

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

**Unaudited Condensed Interim Financial Statements**  
**30 September 2015**

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

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2015**

<u>Group</u>		As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
	<b>Note</b>		
<b>ASSETS</b>			
Cash and short-term funds		1,235,403	876,768
Deposits and placements with banks and other financial institutions		59,826	142,361
Financial assets held-for-trading	<b>A9</b>	492,622	72,635
Financial investments available-for-sale	<b>A10</b>	1,309,659	1,709,916
Financial investments held-to-maturity	<b>A11</b>	40,004	10,005
Derivative financial assets		25,192	44
Loans, advances and financing	<b>A12</b>	1,887,298	1,890,768
Balance due from clients and brokers		387,216	378,304
Assets segregated for customers		150,754	51,884
Other assets	<b>A13</b>	137,093	70,892
Statutory deposit with Bank Negara Malaysia		115,940	127,576
Tax recoverable		11,977	6,186
Investment in associates		73,002	59,222
Property, plant and equipment		39,059	59,929
Intangible assets		265,914	267,308
Deferred tax assets		10,330	6,247
<b>TOTAL ASSETS</b>		<b>6,241,289</b>	<b>5,730,045</b>
<b>LIABILITIES</b>			
Deposits from customers	<b>A14</b>	3,229,070	3,092,611
Deposits and placements of banks and other financial institutions	<b>A15</b>	537,609	688,054
Obligations on securities sold under repurchase agreements		380,074	-
Borrowings	<b>A16</b>	137,000	152,336
Balance due to clients and brokers		816,538	744,762
Amount held in trust		66,340	68,629
Other liabilities	<b>A17</b>	136,676	112,051
Provision for taxation and zakat		575	1,169
Deferred tax liabilities		-	22
Derivative financial liabilities		89,029	7,237
<b>TOTAL LIABILITIES</b>		<b>5,392,911</b>	<b>4,866,871</b>

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

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2015**

<u>Group</u>	<b>As at 30 September 2015 RM'000</b>	<b>As at 31 December 2014 RM'000</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	731,759	731,759
Share premium	75	75
Treasury shares	(6,503)	-
Retained profits	(870)	12,630
Exchange reserve	24,139	7,427
Statutory reserve	88,815	88,815
Available-for-sale reserve	(20,616)	(8,276)
Capital reserve	22,152	22,152
	<u>838,951</u>	<u>854,582</u>
Non-controlling interests	9,427	8,592
Total equity	<u>848,378</u>	<u>863,174</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>6,241,289</u>	<u>5,730,045</u>
<b>Net Assets Per Share (RM)</b>	<u>1.16</u>	<u>1.17</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 FINANCIAL POSITION AS AT 30 SEPTEMBER 2015**

	<b>As at 30 September 2015 RM'000</b>	<b>As at 31 December 2014 RM'000</b>
<b>ASSETS</b>		
Cash and short-term funds	3,606	9,760
Financial assets held-for-trading	18,563	16,781
Other assets	67,738	92,424
Tax recoverable	2,386	2,244
Investment in subsidiaries	763,737	763,737
Investment in associates	1,187	1,187
Property, plant and equipment	2,444	1,978
Deferred tax assets	737	976
<b>TOTAL ASSETS</b>	<b>860,398</b>	<b>889,087</b>
<b>LIABILITIES</b>		
Other liabilities	6,381	33,767
Borrowings	110,000	100,000
<b>TOTAL LIABILITIES</b>	<b>116,381</b>	<b>133,767</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	731,759	731,759
Share premium	75	75
Treasury shares	(6,503)	-
Capital reserve	(49,800)	(49,800)
Retained profits	68,486	73,286
Total equity	744,017	755,320
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>860,398</b>	<b>889,087</b>
<b>Net Assets Per Share (RM)</b>	<b>1.03</b>	<b>1.03</b>

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

**Group**

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended 30 September 2015 RM'000	3 months ended 30 September 2014 RM'000	9 months ended 30 September 2015 RM'000	9 months ended 30 September 2014 RM'000
<b>Continuing Operations</b>					
Interest income	A21	63,798	56,460	177,030	162,295
Interest expense	A22	(41,430)	(36,997)	(114,701)	(105,730)
Net interest income		22,368	19,463	62,329	56,565
Net income from Islamic banking business	A31	538	1,198	7,935	3,293
Other operating income	A23	57,941	108,565	206,432	266,628
Net income		80,847	129,226	276,696	326,486
Other operating expenses	A24	(95,260)	(106,622)	(281,735)	(295,451)
Operating (loss)/profit		(14,413)	22,604	(5,039)	31,035
Write back of/(Allowance for) impairment on:					
- loans, advances and financing	A25	468	222	1,194	900
- balances due from clients and brokers and other receivables	A26	(2,345)	(1,129)	(3,554)	(4,178)
		(16,290)	21,697	(7,399)	27,757
Share of results in associates		618	1,315	3,474	6,004
<b>(Loss)/Profit before taxation and zakat</b>		(15,672)	23,012	(3,925)	33,761
Taxation and zakat		3,018	(2,693)	(1,486)	(5,836)
<b>(Loss)/Profit for the financial period from continuing operations</b>		(12,654)	20,319	(5,411)	27,925
<b>Discontinued operation</b>					
Loss for the financial period		-	(13)	-	(147)
<b>(Loss)/Profit for the financial period</b>		(12,654)	20,306	(5,411)	27,778
Other comprehensive (loss)/income:					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Share of other comprehensive (loss)/income of associates		(6,519)	2,105	(6,406)	400
Foreign exchange differences on consolidation		12,050	1,423	16,712	(636)
Net (loss)/gain on fair value changes of financial investments available-for-sale		(15,068)	10,564	(7,912)	9,556
Income tax relating to the components of other comprehensive income		3,767	(2,641)	1,978	(2,389)
Other comprehensive (loss)/income for the financial period		(5,770)	11,451	4,372	6,931
<b>Total comprehensive (loss)/income</b>		(18,424)	31,757	(1,039)	34,709

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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME****Group**

