

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

Unaudited Condensed Interim Financial Statements
31 March 2015

**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2015
THE FIGURES HAVE NOT BEEN AUDITED.**

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015

<u>Group</u>		As at 31 March 2015 RM'000	As at 31 December 2014 RM'000
	Note		
ASSETS			
Cash and short-term funds		1,031,168	876,768
Deposits and placements with banks and other financial institutions		103,811	142,361
Financial assets held-for-trading	A9	395,480	72,635
Financial investments available-for-sale	A10	1,205,336	1,709,916
Financial investments held-to-maturity	A11	34,006	10,005
Derivative financial assets		41	44
Loans, advances and financing	A12	1,938,339	1,890,768
Balance due from clients and brokers		524,240	378,304
Assets segregated for customers		68,691	51,884
Other assets	A13	482,410	70,892
Statutory deposit with Bank Negara Malaysia		117,431	127,576
Tax recoverable		5,719	6,186
Investment in associates		63,642	59,222
Property, plant and equipment		40,395	59,929
Intangible assets		265,932	267,308
Deferred tax assets		5,789	6,247
TOTAL ASSETS		6,282,430	5,730,045
LIABILITIES			
Deposits from customers	A14	3,199,795	3,092,611
Deposits and placements of banks and other financial institutions	A15	685,040	688,054
Obligations on securities sold under repurchase agreements		21,405	-
Borrowings	A16	139,500	152,336
Balance due to clients and brokers		801,796	744,762
Amount held in trust		68,161	68,629
Other liabilities	A17	476,871	112,051
Provision for taxation and zakat		355	1,169
Deferred tax liabilities		22	22
Derivative financial liabilities		11,743	7,237
TOTAL LIABILITIES		5,404,688	4,866,871

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

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015

<u>Group</u>	As at 31 March 2015 RM'000	As at 31 December 2014 RM'000
SHAREHOLDERS' EQUITY		
Share capital	731,759	731,759
Share premium	75	75
Retained profits	18,837	12,630
Exchange reserve	10,914	7,427
Statutory reserve	88,815	88,815
Available-for-sale reserve	(3,594)	(8,276)
Capital reserve	22,152	22,152
	<hr/>	<hr/>
	868,958	854,582
Non-controlling interests	8,784	8,592
Total equity	<hr/>	<hr/>
	877,742	863,174
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<hr/>	<hr/>
	6,282,430	5,730,045
Net Assets Per Share (RM)	<hr/>	<hr/>
	1.19	1.17

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014.

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

UNAUDITED COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015

	As at 31 March 2015 RM'000	As at 31 December 2014 RM'000
ASSETS		
Cash and short-term funds	6,967	9,760
Financial assets held-for-trading	18,524	16,781
Other assets	71,238	92,424
Tax recoverable	2,244	2,244
Investment in subsidiaries	763,737	763,737
Investment in associates	1,187	1,187
Property, plant and equipment	2,178	1,978
Deferred tax assets	874	976
TOTAL ASSETS	866,949	889,087
LIABILITIES		
Other liabilities	7,935	33,767
Borrowings	100,000	100,000
TOTAL LIABILITIES	107,935	133,767
SHAREHOLDERS' EQUITY		
Share capital	731,759	731,759
Share premium	75	75
Capital reserve	(49,800)	(49,800)
Retained profits	76,980	73,286
Total equity	759,014	755,320
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	866,949	889,087
Net Assets Per Share (RM)	1.04	1.03

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Group

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended 31 March 2015 RM'000	3 months ended 31 March 2014 RM'000	3 months ended 31 March 2015 RM'000	3 months ended 31 March 2014 RM'000
Continuing Operations					
Interest income	A21	54,376	51,851	54,376	51,851
Interest expense	A22	(35,076)	(34,150)	(35,076)	(34,150)
Net interest income		19,300	17,701	19,300	17,701
Net income from Islamic banking business	A31	6,014	946	6,014	946
Other operating income	A23	77,280	77,252	77,280	77,252
Net income		102,594	95,899	102,594	95,899
Other operating expenses	A24	(92,593)	(90,613)	(92,593)	(90,613)
Operating profit		10,001	5,286	10,001	5,286
Write back of/(Allowance for) impairment on:					
- loans, advances and financing	A25	107	650	107	650
- balances due from clients and brokers and other receivables	A26	19	(885)	19	(885)
		10,127	5,051	10,127	5,051
Share of results in associates		(107)	4,822	(107)	4,822
Profit before taxation and zakat		10,020	9,873	10,020	9,873
Taxation and zakat		(3,621)	(2,671)	(3,621)	(2,671)
Profit for the financial period from continuing operatio		6,399	7,202	6,399	7,202
Discontinued operation					
Loss for the financial period		-	(25)	-	(25)
Profit for the financial period		6,399	7,177	6,399	7,177

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014.

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

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March 2015 RM'000	3 months ended 31 March 2014 RM'000	3 months ended 31 March 2015 RM'000	3 months ended 31 March 2014 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	1,040	(2,173)	1,040	(2,173)
Foreign exchange differences on consolidation	3,487	(1,115)	3,487	(1,115)
Net gain/(loss) on fair value changes of financial investments available-for-sale	4,856	(4,788)	4,856	(4,788)
Income tax relating to the components of other comprehensive income	(1,214)	1,197	(1,214)	1,197
Other comprehensive income/(loss) for the financial period	8,169	(6,879)	8,169	(6,879)
Total comprehensive income	14,568	298	14,568	298
Profit for the period attributable to				
- Equity holders of the parent	6,207	6,995	6,207	6,995
- Non-controlling interests	192	182	192	182
	6,399	7,177	6,399	7,177
Total comprehensive income for the period attributable to				
- Equity holders of the parent	14,376	116	14,376	116
- Non-controlling interests	192	182	192	182
	14,568	298	14,568	298
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)	0.85	0.96	0.85	0.96
(ii) Fully diluted (sen)	0.85	0.96	0.85	0.96

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014.

