

K & N KENANGA HOLDINGS BERHAD (302859-X)
(Incorporated in Malaysia)

K & N KENANGA HOLDINGS BERHAD
Company No. 302859-X

Quattro West, 5th Floor, East Wing
No.4, Lorong Persiaran Barat
46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Tel 603 7862 6200, 7862 7800, 7629 6800
Fax 603 7958 8840
www.kenanga.com.my

QUARTERLY REPORT

**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2011
THE FIGURES HAVE NOT BEEN AUDITED.**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended 30 September 2011 RM'000	3 months ended 30 September 2010 RM'000	9 months ended 30 September 2011 RM'000	9 months ended 30 September 2010 RM'000
Group					
Continuing Operations					
Interest income	A21	28,118	23,185	82,635	80,693
Interest expense	A22	(15,015)	(10,277)	(42,843)	(29,002)
Net interest income		13,103	12,908	39,792	51,691
Non interest income	A23	36,329	54,488	140,629	139,795
Net Income		49,432	67,396	180,421	191,486
Other operating expenses	A24	(51,744)	(55,702)	(160,026)	(151,093)
Operating (loss)/profit		(2,312)	11,694	20,395	40,393
Impairment on loans, advances and financing	A25	(6,309)	(23,112)	(2,819)	(60,019)
(Impairment)/reversal of impairment for bad and doubtful accounts on balances due from clients and brokers and other receivables	A26	(351)	81	209	193
Reversal of impairment in an associated company		2,073	-	3,948	-
Share of losses in associates		(1,919)	(659)	(4,023)	(3,309)
(Loss)/profit before taxation		(8,818)	(11,996)	17,710	(22,742)
Taxation		(628)	1,930	(5,875)	2,212
(Loss)/profit for the period from continuing operations		(9,446)	(10,066)	11,835	(20,530)
Discontinued operations					
Loss for the period		(53)	(60)	(224)	(381)
(Loss)/profit for the period		(9,499)	(10,126)	11,611	(20,911)

The condensed Consolidated Income statements 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)

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September 2011 RM'000	3 months ended 30 September 2010 RM'000	9 months ended 30 September 2011 RM'000	9 months ended 30 September 2010 RM'000
Other comprehensive income				
Exchange fluctuation from translation of associated companies' net assets	3,036	(3,925)	2,033	(7,917)
Available for sale financial investments	1,268	1,400	1,573	2,121
Other comprehensive income for the year	4,304	(2,525)	3,606	(5,796)
Total comprehensive (loss)/income	(5,195)	(12,651)	15,217	(26,707)
(Loss)/profit for the period attributable to				
- Equity holders of the parent	(2,690)	(11,858)	7,252	(23,641)
- Non-controlling interests	(6,809) *	1,732	4,359	2,730
	<u>(9,499)</u>	<u>(10,126)</u>	<u>11,611</u>	<u>(20,911)</u>
Total comprehensive (loss)/income for the period attributable to				
- Equity holders of the parent	1,614	(14,383)	10,858	(29,437)
- Non-controlling interests	(6,809) *	1,732	4,359	2,730
	<u>(5,195)</u>	<u>(12,651)</u>	<u>15,217</u>	<u>(26,707)</u>
(a) (Loss)/earnings per share attributable to ordinary equity holders 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)	(0.4)	(1.9)	1.2	(3.9)
(ii) Fully diluted	(0.4)	(1.9)	1.2	(3.9)

* Includes reversal of over recognition of RM8.23 million of non controlling interests in prior periods during the year 2011.

The condensed Consolidated Income statements 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)

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**Company**

	Individual Quarter		Cumulative Quarter	
	3 months ended	3 months ended	9 months ended	9 months ended
	30 September 2011	30 September 2010	30 September 2011	30 September 2010
	RM'000	RM'000	RM'000	RM'000
Continuing Operations				
Interest income	524	452	1,584	1,395
Interest expense	-	-	-	-
Net interest income	524	452	1,584	1,395
Non interest income	(172)	14,769	5,605	22,334
Net Income	352	15,221	7,189	23,729
Overhead expenses	(4,004)	(3,802)	(10,990)	(15,517)
Operating (loss)/profit	(3,652)	11,419	(3,801)	8,212
(Loss)/profit before taxation	(3,652)	11,419	(3,801)	8,212
Taxation	545	(800)	(455)	(1,550)
(Loss)/profit for the period from continuing operations	(3,107)	10,619	(4,256)	6,662
(Loss)/profit for the period	(3,107)	10,619	(4,256)	6,662

The condensed Consolidated Income statements 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)

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME

Company

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September 2011 RM'000	3 months ended 30 September 2010 RM'000	9 months ended 30 September 2011 RM'000	9 months ended 30 September 2010 RM'000
(i) (Loss)/profit for the period attributable to - Equity holders of the parent	(3,107)	10,619	(4,256)	6,662
	<u>(3,107)</u>	<u>10,619</u>	<u>(4,256)</u>	<u>6,662</u>
(a) (Loss)/earnings 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)	(0.5)	1.7	(0.7)	1.1
(ii) Fully diluted	N/A	N/A	N/A	N/A

The condensed Consolidated Income statements 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)

UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2011

	Note	Group		Company	
		As at 30 September 2011 RM'000	As at 31 December 2010 RM'000	As at 30 September 2011 RM'000	As at 31 December 2010 RM'000
ASSETS					
Cash and short-term funds		770,077	1,035,480	14,701	37,435
Deposits and placements with banks and other financial institutions		847	847	-	-
Financial assets held-for-trading	A9	220,918	303,199	22,638	21,422
Financial investments available-for-sale	A10	1,078,656	757,315	-	-
Financial investments held-to-maturity	A11	-	-	-	-
Loans, advances and financing	A12	575,654	605,264	-	-
Other assets					
- Balance due from clients and brokers		192,520	258,753	-	-
- Amount due from subsidiary companies		-	-	14,487	13,638
- Assets segregated for customers		438,097	351,768	-	-
- Other receivables	A13	625,679	31,937	375	105
Statutory deposit with Bank Negara Malaysia		31,340	9,150	-	-
Tax recoverable		13,595	19,122	5,438	5,438
Investment in subsidiaries		-	-	630,351	615,994
Investment in associates		51,040	49,102	20,210	20,210
Property, plant and equipment		26,275	22,466	1,512	643
Intangible assets		80,555	81,345	31	130
Deferred tax assets		11,077	15,558	-	-
Assets held for resale		6,098	6,332	-	-
TOTAL ASSETS		4,122,428	3,547,638	709,743	715,015
LIABILITIES					
Deposits from customers	A14	971,116	1,012,577	-	-
Deposits and placements of banks and other financial institutions	A15	814,107	806,689	-	-
Borrowings	A17	2,229	65,757	-	-
Other liabilities					
- Balance due to clients and brokers		618,663	598,574	-	-
- Amount held in trust		291,280	218,258	-	-
- Other payables	A16	658,835	82,317	2,941	4,412
Provision for taxation and zakat		395	239	-	-
Deferred tax liabilities		2,656	2,134	2,555	2,100
Subordinated obligations	A15	1,527	1,510	-	-
Liabilities held for resale		13	9	-	-
TOTAL LIABILITIES		3,360,821	2,788,064	5,496	6,512

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UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2011

	Group		Company	
	As at 30 September 2011 RM'000	As at 31 December 2010 RM'000	As at 30 September 2011 RM'000	As at 31 December 2010 RM'000
SHAREHOLDERS EQUITY				
Share Capital	611,759	611,759	611,759	611,759
Share Premium	75	75	75	75
Profit and loss reserve	16,591	9,339	92,413	96,669
Exchange fluctuation reserve	(7,612)	(9,645)	-	-
Statutory reserve	57,458	57,458	-	-
Fair value reserve	4,503	2,930	-	-
Capital reserve	71,952	71,952	-	-
	<u>754,726</u>	<u>743,868</u>	<u>704,247</u>	<u>708,503</u>
Non-controlling Interests	6,881	15,706	-	-
Total equity	<u>761,607</u>	<u>759,574</u>	<u>704,247</u>	<u>708,503</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>4,122,428</u>	<u>3,547,638</u>	<u>709,743</u>	<u>715,015</u>
Net Assets Per Share (RM)	<u>1.23</u>	<u>1.22</u>	<u>1.15</u>	<u>1.16</u>

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

K & N KENANGA HOLDINGS BERHAD (302859-X)

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**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011**

	Group		Company	
	30 September 2011 RM'000	30 September 2010 RM'000	30 September 2011 RM'000	30 September 2010 RM'000
Cash flows from operating activities				
Profit/(loss) before taxation				
- Continuing operations	17,710	(22,742)	(3,801)	8,212
- Discontinued operations	(224)	(376)	-	-
Adjustments for non operating and non cash items	11,434	60,295	(848)	(19,709)
Operating profit before changes in working capital	<u>28,920</u>	<u>37,177</u>	<u>(4,649)</u>	<u>(11,497)</u>
Net changes in operating assets	(619,019)	(484,347)	(15,476)	11,165
Net changes in operating liabilities	567,498	628,656	(1,471)	323
Cash (used in)/generated from operations	<u>(22,601)</u>	<u>181,486</u>	<u>(21,596)</u>	<u>(9)</u>
Net dividends received	1,128	-	-	6,628
Interest income	-	-	-	1,395
Net tax refund	4,371	803	-	-
Net cash (used in)/generated from operating activities	<u>(17,102)</u>	<u>182,289</u>	<u>(21,596)</u>	<u>8,014</u>
Net cash (used in)/generated from investing activities	(247,763)	(51,983)	(1,138)	95
Net cash used in financing activities	(64,847)	(53,108)	-	(4,588)
Net (decrease)/increase in cash and cash equivalent during the period	<u>(329,712)</u>	<u>77,198</u>	<u>(22,734)</u>	<u>3,521</u>
Cash and cash equivalents brought forward	815,548	334,609	37,435	52,704
Cash and cash equivalents carried forward	<u>485,836</u>	<u>411,807</u>	<u>14,701</u>	<u>56,225</u>
Cash and cash equivalents as at 30 September 2011 comprised of :-				
Non trust cash and short term funds	479,802	405,487	14,701	56,225
Cash and short term funds classified as asset held for sale	6,034	6,320	-	-
	<u>485,836</u>	<u>411,807</u>	<u>14,701</u>	<u>56,225</u>

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

K & N KENANGA HOLDINGS BERHAD (302859-X)
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**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011**

Group	-----Attributable to Equity Holders of the Parent-----						Distributable Retained profits RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
	-----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			
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	-	-	2,033	-	1,573	-	7,252	4,359 (a)	15,217
Derecognition of special purpose entities	-	-	-	-	-	-	-	(13,184) (b)	(13,184)
As at 30 September 2011	611,759	75	(7,612)	71,952	4,503	57,458	16,591	6,881	761,607

(a) The amount of RM4.4 million represents the non-controlling interests in the net assets of two unit trust funds namely Kenanga Syariah Growth Fund ("KSGF") and Kenanga Growth Fund ("KGF"), and a subsidiary company, Kenanga Deutsche Futures for the nine months period ended 30 September 2011. In accordance with the requirements of IC 112: Consolidation - Special Purpose Entities, the two unit trust funds are considered as part of the Group by virtue of the Group's significant interest in the two unit trust funds and the Group's control over Kenanga Investors Berhad (Formerly known as CMS Trust Management Berhad) which manages the two unit trust funds.

