

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

**Unaudited Condensed Interim Financial Statements**  
**31 December 2014**

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

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014**

<u>Group</u>		As at 31 December 2014 RM'000	As at 31 December 2013 RM'000
	<b>Note</b>		
<b>ASSETS</b>			
Cash and short-term funds		876,768	753,395
Deposits and placements with banks and other financial institutions		142,361	-
Financial assets held-for-trading	<b>A9</b>	72,635	41,737
Financial investments available-for-sale	<b>A10</b>	1,709,916	1,978,347
Financial investments held-to-maturity	<b>A11</b>	10,005	10,006
Derivative financial assets		44	4,284
Loans, advances and financing	<b>A12</b>	1,890,768	1,753,423
Balance due from clients and brokers		378,304	446,115
Assets segregated for customers		51,884	89,374
Other assets	<b>A13</b>	70,892	94,088
Statutory deposit with Bank Negara Malaysia		127,576	143,150
Tax recoverable		6,186	6,970
Investment in associates		59,222	57,422
Property, plant and equipment		59,929	61,974
Intangible assets		267,308	265,610
Deferred tax assets		6,247	13,542
Assets held for resale		-	152
<b>TOTAL ASSETS</b>		<b>5,730,045</b>	<b>5,719,589</b>
<b>LIABILITIES</b>			
Deposits from customers	<b>A14</b>	3,092,611	3,391,335
Deposits and placements of banks and other financial institutions	<b>A15</b>	688,054	493,937
Borrowings	<b>A16</b>	152,336	79,611
Balance due to clients and brokers		744,762	711,529
Amount held in trust		68,629	75,839
Other liabilities	<b>A17</b>	112,051	96,356
Provision for taxation and zakat		1,169	1,851
Deferred tax liabilities		22	-
Subordinated obligations	<b>A18</b>	-	1,384
Derivative financial liabilities		7,237	1,081
Redeemable non-convertible unsecured loan stocks	<b>A19</b>	-	47,750
Liabilities held for resale		-	8
<b>TOTAL LIABILITIES</b>		<b>4,866,871</b>	<b>4,900,681</b>

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

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014**

<u>Group</u>	<b>As at 31 December 2014 RM'000</b>	<b>As at 31 December 2013 RM'000</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	731,759	731,759
Share premium	75	75
Retained profits/(Accumulated losses)	12,630	(3,948)
Exchange reserve	7,427	4,230
Statutory reserve	88,815	75,887
Fair value reserve	(8,276)	(19,022)
Capital reserve	22,152	22,152
	<hr/>	<hr/>
	854,582	811,133
Non-controlling interests	8,592	7,775
Total equity	<hr/>	<hr/>
	863,174	818,908
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<hr/>	<hr/>
	5,730,045	5,719,589
<b>Net Assets Per Share (RM)</b>	<hr/>	<hr/>
	1.17	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 31 DECEMBER 2014**

	<b>As at 31 December 2014 RM'000</b>	<b>As at 31 December 2013 RM'000</b>
<b>ASSETS</b>		
Cash and short-term funds	9,760	6,124
Financial assets held-for-trading	16,781	15,743
Other assets	92,424	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	1,978	1,608
Deferred tax assets	976	728
<b>TOTAL ASSETS</b>	<b>889,087</b>	<b>814,337</b>
<b>LIABILITIES</b>		
Other liabilities	33,767	6,288
Borrowings	100,000	-
Redeemable non-convertible unsecured loan stocks	-	47,750
<b>TOTAL LIABILITIES</b>	<b>133,767</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	73,286	78,265
Total equity	755,320	760,299
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>889,087</b>	<b>814,337</b>
<b>Net Assets Per Share (RM)</b>	<b>1.03</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 31 December 2014 RM'000	3 months ended 31 December 2013 RM'000	12 months ended 31 December 2014 RM'000	12 months ended 31 December 2013 RM'000
<b>Continuing Operations</b>					
Interest income	<b>A24</b>	52,112	51,571	214,485	208,606
Interest expense	<b>A25</b>	(32,282)	(33,805)	(138,012)	(137,954)
Net interest income		19,830	17,766	76,473	70,652
Net income from Islamic banking business	<b>A34</b>	2,186	162	5,401	369
Other operating income	<b>A26</b>	100,567	97,621	367,195	326,597
Net income		122,583	115,549	449,069	397,618
Other operating expenses	<b>A27</b>	(104,597)	(98,339)	(400,048)	(394,637)
Operating profit		17,986	17,210	49,021	2,981
(Allowance for)/Write back of impairment on:					
- loans, advances and financing	<b>A28</b>	(174)	124	726	1,355
- balances due from clients and brokers and other receivables	<b>A29</b>	(6,236)	1,146	(10,414)	1,602
- investment in associates		-	(1,451)	-	(1,113)
		11,576	17,029	39,333	4,825
Share of results in associates		(3,570)	2,031	2,434	3,966
<b>Profit before taxation and zakat</b>		8,006	19,060	41,767	8,791
Taxation and zakat		(5,461)	(3,541)	(11,297)	(1,581)
<b>Profit for the period/year from continuing operations</b>		2,545	15,519	30,470	7,210
<b>Discontinued operation</b>					
Loss for the period/year		-	(20)	(147)	(110)
<b>Profit for the period/year</b>		2,545	15,499	30,323	7,100

