

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

Unaudited Condensed Interim Financial Statements
30 June 2015

**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2015
THE FIGURES HAVE NOT BEEN AUDITED.**

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

<u>Group</u>		As at 30 June 2015 RM'000	As at 31 December 2014 RM'000
	Note		
ASSETS			
Cash and short-term funds		986,598	876,768
Deposits and placements with banks and other financial institutions		5,805	142,361
Financial assets held-for-trading	A9	173,642	72,635
Financial investments available-for-sale	A10	1,347,120	1,709,916
Financial investments held-to-maturity	A11	40,007	10,005
Derivative financial assets		47	44
Loans, advances and financing	A12	1,948,342	1,890,768
Balance due from clients and brokers		318,115	378,304
Assets segregated for customers		54,708	51,884
Other assets	A13	325,587	70,892
Statutory deposit with Bank Negara Malaysia		124,061	127,576
Tax recoverable		7,558	6,186
Investment in associates		66,854	59,222
Property, plant and equipment		39,151	59,929
Intangible assets		265,923	267,308
Deferred tax assets		5,321	6,247
TOTAL ASSETS		5,708,839	5,730,045
LIABILITIES			
Deposits from customers	A14	3,163,268	3,092,611
Deposits and placements of banks and other financial institutions	A15	476,086	688,054
Obligations on securities sold under repurchase agreements		34,658	-
Borrowings	A16	142,000	152,336
Balance due to clients and brokers		579,571	744,762
Amount held in trust		30,000	68,629
Other liabilities	A17	408,832	112,051
Provision for taxation and zakat		301	1,169
Deferred tax liabilities		-	22
Derivative financial liabilities		6,391	7,237
TOTAL LIABILITIES		4,841,107	4,866,871

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

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

<u>Group</u>	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000
SHAREHOLDERS' EQUITY		
Share capital	731,759	731,759
Share premium	75	75
Treasury shares	(5,573)	-
Retained profits	12,189	12,630
Exchange reserve	12,089	7,427
Statutory reserve	88,815	88,815
Available-for-sale reserve	(2,796)	(8,276)
Capital reserve	22,152	22,152
	<hr/>	<hr/>
	858,710	854,582
Non-controlling interests	9,022	8,592
Total equity	<hr/>	<hr/>
	867,732	863,174
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<hr/>	<hr/>
	5,708,839	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 30 JUNE 2015

	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000
ASSETS		
Cash and short-term funds	9,676	9,760
Financial assets held-for-trading	18,589	16,781
Other assets	67,615	92,424
Tax recoverable	2,245	2,244
Investment in subsidiaries	763,737	763,737
Investment in associates	1,187	1,187
Property, plant and equipment	2,648	1,978
Deferred tax assets	541	976
TOTAL ASSETS	866,238	889,087
LIABILITIES		
Other liabilities	5,830	33,767
Borrowings	115,000	100,000
TOTAL LIABILITIES	120,830	133,767
SHAREHOLDERS' EQUITY		
Share capital	731,759	731,759
Share premium	75	75
Treasury shares	(5,573)	-
Capital reserve	(49,800)	(49,800)
Retained profits	68,947	73,286
Total equity	745,408	755,320
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	866,238	889,087
Net Assets Per Share (RM)	1.03	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

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June 2015 RM'000	3 months ended 30 June 2014 RM'000	6 months ended 30 June 2015 RM'000	6 months ended 30 June 2014 RM'000
Note				
Continuing Operations				
Interest income	A21 58,856	53,984	113,232	105,835
Interest expense	A22 (38,195)	(34,583)	(73,271)	(68,733)
Net interest income	20,661	19,401	39,961	37,102
Net income from Islamic banking business	A32 1,383	1,149	7,397	2,095
Other operating income	A23 71,211	80,811	148,491	158,063
Net income	93,255	101,361	195,849	197,260
Other operating expenses	A24 (93,882)	(98,216)	(186,475)	(188,829)
Operating profit	(627)	3,145	9,374	8,431
Write back off/(Allowance for) impairment on:				
- loans, advances and financing	A25 619	28	726	678
- balances due from clients and brokers and other receivables	A26 (1,228)	(2,164)	(1,209)	(3,049)
	(1,236)	1,009	8,891	6,060
Share of results in associates	2,963	(133)	2,856	4,689
Profit before taxation and zakat	1,727	876	11,747	10,749
Taxation and zakat	(883)	(472)	(4,504)	(3,143)
Profit for the financial period from continuing operations	844	404	7,243	7,606
Discontinued operation				
Loss for the financial period	-	(109)	-	(134)
Profit for the financial period	844	295	7,243	7,472
Other comprehensive income/(loss):				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Share of other comprehensive (loss)/income of associates	(927)	468	113	(1,705)
Foreign exchange differences on consolidation	1,175	(944)	4,662	(2,059)
Net gain/(loss) on fair value changes of financial investments available-for-sale	2,300	3,780	7,156	(1,008)
Income tax relating to the components of other comprehensive income	(575)	(945)	(1,789)	252
Other comprehensive income/(loss) for the financial period	1,973	2,359	10,142	(4,520)
Total comprehensive income	1,973	2,359	10,142	(4,520)