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September 2015 RM'000	3 months ended 30 September 2014 RM'000	9 months ended 30 September 2015 RM'000	9 months ended 30 September 2014 RM'000
(Loss)/Profit for the period attributable to				
- Equity holders of the parent	(13,059)	20,085	(6,246)	27,245
- Non-controlling interests	405	221	835	533
	<u>(12,654)</u>	<u>20,306</u>	<u>(5,411)</u>	<u>27,778</u>
Total comprehensive (loss)/income for the period attributable to				
- Equity holders of the parent	(18,829)	31,536	(1,874)	34,176
- Non-controlling interests	405	221	835	533
	<u>(18,424)</u>	<u>31,757</u>	<u>(1,039)</u>	<u>34,709</u>
(Loss)/Earnings per share attributable to ordinary equity holders of the parent				
(i) Basic (based on weighted average number of ordinary shares 723,780,530 for the current quarter and 728,048,300 for cumulative quarter to date; 2014:731,759,499 ordinary shares for the preceding quarter and cumulative quarter to date). (sen)	(1.80)	2.74	(0.86)	3.72
(ii) Fully diluted (sen)	<u>(1.80)</u>	<u>2.74</u>	<u>(0.86)</u>	<u>3.72</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 September 2015 RM'000	3 months ended 30 September 2014 RM'000	9 months ended 30 September 2015 RM'000	9 months ended 30 September 2014 RM'000
<b>Continuing Operations</b>				
Interest income	908	265	2,653	592
Interest expense	(1,432)	(706)	(3,883)	(1,896)
Net interest expense	(524)	(441)	(1,230)	(1,304)
Other operating income	7,005	7,731	26,513	25,390
Net income	6,481	7,290	25,283	24,086
Other operating expenses	(6,932)	(8,301)	(22,216)	(23,947)
<b>(Loss)/Profit before taxation</b>	(451)	(1,011)	3,067	139
Taxation	(10)	91	(613)	(138)
<b>(Loss)/Profit for the financial period from continuing operations</b>	(461)	(920)	2,454	1
<b>(Loss)/Profit for the financial period</b>	(461)	(920)	2,454	1
(i) (Loss)/Profit for the period attributable to - Equity holders of the parent	(461)	(920)	2,454	1
	(461)	(920)	2,454	1
(a) (Loss)/Earnings per share attributable to ordinary equity holders of the parent				
(i) Basic (based on weighted average number of ordinary shares 723,780,530 for the current quarter and 728,048,300 for cumulative quarter to date; 2014:731,759,499 ordinary shares for the preceeding quarter and cumulative quarter to date). (sen)	(0.06)	(0.13)	0.34	0.00
(ii) Fully diluted (sen)	(0.06)	(0.13)	0.34	0.00

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 30 SEPTEMBER 2015**

	<b>Group</b>		<b>Company</b>	
	<b>30 September 2015 RM'000</b>	<b>30 September 2014 RM'000</b>	<b>30 September 2015 RM'000</b>	<b>30 September 2014 RM'000</b>
<b>Cash flows from operating activities</b>				
<b>(Loss)/Profit before taxation</b>				
- Continuing operations	(3,925)	33,761	3,067	139
- Discontinued operation	-	(147)	-	-
Adjustments for non operating and non cash items	(187,441)	(167,124)	(1,770)	(1,401)
<b>Operating (loss)/profit before changes in working capital</b>	<u>(191,366)</u>	<u>(133,510)</u>	<u>1,297</u>	<u>(1,262)</u>
Net changes in operating assets	(163,495)	(377,141)	(1,720)	(46,763)
Net changes in operating liabilities	161,371	139,359	(1,140)	1,456
<b>Cash (used in)/generated from operations</b>	<u>(193,490)</u>	<u>(371,292)</u>	<u>(1,563)</u>	<u>(46,569)</u>
Net dividends received	2,793	1,792	1,593	-
Interest received	140,310	130,301	2,653	592
Net tax paid	(9,285)	(1,462)	(354)	-
<b>Net operating cash flow</b>	<u>(59,672)</u>	<u>(240,661)</u>	<u>2,329</u>	<u>(45,977)</u>
<b>Net investing cash flow</b>	369,151	774,957	(843)	(639)
<b>Net financing cash flow</b>	(34,809)	7,498	(7,640)	48,810
Net change in cash and cash equivalents during the financial year	<u>274,670</u>	<u>541,794</u>	<u>(6,154)</u>	<u>2,194</u>
Cash and cash equivalents brought forward	571,674	384,406	9,760	6,124
Cash and cash equivalents carried forward	<u>846,344</u>	<u>926,200</u>	<u>3,606</u>	<u>8,318</u>
Cash and cash equivalents comprise the following:-				
Non trust cash and short term funds	846,344	919,976	3,606	8,318
Cash and short term funds classified as asset held for sale	-	6,224	-	-
	<u>846,344</u>	<u>926,200</u>	<u>3,606</u>	<u>8,318</u>

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 SEPTEMBER 2015**

<-----Attributable to Equity Holders of the Company----->

<-----Non-Distributable----->

<----Distributable---->

Group	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/ (Accumulated Losses) RM'000			Treasury Shares RM'000
<b>As at 1 January 2015</b>	731,759	75	7,427	22,152	(8,276)	88,815	12,630	-	8,592	863,174
Total comprehensive income/(loss) for the financial period	-	-	16,712	-	(5,934)	-	(6,246)	-	835	5,367
Share of an associate's other comprehensive loss	-	-	-	-	(6,406)	-	-	-	-	(6,406)
Buy-back of shares	-	-	-	-	-	-	-	(6,503)	-	(6,503)
Dividend paid	-	-	-	-	-	-	(7,254)	-	-	(7,254)
<b>As at 30 September 2015</b>	<b>731,759</b>	<b>75</b>	<b>24,139</b>	<b>22,152</b>	<b>(20,616)</b>	<b>88,815</b>	<b>(870)</b>	<b>(6,503)</b>	<b>9,427</b>	<b>848,378</b>

