

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

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

**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2013
THE FIGURES HAVE NOT BEEN AUDITED.**

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UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Group

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended 30 June 2013 RM'000	3 months ended 30 June 2012 RM'000	6 months ended 30 June 2013 RM'000	6 months ended 30 June 2012 RM'000
Continuing Operations					
Interest income	A23	48,579	30,992	96,446	59,273
Interest expense	A24	(31,022)	(18,127)	(60,518)	(34,930)
Net interest income		17,557	12,865	35,928	24,343
Net Income from Islamic banking business	A34	(328)	-	(328)	-
Non interest income	A25	99,447	40,847	149,618	92,182
Net Income		116,676	53,712	185,218	116,525
Other operating expenses	A26	(121,187)	(58,580)	(199,562)	(119,013)
Operating loss		(4,511)	(4,868)	(14,344)	(2,488)
(Impairment allowance)/Write back of impairment on loans, advances and financing	A27	(785)	218	(278)	3,176
Write back of impairment on balances due from clients and brokers and other receivables	A28	26	759	151	617
Write back of impairment/(impairment allowance) on investments in associates		106	(117)	252	(296)
		(5,164)	(4,008)	(14,219)	1,009
Share of results in associates		428	(755)	1,271	2,053
(Loss)/Profit before taxation		(4,736)	(4,763)	(12,948)	3,062
Taxation		1,535	181	2,104	(1,357)
(Loss)/Profit for the period from continuing operations		(3,201)	(4,582)	(10,844)	1,705
Discontinued operation					
Loss for the period		(92)	(13)	(66)	(34)
(Loss)/Profit for the period		(3,293)	(4,595)	(10,910)	1,671

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**Group**

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June 2013 RM'000	3 months ended 30 June 2012 RM'000	6 months ended 30 June 2013 RM'000	6 months ended 30 June 2012 RM'000
Other comprehensive (loss)/income: <i>Items that may be reclassified subsequently to profit or loss</i>				
Exchange fluctuation from translation of associates' net assets	(1,227)	1,564	(1,231)	(428)
Available-for-sale financial investments	6,426	1,455	6,398	(1,981)
Other comprehensive income/(loss) for the period	5,199	3,019	5,167	(2,409)
Total comprehensive income/(loss)	1,906	(1,576)	(5,743)	(738)
(Loss)/Profit for the period attributable to				
- Equity holders of the parent	(3,541)	(4,767)	(11,392)	1,347
- Non-controlling interests	248	172	482	324
	(3,293)	(4,595)	(10,910)	1,671
Total comprehensive income/(loss) for the period attributable to				
- Equity holders of the parent	1,658	(1,748)	(6,225)	(1,062)
- Non-controlling interests	248	172	482	324
	1,906	(1,576)	(5,743)	(738)
(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)	(0.5)	(0.8)	(1.6)	0.2
(ii) Fully diluted	(0.5)	(0.8)	(1.6)	0.2

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012.

UNAUDITED COMPANY STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June 2013 RM'000	3 months ended 30 June 2012 RM'000	6 months ended 30 June 2013 RM'000	6 months ended 30 June 2012 RM'000
Continuing Operations				
Interest income	542	562	1,064	1,148
Interest expense	(1,192)	-	(2,382)	-
Net interest income	(650)	562	(1,318)	1,148
Non interest income	6,776	2,978	25,522	5,216
Net Income	6,126	3,540	24,204	6,364
Other operating expenses	(6,002)	(5,567)	(11,579)	(8,954)
Profit/(Loss) before taxation	124	(2,027)	12,625	(2,590)
Taxation	(417)	407	(1,395)	437
(Loss)/Profit for the period from continuing operations	(293)	(1,620)	11,230	(2,153)
(Loss)/Profit for the period	(293)	(1,620)	11,230	(2,153)

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012.

UNAUDITED COMPANY STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June 2013 RM'000	3 months ended 30 June 2012 RM'000	6 months ended 30 June 2013 RM'000	6 months ended 30 June 2012 RM'000
(i) (Loss)/Profit for the period attributable to - Equity holders of the parent	(293)	(1,620)	11,230	(2,153)
	(293)	(1,620)	11,230	(2,153)
(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)	(0.0)	(0.3)	1.5	(0.4)
(ii) Fully diluted	(0.0)	(0.3)	1.5	(0.4)

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

<u>Group</u>		As at 30 June 2013 RM'000	As at 31 December 2012 RM'000
	Note		
ASSETS			
Cash and short-term funds		1,239,959	872,911
Financial assets held-for-trading	A9	265,079	435,843
Financial investments available-for-sale	A10	1,748,681	1,540,260
Financial investments held-to-maturity	A11	-	40,000
Loans, advances and financing	A12	1,591,514	1,431,247
Other assets			
- Balance due from clients and brokers		813,830	406,096
- Assets segregated for customers		88,703	182,509
- Other receivables	A13	195,665	75,982
Statutory deposit with Bank Negara Malaysia		117,660	87,210
Tax recoverable		7,711	5,076
Investments in associates		51,894	52,044
Property, plant and equipment		64,537	63,454
Intangible assets		265,079	265,060
Deferred tax assets		12,996	7,364
Assets held for resale		198	6,060
TOTAL ASSETS		6,463,506	5,471,116
LIABILITIES			
Deposits from customers	A14	2,333,594	1,597,406
Deposits and placements of banks and other financial institutions	A15	1,590,188	1,924,655
Borrowings	A17	66,779	51,631
Other liabilities			
- Balance due to clients and brokers		1,229,642	734,306
- Amount held in trust		72,609	70,703
- Other payables	A16	253,288	160,728
Provision for taxation and zakat		384	36
Deferred tax liabilities		4,220	2,826
Subordinated obligations	A19	1,384	1,384
Derivative financial liabilities		386	336
Redeemable non-convertible unsecured loan stocks	A18	95,500	95,500
Liabilities held for resale		10	6
TOTAL LIABILITIES		5,647,984	4,639,517

