

**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 30 SEPTEMBER 2012  
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 30 September 2012 RM'000	3 months ended 30 September 2011 RM'000 (restated)	9 months ended 30 September 2012 RM'000	9 months ended 30 September 2011 RM'000 (restated)
<b>Continuing Operations</b>					
Interest income	<b>A20</b>	36,599	27,363	95,872	80,081
Interest expense	<b>A21</b>	(22,055)	(14,261)	(56,985)	(40,289)
Net interest income		14,544	13,102	38,887	39,792
Non interest income	<b>A22</b>	36,723	37,238	128,905	143,937
Net Income		51,267	50,340	167,792	183,729
Other operating expenses	<b>A23</b>	(56,070)	(52,653)	(175,083)	(163,334)
Operating (loss)/profit		(4,803)	(2,313)	(7,291)	20,395
Write back of impairment/(Impairment allowance) on loans, advances and financing	<b>A24</b>	303	(5,603)	3,479	(1,924)
(Impairment)/Write back of impairment on clients and brokers and other receivables	<b>A25</b>	(1,735)	(351)	(1,118)	209
(Impairment)/Write back of impairment on investment in associated companies		(79)	2,073	(375)	3,948
		(6,314)	(6,194)	(5,305)	22,628
Share of profits/(losses) in associates		418	(1,919)	2,471	(4,023)
<b>(Loss)/profit before taxation</b>		(5,896)	(8,113)	(2,834)	18,605
Taxation		1,531	(805)	174	(6,100)
<b>(Loss)/profit for the period from continuing operations</b>		(4,365)	(8,918)	(2,660)	12,505
<b>Discontinued operation</b>					
Loss for the period		(16)	(53)	(50)	(224)
<b>(Loss)/profit for the period</b>		(4,381)	(8,971)	(2,710)	12,281

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**Group**

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September 2012 RM'000	3 months ended 30 September 2011 RM'000 (restated)	9 months ended 30 September 2012 RM'000	9 months ended 30 September 2011 RM'000 (restated)
Other comprehensive income/(loss)				
Exchange fluctuation from translation of associated companies' net assets	(2,234)	3,036	(2,662)	2,033
Available-for-sale financial investments	(3,848)	1,268	(5,829)	1,573
Other comprehensive (loss)/income for the period	(6,082)	4,304	(8,491)	3,606
<b>Total comprehensive (loss)/income</b>	<b>(10,463)</b>	<b>(4,667)</b>	<b>(11,201)</b>	<b>15,887</b>
(Loss)/profit for the period attributable to				
- Equity holders of the parent	(4,557)	(2,162)	(3,210)	7,922
- Non-controlling interests	176	(6,809)	500	4,359
	<b>(4,381)</b>	<b>(8,971)</b>	<b>(2,710)</b>	<b>12,281</b>
Total comprehensive (loss)/income for the period attributable to				
- Equity holders of the parent	(10,639)	2,142	(11,701)	11,528
- Non-controlling interests	176	(6,809)	500	4,359
	<b>(10,463)</b>	<b>(4,667)</b>	<b>(11,201)</b>	<b>15,887</b>
(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)	(0.7)	(0.4)	(0.5)	1.3
(ii) Fully diluted	(0.7)	(0.4)	(0.5)	1.3

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

**UNAUDITED COMPANY STATEMENT OF COMPREHENSIVE INCOME**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended 30 September 2012</b>	<b>3 months ended 30 September 2011</b>	<b>9 months ended 30 September 2012</b>	<b>9 months ended 30 September 2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Continuing Operations</b>				
Interest income	550	524	1,698	1,584
Interest expense	-	-	-	-
Net interest income	550	524	1,698	1,584
Non interest income	6,074	(172)	11,290	5,605
Net Income	6,624	352	12,988	7,189
Other operating expenses	(7,980)	(4,004)	(16,934)	(10,990)
<b>(Loss) before taxation</b>	<b>(1,356)</b>	<b>(3,652)</b>	<b>(3,946)</b>	<b>(3,801)</b>
Taxation	247	545	684	(455)
<b>(Loss)/ for the period from continuing operations</b>	<b>(1,109)</b>	<b>(3,107)</b>	<b>(3,262)</b>	<b>(4,256)</b>
<b>(Loss for the period)</b>	<b>(1,109)</b>	<b>(3,107)</b>	<b>(3,262)</b>	<b>(4,256)</b>

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

**UNAUDITED COMPANY STATEMENT OF COMPREHENSIVE INCOME**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 months ended 30 September 2012</b>	<b>3 months ended 30 September 2011</b>	<b>9 months ended 30 September 2012</b>	<b>9 months ended 30 September 2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
(i) (Loss) for the period attributable to - Equity holders of the parent	(1,109)	(3,107)	(3,262)	(4,256)
	<u>(1,109)</u>	<u>(3,107)</u>	<u>(3,262)</u>	<u>(4,256)</u>
(a) (Loss) 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)	(0.2)	(0.5)	(0.5)	(0.7)
(ii) Fully diluted	(0.2)	(0.5)	(0.5)	(0.7)

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

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012**

<u>Group</u>		As at 30 September 2012 RM'000	As at 31 December 2011 RM'000 (restated)	As at 1 January 2011 RM'000 (restated)
	<b>Note</b>			
<b>ASSETS</b>				
Cash and short-term funds		1,265,361	1,321,052	1,300,957
Deposits and placements with banks and other financial institutions		-	375	847
Financial assets held-for-trading	<b>A9</b>	464,523	241,218	303,199
Financial investments available-for-sale	<b>A10</b>	1,304,825	849,087	757,315
Loans, advances and financing	<b>A11</b>	822,505	554,771	612,014
Other assets				
- Balance due from clients and brokers		390,086	179,315	256,344
- Assets segregated for customers		160,074	167,728	86,291
- Other receivables	<b>A12</b>	89,208	64,704	34,346
Statutory deposit with Bank Negara Malaysia		55,190	39,490	9,150
Tax recoverable		10,097	13,640	19,122
Investments in associates		43,738	44,297	49,102
Property, plant and equipment		39,184	26,356	22,466
Intangible assets		80,185	80,306	81,345
Deferred tax assets		19,325	12,115	13,871
Assets held for resale		6,054	6,085	6,332
<b>TOTAL ASSETS</b>		<b>4,750,355</b>	<b>3,600,539</b>	<b>3,552,701</b>
<b>LIABILITIES</b>				
Deposits from customers	<b>A13</b>	1,662,454	1,031,980	1,012,577
Deposits and placements of banks and other financial institutions	<b>A14</b>	1,116,090	827,902	806,689
Borrowings	<b>A16</b>	93,792	31	65,757
Other liabilities				
- Balance due to clients and brokers		799,760	580,818	586,525
- Amount held in trust		229,405	253,404	224,254
- Other payables	<b>A15</b>	91,530	135,731	86,799
Provision for taxation and zakat		-	197	239
Deferred tax liabilities		6,041	1,714	2,134
Subordinated obligations	<b>A14</b>	1,367	1,384	1,510
Derivative financial liabilities		482	2,145	1,571
Liabilities held for resale		11	21	9
<b>TOTAL LIABILITIES</b>		<b>4,000,932</b>	<b>2,835,327</b>	<b>2,788,064</b>