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 SEPTEMBER 2014**

Group	-----Attributable to Equity Holders of the Company-----							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	Distributable (Accumulated Loss)/Retained Profits RM'000		
<b>As at 1 January 2014</b>	731,759	75	4,230	22,152	(19,022)	75,887	(3,948)	7,775	818,908
Total comprehensive (loss)/income for the financial period	-	-	(636)	-	7,167	-	27,245	533	34,309
Share of an associate's other comprehensive income	-	-	-	-	400	-	-	-	400
<b>As at 30 September 2014</b>	<b>731,759</b>	<b>75</b>	<b>3,594</b>	<b>22,152</b>	<b>(11,455)</b>	<b>75,887</b>	<b>23,297</b>	<b>8,308</b>	<b>853,617</b>

The condensed financial statements should be read in conjunction with the audited financial statements for the 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 SEPTEMBER 2015**

	<b>Share Capital RM'000</b>	<b>Non Distributable Share Premium RM'000</b>	<b>Capital Reserve RM'000</b>	<b>Distributable Retained Profits RM'000</b>	<b>Treasury Shares RM'000</b>	<b>Total Equity RM'000</b>
<b>As at 1 January 2015</b>	731,759	75	(49,800)	73,286	-	755,320
Comprehensive income for the financial period	-	-	-	2,454	-	2,454
Buy-back of shares	-	-	-	-	(6,503)	(6,503)
Dividend paid	-	-	-	(7,254)	-	(7,254)
<b>As at 30 September 2015</b>	<b>731,759</b>	<b>75</b>	<b>(49,800)</b>	<b>68,486</b>	<b>(6,503)</b>	<b>744,017</b>

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 SEPTEMBER 2014**

	<b>Share Capital RM'000</b>	<b>Non Distributable Share Premium RM'000</b>	<b>Capital Reserve RM'000</b>	<b>Distributable Retained Profits RM'000</b>	<b>Total Equity RM'000</b>
<b>As at 1 January 2014</b>	731,759	75	(49,800)	78,265	760,299
Comprehensive income for the financial period	-	-	-	1	1
<b>As at 30 September 2014</b>	<u>731,759</u>	<u>75</u>	<u>(49,800)</u>	<u>78,266</u>	<u>760,300</u>

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

## **NOTES TO INTERIM FINANCIAL STATEMENTS**

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

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

During the third quarter of 2015, the Group was exposed to greater volatility across equity markets from the issuance of various structured warrants including index futures options. The Group experienced significant performance swings due to volatility of the structured warrants and the index futures.

### **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 nine months ended 30 September 2015, the Company repurchased 9,041,500 ordinary shares of RM1 each of its issued share capital from the open market at an average cost of RM0.71943 per share. The total consideration paid for the share buy-back, including transaction costs was RM6.50 million, and was financed by internally generated funds.

As at 30 September 2015, the number of treasury shares held was 9,041,500 shares.

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

During the nine months ended 30 September 2015, 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 September 2015 RM' 000	31 December 2014 RM' 000
<b>A9 Financial assets held-for-trading</b>		
<b>At Fair Value</b>		
<b>Money Market Instruments:-</b>		
Malaysian Government Securities	342,856	-
<b>Quoted securities:</b>		
In Malaysia:		
Shares and Unit Trust Funds	149,766	72,635
Total financial assets held-for-trading	<b>492,622</b>	<b>72,635</b>
<b>A10 Financial investments available-for-sale</b>		
<b>At Fair Value, or amortised cost</b>		
<b>Money Market instruments:-</b>		
Malaysian Government Securities	130,046	198,326
Bank Negara Malaysia Monetary Notes	-	297,240
Malaysian Government Investment Certificates	282,990	282,470
Negotiable Instruments of Deposit	149,708	100,000
Sukuk Perumahan Kerajaan	9,910	9,902
Total Money Market instruments	572,654	887,938
<b>Unquoted securities:</b>		
In Malaysia:		
Shares	490	490
Corporate Bonds	616,729	233,786
Islamic Corporate Bonds	119,786	587,702
	737,005	821,978
Total financial investments available-for-sale	<b>1,309,659</b>	<b>1,709,916</b>
<b>A11 Financial investments held-to maturity</b>		
<b>At Amortised Cost</b>		
<b>Money Market Instruments:</b>		
Corporate Bonds	35,002	5,002
Islamic Corporate Bonds	5,002	5,003
Total financial investments held-to-maturity	<b>40,004</b>	<b>10,005</b>

**NOTES TO INTERIM FINANCIAL STATEMENTS**

	<b>30 September 2015</b>	<b>31 December 2014</b>
	<b>RM' 000</b>	<b>RM' 000</b>
<b>A12 Loans, advances and financing</b>		
Term loans	404,513	398,621
Share margin financing	1,376,679	1,412,119
Other financing	107,627	81,919
Gross loans, advances and financing	<u>1,888,819</u>	<u>1,892,659</u>
Allowances for impairment on loans, advances and financing:		
- Individual allowance	(1,366)	(1,725)
- Collective allowance	(155)	(166)
Net loans, advances and financing	<u><b>1,887,298</b></u>	<u><b>1,890,768</b></u>
<b>(i) By type of customer</b>		
<b>Domestic operations:</b>		
Domestic business enterprise		
- Others	772,047	780,359
Individuals	1,078,314	1,102,546
Foreign entities	38,458	9,754
	<u>1,888,819</u>	<u>1,892,659</u>
<b>(ii) By geographical distribution</b>		
In Malaysia	1,847,685	1,881,419
Outside Malaysia	41,134	11,240
	<u>1,888,819</u>	<u>1,892,659</u>
<b>(iii) By interest/profit rate sensitivity</b>		
Fixed rate		
- Other fixed rate loans/financing	1,407,662	1,764,309
Variable rate		
- Cost plus	386,329	78,024
- Other variable rates	94,828	50,326
	<u>1,888,819</u>	<u>1,892,659</u>
<b>(iv) Total loans by economic purpose</b>		
<b>Domestic operations:</b>		
Purchase of securities	1,625,296	1,613,040
Working capital	194,333	63,640
Others	69,190	215,979
	<u>1,888,819</u>	<u>1,892,659</u>
<b>(v) By maturity structure</b>		
Within one year	1,432,593	1,637,833
More than one year	456,226	254,826
Gross loans, advances and financing	<u>1,888,819</u>	<u>1,892,659</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

