



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

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

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

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**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**Group**

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended 30 September 2013 RM'000	3 months ended 30 September 2012 RM'000	9 months ended 30 September 2013 RM'000	9 months ended 30 September 2012 RM'000
<b>Continuing Operations</b>					
Interest income	A23	60,589	36,599	157,035	95,872
Interest expense	A24	(43,631)	(22,055)	(104,149)	(56,985)
Net interest income		16,958	14,544	52,886	38,887
Net Income from Islamic banking business	A32	535	-	207	-
Non interest income	A25	79,358	36,723	228,976	128,905
Net Income		96,851	51,267	282,069	167,792
Other operating expenses	A26	(96,736)	(56,070)	(296,298)	(175,083)
Operating profit/(loss)		115	(4,803)	(14,229)	(7,291)
Write back of impairment on loans, advances and financing	A27	1,509	303	1,231	3,479
Write back of impairment/(impairment allowance) on balances due from clients and brokers and other receivables	A28	305	(1,735)	456	(1,118)
Write back of impairment/(impairment allowance) on investments in associates		86	(79)	338	(375)
		2,015	(6,314)	(12,204)	(5,305)
Share of results in associates		664	418	1,935	2,471
<b>Profit/(Loss) before taxation</b>		2,679	(5,896)	(10,269)	(2,834)
Taxation		(144)	1,531	1,960	174
<b>Profit/(Loss) for the period from continuing operations</b>		2,535	(4,365)	(8,309)	(2,660)
<b>Discontinued operation</b>					
Loss for the period		(24)	(16)	(90)	(50)
<b>Profit/(Loss) for the period</b>		2,511	(4,381)	(8,399)	(2,710)

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 September 2013 RM'000	3 months ended 30 September 2012 RM'000	9 months ended 30 September 2013 RM'000	9 months ended 30 September 2012 RM'000
Other comprehensive income/(loss): <i>Items that may be reclassified subsequently to profit or loss</i>				
Exchange fluctuation from translation of associates' net assets	(2,281)	(2,234)	(3,512)	(2,662)
Available-for-sale financial investments	6,594	(3,848)	12,992	(5,829)
Other comprehensive income/(loss) for the period	4,313	(6,082)	9,480	(8,491)
Total comprehensive income/(loss)	6,824	(10,463)	1,081	(11,201)
Profit/(Loss) for the period attributable to				
- Equity holders of the parent	2,255	(4,557)	(9,137)	(3,210)
- Non-controlling interests	256	176	738	500
	2,511	(4,381)	(8,399)	(2,710)
Total comprehensive income/(loss) for the period attributable to				
- Equity holders of the parent	6,568	(10,639)	343	(11,701)
- Non-controlling interests	256	176	738	500
	6,824	(10,463)	1,081	(11,201)
(a) Earnings/(Loss) 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)	0.3	(0.7)	(1.2)	(0.5)
(ii) Fully diluted	0.3	(0.7)	(1.2)	(0.5)

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 COMPREHENSIVE INCOME**

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September 2013 RM'000	3 months ended 30 September 2012 RM'000	9 months ended 30 September 2013 RM'000	9 months ended 30 September 2012 RM'000
<b>Continuing Operations</b>				
Interest income	479	550	1,543	1,698
Interest expense	(1,203)	-	(3,585)	-
Net interest (expense)/income	(724)	550	(2,042)	1,698
Non interest income	4,019	6,074	29,541	11,290
Net Income	3,295	6,624	27,499	12,988
Other operating expenses	(7,110)	(7,980)	(18,689)	(16,934)
<b>(Loss)/Profit before taxation</b>	<b>(3,815)</b>	<b>(1,356)</b>	<b>8,810</b>	<b>(3,946)</b>
Taxation	595	247	(800)	684
<b>(Loss)/Profit for the period from continuing operations</b>	<b>(3,220)</b>	<b>(1,109)</b>	<b>8,010</b>	<b>(3,262)</b>
<b>(Loss)/Profit for the period</b>	<b>(3,220)</b>	<b>(1,109)</b>	<b>8,010</b>	<b>(3,262)</b>

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)**  
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**UNAUDITED COMPANY STATEMENT OF COMPREHENSIVE INCOME**

(i) (Loss)/Profit for the period attributable to - Equity holders of the parent	(3,220)	(1,109)	8,010	(3,262)
	<u>(3,220)</u>	<u>(1,109)</u>	<u>8,010</u>	<u>(3,262)</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)	(0.4)	(0.2)	1.1	(0.5)
(ii) Fully diluted	(0.4)	(0.2)	1.1	(0.5)

