

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

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

QUARTERLY REPORT

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No.4, Lorong Persiaran Barat
46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia

**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2011
THE FIGURES HAVE NOT BEEN AUDITED.**

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Group

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended 31 December 2011 RM'000	3 months ended 31 December 2010 RM'000	12 months ended 31 December 2011 RM'000	12 months ended 31 December 2010 RM'000
Continuing Operations					
Interest income	A20	27,540	30,401	110,175	111,094
Interest expense	A21	(15,696)	(14,807)	(58,539)	(43,809)
Net interest income		11,844	15,594	51,636	67,285
Non interest income	A22	44,359	57,047	184,988	196,839
Net Income		56,203	72,641	236,624	264,124
Other operating expenses	A23	(65,114)	(55,214)	(225,140)	(206,304)
Operating (loss)/profit		(8,911)	17,427	11,484	57,820
Impairment on loans, advances and financing	A24	(1,248)	(28,431)	(4,067)	(88,450)
Reversal of impairment for bad and doubtful accounts on balances due from clients and brokers and other receivables	A25	13,539	1,598	13,748	1,791
Impairment of investment in an associate		(4,367)	(17,689)	(419)	(17,689)
Share of losses in associates		(1,854)	(793)	(5,877)	(4,102)
(Loss)/profit before taxation		(2,841)	(27,888)	14,869	(50,630)
Taxation		3,083	3,583	(2,792)	5,795
Profit/(loss) for the period/year from continuing operations		242	(24,305)	12,077	(44,835)
Discontinued operations					
Loss for the period/year		(12)	(67)	(236)	(448)
Profit/(loss) for the period/year		230	(24,372)	11,841	(45,283)

The condensed Consolidated Financial 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)

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	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December 2011 RM'000	3 months ended 31 December 2010 RM'000	12 months ended 31 December 2011 RM'000	12 months ended 31 December 2010 RM'000
Other comprehensive income				
Exchange fluctuation from translation of associated companies' net assets	(524)	(338)	1,509	(8,255)
Available for sale financial investments	(1,664)	1,008	(91)	3,129
Other comprehensive (loss)/income for the period/year	(2,188)	670	1,418	(5,126)
Total comprehensive (loss)/income	(1,958)	(23,702)	13,259	(50,409)
Profit/(loss) for the period/year attributable to				
- Equity holders of the parent	149	(29,660)	7,401	(53,301)
- Non-controlling interests	81	5,288	4,440 *	8,018
	<u>230</u>	<u>(24,372)</u>	<u>11,841</u>	<u>(45,283)</u>
Total comprehensive (loss)/income for the period/year attributable to				
- Equity holders of the parent	(2,039)	(28,990)	8,819	(58,427)
- Non-controlling interests	81	5,288	4,440 *	8,018
	<u>(1,958)</u>	<u>(23,702)</u>	<u>13,259</u>	<u>(50,409)</u>
(a) Earnings/(loss) 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)	0.0	(4.8)	1.2	(8.7)
(ii) Fully diluted	<u>0.0</u>	<u>(4.8)</u>	<u>1.2</u>	<u>(8.7)</u>

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

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K & N KENANGA HOLDINGS BERHAD (302859-X)

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UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**Company**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December 2011 RM'000	3 months ended 31 December 2010 RM'000	12 months ended 31 December 2011 RM'000	12 months ended 31 December 2010 RM'000
Continuing Operations				
Interest income	585	459	2,169	1,854
Interest expense	-	-	-	-
Net interest income	585	459	2,169	1,854
Non interest income	6,045	4,868	11,650	27,202
Net Income	6,630	5,327	13,819	29,056
Other operating expenses	(6,114)	(4,797)	(17,104)	(20,314)
Operating profit/(loss)	516	530	(3,285)	8,742
Impairment of investment in an associate	(6,850)	-	(6,850)	-
(Loss)/profit before taxation	(6,334)	530	(10,135)	8,742
Taxation	942	1,200	487	(350)
(Loss)/profit for the period/year from continuing operations	(5,392)	1,730	(9,648)	8,392
(Loss)/profit for the period/year	(5,392)	1,730	(9,648)	8,392

The condensed Consolidated Financial 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 31 December 2011 RM'000	3 months ended 31 December 2010 RM'000	12 months ended 31 December 2011 RM'000	12 months ended 31 December 2010 RM'000
(i) (Loss)/profit for the period/year attributable to - Equity holders of the parent	(5,392)	1,730	(9,648)	8,392
	<u>(5,392)</u>	<u>1,730</u>	<u>(9,648)</u>	<u>8,392</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)	(0.9)	0.3	(1.6)	1.4
(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.

UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Note	Group		Company	
		As at 31 December 2011 RM'000	As at 31 December 2010 RM'000	As at 31 December 2011 RM'000	As at 31 December 2010 RM'000
ASSETS					
Cash and short-term funds		1,321,052	1,035,480	13,074	37,435
Deposits and placements with banks and other financial institutions		375	847	-	-
Financial assets held-for-trading	A9	241,218	303,199	25,450	21,422
Financial investments available-for-sale	A10	849,087	757,315	-	-
Loans, advances and financing	A11	547,353	605,264	-	-
Other assets					
- Balance due from clients and brokers		179,315	256,344	-	-
- Amount due from subsidiaries		-	-	16,367	13,638
- Amount due from associates		-	-	-	-
- Assets segregated for customers		167,728	351,768	-	-
- Other receivables	A12	64,704	34,346	324	105
Statutory deposit with Bank Negara Malaysia		39,490	9,150	-	-
Tax recoverable		13,640	19,122	5,438	5,438
Investment in subsidiaries		-	-	630,337	615,994
Investment in associates		44,297	49,102	13,360	20,210
Property, plant and equipment		26,356	22,466	1,507	643
Intangible assets		80,306	81,345	18	130
Deferred tax assets		13,970	15,558	-	-
Assets held for resale		6,085	6,332	-	-
TOTAL ASSETS		3,594,976	3,547,638	705,875	715,015
LIABILITIES					
Deposits from customers	A13	1,031,980	1,012,577	-	-
Deposits and placements of banks and other financial institutions	A14	827,902	806,689	-	-
Borrowings	A16	31	65,757	-	-
Other liabilities					
- Balance due to clients and brokers		580,818	586,525	-	-
- Amount held in trust		253,404	224,254	-	-
- Other payables	A15	135,731	86,799	1,054	4,412
Provision for taxation and zakat		197	239	4,353	-
Deferred tax liabilities		1,714	2,134	1,613	2,100
Subordinated obligations	A14	1,384	1,510	-	-
Derivative financial liabilities		2,145	1,571	-	-
Liabilities held for resale		21	9	-	-
TOTAL LIABILITIES		2,835,327	2,788,064	7,020	6,512