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012**

<b><u>Group</u></b>	<b>As at 30 September 2012 RM'000</b>	<b>As at 31 December 2011 RM'000 (restated)</b>	<b>As at 1 January 2011 RM'000 (restated)</b>
<b>SHAREHOLDERS EQUITY</b>			
Share Capital	611,759	611,759	611,759
Share Premium	75	75	75
Profit and loss reserve	(3,381)	4,417	4,757
Exchange fluctuation reserve	(1,153)	1,509	-
Statutory reserve	65,699	65,699	57,458
Fair value reserve	(2,990)	2,839	2,930
Capital reserve	71,952	71,952	71,952
	<u>741,961</u>	<u>758,250</u>	<u>748,931</u>
Non-controlling Interests	7,462	6,962	15,706
Total equity	<u>749,423</u>	<u>765,212</u>	<u>764,637</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>4,750,355</u>	<u>3,600,539</u>	<u>3,552,701</u>
<b>Net Assets Per Share (RM)</b>	<u>1.21</u>	<u>1.24</u>	<u>1.22</u>

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

**UNAUDITED COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012**

	<b>As at 30 September 2012 RM'000</b>	<b>As at 31 December 2011 RM'000</b>	<b>As at 1 January 2011 RM'000</b>
<b>ASSETS</b>			
Cash and short-term funds	6,244	13,074	37,435
Financial assets held-for-trading	28,254	25,450	21,422
Other assets			
- Amount due from subsidiaries	13,863	16,367	13,638
- Other receivables	860	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	1,411	1,507	643
Intangible assets	-	18	130
<b>TOTAL ASSETS</b>	<b>696,570</b>	<b>705,875</b>	<b>715,015</b>
<b>LIABILITIES</b>			
Other liabilities			
- Other payables	4,636	5,407	4,412
Deferred tax liabilities	929	1,613	2,100
<b>TOTAL LIABILITIES</b>	<b>5,565</b>	<b>7,020</b>	<b>6,512</b>
<b>SHAREHOLDERS EQUITY</b>			
Share Capital	611,759	611,759	611,759
Share Premium	75	75	75
Profit and loss reserve	79,171	87,021	96,669
Total equity	691,005	698,855	708,503
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>696,570</b>	<b>705,875</b>	<b>715,015</b>
<b>Net Assets Per Share (RM)</b>	<b>1.13</b>	<b>1.14</b>	<b>1.16</b>

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)

**UNAUDITED STATEMENTS OF CASH FLOWS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

	Group		Company	
	30 September 2012 RM'000	30 September 2011 RM'000 (restated)	30 September 2012 RM'000	30 September 2011 RM'000 (restated)
<b>Cash flows from operating activities</b>				
(Loss)/Profit before taxation				
Continuing operations	(2,834)	18,605	(3,946)	(3,801)
Discontinued operation	(50)	(224)	-	-
Adjustments for:				
Depreciation and amortisation:				
Continuing operations	6,080	5,642	328	344
Discontinued operation	9	13	-	-
Share of results in associates	(2,471)	4,023	-	-
Interest income	(136,342)	(51,716)	(1,698)	(1,583)
Interest on financial assets held-for-trading	(11,086)	(5,221)	-	-
Interest on financial investments available-for-sale	(29,401)	(23,144)	-	-
Finance cost on borrowings:				
Continuing operations	1,694	1,684	-	-
Gross dividend income	(329)	(1,314)	-	-
Net gain from sale of financial investments	(10,882)	(6,056)	-	-
Write back of impairment on balances due from clients and brokers	(1,118)	(209)	-	-
(Write back of impairment)/Impairment on loans, advances and financing	(3,479)	1,924	-	-
Unrealised gains on revaluation of financial assets held-for-trading	(1,903)	(1,848)	(2,804)	(1,215)
Property, plant and equipment written off	-	740	-	1
Unrealised foreign exchange gain on financial investments	(608)	(425)	-	-
(Gain)/Loss on disposal of property, plant and equipment	(122)	14	-	22
Impairment/(Write back of impairment) on investments in associates	375	(3,948)	-	-
Changes in working capital:				
Receivables	(490,770)	(590,032)	(536)	(271)
Trust deposits and accounts with licensed banks and financial institutions	294,534	(68,566)	-	-
Intercompany	-	-	2,504	(15,205)
Amount held in trust	(23,624)	67,026	-	-
Statutory deposit with Bank Negara Malaysia	(15,700)	(22,190)	-	-
Payables	1,088,303	569,038	(770)	(1,471)
Cash generated from/(used in) operations	<u>660,276</u>	<u>(106,184)</u>	<u>(6,922)</u>	<u>(23,179)</u>
Net tax refund	2,584	4,185	3,196	-
Dividend received	329	1,314	-	-
Interest received	136,342	51,716	1,698	1,583
Net cash generated from/(used in) operating activities	<u>799,531</u>	<u>(48,969)</u>	<u>(2,028)</u>	<u>(21,596)</u>

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



**UNAUDITED STATEMENTS OF CASH FLOWS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

	<b>Group</b>		<b>Company</b>	
	<b>30 September 2012 RM'000</b>	<b>30 September 2011 RM'000 (restated)</b>	<b>30 September 2012 RM'000</b>	<b>30 September 2011 RM'000 (restated)</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment and intangible assets	(18,787)	(9,601)	(214)	(1,302)
Interest income from financial assets held-for-trading and financial investments available-for-sale	40,487	28,365	-	-
Acquisition of financial investments - net	(669,965)	(234,479)	-	-
Proceeds from disposal of property, plant and equipment	122	184	-	164
Net cash used in investing activities	<u>(648,143)</u>	<u>(215,531)</u>	<u>(214)</u>	<u>(1,138)</u>
<b>Cash flows from financing activities</b>				
Interest paid	(1,694)	(1,684)	-	-
(Repayment)/ Drawdown of hire purchase and finance lease	(29)	192	-	-
Short term loan repayment	(172,956)	(545,820)	-	-
Long term loan drawdown	266,700	482,100	-	-
Dividend paid	(4,588)	-	(4,588)	-
Net cash generated from/(used in) financing activities	<u>87,433</u>	<u>(65,212)</u>	<u>(4,588)</u>	<u>-</u>
<b>Net changes in cash and cash equivalents</b>	238,821	(329,712)	(6,830)	(22,734)
<b>Cash and cash equivalents at beginning of period</b>	<u>798,227</u>	<u>819,548</u>	<u>13,074</u>	<u>37,435</u>
<b>Cash and cash equivalents at end of period</b>	<u>1,037,048</u>	<u>489,836</u>	<u>6,244</u>	<u>14,701</u>
<b>Cash and cash equivalents at end of period comprise:</b>				
Cash and short term funds	1,031,046	483,802	6,244	25,869
Cash and bank balances classified as asset held-for-sale	6,002	6,034	-	-
	<u>1,037,048</u>	<u>489,836</u>	<u>6,244</u>	<u>25,869</u>

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

**K & N KENANGA HOLDINGS BERHAD (302859-X)**

(Incorporated in Malaysia)