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 31 December 2014 RM'000	3 months ended 31 December 2013 RM'000	12 months ended 31 December 2014 RM'000	12 months ended 31 December 2013 RM'000
Other comprehensive income/(loss):				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Share of other comprehensive (loss)/income of associates	(4,230)	137	(3,830)	(2,388)
Foreign exchange differences on consolidation	3,833	8,425	3,197	4,913
Net gain/(loss) on fair value changes of financial investments available-for-sale	9,879	(14,770)	19,435	(28,725)
Income tax relating to the components of other comprehensive income	(2,470)	2,793	(4,859)	7,181
Other comprehensive income/(loss) for the period/year	7,012	(3,415)	13,943	(19,019)
Total comprehensive income/(loss)	<u>9,557</u>	<u>12,084</u>	<u>44,266</u>	<u>(11,919)</u>
Profit for the period/year attributable to				
- Equity holders of the parent	2,261	15,328	29,506	6,191
- Non-controlling interests	284	171	817	909
	<u>2,545</u>	<u>15,499</u>	<u>30,323</u>	<u>7,100</u>
Total comprehensive income/(loss) for the year attributable to				
- Equity holders of the parent	9,273	11,913	43,449	(12,828)
- Non-controlling interests	284	171	817	909
	<u>9,557</u>	<u>12,084</u>	<u>44,266</u>	<u>(11,919)</u>
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)	0.31	2.09	4.03	0.85
(ii) Fully diluted (sen)	<u>0.31</u>	<u>2.09</u>	<u>4.03</u>	<u>0.85</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 31 December 2014 RM'000	3 months ended 31 December 2013 RM'000	12 months ended 31 December 2014 RM'000	12 months ended 31 December 2013 RM'000
<b>Continuing Operations</b>				
Interest income	906	360	1,498	1,903
Interest expense	(1,349)	(975)	(3,245)	(4,560)
Net interest expense	(443)	(615)	(1,747)	(2,657)
Other operating income	4,468	6,718	29,858	36,259
Net income	4,025	6,103	28,111	33,602
Other operating expenses	(9,391)	(6,571)	(33,338)	(25,260)
Allowance for impairment on investments in associates	-	(10,089)	-	(10,089)
<b>Loss before taxation</b>	(5,366)	(10,557)	(5,227)	(1,747)
Taxation	386	4,354	248	3,554
<b>(Loss)/Profit for the period/year from continuing operations</b>	(4,980)	(6,203)	(4,979)	1,807
<b>(Loss)/Profit for the period/year</b>	(4,980)	(6,203)	(4,979)	1,807

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 31 December 2014 RM'000	3 months ended 31 December 2013 RM'000	12 months ended 31 December 2014 RM'000	12 months ended 31 December 2013 RM'000
(i) (Loss)/Profit for the period/year attributable to - Equity holders of the parent	(4,980)	(6,203)	(4,979)	1,807
	<u>(4,980)</u>	<u>(6,203)</u>	<u>(4,979)</u>	<u>1,807</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)	(0.68)	(0.85)	(0.68)	0.25
(ii) Fully diluted	<u>(0.68)</u>	<u>(0.85)</u>	<u>(0.68)</u>	<u>0.25</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 31 DECEMBER 2014**

	Group		Company	
	31 December 2014 RM'000	31 December 2013 RM'000	31 December 2014 RM'000	31 December 2013 RM'000
<b>Cash flows from operating activities</b>				
<b>Profit/(Loss) before taxation</b>				
- Continuing operations	41,767	8,791	(5,227)	(1,747)
- Discontinued operation	(147)	(104)	-	-
Adjustments for non operating and non cash items	(228,945)	(211,705)	196	(8,406)
<b>Operating loss before changes in working capital</b>	<u>(187,325)</u>	<u>(203,018)</u>	<u>(5,031)</u>	<u>(10,153)</u>
Net changes in operating assets	(151,900)	(339,139)	(45,127)	21,994
Net changes in operating liabilities	(23,538)	225,645	3,148	407
<b>Cash (used in)/generated from operations</b>	<u>(362,763)</u>	<u>(316,512)</u>	<u>(47,010)</u>	<u>12,248</u>
Net dividends received	2,431	542	979	-
Interest received	171,366	145,772	1,498	1,903
Net tax paid	(7,802)	(2,843)	-	(3)
<b>Net operating cash flow</b>	<u>(196,768)</u>	<u>(173,041)</u>	<u>(44,533)</u>	<u>14,148</u>
<b>Net investing cash flow</b>	337,768	27,929	(836)	39,585
<b>Net financing cash flow</b>	46,268	(27,518)	49,005	(52,310)
Net change in cash and cash equivalents during the year	<u>187,268</u>	<u>(172,630)</u>	<u>3,636</u>	<u>1,423</u>
Cash and cash equivalents brought forward	384,406	557,036	6,124	4,701
Cash and cash equivalents carried forward	<u>571,674</u>	<u>384,406</u>	<u>9,760</u>	<u>6,124</u>
Cash and cash equivalents comprise the following:-				
Non trust cash and short term funds	571,674	384,289	9,760	6,124
Cash and short term funds classified as asset held for sale	-	117	-	-
	<u>571,674</u>	<u>384,406</u>	<u>9,760</u>	<u>6,124</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 31 DECEMBER 2014**

Group	←-----Attributable to Equity Holders of the Parent----->						Distributable (Accumulated Loss)/Retained Profits RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Fair value Reserve RM'000	Statutory Reserve RM'000			
<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 income for the year	-	-	3,197	-	14,576	-	29,506	817	48,096
Share of an associate's other comprehensive income	-	-	-	-	(3,830)	-	-	-	(3,830)
Transfer to statutory reserve	-	-	-	-	-	12,928	(12,928)	-	-
<b>As at 31 December 2014</b>	<b>731,759</b>	<b>75</b>	<b>7,427</b>	<b>22,152</b>	<b>(8,276)</b>	<b>88,815</b>	<b>12,630</b>	<b>8,592</b>	<b>863,174</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 31 DECEMBER 2014**

Group	←-----Attributable to Equity Holders of the Parent-----→						Distributable Accumulated Loss RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Fair value Reserve RM'000	Statutory Reserve RM'000			
<b>As at 1 January 2013</b>	731,759	75	(683)	22,152	4,910	67,323	(1,575)	7,638	831,599
Total comprehensive income/(loss) for the year	-	-	4,913	-	(21,544)	-	6,191	909	(9,531)
Share of associates' other comprehensive loss	-	-	-	-	(2,388)	-	-	-	(2,388)
Transfer to statutory reserve	-	-	-	-	-	8,564	(8,564)	-	-
Dividend paid	-	-	-	-	-	-	-	(772)	(772)
<b>As at 31 December 2013</b>	<b>731,759</b>	<b>75</b>	<b>4,230</b>	<b>22,152</b>	<b>(19,022)</b>	<b>75,887</b>	<b>(3,948)</b>	<b>7,775</b>	<b>818,908</b>

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

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

(Incorporated in Malaysia)

**UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 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 year	-	-	-	(4,979)	(4,979)
<b>As at 31 December 2014</b>	<u>731,759</u>	<u>75</u>	<u>(49,800)</u>	<u>73,286</u>	<u>755,320</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 31 DECEMBER 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 year	-	-	-	1,807	1,807
<b>As at 31 December 2013</b>	<u>731,759</u>	<u>75</u>	<u>(49,800)</u>	<u>78,265</u>	<u>760,299</u>

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

## **NOTES TO INTERIM FINANCIAL STATEMENTS**

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

The interim financial statements, for the fourth quarter and year ended 31 December 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 fourth quarter ended 31 December 2014, other than the following:

On 5 December 2014, the Company issued RM50 million Medium Term Notes ("MTN") for tenor of 546 days at interest rate of 4.90% per annum.

