

**KENANGA**K & N KENANGA HOLDINGS BERHAD  
Company No. 302859-X8<sup>th</sup> Floor, Kenanga International  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
MalaysiaTel (60) 3 2164 9080, 2162 1490  
Fax (60) 3 2161 4990, 2163 5927  
www.kenanga.com.my**K & N KENANGA HOLDINGS BERHAD (302859-X)**  
(Incorporated in Malaysia)**QUARTERLY REPORT****QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2013  
THE FIGURES HAVE NOT BEEN AUDITED.****CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****Group**

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended 31 March 2013 RM'000	3 months ended 31 March 2012 RM'000	3 months ended 31 March 2013 RM'000	3 months ended 31 March 2012 RM'000
<b>Continuing Operations</b>					
Interest income	<b>A22</b>	47,867	28,282	47,867	28,282
Interest expense	<b>A23</b>	(29,496)	(16,803)	(29,496)	(16,803)
Net interest income		18,371	11,479	18,371	11,479
Non interest income	<b>A24</b>	50,171	51,335	50,171	51,335
Net Income		68,542	62,814	68,542	62,814
Other operating expenses	<b>A25</b>	(78,375)	(60,433)	(78,375)	(60,433)
Operating (loss)/profit		(9,833)	2,381	(9,833)	2,381
Write back of impairment on loans, advances and financing	<b>A26</b>	507	2,957	507	2,957
Write back of impairment/(impairment allowance) on clients and brokers and other receivables	<b>A27</b>	125	(142)	125	(142)
Write back of impairment/(impairment allowance) on investment in associated companies		146	(179)	146	(179)
		(9,055)	5,017	(9,055)	5,017
Share of results in associates		843	2,808	843	2,808
<b>(Loss)/Profit before taxation</b>		(8,212)	7,825	(8,212)	7,825
Taxation		569	(1,539)	569	(1,539)
<b>(Loss)/Profit for the period from continuing operations</b>		(7,643)	6,286	(7,643)	6,286
<b>Discontinued operation</b>					
Profit/(Loss) for the period		26	(21)	26	(21)
<b>(Loss)/Profit for the period</b>		(7,617)	6,265	(7,617)	6,265

The condensed Consolidated Financial Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2012.

**INVESTMENT  
FOR ALL™**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**Group**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March 2013 RM'000	3 months ended 31 March 2012 RM'000	3 months ended 31 March 2013 RM'000	3 months ended 31 March 2012 RM'000
Other comprehensive income/(loss)				
Exchange fluctuation from translation of associated companies' net assets	(4)	(1,992)	(4)	(1,992)
Available-for-sale financial investments	(28)	(3,436)	(28)	(3,436)
Other comprehensive loss for the period	(32)	(5,428)	(32)	(5,428)
Total comprehensive (loss)/income	<u>(7,649)</u>	<u>837</u>	<u>(7,649)</u>	<u>837</u>
(Loss)/Profit for the period attributable to				
- Equity holders of the parent	(7,851)	6,112	(7,851)	6,112
- Non-controlling interests	234	153	234	153
	<u>(7,617)</u>	<u>6,265</u>	<u>(7,617)</u>	<u>6,265</u>
Total comprehensive (loss)/income for the period attributable to				
- Equity holders of the parent	(7,883)	684	(7,883)	684
- Non-controlling interests	234	153	234	153
	<u>(7,649)</u>	<u>837</u>	<u>(7,649)</u>	<u>837</u>
(a) (Loss)/Earnings per share attributable to ordinary equity holders of the parent				
(i) Basic (based on weighted average number of ordinary shares 731,759,499 for the current year quarter and ordinary shares of 731,759,499 for the cumulative quarter current year to date). (2012: 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)	(1.1)	1.0	(1.1)	1.0
(ii) Fully diluted	<u>(1.1)</u>	<u>1.0</u>	<u>(1.1)</u>	<u>1.0</u>

The condensed Consolidated Financial Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2012.

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**

**Company**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March 2013 RM'000	3 months ended 31 March 2012 RM'000	3 months ended 31 March 2013 RM'000	3 months ended 31 March 2012 RM'000
<b>Continuing Operations</b>				
Interest income	522	587	522	587
Interest expense	(1,190)	-	(1,190)	-
Net interest income	(668)	587	(668)	587
Non interest income	18,746	2,630	18,746	2,630
Net Income	18,078	3,217	18,078	3,217
Other operating expenses	(5,577)	(3,781)	(5,577)	(3,781)
<b>Profit/(Loss) before taxation</b>	12,501	(564)	12,501	(564)
Taxation	(978)	30	(978)	30
<b>Profit/(Loss) for the period from continuing operations</b>	11,523	(534)	11,523	(534)
<b>Profit/(Loss) for the period</b>	11,523	(534)	11,523	(534)

The condensed Consolidated Financial Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2012.

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**

**Company**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March 2013 RM'000	3 months ended 31 March 2012 RM'000	3 months ended 31 March 2013 RM'000	3 months ended 31 March 2012 RM'000
(i) Loss for the period attributable to - Equity holders of the parent	11,523	(534)	11,523	(534)
	<u>11,523</u>	<u>(534)</u>	<u>11,523</u>	<u>(534)</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 731,759,499 for the current year quarter and ordinary shares of 731,759,499 for the cumulative quarter current year to date) (2012 : 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)	1.6	(0.1)	1.6	(0.1)
(ii) Fully diluted	1.6	N/A	1.6	N/A

The condensed Consolidated Income statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2012.