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

<u>Group</u>		As at 30 September 2013 RM'000	As at 31 December 2012 RM'000
	<b>Note</b>		
<b>ASSETS</b>			
Cash and short-term funds		1,071,089	872,911
Financial assets held-for-trading	<b>A9</b>	251,053	435,843
Financial investments available-for-sale	<b>A10</b>	2,188,703	1,540,260
Financial investments held-to-maturity	<b>A11</b>	10,008	40,000
Loans, advances and financing	<b>A12</b>	1,593,111	1,431,247
Other assets			
- Balance due from clients and brokers		788,482	406,096
- Assets segregated for customers		98,217	182,509
- Other receivables	<b>A13</b>	229,799	75,982
Statutory deposit with Bank Negara Malaysia		129,250	87,210
Tax recoverable		8,391	5,076
Investments in associates		55,304	52,044
Property, plant and equipment		62,614	63,454
Intangible assets		265,043	265,060
Deferred tax assets		14,832	7,364
Assets held for resale		170	6,060
<b>TOTAL ASSETS</b>		<b>6,766,066</b>	<b>5,471,116</b>
<b>LIABILITIES</b>			
Deposits from customers	<b>A14</b>	2,472,170	1,597,406
Deposits and placements of banks and other financial institutions	<b>A15</b>	1,852,110	1,924,655
Borrowings	<b>A16</b>	95,203	51,631
Other liabilities			
- Balance due to clients and brokers		1,090,624	734,306
- Amount held in trust		80,103	70,703
- Other payables	<b>A17</b>	261,199	160,728
Provision for taxation and zakat		283	36
Deferred tax liabilities		3,626	2,826
Subordinated obligations	<b>A18</b>	1,367	1,384
Derivative financial liabilities		154	336
Redeemable non-convertible unsecured loan stocks	<b>A19</b>	95,500	95,500
Liabilities held for resale		7	6
<b>TOTAL LIABILITIES</b>		<b>5,952,346</b>	<b>4,639,517</b>

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**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013**

<u>Group</u>	<b>As at 30 September 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	(10,712)	(1,575)
Exchange reserve	2,829	(683)
Statutory reserve	67,323	67,323
Fair value reserve	(8,082)	4,910
Capital reserve	22,152	22,152
	<hr/> 805,344	<hr/> 823,961
Non-controlling interests	8,376	7,638
Total equity	<hr/> 813,720	<hr/> 831,599
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<hr/> <b>6,766,066</b>	<hr/> <b>5,471,116</b>
<b>Net Assets Per Share (RM)</b>	<hr/> <b>1.10</b>	<hr/> <b>1.13</b>

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

	As at 30 September 2013 RM'000	As at 31 December 2012 RM'000
<b>ASSETS</b>		
Cash and short-term funds	40,782	4,701
Financial assets held-for-trading	33,405	30,746
- Amount due from subsidiaries	17,254	13,590
- Amount due from an associate	-	30
- Other receivables	820	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	1,640	1,388
<b>TOTAL ASSETS</b>	<u>871,158</u>	<u>860,801</u>
<b>LIABILITIES</b>		
Other liabilities		
- Amount due to subsidiaries	901	320
- Other payables	4,629	3,663
Deferred tax liabilities	3,626	2,826
Redeemable non-convertible unsecured loan stocks	95,500	95,500
<b>TOTAL LIABILITIES</b>	<u>104,656</u>	<u>102,309</u>
<b>SHAREHOLDERS EQUITY</b>		
Share capital	731,759	731,759
Share premium	75	75
Capital reserve	(49,800)	(49,800)
Profit and loss reserve	84,468	76,458
Total equity	<u>766,502</u>	<u>758,492</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>871,158</u>	<u>860,801</u>
<b>Net Assets Per Share (RM)</b>	<u>1.05</u>	<u>1.04</u>

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**K & N KENANGA HOLDINGS BERHAD (302859-X)**  
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**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2013**

	Group		Company	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from operating activities</b>				
<b>(Loss)/Profit before taxation</b>				
- Continuing operations	(10,269)	(2,834)	8,810	(3,946)
- Discontinued operation	(90)	(50)	-	-
Adjustments for non operating and non cash items	(167,821)	(189,583)	(16,832)	(4,174)
<b>Operating loss before changes in working capital</b>	<u>(178,180)</u>	<u>(192,467)</u>	<u>(8,022)</u>	<u>(8,120)</u>
Net changes in operating assets	(400,895)	(235,560)	25,569	1,968
Net changes in operating liabilities	1,253,396	1,088,303	966	(770)
<b>Cash generated from/(used in) operations</b>	<u>674,321</u>	<u>660,276</u>	<u>18,513</u>	<u>(6,922)</u>
Net dividends received	466	329	-	-
Interest income/(expense)	110,019	136,342	(2,042)	1,698
Net tax (paid)/refund	(2,946)	2,584	(3)	3,196
<b>Net cash generated from/(used in) operating activities</b>	<u>781,860</u>	<u>799,531</u>	<u>16,468</u>	<u>(2,028)</u>
<b>Net cash (used in)/generated from investing activities</b>	(389,814)	(648,143)	19,613	(214)
<b>Net cash generated from/(used in) financing activities</b>	41,904	87,433	-	(4,588)
Net increase/(decrease) in cash and cash equivalents during the period	<u>433,950</u>	<u>238,821</u>	<u>36,081</u>	<u>(6,830)</u>
Cash and cash equivalents brought forward	557,036	798,227	4,701	13,074
Cash and cash equivalents carried forward	<u>990,986</u>	<u>1,037,048</u>	<u>40,782</u>	<u>6,244</u>
Cash and cash equivalents comprise the following:-				
Non trust cash and short term funds	990,864	1,031,046	40,782	6,244
Cash and short term funds classified as asset held for sale	122	6,002	-	-
	<u>990,986</u>	<u>1,037,048</u>	<u>40,782</u>	<u>6,244</u>

