624	185,433
Others	-	-
Total domestic operations	<u>162,110</u>	<u>207,138</u>
Overseas operations:		
Singapore	-	-
Hong Kong SAR	-	-
United States of America	-	-
People's Republic of China	-	-
Others (Please specify)	-	-
	<u>-</u>	<u>-</u>
	<u>162,110</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	9,986	177,532
Amount written back in respect of recoveries	-	-
Reclassified as performing	-	-
Acquired upon business acquisition	-	-
Transfer from a subsidiary	-	-
Recovered	(55,014)	(45,775)
Amount written off	-	(2,651)
Converted to securities	-	-
At end of the period	<u>162,110</u>	<u>207,138</u>
Individual Impairment	(108,188)	(111,053)
Interest in suspense	-	-
Unearned interest and income	-	-
Net impaired loans, advances and financing	<u>53,922</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>10.14%</u>	<u>15.66%</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2011

June 2011 **December 2010**
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	111,053	58,859
Adjustment due to FRS 139	-	5,012
Allowance made during the period	2,517	101,704
Amount written back in respect of recoveries	(5,382)	(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	108,188	111,053

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

Collective Impairment

At beginning of the period	8,159	13,145
Adjustment due to FRS 139	-	(1,074)
Allowance made during the period	190	4,409
Amount written back	(813)	(8,321)
Acquired upon business acquisition	-	-
Transfer from individual impairment	-	-
Exchange differences	-	-
At end of the period	7,536	8,159
As % of gross loans, advances and financing (including Islamic loans sold to Cagamas) less individual impairment	1.42%	1.33%

A13 Other Assets

Interest/Income receivable	11,292	9,752
Prepayments and deposits	12,511	12,602
Other debtors	67,061	11,353
Foreclosed properties	-	-
Investment properties	-	-
Derivative assets	-	-
	90,864	33,707
Impairment	(983)	(1,770)
	89,881	31,937

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2011

	June 2011 RM' 000	December 2010 RM' 000
A14 Deposits from Customers		
Fixed deposits and negotiable instruments of deposits		
- One year or less	839,281	1,012,577
- More than one year	-	-
Savings deposits	-	-
Demand deposits	-	-
Structured deposits	-	-
	<u>839,281</u>	<u>1,012,577</u>
Business enterprise	704,723	768,388
Individuals	-	-
Government and statutory bodies	<u>134,558</u>	<u>244,189</u>
	<u>839,281</u>	<u>1,012,577</u>
A15 Deposits and Placement of Banks and Other Financial Institutions and Debt Securities		
Licensed banks	110,000	304,000
Licensed finance companies	-	-
Licensed investment banks	25,000	70,000
Non-banking institutions	-	-
Other financial institutions	<u>452,273</u>	<u>432,689</u>
	<u>587,273</u>	<u>806,689</u>
Subordinated obligations		
Unsecured		
- less than one year	-	-
- more than one year	<u>1,383</u>	<u>1,510</u>
A16 Other liabilities		
Interest/Profit payable	5,086	8,609
Provision for outstanding claims	-	-
Unearned premium reserves	-	-
Profit Equalisation Reserves	-	-
Provision and accruals	113,666	44,601
Retention for Contra Losses	16,831	16,272
Hire purchase creditors	-	-
Due to brokers and clients	-	-
Deposits and other creditors	5,594	11,264
Derivative liabilities	<u>2,252</u>	<u>1,571</u>
	<u>143,429</u>	<u>82,317</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2011

	June 2011 RM' 000	December 2010 RM' 000
A17 Bank Borrowings		
Hire purchase creditors	-	-
Revolving bank loan	33,523	65,757
Term loan	-	-
Secured notes issuance facility	-	-
	<u>33,523</u>	<u>65,757</u>

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

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2011

**A18 Commitments and Contingencies and Off-Balance Sheet
Financial Instruments**

	RM'000	June 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	12,578	6,289	6,289	13,439	6,720	6,720
Obligations under share financing	-	-	-	-	-	-
Irrevocable commitments to extend credit:	-	-	-	-	-	-
- maturity within one year	-	-	-	-	-	-
- Margin	684,071	-	-	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	-	-	-	-	-	-
	696,649	6,289	6,289	667,916	6,720	6,720

