

**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2014
THE FIGURES HAVE NOT BEEN AUDITED.**

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Group

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June 2014 RM'000	3 months ended 30 June 2013 RM'000	6 months ended 30 June 2014 RM'000	6 months ended 30 June 2013 RM'000
Note				
Continuing Operations				
Interest income	A24 53,984	48,579	105,835	96,446
Interest expense	A25 (34,583)	(31,022)	(68,733)	(60,518)
Net interest income	19,401	17,557	37,102	35,928
Net income from Islamic banking business	A34 1,149	(328)	2,095	(328)
Non interest income	A26 80,811	99,447	158,063	149,618
Net income	101,361	116,676	197,260	185,218
Other operating expenses	A27 (98,216)	(121,187)	(188,829)	(199,562)
Operating profit/(loss)	3,145	(4,511)	8,431	(14,344)
(Impairment allowance)/Write back of impairment allowance on:				
- loans, advances and financing	A28 28	(785)	678	(278)
- balances due from clients and brokers and other receivables	A29 (2,164)	26	(3,049)	151
- investment in associates	-	106	-	252
	1,009	(5,164)	6,060	(14,219)
Share of results in associates	(133)	428	4,689	1,271
Profit/(Loss) before taxation	876	(4,736)	10,749	(12,948)
Taxation	(472)	1,535	(3,143)	2,104
Profit/(Loss) for the period from continuing operations	404	(3,201)	7,606	(10,844)
Discontinued operation				
Loss for the period	(109)	(92)	(134)	(66)
Profit/(Loss) for the period	295	(3,293)	7,472	(10,910)

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

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

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June 2014 RM'000	3 months ended 30 June 2013 RM'000	6 months ended 30 June 2014 RM'000	6 months ended 30 June 2013 RM'000
Other comprehensive income/(loss): <i>Items that may be reclassified subsequently to profit or loss</i>				
Share of other comprehensive income/(loss) of associates	468	(2,902)	(1,705)	(2,902)
Exchange fluctuation from translation of associates' net assets	(944)	1,235	(2,059)	1,231
Available-for-sale financial investments	3,780	(4,633)	(1,008)	(4,661)
Income tax relating to the components of other comprehensive income	(945)	1,165	252	1,165
Other comprehensive income/(loss) for the period	2,359	(5,135)	(4,520)	(5,167)
Total comprehensive income/(loss)	<u>2,654</u>	<u>(8,428)</u>	<u>2,952</u>	<u>(16,077)</u>
Profit/(Loss) for the period attributable to				
- Equity holders of the parent	165	(3,541)	7,160	(11,392)
- Non-controlling interests	130	248	312	482
	<u>295</u>	<u>(3,293)</u>	<u>7,472</u>	<u>(10,910)</u>
Total comprehensive income/(loss) for the period attributable to				
- Equity holders of the parent	2,524	(8,676)	2,640	(16,559)
- Non-controlling interests	130	248	312	482
	<u>2,654</u>	<u>(8,428)</u>	<u>2,952</u>	<u>(16,077)</u>
(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). (sen)	0.0	(0.5)	1.0	(1.6)

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

UNAUDITED COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June 2014 RM'000	3 months ended 30 June 2013 RM'000	6 months ended 30 June 2014 RM'000	6 months ended 30 June 2013 RM'000
Continuing Operations				
Interest income	180	542	327	1,064
Interest expense	(601)	(1,192)	(1,190)	(2,382)
Net interest expense	(421)	(650)	(863)	(1,318)
Non interest income	9,349	6,776	17,659	25,522
Net income	8,928	6,126	16,796	24,204
Other operating expenses	(9,157)	(6,002)	(15,646)	(11,579)
(Loss)/Profit before taxation	(229)	124	1,150	12,625
Taxation	34	(417)	(229)	(1,395)
(Loss)/Profit for the period from continuing operations	(195)	(293)	921	11,230
(Loss)/Profit for the period	(195)	(293)	921	11,230

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

UNAUDITED COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June 2014 RM'000	3 months ended 30 June 2013 RM'000	6 months ended 30 June 2014 RM'000	6 months ended 30 June 2013 RM'000
(i) (Loss)/Profit for the period attributable to - Equity holders of the parent	(195)	(293)	921	11,230
	<u>(195)</u>	<u>(293)</u>	<u>921</u>	<u>11,230</u>
(a) (Loss)/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). (sen)	(0.0)	(0.0)	0.1	1.5
	<u>(0.0)</u>	<u>(0.0)</u>	<u>0.1</u>	<u>1.5</u>
(ii) Fully diluted	(0.0)	(0.0)	0.1	1.5
	<u>(0.0)</u>	<u>(0.0)</u>	<u>0.1</u>	<u>1.5</u>

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

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

<u>Group</u>		As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
	Note		
ASSETS			
Cash and short-term funds		854,413	753,395
Deposits and placements with banks and other financial institutions		45,218	-
Financial assets held-for-trading	A9	59,156	41,737
Financial investments available-for-sale	A10	1,485,094	1,978,347
Financial investments held-to-maturity	A11	10,009	10,006
Derivative financial assets		720	4,284
Loans, advances and financing	A12	1,913,027	1,753,423
Other assets			
- Balance due from clients and brokers		430,577	395,564
- Assets segregated for customers		100,012	89,374
- Other receivables	A13	167,266	94,088
Statutory deposit with Bank Negara Malaysia		121,130	143,150
Tax recoverable		4,880	6,970
Investment in associates		58,347	57,422
Property, plant and equipment		59,925	61,974
Intangible assets		265,960	265,610
Deferred tax assets		11,178	13,542
Assets held for resale		117	152
TOTAL ASSETS		5,587,029	5,669,038
LIABILITIES			
Deposits from customers	A14	3,108,752	3,391,335
Deposits and placements of banks and other financial institutions	A15	500,809	493,937
Borrowings	A16	105,245	79,611
Other liabilities			
- Balance due to clients and brokers		754,997	660,979
- Amount held in trust		74,371	75,839
- Other payables	A17	170,080	96,355
Provision for taxation and zakat		1,755	1,851
Deferred tax liabilities		17	-
Subordinated obligations	A18	1,383	1,384
Derivative financial liabilities		2	1,081
Redeemable non-convertible unsecured loan stocks	A19	47,750	47,750
Liabilities held for resale		8	8
TOTAL LIABILITIES		4,765,169	4,850,130