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

Group	-----Attributable to Equity Holders of the Parent----->								Total Equity  RM'000
	Share Capital RM'000	Share Premium RM'000	Exchange Reserve RM'000	-----Non-Distributable-----			Distributable Profit and Loss Reserve RM'000	Non- Controlling Interests RM'000	
				Capital Reserve RM'000	Fair value Reserve RM'000	Statutory Reserve 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	-	-	3,512	-	(12,992)	-	(9,137)	738	(17,879)
<b>As at 30 September 2013</b>	<u>731,759</u>	<u>75</u>	<u>2,829</u>	<u>22,152</u>	<u>(8,082)</u>	<u>67,323</u>	<u>(10,712)</u>	<u>8,376</u>	<u>813,720</u>

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

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

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

	<-----Attributable to Equity Holders of the Parent----->				Total Equity <b>RM'000</b>
	Share Capital <b>RM'000</b>	Non Distributable Share Premium <b>RM'000</b>	Capital Reserve <b>RM'000</b>	Distributable Profit and Loss Reserve <b>RM'000</b>	
<b>As at 1 January 2013</b>	731,759	75	(49,800)	76,458	758,492
Comprehensive income for the period	-	-	-	8,010	8,010
<b>As at 30 September 2013</b>	<u>731,759</u>	<u>75</u>	<u>(49,800)</u>	<u>84,468</u>	<u>766,502</u>

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

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

The condensed 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 third quarter interim financial statement, for the period ended 30 September 2013, has been prepared in accordance with MFRS 134 Interim Financial Reporting 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 September 2013, the Group incurred RM27.72 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 nine months ended 30 September 2013.

**K & N KENANGA HOLDINGS BERHAD (302859-X)**  
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**NOTES TO INTERIM FINANCIAL STATEMENTS**

	30 September 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	128,317	10,140
Malaysian Government Investment Issues	78,612	253,796
Total Money Market Instruments	<u>206,929</u>	<u>263,936</u>
<b>Quoted securities:</b>		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	44,124	31,406
<b>Unquoted securities:</b>		
Private and Islamic Debt Securities in Malaysia	-	140,501
Total financial assets held-for-trading	<u>251,053</u>	<u>435,843</u>
<b>A10 Financial investments available-for-sale</b>		
<b>At Fair Value, or amortised cost</b>		
<b>Money Market instruments:-</b>		
Malaysian Government Securities	129,916	73,012
Malaysian Government Treasury Bills	-	49,992
Bank Negara Malaysia Bills and Notes	598,299	-
Malaysian Government Investment Issues	266,511	211,154
Negotiable Instruments of Deposits	389,109	349,529
Banker's Acceptances and Islamic Accepted Bills	-	24,948
Total Money Market instruments	<u>1,383,835</u>	<u>708,635</u>
<b>Quoted securities:</b>		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	1,000	7,567
<b>Unquoted securities:</b>		
In Malaysia:		
Shares, trust units and loan stocks	2,100	53,045
Private and Islamic Debt Securities	801,278	770,523
Others	490	490
	<u>803,868</u>	<u>824,058</u>
Total financial investments available-for-sale	<u>2,188,703</u>	<u>1,540,260</u>
<b>A11 Financial investments held-to maturity</b>		
<b>At Amortised Cost</b>		
<b>Money Market Instruments:</b>		
Negotiable instruments of deposits	-	40,000
Malaysian Government Investment Issues	10,008	-
Total financial investments held-to-maturity	<u>10,008</u>	<u>40,000</u>

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**NOTES TO INTERIM FINANCIAL STATEMENTS**

	30 September 2013 RM' 000	31 December 2012 RM' 000
<b>A12 Loans, advances and financing</b>		
Term loans	212,275	408,022
Share margin financing	1,287,249	974,279
Other financing	94,145	63,285
Gross loans, advances and financing	<u>1,593,669</u>	<u>1,445,586</u>
Allowances for bad and doubtful debts and financing:		
- Individual Impairment	(412)	(14,185)
- Collective Impairment	(146)	(154)
Net loans, advances and financing	<u>1,593,111</u>	<u>1,431,247</u>
<b>(i) By maturity structure</b>		
Within one year	1,593,669	1,294,678
More than one year	-	150,908
Gross loans, advances and financing	<u>1,593,669</u>	<u>1,445,586</u>
<b>(ii) By type of customer</b>		
<b>Domestic operations:</b>		
Domestic business enterprise		
- Others	748,913	658,954
Individuals	839,723	783,698
Foreign entities	5,033	2,934
Total domestic operations	<u>1,593,669</u>	<u>1,445,586</u>
<b>(iii) By interest/profit rate sensitivity</b>		
Fixed rate		
- Other fixed rate loans/financing	1,287,249	974,279
Variable rate		
- Cost plus	212,275	408,022
- Other variable rates	94,145	63,285
Gross loans, advances and financing	<u>1,593,669</u>	<u>1,445,586</u>
<b>(iv) Total loans by economic purpose</b>		
<b>Domestic operations:</b>		
Purchase of securities	1,381,394	1,000,584
Working capital	-	36,989
Others	212,275	408,013
	<u>1,593,669</u>	<u>1,445,586</u>
<b>(v) Impaired loans by economic purpose</b>		
<b>Domestic operations:</b>		
Purchase of securities	6,252	2,392
Working capital	-	13,969
Total domestic operations	<u>6,252</u>	<u>16,361</u>

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30 September 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	3,912	288
Recovered	(54)	(5,143)
Amount written off	(13,967)	(50,142)
At end of the period/year	6,252	16,361
Individual Impairment	(412)	(14,185)
Net impaired loans, advances and financing	5,840	2,176
Net impaired loans as a % of gross loans, advances and financing less individual impairment	0.37%	0.15%