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013**

<u>Group</u>		As at 31 March 2013 RM'000	As at 31 December 2012 RM'000
	<b>Note</b>		
<b>ASSETS</b>			
Cash and short-term funds		1,110,952	872,911
Financial assets held-for-trading	<b>A9</b>	30,195	435,843
Financial investments available-for-sale	<b>A10</b>	1,390,589	1,540,260
Financial investments held-to-maturity	<b>A11</b>	-	40,000
Loans, advances and financing	<b>A12</b>	1,533,066	1,431,247
Other assets			
- Balance due from clients and brokers		457,157	406,096
- Assets segregated for customers		243,552	182,509
- Other receivables	<b>A13</b>	127,468	75,982
Statutory deposit with Bank Negara Malaysia		92,910	87,210
Tax recoverable		6,034	5,076
Investments in associates		51,891	52,044
Property, plant and equipment		62,396	63,454
Intangible assets		265,030	265,060
Deferred tax assets		8,983	7,364
Assets held for resale		233	6,060
<b>TOTAL ASSETS</b>		<b>5,380,456</b>	<b>5,471,116</b>
<b>LIABILITIES</b>			
Deposits from customers	<b>A14</b>	1,432,313	1,597,406
Deposits and placements of banks and other financial institutions	<b>A15</b>	1,611,107	1,924,655
Borrowings	<b>A17</b>	50,133	51,631
Other liabilities			
- Balance due to clients and brokers		1,137,308	734,306
- Amount held in trust		70,246	70,703
- Other payables	<b>A16</b>	154,183	160,728
Provision for taxation and zakat		173	36
Deferred tax liabilities		3,804	2,826
Subordinated obligations	<b>A15</b>	1,366	1,384
Derivative financial liabilities		301	336
Redeemable Non-Convertible Unsecured Loan Stocks	<b>A18</b>	95,500	95,500
Liabilities held for resale		8	6
<b>TOTAL LIABILITIES</b>		<b>4,556,442</b>	<b>4,639,517</b>

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

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013**

<b><u>Group</u></b>	<b>As at 31 March 2013 RM'000</b>	<b>As at 31 December 2012 RM'000</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital	731,759	731,759
Share Premium	75	75
Profit and loss reserve	(9,427)	(1,575)
Exchange fluctuation reserve	(679)	(683)
Statutory reserve	67,323	67,323
Fair value reserve	4,938	4,910
Capital reserve	22,152	22,152
	<u>816,141</u>	<u>823,961</u>
Non-controlling Interests	7,873	7,638
Total equity	<u>824,014</u>	<u>831,599</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>5,380,456</u>	<u>5,471,116</u>
<b>Net Assets Per Share (RM)</b>	<u>1.12</u>	<u>1.13</u>

**UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013**

<u>Company</u>	<b>As at 31 March 2013 RM'000</b>	<b>As at 31 December 2012 RM'000</b>
<b>ASSETS</b>		
Cash and short-term funds	53,151	4,701
Financial assets held-for-trading	29,474	30,746
Other assets		
- Amount due from subsidiaries	12,821	13,590
- Amount due from associate	5	30
- Other receivables	1,116	792
Tax recoverable	2,244	2,241
Investments in subsidiaries	763,737	796,037
Investments in associates	11,276	11,276
Property, plant and equipment	1,321	1,388
<b>TOTAL ASSETS</b>	<b>875,145</b>	<b>860,801</b>
<b>LIABILITIES</b>		
Other liabilities		
- Amount due to subsidiary companies	75	320
- Other payables	5,749	3,663
Deferred tax liabilities	3,804	2,826
Redeemable Non-Convertible Unsecured Loan Stocks	95,500	95,500
<b>TOTAL LIABILITIES</b>	<b>105,128</b>	<b>102,309</b>
<b>SHAREHOLDERS EQUITY</b>		
Share Capital	731,759	731,759
Share Premium	75	75
Capital Reserve	(49,800)	(49,800)
Profit and loss reserve	87,983	76,458
Total equity	770,017	758,492
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>875,145</b>	<b>860,801</b>
<b>Net Assets Per Share (RM)</b>	<b>1.05</b>	<b>1.04</b>

The condensed Consolidated Financial Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2012.

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

(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS  
FOR THE PERIOD ENDED 31 MARCH 2013**

	Group		Company	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
<b>Cash flows from operating activities</b>				
<b>(Loss)/Profit before taxation</b>				
- Continuing operations	(8,212)	7,825	12,501	(564)
- Discontinued operation	26	(21)	-	-
Adjustments for non operating and non cash items	(44,810)	(30,288)	(15,715)	(1,541)
<b>Operating loss before changes in working capital</b>	<u>(52,996)</u>	<u>(22,484)</u>	<u>(3,214)</u>	<u>(2,105)</u>
Net changes in operating assets	(19,478)	(804,873)	28,876	(533)
Net changes in operating liabilities	(82,504)	826,011	2,087	176
<b>Cash (used in)/generated from operations</b>	<u>(154,978)</u>	<u>(1,346)</u>	<u>27,749</u>	<u>(2,462)</u>
Net dividends received	23	97	-	-
Interest income	33,756	15,417	522	586
Net tax (paid)/refund	(987)	269	(3)	-
<b>Net cash (used in)/generated from operating activities</b>	<u>(122,186)</u>	<u>14,437</u>	<u>28,268</u>	<u>(1,876)</u>
<b>Net cash generated from/(used in) investing activities</b>	608,094	6,684	20,182	(66)
<b>Net cash (used in)/generated from financing activities</b>	(2,238)	1,214	-	-
Net increase/(decrease) in cash and cash equivalents during the period	<u>483,670</u>	<u>22,335</u>	<u>48,450</u>	<u>(1,942)</u>
Cash and cash equivalents brought forward	557,036	798,227	4,701	13,074
Cash and cash equivalents carried forward	<u>1,040,706</u>	<u>820,562</u>	<u>53,151</u>	<u>11,132</u>
Cash and cash equivalents comprise the following:-				
Non trust cash and short term funds	1,040,561	814,306	53,151	11,132
Non trust deposits and placements with banks and other financial institutions	-	292	-	-
Cash and short term funds classified as asset held for sale	145	5,964	-	-
	<u>1,040,706</u>	<u>820,562</u>	<u>53,151</u>	<u>11,132</u>

