

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2014  
THE FIGURES HAVE NOT BEEN AUDITED.

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

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended 31 March 2014 RM'000	3 months ended 31 March 2013 RM'000	3 months ended 31 March 2014 RM'000	3 months ended 31 March 2013 RM'000
<b>Continuing Operations</b>					
Interest income	A24	51,851	47,867	51,851	47,867
Interest expense	A25	(35,953)	(29,496)	(35,953)	(29,496)
Net interest income		15,898	18,371	15,898	18,371
Net Income from Islamic banking business	A34	946	-	946	-
Non interest income	A26	79,055	50,171	79,055	50,171
Net Income		95,899	68,542	95,899	68,542
Other operating expenses	A27	(90,613)	(78,375)	(90,613)	(78,375)
Operating profit/(loss)		5,286	(9,833)	5,286	(9,833)
Write back of impairment on loans, advances and financing	A28	650	507	650	507
(Impairment allowance)/Write back of impairment allowance on balances due from clients, brokers and other receivables	A29	(885)	125	(885)	125
Write back of Impairment allowance on investments in associates		-	146	-	146
		5,051	(9,055)	5,051	(9,055)
Share of results in associates		4,822	843	4,822	843
<b>Profit/(Loss) before taxation</b>		9,873	(8,212)	9,873	(8,212)
Taxation		(2,671)	569	(2,671)	569
<b>Profit/(Loss) for the period from continuing operations</b>		7,202	(7,643)	7,202	(7,643)
<b>Discontinued operation</b>					
(Loss)/Profit for the period		(25)	26	(25)	26
<b>Profit/(Loss) for the period</b>		7,177	(7,617)	7,177	(7,617)

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013.

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

(Incorporated in Malaysia)

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**Group**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March 2014 RM'000	3 months ended 31 March 2013 RM'000	3 months ended 31 March 2014 RM'000	3 months ended 31 March 2013 RM'000
Other comprehensive loss: <i>Items that may be reclassified subsequently to profit or loss</i>				
Share of other comprehensive loss of associates	(2,173)	-	(2,173)	-
Exchange fluctuation from translation of associates' net assets	(1,115)	(4)	(1,115)	(4)
Available-for-sale financial investments	(4,788)	(28)	(4,788)	(28)
Income tax relating to the components of other comprehensive income	1,197	-	1,197	-
Other comprehensive loss for the period	(6,879)	(32)	(6,879)	(32)
Total comprehensive income/(loss)	298	(7,649)	298	(7,649)
Profit/(Loss) for the period attributable to				
- Equity holders of the parent	6,995	(7,851)	6,995	(7,851)
- Non-controlling interests	182	234	182	234
	7,177	(7,617)	7,177	(7,617)
Total comprehensive income/(loss) for the period attributable to				
- Equity holders of the parent	116	(7,883)	116	(7,883)
- Non-controlling interests	182	234	182	234
	298	(7,649)	298	(7,649)
(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 quarter and cumulative quarter to date).	1.0	(1.1)	1.0	(1.1)

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013.

**K & N KENANGA HOLDINGS BERHAD (302859-X)**  
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**UNAUDITED COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March 2014 RM'000	3 months ended 31 March 2013 RM'000	3 months ended 31 March 2014 RM'000	3 months ended 31 March 2013 RM'000
<b>Continuing Operations</b>				
Interest income	147	522	147	522
Interest expense	(589)	(1,190)	(589)	(1,190)
Net interest expense	(442)	(668)	(442)	(668)
Non interest income	8,310	18,746	8,310	18,746
Net Income	7,868	18,078	7,868	18,078
Other operating expenses	(6,489)	(5,577)	(6,489)	(5,577)
<b>Profit before taxation</b>	1,379	12,501	1,379	12,501
Taxation	(263)	(978)	(263)	(978)
<b>Profit for the period from continuing operations</b>	1,116	11,523	1,116	11,523
<b>Profit for the period</b>	1,116	11,523	1,116	11,523

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013.

**K & N KENANGA HOLDINGS BERHAD (302859-X)**  
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**UNAUDITED COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March 2014 RM'000	3 months ended 31 March 2013 RM'000	3 months ended 31 March 2014 RM'000	3 months ended 31 March 2013 RM'000
(i) Profit for the period attributable to - Equity holders of the parent	1,116	11,523	1,116	11,523
	<u>1,116</u>	<u>11,523</u>	<u>1,116</u>	<u>11,523</u>
(a) Earnings 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).	0.2	1.6	0.2	1.6
(ii) Fully diluted	0.2	1.6	0.2	1.6

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013.

**K & N KENANGA HOLDINGS BERHAD (302859-X)**  
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**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014**

<u>Group</u>		As at 31 March 2014 RM'000	As at 31 December 2013 RM'000
	<b>Note</b>		
<b>ASSETS</b>			
Cash and short-term funds		914,149	753,395
Deposits and placements with banks and other financial institutions		51,160	-
Financial assets held-for-trading	<b>A9</b>	71,187	41,737
Financial investments available-for-sale	<b>A10</b>	1,637,967	1,978,347
Financial investments held-to-maturity	<b>A11</b>	10,008	10,006
Derivative financial assets		4,487	4,284
Loans, advances and financing	<b>A12</b>	1,753,097	1,753,423
Other assets			
- Balance due from clients and brokers		522,118	395,564
- Assets segregated for customers		85,810	89,374
- Other receivables	<b>A13</b>	145,356	94,088
Statutory deposit with Bank Negara Malaysia		126,490	143,150
Tax recoverable		7,239	6,970
Investments in associates		58,956	57,422
Property, plant and equipment		61,296	61,974
Intangible assets		266,059	265,610
Deferred tax assets		12,301	13,542
Assets held for resale		125	152
<b>TOTAL ASSETS</b>		<b>5,727,805</b>	<b>5,669,038</b>
<b>LIABILITIES</b>			
Deposits from customers	<b>A14</b>	3,194,032	3,391,335
Deposits and placements of banks and other financial institutions	<b>A15</b>	455,482	493,937
Borrowings	<b>A16</b>	108,594	79,611
Other liabilities			
- Balance due to clients and brokers		847,676	660,979
- Amount held in trust		77,697	75,839
- Other payables	<b>A17</b>	173,678	96,355
Provision for taxation and zakat		1,771	1,851
Subordinated obligations	<b>A18</b>	1,367	1,384
Derivative financial liabilities		545	1,081
Redeemable non-convertible unsecured loan stocks	<b>A19</b>	47,750	47,750
Liabilities held for resale		7	8
<b>TOTAL LIABILITIES</b>		<b>4,908,599</b>	<b>4,850,130</b>