(b) During the nine months period ended 30 September 2011, the Group's interests in KSGF and KGF were reduced to below 50% following the increase in non-controlling interests' investments in the two unit trust funds. As a result, the Group no longer controls the two unit trust funds. Upon deconsolidation, the Group retains its interests in the two unit trust funds as financial assets held for trading and the non-controlling interests of RM13.2 million were consequently derecognised.

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

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**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011**

Group	Attributable to Equity Holders of the Parent						Distributable	Non-Controlling 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	611,759	75	(1,390)	71,952	(199)	57,458	67,228	9,849	816,732
Net loss for the period	-	-	-	-	-	-	(23,641)	-	(23,641)
Transaction with owners									
Dividends paid	-	-	-	-	-	-	(4,588)	(2,161)	(6,749)
	-	-	-	-	-	-	(28,229)	(2,161)	(30,390)
Total comprehensive (loss)/ income for the period	-	-	(7,917)	-	2,121	-	-	2,730 (a)	(3,066)
As at 30 September 2010	611,759	75	(9,307)	71,952	1,922	57,458	38,999	12,579	783,276

(a) The amount represents the non-controlling interests in the net assets of two unit trust funds namely Kenanga Syariah Growth Fund ("KSGF") and Kenanga Growth Fund ("KGF"), and a subsidiary company, Kenanga Deutsche Futures for the nine months period ended 30 September 2010. In accordance with the requirements of IC 112: Consolidation - Special Purpose Entities, the two unit trust funds are considered as part of the Group by virtue of the Group's significant interest in the two unit trust funds and the Group's control over Kenanga Investors Berhad (Formerly known as CMS Trust Management Berhad) which manages the two unit trust funds.

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

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**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011**

Company	<-----Attributable to Equity Holders of the Parent----->			Total Equity RM'000
	<--- Non Distributable---> Share Capital RM'000	Share Premium RM'000	Distributable Retained profits RM'000	
As at 1 January 2011	611,759	75	96,669	708,503
Comprehensive loss for period	-	-	(4,256)	(4,256)
As at 30 September 2011	<u>611,759</u>	<u>75</u>	<u>92,413</u>	<u>704,247</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)

**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011**

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

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

**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 2010 except for some reclassification to conform with current year presentation. 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 Guidelines on Financial Reporting for Banking Institutions issued by Bank Negara Malaysia ("BNM").

The impairment provisions for loans, advances and financing for the Group are computed based on BNM's Classification and Impairment Provisions for Loans/Financing.

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 September 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.

**SELECTED EXPLANATORY NOTES
REQUIREMENTS OF FRS134 (Contd)**

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

There were no issues and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the quarter ended 30 September 2011.

A8. Dividends paid per share

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

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NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2011

	30 September 2011	31 December 2010
	RM' 000	RM' 000
A9 (a) Financial assets held-for-trading		
At Fair Value		
Money Market Instruments:-		
Malaysian Government Treasury Bills	-	-
Malaysian Government Securities	10,282	30,457
Malaysian Government Investment Issues	81,961	34,934
Bank Negara Malaysia Bills and Notes	79,565	129,969
Bankers' Acceptances and Islamic Accepted Bills	-	-
Cagamas Bonds	-	-
Foreign Government Securities	-	-
Others	-	-
Total Money Market Instruments	<u>171,808</u>	<u>195,360</u>
Quoted securities:		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	24,000	33,475
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	-	-
Total quoted securities	<u>24,000</u>	<u>33,475</u>
Unquoted securities:		
Private and Islamic Debt Securities in Malaysia	25,110	74,364
Foreign Private Debt Securities	-	-
Total unquoted securities	<u>25,110</u>	<u>74,364</u>
Total financial assets held-for-trading	<u>220,918</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	165,588	381,269
Islamic Cagamas Bonds	-	-
Cagamas Bonds	5,112	-
Foreign Government Securities	-	-
Malaysian Government Treasury Bills	-	-
Malaysian Government Investment Issues	157,169	119,720
Bank Negara Malaysia Bills and Notes	49,871	-
Foreign Government Treasury Bills	-	-
Negotiable Instruments of Deposits	300,000	-
Bankers' Acceptances and Islamic Accepted Bills	-	-
Khazanah Bonds	-	-
Bank Negara Malaysia Sukuk Ijarah Bonds	-	-
Foreign Certificates of Deposits	-	-
Total Money market instruments	<u>677,740</u>	<u>500,989</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2011

	30 September 2011 RM' 000	31 December 2010 RM' 000
Quoted securities:		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	-	190
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	-	62
	<u>-</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	398,326	253,484
Malaysian Government Bonds	-	-
Foreign Islamic and Private Debt Securities	-	-
Credit Link Notes	-	-
Malaysia Global Sukuk	-	-
Others	490	490
	<u>400,916</u>	<u>256,074</u>
Accumulated impairment losses	-	-
Total financial investments available-for-sale	<u>1,078,656</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 SEPTEMBER 2011