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UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Group		Company	
	As at 31 December 2011 RM'000	As at 31 December 2010 RM'000	As at 31 December 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	8,499	9,339	87,021	96,669
Exchange fluctuation reserve	(8,136)	(9,645)	-	-
Statutory reserve	65,699	57,458	-	-
Fair value reserve	2,839	2,930	-	-
Capital reserve	71,952	71,952	-	-
	<u>752,687</u>	<u>743,868</u>	<u>698,855</u>	<u>708,503</u>
Non-controlling Interests	6,962	15,706	-	-
Total equity	<u>759,649</u>	<u>759,574</u>	<u>698,855</u>	<u>708,503</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>3,594,976</u>	<u>3,547,638</u>	<u>705,875</u>	<u>715,015</u>
Net Assets Per Share (RM)	<u>1.23</u>	<u>1.22</u>	<u>1.14</u>	<u>1.16</u>

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

**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Group		Company	
	31 December 2011 RM'000	31 December 2010 RM'000	31 December 2011 RM'000	31 December 2010 RM'000
Cash flows from operating activities				
Profit/(loss) before taxation				
- Continuing operations	14,869	(50,630)	(10,135)	8,742
- Discontinued operations	(236)	(443)	-	-
Adjustments for non operating and non cash items	(104,255)	(12,548)	1,082	(24,021)
Operating loss before changes in working capital	<u>(89,622)</u>	<u>(63,621)</u>	<u>(9,053)</u>	<u>(15,279)</u>
Net changes in operating assets	(68,495)	42,510	(16,843)	923
Net changes in operating liabilities	114,323	651,053	578	1,622
Cash generated from/(used in) operations	<u>(43,794)</u>	<u>629,942</u>	<u>(25,318)</u>	<u>(12,734)</u>
Net dividends received	1,413	2,270	18	6,815
Interest income	70,745	77,299	2,169	1,738
Net tax refund	3,695	132	-	-
Net cash generated from/(used in) operating activities	<u>32,059</u>	<u>709,643</u>	<u>(23,131)</u>	<u>(4,181)</u>
Net cash generated from/(used in) investing activities	13,694	(217,316)	(1,230)	(6,501)
Net cash used in financing activities	(67,074)	(7,388)	-	(4,588)
Net (decrease)/increase in cash and cash equivalent during the period	<u>(21,321)</u>	<u>484,939</u>	<u>(24,361)</u>	<u>(15,270)</u>
Cash and cash equivalents brought forward	819,548	334,609	37,435	52,705
Cash and cash equivalents carried forward	<u>798,227</u>	<u>819,548</u>	<u>13,074</u>	<u>37,435</u>
Cash and cash equivalents comprise the following:-				
Non trust cash and short term funds	792,182	813,271	13,074	37,435
Cash and short term funds classified as asset held for sale	6,045	6,277	-	-
	<u>798,227</u>	<u>819,548</u>	<u>13,074</u>	<u>37,435</u>

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K & N KENANGA HOLDINGS BERHAD (302859-X)
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**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 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----->					Statutory Reserve RM'000			
	Share Capital RM'000	Share Premium RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Fair value 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 year	-	-	1,509	-	(91)	-	7,401	4,440 (a)	13,259
Transfer to statutory reserve	-	-	-	-	-	8,241	(8,241)	-	-
Derecognition of special purpose entities	-	-	-	-	-	-	-	(13,184) (b)	(13,184)
As at 31 December 2011	611,759	75	(8,136)	71,952	2,839	65,699	8,499	6,962	759,649

(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. 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 year ended 31 December 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 RM13.1 million were consequently derecognised.

The Condensed Consolidated Financial 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)

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**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 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
Total comprehensive (loss)/ income for the year	-	-	(8,255)	-	3,129	-	(53,301)	8,018	(50,409)
Transaction with owners									
Dividends paid	-	-	-	-	-	-	(4,588)	(2,161)	(6,749)
As at 31 December 2010	611,759	75	(9,645)	71,952	2,930	57,458	9,339	15,706	759,574

The Condensed Consolidated Financial Statements 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 YEAR ENDED 31 DECEMBER 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 the year	-	-	(9,648)	(9,648)
As at 31 December 2011	<u>611,759</u>	<u>75</u>	<u>87,021</u>	<u>698,855</u>

The Condensed Consolidated Financial 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)
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**UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 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 the year	-	-	8,392	8,392
Dividends paid	-	-	(4,588)	(4,588)
As at 31 December 2010	<u>611,759</u>	<u>75</u>	<u>96,669</u>	<u>708,503</u>

The Condensed Consolidated Financial Statements 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 were no exceptional items affecting assets, liabilities, equity, net income or cash flows during the quarter ended 31 December 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 31 December 2011.