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 30 June 2015 RM'000	3 months ended 30 June 2014 RM'000	6 months ended 30 June 2015 RM'000	6 months ended 30 June 2014 RM'000
Profit for the period attributable to				
- Equity holders of the parent	606	165	6,813	7,160
- Non-controlling interests	238	130	430	312
	<u>844</u>	<u>295</u>	<u>7,243</u>	<u>7,472</u>
Total comprehensive income for the period attributable to				
- Equity holders of the parent	2,579	2,524	16,955	2,640
- Non-controlling interests	238	130	430	312
	<u>2,817</u>	<u>2,654</u>	<u>17,385</u>	<u>2,952</u>
Earnings per share attributable to ordinary equity holders of the parent				
(i) Basic (based on weighted average number of ordinary shares 730,220,468 for the current quarter and cumulative quarter to date; 2014:731,759,499 ordinary shares for the preceeding quarter and cumulative quarter to date). (sen)	0.08	0.02	0.93	0.98
(ii) Fully diluted (sen)	<u>0.08</u>	<u>0.02</u>	<u>0.93</u>	<u>0.98</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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June 2015 RM'000	3 months ended 30 June 2014 RM'000	6 months ended 30 June 2015 RM'000	6 months ended 30 June 2014 RM'000
Continuing Operations				
Interest income	888	180	1,745	327
Interest expense	(1,265)	(601)	(2,451)	(1,190)
Net interest expense	(377)	(421)	(706)	(863)
Other operating income	7,122	9,349	19,508	17,659
Net income	6,745	8,928	18,802	16,796
Other operating expenses	(7,079)	(9,157)	(15,284)	(15,646)
(Loss)/Profit before taxation	(334)	(229)	3,518	1,150
Taxation	(445)	34	(603)	(229)
(Loss)/Profit for the financial period from continuing operations	(779)	(195)	2,915	921
(Loss)/Profit for the financial period	(779)	(195)	2,915	921
(i) (Loss)/Profit for the period attributable to - Equity holders of the parent	(779)	(195)	2,915	921
	<u>(779)</u>	<u>(195)</u>	<u>2,915</u>	<u>921</u>
(a) (Loss)/Earnings per share attributable to ordinary equity holders of the parent				
(i) Basic (based on weighted average number of ordinary shares 730,220,468 for the current quarter and cumulative quarter to date; 2014:731,759,499 ordinary shares for the preceding quarter and cumulative quarter to date). (sen)	(0.11)	(0.03)	0.40	0.13
(ii) Fully diluted (sen)	(0.11)	(0.03)	0.40	0.13

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 CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2015**

	Group		Company	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Cash flows from operating activities				
Profit before taxation				
- Continuing operations	11,747	10,749	3,518	1,150
- Discontinued operation	-	(134)	-	-
Adjustments for non operating and non cash items	(140,060)	(107,489)	(2,010)	(889)
Operating (loss)/profit before changes in working capital	(128,313)	(96,874)	1,508	261
Net changes in operating assets	(213,083)	(323,622)	(1,657)	3,985
Net changes in operating liabilities	(49,022)	(107,513)	(1,612)	453
Cash (used in)/generated from operations	(390,418)	(528,009)	(1,761)	4,699
Net dividends received	2,653	1,778	1,593	-
Interest received	92,666	81,236	1,745	327
Net tax paid	(1,372)	(1,549)	(1)	-
Net operating cash flow	(296,471)	(446,544)	1,576	5,026
Net investing cash flow	333,424	503,455	(1,382)	(443)
Net financing cash flow	(25,788)	22,834	(278)	(1,190)
Net change in cash and cash equivalents during the financial year	11,165	79,745	(84)	3,393
Cash and cash equivalents brought forward	571,674	384,406	9,760	6,124
Cash and cash equivalents carried forward	582,839	464,151	9,676	9,517
Cash and cash equivalents comprise the following:-				
Non trust cash and short term funds	582,839	464,062	9,676	9,517
Cash and short term funds classified as asset held for sale	-	89	-	-
	582,839	464,151	9,676	9,517

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 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2015**

Group	<-----Attributable to Equity Holders of the Parent----->									
	<-----Non-Distributable----->					<---Distributable--->			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	Available- for-sale Reserve RM'000	Statutory Reserve RM'000	Retained Profits RM'000	Treasury Shares RM'000		
As at 1 January 2015	731,759	75	7,427	22,152	(8,276)	88,815	12,630	-		
Total comprehensive income for the financial period	-	-	4,662	-	5,367	-	6,813	-	430	17,272
Share of an associate's other comprehensive income	-	-	-	-	113	-	-	-	-	113
Buy-back of shares	-	-	-	-	-	-	-	(5,573)	-	(5,573)
Dividend paid	-	-	-	-	-	-	(7,254)	-	-	(7,254)
As at 30 June 2015	731,759	75	12,089	22,152	(2,796)	88,815	12,189	(5,573)	9,022	867,732

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

Group	<-----Attributable to Equity Holders of the Parent----->								
	<-----Non-Distributable----->						Distributable (Accumulated Loss)/Retained Profits	Non- Controlling Interests	Total Equity
	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			
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	-	-	(2,059)	-	(756)	-	7,160	312	4,657
Share of an associate's other comprehensive loss	-	-	-	-	(1,705)	-	-	-	(1,705)
As at 30 June 2014	731,759	75	2,171	22,152	(21,483)	75,887	3,212	8,087	821,860

