

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

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

QUARTERLY REPORT

8th Floor, Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2012
THE FIGURES HAVE NOT BEEN AUDITED.**

Tel (60) 3 2164 9080, 2162 1490
Fax (60) 3 2161 4990, 2163 5927
www.kenanga.com.my

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Group**

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended 30 June 2012 RM'000	3 months ended 30 June 2011 RM'000 (restated)	6 months ended 30 June 2012 RM'000	6 months ended 30 June 2011 RM'000 (restated)
Continuing Operations					
Interest income	A20	30,992	24,494	59,273	52,718
Interest expense	A21	(18,127)	(10,756)	(34,930)	(26,029)
Net interest income		12,865	13,738	24,343	26,689
Non interest income	A22	40,847	46,989	92,182	106,699
Net Income		53,712	60,727	116,525	133,388
Other operating expenses	A23	(58,580)	(50,693)	(119,013)	(110,681)
Operating (loss)/profit		(4,868)	10,034	(2,488)	22,707
Write back of impairment on loans, advances and financing	A24	218	3,824	3,176	3,679
Balances due from clients and brokers and other receivables impairment reversal (Impairment loss)/Reversal of Impairment on investment in associated companies	A25	759	848	617	560
		(117)	1,875	(296)	1,875
		(4,008)	16,581	1,009	28,821
Share of (losses)/profits in associates		(755)	(1,300)	2,053	(2,104)
(Loss)/profit before taxation		(4,763)	15,281	3,062	26,717
Taxation		181	(3,278)	(1,357)	(5,295)
(Loss)/profit for the period from continuing operations		(4,582)	12,003	1,705	21,422
Discontinued operation					
Loss for the period		(13)	(83)	(34)	(171)
(Loss)/profit for the period		(4,595)	11,920	1,671	21,251

The condensed Consolidated Financial Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011.

K & N KENANGA HOLDINGS BERHAD (302859-X)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**Group**

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June 2012 RM'000	3 months ended 30 June 2011 RM'000 (restated)	6 months ended 30 June 2012 RM'000	6 months ended 30 June 2011 RM'000 (restated)
Other comprehensive income/(loss)				
Exchange fluctuation from translation of associated companies' net assets	1,564	153	(428)	(1,003)
Available-for-sale financial investments	1,455	1,278	(1,981)	305
Other comprehensive income/(loss) for the period	3,019	1,431	(2,409)	(698)
Total comprehensive (loss)/income	(1,576)	13,351	(738)	20,553
(Loss)/profit for the period attributable to				
- Equity holders of the parent	(4,767)	5,662	1,347	10,083
- Non-controlling interests	172	6,258	324	11,168
	(4,595)	11,920	1,671	21,251
Total comprehensive (loss)/income for the period attributable to				
- Equity holders of the parent	(1,748)	7,093	(1,062)	9,385
- Non-controlling interests	172	6,258	324	11,168
	(1,576)	13,351	(738)	20,553
(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). (2011: 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)	(0.8)	0.9	0.2	1.6
(ii) Fully diluted	(0.8)	0.9	0.2	1.6

The condensed Consolidated Financial Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011.

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UNAUDITED COMPANY STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June 2012 RM'000	3 months ended 30 June 2011 RM'000	6 months ended 30 June 2012 RM'000	6 months ended 30 June 2011 RM'000
Continuing Operations				
Interest income	562	532	1,148	1,060
Interest expense	-	-	-	-
Net interest income	562	532	1,148	1,060
Non interest income	2,978	3,997	5,216	5,777
Net Income	3,540	4,529	6,364	6,837
Other operating expenses	(5,567)	(3,346)	(8,954)	(6,986)
(Loss)/profit before taxation	(2,027)	1,183	(2,590)	(149)
Taxation	407	(850)	437	(1,000)
(Loss)/profit for the period from continuing operations	(1,620)	333	(2,153)	(1,149)
(Loss)/profit for the period	(1,620)	333	(2,153)	(1,149)

The condensed Consolidated Financial Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011.

K & N KENANGA HOLDINGS BERHAD (302859-X)
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UNAUDITED COMPANY STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June 2012 RM'000	3 months ended 30 June 2011 RM'000	6 months ended 30 June 2012 RM'000	6 months ended 30 June 2011 RM'000
(i) (Loss)/profit for the period attributable to - Equity holders of the parent	(1,620)	333	(2,153)	(1,149)
	<u>(1,620)</u>	<u>333</u>	<u>(2,153)</u>	<u>(1,149)</u>
(a) (Loss)/earnings per share attributable to ordinary equity holders 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 quarter year to date) (2011 : 611,759,499 ordinary shares for the previous year quarter and 611,759,499 ordinary shares for the quarter previous year to date) (sen)	(0.3)	0.1	(0.4)	(0.2)
(ii) Fully diluted	(0.3)	0.1	(0.4)	(0.2)

The condensed Consolidated Income statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011.

K & N KENANGA HOLDINGS BERHAD (302859-X)
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UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

<u>Group</u>		As at 30 June 2012 RM'000	As at 31 December 2011 RM'000 (restated)	As at 1 January 2011 RM'000 (restated)
	Note			
ASSETS				
Cash and short-term funds		1,151,502	1,321,052	1,300,957
Deposits and placements with banks and other financial institutions		-	375	847
Financial assets held-for-trading	A9	494,324	241,218	303,199
Financial investments available-for-sale	A10	937,384	849,087	757,315
Loans, advances and financing	A11	755,911	554,771	612,014
Other assets				
- Balance due from clients and brokers		373,472	179,315	256,344
- Assets segregated for customers		130,816	167,728	86,291
- Other receivables	A12	383,201	64,704	34,346
Statutory deposit with Bank Negara Malaysia		41,890	39,490	9,150
Tax recoverable		10,020	13,640	19,122
Investments in associates		45,633	44,297	49,102
Property, plant and equipment		39,679	26,356	22,466
Intangible assets		80,211	80,306	81,345
Deferred tax assets		15,693	12,115	13,871
Assets held for resale		6,059	6,085	6,332
TOTAL ASSETS		4,465,795	3,600,539	3,552,701
LIABILITIES				
Deposits from customers	A13	1,387,586	1,031,980	1,012,577
Deposits and placements of banks and other financial institutions	A14	834,609	827,902	806,689
Borrowings	A16	100,000	31	65,757
Other liabilities				
- Balance due to clients and brokers		774,936	580,818	586,525
- Amount held in trust		249,522	253,404	224,254
- Other payables	A15	347,756	135,731	86,799
Provision for taxation and zakat		159	197	239
Deferred tax liabilities		5,516	1,714	2,134
Subordinated obligations	A14	1,350	1,384	1,510
Derivative financial liabilities		4,464	2,145	1,571
Liabilities held for resale		11	21	9
TOTAL LIABILITIES		3,705,909	2,835,327	2,788,064

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UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

<u>Group</u>	As at 30 June 2012 RM'000	As at 31 December 2011 RM'000 (restated)	As at 1 January 2011 RM'000 (restated)
SHAREHOLDERS EQUITY			
Share Capital	611,759	611,759	611,759
Share Premium	75	75	75
Profit and loss reserve	(4,387)	4,417	4,757
Regulatory reserve	5,563	-	-
Exchange fluctuation reserve	1,081	1,509	-
Statutory reserve	65,699	65,699	57,458
Fair value reserve	858	2,839	2,930
Capital reserve	71,952	71,952	71,952
	<u>752,600</u>	<u>758,250</u>	<u>748,931</u>
Non-controlling Interests	7,286	6,962	15,706
Total equity	<u>759,886</u>	<u>765,212</u>	<u>764,637</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>4,465,795</u>	<u>3,600,539</u>	<u>3,552,701</u>
Net Assets Per Share (RM)	<u>1.23</u>	<u>1</u>	<u>1.22</u>

