

**K & N Kenanga Holdings Berhad**  
**(Company No. 302859-X)**

**Unaudited Condensed Interim Financial Statements**  
**30 September 2014**

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

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014**

<u>Group</u>		<b>As at 30 September 2014 RM'000</b>	<b>As at 31 December 2013 RM'000</b>
	<b>Note</b>		
<b>ASSETS</b>			
Cash and short-term funds		1,208,255	753,395
Deposits and placements with banks and other financial institutions		161,743	-
Financial assets held-for-trading	<b>A9</b>	115,893	41,737
Financial investments available-for-sale	<b>A10</b>	1,196,255	1,978,347
Financial investments held-to-maturity	<b>A11</b>	10,006	10,006
Derivative financial assets		627	4,284
Loans, advances and financing	<b>A12</b>	1,944,730	1,753,423
Balance due from clients and brokers		494,423	395,564
Assets segregated for customers		70,962	89,374
Other assets	<b>A13</b>	132,440	94,088
Statutory deposit with Bank Negara Malaysia		127,621	143,150
Tax recoverable		5,072	6,970
Investment in associates		63,189	57,422
Property, plant and equipment		61,653	61,974
Intangible assets		265,950	265,610
Deferred tax assets		10,294	13,542
Assets held for resale		6,252	152
<b>TOTAL ASSETS</b>		<b>5,875,365</b>	<b>5,669,038</b>
<b>LIABILITIES</b>			
Deposits from customers	<b>A14</b>	3,096,007	3,391,335
Deposits and placements of banks and other financial institutions	<b>A15</b>	786,967	493,937
Borrowings	<b>A16</b>	92,036	79,611
Balance due to clients and brokers		805,535	660,979
Amount held in trust		74,390	75,839
Other liabilities	<b>A17</b>	95,990	96,355
Provision for taxation and zakat		3,366	1,851
Deferred tax liabilities		75	-
Subordinated obligations	<b>A18</b>	1,367	1,384
Derivative financial liabilities		18,259	1,081
Redeemable non-convertible unsecured loan stocks	<b>A19</b>	47,750	47,750
Liabilities held for resale		6	8
<b>TOTAL LIABILITIES</b>		<b>5,021,748</b>	<b>4,850,130</b>

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

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014**

**Group**

**SHAREHOLDERS' EQUITY**

Share capital	731,759	731,759
Share premium	75	75
Retained profits/(Accumulated loss)	23,297	(3,948)
Exchange reserve	3,594	4,230
Statutory reserve	75,887	75,887
Fair value reserve	(11,455)	(19,022)
Capital reserve	22,152	22,152
	<hr/>	<hr/>
	845,309	811,133
Non-controlling interests	8,308	7,775
Total equity	<hr/>	<hr/>
	853,617	818,908
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<hr/>	<hr/>
	5,875,365	5,669,038
<b>Net Assets Per Share (RM)</b>	<hr/>	<hr/>
	1.16	1.11

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 SEPTEMBER 2014**

	<b>As at 30 September 2014 RM'000</b>	<b>As at 31 December 2013 RM'000</b>
<b>ASSETS</b>		
Cash and short-term funds	8,318	6,124
Financial assets held-for-trading	18,336	15,743
Other assets	67,474	22,966
Tax recoverable	2,244	2,244
Investment in subsidiaries	763,737	763,737
Investment in associates	1,187	1,187
Property, plant and equipment	1,905	1,608
Deferred tax assets	590	728
<b>TOTAL ASSETS</b>	<b>863,791</b>	<b>814,337</b>
<b>LIABILITIES</b>		
Other liabilities	5,741	6,288
Borrowings	50,000	-
Redeemable non-convertible unsecured loan stocks	47,750	47,750
<b>TOTAL LIABILITIES</b>	<b>103,491</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	78,266	78,265
Total equity	760,300	760,299
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>863,791</b>	<b>814,337</b>
<b>Net Assets Per Share (RM)</b>	<b>1.04</b>	<b>1.04</b>

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

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

**Group**

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended 30 September 2014 RM'000	3 months ended 30 September 2013 RM'000	9 months ended 30 September 2014 RM'000	9 months ended 30 September 2013 RM'000
<b>Continuing Operations</b>					
Interest income	<b>A24</b>	56,538	60,589	162,373	157,035
Interest expense	<b>A25</b>	(36,997)	(43,631)	(105,730)	(104,149)
Net interest income		19,541	16,958	56,643	52,886
Net income from Islamic banking business	<b>A34</b>	1,120	535	3,215	207
Other operating income	<b>A26</b>	108,565	79,358	266,628	228,976
Net income		129,226	96,851	326,486	282,069
Other operating expenses	<b>A27</b>	(106,622)	(96,736)	(295,451)	(296,298)
Operating profit/(loss)		22,604	115	31,035	(14,229)
(Impairment allowance)/Write back of impairment allowance on:					
- loans, advances and financing	<b>A28</b>	222	1,509	900	1,231
- balances due from clients and brokers and other receivables	<b>A29</b>	(1,129)	305	(4,178)	456
- investment in associates		-	86	-	338
		21,697	2,015	27,757	(12,204)
Share of results in associates		1,315	664	6,004	1,935
<b>Profit/(Loss) before taxation</b>		23,012	2,679	33,761	(10,269)
Taxation		(2,693)	(144)	(5,836)	1,960
<b>Profit/(Loss) for the period from continuing operations</b>		20,319	2,535	27,925	(8,309)
<b>Discontinued operation</b>					
Loss for the period		(13)	(24)	(147)	(90)
<b>Profit/(Loss) for the period</b>		20,306	2,511	27,778	(8,399)