**K & N KENANGA HOLDINGS BERHAD (302859-X)**  
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**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014**

<u>Group</u>	As at 31 March 2014 RM'000	As at 31 December 2013 RM'000
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	731,759	731,759
Share premium	75	75
Retained profit/(Accumulated loss)	3,047	(3,948)
Exchange reserve	3,115	4,230
Statutory reserve	75,887	75,887
Fair value reserve	(24,786)	(19,022)
Capital reserve	22,152	22,152
	<hr/>	<hr/>
	811,249	811,133
Non-controlling interests	7,957	7,775
Total equity	<hr/>	<hr/>
	819,206	818,908
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<hr/>	<hr/>
	5,727,805	5,669,038
<b>Net Assets Per Share (RM)</b>	<hr/>	<hr/>
	1.11	1.11

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013.

**K & N KENANGA HOLDINGS BERHAD (302859-X)**  
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**UNAUDITED COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014**

	<b>As at 31 March 2014 RM'000</b>	<b>As at 31 December 2013 RM'000</b>
<b>ASSETS</b>		
Cash and short-term funds	10,711	6,124
Financial assets held-for-trading	16,705	15,743
- Amount due from subsidiaries	16,378	22,166
- Other receivables	1,287	800
Tax recoverable	2,244	2,244
Investments in subsidiaries	763,737	763,737
Investments in associates	1,187	1,187
Property, plant and equipment	1,849	1,608
Deferred tax assets	465	728
<b>TOTAL ASSETS</b>	<b>814,563</b>	<b>814,337</b>
<b>LIABILITIES</b>		
Other liabilities		
- Amount due to subsidiaries	277	2,218
- Other payables	5,121	4,070
Redeemable non-convertible unsecured loan stocks	47,750	47,750
<b>TOTAL LIABILITIES</b>	<b>53,148</b>	<b>54,038</b>
<b>SHAREHOLDERS EQUITY</b>		
Share capital	731,759	731,759
Share premium	75	75
Capital reserve	(49,800)	(49,800)
Retained profits	79,381	78,265
Total equity	761,415	760,299
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>814,563</b>	<b>814,337</b>
<b>Net Assets Per Share (RM)</b>	<b>1.04</b>	<b>1.04</b>

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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 31 MARCH 2014**

	Group		Company	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
<b>Cash flows from operating activities</b>				
<b>Profit/(Loss) before taxation</b>				
- Continuing operations	9,873	(8,212)	1,379	12,501
- Discontinued operation	(25)	26	-	-
Adjustments for non operating and non cash items	(51,653)	(44,810)	(410)	(15,715)
<b>Operating (loss)/gain before changes in working capital</b>	<b>(41,805)</b>	<b>(52,996)</b>	<b>969</b>	<b>(3,214)</b>
Net changes in operating assets	(256,607)	(19,478)	3,360	28,876
Net changes in operating liabilities	30,058	(82,504)	1,052	2,087
<b>Cash (used in)/generated from operations</b>	<b>(268,354)</b>	<b>(154,978)</b>	<b>5,381</b>	<b>27,749</b>
Net dividends received	36	23	-	-
Interest received	38,636	33,756	147	522
Net tax paid	(534)	(987)	-	(3)
<b>Net operating cash flow</b>	<b>(230,216)</b>	<b>(122,186)</b>	<b>5,528</b>	<b>28,268</b>
<b>Net investing cash flow</b>	<b>314,328</b>	<b>608,094</b>	<b>(352)</b>	<b>20,182</b>
<b>Net financing cash flow</b>	<b>27,059</b>	<b>(2,238)</b>	<b>(589)</b>	<b>-</b>
Net change in cash and cash equivalents during the period	111,171	483,670	4,587	48,450
Cash and cash equivalents brought forward	384,406	557,036	6,124	4,701
Cash and cash equivalents carried forward	<u>495,577</u>	<u>1,040,706</u>	<u>10,711</u>	<u>53,151</u>
Cash and cash equivalents comprise the following:-				
Non trust cash and short term funds	495,480	1,040,561	10,711	53,151
Cash and short term funds classified as asset held for sale	97	145	-	-
	<u>495,577</u>	<u>1,040,706</u>	<u>10,711</u>	<u>53,151</u>

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013.



**K & N KENANGA HOLDINGS BERHAD (302859-X)**  
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**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2014**

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 Capital Reserve RM'000	Fair value Reserve RM'000	Statutory Reserve RM'000	Distributable Accumulated Loss RM'000	Non- Controlling Interests RM'000			
<b>As at 1 January 2014</b>	731,759	75	4,230	22,152	(19,022)	75,887	(3,948)	7,775			818,908
Total comprehensive (loss)/income for the period	-	-	(1,115)	-	(3,591)	-	6,995	182			2,471
Share of associates' other comprehensive loss	-	-	-	-	(2,173)	-	-	-			(2,173)
<b>As at 31 March 2014</b>	<u>731,759</u>	<u>75</u>	<u>3,115</u>	<u>22,152</u>	<u>(24,786)</u>	<u>75,887</u>	<u>3,047</u>	<u>7,957</u>			<u>819,206</u>

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013.

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**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2014**

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

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013.