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

<u>Individual Impairment</u>		
At beginning of the period/year	14,185	30,839
Allowance made during the period/year	1,780	253
Amount written back in respect of recoveries	(1,592)	(2,271)
Amount of allowance set off against gross loans	(13,961)	(14,636)
At end of the period/year	412	14,185

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

<u>Collective Impairment</u>		
At beginning of the period/year	154	842
Allowance made during the period/year	2	44
Amount written back	(10)	(842)
Acquisition of assets and liabilities of EIBB		
At end of the period/year	146	154
As % of gross loans, advances and financing less individual impairment	0.01%	0.01%

**A13 Other Assets**

Interest/Income receivable	13,530	13,767
Prepayments and deposits	27,210	26,048
Treasury trade receivables	143,902	4,000
Other debtors	46,753	35,428
	231,395	79,243
Individual impairment	(1,596)	(3,261)
	<b>229,799</b>	<b>75,982</b>



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	30 September 2013 RM' 000	31 December 2012 RM' 000
<b>A14 Deposits from customers</b>		
Fixed deposits and negotiable instruments of deposits		
- One year or less	2,472,170	1,597,406
- More than one year	-	-
	<u>2,472,170</u>	<u>1,597,406</u>
Business enterprise	2,091,310	1,192,872
Individuals	31,093	31,890
Government and statutory bodies	331,806	367,644
Others	17,961	5,000
	<u>2,472,170</u>	<u>1,597,406</u>
<b>A15 Deposits and placement of banks and other financial institutions</b>		
Licensed banks	644,999	550,000
Licensed investment banks	100,000	78,811
Other financial institutions	1,107,111	1,295,844
	<u>1,852,110</u>	<u>1,924,655</u>
<b>A16 Bank borrowings</b>		
Revolving bank loan	95,203	51,631
	<u>95,203</u>	<u>51,631</u>
<b>A17 Other liabilities</b>		
Interest/Profit payable	11,287	10,933
Provision and accruals	43,869	78,321
Retention for Contra Losses	13,220	13,923
Hire purchase creditors	115	131
Treasury trade payables	143,887	-
Deposits and other creditors	48,821	57,420
	<u>261,199</u>	<u>160,728</u>
<b>A18 Subordinated obligations</b>		
Unsecured		
- less than one year	-	-
- more than one year	1,367	1,384
	<u>1,367</u>	<u>1,384</u>
<b>A19 Redeemable non-convertible unsecured loan stocks ("RULS")</b>		
- less than one year	47,750	47,750
- more than one year	47,750	47,750
	<u>95,500</u>	<u>95,500</u>

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	September 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
<b><u>A20 Commitments and Contingencies and Off-Balance Sheet Financial Instruments</u></b>						
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice						
- maturity within one year	1,720,919	-	-	1,328,754	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:						
- exceeding one year	38,000	19,000	19,000	-	-	-
- not exceeding one year	-	-	-	-	-	-
Foreign exchange related contracts						
- One year or less	56,460	53	13	-	-	-
Obligations under underwriting agreements	17,675	8,838	8,838	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	580,833	580,833	116,167	-	-	-
	<b>2,413,887</b>	<b>608,724</b>	<b>144,018</b>	<b>1,333,754</b>	<b>2,500</b>	<b>2,500</b>

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As at 30 September 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>A21 Interest/Profit Rate Risk</b>									
Cash and short-term funds	441,486	-	-	-	-	629,603	-	1,071,089	3.00%
Financial assets held-for-trading	-	-	-	-	-	-	251,053	251,053	3.37%
Financial investments available-for-sale	249,687	687,721	50,000	440,833	756,872	3,590	-	2,188,703	3.71%
Financial assets held-for-maturity	-	10,008	-	-	-	-	-	10,008	-
Loans, advances and financing									
- non-impaired	1,339,915	6,466	102,496	143,676	-	-	-	1,592,553	6.80%
- impaired	-	-	-	-	-	558	-	558	-
Other assets n1	-	-	-	-	-	1,116,498	-	1,116,498	-
Other non-interest sensitive balances	-	-	-	-	-	535,604	-	535,604	-
<b>TOTAL ASSETS</b>	<b>2,031,088</b>	<b>704,195</b>	<b>152,496</b>	<b>584,509</b>	<b>756,872</b>	<b>2,285,853</b>	<b>251,053</b>	<b>6,766,066</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>									
Deposits from customers	1,881,464	271,425	319,281	-	-	-	-	2,472,170	3.18%
Deposits and placements of banks and other financial institutions	1,575,966	174,490	101,654	-	-	-	-	1,852,110	3.18%
Borrowings	95,203	-	-	-	-	-	-	95,203	5.32%
Subordinated obligations	-	-	-	1,367	-	-	-	1,367	5.50%
RULS	-	47,750	-	47,750	-	-	-	95,500	5.00%
Other non-interest sensitive balances	-	-	-	-	-	1,435,996	-	1,435,996	-
<b>Total Liabilities</b>	<b>3,552,633</b>	<b>493,665</b>	<b>420,935</b>	<b>49,117</b>	<b>-</b>	<b>1,435,996</b>	<b>-</b>	<b>5,952,346</b>	
Shareholders' equity	-	-	-	-	-	-	-	805,344	
Non-controlling interests	-	-	-	-	-	8,376	-	8,376	
<b>Total Liabilities and Shareholders' Equity</b>	<b>3,552,633</b>	<b>493,665</b>	<b>420,935</b>	<b>49,117</b>	<b>-</b>	<b>2,249,716</b>	<b>-</b>	<b>6,766,066</b>	
On-balance sheet interest sensitivity gap	(1,521,545)	210,530	(268,439)	535,392	756,872	36,137	251,053	-	
<b>Total interest sensitivity gap</b>	<b>(1,521,545)</b>	<b>(1,311,015)</b>	<b>(1,579,454)</b>	<b>(1,044,062)</b>	<b>(287,190)</b>	<b>(251,053)</b>	<b>-</b>	<b>-</b>	