The condensed Consolidated Financial Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2012.



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

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2013**

Group	<-----Attributable to Equity Holders of the Parent----->							Non-Controlling Interests RM'000	Total Equity RM'000
	-----Non-Distributable-----				Distributable (Accumulated Loss)/Retained profits		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	RM'000	RM'000	RM'000
<b>As at 1 January 2013</b>	731,759	75	(683)	22,152	4,910	67,323	(1,575)	7,638	831,599
Total comprehensive income/(loss) for the period	-	-	4	-	28	-	(7,851)	234	(7,585)
<b>As at 31 March 2013</b>	<u>731,759</u>	<u>75</u>	<u>(679)</u>	<u>22,152</u>	<u>4,938</u>	<u>67,323</u>	<u>(9,426)</u>	<u>7,872</u>	<u>824,014</u>

The Condensed Consolidated Financial Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2012

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

(Incorporated in Malaysia)

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2012**

Group	<-----Attributable to Equity Holders of the Parent----->							Distributable Retained profits RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
	<-----Non-Distributable----->					Statutory Reserve RM'000	Regulatory Reserve RM'000			
	Share Capital RM'000	Share Premium RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Fair value 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 income for the period	-	-	(1,992)	-	(3,436)	-	-	6,112	153	837
Transfer to regulatory reserve	-	-	-	-	-	-	5,563	(5,563)	-	-
<b>As at 31 March 2012</b>	611,759	75	(483)	71,952	(597)	65,699	5,563	4,966	7,115	766,049

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

# Regulatory Reserve is maintained as required by Bank Negara Malaysia pending finalisation of the Bank subsidiary's collective impairment methodology.

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

(Incorporated in Malaysia)

**UNAUDITED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2013**

<b>Company</b>	<-----Attributable to Equity Holders of the Parent----->				<b>Total Equity RM'000</b>
	<b>Share Capital RM'000</b>	<b>Non Distributable Share Premium RM'000</b>	<b>Capital Reserve RM'000</b>	<b>Distributable Retained profits RM'000</b>	
<b>As at 1 January 2013</b>	731,759	75	(49,800)	76,458	758,492
Comprehensive income for the period	-	-	-	11,525	11,525
<b>As at 31 March 2013</b>	<u>731,759</u>	<u>75</u>	<u>(49,800)</u>	<u>87,983</u>	<u>770,017</u>

The Condensed Consolidated Financial Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2012

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

**UNAUDITED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2012**

<b>Company</b>	<-----Attributable to Equity Holders of the Parent----->			Total Equity
	Share Capital RM'000	Non Distributable Share Premium RM'000	Distributable Retained profits RM'000	RM'000
<b>As at 1 January 2012</b>	611,759	75	87,021	698,855
Comprehensive loss for the period	-	-	(534)	(534)
<b>As at 31 March 2012</b>	<u>611,759</u>	<u>75</u>	<u>86,487</u>	<u>698,321</u>

The Condensed Consolidated Financial Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2012.

**SELECTED EXPLANATORY NOTES  
REQUIREMENTS OF MFRS 134**

**A1. Basis Of Preparation**

This quarterly interim financial statement, for the period ended 31 March 2013, has 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.

The significant accounting policies adopted in preparing this interim financial statement is consistent with those of the audited financial statements for the year ended 31 December 2012.

**A2. Condensed financial statements**

This interim financial statement has 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 2012. 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 2012.

**A3. Preceding financial year audit report**

The preceding financial year audit report in respect of the financial year ended 31 December 2012 was not qualified by the external auditors.

**A4. Seasonal or Cyclical Factors**

The Group's performance is mainly dependent on Bursa Malaysia market volume and value which in turn is affected by market sentiment and the country's macro economic cycles.

**A5. Nature and amounts in relation to assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence**

There were no exceptional items affecting assets, liabilities, equity, net income or cash flows during the quarter ended 31 March 2013.

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

**A8. Dividends paid per share**

No dividend was paid during the three months ended 31 March 2013.