UNAUDITED COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March 2015 RM'000	3 months ended 31 March 2014 RM'000	3 months ended 31 March 2015 RM'000	3 months ended 31 March 2014 RM'000
Continuing Operations				
Interest income	857	147	857	147
Interest expense	(1,186)	(589)	(1,186)	(589)
Net interest expense	(329)	(442)	(329)	(442)
Other operating income	12,386	8,310	12,386	8,310
Net income	12,057	7,868	12,057	7,868
Other operating expenses	(8,205)	(6,489)	(8,205)	(6,489)
Profit before taxation	3,852	1,379	3,852	1,379
Taxation	(158)	(263)	(158)	(263)
Profit for the financial period from continuing operations	3,694	1,116	3,694	1,116
Profit for the financial period	3,694	1,116	3,694	1,116

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014.

UNAUDITED COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March 2015 RM'000	3 months ended 31 March 2014 RM'000	3 months ended 31 March 2015 RM'000	3 months ended 31 March 2014 RM'000
(i) Profit for the period attributable to - Equity holders of the parent	3,694	1,116	3,694	1,116
	<u>3,694</u>	<u>1,116</u>	<u>3,694</u>	<u>1,116</u>
(a) Earnings per share attributable to ordinary equity holders of the parent				
(i) Basic (based on weighted average number of ordinary shares 731,759,499 for the current quarter and cumulative quarter to date) (sen)	0.50	0.15	0.50	0.15
	<u>0.50</u>	<u>0.15</u>	<u>0.50</u>	<u>0.15</u>
(ii) Fully diluted	0.50	0.15	0.50	0.15
	<u>0.50</u>	<u>0.15</u>	<u>0.50</u>	<u>0.15</u>

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014.

**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2015**

	Group		Company	
	31 March 2015 RM'000	31 March 2014 RM'000	31 March 2015 RM'000	31 March 2014 RM'000
Cash flows from operating activities				
Profit before taxation				
- Continuing operations	10,020	9,873	3,852	1,379
- Discontinued operation	-	(25)	-	-
Adjustments for non operating and non cash items	(35,351)	(51,653)	(451)	(410)
Operating (loss)/profit before changes in working capital	(25,331)	(41,805)	3,401	969
Net changes in operating assets	(566,647)	(256,607)	(4,559)	3,360
Net changes in operating liabilities	572,685	30,058	(141)	1,052
Cash (used in)/generated from operations	(19,293)	(268,354)	(1,299)	5,381
Net dividends received	-	36	1,593	-
Interest received	7,586	38,636	1	147
Net tax paid	(3,621)	(534)	-	-
Net operating cash flow	(15,328)	(230,216)	295	5,528
Net investing cash flow	215,116	314,328	(1,902)	(352)
Net financing cash flow	(38,948)	27,059	(1,186)	(589)
Net change in cash and cash equivalents during the financial year	160,840	111,171	(2,793)	4,587
Cash and cash equivalents brought forward	571,674	384,406	9,760	6,124
Cash and cash equivalents carried forward	732,514	495,577	6,967	10,711
Cash and cash equivalents comprise the following:-				
Non trust cash and short term funds	732,514	495,480	6,967	10,711
Cash and short term funds classified as asset held for sale	-	97	-	-
	732,514	495,577	6,967	10,711

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014.

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2015**

Group	Attributable to Equity Holders of the Parent----->									
	<-----Non-Distributable----->					----->				
	Share Capital RM'000	Share Premium RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Available- for-sale Reserve RM'000	Statutory Reserve RM'000	Distributable Retained Profits RM'000	Non- Controlling Interests RM'000	Total Equity RM'000	
As at 1 January 2015	731,759	75	7,427	22,152	(8,276)	88,815	12,630	8,592	863,174	
Total comprehensive income for the financial period	-	-	3,487	-	3,642	-	6,207	192	13,528	
Share of an associate's other comprehensive income	-	-	-	-	1,040	-	-	-	1,040	
As at 31 March 2015	731,759	75	10,914	22,152	(3,594)	88,815	18,837	8,784	877,742	

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014.

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

Group	Attributable to Equity Holders of the Parent----->									
	Share Capital RM'000	Share Premium RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Available-for-sale Reserve RM'000	Statutory Reserve RM'000	Distributable (Accumulated Loss)/Retained Profits RM'000	Non-Controlling Interests RM'000	Total Equity RM'000	
As at 1 January 2014	731,759	75	4,230	22,152	(19,022)	75,887	(3,948)	7,775	818,908	
Total comprehensive (loss)/income for the financial period	-	-	(1,115)	-	(3,591)	-	6,995	182	2,471	
Share of an associate's other comprehensive loss	-	-	-	-	(2,173)	-	-	-	(2,173)	
As at 31 March 2014	731,759	75	3,115	22,152	(24,786)	75,887	3,047	7,957	819,206	

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014.

**UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2015**

	<-----Attributable to Equity Holders of the Parent----->					
	Share Capital RM'000	Non Distributable Share Premium RM'000	Capital Reserve RM'000	Distributable Retained Profits RM'000	Total Equity RM'000	
As at 1 January 2015	731,759	75	(49,800)	73,286	755,320	
Comprehensive income for the financial period	-	-	-	3,694	3,694	
As at 31 March 2015	<u>731,759</u>	<u>75</u>	<u>(49,800)</u>	<u>76,980</u>	<u>759,014</u>	

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014.

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

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

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014.

NOTES TO INTERIM FINANCIAL STATEMENTS

A1. Basis of Preparation

The interim financial statements, for the first quarter and period ended 31 March 2015, 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 financial year ended 31 December 2014.

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 financial year ended 31 December 2014. 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 financial year ended 31 December 2014.

A3. Preceding financial year audit report

The preceding financial year audit report in respect of the financial year ended 31 December 2014 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 first quarter ended 31 March 2015.

A8. Dividends paid per share

No dividend was paid during the three months ended 31 March 2015.

NOTES TO INTERIM FINANCIAL STATEMENTS

	31 March 2015 RM' 000	31 December 2014 RM' 000
A9 Financial assets held-for-trading		
At Fair Value		
Money Market Instruments:-		
Malaysian Government Securities	240,386	-
Malaysian Government Investment Certificates	60,774	-
Quoted securities:		
In Malaysia:		
Shares and Unit Trust Funds	74,311	72,635
Unquoted securities:		
Corporate Bonds	20,009	-
Total financial assets held-for-trading	395,480	72,635
A10 Financial investments available-for-sale		
At Fair Value, or amortised cost		
Money Market instruments:-		
Malaysian Government Securities	29,301	198,326
Bank Negara Malaysia Bills and Notes	-	297,240
Malaysian Government Investment Certificates	338,680	282,470
Negotiable Instruments of Deposits	-	100,000
Sukuk Perumahan Kerajaan	10,015	9,902
Total Money Market instruments	377,996	887,938
Unquoted securities:		
In Malaysia:		
Shares	490	490
Corporate Bonds	706,024	233,786
Islamic Corporate Bonds	120,826	587,702
Total financial investments available-for-sale	1,205,336	1,709,916
A11 Financial investments held-to maturity		
At Amortised Cost		
Money Market Instruments:		
Corporate Bonds	29,003	5,002
Islamic Corporate Bonds	5,003	5,003
Total financial investments held-to-maturity	34,006	10,005

NOTES TO INTERIM FINANCIAL STATEMENTS

	31 March 2015 RM' 000	31 December 2014 RM' 000
A12 Loans, advances and financing		
Term loans	450,321	398,621
Share margin financing	1,365,580	1,412,119
Other financing	124,418	81,919
Gross loans, advances and financing	<u>1,940,319</u>	<u>1,892,659</u>
Allowances for impairment on loans, advances and financing:		
- Individual allowance	(1,797)	(1,725)
- Collective allowance	(183)	(166)
Net loans, advances and financing	<u>1,938,339</u>	<u>1,890,768</u>
(i) By type of customer		
Domestic operations:		
Domestic business enterprise		
- Others	791,707	780,359
Individuals	1,108,157	1,102,546
Foreign entities	40,455	9,754
	<u>1,940,319</u>	<u>1,892,659</u>
(ii) By geographical distribution		
In Malaysia	1,940,319	1,881,419
Outside Malaysia	-	11,240
	<u>1,940,319</u>	<u>1,892,659</u>
(iii) By interest/profit rate sensitivity		
Fixed rate		
- Other fixed rate loans/financing	1,373,650	1,764,309
Variable rate		
- Cost plus	450,321	78,024
- Other variable rates	116,348	50,326
	<u>1,940,319</u>	<u>1,892,659</u>
(iv) Total loans by economic purpose		
Domestic operations:		
Purchase of securities	1,580,730	1,613,040
Purchase of land	5,038	-
Working capital	204,804	63,640
Others	149,747	215,979
	<u>1,940,319</u>	<u>1,892,659</u>
(v) By maturity structure		
Within one year	1,446,866	1,637,833
More than one year	493,453	254,826
Gross loans, advances and financing	<u>1,940,319</u>	<u>1,892,659</u>
(vi) Movement in impaired loans, advances and financing ("Impaired loans") are as follows:		
At beginning of the period/year	2,790	2,785
Impaired during the period/year	65	258
Recovered	-	(26)
Amount written off	-	(227)
At end of the period/year	<u>2,855</u>	<u>2,790</u>
Individual allowance	<u>(1,797)</u>	<u>(1,725)</u>
Net impaired loans, advances and financing	<u>1,058</u>	<u>1,065</u>
Net impaired loans as a % of gross loans, advances and financing less individual allowance	<u>0.05%</u>	<u>0.06%</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