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K & N KENANGA HOLDINGS BERHAD (302859-X)
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UNAUDITED COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	As at 30 June 2012 RM'000	As at 31 December 2011 RM'000	As at 1 January 2011 RM'000
ASSETS			
Cash and short-term funds	8,321	13,074	37,435
Financial assets held-for-trading	26,919	25,450	21,422
Other assets			
- Amount due from subsidiaries	14,990	16,367	13,638
- Other receivables	798	324	105
Tax recoverable	2,241	5,438	5,438
Investments in subsidiaries	630,337	630,337	615,994
Investments in associates	13,360	13,360	20,210
Property, plant and equipment	1,437	1,507	643
Intangible assets	-	18	130
TOTAL ASSETS	698,403	705,875	715,015
LIABILITIES			
Other liabilities			
- Amount due to subsidiary companies	556	-	-
- Other payables	4,558	5,407	4,412
Deferred tax liabilities	1,175	1,613	2,100
TOTAL LIABILITIES	6,289	7,020	6,512
SHAREHOLDERS EQUITY			
Share Capital	611,759	611,759	611,759
Share Premium	75	75	75
Profit and loss reserve	80,280	87,021	96,669
Total equity	692,114	698,855	708,503
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	698,403	705,875	715,015
Net Assets Per Share (RM)	1.13	1.14	1.16

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K & N KENANGA HOLDINGS BERHAD (302859-X)
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**UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2012**

	Group		Company	
	30 June 2012 RM'000	30 June 2011 RM'000 (restated)	30 June 2012 RM'000	30 June 2011 RM'000 (restated)
Cash flows from operating activities				
Profit/(loss) before taxation				
Continuing operations	3,062	26,717	(2,590)	(149)
Discontinued operation	(34)	(171)	-	-
Adjustments for:				
Depreciation and amortisation:				
Continuing operations	4,166	3,793	223	217
Discontinued operation	6	10	-	-
Share of results in associates	(2,053)	2,104	-	-
Interest income	(33,838)	(34,556)	(1,148)	(1,060)
Interest on financial assets held-for-trading	(7,210)	(3,123)	-	-
Interest on financial investments available-for-sale	(18,225)	(15,039)	-	-
Finance cost on borrowings:				
Continuing operations	483	894	-	-
Gross dividend income	(248)	(821)	-	-
Net gain from sale of financial investments	(10,064)	(981)	-	-
Impairment allowances on balances due from				
clients and brokers	(617)	(560)	-	-
Impairment allowances on loans, advances and financing	(3,176)	(3,679)	-	-
Unrealised gains on revaluation of financial assets				
held-for-trading	(2,992)	(4,243)	(1,469)	(2,914)
Property, plant and equipment written off	-	746	-	8
Unrealised foreign exchange gain on financial investments	(620)	(887)	-	-
(Gain)/Loss on disposal of property, plant and equipment	(122)	(8)	-	22
Reversal of impairment/(Impairment loss) on investments				
in associates	296	(1,875)	-	-
Changes in working capital:				
Receivables	(673,089)	47,278	(474)	(312)
Trust deposits and accounts with licensed banks				
and financial institutions	273,424	-	-	-
Intercompany	-	-	1,933	(5,952)
Amount held in trust	(3,507)	9,582	-	-
Statutory deposit with Bank Negara Malaysia	(2,400)	-	-	-
Payables	770,788	(350,272)	(849)	(1,680)
Cash generated from/(used in) operations	294,030	(325,091)	(4,374)	(11,820)
Net tax refund	2,442	5,025	3,196	-
Dividend received	248	709	-	-
Interest received	33,838	34,556	1,148	1,060
Net cash generated from/(used in) operating activities	330,558	(284,801)	(30)	(10,760)

The accompanying notes form an integral part of the financial statements.

K & N KENANGA HOLDINGS BERHAD (302859-X)
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**UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2012**

	Group		Company	
	30 June 2012 RM'000	30 June 2011 RM'000 (restated)	30 June 2012 RM'000	30 June 2011 RM'000 (restated)
Cash flows from investing activities				
Purchase of property, plant and equipment and intangible assets	(17,394)	(7,879)	(135)	(960)
Interest income from financial assets held-for-trading and financial investments available-for-sale	25,435	18,162	-	-
Acquisition of financial investments - net	(329,708)	(44,623)	-	-
Proceeds from disposal of property, plant and equipment	122	197	-	154
Net cash used in investing activities	<u>(321,545)</u>	<u>(34,143)</u>	<u>(135)</u>	<u>(806)</u>
Cash flows from financing activities				
Interest paid	(483)	(894)	-	-
Repayment of hire purchase and finance lease	(23)	-	-	-
Short term loan repayment	(88,665)	(379,134)	-	-
Long term loan drawdown	188,600	346,900	-	-
Dividend paid	(4,588)	-	(4,588)	-
Net cash generated from/(used in) financing activities	<u>94,841</u>	<u>(33,128)</u>	<u>(4,588)</u>	<u>-</u>
Net changes in cash and cash equivalents	103,854	(352,072)	(4,753)	(11,566)
Cash and cash equivalents at beginning of period	798,227	819,548	13,074	37,435
Cash and cash equivalents at end of period	<u>902,081</u>	<u>467,476</u>	<u>8,321</u>	<u>25,869</u>
Cash and cash equivalents at end of period comprise:				
Cash and short term funds	896,101	461,399	8,321	25,869
Cash and bank balances classified as asset held-for-sale	5,980	6,077	-	-
	<u>902,081</u>	<u>467,476</u>	<u>8,321</u>	<u>25,869</u>

The accompanying notes form an integral part of the financial statements.

K & N KENANGA HOLDINGS BERHAD (302859-X)
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**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2012**

Group	<-----Attributable to Equity Holders of the Parent----->							Distributable Retained profits/ (Accumulated losses) 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	Regulatory Reserve RM'000			
As at 1 January 2012	611,759	75	(8,136)	71,952	2,839	65,699	-	8,499	6,962	759,649
Effect of adopting MFRS 1	-	-	9,645	-	-	-	-	(9,645)	-	-
Adoption of revised BNM GP3 and MFRS 139	-	-	-	-	-	-	-	5,563	-	5,563
As restated	611,759	75	1,509	71,952	2,839	65,699	-	4,417	6,962	765,212
Total comprehensive income for the period	-	-	(428)	-	(1,981)	-	-	1,347	324	(738)
Transfer to regulatory reserve	-	-	-	-	-	5,563	-	(5,563)	-	-
Transaction with owners										
Dividends paid	-	-	-	-	-	-	-	(4,588)	-	(4,588)
As at 30 June 2012	611,759	75	1,081	71,952	858	65,699	5,563	(4,387)	7,286	759,886

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K & N KENANGA HOLDINGS BERHAD (302859-X)

(Incorporated in Malaysia)

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2011**

Group	<-----Attributable to Equity Holders of the Parent----->							Distributable	Non-Controlling Interests	Total Equity	
	<-----Non-Distributable----->			Share Capital	Share Premium	Exchange Reserve	Capital Reserve				Fair value Reserve
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2011	611,759	75	(9,645)	71,952	2,930	57,458	-	9,339	15,706	759,574	
Effect of adopting MFRS 1	-	-	9,645	-	-	-	-	(9,645)	-	-	
Adoption of revised BNM GP3 and MFRS 139	-	-	-	-	-	-	-	5,063	-	5,063	
As restated	611,759	75	-	71,952	2,930	57,458	-	4,757	15,706	764,637	
Total comprehensive (loss)/ income for the period	-	-	(1,003)	-	305	-	-	10,083	11,168	20,553	
Transaction with owners											
Dividends paid	-	-	-	-	-	-	-	-	(2,616)	(2,616)	
As at 30 June 2011	611,759	75	(1,003)	71,952	3,235	57,458	-	14,840	24,258	782,574	

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K & N KENANGA HOLDINGS BERHAD (302859-X)

(Incorporated in Malaysia)

**UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2012**

	<-----Attributable to Equity Holders of the Parent----->			Total Equity
	Share Capital RM'000	Non Distributable Share Premium RM'000	Distributable Retained profits RM'000	RM'000
As at 1 January 2012	611,759	75	87,021	698,855
Comprehensive loss for the period	-	-	(2,153)	(2,153)
Transaction with owners				
Dividend paid			(4,588)	(4,588)
As at 30 June 2012	<u>611,759</u>	<u>75</u>	<u>80,280</u>	<u>692,114</u>

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**UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2012**

	<-----Attributable to Equity Holders of the Parent----->			Total Equity
	Share Capital RM'000	Non Distributable Share Premium RM'000	Distributable Retained profits RM'000	RM'000
As at 1 January 2011	611,759	75	96,669	708,503
Comprehensive loss for the period	-	-	(1,149)	(1,149)
As at 30 June 2011	<u>611,759</u>	<u>75</u>	<u>95,520</u>	<u>707,354</u>

The Condensed Consolidated Financial Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011

SELECTED EXPLANATORY NOTES
REQUIREMENTS OF MFRS 134

A1. Basis Of Preparation

These quarterly interim financial statements, for the period ended 30 June 2012, have been prepared in accordance with MFRS 134 Interim Financial Reporting as modified by Bank Negara Malaysia's Guidelines and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. For the periods up to and including the year ended 31 December 2011, the Group and the Company prepared its financial statements in accordance with Financial Reporting Standards ("FRS"). Since the previous annual audited financial statements as at 31 December 2011 were issued, the Group has adopted the Malaysian Financial Reporting Standards ("MFRS") framework issued by the Malaysian Accounting Standards Board ("MASB") with effect from 1 January 2012. This MFRS framework was introduced by the MASB in order to fully converge Malaysia's existing Financial Reporting Standards ("FRS") framework with the International Financial Reporting Standards ("IFRS") framework issued by the International Accounting Standards Board.