	30 September 2011	31 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	148,483	179,350
- Constructions	-	-
Credit card receivables	-	-
Bills receivables	-	-
Trust receipts	-	-
Claims on customers under acceptance credits	-	-
Share margin financing	524,375	464,865
Finance, insurance and business services	-	-
Revolving credits	-	-
Staff loans	-	-
Housing loans to	-	-
- Executive directors of the Bank	-	-
- Executive directors of subsidiaries	-	-
Others	24,830	80,261
	<u>697,688</u>	<u>724,476</u>
Interest in suspense	-	-
Unearned interest and income	-	-
Gross loans, advances and financing	<u>697,688</u>	<u>724,476</u>
Allowances for bad and doubtful debts and financing:		
- Individual Impairment	(113,475)	(111,053)
- Collective Impairment	(8,559)	(8,159)
Net loans, advances and financing	<u>575,654</u>	<u>605,264</u>
(i) By maturity structure		
Within one year	686,349	710,952
1 year to 2 years	-	-
More than 2 years	11,339	13,524
Gross loans, advances and financing	<u>697,688</u>	<u>724,476</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2011

	30 September 2011	31 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	152,266	325,730
Government and statutory bodies	-	-
Individuals	533,387	385,298
Other domestic entities	-	-
Foreign entities	12,035	13,448
Total domestic operations	<u>697,688</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>697,688</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	524,375	464,865
Variable rate	-	-
- Base lending rate plus	24,830	80,262
- Cost plus	148,483	179,349
- Other variable rates	-	-
Gross loans, advances and financing	<u>697,688</u>	<u>724,476</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2011

	30 September 2011	31 December 2010
	RM' 000	RM' 000
(iv) Total loans by economic purposes		
Domestic operations:		
Purchase of securities	10,860	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	-	41,778
Real Estate	-	-
Transport, storage and communication	119,896	117,597
Finance, insurance and business services	27,717	13,114
Working capital	13,969	17,014
Others	524,375	464,864
Total domestic operations	<u>697,688</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>697,688</u>	<u>724,476</u>
	-	-

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2011

	30 September 2011	31 December 2010
	RM' 000	RM' 000
(v) Impaired loans by economic purpose		
Domestic operations:		
Purchase of securities	23,352	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	140,536	185,433
Others	-	-
Total domestic operations	<u>163,888</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>163,888</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	14,052	177,532
Amount written back in respect of recoveries	-	-
Reclassified as performing	-	-
Acquired upon business acquisition	-	-
Transfer from a subsidiary	-	-
Recovered	(57,277)	(45,775)
Amount written off	-	(2,651)
Converted to securities	-	-
At end of the period	<u>163,913</u>	<u>207,138</u>
Individual Impairment	(113,475)	(111,053)
Interest in suspense	-	-
Unearned interest and income	-	-
Net impaired loans, advances and financing	<u>50,438</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>8.63%</u>	<u>15.66%</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2011

	30 September 2011	31 December 2010
	RM' 000	RM' 000
(vii) Movement in individual impairment for loans, advances and financing 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	10,106	101,704
Amount written back in respect of recoveries	(7,684)	(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>113,475</u>	<u>111,053</u>

(viii) Movement in collective impairment for loans, advances and financing 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	3,651	4,409
Amount written back	(3,251)	(8,321)
Acquired upon business acquisition	-	-
Transfer from individual impairment	-	-
Exchange differences	-	-
At end of the period	<u>8,559</u>	<u>8,159</u>
As % of gross loans, advances and financing (including Islamic loans sold to Cagamas) less individual impairment	<u>1.47%</u>	<u>1.33%</u>

A13 Other Assets

Interest/Income receivable	8,580	9,752
Prepayments and deposits	12,172	12,602
Other debtors	605,197	11,353
Foreclosed properties	-	-
Investment properties	-	-
Derivative assets	-	-
	<u>625,949</u>	<u>33,707</u>
Impairment	(270)	(1,770)
	<u>625,679</u>	<u>31,937</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2011

	30 September 2011	31 December 2010
	RM' 000	RM' 000
A14 Deposits from Customers		
Fixed deposits and negotiable instruments of deposits		
- One year or less	969,944	1,012,577
- More than one year	-	-
Savings deposits	-	-
Demand deposits	1,172	-
Structured deposits	-	-
	971,116	1,012,577
Business enterprise	748,283	768,388
Individuals	2,877	-
Government and statutory bodies	219,956	244,189
	971,116	1,012,577
A15 Deposits and Placement of Banks and Other Financial Institutions and Debt Securities		
Licensed banks	310,000	304,000
Licensed finance companies	-	-
Licensed investment banks	150,000	70,000
Non-banking institutions	-	-
Other financial institutions	354,107	432,689
	814,107	806,689
Subordinated obligations		
Unsecured		
- less than one year	-	-
- more than one year	1,527	1,510
A16 Other liabilities		
Interest/Profit payable	5,833	8,609
Provision for outstanding claims	-	-
Unearned premium reserves	-	-
Profit Equalisation Reserves	-	-
Provision and accruals	629,700	44,601
Retention for Contra Losses	16,586	16,272
Hire purchase creditors	-	-
Due to brokers and clients	-	-
Deposits and other creditors	6,205	11,264
Derivative liabilities	511	1,571
	658,835	82,317
A17 Bank Borrowings		
Hire purchase creditors	192	-
Revolving bank loan	2,037	65,757
Term loan	-	-
Secured notes issuance facility	-	-
	2,229	65,757
Maturity date of Hire Purchase Creditors		
- One year or less		
- more than one year		

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2011

	September 2011			December 2010		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
A18 Commitments and Contingencies and Off-Balance Sheet	Notional	Credit Equivalent	Risk Weighted	Notional	Credit Equivalent	Risk Weighted
<u>Financial Instruments</u>						
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	552,093	-	-	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	-	-	-	-	-	-
	552,093	-	-	667,916	6,720	6,720

