

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

K & N KENANGA HOLDINGS  
BERHAD  
Company No. 302859-X  
8<sup>th</sup> Floor, Kenanga International  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Malaysia

**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2013  
THE FIGURES HAVE NOT BEEN AUDITED.**

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## UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

### Group

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended 31 December 2013 RM'000	3 months ended 31 December 2012 RM'000	12 months ended 31 December 2013 RM'000	12 months ended 31 December 2012 RM'000
<b>Continuing Operations</b>					
Interest income	<b>A23</b>	51,183	38,495	208,218	134,367
Interest expense	<b>A24</b>	(33,805)	(24,271)	(137,954)	(81,256)
Net interest income		17,378	14,224	70,264	53,111
Net Income from Islamic banking business	<b>A32</b>	318	-	525	-
Non interest income	<b>A25</b>	97,621	46,421	326,597	175,326
Net Income		115,317	60,645	397,386	228,437
Other operating expenses	<b>A26</b>	(98,339)	(55,437)	(394,637)	(230,520)
Operating profit/(loss)		16,978	5,208	2,749	(2,083)
Write back of impairment on loans, advances and financing	<b>A27</b>	356	242	1,587	3,721
Write back of impairment allowance on balances due from clients, brokers and other receivables	<b>A28</b>	1,146	3,421	1,602	2,303
Impairment allowance on investments in associates		(1,451)	(14)	(1,113)	(389)
		17,029	8,857	4,825	3,552
Share of results in associates		2,031	243	3,966	2,714
<b>Profit before taxation</b>		19,060	9,100	8,791	6,266
Taxation		(3,541)	(5,512)	(1,581)	(5,338)
<b>Profit for the period/year from continuing operations</b>		15,519	3,588	7,210	928
<b>Discontinued operation</b>					
(Loss)/profit for the period/year		(20)	18	(110)	(32)
<b>Profit for the period/year</b>		15,499	3,606	7,100	896

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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**Group**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December 2013 RM'000	3 months ended 31 December 2012 RM'000	12 months ended 31 December 2013 RM'000	12 months ended 31 December 2012 RM'000
Other comprehensive income/(loss):				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Share of other comprehensive income of associates	137	7,607	(2,388)	7,607
Exchange fluctuation from translation of associates' net assets	8,425	470	4,913	(2,192)
Available-for-sale financial investments	(14,770)	388	(28,725)	(7,379)
Income tax relating to the components of other comprehensive income	2,793	(95)	7,181	1,843
Other comprehensive (loss)/income for the period/year	(3,415)	8,370	(19,019)	(121)
Total comprehensive income/(loss)	12,084	11,976	(11,919)	775
Profit for the period/year attributable to				
- Equity holders of the parent	15,328	3,430	6,191	220
- Non-controlling interests	171	176	909	676
	15,499	3,606	7,100	896
Total comprehensive income/(loss) for the period/year attributable to				
- Equity holders of the parent	11,913	11,800	(12,828)	99
- Non-controlling interests	171	176	909	676
	12,084	11,976	(11,919)	775
(a) 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 quarter and cumulative quarter to date). (2012: 635,237,760 ordinary shares for the previous year quarter and 617,661,138 ordinary shares for the cumulative quarter previous year to date) (sen)	2.1	0.5	0.8	0.0
(ii) Fully diluted	2.1	0.5	0.8	0.0

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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December 2013 RM'000	3 months ended 31 December 2012 RM'000	12 months ended 31 December 2013 RM'000	12 months ended 31 December 2012 RM'000
<b>Continuing Operations</b>				
Interest income	360	525	1,903	2,223
Interest expense	(975)	(222)	(4,560)	(222)
Net interest (expense)/income	(615)	303	(2,657)	2,001
Non interest income	6,718	5,123	36,259	16,413
Net Income	6,103	5,426	33,602	18,414
Other operating expenses	(6,571)	(4,158)	(25,260)	(21,092)
Impairment allowance on investments in associates	(10,089)	(2,084)	(10,089)	(2,084)
<b>(Loss)/Profit before taxation</b>	(10,557)	(816)	(1,747)	(4,762)
Taxation	4,354	(1,897)	3,554	(1,213)
<b>Profit/(Loss) for the period/year from continuing operations</b>	(6,203)	(2,713)	1,807	(5,975)
<b>Profit/(Loss) for the period/year</b>	(6,203)	(2,713)	1,807	(5,975)

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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December 2013 RM'000	3 months ended 31 December 2012 RM'000	12 months ended 31 December 2013 RM'000	12 months ended 31 December 2012 RM'000
(i) Profit/(Loss) for the period/year attributable to - Equity holders of the parent	(6,203)	(2,713)	1,807	(5,975)
	<u>(6,203)</u>	<u>(2,713)</u>	<u>1,807</u>	<u>(5,975)</u>
(a) Earnings/(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 quarter and cumulative quarter to date). (2012: 635,237,760 ordinary shares for the previous year quarter and 617,661,138 ordinary shares for the cumulative quarter previous year to date) (sen)	(0.8)	(0.4)	0.2	(1.0)
(ii) Fully diluted	(0.8)	(0.4)	0.2	(1.0)

