

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

Unaudited Condensed Interim Financial Statements
31 March 2016

**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2016
THE FIGURES HAVE NOT BEEN AUDITED.**

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

<u>Group</u>		As at 31 March 2016 RM'000	As at 31 December 2015 RM'000
	Note		
ASSETS			
Cash and bank balances		1,293,721	1,367,926
Financial assets held-for-trading	A9	311,881	338,573
Financial investments available-for-sale	A10	1,262,551	1,249,661
Financial investments held-to-maturity	A11	40,004	40,003
Derivative financial assets		2,348	2,910
Loans, advances and financing	A12	1,970,585	1,930,064
Balance due from clients and brokers		412,931	457,327
Assets segregated for customers		140,282	110,635
Other assets	A13	165,384	115,331
Statutory deposit with Bank Negara Malaysia ("BNM")		105,018	120,753
Tax recoverable		7,844	8,229
Investment in associates		57,334	66,838
Property, plant and equipment		63,215	35,698
Intangible assets		267,586	266,832
Deferred tax assets		6,174	10,025
TOTAL ASSETS		6,106,858	6,120,805
LIABILITIES			
Deposits from customers	A14	2,829,349	3,229,065
Deposits and placements of banks and other financial institutions	A15	776,925	575,159
Obligations on securities sold under repurchase agreements		175,836	95,310
Borrowings	A16	182,400	141,000
Balance due to clients and brokers		873,627	896,302
Amount held in trust		62,116	64,204
Other liabilities	A17	272,574	182,024
Provision for taxation and zakat		495	732
Derivative financial liabilities		61,236	72,278
TOTAL LIABILITIES		5,234,558	5,256,074

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

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

<u>Group</u>	As at 31 March 2016 RM'000	As at 31 December 2015 RM'000
SHAREHOLDERS' EQUITY		
Share capital	731,759	731,759
Share premium	75	75
Treasury shares	(6,604)	(6,604)
Accumulated losses	(3,765)	(11,234)
Regulatory reserve	22,442	22,111
Exchange reserve	14,873	21,653
Statutory reserve	94,623	94,623
Available-for-sale reserve	(13,263)	(19,553)
Capital reserve	22,152	22,152
	<u>862,292</u>	<u>854,982</u>
Non-controlling interests	10,008	9,749
Total equity	<u>872,300</u>	<u>864,731</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>6,106,858</u>	<u>6,120,805</u>
Net Assets Per Share (RM) *	<u>1.19</u>	<u>1.18</u>

* 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.

UNAUDITED COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	As at 31 March 2016 RM'000	As at 31 December 2015 RM'000
ASSETS		
Cash and bank balances	53,923	3,347
Financial assets held-for-trading	19,575	19,831
Other assets	16,904	67,726
Tax recoverable	2,519	2,471
Investment in subsidiaries	763,737	763,737
Investment in associates	1,187	1,187
Property, plant and equipment	2,724	2,325
Deferred tax assets	887	638
TOTAL ASSETS	861,456	861,262
LIABILITIES		
Other liabilities	8,193	7,409
Borrowings	110,000	110,000
TOTAL LIABILITIES	118,193	117,409
SHAREHOLDERS' EQUITY		
Share capital	731,759	731,759
Share premium	75	75
Treasury shares	(6,604)	(6,604)
Capital reserve	(49,800)	(49,800)
Retained profits	67,833	68,423
Total equity	743,263	743,853
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	861,456	861,262
Net Assets Per Share (RM)	1.03	1.03

