

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

Unaudited Condensed Interim Financial Statements
31 December 2015

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

<u>Group</u>		As at 31 December 2015 RM'000	As at 31 December 2014 RM'000
	Note		
ASSETS			
Cash and short-term funds		1,253,093	876,768
Deposits and placements with banks and other financial institutions		114,833	142,361
Financial assets held-for-trading	A9	338,573	72,635
Financial investments available-for-sale	A10	1,249,661	1,709,916
Financial investments held-to-maturity	A11	40,003	10,005
Derivative financial assets		2,910	44
Loans, advances and financing	A12	1,930,064	1,890,768
Balance due from clients and brokers		457,327	378,304
Assets segregated for customers		110,635	51,884
Other assets	A13	115,331	70,892
Statutory deposit with Bank Negara Malaysia ("BNM")		120,753	127,576
Tax recoverable		8,229	6,186
Investment in associates		66,838	59,222
Property, plant and equipment		35,698	59,929
Intangible assets		266,832	267,308
Deferred tax assets		10,025	6,247
TOTAL ASSETS		6,120,805	5,730,045
LIABILITIES			
Deposits from customers	A14	3,229,065	3,092,611
Deposits and placements of banks and other financial institutions	A15	575,159	688,054
Obligations on securities sold under repurchase agreements		95,310	-
Borrowings	A16	141,000	152,336
Balance due to clients and brokers		896,302	744,762
Amount held in trust		64,204	68,629
Other liabilities	A17	182,024	112,051
Provision for taxation and zakat		732	1,169
Deferred tax liabilities		-	22
Derivative financial liabilities		72,278	7,237
TOTAL LIABILITIES		5,256,074	4,866,871

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

<u>Group</u>	As at 31 December 2015 RM'000	As at 31 December 2014 RM'000
SHAREHOLDERS' EQUITY		
Share capital	731,759	731,759
Share premium	75	75
Treasury shares	(6,604)	-
(Accumulated losses)/Retained profits	(11,234)	12,630
Regulatory reserve	22,111	-
Exchange reserve	21,653	7,427
Statutory reserve	94,623	88,815
Available-for-sale reserve	(19,553)	(8,276)
Capital reserve	22,152	22,152
	<hr/>	<hr/>
	854,982	854,582
Non-controlling interests	9,749	8,592
Total equity	<hr/>	<hr/>
	864,731	863,174
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<hr/>	<hr/>
	6,120,805	5,730,045
Net Assets Per Share (RM) *	<hr/>	<hr/>
	1.18	1.17

* The Net Assets per share attributable to ordinary equity holders of the parent (RM) is computed as Total Shareholders' Equity (excluding Non-controlling interests) divided by total number of ordinary shares in circulation.

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 31 DECEMBER 2015

	As at 31 December 2015 RM'000	As at 31 December 2014 RM'000
ASSETS		
Cash and short-term funds	3,347	9,760
Financial assets held-for-trading	19,831	16,781
Other assets	67,726	92,424
Tax recoverable	2,471	2,244
Investment in subsidiaries	763,737	763,737
Investment in associates	1,187	1,187
Property, plant and equipment	2,325	1,978
Deferred tax assets	638	976
TOTAL ASSETS	861,262	889,087
LIABILITIES		
Other liabilities	7,409	33,767
Borrowings	110,000	100,000
TOTAL LIABILITIES	117,409	133,767
SHAREHOLDERS' EQUITY		
Share capital	731,759	731,759
Share premium	75	75
Treasury shares	(6,604)	-
Capital reserve	(49,800)	(49,800)
Retained profits	68,423	73,286
Total equity	743,853	755,320
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	861,262	889,087
Net Assets Per Share (RM)	1.03	1.03

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Group

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended 31 December 2015 RM'000	3 months ended 31 December 2014 RM'000	12 months ended 31 December 2015 RM'000	12 months ended 31 December 2014 RM'000
Continuing Operations					
Interest income	A21	60,065	52,190	237,095	214,485
Interest expense	A22	(39,939)	(32,282)	(154,640)	(138,012)
Net interest income		20,126	19,908	82,455	76,473
Net income from Islamic banking business	A31	1,508	2,108	9,443	5,401
Other operating income	A23	101,043	101,048	307,425	369,958
Net income		122,677	123,064	399,323	451,832
Other operating expenses	A24	(99,963)	(105,078)	(381,648)	(402,811)
Operating profit		22,714	17,986	17,675	49,021
Write back of/(Allowance for) impairment on:					
- loans, advances and financing	A25	141	(174)	1,335	726
- balances due from clients and brokers and other receivables	A26	1,221	(6,236)	(2,333)	(10,414)
		24,076	11,576	16,677	39,333
Share of results in associates		(1,928)	(3,570)	1,546	2,434
Profit before taxation and zakat		22,148	8,006	18,223	41,767
Taxation and zakat		(4,276)	(5,461)	(5,762)	(11,297)
Profit for the financial period/year from continuing operations		17,872	2,545	12,461	30,470
Discontinued operation					
Loss for the financial period/year		-	-	-	(147)
Profit for the financial period/year		17,872	2,545	12,461	30,323
Other comprehensive income:					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Share of other comprehensive loss of associates		(1,750)	(4,230)	(8,156)	(3,830)
Foreign exchange differences on consolidation		(2,486)	3,833	14,226	3,197
Net gain/(loss) on fair value changes of financial investments available-for-sale		3,975	9,879	(3,937)	19,435
Income tax relating to the components of other comprehensive income		(1,162)	(2,470)	816	(4,859)
Other comprehensive (loss)/income for the financial period/year		(1,423)	7,012	2,949	13,943
Total comprehensive income		16,449	9,557	15,410	44,266