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 31 DECEMBER 2013**

<u>Group</u>		As at 31 December 2013 RM'000	As at 31 December 2012 RM'000
	<b>Note</b>		
<b>ASSETS</b>			
Cash and short-term funds		753,395	872,911
Financial assets held-for-trading	<b>A9</b>	41,737	435,843
Financial investments available-for-sale	<b>A10</b>	1,978,347	1,540,260
Financial investments held-to-maturity	<b>A11</b>	10,006	40,000
Derivative financial assets		4,284	-
Loans, advances and financing	<b>A12</b>	1,753,423	1,431,247
Other assets			
- Balance due from clients and brokers		395,564	406,096
- Assets segregated for customers		89,374	182,509
- Other receivables	<b>A13</b>	94,088	75,982
Statutory deposit with Bank Negara Malaysia		143,150	87,210
Tax recoverable		6,970	5,076
Investments in associates		57,422	52,044
Property, plant and equipment		61,974	63,454
Intangible assets		265,610	265,060
Deferred tax assets		13,542	7,364
Assets held for resale		152	6,060
<b>TOTAL ASSETS</b>		<b>5,669,038</b>	<b>5,471,116</b>
<b>LIABILITIES</b>			
Deposits from customers	<b>A14</b>	3,391,335	2,922,061
Deposits and placements of banks and other financial institutions	<b>A15</b>	493,937	600,000
Borrowings	<b>A16</b>	79,611	51,631
Other liabilities			
- Balance due to clients and brokers		660,979	734,306
- Amount held in trust		75,839	70,703
- Other payables	<b>A17</b>	96,355	160,728
Provision for taxation and zakat		1,851	36
Deferred tax liabilities		-	2,826
Subordinated obligations	<b>A18</b>	1,384	1,384
Derivative financial liabilities		1,081	336
Redeemable non-convertible unsecured loan stocks	<b>A19</b>	47,750	95,500
Liabilities held for resale		8	6
<b>TOTAL LIABILITIES</b>		<b>4,850,130</b>	<b>4,639,517</b>

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

<u>Group</u>	As at 31 December 2013 RM'000	As at 31 December 2012 RM'000
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	731,759	731,759
Share premium	75	75
Accumulated loss	(3,948)	(1,575)
Exchange reserve	4,230	(683)
Statutory reserve	75,887	67,323
Fair value reserve	(19,022)	4,910
Capital reserve	22,152	22,152
	<hr/>	<hr/>
	811,133	823,961
Non-controlling interests	7,775	7,638
Total equity	<hr/>	<hr/>
	818,908	831,599
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<hr/>	<hr/>
	5,669,038	5,471,116
<b>Net Assets Per Share (RM)</b>	<hr/>	<hr/>
	1.11	1.13

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 31 DECEMBER 2013**

	<b>As at 31 December 2013 RM'000</b>	<b>As at 31 December 2012 RM'000</b>
<b>ASSETS</b>		
Cash and short-term funds	6,124	4,701
Financial assets held-for-trading	15,743	30,746
- Amount due from subsidiaries	22,166	13,590
- Amount due from an associate	-	30
- Other receivables	800	792
Tax recoverable	2,244	2,241
Investments in subsidiaries	763,737	796,037
Investments in associates	1,187	11,276
Property, plant and equipment	1,608	1,388
Deferred tax assets	728	-
<b>TOTAL ASSETS</b>	<b>814,337</b>	<b>860,801</b>
<b>LIABILITIES</b>		
Other liabilities		
- Amount due to subsidiaries	2,218	320
- Other payables	4,070	3,663
Deferred tax liabilities	-	2,826
Redeemable non-convertible unsecured loan stocks	47,750	95,500
<b>TOTAL LIABILITIES</b>	<b>54,038</b>	<b>102,309</b>
<b>SHAREHOLDERS EQUITY</b>		
Share capital	731,759	731,759
Share premium	75	75
Capital reserve	(49,800)	(49,800)
Retained profits	78,265	76,458
Total equity	760,299	758,492
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>814,337</b>	<b>860,801</b>
<b>Net Assets Per Share (RM)</b>	<b>1.04</b>	<b>1.04</b>

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 31 DECEMBER 2013**

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2013 RM'000</b>	<b>31 December 2012 RM'000</b>	<b>31 December 2013 RM'000</b>	<b>31 December 2012 RM'000</b>
<b>Cash flows from operating activities</b>				
<b>Profit/(Loss) before taxation</b>				
- Continuing operations	8,791	6,266	(1,747)	(4,762)
- Discontinued operation	(104)	(32)	-	-
Adjustments for non operating and non cash items	(222,070)	(151,008)	(8,406)	(4,965)
<b>Operating loss before changes in working capital</b>	<u>(213,383)</u>	<u>(144,774)</u>	<u>(10,153)</u>	<u>(9,727)</u>
Net changes in operating assets	(329,378)	(65,685)	21,994	2,149
Net changes in operating liabilities	220,509	523,886	407	(1,327)
<b>Cash (used in)/generated from operations</b>	<u>(322,252)</u>	<u>313,427</u>	<u>12,248</u>	<u>(8,905)</u>
Net dividends received	542	371	-	-
Interest received	145,772	78,242	1,903	2,223
Net tax (paid)/refund	(2,843)	7,591	(3)	3,197
<b>Net cash (used in)/generated from operating activities</b>	<u>(178,781)</u>	<u>399,631</u>	<u>14,148</u>	<u>(3,485)</u>
<b>Net cash generated from/(used in) investing activities</b>	33,669	(685,339)	39,585	(300)
<b>Net cash (used in)/generated from financing activities</b>	(27,518)	44,517	(52,310)	(4,588)
Net (decrease)/increase in cash and cash equivalents during the period/year	<u>(172,630)</u>	<u>(241,191)</u>	<u>1,423</u>	<u>(8,373)</u>
Cash and cash equivalents brought forward	557,036	798,227	4,701	13,074
Cash and cash equivalents carried forward	<u>384,406</u>	<u>557,036</u>	<u>6,124</u>	<u>4,701</u>
Cash and cash equivalents comprise the following:-				
Non trust cash and short term funds	384,289	551,004	6,124	4,701
Cash and short term funds classified as asset held for sale	117	6,032	-	-
	<u>384,406</u>	<u>557,036</u>	<u>6,124</u>	<u>4,701</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)**

(Incorporated in Malaysia)

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2013**

-----Attributable to Equity Holders of the Parent-----;

Group	-----Non-Distributable-----						Distributable Accumulated Loss 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			
<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 year	-	-	4,913	-	(21,544)	-	6,191	909	(9,531)
Share of associates' other comprehensive loss	-	-	-	-	(2,388)	-	-	-	(2,388)
<b>Transaction with owners</b>									
Transfer to statutory reserve	-	-	-	-	-	8,564	(8,564)	-	-
Dividend paid	-	-	-	-	-	-	-	(772)	(772)
Total transactions with owners	-	-	-	-	-	8,564	(8,564)	(772)	(772)
<b>As at 31 December 2013</b>	<b>731,759</b>	<b>75</b>	<b>4,230</b>	<b>22,152</b>	<b>(19,022)</b>	<b>75,887</b>	<b>(3,948)</b>	<b>7,775</b>	<b>818,908</b>