**K & N KENANGA HOLDINGS BERHAD (302859-X)**  
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**UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2014**

	<-----Attributable to Equity Holders of the Parent----->					Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Distributable Retained Profits RM'000		
<b>As at 1 January 2014</b>	731,759	75	(49,800)	78,265		760,299
Comprehensive income for the period	-	-	-	1,116		1,116
<b>As at 31 March 2014</b>	<u>731,759</u>	<u>75</u>	<u>(49,800)</u>	<u>79,381</u>		<u>761,415</u>

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013.

**K & N KENANGA HOLDINGS BERHAD (302859-X)**  
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**UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2014**

	<-----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 period	-	-	-	11,523	11,523	
<b>As at 31 March 2013</b>	<u>731,759</u>	<u>75</u>	<u>(49,800)</u>	<u>87,981</u>	<u>770,015</u>	

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013.

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A1. Basis Of Preparation**

The interim financial statements, for the first quarter and year ended 31 March 2014, 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 2013.

**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 2013. 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 2013.

**A3. Preceding financial year audit report**

The preceding financial year audit report in respect of the financial year ended 31 December 2013 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 31 March 2014, there were no exceptional items affecting assets, liabilities, equity, net income or cash flows.

**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 period.

**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 period.

**A8. Dividends paid per share**

No dividend was paid during the three months ended 31 March 2014.

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**NOTES TO INTERIM FINANCIAL STATEMENTS**

	31 March 2014 RM' 000	31 December 2013 RM' 000
<b>A9 Financial assets held-for-trading</b>		
<b>At Fair Value</b>		
<b>Money Market Instruments:-</b>		
Malaysian Government Securities	9,903	-
<b>Quoted securities:</b>		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	31,311	41,737
<b>Unquoted securities:</b>		
Private and Islamic Debt Securities in Malaysia	29,973	-
<b>Total financial assets held-for-trading</b>	<b>71,187</b>	<b>41,737</b>
<b>A10 Financial investments available-for-sale</b>		
<b>At Fair Value, or amortised cost</b>		
<b>Money Market instruments:-</b>		
Malaysian Government Securities	98,809	98,667
Bank Negara Malaysia Bills and Notes	379,562	593,537
Malaysian Government Investment Issues	300,431	319,577
Negotiable Instruments of Deposits	150,000	249,764
Sukuk Perumahan Kerajaan	9,907	-
<b>Total Money Market instruments</b>	<b>938,709</b>	<b>1,261,545</b>
<b>Unquoted securities:</b>		
In Malaysia:		
Shares, trust units and loan stocks	490	2,590
Private and Islamic Debt Securities	698,768	714,212
<b>Total</b>	<b>699,258</b>	<b>716,802</b>
<b>Total financial investments available-for-sale</b>	<b>1,637,967</b>	<b>1,978,347</b>
<b>A11 Financial investments held-to maturity</b>		
<b>At Amortised Cost</b>		
<b>Money Market Instruments:</b>		
Corporate bonds	5,004	5,003
Islamic corporate bonds	5,004	5,003
<b>Total financial investments held-to-maturity</b>	<b>10,008</b>	<b>10,006</b>

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**NOTES TO INTERIM FINANCIAL STATEMENTS**

	31 March 2014 RM' 000	31 December 2013 RM' 000
<b>A12 Loans, advances and financing</b>		
Term loans	276,169	338,227
Share margin financing	1,314,108	1,295,138
Other financing	163,109	121,055
Gross loans, advances and financing	<u>1,753,386</u>	<u>1,754,420</u>
Allowances for bad and doubtful debts and financing:		
- Individual Impairment	(161)	(400)
- Collective Impairment	(128)	(597)
Net loans, advances and financing	<u>1,753,097</u>	<u>1,753,423</u>
<b>(i) By maturity structure</b>		
Within one year	1,420,137	1,542,541
More than one year	333,249	211,879
Gross loans, advances and financing	<u>1,753,386</u>	<u>1,754,420</u>
<b>(ii) By type of customer</b>		
<b>Domestic operations:</b>		
Domestic business enterprise		
- Others	718,819	776,525
Individuals	1,034,567	964,093
Foreign entities	-	13,802
Total domestic operations	<u>1,753,386</u>	<u>1,754,420</u>
<b>(iii) By interest/profit rate sensitivity</b>		
Fixed rate		
- Other fixed rate loans/financing	1,404,913	1,461,401
Variable rate		
- Cost plus	212,287	171,964
- Other variable rates	136,186	121,055
Gross loans, advances and financing	<u>1,753,386</u>	<u>1,754,420</u>
<b>(iv) Total loans by economic purpose</b>		
<b>Domestic operations:</b>		
Purchase of securities	1,348,191	1,447,291
Working capital	129,027	146,118
Others	276,168	161,011
	<u>1,753,386</u>	<u>1,754,420</u>
<b>(v) Impaired loans by economic purpose</b>		
<b>Domestic operations:</b>		
Purchase of securities	2,629	2,785
Working capital	-	-
Total domestic operations	<u>2,629</u>	<u>2,785</u>

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**NOTES TO INTERIM FINANCIAL STATEMENTS**

	31 March 2014 RM' 000	31 December 2013 RM' 000
<b>A12 Loans, advances and financing (cont'd)</b>		
<b>(vi) Movement in impaired loans, advances and financing ("Impaired loans") are as follows</b>		
At beginning of the year	2,785	16,361
Impaired during the period/year	70	445
Recovered	-	(54)
Amount written off	(226)	(13,967)
At end of the period/year	<u>2,629</u>	<u>2,785</u>
Individual Impairment	(161)	(400)
Net impaired loans, advances and financing	<u>2,468</u>	<u>2,385</u>
Net impaired loans as a % of gross loans, advances and financing less individual impairment	<u>0.14%</u>	<u>0.14%</u>
<b>(vii) Movement in individual impairment for loans, advances and financing are as follows</b>		
<u>Individual Impairment</u>		
At beginning of the year	400	14,185
Allowance made during the period/year	6	1,780
Amount written back in respect of recoveries	(20)	(1,607)
Amount of allowance set off against gross loans	(225)	(13,958)
At end of the period/year	<u>161</u>	<u>400</u>
<b>(viii) Movement in collective impairment for loans, advances and financing are as follows</b>		
<u>Collective Impairment</u>		
At beginning of the year	597	154
(Write back)/Allowance made during the period/year	(237)	458
Amount written back	(232)	(15)
At end of the period/year	<u>128</u>	<u>597</u>
As % of gross loans, advances and financing less individual impairment	<u>0.01%</u>	<u>0.03%</u>
<b>A13 Other Assets</b>		
Interest/Income receivable	12,115	13,594
Prepayments and deposits	26,937	23,840
Treasury trade receivables	69,986	-
Other debtors	40,090	60,840
	<u>149,128</u>	<u>98,274</u>
Individual impairment	(3,772)	(4,186)
	<u>145,356</u>	<u>94,088</u>