These quarterly interim financial statements are the Group's and the Company's MFRS condensed interim financial statements for part of the period covered by the Group and the Company for the year ending 31 December 2012. MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied.

The notes attached to these condensed 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 and the Company since the year ended 31 December 2011. The explanation of how the transition from FRS to MFRS has affected the financial position and performance of the Group and the Company is set out in Note A31.

The audited financial statements of the Group and the Company for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011 except as discussed in Note A31.

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 2011. 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 2011.

A3. Preceding financial year audit report

The preceding financial year audit report in respect of the financial year ended 31 December 2011 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.

SELECTED EXPLANATORY NOTES
REQUIREMENTS OF MFRS 134 (Contd)

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

During the quarter ended 30 June 2012, an error trade occurred where the trade was executed at a price substantially inconsistent with the prevailing market price amounting to a loss of RM3.58 million.

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

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

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

There was no issue and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the quarter ended 30 June 2012.

A8. Dividends paid per share

During the financial period ended 30 June 2012, an interim dividend of 1 sen per ordinary share less income tax of 25% in respect of the financial year 31 December 2012, amounting to RM4,588,196.25 was paid on 25 June 2012.

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NOTES TO THE FINANCIAL STATEMENTS - 30 June 2012

	30 June 2012 RM' 000	31 December 2011 RM' 000 (restated)
A9 Financial assets held-for-trading		
At Fair Value		
Money Market Instruments:-		
Malaysian Government Securities	166,557	51,879
Malaysian Government Investment Issues	88,264	81,750
Bank Negara Malaysia Bills and Notes	149,316	29,973
Total Money Market Instruments	<u>404,137</u>	<u>163,602</u>
Quoted securities:		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	<u>51,099</u>	<u>32,631</u>
Unquoted securities:		
Private and Islamic Debt Securities in Malaysia	39,088	44,985
Foreign Private Debt Securities	-	-
Total unquoted securities	<u>39,088</u>	<u>44,985</u>
Total financial assets held-for-trading	<u>494,324</u>	<u>241,218</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	182,736	198,267
Cagamas Bonds	-	5,164
Malaysian Government Investment Issues	41,915	102,140
Negotiable Instruments of Deposits	214,847	99,999
Total Money Market instruments	<u>439,498</u>	<u>405,570</u>
Quoted securities:		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	-	-
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	<u>-</u>	<u>-</u>
Unquoted securities:		
Shares, trust units and loan stocks in Malaysia	2,100	2,100
Private and Islamic Debt Securities in Malaysia	495,180	440,927
Others	606	490
	<u>497,886</u>	<u>443,517</u>
Accumulated impairment losses	-	-
Total financial investments available-for-sale	<u>937,384</u>	<u>849,087</u>

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NOTES TO THE FINANCIAL STATEMENTS - 30 June 2012

	30 June 2012 RM' 000	31 December 2011 RM' 000 (restated)
A11 Loans, advances and financing		
Term loans	-	57,718
Share margin financing	663,956	508,807
Other financing	107,341	19,927
Gross loans, advances and financing	<u>771,297</u>	<u>586,452</u>
Allowances for bad and doubtful debts and financing:		
- Individual Impairment	(15,386)	(30,839)
- Collective Impairment	-	(842)
Net loans, advances and financing	<u>755,911</u>	<u>554,771</u>
(i) By maturity structure		
Within one year	771,297	586,452
Gross loans, advances and financing	<u>771,297</u>	<u>586,452</u>
(ii) By type of customer		
Domestic operations:		
Domestic business enterprise		
- Small and medium enterprise	-	-
- Others	304,928	57,718
Individuals	458,294	511,111
Other domestic entities	-	5,386
Foreign entities	8,075	12,237
Total domestic operations	<u>771,297</u>	<u>586,452</u>
(iii) By interest/profit rate sensitivity		
Fixed rate		
- Other fixed rate loans/financing	771,297	528,734
Variable rate		
- Base lending rate plus	-	-
- Cost plus	-	57,718
Gross loans, advances and financing	<u>771,297</u>	<u>586,452</u>
(iv) Total loans by economic sector		
Domestic operations:		
Purchase of securities	756,525	514,366
Manufacturing	13,967	14,368
Construction	-	-
Transport, storage and communication	-	33,804
Finance, insurance and business services	-	23,914
Working capital	-	-
Others	805	-
Total domestic operations	<u>771,297</u>	<u>586,452</u>
(v) Impaired loans by economic purpose		
Domestic operations:		
Purchase of securities	5,564	37,152
Working capital	13,967	34,206
Total domestic operations	<u>19,531</u>	<u>71,358</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 June 2012

	30 June 2012	31 December 2011
	RM' 000	RM' 000 (restated)

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	71,358	207,086
Impaired during the period	143	5,972
Recovered	(1,827)	(54,379)
Amount written off	(50,143)	(87,321)
At end of the period	19,531	71,358
Individual Impairment	(15,386)	(30,839)
Net impaired loans, advances and financing	4,145	40,519
Net impaired loans as a % of gross loans, advances and financing less individual impairment	0.55%	7.29%

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

Individual Impairment

At beginning of the period	30,839	111,053
Allowance made during the period	201	12,073
Amount written back in respect of recoveries	(1,997)	(8,252)
Amount of allowance set off against gross loans	(13,657)	(84,035)
At end of the period	15,386	30,839

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

Collective Impairment

At beginning of the period		
- as previously stated	842	8,160
- effect of changes in accounting policy	-	(6,750)
At beginning of the period, as restated	842	1,410
Allowance made during the period	-	4,113
Amount written back	(842)	(4,681)
At end of the period	-	842
As % of gross loans, advances and financing less individual impairment	0.00%	0.15%

A12 Other Assets

Interest/Income receivable	11,105	9,165
Prepayments and deposits	14,986	13,101
Treasury trade receivables	344,847	34,325
Other debtors	13,393	9,819
	384,331	66,410
Individual impairment	(1,130)	(1,706)
	383,201	64,704

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	30 June 2012	31 December 2011
	RM' 000	RM' 000
		(restated)
A13 Deposits from Customers		
Fixed deposits and negotiable instruments of deposits		
- One year or less	1,387,586	1,031,980
- More than one year	-	-
	1,387,586	1,031,980
Business enterprise	930,660	705,035
Individuals	1,749	1,720
Government and statutory bodies	455,177	325,225
	1,387,586	1,031,980
A14 Deposits and Placement of Banks and Other Financial Institutions and Debt Securities		
Licensed banks	94,995	224,996
Licensed investment banks	100,000	50,000
Other financial institutions	639,614	552,906
	834,609	827,902
Subordinated obligations		
Unsecured		
- less than one year	-	-
- more than one year	1,350	1,384
	1,350	1,384
A15 Other liabilities		
Interest/Profit payable	4,397	5,031
Provision and accruals	9,527	23,553
Retention for Contra Losses	15,190	15,587
Hire purchase creditors	163	182
Deposits and other creditors	318,479	91,378
	347,756	135,731
A16 Bank Borrowings		
Revolving bank loan	100,000	31
	100,000	31