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

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

**UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2015**

	<----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	Treasury Shares RM'000	
As at 1 January 2015	731,759	75	(49,800)	73,286	-	755,320
Comprehensive income for the financial period	-	-	-	2,915	-	2,915
Buy-back of shares	-	-	-	-	(5,573)	(5,573)
Dividend paid	-	-	-	(7,254)	-	(7,254)
As at 30 June 2015	731,759	75	(49,800)	68,947	(5,573)	745,408

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 CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2014**

	<----Attributable to Equity Holders of the Parent---->				Total Equity RM'000
	Share Capital RM'000	Non Distributable Share Premium RM'000	Capital Reserve RM'000	Distributable Retained Profits RM'000	
As at 1 January 2014	731,759	75	(49,800)	78,265	760,299
Comprehensive income for the financial period	-	-	-	921	921
As at 30 June 2014	731,759	75	(49,800)	79,186	761,220

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 second quarter and financial half year ended 30 June 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 issuance, cancellations, repurchase, resale and repayment of debts and equity securities except for the following:

On 26 June 2014, the shareholders of the Company renewed their approval for the Company to buy-back its own shares. The Company initiated its share buy-back program on 12 May 2015. In the course of this program, shares amounting to a total of a maximum of 10% of the issued and paid-up share capital of the Company can be repurchased and held as Treasury Shares in accordance with Section 67A Subsection 3(A)(b) of the Companies Act, 1965.

During the current financial quarter and financial period to date, the Company repurchased 7,451,500 ordinary shares of RM1 each of its issued share capital from the open market at an average cost of RM0.74806 per share. The total consideration paid for the share buy-back, including transaction costs was RM5.57 million, and was financed by internally generated fund.

As at 30 June 2015, the number of treasury shares held was 7,451,500 shares.

A8. Dividends paid per share

An interim dividend of 1% or 1 sen per share in respect of the financial year ended 31 December 2014, amounting to RM7,253,907 was paid on 25 June 2015.

NOTES TO INTERIM FINANCIAL STATEMENTS

	30 June 2015 RM' 000	31 December 2014 RM' 000
A9 Financial assets held-for-trading		
At Fair Value		
Money Market Instruments:-		
Malaysian Government Securities	108,903	-
Malaysian Government Investment Certificates	20,052	-
Total Money Market Instruments	<u>128,955</u>	<u>-</u>
Quoted securities:		
In Malaysia:		
Shares and Unit Trust Funds	44,687	72,635
Total financial assets held-for-trading	<u>173,642</u>	<u>72,635</u>
A10 Financial investments available-for-sale		
At Fair Value, or amortised cost		
Money Market instruments:-		
Malaysian Government Securities	29,010	198,326
Bank Negara Malaysia Bills and Notes	49,827	297,240
Malaysian Government Investment Certificates	387,708	282,470
Negotiable Instruments of Deposits	99,701	100,000
Sukuk Perumahan Kerajaan	10,056	9,902
Total Money Market instruments	<u>576,302</u>	<u>887,938</u>
Unquoted securities:		
In Malaysia:		
Shares	490	490
Corporate Bonds	649,120	233,786
Islamic Corporate Bonds	121,208	587,702
Total financial investments available-for-sale	<u>1,347,120</u>	<u>1,709,916</u>
A11 Financial investments held-to maturity		
At Amortised Cost		
Money Market Instruments:		
Corporate Bonds	35,004	5,002
Islamic Corporate Bonds	5,003	5,003
Total financial investments held-to-maturity	<u>40,007</u>	<u>10,005</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

	30 June 2015	31 December 2014
	RM' 000	RM' 000
A12 Loans, advances and financing		
Term loans	425,955	398,621
Share margin financing	1,420,469	1,412,119
Other financing	103,406	81,919
Gross loans, advances and financing	<u>1,949,830</u>	<u>1,892,659</u>
Allowances for impairment on loans, advances and financing:		
- Individual allowance	(1,322)	(1,725)
- Collective allowance	(166)	(166)
Net loans, advances and financing	<u>1,948,342</u>	<u>1,890,768</u>
(i) By type of customer		
Domestic operations:		
Domestic business enterprise		
- Others	790,233	780,359
Individuals	1,120,854	1,102,546
Foreign entities	38,743	9,754
	<u>1,949,830</u>	<u>1,892,659</u>
(ii) By geographical distribution		
In Malaysia	1,909,175	1,881,419
Outside Malaysia	40,655	11,240
	<u>1,949,830</u>	<u>1,892,659</u>
(iii) By interest/profit rate sensitivity		
Fixed rate		
- Other fixed rate loans/financing	1,444,178	1,764,309
Variable rate		
- Cost plus	412,568	78,024
- Other variable rates	93,084	50,326
	<u>1,949,830</u>	<u>1,892,659</u>
(iv) Total loans by economic purpose		
Domestic operations:		
Purchase of securities	1,630,312	1,613,040
Purchase of land	5,020	-
Working capital	197,090	63,640
Others	117,408	215,979
	<u>1,949,830</u>	<u>1,892,659</u>
(v) By maturity structure		
Within one year	1,477,549	1,637,833
More than one year	472,281	254,826
Gross loans, advances and financing	<u>1,949,830</u>	<u>1,892,659</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