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

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	Statutory Reserve	Regulatory Reserve			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>As at 1 January 2012</b>	611,759	75	(8,136)	71,952	2,839	65,699	-	8,499	6,962	759,649
<b>Effect of adopting MFRS 1</b>	-	-	9,645	-	-	-	-	(9,645)	-	-
<b>Adoption of revised BNM GP3 and MFRS 139</b>	-	-	-	-	-	-	-	5,563	-	5,563
<b>As restated</b>	611,759	75	1,509	71,952	2,839	65,699	-	4,417	6,962	765,212
Total comprehensive (loss)/income for the period	-	-	(2,662)	-	(5,829)	-	-	(3,210)	500	(11,201)
Transfer to regulatory reserve in the first quarter ended 31 March 2012	-	-	-	-	-	-	5,563	(5,563)	-	-
Reversal of regulatory reserve to accumulated losses in the third quarter ended 30 September 2012	-	-	-	-	-	-	(5,563)	5,563	-	-
<b>Transaction with owners</b>										
Dividend paid	-	-	-	-	-	-	-	(4,588)	-	(4,588)
										-
<b>As at 30 September 2012</b>	611,759	75	(1,153)	71,952	(2,990)	65,699	-	(3,381)	7,462	749,423

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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 SEPTEMBER 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
<b>As at 1 January 2011</b>	611,759	75	(9,645)	71,952	2,930	57,458	-	9,339	15,706	759,574	
<b>Effect of adopting MFRS 1</b>	-	-	9,645	-	-	-	-	(9,645)	-	-	
<b>Adoption of revised BNM GP3 and MFRS 139</b>	-	-	-	-	-	-	-	5,063	-	5,063	
<b>As restated</b>	611,759	75	-	71,952	2,930	57,458	-	4,757	15,706	764,637	
Total comprehensive income for the period	-	-	2,033	-	1,573	-	-	7,922	4,359	15,887	
Derecognition of special purpose entities									(13,184)	(13,184)	
<b>As at 30 September 2011</b>	611,759	75	2,033	71,952	4,503	57,458	-	12,679	6,881	767,340	

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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 SEPTEMBER 2012**

	<-----Attributable to Equity Holders of the Parent----->			Total Equity
	Share Capital	Non Distributable Share Premium	Distributable Retained profits	
	RM'000	RM'000	RM'000	RM'000
<b>As at 1 January 2012</b>	611,759	75	87,021	698,855
Comprehensive loss for the period	-	-	(3,262)	(3,262)
<b>Transaction with owners</b>				
Dividend paid			(4,588)	(4,588)
<b>As at 30 September 2012</b>	<u>611,759</u>	<u>75</u>	<u>79,171</u>	<u>691,005</u>

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)

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

	<-----Attributable to Equity Holders of the Parent----->			Total Equity
	Share Capital <b>RM'000</b>	Non Distributable Share Premium <b>RM'000</b>	Distributable Retained profits <b>RM'000</b>	<b>RM'000</b>
<b>As at 1 January 2011</b>	611,759	75	96,669	708,503
Comprehensive loss for the period	-	-	(4,256)	(4,256)
<b>As at 30 September 2011</b>	<u>611,759</u>	<u>75</u>	<u>92,413</u>	<u>704,247</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 September 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 unaudited condensed interim financial statements are for part of the period covered by the Group's first annual financial statements prepared under the MFRS framework 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 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 is set out in Note A31.

The audited financial statements of the Group 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 nine months ended 30 September 2012, an error trade occurred during the quarter ended 30 June 2012 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 September 2012 and nine months ended 30 September 2012.

**A8. Dividends paid per share**

During the nine months ended 30 September 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.

**NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2012**

	<b>30 September 2012</b>	<b>31 December 2011</b>
	<b>RM' 000</b>	<b>RM' 000</b>
		<b>(restated)</b>
<b>A9 Financial assets held-for-trading</b>		
<b>At Fair Value</b>		
<b>Money Market Instruments:-</b>		
Malaysian Government Securities	10,062	51,879
Malaysian Government Investment Issues	223,653	81,750
Bank Negara Malaysia Bills and Notes	-	29,973
Total Money Market Instruments	<u>233,715</u>	<u>163,602</u>
<b>Quoted securities:</b>		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	<u>33,485</u>	<u>32,631</u>
<b>Unquoted securities:</b>		
Private and Islamic Debt Securities in Malaysia	197,323	44,985
Total unquoted securities	<u>197,323</u>	<u>44,985</u>
Total financial assets held-for-trading	<u><b>464,523</b></u>	<u><b>241,218</b></u>
<b>A10 Financial investments available-for-sale</b>		
<b>At Fair Value, or amortised cost less impairment losses for certain unquoted equity instruments</b>		
<b>Money Market instruments:-</b>		
Malaysian Government Securities	72,778	198,267
Cagamas Bonds	-	5,164
Malaysian Government Investment Issues	202,980	102,140
Negotiable Instruments of Deposits	219,938	99,999
Total Money Market instruments	<u>495,696</u>	<u>405,570</u>
<b>Quoted securities:</b>		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	-	-
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	<u>-</u>	<u>-</u>
<b>Unquoted securities:</b>		
Shares, trust units and loan stocks in Malaysia	2,690	2,100
Private and Islamic Debt Securities in Malaysia	805,949	440,927
Others	490	490
	<u>809,129</u>	<u>443,517</u>
Accumulated impairment losses	-	-
<b>Total financial investments available-for-sale</b>	<u><b>1,304,825</b></u>	<u><b>849,087</b></u>



**NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2012**

	30 September 2012 RM' 000	31 December 2011 RM' 000 (restated)
<b>A11 Loans, advances and financing</b>		
Term loans	-	57,718
Share margin financing	740,772	508,807
Other financing	96,947	19,927
Gross loans, advances and financing	<u>837,719</u>	<u>586,452</u>
Allowances for bad and doubtful debts and financing:		
- Individual Impairment	(15,214)	(30,839)
- Collective Impairment	-	(842)
Net loans, advances and financing	<u><b>822,505</b></u>	<u><b>554,771</b></u>
<b>(i) By maturity structure</b>		
Within one year	837,719	586,452
Gross loans, advances and financing	<u>837,719</u>	<u>586,452</u>
<b>(ii) By type of customer</b>		
<b>Domestic operations:</b>		
Domestic business enterprise		
- Small and medium enterprise	-	-
- Others	315,375	57,718
Individuals	517,740	511,111
Other domestic entities	-	5,386
Foreign entities	4,604	12,237
Total domestic operations	<u>837,719</u>	<u>586,452</u>
<b>(iii) By interest/profit rate sensitivity</b>		
Fixed rate		
- Other fixed rate loans/financing	740,772	528,734
Variable rate		
- Base lending rate plus	-	-
- Cost plus	96,947	57,718
Gross loans, advances and financing	<u>837,719</u>	<u>586,452</u>
<b>(iv) Total loans by economic sector</b>		
<b>Domestic operations:</b>		
Purchase of securities	823,751	514,366
Manufacturing	13,968	14,368
Construction	-	-
Transport, storage and communication	-	33,804
Finance, insurance and business services	-	23,914
Working capital	-	-
Others	-	-
Total domestic operations	<u>837,719</u>	<u>586,452</u>
<b>(v) Impaired loans by economic purpose</b>		
<b>Domestic operations:</b>		
Purchase of securities	5,535	37,152
Working capital	13,968	34,206
Total domestic operations	<u>19,503</u>	<u>71,358</u>

**NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2012**

	<b>30 September 2012</b>	<b>31 December 2011</b>
	<b>RM' 000</b>	<b>RM' 000</b>
		<b>(restated)</b>

**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	193	5,972
Recovered	(1,905)	(54,379)
Amount written off	(50,143)	(87,321)
At end of the period	<u>19,503</u>	<u>71,358</u>
Individual Impairment	<u>(15,214)</u>	<u>(30,839)</u>
Net impaired loans, advances and financing	<u>4,289</u>	<u>40,519</u>
Net impaired loans as a % of gross loans, advances and financing less individual impairment	<u>0.52%</u>	<u>7.29%</u>