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Group

	Individual Quarter		Cumulative Quarter		
	3 months ended 31 March 2016 RM'000	3 months ended 31 March 2015 RM'000	3 months ended 31 March 2016 RM'000	3 months ended 31 March 2015 RM'000	
	Note				
Interest income	A21	65,333	54,376	65,333	54,376
Interest expense	A22	(44,455)	(35,076)	(44,455)	(35,076)
Net interest income		20,878	19,300	20,878	19,300
Net income from Islamic banking business	A31	2,682	6,014	2,682	6,014
Other operating income	A23	81,459	77,280	81,459	77,280
Net income		105,019	102,594	105,019	102,594
Other operating expenses	A24	(93,806)	(92,593)	(93,806)	(92,593)
Operating profit		11,213	10,001	11,213	10,001
Write back of impairment on:					
- loans, advances and financing	A25	404	107	404	107
- balances due from clients and brokers and other receivables	A26	1,157	19	1,157	19
		12,774	10,127	12,774	10,127
Share of results in associates		(1,031)	(107)	(1,031)	(107)
Profit before taxation and zakat		11,743	10,020	11,743	10,020
Taxation and zakat		(3,683)	(3,621)	(3,683)	(3,621)
Profit for the financial period		8,060	6,399	8,060	6,399
Other comprehensive income:					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Share of other comprehensive (loss)/income of associates		(1,691)	1,040	(1,691)	1,040
Foreign exchange differences on consolidation		(6,780)	3,487	(6,780)	3,487
Net gain on fair value changes of financial investments available-for-sale		10,502	4,856	10,502	4,856
Income tax relating to the components of other comprehensive income		(2,521)	(1,214)	(2,521)	(1,214)
Other comprehensive (loss)/income for the financial period		(489)	8,169	(489)	8,169
Total comprehensive income		7,571	14,568	7,571	14,568

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Group

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March 2016 RM'000	3 months ended 31 March 2015 RM'000	3 months ended 31 March 2016 RM'000	3 months ended 31 March 2015 RM'000
Profit for the period attributable to				
- Equity holders of the parent	7,800	6,207	7,800	6,207
- Non-controlling interests	260	192	260	192
	<u>8,060</u>	<u>6,399</u>	<u>8,060</u>	<u>6,399</u>
Total comprehensive income for the period attributable to				
- Equity holders of the parent	7,311	14,376	7,311	14,376
- Non-controlling interests	260	192	260	192
	<u>7,571</u>	<u>14,568</u>	<u>7,571</u>	<u>14,568</u>
Earnings per share attributable to ordinary equity holders of the parent				
(i) Basic (based on weighted average number of ordinary shares 722,546,999 for the current quarter and cumulative quarter to date; 2015: 731,759,499 ordinary shares for the preceding quarter and cumulative quarter to date). (sen)	1.08	0.85	1.08	0.85
(ii) Fully diluted (sen)	<u>1.08</u>	<u>0.85</u>	<u>1.08</u>	<u>0.85</u>

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.

UNAUDITED COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March 2016 RM'000	3 months ended 31 March 2015 RM'000	3 months ended 31 March 2016 RM'000	3 months ended 31 March 2015 RM'000
Interest income	775	857	775	857
Interest expense	(1,302)	(1,186)	(1,302)	(1,186)
Net interest expense	(527)	(329)	(527)	(329)
Other operating income	7,487	12,386	7,487	12,386
Net income	6,960	12,057	6,960	12,057
Other operating expenses	(7,958)	(8,205)	(7,958)	(8,205)
(Loss)/Profit before taxation	(998)	3,852	(998)	3,852
Taxation	408	(158)	408	(158)
(Loss)/Profit for the financial period	(590)	3,694	(590)	3,694
(i) (Loss)/Profit for the period attributable to - Equity holders of the parent	(590)	3,694	(590)	3,694
	(590)	3,694	(590)	3,694
(a) (Loss)/Earnings per share attributable to ordinary equity holders of the parent				
(i) Basic (based on weighted average number of ordinary shares 722,546,999 for the current quarter and cumulative quarter to date; 2015: 731,759,499 ordinary shares for the preceeding quarter and cumulative quarter to date). (sen)	(0.08)	0.50	(0.08)	0.50
(ii) Fully diluted (sen)	(0.08)	0.50	(0.08)	0.50

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.