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2011

	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	400,805	-	-	-	-	276,915	-	677,720	3.05%	
Deposits and placements with banks and other financial institutions	-	-	-	-	-	847	-	-	-	
Securities purchased under resale agreements	-	-	-	-	-	-	-	847	-	
Financial assets held-for-trading	-	-	-	-	-	24,337	389,117	413,454	4.23%	
Financial investments available-for-sale	-	40,083	35,748	60,925	557,482	2,740	-	696,978	4.37%	
Financial investments held-to-maturity	-	-	-	-	-	-	-	-	-	
Loans, advances and financing	-	-	-	-	-	-	-	-	-	
- non-impaired	452,314	5,540	20,130	-	-	-	-	477,984	7.39%	
- impaired	-	-	-	-	-	-	-	-	-	
Other assets n1	238,697	-	2,000	-	-	46,384	-	46,384	-	
Other non-interest sensitive balances	-	-	-	-	-	427,186	-	667,883	-	
TOTAL ASSETS	1,091,816	45,623	57,878	60,925	557,482	988,709	389,117	3,191,550		
Interest/Profit Rate Risk										
LIABILITIES AND SHAREHOLDERS' EQUITY										
Deposits from customers	579,714	221,461	38,106	-	-	-	-	839,281	3.22%	
Deposits and placements of banks and other financial institutions	324,290	140,060	122,923	-	-	-	-	587,273	3.22%	
Borrowings	33,523	-	-	-	-	-	-	33,523	5.01%	
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-	-	-	-	
Bills and acceptances payable	-	-	-	-	-	-	-	-	-	
Recourse obligation on loans sold to Cagamas	-	-	-	-	-	-	-	-	-	
Subordinated notes	-	-	-	-	-	-	-	-	-	
Other non-interest sensitive balances	403,703	-	-	1,383	-	-	-	405,086	5.00%	
Total Liabilities	1,341,230	361,521	161,029	1,383	13,033	535,984	-	952,720		
Shareholders' equity	-	-	-	-	-	535,984	-	2,414,180	-	
Minority interests	-	-	-	-	-	733,112	-	733,112	-	
Total Liabilities and Shareholders' Equity	1,341,230	361,521	161,029	1,383	13,033	1,313,354	-	3,191,550		
On-balance sheet interest sensitivity gap	(249,414)	(315,898)	(103,151)	59,542	544,449	(324,645)	389,117	-	-	
Total interest sensitivity gap	(249,414)	(315,898)	(103,151)	59,542	544,449	(324,645)	389,117	-		

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

	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	736,242	-	-	-	-	299,238	-	1,035,480	2.72%
Deposits and placements with banks and other financial institutions	-	-	-	-	-	847	-	-	-
Securities purchased under resale agreements	-	-	-	-	-	-	-	-	-
Financial assets held-for-trading	-	-	-	-	-	-	-	-	-
Financial investments available-for-sale	122,654	-	64,323	545,723	20,002	21,423	281,776	303,199	3.92%
Financial investments held-to-maturity	-	-	-	-	-	4,613	-	757,315	4.19%
Loans, advances and financing	-	-	-	-	-	-	-	-	-
- performing	-	-	-	-	-	-	-	-	-
- impaired loans	342,248	64,188	4,542	-	-	-	-	410,978	7.56%
Other assets n1	238,697	-	2,000	-	-	194,286	-	194,286	-
Other non-interest sensitive balances	-	-	-	-	-	401,761	-	642,458	-
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	-	-	-	-	-	-	-	-	-
Other non-interest sensitive balances	-	-	-	1,510	-	-	-	1,510	5.00%
Total Liabilities	1,681,264	247,014	310,480	1,510	13,039	534,757	-	901,531	
Shareholders' equity	-	-	-	-	-	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 - 30 JUNE 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:

	June 2011	December 2010
	RM'000	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	(11,054)	(14,645)
Goodwill	(17,606)	(17,606)
Total Tier I capital	<u>580,289</u>	<u>576,698</u>
<u>Tier II capital</u>		
Collective impairment provision	6,939	6,820
Total Tier II capital	<u>6,939</u>	<u>6,820</u>
Total capital	587,228	583,518
Less: Investments in subsidiary companies	(36,150)	(36,150)
Capital base	<u>551,078</u>	<u>547,368</u>
Core capital ratio	37.61%	41.74%
Risk-weighted capital ratio	37.61%	41.74%

