

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

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

**QUARTERLY REPORT**

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

**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 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 31 December 2012 RM'000	3 months ended 31 December 2011 RM'000 (restated)	12 months ended 31 December 2012 RM'000	12 months ended 31 December 2011 RM'000 (restated)
<b>Continuing Operations</b>					
Interest income	A22	38,495	30,094	134,367	110,175
Interest expense	A23	(24,271)	(18,250)	(81,256)	(58,539)
Net interest income		14,224	11,844	53,111	51,636
Non interest income	A24	46,422	41,051	175,326	184,988
Net Income		60,646	52,895	228,437	236,624
Other operating expenses	A25	(55,438)	(61,806)	(230,520)	(225,140)
Operating profit/(loss)		5,208	(8,911)	(2,083)	11,484
Write back of impairment/(impairment allowance) on loans, advances and financing	A26	242	(1,475)	3,721	(3,399)
Write back of impairment on clients and brokers and other receivables	A27	3,421	13,539	2,303	13,748
Impairment on investment in associated companies		(14)	(4,367)	(389)	(419)
		8,857	(1,214)	3,552	21,414
Share of profits/(losses) in associates		243	(1,854)	2,714	(5,877)
<b>Profit/(Loss) before taxation</b>		9,100	(3,068)	6,266	15,537
Taxation		(5,512)	3,140	(5,338)	(2,960)
<b>Profit for the period/year from continuing operations</b>		3,588	72	928	12,577
<b>Discontinued operation</b>					
Profit/(Loss) for the period/year		18	(12)	(32)	(236)
<b>Profit for the period/year</b>		3,606	60	896	12,341

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 31 December 2012 RM'000	3 months ended 31 December 2011 RM'000 (restated)	12 months ended 31 December 2012 RM'000	12 months ended 31 December 2011 RM'000 (restated)
Other comprehensive income/(loss)				
Share of other comprehensive income of associated companies	7,607	-	7,607	-
Exchange fluctuation from translation of associated companies' net assets	470	(524)	(2,192)	1,509
Available-for-sale financial investments	388	(1,694)	(7,379)	(121)
Income tax relating to the components of other comprehensive income	(95)	30	1,843	30
Other comprehensive income/(loss) for the period/year	8,370	(2,188)	(121)	1,418
Total comprehensive income/(loss)	11,976	(2,128)	775	13,759
Profit/(Loss) for the period/year attributable to				
- Equity holders of the parent	3,430	(21)	220	7,901
- Non-controlling interests	176	81	676	4,440
	3,606	60	896	12,341
Total comprehensive income /(loss) for the period/year attributable to				
- Equity holders of the parent	11,800	(2,209)	99	9,319
- Non-controlling interests	176	81	676	4,440
	11,976	(2,128)	775	13,759
(a) Earnings per share attributable to ordinary equity holders of the parent				
(i) Basic (based on weighted average number of ordinary shares 635,237,760 for the current year quarter and ordinary shares of 617,661,138 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)	0.5	(0.0)	0.0	1.3
(ii) Fully diluted	0.5	(0.0)	0.0	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</b>	<b>3 months ended</b>	<b>12 months ended</b>	<b>12 months ended</b>
	<b>31 December 2012</b>	<b>31 December 2011</b>	<b>31 December 2012</b>	<b>31 December 2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Continuing Operations</b>				
Interest income	525	585	2,223	2,169
Interest expense	(221)	-	(222)	-
Net interest income	304	585	2,001	2,169
Non interest income	5,123	6,045	16,413	11,650
Net Income	5,427	6,630	18,414	13,819
Other operating expenses	(4,157)	(6,114)	(21,092)	(17,104)
Impairment losses on investments in associates	(2,084)	(6,850)	(2,084)	(6,850)
<b>Loss before taxation</b>	<b>(814)</b>	<b>(6,334)</b>	<b>(4,762)</b>	<b>(10,135)</b>
Taxation	(1,897)	942	(1,213)	487
<b>Loss for the period/year from continuing operations</b>	<b>(2,711)</b>	<b>(5,392)</b>	<b>(5,975)</b>	<b>(9,648)</b>
<b>Loss for the period/year</b>	<b>(2,711)</b>	<b>(5,392)</b>	<b>(5,975)</b>	<b>(9,648)</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 31 December 2012 RM'000</b>	<b>3 months ended 31 December 2011 RM'000</b>	<b>12 months ended 31 December 2012 RM'000</b>	<b>12 months ended 31 December 2011 RM'000</b>
(i) Loss for the period/year attributable to - Equity holders of the parent	(2,711)	(5,392)	(5,975)	(9,648)
	<u>(2,711)</u>	<u>(5,392)</u>	<u>(5,975)</u>	<u>(9,648)</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 635,237,760 for the current year quarter and ordinary shares of 617,661,138 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)	(0.4)	(0.9)	(1.0)	(1.6)
(ii) Fully diluted	(0.4)	(0.9)	(1.0)	(1.6)

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 31 DECEMBER 2012**

<u>Group</u>		As at 31 December 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		872,911	1,110,960	1,119,333
Deposits and placements with banks and other financial institutions		-	375	847
Financial assets held-for-trading	<b>A9</b>	435,843	241,218	303,199
Financial investments available-for-sale	<b>A10</b>	1,540,260	849,087	757,315
Financial investments held-to-maturity	<b>A11</b>	40,000	-	-
Loans, advances and financing	<b>A12</b>	1,431,247	554,771	612,014
Other assets				
- Balance due from clients and brokers		406,096	179,315	256,344
- Assets segregated for customers		182,509	167,728	86,291
- Other receivables	<b>A13</b>	75,982	64,704	34,346
Statutory deposit with Bank Negara Malaysia		87,210	39,490	9,150
Tax recoverable		5,076	13,640	19,122
Investments in associates		52,044	44,297	49,102
Property, plant and equipment		63,454	26,356	22,466
Intangible assets		265,060	80,306	81,345
Deferred tax assets		7,364	12,115	13,871
Assets held for resale		6,060	6,085	6,332
<b>TOTAL ASSETS</b>		<b>5,471,116</b>	<b>3,390,447</b>	<b>3,371,077</b>
<b>LIABILITIES</b>				
Deposits from customers	<b>A14</b>	1,597,406	1,031,980	1,012,577
Deposits and placements of banks and other financial institutions	<b>A15</b>	1,924,655	827,902	806,689
Borrowings	<b>A17</b>	51,631	31	65,757
Other liabilities				
- Balance due to clients and brokers		734,306	580,818	586,525
- Amount held in trust		70,703	43,312	42,630
- Other payables	<b>A16</b>	160,728	135,731	86,799
Provision for taxation and zakat		36	197	239
Deferred tax liabilities		2,826	1,714	2,134
Subordinated obligations	<b>A15</b>	1,384	1,384	1,510
Derivative financial liabilities		336	2,145	1,571
Redeemable Non-Convertible Unsecured Loan Stocks	<b>A18</b>	95,500	-	-
Liabilities held for resale		6	21	9
<b>TOTAL LIABILITIES</b>		<b>4,639,517</b>	<b>2,625,235</b>	<b>2,606,440</b>

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012**

<u>Group</u>	As at 31 December 2012 RM'000	As at 31 December 2011 RM'000 (restated)	As at 1 January 2011 RM'000 (restated)
<b>SHAREHOLDERS EQUITY</b>			
Share Capital	731,759	611,759	611,759
Share Premium	75	75	75
Profit and loss reserve	(1,575)	4,417	4,757
Exchange fluctuation reserve	(683)	1,509	-
Statutory reserve	67,323	65,699	57,458
Fair value reserve	4,910	2,839	2,930
Capital reserve	22,152	71,952	71,952
	<u>823,961</u>	<u>758,250</u>	<u>748,931</u>
Non-controlling Interests	7,638	6,962	15,706
Total equity	<u>831,599</u>	<u>765,212</u>	<u>764,637</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>5,471,116</u>	<u>3,390,447</u>	<u>3,371,077</u>
<b>Net Assets Per Share (RM)</b>	<u>1.13</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 31 DECEMBER 2012**