K & N KENANGA HOLDINGS BERHAD (302859-X)
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UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

<u>Group</u>	As at 30 June 2013 RM'000	As at 31 December 2012 RM'000
SHAREHOLDERS' EQUITY		
Share capital	731,759	731,759
Share premium	75	75
Profit and loss reserve	(12,967)	(1,575)
Exchange reserve	548	(683)
Statutory reserve	67,323	67,323
Fair value reserve	(1,488)	4,910
Capital reserve	22,152	22,152
	<u>807,402</u>	<u>823,961</u>
Non-controlling interests	8,120	7,638
Total equity	<u>815,522</u>	<u>831,599</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>6,463,506</u>	<u>5,471,116</u>
Net Assets Per Share (RM)	<u>1.10</u>	<u>1.13</u>

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012.

UNAUDITED COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	As at 30 June 2013 RM'000	As at 31 December 2012 RM'000
ASSETS		
Cash and short-term funds	36,435	4,701
Financial assets held-for-trading	32,809	30,746
- Amount due from subsidiaries	25,897	13,590
- Amount due from an associate	5	30
- Other receivables	895	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	1,735	1,388
TOTAL ASSETS	875,033	860,801
LIABILITIES		
Other liabilities		
- Amount due to subsidiaries	476	320
- Other payables	5,115	3,663
Deferred tax liabilities	4,220	2,826
Redeemable non-convertible unsecured loan stocks	95,500	95,500
TOTAL LIABILITIES	105,311	102,309
SHAREHOLDERS EQUITY		
Share capital	731,759	731,759
Share premium	75	75
Capital reserve	(49,800)	(49,800)
Profit and loss reserve	87,688	76,458
Total equity	769,722	758,492
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	875,033	860,801
Net Assets Per Share (RM)	1.05	1.04

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012.

**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2013**

	Group		Company	
	30 June 2013 RM'000	30 June 2012 RM'000	30 June 2013 RM'000	30 June 2012 RM'000
Cash flows from operating activities				
(Loss)/Profit before taxation				
- Continuing operations	(12,948)	3,062	12,625	(2,590)
- Discontinued operation	(66)	(34)	-	-
Adjustments for non operating and non cash items	(108,375)	(74,214)	(17,080)	(2,394)
Operating loss before changes in working capital	<u>(121,389)</u>	<u>(71,186)</u>	<u>(4,455)</u>	<u>(4,984)</u>
Net changes in operating assets	(371,162)	(405,572)	16,420	1,459
Net changes in operating liabilities	984,589	770,788	1,452	(849)
Cash generated from/(used in) operations	<u>492,038</u>	<u>294,030</u>	<u>13,417</u>	<u>(4,374)</u>
Net dividends received	321	248	-	-
Interest income/(expense)	67,918	33,838	(1,318)	1,148
Net tax (paid)/refund	(2,254)	2,442	(3)	3,196
Net cash generated from/(used in) operating activities	<u>558,023</u>	<u>330,558</u>	<u>12,096</u>	<u>(30)</u>
Net cash generated from/(used in) investing activities	37,795	(321,545)	19,638	(135)
Net cash generated from/(used in) financing activities	14,496	94,841	-	(4,588)
Net increase/(decrease) in cash and cash equivalents during the period	<u>610,314</u>	<u>103,854</u>	<u>31,734</u>	<u>(4,753)</u>
Cash and cash equivalents brought forward	557,036	798,227	4,701	13,074
Cash and cash equivalents carried forward	<u>1,167,350</u>	<u>902,081</u>	<u>36,435</u>	<u>8,321</u>
Cash and cash equivalents comprise the following:-				
Non trust cash and short term funds	1,167,221	896,101	36,435	8,321
Cash and short term funds classified as asset held for sale	129	5,980	-	-
	<u>1,167,350</u>	<u>902,081</u>	<u>36,435</u>	<u>8,321</u>

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012.

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**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2013**

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

Group	-----Non-Distributable-----						Distributable Profit and Loss Reserve 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			
As at 1 January 2013	731,759	75	(683)	22,152	4,910	67,323	(1,575)	7,638	831,599
Total comprehensive income/(loss) for the period	-	-	1,231	-	(6,398)	-	(11,392)	482	(16,077)
As at 30 June 2013	731,759	75	548	22,152	(1,488)	67,323	(12,967)	8,120	815,522

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012.

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(Incorporated in Malaysia)

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2013**

Group	-----Attributable to Equity Holders of the Parent-----							Distributable Profit and Loss Reserve	Non- Controlling Interests	Total Equity
	Share Capital	Share Premium	Exchange Reserve	Capital Reserve	Fair value Reserve	Statutory Reserve	Regulatory Reserve			
As at 1 January 2012	611,759	75	(8,136)	71,952	2,839	65,699	-	8,499	6,962	759,649
Effect of adopting MFRS 1	-	-	9,645	-	-	-	-	(9,645)	-	-
Adoption of revised BNM GP3 and MFRS 139	-	-	-	-	-	-	-	5,563	-	5,563
As restated	611,759	75	1,509	71,952	2,839	65,699	-	4,417	6,962	765,212
Total comprehensive income for the period	-	-	(428)	-	(1,981)	-	-	1,347	324	(738)
Transfer to regulatory reserve	-	-	-	-	-	-	5,563	(5,563)	-	-
Transaction with owners										
Dividends paid	-	-	-	-	-	-	-	(4,588)	-	(4,588)
As at 30 June 2012	611,759	75	1,081	71,952	858	65,699	5,563	(4,387)	7,286	759,886

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012.