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 31 December 2015 RM'000	3 months ended 31 December 2014 RM'000	12 months ended 31 December 2015 RM'000	12 months ended 30 December 2014 RM'000
Profit for the period/year attributable to				
- Equity holders of the parent	17,550	2,261	11,304	29,506
- Non-controlling interests	322	284	1,157	817
	<u>17,872</u>	<u>2,545</u>	<u>12,461</u>	<u>30,323</u>
Total comprehensive income for the period/year attributable to				
- Equity holders of the parent	16,127	9,273	14,253	43,449
- Non-controlling interests	322	284	1,157	817
	<u>16,449</u>	<u>9,557</u>	<u>15,410</u>	<u>44,266</u>
Earnings per share attributable to ordinary equity holders of the parent				
(i) Basic (based on weighted average number of ordinary shares 722,613,193 for the current quarter and 726,678,068 for cumulative quarter to date; 2014:731,759,499 ordinary shares for the preceding quarter and cumulative quarter to date). (sen)	2.43	0.31	1.56	4.03
(ii) Fully diluted (sen)	<u>2.43</u>	<u>0.31</u>	<u>1.56</u>	<u>4.03</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 31 December 2015 RM'000	3 months ended 31 December 2014 RM'000	12 months ended 31 December 2015 RM'000	12 months ended 31 December 2014 RM'000
Continuing Operations				
Interest income	837	906	3,490	1,498
Interest expense	(1,317)	(1,349)	(5,200)	(3,245)
Net interest expense	(480)	(443)	(1,710)	(1,747)
Other operating income	8,157	4,468	34,670	29,858
Net income	7,677	4,025	32,960	28,111
Other operating expenses	(7,597)	(9,391)	(29,813)	(33,338)
Profit/(Loss) before taxation	80	(5,366)	3,147	(5,227)
Taxation	(148)	386	(761)	248
(Loss)/Profit for the financial period/year from continuing operations	(68)	(4,980)	2,386	(4,979)
(Loss)/Profit for the financial period/year	(68)	(4,980)	2,386	(4,979)
(i) (Loss)/Profit for the period/year attributable to - Equity holders of the parent	(68)	(4,980)	2,386	(4,979)
	(68)	(4,980)	2,386	(4,979)
(a) (Loss)/Earnings per share attributable to ordinary equity holders of the parent				
(i) Basic (based on weighted average number of ordinary shares 722,613,193 for the current quarter and 726,678,068 for cumulative quarter to date; 2014:731,759,499 ordinary shares for the preceeding quarter and cumulative quarter to date). (sen)	(0.01)	(0.68)	0.33	(0.68)
(ii) Fully diluted (sen)	(0.01)	(0.68)	0.33	(0.68)

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

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

	Group		Company	
	31 December 2015 RM'000	31 December 2014 RM'000	31 December 2015 RM'000	31 December 2014 RM'000
Cash flows from operating activities				
Profit/(Loss) before taxation				
- Continuing operations	18,223	41,767	3,147	(5,227)
- Discontinued operation	-	(147)	-	-
Adjustments for non operating and non cash items	(269,264)	(228,945)	(825)	1,175
Operating (loss)/profit before changes in working capital	<u>(251,041)</u>	<u>(187,325)</u>	<u>2,322</u>	<u>(4,052)</u>
Net changes in operating assets	(157,840)	(144,094)	(1,264)	(45,127)
Net changes in operating liabilities	336,286	(31,344)	(133)	3,148
Cash used in operations	<u>(72,595)</u>	<u>(362,763)</u>	<u>925</u>	<u>(46,031)</u>
Interest received	193,017	171,366	3,490	1,498
Net tax paid	(10,569)	(7,802)	(439)	-
Net operating cash flow	<u>109,853</u>	<u>(199,199)</u>	<u>3,976</u>	<u>(44,533)</u>
Net investing cash flow	309,961	340,199	(1,336)	(836)
Net financing cash flow	(32,685)	46,268	(9,053)	49,005
Net change in cash and cash equivalents during the financial year	<u>387,129</u>	<u>187,268</u>	<u>(6,413)</u>	<u>3,636</u>
Cash and cash equivalents brought forward	571,674	384,406	9,760	6,124
Cash and cash equivalents carried forward	<u>958,803</u>	<u>571,674</u>	<u>3,347</u>	<u>9,760</u>
Cash and cash equivalents comprise the following:-				
Non trust cash and short term funds	<u>958,803</u>	<u>571,674</u>	<u>3,347</u>	<u>9,760</u>

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

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

Group	Attributable to Equity Holders of the Company										
	Non-Distributable						Distributable				
	Share Capital RM'000	Share Premium RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Available- for-sale Reserve RM'000	Statutory Reserve RM'000	Regulatory Reserve RM'000	Retained Profits/ (Accumulated Losses) RM'000	Treasury Shares RM'000	Non- Controlling Interests RM'000	
As at 1 January 2015	731,759	75	7,427	22,152	(8,276)	88,815	-	12,630	-	8,592	863,174
Total comprehensive income/(loss) for the financial year	-	-	14,226	-	(3,121)	-	-	11,304	-	1,157	23,566
Share of an associate's other comprehensive loss	-	-	-	-	(8,156)	-	-	-	-	-	(8,156)
Buy-back of shares	-	-	-	-	-	-	-	-	(6,604)	-	(6,604)
Transfer to statutory reserve	-	-	-	-	-	5,808	-	(5,808)	-	-	-
Transfer to regulatory reserve *	-	-	-	-	-	-	22,111	(22,111)	-	-	-
Dividend paid	-	-	-	-	-	-	-	(7,249)	-	-	(7,249)
As at 31 December 2015	731,759	75	21,653	22,152	(19,553)	94,623	22,111	(11,234)	(6,604)	9,749	864,731

* Regulatory reserve is maintained by the Bank subsidiary in addition to the collective impairment allowance that has been assessed and recognised in accordance with Malaysian Financial Reporting Standards ("MFRS"); in compliance with BNM requirements.