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 September 2014 RM'000	3 months ended 30 September 2013 RM'000	9 months ended 30 September 2014 RM'000	9 months ended 30 September 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	2,105	377	400	(2,525)
Foreign exchange differences on consolidation	1,423	(4,743)	(636)	(3,512)
Net gain/(loss) on fair value changes of financial investments available-for-sale	10,564	(9,294)	9,556	(13,955)
Income tax relating to the components of other comprehensive income	(2,641)	3,223	(2,389)	4,388
Other comprehensive income/(loss) for the period	11,451	(10,437)	6,931	(15,604)
Total comprehensive income/(loss)	<u>31,757</u>	<u>(7,926)</u>	<u>34,709</u>	<u>(24,003)</u>
Profit/(Loss) for the period attributable to				
- Equity holders of the parent	20,085	2,255	27,245	(9,137)
- Non-controlling interests	221	256	533	738
	<u>20,306</u>	<u>2,511</u>	<u>27,778</u>	<u>(8,399)</u>
Total comprehensive income/(loss) for the period attributable to				
- Equity holders of the parent	31,536	(8,182)	34,176	(24,741)
- Non-controlling interests	221	256	533	738
	<u>31,757</u>	<u>(7,926)</u>	<u>34,709</u>	<u>(24,003)</u>
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)	2.74	0.31	3.72	(1.25)
(ii) Fully diluted (sen)	<u>2.74</u>	<u>0.31</u>	<u>3.72</u>	<u>(1.25)</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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September 2014 RM'000	3 months ended 30 September 2013 RM'000	9 months ended 30 September 2014 RM'000	9 months ended 30 September 2013 RM'000
<b>Continuing Operations</b>				
Interest income	265	479	592	1,543
Interest expense	(706)	(1,203)	(1,896)	(3,585)
Net interest expense	(441)	(724)	(1,304)	(2,042)
Other operating income	7,731	4,019	25,390	29,541
Net income	7,290	3,295	24,086	27,499
Other operating expenses	(8,301)	(7,110)	(23,947)	(18,689)
<b>(Loss)/Profit before taxation</b>	(1,011)	(3,815)	139	8,810
Taxation	91	595	(138)	(800)
<b>(Loss)/Profit for the period from continuing operations</b>	(920)	(3,220)	1	8,010
<b>(Loss)/Profit for the period</b>	(920)	(3,220)	1	8,010

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 September 2014 RM'000	3 months ended 30 September 2013 RM'000	9 months ended 30 September 2014 RM'000	9 months ended 30 September 2013 RM'000
(i) (Loss)/Profit for the period attributable to - Equity holders of the parent	(920)	(3,220)	1	8,010
	<u>(920)</u>	<u>(3,220)</u>	<u>1</u>	<u>8,010</u>
(a) (Loss)/Earnings per share attributable to ordinary equity holders of the parent				
(i) Basic (based on weighted average number of ordinary shares 731,759,499 for the current quarter and cumulative quarter to date) (sen)	(0.13)	(0.44)	0.00	1.09
	<u>(0.13)</u>	<u>(0.44)</u>	<u>0.00</u>	<u>1.09</u>
(ii) Fully diluted	(0.13)	(0.44)	0.00	1.09
	<u>(0.13)</u>	<u>(0.44)</u>	<u>0.00</u>	<u>1.09</u>

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 SEPTEMBER 2014**

	<b>Group</b>		<b>Company</b>	
	<b>30 September 2014 RM'000</b>	<b>30 September 2013 RM'000</b>	<b>30 September 2014 RM'000</b>	<b>30 September 2013 RM'000</b>
<b>Cash flows from operating activities</b>				
<b>Profit/(Loss) before taxation</b>				
- Continuing operations	33,761	(10,269)	139	8,810
- Discontinued operation	(147)	(90)	-	-
Adjustments for non operating and non cash items	(167,124)	(167,821)	(1,401)	(16,832)
<b>Operating loss before changes in working capital</b>	<b>(133,510)</b>	<b>(178,180)</b>	<b>(1,262)</b>	<b>(8,022)</b>
Net changes in operating assets	(377,141)	(400,895)	(46,763)	25,569
Net changes in operating liabilities	139,359	1,253,396	1,456	966
<b>Cash (used in)/generated from operations</b>	<b>(371,292)</b>	<b>674,321</b>	<b>(46,569)</b>	<b>18,513</b>
Net dividends received	1,792	466	-	-
Interest received	130,301	110,019	592	(2,042)
Net tax refund/(paid)	(1,462)	(2,946)	-	(3)
<b>Net operating cash flow</b>	<b>(240,661)</b>	<b>781,860</b>	<b>(45,977)</b>	<b>16,468</b>
<b>Net investing cash flow</b>	<b>774,957</b>	<b>(389,814)</b>	<b>(639)</b>	<b>19,613</b>
<b>Net financing cash flow</b>	<b>7,498</b>	<b>41,904</b>	<b>48,810</b>	<b>-</b>
Net change in cash and cash equivalents during the period	541,794	433,950	2,194	36,081
Cash and cash equivalents brought forward	384,406	557,036	6,124	4,701
Cash and cash equivalents carried forward	<b>926,200</b>	<b>990,986</b>	<b>8,318</b>	<b>40,782</b>
Cash and cash equivalents comprise the following:-				
Non trust cash and short term funds	919,976	990,864	8,318	40,782
Cash and short term funds classified as asset held for sale	6,224	122	-	-
	<b>926,200</b>	<b>990,986</b>	<b>8,318</b>	<b>40,782</b>

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 SEPTEMBER 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	
<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	-	-	(636)	-	7,167	-	27,245	533	34,309
Share of an associate's other comprehensive income	-	-	-	-	400	-	-	-	400
<b>As at 30 September 2014</b>	<b>731,759</b>	<b>75</b>	<b>3,594</b>	<b>22,152</b>	<b>(11,455)</b>	<b>75,887</b>	<b>23,297</b>	<b>8,308</b>	<b>853,617</b>

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 SEPTEMBER 2014**

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

Group	-----Non-Distributable-----						Distributable Accumulated Loss RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Fair value Reserve RM'000	Statutory Reserve RM'000			
<b>As at 1 January 2013</b>	731,759	75	(683)	22,152	4,910	67,323	(1,575)	7,638	831,599
Total comprehensive income/(loss) for the period	-	-	3,512	-	(10,467)	-	(9,137)	738	(15,354)
Share of associates' other comprehensive loss	-	-	-	-	(2,525)	-	-	-	(2,525)
<b>As at 30 September 2013</b>	<b>731,759</b>	<b>75</b>	<b>2,829</b>	<b>22,152</b>	<b>(8,082)</b>	<b>67,323</b>	<b>(10,712)</b>	<b>8,376</b>	<b>813,720</b>