	<b>As at 31 December 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	4,701	13,074	37,435
Financial assets held-for-trading	30,746	25,450	21,422
Other assets			
- Amount due from subsidiaries	13,590	16,367	13,638
- Amount due from related companies	30	-	-
- Other receivables	792	324	105
Tax recoverable	2,241	5,438	5,438
Investments in subsidiaries	796,037	630,337	615,994
Investments in associates	11,276	13,360	20,210
Property, plant and equipment	1,388	1,507	643
Intangible assets	-	18	130
<b>TOTAL ASSETS</b>	<b>860,801</b>	<b>705,875</b>	<b>715,015</b>
<b>LIABILITIES</b>			
Other liabilities			
- Amount due to subsidiary companies	320	-	-
- Other payables	3,663	5,407	4,412
Deferred tax liabilities	2,826	1,613	2,100
Redeemable Non-Convertible Unsecured Loan Stocks	95,500	-	-
<b>TOTAL LIABILITIES</b>	<b>102,309</b>	<b>7,020</b>	<b>6,512</b>
<b>SHAREHOLDERS EQUITY</b>			
Share Capital	731,759	611,759	611,759
Share Premium	75	75	75
Capital Reserve	(49,800)	-	-
Profit and loss reserve	76,458	87,021	96,669
<b>Total equity</b>	<b>758,492</b>	<b>698,855</b>	<b>708,503</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>860,801</b>	<b>705,875</b>	<b>715,015</b>
<b>Net Assets Per Share (RM)</b>	<b>1.04</b>	<b>1.14</b>	<b>1.16</b>

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

**UNAUDITED STATEMENTS OF CASH FLOWS  
FOR THE PERIOD ENDED 31 DECEMBER 2012**

	Group		Company	
	31 December 2012 RM'000	31 December 2011 RM'000 (restated)	31 December 2012 RM'000	31 December 2011 RM'000 (restated)
<b>Cash flows from operating activities</b>				
Profit/(Loss) before taxation				
Continuing operations	6,266	15,537	(4,762)	(10,135)
Discontinued operation	(32)	(236)	-	-
Adjustments for:				
Depreciation and amortisation:				
Continuing operations	8,618	7,476	437	455
Discontinued operation	9	15	-	-
Share of results in associates	(2,714)	5,877	-	-
Interest income	(78,242)	(70,745)	(2,223)	(2,169)
Interest on financial assets held-for-trading	(15,029)	(7,546)	-	-
Interest on financial investments available-for-sale	(41,096)	(31,884)	-	-
Finance cost on borrowings:				
Continuing operations	2,444	1,404	-	-
Gross dividend income	(371)	(1,413)	-	(18)
Net gain from sale of financial investments	(19,215)	(8,735)	-	-
Write back of impairment on balances due from clients and brokers	(1,807)	2,124	-	-
(Write back of impairment)/Impairment on loans, advances and financing	(3,721)	3,399	-	-
Unrealised loss/(gains) on revaluation of financial assets held-for-trading	600	(5,384)	(5,296)	(4,028)
Property, plant and equipment written off	1	830	-	-
Unrealised foreign exchange gain on financial investments	(673)	(737)	-	-
Waiver of intercompany balances	-	-	33	(31)
(Gain)/Loss on disposal of property, plant and equipment	(200)	(29)	-	23
Impairment on investments in associates	389	419	2,084	6,850
Changes in working capital:				
Receivables	(40,427)	3,034	(468)	(220)
Trust deposits and accounts with licensed banks and financial institutions	(3,129)	(41,183)	-	-
Intercompany	-	-	2,617	(16,623)
Amount held in trust	375	29,622	-	-
Statutory deposit with Bank Negara Malaysia	(23,000)	(30,340)	-	-
Payables	523,886	84,701	(1,327)	578
Cash generated from/(used in) operations	<u>312,932</u>	<u>(43,794)</u>	<u>(8,905)</u>	<u>(25,318)</u>
Net tax refund	7,591	3,695	3,197	-
Dividend received	371	1,413	-	18
Interest received	78,242	70,745	2,223	2,169
Net cash generated from/(used in) operating activities	<u>399,136</u>	<u>32,059</u>	<u>(3,485)</u>	<u>(23,131)</u>

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



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

**UNAUDITED STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2012 RM'000</b>	<b>31 December 2011 RM'000 (restated)</b>	<b>31 December 2012 RM'000</b>	<b>31 December 2011 RM'000 (restated)</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment and intangible assets	(25,371)	(11,500)	(300)	(1,394)
Dividend received from an associate	-	18	-	-
Interest income from financial assets held-for-trading and financial investments available-for-sale	56,125	39,430	-	-
Net cash inflow on acquisition of assets and liabilities of EIBB	87,505	-	-	-
Acquisition of financial investments - net	(803,802)	(14,075)	-	-
Net cash outflow from deconsolidation of Special Purpose Entities	-	(551)	-	-
Proceeds from disposal of property, plant and equipment	204	372	-	164
Net cash (used in)/generated from investing activities	<u>(685,339)</u>	<u>13,694</u>	<u>(300)</u>	<u>(1,230)</u>
<b>Cash flows from financing activities</b>				
Interest paid	(2,444)	(1,404)	-	-
(Repayment)/ Drawdown of hire purchase and finance lease	(51)	182	-	-
Short term loan repayment	(247,150)	(602,052)	-	-
Long term loan drawdown	298,750	536,200	-	-
Dividend paid	(4,588)	-	(4,588)	-
Net cash generated from/(used in) financing activities	<u>44,517</u>	<u>(67,074)</u>	<u>(4,588)</u>	<u>-</u>
<b>Net changes in cash and cash equivalents</b>	<b>(241,686)</b>	<b>(21,321)</b>	<b>(8,373)</b>	<b>(24,361)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>798,227</b>	<b>819,548</b>	<b>13,074</b>	<b>37,435</b>
<b>Cash and cash equivalents at end of period</b>	<b><u>556,541</u></b>	<b><u>798,227</u></b>	<b><u>4,701</u></b>	<b><u>13,074</u></b>
<b>Cash and cash equivalents at end of period comprise:</b>				
Cash and short term funds	550,509	792,182	4,701	13,074
Cash and bank balances classified as asset held-for-sale	6,032	6,045	-	-
	<u>556,541</u>	<u>798,227</u>	<u>4,701</u>	<u>13,074</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 YEAR ENDED 31 DECEMBER 2012**

Group	<-----Attributable to Equity Holders of the Parent----->							Distributable Retained profits RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
	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			
<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 year	-	-	(2,192)	-	(5,536)	-	-	220	676	(6,832)
Share of other comprehensive income of associated companies	-	-	-	-	7,607	-	-	-	-	7,607
<b>Transaction with owners</b>										
Transfer to regulatory reserve in the first quarter ended 31 March 2012	-	-	-	-	-	-	5,563	(5,563)	-	-
Transfer to statutory reserve	-	-	-	-	-	1,624	-	(1,624)	-	-
Reversal of regulatory reserve to accumulated losses in the third quarter ended 30 September 2012	-	-	-	-	-	-	(5,563)	5,563	-	-
Shares issued for acquisition of EIBB	120,000	-	-	(49,800)	-	-	-	-	-	70,200
Dividend paid	-	-	-	-	-	-	-	(4,588)	-	(4,588)
Total transactions with owners	120,000	-	-	(49,800)	-	1,624	-	(6,212)	-	65,612
<b>As at 31 December 2012</b>	<b>731,759</b>	<b>75</b>	<b>(683)</b>	<b>22,152</b>	<b>4,910</b>	<b>67,323</b>	<b>-</b>	<b>(1,575)</b>	<b>7,638</b>	<b>831,599</b>