	31 March 2015 RM' 000	31 December 2014 RM' 000
A12 Loans, advances and financing (cont'd)		
(vii) Impaired loans by geographical distribution		
In Malaysia	2,855	2,790
(viii) Impaired loans by economic purpose		
Domestic operations:		
Purchase of securities	2,855	2,790
(ix) Movement in individual allowance for loans, advances and financing are as follows:		
<u>Individual allowance</u>		
At beginning of the period/year	1,725	1,692
Allowance made during the period/year	97	291
Amount written back in respect of recoveries	(25)	(34)
Amount of allowance set off against gross loans	-	(224)
At end of the period/year	1,797	1,725
(x) Movement in collective allowance for loans, advances and financing are as follows:		
<u>Collective allowance</u>		
At beginning of the period/year	166	597
Allowance made during the period/year	33	253
Amount written back	(16)	(684)
At end of the period/year	183	166
Collective allowance as % of gross loans, advances and financing less individual allowance	0.01%	0.01%
A13 Other assets		
Interest/Income receivable	16,798	14,681
Prepayments and deposits	25,149	27,734
Treasury trade receivables	391,058	-
Other debtors	52,687	33,190
	485,692	75,605
Allowance for impairment	(3,282)	(4,713)
	482,410	70,892
A14 Deposits from customers		
Fixed deposits and negotiable instruments of deposits		
- Due within six months	2,983,962	3,081,830
- Six months to one year	215,833	10,781
	3,199,795	3,092,611
By type of customers:		
Business enterprise	826,181	721,997
Domestic non-bank financial institutions	1,557,073	1,695,568
Individuals	38,264	45,855
Government and statutory bodies	534,083	614,191
Others	244,194	15,000
	3,199,795	3,092,611

NOTES TO INTERIM FINANCIAL STATEMENTS

	31 March 2015	31 December 2014
	RM' 000	RM' 000
A15 Deposits and placement of banks and other financial institutions		
Licensed banks	388,000	278,000
Licensed investment banks	100,000	210,000
Licensed Islamic banks	-	50,000
Other financial institutions	197,040	150,054
	<u>685,040</u>	<u>688,054</u>
A16 Borrowings		
Medium Term Notes	100,000	100,000
Revolving bank loan	39,500	52,336
	<u>139,500</u>	<u>152,336</u>
A17 Other liabilities		
Interest/Profit payable	8,659	11,105
Provision and accruals	72,622	74,072
Retention for Contra Losses	1,090	1,090
Hire purchase creditors	55	67
Treasury trade payables	369,485	-
Deposits and other creditors	24,960	25,717
	<u>476,871</u>	<u>112,051</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

	31 March 2015 Principal Amount RM' 000	31 December 2014 Principal Amount RM' 000
A18 Commitments and Contingencies and Off-Balance Sheet Financial Instruments		
Obligations under underwriting agreements	4,000	-
Commitments to extend credit with maturity of less than 1 year :-		
- margin	1,255,474	1,318,017
- term loan	63,000	63,000
- foreign exchange related contracts	31,193	22,775
Commitments to extend credit with maturity of more than 1 year :-		
- term loan	51,019	1,626
Miscellaneous commitments	581,465	554,124
	<u>1,986,151</u>	<u>1,959,542</u>

	Group		Company	
	31 March 2015 RM' 000	31 December 2014 RM' 000	31 March 2015 RM' 000	31 December 2014 RM' 000
A19 Other Commitments				
Capital expenditure commitments	7,226	7,239	-	-
Operating lease arrangements	51,401	54,809	-	-
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>58,627</u>	<u>62,048</u>	<u>368,000</u>	<u>368,000</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

A20 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:

	31 March 2015	31 December 2014
	RM'000	RM'000
<u>Common Equity Tier 1 (CET 1)/Tier 1 Capital</u>		
Paid-up share capital	770,000	770,000
Share premium	65,500	65,500
Accumulated loss	(31,592)	(31,592)
Other reserves	82,792	79,150
Less: Regulatory adjustments applied on CET 1 capital		
Deferred tax assets	(3,574)	(3,483)
Goodwill	(252,909)	(252,909)
Other intangibles	(52,500)	(52,500)
Deduction in excess of Tier 2 *	(115,662)	(115,680)
Total CET 1/Tier 1 Capital	462,055	458,486
<u>Tier 2 Capital</u>		
Collective impairment allowance	433	415
Less: Regulatory adjustments applied on Tier 2 capital	(433)	(415)
Total Tier 2 capital	-	-
Total capital	462,055	458,486
CET 1 Capital ratio	26.72%	31.92%
Tier 1 Capital ratio	26.72%	31.92%
Total Capital ratio	26.72%	31.92%

* 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

A20 Capital Adequacy (continued)

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

	Bank		Bank	
	31 March 2015		31 December 2014	
	Notional amount	Risk-weighted amount	Notional amount	Risk-weighted amount
	RM'000	RM'000	RM'000	RM'000
Credit Risk	5,602,331	1,050,876	3,936,970	941,955
Market Risk	-	275,548	-	109,019
Operational Risk	-	403,001	-	385,366
Total Risk Weighted Assets	5,602,331	1,729,425	3,936,970	1,436,340