A8. Dividends paid per share

No dividends were declared or paid during the quarter ended 31 December 2011.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011

	31 December 2011	31 December 2010
	RM' 000	RM' 000
A9 Financial assets held-for-trading		
At Fair Value		
Money Market Instruments:-		
Malaysian Government Securities	51,879	30,457
Malaysian Government Investment Issues	81,750	34,934
Bank Negara Malaysia Bills and Notes	29,973	129,969
Total Money Market Instruments	<u>163,602</u>	<u>195,360</u>
Quoted securities:		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	<u>32,631</u>	<u>33,475</u>
Unquoted securities:		
Private and Islamic Debt Securities in Malaysia	44,985	74,364
Foreign Private Debt Securities	-	-
Total unquoted securities	<u>44,985</u>	<u>74,364</u>
Total financial assets held-for-trading	<u>241,218</u>	<u>303,199</u>
A10 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	198,267	381,269
Islamic Cagamas Bonds	-	-
Cagamas Bonds	5,164	-
Malaysian Government Investment Issues	102,140	119,720
Negotiable Instruments of Deposits	99,999	-
Total Money market instruments	<u>405,570</u>	<u>500,989</u>
Quoted securities:		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	-	190
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	<u>-</u>	<u>62</u>
	-	252
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	440,927	253,484
Others	490	490
	<u>443,517</u>	<u>256,074</u>
Accumulated impairment losses	-	-
Total financial investments available-for-sale	<u>849,087</u>	<u>757,315</u>

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011

	31 December 2011 RM' 000	31 December 2010 RM' 000
A11 Loans, advances and financing		
Term loans	77,644	179,350
Share margin financing	508,807	464,865
Others	1	80,262
Gross loans, advances and financing	<u>586,452</u>	<u>724,477</u>
Allowances for bad and doubtful debts and financing:		
- Individual Impairment	(30,839)	(111,053)
- Collective Impairment	(8,260)	(8,160)
Net loans, advances and financing	<u>547,353</u>	<u>605,264</u>
(i) By maturity structure		
Within one year	586,452	724,477
Gross loans, advances and financing	<u>586,452</u>	<u>724,477</u>
(ii) By type of customer		
Domestic operations:		
Domestic business enterprise		
- Small and medium enterprise	-	-
- Others	57,718	325,730
Individuals	511,111	385,299
Other domestic entities	5,386	-
Foreign entities	12,237	13,448
Total domestic operations	<u>586,452</u>	<u>724,477</u>
(iii) By interest/profit rate sensitivity		
Fixed rate		
- Other fixed rate loans/financing	528,734	464,865
Variable rate		
- Base lending rate plus	-	80,262
- Cost plus	57,718	179,350
Gross loans, advances and financing	<u>586,452</u>	<u>724,477</u>
(iv) Total loans by economic purposes		
Domestic operations:		
Purchase of securities	19,526	63,248
Manufacturing	-	6,861
Construction	-	41,778
Transport, storage and communication	33,804	117,597
Finance, insurance and business services	23,914	13,114
Working capital	401	17,014
Others	508,807	464,865
Total domestic operations	<u>586,452</u>	<u>724,477</u>
(v) Impaired loans by economic purpose		
Domestic operations:		
Purchase of securities	37,152	21,705
Working capital	34,206	185,381
Total domestic operations	<u>71,358</u>	<u>207,086</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011

	31 December 2011 RM' 000	31 December 2010 RM' 000
A11 Loans, advances and financing (cont'd)		
(vi) Movement in impaired loans, advances and financing ("Impaired loans") are as follows		
At beginning of the period	207,086	78,032
Impaired during the period	5,972	177,480
Recovered	(54,379)	(45,775)
Amount written off	(87,321)	(2,651)
At end of the period	<u>71,358</u>	<u>207,086</u>
Individual Impairment	<u>(30,839)</u>	<u>(111,053)</u>
Net impaired loans, advances and financing	<u>40,519</u>	<u>96,033</u>
Net impaired loans as a% of gross loans, advances and financing (including Islamic loans sold to Cagamas) less individual impairment	<u>7.29%</u>	<u>15.66%</u>
(vii) Movement in individual impairment for loans, advances and financing are as follows		
<u>Individual Impairment</u>		
At beginning of the period	111,053	-
Adjustment due to FRS 139	-	63,871
Allowance made during the period	12,073	101,704
Amount written back in respect of recoveries	(8,252)	(9,338)
Amount of allowance set off against gross loans	<u>(84,035)</u>	<u>(45,184)</u>
At end of the period	<u>30,839</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	8,160	-
Adjustment due to FRS 139	-	12,071
Allowance made during the period	4,113	-
Amount written back	(4,013)	(3,911)
At end of the period	<u>8,260</u>	<u>8,160</u>
As % of gross loans, advances and financing (including Islamic loans sold to Cagamas) less individual impairment	<u>1.49%</u>	<u>1.33%</u>
A12 Other Assets		
Interest/Income receivable	9,165	9,752
Prepayments and deposits	13,101	12,602
Other debtors	44,144	13,762
	<u>66,410</u>	<u>36,116</u>
Impairment	(1,706)	(1,770)
	<u>64,704</u>	<u>34,346</u>

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	31 December 2011 RM' 000	31 December 2010 RM' 000
A13 Deposits from Customers		
Fixed deposits and negotiable instruments of deposits		
- One year or less	1,031,980	1,012,577
- More than one year	-	-
	<u>1,031,980</u>	<u>1,012,577</u>
Business enterprise	705,035	768,388
Individuals	1,720	-
Government and statutory bodies	325,225	244,189
	<u>1,031,980</u>	<u>1,012,577</u>
A14 Deposits and Placement of Banks and Other Financial Institutions and Debt Securities		
Licensed banks	224,996	304,000
Licensed investment banks	50,000	70,000
Other financial institutions	552,906	432,689
	<u>827,902</u>	<u>806,689</u>
Subordinated obligations		
Unsecured		
- less than one year	-	-
- more than one year	1,384	1,510
	<u>1,384</u>	<u>1,510</u>
A15 Other liabilities		
Interest/Profit payable	5,031	8,609
Provision and accruals	23,553	17,054
Retention for Contra Losses	15,587	16,272
Hire purchase creditors	182	-
Deposits and other creditors	91,378	44,864
	<u>135,731</u>	<u>86,799</u>
A16 Bank Borrowings		
Revolving bank loan	31	65,757
	<u>31</u>	<u>65,757</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011