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2013**

	31 March 2013 RM' 000	31 December 2012 RM' 000
<b>A9 Financial assets held-for-trading</b>		
<b>At Fair Value</b>		
<b>Money Market Instruments:-</b>		
Malaysian Government Securities	-	10,140
Malaysian Government Investment Issues	-	253,796
Total Money Market Instruments	<u>-</u>	<u>263,936</u>
<b>Quoted securities:</b>		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	<u>30,195</u>	<u>31,406</u>
<b>Unquoted securities:</b>		
Private and Islamic Debt Securities in Malaysia	<u>-</u>	<u>140,501</u>
Total unquoted securities	<u>-</u>	<u>140,501</u>
Total financial assets held-for-trading	<u><b>30,195</b></u>	<u><b>435,843</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	31,563	73,012
Islamic Cagamas Bonds	398,545	-
Malaysian Government Treasury Bills	-	49,992
Malaysian Government Investment Issues	151,348	211,154
Negotiable Instruments of Deposits	249,323	349,529
Banker's Acceptances and Islamic Accepted Bills	-	24,948
Total Money Market instruments	<u>830,779</u>	<u>708,635</u>
<b>Quoted securities:</b>		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	<u>-</u>	<u>7,567</u>
	<u>-</u>	<u>7,567</u>
<b>Unquoted securities:</b>		
Shares, trust units and loan stocks in Malaysia	2,590	53,045
Private and Islamic Debt Securities in Malaysia	557,220	770,523
Others	-	490
	<u>559,810</u>	<u>824,058</u>
Accumulated impairment losses	<u>-</u>	<u>-</u>
<b>Total financial investments available-for-sale</b>	<u><b>1,390,589</b></u>	<u><b>1,540,260</b></u>
<b>A11 Financial investments held-to maturity</b>		
<b>At Amortised Cost</b>		
<b>Money Market Instruments:</b>		
Negotiable instruments of deposit	<u>-</u>	<u>40,000</u>
Total financial assets held-to-maturity	<u>-</u>	<u><b>40,000</b></u>

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2013**

	<b>31 March 2013</b>	<b>31 December 2012</b>
	<b>RM' 000</b>	<b>RM' 000</b>
<b>A12 Loans, advances and financing</b>		
Term loans	407,199	408,022
Share margin financing	1,071,488	974,279
Other financing	68,716	63,285
Gross loans, advances and financing	<u>1,547,403</u>	<u>1,445,586</u>
Allowances for bad and doubtful debts and financing:		
- Individual Impairment	(14,186)	(14,185)
- Collective Impairment	(151)	(154)
Net loans, advances and financing	<u><b>1,533,066</b></u>	<u><b>1,431,247</b></u>
<b>(i) By maturity structure</b>		
Within one year	1,547,403	1,294,678
More than one year	-	150,908
Gross loans, advances and financing	<u>1,547,403</u>	<u>1,445,586</u>
<b>(ii) By type of customer</b>		
<b>Domestic operations:</b>		
Domestic business enterprise		
- Small and medium enterprise	707,565	-
- Others	-	658,954
Individuals	839,838	783,698
Foreign entities	-	2,934
Total domestic operations	<u>1,547,403</u>	<u>1,445,586</u>
<b>(iii) By interest/profit rate sensitivity</b>		
Fixed rate		
- Other fixed rate loans/financing	1,071,488	974,279
Variable rate		
- Cost plus	446,221	408,022
- Other variable rates	29,694	63,285
Gross loans, advances and financing	<u>1,547,403</u>	<u>1,445,586</u>
<b>(iv) Total loans by economic sector</b>		
<b>Domestic operations:</b>		
Purchase of securities	21,675	26,305
Manufacturing	37,600	40,191
Finance,insurance and business services	43	272,725
Working capital	47,041	36,989
Others	1,441,044	1,069,376
Total domestic operations	<u>1,547,403</u>	<u>1,445,586</u>
<b>(v) Impaired loans by economic purpose</b>		
<b>Domestic operations:</b>		
Purchase of securities	2,423	2,392
Working capital	13,969	13,969
Total domestic operations	<u>16,392</u>	<u>16,361</u>

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2013**

	31 March 2013 RM' 000	31 December 2012 RM' 000
<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 period/year	16,361	71,358
Impaired during the period/year	86	288
Recovered	(55)	(5,143)
Amount written off	-	(50,142)
At end of the period/year	<u>16,392</u>	<u>16,361</u>
Individual Impairment	<u>(14,186)</u>	<u>(14,185)</u>
Net impaired loans, advances and financing	<u>2,206</u>	<u>2,176</u>
Net impaired loans as a % of gross loans, advances and financing less individual impairment	<u>0.14%</u>	<u>0.15%</u>
<b>(vii) Movement in individual impairment for loans, advances and financing are as follows</b>		
<u>Individual Impairment</u>		
At beginning of the period/year	14,185	30,839
Allowance made during the period/year	1	253
Amount written back in respect of recoveries	-	(2,271)
Amount of allowance set off against gross loans	-	(14,636)
At end of the period/year	<u>14,186</u>	<u>14,185</u>
<b>(viii) Movement in collective impairment for loans, advances and financing are as follows</b>		
<u>Collective Impairment</u>		
At beginning of the period/year	154	842
Allowance made during the period/year	1	44
Amount written back	(4)	(842)
Acquisition of assets and liabilities of EIBB	-	110
At end of the period/year	<u>151</u>	<u>154</u>
As % of gross loans, advances and financing less individual impairment	<u>0.01%</u>	<u>0.01%</u>
<b>A13 Other Assets</b>		
Interest/Income receivable	7,411	13,767
Prepayments and deposits	30,778	26,048
Treasury trade receivables	121,128	4,000
Other debtors	<u>(30,910)</u>	<u>35,428</u>
	<u>128,407</u>	<u>79,243</u>
Individual impairment	<u>(939)</u>	<u>(3,261)</u>
	<u><b>127,468</b></u>	<u><b>75,982</b></u>