**(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	214	12,073
Amount written back in respect of recoveries	(2,182)	(8,252)
Amount of allowance set off against gross loans	(13,657)	(84,035)
At end of the period	<u>15,214</u>	<u>30,839</u>

**(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	<u>842</u>	<u>1,410</u>
Allowance made during the period	-	4,113
Amount written back	(842)	(4,681)
At end of the period	<u>-</u>	<u>842</u>
As % of gross loans, advances and financing less individual impairment	<u>-</u>	<u>0.15%</u>

**A12 Other Assets**

Interest/Income receivable	14,398	9,165
Prepayments and deposits	19,209	13,101
Treasury trade receivables	45,178	34,325
Other debtors	11,483	9,819
	<u>90,268</u>	<u>66,410</u>
Individual impairment	<u>(1,060)</u>	<u>(1,706)</u>
	<u><b>89,208</b></u>	<u><b>64,704</b></u>

**NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2012**

	<b>30 September 2012</b>	<b>31 December 2011</b>
	<b>RM' 000</b>	<b>RM' 000</b>
		<b>(restated)</b>
<b>A13 Deposits from Customers</b>		
Fixed deposits and negotiable instruments of deposits		
- One year or less	1,662,454	1,031,980
- More than one year	-	-
	<b>1,662,454</b>	<b>1,031,980</b>
Business enterprise	1,255,305	705,035
Individuals	1,758	1,720
Government and statutory bodies	405,391	325,225
	<b>1,662,454</b>	<b>1,031,980</b>
<b>A14 Deposits and Placement of Banks and Other Financial Institutions and Debt Securities</b>		
Licensed banks	249,999	224,996
Licensed investment banks	150,000	50,000
Other financial institutions	716,091	552,906
	<b>1,116,090</b>	<b>827,902</b>
Subordinated obligations		
Unsecured		
- less than one year	-	-
- more than one year	1,367	1,384
	<b>1,367</b>	<b>1,384</b>
<b>A15 Other liabilities</b>		
Interest/Profit payable	5,263	5,031
Provision and accruals	7,796	23,553
Retention for Contra Losses	13,980	15,587
Hire purchase creditors	153	182
Deposits and other creditors	64,338	91,378
	<b>91,530</b>	<b>135,731</b>
<b>A16 Bank Borrowings</b>		
Revolving bank loan	93,792	31
	<b>93,792</b>	<b>31</b>

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

**NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2012**

	September 2012			December 2011		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>A17 <u>Commitments and Contingencies and Off-Balance Sheet</u></b>	<b>Notional</b>	<b>Credit</b>	<b>Risk</b>	<b>Notional</b>	<b>Credit</b>	<b>Risk</b>
<b><u>Financial Instruments</u></b>	<b>Equivalent</b>	<b>Weighted</b>	<b>Equivalent</b>	<b>Weighted</b>	<b>Equivalent</b>	<b>Weighted</b>
Obligations under underwriting agreements	38,980	19,490	19,490	40,944	20,472	20,472
Irrevocable commitments to extend credit: -	-	-	-	-	-	-
maturity within one year	-	-	-	-	-	-
- Margin	759,202	151,840	151,840	505,512	101,102	101,102
- Term loan	-	-	-	-	-	-
	<b>798,182</b>	<b>171,330</b>	<b>171,330</b>	<b>546,456</b>	<b>121,574</b>	<b>121,574</b>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2012

	← 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				
<b>A18 Interest/Profit Rate Risk</b>									
Cash and short-term funds	889,187	-	-	-	-	376,174	-	1,265,361	3.01%
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-	-
Financial assets held-for-trading	-	-	-	-	-	-	464,523	464,523	3.74%
Financial investments available-for-sale	-	254,952	99,711	290,454	657,019	2,689	-	1,304,825	4.13%
Loans, advances and financing									
- non-impaired	818,359	-	-	-	-	-	-	818,359	6.60%
- impaired	-	-	-	-	-	4,146	-	4,146	-
Other assets n1	-	-	-	-	-	639,368	-	639,368	-
Other non-interest sensitive balances	-	-	-	-	-	253,773	-	253,773	-
<b>TOTAL ASSETS</b>	<b>1,707,546</b>	<b>254,952</b>	<b>99,711</b>	<b>290,454</b>	<b>657,019</b>	<b>1,276,150</b>	<b>464,523</b>	<b>4,750,355</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>									
Deposits from customers	1,308,521	347,933	6,000	-	-	-	-	1,662,454	3.19%
Deposits and placements of banks and other financial institutions	922,179	175,911	18,000	-	-	-	-	1,116,090	3.19%
Borrowings	93,792	-	-	-	-	-	-	93,792	5.48%
Subordinated obligations	-	-	-	1,367	-	-	-	1,367	5.50%
Other non-interest sensitive balances	-	-	-	-	-	1,127,229	-	1,127,229	-
<b>Total Liabilities</b>	<b>2,324,492</b>	<b>523,844</b>	<b>24,000</b>	<b>1,367</b>	<b>-</b>	<b>1,127,229</b>	<b>-</b>	<b>4,000,932</b>	
Shareholders' equity	-	-	-	-	-	741,961	-	741,961	
Non-controlling interests	-	-	-	-	-	7,462	-	7,462	
<b>Total Liabilities and Shareholders' Equity</b>	<b>2,324,492</b>	<b>523,844</b>	<b>24,000</b>	<b>1,367</b>	<b>-</b>	<b>1,876,652</b>	<b>-</b>	<b>4,750,355</b>	
On-balance sheet interest sensitivity gap	(616,946)	(268,892)	75,711	289,087	657,019	(600,502)	464,523	-	
<b>Total interest sensitivity gap</b>	<b>(616,946)</b>	<b>(885,838)</b>	<b>(810,127)</b>	<b>(521,040)</b>	<b>135,979</b>	<b>(464,523)</b>	<b>-</b>	<b>-</b>	

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

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				
<b>A18 Interest/Profit Rate Risk</b>									
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	
<b>TOTAL ASSETS</b>	<b>1,161,882</b>	<b>100,550</b>	<b>69,403</b>	<b>405,853</b>	<b>300,370</b>	<b>1,321,263</b>	<b>241,218</b>	<b>3,600,539</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>									
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	
<b>Total Liabilities</b>	<b>1,508,537</b>	<b>262,850</b>	<b>88,526</b>	<b>1,384</b>	<b>-</b>	<b>974,030</b>	<b>-</b>	<b>2,835,327</b>	
Shareholders' equity	-	-	-	-	-	758,250	-	758,250	
Non-controlling interests	-	-	-	-	-	6,962	-	6,962	
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,508,537</b>	<b>262,850</b>	<b>88,526</b>	<b>1,384</b>	<b>-</b>	<b>1,739,242</b>	<b>-</b>	<b>3,600,539</b>	
On-balance sheet interest sensitivity gap	(346,655)	(162,300)	(19,123)	404,469	300,370	(417,979)	241,218	-	
<b>Total interest sensitivity gap</b>	<b>(346,655)</b>	<b>(508,955)</b>	<b>(528,078)</b>	<b>(123,609)</b>	<b>176,761</b>	<b>(241,218)</b>	<b>-</b>	<b>-</b>	

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

**NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 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. The following disclosure of capital adequacy ratio is in respect of Kenanga Investment Bank Berhad:

	<b>30 September 2012</b>	<b>31 December 2011</b>
	<b>RM'000</b>	<b>RM'000</b>
		<b>(Restated)</b>
<b>Components of Tier I and Tier II capital:</b>		
<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	(12,529)	(10,885)
Goodwill	(17,606)	(17,606)
Total Tier I capital	<u>595,295</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	595,295	597,298
Less: Investments in subsidiaries	(36,150)	(36,150)
Capital base	<u>559,145</u>	<u>561,148</u>
Core capital ratio	29.98%	41.49%
Risk-weighted capital ratio	29.98%	41.49%

**NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2012**

	Individual Quarter		Cumulative Quarter	
	30 September 2012 RM'000	30 September 2011 RM'000 (Restated)	30 September 2012 RM'000	30 September 2011 RM'000 (Restated)
<b>A20 Interest Income</b>				
Loans, advances and financing				
- Interest income other than recoveries from impaired loans	1,720	1,329	2,588	4,119
- Interest income recognised on unimpaired portion of impaired loans	-	762	-	2,413
Money at call and deposit placements with financial institutions	6,522	5,711	17,812	17,341
Financial assets held-for-trading	3,876	2,098	11,086	5,221
Financial investments available-for-sale	11,176	8,105	29,401	23,144
Interest on Margin	12,720	8,920	33,086	26,586
Interest on Contra	542	438	1,763	1,249
Others	43	-	136	8
	<b>36,599</b>	<b>27,363</b>	<b>95,872</b>	<b>80,081</b>
<b>A21 Interest Expense</b>				
Deposits and placement of banks and other financial institutions	2,585	2,291	5,223	5,137
Revolving bank loan	1,015	573	1,694	1,684
Deposits from customers	18,455	11,397	50,068	33,468
	<b>22,055</b>	<b>14,261</b>	<b>56,985</b>	<b>40,289</b>
<b>A22 Non-interest Income</b>				
(a) Fee income:				
Commissions	2,685	2,512	7,273	9,528
Service charges and fees	2,122	3,100	10,411	6,889
Underwriting fees	849	214	2,478	693
Brokerage income	24,535	26,616	77,313	94,230
Other fee income	5,043	3,903	12,408	11,712
	<b>35,234</b>	<b>36,345</b>	<b>109,883</b>	<b>123,052</b>
(b) Gain arising from sale of securities:				
Net(loss)/gain from sale of financial assets held-for-trading	(441)	3,165	2,943	4,687
Net gain from sale of financial investments available-for-sale	1,259	1,910	7,939	1,369
	<b>818</b>	<b>5,075</b>	<b>10,882</b>	<b>6,056</b>
(c) Gross dividend from:				
Securities portfolio	81	493	329	1,314
(d) Unrealised (loss)/gains on revaluation of financial assets held-for-trading and derivatives	(1,089)	(2,395)	1,903	1,848
(e) Other income:				
Foreign exchange profit	355	668	975	1,555
Gains on disposal of property, plant and equipment	-	-	122	8
Others	1,324	(2,948)	4,811	10,104
	<b>1,679</b>	<b>(2,280)</b>	<b>5,908</b>	<b>11,667</b>
Total non-interest income	<b>36,723</b>	<b>37,238</b>	<b>128,905</b>	<b>143,937</b>



**NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2012**

	Individual Quarter		Cumulative Quarter	
	30 September 2012 RM'000	30 September 2011 RM'000 (Restated)	30 September 2012 RM'000	30 September 2011 RM'000 (Restated)
<b>A23 Other operating expenses</b>				
Personnel costs	25,425	20,072	75,994	56,894
- Salaries, allowances and bonuses	20,369	12,857	61,466	43,106
- EPF	2,993	1,869	7,319	5,070
- Others	2,063	5,346	7,209	8,718
Establishment costs	9,490	8,758	28,266	26,400
- Depreciation and amortisation of intangible assets	1,914	1,849	6,080	5,642
- Rental of leasehold land and premises	4,956	4,545	15,103	14,298
- Repairs and maintenance of property, plant and equipment	297	166	1,114	1,118
- Information technology expenses	1,937	1,187	4,447	2,792
- Others	386	1,011	1,522	2,550
Marketing expenses	1,965	862	5,455	2,842
- Advertisement and publicity	183	123	469	164
- Others	1,782	739	4,986	2,678
Administration and general expenses	19,190	22,961	65,368	77,198
- Fees and brokerage	8,668	10,047	28,455	38,119
- Administrative expenses	6,469	12,406	28,829	37,514
- Others	4,053	508	8,084	1,565
	<b>56,070</b>	<b>52,653</b>	<b>175,083</b>	<b>163,334</b>
<b>A24 Write back of impairment/(Impairment allowance) on loans, advances and financing:</b>				
Allowances for loans, advances and financing:				
- collective impairment (net)	-	(1,023)	842	(400)
- individual impairment	(13)	(7,589)	(214)	(10,106)
- write back of individual impairment	187	3,008	2,184	8,579
Bad debts and financing written off	-	-	-	-
Bad debts and financing recovered	129	1	667	3
	<b>303</b>	<b>(5,603)</b>	<b>3,479</b>	<b>(1,924)</b>
<b>A25 (Impairment)/write back of impairment for bad and doubtful accounts on balances due from clients and brokers and other receivables</b>				
Allowances for bad and doubtful debts and financing:				
- collective impairment (net)	-	-	-	-
- individual (impairment)	(1,773)	(3,844)	(1,260)	(4,022)
Bad debts and financing written off	-	-	-	-
Bad debts and financing recovered	38	680	142	872
Write back of provision for other debts	-	2,813	-	3,359
	<b>(1,735)</b>	<b>(351)</b>	<b>(1,118)</b>	<b>209</b>