	December 2011			December 2010		
	RM'000	RM'000 Credit Equivalent	RM'000 Risk Weighted	RM'000 Notional	RM'000 Credit Equivalent	RM'000 Risk Weighted
A17 <u>Commitments and Contingencies and Off-Balance Sheet</u>						
<u>Financial Instruments</u>						
Obligations under underwriting agreements	40,944	20,472	20,472	13,439	6,720	6,720
Irrevocable commitments to extend credit:	-	-	-	-	-	-
- maturity within one year	-	-	-	-	-	-
- Margin	505,512	101,102	101,102	654,477	-	-
- Term loan	-	-	-	-	-	-
	546,456	121,574	121,574	667,916	6,720	6,720

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 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				
A18 Interest/Profit Rate Risk									
Cash and short-term funds	669,050	-	-	-	-	652,002	-	1,321,052	3.00%
Deposits and placements with banks and other financial institutions	-	-	-	-	-	375	-	375	0.00%
Financial assets held-for-trading	-	-	-	-	-	-	241,218	241,218	3.79%
Financial investments available-for-sale	-	99,999	64,189	381,939	300,370	2,590	-	849,087	4.27%
Loans, advances and financing									
- non-impaired	485,414	551	5,214	23,914	-	-	-	515,093	7.38%
- impaired	-	-	-	-	-	32,260	-	32,260	-
Other assets n1	-	-	-	-	-	411,747	-	411,747	-
Other non-interest sensitive balances	-	-	-	-	-	224,144	-	224,144	-
TOTAL ASSETS	1,154,464	100,550	69,403	405,853	300,370	1,323,118	241,218	3,594,976	
LIABILITIES AND SHAREHOLDERS' EQUITY									
Deposits from customers	888,525	134,925	8,530	-	-	-	-	1,031,980	3.23%
Deposits and placements of banks and other financial institutions	619,981	127,925	79,996	-	-	-	-	827,902	3.23%
Borrowings	-	-	-	-	-	-	-	-	-
Subordinated notes	-	-	-	-	-	-	-	-	-
Other non-interest sensitive balances	-	-	-	-	-	975,445	-	975,445	-
Total Liabilities	1,508,507	262,850	88,526	-	-	975,445	-	2,835,327	
Shareholders' equity	-	-	-	-	-	752,030	-	752,687	
Non-controlling interests	-	-	-	-	-	6,962	-	6,962	
Total Liabilities and Shareholders' Equity	1,508,507	262,850	88,526	-	-	1,734,438	-	3,594,976	
On-balance sheet interest sensitivity gap	(354,043)	(162,300)	(19,123)	405,853	300,370	(411,320)	241,218	-	
Total interest sensitivity gap	(354,043)	(162,300)	(19,123)	405,853	300,370	(411,320)	241,218	-	

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 →						Trading books RM	Total RM	Effective interest rate %
	Up to 1 month RM	>1 - 3 month RM	>3 - 12 month RM	>1 - 5 years RM	over 5 RM	Non- interest sensitive RM			
A18 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	
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%
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%
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 - 31 DECEMBER 2011

A19 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:

	31 December 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
Accumulated losses	(60,269)	(68,509)
Statutory reserve	65,699	57,458
	<u>625,430</u>	<u>608,949</u>
Less: Deferred tax assets	(12,740)	(14,645)
Goodwill	(17,606)	(17,606)
Total Tier I capital	<u>595,084</u>	<u>576,698</u>
<u>Tier II capital</u>		
Collective impairment allowance	<u>7,777</u>	<u>6,820</u>
Total Tier II capital	<u>7,777</u>	<u>6,820</u>
Total capital	602,861	583,518
Less: Investments in subsidiaries	(36,150)	(36,150)
Capital base	<u>566,711</u>	<u>547,368</u>
Core capital ratio	41.90%	41.74%
Risk-weighted capital ratio	41.90%	41.74%

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A19. Capital Adequacy (continued)

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

	Bank		Bank	
	31 December 2011		31 December 2010	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
0%	562,322	-	875,709	-
20%	1,510,939	302,188	997,700	199,540
50%	-	-	110,891	55,445
100%	551,574	551,574	650,617	650,617
150%	36,749	55,124	49,311	73,967
Total Risk Weighted Assets for Credit Risk	<u>2,661,584</u>	<u>908,886</u>	<u>2,684,228</u>	<u>979,569</u>
Risk Weighted Assets Equivalent for Market Risk	-	106,281	-	32,926
Risk Weighted Assets Equivalent for Operational Risk	-	337,355	-	298,914
Large Exposure Risk Requirement for Single Equity	-	-	-	-
	<u>2,661,584</u>	<u>1,352,522</u>	<u>2,684,228</u>	<u>1,311,409</u>

NOTES TO INTERIM FINANCIAL REPORT
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A19 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:

Bank

At 31 December 2011

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	339,959	339,959	-	-
Banks, Development Financial Institutions & MDBs	1,272,812	1,272,812	254,562	20,365
Corporates	288,867	288,867	67,734	5,419
Regulatory Retail	379	379	379	30
Higher Risk Assets	490	490	735	59
Other Assets	793,332	549,056	357,325	28,586
Equity Exposure	31,755	31,755	31,755	2,540
<u>Defaulted Exposures</u>				
Corporates	31,380	31,380	47,070	3,766
Other Assets	19,610	4,879	7,319	586
Total for On-Balance Sheet Exposures	<u>2,778,584</u>	<u>2,519,577</u>	<u>766,879</u>	<u>61,351</u>
Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	<u>142,007</u>	<u>142,007</u>	<u>142,007</u>	<u>11,360</u>
Total for Off-Balance Sheet Exposures	<u>142,007</u>	<u>142,007</u>	<u>142,007</u>	<u>11,360</u>
Total for On and Off-Balance Sheet Exposures	<u>2,920,591</u>	<u>2,661,584</u>	<u>908,886</u>	<u>72,711</u>
2 Large Exposure Risk Requirement	-	-	-	-
3 Market Risk	Long Positions	Short Positions		
Interest rate risks	208,587	-	208,587	7,744
Equity position risks	6,700	9,147	(2,447)	359
Foreign exchange risks	75	-	75	75
Option risks	324	-	324	324
4 Operational Risk			<u>337,355</u>	<u>26,988</u>
5 Total RWA and Capital Requirements			<u>1,352,522</u>	<u>108,201</u>

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

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A19. Capital Adequacy (continued)

- (iii) Disclosure of capital adequacy of the Bank in accordance with the Concept Paper - Risk Weighted Capital Adequacy Framework (Basel II) and Capital Adequacy Framework for Islamic Bank (CAFIB) - Disclosure Requirements (Pillar 3) issued by Bank Negara Malaysia on 5 December 2008 is as follows:

Bank

At 31 December 2010

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets	Capital Requirements
	RM'000	RM'000	RM'000	RM'000
1 Credit Risk				
On-Balance Sheet Exposures				
Performing Exposures				
Sovereigns/Central Banks	750,403	750,403	4,019	322
Banks, Development Financial Institutions & MDBs	839,901	839,901	167,980	13,438
Corporates	142,734	142,734	59,615	4,769
Regulatory Retail	389	389	389	31
Higher Risk Assets	490	490	735	59
Other Assets	802,776	802,776	578,025	46,242
Equity Exposure	32,007	32,007	32,007	2,561
Defaulted Exposures				
Corporates	89,414	89,414	107,763	8,621
Other Assets	21,646	5,844	8,766	701
Total for On-Balance Sheet Exposures	<u>2,679,760</u>	<u>2,663,958</u>	<u>959,299</u>	<u>76,744</u>
Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	20,270	20,270	20,270	1,622
Total for Off-Balance Sheet Exposures	<u>20,270</u>	<u>20,270</u>	<u>20,270</u>	<u>1,622</u>
Total for On and Off-Balance Sheet Exposures	<u>2,700,030</u>	<u>2,684,228</u>	<u>979,569</u>	<u>78,366</u>
2 Large Exposure Risk Requirement	-	-	-	-
3 Market Risk				
Interest rate risks	269,725	-	269,725	2,416
Equity position risks	6,951	7,021	(70)	46
Foreign exchange risks	2,045	-	2,045	164
Option risks	7,021	-	7,021	9
4 Operational Risk			298,914	23,913
5 Total RWA and Capital Requirements			<u>1,311,409</u>	<u>104,914</u>

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

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A19. Capital Adequacy (continued)

(iv) Credit Risk Disclosure on Risk Weights as at 31 December 2011

Bank

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	Banks, MDBs and FDIs	Corporates	Regulatory Retail	Higher Risk Assets	Other Assets	Equity Exposures		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Performing Exposures									
0%	339,959	-	45,855	-	-	176,508	-	562,322	-
10%	-	-	-	-	-	-	-	-	-
20%	-	1,272,812	219,098	-	-	19,029	-	1,510,939	302,188
35%	-	-	-	-	-	-	-	-	-
50%	-	-	-	-	-	-	-	-	-
75%	-	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-	-
100%	-	-	23,914	379	-	495,526	31,755	551,574	551,574
150%	-	-	-	-	490	-	-	490	735
Total	339,959	1,272,812	288,867	379	490	691,063	31,755	2,625,325	854,497
Defaulted Exposures									
0%	-	-	-	-	-	-	-	-	-
50%	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	-	-	-	-	-
150%	-	-	31,380	-	-	4,879	-	36,259	54,389
Total	-	-	31,380	-	-	4,879	-	36,259	54,389
Grand Total	339,959	1,272,812	320,247	379	490	695,942	31,755	2,661,584	908,886

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A19. Capital Adequacy (continued)

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

Bank

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	Banks, MDBs and FDIs	Corporates	Regulatory Retail	Higher Risk Assets	Other Assets	Equity Exposures		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Performing Exposures									
0%	730,309	-	-	-	-	145,400	-	875,709	-
10%	-	-	-	-	-	-	-	-	-
20%	20,094	839,901	46,916	-	-	90,789	-	997,700	199,540
35%	-	-	-	-	-	-	-	-	-
50%	-	-	91,172	-	-	13,439	-	104,611	52,305
75%	-	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-	-
100%	-	-	4,646	389	-	573,418	32,007	610,460	610,460
150%	-	-	-	-	490	-	-	490	735
Total	750,403	839,901	142,734	389	490	823,046	32,007	2,588,970	863,040
Defaulted Exposures									
0%	-	-	-	-	-	-	-	-	-
50%	-	-	6,280	-	-	-	-	6,280	3,140
100%	-	-	40,157	-	-	-	-	40,157	40,157
150%	-	-	42,977	-	-	5,844	-	48,821	73,232
Total	-	-	89,414	-	-	5,844	-	95,258	116,529
Grand Total	750,403	839,901	232,148	389	490	828,890	32,007	2,684,228	979,569

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A19 Capital Adequacy (continued)

(v) Off Balance Sheet and Counterparty Credit Risk as at 31 December 2011

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	505,512	20%	101,102	101,102
Forward Asset Purchases	20,433	100%	20,433	20,433
Obligation under an on-going underwriting agreement	40,944	50%	20,472	20,472
	<u>566,889</u>		<u>142,007</u>	<u>142,007</u>