**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2013**

	<b>31 March 2013</b>	<b>31 December 2012</b>
	<b>RM' 000</b>	<b>RM' 000</b>
<b>A14 Deposits from Customers</b>		
Fixed deposits and negotiable instruments of deposits		
- One year or less	1,432,313	1,597,406
- More than one year	-	-
	<b>1,432,313</b>	<b>1,597,406</b>
Business enterprise	1,042,516	1,192,872
Individuals	26,469	31,890
Government and statutory bodies	353,469	367,644
Others	9,859	5,000
	<b>1,432,313</b>	<b>1,597,406</b>
<b>A15 Deposits and Placement of Banks and Other Financial Institutions and Debt Securities</b>		
Licensed banks	295,000	550,000
Licensed investment banks	172,300	78,811
Other financial institutions	1,143,807	1,295,844
	<b>1,611,107</b>	<b>1,924,655</b>
<b>Subordinated obligations</b>		
Unsecured		
- less than one year	-	-
- more than one year	1,366	1,384
	<b>1,366</b>	<b>1,384</b>
<b>A16 Other liabilities</b>		
Interest/Profit payable	10,516	10,933
Provision and accruals	20,590	78,321
Retention for Contra Losses	13,660	13,923
Hire purchase creditors	124	131
Treasury trade receivables	60,554	-
Deposits and other creditors	48,739	57,420
	<b>154,183</b>	<b>160,728</b>
<b>A17 Bank Borrowings</b>		
Revolving bank loan	50,133	51,631
	<b>50,133</b>	<b>51,631</b>
<b>A18 Redeemable Non-Convertible Unsecured Loan Stocks ("RULS")</b>		
- less than one year	47,750	47,750
- more than one year	47,750	47,750
	<b>95,500</b>	<b>95,500</b>

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2013**

	March 2013			December 2012		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
		Credit	Risk		Credit	Risk
<b>A19 <u>Commitments and Contingencies and Off-Balance Financial Instruments</u></b>	Notional	Equivalent	Weighted	Notional	Equivalent	Weighted
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice						
- maturity within one year	1,383,121	-	-	1,328,754	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:						
- exceeding one year	13,000	6,500	6,500	-	-	-
- not exceeding one year	1,063	213	213	-	-	-
Foreign exchange related contracts						
- One year or less	59,964	75	60	-	-	-
Obligations under underwriting agreements	-	-	-	5,000	2,500	2,500
	<b>1,457,148</b>	<b>6,788</b>	<b>6,773</b>	<b>1,333,754</b>	<b>2,500</b>	<b>2,500</b>

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2013**

	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	355,114	-	-	-	-	755,838	-	1,110,952	2.99%
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-	-
Financial assets held-for-trading	-	-	-	-	-	-	30,195	30,195	4.00%
Financial investments available-for-sale	201,952	448,016	10,035	219,891	510,205	490	-	1,390,589	3.82%
Financial assets held-for-maturity	-	-	-	-	-	-	-	-	-
Loans, advances and financing									
- non-impaired	1,523,555	-	-	-	-	-	-	1,523,555	7.02%
- impaired	-	-	-	-	-	9,511	-	9,511	-
Other assets n1	-	-	-	-	-	828,177	-	828,177	-
Other non-interest sensitive balances	-	-	-	-	-	487,477	-	487,477	-
<b>TOTAL ASSETS</b>	<b>2,080,621</b>	<b>448,016</b>	<b>10,035</b>	<b>219,891</b>	<b>510,205</b>	<b>2,081,493</b>	<b>30,195</b>	<b>5,380,456</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>									
Deposits from customers	1,200,199	226,114	6,000	-	-	-	-	1,432,313	3.26%
Deposits and placements of banks and other financial institutions	1,417,196	175,911	18,000	-	-	-	-	1,611,107	3.26%
Borrowings	50,133	-	-	-	-	-	-	50,133	5.33%
Subordinated obligations	-	-	-	1,366	-	-	-	1,366	5.50%
RULS	-	-	47,750	47,750	-	-	-	95,500	5.00%
Other non-interest sensitive balances	-	-	-	-	-	1,366,023	-	1,366,023	-
<b>Total Liabilities</b>	<b>2,667,528</b>	<b>402,025</b>	<b>71,750</b>	<b>49,116</b>	<b>-</b>	<b>1,366,023</b>	<b>-</b>	<b>4,556,442</b>	
Shareholders' equity	-	-	-	-	-	816,141	-	816,141	
Non-controlling interests	-	-	-	-	-	7,873	-	7,873	
<b>Total Liabilities and Shareholders' Equity</b>	<b>2,667,528</b>	<b>402,025</b>	<b>71,750</b>	<b>49,116</b>	<b>-</b>	<b>2,190,037</b>	<b>-</b>	<b>5,380,456</b>	
On-balance sheet interest sensitivity gap	(586,907)	45,991	(61,715)	170,775	510,205	(108,544)	30,195	-	
<b>Total interest sensitivity gap</b>	<b>(586,907)</b>	<b>(540,916)</b>	<b>(602,631)</b>	<b>(431,856)</b>	<b>78,349</b>	<b>(30,195)</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.