**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2016**

	Group		Company	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Cash flows from operating activities				
Profit/(Loss) before taxation				
- Continuing operations	11,743	10,020	(998)	3,852
Adjustments for non operating and non cash items	(84,097)	(35,351)	946	(451)
Operating (loss)/profit before changes in working capital	<u>(72,354)</u>	<u>(25,331)</u>	<u>(52)</u>	<u>3,401</u>
Net changes in operating assets	(11,728)	(566,647)	50,836	(4,559)
Net changes in operating liabilities	(50,588)	572,685	930	(141)
Cash (used in)/generated from operations	<u>(134,670)</u>	<u>(19,293)</u>	<u>51,714</u>	<u>(1,299)</u>
Net dividends received	-	-	-	1,593
Interest received	52,241	7,586	775	1
Net tax paid	(2,215)	(3,621)	(48)	-
Net operating cash flow	<u>(84,644)</u>	<u>(15,328)</u>	<u>52,441</u>	<u>295</u>
Net investing cash flow	20,792	215,116	(563)	(1,902)
Net financing cash flow	39,543	(38,948)	(1,302)	(1,186)
Net change in cash and cash equivalents during the financial period	<u>(24,309)</u>	<u>160,840</u>	<u>50,576</u>	<u>(2,793)</u>
Cash and cash equivalents brought forward	958,803	571,674	3,347	9,760
Cash and cash equivalents carried forward	<u>934,494</u>	<u>732,514</u>	<u>53,923</u>	<u>6,967</u>
Cash and cash equivalents comprise the following:				
Non trust cash and short term funds	<u>934,494</u>	<u>732,514</u>	<u>53,923</u>	<u>6,967</u>

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2016**

Group	-----Attributable to Equity Holders of the Company-----										Total Equity RM'000
	-----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	Accumulated Losses RM'000	Treasury Shares RM'000	Non- Controlling Interests RM'000	
As at 1 January 2016	731,759	75	21,653	22,152	(19,553)	94,623	22,111	(11,234)	(6,604)	9,749	864,731
Total comprehensive (loss)/income for the financial period	-	-	(6,780)	-	7,981	-	-	7,800	-	259	9,260
Share of an associates' other comprehensive loss	-	-	-	-	(1,691)	-	-	-	-	-	(1,691)
Transfer to regulatory reserve *	-	-	-	-	-	-	331	(331)	-	-	-
As at 31 March 2016	731,759	75	14,873	22,152	(13,263)	94,623	22,442	(3,765)	(6,604)	10,008	872,300

* 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.

K & N KENANGA HOLDINGS BERHAD (302859-X)

(Incorporated in Malaysia)

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

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

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.

K & N KENANGA HOLDINGS BERHAD (302859-X)

(Incorporated in Malaysia)

**UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2016**

	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 2016	731,759	75	(49,800)	68,423	(6,604)	743,853
Comprehensive loss for the financial period	-	-	-	(590)	-	(590)
As at 31 March 2016	<u>731,759</u>	<u>75</u>	<u>(49,800)</u>	<u>67,833</u>	<u>(6,604)</u>	<u>743,263</u>

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.

K & N KENANGA HOLDINGS BERHAD (302859-X)

(Incorporated in Malaysia)

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

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

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.

NOTES TO INTERIM FINANCIAL STATEMENTS

A1. Basis of Preparation

The interim financial statements, for the first quarter ended 31 March 2016, 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 2015.

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 2015. 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 2015.

A3. Preceding financial year audit report

The preceding financial year audit report in respect of the financial year ended 31 December 2015 was not qualified by the external auditors.

A4. Seasonal or Cyclical Factors

The Group's performance was mainly dependent on Bursa Malaysia market volume and value which in turn was affected by market sentiment and the country's macro economic cycles.

A5. Nature and amounts in relation to assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence

There were no exceptional items affecting assets, liabilities, equity, net income or cash flows.

A6. Changes in the nature and amount of estimated figures reported in prior interim periods and or financial years

There were no changes made to the estimated figures reported in prior interim period.

A7. Issuance, cancellation, repurchases, resale and repayments of debt and equity securities

There were no issuance, cancellation, repurchases, resale and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the first quarter ended 31 March 2016.