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 CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2012**

Group	←-----Attributable to Equity Holders of the Parent-----→							Distributable Accumulated loss/ Retained profits RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Fair value Reserve RM'000	Statutory Reserve RM'000	Regulatory Reserve RM'000			
<b>As at 1 January 2012</b>	611,759	75	(8,136)	71,952	2,839	65,699	-	8,499	6,962	759,649
<b>Effect of adopting MFRS 1</b>	-	-	9,645	-	-	-	-	(9,645)	-	-
<b>Adoption of revised BNM GP3 and MFRS 139</b>	-	-	-	-	-	-	-	5,563	-	5,563
<b>As restated</b>	611,759	75	1,509	71,952	2,839	65,699	-	4,417	6,962	765,212
Total comprehensive (loss)/income for the year	-	-	(2,192)	-	(5,536)	-	-	220	676	(6,832)
Share of associated companies' other comprehensive income	-	-	-	-	7,607	-	-	-	-	7,607
<b>Transaction with owners</b>										
Transfer to regulatory reserve in the first quarter ended 31 March 2012	-	-	-	-	-	-	5,563	(5,563)	-	-
Transfer to statutory reserve	-	-	-	-	-	1,624	-	(1,624)	-	-
Reversal of regulatory reserve to accumulated losses in the third quarter ended 30 September 2012	-	-	-	-	-	-	(5,563)	5,563	-	-
Shares issued for acquisition of ECM Libra Investment Bank Berhad ("EIBB")	120,000	-	-	(49,800)	-	-	-	-	-	70,200
Dividend paid	-	-	-	-	-	-	-	(4,588)	-	(4,588)
Total transactions with owners	120,000	-	-	(49,800)	-	1,624	-	(6,212)	-	65,612
<b>As at 31 December 2012</b>	<b>731,759</b>	<b>75</b>	<b>(683)</b>	<b>22,152</b>	<b>4,910</b>	<b>67,323</b>	<b>-</b>	<b>(1,575)</b>	<b>7,638</b>	<b>831,599</b>

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 YEAR ENDED 31 DECEMBER 2013**

	<-----Attributable to Equity Holders of the Parent----->				
	Share Capital RM'000	Non Distributable Share Premium RM'000	Capital Reserve RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
<b>As at 1 January 2013</b>	731,759	75	(49,800)	76,458	758,492
Comprehensive income for the year	-	-	-	1,807	1,807
<b>As at 31 December 2013</b>	<u>731,759</u>	<u>75</u>	<u>(49,800)</u>	<u>78,265</u>	<u>760,299</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)**

(Incorporated in Malaysia)

**UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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

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**

The interim financial statements, for the fourth quarter and year ended 31 December 2013, have 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 the interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2012.

**A2. Condensed financial statements**

The interim financial statements have 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 year ended 31 December 2013, the Group incurred RM27.7 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 dividends were declared or paid during the quarter ended 31 December 2013.

**NOTES TO INTERIM FINANCIAL STATEMENTS**

	31 December 2013 RM' 000	31 December 2012 RM' 000
<b>A9 Financial assets held-for-trading</b>		
<b>At Fair Value</b>		
<b>Money Market Instruments:-</b>		
Malaysian Government Securities	-	10,140
Malaysian Government Investment Issues	-	253,796
Total Money Market Instruments	<u>-</u>	<u>263,936</u>
<b>Quoted securities:</b>		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	<u>41,737</u>	<u>31,406</u>
<b>Unquoted securities:</b>		
Private and Islamic Debt Securities in Malaysia	<u>-</u>	<u>140,501</u>
Total financial assets held-for-trading	<u><b>41,737</b></u>	<u><b>435,843</b></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	98,667	73,012
Malaysian Government Treasury Bills	-	49,992
Bank Negara Malaysia Bills and Notes	593,537	-
Malaysian Government Investment Issues	319,577	211,154
Negotiable Instruments of Deposits	249,764	349,529
Banker's Acceptances and Islamic Accepted Bills	-	24,948
Total Money Market instruments	<u>1,261,545</u>	<u>708,635</u>
<b>Quoted securities:</b>		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	<u>-</u>	<u>7,567</u>
<b>Unquoted securities:</b>		
In Malaysia:		
Shares, trust units and loan stocks	2,100	53,045
Private and Islamic Debt Securities	714,212	770,523
Others	490	490
	<u>716,802</u>	<u>824,058</u>
Total financial investments available-for-sale	<u><b>1,978,347</b></u>	<u><b>1,540,260</b></u>
<b>A11 Financial investments held-to maturity</b>		
<b>At Amortised Cost</b>		
<b>Money Market Instruments:</b>		
Negotiable instruments of deposits	-	40,000
Corporate bonds	5,003	-
Islamic corporate bonds	5,003	-
Total financial investments held-to-maturity	<u><b>10,006</b></u>	<u><b>40,000</b></u>