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

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

	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	-	-	-	-	-	664,587	-	664,587	-
Other non-interest sensitive balances	-	-	-	-	-	486,268	-	486,268	-
<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	5.50%
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>(307,834)</b>	<b>(435,843)</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 MARCH 2013**

**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 ("KIBB"). The following disclosure of capital adequacy ratio is in respect of KIBB:

	<b>31 March 2013</b>	<b>31 December 2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Components of Tier I and Tier II capital:</b>		
<u>Tier I capital</u>		
Paid-up share capital	770,000	770,000
Share premium	65,500	65,500
Accumulated losses	(53,083)	(53,083)
Statutory reserve	67,323	67,323
	<u>849,740</u>	<u>849,740</u>
Less: Deferred tax assets	(7,398)	(5,840)
Goodwill	(252,283)	(252,283)
Current unaudited loss	(2,239)	-
Total Tier I capital	<u>587,820</u>	<u>591,617</u>
<u>Tier II capital</u>		
Collective impairment allowance	151	154
Total Tier II capital	<u>151</u>	<u>154</u>
Total capital	587,971	591,771
Less: Investments in subsidiaries	(61,551)	(41,016)
Capital base	<u>526,420</u>	<u>550,755</u>
Core capital ratio	49.07%	37.47%
Risk-weighted capital ratio	49.07%	37.47%

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2013**

	Individual Quarter		Cumulative Quarter	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
<b>A22 Interest Income</b>				
Loans, advances and financing				
- Interest income other than recoveries from impaired loans	8,536	499	8,536	499
Money at call and deposit placements with financial institutions	4,179	4,719	4,179	4,719
Financial assets held-for-trading	1,388	3,704	1,388	3,704
Financial investments available-for-sale	12,723	9,161	12,723	9,161
Interest on Margin	18,334	9,571	18,334	9,571
Interest on Contra	734	588	734	588
Others	1,973	40	1,973	40
	<u>47,867</u>	<u>28,282</u>	<u>47,867</u>	<u>28,282</u>
<b>A23 Interest Expense</b>				
Deposits and placement of banks and other financial institutions	3,324	803	3,324	803
Revolving bank loan	-	221	-	221
Deposits from customers	26,172	15,779	26,172	15,779
	<u>29,496</u>	<u>16,803</u>	<u>29,496</u>	<u>16,803</u>
<b>A24 Non-interest Income</b>				
(a) Fee income:				
Commissions	3,284	2,124	3,284	2,124
Service charges and fees	3,916	2,544	3,916	2,544
Underwriting fees	214	1,039	214	1,039
Brokerage income	33,136	31,521	33,136	31,521
Other fee income	6,761	3,422	6,761	3,422
	<u>47,311</u>	<u>40,650</u>	<u>47,311</u>	<u>40,650</u>
(b) (Loss)/Gain arising from sale of securities:				
Net (loss)/gain from sale of financial assets held-for-trading	(2,207)	5,160	(2,207)	5,160
Net (loss)/gain from sale of financial investments available-for-sale	(93)	5,264	(93)	5,264
	<u>(2,300)</u>	<u>10,424</u>	<u>(2,300)</u>	<u>10,424</u>
(c) Gross dividend from:				
Securities portfolio	23	97	23	97
	<u>23</u>	<u>97</u>	<u>23</u>	<u>97</u>
(d) Unrealised gain/(loss) on revaluation of financial assets held-for-trading and derivatives	1,923	(1,450)	1,923	(1,450)
	<u>1,923</u>	<u>(1,450)</u>	<u>1,923</u>	<u>(1,450)</u>
(e) Other income:				
Foreign exchange profit	1,214	215	1,214	215
Gains on disposal of property, plant and equipment	-	57	-	57
Others	2,000	1,342	2,000	1,342
	<u>3,214</u>	<u>1,614</u>	<u>3,214</u>	<u>1,614</u>
Total non-interest income	<u>50,171</u>	<u>51,335</u>	<u>50,171</u>	<u>51,335</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2013

	Individual Quarter		Cumulative Quarter	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
<b>A25 Other operating expenses</b>				
Personnel costs	32,998	23,914	32,998	23,914
- Salaries, allowances and bonuses	26,362	19,625	26,362	19,625
- EPF	3,539	2,211	3,539	2,211
- Others	3,097	2,078	3,097	2,078
Establishment costs	13,299	9,787	13,299	9,787
- Depreciation and amortisation of intangible assets	3,730	1,771	3,730	1,771
- Rental of leasehold land and premises	6,187	5,576	6,187	5,576
- Repairs and maintenance of property, plant and equipment	897	432	897	432
- Information technology expenses	1,684	1,454	1,684	1,454
- Others	801	554	801	554
Marketing expenses	2,346	1,810	2,346	1,810
- Advertisement and publicity	65	104	65	104
- Others	2,281	1,706	2,281	1,706
Administration and general expenses	29,732	24,922	29,732	24,922
- Fees and brokerage	16,407	11,616	16,407	11,616
- Administrative expenses	13,325	13,306	13,325	13,306
	<b>78,375</b>	<b>60,433</b>	<b>78,375</b>	<b>60,433</b>
<b>A26 Write back of impairment/(impairment allowance) on loans, advances and financing:</b>				
Allowances for loans, advances and financing:				
- collective impairment (net)	3	842	3	842
- individual impairment	-	(4)	-	(4)
- write back of individual impairment	-	1,699	-	1,699
Bad debts and financing recovered	504	420	504	420
	<b>507</b>	<b>2,957</b>	<b>507</b>	<b>2,957</b>
<b>A27 Write back of impairment/(impairment allowance) on balances due from clients and brokers and other receivables</b>				
Allowances for bad and doubtful debts and financing:				
- collective impairment (net)	-	(3,312)	-	(3,312)
- individual impairment (net)	121	3,145	121	3,145
Bad debts and financing recovered	4	25	4	25
	<b>125</b>	<b>(142)</b>	<b>125</b>	<b>(142)</b>