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 SEPTEMBER 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	
<b>As at 1 January 2014</b>	731,759	75	(49,800)	78,265	760,299
Comprehensive income for the period	-	-	-	1	1
<b>As at 30 September 2014</b>	<u>731,759</u>	<u>75</u>	<u>(49,800)</u>	<u>78,266</u>	<u>760,300</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 SEPTEMBER 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	
<b>As at 1 January 2013</b>	731,759	75	(49,800)	76,458	758,492
Comprehensive income for the period	-	-	-	8,010	8,010
<b>As at 30 September 2013</b>	<u>731,759</u>	<u>75</u>	<u>(49,800)</u>	<u>84,468</u>	<u>766,502</u>

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

## **NOTES TO INTERIM FINANCIAL STATEMENTS**

### **A1. Basis of Preparation**

The interim financial statements, for the third quarter ended 30 September 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**

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 September 2014, other than the following:

On 13 August 2014, KNKH obtained approval from Securities Commission for a Commercial Paper/Medium Term Notes ("CP/MTN") Programme of RM200 million in nominal value of up to seven (7) years tenure. Under the CP/MTN programme, the proceed raised from the Notes will be utilised for repayment of existing borrowings of the Company and its subsidiaries, and, to finance the investment activities, capital expenditures, working capital requirements and other general corporate purposes.

On 15 September 2014, KNKH issued RM50 million Medium Term Notes ("MTN") for tenor of 367 days at interest rate of 4.75% per annum.

### **A8. Dividends paid per share**

No dividend was paid during the nine months ended 30 September 2014.

**NOTES TO INTERIM FINANCIAL STATEMENTS**

	<b>30 September 2014</b>	<b>31 December 2013</b>
	<b>RM' 000</b>	<b>RM' 000</b>
<b>A9 Financial assets held-for-trading</b>		
<b>Quoted securities:</b>		
In Malaysia:		
Shares, Warrants, Trust Units and Loan Stocks	115,893	41,737
	<u>115,893</u>	<u>41,737</u>
Total financial assets held-for-trading	<u><b>115,893</b></u>	<u><b>41,737</b></u>
<b>A10 Financial investments available-for-sale</b>		
<b>At Fair Value, or amortised cost</b>		
<b>Money Market instruments:-</b>		
Malaysian Government Securities	39,192	98,667
Bank Negara Malaysia Bills and Notes	200,264	593,537
Malaysian Government Investment Certificates	214,075	319,577
Islamic Government Investment Issues	19,668	-
Negotiable Instruments of Deposits	-	249,764
Sukuk Perumahan Kerajaan	9,970	-
Total Money Market instruments	<u>483,169</u>	<u>1,261,545</u>
<b>Unquoted securities:</b>		
In Malaysia:		
Shares, trust units and loan stocks	490	2,590
Corporate Bonds	587,059	613,454
Islamic Corporate Bonds	85,566	100,758
Islamic Corporate Bills	39,971	-
	<u>713,086</u>	<u>716,802</u>
Total financial investments available-for-sale	<u><b>1,196,255</b></u>	<u><b>1,978,347</b></u>
<b>A11 Financial investments held-to maturity</b>		
<b>At Amortised Cost</b>		
<b>Money Market Instruments:</b>		
Corporate bonds	5,003	5,003
Islamic corporate bonds	5,003	5,003
Total financial investments held-to-maturity	<u><b>10,006</b></u>	<u><b>10,006</b></u>

NOTES TO INTERIM FINANCIAL STATEMENTS

	30 September 2014 RM' 000	31 December 2013 RM' 000
<b>A12 Loans, advances and financing</b>		
Term loans	421,381	338,227
Share margin financing	1,440,479	1,295,138
Other financing	83,280	121,055
Gross loans, advances and financing	<u>1,945,140</u>	<u>1,754,420</u>
Allowances for bad and doubtful debts and financing:		
- Individual Impairment	(189)	(400)
- Collective Impairment	(221)	(597)
Net loans, advances and financing	<u><b>1,944,730</b></u>	<u><b>1,753,423</b></u>
<b>(i) By maturity structure</b>		
Within one year	1,488,922	1,542,541
More than one year	456,218	211,879
Gross loans, advances and financing	<u>1,945,140</u>	<u>1,754,420</u>
<b>(ii) By type of customer</b>		
<b>Domestic operations:</b>		
Domestic business enterprise		
- Others	730,447	776,525
Individuals	1,199,078	964,093
Foreign entities	15,615	13,802
Total domestic operations	<u>1,945,140</u>	<u>1,754,420</u>
<b>(iii) By interest/profit rate sensitivity</b>		
Fixed rate		
- Other fixed rate loans/financing	1,472,805	1,461,401
Variable rate		
- Cost plus	394,423	171,964
- Other variable rates	77,912	121,055
Gross loans, advances and financing	<u>1,945,140</u>	<u>1,754,420</u>
<b>(iv) Total loans by economic purpose</b>		
<b>Domestic operations:</b>		
Purchase of securities	1,458,911	1,447,291
Working capital	59,480	146,118
Others	426,749	161,011
	<u>1,945,140</u>	<u>1,754,420</u>
<b>Impaired loans by economic purpose</b>		
<b>Domestic operations:</b>		
Purchase of securities	2,725	2,785
Total domestic operations	<u>2,725</u>	<u>2,785</u>



NOTES TO INTERIM FINANCIAL STATEMENTS

30 September 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	193	445
Recovered	(26)	(54)
Amount written off	(227)	(13,967)
At end of the period/year	<u>2,725</u>	<u>2,785</u>
Individual Impairment	<u>(189)</u>	<u>(400)</u>
Net impaired loans, advances and financing	<u>2,536</u>	<u>2,385</u>
Net impaired loans as a % of gross loans, advances and financing less individual impairment	<u>0.13%</u>	<u>0.14%</u>

**(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	50	1,780
Amount written back in respect of recoveries	(34)	(1,607)
Amount of allowance set off against gross loans	(227)	(13,958)
At end of the period/year	<u>189</u>	<u>400</u>

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

Collective Impairment

At beginning of the year	597	154
Allowance made during the period/year	308	458
Amount written back	(684)	(15)
At end of the period/year	<u>221</u>	<u>597</u>
As % of gross loans, advances and financing less individual impairment	<u>0.01%</u>	<u>0.03%</u>

**A13 Other assets**

Interest/Income receivable	12,203	13,594
Prepayments and deposits	28,250	23,840
Treasury trade receivables	30,494	-
Other debtors	<u>65,670</u>	<u>60,840</u>
	136,617	98,274
Individual impairment	<u>(4,177)</u>	<u>(4,186)</u>
	<u>132,440</u>	<u>94,088</u>