	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	366,048	30,000	-	-	-	374,029	-	770,077	3.08%
Deposits and placements with banks and other financial institutions	-	-	-	-	-	847	-	847	
Securities purchased under resale agreements	-	-	-	-	-	-	-	-	
Financial assets held-for-trading	-	-	-	-	-	22,638	198,280	220,918	3.94%
Financial investments available-for-sale	70,000	319,393	-	363,881	322,792	2,590	-	1,078,656	4.26%
Financial investments held-to-maturity	-	-	-	-	-	-	-	-	
Loans, advances and financing	-	-	-	-	-	-	-	-	
- non-impaired	523,979	5,540	4,260	-	-	-	-	533,779	7.36%
- impaired	-	-	-	-	-	41,874	-	41,874	
Other assets n1	431,536	-	-	-	-	824,760	-	1,256,296	
Other non-interest sensitive balances	-	-	-	-	-	219,980	-	219,980	
TOTAL ASSETS	1,391,563	354,933	4,260	363,881	322,792	1,486,717	198,280	4,122,428	
LIABILITIES AND SHAREHOLDERS' EQUITY									
Deposits from customers	785,925	178,288	6,903	-	-	-	-	971,116	3.28%
Deposits and placements of banks and other financial institutions	616,181	100,000	97,926	-	-	-	-	814,107	3.28%
Borrowings	2,229	-	-	-	-	-	-	2,229	5.01%
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-	-	-	
Bills and acceptances payable	-	-	-	-	-	-	-	-	
Recourse obligation on loans sold to Cagamas	-	-	-	-	-	-	-	-	
Subordinated notes	-	-	-	1,527	-	-	-	1,527	5.00%
Other non-interest sensitive balances	436,897	-	-	-	13,025	1,121,920	-	1,571,843	
Total Liabilities	1,841,233	278,288	104,829	1,527	13,025	1,121,920	-	3,360,821	
Shareholders' equity	-	-	-	-	-	754,725	-	754,725	
Non-controlling interests	-	-	-	-	-	6,881	-	6,881	
Total Liabilities and Shareholders' Equity	1,841,233	278,288	104,829	1,527	13,025	1,883,527	-	4,122,428	
On-balance sheet interest sensitivity gap	(449,670)	76,645	(100,569)	362,354	309,767	(396,810)	198,280	-	
Total interest sensitivity gap	(449,670)	76,645	(100,569)	362,354	309,767	(396,810)	198,280	-	

n1 Other assets comprise balances due from clients and brokers, net of individual and collective impairments.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2010

	Non trading book					Non-interest sensitive RM	Trading books RM	Total RM	Effective interest rate %
	Up to 1 month RM	>1 - 3 month RM	>3 - 12 month RM	>1 - 5 years RM	over 5 RM				
A19 Interest/Profit Rate Risk									
Cash and short-term funds	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	-	194,286	
Other assets n1	238,697	-	2,000	-	-	401,761	-	642,458	
Other non-interest sensitive balances	-	-	-	-	-	203,075	-	203,075	
TOTAL ASSETS	1,439,841	64,188	70,865	545,723	20,002	1,125,243	281,776	3,547,638	
LIABILITIES AND SHAREHOLDERS' EQUITY									
Deposits from customers	744,176	206,150	62,251	-	-	-	-	1,012,577	3.07%
Deposits and placements of banks and other financial institutions	517,596	40,864	248,229	-	-	-	-	806,689	3.07%
Borrowings	65,757	-	-	-	-	-	-	65,757	5.01%
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-	-	-	
Bills and acceptances payable	-	-	-	-	-	-	-	-	
Recourse obligation on loans sold to Cagamas	-	-	-	-	-	-	-	-	
Subordinated notes	-	-	-	1,510	-	-	-	1,510	5.00%
Other non-interest sensitive balances	353,735	-	-	-	13,039	534,757	-	901,531	
Total Liabilities	1,681,264	247,014	310,480	1,510	13,039	534,757	-	2,788,064	
Shareholders' equity	-	-	-	-	-	743,868	-	743,868	
Non-controlling interests	-	-	-	-	-	15,706	-	15,706	
Total Liabilities and Shareholders' Equity	1,681,264	247,014	310,480	1,510	13,039	1,294,331	-	3,547,638	
On-balance sheet interest sensitivity gap	(241,423)	(182,826)	(239,615)	544,213	6,963	(169,088)	281,776	-	
Total interest sensitivity gap	(241,423)	(182,826)	(239,615)	544,213	6,963	(169,088)	281,776	-	

n1 Other assets comprise balances due from clients and brokers, net of individual and collective impairments.

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 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:

	30 September 2011	31 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	(10,089)	(14,645)
Goodwill	(17,606)	(17,606)
Total Tier I capital	<u>581,254</u>	<u>576,698</u>
<u>Tier II capital</u>		
Collective impairment provision	8,063	6,820
Total Tier II capital	<u>8,063</u>	<u>6,820</u>
Total capital	589,317	583,518
Less: Investments in subsidiary companies	(36,150)	(36,150)
Capital base	<u>553,167</u>	<u>547,368</u>
Core capital ratio	42.19%	41.74%
Risk-weighted capital ratio	42.19%	41.74%