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

(Incorporated in Malaysia)

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2011**

<-----Attributable to Equity Holders of the Parent----->  
<-----Non-Distributable----->

Group	Attributable to Equity Holders of the Parent							Distributable Retained profits RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
	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			
<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/(loss) for the year	-	-	1,509	-	(91)	-	-	7,901	4,440	13,759
<b>Transaction with owners</b>										
Transfer to statutory reserve	-	-	-	-	-	8,241	-	(8,241)	-	-
Derecognition of special purpose entities	-	-	-	-	-	-	-	-	(13,184)	(13,184)
Total transactions with owners	-	-	-	-	-	8,241	-	(8,241)	(13,184)	(13,184)
<b>As at 31 December 2011</b>	611,759	75	1,509	71,952	2,839	65,699	0	4,417	6,962	765,212

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**K & N KENANGA HOLDINGS BERHAD** (302859-X)  
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**UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2012**

	<-----Attributable to Equity Holders of the Parent----->				Total Equity  RM'000
	Share Capital RM'000	Non Distributable Share Premium RM'000	Capital Reserve RM'000	Distributable Retained profits RM'000	
<b>As at 1 January 2012</b>	611,759	75	-	87,021	698,855
Comprehensive loss for the year	-	-	-	(5,975)	(5,975)
<b>Transaction with owners</b>					
Shares issued for acquisition of EIBB	120,000	-	(49,800)	-	70,200
Dividend paid	-	-		(4,588)	(4,588)
Total transactions with owners	120,000	-	(49,800)	(4,588)	65,612
<b>As at 31 December 2012</b>	<u>731,759</u>	<u>75</u>	<u>(49,800)</u>	<u>76,458</u>	<u>758,492</u>

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

(Incorporated in Malaysia)

**UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	<-----Attributable to Equity Holders of the Parent----->			Total
	Share Capital RM'000	Non Distributable Share Premium RM'000	Distributable Retained profits RM'000	Equity RM'000
<b>As at 1 January 2011</b>	611,759	75	96,669	708,503
Comprehensive loss for the year	-	-	(9,648)	(9,648)
<b>As at 31 December 2011</b>	<u>611,759</u>	<u>75</u>	<u>87,021</u>	<u>698,855</u>

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

**SELECTED EXPLANATORY NOTES  
REQUIREMENTS OF MFRS 134**

**A1. Basis Of Preparation**

These quarterly interim financial statements, for the year ended 31 December 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 A33.

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 A33.

**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 twelve months ended 31 December 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 resulting in 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**

As part of the purchase consideration for the acquisition by a wholly owned subsidiary, Kenanga Investment Bank Berhad of ECM Libra Investment Bank Berhad ("EIBB"), the Company issued 120,000,000 ordinary shares of RM1.00 each on 14 December 2012

On 14 December 2012, the Company issued 95,500,000 of RULS at nominal value of RM1.00 each. The RULS comprise 2 tranches, ie, RULS-A and RULS-B. RM47.75 million each in nominal value of RULS-A and RULS-B was issued to the subscriber, ECM Libra Financial Group Berhad ("ECMLFG").

**A8. Dividends paid per share**

During the twelve months ended 31 December 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 - 31 DECEMBER 2012**

	31 December 2012 RM' 000	31 December 2011 RM' 000 (restated)
<b>A9 Financial assets held-for-trading</b>		
<b>At Fair Value</b>		
<b>Money Market Instruments:-</b>		
Malaysian Government Securities	10,140	51,879
Malaysian Government Investment Issues	253,796	81,750
Bank Negara Malaysia Bills and Notes	-	29,973
Total Money Market Instruments	<u>263,936</u>	<u>163,602</u>
<b>Quoted securities:</b>		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	<u>31,406</u>	<u>32,631</u>
<b>Unquoted securities:</b>		
Private and Islamic Debt Securities in Malaysia	<u>140,501</u>	<u>44,985</u>
Total unquoted securities	<u>140,501</u>	<u>44,985</u>
Total financial assets held-for-trading	<u><b>435,843</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	73,012	198,267
Cagamas Bonds	-	5,164
Malaysian Government Treasury Bills	49,992	-
Malaysian Government Investment Issues	211,154	102,140
Negotiable Instruments of Deposits	349,529	99,999
Banker's Acceptances and Islamic Accepted Bills	24,948	-
Total Money Market instruments	<u>708,635</u>	<u>405,570</u>
<b>Quoted securities:</b>		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	7,567	-
Outside Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	<u>-</u>	<u>-</u>
	<u>7,567</u>	<u>-</u>
<b>Unquoted securities:</b>		
Shares, trust units and loan stocks in Malaysia	53,045	2,100
Private and Islamic Debt Securities in Malaysia	770,523	440,927
Others	490	490
	<u>824,058</u>	<u>443,517</u>
Accumulated impairment losses	-	-
<b>Total financial investments available-for-sale</b>	<u><b>1,540,260</b></u>	<u><b>849,087</b></u>
<b>A11 Financial investments held-to maturity</b>		
<b>At Amortised Cost</b>		
<b>Money Market Instruments:</b>		
Negotiable instruments of deposit	40,000	-
Total financial assets held-to-maturity	<u><b>40,000</b></u>	<u>-</u>



**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012**

	31 December 2012 RM' 000	31 December 2011 RM' 000 (restated)
<b>A12 Loans, advances and financing</b>		
Term loans	408,022	77,644
Share margin financing	974,279	508,807
Other financing	63,285	1
Gross loans, advances and financing	<u>1,445,586</u>	<u>586,452</u>
Allowances for bad and doubtful debts and financing:		
- Individual Impairment	(14,185)	(30,839)
- Collective Impairment	(154)	(842)
Net loans, advances and financing	<u><b>1,431,247</b></u>	<u><b>554,771</b></u>
<b>(i) By maturity structure</b>		
Within one year	1,294,678	586,452
More than one year	150,908	-
Gross loans, advances and financing	<u>1,445,586</u>	<u>586,452</u>
<b>(ii) By type of customer</b>		
<b>Domestic operations:</b>		
Domestic business enterprise		
- Small and medium enterprise	-	-
- Others	658,954	57,718
Individuals	783,698	511,111
Other domestic entities	-	5,386
Foreign entities	2,934	12,237
Total domestic operations	<u>1,445,586</u>	<u>586,452</u>
<b>(iii) By interest/profit rate sensitivity</b>		
Fixed rate		
- Other fixed rate loans/financing	974,279	528,734
Variable rate		
- Base lending rate plus	-	-
- Cost plus	408,022	57,718
- Other variable rates	63,285	-
Gross loans, advances and financing	<u>1,445,586</u>	<u>586,452</u>
<b>(iv) Total loans by economic sector</b>		
<b>Domestic operations:</b>		
Purchase of securities	26,305	19,526
Manufacturing	40,191	-
Construction	-	-
Transport, storage and communication	-	33,804
Finance, insurance and business services	272,725	23,914
Working capital	36,989	401
Others	1,069,376	508,807
Total domestic operations	<u>1,445,586</u>	<u>586,452</u>
<b>(v) Impaired loans by economic purpose</b>		
<b>Domestic operations:</b>		
Purchase of securities	2,392	37,152
Working capital	13,969	34,206
Total domestic operations	<u>16,361</u>	<u>71,358</u>