**NOTES TO INTERIM FINANCIAL STATEMENTS**

	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>RM' 000</b>	<b>RM' 000</b>
<b>A12 Loans, advances and financing</b>		
Term loans	338,227	408,022
Share margin financing	1,295,138	974,279
Other financing	121,055	63,285
Gross loans, advances and financing	<u>1,754,420</u>	<u>1,445,586</u>
Allowances for bad and doubtful debts and financing:		
- Individual Impairment	(400)	(14,185)
- Collective Impairment	(597)	(154)
Net loans, advances and financing	<u><b>1,753,423</b></u>	<u><b>1,431,247</b></u>
<b>(i) By maturity structure</b>		
Within one year	1,542,541	1,294,678
More than one year	211,879	150,908
Gross loans, advances and financing	<u>1,754,420</u>	<u>1,445,586</u>
<b>(ii) By type of customer</b>		
<b>Domestic operations:</b>		
Domestic business enterprise		
- Others	776,525	658,954
Individuals	964,093	783,698
Foreign entities	13,802	2,934
Total domestic operations	<u>1,754,420</u>	<u>1,445,586</u>
<b>(iii) By interest/profit rate sensitivity</b>		
Fixed rate		
- Other fixed rate loans/financing	1,461,401	974,279
Variable rate		
- Cost plus	171,964	408,022
- Other variable rates	121,055	63,285
Gross loans, advances and financing	<u>1,754,420</u>	<u>1,445,586</u>
<b>(iv) Total loans by economic purpose</b>		
<b>Domestic operations:</b>		
Purchase of securities	1,447,291	1,000,584
Working capital	146,118	36,989
Others	161,011	408,013
	<u>1,754,420</u>	<u>1,445,586</u>
<b>(v) Impaired loans by economic purpose</b>		
<b>Domestic operations:</b>		
Purchase of securities	2,785	2,392
Working capital	-	13,969
Total domestic operations	<u>2,785</u>	<u>16,361</u>

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**31 December 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 year	16,361	71,358
Impaired during the year	445	288
Recovered	(54)	(5,143)
Amount written off	(13,967)	(50,142)
At end of the year	<u>2,785</u>	<u>16,361</u>
Individual Impairment	<u>(400)</u>	<u>(14,185)</u>
Net impaired loans, advances and financing	<u>2,385</u>	<u>2,176</u>
Net impaired loans as a % of gross loans, advances and financing less individual impairment	<u>0.14%</u>	<u>0.15%</u>

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

Individual Impairment

At beginning of the year	14,185	30,839
Allowance made during the year	1,780	253
Amount written back in respect of recoveries	(1,607)	(2,271)
Amount of allowance set off against gross loans	(13,958)	(14,636)
At end of the year	<u>400</u>	<u>14,185</u>

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

Collective Impairment

At beginning of the year	154	842
Allowance made during the year	458	44
Amount written back	(15)	(842)
Acquisition of assets and liabilities of EIBB	-	110
At end of the year	<u>597</u>	<u>154</u>
As % of gross loans, advances and financing less individual impairment	<u>0.03%</u>	<u>0.01%</u>

**A13 Other Assets**

Interest/Income receivable	13,594	13,767
Prepayments and deposits	23,840	26,048
Other debtors	60,840	39,428
	<u>98,274</u>	<u>79,243</u>
Individual impairment	<u>(4,186)</u>	<u>(3,261)</u>
	<u><b>94,088</b></u>	<u><b>75,982</b></u>



**NOTES TO INTERIM FINANCIAL STATEMENTS**

	31 December 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	3,391,335	2,922,061
- More than one year	-	-
	<b>3,391,335</b>	<b>2,922,061</b>
Business enterprise	918,979	559,171
Domestic non-bank financial institutions	2,041,864	1,839,788
Individuals	31,771	58,959
Government and statutory bodies	393,219	459,143
Others	5,502	5,000
	<b>3,391,335</b>	<b>2,922,061</b>
<b>A15 Deposits and placement of banks and other financial institutions</b>		
Licensed banks	220,122	550,000
Licensed investment banks	100,000	50,000
Other financial institutions	173,815	-
	<b>493,937</b>	<b>600,000</b>
<b>A16 Bank borrowings</b>		
Revolving bank loan	79,611	51,631
	<b>79,611</b>	<b>51,631</b>
<b>A17 Other liabilities</b>		
Interest/Profit payable	8,207	10,933
Provision and accruals	33,905	78,321
Retention for Contra Losses	1,075	13,923
Hire purchase creditors	98	131
Deposits and other creditors	53,070	57,420
	<b>96,355</b>	<b>160,728</b>
<b>A18 Subordinated obligations</b>		
Unsecured		
- less than one year	-	-
- more than one year	1,384	1,384
	<b>1,384</b>	<b>1,384</b>
<b>A19 Redeemable non-convertible unsecured loan stocks ("RULS")</b>		
- less than one year	47,750	47,750
- more than one year	-	47,750
	<b>47,750</b>	<b>95,500</b>

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

**NOTES TO INTERIM FINANCIAL STATEMENTS**

	December 2013			December 2012		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
		Credit	Risk		Credit	Risk
<b>A20 <u>Commitments and Contingencies and Off-Balance Sheet Financial Instruments</u></b>	<b>Notional</b>	<b>Equivalent</b>	<b>Weighted</b>	<b>Notional</b>	<b>Equivalent</b>	<b>Weighted</b>
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice						
- maturity within one year	1,785,442	-	-	1,328,754	-	-
Foreign exchange related contracts						
- One year or less	14,591	78	21	-	-	-
Obligations under underwriting agreements	-	-	-	5,000	2,500	2,500
Miscellaneous commitments	595,056	595,056	119,011	412,527	412,527	82,505
	<b>2,395,089</b>	<b>595,134</b>	<b>119,032</b>	<b>1,746,281</b>	<b>415,027</b>	<b>85,005</b>