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

Group	←-----Attributable to Equity Holders of the Parent----->						Distributable (Accumulated Losses)/ Retained Profits RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Fair value Reserve RM'000	Statutory Reserve RM'000			
As at 1 January 2014	731,759	75	4,230	22,152	(19,022)	75,887	(3,948)	7,775	818,908
Total comprehensive income for the financial year	-	-	3,197	-	14,576	-	29,506	817	48,096
Share of an associate's other comprehensive loss	-	-	-	-	(3,830)	-	-	-	(3,830)
Transfer to statutory reserve	-	-	-	-	-	12,928	(12,928)	-	-
As at 31 December 2014	731,759	75	7,427	22,152	(8,276)	88,815	12,630	8,592	863,174

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

K & N KENANGA HOLDINGS BERHAD (302859-X)

(Incorporated in Malaysia)

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

	Share Capital RM'000	Non Distributable Share Premium RM'000	Capital Reserve RM'000	Distributable Retained Profits RM'000	Treasury Shares RM'000	Total Equity RM'000
As at 1 January 2015	731,759	75	(49,800)	73,286	-	755,320
Comprehensive income for the financial year	-	-	-	2,386	-	2,386
Buy-back of shares	-	-	-	-	(6,604)	(6,604)
Dividend paid	-	-	-	(7,249)	-	(7,249)
As at 31 December 2015	731,759	75	(49,800)	68,423	(6,604)	743,853

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 31 DECEMBER 2014**

	Share Capital RM'000	Non Distributable Share Premium RM'000	Capital Reserve RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
As at 1 January 2014	731,759	75	(49,800)	78,265	760,299
Comprehensive loss for the financial year	-	-	-	(4,979)	(4,979)
As at 31 December 2014	<u>731,759</u>	<u>75</u>	<u>(49,800)</u>	<u>73,286</u>	<u>755,320</u>

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

NOTES TO INTERIM FINANCIAL STATEMENTS

A1. Basis of Preparation

The interim financial statements, for the fourth quarter and financial year ended 31 December 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 financial year ended 31 December 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 financial year ended 31 December 2015, the Company repurchased 9,212,500 ordinary shares of RM1 each of its issued share capital from the open market at an average cost of RM0.717 per share. The total consideration paid for the share buy-back, including transaction costs was RM6.60 million, and was financed by internally generated funds.

As at 31 December 2015, the number of treasury shares held was 9,212,500 shares.

A8. Dividends paid per share

During the financial year ended 31 December 2015, an interim dividend of 1% or 1 sen per share in respect of the financial year ended 31 December 2014, amounting to RM7,249,031 was paid on 25 June 2015.

NOTES TO INTERIM FINANCIAL STATEMENTS

	31 December 2015	31 December 2014
	RM' 000	RM' 000
A9 Financial assets held-for-trading		
At Fair Value		
Money Market Instruments:-		
Malaysian Government Investment Certificates	57,373	-
Quoted securities:		
In Malaysia:		
Shares and Unit Trust Funds	231,311	72,635
Unquoted securities:		
Islamic Corporate Bonds	49,889	-
Total financial assets held-for-trading	338,573	72,635
A10 Financial investments available-for-sale		
At Fair Value, or amortised cost		
Money Market instruments:-		
Malaysian Government Securities	131,390	198,326
Bank Negara Malaysia Monetary Notes	39,706	297,240
Malaysian Government Investment Certificates	244,556	282,470
Negotiable Instruments of Deposit	-	100,000
Sukuk Perumahan Kerajaan	9,996	9,902
Total Money Market instruments	425,648	887,938
Unquoted securities:		
In Malaysia:		
Shares	490	490
Corporate Bonds	653,717	233,786
Corporate Bills	24,878	-
Islamic Corporate Bonds	120,050	587,702
Islamic Corporate Bills	24,878	-
	824,013	821,978
Total financial investments available-for-sale	1,249,661	1,709,916
A11 Financial investments held-to maturity		
At Amortised Cost		
Money Market Instruments:		
Corporate Bonds	35,002	5,002
Islamic Corporate Bonds	5,001	5,003
Total financial investments held-to-maturity	40,003	10,005

NOTES TO INTERIM FINANCIAL STATEMENTS

	31 December 2015	31 December 2014
	RM' 000	RM' 000
A12 Loans, advances and financing		
Term loans	424,484	398,621
Share margin financing	1,399,394	1,412,119
Other financing	107,724	81,919
Gross loans, advances and financing	<u>1,931,602</u>	<u>1,892,659</u>
Allowances for impairment on loans, advances and financing:		
- Individual allowance	(1,395)	(1,725)
- Collective allowance	(143)	(166)
Net loans, advances and financing	<u>1,930,064</u>	<u>1,890,768</u>
(i) By type of customer		
Domestic operations:		
Domestic business enterprise		
- Others	896,820	780,359
Individuals	1,002,660	1,102,546
Foreign entities	32,122	9,754
	<u>1,931,602</u>	<u>1,892,659</u>
(ii) By geographical distribution		
In Malaysia	1,898,570	1,881,419
Outside Malaysia	33,032	11,240
	<u>1,931,602</u>	<u>1,892,659</u>
(iii) By interest/profit rate sensitivity		
Fixed rate		
- Other fixed rate loans/financing	1,519,169	1,764,309
Variable rate		
- Cost plus	317,198	78,024
- Other variable rates	95,235	50,326
	<u>1,931,602</u>	<u>1,892,659</u>
(iv) Total loans by economic purpose		
Domestic operations:		
Purchase of securities	1,598,274	1,613,040
Working capital	98,490	63,640
Others	234,838	215,979
	<u>1,931,602</u>	<u>1,892,659</u>
(v) By maturity structure		
Within one year	1,643,632	1,637,833
More than one year	287,970	254,826
Gross loans, advances and financing	<u>1,931,602</u>	<u>1,892,659</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