Off Balance Sheet and Counterparty Credit Risk as at 31 December 2010

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>

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	Individual Quarter		Cumulative Quarter	
	31 Dec 2011 RM'000	31 Dec 2010 RM'000	31 Dec 2011 RM'000	31 Dec 2010 RM'000
A20 Interest Income				
Loans, advances and financing				
- Interest income other than recoveries from impaired loans	139	3,590	4,258	21,636
- Interest income recognised on unimpaired portion of impaired loans	648	2,099	3,061	2,099
Money at call and deposit placements with financial institutions	5,759	5,721	25,654	14,580
Financial assets held-for-trading	2,325	2,058	7,546	5,832
Financial investments available-for-sale	8,740	7,225	31,884	27,963
Interest on Margin	9,480	9,337	36,066	37,728
Interest on Contra	443	368	1,692	1,249
Others	6	3	14	7
	<u>27,540</u>	<u>30,401</u>	<u>110,175</u>	<u>111,094</u>
Amortisation of premium less accretion of discount	-	-	-	-
Interest income suspended	-	-	-	-
	<u>27,540</u>	<u>30,401</u>	<u>110,175</u>	<u>111,094</u>
A21 Interest Expense				
Deposits and placement of banks and other financial institutions	5,268	2,241	12,959	5,178
Revolving bank loan	238	1,386	1,922	2,838
Deposits from customers	10,190	11,180	43,658	35,793
	<u>15,696</u>	<u>14,807</u>	<u>58,539</u>	<u>43,809</u>
A22 Non-interest Income				
(a) Fee income:				
Commissions	2,032	3,330	11,560	12,977
Service charges and fees	1,508	(3,291)	8,397	13,999
Underwriting fees	-	-	693	212
Brokerage income	24,531	34,438	118,761	115,643
Other fee income	4,794	3,648	16,506	13,268
	<u>32,865</u>	<u>38,125</u>	<u>155,917</u>	<u>156,099</u>
(b) Gain arising from sale of securities:				
Net gain from sale of financial assets held-for-trading	557	6,787	5,244	9,198
Net gain from sale of financial investments available-for-sale	2,122	28	3,491	482
	<u>2,679</u>	<u>6,815</u>	<u>8,735</u>	<u>9,680</u>
(c) Gross dividend from:				
Securities portfolio	99	547	1,413	2,634
(d) Unrealised gains/(losses) on revaluation of financial assets held-for-trading and derivatives	3,536	(2,691)	5,384	6,620
(e) Other income:				
Foreign exchange profit	452	925	2,007	2,443
Gains on disposal of property, plant and equipment	21	29	29	698
Capital gain arising from receipt of shares in Bursa Malaysia Berhad	-	-	-	306
Others	4,707	13,297	11,503	18,359
	<u>5,180</u>	<u>14,251</u>	<u>13,539</u>	<u>21,806</u>
Total non-interest income	<u>44,359</u>	<u>57,047</u>	<u>184,988</u>	<u>196,839</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011

	Individual Quarter		Cumulative Quarter	
	31 Dec 2011 RM'000	31 Dec 2010 RM'000	31 Dec 2011 RM'000	31 Dec 2010 RM'000
A23 Other operating expenses				
Personnel costs	24,198	20,000	81,092	77,836
- Salaries, allowances and bonuses	23,960	13,556	67,066	62,947
- EPF	2,169	1,391	7,239	5,726
- Others	(1,931)	5,053	6,787	9,163
Establishment costs	11,896	14,648	34,988	36,964
- Depreciation and amortisation of intangible assets	1,834	2,600	7,476	7,662
- Rental of leasehold land and premises	7,908	10,701	18,873	21,634
- Repairs and maintenance of property, plant and equipment	1,648	513	2,766	1,615
- Information technology expenses	720	642	3,512	2,465
- Others	(214)	192	2,361	3,588
Marketing expenses	2,312	1,203	5,154	3,670
- Advertisement and publicity	152	8	316	160
- Others	2,160	1,195	4,838	3,510
Administration and general expenses	26,708	19,363	103,906	87,834
- Fees and brokerage	26,385	19,334	64,504	60,280
- Administrative expenses	1,921	(100)	39,402	26,938
- Claims incurred	(33)	14	-	45
- Others	(1,565)	115	-	571
	65,114	55,214	225,140	206,304
A24 Impairment on loans, advances and financing				
Allowances for bad and doubtful debts and financing:				
- collective impairment (net)	(300)	(1,606)	100	(3,910)
- individual impairment	1,967	39,377	12,073	101,704
- write back of individual impairment	(568)	(9,340)	(8,252)	(9,340)
Bad debts and financing written off	152	-	152	-
Bad debts and financing recovered	(3)	-	(6)	(4)
	1,248	28,431	4,067	88,450
A25 Reversal of 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	988	(206)	5,010	(1,261)
Bad debts and financing written off	(3,180)	-	(3,180)	(2,297)
Bad debts and financing recovered	(15,000)	(1,971)	(15,872)	1,767
Provision for other debts	3,653	579	294	-
	(13,539)	(1,598)	(13,748)	(1,791)