**NOTES TO INTERIM FINANCIAL STATEMENTS**

	<b>30 September 2014</b>	<b>31 December 2013</b>
	<b>RM' 000</b>	<b>RM' 000</b>
<b>A14 Deposits from customers</b>		
Fixed deposits and negotiable instruments of deposits		
- One year or less	3,096,007	3,391,335
	<b><u>3,096,007</u></b>	<b><u>3,391,335</u></b>
By type of customers:		
Business enterprise	678,661	918,979
Domestic non-bank financial institutions	1,976,945	2,041,864
Individuals	56,874	31,771
Government and statutory bodies	359,627	393,219
Others	23,900	5,502
	<b><u>3,096,007</u></b>	<b><u>3,391,335</u></b>
<b>A15 Deposits and placement of banks and other financial institutions</b>		
Licensed banks	673,180	220,122
Licensed investment banks	-	100,000
Other financial institutions	113,787	173,815
	<b><u>786,967</u></b>	<b><u>493,937</u></b>
<b>A16 Borrowings</b>		
Medium Term Notes	49,896	-
Revolving bank loan	42,036	79,611
	<b><u>91,932</u></b>	<b><u>79,611</u></b>
<b>A17 Other liabilities</b>		
Interest/Profit payable	9,671	8,207
Provision and accruals	48,229	33,905
Retention for Contra Losses	1,090	1,075
Hire purchase creditors	70	98
Deposits and other creditors	42,033	53,070
	<b><u>101,093</u></b>	<b><u>96,355</u></b>
<b>A18 Subordinated obligations</b>		
Unsecured		
- less than one year	1,367	34
- more than one year	-	1,350
	<b><u>1,367</u></b>	<b><u>1,384</u></b>
<b>A19 Redeemable non-convertible unsecured loan stocks ("RULS")</b>		
- less than one year	47,750	47,750
	<b><u>47,750</u></b>	<b><u>47,750</u></b>

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

	30 September 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
<b>A20 <u>Commitments and Contingencies and Off-Balance Sheet Financial Instruments</u></b>						
Obligations under underwriting agreements	85,000	42,500	42,500	-	-	-
Other commitments with an original maturity of:-						
- up to 1 year	1,800	360	360	-	-	-
- over 1 year	-	-	-	-	-	-
Commitments to extend credit with maturity of less than 1 year :-						
- margin	1,213,206	-	-	1,785,442	-	-
- foreign exchange related contracts	88,519	26	11	14,591	78	21
- equity related contracts	-	-	-	-	-	-
Miscellaneous commitments	573,044	573,044	114,609	595,056	595,056	119,011
	<b>1,961,569</b>	<b>615,930</b>	<b>157,480</b>	<b>2,395,089</b>	<b>595,134</b>	<b>119,032</b>

**NOTES TO INTERIM FINANCIAL STATEMENTS**

	<b>Group</b>		<b>Company</b>	
	<b>30 September 2014 RM' 000</b>	<b>31 December 2013 RM' 000</b>	<b>30 September 2014 RM' 000</b>	<b>31 December 2013 RM' 000</b>
<b>A21 Other Commitments</b>				
Capital expenditure commitments	8,473	7,661	-	-
Operating lease arrangements	56,564	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>65,037</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 September 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			
<b>A22 Interest/Profit Rate Risk</b>									
Cash and short-term funds	1,036,564	5,171	1,285	-	-	165,235	-	1,208,255	2.94
Deposits and placements with banks and other financial institutions	-	161,743	-	-	-	-	-	161,743	3.60
Financial assets held-for-trading	-	-	-	-	-	-	115,893	115,893	3.71
Financial investments available-for-sale	39,971	52,634	147,630	365,099	590,431	490	-	1,196,255	3.87
Financial investments held-to-maturity	-	-	-	10,006	-	-	-	10,006	4.75
Derivative Financial Assets	-	-	-	-	-	627	-	627	-
Loans, advances and financing									
- non-impaired	1,444,797	66,848	124,162	308,513	-	-	-	1,944,320	6.77
- impaired	-	-	-	-	-	410	-	410	-
Other assets n1	-	-	-	-	-	626,863	-	626,863	-
Assets segregated for customers	8,735	-	-	-	-	62,227	-	70,962	2.35
Other non-interest sensitive balances	-	-	-	-	-	540,031	-	540,031	-
<b>TOTAL ASSETS</b>	<b>2,530,067</b>	<b>286,396</b>	<b>273,077</b>	<b>683,618</b>	<b>590,431</b>	<b>1,395,883</b>	<b>115,893</b>	<b>5,875,365</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>									
Deposits from customers	2,187,469	648,805	259,733	-	-	-	-	3,096,007	3.30
Deposits and placements of banks and other financial institutions	768,967	-	18,000	-	-	-	-	786,967	3.30
Borrowings	-	42,036	50,000	-	-	-	-	92,036	5.46
Subordinated obligations	-	-	1,367	-	-	-	-	1,367	5.00
RULS	-	-	47,750	-	-	-	-	47,750	5.00
Other non-interest sensitive balances	-	-	-	-	-	997,621	-	997,621	-
<b>Total Liabilities</b>	<b>2,956,436</b>	<b>690,841</b>	<b>376,850</b>	<b>-</b>	<b>-</b>	<b>997,621</b>	<b>-</b>	<b>5,021,748</b>	
Shareholders' equity	-	-	-	-	-	845,309	-	845,309	
Non-controlling interests	-	-	-	-	-	8,308	-	8,308	
<b>Total Liabilities and Shareholders' Equity</b>	<b>2,956,436</b>	<b>690,841</b>	<b>376,850</b>	<b>-</b>	<b>-</b>	<b>1,851,238</b>	<b>-</b>	<b>5,875,365</b>	
On-balance sheet interest sensitivity gap	(426,369)	(404,445)	(103,773)	683,618	590,431	(455,355)	115,893	-	
<b>Total interest sensitivity gap</b>	<b>(426,369)</b>	<b>(830,814)</b>	<b>(934,587)</b>	<b>(250,969)</b>	<b>339,462</b>	<b>(115,893)</b>	<b>-</b>	<b>-</b>	