K & N KENANGA HOLDINGS BERHAD (302859-X)
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NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2011

A20. Capital Adequacy (continued)

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

	Bank 30 June 2011		Bank 31 December 2010	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
0%	672,253	-	501,769	-
20%	795,833	159,167	738,711	147,742
50%	131,216	65,608	96,354	48,177
100%	757,020	757,020	841,103	841,103
150%	4,532	6,798	148,743	223,115
Total Risk Weighted Assets for Credit Risk	2,360,854	988,593	2,326,680	1,260,137
Risk Weighted Assets Equivalent for Market Risk	-	166,420	-	3,579
Risk Weighted Assets Equivalent for Operational Risk	-	310,415	-	308,933
Large Exposure Risk Requirement for Single Equity	-	-	-	-
	<u>2,360,854</u>	<u>1,465,428</u>	<u>2,326,680</u>	<u>1,572,649</u>

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2011

A20. Capital Adequacy (continued)

(iii) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current period are as follows:

<u>Bank</u>					
At 30 June 2011					
Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets	Capital Requirements	
	RM'000	RM'000	RM'000	RM'000	
1 Credit Risk					
<u>On-Balance Sheet Exposures</u>					
<u>Performing Exposures</u>					
Sovereigns/Central Banks	495,112	495,112	-	-	
Banks, Development Financial Institutions & MDBs	697,592	697,592	139,518	11,161	
Corporates	127,449	127,449	52,877	4,230	
Regulatory Retail	-	-	-	-	
Higher Risk Assets	490	490	735	59	
Other Assets	948,436	948,436	737,532	59,003	
Equity Exposure	31,905	31,905	31,905	2,552	
<u>Defaulted Exposures</u>					
Corporates	39,926	39,926	19,963	1,597	
Other Assets	19,944	19,944	6,063	485	
Total for On-Balance Sheet Exposures	<u>2,360,854</u>	<u>2,360,854</u>	<u>988,593</u>	<u>79,087</u>	
<u>Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives</u>	-	-	-	-	
Total for Off-Balance Sheet Exposures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total for On and Off-Balance Sheet Exposures	<u>2,360,854</u>	<u>2,360,854</u>	<u>988,593</u>	<u>79,087</u>	
2 Large Exposure Risk Requirement	-	-	-	-	
3 Market Risk	Long Positions	Short Positions			
Interest rate risks	362,331	-	362,331	12,915	
Equity position risks	12,664	13,462	(798)	130	
Foreign exchange risks	590	-	590	117	
Option risks	8,412	-	8,412	152	
4 Operational Risk			<u>310,415</u>	<u>24,833</u>	
5 Total RWA and Capital Requirements			<u>1,465,428</u>	<u>117,234</u>	

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

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2011

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:

<u>Bank</u>					
At 31 December 2010					
Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets	Capital Requirements	
	RM'000	RM'000	RM'000	RM'000	
1	Credit Risk				
	On-Balance Sheet Exposures				
	<u>Performing Exposures</u>				
	Sovereigns/Central Banks	750,403	750,403	4,019	
	Banks, Development Financial Institutions & MDBs	839,901	839,901	167,980	
	Corporates	142,734	142,734	59,615	
	Regulatory Retail	389	389	389	
	Higher Risk Assets	490	490	735	
	Other Assets	802,776	802,776	578,025	
	Equity Exposure	32,007	32,007	32,007	
	<u>Defaulted Exposures</u>				
	Corporates	89,414	89,414	107,763	
	Other Assets	21,646	5,844	8,766	
	Total for On-Balance Sheet Exposures	2,679,760	2,663,958	959,299	
	Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	20,270	20,270	20,270	
	Total for Off-Balance Sheet Exposures	20,270	20,270	20,270	
	Total for On and Off-Balance Sheet Exposures	2,700,030	2,684,228	979,569	
2	Large Exposure Risk Requirement	-	-	-	
3	Market Risk	Long Positions	Short Positions		
	Interest rate risks	269,725	-	269,725	30,188
	Equity position risks	6,951	7,021	(70)	575
	Foreign exchange risks	2,045	-	2,045	2,050
	Option risks	7,021	-	7,021	113
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 30 JUNE 2011

A20. Capital Adequacy (continued)