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	RM'000	June 2012	RM'000	December 2011	RM'000	RM'000
	Notional	RM'000	RM'000	Notional	RM'000	RM'000
A17 <u>Commitments and Contingencies and Off-Balance Sheet</u>	Notional	Credit	Risk	Notional	Credit	Risk
<u>Financial Instruments</u>		Equivalent	Weighted		Equivalent	Weighted
Obligations under underwriting agreements	14,250	7,125	7,125	40,944	20,472	20,472
Irrevocable commitments to extend credit: -	-	-	-	-	-	-
maturity within one year	-	-	-	-	-	-
- Margin	703,379	140,676	140,676	505,512	101,102	101,102
- Term loan	-	-	-	-	-	-
	717,629	147,801	147,801	546,456	121,574	121,574

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	← 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	691,150	-	-	-	-	460,352	-	1,151,502	3.01%
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-	-
Financial assets held-for-trading	-	-	-	-	-	-	494,324	494,324	3.74%
Financial investments available-for-sale	-	200,136	119,144	207,484	407,914	2,706	-	937,384	4.13%
Loans, advances and financing									
- non-impaired	751,765	-	-	-	-	-	-	751,765	6.60%
- impaired	-	-	-	-	-	4,146	-	4,146	-
Other assets n1	-	-	-	-	-	887,489	-	887,489	-
Other non-interest sensitive balances	-	-	-	-	-	239,185	-	239,185	-
TOTAL ASSETS	1,442,915	200,136	119,144	207,484	407,914	1,593,878	494,324	4,465,795	
LIABILITIES AND SHAREHOLDERS' EQUITY									
Deposits from customers	1,197,641	164,377	25,568	-	-	-	-	1,387,586	3.19%
Deposits and placements of banks and other financial institutions	777,604	37,010	19,995	-	-	-	-	834,609	3.19%
Borrowings	100,000	-	-	-	-	-	-	100,000	5.48%
Subordinated obligations	-	-	-	1,350	-	-	-	1,350	5.50%
Other non-interest sensitive balances	-	-	-	-	-	1,382,364	-	1,382,364	-
Total Liabilities	2,075,245	201,387	45,563	1,350	-	1,382,364	-	3,705,909	
Shareholders' equity	-	-	-	-	-	752,600	-	752,600	
Non-controlling interests	-	-	-	-	-	7,286	-	7,286	
Total Liabilities and Shareholders' Equity	2,075,245	201,387	45,563	1,350	-	2,142,250	-	4,465,795	
On-balance sheet interest sensitivity gap	(632,330)	(1,251)	73,581	206,134	407,914	(548,372)	494,324	-	
Total interest sensitivity gap	(632,330)	(633,581)	(560,000)	(353,866)	54,048	(494,324)	-	-	

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (Restated)

	← 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	-
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									
- performing	492,832	551	5,214	23,914	-	-	-	522,511	7.38%
- impaired loans	-	-	-	-	-	32,260	-	32,260	
Other assets n1	-	-	-	-	-	411,747	-	411,747	
Other non-interest sensitive balances	-	-	-	-	-	222,289	-	222,289	
TOTAL ASSETS	1,161,882	100,550	69,403	405,853	300,370	1,321,263	241,218	3,600,539	
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	31	-	-	-	-	-	-	31	5.21%
Subordinated obligations	-	-	-	1,384	-	-	-	1,384	5.50%
Other non-interest sensitive balances	-	-	-	-	-	974,030	-	974,030	
Total Liabilities	1,508,537	262,850	88,526	1,384	-	974,030	-	2,835,327	
Shareholders' equity	-	-	-	-	-	758,250	-	758,250	
Non-controlling interests	-	-	-	-	-	6,962	-	6,962	
Total Liabilities and Shareholders' Equity	1,508,537	262,850	88,526	1,384	-	1,739,242	-	3,600,539	
On-balance sheet interest sensitivity gap	(346,655)	(162,300)	(19,123)	404,469	300,370	(417,979)	241,218	-	
Total interest sensitivity gap	(346,655)	(508,955)	(528,078)	(123,609)	176,761	(241,218)	-	-	

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

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2012

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:

	30 June 2012	31 December 2011
	RM'000	RM'000
		(Restated)
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)	(60,269)
Statutory reserve	65,699	65,699
	<u>625,430</u>	<u>625,430</u>
Less: Deferred tax assets	(9,626)	(10,885)
Goodwill	(17,606)	(17,606)
Total Tier I capital	<u>598,198</u>	<u>596,939</u>
<u>Tier II capital</u>		
Collective impairment allowance	-	359
Total Tier II capital	<u>-</u>	<u>359</u>
Total capital	598,198	597,298
Less: Investments in subsidiaries	(36,150)	(36,150)
Capital base	<u>562,048</u>	<u>561,148</u>
Core capital ratio	32.89%	41.49%
Risk-weighted capital ratio	32.89%	41.49%

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A19. Capital Adequacy (continued)

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

	Bank		Bank	
	30 June 2012		31 December 2011	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
0%	1,008,323	-	562,322	-
20%	1,650,946	330,189	1,510,939	302,188
50%	-	-	-	-
100%	769,532	769,532	551,574	551,574
150%	40,454	60,681	36,749	55,124
Total Risk Weighted Assets for Credit Risk	<u>3,469,255</u>	<u>1,160,402</u>	<u>2,661,584</u>	<u>908,886</u>
Risk Weighted Assets Equivalent for Market Risk	-	192,587	-	106,281
Risk Weighted Assets Equivalent for Operational Risk	-	356,110	-	337,355
Large Exposure Risk Requirement for Single Equity	-	-	-	-
	<u>3,469,255</u>	<u>1,709,099</u>	<u>2,661,584</u>	<u>1,352,522</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2012

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:

<u>Bank</u>					
<u>At 30 June 2012</u>					
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	266,608	266,608	-	-	
Banks, Development Financial Institutions & MDBs	1,332,578	1,332,578	266,516	21,321	
Corporates	369,352	369,352	59,653	4,772	
Regulatory Retail	5,005	5,005	5,005	400	
Higher Risk Assets	490	490	735	59	
Other Assets	1,453,225	1,239,252	566,721	45,338	
Equity Exposure	31,871	31,871	31,871	2,550	
<u>Defaulted Exposures</u>					
Corporates	-	-	-	-	
Other Assets	54,144	54,144	59,946	4,796	
Total for On-Balance Sheet Exposures	<u>3,513,273</u>	<u>3,299,300</u>	<u>990,447</u>	<u>79,236</u>	
Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	169,955	169,955	169,955	13,596	
Total for Off-Balance Sheet Exposures	<u>169,955</u>	<u>169,955</u>	<u>169,955</u>	<u>13,596</u>	
Total for On and Off-Balance Sheet Exposures	<u>3,683,228</u>	<u>3,469,255</u>	<u>1,160,402</u>	<u>92,832</u>	
2 Large Exposure Risk Requirement	-	-	-	-	
3 Market Risk					
	Long Positions	Short Positions			
Interest rate risks	443,221	-	443,221	187,362	14,989
Equity position risks	23,748	23,808	(60)	988	79
Foreign exchange risks	-	1,511	(1,511)	1,513	121
Option risks	23,748	-	23,748	2,724	218
4 Operational Risk			356,110	28,489	
5 Total RWA and Capital Requirements			<u>1,709,099</u>	<u>136,728</u>	

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

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2012

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	5,418	
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	2,541	
<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	142,007	142,007	142,007	11,360	
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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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2012

A19. Capital Adequacy (continued)

(iv) Credit Risk Disclosure on Risk Weights as at 30 June 2012

Bank

Risk Weights	Exposures after Netting and Credit Risk Mitigation							Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	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%	266,608	-	71,089	-	-	656,446	-	994,143	-
10%	-	-	-	-	-	-	-	-	-
20%	-	1,332,578	298,263	-	-	20,105	-	1,650,946	330,189
35%	-	-	-	-	-	-	-	-	-
50%	-	-	-	-	-	-	-	-	-
75%	-	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-	-
100%	-	-	-	5,005	-	732,655	31,872	769,532	769,532
150%	-	-	-	-	490	-	-	490	735
Total	266,608	1,332,578	369,352	5,005	490	1,409,206	31,872	3,415,111	1,100,456
Defaulted Exposures									
0%	-	-	-	-	-	14,180	-	14,180	-
50%	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	-	39,964	-	39,964	59,946
Total	-	-	-	-	-	54,144	-	54,144	59,946
Grand Total	266,608	1,332,578	369,352	5,005	490	1,463,350	31,872	3,469,255	1,160,402