30 June 2015 31 December 2014
RM' 000 RM' 000

A12 Loans, advances and financing (cont'd)

(vi) Movement in impaired loans, advances and financing ("Impaired loans") are as follows:

At beginning of the period/year	2,790	2,785
Impaired during the period/year	84	258
Recovered	(1,005)	(26)
Amount written off	-	(227)
At end of the period/year	1,869	2,790
Individual allowance	(1,322)	(1,725)
Net impaired loans, advances and financing	547	1,065
Net impaired loans as a % of gross loans, advances and financing less individual allowance	0.03%	0.06%

(vii) Impaired loans by geographical distribution

In Malaysia	1,869	2,790
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(viii) Impaired loans by economic purpose

Domestic operations:

Purchase of securities	1,869	2,790
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(ix) Movement in individual allowance for loans, advances and financing are as follows:

Individual allowance

At beginning of the period/year	1,725	1,692
Allowance made during the period/year	171	291
Amount written back in respect of recoveries	(574)	(34)
Amount of allowance set off against gross loans	-	(224)
At end of the period/year	1,322	1,725

(x) Movement in collective allowance for loans, advances and financing are as follows:

Collective allowance

At beginning of the period/year	166	597
Allowance made during the period/year	33	253
Amount written back	(33)	(684)
At end of the period/year	166	166
Collective allowance as % of gross loans, advances and financing less individual allowance	0.01%	0.01%

A13 Other assets

Interest/Income receivable	15,638	14,681
Prepayments and deposits	24,622	27,734
Treasury trade receivables	225,115	-
Other debtors	63,793	33,190
	329,168	75,605
Allowance for impairment	(3,581)	(4,713)
	325,587	70,892

NOTES TO INTERIM FINANCIAL STATEMENTS

	30 June 2015 RM' 000	31 December 2014 RM' 000
A14 Deposits from customers		
Fixed deposits and negotiable instruments of deposits		
- Due within six months	3,152,009	3,081,830
- Six months to one year	11,259	10,781
	3,163,268	3,092,611
By type of customers:		
Business enterprise	337,286	721,997
Domestic non-bank financial institutions	1,886,894	1,695,568
Individuals	39,942	45,855
Government and statutory bodies	669,474	614,191
Others	229,672	15,000
	3,163,268	3,092,611
A15 Deposits and placement of banks and other financial institutions		
Licensed banks	200,000	278,000
Licensed investment banks	50,000	210,000
Licensed Islamic banks	-	50,000
Other financial institutions	226,086	150,054
	476,086	688,054
A16 Borrowings		
Medium Term Notes	115,000	100,000
Revolving bank loan	27,000	52,336
	142,000	152,336
A17 Other liabilities		
Interest/Profit payable	12,166	11,105
Provision and accruals	101,114	74,072
Retention for Contra Losses	602	1,090
Hire purchase creditors	55	67
Treasury trade payables	233,594	-
Deposits and other creditors	61,301	25,717
	408,832	112,051
A18 Commitments and Contingencies and Off-Balance Sheet Financial Instruments		
	Principal Amount	Principal Amount
Commitments to extend credit with maturity of less than 1 year :-		
- margin	1,321,861	1,318,017
- term loan	60,000	63,000
- foreign exchange related contracts	168,501	22,775
- equity related contracts	500	-
Commitments to extend credit with maturity of more than 1 year :-		
- term loan	64,241	1,626
Miscellaneous commitments	624,366	554,124
	2,239,469	1,959,542

NOTES TO INTERIM FINANCIAL STATEMENTS

	Group		Company	
	30 June 2015 RM' 000	31 December 2014 RM' 000	30 June 2015 RM' 000	31 December 2014 RM' 000
A19 Other Commitments				
Capital expenditure commitments	7,221	7,239	-	-
Operating lease arrangements	46,281	54,809	-	-
Corporate guarantee provided by the Company for subsidiary companies for credit facilities granted by licensed banks.	-	-	333,000	293,000
Corporate guarantee provided by the Company for a subsidiary company to a counter party against cash collateral.	-	-	60,000	75,000
	<u>53,502</u>	<u>62,048</u>	<u>393,000</u>	<u>368,000</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

A20 Capital Adequacy

- (i) Bank Negara Malaysia ("BNM") guidelines on capital adequacy requires the Group's subsidiary, Kenanga Investment Bank Berhad ("KIBB") to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations. The capital adequacy ratio is computed based on the eligible capital in relation to the total risk-weighted assets as determined by BNM.

The capital adequacy ratios of KIBB are as follows:

	30 June 2015 RM'000	31 December 2014 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	84,517	79,150
Less: Regulatory adjustments applied on CET 1 capital		
Deferred tax assets	(3,432)	(3,483)
Goodwill	(252,909)	(252,909)
Other intangibles	(52,500)	(52,500)
Deduction in excess of Tier 2 *	(115,656)	(115,680)
Total CET 1/Tier 1 Capital	463,928	458,486
<u>Tier 2 Capital</u>		
Collective impairment allowance	439	415
Less: Regulatory adjustments applied on Tier 2 capital	(439)	(415)
Total Tier 2 capital	-	-
Total capital	463,928	458,486
CET 1 Capital ratio	30.31%	31.92%
Tier 1 Capital ratio	30.31%	31.92%
Total Capital ratio	30.31%	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 BNM's Capital Adequacy Framework (Capital Components).