(iv) Credit Risk Disclosure on Risk Weights as at 30 June 2011

Risk Weights	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						
Bank													
Performing Exposures													
0%	495,112	-	-	-	-	-	-	-	-	161,239	-	656,351	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	-	697,592	36,159	-	-	-	-	-	-	62,082	-	795,833	159,167
35%	-	-	-	-	-	-	-	-	-	-	-	-	-
50%	-	-	91,290	-	-	-	-	-	-	-	-	91,290	45,645
75%	-	-	-	-	-	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	-	-	-	-	-	725,115	31,905	757,020	757,020
150%	-	-	-	-	-	-	-	490	-	-	-	490	-
Total	495,112	697,592	127,449	-	490	490	-	948,436	31,905	2,300,984	735	962,567	
Defaulted Exposures													
0%	-	-	-	-	-	-	-	-	-	15,902	-	15,902	-
50%	-	-	39,926	-	-	-	-	-	-	-	-	39,926	19,963
100%	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	-	-	-	-	-	4,042	-	4,042	6,063
Total	-	-	39,926	-	-	-	-	19,944	-	59,870	-	26,026	
Grand Total	495,112	697,592	167,375	-	490	490	-	968,380	31,905	2,360,854	735	988,593	

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**NOTES TO INTERIM FINANCIAL REPORT
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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 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		
Bank									
Performing Exposures									
0%	730,309	-	-	-	-	-	-	145,400	875,709
10%	-	-	-	-	-	-	-	-	-
20%	20,094	839,901	46,916	-	-	-	-	90,789	997,700
35%	-	-	-	-	-	-	-	-	199,540
50%	-	-	91,172	-	-	-	-	13,439	104,611
75%	-	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-	-
100%	-	-	4,646	389	-	-	-	573,418	610,460
150%	-	-	-	-	490	-	-	-	490
Total	750,403	839,901	142,734	389	490	490	32,007	823,046	2,588,970
Defaulted Exposures									
0%	-	-	-	-	-	-	-	15,802	15,802
50%	-	-	6,280	-	-	-	-	-	6,280
100%	-	-	40,157	-	-	-	-	-	40,157
150%	-	-	42,977	-	-	-	-	5,844	48,821
Total	-	-	89,414	-	-	-	-	21,646	111,060
Grand Total	750,403	839,901	232,148	389	490	490	32,007	844,692	2,700,030
									979,569

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NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2011

A20. Capital Adequacy (continued)

(v) Off Balance Sheet and Counterparty Credit Risk as at 30 June 2011

Group and Bank

Nature	Principal Amount RM'000	Credit Conversion Factor	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Commitments to extend credit with maturity of less than one year	684,071	20%	136,814	136,814
Forward Asset Purchases	11,141	100%	11,141	11,141
Obligation under an on-going underwriting agreement	12,578	50%	6,289	6,289
	<u>707,790</u>		<u>154,244</u>	<u>154,244</u>

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>

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2011

	Individual Quarter		Cumulative Quarter	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
A21 Interest Income				
Loans, advances and financing				
- Interest income other than recoveries from impaired loans	1,357	7,859	2,790	16,013
- Recoveries from impaired loans	-	-	-	-
- Interest income recognised on unimpaired portion of NPL	767	-	1,651	-
- Inter-company	-	-	-	-
Money at call and deposit placements with financial institutions	5,931	2,687	13,429	5,416
Securities purchased under resale agreements	-	-	-	-
Financial assets held-for-trading	1,341	1,335	3,123	2,153
Financial investments available-for-sale	7,486	6,827	15,039	13,935
Financial investments held-to-maturity	-	-	-	-
Interest on Margin	9,110	10,551	17,666	19,469
Interest income on impaired loans	-	-	-	-
Interest on Contra	292	219	810	520
Others	9	1	9	2
	<u>26,293</u>	<u>29,479</u>	<u>54,517</u>	<u>57,508</u>
Amortisation of premium less accretion of discount	-	-	-	-
Interest income suspended	-	-	-	-
	<u>26,293</u>	<u>29,479</u>	<u>54,517</u>	<u>57,508</u>
A22 Interest Expense				
Deposits and placement of banks and other financial institutions	1,873	997	4,645	2,169
Intercompany loan	-	-	-	-
Term loan	449	446	1,111	1,002
Deposits from customers	10,233	8,105	22,072	15,554
Obligations on securities sold under repurchase agreements	-	-	-	-
Floating rate certificate of deposits	-	-	-	-
Subordinated notes	-	-	-	-
Subordinated bonds	-	-	-	-
Others	-	-	-	-
	<u>12,555</u>	<u>9,548</u>	<u>27,828</u>	<u>18,725</u>
A23 Non-interest Income				
(a) Fee income:				
Commissions	3,089	3,089	7,016	6,065
Service charges and fees	1,883	7,314	3,789	11,017
Guarantee fees	-	-	-	-
Underwriting fees	143	-	479	-
Brokerage income	26,770	23,800	67,614	53,702
Other fee income	4,256	3,585	7,809	5,152
	<u>36,141</u>	<u>37,788</u>	<u>86,707</u>	<u>75,936</u>
(b) Gain/loss arising from sale of securities:				
Net gain/(loss) from sale of financial assets held-for-trading	1,426	2,318	1,522	(1,289)
Net gain/(loss) from sale of financial investments available-for-	(565)	299	(541)	299
Net loss from redemption of financial investments held-to matu	-	-	-	-
Net gain/(loss) from sale of subsidiary company	-	-	-	-
	<u>861</u>	<u>2,617</u>	<u>981</u>	<u>(990)</u>
(c) Gross dividend from:				
Securities portfolio	508	521	821	1,068
(d) Unrealised gains /(losses) on revaluation of financial assets				
held-for-trading and derivatives	3,149	(176)	4,243	6,584
Write back of impairment losses on securities	-	-	-	-
	<u>3,149</u>	<u>(176)</u>	<u>4,243</u>	<u>6,584</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2011