A26. SEGMENTAL REPORTING

	-----Continued Operations-----												---Discontinued Operations---							
	Investment Bank		Stock broking		Futures		Money lending		Investment Management		Corporate and Others		Eliminations		Total		Others		Total	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Revenue																				
External sales	105,032	74,600	138,492	166,084	17,412	17,829	3,727	8,516	9,570	13,246	5,248	16,066	-	-	279,481	296,341	-	-	279,481	296,341
Inter-segment sales	-	-	-	-	677	459	-	-	360	1,527	9,802	14,220	(10,839)	(16,206)	-	-	-	-	-	-
Total revenue	105,032	74,600	138,492	166,084	18,089	18,288	3,727	8,516	9,930	14,773	15,050	30,286	(10,839)	(16,206)	279,481	296,341	-	-	279,481	296,341
Result																				
Interest Income	86,556	25,947	11,359	73,850	10,068	5,806	2,430	5,319	682	514	2,405	2,044	(3,206)	(2,239)	110,294	111,241	(119)	(147)	110,175	111,094
Dividend Income	160	204	490,000	582	-	-	-	-	-	-	763	9,659	-	(7,811)	1,413	2,634	-	-	1,413	2,634
Depreciation & amortisation	-	-	6,040	6,240	342	355	183	203	384	491	542	480	(15)	(107)	7,476	7,662	15	23	7,491	7,685
Impairment losses	4,069	82,188	(13,749)	3,983	-	-	-	488	-	-	6,850	36,787	(5,953)	(19,098)	(8,102)	104,348	-	-	(8,102)	104,348
Other Non-cash expenses	(3,598)	-	828	(2,184)	-	137	1	1	1	109	(1,786)	(5,021)	(12,527)	1,995	(17,081)	(4,963)	-	-	(17,081)	(4,963)
Segment results	899	(56,318)	17,518	12,260	5,071	5,602	(2,015)	2,226	(1,882)	(717)	1,283	(29,071)	(9,210)	13,592	11,664	(52,426)	(236)	(443)	11,428	(52,869)
Profit from operation	56,013	(15,310)	17,518	12,277	9,742	7,731	(56)	5,120	(1,882)	(717)	7,160	(24,969)	(9,210)	13,149	79,285	(2,719)	-	-	79,285	(2,719)
Finance cost, net	(55,114)	(41,008)	-	(17)	(4,671)	(2,129)	(1,959)	(2,894)	-	-	-	-	3,205	2,239	(58,539)	(43,809)	-	-	(58,539)	(43,809)
Share of results of associates	-	-	-	-	-	-	-	-	-	-	(5,877)	(4,102)	-	-	(5,877)	(4,102)	-	-	(5,877)	(4,102)
Profit/(loss) before taxation	899	(56,318)	17,518	12,260	5,071	5,602	(2,015)	2,226	(1,882)	(717)	1,283	(29,071)			14,869	(50,630)	-	-	14,869	(50,630)
Taxation															(2,792)	5,800	-	-	(2,792)	5,800
Taxation from discontinuing operations															-	-	-	(5)	-	(5)
Profit/(loss) after taxation															12,077	(44,830)	-	-	12,077	(44,835)
Loss from discontinuing operations															-	-	(236)	(448)	(236)	(448)
Non-controlling interests															(4,440)	(8,018)	-	-	(4,440)	(8,018)
Net profit/(loss) for the period															7,637	(52,848)	(236)	(448)	7,401	(53,301)
Assets																				
Investments in associates	-	-	-	-	-	-	-	-	-	-	51,964	51,964	(7,667)	(2,862)	44,297	49,102	-	-	44,297	49,102
Additions to non-current assets	-	-	8,411	5,164	61	670	211	86	1,257	14	1,560	140	-	-	11,500	6,074	-	-	11,500	6,074
Segments assets	1,919,960	598,339	1,132,248	2,351,886	391,807	391,797	22,949	89,081	28,527	30,487	721,744	733,507	(628,365)	(653,791)	3,588,870	3,541,306	6,106	6,332	3,594,976	3,547,638
Segment liabilities	1,983,450	1,066,061	440,490	1,331,628	369,717	369,748	14,733	14,021	3,579	4,145	13,095	14,936	10,242	(12,488)	2,835,306	2,788,051	21	13	2,835,327	2,788,064

**SELECTED EXPLANATORY NOTES
REQUIREMENTS OF FRS134**

A27. Revaluation of property, plant and equipment

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

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

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

A29. Effects of changes in the Composition of the Group

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

A30. Significant Events and Transactions

There were no major significant events and transactions during the period ended 31 December 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 year ended 31 December 2011, the Group recorded a profit before taxation from continuing operations of RM14.87 million as compared to a loss of RM50.63 million in the preceding year ended 31 December 2010.

The profit before taxation that arose during the year ended 31 December 2011 was due mainly to operational profits achieved by its investment banking, futures broker subsidiary companies and unit trust portfolio of RM11.48 million, and, bad debts recovery of RM15.87 million negated by impairment on loans, advances and financing and balances due from clients and brokers of RM6.19 million, and, share of losses in associates of RM5.88 million.

For the quarter ended 31 December 2011, the Group incurred a loss before taxation of RM2.84 million. This was mainly due to impairment charge for investment in an associate of RM4.37 million mitigated by bad debts recovery.

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

During the quarter ended 31 December 2011, the Group incurred a loss before taxation from continuing operations of RM2.84 million as compared to a loss of RM8.82 million in the previous quarter ended 30 September 2011.

The loss before taxation for the quarter ended 31 December 2011 was due mainly to impairment charge for investment in an associate of RM4.37 million mitigated by bad debts recovery as compared to losses due 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 previous quarter ended 30 September 2011.

B3. Prospects for 2012

The IMF forecasts global GDP to grow 4.0% in 2012, the same pace as 2011, with advanced economies expected to expand only 1.9% (1.6-% in 2011) versus 6.1% growth in emerging and developing economies (6.4% in 2011). Advanced economies' inflation is projected to be at 1.4% (2.6% in 2011) whilst inflation in emerging and developing economies will be much higher at 5.9% (7.5-% in 2011).

Against this external backdrop and resilient domestic demand, the Malaysian economy posted 5.1% growth this year. This is consistent with the expansion of productive capacity following high growth in private investment, which is forecasted to grow 15.9% following a 16.2% expansion in 2011. The key drivers for this are the Economic Transformation Programme (ETP) and foreign direct investment (FDI).

SELECTED EXPLANATORY NOTES

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

B3. Prospects for 2012 (Contd)

Malaysian inflation is forecasted to moderate to 2.9% in 2012 following 3.0% in 2011. Balancing growth and inflation concerns, Bank Negara is expected to maintain the Overnight Policy Rate at 3.0% throughout the year. With no expected cut for interest rates, the ringgit should continue to appreciate and has the potential to reach the 2.90-level against the US\$ this year.