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

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

<u>Group</u>	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
SHAREHOLDERS' EQUITY		
Share capital	731,759	731,759
Share premium	75	75
Retained profits/(Accumulated loss)	3,212	(3,948)
Exchange reserve	2,171	4,230
Statutory reserve	75,887	75,887
Fair value reserve	(21,483)	(19,022)
Capital reserve	22,152	22,152
	<u>813,773</u>	<u>811,133</u>
Non-controlling interests	8,087	7,775
Total equity	<u>821,860</u>	<u>818,908</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>5,587,029</u>	<u>5,669,038</u>
Net Assets Per Share (RM)	<u>1.11</u>	<u>1.11</u>

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

UNAUDITED COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
ASSETS		
Cash and short-term funds	9,517	6,124
Financial assets held-for-trading	17,720	15,743
Other assets		
- Amount due from subsidiaries	15,637	22,166
- Other receivables	1,221	800
Tax recoverable	2,244	2,244
Investment in subsidiaries	763,737	763,737
Investment in associates	1,187	1,187
Property, plant and equipment	1,826	1,608
Deferred tax assets	500	728
TOTAL ASSETS	813,589	814,337
LIABILITIES		
Other liabilities		
- Amount due to subsidiaries	96	2,218
- Other payables	4,523	4,070
Redeemable non-convertible unsecured loan stocks	47,750	47,750
TOTAL LIABILITIES	52,369	54,038
SHAREHOLDERS' EQUITY		
Share capital	731,759	731,759
Share premium	75	75
Capital reserve	(49,800)	(49,800)
Retained profits	79,186	78,265
Total equity	761,220	760,299
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	813,589	814,337
Net Assets Per Share (RM)	1.04	1.04

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

**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2014**

	Group		Company	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Cash flows from operating activities				
Profit/(Loss) before taxation				
- Continuing operations	10,749	(12,948)	1,150	12,625
- Discontinued operation	(134)	(66)	-	-
Adjustments for non operating and non cash items	(107,489)	(108,983)	(889)	(17,080)
Operating (loss)/gain before changes in working capital	<u>(96,874)</u>	<u>(121,997)</u>	<u>261</u>	<u>(4,455)</u>
Net changes in operating assets	(323,622)	(371,162)	3,985	16,420
Net changes in operating liabilities	(107,513)	984,589	453	1,452
Cash (used in)/generated from operations	<u>(528,009)</u>	<u>491,430</u>	<u>4,699</u>	<u>13,417</u>
Net dividends received	1,778	321	-	-
Interest received	81,236	67,918	327	(1,318)
Net tax paid	(1,549)	(2,254)	-	(3)
Net operating cash flow	<u>(446,544)</u>	<u>557,415</u>	<u>5,026</u>	<u>12,096</u>
Net investing cash flow	503,455	38,403	(443)	19,638
Net financing cash flow	22,834	14,496	(1,190)	-
Net change in cash and cash equivalents during the period	<u>79,745</u>	<u>610,314</u>	<u>3,393</u>	<u>31,734</u>
Cash and cash equivalents brought forward	384,406	557,036	6,124	4,701
Cash and cash equivalents carried forward	<u>464,151</u>	<u>1,167,350</u>	<u>9,517</u>	<u>36,435</u>
Cash and cash equivalents comprise the following:-				
Non trust cash and short term funds	464,062	1,167,221	9,517	36,435
Cash and short term funds classified as asset held for sale	89	129	-	-
	<u>464,151</u>	<u>1,167,350</u>	<u>9,517</u>	<u>36,435</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)
(Incorporated in Malaysia)

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 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	Capital Reserve RM'000	Fair value Reserve RM'000	Statutory Reserve RM'000	Distributable (Accumulated Loss)/Retained Profits RM'000	Non- Controlling Interests RM'000	
As at 1 January 2014	731,759	75	4,230	22,152	(19,022)	75,887	(3,948)	7,775	818,908
Total comprehensive (loss)/income for the period	-	-	(2,059)	-	(756)	-	7,160	312	4,657
Share of associates' other comprehensive loss	-	-	-	-	(1,705)	-	-	-	(1,705)
As at 30 June 2014	731,759	75	2,171	22,152	(21,483)	75,887	3,212	8,087	821,860

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 30 JUNE 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	Capital Reserve RM'000	Fair value Reserve RM'000	Statutory Reserve RM'000	Distributable Accumulated Loss RM'000	Non- Controlling Interests RM'000	
As at 1 January 2013	731,759	75	(683)	22,152	4,910	67,323	(1,575)	7,638	831,599
Total comprehensive income/(loss) for the period	-	-	1,231	-	(3,496)	-	(11,392)	482	(13,175)
Share of associates' other comprehensive loss	-	-	-	-	(2,902)	-	-	-	(2,902)
As at 30 June 2013	731,759	75	548	22,152	(1,488)	67,323	(12,967)	8,120	815,522

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

K & N KENANGA HOLDINGS BERHAD (302859-X)

(Incorporated in Malaysia)

**UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2014**

	<-----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	
As at 1 January 2014	731,759	75	(49,800)	78,265	760,299
Comprehensive income for the period	-	-	-	921	921
As at 30 June 2014	<u>731,759</u>	<u>75</u>	<u>(49,800)</u>	<u>79,186</u>	<u>761,220</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)
(Incorporated in Malaysia)

**UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2014**

	<-----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	
As at 1 January 2013	731,759	75	(49,800)	76,458	758,492
Comprehensive income for the period	-	-	-	11,230	11,230
As at 30 June 2013	731,759	75	(49,800)	87,688	769,722

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 second quarter and first half year ended 30 June 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 30 June 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 or financial years.