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

	Bank		Bank	
	30 June 2015		31 December 2014	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
Credit Risk	5,313,418	986,303	3,936,970	941,955
Market Risk	-	127,267	-	109,019
Operational Risk	-	416,960	-	385,366
Total Risk Weighted Assets	5,313,418	1,530,530	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	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
A21 Interest Income				
Loans, advances and financing	35,182	32,257	66,999	62,006
Money at call and deposit placements with financial institutions	5,007	5,778	10,074	10,254
Financial assets held-for-trading	1,568	267	3,284	340
Financial investments available-for-sale	10,400	11,116	21,280	24,259
Financial investments held-to-maturity	452	119	573	238
Others	6,247	4,447	11,022	8,738
	58,856	53,984	113,232	105,835
A22 Interest Expense				
Deposits from customers	31,041	25,891	63,564	52,170
Deposits and placement of banks and other financial institutions	5,224	5,538	5,928	10,385
Revolving bank loan	665	2,537	1,328	4,956
RULS	-	601	-	1,189
Medium Term Notes	1,265	-	2,451	-
Subordinated obligations	-	16	-	33
	38,195	34,583	73,271	68,733
A23 Other Operating Income				
(a) Fee income:				
Brokerage income	46,737	54,423	92,847	106,736
Commissions	3,441	2,894	7,502	6,089
Loans, advances and financing	923	2,070	2,764	3,944
Corporate advisory	3,466	3,569	5,847	7,563
Placement fees	1,464	2,111	2,362	3,628
Underwriting fees	1,038	898	1,256	898
Management fee income	6,807	6,607	13,583	12,128
Other fee income	2,597	2,698	5,218	5,189
	66,473	75,270	131,379	146,175
(b) Gain/(loss) arising from sale of securities:				
Net gain from sale of financial assets held-for-trading	8,428	893	19,287	1,187
Net gain/(loss) from sale of financial investments available-for-sale	(664)	(649)	60	(745)
	7,764	244	19,347	442
(c) Gross dividend from:				
Securities portfolio	225	1,742	2,653	1,778
	225	1,742	2,653	1,778
(d) Unrealised (loss)/gain on revaluation of financial assets held-for-trading and derivatives	(5,802)	756	(8,980)	3,621
	(5,802)	756	(8,980)	3,621
(e) Other income:				
Foreign exchange profit	1,792	1,079	2,781	2,742
(Loss)/Gain on disposal of property, plant and equipment	(1)	279	(1)	279
Others	760	1,441	1,312	3,026
	2,551	2,799	4,092	6,047
Total non-interest income	71,211	80,811	148,491	158,063

NOTES TO INTERIM FINANCIAL STATEMENTS

	Individual Quarter		Cumulative Quarter	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
A24 Other operating expenses				
Personnel costs	34,001	38,626	71,647	70,739
- Salaries, allowances and bonuses	26,711	31,283	56,869	56,820
- EPF	3,629	4,009	7,367	7,503
- Others	3,661	3,334	7,411	6,416
Establishment costs	13,242	13,358	25,160	27,210
- Depreciation and amortisation of software	2,353	3,962	4,819	7,928
- Rental of leasehold land and premises	5,825	5,966	11,706	12,296
- Repairs and maintenance of property, plant and equipment	805	835	1,444	1,619
- Information technology expenses	2,490	1,951	4,638	3,673
- Others	1,769	644	2,553	1,694
Marketing expenses	2,942	4,026	6,191	6,732
- Advertisement and publicity	1,760	157	3,487	565
- Others	1,182	3,869	2,704	6,167
Administration and general expenses	43,697	42,206	83,477	84,148
- Fees and brokerage	28,257	29,790	54,630	59,921
- Administrative expenses	15,440	12,416	28,847	24,227
	93,882	98,216	186,475	188,829
A25 Write back of/(Allowance for) impairment on loans, advances and financing:				
Allowances for loans, advances and financing:				
- collective allowance (net)	17	(30)	-	438
- individual allowance (net)	331	(45)	403	(31)
Bad debts and financing recovered	271	103	323	271
	619	28	726	678
A26 (Allowance for)/Write back of impairment on balances due from clients and brokers and other receivables				
Allowances for bad and doubtful debts and financing:				
- individual allowance (net)	(1,229)	(2,699)	(1,213)	(3,597)
Bad debts and financing recovered	1	535	4	548
	(1,228)	(2,164)	(1,209)	(3,049)
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 JUNE 2015**