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

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As at 31 December 2012

	← Non trading book →					Non-interest sensitive RM	Trading books RM	Total RM	Effective interest rate %
	Up to 1 month RM	>1 - 3 month RM	>3 - 12 month RM	>1 - 5 years RM	over 5 RM				
<b>A21 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	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	-
<b>TOTAL ASSETS</b>	<b>1,564,540</b>	<b>379,166</b>	<b>288,410</b>	<b>467,760</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	1,330,379	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	-
<b>Total Liabilities</b>	<b>2,603,163</b>	<b>779,040</b>	<b>239,239</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>2,603,163</b>	<b>779,040</b>	<b>239,239</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	(1,038,623)	(399,874)	49,171	418,626	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 INTERIM FINANCIAL STATEMENTS**

**A22 Capital Adequacy**

- (i) BNM guidelines on capital adequacy requires the Group's subsidiary, 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, 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 September 2013 RM'000	31 December 2012 RM'000 (Restated)
<b><u>Common Equity Tier I (CET 1) Capital</u></b>		
Paid-up share capital	770,000	770,000
Share premium	65,500	65,500
Accumulated loss	(60,253)	(53,083)
Other reserves	54,160	64,626
Less: Deferred tax assets	(13,227)	(5,840)
Less: Goodwill	(252,283)	(252,283)
Less: Other intangibles	(52,500)	(52,500)
<b>Total CET 1 capital</b>	<u>511,397</u>	<u>536,420</u>
<b><u>Tier II Capital</u></b>		
Collective impairment allowance	146	154
<b>Total Tier II capital</b>	<u>146</u>	<u>154</u>
Less: Investments in subsidiaries and associate	(86,615)	(72,771)
<b>Total capital</b>	<u>424,928</u>	<u>463,803</u>
CET 1 Capital ratio	29.97%	31.55%
Tier 1 Capital ratio	29.97%	31.55%
Total Capital ratio	29.97%	31.55%

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**A22 Capital Adequacy (continued)**

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

	Bank 30 September 2013		Bank 31 December 2012	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
0%	1,990,653	-	1,048,810	-
20%	2,540,833	508,167	1,941,242	388,248
50%	38,000	19,000	-	-
100%	453,568	453,568	571,475	571,475
150%	2,346	3,519	886	1,329
Total Risk Weighted Assets for Credit Risk	5,025,400	984,254	3,562,413	961,052
Risk Weighted Assets Equivalent for Market Risk	-	138,191	-	242,692
Risk Weighted Assets Equivalent for Operational Risk	-	295,075	-	266,086
Large Exposure Risk Requirement for Single Equity	-	-	-	-
	<u>5,025,400</u>	<u>1,417,520</u>	<u>3,562,413</u>	<u>1,469,830</u>

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	Individual Quarter		Cumulative Quarter	
	30 September 2013 RM'000	30 September 2012 RM'000	30 September 2013 RM'000	30 September 2012 RM'000
<b>A23 Interest Income</b>				
Loans, advances and financing	26,052	14,440	79,495	35,674
Money at call and deposit placements with financial institutions	7,350	6,522	15,077	17,812
Financial assets held-for-trading	1,271	3,876	3,855	11,086
Financial investments available-for-sale	17,217	11,176	43,161	29,401
Financial investments held-to-maturity	73	-	73	-
Others	8,626	585	15,374	1,899
	<u>60,589</u>	<u>36,599</u>	<u>157,035</u>	<u>95,872</u>
<b>A24 Interest Expense</b>				
Deposits from customers	32,565	18,455	80,253	50,068
Deposits and placement of banks and other financial institutions	8,564	2,585	16,470	5,223
Revolving bank loan	1,302	1,015	3,845	1,694
Redeemable non-convertible unsecured loan stocks	1,200	-	3,581	-
	<u>43,631</u>	<u>22,055</u>	<u>104,149</u>	<u>56,985</u>
<b>A25 Non-interest Income</b>				
(a) Fee income:				
Brokerage income	55,617	24,535	147,712	77,313
Commissions	3,443	2,685	9,986	7,273
Service charges and fees	5,415	2,122	14,971	10,411
Underwriting fees	1,026	849	2,877	2,478
Other fee income	8,594	5,043	22,724	12,408
	<u>74,095</u>	<u>35,234</u>	<u>198,270</u>	<u>109,883</u>
(b) (Loss)/Gain arising from sale of securities:				
Net (loss)/gain from sale of financial assets held-for-trading	(231)	(441)	(1,242)	2,943
Net gain from sale of financial investments available-for-sale	9	1,259	2,492	7,939
	<u>(222)</u>	<u>818</u>	<u>1,250</u>	<u>10,882</u>
(c) Gross dividend from:				
Securities portfolio	145	81	466	329
	<u>145</u>	<u>81</u>	<u>466</u>	<u>329</u>
(d) Unrealised (loss)/gain on revaluation of financial assets held-for-trading and derivatives	(877)	(1,089)	1,953	1,903
	<u>(877)</u>	<u>(1,089)</u>	<u>1,953</u>	<u>1,903</u>
(e) Other income:				
Foreign exchange profit	2,484	355	5,987	975
Gains on disposal of property, plant and equipment	-	-	-	122
Gains on acquisition of subsidiary	-	-	13,100	-
Others	3,733	1,324	7,950	4,811
	<u>6,217</u>	<u>1,679</u>	<u>27,037</u>	<u>5,908</u>
Total non-interest income	<u>79,358</u>	<u>36,723</u>	<u>228,976</u>	<u>128,905</u>