A7. Issuance, cancellation, repurchases, resale and repayments of debt and equity securities

There were no issues and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the quarter ended 30 June 2014.

A8. Dividends paid per share

No dividend was paid during the six months ended 30 June 2014.

NOTES TO INTERIM FINANCIAL STATEMENTS

	30 June 2014 RM' 000	31 December 2013 RM' 000
A9 Financial assets held-for-trading		
At Fair Value		
Money Market Instruments:-		
Malaysian Government Securities	9,958	-
Malaysian Government Investment Certificates	19,516	-
Total Money Market Instruments	<u>29,474</u>	<u>-</u>
Quoted securities:		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	29,682	41,737
Total financial assets held-for-trading	<u>59,156</u>	<u>41,737</u>
A10 Financial investments available-for-sale		
At Fair Value, or amortised cost		
Money Market instruments:-		
Malaysian Government Securities	79,166	98,667
Bank Negara Malaysia Bills and Notes	158,730	593,537
Malaysian Government Investment Certificates	291,204	319,577
Negotiable Instruments of Deposits	220,000	249,764
Sukuk Perumahan Kerajaan	9,918	-
Total Money Market instruments	<u>759,018</u>	<u>1,261,545</u>
Unquoted securities:		
In Malaysia:		
Shares, trust units and loan stocks	490	2,590
Private and Islamic Debt Securities	685,739	714,212
Islamic Corporate Bills	39,847	-
	<u>726,076</u>	<u>716,802</u>
Total financial investments available-for-sale	<u>1,485,094</u>	<u>1,978,347</u>
A11 Financial investments held-to maturity		
At Amortised Cost		
Money Market Instruments:		
Corporate bonds	5,005	5,003
Islamic corporate bonds	5,004	5,003
Total financial investments held-to-maturity	<u>10,009</u>	<u>10,006</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

	30 June 2014	31 December 2013
	RM' 000	RM' 000
A12 Loans, advances and financing		
Term loans	334,865	338,227
Share margin financing	1,421,472	1,295,138
Other financing	157,055	121,055
Gross loans, advances and financing	<u>1,913,392</u>	<u>1,754,420</u>
Allowances for bad and doubtful debts and financing:		
- Individual Impairment	(206)	(400)
- Collective Impairment	(159)	(597)
Net loans, advances and financing	<u>1,913,027</u>	<u>1,753,423</u>
(i) By maturity structure		
Within one year	1,493,295	1,542,541
More than one year	420,097	211,879
Gross loans, advances and financing	<u>1,913,392</u>	<u>1,754,420</u>
(ii) By type of customer		
Domestic operations:		
Domestic business enterprise		
- Others	731,091	776,525
Individuals	1,166,187	964,093
Foreign entities	16,114	13,802
Total domestic operations	<u>1,913,392</u>	<u>1,754,420</u>
(iii) By interest/profit rate sensitivity		
Fixed rate		
- Other fixed rate loans/financing	1,435,108	1,461,401
Variable rate		
- Cost plus	321,229	171,964
- Other variable rates	157,055	121,055
Gross loans, advances and financing	<u>1,913,392</u>	<u>1,754,420</u>
(iv) Total loans by economic purpose		
Domestic operations:		
Purchase of securities	1,457,320	1,447,291
Working capital	121,207	146,118
Others	334,865	161,011
	<u>1,913,392</u>	<u>1,754,420</u>
(v) Impaired loans by economic purpose		
Domestic operations:		
Purchase of securities	2,675	2,785
Total domestic operations	<u>2,675</u>	<u>2,785</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

30 June 2014 31 December 2013
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	2,785	16,361
Impaired during the period/year	130	445
Recovered	(14)	(54)
Amount written off	(226)	(13,967)
At end of the period/year	2,675	2,785
Individual Impairment	(206)	(400)
Net impaired loans, advances and financing	2,469	2,385
Net impaired loans as a % of gross loans, advances and financing less individual impairment	0.13%	0.14%

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

Individual Impairment

At beginning of the year	400	14,185
Allowance made during the period/year	53	1,780
Amount written back in respect of recoveries	(20)	(1,607)
Amount of allowance set off against gross loans	(227)	(13,958)
At end of the period/year	206	400

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

Collective Impairment

At beginning of the year	597	154
(Write back)/Allowance made during the period/year	(200)	458
Amount written back	(238)	(15)
At end of the period/year	159	597
As % of gross loans, advances and financing less individual impairment	0.01%	0.03%

A13 Other Receivables

Interest/Income receivable	14,072	13,594
Prepayments and deposits	28,274	23,840
Treasury trade receivables	90,658	-
Other debtors	38,175	60,840
	171,179	98,274
Individual impairment	(3,913)	(4,186)
	167,266	94,088