K & N KENANGA HOLDINGS BERHAD (302859-X)

(Incorporated in Malaysia)

**UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2013**

	<-----Attributable to Equity Holders of the Parent----->				Total Equity
	Share Capital RM'000	Non Distributable Share Premium RM'000	Capital Reserve RM'000	Distributable Profit and Loss Reserve RM'000	RM'000
As at 1 January 2013	731,759	75	(49,800)	76,458	758,492
Comprehensive income for the period	-	-	-	11,230	11,230
As at 30 June 2013	<u>731,759</u>	<u>75</u>	<u>(49,800)</u>	<u>87,688</u>	<u>769,722</u>

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012.

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**UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2013**

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

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012.

NOTES TO INTERIM FINANCIAL STATEMENTS

A1. Basis Of Preparation

This half yearly interim financial statement, for the period ended 30 June 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 audited 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

During the period ended 30 June 2013, the Group incurred RM27.11 million for costs related to merger of ECM Libra Investment Bank Berhad ("EIBB") with Kenanga Investment Bank Berhad ("KIBB") and ING Funds Berhad ("IFB") (now known as Kenanga Funds Berhad ("KFB")) with Kenanga Investors Berhad ("KIB").

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 six months ended 30 June 2013.

NOTES TO INTERIM FINANCIAL STATEMENTS

	30 June 2013	31 December 2012
	RM' 000	RM' 000
A9 Financial assets held-for-trading		
At Fair Value		
Money Market Instruments:-		
Malaysian Government Securities	69,420	10,140
Malaysian Government Investment Issues	49,103	253,796
Bank Negara Malaysia Bills and Notes	99,992	-
Total Money Market Instruments	218,515	263,936
Quoted securities:		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	46,564	31,406
Unquoted securities:		
Private and Islamic Debt Securities in Malaysia	-	140,501
Total financial assets held-for-trading	265,079	435,843
A10 Financial investments available-for-sale		
At Fair Value, or amortised cost		
Money Market instruments:-		
Malaysian Government Securities	70,755	73,012
Malaysian Government Treasury Bills	-	49,992
Bank Negara Malaysia Bills and Notes	249,807	-
Malaysian Government Investment Issues	217,241	211,154
Negotiable Instruments of Deposits	439,740	349,529
Banker's Acceptances and Islamic Accepted Bills	-	24,948
Total Money Market instruments	977,543	708,635
Quoted securities:		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	-	7,567
Unquoted securities:		
Shares, trust units and loan stocks in Malaysia	2,100	53,045
Private and Islamic Debt Securities in Malaysia	768,548	770,523
Others	490	490
	771,138	824,058
Accumulated impairment losses	-	-
Total financial investments available-for-sale	1,748,681	1,540,260
A11 Financial investments held-to maturity		
At Amortised Cost		
Money Market Instruments:		
Negotiable instruments of deposit	-	40,000
Total financial assets held-to-maturity	-	40,000

NOTES TO INTERIM FINANCIAL STATEMENTS

	30 June 2013 RM' 000	31 December 2012 RM' 000
A12 Loans, advances and financing		
Term loans	300,865	408,022
Share margin financing	1,220,387	974,279
Other financing	71,726	63,285
Gross loans, advances and financing	<u>1,592,978</u>	<u>1,445,586</u>
Allowances for bad and doubtful debts and financing:		
- Individual Impairment	(1,315)	(14,185)
- Collective Impairment	(149)	(154)
Net loans, advances and financing	<u>1,591,514</u>	<u>1,431,247</u>
(i) By maturity structure		
Within one year	1,592,978	1,294,678
More than one year	-	150,908
Gross loans, advances and financing	<u>1,592,978</u>	<u>1,445,586</u>
(ii) By type of customer		
Domestic operations:		
Domestic business enterprise		
- Small and medium enterprise	23,203	-
- Others	677,630	658,954
Individuals	892,145	783,698
Foreign entities	-	2,934
Total domestic operations	<u>1,592,978</u>	<u>1,445,586</u>
(iii) By interest/profit rate sensitivity		
Fixed rate		
- Other fixed rate loans/financing	1,220,387	974,279
Variable rate		
- Cost plus	300,865	408,022
- Other variable rates	71,726	63,285
Gross loans, advances and financing	<u>1,592,978</u>	<u>1,445,586</u>
(iv) Total loans by economic sector		
Domestic operations:		
Purchase of securities	71,726	26,305
Manufacturing	35,370	40,191
Hotel and restaurants	46,694	-
Finance, insurance and business services	216,430	272,725
Working capital	-	36,989
Others	1,222,758	1,069,376
Total domestic operations	<u>1,592,978</u>	<u>1,445,586</u>
(v) Impaired loans by economic purpose		
Domestic operations:		
Purchase of securities	2,477	2,392
Working capital	-	13,969
Total domestic operations	<u>2,477</u>	<u>16,361</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

30 June 2013 **31 December 2012**
RM' 000 **RM' 000**

A12 Loans, advances and financing (cont'd)

(vi) Movement in impaired loans, advances and financing ("Impaired loans") are as follows

At beginning of the period/year	16,361	71,358
Impaired during the period/year	137	288
Recovered	(54)	(5,143)
Amount written off	(13,967)	(50,142)
At end of the period/year	<u>2,477</u>	<u>16,361</u>
Individual Impairment	<u>(1,315)</u>	<u>(14,185)</u>
Net impaired loans, advances and financing	<u>1,162</u>	<u>2,176</u>
Net impaired loans as a % of gross loans, advances and financing less individual impairment	<u>0.07%</u>	<u>0.15%</u>