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	31 March 2014 RM' 000	31 December 2013 RM' 000
<b>A14 Deposits from customers</b>		
Fixed deposits and negotiable instruments of deposits		
- One year or less	3,194,032	3,391,335
- More than one year	-	-
	<u>3,194,032</u>	<u>3,391,335</u>
By type of customers:		
Business enterprise	713,593	918,979
Domestic non-bank financial institutions	1,869,783	2,041,864
Individuals	42,751	31,771
Government and statutory bodies	551,000	393,219
Others	16,905	5,502
	<u>3,194,032</u>	<u>3,391,335</u>
<b>A15 Deposits and placement of banks and other financial institutions</b>		
Licensed banks	130,000	220,122
Licensed investment banks	50,000	100,000
Other financial institutions	275,482	173,815
	<u>455,482</u>	<u>493,937</u>
<b>A16 Bank borrowings</b>		
Revolving bank loan	108,594	79,611
	<u>108,594</u>	<u>79,611</u>
<b>A17 Other liabilities</b>		
Interest/Profit payable	9,582	8,207
Provision and accruals	35,761	33,905
Retention for Contra Losses	1,092	1,075
Hire purchase creditors	89	98
Treasury trade payables	80,002	-
Deposits and other creditors	47,152	53,070
	<u>173,678</u>	<u>96,355</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
	<u>47,750</u>	<u>47,750</u>

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**A20 Commitments and Contingencies and Off-Balance Sheet Financial Instruments**

Any commitments that are unconditionally cancelled at any time by the Bank without prior notice - maturity within one year  
Other commitments  
Foreign exchange related contracts  
- One year or less  
Obligations under underwriting agreements  
Miscellaneous commitments

	31 March 2014		31 March 2013	
	RM'000	RM'000	RM'000	RM'000
	Notional	Credit Equivalent	Notional	Credit Equivalent
		Weighted Risk		Weighted Risk
	1,893,164	-	1,383,121	-
	148,000	37,100	14,063	6,713
	44,515	225	59,964	75
	8,541	8,541	19,054	19,054
	518,825	518,825	281,173	281,173
	2,613,045	564,691	1,757,375	307,015
		149,493		82,062

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**NOTES TO INTERIM FINANCIAL STATEMENTS**

	Group		Company	
	31 March 2014 RM' 000	31 December 2013 RM' 000	31 March 2014 RM' 000	31 December 2013 RM' 000
<b>A21 Other Commitments</b>				
Capital expenditure commitments	8,541	7,661	-	-
Operating lease arrangements	60,880	65,400	-	-
Corporate guarantee provided by the Company for subsidiary companies for credit facilities granted by licensed banks.	-	-	293,000	293,000
Corporate guarantee provided by the Company for a subsidiary company to a counter party against cash collateral.	-	-	75,000	75,000
	<u>69,421</u>	<u>73,061</u>	<u>368,000</u>	<u>368,000</u>

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As at 31 March 2014

	Non trading book						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>A22 Interest/Profit Rate Risk</b>							
Cash and short-term funds	366,279	90,000	-	-	-	457,870	914,149
Financial assets held-for-trading	-	-	-	-	-	-	71,187
Financial investments available-for-sale	479,562	50,000	-	294,967	811,338	2,100	1,637,967
Financial investments held-to-maturity	-	-	-	10,008	-	-	10,008
Derivative Financial Assets	194	-	688	3,591	-	14	4,487
Loans, advances and financing							
- non-impaired	1,344,533	116,060	79,556	212,659	-	-	1,752,808
- impaired	-	-	-	-	-	289	289
Other assets n1	-	-	-	-	-	753,284	753,284
Other non-interest sensitive balances	-	-	-	-	-	583,626	583,626
<b>TOTAL ASSETS</b>	<b>2,190,568</b>	<b>256,060</b>	<b>80,244</b>	<b>521,225</b>	<b>811,338</b>	<b>1,797,183</b>	<b>5,727,805</b>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Deposits from customers	2,453,993	550,830	189,209	-	-	-	3,194,032	3.26
Deposits and placements of banks and other financial institutions	455,482	-	-	-	-	-	455,482	3.26
Borrowings	108,594	-	-	-	-	-	108,594	5.38
Subordinated obligations	-	-	-	1,367	-	-	1,367	5.00
RULS	-	-	47,750	-	-	-	47,750	5.00
Other non-interest sensitive balances	-	-	-	-	-	1,101,374	1,101,374	-
<b>Total Liabilities</b>	<b>3,018,069</b>	<b>550,830</b>	<b>236,959</b>	<b>1,367</b>	<b>-</b>	<b>1,101,374</b>	<b>4,908,599</b>	
Shareholders' equity	-	-	-	-	-	811,249	811,249	
Non-controlling interests	-	-	-	-	-	7,957	7,957	
<b>Total Liabilities and Shareholders' Equity</b>	<b>3,018,069</b>	<b>550,830</b>	<b>236,959</b>	<b>1,367</b>	<b>-</b>	<b>1,920,580</b>	<b>5,727,805</b>	
On-balance sheet interest sensitivity gap	(827,501)	(294,770)	(156,715)	519,858	811,338	(123,397)	71,187	
<b>Total interest sensitivity gap</b>	<b>(827,501)</b>	<b>(1,122,271)</b>	<b>(1,278,986)</b>	<b>(759,128)</b>	<b>52,210</b>	<b>(71,187)</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 March 2013