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2012

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	Total Risk Weighted Assets
	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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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2012

A19. Capital Adequacy (continued)

(v) Off Balance Sheet and Counterparty Credit Risk as at 30 June 2012

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	703,379	20%	140,676	140,676
Forward Asset Purchases	22,154	100%	22,154	22,154
Obligation under an on-going underwriting agreement	14,250	50%	7,125	7,125
	<u>739,783</u>		<u>169,955</u>	<u>169,955</u>

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
Forward Asset Purchases	20,433	100%	20,433	20,433
Obligation under an on-going underwriting agreement	40,944	50%	20,472	20,472
Other commitment with an original maturity of up to one year	505,512	20%	101,102	101,102
	<u>566,889</u>		<u>142,007</u>	<u>142,007</u>

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	Individual Quarter		Cumulative Quarter	
	30 June 2012 RM'000	30 June 2011 RM'000 (Restated)	30 June 2012 RM'000	30 June 2011 RM'000 (Restated)
A20 Interest Income				
Loans, advances and financing				
- Interest income other than recoveries from impaired loans	369	1,357	868	2,790
- Interest income recognised on unimpaired portion of impaired loans	-	767	-	1,651
Money at call and deposit placements with financial institutions	6,571	4,132	11,290	11,630
Financial assets held-for-trading	3,506	1,341	7,210	3,123
Financial investments available-for-sale	9,064	7,486	18,225	15,039
Interest on Margin	10,795	9,110	20,366	17,666
Interest on Contra	633	292	1,221	810
Others	54	9	93	9
	30,992	24,494	59,273	52,718
A21 Interest Expense				
Deposits and placement of banks and other financial institutions	1,835	74	2,638	2,846
Revolving bank loan	458	449	679	1,111
Deposits from customers	15,834	10,233	31,613	22,072
	18,127	10,756	34,930	26,029
A22 Non-interest Income				
(a) Fee income:				
Commissions	2,464	3,089	4,588	7,016
Service charges and fees	5,745	1,883	8,289	3,789
Underwriting fees	590	143	1,629	479
Brokerage income	21,257	26,770	52,778	67,614
Other fee income	3,943	4,256	7,365	7,809
	33,999	36,141	74,649	86,707
(b) (Loss)/gain arising from sale of securities:				
Net(Loss)/gain from sale of financial assets held-for-trading	(1,776)	1,426	3,384	1,522
Net gain/(loss) from sale of financial investments available-for-sale	1,416	(565)	6,680	(541)
	(360)	861	10,064	981
(c) Gross dividend from:				
Securities portfolio	151	508	248	821
(d) Unrealised gains on revaluation of financial assets held-for-trading and derivatives	4,442	3,149	2,992	4,243
(e) Other income:				
Foreign exchange profit	405	418	620	887
Gains on disposal of property, plant and equipment	65	8	122	8
Others	2,145	5,904	3,487	13,052
	2,615	6,330	4,229	13,947
Total non-interest income	40,847	46,989	92,182	106,699

NOTES TO THE FINANCIAL STATEMENTS - 30 June 2012

	Individual Quarter		Cumulative Quarter	
	30 June 2012 RM'000	30 June 2011 RM'000 (Restated)	30 June 2012 RM'000	30 June 2011 RM'000 (Restated)
A23 Other operating expenses				
Personnel costs	26,655	17,901	50,569	36,822
- Salaries, allowances and bonuses	21,472	14,147	41,097	30,249
- EPF	2,115	1,848	4,326	3,201
- Others	3,068	1,906	5,146	3,372
Establishment costs	8,989	8,243	18,776	17,642
- Depreciation and amortisation of intangible assets	2,395	1,875	4,166	3,793
- Rental of leasehold land and premises	4,571	4,450	10,147	9,753
- Repairs and maintenance of property, plant and equipment	385	504	817	952
- Information technology expenses	1,056	719	2,510	1,605
- Others	582	695	1,136	1,539
Marketing expenses	1,680	1,059	3,490	1,980
- Advertisement and publicity	182	24	286	41
- Others	1,498	1,035	3,204	1,939
Administration and general expenses	21,256	23,490	46,178	54,237
- Fees and brokerage	8,171	11,181	19,787	28,072
- Administrative expenses	10,508	11,477	22,360	25,082
- Claims incurred	-	14	-	26
- Others	2,577	818	4,031	1,057
	58,580	50,693	119,013	110,681
A24 Write back of impairment on loans, advances and financing:				
Allowances for loans, advances and financing:				
- collective impairment (net)	1	(95)	842	623
- individual impairment	(1,462)	(1,363)	(201)	(2,517)
- write back of individual impairment	1,561	5,281	1,997	5,571
Bad debts and financing written off	-	-	-	-
Bad debts and financing recovered	118	1	538	2
	218	3,824	3,176	3,679
A25 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)	3,312	-	-	-
- individual (impairment)/reversal	(2,632)	657	513	(178)
Bad debts and financing written off	-	(300)	-	-
Bad debts and financing recovered	79	127	104	192
Provision for other debts	-	364	-	546
	759	848	617	560

K & N KENANGA HOLDINGS BERHAD
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A26. SEGMENTAL REPORTING

	-----Continued Operations-----														-----Discontinued Operations-----							
	Investment Bank		Stock broking		Futures		Money lending		Investment Management		Corporate and Others		Eliminations		Total		Others	Investment Management	Others	Total		
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Revenue																						
External sales	59,311	41,504	72,900	83,647	8,222	11,590	1,376	2,991	5,605	4,412	2,871	5,473	(2,189)	(2,696)	148,096	146,921	-	-	-	148,096	146,921	
Inter-segment sales	-	-	-	-	0	143	-	-	-	-	9,802	542	(9,802)	(685)	-	-	-	-	-	-	-	-
Total revenue	59,311	41,504	72,900	83,647	8,222	11,733	1,376	2,991	5,605	4,412	12,673	6,015	(11,991)	(3,381)	148,096	146,921	-	-	-	148,096	146,921	
Result																						
Interest Income	33,659	36,437	21,818	11,311	3,619	3,101	451	1,974	343	341	1,149	1,125	(1,820)	(1,612)	59,219	52,677	54	-	41	59,273	52,718	
Dividend Income	248	248	-	-	-	-	-	-	-	-	-	573	-	-	248	821	-	-	-	248	821	
Depreciation & amortisation	-	936	3,500	2,185	121	177	59	85	227	159	253	241	-	-	4,160	3,783	6	-	10	4,166	3,793	
Impairment gain	2,105	4,497	1,688	183	-	-	-	(441)	-	-	-	-	-	-	3,793	4,239	-	-	-	3,793	4,239	
Other Non-cash expenses	-	-	3,734	1,552	-	-	-	-	-	-	-	2,906	-	(485)	3,734	3,973	-	-	-	3,734	3,973	
Segment results	38,077	30,315	2,261	9,715	2,491	3,686	(597)	743	(1,239)	(459)	(4,655)	4,884	1,402	6,137	37,740	55,021	(34)	-	(171)	37,706	54,850	
Profit/(loss) from operation	38,077	30,315	2,261	9,715	2,491	3,686	(597)	743	(1,239)	(459)	(4,655)	4,884	1,402	6,137	37,740	55,021	(34)	-	(171)	37,706	54,850	
Finance cost, net	(35,176)	(26,034)	-	-	(817)	(440)	(704)	(1,125)	-	-	-	-	-	1,570	(36,697)	(26,029)	1,767	-	-	(34,930)	(26,029)	
Share of results of associates	-	-	-	-	-	-	-	-	-	-	2,053	(2,104)	-	-	2,053	(2,104)	-	-	-	2,053	(2,104)	
Profit/(loss) before taxation	2,901	4,281	2,261	9,715	1,674	3,246	(1,301)	(382)	(1,239)	(459)	(2,602)	2,780			3,096	26,888	(34)	-	(171)	3,062	26,717	
Taxation															(1,357)	(5,295)	-	-	-	(1,357)	(5,295)	
Taxation from discontinuing operations															-	-	-	-	-	-	-	-
Profit/(loss) after taxation															1,739	21,593	(34)	-	-	1,705	21,422	
Loss from discontinuing operations															-	-	(34)	-	(171)	(34)	(171)	
Non-controlling interests															(324)	(11,168)	-	-	-	(324)	(11,168)	
Net profit/(loss) for the period															1,415	10,425	(68)	-	(171)	1,347	10,083	
Assets																						
Investments in associates	-	-	-	-	-	-	-	-	-	-	45,115	51,964	518	(4,094)	45,633	47,870	-	-	-	45,633	47,870	
Additions to non-current assets	-	-	17,216	5,808	17	17	-	10	142	1,052	19	961	-	(1)	17,394	7,847	-	-	-	17,394	7,847	
Segments assets	2,480,576	537,020	1,558,480	2,112,115	496,879	435,619	124,197	74,652	28,444	28,230	710,861	758,761	(933,642)	(755,809)	4,465,795	3,190,588	-	-	6,166	4,465,795	3,196,754	
Segment liabilities	2,768,226	899,940	635,738	1,121,490	469,890	411,122	114,933	62,795	4,919	2,720	14,506	9,489	(302,303)	(93,394)	3,705,909	2,414,162	-	-	18	3,705,909	2,414,180	