On 12 December 2014, the Company fully repaid its 2nd tranche of Redeemable Unsecured Loan Stocks ("RULS") of RM47.75 million.

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

No dividend was paid during the quarter ended 31 December 2014.

**NOTES TO INTERIM FINANCIAL STATEMENTS**

	31 December 2014 RM' 000	31 December 2013 RM' 000
<b>A9 Financial assets held-for-trading</b>		
<b>Quoted securities:</b>		
In Malaysia:		
Shares and Unit Trust Funds	72,635	41,737
	<u>72,635</u>	<u>41,737</u>
Total financial assets held-for-trading	<u>72,635</u>	<u>41,737</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	198,326	98,667
Bank Negara Malaysia Bills and Notes	297,240	593,537
Malaysian Government Investment Certificates	282,470	309,663
Negotiable Instruments of Deposits	100,000	249,764
Sukuk Perumahan Kerajaan	9,902	9,914
Total Money Market instruments	<u>887,938</u>	<u>1,261,545</u>
<b>Unquoted securities:</b>		
In Malaysia:		
Shares and Unit Trust Funds	490	2,590
Corporate Bonds	233,786	198,741
Islamic Corporate Bonds	587,702	515,471
	<u>821,978</u>	<u>716,802</u>
Total financial investments available-for-sale	<u>1,709,916</u>	<u>1,978,347</u>
<b>A11 Financial investments held-to maturity</b>		
<b>At Amortised Cost</b>		
<b>Money Market Instruments:</b>		
Corporate bonds	5,002	5,003
Islamic corporate bonds	5,003	5,003
Total financial investments held-to-maturity	<u>10,005</u>	<u>10,006</u>

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**31 December 2014**   **31 December 2013**  
**RM' 000**                      **RM' 000**

**A12 Loans, advances and financing**

Term loans	398,621	338,227
Share margin financing	1,412,119	1,296,430
Other financing	81,919	121,055
Gross loans, advances and financing	<u>1,892,659</u>	<u>1,755,712</u>
Allowances for impairment on loans, advances and financing:		
- Individual allowance	(1,725)	(1,692)
- Collective allowance	(166)	(597)
Net loans, advances and financing	<u><b>1,890,768</b></u>	<u><b>1,753,423</b></u>

**(i) By type of customer**

**Domestic operations:**

Domestic business enterprise		
- Others	780,359	776,525
Individuals	1,102,546	965,385
Foreign entities	9,754	13,802
	<u>1,892,659</u>	<u>1,755,712</u>

**(ii) By geographical distribution**

In Malaysia	1,881,419	1,741,910
Outside Malaysia	11,240	13,802
	<u>1,892,659</u>	<u>1,755,712</u>

**(iii) By interest/profit rate sensitivity**

Fixed rate		
- Other fixed rate loans/financing	1,764,309	1,583,748
Variable rate		
- Cost plus	78,024	121,670
- Other variable rates	50,326	50,294
	<u>1,892,659</u>	<u>1,755,712</u>

**(iv) Total loans by economic purpose**

**Domestic operations:**

Purchase of securities	1,613,040	1,448,583
Working capital	63,640	146,118
Others	215,979	161,011
	<u>1,892,659</u>	<u>1,755,712</u>

**(v) By maturity structure**

Within one year	1,637,833	1,543,833
More than one year	254,826	211,879
Gross loans, advances and financing	<u>1,892,659</u>	<u>1,755,712</u>

**(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 year	258	445
Recovered	(26)	(54)
Amount written off	(227)	(13,967)
At end of the year	<u>2,790</u>	<u>2,785</u>
Individual Impairment	(1,725)	(1,692)
Net impaired loans, advances and financing	<u>1,065</u>	<u>1,093</u>
Net impaired loans as a % of gross loans, advances and financing less individual impairment	<u>0.15%</u>	<u>0.16%</u>

**(vii) Impaired loans by geographical distribution**

In Malaysia	<u>2,790</u>	<u>2,785</u>
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**NOTES TO INTERIM FINANCIAL STATEMENTS**

	31 December 2014 RM' 000	31 December 2013 RM' 000
<b>A12 Loans, advances and financing (cont'd)</b>		
<b>(viii) Impaired loans by economic purpose</b>		
<b>Domestic operations:</b>		
Purchase of securities	2,790	2,785
<b>(ix) Movement in individual allowance for loans, advances and financing are as follows:</b>		
<u>Individual allowance</u>		
At beginning of the year	1,692	15,245
Allowance made during the year	291	2,012
Amount written back in respect of recoveries	(34)	(1,607)
Amount of allowance set off against gross loans	(224)	(13,958)
At end of the year	<u>1,725</u>	<u>1,692</u>
<b>(x) Movement in collective allowance for loans, advances and financing are as follows:</b>		
<u>Collective allowance</u>		
At beginning of the year	597	154
Allowance made during the year	253	458
Amount written back	(684)	(15)
At end of the year	<u>166</u>	<u>597</u>
Collective allowance as % of gross loans, advances and financing less individual allowance	<u>0.01%</u>	<u>0.03%</u>
<b>A13 Other assets</b>		
Interest/Income receivable	14,681	13,594
Prepayments and deposits	27,734	23,840
Other debtors	33,190	60,840
	<u>75,605</u>	<u>98,274</u>
Allowance for impairment	(4,713)	(4,186)
	<u>70,892</u>	<u>94,088</u>