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

Individual Impairment

At beginning of the period/year	14,185	30,839
Allowance made during the period/year	1,094	253
Amount written back in respect of recoveries	(2)	(2,271)
Amount of allowance set off against gross loans	(13,962)	(14,636)
At end of the period/year	<u>1,315</u>	<u>14,185</u>

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

Collective Impairment

At beginning of the period/year	154	842
Allowance made during the period/year	2	44
Amount written back	(7)	(842)
Acquisition of assets and liabilities of EIBB		
At end of the period/year	<u>149</u>	<u>154</u>
As % of gross loans, advances and financing less individual impairment	<u>0.01%</u>	<u>0.01%</u>

A13 Other Assets

Interest/Income receivable	16,378	13,767
Prepayments and deposits	28,822	26,048
Treasury trade receivables	116,064	4,000
Other debtors	35,679	35,428
	<u>196,943</u>	<u>79,243</u>
Individual impairment	<u>(1,278)</u>	<u>(3,261)</u>
	<u>195,665</u>	<u>75,982</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

	30 June 2013	31 December 2012
	RM' 000	RM' 000
A14 Deposits from Customers		
Fixed deposits and negotiable instruments of deposits		
- One year or less	2,333,594	1,597,406
- More than one year	-	-
	2,333,594	1,597,406
Business enterprise	1,621,927	1,192,872
Individuals	68,472	31,890
Government and statutory bodies	629,554	367,644
Others	13,641	5,000
	2,333,594	1,597,406
A15 Deposits and Placement of Banks and Other Financial Institutions		
Licensed banks	435,000	550,000
Licensed investment banks	165,000	78,811
Other financial institutions	990,188	1,295,844
	1,590,188	1,924,655
A16 Other liabilities		
Interest/Profit payable	10,482	10,933
Provision and accruals	43,443	78,321
Retention for Contra Losses	13,258	13,923
Hire purchase creditors	125	131
Treasury trade payables	116,060	-
Deposits and other creditors	69,920	57,420
	253,288	160,728
A17 Bank Borrowings		
Revolving bank loan	66,779	51,631
	66,779	51,631
A18 Redeemable Non-Convertible Unsecured Loan Stocks ("RULS")		
- less than one year	47,750	47,750
- more than one year	47,750	47,750
	95,500	95,500
A19 Subordinated obligations		
Unsecured		
- less than one year	-	-
- more than one year	1,384	1,384

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

NOTES TO INTERIM FINANCIAL STATEMENTS

	June 2013			December 2012		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	Notional	Credit Equivalent	Risk Weighted	Notional	Credit Equivalent	Risk Weighted
<u>A20 Commitments and Contingencies and Off-Balance Sheet Financial Instruments</u>						
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice						
- maturity within one year	1,492,074	-	-	1,328,754	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:						
- exceeding one year	28,000	14,000	11,500	-	-	-
- not exceeding one year	-	-	-	-	-	-
Foreign exchange related contracts						
- One year or less	42,318	75	60	-	-	-
Obligations under underwriting agreements	26,555	13,278	13,278	5,000	2,500	2,500
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	616,392	616,392	123,278	-	-	-
	2,205,339	643,745	148,116	1,333,754	2,500	2,500

K & N KENANGA HOLDINGS BERHAD
(Incorporated in Malaysia)

NOTES TO INTERIM FINANCIAL STATEMENTS

As at 30 June 2013

	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				
A21 Interest/Profit Rate Risk									
Cash and short-term funds	317,153	-	-	-	-	922,806	-	1,239,959	2.96%
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-	-
Financial assets held-for-trading	-	-	-	-	-	-	265,079	265,079	3.25%
Financial investments available-for-sale	249,807	439,740	10,023	286,133	760,388	2,590	-	1,748,681	3.73%
Financial assets held-for-maturity	-	-	-	-	-	-	-	-	-
Loans, advances and financing									
- non-impaired	1,530,890	27,926	31,234	-	-	-	-	1,590,050	6.69%
- impaired	-	-	-	-	-	1,464	-	1,464	-
Other assets n1	-	-	-	-	-	1,098,198	-	1,098,198	-
Other non-interest sensitive balances	-	-	-	-	-	520,075	-	520,075	-
TOTAL ASSETS	2,097,850	467,666	41,257	286,133	760,388	2,545,133	265,079	6,463,506	
LIABILITIES AND SHAREHOLDERS' EQUITY									
Deposits from customers	1,945,593	339,593	48,408	-	-	-	-	2,333,594	3.19%
Deposits and placements of banks and other financial institutions	1,309,387	231,021	49,780	-	-	-	-	1,590,188	3.19%
Borrowings	66,779	-	-	-	-	-	-	66,779	5.26%
Subordinated obligations	-	-	-	1,384	-	-	-	1,384	5.50%
RULS	-	-	47,750	47,750	-	-	-	95,500	5.00%
Other non-interest sensitive balances	-	-	-	-	-	1,560,539	-	1,560,539	-
Total Liabilities	3,321,759	570,614	145,938	49,134	-	1,560,539	-	5,647,984	
Shareholders' equity	-	-	-	-	-	807,402	-	807,402	
Non-controlling interests	-	-	-	-	-	8,120	-	8,120	
Total Liabilities and Shareholders' Equity	3,321,759	570,614	145,938	49,134	-	2,376,061	-	6,463,506	
On-balance sheet interest sensitivity gap	(1,223,909)	(102,948)	(104,681)	236,999	760,388	169,072	265,079	-	
Total interest sensitivity gap	(1,223,909)	(1,326,857)	(1,431,538)	(1,194,539)	(434,151)	(265,079)	-	-	