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012**

	31 December 2012 RM' 000	31 December 2011 RM' 000 (restated)
<b>A12 Loans, advances and financing (cont'd)</b>		
<b>(vi) Movement in impaired loans, advances and financing ("Impaired loans") are as follows:</b>		
At beginning of the year	71,358	207,086
Impaired during the year	288	5,972
Recovered	(5,143)	(54,379)
Amount written off	(50,143)	(87,321)
At end of the year	<u>16,360</u>	<u>71,358</u>
Individual Impairment	<u>(14,185)</u>	<u>(30,839)</u>
Net impaired loans, advances and financing	<u>2,175</u>	<u>40,519</u>
Net impaired loans as a % of gross loans, advances and financing less individual impairment	<u>0.15%</u>	<u>7.29%</u>
<b>(vii) Movement in individual impairment for loans, advances and financing are as follows</b>		
<u>Individual Impairment</u>		
At beginning of the year	30,839	111,053
Allowance made during the year	253	12,073
Amount written back in respect of recoveries	(2,271)	(8,252)
Amount of allowance set off against gross loans	(14,636)	(84,035)
At end of the year	<u>14,185</u>	<u>30,839</u>
<b>(viii) Movement in collective impairment for loans, advances and financing are as follows</b>		
<u>Collective Impairment</u>		
At beginning of the year		
- as previously stated	842	8,160
- effect of changes in accounting policy	-	(6,750)
At beginning of the year, as restated	<u>842</u>	<u>1,410</u>
Allowance made during the year	44	4,113
Bad debts written off	-	-
Amount written back	(842)	(4,681)
Acquisition of assets and liabilities of EIBB	110	-
At end of the year	<u>154</u>	<u>842</u>
As % of gross loans, advances and financing less individual impairment	<u>0.01%</u>	<u>0.15%</u>
<b>A13 Other Assets</b>		
Interest/Income receivable	13,767	9,165
Prepayments and deposits	26,048	13,101
Treasury trade receivables	4,000	34,325
Other debtors	35,428	9,819
	<u>79,243</u>	<u>66,410</u>
Individual impairment	<u>(3,261)</u>	<u>(1,706)</u>
	<u><b>75,982</b></u>	<u><b>64,704</b></u>

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012**

	31 December 2012 RM' 000	31 December 2011 RM' 000 (restated)
<b>A14 Deposits from Customers</b>		
Fixed deposits and negotiable instruments of deposits		
- One year or less	1,597,406	1,031,980
- More than one year	-	-
	<b>1,597,406</b>	<b>1,031,980</b>
Business enterprise	1,192,872	705,035
Individuals	31,890	1,720
Government and statutory bodies	367,644	325,225
Others	5,000	-
	<b>1,597,406</b>	<b>1,031,980</b>
<b>A15 Deposits and Placement of Banks and Other Financial Institutions and Debt Securities</b>		
Licensed banks	550,000	224,996
Licensed investment banks	78,811	50,000
Other financial institutions	1,295,844	552,906
	<b>1,924,655</b>	<b>827,902</b>
<b>Subordinated obligations</b>		
Unsecured		
- less than one year	-	-
- more than one year	1,384	1,384
	<b>1,384</b>	<b>1,384</b>
<b>A16 Other liabilities</b>		
Interest/Profit payable	10,933	5,031
Provision and accruals	78,321	23,553
Retention for Contra Losses	13,923	15,587
Hire purchase creditors	131	182
Deposits and other creditors	57,420	91,378
	<b>160,728</b>	<b>135,731</b>
<b>A17 Bank Borrowings</b>		
Revolving bank loan	51,631	31
	<b>51,631</b>	<b>31</b>
<b>A18 Redeemable Non-Convertible Unsecured Loan Stocks ("RULS")</b>		
- less than one year	47,750	-
- more than one year	47,750	-
	<b>95,500</b>	<b>-</b>

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012**

	December 2012			December 2011		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>A19 <u>Commitments and Contingencies and Off-Balance Sheet Financial Instruments</u></b>	Notional	Credit Equivalent	Risk Weighted	Notional	Credit Equivalent	Risk Weighted
Any commitments that are unconditionally cancelled at any time by the maturity within one year	1,328,754	-	-	505,512	101,102	101,102
Obligations under underwriting agreements	5,000	2,500	2,500	40,944	20,472	20,472
	<b>1,333,754</b>	<b>2,500</b>	<b>2,500</b>	<b>546,456</b>	<b>121,574</b>	<b>121,574</b>

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	Non trading book						Trading books RM	Total RM	Effective interest rate %
	Up to 1 month RM	>1 - 3 month RM	>3 - 12 month RM	>1 - 5 years RM	over 5 RM	Non- interest sensitive RM			
<b>A20 Interest/Profit Rate Risk</b>									
Cash and short-term funds	412,258	-	-	-	-	460,653	-	872,911	3.00%
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-	-
Financial assets held-for-trading	-	-	-	-	-	-	435,843	435,843	3.75%
Financial investments available-for-sale	116,070	370,546	14,923	316,852	662,866	59,003	-	1,540,260	4.03%
Financial assets held-for-maturity	-	-	40,000	-	-	-	-	40,000	3.20%
Loans, advances and financing									
- non-impaired	974,278	-	257,114	197,835	-	-	-	1,429,227	7.26%
- impaired	-	-	-	-	-	2,020	-	2,020	-
Other assets n1	-	-	-	-	-	670,647	-	670,647	-
Other non-interest sensitive balances	-	-	-	-	-	480,208	-	480,208	-
<b>TOTAL ASSETS</b>	<b>1,502,606</b>	<b>370,546</b>	<b>312,037</b>	<b>514,687</b>	<b>662,866</b>	<b>1,672,531</b>	<b>435,843</b>	<b>5,471,116</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>									
Deposits from customers	1,453,951	134,925	8,530	-	-	-	-	1,597,406	3.24%
Deposits and placements of banks and other financial institutions	1,716,734	127,925	79,996	-	-	-	-	1,924,655	3.24%
Borrowings	51,631	-	-	-	-	-	-	51,631	3.20%
Subordinated obligations	-	-	-	1,384	-	-	-	1,384	1.50%
RULS	-	-	47,750	47,750	-	-	-	95,500	5.00%
Other non-interest sensitive balances	-	-	-	-	-	968,941	-	968,941	-
<b>Total Liabilities</b>	<b>3,222,316</b>	<b>262,850</b>	<b>136,276</b>	<b>49,134</b>	<b>-</b>	<b>968,941</b>	<b>-</b>	<b>4,639,517</b>	
Shareholders' equity	-	-	-	-	-	823,961	-	823,961	
Non-controlling interests	-	-	-	-	-	7,638	-	7,638	
<b>Total Liabilities and Shareholders' Equity</b>	<b>3,222,316</b>	<b>262,850</b>	<b>136,276</b>	<b>49,134</b>	<b>-</b>	<b>1,800,540</b>	<b>-</b>	<b>5,471,116</b>	
On-balance sheet interest sensitivity gap	(1,719,710)	107,696	175,761	465,553	662,866	(128,009)	435,843	-	
<b>Total interest sensitivity gap</b>	<b>(1,719,710)</b>	<b>(1,612,014)</b>	<b>(1,436,253)</b>	<b>(970,700)</b>	<b>662,866</b>	<b>(1,098,709)</b>	<b>-</b>	<b>-</b>	

n1 Other assets comprise balances due from clients and brokers, net of individual and collective impairments, assets segregated for customers and other receivables.