**NOTES TO INTERIM FINANCIAL STATEMENTS**

	31 December 2014 RM' 000	31 December 2013 RM' 000
<b>A14 Deposits from customers</b>		
Fixed deposits and negotiable instruments of deposits		
- Due within six months	3,081,830	3,291,470
- Six months to one year	10,781	99,865
	<b>3,092,611</b>	<b>3,391,335</b>
By type of customers:		
Business enterprise	721,997	918,979
Domestic non-bank financial institutions	1,695,568	2,041,864
Individuals	45,855	31,771
Government and statutory bodies	614,191	393,219
Others	15,000	5,502
	<b>3,092,611</b>	<b>3,391,335</b>
<b>A15 Deposits and placement of banks and other financial institutions</b>		
Licensed banks	278,000	220,122
Licensed investment banks	210,000	100,000
Licensed Islamic banks	50,000	-
Other financial institutions	150,054	173,815
	<b>688,054</b>	<b>493,937</b>
<b>A16 Borrowings</b>		
Medium Term Notes	100,000	-
Revolving bank loan	52,336	79,611
	<b>152,336</b>	<b>79,611</b>
<b>A17 Other liabilities</b>		
Interest/Profit payable	11,105	8,207
Provision and accruals	74,072	33,265
Retention for Contra Losses	1,090	1,075
Hire purchase creditors	67	98
Deposits and other creditors	25,717	53,711
	<b>112,051</b>	<b>96,356</b>
<b>A18 Subordinated obligations</b>		
Unsecured		
- less than one year	-	34
- more than one year	-	1,350
	<b>-</b>	<b>1,384</b>
<b>A19 Redeemable non-convertible unsecured loan stocks ("RULS")</b>		
- less than one year	-	47,750
	<b>-</b>	<b>47,750</b>
<b>A20 Commitments and Contingencies and Off-Balance Sheet Financial Instruments</b>		
Commitments to extend credit with maturity of less than 1 year :-		
- margin	1,318,017	1,785,442
- term loan	63,000	-
- foreign exchange related contracts	22,775	14,591
Commitments to extend credit with maturity of more than 1 year :-		
- term loan	1,626	-
Miscellaneous commitments	554,124	595,056
	<b>1,959,542</b>	<b>2,395,089</b>

**NOTES TO INTERIM FINANCIAL STATEMENTS**

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2014 RM' 000</b>	<b>31 December 2013 RM' 000</b>	<b>31 December 2014 RM' 000</b>	<b>31 December 2013 RM' 000</b>
<b>A21 Other Commitments</b>				
Capital expenditure commitments	7,239	7,661	-	-
Operating lease arrangements	54,809	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>62,048</u>	<u>73,061</u>	<u>368,000</u>	<u>368,000</u>

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

**NOTES TO INTERIM FINANCIAL STATEMENTS**

As at 31 December 2014

	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	701,289	5,212	-	-	-	170,267	-	876,768	3.18
Deposits and placements with banks and other financial institutions	-	142,361	-	-	-	-	-	142,361	3.18
Financial assets held-for-trading	-	-	-	-	-	-	72,635	72,635	3.64
Financial investments available-for-sale	100,000	149,277	267,791	374,488	817,870	490	-	1,709,916	3.81
Financial investments held-to-maturity	-	-	-	10,005	-	-	-	10,005	4.75
Derivative Financial Assets	-	-	-	-	-	44	-	44	-
Loans, advances and financing									
- non-impaired	1,434,174	87,099	146,597	222,898	-	-	-	1,890,768	6.83
- impaired	-	-	-	-	-	-	-	-	-
Other assets n1	-	-	-	-	-	378,304	-	378,304	-
Assets segregated for customers	51,884	-	-	-	-	70,892	-	122,776	2.30
Other non-interest sensitive balances	-	-	-	-	-	526,468	-	526,468	-
<b>TOTAL ASSETS</b>	<b>2,287,347</b>	<b>383,949</b>	<b>414,388</b>	<b>607,391</b>	<b>817,870</b>	<b>1,146,465</b>	<b>72,635</b>	<b>5,730,045</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>									
Deposits from customers	2,421,401	629,790	41,420	-	-	-	-	3,092,611	3.39
Deposits and placements of banks and other financial institutions	670,054	-	18,000	-	-	-	-	688,054	3.39
Borrowings	52,336	-	50,000	50,000	-	-	-	152,336	5.14
Other non-interest sensitive balances	-	-	-	-	-	933,870	-	933,870	-
<b>Total Liabilities</b>	<b>3,143,791</b>	<b>629,790</b>	<b>109,420</b>	<b>50,000</b>	<b>-</b>	<b>933,870</b>	<b>-</b>	<b>4,866,871</b>	
Shareholders' equity	-	-	-	-	-	854,582	-	854,582	
Non-controlling interests	-	-	-	-	-	8,592	-	8,592	
<b>Total Liabilities and Shareholders' Equity</b>	<b>3,143,791</b>	<b>629,790</b>	<b>109,420</b>	<b>50,000</b>	<b>-</b>	<b>1,797,044</b>	<b>-</b>	<b>5,730,045</b>	
On-balance sheet interest sensitivity gap	(856,444)	(245,841)	304,968	557,391	817,870	(650,579)	72,635	-	
<b>Total interest sensitivity gap</b>	<b>(856,444)</b>	<b>(1,102,285)</b>	<b>(797,317)</b>	<b>(239,926)</b>	<b>577,944</b>	<b>(72,635)</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**  
(Incorporated in Malaysia)