NOTES TO INTERIM FINANCIAL STATEMENTS

	30 June 2014	31 December 2013
	RM' 000	RM' 000
A14 Deposits from customers		
Fixed deposits and negotiable instruments of deposits		
- One year or less	3,108,752	3,391,335
	3,108,752	3,391,335
By type of customers:		
Business enterprise	588,529	918,979
Domestic non-bank financial institutions	1,960,232	2,041,864
Individuals	41,436	31,771
Government and statutory bodies	494,925	393,219
Others	23,630	5,502
	3,108,752	3,391,335
A15 Deposits and placement of banks and other financial institutions		
Licensed banks	98,000	220,122
Licensed investment banks	200,000	100,000
Other financial institutions	202,809	173,815
	500,809	493,937
A16 Bank borrowings		
Revolving bank loan	105,245	79,611
	105,245	79,611
A17 Other payables		
Interest/Profit payable	9,998	8,207
Provision and accruals	21,194	33,905
Retention for Contra Losses	1,092	1,075
Hire purchase creditors	80	98
Treasury trade payables	90,650	-
Deposits and other creditors	47,066	53,070
	170,080	96,355
A18 Subordinated obligations		
Unsecured		
- less than one year	1,383	34
- more than one year	-	1,350
	1,383	1,384
A19 Redeemable non-convertible unsecured loan stocks ("RULS")		
- less than one year	47,750	47,750
	47,750	47,750

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NOTES TO INTERIM FINANCIAL STATEMENTS

	30 June 2014			31 December 2013		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	Notional	Credit Equivalent	Risk Weighted	Notional	Credit Equivalent	Risk Weighted
<u>A20 Commitments and Contingencies and Off-Balance Sheet Financial Instruments</u>						
Obligations under underwriting agreements	113,180	56,590	56,590	-	-	-
Commitments to extend credit with maturity of less than 1 year :-						
- margin	1,678,059	-	-	1,785,442	-	-
- foreign exchange related contracts	6,701	10	10	14,591	78	21
- equity related contracts	500	30	6	-	-	-
Miscellaneous commitments	534,461	534,461	106,892	595,056	595,056	119,011
	<u>2,332,901</u>	<u>591,091</u>	<u>163,498</u>	<u>2,395,089</u>	<u>595,134</u>	<u>119,032</u>

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NOTES TO INTERIM FINANCIAL STATEMENTS

	Group		Company	
	30 June 2014 RM' 000	31 December 2013 RM' 000	30 June 2014 RM' 000	31 December 2013 RM' 000
A21 Other Commitments				
Capital expenditure commitments	8,396	7,661	-	-
Operating lease arrangements	60,829	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>69,225</u>	<u>73,061</u>	<u>368,000</u>	<u>368,000</u>

K & N KENANGA HOLDINGS BERHAD
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NOTES TO INTERIM FINANCIAL STATEMENTS

As at 30 June 2014

	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			
A22 Interest/Profit Rate Risk									
Cash and short-term funds	385,877	77,000	1,274	-	-	390,262	-	854,413	2.94
Deposits and placements with banks and other financial institutions	-	45,218	-	-	-	-	-	45,218	3.45
Financial assets held-for-trading	-	-	-	-	-	-	59,156	59,156	3.71
Financial investments available-for-sale	220,000	198,577	-	299,717	766,310	490	-	1,485,094	3.87
Financial investments held-to-maturity	-	-	-	10,009	-	-	-	10,009	4.75
Derivative Financial Assets	-	-	-	-	-	720	-	720	-
Loans, advances and financing									
- non-impaired	1,380,735	36,150	285,483	210,294	-	-	-	1,912,662	6.77
- impaired	-	-	-	-	-	365	-	365	-
Other assets n1	-	-	-	-	-	697,855	-	697,855	-
Other non-interest sensitive balances	-	-	-	-	-	521,537	-	521,537	-
TOTAL ASSETS	1,986,612	356,945	286,757	520,020	766,310	1,611,229	59,156	5,587,029	
LIABILITIES AND SHAREHOLDERS' EQUITY									
Deposits from customers	2,059,314	873,343	176,095	-	-	-	-	3,108,752	3.30
Deposits and placements of banks and other financial institutions	336,831	145,978	18,000	-	-	-	-	500,809	3.30
Borrowings	105,245	-	-	-	-	-	-	105,245	5.46
Subordinated obligations	-	-	-	1,383	-	-	-	1,383	5.00
RULS	-	-	47,750	-	-	-	-	47,750	5.00
Other non-interest sensitive balances	-	-	-	-	-	1,001,230	-	1,001,230	-
Total Liabilities	2,501,390	1,019,321	241,845	1,383	-	1,001,230	-	4,765,169	
Shareholders' equity	-	-	-	-	-	813,773	-	813,773	
Non-controlling interests	-	-	-	-	-	8,087	-	8,087	
Total Liabilities and Shareholders' Equity	2,501,390	1,019,321	241,845	1,383	-	1,823,090	-	5,587,029	
On-balance sheet interest sensitivity gap	(514,778)	(662,376)	44,912	518,637	766,310	(211,861)	59,156	-	
Total interest sensitivity gap	(514,778)	(1,177,154)	(1,132,242)	(613,605)	152,705	(59,156)	-	-	