NOTES TO INTERIM FINANCIAL STATEMENTS

A27 SEGMENTAL REPORTING

30 June 2015	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	
Revenue								
External sales	96,967	132,680	13,184	5,815	13,590	13,266	-	275,502
Inter-segment sales	1,595	116	619	-	922	19,535	(22,787)	-
Total revenue	98,562	132,796	13,803	5,815	14,512	32,801	(22,787)	275,502
Result								
Net income	29,394	126,423	10,972	2,082	14,639	32,871	(20,532)	195,849
Other operating expenses	(21,438)	(117,044)	(8,832)	(2,290)	(18,960)	(37,582)	19,671	(186,475)
(Allowance for)/Write back of impairment on loans, advances and financing	(23)	726	-	-	-	-	23	726
Write back of/(Allowance for) impairment on balances due from clients and brokers and other receivables	687	(1,946)	-	-	-	-	50	(1,209)
Share of results in associate	-	-	-	-	-	2,856	-	2,856
Profit/(loss) before taxation and zakat	8,620	8,159	2,140	(208)	(4,321)	(1,855)	(788)	11,747
Taxation and zakat								(4,504)
Non-controlling interest								(430)
Net profit for the financial period								<u>6,813</u>

K & N KENANGA HOLDINGS BERHAD
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2015

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	-	-	-	-	66,854	-	66,854
Addition to non-current assets	1,454	11	-	326	1,381	-	3,172
Segment assets	5,231,350	416,256	144,309	83,231	879,353	(1,045,660)	5,708,839
Liabilities							
Segment liabilities	4,337,178	382,844	133,986	43,253	125,763	(181,917)	4,841,107

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

NOTES TO INTERIM FINANCIAL STATEMENTS

A27 SEGMENTAL REPORTING

30 June 2014	-----Continued Operations-----							Discontinued Operation	
	Investment banking RM'000	Stock broking RM'000	Futures RM'000	Money Lending and financing RM'000	Investment Management RM'000	Corporate and others RM'000	Eliminations/ Adjustments RM'000	Total RM'000	Others RM'000
Revenue									
External sales	88,702	141,668	8,805	7,823	12,121	14,293	-	273,412	143
Inter-segment sales	2,118	80	677	-	1,036	15,279	(19,190)	-	-
Total revenue	90,820	141,748	9,482	7,823	13,157	29,572	(19,190)	273,412	143
Result									
Net income	24,718	136,130	8,872	3,628	13,416	30,201	(19,705)	197,260	-
Other operating expenses	(20,817)	(127,255)	(7,077)	(2,290)	(16,282)	(32,457)	17,349	(188,829)	(134)
Loans, advances and financing impairment reversal	128	121	-	-	-	-	429	678	-
Balances due from clients and brokers and other receivables impairment charge	173	(2,024)	-	-	-	(1,198)	-	(3,049)	-
Share of results in associate	-	-	-	-	-	4,689	-	4,689	-
Profit/(loss) before taxation	4,202	6,972	1,795	1,338	(2,866)	1,235	(1,927)	10,749	(134)
Taxation								(3,143)	-
Non-controlling interest								(312)	-
Loss from discontinuing operation								(134)	134
Net profit for the period								7,160	-

K & N KENANGA HOLDINGS BERHAD
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 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
Assets								
Investment in associates	-	-	-	-	58,347	-	58,347	-
Addition to non-current assets	4,916	2	-	558	443	-	5,919	-
Segment assets	5,067,983	497,679	199,185	48,367	826,589	(1,052,774)	5,587,029	-
Liabilities								
Segment liabilities	4,221,064	467,727	188,432	11,809	57,403	(181,266)	4,765,169	-

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.

30 June 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	-	128,955	-	128,955
- Equity securities and unit trusts	44,687	-	-	44,687
Financial investments available-for-sale #				
- Debt securities	-	1,246,929	-	1,246,929
- Negotiable Instruments of Deposits	-	99,701	-	99,701
Derivative assets	-	47	-	47
Total assets	44,687	1,475,632	-	1,520,319
Liabilities				
Derivatives liabilities	6,344	47	-	6,391
Total liabilities	6,344	47	-	6,391

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 Credit Exposures Arising From Credit Transactions With Connected Parties

The following disclosure for the Group's subsidiary, KIBB, is made pursuant to the BNM Guidelines on Credit Transactions and Exposures with Connected Parties:

	30 June 2015	31 December 2014
Outstanding credit exposures with connected parties (RM'000)	<u>186,989</u>	<u>186,579</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	<u>5.98%</u>	<u>5.86%</u>
Percentage of outstanding credit exposures to connected parties which is non-performing or in default (%)	<u>-</u>	<u>-</u>

A32 Net Income from Islamic Banking Business

	Individual Quarter		Cumulative Quarter	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Income derived from investment of depositors' funds and others	5,153	3,895	14,540	6,644
Income attributable to the depositors	(3,770)	(2,746)	(7,143)	(4,549)
Income attributable to the Group	<u>1,383</u>	<u>1,149</u>	<u>7,397</u>	<u>2,095</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

A33 OPERATIONS OF ISLAMIC BANKING

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

**(a) UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

	Note	As at 30 June 2015 RM '000	As at 31 December 2014 RM '000
ASSETS			
Cash and short-term funds	(c)	221,677	180,951
Financial assets held-for-trading	(d)	20,052	-
Financial investments available-for-sale	(e)	271,454	229,640
Financial investments held-to-maturity	(f)	5,003	5,003
Advances and financing	(g)	11,005	23,043
Other assets		33,048	2,832
Property, plant and equipment		16	235
TOTAL ASSETS		562,255	441,704
LIABILITIES			
Deposits from customers	(h)	415,498	331,785
Other liabilities		17,035	4,695
Deferred tax liabilities		447	889
Provision for taxation and zakat		2,482	890
TOTAL LIABILITIES		435,462	338,259
ISLAMIC BANKING CAPITAL FUNDS			
Islamic banking funds		120,000	100,000
Reserves		6,793	3,445
TOTAL ISLAMIC BANKING CAPITAL FUNDS		126,793	103,445
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS		562,255	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