	30 September 2015 RM' 000	31 December 2014 RM' 000
<b>A12 Loans, advances and financing (cont'd)</b>		
<b>(vi) Movement in impaired loans, advances and financing ("Impaired loans") are as follows:</b>		
At beginning of the period/year	2,790	2,785
Impaired during the period/year	5,880	258
Recovered	(1,005)	(26)
Amount written off	-	(227)
At end of the period/year	<u>7,665</u>	<u>2,790</u>
Individual allowance	(1,366)	(1,725)
Net impaired loans, advances and financing	<u>6,299</u>	<u>1,065</u>
Net impaired loans as a % of gross loans, advances and financing less individual allowance	<u>0.33%</u>	<u>0.06%</u>
<b>(vii) Impaired loans by geographical distribution</b>		
In Malaysia	<u>7,665</u>	<u>2,790</u>
<b>(viii) Impaired loans by economic purpose</b>		
<b>Domestic operations:</b>		
Working capital	5,753	-
Purchase of securities	1,912	2,790
	<u>7,665</u>	<u>2,790</u>
<b>(ix) Movement in individual allowance for loans, advances and financing are as follows:</b>		
<u>Individual allowance</u>		
At beginning of the period/year	1,725	1,692
Allowance made during the period/year	214	291
Amount written back in respect of recoveries	(573)	(34)
Amount of allowance set off against gross loans	-	(224)
At end of the period/year	<u>1,366</u>	<u>1,725</u>
<b>(x) Movement in collective allowance for loans, advances and financing are as follows:</b>		
<u>Collective allowance</u>		
At beginning of the period/year	166	597
Allowance made during the period/year	33	253
Amount written back	(44)	(684)
At end of the period/year	<u>155</u>	<u>166</u>
Collective allowance as % of gross loans, advances and financing less individual allowance	<u>0.01%</u>	<u>0.01%</u>
<b>A13 Other assets</b>		
Interest/Income receivable	17,602	14,681
Prepayments and deposits	20,914	27,734
Treasury trade receivables	39,640	-
Other debtors	64,474	33,190
	<u>142,630</u>	<u>75,605</u>
Allowance for impairment	(5,537)	(4,713)
	<u>137,093</u>	<u>70,892</u>



**NOTES TO INTERIM FINANCIAL STATEMENTS**

	<b>30 September 2015</b>	<b>31 December 2014</b>
	<b>RM' 000</b>	<b>RM' 000</b>
<b>A14 Deposits from customers</b>		
Fixed deposits and negotiable instruments of deposits		
- Due within six months	3,015,970	3,081,830
- Six months to one year	213,100	10,781
	<b>3,229,070</b>	<b>3,092,611</b>
By type of customers:		
Business enterprise	631,902	721,997
Domestic non-bank financial institutions	1,923,137	1,695,568
Individuals	61,758	45,855
Government and statutory bodies	607,256	614,191
Others	5,017	15,000
	<b>3,229,070</b>	<b>3,092,611</b>
<b>A15 Deposits and placement of banks and other financial institutions</b>		
Licensed banks	140,000	278,000
Licensed investment banks	80,000	210,000
Licensed Islamic banks	-	50,000
Other financial institutions	317,609	150,054
	<b>537,609</b>	<b>688,054</b>
<b>A16 Borrowings</b>		
Medium Term Notes	110,000	100,000
Revolving bank loan	27,000	52,336
	<b>137,000</b>	<b>152,336</b>
<b>A17 Other liabilities</b>		
Interest/Profit payable	9,001	11,105
Provision and accruals	47,580	74,072
Retention for Contra Losses	602	1,090
Hire purchase creditors	45	67
Treasury trade payables	19,716	-
Deposits and other creditors	59,732	25,717
	<b>136,676</b>	<b>112,051</b>
<b>A18 Commitments and Contingencies and Off-Balance Sheet Financial Instruments</b>		
	<b>Principal</b>	<b>Principal</b>
	<b>Amount</b>	<b>Amount</b>
Obligations under underwriting agreements	139,364	-
Commitments to extend credit with maturity of less than 1 year :-		
- margin	1,387,039	1,318,017
- term loan	14,448	63,000
- foreign exchange related contracts	140,153	22,775
- equity related contracts	5,401	-
Commitments to extend credit with maturity of more than 1 year :-		
- term loan	14,430	1,626
Miscellaneous commitments	605,645	554,124
	<b>2,306,480</b>	<b>1,959,542</b>

**NOTES TO INTERIM FINANCIAL STATEMENTS**

	<b>Group</b>		<b>Company</b>	
	<b>30 September 2015</b>	<b>31 December 2014</b>	<b>30 September 2015</b>	<b>31 December 2014</b>
	<b>RM' 000</b>	<b>RM' 000</b>	<b>RM' 000</b>	<b>RM' 000</b>
<b>A19 Other Commitments</b>				
Capital expenditure commitments	7,221	7,239	-	-
Operating lease arrangements	44,169	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
	<b>51,390</b>	<b>62,048</b>	<b>393,000</b>	<b>368,000</b>

**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:

	<b>30 September 2015</b>	<b>31 December 2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Common Equity Tier 1 (CET 1)/Tier 1 Capital</u></b>		
Paid-up share capital	770,000	770,000
Share premium	65,500	65,500
Accumulated loss	(37,953)	(31,592)
Other reserves	73,216	79,150
Less: Regulatory adjustments applied on CET 1 capital		
Deferred tax assets	(8,177)	(3,483)
Goodwill	(252,909)	(252,909)
Other intangibles	(52,500)	(52,500)
Deduction in excess of Tier 2 *	(115,668)	(115,680)
<b>Total CET 1/Tier 1 Capital</b>	<b>441,509</b>	<b>458,486</b>
<b><u>Tier 2 Capital</u></b>		
Collective impairment allowance	427	415
Less: Regulatory adjustments applied on Tier 2 capital	(427)	(415)
<b>Total Tier 2 capital</b>	<b>-</b>	<b>-</b>
<b>Total capital</b>	<b>441,509</b>	<b>458,486</b>
CET 1 Capital ratio	24.33%	31.92%
Tier 1 Capital ratio	24.33%	31.92%
Total Capital ratio	24.33%	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:

	<b>Bank</b>		<b>Bank</b>	
	<b>30 September 2015</b>		<b>31 December 2014</b>	
	<b>Notional amount RM'000</b>	<b>Risk-weighted amount RM'000</b>	<b>Notional amount RM'000</b>	<b>Risk-weighted amount RM'000</b>
Credit Risk	5,433,682	1,064,964	3,936,970	941,955
Market Risk	-	329,730	-	109,019
Operational Risk	-	419,698	-	385,366
<b>Total Risk Weighted Assets</b>	<b>5,433,682</b>	<b>1,814,392</b>	<b>3,936,970</b>	<b>1,436,340</b>

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

**NOTES TO INTERIM FINANCIAL STATEMENTS**

	Individual Quarter		Cumulative Quarter	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
<b>A21 Interest Income</b>				
Loans, advances and financing	33,823	33,956	100,822	95,962
Money at call and deposit placements with financial institutions	5,454	9,781	15,528	20,035
Financial assets held-for-trading	2,792	298	6,076	638
Financial investments available-for-sale	14,429	7,098	35,709	31,357
Financial investments held-to-maturity	510	115	1,083	353
Others	6,790	5,212	17,812	13,950
	<b>63,798</b>	<b>56,460</b>	<b>177,030</b>	<b>162,295</b>
<b>A22 Interest Expense</b>				
Deposits from customers	36,160	29,058	99,724	81,228
Deposits and placement of banks and other financial institutions	3,454	5,210	9,382	15,595
Revolving bank loan	384	2,005	1,712	6,961
Redeemable Non-Convertible Unsecured Loan Stocks	-	603	-	1,792
Medium Term Notes	1,432	104	3,883	104
Subordinated obligations	-	17	-	50
	<b>41,430</b>	<b>36,997</b>	<b>114,701</b>	<b>105,730</b>
<b>A23 Other Operating Income</b>				
(a) Fee income:				
Brokerage income	44,421	62,736	137,268	169,472
Commissions	4,983	3,392	12,485	9,481
Loans, advances and financing	1,047	1,417	3,811	5,361
Corporate advisory	2,275	4,409	8,122	11,972
Placement fees	1,816	2,482	4,178	6,110
Underwriting fees	293	1,062	1,549	1,960
Management fee income	7,475	28,785	21,058	40,913
Other fee income	3,253	2,512	8,471	7,701
	<b>65,563</b>	<b>106,795</b>	<b>196,942</b>	<b>252,970</b>
(b) (Loss)/Gain arising from sale of securities:				
Net (loss)/gain from sale of financial assets held-for-trading and derivatives	(12,002)	2,283	7,285	3,470
Net gain/(loss) from sale of financial investments available-for-sale	1,477	(1,840)	1,537	(2,585)
	<b>(10,525)</b>	<b>443</b>	<b>8,822</b>	<b>885</b>
(c) Gross dividend from:				
Securities portfolio	140	14	2,793	1,792
	<b>140</b>	<b>14</b>	<b>2,793</b>	<b>1,792</b>
(d) Unrealised gain/(loss) on revaluation of financial assets held-for-trading and derivatives	1,520	(691)	(7,460)	2,930
	<b>1,520</b>	<b>(691)</b>	<b>(7,460)</b>	<b>2,930</b>
(e) Other income:				
Foreign exchange profit	740	1,136	3,521	3,878
Gain/(Loss) on disposal of property, plant and equipment	-	28	(1)	307
Others	503	840	1,815	3,866
	<b>1,243</b>	<b>2,004</b>	<b>5,335</b>	<b>8,051</b>
<b>Total non-interest income</b>	<b>57,941</b>	<b>108,565</b>	<b>206,432</b>	<b>266,628</b>

**NOTES TO INTERIM FINANCIAL STATEMENTS**

	Individual Quarter		Cumulative Quarter	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
<b>A24 Other operating expenses</b>				
Personnel costs	33,723	39,590	105,370	110,329
- Salaries, allowances and bonuses	26,551	31,901	83,420	88,721
- EPF	3,513	3,494	10,880	10,997
- Others	3,659	4,195	11,070	10,611
Establishment costs	12,895	13,286	38,055	40,496
- Depreciation and amortisation of software	2,326	3,976	7,145	11,904
- Rental of leasehold land and premises	5,680	5,755	17,386	18,051
- Repairs and maintenance of property, plant and equipment	740	930	2,184	2,549
- Information technology expenses	2,773	1,747	7,411	5,420
- Others	1,376	878	3,929	2,572
Marketing expenses	3,300	3,493	9,491	10,225
- Advertisement and publicity	2,263	441	5,750	1,006
- Others	1,037	3,052	3,741	9,219
Administration and general expenses	45,342	50,253	128,819	134,401
- Fees and brokerage	29,330	37,247	83,960	97,168
- Administrative expenses	16,012	13,006	44,859	37,233
	<b>95,260</b>	<b>106,622</b>	<b>281,735</b>	<b>295,451</b>
<b>A25 Write back of/(Allowance for) impairment on loans, advances and financing:</b>				
Allowances for loans, advances and financing:				
- collective allowance (net)	11	(62)	11	376
- individual allowance (net)	(44)	15	359	(16)
Bad debts and financing recovered	501	269	824	540
	<b>468</b>	<b>222</b>	<b>1,194</b>	<b>900</b>
<b>A26 (Allowance for)/Write back of impairment on balances due from clients and brokers and other receivables</b>				
Allowances for bad and doubtful debts and financing:				
- individual allowance (net)	(2,345)	(3,861)	(3,558)	(7,458)
Bad debts and financing recovered	-	2,732	4	3,280
	<b>(2,345)</b>	<b>(1,129)</b>	<b>(3,554)</b>	<b>(4,178)</b>

**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.

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**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A27 SEGMENTAL REPORTING**