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

**NOTES TO INTERIM FINANCIAL STATEMENTS**

As at 31 December 2013

	Non trading book						Trading book RM	Total RM	Effective interest rate %
	Up to 1 month RM	>1 - 3 months RM	>3 - 12 months RM	>1 - 5 years RM	over 5 years RM	Non- interest sensitive RM			
<b>A21 Interest/Profit Rate Risk</b>									
Cash and short-term funds	270,631	-	-	-	-	482,764	-	753,395	2.98
Financial assets held-for-trading	-	-	-	-	-	-	41,737	41,737	-
Financial investments available-for-sale	-	843,301	-	300,704	832,242	2,100	-	1,978,347	3.62
Financial investments held-to-maturity	-	-	-	10,006	-	-	-	10,006	4.75
Derivative Financial Assets	-	200	-	4,084	-	-	-	4,284	-
Loans, advances and financing									
- non-impaired	1,345,068	-	195,479	211,879	-	-	-	1,752,426	7.04
- impaired	-	-	-	-	-	997	-	997	-
Other assets n1	-	-	-	-	-	579,026	-	579,026	-
Other non-interest sensitive balances	-	-	-	-	-	548,820	-	548,820	-
<b>TOTAL ASSETS</b>	<b>1,615,699</b>	<b>843,501</b>	<b>195,479</b>	<b>526,673</b>	<b>832,242</b>	<b>1,613,707</b>	<b>41,737</b>	<b>5,669,038</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>									
Deposits from customers	2,870,152	262,150	259,033	-	-	-	-	3,391,335	3.27
Deposits and placements of banks and other financial institutions	260,123	233,814	-	-	-	-	-	493,937	3.13
Borrowings	79,611	-	-	-	-	-	-	79,611	5.40
Subordinated obligations	-	-	-	1,384	-	-	-	1,384	5.00
RULS	-	-	47,750	-	-	-	-	47,750	5.00
Other non-interest sensitive balances	-	-	-	-	-	836,113	-	836,113	-
<b>Total Liabilities</b>	<b>3,209,886</b>	<b>495,964</b>	<b>306,783</b>	<b>1,384</b>	<b>-</b>	<b>836,113</b>	<b>-</b>	<b>4,850,130</b>	
Shareholders' equity	-	-	-	-	-	811,133	-	811,133	
Non-controlling interests	-	-	-	-	-	7,775	-	7,775	
<b>Total Liabilities and Shareholders' Equity</b>	<b>3,209,886</b>	<b>495,964</b>	<b>306,783</b>	<b>1,384</b>	<b>-</b>	<b>1,655,021</b>	<b>-</b>	<b>5,669,038</b>	
On-balance sheet interest sensitivity gap	(1,594,187)	347,537	(111,304)	525,289	832,242	(41,314)	41,737	-	
<b>Total interest sensitivity gap</b>	<b>(1,594,187)</b>	<b>(1,246,650)</b>	<b>(1,357,954)</b>	<b>(832,665)</b>	<b>(423)</b>	<b>(41,737)</b>	<b>-</b>	<b>-</b>	

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

**K & N KENANGA HOLDINGS BERHAD**  
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**NOTES TO INTERIM FINANCIAL STATEMENTS**

As at 31 December 2012

	← Non trading book →					Non-interest sensitive RM	Trading book RM	Total RM	Effective interest rate %
	Up to 1 month RM	>1 - 3 months RM	>3 - 12 months 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
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 investments held-to-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	2,181,532	501,290	239,239	-	-	-	-	2,922,061	3.24
Deposits and placements of banks and other financial institutions	370,000	230,000	-	-	-	-	-	600,000	3.24
Borrowings	51,631	-	-	-	-	-	-	51,631	3.20
Subordinated obligations	-	-	-	1,384	-	-	-	1,384	5.00
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>731,290</b>	<b>286,989</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>731,290</b>	<b>286,989</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)	(352,124)	1,421	418,626	662,866	(128,009)	435,843	-	
<b>Total interest sensitivity gap</b>	<b>(1,038,623)</b>	<b>(1,390,747)</b>	<b>(1,389,326)</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 KIBB are as follows:

	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>RM'000</b>	<b>RM'000</b>
		<b>(Restated)</b>
<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	(44,519)	(53,083)
Other reserves	51,646	64,626
Less: Deferred tax assets	(10,117)	(5,840)
Less: Goodwill	(252,909)	(252,283)
Less: Other intangibles	(52,500)	(52,500)
<b>Total CET 1 capital</b>	<b>527,101</b>	<b>536,420</b>
<b><u>Tier II Capital</u></b>		
Collective impairment allowance	597	154
<b>Total Tier II capital</b>	<b>597</b>	<b>154</b>
Less: Investments in subsidiaries and associate	(116,095)	(72,771)
<b>Total capital</b>	<b>411,603</b>	<b>463,803</b>
CET 1 Capital ratio	30.94%	31.55%
Tier 1 Capital ratio	30.94%	31.55%
Total Capital ratio	30.94%	31.55%

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**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A22 Capital Adequacy (continued)**

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

	<b>Bank</b>		<b>Bank</b>	
	<b>31 December 2013</b>		<b>31 December 2012</b>	
	<b>Notional amount RM'000</b>	<b>Risk-weighted amount RM'000</b>	<b>Notional amount RM'000</b>	<b>Risk-weighted amount RM'000</b>
0%	1,528,934	-	1,048,810	-
20%	1,989,973	397,995	1,941,242	388,248
50%	38,015	19,007	-	-
100%	521,625	521,625	571,475	571,475
150%	490	735	886	1,329
Total Risk Weighted Assets for Credit Risk	<u>4,079,037</u>	<u>939,362</u>	<u>3,562,413</u>	<u>961,052</u>
Risk Weighted Assets Equivalent for Market Risk	-	85,107	-	242,692
Risk Weighted Assets Equivalent for Operational Risk	-	305,737	-	266,086
Large Exposure Risk Requirement for Single Equity	-	-	-	-
	<u>4,079,037</u>	<u>1,330,206</u>	<u>3,562,413</u>	<u>1,469,830</u>