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 INTERIM FINANCIAL STATEMENTS

As at 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			
A21 Interest/Profit Rate Risk									
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	996,212	8,620	273,487	150,908	-	-	-	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	-
TOTAL ASSETS	1,564,540	379,166	288,410	467,760	662,866	1,672,531	435,843	5,471,116	
LIABILITIES AND SHAREHOLDERS' EQUITY									
Deposits from customers	1,330,379	207,645	59,382	-	-	-	-	1,597,406	3.24%
Deposits and placements of banks and other financial institutions	1,221,153	523,645	179,857	-	-	-	-	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	-
Total Liabilities	2,603,163	731,290	286,989	49,134	-	968,941	-	4,639,517	
Shareholders' equity	-	-	-	-	-	823,961	-	823,961	
Non-controlling interests	-	-	-	-	-	7,638	-	7,638	
Total Liabilities and Shareholders' Equity	2,603,163	731,290	286,989	49,134	-	1,800,540	-	5,471,116	
On-balance sheet interest sensitivity gap	(1,038,623)	(352,124)	1,421	418,626	662,866	(128,009)	435,843	-	
Total interest sensitivity gap	(1,719,710)	(1,612,014)	(1,436,253)	(970,700)	(307,834)	(435,843)	-	-	

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 INTERIM FINANCIAL STATEMENTS

A22 Capital Adequacy

- (i) BNM guidelines on capital adequacy requires KIBB to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations. The capital adequacy ratio is computed based on the eligible capital in relation to the total risk-weighted assets as determined by BNM.

With effect from 1 January 2013, the Group's subsidiary, KIBB, has adopted the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) ("the Framework") issued on 28 November 2012. This Framework outlines the general requirements on regulatory capital adequacy ratios, the components of eligible regulatory capital as well as the levels of those ratios at which banking institutions are required to operate. The Framework has been developed based on internationally-agreed standards on capital adequacy promulgated by the Basel Committee on Banking Supervision. Under the Framework, the minimum capital adequacy ratios are progressively increased from 1 January 2013 to 1 January 2019, and includes a phased introduction of a new capital reservation buffer of 2.5%. Additional capital requirements, including a new counter-cyclical buffer ranging from 0% to 2.5% will be detailed out at a later stage.

The capital adequacy ratios of Kenanga Investment Bank Berhad are as follows:

	30 June 2013	31 December 2012
	RM'000	RM'000
		(Restated)
<u>Common Equity Tier I (CET 1) Capital</u>		
Paid-up share capital	770,000	770,000
Share premium	65,500	65,500
Retained loss	(65,649)	(53,083)
Other reserves	61,131	64,626
Less: Deferred tax assets	(11,330)	(5,840)
Less: Goodwill	(252,283)	(252,283)
Less: Other intangibles	(52,500)	(52,500)
Total CET 1 capital	514,869	536,420
<u>Tier II Capital</u>		
Collective impairment allowance	149	154
Total Tier II capital	149	154
Less: Investments in subsidiaries and associate company	(86,615)	(72,771)
Total capital	428,403	463,803
CET 1 Capital ratio	28.234%	31.555%
Tier 1 Capital ratio	28.234%	31.555%
Total Capital ratio	28.234%	31.555%

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

NOTES TO INTERIM FINANCIAL STATEMENTS

A22 Capital Adequacy (continued)

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

	Bank		Bank	
	30 June 2013		31 December 2012	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
0%	1,428,729	-	1,048,810	-
20%	2,794,028	558,806	1,941,242	388,248
50%	28,000	14,000	-	-
100%	554,500	554,500	571,475	571,475
150%	490	735	886	1,329
Total Risk Weighted Assets for Credit Risk	<u>4,805,747</u>	<u>1,128,041</u>	<u>3,562,413</u>	<u>961,052</u>
Risk Weighted Assets Equivalent for Market Risk	-	102,355	-	242,692
Risk Weighted Assets Equivalent for Operational Risk	-	286,923	-	266,086
Large Exposure Risk Requirement for Single Equity	-	-	-	-
	<u>4,805,747</u>	<u>1,517,319</u>	<u>3,562,413</u>	<u>1,469,830</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

	Individual Quarter		Cumulative Quarter	
	30 June	30 June	30 June	30 June
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
A23 Interest Income				
Loans, advances and financing	8,434	369	16,970	868
Money at call and deposit placements with financial institutions	3,548	6,571	7,727	11,290
Financial assets held-for-trading	1,196	3,506	2,584	7,210
Financial investments available-for-sale	13,221	9,064	25,944	18,225
Interest on Margin	18,139	10,795	36,473	20,366
Interest on Contra	1,560	633	2,294	1,221
Others	2,481	54	4,454	93
	<u>48,579</u>	<u>30,992</u>	<u>96,446</u>	<u>59,273</u>
A24 Interest Expense				
Deposits and placement of banks and other financial institutions	4,582	1,835	7,906	2,638
Revolving bank loan	2,067	458	2,543	679
Deposits from customers	23,182	15,834	47,688	31,613
Redeemable non-convertible unsecured loan stocks	1,191	-	2,381	-
	<u>31,022</u>	<u>18,127</u>	<u>60,518</u>	<u>34,930</u>
A25 Non-interest Income				
(a) Fee income:				
Commissions	3,259	2,464	6,543	4,588
Service charges and fees	5,640	5,745	9,556	8,289
Underwriting fees	1,637	590	1,851	1,629
Brokerage income	58,959	21,257	92,095	52,778
Other fee income	7,369	3,943	14,130	7,365
	<u>76,864</u>	<u>33,999</u>	<u>124,175</u>	<u>74,649</u>
(b) Gain/(Loss) arising from sale of securities:				
Net gain/(loss) from sale of financial assets held-for-trading	1,196	(1,776)	(1,011)	3,384
Net gain from sale of financial investments available-for-sale	2,576	1,416	2,483	6,680
	<u>3,772</u>	<u>(360)</u>	<u>1,472</u>	<u>10,064</u>
(c) Gross dividend from:				
Securities portfolio	298	151	321	248
	<u>298</u>	<u>151</u>	<u>321</u>	<u>248</u>
(d) Unrealised gain on revaluation of financial assets held-for-trading and derivatives	907	4,442	2,830	2,992
	<u>907</u>	<u>4,442</u>	<u>2,830</u>	<u>2,992</u>
(e) Other income:				
Foreign exchange profit	2,289	405	3,503	620
Gains on disposal of property, plant and equipment	-	65	-	122
Gains on acquisition of subsidiary	13,100	-	13,100	-
Others	2,217	2,145	4,217	3,487
	<u>17,606</u>	<u>2,615</u>	<u>20,820</u>	<u>4,229</u>
Total non-interest income	<u>99,447</u>	<u>40,847</u>	<u>149,618</u>	<u>92,182</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