	31 December 2015 RM' 000	31 December 2014 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	6,157	258
Recovered	(1,005)	(26)
Amount written off	-	(227)
At end of the period/year	<u>7,942</u>	<u>2,790</u>
Individual allowance	<u>(1,395)</u>	<u>(1,725)</u>
Net impaired loans, advances and financing	<u>6,547</u>	<u>1,065</u>
Net impaired loans as a % of gross loans, advances and financing less individual allowance	<u>0.34%</u>	<u>0.06%</u>
(vii) Impaired loans by geographical distribution		
In Malaysia	<u>7,942</u>	<u>2,790</u>
(viii) Impaired loans by economic purpose		
Domestic operations:		
Working capital	5,986	-
Purchase of securities	1,956	2,790
	<u>7,942</u>	<u>2,790</u>
(ix) Movement in individual allowance for loans, advances and financing are as follows:		
<u>Individual allowance</u>		
At beginning of the period/year	1,725	1,692
Allowance made during the period/year	259	291
Amount written back in respect of recoveries	(589)	(34)
Amount of allowance set off against gross loans	-	(224)
At end of the period/year	<u>1,395</u>	<u>1,725</u>
(x) Movement in collective allowance for loans, advances and financing are as follows:		
<u>Collective allowance</u>		
At beginning of the period/year	166	597
Allowance made during the period/year	32	253
Amount written back	(55)	(684)
At end of the period/year	<u>143</u>	<u>166</u>
Collective allowance as % of gross loans, advances and financing less individual allowance	<u>0.01%</u>	<u>0.01%</u>
A13 Other assets		
Interest/Income receivable	15,181	14,681
Prepayments and deposits	18,119	27,734
Treasury trade receivables	9,585	-
Other debtors	77,112	33,190
	<u>119,997</u>	<u>75,605</u>
Allowance for impairment	<u>(4,666)</u>	<u>(4,713)</u>
	<u>115,331</u>	<u>70,892</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

	31 December 2015	31 December 2014
	RM' 000	RM' 000
A14 Deposits from customers		
Fixed deposits and negotiable instruments of deposits		
- Due within six months	3,213,115	3,081,830
- Six months to one year	15,950	10,781
	3,229,065	3,092,611
By type of customers:		
Business enterprise	680,073	721,997
Domestic non-bank financial institutions	2,208,881	1,695,568
Individuals	77,320	45,855
Government and statutory bodies	262,791	614,191
Others	-	15,000
	3,229,065	3,092,611
A15 Deposits and placement of banks and other financial institutions		
Licensed banks	140,000	278,000
Licensed investment banks	-	210,000
Licensed Islamic banks	-	50,000
Other financial institutions	435,159	150,054
	575,159	688,054
A16 Borrowings		
Medium Term Notes	110,000	100,000
Revolving bank loan	31,000	52,336
	141,000	152,336
A17 Other liabilities		
Interest/Profit payable	11,087	11,105
Provision and accruals	54,662	74,072
Retention for Contra Losses	602	1,090
Hire purchase creditors	28	67
Treasury trade payables	49,818	-
Deposits and other creditors	65,827	25,717
	182,024	112,051
A18 Commitments and Contingencies and Off-Balance Sheet Financial Instruments		
	Principal	Principal
	Amount	Amount
	RM' 000	RM' 000
Commitments to extend credit with maturity of less than 1 year :-		
- margin	1,400,821	1,318,017
- foreign exchange related contracts	123,114	22,775
- equity related contracts	35,350	-
Commitments to extend credit with maturity of more than 1 year :-		
- term loan	7,249	1,626
Miscellaneous commitments	597,665	554,124
	2,164,199	1,896,542

NOTES TO INTERIM FINANCIAL STATEMENTS

	Group		Company	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	RM' 000	RM' 000	RM' 000	RM' 000
A19 Other Commitments				
Capital expenditure commitments	5,347	7,239	-	-
Operating lease arrangements	40,512	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>45,859</u>	<u>62,048</u>	<u>393,000</u>	<u>368,000</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

A20 Capital Adequacy

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

The capital adequacy ratios of KIBB are as follows:

	31 December 2015	31 December 2014
	RM'000	RM'000
<u>Common Equity Tier 1 (CET 1)/Tier 1 Capital</u>		
Paid-up share capital	770,000	770,000
Share premium	65,500	65,500
Accumulated loss	(47,895)	(31,592)
Other reserves	103,948	79,150
Less: Regulatory adjustments applied on CET 1 capital		
Deferred tax assets	(7,758)	(3,483)
Goodwill	(252,909)	(252,909)
Other intangibles	(52,500)	(52,500)
Regulatory reserve attributable to loans/financing	(22,111)	-
Deduction in excess of Tier 2 *	(104,990)	(115,680)
Total CET 1/Tier 1 Capital	451,285	458,486
<u>Tier 2 Capital</u>		
Collective impairment allowance	11,105	415
Less: Regulatory adjustments applied on Tier 2 capital	(11,105)	(415)
Total Tier 2 capital	-	-
Total capital	451,285	458,486
CET 1 Capital ratio	28.36%	31.92%
Tier 1 Capital ratio	28.36%	31.92%
Total Capital ratio	28.36%	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	
	31 December 2015		31 December 2014	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
Credit Risk	3,906,967	888,384	3,936,970	941,955
Market Risk	-	264,206	-	109,019
Operational Risk	-	438,746	-	385,366
Total Risk Weighted Assets	3,906,967	1,591,336	3,936,970	1,436,340