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2011

	Individual Quarter		Cumulative Quarter	
	30 Sept 2011 RM'000	30 Sept 2010 RM'000	30 Sept 2011 RM'000	30 Sept 2010 RM'000
A21 Interest Income				
Loans, advances and financing				
- Interest income other than recoveries from impaired loans	1,329	2,033	4,119	18,046
- Recoveries from impaired loans	-	-	-	-
- Interest income recognised on unimpaired portion of impaired loans	762	-	2,413	-
- Inter-company	-	-	-	-
Money at call and deposit placements with financial institutions	6,466	3,443	19,895	8,859
Securities purchased under resale agreements	-	-	-	-
Financial assets held-for-trading	2,098	1,621	5,221	3,774
Financial investments available-for-sale	8,105	6,803	23,144	20,738
Financial investments held-to-maturity	-	-	-	-
Interest on Margin	8,920	8,922	26,586	28,391
Interest income on impaired loans	-	-	-	-
Interest on Contra	438	361	1,249	881
Others	-	2	8	4
	<u>28,118</u>	<u>23,185</u>	<u>82,635</u>	<u>80,693</u>
Amortisation of premium less accretion of discount	-	-	-	-
Interest income suspended	-	-	-	-
	<u>28,118</u>	<u>23,185</u>	<u>82,635</u>	<u>80,693</u>
A22 Interest Expense				
Deposits and placement of banks and other financial institutions	3,045	768	7,691	2,937
Intercompany loan	-	-	-	-
Term loan	573	450	1,684	1,452
Deposits from customers	11,397	9,059	33,468	24,613
Obligations on securities sold under repurchase agreements	-	-	-	-
Floating rate certificate of deposits	-	-	-	-
Subordinated notes	-	-	-	-
Subordinated bonds	-	-	-	-
Others	-	-	-	-
	<u>15,015</u>	<u>10,277</u>	<u>42,843</u>	<u>29,002</u>
A23 Non-interest Income				
(a) Fee income:				
Commissions	2,512	3,582	9,528	9,647
Service charges and fees	3,100	6,273	6,889	17,290
Guarantee fees	-	-	-	-
Underwriting fees	214	212	693	212
Brokerage income	26,616	27,504	94,230	81,206
Other fee income	3,903	4,469	11,712	9,621
	<u>36,345</u>	<u>42,040</u>	<u>123,052</u>	<u>117,976</u>
(b) Gain arising from sale of securities:				
Net gain from sale of financial assets held-for-trading	3,165	3,700	4,687	2,411
Net gain from sale of financial investments available-for-sale	1,910	155	1,369	454
Net loss from redemption of financial investments held-to maturity	-	-	-	-
Net gain from sale of subsidiary company	-	-	-	-
	<u>5,075</u>	<u>3,855</u>	<u>6,056</u>	<u>2,865</u>
(c) Gross dividend from:				
Securities portfolio	493	1,019	1,314	2,087
(d) Unrealised (losses)/gains on revaluation of financial assets held-for-trading and derivatives	(2,395)	2,727	1,848	9,311
Write back of impairment losses on securities	-	-	-	-
	<u>(1,902)</u>	<u>2,727</u>	<u>3,162</u>	<u>9,311</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2011

	Individual Quarter		Cumulative Quarter	
	30 Sept 2011 RM'000	30 Sept 2010 RM'000	30 Sept 2011 RM'000	30 Sept 2010 RM'000
(e) Other income:				
Foreign exchange profit	668	616	1,555	1,518
Net premiums written	-	-	-	-
Rental Income	-	-	-	-
Gains on disposal of property, plant and equipment	-	124	8	669
Gain on disposal of foreclosed properties	-	-	-	-
Intercompany written off	-	-	-	-
Capital gain arising from receipt of shares in Bursa Malaysia Berhad	-	306	-	306
Others	(3,857)	3,801	6,796	5,063
	<u>(3,189)</u>	<u>4,847</u>	<u>8,359</u>	<u>7,556</u>
Total non-interest income	36,329	54,488	140,629	139,795
A24 Other operating expenses				
Personnel costs	20,072	25,064	56,894	57,837
- Salaries, allowances and bonuses	12,857	22,377	43,106	49,391
- EPF	1,869	1,309	5,070	4,335
- Others	5,346	1,378	8,718	4,111
Establishment costs	7,849	7,777	23,092	22,316
- Depreciation	1,571	1,692	4,810	5,062
- Rental of leasehold land and premises	3,611	3,936	10,965	10,933
- Repairs and maintenance of property, plant and equipment	166	384	1,118	1,102
- Information technology expenses	1,187	640	2,792	1,823
- Others	1,314	1,125	3,407	3,396
Marketing expenses	862	620	2,842	2,468
- Advertisement and publicity	123	16	164	152
- Others	739	604	2,678	2,316
Administration and general expenses	22,961	22,241	77,198	68,472
- Fees and brokerage	10,047	14,317	38,119	40,947
- Administrative expenses	12,399	7,803	37,481	27,038
- 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	7	10	33	31
- Others	508	111	1,565	456
	<u>51,744</u>	<u>55,702</u>	<u>160,026</u>	<u>151,093</u>
A25 Impairment on loans, advances and financing				
Allowances for bad and doubtful debts and financing:				
- collective impairment (net)	1,023	(2,754)	400	(2,304)
- individual impairment	7,589	25,871	10,106	62,327
- write back of individual impairment	(2,302)	-	(7,684)	-
Bad debts and financing written off	-	-	-	-
Bad debts and financing recovered	(1)	(5)	(3)	(4)
Provision for other debts	-	-	-	-
	<u>6,309</u>	<u>23,112</u>	<u>2,819</u>	<u>60,019</u>
A26 Impairment/(reversal impairment) for bad and doubtful accounts on balances due from clients and brokers and other receivables				
Allowances for bad and doubtful debts and financing:				
- collective impairment (net)	-	-	-	-
- individual (impairment)/reversal	3,844	45	4,022	(1,055)
Bad debts and financing written off	-	-	-	-
Bad debts and financing recovered	(680)	(171)	(872)	(326)
Provision for other debts	(2,813)	45	(3,359)	1,188
	<u>351</u>	<u>(81)</u>	<u>(209)</u>	<u>(193)</u>