**SELECTED EXPLANATORY NOTES
REQUIREMENTS OF MFRS 134**

A27. Revaluation of property, plant and equipment

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

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

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

A29. Effects of changes in the Composition of the Group

There were no major changes in the composition of the Group for the quarter ended 30 June 2012.

A30. Significant Events and Transactions

On 7 June 2012, RHB Investment Bank and Kenanga Investment Bank Berhad ("KIBB") on behalf of the Company ("K & N Kenanga Holdings Berhad"), announced that the Company has received notification from Bank Negara Malaysia (vide its letter of the same date) that the Minister of Finance has granted approval for the proposals under the Banking and Financial Institutions Act, 1989, in respect of the proposed acquisition by KIBB of the entire paid-up share capital of ECM Libra Investment Bank Berhad ("EIBB") from ECM Libra Financial Group ("ECMLFG") and proposed business merger of the business of KIBB and EIBB.

As announced on 15 June 2012 by RHB Investment Bank Berhad and KIBB, the Company and ECMLFG entered into a conditional share purchase agreement and business merger agreement for the proposed acquisition and proposed business merger.

On 28 June 2012, RHB Investment Bank Berhad and KIBB on behalf of the Company announced that an additional listing application in respect of the listing of and quotation for the 120,000,000 new ordinary shares of RM1.00 each in K & N Kenanga Holdings Berhad to ECMLFG as part of the purchase consideration for the proposed acquisition, has been submitted to Bursa Malaysia Securities Berhad on 20 June 2012 for its approval.

As announced on 6 July 2012, by RHB Investment Bank Berhad and KIBB on behalf of Company, Bursa Malaysia Securities Berhad has vide its letter dated 6 July 2012, approved the listing of and quotation for the 120,000,000 new ordinary shares of RM1.00 each in K & N Kenanga Holdings Berhad to ECMLFG as part of the purchase consideration for the proposed acquisition.

A31. Explanation of transition to MFRSs

As stated in note A1, these are the Group's consolidated interim financial statements prepared in accordance with MFRSs.

In preparing its opening MFRS statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared in accordance with FRSS. An explanation of how the transition from previous FRSS to MFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

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A31. Explanation of transition to MFRSs

Reconciliation of equity

Group	Note	Previous	Effect of	MFRSs	Previous	Effect of	MFRSs	Previous	Effect of	MFRSs
		FRSs	transition to MFRSs		FRSs	transition to MFRSs		FRSs	transition to MFRSs	
		RM'000	1 January 2011 RM'000	RM'000	RM'000	30 June 2011 RM'000	RM'000	RM'000	31 December 2011 RM'000	RM'000
Assets										
Cash and short-term funds		1,300,957	-	1,300,957	677,720	-	677,720	1,321,052	-	1,321,052
Deposits and placements with banks and other financial institutions		847	-	847	847	-	847	375	-	375
Financial assets held-for-trading		303,199	-	303,199	413,454	-	413,454	241,218	-	241,218
Financial investments available-for-sale		757,315	-	757,315	696,978	-	696,978	849,087	-	849,087
Loans, advances and financing	A	605,264	6,750	612,014	524,368	6,939	531,307	547,353	7,418	554,771
Balances due from clients and brokers		256,344	-	256,344	185,795	-	185,795	179,315	-	179,315
Other assets		120,637	-	120,637	482,088	-	482,088	232,432	-	232,432
Statutory deposit with Bank Negara Malaysia		9,150	-	9,150	23,530	-	23,530	39,490	-	39,490
Tax recoverable		19,122	-	19,122	13,507	-	13,507	13,640	-	13,640
Investments in associates		49,102	-	49,102	47,870	-	47,870	44,297	-	44,297
Property, plant and equipment		22,466	-	22,466	26,140	-	26,140	26,356	-	26,356
Intangible assets		81,345	-	81,345	80,821	-	80,821	80,306	-	80,306
Deferred tax assets	A	15,558	(1,687)	13,871	12,266	(1,735)	10,531	13,970	(1,855)	12,115
Assets held for resale		6,332	-	6,332	6,166	-	6,166	6,085	-	6,085
Total assets		3,547,638	5,063	3,552,701	3,191,550	5,204	3,196,754	3,594,976	5,563	3,600,539
Liabilities										
Deposits from customers		1,012,577	-	1,012,577	839,281	-	839,281	1,031,980	-	1,031,980
Deposits and placements of banks and other financial institutions		806,689	-	806,689	587,273	-	587,273	827,902	-	827,902
Borrowings		65,757	-	65,757	33,523	-	33,523	31	-	31
Balances due to clients and brokers		586,525	-	586,525	573,586	-	573,586	580,818	-	580,818
Other liabilities		313,187	-	313,187	375,377	-	375,377	390,849	-	390,849
Provision for taxation and zakat		239	-	239	543	-	543	197	-	197
Subordinated obligations		1,510	-	1,510	1,383	-	1,383	1,384	-	1,384
Derivative financial liabilities		1,571	-	1,571	3,201	-	3,201	2,145	-	2,145
Liabilities held for resale		9	-	9	13	-	13	21	-	21
Total liabilities		2,788,064	-	2,788,064	2,414,180	-	2,414,180	2,835,327	-	2,835,327

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A31. Explanation of transition to MFRSs

Reconciliation of equity

Company	Previous	Effect of	MFRSs	Previous	Effect of	MFRSs	Previous	Effect of	MFRSs
	FRSs	transition		FRSs	transition		FRSs	transition	
	1 January 2011 (date of transition to MFRS)			30 June 2011			31 December 2011		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets									
Cash and short-term funds	37,435	-	37,435	25,869	-	25,869	13,074	-	13,074
Financial assets held-for-trading	21,422	-	21,422	24,336	-	24,336	25,450	-	25,450
Other assets									
- Amount due from subsidiaries	13,638	-	13,638	14,969	-	14,969	16,367	-	16,367
- Other receivables	105	-	105	416	-	416	324	-	324
Tax recoverable	5,438	-	5,438	5,438	-	5,438	5,438	-	5,438
Investments in subsidiaries	615,994	-	615,994	620,616	-	620,616	630,337	-	630,337
Investment in an associate	20,210	-	20,210	20,210	-	20,210	13,360	-	13,360
Property, plant and equipment	643	-	643	1,269	-	1,269	1,507	-	1,507
Intangible assets	130	-	130	64	-	64	18	-	18
Total assets	715,015	-	715,015	713,187	-	713,187	705,875	-	705,875
Liabilities and equity									
Other liabilities	4,412	-	4,412	2,733	-	2,733	1,054	-	1,054
Provision for taxation and zakat	-	-	-	-	-	-	4,353	-	4,353
Deferred tax liabilities	2,100	-	2,100	3,100	-	3,100	1,613	-	1,613
Total liabilities	6,512	-	6,512	5,833	-	5,833	7,020	-	7,020
Share capital	611,759	-	611,759	611,759	-	611,759	611,759	-	611,759
Share premium	75	-	75	75	-	75	75	-	75
Retained profits	96,669	-	96,669	95,520	-	95,520	87,021	-	87,021
Total equity	708,503	-	708,503	707,354	-	707,354	698,855	-	698,855
Total liabilities and equity	715,015	-	715,015	713,187	-	713,187	705,875	-	705,875