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

NOTES TO INTERIM FINANCIAL STATEMENTS

	Individual Quarter		Cumulative Quarter	
	31 March 2015 RM'000	31 March 2014 RM'000	31 March 2015 RM'000	31 March 2014 RM'000
A21 Interest Income				
Loans, advances and financing	31,817	29,749	31,817	29,749
Money at call and deposit placements with financial institutions	5,067	4,476	5,067	4,476
Financial assets held-for-trading	1,716	73	1,716	73
Financial investments available-for-sale	10,880	13,143	10,880	13,143
Financial investments held-to-maturity	121	119	121	119
Others	4,775	4,291	4,775	4,291
	54,376	51,851	54,376	51,851
A22 Interest Expense				
Deposits from customers	32,523	26,280	32,523	26,280
Deposits and placement of banks and other financial institutions	704	4,847	704	4,847
Revolving bank loan	663	2,418	663	2,418
RULS	-	588	-	588
Medium Term Notes	1,186	-	1,186	-
Subordinated obligations	-	17	-	17
	35,076	34,150	35,076	34,150
A23 Other Operating Income				
(a) Fee income:				
Brokerage income	46,110	52,313	46,110	52,313
Commissions	4,061	3,195	4,061	3,195
Loans, advances and financing	1,841	1,874	1,841	1,874
Corporate advisory	2,381	3,994	2,381	3,994
Placement fees	898	1,517	898	1,517
Underwriting fees	218	-	218	-
Management fee income	6,776	5,521	6,776	5,521
Other fee income	2,621	2,491	2,621	2,491
	64,906	70,905	64,906	70,905
(b) Gain/(loss) arising from sale of securities:				
Net gain from sale of financial assets held-for-trading	10,859	294	10,859	294
Net gain/(loss) from sale of financial investments available-for-sale	724	(96)	724	(96)
	11,583	198	11,583	198
(c) Gross dividend from:				
Securities portfolio	2,428	36	2,428	36
	2,428	36	2,428	36
(d) Unrealised (loss)/gain on revaluation of financial assets held-for-trading and derivatives	(3,178)	2,865	(3,178)	2,865
	(3,178)	2,865	(3,178)	2,865
(e) Other income:				
Foreign exchange profit	989	1,663	989	1,663
Others	552	1,585	552	1,585
	1,541	3,248	1,541	3,248
Total non-interest income	77,280	77,252	77,280	77,252

NOTES TO INTERIM FINANCIAL STATEMENTS

	Individual Quarter		Cumulative Quarter	
	31 March 2015 RM'000	31 March 2014 RM'000	31 March 2015 RM'000	31 March 2014 RM'000
A24 Other operating expenses				
Personnel costs	37,646	32,113	37,646	32,113
- Salaries, allowances and bonuses	30,158	25,537	30,158	25,537
- EPF	3,738	3,494	3,738	3,494
- Others	3,750	3,082	3,750	3,082
Establishment costs	11,918	13,852	11,918	13,852
- Depreciation and amortisation of software	2,466	3,966	2,466	3,966
- Rental of leasehold land and premises	5,881	6,330	5,881	6,330
- Repairs and maintenance of property, plant and equipment	639	784	639	784
- Information technology expenses	2,148	1,722	2,148	1,722
- Others	784	1,050	784	1,050
Marketing expenses	3,249	2,706	3,249	2,706
- Advertisement and publicity	1,727	408	1,727	408
- Others	1,522	2,298	1,522	2,298
Administration and general expenses	39,780	41,942	39,780	41,942
- Fees and brokerage	26,373	30,131	26,373	30,131
- Administrative expenses	13,407	11,811	13,407	11,811
	92,593	90,613	92,593	90,613
A25 Write back of impairment on loans, advances and financing:				
Allowances for loans, advances and financing:				
- collective allowance (net)	(17)	468	(17)	468
- individual allowance (net)	72	14	72	14
Bad debts and financing recovered	52	168	52	168
	107	650	107	650
A26 Write back of/(Allowance for) impairment on balances due from clients and brokers and other receivables				
Allowances for bad and doubtful debts and financing:				
- individual allowance (net)	16	(898)	16	(898)
Bad debts and financing recovered	3	13	3	13
	19	(885)	19	(885)
A27 Segmental reporting				
(i) Investment bank - Investment banking business, treasury and related financial services;				
(ii) Stockbroking - Dealings in securities and investment related services;				
(iii) Futures - Futures broker business				
(iv) Money lending and financing - Licensed money lender and financing;				
(v) Investment management - Management of funds and unit trusts; and				
(vi) Corporate and others - Investment holding and management services, support services comprise all middle and back office functions includes business operations conducted by the Group's associates and investment in the Kingdom of Saudi Arabia, Vietnam and Sri Lanka.				

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

NOTES TO INTERIM FINANCIAL STATEMENTS

A27 SEGMENTAL REPORTING

	-----Continued Operations-----							Total RM'000
	Investment banking RM'000	Stockbroking RM'000	Futures RM'000	Money Lending and financing RM'000	Investment Management RM'000	Corporate and others RM'000	Eliminations/ Adjustments RM'000	
31 March 2015								
Revenue								
External sales	51,289	66,922	5,682	2,789	6,676	7,390	-	140,748
Inter-segment sales	851	66	316	1	780	11,545	(13,559)	-
Total revenue	52,140	66,988	5,998	2,790	7,456	18,935	(13,559)	140,748
Result								
Net income	17,868	63,967	5,754	903	7,489	19,105	(12,492)	102,594
Other operating expenses	(10,734)	(57,483)	(4,610)	(1,079)	(9,560)	(21,419)	12,292	(92,593)
(Allowance for)/Write back of impairment on loans, advances and financing	(17)	124	-	-	-	-	-	107
Write back of/(Allowance for) impairment on balances due from clients and brokers and other receivables	1,035	(1,016)	-	-	-	-	-	19
Share of results in associate	-	-	-	-	-	(107)	-	(107)
Profit/(loss) before taxation and zakat	8,152	5,592	1,144	(176)	(2,071)	(2,421)	(200)	10,020
Taxation and zakat	-	-	-	-	-	-	-	(3,621)
Non-controlling interest	-	-	-	-	-	-	-	(192)
Net profit for the financial year								<u>6,207</u>

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

NOTES TO INTERIM FINANCIAL STATEMENTS

A27 SEGMENTAL REPORTING (CONT'D.)