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

NOTES TO INTERIM FINANCIAL STATEMENTS

	Individual Quarter		Cumulative Quarter	
	31 December 2015 RM'000	31 December 2014 RM'000	31 December 2015 RM'000	31 December 2014 RM'000
A21 Interest Income				
Loans, advances and financing	34,451	34,519	135,273	130,481
Money at call and deposit placements with financial institutions	11,848	5,530	41,573	30,947
Financial assets held-for-trading	881	319	6,957	951
Financial investments available-for-sale	10,743	11,432	42,675	49,761
Financial investments held-to-maturity	522	60	1,605	235
Interest on Margin				
Interest on Contra				
Others	1,620	330	9,012	2,110
	<u>60,065</u>	<u>52,190</u>	<u>237,095</u>	<u>214,485</u>
A22 Interest Expense				
Deposits from customers	35,168	30,046	134,892	122,376
Deposits and placement of banks and other financial institutions	3,072	243	12,454	8,006
Revolving bank loan	382	629	2,094	4,320
Redeemable Non-Convertible Unsecured Loan Stocks	-	569	-	2,361
Medium Term Notes	1,317	780	5,200	884
Subordinated obligations	-	15	-	65
	<u>39,939</u>	<u>32,282</u>	<u>154,640</u>	<u>138,012</u>
A23 Other Operating Income				
(a) Fee income:				
Brokerage income	49,119	48,865	186,387	220,619
Commissions	4,936	4,549	17,421	14,030
Loans, advances and financing	1,274	1,999	5,085	7,360
Corporate advisory	2,251	2,634	10,373	14,606
Placement fees	2,457	112	6,635	6,222
Underwriting fees	1,709	110	3,258	2,070
Management fee income	9,551	7,877	30,609	48,790
Other fee income	3,375	2,757	11,846	10,458
	<u>74,672</u>	<u>68,903</u>	<u>271,614</u>	<u>324,155</u>
(b) (Loss)/Gain arising from sale of securities:				
Net (loss)/gain from sale of financial assets held-for-trading and derivatives	(4,091)	24,754	3,194	28,224
Net gain/(loss) from sale of financial investments available-for-sale	670	(208)	2,207	(2,793)
	<u>(3,421)</u>	<u>24,546</u>	<u>5,401</u>	<u>25,431</u>
(c) Gross dividend from:				
Securities portfolio	1,008	639	3,801	2,431
	<u>1,008</u>	<u>639</u>	<u>3,801</u>	<u>2,431</u>
(d) Unrealised gain on revaluation of financial assets held-for-trading and derivatives	25,570	3,246	18,110	6,176
	<u>25,570</u>	<u>3,246</u>	<u>18,110</u>	<u>6,176</u>
(e) Other income:				
Foreign exchange profit	927	1,566	4,448	5,444
Gain on disposal of property, plant and equipment	169	-	168	307
Others	2,118	1,661	3,883	5,527
	<u>3,214</u>	<u>3,714</u>	<u>8,499</u>	<u>11,765</u>
Total non-interest income	<u>101,043</u>	<u>101,048</u>	<u>307,425</u>	<u>369,958</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

	Individual Quarter		Cumulative Quarter	
	31 December 2015 RM'000	31 December 2014 RM'000	31 December 2015 RM'000	31 December 2014 RM'000
A24 Other operating expenses				
Personnel costs	34,735	43,935	140,105	154,264
- Salaries, allowances and bonuses	27,945	33,569	111,365	122,290
- EPF	3,468	3,539	14,348	14,536
- Others	3,322	6,827	14,392	17,438
Establishment costs	10,883	13,545	48,938	54,041
- Depreciation and amortisation of software	2,274	4,066	9,419	15,970
- Rental of leasehold land and premises	5,785	6,023	23,171	24,074
- Repairs and maintenance of property, plant and equipment	805	788	2,989	3,337
- Information technology expenses	664	1,831	8,075	7,251
- Others	1,355	837	5,284	3,409
Marketing expenses	4,268	5,519	13,759	15,744
- Advertisement and publicity	2,846	4,582	8,596	9,494
- Others	1,422	937	5,163	6,250
Administration and general expenses	50,077	42,079	178,846	178,762
- Fees and brokerage	32,611	30,226	116,988	129,920
- Administrative expenses	17,466	11,853	61,858	48,842
	99,963	105,078	381,648	402,811
A25 Write back of/(Allowance for) impairment on loans, advances and financing:				
Allowances for loans, advances and financing:				
- collective allowance (net)	12	55	23	431
- individual allowance (net)	(29)	(241)	330	(257)
Bad debts and financing recovered	158	12	982	552
	141	(174)	1,335	726
A26 Write back of/(Allowance for) impairment on balances due from clients and brokers and other receivables				
Allowances for bad and doubtful debts and financing:				
- individual allowance (net)	1,171	(7,607)	(2,387)	(15,065)
Bad debts and financing recovered	50	1,371	54	4,651
	1,221	(6,236)	(2,333)	(10,414)

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 31 DECEMBER 2015**

NOTES TO INTERIM FINANCIAL STATEMENTS

A27 SEGMENTAL REPORTING

31 December 2015	Continued Operations							Total RM'000
	Investment banking RM'000	Stockbroking RM'000	Futures broking RM'000	Money lending and financing RM'000	Investment management RM'000	Corporate and others RM'000	Eliminations RM'000	
Revenue								
External sales	197,700	269,245	29,924	11,623	30,317	24,179	-	562,988
Inter-segment sales	3,296	418	1,387	(42)	1,176	35,107	(41,342)	-
Total revenue	200,996	269,663	31,311	11,581	31,493	59,286	(41,342)	562,988
Result								
Net income	57,210	257,265	25,021	4,700	32,804	59,390	(37,067)	399,323
Other operating expenses	(43,421)	(240,228)	(19,307)	(4,691)	(39,034)	(71,145)	36,178	(381,648)
(Allowance for)/Write back of impairment on loans, advances and financing	(23)	812	-	-	-	499	47	1,335
Write back of/(Allowance for) impairment on balances due from clients and brokers and other receivables	367	(1,134)	-	-	-	(1,566)	-	(2,333)
Share of results in associates	-	-	-	-	-	1,546	-	1,546
Profit/(loss) before taxation and zakat	14,133	16,715	5,714	9	(6,230)	(11,276)	(842)	18,223
Taxation and zakat								(5,762)
Net profit for the financial year								<u>12,461</u>

**K & N KENANGA HOLDINGS BERHAD
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2015**

NOTES TO INTERIM FINANCIAL STATEMENTS

A27 SEGMENTAL REPORTING (cont'd.)