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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				
<b>A20 Interest/Profit Rate Risk</b>									
Cash and short-term funds	669,050	-	-	-	-	441,910	-	1,110,960	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	485,414	551	5,214	23,914	-	-	-	515,093	7.38%
- impaired loans	-	-	-	-	-	39,678	-	39,678	
Other assets n1	-	-	-	-	-	411,747	-	411,747	
Other non-interest sensitive balances	-	-	-	-	-	222,289	-	222,289	
<b>TOTAL ASSETS</b>	<b>1,154,464</b>	<b>100,550</b>	<b>69,403</b>	<b>405,853</b>	<b>300,370</b>	<b>1,118,589</b>	<b>241,218</b>	<b>3,390,447</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	-	-	-	-	-	763,938	-	763,938	
<b>Total Liabilities</b>	<b>1,508,537</b>	<b>262,850</b>	<b>88,526</b>	<b>1,384</b>	<b>-</b>	<b>763,938</b>	<b>-</b>	<b>2,625,235</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>1,529,150</b>	<b>-</b>	<b>3,390,447</b>	
On-balance sheet interest sensitivity gap	(354,073)	(162,300)	(19,123)	404,469	300,370	(410,561)	241,218	-	
<b>Total interest sensitivity gap</b>	<b>(354,073)</b>	<b>(516,373)</b>	<b>(535,496)</b>	<b>(131,027)</b>	<b>169,343</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, assets segregated for customers and other receivables.

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012**

**A21 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>31 December 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	770,000	620,000
Share premium	65,500	-
Accumulated losses	(53,083)	(54,706)
Statutory reserve	67,323	65,699
	<u>849,740</u>	<u>630,993</u>
Less: Deferred tax assets	(252,283)	(17,606)
Goodwill	(5,840)	(10,885)
Total Tier I capital	<u>591,617</u>	<u>602,502</u>
<u>Tier II capital</u>		
Collective impairment allowance	154	359
Total Tier II capital	<u>154</u>	<u>359</u>
Total capital	591,771	602,861
Less: Investments in subsidiaries	(41,016)	(36,150)
Capital base	<u>550,755</u>	<u>566,711</u>
Core capital ratio	37.47%	41.90%
Risk-weighted capital ratio	37.47%	41.90%

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**A21. Capital Adequacy (continued)**

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

	Bank 31 December 2012		Bank 31 December 2011	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
0%	1,048,810	-	562,322	-
20%	1,941,242	388,248	1,510,939	302,188
50%	-	-	-	-
100%	571,475	571,475	551,574	551,574
150%	886	1,329	36,749	55,124
Total Risk Weighted Assets for Credit Risk	<u>3,562,413</u>	<u>961,052</u>	<u>2,661,584</u>	<u>908,886</u>
Risk Weighted Assets Equivalent for Market Risk	-	242,692	-	106,281
Risk Weighted Assets Equivalent for Operational Risk	-	266,086	-	337,355
Large Exposure Risk Requirement for Single Equity	-	-	-	-
	<u>3,562,413</u>	<u>1,469,830</u>	<u>2,661,584</u>	<u>1,352,522</u>



**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012**

**A21. 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 31 December 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	421,367	421,367	-	-	
Banks, Development Financial Institutions & MDBs	1,084,937	1,084,937	216,987	17,359	
Corporates	1,133,681	925,756	337,636	27,011	
Regulatory Retail	122	122	122	10	
Higher Risk Assets	490	490	735	59	
Other Assets	1,544,179	655,721	261,376	20,910	
Equity Exposure	39,322	39,322	39,322	3,146	
<u>Defaulted Exposures</u>					
Corporates	-	-	-	-	
Other Assets	14,389	396	594	48	
Total for On-Balance Sheet Exposures	<u>4,238,487</u>	<u>3,128,111</u>	<u>856,772</u>	<u>68,543</u>	
Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	434,302	434,302	104,280	8,342	
Total for Off-Balance Sheet Exposures	<u>434,302</u>	<u>434,302</u>	<u>104,280</u>	<u>8,342</u>	
Total for On and Off-Balance Sheet Exposures	<u>4,672,789</u>	<u>3,562,413</u>	<u>961,052</u>	<u>76,885</u>	
2 Large Exposure Risk Requirement	-	-	-	-	
3 Market Risk	Long Positions	Short Positions			
Interest rate risks	404,345	-	404,345	237,650	
Equity position risks	660	136	524	61	
Foreign exchange risks	311	-	311	311	
Option risks	31	-	31	31	
4 Operational Risk			266,086	21,218	
5 Total RWA and Capital Requirements			<u>1,469,830</u>	<u>117,518</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 - 31 DECEMBER 2012**

**A21 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:

<b>Bank</b>					
<b>At 31 December 2011</b>					
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.

**K & N KENANGA HOLDINGS BERHAD (302859-X)**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012**

**A21. Capital Adequacy (continued)**

(iv) Credit Risk Disclosure on Risk Weights as at 31 December 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%	421,367	-	241,747	-	-	385,696	-	1,048,810	-
10%	-	-	-	-	-	-	-	-	-
20%	-	1,497,464	432,967	-	-	10,811	-	1,941,242	388,248
35%	-	-	-	-	-	-	-	-	-
50%	-	-	-	-	-	-	-	-	-
75%	-	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-	-
100%	-	-	251,068	122	-	280,963	39,322	571,475	571,475
150%	-	-	-	-	490	-	-	490	735
Total	421,367	1,497,464	925,782	122	490	677,470	39,322	3,562,017	960,458
Defaulted Exposures									
0%	-	-	-	-	-	-	-	-	-
50%	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	-	396	-	396	594
Total	-	-	-	-	-	396	-	396	594
Grand Total	421,367	1,497,464	925,782	122	490	677,866	39,322	3,562,413	961,052

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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012**

**A21. Capital Adequacy (continued)**

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

**Bank**

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

**K & N KENANGA HOLDINGS BERHAD (302859-X)**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012**

**A21. Capital Adequacy (continued)**

**(v) Off Balance Sheet and Counterparty Credit Risk as at 31 December 2012**

Nature	Principal Amount RM'000	Credit Conversion Factor	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Forward Asset Purchases	19,249	100%	19,249	19,249
Obligation under an on-going underwriting agreement	5,000	50%	2,500	2,500
Foreign exchange related contracts up to one year or less	3,727		26	26
Monies held in trust on behalf of clients	412,527	100%	412,527	82,505
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice	1,328,753	0%	-	-
	<u>1,769,256</u>		<u>434,302</u>	<u>104,280</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 commitments, such as formal standby facilities and credit lines, 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>

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012**

	Individual Quarter		Cumulative Quarter	
	31 December 2012 RM'000	31 December 2011 RM'000 (Restated)	31 December 2012 RM'000	31 December 2011 RM'000 (Restated)
<b>A22 Interest Income</b>				
Loans, advances and financing				
- Interest income other than recoveries from impaired loans	3,384	139	5,972	4,258
- Interest income recognised on unimpaired portion of impaired loans	-	648	-	3,061
Money at call and deposit placements with financial institutions	5,832	5,759	23,644	25,654
Financial assets held-for-trading	3,943	2,325	15,029	7,546
Financial investments available-for-sale	11,695	8,740	41,096	31,884
Interest on Margin	13,634	9,480	46,720	36,066
Interest on Contra	(85)	443	1,678	1,692
Others	92	6	228	14
	<b>38,495</b>	<b>27,540</b>	<b>134,367</b>	<b>110,175</b>
<b>A23 Interest Expense</b>				
Deposits and placement of banks and other financial institutions	2,886	7,822	8,109	12,959
Revolving bank loan	749	238	2,443	1,922
Deposits from customers	20,415	10,190	70,483	43,658
Redeemable non-convertible unsecured loan stocks	221	-	221	-
	<b>24,271</b>	<b>18,250</b>	<b>81,256</b>	<b>58,539</b>
<b>A24 Non-interest Income</b>				
(a) Fee income:				
Commissions	3,001	2,032	10,274	11,560
Service charges and fees	4,720	1,527	15,131	8,416
Underwriting fees	757	-	3,235	693
Brokerage income	22,241	24,531	99,554	118,761
Other fee income	7,242	4,775	19,650	16,487
	<b>37,961</b>	<b>32,865</b>	<b>147,844</b>	<b>155,917</b>
(b) Gain arising from sale of securities:				
Net gain from sale of financial assets held-for-trading	4,963	557	7,906	5,244
Net gain from sale of financial investments available-for-sale	3,370	2,122	11,309	3,491
	<b>8,333</b>	<b>2,679</b>	<b>19,215</b>	<b>8,735</b>
(c) Gross dividend from:				
Securities portfolio	42	99	371	1,413
	<b>42</b>	<b>99</b>	<b>371</b>	<b>1,413</b>
(d) Unrealised (loss)/gains on revaluation of financial assets held-for-trading and derivatives	(2,503)	3,536	(600)	5,384
(e) Other income:				
Foreign exchange profit	453	452	1,428	2,007
Gains on disposal of property, plant and equipment	78	21	200	29
Others	2,058	1,399	6,868	11,503
	<b>2,589</b>	<b>1,872</b>	<b>8,496</b>	<b>13,539</b>
Total non-interest income	<b>46,422</b>	<b>41,051</b>	<b>175,326</b>	<b>184,988</b>