<b>30 September 2015</b>	<b>Continued Operations</b>							<b>Total RM'000</b>
	<b>Investment banking RM'000</b>	<b>Stockbroking RM'000</b>	<b>Futures RM'000</b>	<b>Money Lending and financing RM'000</b>	<b>Investment Management RM'000</b>	<b>Corporate and others RM'000</b>	<b>Eliminations/ Adjustments RM'000</b>	
<b>Revenue</b>								
External sales	150,023	183,346	21,154	8,380	21,064	16,905	-	400,872
Inter-segment sales	2,413	165	986	(27)	1,398	27,521	(32,456)	-
<b>Total revenue</b>	<b>152,436</b>	<b>183,511</b>	<b>22,140</b>	<b>8,353</b>	<b>22,462</b>	<b>44,426</b>	<b>(32,456)</b>	<b>400,872</b>
<b>Result</b>								
Net income	43,917	174,068	17,949	3,037	22,594	43,956	(28,825)	276,696
Other operating expenses	(32,703)	(177,392)	(13,797)	(3,620)	(28,807)	(53,349)	27,933	(281,735)
(Allowance for)/Write back of impairment on loans, advances and financing	(13)	683	-	-	-	500	24	1,194
Write back of/(Allowance for) impairment on balances due from clients and brokers and other receivables	(747)	(2,135)	-	-	-	(672)	-	(3,554)
Share of results in associates	-	-	-	-	-	3,474	-	3,474
Profit/(loss) before taxation and zakat	10,454	(4,776)	4,152	(583)	(6,213)	(6,091)	(868)	(3,925)
Taxation and zakat								(1,486)
Non-controlling interest								(835)
Loss for the financial period								<b>(6,246)</b>

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**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
<b>Assets</b>							
Investment in associates	-	-	-	-	73,002	-	73,002
Addition to non-current assets	3,552	13	-	518	1,317	-	5,400
Segment assets	5,654,322	565,855	143,586	54,784	873,085	(1,050,343)	6,241,289
<b>Liabilities</b>							
Segment liabilities	4,783,560	530,941	133,638	16,867	120,601	(192,696)	5,392,911

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**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A30 SEGMENTAL REPORTING**

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



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FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2014**

**NOTES TO INTERIM FINANCIAL STATEMENTS**

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

	-----Continued Operations-----						Discontinued	
	Investment banking and stock broking RM'000	Futures RM'000	Money Lending and financing RM'000	Investment Management RM'000	Corporate and others RM'000	Eliminations/ Adjustments RM'000	Total RM'000	Others RM'000
<b>Assets</b>								
Investment in associates	-	-	-	-	63,189	-	63,189	-
Addition to non-current assets	9,160	1,593	-	665	640	-	12,058	-
Segment assets	5,341,278	495,064	130,164	72,692	876,632	(1,040,465)	5,875,365	-
<b>Liabilities</b>								
Segment liabilities	4,483,454	464,292	119,510	20,158	108,306	(173,972)	5,021,748	-

**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 September 2015**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>				
Financial assets at held-for-trading				
- Debt securities	-	342,856	-	342,856
- Equity securities and unit trusts	149,766	-	-	149,766
Financial investments available-for-sale #				
- Debt securities	-	1,159,461	-	1,159,461
- Negotiable Instruments of Deposit	-	149,708	-	149,708
Derivative assets	23,564	1,628	-	25,192
Total assets	<u>173,330</u>	<u>1,653,653</u>	<u>-</u>	<u>1,826,983</u>
<b>Liabilities</b>				
Derivatives liabilities	87,401	1,628	-	89,029
Total liabilities	<u>87,401</u>	<u>1,628</u>	<u>-</u>	<u>89,029</u>

**31 December 2014**

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

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

**A31 Net Income from Islamic Banking Business**

	Individual Quarter		Cumulative Quarter	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Income derived from investment of depositors' funds and others	4,135	4,481	18,675	11,125
Income attributable to the depositors	(3,597)	(3,283)	(10,740)	(7,832)
<b>Income attributable to the Group</b>	<b>538</b>	<b>1,198</b>	<b>7,935</b>	<b>3,293</b>

**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 30 SEPTEMBER 2015**

	Note	As at 30 September 2015 RM '000	As at 31 December 2014 RM '000
<b>ASSETS</b>			
Cash and short-term funds	(c)	206,197	180,951
Financial investments available-for-sale	(d)	269,088	229,640
Financial investments held-to-maturity	(e)	5,002	5,003
Advances and financing	(f)	11,171	23,043
Other assets		3,060	2,832
Property, plant and equipment		15	235
Deferred tax assets		115	-
<b>TOTAL ASSETS</b>		<b>494,648</b>	<b>441,704</b>
<b>LIABILITIES</b>			
Deposits from customers	(g)	358,132	331,785
Other liabilities		9,060	4,695
Deferred tax liabilities		-	889
Provision for taxation and zakat		2,384	890
<b>TOTAL LIABILITIES</b>		<b>369,576</b>	<b>338,259</b>
<b>ISLAMIC BANKING CAPITAL FUNDS</b>			
Islamic banking funds		120,000	100,000
Reserves		5,072	3,445
<b>TOTAL ISLAMIC BANKING CAPITAL FUNDS</b>		<b>125,072</b>	<b>103,445</b>
<b>TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS</b>		<b>494,648</b>	<b>441,704</b>

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 30 SEPTEMBER 2015**

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September 2015 RM'000	3 months ended 30 September 2014 RM'000	9 months ended 30 September 2015 RM'000	9 months ended 30 September 2014 RM'000
Income derived from investment of depositors' funds and others	4,135	4,481	18,675	11,125
Total attributable income	4,135	4,481	18,675	11,125
Income attributable to depositors	(3,597)	(3,283)	(10,740)	(7,832)
Net income attributable to KIBB	538	1,198	7,935	3,293
Other operating expenses	(570)	(627)	(1,702)	(1,757)
Impairment allowances on financing	(23)	-	(23)	(39)
<b>(Loss)/Profit before taxation and zakat</b>	<b>(55)</b>	<b>571</b>	<b>6,210</b>	<b>1,497</b>
Taxation and zakat	20	(143)	(1,572)	(384)
<b>(Loss)/Profit for the financial period</b>	<b>(35)</b>	<b>428</b>	<b>4,638</b>	<b>1,113</b>