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 30 June 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			
A22 Interest/Profit Rate Risk									
Cash and short-term funds	317,153	-	-	-	-	922,806	-	1,239,959	2.96
Financial assets held-for-trading	-	-	-	-	-	-	265,079	265,079	3.25
Financial investments available-for-sale	249,807	439,740	10,023	286,133	760,388	2,590	-	1,748,681	3.73
Loans, advances and financing									
- non-impaired	1,530,890	27,926	31,234	-	-	-	-	1,590,050	6.69
- impaired	-	-	-	-	-	1,464	-	1,464	-
Other assets n1	-	-	-	-	-	1,098,198	-	1,098,198	-
Other non-interest sensitive balances	-	-	-	-	-	520,075	-	520,075	-
TOTAL ASSETS	2,097,850	467,666	41,257	286,133	760,388	2,545,133	265,079	6,463,506	
LIABILITIES AND SHAREHOLDERS' EQUITY									
Deposits from customers	1,945,593	339,593	48,408	-	-	-	-	2,333,594	3.19
Deposits and placements of banks and other financial institutions	1,309,387	231,021	49,780	-	-	-	-	1,590,188	3.19
Borrowings	66,779	-	-	-	-	-	-	66,779	5.26
Subordinated obligations	-	-	-	1,384	-	-	-	1,384	5.50
RULS	-	-	47,750	47,750	-	-	-	95,500	5.00
Other non-interest sensitive balances	-	-	-	-	-	1,560,539	-	1,560,539	-
Total Liabilities	3,321,759	570,614	145,938	49,134	-	1,560,539	-	5,647,984	
Shareholders' equity	-	-	-	-	-	807,402	-	807,402	
Non-controlling interests	-	-	-	-	-	8,120	-	8,120	
Total Liabilities and Shareholders' Equity	3,321,759	570,614	145,938	49,134	-	2,376,061	-	6,463,506	
On-balance sheet interest sensitivity gap	(1,223,909)	(102,948)	(104,681)	236,999	760,388	169,072	265,079	-	
Total interest sensitivity gap	(1,223,909)	(1,326,857)	(1,431,538)	(1,194,539)	(434,151)	(265,079)	-	-	

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, Kenanga Investment Bank Berhad ("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:

	30 June 2014	31 December 2013
	RM'000	RM'000
<u>Common Equity Tier I (CET I)/Tier I Capital</u>		
Paid-up share capital	770,000	770,000
Share premium	65,500	65,500
Accumulated loss	(44,519)	(44,519)
Other reserves	50,890	51,646
Less: Regulatory adjustments applied on CET I capital		
Deferred tax assets	(8,982)	(10,117)
Goodwill	(252,909)	(252,909)
Other intangibles	(52,500)	(52,500)
Deduction in excess of Tier II *	(115,507)	(115,498)
Total CET I/Tier I Capital	411,973	411,603
<u>Tier II Capital</u>		
Collective impairment allowance	588	597
Less: Regulatory adjustments applied on Tier II capital	(588)	(597)
Total Tier II capital	-	-
Less:		
Total capital	411,973	411,603
CET I Capital ratio	28.13%	30.94%
Tier I Capital ratio	28.13%	30.94%
Total Capital ratio	28.13%	30.94%

* The portion of regulatory adjustments not deducted from Tier II (as the Bank does not have enough Tier II to satisfy the deduction) is deducted from the next higher level of capital; as per paragraph 31.1 of the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components).

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NOTES TO INTERIM FINANCIAL STATEMENTS

A23 Capital Adequacy (continued)

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

	Bank		Bank	
	30 June 2014		31 December 2013	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
Credit Risk	5,220,283	1,054,735	4,079,036	939,362
Market Risk	-	71,005	-	85,107
Operational Risk	-	338,537	-	305,737
Total Risk Weighted Assets	5,220,283	1,464,277	4,079,036	1,330,206

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	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
A24 Interest Income				
Loans, advances and financing	32,257	26,573	62,006	53,443
Money at call and deposit placements with financial institutions	5,778	3,548	10,254	7,727
Financial assets held-for-trading	267	1,196	340	2,584
Financial investments available-for-sale	11,116	13,221	24,259	25,944
Financial investments held-to-maturity	119	-	238	-
Others	4,447	4,041	8,738	6,748
	<u>53,984</u>	<u>48,579</u>	<u>105,835</u>	<u>96,446</u>
A25 Interest Expense				
Deposits from customers	25,891	23,165	52,170	47,655
Deposits and placement of banks and other financial institutions	5,538	4,582	10,385	7,906
Revolving bank loan	2,537	2,067	4,956	2,543
RULS	601	1,191	1,189	2,381
Subordinated obligations	16	17	33	33
	<u>34,583</u>	<u>31,022</u>	<u>68,733</u>	<u>60,518</u>
A26 Non-interest Income				
(a) Fee income:				
Brokerage income	54,423	58,959	106,736	92,095
Commissions	2,894	3,259	6,089	6,543
Service charges and fees	7,750	5,640	15,135	9,556
Underwriting fees	898	1,637	898	1,851
Other fee income	9,305	7,369	17,317	14,130
	<u>75,270</u>	<u>76,864</u>	<u>146,175</u>	<u>124,175</u>
(b) Gain arising from sale of securities:				
Net gain/(loss) from sale of financial assets held-for-trading	893	1,196	1,187	(1,011)
Net (loss)/gain from sale of financial investments available-for-sale	(649)	2,576	(745)	2,483
	<u>244</u>	<u>3,772</u>	<u>442</u>	<u>1,472</u>
(c) Gross dividend from:				
Securities portfolio	1,742	298	1,778	321
	<u>1,742</u>	<u>298</u>	<u>1,778</u>	<u>321</u>
(d) Unrealised (loss)/gain on revaluation of financial assets held-for-trading and derivatives	756	907	3,621	2,830
	<u>756</u>	<u>907</u>	<u>3,621</u>	<u>2,830</u>
(e) Other income:				
Foreign exchange profit	1,079	2,289	2,742	3,503
Gains on disposal of property, plant and equipment	279	-	279	-
Others	1,441	15,317	3,026	17,317
	<u>2,799</u>	<u>17,606</u>	<u>6,047</u>	<u>20,820</u>
Total non-interest income	<u>80,811</u>	<u>99,447</u>	<u>158,063</u>	<u>149,618</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