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012**

	Individual Quarter		Cumulative Quarter	
	31 December 2012 RM'000	31 December 2011 RM'000 (Restated)	31 December 2012 RM'000	31 December 2011 RM'000 (Restated)
<b>A25 Other operating expenses</b>				
Personnel costs	19,202	24,198	95,196	81,092
- Salaries, allowances and bonuses	14,392	23,960	75,858	67,066
- EPF	2,758	2,169	10,077	7,239
- Others	2,052	(1,931)	9,261	6,787
Establishment costs	9,692	8,588	37,958	34,988
- Depreciation and amortisation of intangible assets	2,538	1,834	8,618	7,476
- Rental of leasehold land and premises	3,651	4,575	18,754	18,873
- Repairs and maintenance of property, plant and equipment	1,695	1,648	2,809	2,766
- Information technology expenses	1,218	720	5,665	3,512
- Others	590	(189)	2,112	2,361
Marketing expenses	1,579	2,312	7,033	5,154
- Advertisement and publicity	164	152	633	316
- Others	1,415	2,160	6,400	4,838
Administration and general expenses	24,965	26,708	90,333	103,906
- Fees and brokerage	22,088	24,820	58,627	64,504
- Administrative expenses	2,877	1,888	31,706	39,402
	<b>55,438</b>	<b>61,806</b>	<b>230,520</b>	<b>225,140</b>
<b>A26 Write back of impairment/(Impairment allowance) on loans, advances and financing:</b>				
Allowances for loans, advances and financing:				
- collective impairment (net)	(44)	73	798	568
- individual impairment	(39)	(1,967)	(253)	(12,073)
- write back of individual impairment	87	568	2,271	8,252
Bad debts and financing written off	(1)	(152)	(1)	(152)
Bad debts and financing recovered	239	3	906	6
	<b>242</b>	<b>(1,475)</b>	<b>3,721</b>	<b>(3,399)</b>
<b>A27 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 (net)	2,508	(988)	1,248	(5,010)
Bad debts and financing written off	(1)	3,180	(1)	3,180
Bad debts and financing recovered	354	15,000	496	15,872
Impairment allowance for other debts	560	(3,653)	560	(294)
	<b>3,421</b>	<b>13,539</b>	<b>2,303</b>	<b>13,748</b>

**K & N KENANGA HOLDINGS BERHAD**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

**A28. SEGMENTAL REPORTING**

	-----Continued Operations-----														---Discontinued Operations---					
	Investment Bank		Stock broking		Futures		Money lending		Investment Management		Corporate and Others		Eliminations		Total		Others	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 (restated)
<b>Revenue</b>																				
External sales	110,930	105,032	152,926	138,492	17,321	17,412	5,847	3,727	12,935	9,570	4,126	2,674	0	0	302,599	276,907	-	-	302,599	276,907
Inter-segment sales	-	-	-	-	-	677	-	-	-	360	2,223	9,802	(3,709)	(10,839)	-	-	-	-	-	-
<b>Total revenue</b>	<b>110,930</b>	<b>105,032</b>	<b>152,926</b>	<b>138,492</b>	<b>17,321</b>	<b>18,089</b>	<b>5,847</b>	<b>3,727</b>	<b>12,935</b>	<b>9,930</b>	<b>6,349</b>	<b>12,476</b>	<b>(3,709)</b>	<b>(10,839)</b>	<b>302,599</b>	<b>276,907</b>	<b>-</b>	<b>0</b>	<b>302,599</b>	<b>276,907</b>
<b>Result</b>																				
Interest Income	75,198	86,556	49,364	11,359	7,130	10,068	3,222	2,430	638	682	2,353	2,405	(3,416)	(3,206)	134,489	110,294	(122)	(119)	134,367	110,175
Dividend Income	-	160	371	490	-	0	-	0	-	0	-	763	-	0	371	1,413	-	-	371	1,413
Depreciation & amortisation	1,174	-	6,162	6,040	212	342	117	183	449	384	513	542	(9)	(15)	8,618	7,476	9	15	8,627	7,491
Impairment gain	(2,060)	4,737	(3,964)	(14,417)	-	0	-	681	-	0	389	6,850	-	(7,113)	(5,635)	(9,930)	-	-	(5,635)	(9,930)
Other Non-cash expenses	(2,758)	(3,598)	(3,137)	828	-	-	-	1	-	1	5,296	(1,786)	-	-	(599)	(4,554)	-	-	(599)	(4,554)
Segment results	2,005	1,567	4,707	17,518	3,559	5,071	(827)	(2,015)	(2,505)	(1,882)	(2,003)	122	(2,086)	(8,049)	2,860	12,332	0	(236)	2,860	12,096
Profit/(loss) from operation	82,310	56,681	4,707	17,518	5,202	9,742	1,675	(56)	(2,505)	(1,882)	(4,494)	5,999	(2,086)	(8,049)	84,808	79,953	-	-	84,808	79,953
Finance cost, net	(80,305)	(55,114)	0	0	(1,643)	(4,671)	(2,502)	(1,959)	0	0	(223)	0	3,416	3,205	(81,256)	(58,539)	-	-	(81,256)	(58,539)
Share of results of associates	-	-	-	-	-	-	-	-	-	-	-	(5,877)	-	-	2,714	(5,877)	-	-	2,714	(5,877)
Profit/(loss) before taxation	2,005	1,567	4,707	17,518	3,559	5,071	(827)	(2,015)	(2,505)	(1,882)	(2,003)	122	1,330	(4,844)	6,266	15,537	-	-	6,266	15,537
Taxation															(5,338)	(2,960)	-	-	(5,338)	(2,960)
Taxation from discontinuing operations															-	-	-	-	-	-
Profit/(loss) after taxation															928	12,577	0	0	928	12,577
Loss from discontinuing operations															-	-	(32)	(236)	(32)	(236)
Non-controlling interests															(676)	(4,440)	-	-	(676)	(4,440)
Net (loss)/profit for the year															252	8,137	(32)	(236)	220	7,901
<b>Assets</b>																				
Investments in associates	-	-	-	-	-	-	-	-	-	-	52,044	51,964	-	(7,667)	52,044	44,297	-	-	52,044	44,297
Additions to non-current assets	-	-	24,905	8,411	47	61	43	211	158	1,257	300	1,560	-	-	25,453	11,500	-	-	25,453	11,500
<b>Segments assets</b>	<b>3,139,040</b>	<b>1,925,523</b>	<b>1,803,406</b>	<b>922,156</b>	<b>478,958</b>	<b>503,744</b>	<b>83,373</b>	<b>22,949</b>	<b>26,324</b>	<b>28,527</b>	<b>877,972</b>	<b>721,299</b>	<b>(937,957)</b>	<b>(739,836)</b>	<b>5,471,116</b>	<b>3,384,362</b>	<b>-</b>	<b>6,085</b>	<b>5,471,116</b>	<b>3,390,447</b>
<b>Segment liabilities</b>	<b>3,641,140</b>	<b>1,983,450</b>	<b>454,264</b>	<b>230,398</b>	<b>450,666</b>	<b>477,957</b>	<b>74,234</b>	<b>14,733</b>	<b>3,890</b>	<b>3,579</b>	<b>106,060</b>	<b>12,337</b>	<b>(90737)</b>	<b>(97240)</b>	<b>4,639,517</b>	<b>2,625,214</b>	<b>-</b>	<b>21</b>	<b>4,639,517</b>	<b>2,625,235</b>