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

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

As at 30 September 2013

	Non trading book					Non-interest sensitive RM	Trading book RM	Total RM	Effective interest rate %
	Up to 1 month RM	>1 - 3 months RM	>3 - 12 months RM	>1 - 5 years RM	over 5 years RM				
<b>A22 Interest/Profit Rate Risk</b>									
Cash and short-term funds	441,486	-	-	-	-	629,603	-	1,071,089	2.96
Financial assets held-for-trading	-	-	-	-	-	-	251,053	251,053	3.25
Financial investments available-for-sale	249,687	687,721	50,000	440,833	756,872	3,590	-	2,188,703	3.73
Financial investments held-to-maturity	-	10,008	-	-	-	-	-	10,008	4.75
Loans, advances and financing									
- non-impaired	1,339,915	6,466	102,496	143,676	-	-	-	1,592,553	6.69
- impaired	-	-	-	-	-	558	-	558	-
Other assets n1	-	-	-	-	-	1,116,498	-	1,116,498	-
Other non-interest sensitive balances	-	-	-	-	-	535,604	-	535,604	-
<b>TOTAL ASSETS</b>	<b>2,031,088</b>	<b>704,195</b>	<b>152,496</b>	<b>584,509</b>	<b>756,872</b>	<b>2,285,853</b>	<b>251,053</b>	<b>6,766,066</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>									
Deposits from customers	1,881,464	271,425	319,281	-	-	-	-	2,472,170	3.19
Deposits and placements of banks and other financial institutions	1,575,966	174,490	101,654	-	-	-	-	1,852,110	3.19
Borrowings	95,203	-	-	-	-	-	-	95,203	5.26
Subordinated obligations	-	-	-	1,367	-	-	-	1,367	5.50
RULS	-	47,750	-	47,750	-	-	-	95,500	5.00
Other non-interest sensitive balances	-	-	-	-	-	1,435,996	-	1,435,996	-
<b>Total Liabilities</b>	<b>3,552,633</b>	<b>493,665</b>	<b>420,935</b>	<b>49,117</b>	<b>-</b>	<b>1,435,996</b>	<b>-</b>	<b>5,952,346</b>	
Shareholders' equity	-	-	-	-	-	805,344	-	805,344	
Non-controlling interests	-	-	-	-	-	8,376	-	8,376	
<b>Total Liabilities and Shareholders' Equity</b>	<b>3,552,633</b>	<b>493,665</b>	<b>420,935</b>	<b>49,117</b>	<b>-</b>	<b>2,249,716</b>	<b>-</b>	<b>6,766,066</b>	
On-balance sheet interest sensitivity gap	(1,521,545)	210,530	(268,439)	535,392	756,872	36,137	251,053	-	
<b>Total interest sensitivity gap</b>	<b>(1,521,545)</b>	<b>(1,311,015)</b>	<b>(1,579,454)</b>	<b>(1,044,062)</b>	<b>(287,190)</b>	<b>(251,053)</b>	<b>-</b>	<b>-</b>	

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:

	<b>30 September 2014</b>	<b>31 December 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Common Equity Tier I (CET I)/Tier I 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	58,813	51,646
Less: Regulatory adjustments applied on CET I capital		
Deferred tax assets	(8,007)	(10,117)
Goodwill	(252,909)	(252,909)
Other intangibles	(52,500)	(52,500)
Deduction in excess of Tier II *	(115,835)	(115,498)
<b>Total CET I/Tier I Capital</b>	<b>420,543</b>	<b>411,603</b>
<b><u>Tier II Capital</u></b>		
Collective impairment allowance	260	597
Less: Regulatory adjustments applied on Tier II capital	(260)	(597)
<b>Total Tier II capital</b>	<b>-</b>	<b>-</b>
<b>Total capital</b>	<b>420,543</b>	<b>411,603</b>
CET I Capital ratio	28.54%	30.94%
Tier I Capital ratio	28.54%	30.94%
Total Capital ratio	28.54%	30.94%

\* The portion of regulatory adjustments not deducted from Tier II (as KIBB 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).

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A23 Capital Adequacy (continued)**

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

	<b>Bank</b>		<b>Bank</b>	
	<b>30 September 2014</b>		<b>31 December 2013</b>	
	<b>Notional amount</b>	<b>Risk-weighted amount</b>	<b>Notional amount</b>	<b>Risk-weighted amount</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Credit Risk	5,451,236	1,044,986	4,079,036	939,362
Market Risk	-	79,708	-	85,107
Operational Risk	-	348,927	-	305,737
<b>Total Risk Weighted Assets</b>	<b>5,451,236</b>	<b>1,473,621</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	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
<b>A24 Interest Income</b>				
Loans, advances and financing	34,034	26,052	96,040	79,495
Money at call and deposit placements with financial institutions	9,781	7,350	20,035	15,077
Financial assets held-for-trading	298	1,271	638	3,855
Financial investments available-for-sale	7,098	17,217	31,357	43,161
Financial investments held-to-maturity	115	73	353	73
Others	5,212	8,626	13,950	15,374
	<u>56,538</u>	<u>60,589</u>	<u>162,373</u>	<u>157,035</u>
<b>A25 Interest Expense</b>				
Deposits from customers	29,058	32,547	81,228	80,202
Deposits and placement of banks and other financial institutions	5,210	8,564	15,595	16,470
Revolving bank loan	2,005	1,302	6,961	3,845
RULS	603	1,200	1,792	3,581
Medium Term Notes	104	-	104	-
Subordinated obligations	17	18	50	51
	<u>36,997</u>	<u>43,631</u>	<u>105,730</u>	<u>104,149</u>
<b>A26 Other Operating Income</b>				
(a) Fee income:				
Brokerage income	62,736	55,617	169,472	147,712
Commissions	3,392	3,443	9,481	9,986
Loans, advances and financing	1,417	1,958	5,361	4,049
Corporate advisory	4,409	203	11,972	1,492
Placement fees	2,482	2,927	6,110	8,967
Underwriting fees	1,062	1,026	1,960	2,877
Management fee income	28,785	6,084	40,913	15,342
Other fee income	2,512	2,837	7,701	7,845
	<u>106,795</u>	<u>74,095</u>	<u>252,970</u>	<u>198,270</u>
(b) Gain/(loss) arising from sale of securities:				
Net gain/(loss) from sale of financial assets held-for-trading	2,283	(231)	3,470	(1,242)
Net (loss)/gain from sale of financial investments available-for-sale	(1,840)	9	(2,585)	2,492
	<u>443</u>	<u>(222)</u>	<u>885</u>	<u>1,250</u>
(c) Gross dividend from:				
Securities portfolio	14	145	1,792	466
	<u>14</u>	<u>145</u>	<u>1,792</u>	<u>466</u>
(d) Unrealised (loss)/gain on revaluation of financial assets held-for-trading and derivatives	(691)	(877)	2,930	1,953
	<u>(691)</u>	<u>(877)</u>	<u>2,930</u>	<u>1,953</u>
(e) Other income:				
Foreign exchange profit	1,136	2,484	3,878	5,987
Gains on disposal of property, plant and equipment	28	-	307	-
Others	840	3,733	3,866	21,050
	<u>2,004</u>	<u>6,217</u>	<u>8,051</u>	<u>27,037</u>
Total non-interest income	<b>108,565</b>	<b>79,358</b>	<b>266,628</b>	<b>228,976</b>