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 30 September 2015 RM'000	As at 31 December 2014 RM'000
<b>(c) Cash and Short-Term Funds</b>	<b>206,197</b>	<b>180,951</b>
<b>(d) Financial investments available-for-sale</b>		
<b>At Fair Value</b>		
<b>Money Market Instruments:</b>		
In Malaysia		
Bank Negara Malaysia Bills and Notes	-	49,839
Negotiable instruments of deposit	99,708	-
Malaysian Government Investment Certificates	39,683	19,559
Sukuk Perumahan Kerajaan	9,910	9,902
<b>Unquoted Private Debt Securities:</b>		
In Malaysia		
Islamic Corporate Bonds	119,787	150,340
	<b>269,088</b>	<b>229,640</b>
<b>(e) Financial investments held-to-maturity</b>		
<b>At Amortised Cost</b>		
<b>Money Market Instruments:</b>		
In Malaysia		
Islamic Corporate Bonds	<b>5,002</b>	<b>5,003</b>
<b>(f) Advances and financing</b>		
Commodity Murabahah Revolving Credit	11,257	8,051
Commodity Murabahah Term Financing	-	15,054
	<b>11,257</b>	<b>23,105</b>
Allowance for impairment:		
- collective impairment	(86)	(62)
	<b>11,171</b>	<b>23,043</b>
<b>(i) Gross advances and financing analysed by type of customer are as follows:</b>		
Domestic business enterprises:		
Others	11,257	23,105
<b>(ii) Gross advances and financing analysed by geographical distribution are as follows:</b>		
In Malaysia	11,257	23,105
<b>(iii) Gross advances and financing analysed by profit are sensitivity are as follows:</b>		
Variable rate:		
Cost plus	11,257	23,105

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A32 OPERATIONS OF ISLAMIC BANKING**

	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
<b>(f) Advances and financing (cont'd.)</b>		
<b>(iv) Gross advances and financing analysed by economic purpose are as follows:</b>		
Purchase of securities	-	15,054
Working capital	11,257	8,051
	<u>11,257</u>	<u>23,105</u>
<b>(v) Gross advances and financing analysed by residual contractual maturity are as follows:</b>		
Within one year	<u>11,257</u>	<u>23,105</u>
<b>(g) Deposits from customers</b>		
<b>(i) By type of deposit</b>		
Mudharabah general investment deposits	-	50,000
Commodity murabahah deposits	358,132	1,207
Wadiah deposits	-	280,578
	<u>358,132</u>	<u>331,785</u>
<b>(ii) By type of customer</b>		
Business enterprises	<u>358,132</u>	<u>331,785</u>
<b>(iii) By maturity structure</b>		
Due within six months	<u>358,132</u>	<u>331,785</u>
<b>(h) Capital adequacy</b>		
<b>(i) CET 1/Tier 1 Capital</b>		
Islamic Banking funds	120,000	100,000
Retained Profits	779	779
Other reserves	(345)	2,666
Less: Regulatory adjustments applied to Tier 1 capital	(115)	-
Total CET 1/Tier 1 capital	<u>120,319</u>	<u>103,445</u>
<b>(ii) Tier 2 Capital</b>		
Collective allowance impairment	86	62
Total Tier 2 capital	<u>86</u>	<u>62</u>
Total capital	<u>120,405</u>	<u>103,507</u>
CET 1 capital ratio	111.64%	106.18%
Tier 1 capital ratio	111.64%	106.18%
Total capital ratio	<u>111.72%</u>	<u>106.24%</u>

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

	30 September		31 December 2014	
	RM'000	RM'000	RM'000	RM'000
	Principal	Risk-weighted	Principal	Risk-weighted
Credit risk	493,824	99,515	440,874	92,474
Operational risk	-	8,262	5,284	4,954
Total Risk Weighted Assets	<u>493,824</u>	<u>107,777</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 loss ("LBT") of RM3.9 million for the nine months ended 30 September 2015 ("9M15") as compared to pretax profit ("PBT") of RM33.8 million for the nine months ended 30 September 2014 ("9M14").

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

**Stockbroking:**

Stockbroking registered LBT of RM4.8 million (9M14: PBT of RM12.4 million) mainly due to decline in brokerage fee income and mark to market loss of RM15.6 million on its structured warrants business.

The decline in brokerage fee income resulted from lower trading value on the Bursa Malaysia stock exchange which recorded RM757.9 billion for 9M15 compared to RM811.6 billion in the corresponding period of 2014.

The loss of RM15.6 million on the structured warrants business resulted from the mark to market valuation of these instruments as at 30 September 2015 and its related hedging costs. The mark to market valuation of these instruments is required under Malaysian Financial Reporting Standard. The accounting practice uses the mark to market value of these warrants to estimate the liability of the Bank to the warrant holders. The Bank does not view the periodic gains or losses from changes in mark to market value of these warrants prior to their expiry to be reflective of the eventual gains or losses.

The actual legal obligation to the warrant holders is dependent on each warrant's intrinsic value, which is the closing price of the underlying share/futures contract at expiry date minus its respective exercise price. Upon the expiry of the warrants, the actual gain or loss of the warrants to the Bank will be the premium collected by the Bank minus their actual intrinsic values and hedging costs.

**Investment Banking:**

Investment Banking registered a PBT of RM10.4 million in 9M15 (9M14: PBT of RM6.7 million) mainly due to higher money market trading activities despite the investment banking fees income plunged by capital market activities in 9M15.

**Investment Management:**

Investment management registered LBT of RM6.2 million (9M14: PBT of RM17.2 million) as a result of lower management fee income adversely impacted by volatilities and uncertainties in the market and the inclusion of performance fee of RM23.2mil in the third quarter of 2014 ("3Q14") from termination of one mandate in 9M14.

As at 30 September 2015, the division has unrealised performance fees of RM1.4 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 performance has improved and delivered a PBT of RM4.2 million in 9M15 as compared to RM2.9 million in 9M14 due to higher exchange volumes.