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	Individual Quarter		Cumulative Quarter	
	30 September 2013 RM'000	30 September 2012 RM'000	30 September 2013 RM'000	30 September 2012 RM'000
<b>A26 Other operating expenses *</b>				
Personnel costs	39,154	25,425	125,047	75,994
- Salaries, allowances and bonuses	31,682	20,369	85,091	61,466
- Voluntary Separation Scheme ("VSS") **	452	-	19,587	-
- EPF	3,778	2,993	11,237	7,319
- Others	3,242	2,063	9,132	7,209
Establishment costs	14,288	9,490	40,912	28,266
- Depreciation and amortisation of software	3,957	1,914	11,606	6,080
- Rental of leasehold land and premises	5,844	4,956	18,304	15,103
- Repairs and maintenance of property, plant and equipment	1,059	297	3,054	1,114
- Information technology expenses	2,324	1,937	5,218	4,447
- Others	1,104	386	2,730	1,522
Marketing expenses	2,048	1,965	7,513	5,455
- Advertisement and publicity	563	183	1,051	469
- Others	1,485	1,782	6,462	4,986
Administration and general expenses	41,246	19,190	122,826	65,368
- Fees and brokerage	29,312	8,668	77,033	28,455
- Administrative expenses	11,934	10,522	45,793	36,913
	<b>96,736</b>	<b>56,070</b>	<b>296,298</b>	<b>175,083</b>
<b>A27 Write back of impairment on loans, advances and financing:</b>				
Allowances for loans, advances and financing:				
- collective impairment (net)	2	-	8	842
- individual impairment	(687)	(13)	(1,780)	(214)
- write back of individual impairment	1,592	187	1,592	2,184
Bad debts and financing recovered	602	129	1,411	667
	<b>1,509</b>	<b>303</b>	<b>1,231</b>	<b>3,479</b>
<b>A28 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:				
- individual impairment (net)	305	(1,773)	(240)	(1,260)
Bad debts and financing recovered	-	38	696	142
	<b>305</b>	<b>(1,735)</b>	<b>456</b>	<b>(1,118)</b>

\* Included in the other operating expenses, are cost related to merger of EIBB with KIBB and IFB (now known as KFB) with KIB of RM8.13 million and VSS cost of RM19.59 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
<b>Revenue</b>																				
External sales	92,166	77,389	236,952	115,563	17,651	12,759	5,853	4,014	16,621	8,703	5,615	4,906	4,775	(3,015)	379,633	220,319	(2,500)	-	377,133	220,319
Inter-segment sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total revenue</b>	<b>92,166</b>	<b>77,389</b>	<b>236,952</b>	<b>115,563</b>	<b>17,651</b>	<b>12,759</b>	<b>5,853</b>	<b>4,014</b>	<b>16,621</b>	<b>8,703</b>	<b>5,615</b>	<b>4,906</b>	<b>4,775</b>	<b>(3,015)</b>	<b>379,633</b>	<b>220,319</b>	<b>(2,500)</b>	<b>-</b>	<b>377,133</b>	<b>220,319</b>
<b>Result</b>																				
Net income	40,448	37,418	199,916	105,034	14,150	11,528	3,168	2,271	46,590	8,704	28,205	13,373	(50,320)	(7,966)	282,157	170,362	(90)	(50)	282,067	170,312
Other operating expenses	(34,259)	(37,752)	(197,502)	(105,970)	(10,456)	(8,911)	(2,912)	(3,786)	(44,609)	(11,473)	(40,272)	(17,353)	33,714	10,163	(296,296)	(175,082)	-	-	(296,296)	(175,082)
Loans, advances and financing impairment reversal	1,244	2,541	(13)	938	-	-	2	-	-	-	-	-	(2)	-	1,231	3,479	-	-	1,231	3,479
Balances due from clients and brokers and other receivables impairment charge	(612)	-	1,067	(1,118)	-	-	-	-	-	-	-	-	1	-	456	(1,118)	-	-	456	(1,118)
Impairment of investment in associates	-	-	-	-	-	-	-	-	-	-	-	-	338	(375)	338	(375)	-	-	338	(375)
Share of results in associates	-	-	-	-	-	-	-	-	-	-	-	-	1,935	-	1,935	-	-	-	1,935	-
<b>Profit/(loss) before taxation</b>	<b>6,821</b>	<b>2,207</b>	<b>3,468</b>	<b>(1,118)</b>	<b>3,694</b>	<b>2,617</b>	<b>258</b>	<b>(1,515)</b>	<b>1,981</b>	<b>(2,769)</b>	<b>(12,067)</b>	<b>(3,980)</b>	<b>(14,334)</b>	<b>1,822</b>	<b>(10,179)</b>	<b>(2,734)</b>	<b>(90)</b>	<b>(50)</b>	<b>(10,269)</b>	<b>(2,784)</b>
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,960	174	-	-	1,960	174
Loss from discontinuing operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(90)	(50)	-	(50)	(90)	(100)
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(738)	(500)	-	-	(738)	(500)
<b>Net (loss)/profit for the period attributable to equity holders of the parent</b>															<b>(9,047)</b>	<b>(3,110)</b>	<b>(90)</b>	<b>(100)</b>	<b>(9,137)</b>	<b>(3,210)</b>
<b>Assets</b>																				
Investments in associates	-	-	-	-	-	-	-	-	-	-	43,030	45,115	8,864	(1,377)	51,894	43,738	-	-	51,894	43,738
Additions to non-current assets	8,733	-	-	18,427	69	17	32	-	812	106	613	237	(1)	-	10,258	18,787	-	-	10,258	18,787
<b>Segments assets</b>	<b>3,514,964</b>	<b>2,692,011</b>	<b>2,706,618</b>	<b>1,600,519</b>	<b>456,598</b>	<b>492,448</b>	<b>129,404</b>	<b>117,872</b>	<b>44,767</b>	<b>26,592</b>	<b>891,345</b>	<b>711,762</b>	<b>(977,630)</b>	<b>(890,849)</b>	<b>6,766,066</b>	<b>4,750,355</b>	<b>-</b>	<b>-</b>	<b>6,766,066</b>	<b>4,750,355</b>
<b>Segment liabilities</b>	<b>4,324,280</b>	<b>2,997,384</b>	<b>1,067,894</b>	<b>666,351</b>	<b>425,571</b>	<b>464,810</b>	<b>120,034</b>	<b>109,097</b>	<b>20,041</b>	<b>4,595</b>	<b>110,350</b>	<b>11,971</b>	<b>(116,324)</b>	<b>(253,276)</b>	<b>5,952,346</b>	<b>4,000,932</b>	<b>-</b>	<b>-</b>	<b>5,952,346</b>	<b>4,000,932</b>