**NOTES TO INTERIM FINANCIAL STATEMENTS**

As at 31 December 2013

	Non trading book						Trading book RM	Total RM	Effective interest rate %
	Up to 1 month RM	>1 - 3 months RM	>3 - 12 months RM	>1 - 5 years RM	over 5 years RM	Non- interest sensitive RM			
<b>A22 Interest/Profit Rate Risk</b>									
Cash and short-term funds	270,631	-	-	-	-	482,764	-	753,395	2.98
Financial assets held-for-trading	-	-	-	-	-	-	41,737	41,737	-
Financial investments available-for-sale	-	843,301	-	300,704	832,242	2,100	-	1,978,347	3.62
Financial investments held-to-maturity	-	-	-	10,006	-	-	-	10,006	4.75
Derivative Financial Assets	-	200	-	4,084	-	-	-	4,284	-
Loans, advances and financing									
- non-impaired	1,345,068	-	195,479	211,879	-	-	-	1,752,426	7.04
- impaired	-	-	-	-	-	997	-	997	-
Other assets n1	-	-	-	-	-	629,577	-	629,577	-
Other non-interest sensitive balances	-	-	-	-	-	548,820	-	548,820	-
<b>TOTAL ASSETS</b>	<b>1,615,699</b>	<b>843,501</b>	<b>195,479</b>	<b>526,673</b>	<b>832,242</b>	<b>1,664,258</b>	<b>41,737</b>	<b>5,719,589</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>									
Deposits from customers	2,870,152	266,050	255,133	-	-	-	-	3,391,335	3.27
Deposits and placements of banks and other financial institutions	260,123	233,814	-	-	-	-	-	493,937	3.13
Borrowings	79,611	-	-	-	-	-	-	79,611	5.40
Subordinated obligations	-	-	-	1,384	-	-	-	1,384	5.00
RULS	-	-	47,750	-	-	-	-	47,750	5.00
Other non-interest sensitive balances	-	-	-	-	-	886,664	-	886,664	-
<b>Total Liabilities</b>	<b>3,209,886</b>	<b>499,864</b>	<b>302,883</b>	<b>1,384</b>	<b>-</b>	<b>886,664</b>	<b>-</b>	<b>4,900,681</b>	
Shareholders' equity	-	-	-	-	-	811,133	-	811,133	
Non-controlling interests	-	-	-	-	-	7,775	-	7,775	
<b>Total Liabilities and Shareholders' Equity</b>	<b>3,209,886</b>	<b>499,864</b>	<b>302,883</b>	<b>1,384</b>	<b>-</b>	<b>1,705,572</b>	<b>-</b>	<b>5,719,589</b>	
On-balance sheet interest sensitivity gap	(1,594,187)	343,637	(107,404)	525,289	832,242	(41,314)	41,737	-	
<b>Total interest sensitivity gap</b>	<b>(1,594,187)</b>	<b>(1,250,550)</b>	<b>(1,357,954)</b>	<b>(832,665)</b>	<b>(423)</b>	<b>(41,737)</b>	<b>-</b>	<b>-</b>	

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

**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>31 December 2014</b>	<b>31 December 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Common Equity Tier 1 (CET 1)/Tier 1 Capital</u></b>		
Paid-up share capital	770,000	770,000
Share premium	65,500	65,500
Accumulated loss	(31,592)	(44,519)
Other reserves	79,150	51,646
Less: Regulatory adjustments applied on CET 1 capital		
Deferred tax assets	(3,483)	(10,117)
Goodwill	(252,909)	(252,909)
Other intangibles	(52,500)	(52,500)
Deduction in excess of Tier 2 *	(115,680)	(115,498)
<b>Total CET 1/Tier 1 Capital</b>	<b>458,486</b>	<b>411,603</b>
<b><u>Tier 2 Capital</u></b>		
Collective impairment allowance	415	597
Less: Regulatory adjustments applied on Tier 2 capital	(415)	(597)
<b>Total Tier 2 capital</b>	<b>-</b>	<b>-</b>
<b>Total capital</b>	<b>458,486</b>	<b>411,603</b>
CET 1 Capital ratio	31.92%	30.94%
Tier 1 Capital ratio	31.92%	30.94%
Total Capital ratio	31.92%	30.94%

\* The portion of regulatory adjustments not deducted from Tier 2 (as KIBB does not have enough Tier 2 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>31 December 2014</b>		<b>31 December 2013</b>	
	<b>Notional amount RM'000</b>	<b>Risk-weighted amount RM'000</b>	<b>Notional amount RM'000</b>	<b>Risk-weighted amount RM'000</b>
Credit Risk	3,936,970	941,955	4,079,037	939,362
Market Risk	-	109,019	-	85,107
Operational Risk		385,366	-	305,737
<b>Total Risk Weighted Assets</b>	<b>3,936,970</b>	<b>1,436,339</b>	<b>4,079,037</b>	<b>1,330,206</b>

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

**NOTES TO INTERIM FINANCIAL STATEMENTS**

	Individual Quarter		Cumulative Quarter	
	31 December 2014 RM'000	31 December 2013 RM'000	31 December 2014 RM'000	31 December 2013 RM'000
<b>A24 Interest Income</b>				
Loans, advances and financing	34,406	28,544	130,446	108,039
Money at call and deposit placements with financial institutions	339	2,037	13,586	14,697
Financial assets held-for-trading	319	366	951	4,221
Financial investments available-for-sale	11,432	17,735	49,761	60,896
Financial investments held-to-maturity	60	21	235	94
Interest on Margin				
Interest on Contra				
Others	5,556	5,285	19,506	20,659
	<u>52,112</u>	<u>53,988</u>	<u>214,485</u>	<u>208,606</u>
<b>A25 Interest Expense</b>				
Deposits from customers	30,046	36,946	122,376	117,148
Deposits and placement of banks and other financial institutions	243	2,474	8,006	10,780
Revolving bank loan	629	1,553	4,320	5,398
RULS	569	979	2,361	4,560
Medium Term Notes	780	-	884	-
Subordinated obligations	15	18	65	68
	<u>32,282</u>	<u>41,970</u>	<u>138,012</u>	<u>137,954</u>
<b>A26 Other Operating Income</b>				
(a) Fee income:				
Brokerage income	48,384	48,175	217,856	195,887
Commissions	4,549	3,022	14,030	13,008
Loans, advances and financing	1,999	5,218	7,360	9,267
Corporate advisory	2,634	2,965	14,606	4,457
Placement fees	112	2,013	6,222	10,980
Underwriting fees	110	829	2,070	3,706
Management fee income	7,877	26,149	48,790	41,491
Other fee income	2,757	1,207	10,458	9,052
	<u>68,422</u>	<u>89,578</u>	<u>321,392</u>	<u>287,848</u>
(b) Gain/(loss) arising from sale of securities:				
Net gain/(loss) from sale of financial assets held-for-trading	24,754	(5,830)	28,224	(7,072)
Net (loss)/gain from sale of financial investments available-for-sale	(208)	1,192	(2,793)	3,684
	<u>24,546</u>	<u>(4,638)</u>	<u>25,431</u>	<u>(3,388)</u>
(c) Gross dividend from:				
Securities portfolio	639	76	2,431	542
	<u>639</u>	<u>76</u>	<u>2,431</u>	<u>542</u>
(d) Unrealised gain on revaluation of financial assets held-for-trading and derivatives	3,246	9,791	6,176	11,744
	<u>3,246</u>	<u>9,791</u>	<u>6,176</u>	<u>11,744</u>
(e) Other income:				
Foreign exchange profit	1,566	1,012	5,444	6,999
Gains on disposal of property, plant and equipment	-	-	307	227
Gains on disposal/acquisition of subsidiary	487	13,100	487	13,100
Others	1,661	1,575	5,527	9,525
	<u>3,714</u>	<u>15,687</u>	<u>11,765</u>	<u>29,851</u>
Total non-interest income	<u>100,567</u>	<u>110,494</u>	<u>367,195</u>	<u>326,597</u>