**Money lending and financing:**

This segment reported a LBT of RM0.6 million in 9M15 compared to PBT of RM1.2 million in 9M14 due to lower fee income and lower yield spreads.



**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 loss of RM15.7 million in the third quarter of 2015 ("3Q15") compared to pre-tax profit of RM1.7 million in the preceding quarter ended 30 June 2015. The lower pre-tax profit was largely due to lower net trading and investment income by RM13.1 million and lower brokerage income by RM2.3 million in 3Q15.

**B3. Prospects for 2015**

The global economic situation remains fluid. Malaysia has been affected by external factors, which include volatility in financial markets from a possible US interest rate hike, slowdown in China, low oil prices as well as the weaker Malaysian Ringgit against the US dollar.

The growth momentum of the Malaysian economy is expected to moderate against the backdrop of external headwinds and domestic weaknesses. Owing to both domestic and external uncertainties, higher market volatility is expected. For the banking industry, it is widely expected to experience weak capital market activities, moderated growth trend, persistent margin compression and higher credit costs.

Amid the challenging economic outlook and competitive industry landscape, the Group will continue to adjust and respond accordingly to market conditions. The Group will continue to implement its business plans, including strategic alliances with foreign partners to diversify its sources of revenue and it is also reviewing its overhead costs for cost saving 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**

	<b>Individual Quarter 3 months ended 30 September 2015 RM'000</b>	<b>Cumulative Quarter 9 months ended 30 September 2015 RM'000</b>
Current period/year - income tax and zakat reversal/(provision)	2,753	(1,344)
Deferred taxation reversal/(provision)	265	(142)
Total	<u>3,018</u>	<u>(1,486)</u>

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

**B6. Status of Corporate Proposals**

- (a) 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.

On 30 October 2015, the Company announced the cancellation of the proposed ESS in view of the Proposed Internal Reorganisation of the KNKH group of companies.

- (b) On 30 October 2015, the Company announced that it proposes to undertake an Internal Reorganisation of the KNKH group of companies structure which comprises the following:

**I. Proposed Merger**

- (i) Proposed transfer will entail the transfer of the Identified Assets and Liabilities of KNKH to Kenanga Investment Bank Berhad ("KIBB").
- (ii) Proposed capital reduction and repayment by KNKH by way of cancellation of all the ordinary shares of RM1.00 each in KNKH and distribution of the entire shareholdings of KNKH in KIBB to the shareholders of KNKH; and
- (iii) Proposed transfer of KNKH's listing status on the main market of Bursa Malaysia Securities Berhad to KIBB upon completion of the proposed transfer and proposed KNKH capital reduction and repayment.

**II. Proposed KIBB Capital Restructuring**

As a component of the Proposed Internal Reorganisation, KIBB intends to undertake the following proposals:

- (i) Proposed capital reduction of the issued and paid-up share capital of KIBB involving the cancellation of KIBB shares.
- (ii) Proposed adjustment of the par value of KIBB from RM1.00 to RM0.25 of the paid-up share capital of every existing KIBB share.
- (iii) Proposed increase in the authorised share capital of KIBB; and
- (iv) Proposed amendments to the Memorandum and Articles of Association of KIBB.

The proposals are subject to the approvals being obtained from Securities Commission Malaysia, Bursa Securities, Ministry of Finance, Bank Negara Malaysia, shareholders of KNKH, High court of Malaya, lenders of the KNKH Group (if required) and foreign regulatory authorities (if required).

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

**B7. Group Borrowings**

		<b>RM'000</b>
Short term loan from financial institutions (unsecured)	Note 1	27,000
Medium Term Notes ("MTN")	Note 2	110,000

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 5.8% per annum.

Note 2 : The following are the outstanding unsecured MTN as at 30 September 2015.

<u>Series</u>	<u>Issue Date</u>	<u>Principal</u>	<u>Coupon Rate</u>	<u>Tenure</u>
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
006	24 July 2015	RM 5 million	4.65%	367 days
007	26 August 2015	RM 5 million	4.65%	366 days
008	17 September 2015	RM 35 million	4.60%	368 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 9 months period is RM6.2 million representing the loss for the period attributable to ordinary equity holders of the parent (30 September 2014: profit attributable to ordinary equity holders of parent: RM27.2 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 728,048,300 (31 December 2014: 731,759,499).

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

**B10. Derivatives**

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

<b>Type of Derivatives</b>	<b>Contract/ Notional Value RM'000</b>	<b>Fair Value RM'000</b>
<b><u>Assets</u></b>		
Index Futures	308,284	23,564
Equity options	2,825	-
Auto call equity linked investment options	4,900	1,570
Dual currency investment options	3,886	20
Equity link investment options	491	38
<b><u>Liabilities</u></b>		
Structured warrants		
- Less than 1 year	724,328	72,121
Equity options		
- Less than 1 year	27,200	15,280
Auto call equity linked investment options		
- More than 1 year	4,900	1,570
Dual currency investment options		
- Less than 1 year	3,886	20
Equity link investment options		
- Less than 1 year	491	38

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

<b>Type of Derivatives</b>	<b>Contract/ Notional Value RM'000</b>	<b>Fair Value RM'000</b>
<b><u>Assets</u></b>		
Equity options	2,825	-
Dual currency investment options	4,310	44
<b><u>Liabilities</u></b>		
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. Loss Arising From Fair Value Changes of Derivative Financial Instruments**

The loss arising from fair value changes of derivative financial instruments for the current quarter amounted to RM9,994,000. This is arrived at based on the fluctuation in the market prices of the derivative financial instruments or underlying assets which are listed on Bursa Malaysia.

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

	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
Total (accumulated losses) / retained profits of Company and its subsidiaries:		
- Realised	(223,852)	(281,812)
- Unrealised	50,416	20,106
	(173,436)	(261,706)
Total share of (accumulated losses) / retained profits from associates		
- Realised	3,515	757
- Unrealised	(3,573)	(1,854)
	(58)	(1,097)
Add: Consolidation adjustments	172,624	275,433
Total group (accumulated losses)/retained profits as per consolidated accounts	(870)	12,630

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



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