	-----Continued Operations -----						
	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
Assets							
Investment in associates	-	-	-	-	63,642	-	63,642
Addition to non-current assets	990	-	-	296	784	-	2,070
Segment assets	5,818,071	423,088	149,571	59,396	879,706	(1,047,402)	6,282,430
Liabilities							
Segment liabilities	4,926,261	390,554	139,715	17,154	112,515	(181,511)	5,404,688

**K & N KENANGA HOLDINGS BERHAD
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2014**

NOTES TO INTERIM FINANCIAL STATEMENTS

A27 SEGMENTAL REPORTING

	Continued Operations						Discontinued Operation		
	Investment banking RM'000	Stock broking RM'000	Futures RM'000	Lending and Money RM'000	Investment Management RM'000	Corporate and others RM'000	Eliminations/ Adjustments RM'000	Total RM'000	Others RM'000
31 March 2014									
Revenue									
External sales	40,581	70,471	4,555	3,831	5,276	3,990	-	128,704	-
Inter-segment sales	2,997	(78)	318	-	1,017	7,612	(11,866)	-	72
Total revenue	43,578	70,393	4,873	3,831	6,293	11,602	(11,866)	128,704	72
Result									
Net income	11,302	67,590	4,549	1,808	6,342	15,440	(11,132)	95,899	-
Other operating expenses	(10,338)	(63,659)	(3,589)	(1,352)	(7,629)	(12,751)	8,705	(90,613)	(25)
Write back of impairment on loans, advances and financing	158	62	-	-	-	-	429	649	-
Write back of/(Allowance for) impairment on balances due from clients and brokers and other receivables	94	(478)	-	-	-	(500)	-	(884)	-
Share of results in associate	-	-	-	-	-	4,822	-	4,822	-
Profit/(loss) before taxation	1,216	3,515	960	456	(1,287)	7,011	(1,998)	9,873	(25)
Taxation	-	-	-	-	-	-	-	(2,671)	-
Non-controlling interest	-	-	-	-	-	-	-	(182)	-
Loss from discontinuing operation	-	-	-	-	-	-	-	(25)	25
Net profit for the financial period								6,995	-

K & N KENANGA HOLDINGS BERHAD
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2014

NOTES TO INTERIM FINANCIAL STATEMENTS

A27 SEGMENTAL REPORTING (cont'd.)

	Continued Operations						Discontinued Operation	
	Investment banking and stock broking RM'000	Futures RM'000	Lending and financing RM'000	Investment Management RM'000	Corporate and others RM'000	Eliminations/ Adjustments RM'000	Total RM'000	Others RM'000
Assets								
Investment in an associate	-	-	-	-	58,956	-	58,956	-
Addition to non-current assets	2,492	-	-	410	351	-	3,253	-
Segment assets	5,189,476	514,886	201,667	55,435	832,981	(1,066,640)	5,727,805	-
Liabilities								
Segment liabilities	4,346,241	485,413	191,796	17,300	57,368	(189,519)	4,908,599	-

NOTES TO INTERIM FINANCIAL STATEMENTS

A28 Revaluation of property, plant and equipment

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

A29 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.

A30 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.

A30 Fair value of financial instruments (cont'd.)

31 March 2015

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Assets				
Financial assets at held-for-trading				
- Debt securities	-	321,169	-	321,169
- Equity securities and unit trusts	74,311	-	-	74,311
Financial investments available-for-sale #				
- Debt securities	-	1,204,846	-	1,204,846
Derivative assets	-	41	-	41
Total assets	74,311	1,526,056	-	1,600,367
Liabilities				
Derivatives liabilities	11,702	41	-	11,743
Total liabilities	11,702	41	-	11,743

31 December 2014

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Assets				
Financial assets at held-for-trading				
- Equity securities and unit trusts	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
Total assets	72,635	1,709,470	-	1,782,105
Liabilities				
Financial assets at fair value through profit or loss				
- Derivatives	7,193	44	-	7,237
Total liabilities	7,193	44	-	7,237

Excludes unquoted securities stated at cost of RM490,000 (2014: RM490,000)

A31 Net Income from Islamic Banking Business

	Individual Quarter		Cumulative Quarter	
	31 March 2015 RM'000	31 March 2014 RM'000	31 March 2015 RM'000	31 March 2014 RM'000
Income derived from investment of depositors' funds and others	9,387	2,749	9,387	2,749
Income attributable to the depositors	(3,373)	(1,803)	(3,373)	(1,803)
Income attributable to the Group	6,014	946	6,014	946

NOTES TO INTERIM FINANCIAL STATEMENTS

A32 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 MARCH 2015**

	Note	As at 31 March 2015 RM '000	As at 31 December 2014 RM '000
ASSETS			
Cash and short-term funds	(c)	240,317	180,951
Financial assets held-for-trading		60,775	-
Financial investments available-for-sale	(d)	222,182	229,640
Financial investments held-to-maturity	(e)	5,003	5,003
Advances and financing	(f)	8,108	23,043
Other assets		14,461	2,832
Property, plant and equipment		15	235
TOTAL ASSETS		550,861	441,704
LIABILITIES			
Deposits from customers	(g)	396,289	331,785
Other liabilities		25,669	4,695
Deferred tax liabilities		450	889
Provision for taxation and zakat		2,275	890
TOTAL LIABILITIES		424,683	338,259
ISLAMIC BANKING CAPITAL FUNDS			
Islamic banking funds		120,000	100,000
Reserves		6,178	3,445
TOTAL ISLAMIC BANKING CAPITAL FUNDS		126,178	103,445
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS		550,861	441,704

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014.