	Individual Quarter		Cumulative Quarter	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
A27 Other operating expenses				
Personnel costs	38,626	52,895	70,739	85,893
- Salaries, allowances and bonuses	31,283	27,047	56,820	53,409
- Voluntary Separation Scheme ("VSS")	-	19,135	-	19,135
- EPF	4,009	3,920	7,503	7,459
- Others	3,334	2,793	6,416	5,890
Establishment costs	13,358	13,325	27,210	26,624
- Depreciation and amortisation of software	3,962	3,919	7,928	7,649
- Rental of leasehold land and premises	5,966	6,273	12,296	12,460
- Repairs and maintenance of property, plant and equipment	835	1,098	1,619	1,995
- Information technology expenses	1,951	1,210	3,673	2,894
- Others	644	825	1,694	1,626
Marketing expenses	4,026	3,119	6,732	5,465
- Advertisement and publicity	157	423	565	488
- Others	3,869	2,696	6,167	4,977
Administration and general expenses	42,206	51,848	84,148	81,580
- Fees and brokerage	29,790	31,314	59,921	47,721
- Administrative expenses	12,416	20,534	24,227	33,859
	98,216	121,187	188,829	199,562
A28 Write back of impairment allowance/(Impairment allowance) on loans, advances and financing:				
Allowances for loans, advances and financing:				
- collective impairment (net)	(30)	3	438	6
- individual impairment	(45)	(1,093)	(51)	(1,093)
- write back of individual impairment	-	-	20	-
Bad debts and financing recovered	103	305	271	809
	28	(785)	678	(278)
A29 (Impairment allowance)/Write back of impairment allowance on balances due from clients and brokers and other receivables				
Allowances for bad and doubtful debts and financing:				
- individual impairment (net)	(2,699)	(666)	(3,597)	(545)
Bad debts and financing recovered	535	692	548	696
	(2,164)	26	(3,049)	151

* changes due to KIBB reduce impairment in subsi

A30 Segmental reporting

- (i) Investment bank - Investment banking business, treasury and related financial services;
- (ii) Stockbroking - Dealings in securities and investment related services;
- (iii) Futures - Futures broker business
- (iv) Money lending and financing - Licensed money lender and financing;
- (v) Investment management - Management of funds and unit trusts; and
- (vi) Corporate and others - Investment holding and management services, support services comprise all middle and back office functions includes business operations conducted by the Group's associates and investment in the Kingdom of Saudi Arabia, Vietnam and Sri

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FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2014**

NOTES TO INTERIM FINANCIAL STATEMENTS

A30 SEGMENTAL REPORTING

30 June 2014	-----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
Revenue									
External sales	88,702	141,668	8,805	7,823	12,121	14,293	-	273,412	143
Inter-segment sales	2,118	80	677	-	1,036	15,279	(19,190)	-	-
Total revenue	90,820	141,748	9,482	7,823	13,157	29,572	(19,190)	273,412	143
Result									
Net income	24,718	136,130	8,872	3,628	13,416	30,201	(19,705)	197,260	-
Other operating expenses	(20,817)	(127,255)	(7,077)	(2,290)	(16,282)	(32,457)	17,349	(188,829)	(134)
Loans, advances and financing impairment reversal	128	121	-	-	-	-	429	678	-
Balances due from clients and brokers and other receivables impairment charge	173	(2,024)	-	-	-	(1,198)	-	(3,049)	-
Share of results in associate	-	-	-	-	-	4,689	-	4,689	-
Profit/(loss) before taxation	4,202	6,972	1,795	1,338	(2,866)	1,235	(1,927)	10,749	(134)
Taxation								(3,143)	-
Non-controlling interest								(312)	-
Loss from discontinuing operation								(134)	134
Net profit for the period								<u>7,160</u>	<u>-</u>

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NOTES TO INTERIM FINANCIAL STATEMENTS

A30 SEGMENTAL REPORTING (cont'd.)

	-----Continued Operations-----						Discontinued	
	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
Assets								
Investment in associates	-	-	-	-	58,347	-	58,347	-
Addition to non-current assets	4,916	2	-	558	443	-	5,919	-
Segment assets	5,067,983	497,679	199,185	48,367	826,589	(1,052,774)	5,587,029	-
Liabilities								
Segment liabilities	4,221,064	467,727	188,432	11,809	57,403	(181,266)	4,765,169	-

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

A30 SEGMENTAL REPORTING (cont'd.)

30 June 2013	Continued Operations							Total RM'000	Discontinued Operation Others RM'000
	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		
Revenue									
External sales	82,111	125,910	9,734	3,381	8,690	9,994	-	239,820	7
Inter-segment sales	755	17	524	-	989	7,998	(10,283)	-	-
Total revenue	82,866	125,927	10,258	3,381	9,679	17,992	(10,283)	239,820	7
Result									
Net income	27,116	119,421	9,416	1,821	40,519	32,301	(45,376)	185,218	7
Other operating expenses	(19,023)	(114,827)	(6,920)	(1,927)	(36,908)	(48,883)	28,926	(199,562)	(67)
Loans, advances and financing impairment reversal	922	(1,202)	-	2	-	-	-	(278)	-
Balances due from clients and brokers and other receivables impairment charge	(293)	444	-	-	-	-	-	151	-
Write back of impairment of investment in associates	-	-	-	-	-	-	252	252	-
Share of results in associate	-	-	-	-	-	1,271	-	1,271	-
Profit/(loss) before taxation	8,722	3,836	2,496	(104)	3,611	(15,311)	(16,198)	(12,948)	(60)
Taxation								2,104	(6)
Non-controlling interest								(482)	-
Loss from discontinuing operation								(66)	66
Net loss for the period								(11,392)	-

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FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2014**

NOTES TO INTERIM FINANCIAL STATEMENTS

A30 SEGMENTAL REPORTING (cont'd.)