As a whole, 2012 could still be a better year in terms of market volatility and corporate earnings growth in contrast to 2011 with the slight improvement on the Bursa Malaysia trading volume compared to 2011.

The Group has gradually build up its investment banking presence by securing a stream of high-profile mandates in the debt and equity capital markets as well as mergers and acquisitions and strengthening its Equity Broking business. Whilst the earnings are very dependent on the capital market sentiment in Malaysia, the Group's current business strategy is expected to enhance the Group's revenue and earnings.

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 31 December 2011 RM'000	12 months ended 31 December 2011 RM'000
Current period - income tax	307	1,594
Underprovision in prior year - income tax	(110)	-
Deferred taxation	(3,280)	1,198
Total	<u>(3,083)</u>	<u>2,792</u>

Due to the effect of prior year's underprovision of deferred tax assets which was adjusted in the current quarter, the effective tax rate for the current quarter is higher than the statutory rate. However, the effective tax rate for the financial year is lower than the statutory rate due to the same reason.

**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 31 December 2011.

B7. Quoted Securities

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

	3 months ended 31 December 2011 RM'000	12 months ended 31 December 2011 RM'000
Total purchases for the period	-	<u>22,190</u>
Total sales for the period	-	<u>14,704</u>
Total gains on disposal for the period	-	<u>2,509</u>

(b) Total investments in quoted securities by the Group other than the investment banking subsidiary as at 31 December 2011 were as follows:

	RM'000
Total investment at cost	<u>11,000</u>
Total investment at carrying value/book value	<u>25,450</u>
Total investment at market value at end of reporting period	<u>25,450</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.

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	1,384
Short term loan from financial institutions (unsecured)	Note 2	31

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 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 (KIBB) 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 with KIBB and both suffered losses.

**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 Hj Ishak, had given a personal undertaking to pay monies owing by the two earlier mentioned defendants under the said accounts to KIBB. The terms of this Letter of Undertaking was breached as the 1st Defendant failed to pay the amounts outstanding in the accounts of the 2nd and 3rd Defendants.

Status of the case

KIBB commenced legal proceedings for the losses, interest and/or charges incurred on the said accounts. Judgement was obtained in favour of KIBB in 2003.

The 1st Defendant had appealed to the Federal Court. The appeal was heard and refused by the Federal Court. As all avenues of appeal have been exhausted, the judgement obtained in 2003 which awarded judgement sum with costs to KIBB against the 1st Defendant is now final.

KIBB and Datuk Hj Ishak had on 20 December 2011, agreed to resolve the matter vide an out of court settlement. The matter is now deemed resolved.

(b) Swee Joo Berhad & nine other plaintiffs v Kenanga Investment Bank Berhad

- Kuching High Court Suit No. KCH-22-90-2011

These proceedings have arisen in relation to SJB's default in payment of a term loan granted by KIBB to SJB.

On 20 May 2011, KIBB was served with a Writ of Summons filed by SJB and nine third party security providers, namely the 8 share pledgors ("the Share Pledgors") and the vessels mortgagor, Asia Bulk Sdn Bhd, collectively known as "the Plaintiffs".

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 Bank has also filed its counterclaim against the Plaintiffs and is now currently pending for trial.

As advised by the Bank's solicitor, should the Bank fails to successfully defend the said action, it will result in the voiding of the Memorandum of Deposits of shares (MODs) and the Bank will be prevented from claiming for the shortfall from the share pledgors. Further, the Bank will have to deal with the further claim for general/punitive damages.

**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

At this juncture, the Bank's solicitor advised that it is premature to ascertain the sum for the general and punitive damages as the share pledgors will have to submit proof of the general damages allegedly suffered. As for the punitive damages, unless the Court is of the view that the MODs were forged, the Court has the discretion to award damages to the Plaintiffs.

B12. Dividend

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

B13. Earnings per share

The amount used as the numerator for the purposes of calculating the basic profit per share for the twelve-month period is RM7.40 million representing the profit for the period attributable to ordinary equity holders of the parent (31 December 2010: -loss attributable to ordinary equity holders of parent: RM53.30 million).

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

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

B14. Derivatives

As at 31 December 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	52,051	2,145
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").

(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.

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

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 31 December 2011 RM'000	12 months ended 31 December 2011 RM'000
Gains from fair value changes of financial liabilities	316	2,688

The fair value changes above arose in respect of outstanding equity structured warrants mentioned in Note B14 above.

The gains and losses were due to fluctuation of the market prices of the structured warrants concerned as quoted by Bursa Malaysia.

B16. Comparative figures

The presentation and classification of items in the current year's financial statements are consistent with the previous financial year except for the following comparative figures which have been restated to conform with current year's presentation:

	As previously reported RM'000	Restatement RM'000	As restated RM'000
Statement of Finance Position as at 31 December 2010			
Group			
Intangible Assets			
Goodwill	53,373	(4,169)	49,204
Management contracts	-	4,169	4,169
Statement of Comprehensive Income income for the financial year ended 31 December 2010			
Group			
Continuing Operations			
Operating revenue	307,879	(11,538)	296,341
Other operating income	201,797	(4,958)	196,839
Other operating expenses	(211,262)	4,958	(206,304)

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

B17. Realised and Unrealised Accumulated Profits/(Losses) Disclosure

	As at 31 December 2011 RM'000	As at 31 December 2010 RM'000
Total retained profits / (accumulated losses) of Company and its subsidiaries:		
- Realised	(273,310)	(280,988)
- Unrealised	26,882	24,927
	(246,428)	(256,061)
Total share of retained profits / accumulated losses) from associated companies:		
- Realised	(16,758)	(11,915)
- Unrealised	(177)	(286)
	(16,935)	(12,201)
Add: Consolidation adjustments	271,862	277,601
Total group retained profits as per consolidated accounts	8,499	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