**K & N KENANGA HOLDINGS BERHAD**  
**FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012**

**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 (restated)
<b>Revenue</b>																						
External sales	77,389	69,617	115,563	118,628	12,759	16,495	4,014	3,926	8,703	6,837	4,906	4,656	(3,015)	(2,551)	220,319	217,608	-	-	-	-	220,319	217,608
Inter-segment sales	-	-	-	-	0	443	-	-	-	-	0	5,904	0	(6,347)	-	-	-	-	-	-	-	-
<b>Total revenue</b>	<b>77,389</b>	<b>69,617</b>	<b>115,563</b>	<b>118,628</b>	<b>12,759</b>	<b>16,938</b>	<b>4,014</b>	<b>3,926</b>	<b>8,703</b>	<b>6,837</b>	<b>4,906</b>	<b>10,560</b>	<b>(3,015)</b>	<b>(8,898)</b>	<b>220,319</b>	<b>217,608</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>220,319</b>	<b>217,608</b>
<b>Result</b>																						
Interest Income	53,476	52,276	35,135	18,006	5,464	7,263	2,194	2,657	491	514	1,784	1,783	(2,587)	(2,336)	95,957	80,163	(85)	-	(82)	95,872	80,081	
Dividend Income	329	569	-	-	-	-	-	-	-	-	-	745	-	-	329	1,314	-	-	-	-	329	1,314
Depreciation & amortisation	-	541	5,105	3,207	166	261	90	132	338	272	389	409	-	-	6,088	4,822	(8)	-	(12)	6,080	4,810	
Impairment gain	2,541	1,304	938	841	-	-	-	465	-	-	-	-	-	-	3,479	2,610	-	-	-	-	3,479	2,610
Other Non-cash expenses	-	-	2,633	(2,626)	-	-	-	-	-	-	-	(13,046)	-	485	2,633	(15,187)	-	-	-	-	2,633	(15,187)
<b>Segment results</b>	<b>59,103</b>	<b>45,772</b>	<b>(1,116)</b>	<b>9,590</b>	<b>2,617</b>	<b>7,856</b>	<b>228</b>	<b>913</b>	<b>(2,769)</b>	<b>(850)</b>	<b>(6,451)</b>	<b>(6,984)</b>	<b>1,772</b>	<b>4,555</b>	<b>53,384</b>	<b>60,852</b>	<b>(50)</b>	<b>-</b>	<b>(224)</b>	<b>53,334</b>	<b>60,628</b>	
Profit/(loss) from operation	59,103	45,772	(1,116)	9,590	2,617	7,856	228	913	(2,769)	(850)	(6,451)	(4,695)	1,772	4,555	53,384	63,141	(50)	-	(224)	53,334	62,917	
Finance cost, net	(56,896)	(37,657)	-	-	-	(3,284)	(1,743)	(1,683)	-	-	-	-	-	2,335	(58,639)	(40,289)	1,406	-	-	(57,233)	(40,289)	
Share of results of associates	-	-	-	-	-	-	-	-	-	-	2,471	(4,023)	-	-	2,471	(4,023)	-	-	-	-	2,471	(4,023)
Profit/(loss) before taxation	2,207	8,115	(1,116)	9,590	2,617	4,572	(1,515)	(770)	(2,769)	(850)	(3,980)	(8,718)	-	-	(2,784)	18,829	(50)	-	(224)	(2,834)	18,605	
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	174	(6,100)	-	-	-	-	174	(6,100)
Taxation from discontinuing operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/(loss) after taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,610)	12,729	(50)	-	-	(2,660)	12,505	
Loss from discontinuing operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(50)	-	(224)	(50)	(224)	
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(500)	(4,359)	-	-	-	-	(500)	(4,359)
Net (loss)/profit for the period	(3,110)	8,370	(100)	-	-	-	-	-	-	-	-	-	-	-	(3,110)	8,370	(100)	-	(224)	(3,210)	7,922	
<b>Assets</b>																						
Investments in associates	-	-	-	-	-	-	-	-	-	-	45,115	51,964	(1,377)	(924)	43,738	51,040	-	-	-	-	43,738	51,040
Additions to non-current assets	-	-	18,427	6,914	17	52	-	106	106	1,062	237	1,303	-	(1)	18,787	9,436	-	-	-	-	18,787	9,436
<b>Segments assets</b>	<b>2,692,011</b>	<b>723,377</b>	<b>1,605,623</b>	<b>2,870,576</b>	<b>492,448</b>	<b>494,664</b>	<b>117,872</b>	<b>28,225</b>	<b>26,592</b>	<b>27,848</b>	<b>711,762</b>	<b>723,310</b>	<b>(895,953)</b>	<b>(745,954)</b>	<b>4,750,355</b>	<b>4,122,046</b>	<b>-</b>	<b>-</b>	<b>6,115</b>	<b>4,750,355</b>	<b>4,128,161</b>	
<b>Segment liabilities</b>	<b>2,997,384</b>	<b>592,730</b>	<b>671,457</b>	<b>2,370,920</b>	<b>464,810</b>	<b>469,181</b>	<b>109,097</b>	<b>16,980</b>	<b>4,595</b>	<b>2,797</b>	<b>11,971</b>	<b>10,256</b>	<b>(258,382)</b>	<b>(102,061)</b>	<b>4,000,932</b>	<b>3,360,803</b>	<b>-</b>	<b>-</b>	<b>19</b>	<b>4,000,932</b>	<b>3,360,822</b>	

**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 September 2012.

**A30. Significant Events and Transactions**

On 7 June 2012, RHB Investment Bank Berhad 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.

On 13 July 2012, a circular was issued for the proposed acquisition by KIBB of the entire issued and paid-up share capital of EIBB from ECMLFG for an aggregate purchase consideration of RM875,114,000 (Subject to Post-Closing Adjustment) ("Proposed acquisition") and Proposed business merger of the businesses of KIBB and EIBB.

In the Extraordinary General Meeting held on 31 July 2012, the shareholders of the Company have approved the resolutions in relation to the Proposed Acquisition and Proposed Business Merger involving its acquisition of the entire issued and paid up share capital of EIBB.

As announced on 4 October 2012, the Company had obtained the approval of the Securities Commission for the issuance of Redeemable Non-Convertible Unsecured Loan Stock ("RULS") on 3 October 2012. The RULS will be issued as part settlement 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.

**K & N KENANGA HOLDINGS BERHAD (302859-X)**

(Incorporated in Malaysia)

**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	
		1 January 2011			30 September 2011			31 December 2011		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>										
Cash and short-term funds		1,300,957	-	1,300,957	770,077	-	770,077	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	220,918	-	220,918	241,218	-	241,218
Financial investments available-for-sale		757,315	-	757,315	1,078,656	-	1,078,656	849,087	-	849,087
Loans, advances and financing	A	605,264	6,750	612,014	575,654	7,645	583,299	547,353	7,418	554,771
Balances due from clients and brokers		256,344	-	256,344	192,520	-	192,520	179,315	-	179,315
Other assets		120,637	-	120,637	1,063,776	-	1,063,776	232,432	-	232,432
Statutory deposit with Bank Negara Malaysia		9,150	-	9,150	31,340	-	31,340	39,490	-	39,490
Tax recoverable		19,122	-	19,122	13,595	-	13,595	13,640	-	13,640
Investments in associates		49,102	-	49,102	51,040	-	51,040	44,297	-	44,297
Property, plant and equipment		22,466	-	22,466	26,275	-	26,275	26,356	-	26,356
Intangible assets		81,345	-	81,345	80,555	-	80,555	80,306	-	80,306
Deferred tax assets	A	15,558	(1,687)	13,871	11,077	(1,912)	9,165	13,970	(1,855)	12,115
Assets held for resale		6,332	-	6,332	6,098	-	6,098	6,085	-	6,085
<b>Total assets</b>		<b>3,547,638</b>	<b>5,063</b>	<b>3,552,701</b>	<b>4,122,428</b>	<b>5,733</b>	<b>4,128,161</b>	<b>3,594,976</b>	<b>5,563</b>	<b>3,600,539</b>
<b>Liabilities</b>										
Deposits from customers		1,012,577	-	1,012,577	971,116	-	971,116	1,031,980	-	1,031,980
Deposits and placements of banks and other financial institutions		806,689	-	806,689	814,107	-	814,107	827,902	-	827,902
Borrowings		65,757	-	65,757	2,229	-	2,229	31	-	31
Balances due to clients and brokers		586,525	-	586,525	618,663	-	618,663	580,818	-	580,818
Other liabilities		313,187	-	313,187	950,115	-	950,115	390,849	-	390,849
Provision for taxation and zakat		239	-	239	395	-	395	197	-	197
Subordinated obligations		1,510	-	1,510	1,527	-	1,527	1,384	-	1,384
Derivative financial liabilities		1,571	-	1,571	2,656	-	2,656	2,145	-	2,145
Liabilities held for resale		9	-	9	13	-	13	21	-	21
<b>Total liabilities</b>		<b>2,788,064</b>	<b>-</b>	<b>2,788,064</b>	<b>3,360,821</b>	<b>-</b>	<b>3,360,821</b>	<b>2,835,327</b>	<b>-</b>	<b>2,835,327</b>