**NOTES TO INTERIM FINANCIAL STATEMENTS**

	Individual Quarter		Cumulative Quarter	
	31 December	31 December	31 December	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>A27 Other operating expenses</b>				
Personnel costs	43,935	38,866	154,264	163,913
- Salaries, allowances and bonuses	33,569	32,337	122,290	117,428
- Voluntary Separation Scheme ("VSS")	-	-	-	19,587
- EPF	3,539	3,383	14,536	14,620
- Others	6,827	3,146	17,438	12,278
Establishment costs	13,545	14,318	54,041	55,230
- Depreciation and amortisation of software	4,066	4,043	15,970	15,649
- Rental of leasehold land and premises	6,023	7,107	24,074	25,411
- Repairs and maintenance of property, plant and equipment	788	1,217	3,337	4,271
- Information technology expenses	1,831	1,209	7,251	6,427
- Others	837	742	3,409	3,472
Marketing expenses	5,519	3,504	15,744	11,017
- Advertisement and publicity	4,582	3,684	9,494	4,735
- Others	937	(180)	6,250	6,282
Administration and general expenses	41,598	41,651	175,999	164,477
- Fees and brokerage	29,319	26,989	126,487	104,022
- Administrative expenses	12,279	14,662	49,512	60,455
	<b>104,597</b>	<b>98,339</b>	<b>400,048</b>	<b>394,637</b>
<b>A28 Write back of/(allowance for) impairment on loans, advances and financing:</b>				
Allowances for loans, advances and financing:				
- collective impairment (net)	55	(451)	431	(443)
- individual impairment (net)	(241)	(217)	(257)	(405)
Bad debts and financing recovered	12	792	552	2,203
	<b>(174)</b>	<b>124</b>	<b>726</b>	<b>1,355</b>
<b>A29 (Allowance for)/write back of impairment on balances due from clients and brokers and other receivables</b>				
Allowances for bad and doubtful debts and financing:				
- individual impairment (net)	(7,607)	(580)	(15,065)	(820)
Bad debts and financing recovered	1,371	1,726	4,651	2,422
	<b>(6,236)</b>	<b>1,146</b>	<b>(10,414)</b>	<b>1,602</b>
<b>A30 Segmental reporting</b>				
(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.				

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

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A30 SEGMENTAL REPORTING**

31 December 2014	-----Continued Operations-----							Total RM'000	Discontinued Operation
	Investment banking RM'000	Stockbroking 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	202,798	288,941	20,008	12,448	48,519	19,684	-	592,398	-
Inter-segment sales	3,797	16	1,428	-	2,204	37,571	(45,016)	-	-
<b>Total revenue</b>	<b>206,595</b>	<b>288,957</b>	<b>21,436</b>	<b>12,448</b>	<b>50,723</b>	<b>57,255</b>	<b>(45,016)</b>	<b>592,398</b>	<b>-</b>
<b>Result</b>									
Net income	74,524	278,788	20,044	5,787	51,512	60,934	(42,520)	449,069	-
Other operating expenses	(42,746)	(256,260)	(15,774)	(4,737)	(37,049)	(79,107)	35,625	(400,048)	(147)
(Allowance for)/Write back of impairment Loans, advances and financing	(84)	561	-	-	-	-	249	726	-
Allowance for impairment on balances due from clients and brokers and other receivables	(241)	(5,844)	-	-	-	(4,329)	-	(10,414)	-
Share of results in associate	-	-	-	-	-	2,434	-	2,434	-
Profit/(loss) before taxation and zakat	31,453	17,245	4,270	1,050	14,463	(20,068)	(6,646)	41,767	(147)
Taxation and zakat								(11,297)	-
Non-controlling interest								(817)	-
Loss from discontinuing operation								(147)	147
Net profit for the year								<b>29,506</b>	<b>-</b>

**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	
	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	-	-	-	-	59,467	-	59,467	-
Addition to non-current assets	11,799	1,442	4	1,110	969	-	15,324	-
Segment assets	5,236,302	466,798	163,215	61,976	905,698	(1,103,944)	5,730,045	-
<b>Liabilities</b>								
Segment liabilities	4,353,243	434,978	152,750	17,489	142,245	(233,834)	4,866,871	-

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

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A30 SEGMENTAL REPORTING (CONT'D.)**

31 December 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		
<b>Revenue</b>									
External sales	178,163	268,077	17,355	9,256	35,996	8,757	-	517,604	7
Inter-segment sales	600	(165)	2,547	50	1,643	18,120	(22,795)	-	-
<b>Total revenue</b>	<b>178,763</b>	<b>267,912</b>	<b>19,902</b>	<b>9,306</b>	<b>37,639</b>	<b>26,877</b>	<b>(22,795)</b>	<b>517,604</b>	<b>7</b>
<b>Result</b>									
Net income	53,367	254,677	18,572	5,567	70,696	36,275	(41,768)	397,386	7
Other operating expenses	(43,415)	(255,474)	(14,049)	(4,781)	(55,274)	(60,881)	39,237	(394,637)	(111)
Loans, advances and financing impairment reversal	811	774	-	2	-	-	-	1,587	-
Balances due from clients and brokers and other receivables impairment charge	(916)	2,518	-	-	-	-	-	1,602	-
Write back of impairment of investment in associates	-	-	-	-	-	14,391	(15,504)	(1,113)	-
Share of results in associate	-	-	-	-	-	3,966	-	3,966	-
Profit/(loss) before taxation	9,847	2,495	4,523	788	15,422	(6,249)	(18,035)	8,791	(104)
Taxation								(1,581)	(6)
Non-controlling interest								(909)	-
Loss from discontinuing operation								(110)	110
Net profit for the year								<b>6,191</b>	<b>-</b>

**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	
	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	-	-	-	-	65,833	-	65,833	-
Addition to non-current assets	12,592	97	34	1,181	737	-	14,641	-
Segment assets	5,259,020	410,504	171,256	58,121	848,313	(1,027,625)	5,719,589	-
<b>Liabilities</b>								
Segment liabilities	4,416,393	381,705	161,356	15,654	73,926	(148,353)	4,900,681	-