	-----Continued Operations-----						
	Investment banking and stockbroking RM'000	Futures broking RM'000	Money lending and financing RM'000	Investment management RM'000	Corporate and others RM'000	Eliminations RM'000	Total RM'000
Assets							
Investment in associates	-	-	-	-	66,838	-	66,838
Addition to non-current assets	4,362	15	15	770	1,331	-	6,493
Segment assets	5,485,939	600,260	146,160	63,496	884,362	(1,059,412)	6,120,805
Liabilities							
Segment liabilities	4,594,385	564,154	135,570	25,592	131,998	(195,625)	5,256,074

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

NOTES TO INTERIM FINANCIAL STATEMENTS

A27 SEGMENTAL REPORTING

31 December 2014	-----Continued Operations-----							Discontinued Operation	
	Investment banking RM'000	Stockbroking RM'000	Futures broking RM'000	Money lending and financing RM'000	Investment management RM'000	Corporate and others RM'000	Eliminations RM'000	Total RM'000	Others RM'000
Revenue									
External sales	202,798	291,704	20,008	12,448	48,519	19,684	-	595,161	-
Inter-segment sales	3,797	16	1,428	-	2,204	37,571	(45,016)	-	-
Total revenue	206,595	291,720	21,436	12,448	50,723	57,255	(45,016)	595,161	-
Result									
Net income	74,524	281,551	20,044	5,787	51,512	60,934	(42,520)	451,832	-
Other operating expenses	(42,746)	(259,023)	(15,774)	(4,737)	(37,049)	(79,107)	35,625	(402,811)	(147)
(Allowance for)/Write back of impairment									
Loans, advances and financing	(84)	561	-	-	-	-	249	726	-
Allowance for impairment on balances due from clients and brokers and other receivables	(241)	(5,844)	-	-	-	(4,329)	-	(10,414)	-
Share of results in associate	-	-	-	-	-	2,434	-	2,434	-
Profit/(loss) before taxation and zakat	31,453	17,245	4,270	1,050	14,463	(20,068)	(6,646)	41,767	(147)
Taxation and zakat								(11,297)	-
Loss from discontinuing operation								(147)	147
Net profit for the financial year								30,323	-

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

NOTES TO INTERIM FINANCIAL STATEMENTS

A27 SEGMENTAL REPORTING (CONT'D.)

	-----Continued Operations-----						Discontinued Operation	
	Investment banking and stockbroking RM'000	Futures broking RM'000	Money lending and financing RM'000	Investment management RM'000	Corporate and others RM'000	Eliminations RM'000	Total RM'000	Others RM'000
Assets								
Investment in associates	-	-	-	-	59,222	-	59,222	-
Addition to non-current assets	11,799	1,442	4	1,110	969	-	15,324	-
Segment assets	5,236,302	466,798	163,215	61,976	905,698	(1,103,944)	5,730,045	-
Liabilities								
Segment liabilities	4,353,243	434,978	152,750	17,489	142,245	(233,834)	4,866,871	-

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

Other than the below, 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.

On 28 January 2016, the Company entered into a Conditional Sale and Purchase Agreement ("SPA") with Tropicana Plaza Sdn. Bhd. (formerly known as Dijaya Plaza Sdn. Bhd.) to acquire all that piece of freehold land measuring approximately 3,674 square metres and held under Geran 74958, Lot 11672, Seksyen 67, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan KL together with a nineteen (19)-storey office building known as "Dijaya Plaza" with two (2) levels of basement containing three hundred and twenty-two (322) parking bays erected thereon and bearing the postal address of No. 237, Jalan Tun Razak, 50400 Kuala Lumpur for a total cash consideration of Ringgit Malaysia One Hundred and Forty Million (RM140,000,000) only subject to the terms and conditions as stipulated in the SPA. The Dijaya Plaza building will be used as the corporate office of the Group.

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.

31 December 2015

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial assets measured at fair value				
Financial assets held-for-trading				
- Debt securities	-	107,262	-	107,262
- Equity securities and unit trusts	220,136	11,175	-	231,311
Financial investments available-for-sale #				
- Debt securities	-	1,249,171	-	1,249,171
Derivative financial assets	-	2,910	-	2,910
Financial assets for which fair values are disclosed				
Financial instruments held-to-maturity	-	39,922	-	39,922
Loans, advances and financing	-	-	1,926,827	1,926,827
	220,136	1,410,440	1,926,827	3,557,403
Financial liabilities measured at fair value				
Derivatives financial liabilities	45,688	26,590	-	72,278
Obligations on securities sold under repurchase agreements	-	95,310	-	95,310
Borrowings	-	141,000	-	141,000
	45,688	262,900	-	308,588

A30 Fair value of financial instruments (continued)

31 December 2014

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial assets measured at fair value				
Financial assets 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 financial assets	-	44	-	44
Financial assets for which fair values are disclosed				
Financial instruments held-to-maturity	-	9,908	-	9,908
Loans, advances and financing	-	-	1,886,697	1,886,697
	72,635	1,719,378	1,886,697	3,678,710
Financial liabilities measured at fair value				
Derivatives financial liabilities	7,193	44	-	7,237
Borrowings	-	152,336	-	152,336
	7,193	152,380	-	159,573

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

A31 Net Income from Islamic Banking Business

	Individual Quarter		Cumulative Quarter	
	31 December 2015 RM'000	31 December 2014 RM'000	31 December 2015 RM'000	31 December 2014 RM'000
Income derived from investment of depositors' funds and others	7,509	6,024	26,184	17,149
Income attributable to the depositors	(6,001)	(3,916)	(16,741)	(11,748)
Income attributable to the Group	1,508	2,108	9,443	5,401