**NOTES TO INTERIM FINANCIAL STATEMENTS**

	Individual Quarter		Cumulative Quarter	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
	RM'000	RM'000	RM'000	RM'000

**A27 Other operating expenses**

Personnel costs	39,590	39,154	110,329	125,047
- Salaries, allowances and bonuses	31,901	31,682	88,721	85,091
- Voluntary Separation Scheme ("VSS")	-	452	-	19,587
- EPF	3,494	3,778	10,997	11,237
- Others	4,195	3,242	10,611	9,132
Establishment costs	13,286	14,288	40,496	40,912
- Depreciation and amortisation of software	3,976	3,957	11,904	11,606
- Rental of leasehold land and premises	5,755	5,844	18,051	18,304
- Repairs and maintenance of property, plant and equipment	930	1,059	2,549	3,054
- Information technology expenses	1,747	2,324	5,420	5,218
- Others	878	1,104	2,572	2,730
Marketing expenses	3,493	2,048	10,225	7,513
- Advertisement and publicity	441	563	1,006	1,051
- Others	3,052	1,485	9,219	6,462
Administration and general expenses	50,253	41,246	134,401	122,826
- Fees and brokerage	37,247	29,312	97,168	77,033
- Administrative expenses	13,006	11,934	37,233	45,793
	<b>106,622</b>	<b>96,736</b>	<b>295,451</b>	<b>296,298</b>

**A28 Write back of impairment allowance/(Impairment allowance) on loans, advances and financing:**

Allowances for loans, advances and financing:				
- collective impairment (net)	(62)	2	376	8
- individual impairment	1	(687)	(50)	(1,780)
- write back of individual impairment	14	1,592	34	1,592
Bad debts and financing recovered	269	602	540	1,411
	<b>222</b>	<b>1,509</b>	<b>900</b>	<b>1,231</b>

**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)	(3,861)	305	(7,458)	(240)
Bad debts and financing recovered	2,732	-	3,280	696
	<b>(1,129)</b>	<b>305</b>	<b>(4,178)</b>	<b>456</b>

**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,

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**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A30 SEGMENTAL REPORTING**

30 September 2014	Continued Operations							Total RM'000	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		Others RM'000
<b>Revenue</b>									
External sales	133,984	220,733	16,916	10,159	40,840	18,831	-	441,463	177
Inter-segment sales	3,014	-	1,047	168	1,572	23,579	(29,380)	-	-
<b>Total revenue</b>	<b>136,998</b>	<b>220,733</b>	<b>17,963</b>	<b>10,327</b>	<b>42,412</b>	<b>42,410</b>	<b>(29,380)</b>	<b>441,463</b>	<b>177</b>
<b>Result</b>									
Net income	37,297	212,032	13,802	4,518	42,874	44,586	(28,623)	326,486	-
Other operating expenses	(30,916)	(196,316)	(10,870)	(3,280)	(25,648)	(55,261)	26,840	(295,451)	(147)
Loans, advances and financing impairment reversal	(96)	957	-	-	-	-	39	900	-
Balances due from clients and brokers and other receivables impairment charge	450	(4,259)	-	-	-	(369)	-	(4,178)	-
Share of results in associate	-	-	-	-	-	6,004	-	6,004	-
Profit/(loss) before taxation	6,735	12,414	2,932	1,238	17,226	(5,040)	(1,744)	33,761	(147)
Taxation								(5,836)	-
Non-controlling interest								(533)	-
Loss from discontinuing operation								(147)	147
Net profit for the period								<b>27,245</b>	<b>-</b>

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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
<b>Assets</b>								
Investment in associates	-	-	-	-	63,189	-	63,189	-
Addition to non-current assets	9,160	1,593	-	665	640	-	12,058	-
Segment assets	5,341,278	495,064	130,164	72,692	876,632	(1,040,465)	5,875,365	-
<b>Liabilities</b>								
Segment liabilities	4,483,454	464,292	119,510	20,158	108,306	(173,972)	5,021,748	-

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FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2014**

**NOTES TO INTERIM FINANCIAL STATEMENTS**

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

30 September 2013	-----Continued Operations-----							Total RM'000	Discontinued Operation
	Investment banking RM'000	Stock broking RM'000	Futures RM'000	Money Lending and RM'000	Investment Management RM'000	Corporate and others RM'000	Eliminations/ Adjustments RM'000		Others RM'000
<b>Revenue</b>									
External sales	125,516	201,898	16,850	5,701	14,057	14,681	-	378,703	7
Inter-segment sales	1,074	-	772	28	1,380	12,043	(15,297)	-	-
<b>Total revenue</b>	<b>126,590</b>	<b>201,898</b>	<b>17,622</b>	<b>5,729</b>	<b>15,437</b>	<b>26,724</b>	<b>(15,297)</b>	<b>378,703</b>	<b>7</b>
<b>Result</b>									
Net income	37,251	191,924	14,150	3,168	46,405	39,191	(50,020)	282,069	7
Other operating expenses	(33,840)	(193,113)	(10,456)	(2,912)	(44,613)	(44,986)	33,622	(296,298)	(91)
Loans, advances and financing impairment reversal	-	1,229	-	2	-	-	-	1,231	-
Balances due from clients and brokers and other receivables impairment charge	633	(177)	-	-	-	-	-	456	-
Write back of impairment of investment in associates	-	-	-	-	-	-	338	338	-
Share of results in associate	-	-	-	-	-	1,935	-	1,935	-
Profit/(loss) before taxation	4,044	(137)	3,694	258	1,792	(3,860)	(16,060)	(10,269)	(84)
Taxation								1,960	(6)
Non-controlling interest								(738)	-
Loss from discontinuing operation								(90)	90
Net loss for the period								<u>(9,137)</u>	<u>-</u>