**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.

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

**31 December 2014**

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>				
Financial assets at held-for-trading				
- Equity securities and unit trusts	72,635	-	-	72,635
Financial investments available-for-sale #				
- Debt securities	-	1,609,426	-	1,609,426
- Negotiable Instruments of Deposits	-	100,000	-	100,000
Derivative assets	-	44	-	44
<b>Total assets</b>	<b>72,635</b>	<b>1,709,470</b>	<b>-</b>	<b>1,782,105</b>
<b>Liabilities</b>				
Derivatives liabilities	7,193	44	-	7,237
<b>Total liabilities</b>	<b>7,193</b>	<b>44</b>	<b>-</b>	<b>7,237</b>

**31 December 2013**

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<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**

	Individual Quarter		Cumulative Quarter	
	31 December 2014 RM'000	31 December 2013 RM'000	31 December 2014 RM'000	31 December 2013 RM'000
Income derived from investment of depositors' funds and others	6,024	3,010	17,149	4,342
Income attributable to the depositors	(3,916)	(2,848)	(11,748)	(3,973)
<b>Income attributable to the Group</b>	<b>2,108</b>	<b>162</b>	<b>5,401</b>	<b>369</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 31 DECEMBER 2014**

	Note	As at 31 December 2014 RM '000	As at 31 December 2013 RM '000
<b>ASSETS</b>			
Cash and short-term funds	(c)	180,951	182,124
Financial investments available-for-sale	(d)	229,640	130,214
Financial investments held-to-maturity	(e)	5,003	5,003
Advances and financing	(f)	23,043	-
Other assets		2,832	2,331
Property, plant and equipment		235	361
<b>TOTAL ASSETS</b>		<b>441,704</b>	<b>320,033</b>
<b>LIABILITIES</b>			
Deposits from customers	(g)	331,785	241,138
Other liabilities		4,695	3,134
Deferred tax liabilities		889	-
Provision for taxation and zakat		890	-
<b>TOTAL LIABILITIES</b>		<b>338,259</b>	<b>244,272</b>
<b>ISLAMIC BANKING CAPITAL FUNDS</b>			
Islamic banking funds		100,000	80,000
Reserves		3,445	(4,239)
<b>TOTAL ISLAMIC BANKING CAPITAL FUNDS</b>		<b>103,445</b>	<b>75,761</b>
<b>TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS</b>		<b>441,704</b>	<b>320,033</b>

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



**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 31 DECEMBER 2014**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December 2014 RM'000	3 months ended 31 December 2013 RM'000	12 months ended 31 December 2014 RM'000	12 months ended 31 December 2013 RM'000
Income derived from investment of depositors' funds and others	6,024	3,011	17,149	4,342
Total attributable income	6,024	3,011	17,149	4,342
Income attributable to depositors	(3,916)	(2,848)	(11,748)	(3,973)
Net income attributable to KIBB	2,108	163	5,401	369
Other operating expenses	(452)	(916)	(2,209)	(1,830)
Impairment allowances on financing	(23)	-	(62)	-
<b>Profit/(Loss) before taxation and zakat</b>	<b>1,633</b>	<b>(753)</b>	<b>3,130</b>	<b>(1,461)</b>
Taxation and zakat	(506)	-	(890)	-
<b>Profit/(Loss) for the period/year</b>	<b>1,127</b>	<b>(753)</b>	<b>2,240</b>	<b>(1,461)</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>As at 31 December 2014 RM'000</b>	<b>As at 31 December 2013 RM'000</b>
<b>(c) Cash and Short-Term Funds</b>	<b>180,951</b>	<b>182,124</b>
<b>(d) Financial investments available-for-sale</b>		
<b>Unquoted Private Debt Securities:</b>		
In Malaysia		
Corporate bonds	<b>229,640</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>		
Commodity Murabahah Revolving Credit	8,051	-
Commodity Murabahah Term Financing	15,054	-
Allowance for impairment:		
- collective impairment	(62)	-
	<b>23,043</b>	<b>-</b>
<b>(i) Gross advances and financing analysed by type of customer are as follows:</b>		
Domestic business enterprises:		
Others	23,105	-
<b>(ii) Gross advances and financing analysed by geographical distribution are as follows:</b>		
In Malaysia	23,105	-
<b>(iii) Gross advances and financing analysed by profit are sensitivity are as follows:</b>		
Variable rate:		
Cost plus	23,105	-
<b>(iv) Gross advances and financing analysed by economic purpose are as follows:</b>		
Purchase of securities	15,054	-
Working capital	8,051	-
	<b>23,105</b>	<b>-</b>
<b>(v) Gross advances and financing analysed by residual contractual maturity are as follows</b>		
Within one year	23,105	-

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A35 OPERATIONS OF ISLAMIC BANKING**

	<b>As at 31 December 2014 RM'000</b>	<b>As at 31 December 2013 RM'000</b>
<b>(g) Deposits from customers</b>		
<b>(i) By type of deposit</b>		
Mudharabah general investment deposits	50,000	241,138
Commodity murabahah deposits	1,207	-
Wadiah deposits	280,578	-
	<b>331,785</b>	<b>241,138</b>
<b>(ii) By type of customer</b>		
Domestic non-bank institutions	-	96,716
Business enterprises	331,785	144,422
	<b>331,785</b>	<b>241,138</b>
<b>(iii) By maturity structure</b>		
Due within six months	<b>331,785</b>	<b>241,138</b>
<b>(h) Capital adequacy</b>		
<b>(i) Tier 1 Capital</b>		
Islamic Banking funds	100,000	80,000
Retained Profits/(accumulated losses)	779	(1,461)
Other reserves	2,666	(2,778)
Total Tier 1 capital	<b>103,445</b>	<b>75,761</b>
<b>(ii) Tier 2 Capital</b>		
Collective impairment provision	62	-
Less: Regulatory adjustments applied to Tier 2 capital	(62)	-
Total Tier 2 capital	<b>-</b>	<b>-</b>
Total capital	<b>103,445</b>	<b>75,761</b>
CET 1 capital ratio	106.18%	136.83%
Tier 1 capital ratio	106.18%	136.83%
Total capital ratio	<b>106.18%</b>	<b>136.83%</b>

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

	<b>31 December 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	440,874	92,474	319,316	55,369
Operational risk	5,284	4,954	-	-
Total Risk Weighted Assets	<b>446,158</b>	<b>97,428</b>	<b>319,316</b>	<b>55,369</b>

**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA**  
**MALAYSIA SECURITIES BERHAD**

**B1. Performance Review**

**Current Year-to-date vs. Previous Year-to-date**

The Group reported a pretax profit of RM41.8 million for the year ended 31 December 2014 ("FYE14") which is a significant improvement as compared to pretax profit of RM8.8 million for the year ended 31 December 2013 ("FYE13"). Included in FYE13 was exceptional 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).