	Individual Quarter		Cumulative Quarter	
	30 June	30 June	30 June	30 June
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
A26 Other operating expenses *				
Personnel costs	52,895	26,655	85,893	50,569
- Salaries, allowances and bonuses	27,047	21,472	53,409	41,097
- Voluntary Separation Scheme ("VSS") **	19,135	-	19,135	-
- EPF	3,920	2,115	7,459	4,326
- Others	2,793	3,068	5,890	5,146
Establishment costs	13,325	8,989	26,624	18,776
- Depreciation and amortisation of intangible assets	3,919	2,395	7,649	4,166
- Rental of leasehold land and premises	6,273	4,571	12,460	10,147
- Repairs and maintenance of property, plant and equipment	1,098	385	1,995	817
- Information technology expenses	1,210	1,056	2,894	2,510
- Others	825	582	1,626	1,136
Marketing expenses	3,119	1,680	5,465	3,490
- Advertisement and publicity	423	182	488	286
- Others	2,696	1,498	4,977	3,204
Administration and general expenses	51,848	21,256	81,580	46,178
- Fees and brokerage	31,314	8,171	47,721	19,787
- Administrative expenses	20,534	13,085	33,859	26,391
	121,187	58,580	199,562	119,013
A27 (Impairment allowance)/write back of impairment on loans, advances and financing:				
Allowances for loans, advances and financing:				
- collective impairment (net)	3	1	6	842
- individual impairment	(1,093)	(1,462)	(1,093)	(201)
- write back of individual impairment	-	1,561	-	1,997
Bad debts and financing recovered	305	118	809	538
	(785)	218	(278)	3,176
A28 Write back of impairment on balances due from clients and brokers and other receivables				
Allowances for bad and doubtful debts and financing:				
- collective impairment (net)	-	3,312	-	-
- individual impairment (net)	(666)	(2,632)	(545)	513
Bad debts and financing recovered	692	79	696	104
	26	759	151	617

* Included in the other operating expenses, are cost related to merger of EIBB with KIBB and IFB (now known as KFB) with KIB of RM7.97 million and VSS cost of RM19.14 million. On 18 June 2013, IFB changed its name to Kenanga Funds Berhad ("KFB").

** K & N Kenanga Group has implemented a VSS. This scheme was being introduced as part of the Group's effort to enhance productivity and cost synergies within the organization.

A29 SEGMENTAL REPORTING

	-----Continued Operations-----														---Discontinued Operations---						
	Investment Bank		Stock broking		Futures		Money lending and Financing		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	
Revenue																					
External sales	67,656	59,311	140,510	72,900	10,290	8,222	3,523	1,376	10,652	5,605	4,353	2,871	(6,699)	(2,189)	230,285	148,096	7	-	230,292	148,096	
Inter-segment sales	-	-	-	-	-	-	-	-	-	-	-	9,802	-	(9,802)	-	-	-	-	-	-	-
Total revenue	67,656	59,311	140,510	72,900	10,290	8,222	3,523	1,376	10,652	5,605	4,353	12,673	(6,699)	(11,991)	230,285	148,096	7	-	230,292	148,096	
Result																					
Net income	27,846	26,632	126,432	74,756	9,416	7,404	1,821	672	43,204	5,605	24,695	8,058	(48,132)	(6,567)	185,282	116,560	(66)	(34)	185,216	116,526	
Other operating expenses	(19,467)	(26,272)	(130,273)	(73,746)	(6,920)	(5,730)	(1,927)	(1,973)	(41,378)	(6,844)	(33,062)	(10,660)	33,466	6,212	(199,561)	(119,013)	-	-	(199,561)	(119,013)	
Loans, advances and financing impairment reversal	815	2,541	(1,094)	634	-	-	2	-	-	-	-	-	(1)	-	(278)	3,175	-	-	(278)	3,175	
Balances due from clients and brokers and other receivables impairment charge	(185)	-	336	617	-	-	-	-	-	-	-	-	-	-	151	617	-	-	151	617	
Impairment of investment in associates	-	-	-	-	-	-	-	-	-	-	-	-	252	(296)	252	(296)	-	-	252	(296)	
Share of results in associate	-	-	-	-	-	-	-	-	-	-	-	-	1,272	2,053	1,272	2,053	-	-	1,272	2,053	
Profit/(loss) before taxation	9,009	2,901	(4,599)	2,261	2,496	1,674	(104)	(1,301)	1,826	(1,239)	(8,367)	(2,602)	(13,143)	1,402	(12,882)	3,096	(66)	(34)	(12,948)	3,062	
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,104	(1,357)	-	-	2,104	(1,357)	
Loss from discontinuing operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(66)	(34)	-	-	(66)	(34)	
Net (loss)/profit for the period															(10,844)	1,705	(66)	(34)	(10,910)	1,671	
Assets																					
Investments in associates	-	-	-	-	-	-	-	-	-	-	43,030	45,115	8,864	518	51,894	45,633	-	-	51,894	45,633	
Additions to non-current assets	-	-	6,849	17,216	65	17	32	-	713	142	588	19	(1)	-	8,246	17,394	-	-	8,246	17,394	
Segments assets	3,672,244	2,480,576	2,247,952	1,558,480	491,670	496,879	105,390	124,197	48,138	28,444	893,474	710,861	(995,362)	(933,642)	6,463,506	4,465,795	-	-	6,463,506	4,465,795	
Segment liabilities	3,923,782	2,768,226	1,165,432	635,738	461,589	469,890	96,383	114,933	21,598	4,919	109,853	14,506	(130,653)	(302,303)	5,647,984	3,705,909	-	-	5,647,984	3,705,909	