**K & N KENANGA HOLDINGS BERHAD  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

**A28. SEGMENTAL REPORTING**

	-----Continued Operations-----												---Discontinued Operations---							
	Investment Bank		Stock broking		Futures		Money lending		Investment Management		Corporate and Others		Eliminations		Total		Others	Others	Total	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Revenue</b>																				
External sales	33,555	39,820	55,537	31,696	5,227	4,902	1,424	101	3,212	2,276	(284)	5,245	(2,078)	-	96,593	84,040	(63)	-	96,530	84,040
Inter-segment sales	-	-	-	-	-	677	-	-	-	-	-	10,162	-	(10,839)	-	-	-	-	-	-
<b>Total revenue</b>	<b>33,555</b>	<b>39,820</b>	<b>55,537</b>	<b>31,696</b>	<b>5,227</b>	<b>5,579</b>	<b>1,424</b>	<b>101</b>	<b>3,212</b>	<b>2,276</b>	<b>(284)</b>	<b>15,407</b>	<b>(2,078)</b>	<b>(10,839)</b>	<b>96,593</b>	<b>84,040</b>	<b>(63)</b>	<b>-</b>	<b>96,530</b>	<b>84,040</b>
<b>Result</b>																				
Net income	13,827	14,332	49,124	41,666	4,752	2,227	695	(529)	3,212	2,054	18,309	(312)	(21,403)	3,397	68,516	62,835	26	(21)	68,542	62,814
Other operating expenses	(10,519)	(13,308)	(57,193)	(38,793)	(3,560)	(1,403)	(887)	(234)	(5,288)	(2,948)	(5,699)	-	4,772	(3,747)	(78,374)	(60,433)	-	-	(78,374)	(60,433)
Loans, advances and financing impairment reversal	238	2,537	269	421	-	-	1	-	-	-	-	-	-	-	508	2,958	-	-	508	2,958
Balances due from clients and brokers and other receivables impairment charge	49	-	74	(142)	-	-	-	-	-	-	-	-	-	-	123	(142.00)	-	-	123	(142)
Impairment of investment in associates	-	-	-	-	-	-	-	-	-	-	-	-	146	-	146	-	-	-	146	-
Share of results in associate	-	-	-	-	-	-	-	-	-	-	-	2,808	843	(180)	843	2,628	-	-	843	2,628
Profit/(loss) before taxation	3,595	3,561	(7,726)	3,152	1,192	824	(191)	(763)	(2,076)	(894)	12,610	2,496	(15,642)	(530)	(8,238)	7,846	26	(21)	(8,212)	7,825
Taxation															569	(1,539)	-	-	569	(1,539)
Loss from discontinuing operations															26	(21)	-	-	26	(21)
Net (loss)/profit for the period															<b>(7,643)</b>	<b>6,286</b>	<b>26</b>	<b>(21)</b>	<b>(7,617)</b>	<b>6,265</b>
<b>Assets</b>																				
Investments in associates	-	-	-	-	-	-	-	-	-	-	51,891	47,779	-	(2,846)	51,891	44,933	-	-	51,891	44,933
Additions to non-current assets	-	452	2,503	5,856	8	9	-	-	92	-	44	68	-	-	2,647	6,385	-	-	2,647	6,385
<b>Segments assets</b>	<b>3,031,845</b>	<b>2,406,326</b>	<b>1,815,152</b>	<b>1,425,580</b>	<b>572,132</b>	<b>517,334</b>	<b>89,087</b>	<b>23,806</b>	<b>24,660</b>	<b>28,137</b>	<b>887,301</b>	<b>754,106</b>	<b>(1,045,808)</b>	<b>(721,874)</b>	<b>5,374,369</b>	<b>4,433,415</b>	<b>6,087</b>	<b>-</b>	<b>5,380,456</b>	<b>4,433,415</b>
<b>Segment liabilities</b>	<b>3,040,770</b>	<b>2,501,173</b>	<b>960,249</b>	<b>695,403</b>	<b>542,971</b>	<b>490,980</b>	<b>80,145</b>	<b>16,188</b>	<b>3,993</b>	<b>3,847</b>	<b>109,586</b>	<b>16,647</b>	<b>(181,280)</b>	<b>(56,872)</b>	<b>4,556,434</b>	<b>3,667,366</b>	<b>8</b>	<b>-</b>	<b>4,556,442</b>	<b>3,667,366</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**

There were no major changes in the composition of the Group for the quarter ended 31 March 2013.

**A32. Significant Events and Transactions**

**ING Funds Berhad ("IFB")**

The acquisition of IFB by Kenanga Investors Berhad ("KIB"), a wholly-owned fund management subsidiary of KIBB, which in turn is the subsidiary of the Company, has been approved by Bank Negara Malaysia and Securities Commission on 14 March 2013 and 19 March 2013 respectively; and was completed on 19 April 2013. The High Court has granted the application for the Vesting Order to merge IFB and KIB through a business transfer, which is scheduled to complete on 8 June 2013.

**SELECTED EXPLANATORY NOTES**

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

**B1. Performance Review**

The group achieved higher net interest income of RM18.37 million in the current quarter as compared to RM11.48 million in 1Q12. Fee income was also higher at RM47.31 million compared to RM40.6 million in 1Q12.

However, this was negated by other operating expenses which were higher by 29.69% arising from acquisition of ECM Libra Investment Bank Berhad ("EIBB") on 14 December 2012.