	Non trading book							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	Trading book RM		
<b>A22 Interest/Profit Rate Risk</b>									
Cash and short-term funds	355,114	-	-	-	-	755,838	-	1,110,952	2.99
Financial assets held-for-trading	-	-	-	-	-	-	30,195	30,195	4.00
Financial investments available-for-sale	201,952	448,016	10,035	219,891	510,205	490	-	1,390,589	3.82
Loans, advances and financing									
- non-impaired	1,523,555	-	-	-	-	-	-	1,523,555	7.02
- impaired	-	-	-	-	-	9,511	-	9,511	-
Other assets n1	-	-	-	-	-	828,177	-	828,177	-
Other non-interest sensitive balances	-	-	-	-	-	487,477	-	487,477	-
<b>TOTAL ASSETS</b>	<b>2,080,621</b>	<b>448,016</b>	<b>10,035</b>	<b>219,891</b>	<b>510,205</b>	<b>2,081,493</b>	<b>30,195</b>	<b>5,380,456</b>	

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Deposits from customers	1,200,199	226,114	6,000	-	-	-	-	1,432,313	3.26
Deposits and placements of banks and other financial institutions	1,417,196	175,911	18,000	-	-	-	-	1,611,107	3.26
Borrowings	50,133	-	-	-	-	-	-	50,133	5.33
Subordinated obligations	-	-	-	1,366	-	-	-	1,366	5.50
RULS	-	-	47,750	47,750	-	-	-	95,500	5.00
Other non-interest sensitive balances	-	-	-	-	-	1,366,023	-	1,366,023	-
<b>Total Liabilities</b>	<b>2,667,528</b>	<b>402,025</b>	<b>71,750</b>	<b>49,116</b>	<b>-</b>	<b>1,366,023</b>	<b>-</b>	<b>4,556,442</b>	
Shareholders' equity	-	-	-	-	-	816,141	-	816,141	
Non-controlling interests	-	-	-	-	-	7,873	-	7,873	
<b>Total Liabilities and Shareholders' Equity</b>	<b>2,667,528</b>	<b>402,025</b>	<b>71,750</b>	<b>49,116</b>	<b>-</b>	<b>2,190,037</b>	<b>-</b>	<b>5,380,456</b>	
On-balance sheet interest sensitivity gap	(586,907)	45,991	(61,715)	170,775	510,205	(108,544)	30,195	-	
<b>Total interest sensitivity gap</b>	<b>(586,907)</b>	<b>(540,916)</b>	<b>(602,631)</b>	<b>(431,856)</b>	<b>78,349</b>	<b>(30,195)</b>	<b>-</b>	<b>-</b>	

sa 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**

**A23 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.

The capital adequacy ratios of KIBB are as follows:

	31 March 2014 RM'000	31 December 2013 RM'000
<b><u>Common Equity Tier I (CET 1)/Tier 1 Capital</u></b>		
Paid-up share capital	770,000	770,000
Share premium	65,500	65,500
Accumulated loss	(44,519)	(44,519)
Other reserves	48,055	51,646
Less: Deferred tax assets	(10,062)	(10,117)
Less: Goodwill	(252,909)	(252,909)
Less: Other intangibles	(52,500)	(52,500)
<b>Total CET 1/Tier 1 Capital</b>	<u>523,565</u>	<u>527,101</u>
<b><u>Tier II Capital</u></b>		
Collective impairment allowance	557	597
<b>Total Tier II capital</b>	<u>557</u>	<u>597</u>
Less: Investments in subsidiaries and associate	(116,095)	(116,095)
<b>Total capital</b>	<u>408,027</u>	<u>411,603</u>
CET 1 Capital ratio	29.97%	30.943%
Tier 1 Capital ratio	29.97%	30.943%
Total Capital ratio	29.97%	30.943%

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**A23 Capital Adequacy (continued)**

(ii) Breakdown of risk-weighted assets in the various categories of risk are as follows:

	Bank 31 March 2014		Bank 31 December 2013	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
Credit Risk	4,111,621	953,603	4,079,036	939,362
Market Risk	96,408	96,408	-	85,107
Operational Risk	311,335	311,335	-	305,737
<b>Total Risk Weighted Assets</b>	<b>4,519,364</b>	<b>1,361,346</b>	<b>4,079,036</b>	<b>1,330,206</b>

The capital adequacy ratios of the Bank subsidiary are computed in accordance with BNM's Revised Risk-weighted Capital Adequacy Framework: Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk ("RWCAF Basel II").

NOTES TO INTERIM FINANCIAL STATEMENTS

	Individual Quarter		Cumulative Quarter	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
<b>A24 Interest Income</b>				
Loans, advances and financing	29,749	26,870	29,749	26,870
Money at call and deposit placements with financial institutions	4,476	4,179	4,476	4,179
Financial assets held-for-trading	73	1,388	73	1,388
Financial investments available-for-sale	13,143	12,723	13,143	12,723
Financial investments held-to-maturity	119	-	119	-
Others	4,291	2,707	4,291	2,707
	<u>51,851</u>	<u>47,867</u>	<u>51,851</u>	<u>47,867</u>
<b>A25 Interest Expense</b>				
Deposits from customers	28,083	24,506	28,083	24,506
Deposits and placement of banks and other financial institutions	4,847	3,324	4,847	3,324
Revolving bank loan	2,418	476	2,418	476
RULS	588	1,190	588	1,190
Subordinated obligation	17	-	17	-
	<u>35,953</u>	<u>29,496</u>	<u>35,953</u>	<u>29,496</u>
<b>A26 Non-interest Income</b>				
(a) Fee income:				
Brokerage income	52,313	33,136	52,313	33,136
Commissions	3,195	3,284	3,195	3,284
Service charges and fees	7,385	3,916	7,385	3,916
Underwriting fees	-	214	-	214
Other fee income	8,012	6,761	8,012	6,761
	<u>70,905</u>	<u>47,311</u>	<u>70,905</u>	<u>47,311</u>
(b) Gain/(Loss) arising from sale of securities:				
Net gain/(loss) from sale of financial assets held-for-trading	2,097	(2,207)	2,097	(2,207)
Net loss from sale of financial investments available-for-sale	(96)	(93)	(96)	(93)
	<u>2,001</u>	<u>(2,300)</u>	<u>2,001</u>	<u>(2,300)</u>
(c) Gross dividend from:				
Securities portfolio	36	23	36	23
	<u>36</u>	<u>23</u>	<u>36</u>	<u>23</u>
(d) Unrealised gain on revaluation of financial assets held-for-trading and derivatives	<u>2,865</u>	<u>1,923</u>	<u>2,865</u>	<u>1,923</u>
	<u>2,865</u>	<u>1,923</u>	<u>2,865</u>	<u>1,923</u>
(e) Other income:				
Foreign exchange profit	1,663	1,214	1,663	1,214
Others	1,585	2,000	1,585	2,000
	<u>3,248</u>	<u>3,214</u>	<u>3,248</u>	<u>3,214</u>
Total non-interest income	<u>79,055</u>	<u>50,171</u>	<u>79,055</u>	<u>50,171</u>