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A31. Explanation of transition to MFRSs (Cont'd)

**Reconciliation of total comprehensive income
for the six months ended 30 June 2011**

Group	Previous FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
Continuing operations			
Interest income	52,718	-	52,718
Interest expense	(26,029)	-	(26,029)
Net interest income	26,689	-	26,689
Other operating income	106,699	-	106,699
Net income	133,388	-	133,388
Other operating expenses	(110,681)	-	(110,681)
Operating profit	22,707	-	22,707
Impairment allowance on loans, advances and financing	3,490	189	3,679
Impairment allowance on balances due from clients and brokers and other receivables	560	-	560
Reversal of impairment in an associated company	1,875	-	1,875
	28,632	189	28,821
Share of results in associates	(2,104)	-	(2,104)
Profit before taxation	26,528	189	26,717
Taxation	(5,247)	(48)	(5,295)
Profit for the period from continuing operations	21,281	141	21,422
Discontinued operation			
Loss for the period	(171)	-	(171)
Profit for the period	21,110	141	21,251
Other comprehensive loss:			
Foreign exchange differences on consolidation	(1,003)	-	(1,003)
Net loss in fair value changes of financial investments available-for-sale	305	-	305
Other comprehensive loss for the period, net of tax	(698)	-	(698)
Total comprehensive income for the period, net of tax	20,412	141	20,553

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A31. Explanation of transition to MFRSs (Cont'd)

**Reconciliation of total comprehensive income
for the year ended 31 December 2011**

Group	Previous FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
Continuing operations			
Interest income	110,175	-	110,175
Interest expense	(58,539)	-	(58,539)
Net interest income	51,636	-	51,636
Other operating income	184,988	-	184,988
Net income	236,624	-	236,624
Other operating expenses	(225,140)	-	(225,140)
Operating profit	11,484	-	11,484
Impairment allowance:			
Impairment allowance on loans, advances and financing	(4,067)	668	(3,399)
Reversal of impairment for bad and doubtful accounts on balances due from clients and brokers and other receivables	13,748	-	13,748
Impairment of investment in an associate	(419)	-	(419)
	20,746	668	21,414
Share of results in associates	(5,877)	-	(5,877)
Profit before taxation	14,869	668	15,537
Taxation	(2,792)	(168)	(2,960)
Profit for the year from continuing operations	12,077	500	12,577
Discontinued operation			
Loss for the year	(236)	-	(236)
Profit for the year	11,841	500	12,341
Other comprehensive income/(loss):			
Foreign exchange differences on consolidation	1,509	-	1,509
Net loss on fair value changes of financial investments available-for-sale	(91)	-	(91)
Other comprehensive income for the year, net of tax	1,418	-	1,418
Total comprehensive income for the year, net of tax	13,259	500	13,759

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A31. Explanation of transition to MFRSs (Cont'd)

**Reconciliation of total comprehensive income
for the six months ended 30 June 2011**

Company	Previous FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
Interest income	1,060	-	1,060
Interest expense	-	-	-
Net interest income	<u>1,060</u>	-	<u>1,060</u>
Other operating income	<u>5,777</u>	-	<u>5,777</u>
Net income	<u>6,837</u>	-	<u>6,837</u>
Other operating expenses	<u>(6,986)</u>	-	<u>(6,986)</u>
Loss before taxation	<u>(149)</u>	-	<u>(149)</u>
Taxation	<u>(1,000)</u>	-	<u>(1,000)</u>
Loss for the period	<u>(1,149)</u>	-	<u>(1,149)</u>
Total comprehensive loss for the period, net of tax	<u>(1,149)</u>	-	<u>(1,149)</u>

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

A31. Explanation of transition to MFRSs (Cont'd)

**Reconciliation of total comprehensive income
for the year ended 31 December 2011**

Company	Previous FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
Interest income	2,169	-	2,169
Interest expense	-	-	-
Net interest income	<u>2,169</u>	<u>-</u>	<u>2,169</u>
Other operating income	11,650	-	11,650
Net income	<u>13,819</u>	<u>-</u>	<u>13,819</u>
Other operating expenses	<u>(17,104)</u>	<u>-</u>	<u>(17,104)</u>
Operating loss	(3,285)	-	(3,285)
Impairment of investment in an associate	<u>(6,850)</u>	<u>-</u>	<u>(6,850)</u>
Loss before taxation	(10,135)	-	(10,135)
Taxation	487	-	487
Loss for the year	<u>(9,648)</u>	<u>-</u>	<u>(9,648)</u>
Total comprehensive loss for the year, net of tax	<u>(9,648)</u>	<u>-</u>	<u>(9,648)</u>

A31. Explanation of transition to MFRSs (Cont'd)

Notes to the reconciliations of equity and total comprehensive income

A Loans, advances and financing

In the previous FRSs as modified by Bank Negara Malaysia ("BNM") Guidelines, the Bank subsidiary have applied the transitional arrangement issued by BNM on Classification and Impairment Provisions for loans, advances and financing, whereby collective impairment allowance is maintained at 1.5% of total outstanding loans, net of individual impairment. This transitional arrangement was removed with effect from 1 January 2012.

Under the MFRS framework, the Bank subsidiary's accounting policy on loan collective impairment assessment has been changed to comply with MFRS 139: Financial Instruments: Recognition and Measurement. As a result of the change, the cumulative allowance under the previous FRSs has been retrospectively adjusted.

This transitional adjustment leads to different temporary differences. Deferred tax adjustment is recognised in correlation to the underlying transaction in retained earnings.

The impact arising from the changes are summarised as follows:

	1 January 2011 RM'000	30 June 2011 RM'000	31 December 2011 RM'000
Consolidated statement of financial position			
Loans, advances and financing	6,750	6,939	7,418
Related tax effect	(1,687)	(1,735)	(1,855)
	<u>5,063</u>	<u>5,204</u>	<u>5,563</u>

B Accumulated losses

The changes that decreased/ (increased) accumulated losses are summarised as follows:

	Note	1 January 2011 RM'000	30 June 2011 RM'000	31 December 2011 RM'000
Consolidated statement of financial position				
Loans, advances and financing	A	6,750	6,939	7,418
Reclassification of reserve	D	(9,645)	(9,645)	(9,645)
Deferred tax	A	(1,687)	(1,735)	(1,855)
Increase in accumulated losses		<u>(4,582)</u>	<u>(4,441)</u>	<u>(4,082)</u>

A31. Explanation of transition to MFRSs (Cont'd)

Notes to the reconciliations of equity and total comprehensive income (cont'd.)

C Regulatory reserve

The changes that (decreased) / increased regulatory reserve is summarised as follows:

	Note	1 January 2011 RM'000	30 June 2011 RM'000	31 December 2011 RM'000
Consolidated statement of financial position				
Loans, advances and financing	A	-	-	-
Deferred tax	A	-	-	-
Increase in regulatory reserve		<u>-</u>	<u>-</u>	<u>-</u>

D Foreign currency translation

In accordance with MFRS1, the Group has elected to deem the cumulative foreign exchange currency translation differences that arose prior to the date of transition in respect of foreign operations to be zero at the date of transition on 1 January 2011.

The impact arising from the change is summarised as follows:

	1 January 2011 RM'000	30 June 2011 RM'000	31 December 2011 RM'000
Consolidated statement of financial position			
Exchange reserve	(9,645)	(9,645)	(9,645)
Adjustment to accumulated losses	<u>(9,645)</u>	<u>(9,645)</u>	<u>(9,645)</u>

E Statement of cash flows

The transition from the previous FRSs to MFRSs has not had a material impact on the statement of cash flows.

SELECTED EXPLANATORY NOTES

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

B1. Performance analysis of the Group for the quarter and financial year to date

Current Year-to date vs. Previous Year-to date

The Group reported a pre-tax profit of RM3.06 million for the first half year ended 30 June 2012 ("1HY12") compared to pre-tax profit of RM26.72 million for the first half year ended 30 June 2011 ("1HY11"). The decline is due to the reduced brokerage income from the stock broking business and higher other operating expenses, partially mitigated by share of profits from associates of RM2.05 million in 1HY12 compared to a share of loss of RM2.10 million in the 1HY11.