**K & N KENANGA HOLDINGS BERHAD  
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2014**

**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 associates	-	-	-	-	55,304	-	55,304	-
Addition to non-current assets	8,733	69	32	812	613	(1)	10,258	-
Segment assets	6,221,582	456,598	129,404	44,800	891,309	(977,627)	6,766,066	-
<b>Liabilities</b>								
Segment liabilities	5,392,174	425,571	120,034	20,093	110,799	(116,325)	5,952,346	-

**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 September 2014**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>				
Financial assets at held-for-trading				
- Equity securities and unit trusts	115,893	-	-	115,893
Financial investments available-for-sale #				
- Debt securities	-	1,195,765	-	1,195,765
Derivative assets	-	627	-	627
<b>Total assets</b>	<b>115,893</b>	<b>1,196,392</b>	<b>-</b>	<b>1,312,285</b>
<b>Liabilities</b>				
Derivatives liabilities	18,212	47	-	18,259
<b>Total liabilities</b>	<b>18,212</b>	<b>47</b>	<b>-</b>	<b>18,259</b>

**31 December 2013**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>				
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
<b>Total assets</b>	<b>41,737</b>	<b>1,980,041</b>	<b>-</b>	<b>2,021,778</b>
<b>Liabilities</b>				
Derivatives liabilities	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**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30 September 2014</b>	<b>30 September 2013</b>	<b>30 September 2014</b>	<b>30 September 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	4,403	1,014	11,047	1,332
Income attributable to the depositors	(3,283)	(479)	(7,832)	(1,125)
<b>Income attributable to the Group</b>	<b>1,120</b>	<b>535</b>	<b>3,215</b>	<b>207</b>



**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 SEPTEMBER 2014**

	Note	As at 30 September 2014 RM '000	As at 31 December 2013 RM '000
<b>ASSETS</b>			
Cash and short-term funds	(c)	317,059	182,124
Financial investments available-for-sale	(d)	151,054	130,214
Financial investments held-to-maturity	(e)	5,003	5,003
Advances and financing	(f)	5,039	-
Other assets		2,062	2,331
Property, plant and equipment		316	361
Deferred tax assets		566	-
<b>TOTAL ASSETS</b>		<b><u>481,099</u></b>	<b><u>320,033</u></b>
<b>LIABILITIES</b>			
Deposits from customers	(g)	382,771	241,138
Other liabilities		887	2,612
<b>TOTAL LIABILITIES</b>		<b><u>383,658</u></b>	<b><u>243,750</u></b>
<b>ISLAMIC BANKING CAPITAL FUNDS</b>			
Islamic banking funds		100,000	80,000
Reserves		(2,559)	(3,717)
<b>TOTAL ISLAMIC BANKING CAPITAL FUNDS</b>		<b><u>97,441</u></b>	<b><u>76,283</u></b>
<b>TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS</b>		<b><u>481,099</u></b>	<b><u>320,033</u></b>

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**

**(b) UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2014**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<b>3 months ended 30 September 2014 RM'000</b>	<b>3 months ended 30 September 2013 RM'000</b>	<b>9 months ended 30 September 2014 RM'000</b>	<b>9 months ended 30 September 2013 RM'000</b>
Income derived from investment of depositors' funds and others	4,481	1,013	11,125	1,332
Total attributable income	4,481	1,013	11,125	1,332
Income attributable to depositors	(3,283)	(498)	(7,832)	(1,125)
Net income attributable to KIBB	1,198	515	3,293	207
Other operating expenses	(626)	(304)	(1,757)	(914)
Impairment allowances on financing	-	-	(39)	-
<b>Profit/(Loss) before taxation</b>	<b>572</b>	<b>211</b>	<b>1,497</b>	<b>(707)</b>
Taxation	(143)	-	(384)	-
<b>Profit/(Loss) for the period</b>	<b>429</b>	<b>211</b>	<b>1,113</b>	<b>(707)</b>

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 September 2014 RM'000	As at 31 December 2013 RM'000
<b>(c) Cash and Short-Term Funds</b>	<b>317,059</b>	<b>182,124</b>
<b>(d) Financial investments available-for-sale</b>		
<b>Unquoted Private Debt Securities:</b>		
In Malaysia		
Corporate bonds	<b>151,054</b>	<b>130,214</b>
<b>(e) Financial investments held-to-maturity</b>		
<b>At Amortised Cost</b>		
<b>Money Market Instruments:</b>		
In Malaysia		
Islamic corporate bonds	<b>5,003</b>	<b>5,003</b>
<b>(f) Advances and financing</b>		
<b>Commodity Murabahah Revolving Credit</b>	5,078	-
Allowance for impairment:		
- collective impairment	(39)	-
	<b>5,039</b>	<b>-</b>
<b>(g) Deposits from customers</b>		
<b>(i) By type of deposit</b>		
Mudharabah General Investment Deposits	<b>382,771</b>	<b>241,138</b>
<b>(ii) By type of customer</b>		
Business enterprises:		
Others	<b>382,771</b>	<b>241,138</b>
<b>(iii) By maturity structure</b>		
Due within six months	<b>382,771</b>	<b>241,138</b>

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A35 OPERATIONS OF ISLAMIC BANKING**

	<b>As at 30 September 2014 RM'000</b>	<b>As at 31 December 2013 RM'000</b>
<b>(h) Capital adequacy</b>		
<b>(i) Tier I Capital</b>		
Islamic Banking funds	100,000	80,000
Accumulated losses	(939)	(939)
Other reserves	(2,733)	(2,778)
Less: Deferred tax assets	(566)	-
Total Tier I capital	<u>95,762</u>	<u>76,283</u>
<b>(ii) Tier II Capital</b>		
Collective impairment provision	39	-
Total Tier II capital	<u>39</u>	<u>-</u>
Total capital	<u>95,801</u>	<u>76,283</u>
CET I capital ratio	95.51%	137.77%
Tier I capital ratio	95.51%	137.77%
Total capital ratio	<u>95.55%</u>	<u>137.77%</u>