**A31. Explanation of transition to MFRSs**

**Reconciliation of equity (cont'd.)**

Group	Note	1 January 2011			30 September 2011			31 December 2011		
		Previous FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000	Previous FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000	Previous FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
<b>Shareholders equity</b>										
Share capital		611,759	-	611,759	611,759	-	611,759	611,759	-	611,759
Share premium		75	-	75	75	-	75	75	-	75
Retained profits/(Accumulated losses)	B	9,339	(4,582)	4,757	16,591	(3,912)	12,679	8,499	(4,082)	4,417
Regulatory reserve	C	-	-	-	-	-	-	-	-	-
Exchange fluctuation reserve	D	(9,645)	9,645	-	(7,612)	9,645	2,033	(8,136)	9,645	1,509
Statutory reserve		57,458	-	57,458	57,458	-	57,458	65,699	-	65,699
Fair value reserve		2,930	-	2,930	4,503	-	4,503	2,839	-	2,839
Capital reserve		71,952	-	71,952	71,952	-	71,952	71,952	-	71,952
		<u>743,868</u>	<u>5,063</u>	<u>748,931</u>	<u>754,726</u>	<u>5,733</u>	<u>760,459</u>	<u>752,687</u>	<u>5,563</u>	<u>758,250</u>
Non-controlling interests		15,706	-	15,706	6,881	-	6,881	6,962	-	6,962
<b>Total equity</b>		<u>759,574</u>	<u>5,063</u>	<u>764,637</u>	<u>761,607</u>	<u>5,733</u>	<u>767,340</u>	<u>759,649</u>	<u>5,563</u>	<u>765,212</u>
<b>Total liabilities and shareholders equity</b>		<u>3,547,638</u>	<u>5,063</u>	<u>3,552,701</u>	<u>4,122,428</u>	<u>5,733</u>	<u>4,128,161</u>	<u>3,594,976</u>	<u>5,563</u>	<u>3,600,539</u>

**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)	to MFRSs		30 September 2011	to MFRSs		31 December 2011		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>									
Cash and short-term funds	37,435	-	37,435	14,701	-	14,701	13,074	-	13,074
Financial assets held-for-trading	21,422	-	21,422	22,638	-	22,638	25,450	-	25,450
Other assets									
- Amount due from subsidiaries	13,638	-	13,638	14,487	-	14,487	16,367	-	16,367
- Other receivables	105	-	105	375	-	375	324	-	324
Tax recoverable	5,438	-	5,438	5,438	-	5,438	5,438	-	5,438
Investments in subsidiaries	615,994	-	615,994	630,351	-	630,351	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	1,512	-	1,512	1,507	-	1,507
Intangible assets	130	-	130	31	-	31	18	-	18
<b>Total assets</b>	<b>715,015</b>	<b>-</b>	<b>715,015</b>	<b>709,743</b>	<b>-</b>	<b>709,743</b>	<b>705,875</b>	<b>-</b>	<b>705,875</b>
<b>Liabilities and equity</b>									
Other liabilities	4,412	-	4,412	2,941	-	2,941	1,054	-	1,054
Provision for taxation and zakat	-	-	-	-	-	-	4,353	-	4,353
Deferred tax liabilities	2,100	-	2,100	2,555	-	3,100	1,613	-	1,613
<b>Total liabilities</b>	<b>6,512</b>	<b>-</b>	<b>6,512</b>	<b>5,496</b>	<b>-</b>	<b>6,041</b>	<b>7,020</b>	<b>-</b>	<b>7,020</b>
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	92,413	-	92,413	87,021	-	87,021
<b>Total equity</b>	<b>708,503</b>	<b>-</b>	<b>708,503</b>	<b>704,247</b>	<b>-</b>	<b>704,247</b>	<b>698,855</b>	<b>-</b>	<b>698,855</b>
<b>Total liabilities and equity</b>	<b>715,015</b>	<b>-</b>	<b>715,015</b>	<b>709,743</b>	<b>-</b>	<b>710,288</b>	<b>705,875</b>	<b>-</b>	<b>705,875</b>

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

**Reconciliation of total comprehensive income  
for the nine months ended 30 September 2011**

<b>Group</b>	<b>Previous FRSs RM'000</b>	<b>Effect of transition to MFRSs RM'000</b>	<b>MFRSs RM'000</b>
<b>Continuing operations</b>			
Interest income	80,081	-	80,081
Interest expense	(40,289)	-	(40,289)
Net interest income	39,792	-	39,792
Other operating income	143,937	-	143,937
Net income	183,729	-	183,729
Other operating expenses	(163,334)	-	(163,334)
Operating profit	20,395	-	20,395
Write back of impairment allowance on loans, advances and financing	(2,819)	895	(1,924)
Impairment allowance on balances due from clients and brokers and other receivables	209	-	209
Write back of impairment in an associated company	3,948	-	3,948
	21,733	895	22,628
Share of results in associates	(4,023)	-	(4,023)
Profit before taxation	17,710	895	18,605
Taxation	(5,875)	(225)	(6,100)
Profit for the period from continuing operations	11,835	670	12,505
<b>Discontinued operation</b>			
Loss for the period	(224)	-	(224)
Profit for the period	11,611	670	12,281
<b>Other comprehensive income:</b>			
Foreign exchange differences on consolidation	2,033	-	2,033
Net gain in fair value changes of financial investments available-for-sale	1,573	-	1,573
Other comprehensive income for the period, net of tax	3,606	-	3,606
Total comprehensive income for the period, net of tax	15,217	670	15,887

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

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

<b>Group</b>	<b>Previous FRSs RM'000</b>	<b>Effect of transition to MFRSs RM'000</b>	<b>MFRSs RM'000</b>
<b>Continuing operations</b>			
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)
Write back 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
<b>Discontinued operation</b>			
Loss for the year	(236)	-	(236)
Profit for the year	11,841	500	12,341
<b>Other comprehensive income:</b>			
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



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

**Reconciliation of total comprehensive income  
for the nine months ended 30 September 2011**

<b>Company</b>	<b>Previous FRSs RM'000</b>	<b>Effect of transition to MFRSs RM'000</b>	<b>MFRSs RM'000</b>
Interest income	1,584	-	1,584
Interest expense	-	-	-
Net interest income	1,584	-	1,584
Other operating income	5,605	-	5,605
Net income	7,189	-	7,189
Other operating expenses	(10,990)	-	(10,990)
Loss before taxation	(3,801)	-	(3,801)
Taxation	(455)	-	(455)
Loss for the period	(4,256)	-	(4,256)
Total comprehensive loss for the period, net of tax	(4,256)	-	(4,256)

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

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

<b>Company</b>	<b>Previous FRSs RM'000</b>	<b>Effect of transition to MFRSs RM'000</b>	<b>MFRSs RM'000</b>
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	<u>(10,135)</u>	<u>-</u>	<u>(10,135)</u>
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:

	<b>1 January 2011 RM'000</b>	<b>30 September 2011 RM'000</b>	<b>31 December 2011 RM'000</b>
<b>Consolidated statement of financial position</b>			
Loans, advances and financing	6,750	7,645	7,418
Related tax effect	(1,687)	(1,912)	(1,855)
	<u>5,063</u>	<u>5,733</u>	<u>5,563</u>