A33 OPERATIONS OF ISLAMIC BANKING

**(b) UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2015**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 30 June 2015 RM'000	3 months ended 30 June 2014 RM'000	6 months ended 30 June 2015 RM'000	6 months ended 30 June 2014 RM'000
Income derived from investment of depositors' funds and others	5,153	3,895	14,540	6,644
Total attributable income	5,153	3,895	14,540	6,644
Income attributable to depositors	(3,770)	(2,746)	(7,143)	(4,549)
Net income attributable to KIBB	1,383	1,149	7,397	2,095
Other operating expenses	(551)	(577)	(1,132)	(1,131)
Impairment allowances on financing	-	(39)	-	(39)
Profit before taxation and zakat	832	533	6,265	925
Taxation and zakat	(207)	(241)	(1,592)	(241)
Profit for the financial period	625	292	4,673	684

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

A33 OPERATIONS OF ISLAMIC BANKING

	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000
(c) Cash and Short-Term Funds	<u>221,677</u>	<u>180,951</u>
(d) Financial Assets Held-For-Trading		
At Fair Value		
Money Market Securities		
Malaysian Government Securities	<u>20,052</u>	<u>-</u>
(e) Financial investments available-for-sale		
At Fair Value		
Money Market Instruments:		
In Malaysia		
Bank Negara Malaysia Bills and Notes	-	49,839
Negotiable instruments of deposit	99,701	-
Malaysian Government Investment Certificates	40,489	19,559
Sukuk Perumahan Kerajaan	10,056	9,902
Unquoted Private Debt Securities:		
In Malaysia		
Islamic Corporate Bonds	121,208	150,340
	<u>271,454</u>	<u>229,640</u>
(f) Financial investments held-to-maturity		
At Amortised Cost		
Money Market Instruments:		
In Malaysia		
Islamic Corporate Bonds	<u>5,003</u>	<u>5,003</u>
(g) Advances and financing		
Commodity Murabahah Revolving Credit	11,091	8,051
Commodity Murabahah Term Financing	-	15,054
	<u>11,091</u>	<u>23,105</u>
Allowance for impairment:		
- collective impairment	(86)	(62)
	<u>11,005</u>	<u>23,043</u>
(i) Gross advances and financing analysed by type of customer are as follows:		
Domestic business enterprises:		
Others	<u>11,091</u>	<u>23,105</u>
(ii) Gross advances and financing analysed by geographical distribution are as follows:		
In Malaysia	<u>11,091</u>	<u>23,105</u>
(iii) Gross advances and financing analysed by profit are sensitivity are as follows:		
Variable rate:		
Cost plus	<u>11,091</u>	<u>23,105</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

A33 OPERATIONS OF ISLAMIC BANKING

	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000
(g) Advances and financing (cont'd.)		
(iv) Gross advances and financing analysed by economic purpose are as follows:		
Purchase of securities	-	15,054
Working capital	11,091	8,051
	<u>11,091</u>	<u>23,105</u>
(v) Gross advances and financing analysed by residual contractual maturity are as follows:		
Within one year	11,091	23,105
	<u>11,091</u>	<u>23,105</u>
(h) Deposits from customers		
(i) By type of deposit		
Mudharabah general investment deposits	-	50,000
Commodity murabahah deposits	415,498	1,207
Wadiah deposits	-	280,578
	<u>415,498</u>	<u>331,785</u>
(ii) By type of customer		
Business enterprises	<u>415,498</u>	<u>331,785</u>
(iii) By maturity structure		
Due within six months	<u>415,498</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	1,342	2,666
Less: Regulatory adjustments applied to Tier 1 capital	(738)	-
Total CET 1/Tier 1 capital	<u>121,383</u>	<u>103,445</u>
(ii) Tier 2 Capital		
Collective allowance impairment	86	62
Total Tier 2 capital	<u>86</u>	<u>62</u>
Total capital	<u>121,469</u>	<u>103,507</u>
CET 1 capital ratio	78.22%	106.18%
Tier 1 capital ratio	78.22%	106.18%
Total capital ratio	<u>78.28%</u>	<u>106.24%</u>

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

	30 June 2015		31 December 2014	
	RM'000	RM'000	RM'000	RM'000
	Principal	Risk-weighted	Principal	Risk-weighted
Credit risk	541,449	132,707	440,874	92,474
Market risk	-	10,276	-	-
Operational risk	-	12,196	5,284	4,954
Total Risk Weighted Assets	<u>541,449</u>	<u>155,179</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 RM11.7 million for the financial half year ended 30 June 2015 ("1H15") as compared to pretax profit of RM10.7 million for the financial half year ended 30 June 2014 ("1H14").

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

Stockbroking:

Equity Broking recorded profit before tax ("PBT") of RM8.1 million (1H14: PBT of RM7.0 million) as the structured call warrants business registered higher trading and investment income in 1H15 as compared to 1H14.