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

**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 Net Income from Islamic Banking Business**

	Individual Quarter		Cumulative Quarter	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	1,014	-	1,332	-
Income attributable to the depositors	(479)	-	(1,125)	-
<b>Income attributable to the Group</b>	<b>535</b>	<b>-</b>	<b>207</b>	<b>-</b>

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

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**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A33 OPERATIONS OF ISLAMIC BANKING**

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

	Note	Group	
		As at 30 September 2013 RM '000	As at 31 December 2012 RM '000
<b>ASSETS</b>			
Cash and short-term funds		175,888	-
Financial assets held-for-trading	(c)	49,082	-
Financial investments available-for-sale	(d)	141,440	-
Financial investments held-for-maturity	(e)	5,004	-
Other assets		1,959	-
Property, plant and equipment		376	-
<b>TOTAL ASSETS</b>		<b>373,749</b>	<b>-</b>
<b>LIABILITIES</b>			
Deposits from customers	(f)	254,865	-
Deposits and placements of banks and other financial institutions	(g)	40,000	-
Other liabilities		2,281	-
<b>TOTAL LIABILITIES</b>		<b>297,146</b>	<b>-</b>
<b>ISLAMIC BANKING CAPITAL FUNDS</b>			
Islamic banking funds		80,000	-
Reserves		(3,397)	-
<b>TOTAL ISLAMIC BANKING CAPITAL FUNDS</b>		<b>76,603</b>	<b>-</b>
<b>TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS</b>		<b>373,749</b>	<b>-</b>

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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**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A33 OPERATIONS OF ISLAMIC BANKING**

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<b>3 months ended September 2013</b> RM'000	<b>3 months ended September 2012</b> RM'000	<b>9 months ended 30 September 2013</b> RM	<b>9 months ended 30 September 2012</b> RM
Income derived from investment of depositors' funds and others	1,014	-	1,332	-
Total attributable income	1,014	-	1,332	-
Income attributable to depositors	(479)	-	(1,125)	-
Net income attributable to the Group	535	-	207	-
Other operating expenses	(304)	-	(914)	-
<b>Profit/(loss) before taxation</b>	<b>231</b>	<b>-</b>	<b>(707)</b>	<b>-</b>
Taxation	-	-	-	-
<b>Profit/(loss) for the period</b>	<b>231</b>	<b>-</b>	<b>(707)</b>	<b>-</b>

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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**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A33 OPERATIONS OF ISLAMIC BANKING**

	Group	
	As at 30 September 2013 RM'000	As at 31 December 2012 RM'000
<b>(c) Financial Assets Held-For-Trading</b>		
<b>At Fair Value</b>		
<b>Money Market Instruments:</b>		
In Malaysia		
Malaysian Government Investment Issues	49,082	-
<b>(d) Financial Investments Available-for-Sale</b>		
<b>Unquoted Private Debt Securities:</b>		
In Malaysia		
Corporate bonds	141,440	-
<b>(e) Financial investments held-for-maturity</b>		
<b>At Amortised Cost</b>		
<b>Money Market Instruments:</b>		
Negotiable instruments of deposit	5,004	-
<b>(f) Deposits from customers</b>		
<b>(i) By type of deposit</b>		
Mudarabah General Investment Deposits	254,865	-
<b>(ii) By type of customer</b>		
Business enterprises:		
Others	254,865	-
<b>(iii) By maturity structure</b>		
Due within six months	254,865	-
<b>(g) Deposits and placements of banks and financial institutions</b>		
Licenced islamic banks	-	-
Others financial institutions	40,000	-
Company	-	-
	<b>40,000</b>	<b>-</b>

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**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 RM10.26 million for the nine months ended 30 September 2013 ("9MFY13") as compared to pretax loss of RM2.83 million for the nine months ended 30 September 2012 ("9MFY12"), largely due to merger costs incurred of RM27.72 million arising from the acquisition and business merger between the Group's subsidiary KIBB and EIBB.