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

	<b>30 September 2014</b>		<b>31 December 2013</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
	<b>Principal</b>	<b>Risk-weighted</b>	<b>Principal</b>	<b>Risk-weighted</b>
Credit risk	484,745	96,977	319,316	55,369
Operational risk	-	3,286	-	-
Total Risk Weighted Assets	<u>484,745</u>	<u>100,263</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 RM33.8 million for the nine months ended 30 September 2014 ("9MFY14") which is a significant improvement as compared to pretax loss of RM10.3 million for the nine months ended 30 September 2013 ("9MFY13"). Included in 9MFY13 was exceptional expense of RM27.7 million merger costs arising from the acquisition and business merger between the Bank and ECM Libra Investment Bank Berhad ("EIBB") (now known as ECML Berhad). The merger costs were partially mitigated by exceptional gain of RM13.1 million on acquisition of ING Funds Berhad (now known as Kenanga Funds Berhad).

Revenue of RM441.5 million was achieved in 9MFY14 which is a 16.6% increase from RM378.7 million registered in 9MFY13.

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

**Stockbroking:**

Equity Broking recorded profit before tax ("PBT") of RM12.4 million (9MFY13: Loss before tax of RM0.1 million) due to better income from brokerages and margin financing recorded in 9MFY14. In addition, equity broking had lower overheads in 9MFY14 due to cost rationalisation in 2013.

**Investment Banking:**

Investment Banking registered a PBT of RM6.7 million in 9MFY14 (9MFY13: PBT of RM4.0 million) mainly due to higher fee billings in 9MFY14 and lower operating costs.

**Investment Management:**

Investment management made a profit before tax of RM17.2 million (9MFY13: PBT of RM1.8 million). 9MFY14 PBT was higher due to performance fees of RM23.2 million for a mandate which was terminated in the 3rd quarter of the year.

As at 30 September 2014, the division has an unrealised performance fees of RM3.4 million. This amount is however subject to the changes in market condition and performance of the funds. The amount is only recognised upon finalisation of the performance of the funds at year end or on termination of mandate.

**Futures:**

Futures segment registered a PBT of RM2.9 million in 9MFY14 as compared to RM3.7 million in 9MFY13 largely due to lower exchange volume traded.

**Money lending and financing:**

This segment reported a PBT of RM1.2 million in 9MFY14 compared to PBT of RM0.3 million in the corresponding period of the previous financial year, mainly due to higher income lending activities.

**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 RM23.0 million in the third quarter ended 30 September 2014 ("3Q14") compared to pre-tax profit of RM0.9 million in the preceding quarter ended 30 June 2014 ("2Q14") largely due to higher contribution from investment management performance fee income, equity broking income and investment banking fee income, coupled with lower overheads.

**B3. Prospects for 2014**

The Malaysian economy expanded by 6.3% in the first six months of 2014 compared to 4.7% growth in 2013, driven by growth in domestic demand and a turnaround in net exports. The economy is on track to gain momentum going forward although growth is expected to taper in the remainder of 2014 and 2015 on account of impact of the Government budget consolidation and fiscal reform measures on consumer spending and uneven global economic growth.

Barring unforeseen circumstances the Board of Directors and Management are confident that the Group will perform better than previous year's results.

**B4. Variance From Profit Forecast And Profit Guarantee**

This is not applicable as the Company did not issue any profit forecast or profit guarantee during the period.

**NOTES TO INTERIM FINANCIAL STATEMENTS**

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

**B5. Taxation**

	<b>Individual Quarter 3 months ended 30 September 2014 RM'000</b>	<b>Cumulative Quarter 9 months ended 30 September 2014 RM'000</b>
Current period - income tax	(2,726)	(5,569)
Deferred taxation	1,283	983
Total	<u>(1,443)</u>	<u>(4,586)</u>

The effective tax rate for the current period is lower than the statutory rate due to utilisation of unabsorbed losses brought forward.

**B6. Status of Corporate Proposals**

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

**B7. Group Borrowings**

		<b>RM'000</b>
Subordinated Loan (unsecured)	Note 1	1,367
Short term loan from financial institutions (unsecured)	Note 2	42,036
Redeemable Non-Convertible Unsecured Loan Stocks ("RULS")	Note 3	47,750
Medium Term Notes ("MTN")	Note 4	50,000

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.

Note 4 : KNKH issued RM50 million of Medium Term Notes ("MTN"). The MTN carries on interest rate of 4.75% per annum and tenor of 367 days.

**B8. Dividend**

No dividend has been proposed for the nine months ended 30 September 2014.

**B9. Earnings per share**

The amount used as the numerator for the purposes of calculating the basic earnings per share for the nine months period is RM27.2 million representing the profit for the period attributable to ordinary equity holders of the parent (30 September 2013: loss attributable to ordinary equity holders of parent: RM9.1 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 September 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 September 2014, derivative financial assets and liabilities are as follows:

<b>Type of Derivatives</b>	<b>Contract/Notional Value RM'000</b>	<b>Fair Value RM'000</b>
<b><u>Assets</u></b>		
Equity options	2,825	580
Dual currency investment options	3,901	47
<b><u>Liabilities</u></b>		
Structured warrants		
- Less than 1 year	91,056	18,212
Dual currency investment options		
- Less than 1 year	3,901	47

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

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

**Types of derivative financial instruments**

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.

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 September 2014 RM'000	Cumulative Quarter 9 months ended 30 September 2014 RM'000
Gain/(loss) from fair value changes of financial Equity Options	168	82
Structured Warrants	(4,303)	(4,239)

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

	As at 30 September 2014 RM'000	As at 31 December 2013 RM'000
Total (accumulated loss) / retained profits of Company and its subsidiaries:		
- Realised	(281,148)	(303,670)
- Unrealised	20,715	19,941
	(260,433)	(283,729)
Total share of (accumulated losses) / retained profits from associates		
- Realised	(14,958)	(20,962)
- Unrealised	5,618	5,218
	(9,340)	(15,744)
Add: Consolidation adjustments	293,070	295,525
Total group retained profits / (accumulated losses) as per consolidated accounts	23,297	(3,948)

By Order of the Board  
K& N KENANGA HOLDINGS BERHAD



YM TENGKUDATO PADUKA NOOR  
ZAKIAH BTE TENGKU ISMAIL  
Chairman