NOTES TO INTERIM FINANCIAL STATEMENTS

A32 OPERATIONS OF ISLAMIC BANKING

**(b) UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2015**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31 March 2015 RM'000	3 months ended 31 March 2014 RM'000	3 months ended 31 March 2015 RM'000	3 months ended 31 March 2014 RM'000
Income derived from investment of depositors' funds and others	9,387	2,749	9,387	2,749
Total attributable income	9,387	2,749	9,387	2,749
Income attributable to depositors	(3,373)	(1,803)	(3,373)	(1,803)
Net income attributable to KIBB	6,014	946	6,014	946
Other operating expenses	(581)	(554)	(581)	(554)
Profit before taxation and zakat	5,433	392	5,433	392
Taxation and zakat	(1,385)	-	(1,385)	-
Profit for the financial period	4,048	392	4,048	392

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2014.

NOTES TO INTERIM FINANCIAL STATEMENTS

A32 OPERATIONS OF ISLAMIC BANKING

	As at 31 March 2015 RM'000	As at 31 December 2014 RM'000
(c) Cash and Short-Term Funds	240,317	180,951
(d) Financial Assets Held-For-Trading		
At Fair Value		
Money Market Securities		
Malaysian Government Securities	60,775	-
(e) Financial investments available-for-sale		
At Fair Value		
Money Market Instruments:		
In Malaysia		
Bank Negara Malaysia Bills and Notes	-	49,839
Malaysian Government Investment Certificates	91,341	19,559
Sukuk Perumahan Kerajaan	10,015	9,902
Unquoted Private Debt Securities:		
In Malaysia		
Islamic Corporate Bonds	120,826	150,340
	222,182	229,640
(f) Financial investments held-to-maturity		
At Amortised Cost		
Money Market Instruments:		
In Malaysia		
Islamic Corporate Bonds	5,003	5,003
(g) Advances and financing		
Commodity Murabahah Revolving Credit	8,108	8,051
Commodity Murabahah Term Financing	-	15,054
	8,108	23,105
Allowance for impairment:		
- collective impairment	-	(62)
	8,108	23,043
(i) Gross advances and financing analysed by type of customer are as follows:		
Domestic business enterprises:		
Others	8,108	23,105
(ii) Gross advances and financing analysed by geographical distribution are as follows:		
In Malaysia	8,108	23,105
(iii) Gross advances and financing analysed by profit are sensitivity are as follows:		
Variable rate:		
Cost plus	8,108	23,105

NOTES TO INTERIM FINANCIAL STATEMENTS

A32 OPERATIONS OF ISLAMIC BANKING

	As at 31 March 2015 RM'000	As at 31 December 2014 RM'000
(h) Deposits from customers		
(iv) Gross advances and financing analysed by economic purpose are as follows:		
Purchase of securities	-	15,054
Working capital	8,108	8,051
	<u>8,108</u>	<u>23,105</u>
(v) Gross advances and financing analysed by residual contractual maturity are as follows:		
Within one year	8,108	23,105
	<u>8,108</u>	<u>23,105</u>
(i) By type of deposit		
Mudharabah general investment deposits	-	50,000
Commodity murabahah deposits	263,274	1,207
Wadiah deposits	133,015	280,578
	<u>396,289</u>	<u>331,785</u>
(ii) By type of customer		
Business enterprises	<u>396,289</u>	<u>331,785</u>
(iii) By maturity structure		
Due within six months	<u>396,289</u>	<u>331,785</u>
(i) Capital adequacy		
(i) CET 1/Tier 1 Capital		
Islamic Banking funds	120,000	100,000
Retained Profits	779	779
Other reserves	1,351	2,666
Less: Regulatory adjustments applied to Tier 1 capital	(743)	-
Total CET 1/Tier 1 capital	<u>121,387</u>	<u>103,445</u>
(ii) Tier 2 Capital		
Collective allowance impairment	62	62
Total Tier 2 capital	<u>62</u>	<u>62</u>
Total capital	<u>121,449</u>	<u>103,507</u>
CET 1 capital ratio	88.31%	106.18%
Tier 1 capital ratio	88.31%	106.18%
Total capital ratio	<u>88.36%</u>	<u>106.24%</u>

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

	31 March 2015		31 December 2014	
	RM'000	RM'000	RM'000	RM'000
	Principal	Risk-weighted	Principal	Risk-weighted
Credit risk	489,276	94,922	440,874	92,474
Market risk	-	33,691	-	-
Operational risk	-	8,838	5,284	4,954
Total Risk Weighted Assets	<u>489,276</u>	<u>137,451</u>	<u>446,158</u>	<u>97,428</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

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

B1. Performance Review

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

The Group reported a pretax profit of RM10.0 million for the financial period ended 31 March 2015 ("1Q15") as compared to pretax profit of RM9.9 million for the financial period ended 31 March 2014 ("1Q14").

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

Stockbroking:

Equity Broking recorded profit before tax ("PBT") of RM5.6 million (1Q14: PBT of RM3.5 million) as the structured call warrants business registered higher trading and investment income in 1Q15 as compared to 1Q14.