NOTES TO INTERIM FINANCIAL STATEMENTS

A30 Revaluation of property, plant and equipment

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

A31 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.

A32 Effects of changes in the Composition of the Group

On 19 April 2013, IFB (now known as KFB) became a wholly-owned subsidiary of KIB, a wholly owned subsidiary of KIBB, which is in turn a wholly owned subsidiary of the Company.

A33 Significant Events and Transactions

The proposed acquisition of IFB (now known as KFB) by KIB, a wholly owned fund management subsidiary of KIBB, which in turn is the subsidiary of the Company, has been completed in April 2013.

The entire business, including all assets and liabilities of IFB (now known as KFB) has been transferred to KIB in June 2013.

A34 Net Income from Islamic Banking Business

	Group	
	30 June 2013 RM'000	30 June 2012 RM'000
Income derived from investment of depositors' funds and others	318	-
Income attributable to the depositors	(627)	-
Transfer from /(to) profit equalization reserve	-	-
Income attributable to the Group	(309)	-

There are no comparative figures as KIBB only commenced Islamic banking operations on 22 April 2013.

NOTES TO INTERIM FINANCIAL STATEMENTS

A35 OPERATIONS OF ISLAMIC BANKING

**(a) UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013**

		Group	
	Note	As at 30 June 2013 RM '000	As at 31 December 2012 RM '000
ASSETS			
Cash and short-term funds		91,735	-
Financial assets held-for-trading	(c)	29,382	-
Financial investments available-for-sale	(d)	97,275	-
Other assets		951	-
Property, plant and equipment		391	-
TOTAL ASSETS		219,734	-
LIABILITIES			
Deposits from customers	(e)	60,306	-
Deposits and placements of banks and other financial institutions	(f)	80,000	-
Other liabilities		1,945	-
TOTAL LIABILITIES		142,251	-
ISLAMIC BANKING CAPITAL FUNDS			
Islamic banking funds		80,000	-
Reserves		(2,517)	-
TOTAL ISLAMIC BANKING CAPITAL FUNDS		77,483	-
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS		219,734	-

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012.

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

NOTES TO INTERIM FINANCIAL STATEMENTS

A35 OPERATIONS OF ISLAMIC BANKING

**(b) UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2013**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 30 June 2013 RM'000	3 months ended 30 June 2012 RM'000	6 months ended 30 June 2013 RM'000	6 months ended 30 June 2012 RM'000
Income derived from investment of depositors' funds and others	318	-	318	-
Total attributable income	318	-	318	-
Income attributable to depositors	(627)	-	(627)	-
Net income attributable to the Group	(309)	-	(309)	-
Other operating expenses	(610)	-	(610)	-
Loss before taxation	(919)	-	(919)	-
Taxation	-	-	-	-
Loss for the period	(919)	-	(919)	-

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012.

NOTES TO INTERIM FINANCIAL STATEMENTS

A35 OPERATIONS OF ISLAMIC BANKING

	Group	
	As at	As at
	30 June	31 December
	2013	2012
	RM'000	RM'000
(c) Financial Assets Held-For-Trading		
At Fair Value		
Money Market Instruments:		
In Malaysia		
Government Investment Certificates	29,382	-
(d) Financial Investments Available-for-Sale		
Unquoted Private Debt Securities:		
In Malaysia		
Corporate bonds	97,275	-
(e) Deposits from customers		
(i) By type of deposit		
Mudarabah General Investment Deposits	60,306	-
(ii) By type of customer		
Business enterprises:		
Others	60,306	-
(iii) By maturity structure		
Due within six months	60,306	-
(f) Deposits and placements of banks and financial institutions		
Licenced islamic banks	50,000	-
Others financial institutions	30,000	-
	80,000	-

NOTES TO INTERIM FINANCIAL STATEMENTS

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

B1. Performance Review

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

The Group reported a pretax loss of RM12.95 million for the six months ended 30 June 2013 ("1H13") as compared to pretax profit of RM3.06 million for the six months ended 30 June 2012 ("1H12"), largely due to merger costs incurred of RM27.11 million arising from the acquisition and business merger between the Group's subsidiary KIBB and EIBB.

The Group reported a higher net interest income of RM35.92 million for 1H13 ended 30 June 2013 as compared to RM24.34 million for 1H12 ended 30 June 2012. Fee income was also higher at RM124.18 million compared to RM74.65 million in 1H12 ended 30 June 2012.