**K & N KENANGA HOLDINGS BERHAD
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2011**

A27. SEGMENTAL REPORTING

	-----Continued Operations-----														--Discontinued Operations--						
	Investment Bank		Stock broking		Futures		Money lending		Investment Management		Corporate and Others		Eliminations		Total		Others	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	
Revenue																					
External sales	69,617	78,585	118,628	102,002	16,495	8,268	3,926	3,239	6,837	11,988	4,656	3,485	(2,551)	(6,015)	217,608	201,552	-	45	217,608	201,597	
Inter-segment sales	-	-	-	-	443	277	-	-	-	136	5,904	889	(6,347)	(1,302)	-	-	-	-	-	-	
Total revenue	69,617	78,585	118,628	102,002	16,938	8,545	3,926	3,239	6,837	12,124	10,560	4,374	(8,898)	(7,317)	217,608	201,552	-	45	217,608	201,597	
Result																					
Interest Income	54,830	51,016	18,006	21,864	7,263	3,989	2,657	3,813	514	176	1,783	1,719	(2,336)	(1,809)	82,717	80,768	(82)	(75)	82,635	80,693	
Dividend Income	569	619	-	-	-	-	0	-	-	-	745	9,256	-	-	1,314	9,875	-	-	1,314	9,875	
Depreciation & amortisation	1,374	1,436	3,207	3,350	261	265	132	157	272	399	409	366	-	(134)	5,654	5,838	(12)	19	5,642	5,857	
Impairment losses	1,304	48,837	841	9,615	-	-	465	1,374	-	-	-	-	-	-	2,610	59,826	-	-	2,610	59,826	
Other Non-cash expenses	-	-	(2,626)	(2,424)	-	135	-	(26)	-	-	(13,046)	(12,074)	485	1,795	(15,187)	(12,594)	-	-	(15,187)	(12,594)	
Segment results	45,772	(8,111)	9,590	10,949	7,856	5,804	913	1,414	(850)	(1,375)	(6,984)	10,764	4,555	(9,501)	60,852	9,944	(224)	(375)	60,628	9,569	
Profit from operation	45,772	(8,111)	9,590	10,949	7,856	5,804	913	1,414	(850)	(1,375)	(6,984)	10,764	4,555	(9,501)	60,852	9,944	(224)	(375)	60,628	9,569	
Finance cost, net	(40,211)	(27,853)	-	(17)	(3,284)	(1,354)	(1,683)	(1,489)	0	0	0	0	2,335	1,711	(42,843)	(29,002)	-	-	(42,843)	(29,002)	
Share of results of associates	-	-	-	-	-	-	-	-	-	-	(4,023)	0	3,948	(3,309)	(75)	(3,309)	-	-	(75)	(3,309)	
Profit/(loss) before taxation	5,561	(35,964)	9,590	10,932	4,572	4,450	(770)	(75)	(850)	(1,375)	(11,007)	10,764	-	-	17,934	(22,367)	(224)	(375)	17,710	(22,742)	
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,875)	2,212	-	-	(5,875)	2,212	
Taxation from discontinuing operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Profit/(loss) after taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,059	(20,155)	-	-	11,835	(20,530)	
Loss from discontinuing operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(224)	(381)	(224)	(381)	
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,359)	(2,730)	-	-	(4,359)	(2,730)	
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,700	(22,885)	(224)	(381)	7,252	(23,641)	
Assets																					
Investments in associates	-	-	-	-	-	-	-	-	-	-	51,964	88,644	(924)	(20,696)	51,040	67,948	-	-	51,040	67,948	
Additions to non-current assets	-	-	6,914	1,920	52	670	227	86	1,062	3	1,303	63	(1)	-	9,557	2,742	-	-	9,557	2,742	
Segments assets	717,644	242,329	2,870,576	2,857,998	494,664	295,802	28,225	41,339	27,848	29,246	723,310	749,283	(745,954)	(716,924)	4,116,313	3,499,073	6,115	6,402	4,122,428	3,505,475	
Segment liabilities	592,730	876,964	2,370,920	1,600,545	469,181	274,408	16,980	32,868	2,797	3,548	10,256	8,851	(102,061)	(75,000)	3,360,803	2,722,184	19	15	3,360,822	2,722,199	

**SELECTED EXPLANATORY NOTES
REQUIREMENTS OF FRS134**

A28. Revaluation of property, plant and equipment

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

A29. 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.

A30. Effects of changes in the Composition of the Group

There were no major changes in the composition of the Group for the quarter ended 30 September 2011 except for:

- the incorporation of a new subsidiary company, Kenanga Capital Islamic Sdn. Bhd.; and
- the deconsolidation of Kenanga Syariah Growth Fund and Kenanga Growth Fund in March and August 2011 respectively following the increase in investment by third parties in the two funds.

A31. Significant Events and Transactions

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

SELECTED EXPLANATORY NOTES

REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of the performance of the Company and its principal subsidiary companies for the quarter and financial year to date

During the period ended 30 September 2011, the Group recorded a profit before taxation from continuing operations of RM17.71 million as compared to a loss of RM22.74 million in the previous cumulative quarter ended 30 September 2010.