**SELECTED EXPLANATORY NOTES**  
**REQUIREMENTS OF MFRS 134**

**A29. Revaluation of property, plant and equipment**

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

**A30. 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.

**A31. Effects of changes in the Composition of the Group**

On 14 December 2012, ECM Libra Investment Bank Berhad ("EIBB") became a wholly-owned subsidiary of Kenanga Investment Bank Berhad ("KIBB")

**A32. Significant Events and Transactions**

**Proposed acquisition by KIBB of the entire paid-up share capital of ECM Libra Investment Bank Berhad, from ECM Libra Financial Group ("ECMLFG") and proposed business merger of the business of KIBB and EIBB (collectively known as "Proposals")**

On 30 October, the High Court of Malaya granted a vesting order for the transfer and vesting of the entire business (as a going concern) together with substantially all of the assets and liabilities of EIBB to KIBB, a wholly owned subsidiary of the Company on and with effect from the Closing Date.

The High Court of Malaya had on 26 November 2012 granted, the order confirming the Proposed Capital Reduction of EIBB for the exercise to be undertaken and effected by EIBB immediately upon lodgement of the High Court Order with the Companies' Commission of Malaysia.

On 14 December 2012, the sealed order of the High Court of Malaya confirming the Proposed Capital Reduction has been obtained, and thus all conditions precedent pursuant to the Share Sale Agreement in relation to the Proposed Acquisition have been fulfilled and consequently, the Proposals have been completed.

**ING Funds Berhad**

Kenanga Investors Berhad, a wholly-owned fund management subsidiary of KIBB, which in turn is the subsidiary of the Company, has on 21 December 2012, entered into a conditional Share Sale agreement to acquire 100% interest in ING Funds Berhad ("IFB"). IFB is owned by IFB Management Holdings Sdn Bhd (70% equity interest) with its joint venture partner Tab Inter-Asia Services Sdn Berhad (30% equity interest). The Proposed Acquisition is subject to the relevant regulatory approvals, and is expected to be completed by end of first quarter 2013.

**A33. 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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**A33. Explanation of transition to MFRSs**

**Reconciliation of equity**

Group	Note	Previous	Effect of	MFRSs	Previous	Effect of	MFRSs
		FRSs	transition to MFRSs 1 January 2011		FRSs	transition to MFRSs 31 December 2011	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>							
Cash and short-term funds		1,119,333	-	1,119,333	1,110,960	-	1,110,960
Deposits and placements with banks and other financial institutions		847	-	847	375	-	375
Financial assets held-for-trading		303,199	-	303,199	241,218	-	241,218
Financial investments available-for-sale		757,315	-	757,315	849,087	-	849,087
Loans, advances and financing Balances due from clients and brokers	A	605,264	6,750	612,014	547,353	7,418	554,771
Other assets		256,344	-	256,344	179,315	-	179,315
Statutory deposit with Bank Negara Malaysia		120,637	-	120,637	232,432	-	232,432
Tax recoverable		9,150	-	9,150	39,490	-	39,490
Investments in associates		19,122	-	19,122	13,640	-	13,640
Property, plant and equipment		49,102	-	49,102	44,297	-	44,297
Intangible assets		22,466	-	22,466	26,356	-	26,356
Deferred tax assets	A	81,345	-	81,345	80,306	-	80,306
Assets held for resale		15,558	(1,687)	13,871	13,970	(1,855)	12,115
		6,332	-	6,332	6,085	-	6,085
<b>Total assets</b>		<b>3,366,014</b>	<b>5,063</b>	<b>3,371,077</b>	<b>3,384,884</b>	<b>5,563</b>	<b>3,390,447</b>
<b>Liabilities</b>							
Deposits from customers		1,012,577	-	1,012,577	1,031,980	-	1,031,980
Deposits and placements of banks and other financial institutions		806,689	-	806,689	827,902	-	827,902
Borrowings		65,757	-	65,757	31	-	31
Balances due to clients and brokers		586,525	-	586,525	580,818	-	580,818
Other liabilities		131,563	-	131,563	180,757	-	180,757
Provision for taxation and zakat		239	-	239	197	-	197
Subordinated obligations		1,510	-	1,510	1,384	-	1,384
Derivative financial liabilities		1,571	-	1,571	2,145	-	2,145
Liabilities held for resale		9	-	9	21	-	21
<b>Total liabilities</b>		<b>2,606,440</b>	<b>-</b>	<b>2,606,440</b>	<b>2,625,235</b>	<b>-</b>	<b>2,625,235</b>

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

**A33. Explanation of transition to MFRSs**

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

Group	Note	Previous	Effect of	MFRSs	Previous	Effect of	MFRSs
		FRSs	transition to MFRSs 1 January 2011		FRSs	transition to MFRSs 31 December 2011	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Shareholders equity</b>							
Share capital		611,759	-	611,759	611,759	-	611,759
Share premium		75	-	75	75	-	75
Retained profits/(Accumulated losses)	B	9,339	(4,582)	4,757	8,499	(4,082)	4,417
Regulatory reserve	C	-	-	-	-	-	-
Exchange fluctuation reserve	D	(9,645)	9,645	-	(8,136)	9,645	1,509
Statutory reserve		57,458	-	57,458	65,699	-	65,699
Fair value reserve		2,930	-	2,930	2,839	-	2,839
Capital reserve		71,952	-	71,952	71,952	-	71,952
		<u>743,868</u>	<u>5,063</u>	<u>748,931</u>	<u>752,687</u>	<u>5,563</u>	<u>758,250</u>
Non-controlling interests		15,706	-	15,706	6,962	-	6,962
<b>Total equity</b>		<u>759,574</u>	<u>5,063</u>	<u>764,637</u>	<u>759,649</u>	<u>5,563</u>	<u>765,212</u>
<b>Total liabilities and shareholders equity</b>		<u>3,366,014</u>	<u>5,063</u>	<u>3,371,077</u>	<u>3,384,884</u>	<u>5,563</u>	<u>3,390,447</u>

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

**A33. Explanation of transition to MFRSs**

**Reconciliation of equity**

**Company**

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

**A33. 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

**A33. 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	2,169	-	2,169
Other operating income	11,650	-	11,650
Net income	13,819	-	13,819
Other operating expenses	(17,104)	-	(17,104)
Operating loss	(3,285)	-	(3,285)
Impairment of investment in an associate	(6,850)	-	(6,850)
Loss before taxation	(10,135)	-	(10,135)
Taxation	487	-	487
Loss for the year	(9,648)	-	(9,648)
Total comprehensive loss for the year, net of tax	(9,648)	-	(9,648)

**A33. 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>31 December 2011 RM'000</b>
<b>Consolidated statement of financial position</b>		
Loans, advances and financing	6,750	7,418
Related tax effect	(1,687)	(1,855)
	<u>5,063</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>31 December 2011 RM'000</b>
<b>Consolidated statement of financial position</b>			
Loans, advances and financing	<b>A</b>	6,750	7,418
Reclassification of reserve	<b>C</b>	(9,645)	(9,645)
Deferred tax	<b>A</b>	(1,687)	(1,855)
<b>Increase in accumulated losses</b>		<u>(4,582)</u>	<u>(4,082)</u>

**A33. Explanation of transition to MFRSs (Cont'd)**

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

**C 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:

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

**D 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**

**Current Year vs. Previous Year**

The Group reported a pre-tax profit of RM6.27 million for the year ended 31 December 2012 ("FY2012") compared to pre-tax profit of RM15.54 million for the year ended 31 December 2011 ("FY2011"), mainly 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 RM2.71 million in FY2012 compared to a share of loss of RM5.88 million in the FY2011.