Investment Banking:

Investment Banking registered a PBT of RM8.6 million in 1H15 (1H14: PBT of RM4.2 million) mainly due to higher gains from trading of bonds in 1H15.

Investment Management:

Investment management made a loss before tax ("LBT") of RM4.3 million in 1H15 (1H14: LBT of RM2.9 million) as a result of higher operating expenses of RM19 million (1H14: RM16.3 million).

As at 30 June 2015, the division has unrealised performance fees of RM1.08 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 RM2.1 million in 1H15 as compared to RM1.8 million in 1H14.

Money lending and financing:

This segment reported a LBT of RM0.2 million in 1H15 compared to PBT of RM1.3 million in 1H14 due to lower fee income and lower yield spreads.

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 RM1.7 million in the second quarter ended 30 June 2015 ("2Q15") compared to pre-tax profit of RM10.1 million in the preceding quarter ended 31 March 2015. The lower pre-tax profit was largely due to lower trading and investment income by RM13.8 million and higher impairment charges of RM1.0 million mitigated by share of profit from associate of RM3.0 million in 2Q15.

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

B3. Prospects for 2015

The global economic situation remains fluid. External factors that could present a risk to growth in the second half year of 2015 include volatility in financial markets from a possible US interest rate hike, prolonged slowdown in China, developed economies missing projection of a modest recovery, the Greek debt crisis and low commodity prices.

The pace of the Malaysian economy is expected to decelerate as the implementation of the Goods and Services Tax resulted in moderation in private consumption. Local political uncertainty and lower commodity prices potentially have the largest impact on investment and economic growth. Owing to both domestic and external uncertainties, weaken investment sentiment and higher market volatility, the persistent foreign outflow in local equities and debt securities markets is a concern despite the reasonably strong domestic liquidity.

Amid the challenging economic outlook and competitive industry landscape, the Group will continue to adjust and respond accordingly to market conditions. The Group is optimistic about the market as there are ample liquidity and opportunities.

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.

B5. Taxation and zakat

	Individual Quarter 3 months ended 30 June 2015 RM'000	Cumulative Quarter 6 months ended 30 June 2015 RM'000
Current period/year - income tax and zakat	(577)	(4,097)
Deferred taxation	(306)	(407)
Total	<u>(883)</u>	<u>(4,504)</u>

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 approval from 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.

On 28 April 2015, an application was submitted to Bursa Securities to seek an extension of time for the submission of the draft circular in relation to the Proposed ESS. Bursa Securities had vide its letter dated 30 April 2015 approved the extension of time until 12 November 2015.

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B7. Group Borrowings

		RM'000
Short term loan from financial institutions (unsecured)	Note 1	27,000
Medium Term Notes ("MTN")	Note 2	115,000

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 5.84% per annum.

Note 2 : The Company issued 5 tranches of unsecured MTN totalling RM100 million and RM15 million in 2014 and 2015 respectively.

<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
003	8 May 2015	RM 5 million	4.65%	367 days
004	22 May 2015	RM 5 million	4.65%	367 days
005	24 June 2015	RM 5 million	4.65%	366 days

B8. Dividend

No dividend has been proposed for the current financial quarter.

B9. (Loss)/Earnings per share

The amount used as the numerator for the purposes of calculating the basic (loss)/earnings per share for the 6 months period is RM8.2 million representing the profit for the period attributable to ordinary equity holders of the parent (30 June 2014: profit attributable to ordinary equity holders of parent: RM7.2 million).

The weighted average number of shares in issue during the period excluding the weighted average treasury shares held by the Company, used as the denominator in calculating the basic (loss)/earnings per share for the period is 730,220,468 (31 December 2014: 731,759,499).

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B10. Derivatives

As at 30 June 2015, derivative financial assets and liabilities are as follows:

Type of Derivatives	Contract/ Notional Value RM'000	Fair Value RM'000
<u>Assets</u>		
Equity options	2,825	-
Dual currency investment options	1,897	3
Equity link investment options	494	44
<u>Liabilities</u>		
Structured warrants		
- Less than 1 year	34,674	6,344
Dual currency investment options		
- Less than 1 year	1,897	3
Equity link investment options		
- Less than 1 year	494	44

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
<u>Assets</u>		
Equity options	2,825	-
Dual currency investment options	4,310	44
<u>Liabilities</u>		
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.

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SECURITIES BERHAD (CONT'D.)

B11. Loss Arising From Fair Value Changes of Derivatives

	Individual Quarter 3 months ended 30 June 2015 RM'000	Cumulative Quarter 6 months ended 30 June 2015 RM'000
Loss from fair value changes of financial assets:		
Structured Warrants	(3,297)	(8,197)

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

	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000
Total (accumulated losses) / retained profits of Company and its subsidiaries:		
- Realised	(178,336)	(281,812)
- Unrealised	18,070	20,106
	(160,266)	(261,706)
Total share of (accumulated losses) / retained profits from associates		
- Realised	1,997	757
- Unrealised	(2,673)	(1,854)
	(676)	(1,097)
Add: Consolidation adjustments	173,131	275,433
Total group retained profits as per consolidated accounts	12,189	12,630

By Order of the Board
K & N KENANGA HOLDINGS BERHAD



DATUK CHAY WAI LEONG
Group Managing Director