**NOTES TO INTERIM FINANCIAL STATEMENTS**

	Individual Quarter		Cumulative Quarter	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
<b>A23 Interest Income</b>				
Loans, advances and financing	28,312	17,018	107,807	52,692
Money at call and deposit placements with financial institutions	(536)	5,832	14,541	23,644
Financial assets held-for-trading	366	3,943	4,221	15,029
Financial investments available-for-sale	17,735	11,695	60,896	41,096
Financial investments held-to-maturity	21	-	94	-
Others	5,285	7	20,659	1,906
	<u>51,183</u>	<u>38,495</u>	<u>208,218</u>	<u>134,367</u>
<b>A24 Interest Expense</b>				
Deposits from customers	31,304	20,414	111,557	70,482
Deposits and placement of banks and other financial institutions	(99)	2,886	16,371	8,109
Revolving bank loan	1,553	749	5,398	2,443
Redeemable non-convertible unsecured loan stocks	979	222	4,560	222
Subordinated obligation	68	-	68	-
	<u>33,805</u>	<u>24,271</u>	<u>137,954</u>	<u>81,256</u>
<b>A25 Non-interest Income</b>				
(a) Fee income:				
Brokerage income	48,175	22,241	195,887	99,554
Commissions	3,022	3,001	13,008	10,274
Service charges and fees	9,733	4,720	24,704	15,131
Underwriting fees	829	757	3,706	3,235
Other fee income	27,819	7,242	50,543	19,650
	<u>89,578</u>	<u>37,961</u>	<u>287,848</u>	<u>147,844</u>
(b) (Loss)/Gain arising from sale of securities:				
Net (loss)/gain from sale of financial assets held-for-trading	(5,830)	4,963	(7,072)	7,906
Net gain from sale of financial investments available-for-sale	1,192	3,370	3,684	11,309
	<u>(4,638)</u>	<u>8,333</u>	<u>(3,388)</u>	<u>19,215</u>
(c) Gross dividend from:				
Securities portfolio	76	42	542	371
	<u>76</u>	<u>42</u>	<u>542</u>	<u>371</u>
(d) Unrealised gain/(loss) on revaluation of financial assets held-for-trading and derivatives	9,791	(2,503)	11,744	(600)
	<u>9,791</u>	<u>(2,503)</u>	<u>11,744</u>	<u>(600)</u>
(e) Other income:				
Foreign exchange profit	1,012	454	6,999	1,429
Gains on disposal of property, plant and equipment	227	78	227	200
Others	1,575	2,056	22,625	6,867
	<u>2,814</u>	<u>2,588</u>	<u>29,851</u>	<u>8,496</u>
Total non-interest income	<u>97,621</u>	<u>46,421</u>	<u>326,597</u>	<u>175,326</u>

**NOTES TO INTERIM FINANCIAL STATEMENTS**

	Individual Quarter		Cumulative Quarter	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
<b>A26 Other operating expenses *</b>				
Personnel costs	38,866	19,202	163,913	95,196
- Salaries, allowances and bonuses	32,337	14,392	117,428	75,858
- Voluntary Separation Scheme ("VSS") **	(66)	-	19,521	-
- EPF	3,383	2,758	14,620	10,077
- Others	3,212	2,052	12,344	9,261
Establishment costs	14,318	9,692	55,230	37,958
- Depreciation and amortisation of software	3,992	2,538	15,598	8,618
- Rental of leasehold land and premises	7,107	3,651	25,411	18,754
- Repairs and maintenance of property, plant and equipment	1,217	1,695	4,271	2,809
- Information technology expenses	1,209	1,218	6,427	5,665
- Others	793	590	3,523	2,112
Marketing expenses	3,504	1,578	11,017	7,033
- Advertisement and publicity	3,684	164	4,735	633
- Others	(180)	1,414	6,282	6,400
Administration and general expenses	41,651	24,965	164,477	90,333
- Fees and brokerage	26,989	30,172	104,022	58,627
- Administrative expenses	14,662	(5,207)	60,455	31,706
	<b>98,339</b>	<b>55,437</b>	<b>394,637</b>	<b>230,520</b>
<b>A27 Write back of impairment on loans, advances and financing:</b>				
Allowances for loans, advances and financing:				
- collective impairment (net)	(451)	(42)	(443)	798
- individual impairment	-	(1,304)	(1,780)	(253)
- write back of individual impairment	15	1,350	1,607	2,271
Bad debts and financing recovered	792	239	2,203	906
	<b>356</b>	<b>242</b>	<b>1,587</b>	<b>3,721</b>
<b>A28 Write back of impairment on balances due from clients and brokers and other receivables</b>				
Allowances for bad and doubtful debts and financing:				
- individual impairment (net)	(580)	2,509	(820)	1,249
Bad debts and financing recovered	1,726	354	2,422	496
	<b>1,146</b>	<b>3,421</b>	<b>1,602</b>	<b>2,303</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 RM8.24 million and VSS cost of RM19.52 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 introduced as part of the Group's effort to enhance productivity and cost synergies within the organization.



	Investment Bank		Stock broking		Futures		Money lending and Financing		Investment Management		Corporate and Others		Eliminations		Total		Others	Others
	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	178,163	126,426	268,077	130,445	17,355	16,128	9,256	5,847	35,996	12,642	8,757	13,647	-	(2,536)	517,604	302,599	7	(123)
Inter-segment sales	600	-	(165)	-	2,547	1,193	50	-	1,643	293	18,120	2,223	(22,795)	(3,709)	-	-	-	-
<b>Total revenue</b>	<b>178,763</b>	<b>126,426</b>	<b>267,912</b>	<b>130,445</b>	<b>19,902</b>	<b>17,321</b>	<b>9,306</b>	<b>5,847</b>	<b>37,639</b>	<b>12,935</b>	<b>26,877</b>	<b>15,870</b>	<b>(22,795)</b>	<b>(6,245)</b>	<b>517,604</b>	<b>302,599</b>	<b>7</b>	<b>(123)</b>
<b>Result</b>																		
Net income	53,367	42,703	254,677	129,955	18,572	15,678	5,567	3,345	70,696	12,936	36,275	38,018	(41,768)	(14,198)	397,386	228,437	7	(123)
Other operating expenses	(43,415)	(31,478)	(255,474)	(139,572)	(14,049)	(12,119)	(4,781)	(4,172)	(55,274)	(15,440)	(60,881)	(41,529)	39,237	13,790	(394,637)	(230,520)	(111)	91
Loans, advances and financing impairment reversal	811	2,420	774	1,301	-	-	2	-	-	-	-	-	-	-	1,587	3,721	-	-
Writeback of impairment on balances due from clients and brokers and other receivables	(916)	612	2,518	1,693	-	-	-	(2)	-	-	-	-	-	-	1,602	2,303	-	-
Impairment allowance on investment in associates	-	-	-	-	-	-	-	-	-	-	14,391	(2,083)	(15,504)	1,694	(1,113)	(389)	-	-
Share of results in associates	-	-	-	-	-	-	-	-	-	-	3,966	2,714	-	-	3,966	2,714	-	-
Profit/(loss) before taxation	<b>9,847</b>	<b>14,257</b>	<b>2,495</b>	<b>(6,623)</b>	<b>4,523</b>	<b>3,559</b>	<b>788</b>	<b>(829)</b>	<b>15,422</b>	<b>(2,504)</b>	<b>(6,249)</b>	<b>(2,880)</b>	<b>(18,035)</b>	<b>1,286</b>	<b>8,791</b>	<b>6,266</b>	<b>(104)</b>	<b>(32)</b>
Taxation															(1,581)	(5,338)	(6)	-
Loss from discontinuing operations															(110)	(32)	-	-
Non-controlling interest															(909)	(676)	-	-
Net profit for the year attributable to equity holders of the parent															<b>6,191</b>	<b>220</b>	<b>(110)</b>	<b>(32)</b>
<b>Segments assets</b>			<b>5,208,469</b>	<b>4,942,446</b>	<b>410,504</b>	<b>478,958</b>	<b>171,256</b>	<b>83,373</b>	<b>58,121</b>	<b>26,323</b>	<b>848,313</b>	<b>877,973</b>	<b>(1,027,625)</b>	<b>(937,957)</b>	<b>5,669,038</b>	<b>5,471,116</b>	<b>-</b>	<b>-</b>
<b>Segment liabilities</b>			<b>4,372,642</b>	<b>4,095,403</b>	<b>381,705</b>	<b>450,666</b>	<b>161,356</b>	<b>74,234</b>	<b>15,654</b>	<b>3,890</b>	<b>73,926</b>	<b>106,061</b>	<b>(155,153)</b>	<b>(90,737)</b>	<b>4,850,130</b>	<b>4,639,517</b>	<b>-</b>	<b>-</b>