NOTES TO INTERIM FINANCIAL STATEMENTS

A32 OPERATIONS OF ISLAMIC BANKING

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

**(a) UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

	Note	As at 31 December 2015 RM '000	As at 31 December 2014 RM '000
ASSETS			
Cash and short-term funds	(c)	115,437	180,951
Financial assets held-for-trading	(d)	78,576	-
Financial investments available-for-sale	(e)	194,630	229,640
Financial investments held-to-maturity	(f)	5,001	5,003
Financing and Advances	(g)	59,150	23,043
Other assets		1,730	2,832
Property, plant and equipment		14	235
Deferred tax assets		157	-
TOTAL ASSETS		454,695	441,704
LIABILITIES			
Deposits from customers	(h)	272,367	331,785
Other liabilities		55,012	4,695
Deferred tax liabilities		-	889
Provision for taxation and zakat		1,963	890
TOTAL LIABILITIES		329,342	338,259
ISLAMIC BANKING CAPITAL FUNDS			
Islamic banking funds		120,000	100,000
Reserves		5,353	3,445
TOTAL ISLAMIC BANKING CAPITAL FUNDS		125,353	103,445
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS		454,695	441,704

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

NOTES TO INTERIM FINANCIAL STATEMENTS

A32 OPERATIONS OF ISLAMIC BANKING

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

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 December 2015 RM'000	3 months ended 31 December 2014 RM'000	12 months ended 31 December 2015 RM'000	12 months ended 31 December 2014 RM'000
Income derived from investment of depositors' funds and others	7,509	6,024	26,184	17,149
Total attributable income	7,509	6,024	26,184	17,149
Income attributable to depositors	(6,001)	(3,916)	(16,741)	(11,748)
Net income attributable to KIBB	1,508	2,108	9,443	5,401
Other operating expenses	(661)	(452)	(2,363)	(2,209)
Impairment allowances on financing	(23)	(23)	(46)	(62)
Profit before taxation and zakat	824	1,633	7,034	3,130
Taxation and zakat	(391)	(506)	(1,963)	(890)
Profit for the financial period/year	433	1,127	5,071	2,240

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

NOTES TO INTERIM FINANCIAL STATEMENTS

A32 OPERATIONS OF ISLAMIC BANKING

	As at 31 December 2015 RM'000	As at 31 December 2014 RM'000
(c) Cash and short-term funds		
Current account with BNM and banks	21,117	161
Money at call and deposit placements with: Licensed investment banks	94,320	180,790
	115,437	180,951
(d) Financial assets held-for-trading		
At fair value		
Money market securities		
Malaysian Government Securities	78,576	-
(e) Financial investments available-for-sale		
At fair value		
Money market instruments:		
In Malaysia		
Bank Negara Malaysia Bills and Notes	-	49,839
Malaysian Government Investment Certificates	39,706	19,559
Sukuk Perumahan Kerajaan	9,996	9,902
Unquoted private debt securities:		
In Malaysia		
Islamic Corporate Bills	24,878	-
Islamic Corporate Bonds	120,050	150,340
	194,630	229,640
(f) Financial investments held-to-maturity		
At amortised cost		
Money market instruments:		
In Malaysia		
Islamic Corporate Bonds	5,001	5,003
(g) Financing and advances		
Commodity Murabahah Revolving Credit	14,122	8,051
Commodity Murabahah Term Financing	45,137	15,054
	59,259	23,105
Allowance for impairment:		
- collective impairment	(109)	(62)
	59,150	23,043
(i) Gross financing and advances analysed by type of customer are as follows:		
Domestic business enterprises:		
Others	59,259	23,105
(ii) Gross financing and advances analysed by geographical distribution are as follows:		
In Malaysia	59,259	23,105
(iii) Gross financing and advances analysed by profit sensitivity are as follows:		
Variable rate:		
Cost plus	59,259	23,105

NOTES TO INTERIM FINANCIAL STATEMENTS

A32 OPERATIONS OF ISLAMIC BANKING

	As at 31 December 2015 RM'000	As at 31 December 2014 RM'000
(g) Financing and advances (cont'd.)		
(iv) Gross financing and advances analysed by economic purpose are as follows:		
Purchase of securities	45,137	15,054
Working capital	14,122	8,051
	<u>59,259</u>	<u>23,105</u>
(v) Gross financing and advances analysed by residual contractual maturity are as follows:		
Within one year	<u>59,259</u>	<u>23,105</u>
(h) Deposits from customers		
(i) By type of deposit		
Mudharabah general investment deposits	-	50,000
Commodity murabahah deposits	272,367	1,207
Wadiah deposits	-	280,578
	<u>272,367</u>	<u>331,785</u>
(ii) By type of customer		
Business enterprises	<u>272,367</u>	<u>331,785</u>
(iii) By maturity structure		
Due within six months	<u>272,367</u>	<u>331,785</u>
(i) Capital adequacy		
(i) CET 1/Tier 1 Capital		
Islamic Banking funds	120,000	100,000
Retained Profits	5,248	779
Other reserves	105	2,666
Less: Deferred tax assets	(157)	-
Total CET 1/Tier 1 capital	<u>125,196</u>	<u>103,445</u>
(ii) Tier 2 Capital		
Collective allowance and regulatory reserve	711	62
Total Tier 2 capital	<u>711</u>	<u>62</u>
Total capital	<u>125,907</u>	<u>103,507</u>
CET 1 capital ratio	99.60%	106.18%
Tier 1 capital ratio	99.60%	106.18%
Total capital ratio	<u>100.17%</u>	<u>106.24%</u>

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

	31 December 2015		31 December 2014	
	RM'000	RM'000	RM'000	RM'000
	Principal	Risk-weighted	Principal	Risk-weighted
Credit risk	380,972	64,481	440,874	92,474
Market risk	-	52,041	-	-
Operational risk	-	9,172	5,284	4,954
Total RWA	<u>380,972</u>	<u>125,694</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 ("PBT") of RM18.2 million for the year ended 31 December 2015 ("FYE15") as compared to PBT of RM 41.8 million for the year ended 31 December 2014 ("FYE14").

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

Stockbroking:

Despite a difficult market condition, Stockbroking division registered a PBT of RM16.7 million compared to RM17.2 million in FYE14. Its market share improved from 8.96% to 9.26% and it is ranked number 3 for the year in terms of brokerage value.

Investment Banking:

Investment Banking registered a PBT of RM14.1 million in FYE15 (FYE14: PBT of RM31.5 million) mainly due to lower trading and investment banking fees income as a result of the soft capital market activities in FYE15.