	Individual Quarter		Cumulative Quarter	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
(e) Other income:				
Foreign exchange profit	418	423	887	902
Net premiums written	-	-	-	-
Rental Income	-	-	-	-
Gains on disposal of property, plant and equipment	8	196	8	545
Gain on disposal of foreclosed properties	-	-	-	-
Intercompany written off	-	-	-	-
Capital gain arising from receipt of shares in Bursa Malaysia Berhad	-	-	-	-
Others	-	-	-	-
	5,025	536	10,653	1,262
	<u>5,451</u>	<u>1,155</u>	<u>11,548</u>	<u>2,709</u>
	-	-	-	-
Total non-interest income	<u>46,110</u>	<u>41,905</u>	<u>104,300</u>	<u>85,307</u>
A24 Other operating expenses				
Personnel costs	17,901	17,687	36,822	32,773
- Salaries, allowances and bonuses	14,147	15,926	30,249	27,014
- Pension costs	1,848	1,484	3,201	3,026
- Others	1,906	277	3,372	2,733
Establishment costs	7,364	7,176	15,243	14,539
- Depreciation	1,597	1,693	3,239	3,370
- Rental of leasehold land and premises	3,571	3,452	7,354	6,997
- Repairs and maintenance of property, plant and equipment	504	356	952	718
- Information technology expenses	719	584	1,605	1,183
- Others	973	1,091	2,093	2,271
Marketing expenses	1,059	827	1,980	1,848
- Advertisement and publicity	24	50	41	136
- Others	1,035	777	1,939	1,712
Administration and general expenses	23,490	23,744	54,237	46,231
- Fees and brokerage	11,181	14,374	28,072	26,630
- Administrative expenses	11,477	9,156	25,082	19,235
- 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	26	21
- Others	818	204	1,057	345
	<u>49,814</u>	<u>49,434</u>	<u>108,282</u>	<u>95,391</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)	-	-
- individual impairment/(reversal)	(657)	921	178	(1,100)
Bad debts and financing written off	300	-	-	-
Bad debts and financing recovered	(127)	(68)	(192)	(155)
Provision for other debts	(364)	1,143	(546)	1,143
	<u>(848)</u>	<u>157</u>	<u>(560)</u>	<u>(112)</u>
A25a Allowance for Losses on loans, advances and financing				
Allowances for bad and doubtful debts and financing:				
- collective impairment (net)	17	(2,195)	(623)	450
- individual impairment	1,363	36,694	2,517	36,456
- write back of individual impairment	(5,092)	-	(5,382)	-
Bad debts and financing written off	-	-	-	1
Bad debts and financing recovered	(1)	-	(2)	-
Provision for other debts	-	-	-	-
	<u>(3,713)</u>	<u>34,499</u>	<u>(3,490)</u>	<u>36,907</u>