**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	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	3,010	-	4,342	-
Income attributable to the depositors	(2,692)	-	(3,817)	-
<b>Income attributable to the Group</b>	<b>318</b>	<b>-</b>	<b>525</b>	<b>-</b>

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

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A33 OPERATIONS OF ISLAMIC BANKING**

**(a) UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2013**

		<b>Group</b>	
	<b>Note</b>	<b>As at 31 December 2013 RM</b>	<b>As at 31 December 2012 RM '000</b>
<b>ASSETS</b>			
Cash and short-term funds		182,124	-
Financial investments available-for-sale	<b>(c)</b>	130,214	-
Financial investments held-for-maturity	<b>(d)</b>	5,003	-
Other assets		2,331	-
Property, plant and equipment		361	-
<b>TOTAL ASSETS</b>		<b>320,033</b>	<b>-</b>
<b>LIABILITIES</b>			
Deposits from customers	<b>(e)</b>	241,138	-
Other liabilities		2,612	-
<b>TOTAL LIABILITIES</b>		<b>243,750</b>	<b>-</b>
<b>ISLAMIC BANKING CAPITAL FUNDS</b>			
Islamic banking funds		80,000	-
Reserves		(3,717)	-
<b>TOTAL ISLAMIC BANKING CAPITAL FUNDS</b>		<b>76,283</b>	<b>-</b>
<b>TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS</b>		<b>320,033</b>	<b>-</b>

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**

**A33 OPERATIONS OF ISLAMIC BANKING**

**(b) UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2013**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<b>3 months ended December 2013 RM'000</b>	<b>3 months ended December 2012 RM'000</b>	<b>12 months ended 31 December 2013 RM</b>	<b>12 months ended 31 December 2012 RM</b>
Income derived from investment of depositors' funds and others	3,010	-	4,342	-
Total attributable income	3,010	-	4,342	-
Income attributable to depositors	(2,692)	-	(3,817)	-
Net income attributable to the Group	318	-	525	-
Other operating expenses	(394)	-	(1,308)	-
<b>Loss before taxation</b>	<b>(76)</b>	<b>-</b>	<b>(783)</b>	<b>-</b>
Taxation	-	-	-	-
<b>Loss for the period/year</b>	<b>(76)</b>	<b>-</b>	<b>(783)</b>	<b>-</b>

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**

**A33 OPERATIONS OF ISLAMIC BANKING**

	<b>Group</b>	
	<b>As at 31 December 2013 RM</b>	<b>As at 31 December 2012 RM'000</b>
<b>(c) Financial investments available-for-sale</b>		
<b>Unquoted Private Debt Securities:</b>		
In Malaysia		
Corporate bonds	<b>130,214</b>	-
<b>(d) Financial investments held-to-maturity</b>		
<b>At Amortised Cost</b>		
<b>Money Market Instruments:</b>		
Islamic corporate bonds	<b>5,003</b>	-
<b>(e) Deposits from customers</b>		
<b>(i) By type of deposit</b>		
Mudharabah General Investment Deposits	<b>241,138</b>	-
<b>(ii) By type of customer</b>		
Business enterprises:		
Others	<b>241,138</b>	-
<b>(iii) By maturity structure</b>		
Due within six months	<b>241,138</b>	-

**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 profit of RM8.79 million for the year ended 31 December 2013 ("FY2013") which is about 40% increase from 2012 pretax profit of RM6.27 million. Included in the current year overheads is merger costs of RM27.76 million incurred in respect of acquisition of ECM Libra Investment Bank Berhad ("EIBB") and ING Funds Berhad ("IFB") which is mitigated by writeback in associate company and gain on acquisition of IFB.

The Group reported a higher net interest income of RM70.26 million for FY2013 as compared to RM53.11 million for FY2012. Fee income was also higher at RM287.85 million for FY2013 as compared to RM147.84 million in FY2012.

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

**Stockbroking:**

Equity Broking recorded profit before tax ("PBT") of RM2.5 million (FY2012: loss before tax("LBT") of RM6.6 million) as market share, net brokerage and interest income from margin loans has increased as a result of the merger with EIBB; thus showing a turnaround despite the increase in costs as a result of the enlarged branch network and agency network. Its market share has improved from premerger of 6.3% to 8.9%, placing it No.2 in the Bursa Ranking.