	-----Continued Operations-----						Total RM'000	Discontinued Operation Others RM'000
	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		
Assets								
Investment in associates	-	-	-	-	51,894	-	51,894	-
Addition to non-current assets	6,848	65	32	626	588	-	8,159	-
Segment assets	5,920,195	491,670	105,391	48,173	893,438	(995,361)	6,463,506	-
Liabilities								
Segment liabilities	5,089,214	461,589	96,383	21,647	109,802	(130,651)	5,647,984	-

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.

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

30 June 2014

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Assets				
Financial assets at held-for-trading				
- Debt securities	-	29,474	-	29,474
- Equity securities and unit trusts	29,682	-	-	29,682
Financial investments available-for-sale #				
- Debt securities	-	1,264,604	-	1,264,604
- Negotiable Instruments of Deposits	-	220,000	-	220,000
Derivative assets	-	720	-	720
Total assets	29,682	1,514,798	-	1,544,480
Liabilities				
Financial assets at fair value through profit or loss				
- Derivatives	-	2	-	2
Total liabilities	-	2	-	2

31 December 2013

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

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

A34 Net Income from Islamic Banking Business

	Individual Quarter		Cumulative Quarter	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	3,895	318	6,644	318
Income attributable to the depositors	(2,746)	(646)	(4,549)	(646)
Income attributable to the Group	1,149	(328)	2,095	(328)

NOTES TO INTERIM FINANCIAL STATEMENTS

A35 OPERATIONS OF ISLAMIC BANKING

The Islamic Banking operations of the wholly-owned investment banking subsidiary, KIBB are as follows:

**(a) UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014**

	Note	As at 30 June 2014 RM '000	As at 31 December 2013 RM '000
ASSETS			
Cash and short-term funds	(c)	153,700	182,124
Financial investments available-for-sale	(d)	154,927	130,214
Financial investments held-for-maturity	(e)	5,004	5,003
Advances and financing	(f)	4,969	-
Other assets		3,529	2,331
Property, plant and equipment		331	361
Deferred tax assets		802	-
TOTAL ASSETS		<u>323,262</u>	<u>320,033</u>
LIABILITIES			
Deposits from customers	(g)	225,135	241,138
Other liabilities		795	2,612
TOTAL LIABILITIES		<u>225,930</u>	<u>243,750</u>
ISLAMIC BANKING CAPITAL FUNDS			
Islamic banking funds		100,000	80,000
Reserves		(2,668)	(3,717)
TOTAL ISLAMIC BANKING CAPITAL FUNDS		<u>97,332</u>	<u>76,283</u>
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS		<u>323,262</u>	<u>320,033</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)

(Incorporated in Malaysia)

NOTES TO INTERIM FINANCIAL STATEMENTS**A35 OPERATIONS OF ISLAMIC BANKING****(b) UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2014**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 30 June 2014 RM'000	3 months ended 30 June 2013 RM'000	6 months ended 30 June 2014 RM'000	6 months ended 30 June 2013 RM'000
Income derived from investment of depositors' funds and others	3,895	318	6,644	318
Total attributable income	3,895	318	6,644	318
Income attributable to depositors	(2,746)	(627)	(4,549)	(627)
Net income attributable to the KIBB	1,149	(309)	2,095	(309)
Other operating expenses	(577)	(610)	(1,131)	(610)
Impairment allowances on financing	(39)	-	(39)	-
Profit/(Loss) before taxation	533	(919)	925	(919)
Taxation	(241)	-	(241)	-
Profit/(Loss) for the period	292	(919)	684	(919)

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

A35 OPERATIONS OF ISLAMIC BANKING

	As at 30 June 2014 RM'000	Group As at 31 December 2013 RM'000
(c) Cash and Short-Term Funds	153,700	182,124
(d) Financial investments available-for-sale		
Unquoted Private Debt Securities:		
In Malaysia		
Corporate bonds	154,927	130,214
(e) Financial investments held-to-maturity		
At Amortised Cost		
Money Market Instruments:		
In Malaysia		
Islamic corporate bonds	5,004	5,003
(f) Advances and financing		
Commodity Murabahah Revolving Credit	5,008	-
Allowance for impairment:		
- collective impairment	(39)	-
	4,969	-
(g) Deposits from customers		
(i) By type of deposit		
Mudharabah General Investment Deposits	225,135	241,138
(ii) By type of customer		
Business enterprises:		
Others	225,135	241,138
(iii) By maturity structure		
Due within six months	225,135	241,138

NOTES TO INTERIM FINANCIAL STATEMENTS

A35 OPERATIONS OF ISLAMIC BANKING

	As at 30 June 2014 RM'000	Group As at 31 December 2013 RM'000
(h) Capital adequacy		
(i) Tier I Capital		
Islamic Banking funds	100,000	80,000
Accumulated losses	(939)	(939)
Other reserves	(2,413)	(2,778)
Less: Deferred tax assets	(802)	-
Total Tier I capital	<u>95,846</u>	<u>76,283</u>
(ii) Tier II Capital		
Collective impairment provision	39	-
Total Tier II capital	<u>39</u>	<u>-</u>
Total capital	<u>95,885</u>	<u>76,283</u>
CET I capital ratio	122.94%	137.77%
Tier I capital ratio	122.94%	137.77%
Total capital ratio	<u>122.99%</u>	<u>137.77%</u>

(ii) The breakdown of risk-weighted assets ("RWA") in the various categories of risk-weights are as follows:

	30 June 2014		31 December 2013	
	RM'000	RM'000	RM'000	RM'000
	Principal	Risk-weighted	Principal	Risk-weighted
Credit risk	333,173	72,823	319,316	55,369
Operational risk	-	5,140	-	-
Total Risk Weighted Assets	<u>333,173</u>	<u>77,963</u>	<u>319,316</u>	<u>55,369</u>

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 RM10.7 million for the six months ended 30 June 2014 ("1H14") which is a significant improvement as compared to pretax loss of RM12.9 million for the six months ended 30 June 2013 ("1H13"). Included in 1H13 was exceptional expense of RM27.1 million merger costs arising from the acquisition and business merger between the Group's subsidiary KIBB and ECM Libra Investment Bank Berhad ("EIBB") (now known as ECML Berhad). The merger costs was partially mitigated by exceptional gain on acquisition of ING Funds Berhad (now known as Kenanga Funds Berhad) of RM13.1 million.