**B Accumulated losses**

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

	<b>Note</b>	<b>1 January 2011 RM'000</b>	<b>30 September 2011 RM'000</b>	<b>31 December 2011 RM'000</b>
<b>Consolidated statement of financial position</b>				
Loans, advances and financing	<b>A</b>	6,750	7,645	7,418
Reclassification of reserve	<b>D</b>	(9,645)	(9,645)	(9,645)
Deferred tax	<b>A</b>	(1,687)	(1,912)	(1,855)
<b>Increase in accumulated losses</b>		<u>(4,582)</u>	<u>(3,912)</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 September 2011 RM'000	31 December 2011 RM'000
<b>Consolidated statement of financial position</b>				
Loans, advances and financing	A	-	-	-
Deferred tax	A	-	-	-
<b>Increase in regulatory reserve</b>		<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 September 2011 RM'000	31 December 2011 RM'000
<b>Consolidated statement of financial position</b>			
Exchange reserve	(9,645)	(9,645)	(9,645)
<b>Adjustment to accumulated losses</b>	<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 loss of RM2.83 million for the nine months ended 30 September 2012 ("9M12") compared to pre-tax profit of RM18.6 million for the nine months ended 30 September 2011 ("9M11"). 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 RM2.47 million in 9M12 compared to a share of loss of RM4.02 million in the 9M11.

Other operating expenses was higher by 7.19% 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 the nine months ended 30 September 2012, Bursa Malaysia's trading value declined to RM629.41 billion compared to RM704.11 billion in the previous corresponding period.

Pretax loss of this segment in the nine months ended 30 September 2012 was RM1.12 million compared to pretax profit of RM9.59 million for the nine months ended 30 September 2011 mainly due to an error trade in May 2012, decrease in brokerage income from RM94.23 million in the nine months ended 30 September 2011 to RM77.31 million in the nine months ended 30 September 2012, higher personnel costs and operating costs to improve on the delivery channels and setting up of new branches.

**Investment Banking:**

This segment registered RM2.21 million pretax profit in the nine months ended 30 September 2012 as compared to pretax profit of RM8.12 million in the previous corresponding period. The lower pretax profit mainly arose from higher personnel cost and operating costs in the nine months ended 30 September 2012.

**Investment Management:**

This segment registered a pretax loss of RM2.77 million in the nine months ended 30 September 2012 compared to RM0.85 million in the previous corresponding period, 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 RM2.62 million for the nine months ended compared to the previous profit of RM4.57 million for 9M11, 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. Higher exchange and clearing house fees are incurred due to higher guarantee fees charged by the clearing house as a result of increased initial margin rates.

**Money lending:**

This segment reported a pre-tax loss due to decline in interest income from lower loan disbursement and a decrease in interest rate charged to clients in the 9M12 compared to 9M11. There was an increase in loan and advances as a result of a few mega Initial Public Offerings ("IPOs") listed in the current quarter. Higher expenses were for temporary revolving credit facilities, required for the few mega IPO.

**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 RM5.9 million in the third quarter ended 30 September 2012 ("3Q12") compared to a pre-tax loss of RM4.76 million in the second quarter ended 30 June 2012 ("2Q12") mainly due to impairment on clients and brokers and other receivables of RM1.74 million in 3Q12 compared to a write back of impairment on clients and brokers and other receivables of RM759,000 in 2Q12, this was mitigated by higher share of profits from associates by RM1.17 million in 3Q12 compared to 2Q12

**SELECTED EXPLANATORY NOTES****REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTD)****B3. Prospects for 2012**

The global economic environment remained challenging due mainly to vulnerability in several key economies namely in the Eurozone. Growth momentum in Asia has also moderated, reflecting the slowing external demand. Domestic demand however is sustaining economic activity and growth, attributable to favourable macroeconomic fundamental policy support.

The Malaysian economy is expected to achieve GDP of between 4.5% to 5.0% for 2012 and between 4.5% to 5.5% for 2013. The key drivers are the implementation of projects under 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.

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, improve on the infrastructure to strengthen its Equity Broking business. For the current financial year ending 31 December 2012, the Group anticipates the earnings will remain volatile. However, in the long term, with the business strategy in place, the Board of Directors and Management are confident the Group will continue to grow and build upon the Group's sound financial capital base.

**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**

	<b>Individual Quarter</b>	<b>Cumulative Quarter</b>
	<b>3 months</b>	<b>9 months</b>
	<b>ended</b>	<b>ended</b>
	<b>30 September</b>	<b>30 September</b>
	<b>2012</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Current period - income tax	1,328	1,065
Underprovision in prior year	(1,107)	(285)
Deferred taxation	(1,752)	(954)
Total	<u>(1,531)</u>	<u>(174)</u>

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 Berhad 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.

On 13 July 2012, a circular was issued for the proposed acquisition by KIBB of the entire issued and paid-up share capital of EIBB from ECMLFG for an aggregate purchase consideration of RM875,114,000 (Subject to Post-Closing Adjustment) ("Proposed acquisition") and Proposed business merger of the businesses of KIBB and EIBB.

In the Extraordinary General Meeting held on 31 July 2012, the shareholders of the Company have approved the resolutions in relation to the Proposed Acquisition and Proposed Business Merger involving its acquisition of the entire issued and paid up share capital of EIBB.

As announced on 4 October 2012, the Company had obtained the approval of the Securities Commission for the issuance of Redeemable Non-Convertible Unsecured Loan Stock ("RULS") on 3 October 2012. The RULS will be issued as part settlement of the purchase consideration for the Proposed Acquisition.

**B7. Group Borrowings**

		<b>Total Loans RM'000</b>
Subordinated Loan (unsecured)	Note 1	1,367
Short term loan from financial institutions (unsecured)	Note 2	93,792

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.



**B8. Dividend**

No dividend has been proposed for the third quarter ended 30 September 2012.

**B9. Loss per share**

The amount used as the numerator for the purposes of calculating the basic loss per share for the nine-month period is RM3.21 million representing the loss for the period attributable to ordinary equity holders of the parent (30 September 2011: -profit attributable to ordinary equity holders of parent: RM7.92 million).

The weighted average number of shares used as the denominator in calculating the basic earnings per share for the nine-month period is 611,759,499 (30 September 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 September 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	15,027	482
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**

	<b>Individual Quarter 3 months ended 30 September 2012 RM'000</b>	<b>Cumulative Quarter 9 months ended 30 September 2012 RM'000</b>
Gain from fair value changes of financial liabilities	<u>2,202</u>	<u>989</u>

The fair value changes above arose in respect of outstanding equity structured warrants mentioned in Note B10 above.

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

**SELECTED EXPLANATORY NOTES**

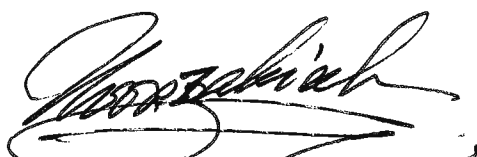
**REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTD)**

**B12. Realised and Unrealised Accumulated (Losses)/Profit Disclosure**

	As at 30 September 2012 RM'000	As at 31 December 2011 RM'000
Total retained profits / (accumulated losses) of Company and its subsidiaries:		
- Realised	(291,711)	(267,747)
- Unrealised	21,472	26,882
	(270,238)	(240,865)
Total share of retained profits / accumulated losses) from associated companies:		
- Realised	2,471	(16,758)
- Unrealised	-	(9,822)
	2,471	(26,580)
Add: Consolidation adjustments	264,386	271,862
Total group (accumulated loss)/retained profits as per consolidated accounts	(3,381)	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