Investment Banking:

Investment Banking registered a PBT of RM8.2 million in 1Q15 (1Q14: PBT of RM1.2 million) mainly due to higher gains from trading of bonds in 1Q15.

Investment Management:

Investment management made a loss before tax ("LBT") of RM2.1 million in 1Q15 (1Q14: LBT of RM1.3 million) as a result of higher operating expenses of RM9.6 million (1Q14: RM7.6 million).

As at 31 March 2015, the division has unrealised performance fees of RM1.0 million. The 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 maintains a consistent performance, delivering a PBT of RM1.1 million in 1Q15 as compared to RM1.0 million in 1Q14.

Money lending and financing:

This segment reported a LBT of RM176,000 in 1Q15 compared to PBT of RM456,000 in 1Q14 due to lower fees income contributed from loan disbursement.

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 RM10.0 million in 1Q15 compared to pre-tax profit of RM8.0 million in the preceding quarter ended 31 December 2014. The higher 1Q15 pre-tax profit is largely due to lower impairment charges and lower share of loss from associates in 1Q 2015.

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 other key economies have started to moderate. Emerging market economies, meanwhile, have had to revise lower growth expectation for this year.

The pace of the Malaysian economic growth is expected to moderate and achieve the 4.5% to 5.5% growth in gross domestic product target for 2015. The low oil prices, weakening of Ringgit, weaker consumer sentiment following the introduction of the Goods and Services Tax, and sovereign rating review, will continue to overshadow market sentiment hence putting pressure on the domestic equity and bond markets. Meanwhile, the supportive domestic excess liquidity condition and improving investor sentiment should limit market downside.

The Group will continue to build on the momentum gained in 2014 to face the prevailing uncertainties 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 financial 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

	Individual Quarter 3 months ended 31 March 2015 RM'000	Cumulative Quarter 3 months ended 31 March 2015 RM'000
Current period/year - income tax and zakat	(3,520)	(3,520)
Deferred taxation	(101)	(101)
Total	<u>(3,621)</u>	<u>(3,621)</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

On 13 March 2015, the Company proposed to establish an Employee Share Scheme ("ESS") of up to 10% of the issued and paid up share capital of the Company ("Proposed ESS"). The Proposed ESS is subject to the following:

- (i) The shareholders of K & N Kenanga Holdings Berhad ("KNKH")
- (ii) Bursa Securities, for listing of and quotation for new KNKH shares to be issued pursuant to the Proposed ESS
- (iii) Bursa Depository for transfer of scheme shares from Trustee to the Scheme Participants pursuant to the Proposed ESS if required
- (iv) Bank Negara Malaysia for the increase in the issued and paid up share capital of KNKH pursuant to the Proposed ESS and
- (v) Any other relevant regulatory authorities, where applicable.

B7. Group Borrowings

		RM'000
Short term loan from financial institutions (unsecured)	Note 1	39,500
Medium Term Notes ("MTN")	Note 2	100,000

Note 1 : 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 5.82% per annum.

Note 2 : The Company issued 2 tranches of unsecured MTN totalling RM100 million in 2014.

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

B8. Dividend

The Board of Directors has approved an interim dividend of 1% or 1 sen per share in respect of the financial year ended 31 December 2014.

NOTES TO INTERIM FINANCIAL STATEMENTS

REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D.)

B9. Earnings per share

The amount used as the numerator for the purposes of calculating the basic earnings per share for the 3 months period is RM6.2 million representing the profit for the period attributable to ordinary equity holders of the parent (31 March 2014: profit attributable to ordinary equity holders of parent: RM7 million).

The weighted average number of shares used as the denominator in calculating the basic earnings per share for the period is 731,759,499 (31 December 2014: 731,759,499).

B10. Derivatives

As at 31 March 2015, derivative financial assets and liabilities are as follows:

Type of Derivatives	Contract/ Notional Value RM'000	Fair Value RM'000
Assets		
Equity options	2,825	-
Dual currency investment options	3,129	41
Liabilities		
Structured warrants		
- Less than 1 year	102,706	11,702
Dual currency investment options		
- Less than 1 year	3,129	41

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
Assets		
Equity options	2,825	-
Dual currency investment options	4,310	44
Liabilities		
Structured warrants		
- Less than 1 year	112,668	7,193
Dual currency investment options		
- Less than 1 year	4,310	44

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

	Individual Quarter 3 months ended 31 March 2015 RM'000	Cumulative Quarter 3 months ended 31 March 2015 RM'000
Gain/(loss) from fair value changes of financial assets:		
Structured Warrants	(4,900)	(4,900)

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

	As at 31 March 2015 RM'000	As at 31 December 2014 RM'000
Total (accumulated losses) / retained profits of Company and its subsidiaries:		
- Realised	(274,657)	(281,812)
- Unrealised	19,659	20,106
	(254,998)	(261,706)
Total share of (accumulated losses) / retained profits from associates		
- Realised	(1,001)	757
- Unrealised	(2,623)	(1,854)
	(3,624)	(1,097)
Add: Consolidation adjustments	277,459	275,433
Total group retained profits as per consolidated accounts	18,837	12,630

By Order of the Board
K& N KENANGA HOLDINGS BERHAD


YM TENGKU DATO' PADUKA NOOR
ZAKIAH BTE TENGKU ISMAIL
Chairman