**Investment Banking:**

Investment Banking registered a PBT of RM9.8 million in FY2013 (FY2012: PBT of RM14.3 million) despite difficult bond market condition. Net income of RM42.7 million was recorded mainly from placement fee income while interest and loan-related fee income has also increased from enlarged corporate loan book (from EIBB of RM360 million).

**Investment Management:**

Investment management, KIB Group made a PBT of RM15.4 million (FY2012: LBT of RM2.5 million) as they recorded performance fee of RM18.8 million in December 2013 as well as gain from acquisition of IFB (net of merger costs) of approximately RM8 million.

**Futures:**

Futures, KDF has also made year-on-year improvement from RM3.6 million in FY2012 to RM4.5 million in FY2013 due to improvement in Exchange Volume traded.

**Money lending and financing:**

This segment reported a PBT of RM0.79 million in FY13 ended 31 December 2013 compared to a LBT of RM0.83 million in the previous financial year.

**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 RM19.06 million in the fourth quarter ended 31 December 2013 ("4Q13") compared to pre-tax profit of RM2.68 million in the third quarter ended 30 September 2013 ("3Q13") largely due to performance fee recorded by its investment management subsidiaries in 4Q13.

**B3. Prospects for 2014**

The world stock markets closed 2013 at record highs on optimism about the improving economic outlook heading into 2014. Malaysia FBM's KLCI hit record highs several times throughout 2013 and was up 10.54% year to date. The global economy is expected to grow modestly with key advanced economies showing signs of sustained recovery.

The Malaysian economy is expected to expand with the gradual improvement in the external sector, on-going large infrastructure projects under the Economic Transformation Programme and private consumption. GDP growth is expected to achieve the 4.5% to 5.0% target for 2013. External headwinds such as the US Federal Reserve's move to taper its Quantitative Easing programme and inflation will impact capital flows, currencies and the domestic equity and bond markets. The investment banking industry is expected to register positive growth in 2014 despite the challenges.

The Group will continue to build on the momentum gained in 2013 to meet the challenges going forward, the Board of Directors and Management are confident that the Group will grow by capitalising the enlarged retail network distribution of its broking and investment management business and building its businesses locally and regionally.

**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**

	<b>Individual Quarter 3 months ended 31 December 2013 RM'000</b>	<b>Cumulative Quarter 12 months ended 31 December 2013 RM'000</b>
Current period - income tax	(3,770)	(3,404)
Deferred taxation	229	1,823
Total	<u>(3,541)</u>	<u>(1,581)</u>

The effective tax rate for the current period is lower than the statutory rate due to income 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**

		<b>RM'000</b>
Subordinated Loan (unsecured)	Note 1	1,384
Short term loan from financial institutions (unsecured)	Note 2	79,611
Redeemable Non-Convertible Unsecured Loan Stocks ("RULS")	Note 3	47,750

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 average interest rate of 5.0% 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 5.40% 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. The first tranche of RULS - A of RM47.75 million has been fully repaid on 13 December 2013.

**B8. Dividend**

No dividend has been proposed for the fourth quarter ended 31 December 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 year is RM6.2 million representing the profit for the year attributable to ordinary equity holders of the parent (31 December 2012: profit attributable to ordinary equity holders of parent: RM0.2 million).

The weighted average number of shares used as the denominator in calculating the basic earnings per share for the year is 731,759,499 (31 December 2012: 617,661,138).

**B10. Derivatives**

As at 31 December 2013, derivative financial assets and liabilities are as follows:

<b>Type of Derivatives</b>	<b>Contract/Notional Value RM'000</b>	<b>Fair Value RM'000</b>
<b>Assets</b>		
Equity options	9,189	4,248
Dual currency investment options	3,900	36
<b>Liabilities</b>		
Structured warrants - Less than 1 year	4,559	1,045
Dual currency investment options - Less than 1 year	3,900	36

**Types of derivative financial instruments**

(a) Options

Options are contractual agreements or embedded in other financial instruments under which seller/issuer grants the purchaser the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date during a set period, a specific amount of an underlying assets at a pre-determined price.

The Seller may receive a premium from the purchaser in consideration of risk. Options may be either exchanged-traded, negotiated between the purchaser and the seller in the over-the-counter market or embedded components in other financial instruments.

(b) Structured warrants

Structured warrants are proprietary instruments issued by the Group that holders the right, but not imposing an obligation, to buy or sell the underlying assets at a future date for a predetermined price in accordance with the term sheet. Call warrant gives the holder the right, but not the obligation, to buy the underlying share for a fixed price known as the exercise (strike) price at the future date. A put warrants gives the holder the right, but not the obligation, to sell the underlying share to the warrant issuer for the exercise price. Structured warrants can be cash-settled or equity-settled. depending on the terms of the instruments

(c) 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 Group 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)**

**B11. Gain Arising From Fair Value Changes of Derivatives**

	<b>Individual Quarter 3 months ended 31 December 2013 RM'000</b>	<b>Cumulative Quarter 12 months ended 31 December 2013 RM'000</b>
Gain/(loss) from fair value changes of financial Equity Options	4,248	-
Structured Warrants	(88)	50

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

	As at 31 December 2013 RM'000	As at 31 December 2012 RM'000
Total retained profits / (accumulated losses) of Company and its subsidiaries:		
- Realised	(303,670)	(315,400)
- Unrealised	19,941	21,213
	(283,729)	(294,187)
Total share of retained profits / (accumulated losses) from associates		
- Realised	(20,962)	(16,839)
- Unrealised	5,218	1,556
	(15,744)	(15,283)
Add: Consolidation adjustments	295,525	307,895
Total group (accumulated losses)/retained profits as per consolidated accounts	(3,948)	(1,575)

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



**YM TENGKU DATO' PADUKA NOOR**  
**ZAKIAH BTE TENGKU ISMAIL**  
**Chairman**

c.c. Issues & Investment Division  
Securities Commission