The Group reported a higher net interest income (include Islamic banking business) of RM54.22 million for 9MFY13 as compared to RM38.88 million for 9MFY12. Fee income was also higher at RM198.27 million for 9MFY13 as compared to RM109.88 million in 9MFY12.

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 9.6% in September 2013. The Group is ranked number 2 for Year-To-Date trading value on Bursa compared to number 6 a year ago and this has resulted in revenue doubling from RM115.56 million in the previous period ended 30 September 2012 to RM236.95 million in the current period ended 30 September 2013. However, this has been offset by higher personnel and operating costs from the enlarged branch network arising from the merger.

Pretax profit of RM3.47 million was registered in 9MFY13 as compared to pretax loss of RM1.12 million in the previous period ended 30 September 2012 mainly due to improvement in operating profits and write back of impairment allowance.

**Investment Banking:**

This segment registered RM6.82 million pretax profit in 9MFY13 as compared to pretax profit of RM2.21 million in the previous corresponding period. This was mainly due to higher fee billings in 9MFY13 and lower operating costs despite lower trading activities in bond market.

**Investment Management:**

This segment registered a pretax profit of RM1.98 million in 9MFY13 compared to pretax loss of RM2.77 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 August 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:**

The futures business registered a pretax profit of RM3.69 million in 9MFY13 as compared to pretax profit of RM2.62 million in the previous corresponding period mainly due to improved futures trading volume.

**Money lending and financing:**

This segment reported a pre-tax profit of RM0.26 million in 9MFY13 ended 30 September 2013 compared to a pretax loss of RM1.52 million in the previous corresponding period, mainly due to income from loan and advances.

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

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

**Variation of Results Against Preceding Quarter**

The Group reported a pre-tax profit of RM2.68 million in the third quarter ended 30 September 2013 ("3Q13") compared to a pre-tax loss of RM4.74 million in the second quarter ended 30 June 2013 ("2Q13"). The losses in second quarter were largely due to merger costs incurred in 2Q13.

**B3. Prospects for 2013**

The global economic environment continues to be challenging due to vulnerability in several key advanced economies. The recent uncertainty over the QE taper by the US Federal Reserve could have a negative impact on the Malaysian Economy.

The global ratings agency Fitch Ratings recently revised its outlook on Malaysia's sovereign rating from stable to negative, which further dampened the local economy.

Despite the challenging environment, the Group will continue to practise prudent risk management and with sound business strategies to meet the challenges going forward. 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 its 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.

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**NOTES TO INTERIM FINANCIAL STATEMENTS  
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SECURITIES BERHAD (CONTD)**

**B5. Taxation**

	Individual Quarter 3 months ended 30 September 2013 RM'000	Cumulative Quarter 9 months ended 30 September 2013 RM'000
Current period - income tax	(738)	2,766
Deferred taxation	594	(806)
Total	<u>(144)</u>	<u>1,960</u>

The effective tax rate for the current period is lower than the statutory rate due to incomes which are not taxable 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	95,203
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 nine months ended 30 September 2013.



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**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 nine-month period is RM9.1 million representing the loss for the period attributable to ordinary equity holders of the parent (30 September 2012: loss attributable to ordinary equity holders of parent: RM3.2 million).

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

**B10. Derivatives**

As at 30 September 2013, derivative financial liabilities are as follows:

Type of Derivatives	Contract/Notional Value RM'000	Fair Value RM'000
Equity related contracts	-	-
Structured warrants - Less than 1 year	987	154
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.

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**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. Gain Arising From Fair Value Changes of Financial Liabilities**

	<b>Individual Quarter 3 months ended 30 September 2013 RM'000</b>	<b>Cumulative Quarter 9 months ended 30 September 2013 RM'000</b>
Gain from fair value changes of financial liabilities	<u>42</u>	<u>138</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.

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

	As at 30 September 2013 RM'000	As at 31 December 2012 RM'000
Total retained profits / (accumulated losses) of Company and its subsidiaries:		
- Realised	(333,899)	(315,400)
- Unrealised	29,502	21,213
	<u>(304,397)</u>	<u>(294,187)</u>
Total share of retained profits / (accumulated losses) from associates		
- Realised	(12,668)	(16,839)
- Unrealised	(680)	1,556
	<u>(13,348)</u>	<u>(15,283)</u>
Add: Consolidation adjustments	307,033	307,895
Total group (accumulated losses)/retained profits as per consolidated accounts	<u>(10,712)</u>	<u>(1,575)</u>

By Order of the Board  
**K & N KENANGA HOLDINGS BERHAD**

  
**Y.M. TENGKU DATO' PADUKA NOOR  
ZAKIAH BTE TENGKU ISMAIL**  
Chairman

c.c. Issues & Investment Division  
Securities Commission