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

**Stockbroking:**

Equity Broking recorded profit before tax ("PBT") of RM17.2 million (FYE13: RM2.5 million) due to higher income from brokerages and margin financing recorded in FYE14.

**Investment**

Investment Banking registered a PBT of RM31.5 million in FYE14 (FYE13: PBT of RM9.8 million) mainly due to higher fee billings and trading income in FYE14, coupled with lower overheads.

**Investment Management:**

Investment management made a profit before tax of RM14.5 million (FYE13: PBT of RM15.4 million) due to higher performance fees earned. FYE13 PBT was higher due to inclusion of gain from acquisition of ING Funds Berhad (now known as Kenanga Funds Berhad) (net of merger costs) of approximately RM8 million.

**Futures:**

Futures segment registered PBT of RM4.3 million in FYE14 as compared to RM4.5 million in FYE13.

**Money lending and financing:**

This segment reported a PBT of RM1.0 million in FYE14 compared to PBT of RM0.8 million in the previous financial year, due to gain on sale of a subsidiary, Capital Investment Bank (Labuan) Ltd and 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 RM8.0 million in the fourth quarter ended 31 December 2014 ("4Q14") compared to pre-tax profit of RM23.0 million in the preceding quarter ended 30 September 2014 ("3Q14"). The higher 3Q14 pre-tax profit is largely due to higher contribution from investment management performance fee income.

**B3. Prospects for 2015**

While the US economy is showing signs of improvement, the global economic growth outlook is less buoyant as growth prospects in key economies, such as China has started to moderate and the Eurozone and Japan are showing tepid signs of recovery.

The Malaysian economic outlook is expected to remain resilient and 4.5% to 5.5% growth in gross domestic product is being forecast for 2015. The protracted weakness in global oil prices coupled with the weakening of Ringgit is expected to dampen domestic growth and the fiscal outlook. This economic outlook coupled with weaker consumer sentiment that is anticipated to follow the introduction of the Goods and Services Tax is expected to create a relatively challenging outlook for the Malaysian banking industry and greater volatility on domestic equity and bond markets.

The Group will however continue to build on the momentum gained in 2014 to meet the challenges going forward in particular in the equity broking and investment banking segments.

**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 (CONT'D.)**

**B5. Taxation and zakat**

	<b>Individual Quarter 3 months ended 31 December 2014 RM'000</b>	<b>Cumulative Quarter 12 months ended 31 December 2014 RM'000</b>
Current period/year - income tax and zakat	(5,899)	(11,468)
Deferred taxation	438	171
Total	<u>(5,461)</u>	<u>(11,297)</u>

The effective tax rate for the current period is higher than the statutory rate due to effect of expenses not deductible for tax purpose.

**B6. Status of Corporate Proposals**

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

**B7. Group Borrowings**

		<b>RM'000</b>
Subordinated Loan (unsecured)	Note 1	-
Short term loan from financial institutions (unsecured)	Note 2	52,336
Redeemable Non-Convertible Unsecured Loan Stocks ("RULS")	Note 3	-
Medium Term Notes ("MTN")	Note 4	100,000

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. However, it was fully settled on 17 December 2014 after the approval being obtained was obtained from Bursa Malaysia Derivatives Berhad.

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 RULS-A and RULS-B have been fully repaid on 13 December 2013 and 12 December 2014 respectively.

Note 4 : The Company issued 2 tranches of unsecured Medium Term Notes ("MTN") totalling RM100 million during the year.

<u>Issue Date</u>	<u>Medium Term Notes</u>	<u>Principal</u>	<u>Coupon Rate</u>	<u>Tenure</u>
15 September 2014	Series 001	RM 50 million	4.75%	367 days
5 December 2014	Series 002	RM 50 million	4.90%	546 days

**B8. Dividend**

No dividend has been proposed for the fourth quarter ended 31 December 2014.

**B9. Earnings per share**

The amount used as the numerator for the purposes of calculating the basic earnings per share for the 12 months period is RM29.5 million representing the profit for the period attributable to ordinary equity holders of the parent (31 December 2013: profit attributable to ordinary equity holders of parent: RM6.2 million).

The weighted average number of shares used as the denominator in calculating the basic earnings per share for the year is 731,759,499 (31 December 2013: 731,759,499).

**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA**  
**SECURITIES BERHAD (CONT'D.)**

**B10. Derivatives**

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

Type of Derivatives	Contract/ Notional Value RM'000	Fair Value RM'000
<b>Assets</b>		
Dual currency investment options	4,310	44
<b>Liabilities</b>		
Structured warrants - Less than 1 year	112,668	7,193
Dual currency investment options - Less than 1 year	4,310	44

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
<b>Assets</b>		
Equity options	9,189	4,248
Dual currency investment options	3,900	36
<b>Liabilities</b>		
Structured warrants - Less than 1 year	4,559	1,045
Dual currency investment options - Less than 1 year	3,900	36

**Types of derivative financial instruments**

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 (CONT'D.)**

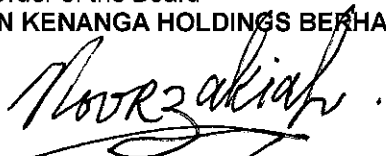
**B11. Gain Arising From Fair Value Changes of Derivatives**

	<b>Individual Quarter 3 months ended 31 December 2014 RM'000</b>	<b>Cumulative Quarter 12 months ended 31 December 2014 RM'000</b>
Gain/(loss) from fair value changes of financial assets:		
Equity Options	(580)	(748)
Structured Warrants	12,948	8,645

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

	As at 31 December 2014 RM'000	As at 31 December 2013 RM'000
Total (accumulated losses) / retained profits of Company and its subsidiaries:		
- Realised	(281,812)	(303,670)
- Unrealised	20,106	19,941
	(261,706)	(283,729)
Total share of (accumulated losses) / retained profits from associates		
- Realised	(16,672)	(20,962)
- Unrealised	484	5,218
	(16,188)	(15,744)
Add: Consolidation adjustments	290,524	295,525
Total group retained profits / (accumulated losses) as per consolidated accounts	12,630	(3,948)

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



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