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	Individual Quarter		Cumulative Quarter	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
<b>A27 Other operating expenses</b>				
Personnel costs	32,113	32,998	32,113	32,998
- Salaries, allowances and bonuses	25,537	26,362	25,537	26,362
- EPF	3,494	3,539	3,494	3,539
- Others	3,082	3,097	3,082	3,097
Establishment costs	13,852	13,299	13,852	13,299
- Depreciation and amortisation of software	3,966	3,730	3,966	3,730
- Rental of leasehold land and premises	6,330	6,187	6,330	6,187
- Repairs and maintenance of property, plant and equipment	784	897	784	897
- Information technology expenses	1,722	1,684	1,722	1,684
- Others	1,050	801	1,050	801
Marketing expenses	2,706	2,346	2,706	2,346
- Advertisement and publicity	408	65	408	65
- Others	2,298	2,281	2,298	2,281
Administration and general expenses	41,942	29,732	41,942	29,732
- Fees and brokerage	30,131	16,407	30,131	16,407
- Administrative expenses	11,811	13,325	11,811	13,325
	<b>90,613</b>	<b>78,375</b>	<b>90,613</b>	<b>78,375</b>
<b>A28 Write back of impairment on loans, advances and financing:</b>				
Allowances for loans, advances and financing:				
- collective impairment (net)	468	3	468	3
- individual impairment	(6)	-	(6)	-
- write back of individual impairment	20	-	20	-
Bad debts and financing recovered	168	504	168	504
	<b>650</b>	<b>507</b>	<b>650</b>	<b>507</b>
<b>A29 Allowance of impairment on balances due from clients and brokers and other receivables</b>				
Allowances for bad and doubtful debts and financing:				
- individual impairment (net)	(898)	(121)	(898)	(121)
Bad debts and financing recovered	13	(4)	13	(4)
	<b>(885)</b>	<b>(125)</b>	<b>(885)</b>	<b>(125)</b>

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NOTES TO INTERIM FINANCIAL STATEMENTS

A30 SEGMENTAL REPORTING

	Continued Operations					Discontinued Operation			
	Investment banking RM'000	Stock broking RM'000	Futures RM'000	Money Lending and financing RM'000	Investment Management RM'000	Corporate and others RM'000	Eliminations/ Adjustments RM'000	Total RM'000	Others RM'000
<b>Revenue</b>									
External sales	40,581	70,471	4,555	3,831	5,276	3,990	-	128,704	-
Inter-segment sales	2,997	(78)	318	-	1,017	7,612	(11,866)	-	72
<b>Total revenue</b>	<b>43,578</b>	<b>70,393</b>	<b>4,873</b>	<b>3,831</b>	<b>6,293</b>	<b>11,602</b>	<b>(11,866)</b>	<b>128,704</b>	<b>72</b>
<b>Result</b>									
Net income	11,302	67,590	4,549	1,808	6,342	15,440	(11,132)	95,899	-
Other operating expenses	(10,338)	(63,659)	(3,588)	(1,352)	(7,629)	(12,751)	8,705	(90,613)	(25)
Loans, advances and financing impairment reversal	158	62	-	-	-	-	429	649	-
Balances due from clients and brokers and other receivables impairment charge	94	(478)	-	-	-	(500)	-	(884)	-
Share of results in associate	-	-	-	-	-	4,822	-	4,822	-
Profit/(loss) before taxation	1,216	3,515	960	456	(1,287)	7,011	(1,998)	9,873	(25)
Taxation	-	-	-	-	-	-	-	(2,671)	-
Non-controlling interest	-	-	-	-	-	-	-	(182)	-
Loss from discontinuing operation	-	-	-	-	-	-	-	(25)	25
<b>Net profit for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,995</b>	<b>-</b>	<b>-</b>	<b>-</b>

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FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2014

NOTES TO INTERIM FINANCIAL STATEMENTS

A30 SEGMENTAL REPORTING (cont'd.)