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

Stockbroking:

As a result of the merger between KIBB and EIBB, market share has improved to 9.4% in June 2013. The Group is now ranked number 2 for YTD trading value on Bursa compared to number 7 a year ago and this has resulted in revenue doubling from RM32.31 million in the previous period ended 30 June 2012 to RM66.41 million in the current period ended 30 June 2013. However, this has been offset by higher personnel and operating costs from the enlarged branch network arising from the merger.

Pretax loss of RM4.60 million was registered in the six months ended 30 June 2013 as compared to pretax profit of RM2.26 million in the previous period ended 30 June 2012 mainly due to depressed market condition in the first 4 months of 2013.

Investment Banking:

This segment registered RM6.25 million pretax profit in 1H13 ended 30 June 2013 as compared to pretax profit of RM2.90 million in the previous corresponding period. This was mainly due to higher fee billings in 1H13 ended 30 June 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 profit of RM1.83 million in the six months ended 30 June 2013 compared to pretax loss of RM1.24 million in the previous corresponding period, mainly due to the gain on acquisition of IFB (now known as KFB).

With the completion of the merger, the investment management subsidiary, KIB has moved up from 16th to 12th (according to Lipper as at April 2013) in terms of unit trust assets under management ("AUM") and will now have over RM5 billion in AUM as well as a larger retail customer base of over 30,000 investors.

Futures:

Due to the completion of the internal restructuring of Kenanga Deutsche Futures Sdn Bhd which became a 73% subsidiary of KIBB, the futures business is now included as part of the KIBB group's operation which registered a pretax profit of RM2.50 million in 1H2013 ended 30 June 2013.

Money lending:

This segment reported a pre-tax loss of RM0.10 million in 1H13 ended 30 June 2013 compared to a pretax loss of RM1.30 million in the previous corresponding period, mainly due to income from loan and advances as a result of more Initial Public Offerings ("IPOs") exercises and cash drawn down during six months ended 30 June 2013.

SELECTED EXPLANATORY NOTES

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

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

Variation of Results Against Preceding Quarter

The Group reported a pre-tax loss of RM4.74 million in the second quarter ended 30 June 2013 ("2Q13") included RM27.11 million in merger costs. Excluding the merger cost, the Group's operating profit would have been RM22.37 million compared to a pre-tax loss of RM8.21 million in the first quarter ended 31 March 2013 ("1Q13"). The higher profits is due to higher fee income of RM76.86 million in 2Q13 attributable primarily to brokerage fees compared to RM47.31 million in 1Q13 and higher gain from sales of securities of RM3.77 million compared to RM2.30 million loss in 1Q13.

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 with the Malaysian General Election out of the way, the Malaysian economy 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.

Post-merger of the businesses of the Group's subsidiary KIBB and EIBB at the end of 2012 and IFB in April 2013, 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.

NOTES TO INTERIM FINANCIAL STATEMENTS
REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA
SECURITIES BERHAD (CONTD)

B5. Taxation

	Individual Quarter 3 months ended 30 June 2013 RM'000	Cumulative Quarter 6 months ended 30 June 2013 RM'000
Current period - income tax	1,951	3,504
Deferred taxation	(416)	(1,400)
Total	<u>1,535</u>	<u>2,104</u>

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

B6. Status of Corporate Proposals

The proposed acquisition of IFB (now known as KFB) by KIB, a wholly owned fund management subsidiary of KIBB, which in turn is the subsidiary of the Company, has been completed in April 2013.

B7. Group Borrowings

		RM'000
Subordinated Loan (unsecured)	Note 1	1,384
Short term loan from financial institutions (unsecured)	Note 2	66,779
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 5.26% 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 six months ended 30 June 2013.

NOTES TO INTERIM FINANCIAL STATEMENTS
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 six-month period is RM11.4 million representing the loss for the period attributable to ordinary equity holders of the parent (30 June 2012: profit attributable to ordinary equity holders of parent: RM1.3 million).

The weighted average number of shares used as the denominator in calculating the basic earnings per share for the six-month period is 731,759,499 (30 June 2012: 611,759,499).

B10. Derivatives

As at 30 June 2013, 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	28,094	386
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.

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

**NOTES TO INTERIM FINANCIAL STATEMENTS
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. (Loss)/Gain Arising From Fair Value Changes of Financial Liabilities

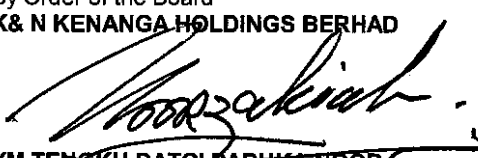
	Individual Quarter 3 months ended 30 June 2013 RM'000	Cumulative Quarter 6 months ended 30 June 2013 RM'000
(Loss)/Gain from fair value changes of financial liabilities	(41)	96

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.

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

	As at 30 June 2013 RM'000	As at 31 December 2012 RM'000
Total retained profits / (accumulated losses) of Company and its subsidiaries:		
- Realised	(333,859)	(315,400)
- Unrealised	27,666	21,213
	(306,193)	(294,187)
Total share of retained profits / (accumulated losses) from associates		
- Realised	(13,370)	(16,839)
- Unrealised	(642)	1,556
	(14,012)	(15,283)
Add: Consolidation adjustments	307,238	307,895
Total group (accumulated losses)/retained profits as per consolidated accounts	(12,967)	(1,575)

By Order of the Board
K & N KENANGA HOLDINGS BERHAD


**YM TENGKU DATU PADUKA NOOR
ZAKIAH BTE TENGKU ISMAIL**
Chairman

c.c. Issues & Investment Division
Securities Commission