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A26. SEGMENTAL REPORTING

Continued Operations

-Discontinued Operations-

	Investment Bank						Stock broking						Futures						Money/lending						Investment Management						Corporate and Others						Eliminations						Total						Others						Total								
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010																			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000																
Revenue	41,504	51,457	83,647	66,929	11,590	8,268	2,991	3,239	4,412	11,988	5,473	3,485	889	4,574	3,485	(2,696)	(6,015)	(4,174)	(1,302)	146,921	139,351	146,921	139,351	-	-	-	-	45	-	45	-	146,921	139,351	146,921	139,351	-	-	-	-	45	-	45	-	146,921	139,351	146,921	139,351																
External sales	-	-	-	-	290	277	-	-	-	136	3,884	889	-	4,574	3,485	(4,174)	(1,302)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-												
Inter-segment sales	41,504	51,457	83,647	66,929	11,880	8,545	2,991	3,239	4,412	12,124	9,357	4,574	889	4,574	3,485	(6,870)	(7,317)	(6,870)	(7,317)	146,921	139,351	146,921	139,351	-	-	-	-	45	-	45	-	146,921	139,351	146,921	139,351	-	-	-	-	45	-	45	-	146,921	139,351	146,921	139,351																
Result	36,437	35,076	11,311	17,277	4,900	2,486	1,974	2,679	341	238	1,125	970	783	2,021	970	(1,612)	(1,262)	(1,612)	(1,262)	54,476	57,464	54,476	57,464	41	44	41	44	(316)	-	(316)	-	56,860	10,629	56,860	10,629	44	44	44	44	54,517	57,508	54,517	57,508																				
Interest Income	248	191	-	94	-	-	0	-	-	-	573	783	-	2,021	970	-	-	-	-	821	1,068	821	1,068	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	821	1,068	821	1,068								
Dividend Income	956	-	2,185	3,271	177	177	85	105	159	250	253	246	-	-	-	-	(103)	-	-	3,794	3,946	3,794	3,946	10	14	10	14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,804	3,960	3,804	3,960												
Depreciation & amortisation	(4,497)	28,113	6	7,785	-	-	441	897	-	-	(2,906)	(2,969)	-	-	-	(1,875)	-	(1,875)	-	(5,925)	36,795	(5,925)	36,795	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,925)	36,795	(5,925)	36,795																
Impairment losses	-	-	(1,552)	(3,926)	-	155	-	-	1	2	(2,906)	(2,969)	-	-	-	-	-	-	-	(3,973)	(6,737)	(3,973)	(6,737)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,973)	(6,737)	(3,973)	(6,737)												
Other Non-cash expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Segment results	30,126	3,155	9,715	2,490	5,485	3,918	743	1,160	(459)	(1,391)	4,884	(2,021)	6,137	(1,346)	6,137	(1,346)	(1,346)	(1,346)	(1,346)	56,651	10,945	56,651	10,945	(171)	(171)	(171)	(171)	(316)	-	(316)	-	56,460	10,629	56,460	10,629	(316)	-	(316)	-	(27,828)	(18,725)	(27,828)	(18,725)	(316)	-	(316)	-	(2,104)	(2,650)	(2,104)	(2,650)												
Profit from operation	30,126	3,155	9,715	2,490	5,485	3,918	743	1,160	(459)	(1,391)	4,884	(2,021)	6,137	(1,346)	6,137	(1,346)	(1,346)	(1,346)	(1,346)	56,651	10,945	56,651	10,945	(171)	(171)	(171)	(171)	(316)	-	(316)	-	56,460	10,629	56,460	10,629	(316)	-	(316)	-	(27,828)	(18,725)	(27,828)	(18,725)	(316)	-	(316)	-	(2,104)	(2,650)	(2,104)	(2,650)												
Finance cost, net	(26,084)	(18,046)	-	(17)	(17)	(2,239)	(808)	(1,024)	0	0	(2,104)	(2,650)	0	0	0	1,570	1,170	1,570	1,170	(2,104)	(2,650)	(2,104)	(2,650)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Share of results of associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Profit before taxation	4,092	(14,911)	9,715	2,473	3,246	3,110	(382)	156	(459)	(1,391)	2,780	(4,671)	4,884	(2,021)	4,884	(1,346)	(1,346)	(1,346)	(1,346)	26,699	(10,430)	26,699	(10,430)	(171)	(171)	(171)	(171)	(316)	-	(316)	-	26,528	(10,746)	26,528	(10,746)	(316)	-	(316)	-	(5,247)	282	(5,247)	282	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Taxation from discontinuing operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Profit after taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,452	(10,148)	21,452	(10,148)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Less from discontinuing operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Minority interests	-	-	5,808	539	17	631	10	86	1,052	23	961	56	51,964	88,644	88,644	(4,094)	(16,113)	(4,094)	(16,113)	47,870	72,531	47,870	72,531	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Net profit for the year	531,816	351,485	2,112,115	2,074,899	455,619	278,491	74,652	51,056	28,230	27,353	788,761	727,242	88,644	727,242	(755,809)	(712,658)	(755,809)	(712,658)	3,185,384	2,797,898	3,185,384	2,797,898	6,166	6,484	6,166	6,484	6,484	3,191,550	6,484	3,191,550	2,804,382	2,804,382	2,804,382	2,804,382	2,804,382	2,804,382	2,804,382	2,804,382	2,804,382	2,804,382	2,804,382	2,804,382	2,804,382	2,804,382	2,804,382	2,804,382																	
Assets	899,940	1,007,581	1,121,490	780,996	411,122	250,055	62,795	42,292	2,720	1,623	9,489	7,212	88,644	7,212	(93,394)	(83,503)	(93,394)	(83,503)	2,414,162	2,006,256	2,414,162	2,006,256	18	38	18	38	38	2,414,180	38	2,414,180	2,006,294	2,006,294	2,006,294	2,006,294	2,006,294	2,006,294	2,006,294	2,006,294	2,006,294	2,006,294	2,006,294	2,006,294																					