	Continued Operations					Discontinued Operation	
	Investment banking and stock broking RM'000	Money Lending and financing RM'000	Investment Management RM'000	Corporate and others RM'000	Eliminations/ Adjustments RM'000	Total RM'000	Others RM'000
<b>Assets</b>							
Investment in an associate	-	-	-	58,956	-	58,956	-
Addition to non-current assets	2,492	-	410	351	-	3,253	-
Segment assets	5,189,476	201,667	55,435	832,981	(1,066,640)	5,727,805	-
<b>Liabilities</b>							
Segment liabilities	4,346,241	191,796	17,300	57,368	(189,519)	4,908,599	-

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**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A30 SEGMENTAL REPORTING (cont'd.)**

	Investment banking RM'000	Continued Operations						Eliminations/ Adjustments RM'000	Corporate and others RM'000	Total RM'000	Discontinued Operation Others RM'000
		Stock broking RM'000	Futures RM'000	Money Lending and financing RM'000	Investment Management RM'000	Investment Management RM'000	Others RM'000				
<b>Revenue</b>											
External sales	38,116	49,316	4,956	427	2,347	2,698	-	97,860	62		
Inter-segment sales	372	(4)	271	-	594	3,981	(5,214)	-	(55)		
<b>Total revenue</b>	<b>38,488</b>	<b>49,312</b>	<b>5,227</b>	<b>427</b>	<b>2,941</b>	<b>6,679</b>	<b>(5,214)</b>	<b>97,860</b>	<b>7</b>		
<b>Result</b>											
Net income	12,896	27,545	4,752	695	3,212	40,756	(21,314)	68,542	62		
Other operating expenses	(9,559)	(30,826)	(3,560)	(887)	(5,290)	(32,990)	4,737	(78,375)	(36)		
Loans, advances and financing impairment reversal	241	266	-	-	-	-	-	507	-		
Balances due from clients and brokers and other receivables											
impairment charge	46	79	-	1	-	(1)	-	125	-		
Share of results in associate	-	-	-	-	-	-	146	146	-		
Profit/(loss) before taxation	3,624	(2,836)	1,192	(191)	(2,078)	8,608	(16,431)	(8,212)	26		
Taxation	-	-	-	-	-	-	-	569	-		
Loss from discontinuing operation	-	-	-	-	-	-	-	(234)	-		
<b>Net loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26</b>	<b>(26)</b>		
								<b>(7,851)</b>	<b>-</b>		

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

NOTES TO INTERIM FINANCIAL STATEMENTS

A30 SEGMENTAL REPORTING (cont'd.)

	Continued Operations					Discontinued Operation		
	Investment banking and stock broking RM'000	Futures RM'000	Money Lending and financing RM'000	Investment Management RM'000	Corporate and others RM'000	Eliminations/ Adjustments RM'000	Total RM'000	Others RM'000
<b>Assets</b>								
Investment in an associate	2,503	-	-	92	51,891	-	51,891	-
Addition to non-current assets	4,846,996	572,132	89,087	24,693	893,357	(1,045,809)	2,647	-
Segment assets							5,380,456	-
<b>Liabilities</b>								
Segment liabilities	4,001,019	542,971	80,145	4,042	109,545	(181,280)	4,556,442	-

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A31 Revaluation of property, plant and equipment**

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

**A32 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.

**A33 Fair value of financial instruments**

**Fair value measurements**

The Group and the Company use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3 - techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

**Valuation techniques and sensitivity analysis**

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. This would include quoted securities.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Bank then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data. These would include certain bonds, government bonds, corporate debt securities and derivatives.

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**A33 Fair value of financial instruments (cont'd.)**

**31 March 2014**

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Money market instruments	9,903	-	-	9,903
- Private and Islamic debt securities	29,973	-	-	29,973
- Equity securities and unit trusts	31,311	-	-	31,311
Available-for-sale financial investments #				
- Debt securities	-	1,487,477	-	1,487,477
- Negotiable Instruments of Deposits	-	150,000	-	150,000
Derivative assets	-	4,487	-	4,487
<b>Total assets</b>	<b>71,187</b>	<b>1,641,964</b>	<b>-</b>	<b>1,713,151</b>
<b>Liabilities</b>				
Financial assets at fair value through profit or loss				
- Derivatives	545	-	-	545
<b>Total liabilities</b>	<b>545</b>	<b>-</b>	<b>-</b>	<b>545</b>

**31 December 2013**

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Equity securities and unit trusts	41,737	-	-	41,737
Available-for-sale financial investment #				
- Debt securities	-	1,725,993	-	1,725,993
- Negotiable Instruments of Deposits	-	249,764	-	249,764
Derivative assets	-	4,284	-	4,284
<b>Total assets</b>	<b>41,737</b>	<b>1,980,041</b>	<b>-</b>	<b>2,021,778</b>
<b>Liabilities</b>				
Financial assets at fair value through profit or loss				
- Derivatives	1,081	-	-	1,081
<b>Total liabilities</b>	<b>1,081</b>	<b>-</b>	<b>-</b>	<b>1,081</b>

# Excludes unquoted securities stated at cost of RM490,000 (2013: RM2,590,000)

**A34 Net Income from Islamic Banking Business**

	Individual Quarter		Cumulative Quarter	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Income derived from investment of depositors' funds and others	2,749	-	2,749	-
Income attributable to the depositors	(1,803)	-	(1,803)	-
<b>Income attributable to the Group</b>	<b>946</b>	<b>-</b>	<b>946</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**

**A35 OPERATIONS OF ISLAMIC BANKING**

**(a) UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2014**

	Note	Group	
		As at 31 March 2014 RM '000	As at 31 December 2013 RM '000
<b>ASSETS</b>			
Cash and short-term funds	(c)	316,949	182,124
Financial investments available-for-sale	(d)	120,461	130,214
Financial investments held-for-maturity	(e)	5,004	5,003
Other assets		1,382	2,331
Property, plant and equipment		346	361
Deferred tax assets		844	-
<b>TOTAL ASSETS</b>		<b>444,986</b>	<b>320,033</b>
<b>LIABILITIES</b>			
Deposits from customers	(f)	349,724	241,138
Other liabilities		460	2,612
<b>TOTAL LIABILITIES</b>		<b>350,184</b>	<b>243,750</b>
<b>ISLAMIC BANKING CAPITAL FUNDS</b>			
Islamic banking funds		100,000	80,000
Reserves		(5,198)	(3,717)
<b>TOTAL ISLAMIC BANKING CAPITAL FUNDS</b>		<b>94,802</b>	<b>76,283</b>
<b>TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS</b>		<b>444,986</b>	<b>320,033</b>

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013.