Net interest income declined 8.8% to RM24.34 million due to a compression in the net interest margin arising from the rise in the Overnight Policy Rate ("OPR") in May 2011, and increase in the Statutory Reserve Requirement ("SRR") in 2011, whilst deposits accepted increased. Non-interest income declined by 13.61% to RM92.18 million, mainly due to the decline in brokerage income. Other operating expenses was higher by 7.53% as a result of higher staff-related costs due to expansion of human resources talent pool.

The performance of the Group's respective operating business segments are analysed as follows:-

Stockbroking:

The performance of this segment is mainly dependent on Bursa Malaysia's market volumes and trading value which in turn is affected by market sentiment. During 1HY12, Bursa Malaysia's trading value declined to RM424.00 billion compared to RM470.08 billion in 1HY11. In addition, there was a loss amounting RM3.58 million from an error trade as mentioned in Note A5.

Investment Banking:

This segment registered RM2.90 million pretax profit in 1HY12 as compared to pretax profit of RM4.28 million in 1HY11. The lower pretax profit mainly arose from lower reversal of impairment allowance in 1HY12.

Investment Management:

This segment registered a pre-tax loss of RM1.24 million in 1HY12 compared to a pre-tax loss RM0.46 million in 1HY11, mainly due to higher personnel costs and expansionary expenses in line with the expansion plans.

Futures Broking:

This segment reported a pre-tax profit of RM1.67 million for the 1HY12 compared to the previous profit of RM3.25 million for 1HY11, mainly due to margin compression in revenue arising from the migration to electronic trade execution. Higher personnel cost was incurred to strengthen the backroom and support operations and, higher finance cost was incurred in relation to the corporate guarantees provided by the holding company to the futures broking subsidiary.

Money lending:

This segment reported a pre-tax loss due to decline in interest income from lower loan disbursement in 1HY12 compared to 1HY11. There were less money lending activities in the form of financing Initial Public Offering ("IPO") shares, right issues, private placements, and Employees Share Option Schemes ("ESOS") in 1HY12.

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SELECTED EXPLANATORY NOTES

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

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

Variation of Results Against Preceding Quarter

The Group reported a pre-tax loss of RM4.76 million in the second quarter ended 30 June 2012 ("2Q12") compared to a pre-tax profit of RM7.83 million in the first quarter ended 31 March 2012 ("1Q12"). The loss in 2Q12 was mainly due to lower brokerage income and an error trade from the stock broking business coupled with higher other operating expenses.

Net interest income grew by 3% to RM12.87 million in 2Q12 from RM11.48 million in 1Q12 mainly due to growth in loans, advances and financing particularly share margin financing.

Operating expenses increased by 3% from 1Q12 mainly due to higher staff related cost attributed to investment in new human resource talent.

Net write-back of impairment on loans, advances and financing, balances due from clients and brokers and other receivables of RM0.98 million in 2Q12 was lower compared to RM2.82 million in 1Q12.

SELECTED EXPLANATORY NOTES

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

B3. Prospects for 2012

The Malaysian economic growth for 2012 is expected to be slower compared to the GDP in 2011 of 5.1%. The slower growth is due to the softer global economy and world trade. However the domestic demand will underpin growth in 2012. The key drivers are the Economic Transformation Programme (ETP) and Government Transformation Program (GTP).

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.

The Group continues to 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 strengthen 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. Barring any unforeseen circumstances, the Group expects to record a satisfactory performance in the current financial year.

B4. Variance From Profit Forecast And Profit Guarantee

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

B5. Taxation

	Individual Quarter	Cumulative Quarter
	3 months	6 months
	ended	ended
	30 June	30 June
	2012	2012
	RM'000	RM'000
Current period - income tax	357	2,393
Underprovision in prior year	(238)	(238)
Deferred taxation	(300)	(798)
Total	(181)	1,357

The effective tax rate for the current year is higher than the statutory rate due to expenses which are not deductible for tax purposes.

SELECTED EXPLANATORY NOTES

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

B6. Status of Corporate Proposals

Proposed Business Merger Between Kenanga Investment Bank Berhad ("KIBB") and ECM Libra Investment Bank Berhad ("EIBB")

On 7 June 2012, RHB Investment Bank and KIBB on behalf of the Company ("K & N Kenanga Holdings Berhad"), announced that the Company has received notification from Bank Negara Malaysia (vide its letter of the same date) that the Minister of Finance has granted approval for the proposals under the Banking and Financial Institutions Act, 1989, in respect of the proposed acquisition by KIBB of the entire paid-up share capital of EIBB from ECM Libra Financial Group ("ECMLFG") and proposed business merger of the business of KIBB and EIBB.

As announced on 15 June 2012 by RHB Investment Bank Berhad and KIBB, the Company and ECMLFG entered into a conditional share purchase agreement and business merger agreement for the proposed acquisition and proposed business merger.

On 28 June 2012, RHB Investment Bank Berhad and KIBB on behalf of the Company announced that an additional listing application in respect of the listing of and quotation for the 120,000,000 new ordinary shares of RM1.00 each in K & N Kenanga Holdings Berhad to ECMLFG as part of the purchase consideration for the proposed acquisition, has been submitted to Bursa Malaysia Securities Berhad on 20 June 2012 for its approval.

As announced on 6 July 2012, by RHB Investment Bank Berhad and KIBB on behalf of Company, Bursa Malaysia Securities Berhad has vide its letter dated 6 July 2012, approved the listing of and quotation for the 120,000,000 new ordinary shares of RM1.00 each in K & N Kenanga Holdings Berhad to ECMLFG as part of the purchase consideration for the proposed acquisition.

B7. Group Borrowings

		Total Loans RM'000
Subordinated Loan (unsecured)	Note 1	1,350
Short term loan from financial institutions (unsecured)	Note 2	100,000

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 5.5% 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 5.48% per annum.

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B8. Dividend

On 23 May 2012, the Board of Directors declared an interim dividend of 1 sen per ordinary share less income tax of 25% in respect of the financial year 31 December 2012, amounting to RM4,588,196.25 which was paid on 25 June 2012.

B9. Earnings per share

The amount used as the numerator for the purposes of calculating the basic profit per share for the six-month period is RM1.35 million representing the profit for the period attributable to ordinary equity holders of the parent (30 June 2011: -profit attributable to ordinary equity holders of parent: RM10.08 million).

The weighted average number of shares used as the denominator in calculating the basic earnings per share for the six-month period is 611,759,499 (30 June 2011: 611,759,499).

SELECTED EXPLANATORY NOTES

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

B10. Derivatives

As at 30 June 2012, 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	28,094	4,464
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

There have been no changes since the end of the previous financial year in respect of the type of derivative financial instruments, the rationale and expected benefits accruing to the Bank from these derivative financial instruments.

SELECTED EXPLANATORY NOTES

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

B10. Derivatives (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.

B11. Gain Arising From Fair Value Changes of Financial Liabilities

	Individual Quarter	Cumulative Quarter
	3 months	6 months
	ended	ended
	30 June	30 June
	2012	2012
	RM'000	RM'000
Gain from fair value changes of financial liabilities	1,886	989

The fair value changes above arose in respect of outstanding equity structured warrants mentioned in Note B12 above.

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

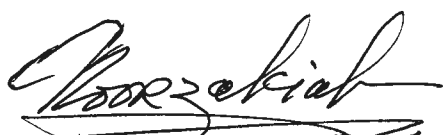
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SELECTED EXPLANATORY NOTES**REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTD)****B12. Realised and Unrealised Accumulated Profits/(Losses) Disclosure**

	As at 30 June 2012 RM'000	As at 31 December 2011 RM'000
Total retained profits / (accumulated losses) of Company and its subsidiaries:		
- Realised	(297,845)	(267,747)
- Unrealised	26,656	26,882
	(271,189)	(240,865)
Total share of retained profits / (accumulated losses) from associated companies:		
- Realised	2,054	(16,758)
- Unrealised	-	(9,822)
	2,054	(26,580)
Add: Consolidation adjustments	264,748	271,862
Total group retained profits as per consolidated accounts	(4,387)	4,417

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