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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 30 June 2011 except for the incorporation of a new subsidiary company, Kenanga Capital Islamic Sdn. Bhd.

A30. Significant Events and Transactions

There were no major significant events and transactions during the period ended 30 June 2011.

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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 30 June 2011, the Group recorded a profit before taxation from continuing operations of RM26.53 million as compared to a loss of RM10.74 million in the previous cumulative quarter ended 30 June 2010.

The profit before taxation that arises during the year ended 30 June 2011 was due mainly to operational profits achieved by its investment banking, futures broker subsidiary companies and unit trust portfolio of RM17.58million and write-back of allowances in loans, advances and financing and balances due from clients and brokers of RM4.05million

For the quarter ended 30 June 2011, the profit before taxation was due mainly to operational profits achieved by its investment banking, futures broker subsidiary companies and unit trust portfolio of RM6.54million and write-back of allowances in loans, advances and financing and balances due from clients and brokers of RM4.56million.

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

During the quarter ended 30 June 2011, the Group recorded a profit before taxation from continuing operations of RM15.17 million as compared to a profit of RM11.36 million in the previous quarter ended 31 March 2011.

For the quarter ended 30 June 2011, the profit before taxation was due mainly to operational profits achieved by its investment banking, futures broker subsidiary companies and unit trust portfolio of RM6.54million and write-back of allowances in loans, advances and financing and balances due from clients and brokers of RM4.56million.

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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 30 June 2011	Cumulative Quarter Current Year to date 30 June 2011
	-----RM'000-----	
Current period -income tax	399	935
Underprovision in prior year – income tax	-	54
Deferred taxation	2,851	4,258
Total	<u>3,250</u>	<u>5,247</u>

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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	2,681	5,269
Add: Tax effect of expenses that are not deductible for tax purposes	(850)	703
Add: Tax losses not recognised	311	758
Less: Utilization of unabsorbed tax losses and capital allowances	(592)	(3,891)
Less: Non taxation of capital items	(1,151)	(1,904)
Less: Tax on inter-company dividends	-	-
Tax expense	<u>399</u>	<u>935</u>

B6. Profits on Sale of Investments and/or Properties

There were no sales of unquoted investments and properties for the quarter ended 30 June 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 30 June 2011 and the profit arising there from were as follows:

	Individual Quarter	Cumulative Quarter
	-----RM'000-----	
Total purchases for the period	<u>6,205</u>	<u>15,366</u>
Total sales for the period	<u>5,841</u>	<u>11,602</u>
Total gains on disposal for the period	<u>1,190</u>	<u>1,908</u>

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B7. Quoted Securities (contd)

- (b) Total investments in quoted securities by the Group other than the investment banking subsidiary as at 30 June 2011 were as follows:

Total investment at cost	RM'000 24,717
Total investment at carrying value/book value	33,402
Total investment at market value at end of reporting period	33,402

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	1,383
Short term loan from financial institutions (unsecured) - Note 2	33,523

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 RM1.38million 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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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 5.3% 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:-

(a) 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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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. Datuk Ishak has on 26 April 2011, filed an appeal to the Court of Appeal against the Judge's decision to strike out his Writ and Statement of Claim.