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**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A35 OPERATIONS OF ISLAMIC BANKING**

**(b) UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2014**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<b>3 months ended 31 March 2014</b>	<b>3 months ended 31 March 2013</b>	<b>3 months ended 31 March 2014</b>	<b>3 months ended 31 March 2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income derived from investment of depositors' funds and others	2,749	-	2,749	-
Total attributable income	2,749	-	2,749	-
Income attributable to depositors	(1,803)	-	(1,803)	-
Net income attributable to the Group	946	-	946	-
Other operating expenses	(554)	-	(554)	-
<b>Profit before taxation</b>	<b>392</b>	<b>-</b>	<b>392</b>	<b>-</b>
Taxation	-	-	-	-
<b>Profit for the period</b>	<b>392</b>	<b>-</b>	<b>392</b>	<b>-</b>

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013.

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**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A35 OPERATIONS OF ISLAMIC BANKING**

	As at 31 March 2014 RM'000	Group As at 31 December 2013 RM'000
(c) Cash and Short-Term Funds	<u>316,949</u>	<u>182,124</u>
(d) Financial investments available-for-sale		
<b>Unquoted Private Debt Securities:</b>		
In Malaysia		
Corporate bonds	<u>120,461</u>	<u>130,214</u>
(e) Financial investments held-to-maturity		
<b>At Amortised Cost</b>		
<b>Money Market Instruments:</b>		
Islamic corporate bonds	<u>5,004</u>	<u>5,003</u>
(f) Deposits from customers		
(i) <b>By type of deposit</b>		
Mudharabah General Investment Deposits	<u>349,724</u>	<u>241,138</u>
(ii) <b>By type of customer</b>		
Business enterprises:		
Others	<u>349,724</u>	<u>241,138</u>
(iii) <b>By maturity structure</b>		
Due within six months	<u>349,724</u>	<u>241,138</u>

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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 Quarter-to-date vs. Previous Quarter-to-date**

The Group reported a pretax profit of RM9.87 million for the period ended 31 March 2014 ("1Q14") which is a huge improvement as compared to pretax loss of RM8.21 million for period ended 31 March 2013 ("1Q13").

Net income of RM95.90 million was achieved in 1Q14 which is a 40% increase from RM68.54 million registered in 1Q13.

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

**Stockbroking:**

Equity Broking recorded profit before tax ("PBT") of RM3.5 million (1Q13: loss before tax ("LBT") of RM2.9 million) as net brokerage and interest income from margin loans has improved compared to 1Q13.

**Investment Banking:**

Investment Banking registered a PBT of RM1.2 million in 1Q14 (1Q13: PBT of RM3.6 million) mainly due to higher income recorded from investment banking activities in 1Q13.

**Investment Management:**

Investment management made a LBT of RM1.3 million (1Q13: LBT of RM2.1 million) on the back of higher net income of RM6.3 million (1Q13: RM3.2 million) registered. As at 31 Mar 2014, the division has an unrealised performance fee of RM10.7 million. This amount is however subject to changes in the market condition and performance of fund. The amount is only recognised upon finalisation of the funds' performance at year end or upon termination of mandate.

**Futures:**

Futures segment registered a PBT of RM1.0 million in 1Q14 as compared to RM1.2 million largely due to lower exchange volume traded.

**Money lending and financing:**

This segment reported a PBT of RM0.5 million in 1Q14 compared to a LBT of RM0.2 million in the corresponding quarter of previous financial year.

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

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

**Variation of Results Against Preceding Quarter**

The Group reported a pre-tax profit of RM9.87 million in the first quarter ended 31 March 2014 ("1Q14") compared to pre-tax profit of RM19.06 million in the preceding quarter ended 31 December 2013 ("4Q13") largely due to performance fee recorded by its investment management subsidiaries.

**B3. Prospects for 2014**

On the back of a fourth quarter GDP result of 5.1%, Malaysia is expected to grow at stronger pace of between 5% to 5.5% in 2014 on firm domestic demand and recovery in exports.

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.

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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)**

**B5. Taxation**

	<b>Individual Quarter 3 months ended 31 March 2014 RM'000</b>	<b>Cumulative Quarter 3 months ended 31 March 2014 RM'000</b>
Current period - income tax	(1,588)	(1,588)
Deferred taxation	(239)	(239)
Total	<u>(1,827)</u>	<u>(1,827)</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**

There is no outstanding corporate proposals as at 31 March 2014.

**B7. Group Borrowings**

		<b>RM'000</b>
Subordinated Loan (unsecured)	Note 1	1,367
Short term loan from financial institutions (unsecured)	Note 2	108,594
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 three months ended 31 March 2014.

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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 three months period is RM7.0 million representing the profit for the period attributable to ordinary equity holders of the parent (31 March 2013: loss attributable to ordinary equity holders of parent: RM7.8 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 March 2013: 731,759,499).

**B10. Derivatives**

As at 31 March 2014, derivative financial assets and liabilities are as follows:

Type of Derivatives	Contract/Notional Value RM'000	Fair Value RM'000
<b>Assets</b>		
Equity options	14,179	4,473
Dual currency investment options	5,677	14
<b>Liabilities</b>		
Structured warrants		
- Less than 1 year	3,195	531
Dual currency investment options		
- Less than 1 year	5,677	14

**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

(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.

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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)**

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

	<b>Individual Quarter 3 months ended 31 March 2014 RM'000</b>	<b>Cumulative Quarter 3 months ended 31 March 2014 RM'000</b>
Gain/(loss) from fair value changes of financial Equity Options	224	224
Structured Warrants	190	190

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

	As at 31 March 2014 RM'000	As at 31 December 2013 RM'000
Total (accumulated loss) / retained profits of Company and its subsidiaries:		
- Realised	(286,456)	(303,670)
- Unrealised	2,891	19,941
	(283,565)	(283,729)
Total share of (accumulated losses) / retained profits from associates		
- Realised	(16,605)	(20,962)
- Unrealised	4,151	5,218
	(12,454)	(15,744)
Add: Consolidation adjustments	299,066	295,525
Total group retained profits / (accumulated losses) as per consolidated accounts	3,047	(3,948)

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