The profit before taxation that arose during the period ended 30 September 2011 was due mainly to operational profits achieved by its investment banking, futures broker subsidiary companies and unit trust portfolio of RM20.39 million mitigated by impairment on loans, advances and financing and balances due from clients and brokers of RM2.61 million.

For the quarter ended 30 September 2011, the Group incurred a loss before taxation of RM8.82 million. This was mainly due to impairment on loans, advances and financing and balances due from clients and brokers of RM6.66 million.

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

During the quarter ended 30 September 2011, the Group incurred a loss before taxation from continuing operations of RM8.82 million as compared to a profit of RM15.17 million in the previous quarter ended 30 June 2011.

The loss before taxation for the quarter ended 30 September 2011 was due mainly to impairment made in respect of the investment bank's loans, advances and financing and balances due from clients and brokers amounting to RM6.66 million in the quarter ended 30 September 2011 as compared to a write-back of impairment in loans, advances and financing and balances due from clients and brokers of RM4.56 million for the quarter ended 30 June 2011.

B3. Current year prospects

Malaysia's second quarter of 2011 real GDP growth eased to 4.0% year-on-year from a revised 4.9% in the first quarter of 2011, largely attributed to a continued easing in external demand, as well as spillover of negative developments in Europe and the United States. However, we still expect Malaysia's GDP in the third and fourth quarter of 2011 to accelerate to 4.7% and 5.2% respectively, pushing up full-year GDP growth to 4.7%. This is on the back of:

- (i) potential recovery in the manufacturing sector as a result of further acceleration in Japanese rebuilding activities; and
- (ii) more private investments to filter through the economy via the Economic Transformation Programme.

While we are cautiously optimistic over the prospects of the deal flows from local capital markets in the coming quarters, we expect the equity and debt markets to remain volatile because of economic factors in overseas markets.

K & N KENANGA HOLDINGS BERHAD (302859-X)

(Incorporated in Malaysia)

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

For the current financial year ending 31 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

	3 months ended 30 September 2011 RM'000	9 months ended 30 September 2011 RM'000
Current period - income tax	352	1,287
Underprovision in prior year - income tax	56	110
Deferred taxation	220	4,478
Total	628	5,875

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

	3 months ended 30 September 2011 RM'000	9 months ended 30 September 2011 RM'000
Tax effect at statutory rate	95	5,364
Add: Tax effect of expenses that are not deductible for tax purposes	1,103	1,806
Add: Tax losses not recognised	652	1,410
Less: Utilisation of unabsorbed tax losses and capital allowances	(1,398)	(5,289)
Less: Non taxation of capital items	(100)	(2,004)
Tax expense	352	1,287

SELECTED EXPLANATORY NOTES

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

B6. Profits on Sale of Investments and/or Properties

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

	3 months ended 30 September 2011 RM'000	9 months ended 30 September 2011 RM'000
Total purchases for the period	<u>6,824</u>	<u>22,190</u>
Total sales for the period	<u>3,102</u>	<u>14,704</u>
Total gains on disposal for the period	<u>601</u>	<u>2,509</u>

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

	RM'000
Total investment at cost	<u>11,000</u>
Total investment at carrying value/book value	<u>22,638</u>
Total investment at market value at end of reporting period	<u>22,638</u>

B8. Status of Corporate Proposals

There are no corporate proposals by the Group which have been announced but not completed at the date of this report.

K & N KENANGA HOLDINGS BERHAD (302859-X)

(Incorporated in Malaysia)

SELECTED EXPLANATORY NOTES

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

B9. Group Borrowings

		Total Loans RM'000
Subordinated Loan (unsecured)	Note 1	1,527
Short term loan from financial institutions (unsecured)	Note 2	2,229

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 RM1.53 million 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.

Note 2 : The Group obtained the short term borrowings as follows:
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 5.4% 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 No. W-02-834-2005
- Federal Court Civil Application No. 08-234(f)-2010(W)

Background

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

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

SELECTED EXPLANATORY NOTES

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

B11. Changes in material litigation (Contd)

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.

SELECTED EXPLANATORY NOTES

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

B11. Changes in material litigation (Contd)

(b) Swee Joo Berhad & nine other plaintiffs 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, or the creditors will appoint their own liquidator. The Liquidator 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.

SELECTED EXPLANATORY NOTES

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

B12. Dividend

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

B13. Earnings per share

The amount used as the numerator for the purposes of calculating the basic profit per share for the nine-month period is RM7.25 million representing the profit for the period attributable to ordinary equity holders of the parent (30 September 2010: -loss attributable to ordinary equity holders of parent: RM23.64 million).

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

B14. Derivatives

As at 30 September 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	25,446	511
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.

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").

SELECTED EXPLANATORY NOTES

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

Types of derivative financial instruments (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 Arising From Fair Value Changes of Financial Liabilities

	3 months ended 30 September 2011 RM'000	9 months ended 30 September 2011 RM'000
Gains from fair value changes of financial liabilities	<u>1,886</u>	<u>2,372</u>

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.

SELECTED EXPLANATORY NOTES

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

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

	As at 30 September 2011 RM'000	As at 31 December 2010 RM'000
Total retained profits / (accumulated losses) of Company and its subsidiaries:		
- Realised	(276,882)	(280,988)
- Unrealised	19,801	24,927
	(257,081)	(256,061)
Total share of retained profits / accumulated losses) from associated companies:		
- Realised	(12,295)	(11,915)
- Unrealised	-	(286)
	(12,295)	(12,201)
Add: Consolidation adjustments	285,967	277,601
Total group retained profits as per consolidated accounts	16,591	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