Investment Management:

Investment management registered a loss before tax of RM6.2 million (FYE14: PBT of RM14.4 million). Included in the FYE14 income is an exceptional performance fees income of RM23.2 million from termination of a mandate in 2014. Excluding the RM23.2 million, FYE15 results has improved with lower loss of RM6.2 million compared to RM8.8 million last year. Its asset under management has improved from RM5.5 billion to RM6.4 billion year on year basis driven by higher retail sales.

Futures:

Futures segment performance has improved and delivered a PBT of RM5.7 million in FYE15 as compared to RM4.3 million in FYE14 due to higher exchange volume traded.

Money lending and financing:

This segment reported a PBT of RM9,000 in FYE15 compared to PBT of RM1 million in FYE14 due to lower financing activities resulting in lower fee income and interest income.

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

B2. Explanatory comments on any material change in profit before taxation (current quarter) as compared with the immediate preceding quarter

Variation of Results Against Preceding Quarter

The Group reported a pre-tax profit of RM22.2 million in the fourth quarter of 2015 as compared to a pre-tax loss of RM15.7 million in the previous quarter ended 30 September 2015. The pre-tax profit was largely due to the higher mark to market valuation of structured warrants and improvement in the investment banking fee income.

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, has turned into unrealised profit of RM1.4 million as the structured warrants moved nearer to expiry date. The actual gain or loss on the unexpired structured warrants will only be determined on expiry of the structured warrants.

B3. Prospects for 2016

Headwinds from rising US rates, slowing GDP growth in China, and a maturing credit cycle are likely to put pressure on the Malaysian economy in 2016. This is over and above the persisted economic challenges from 2015 of lower commodity prices, a weaker ringgit, the introduction of the goods and services tax and further subsidy-rationalisation by the government.

Looking ahead, the global economy is expected to gradually firm, but regional trends will not fully align as commodity markets will present a drag and on-going risk. Malaysia's economic growth prospects should be relatively steady, albeit growing at a moderate pace. Given the looming global economic uncertainty, weak domestic demand and constrained fiscal spending, GDP growth for 2016 is projected to grow between 4.0% to 5.0%. This would continue to create a challenging environment for the Malaysian financial sector bringing about greater volatility on domestic equity and bond markets.

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

	Individual Quarter 3 months ended 31 December 2015 RM'000	Cumulative Quarter 12 months ended 31 December 2015 RM'000
Current period/year - income tax and zakat	(5,133)	(8,746)
Deferred taxation	857	2,984
Total	(4,276)	(5,762)

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.

In addition, KIBB had on 3 February 2016, submitted an application to Bursa Malaysia Securities Berhad in relation to the Proposed Transfer of Listing Status of KNKH to 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).

B6. Status of Corporate Proposals (continued)

(c) Proposed acquisition of freehold land together with a nineteen (19)-storey office building

On 28 January 2016, the Company entered into a Conditional Sale and Purchase Agreement (“SPA”) with Tropicana Plaza Sdn. Bhd. (formerly known as Dijaya Plaza Sdn. Bhd.) to acquire all that piece of freehold land measuring approximately 3,674 square metres and held under Geran 74958, Lot 11672, Seksyen 67, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan KL together with a nineteen (19)-storey office building known as “Dijaya Plaza” with two (2) levels of basement containing three hundred and twenty-two (322) parking bays erected thereon and bearing the postal address of No. 237, Jalan Tun Razak, 50400 Kuala Lumpur for a total cash consideration of Ringgit Malaysia One Hundred and Forty Million (RM140,000,000) only subject to the terms and conditions as stipulated in the SPA. The Dijaya Plaza building will be used as the corporate office of the Group.

The proposed acquisition is pending the fulfilment of the terms and conditions of the agreement and is expected to complete by 31 May 2016.

NOTES TO INTERIM FINANCIAL STATEMENTS
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SECURITIES BERHAD (CONT'D.)

B7. Group Borrowings

		RM'000
Short term loan from financial institutions (unsecured)	Note 1	31,000
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 31 December 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 period/year.

B9. Earnings per share

The amount used as the numerator for the purposes of calculating the basic earnings per share for the financial year is RM12.2 million representing the profit for the financial year attributable to ordinary equity holders of the parent (30 December 2014: profit attributable to ordinary equity holders of parent: RM29.5 million).

The weighted average number of shares in issue during the financial year excluding the weighted average treasury shares held by the Company, used as the denominator in calculating the basic earnings per share for the financial year is 726,678,068 (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 31 December 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 related options	13,762	2,908
Dual currency investment options	1,588	2
<u>Liabilities</u>		
Equity related options	1,042,190	72,276
Dual currency investment options	1,588	2

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 related options	2,825	-
Dual currency investment options	4,310	44
<u>Liabilities</u>		
Equity related options	112,668	7,193
Dual currency investment options	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.)

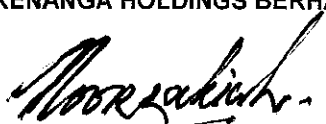
B11. Loss Arising From Fair Value Changes of Derivative Financial Instruments

The gain arising from fair value changes of derivative financial instruments for the current quarter amounted to RM24,037,000. 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 31 December 2015 RM'000	As at 31 December 2014 RM'000
Total (accumulated losses) / retained profits of Company and its subsidiaries:		
- Realised	(240,870)	(281,812)
- Unrealised	59,295	20,106
	(181,575)	(261,706)
Total share of (accumulated losses) / retained profits from associates		
- Realised	(1,499)	757
- Unrealised	(487)	(1,854)
	(1,986)	(1,097)
Add: Consolidation adjustments	172,327	275,433
Total group (accumulated losses)/retained profits as per consolidated accounts	(11,234)	12,630

By Order of the Board
K & N KENANGA HOLDINGS BERHAD



YM TENGKU DATO' PADUKA NOOR
ZAKIAH BTE TENGKU ISMAIL

Chairman