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B11. Changes in material Litigation (cont'd)

(b) Swee Joo Berhad & 9Ors v Kenanga Investment Bank Berhad

Kenanga Investment Bank Berhad ("KIBB") was served on 20 May 2011 with a Writ of Summons Suit No. KCH-22-90-2011 and a Summons in Chambers for declaratory orders and injunctions by Swee Joo Berhad ("SJB") and Asia Bulkers Sdn. Bhd. together with 8 other Plaintiffs. The 8 other Plaintiffs are shareholders and/or directors of SJB.

The Plaintiffs are claiming for declaratory orders, injunctive relief, general and punitive damages, interests and costs against KIBB in respect of security documents executed by them pertaining to a term loan provided by KIBB to SJB. The summons in chambers was fixed for hearing on an urgent basis on 23 May 2011 at the Kuching High Court. KIBB's solicitors attended the proceedings where the Court refused to grant an interim injunction and fixed the application for injunctive relief for hearing on 24 June 2011. KIBB, on the advice of its counsel will strenuously defend its interests in this matter. These proceedings have arisen in relation to SJB's default in payment of a term loan granted by KIBB to SJB.

The Court has adjourned the hearing to 14 July 2011. Meanwhile, the Court did not grant any "holding over" injunction during this interim period.

On 11th July 2011, SJB appointed a provisional liquidator to ensure an orderly winding-up of the Company with a view as far as possible to, firstly, to preserve the Company's assets and thereafter the liquidation of such assets for the eventual repayment and settlement of liabilities with secured and unsecured creditors, if possible

Within thirty (30) days from the appointment of the Provisional Liquidator ("PL") on the 11th July 2011, the Companies under the PL will hold an Extraordinary General Meeting for a shareholder's meeting to approve the winding up and to confirm the PL as the Liquidator, and a creditors meeting to confirm the PL on the 8th August 2011. If the PL is not approved by the creditors, the SJB Group will still proceed with the winding up and an Official Receiver will be appointed as the named Liquidator (L), or the creditors will appoint their own liquidator. The L will then proceed to liquidate and dispose off the assets of the SJB Group to settle the Group's liabilities to the extent that the liquidation proceeds will allow, wind up the businesses and finally deregister the Companies in the SJB Group with Companies Commission of Malaysia. This will be the end of the liquidation of the SJB Group.

B12. Dividend

No interim dividend has been declared for the current quarter ended 30 June 2011.

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B13. Earnings per share

The amount used as the numerator for the purposes of calculating the basic profit per share for the six-month period is RM9.94 million representing the profit for the year attributable to ordinary equity holder of the parent (30 June 2010: -loss attributable to ordinary equity holder of parent: RM11.78 million)

The weighted average number of shares used as the denominator in calculating the basic earnings per share for the six-month period is 611,759,499 (30 June 2010: 611,759,499).

B14. Derivatives

As at 30 June 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	17,182	2,252
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.

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')

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B14. Derivatives (Contd.)

(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.

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

	Individual Quarter	Cumulative Quarter
	-----RM'000-----	
Gains from fair value changes of financial liabilities	486	623

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.

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SELECTED EXPLANATORY NOTES**REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)****B16. Realised and Unrealised Accumulated Profits/(Losses) Disclosure**

	As at 30 June 2011 (RM'000)	As at 31 December 2010 (RM'000)
Total retained profits / (accumulated losses) of Company and its subsidiaries:		
-- Realised	(266,071)	(280,988)
-- Unrealised	22,964	24,927
	(243,107)	(256,061)
Total share of retained profits / (accumulated losses) from associated companies:		
-- Realised	(11,741)	(11,915)
-- Unrealised	(689)	(286)
	(12,430)	(12,201)
Add : Consolidation adjustments	274,818	277,601
Total group retained profits as per consolidated accounts	19,281	9,339

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