Other operating expenses were higher by 2.68% 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 Bursa Malaysia's trading value declined to RM816.53 billion compared to RM876.33 billion in the previous corresponding year.

Pretax profit of this segment in FY2012 was RM4.71 million compared to pretax profit of RM17.52 million for FY 2011 mainly due to an error trade in May 2012, decrease in brokerage income from RM118.76 million in FY2011 to RM99.56 million in FY2012, higher personnel costs and operating costs to improve on the delivery channels and setting up of new branches.

**Investment Banking:**

This segment registered RM2.0 million pretax profit in FY2012 as compared to pretax profit of RM1.57 million in the previous corresponding year. The increase in pretax profit mainly arose from advisory fees, trading and investment income and write back of impairment on loans, advances and financing in FY2012 compared to FY2011.

**Investment Management:**

This segment registered a pretax loss of RM2.51 million in FY2012 compared to RM1.89 million in the previous corresponding year, mainly due to higher personnel cost to strengthen the backroom and support operations.

**Futures Broking:**

This segment reported a pre-tax profit of RM3.56 million for FY2012 compared to the previous profit of RM5.07 million for FY2011, mainly due to margin compression in revenue arising from the migration to electronic trade execution, higher overhead expenses mainly to strengthen the backroom and support operations and higher finance cost.

**Money lending:**

This segment reported a pre-tax loss of RM0.83 million in FY2012 as compared to a pretax loss of RM2.02 million in FY2011, mainly due to income from loan and advances as a result of a few mega Initial Public Offerings ("IPOs") listed in FY2012.

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

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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 profit of RM9.10 million in the fourth quarter ended 31 December 2012 ("4Q12") compared to a pre-tax loss of RM5.90 million in the third quarter ended 30 September 2012 ("3Q12") mainly due to higher gain arising from trading in securities of RM8.33 million in 4Q12 compared to RM0.81 million in 3Q12, fee income of RM37.96 million in 4Q12 attributable primarily to advisory fees compared to RM32.87 million in 3Q12 and a write back of impairment on clients and brokers and other receivables of RM3.42 million in 4Q12 compared to an impairment charge of RM1.74 million in 3Q12

**SELECTED EXPLANATORY NOTES**

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

**B3. Prospects for 2013**

The global economic environment continues to be challenging due to vulnerability in several key economies namely in the Eurozone. Growth momentum in Asia has also moderated, reflecting the slowing external demand. However, domestic demand and investments are sustaining Malaysia's economic activity and growth.

Against this external backdrop and resilient domestic demand, the Malaysian economy grew to achieve GDP of between 5.6% in 2012 and is expected to achieve between 4.5% to 5.5% for 2013. The key drivers for the Malaysian economy are the Economic Transformation Programme, Government Transformation Program and foreign direct investment.

The Group continues to gradually build up its investment banking presence by securing a stream of high-profile mandates in the debt and equity capital markets as well as mergers and acquisitions, and, improve on the infrastructure to 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.

Post-merger of the businesses of the its bank subsidiary, KIBB and EIBB, the Board of Directors and Management are confident the Group will grow by focusing on capturing synergy value and building new businesses.

**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 3 months ended 31 December 2012 RM'000</b>	<b>Cumulative Quarter 12 months ended 31 December 2012 RM'000</b>
Current period - income tax	(20)	1,045
Underprovision in prior year	709	424
Deferred taxation	4,823	3,869
Total	<u>5,512</u>	<u>5,338</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 30 October, the High Court of Malaya granted a vesting order for the transfer and vesting of the entire business (as a going concern) together with substantially all of the assets and liabilities of EIBB to KIBB, a wholly owned subsidiary of the Company on and with effect from the Closing Date.

The High Court of Malaya had on 26 November 2012 granted, the order confirming the Proposed Capital Reduction of EIBB for the exercise to be undertaken and effected by EIBB immediately upon lodgement of the High Court Order with the Companies' Commission of Malaysia.

On 14 December 2012, the sealed order of the High Court of Malaya confirming the Proposed Capital Reduction has been obtained, and thus all conditions precedent pursuant to the Share Sale Agreement in relation to the Proposed Acquisition have been fulfilled and consequently, the Proposals have been completed.

**ING Funds Berhad**

Kenanga Investors Berhad, a wholly-owned fund management subsidiary of KIBB, which in turn is the subsidiary of the Company, has on 21 December 2012, entered into a conditional Share Sale agreement to acquire 100% interest in ING Funds Berhad ("IFB"). IFB is owned by IFB Management Holdings Sdn Bhd (70% equity interest) with its joint venture partner Tab Inter-Asia Services Sdn Berhad (30% equity interest). The Proposed Acquisition is subject to the relevant regulatory approvals, and is expected to be completed by end of first quarter 2013.

**B7. Group Borrowings**

		<b>RM'000</b>
Subordinated Loan (unsecured)	Note 1	1,384
Short term loan from financial institutions (unsecured)	Note 2	51,631
Redeemable Non-Convertible Unsecured Loan Stocks ("RULS")	Note 3	95,500

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.

Note 3 : The Company issued 95,500,000 of RULS at nominal value of RM1.00 each as part of the purchase consideration for the acquisition of EIBB. The RULS comprise 2 tranches, ie, RULS-A and RULS-B of RM47.75 million each with 5% coupon per annum, payable semi-annually with the first payment date commencing six months from the date of issuance and the last payment to be made on the maturity date:

**B8. Dividend**

No dividend has been proposed for the fourth quarter ended 31 December 2012.

**B9. Earnings per share**

The amount used as the numerator for the purposes of calculating the basic earnings per share for the twelve-month period is RM0.22 million representing the profit for the period attributable to ordinary equity holders of the parent (31 December 2011: -profit attributable to ordinary equity holders of parent: RM7.90 million).

The weighted average number of shares used as the denominator in calculating the basic earnings per share for the twelve-month period is 617,661,138 (31 December 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 31 December 2012, derivative financial liabilities are as follows:

Type of Derivatives	Contract/Notional Value	Fair Value
	RM'000	RM'000
Equity related contracts	-	-
Structured warrants		
- Less than 1 year	2,372	336
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</b>	<b>Cumulative Quarter</b>
	<b>3 months</b>	<b>12 months</b>
	<b>ended</b>	<b>ended</b>
	<b>31 December</b>	<b>31 December</b>
	<b>2012</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Gain from fair value changes of financial liabilities	<u>(5,848)</u>	<u>(2,657)</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 31 December 2012 RM'000	As at 31 December 2011 RM'000
Total retained profits / (accumulated losses) of Company and its subsidiaries:		
- Realised	(313,910)	(267,747)
- Unrealised	19,723	26,882
	(294,187)	(240,865)
Total share of retained profits / accumulated losses) from associated companies:		
- Realised	(16,839)	(16,758)
- Unrealised	1,556	(9,822)
	(15,283)	(26,580)
Add: Consolidation adjustments	307,895	271,862
Total group (accumulated loss)/retained profits as per consolidated accounts	(1,575)	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