Net income of RM197.3 million was achieved in 1H14 which is a 6.5% increase from RM185.2 million registered in 1H13.

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

Stockbroking:

Equity Broking ("EB") recorded profit before tax ("PBT") of RM7.0 million (1H13: PBT of RM3.8 million) as better income from margin financing was recorded in 1H14. In addition, EB had lower overheads due to costs rationalisation in 2013.

Investment Banking:

Investment Banking registered a PBT of RM4.2 million in 1H14 (1H13: PBT of RM8.7 million) mainly due to lower trading and investment income recorded from treasury activities in 1H14.

Investment Management:

Investment management made a loss before tax ("LBT") of RM2.9 million (1H13: PBT of RM3.6 million). 1H13 PBT was higher due to exceptional gain on acquisition of ING Funds Berhad.

As at 30 June 2014, the division has an unrealised performance fees of RM15.0 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 performance of the fund at year end or on termination of mandate.

Futures:

Futures segment registered a PBT of RM1.8 million in 1H14 as compared to RM2.5 million in 1H13 largely due to lower exchange volume traded.

Money lending and financing:

This segment reported a PBT of RM1.3 million in 1H14 compared to a LBT of RM0.1 million in the corresponding period of previous financial year due to higher loan balances and fees.

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 RM0.9 million in the second quarter ended 30 June 2014 ("2Q14") compared to pre-tax profit of RM9.9 million in the preceding quarter ended 31 March 2014 ("1Q14") largely due to higher operating expenses of RM98.2 million in 2Q14 as compared to RM90.6 million in 1Q14. The increase is mainly due to higher personnel and marketing expenses in 2Q14.

B3. Prospects for 2014

The Malaysian economy expanded by 6.2% in the first quarter of 2014, driven by a stronger growth in domestic demand and a turnaround in net exports. Going forward, the prospects are for the Malaysian economy to remain firmly on a steady growth path.

On the back of a solid footing and strong position in the market, 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

	Individual Quarter 3 months ended 30 June 2014 RM'000	Cumulative Quarter 6 months ended 30 June 2014 RM'000
Current period - income tax	(411)	(2,843)
Deferred taxation	(61)	(300)
Total	<u>(472)</u>	<u>(3,143)</u>

The effective tax rate for the current period is higher than the statutory rate due to expenses which are disallowed for tax purposes.

B6. Status of Corporate Proposals

There is no outstanding corporate proposals as at 30 June 2014.

B7. Group Borrowings

		RM'000
Subordinated Loan (unsecured)	Note 1	1,383
Short term loan from financial institutions (unsecured)	Note 2	105,245
Redeemable Non-Convertible Unsecured Loan Stocks ("RULS")	Note 3	47,750

Note 1 : A subordinated loan amounting to RM5.0 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 : 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 six months ended 30 June 2014.

B9. Earnings per share

The amount used as the numerator for the purposes of calculating the basic earnings per share for the six months period is RM7.2 million representing the profit for the period attributable to ordinary equity holders of the parent (30 June 2013: loss attributable to ordinary equity holders of parent: RM11.4 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 (30 June 2013: 731,759,499).

NOTES TO INTERIM FINANCIAL STATEMENTS

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

B10. Derivatives

As at 30 June 2014, derivative financial assets and liabilities are as follows:

Type of Derivatives	Contract/Notional Value RM'000	Fair Value RM'000
Assets		
Equity options	2,825	718
Dual currency investment options	500	-
Equity link investment options	497	2
Liabilities		
Dual currency investment options - Less than 1 year	500	-
Equity link investment options - Less than 1 year	497	2

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

Type of Derivatives	Contract/Notional Value RM'000	Fair Value RM'000
Assets		
Equity options	9,189	4,248
Dual currency investment options	3,900	36
Equity link investment options		
Liabilities		
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

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.

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

	Individual Quarter 3 months ended 30 June 2014 RM'000	Cumulative Quarter 6 months ended 30 June 2014 RM'000
Gain/(loss) from fair value changes of financial Equity Options	(310)	(86)
Structured Warrants	(254)	(64)
	<u> </u>	<u> </u>

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

	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
Total (accumulated loss) / retained profits of Company and its subsidiaries:		
- Realised	(291,471)	(303,670)
- Unrealised	3,458	19,941
	<u>(288,013)</u>	<u>(283,729)</u>
Total share of (accumulated losses) / retained profits from associates		
- Realised	(16,816)	(20,962)
- Unrealised	4,204	5,218
	<u>(12,612)</u>	<u>(15,744)</u>
Add: Consolidation adjustments	303,837	295,525
Total group retained profits / (accumulated losses) as per consolidated accounts	<u>3,212</u>	<u>(3,948)</u>

By Order of the Board
K& N KENANGA HOLDINGS BERHAD



YM TENGKU DATO' PADUKA NOOR
ZAKIAH BTE TENGKU ISMAIL
Chairman