As a result, the Group reported a pre-tax loss of RM8.21 million for the quarter ended 31 March 2013 compared to pre-tax profit of RM7.82 million for the quarter ended 31 March 2012.

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. Despite the decline in Bursa Malaysia's trading value to RM199.07 billion compared to RM232.84 billion in the previous corresponding period, market share has increased to 10.2% for the three months ended 31 March 2013 from 5.4% for the three months ended 31 March 2012.

Pretax loss of this segment in the three months ended 31 March 2013 was RM7.73 million compared to pretax profit of RM3.15 million for the three months ended 31 March 2012 mainly due to higher personnel cost and operating costs in the three months ended 31 March 2013 resulted from the merger with EIBB.

**Investment Banking:**

This segment registered RM3.60 million pretax profit in the three months ended 31 March 2013 as compared to pretax profit of RM3.56 million in the previous corresponding period. This was mainly due to higher billings in the three months ended 31 March 2013 despite higher personnel cost, operating costs from investments in new businesses and lower trading activities in bond market.

**Investment Management:**

This segment registered a pretax loss of RM2.08 million in the three months ended 31 March 2013 compared to RM0.89 million in the previous corresponding period, mainly due to higher personnel costs and expenses in line with the expansion plans.

**Futures:**

This segment registered a pretax profit of RM1.19 million in the three months ended 31 March 2013 compared to RM0.82 million in the previous corresponding period, mainly due to higher trading activities.

**Money lending:**

This segment reported a pre-tax loss of RM0.19 million in the three months ended 31 March 2013 compared to a pretax loss of RM0.76 million in the previous corresponding period, mainly due to income from higher loan and advances.

**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 RM8.21 million in the first quarter ended 31 March 2013 ("1Q13") compared to a pre-tax profit of RM9.10 million in the fourth quarter ended 31 December 2012 ("4Q12") mainly due to higher other operating expenses of RM78.38 million in 1Q13 compared to RM55.44 million in 4Q12 resulted from the merger with EIBB and loss from sale of securities of RM2.30 million in 1Q13 compared to gain from sale of securities of RM8.33 million in 4Q12. These losses were partially mitigated by higher fee income of RM47.31 million in 1Q13 attributable primarily to brokerage fees compared to RM37.96 million in 4Q12 and higher net interest income of RM18.37 million compared to RM14.22 million in 4Q12.

**B3. Prospects for 2013**

The global economic environment continues to be challenging due to vulnerability in several key economies such as 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.

**SELECTED EXPLANATORY NOTES**

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

**B5. Taxation**

	<b>Individual Quarter</b>	<b>Cumulative Quarter</b>
	<b>3 months</b>	<b>3 months</b>
	<b>ended</b>	<b>ended</b>
	<b>31 March</b>	<b>31 March</b>
	<b>2013</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Current period - income tax	1,553	1,553
Deferred taxation	(984)	(984)
<b>Total</b>	<b>569</b>	<b>569</b>

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

**B6. Status of Corporate Proposals**  
**ING Funds Berhad ("IFB")**

The acquisition of IFB by Kenanga Investors Berhad ("KIB"), a wholly-owned fund management subsidiary of KIBB, which in turn is the subsidiary of the Company, has been approved by Bank Negara Malaysia and Securities Commission on 14 March 2013 and 19 March 2013 respectively; and was completed on 19 April 2013. The High Court has granted the application for the Vesting Order to merge IFB and KIB through a

**B7. Group Borrowings**

		<b>RM'000</b>
Subordinated Loan (unsecured)	Note 1	1,366
Short term loan from financial institutions (unsecured)	Note 2	50,133
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 in January 2015.

Note 2 : 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 5.33% 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 first quarter ended 31 March 2013.

**SELECTED EXPLANATORY NOTES**

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

**B9. Earnings per share**

The amount used as the numerator for the purposes of calculating the basic earnings per share for the three-month period is RM7.8 million representing the loss for the period attributable to ordinary equity holders of the parent (31 March 2012: profit attributable to ordinary equity holders of parent: RM6.1 million).

The weighted average number of shares used as the denominator in calculating the basic earnings per share for the three-month period is 731,759,499 (31 March 2012: 611,759,499).

**B10. Derivatives**

As at 31 March 2013, derivative financial liabilities are as follows:

Type of Derivatives	Contract/Notional Value	Fair Value
	RM'000	RM'000
Structured warrants		
- Less than 1 year	1,584	301

**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>3 months</b>
	<b>ended</b>	<b>ended</b>
	<b>31 March</b>	<b>31 March</b>
	<b>2013</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Gain from fair value changes of financial liabilities	<u>137</u>	<u>137</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.

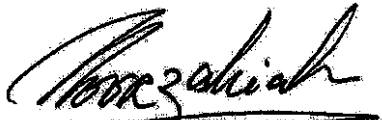
**SELECTED EXPLANATORY NOTES**

**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 March 2013 RM'000	As at 31 December 2012 RM'000
Total retained profits / (accumulated losses) of Company and its subsidiaries:		
- Realised	(303,830)	(315,400)
- Unrealised	23,730	21,213
	(280,100)	(294,187)
Total share of retained profits / (accumulated losses) from associated companies:		
- Realised	(14,440)	(16,839)
- Unrealised	-	1,556
	(14,440)	(15,283)
Add: Consolidation adjustments	285,113	307,895
Total group (accumulated loss)/retained profits as per consolidated accounts	(9,427)	(1,575)

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