A8. Dividends paid per share

No dividend was paid during the three months ended 31 March 2016.

NOTES TO INTERIM FINANCIAL STATEMENTS

	31 March 2016	31 December 2015
	RM' 000	RM' 000
A9 Financial assets held-for-trading		
At Fair Value		
Money Market Instruments:		
Malaysian Government Securities	30,153	-
Malaysian Government Investment Certificates	50,658	57,373
	<u>80,811</u>	<u>57,373</u>
Quoted securities:		
Shares and Unit Trust Funds in Malaysia	167,146	231,311
	<u>167,146</u>	<u>231,311</u>
Unquoted securities:		
Corporate Bills	53,865	-
Islamic Corporate Bonds	10,059	49,889
	<u>63,924</u>	<u>49,889</u>
Total financial assets held-for-trading	<u>311,881</u>	<u>338,573</u>
A10 Financial investments available-for-sale		
At Fair Value, or amortised cost		
Money Market instruments:		
Islamic Negotiable Instruments	119,755	-
Malaysian Government Securities	29,666	131,390
Malaysian Government Investment Certificates	289,844	244,556
Bank Negara Malaysia Monetary Notes	-	39,706
Sukuk Perumahan Kerajaan	10,077	9,996
	<u>449,342</u>	<u>425,648</u>
Unquoted securities:		
Shares in Malaysia	490	490
	<u>490</u>	<u>490</u>
Unquoted private debt securities:		
Islamic Corporate Bonds	557,980	120,050
Islamic Corporate Bills	24,993	24,878
Corporate Bonds	204,753	653,717
Corporate Bills	24,993	24,878
	<u>812,719</u>	<u>823,523</u>
Total financial investments available-for-sale	<u>1,262,551</u>	<u>1,249,661</u>
A11 Financial investments held-to maturity		
At Amortised Cost		
Unquoted private debt securities:		
Islamic Corporate Bonds	5,002	5,001
Corporate Bonds	35,002	35,002
Total financial investments held-to-maturity	<u>40,004</u>	<u>40,003</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

	31 March 2016 RM' 000	31 December 2015 RM' 000
A12 Loans, advances and financing		
Term loans	460,343	424,484
Share margin financing	1,399,273	1,399,394
Other financing	112,614	107,724
Gross loans, advances and financing	<u>1,972,230</u>	<u>1,931,602</u>
Allowances for impairment on loans, advances and financing:		
- Individual allowance	(1,441)	(1,395)
- Collective allowance	(204)	(143)
Net loans, advances and financing	<u>1,970,585</u>	<u>1,930,064</u>
(i) By type of customer		
Domestic operations:		
Domestic business enterprise - others	911,696	896,820
Individuals	1,027,766	1,002,660
Foreign entities	32,768	32,122
Gross loans, advances and financing	<u>1,972,230</u>	<u>1,931,602</u>
(ii) By geographical distribution		
In Malaysia	1,937,089	1,898,570
Outside Malaysia	35,141	33,032
Gross loans, advances and financing	<u>1,972,230</u>	<u>1,931,602</u>
(iii) By interest/profit rate sensitivity		
Fixed rate		
- Other fixed rate loans/financing	1,523,937	1,519,169
Variable rate		
- Cost plus	359,194	317,198
- Other variable rates	89,099	95,235
Gross loans, advances and financing	<u>1,972,230</u>	<u>1,931,602</u>
(iv) Total loans by economic purpose		
Domestic operations:		
Purchase of securities	1,599,452	1,598,274
Working capital	140,382	98,490
Others	232,396	234,838
Gross loans, advances and financing	<u>1,972,230</u>	<u>1,931,602</u>
(v) By maturity structure		
Within one year	1,357,208	1,643,632
More than one year	615,022	287,970
Gross loans, advances and financing	<u>1,972,230</u>	<u>1,931,602</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

	31 March 2016	31 December 2015
	RM' 000	RM' 000
A12 Loans, advances and financing (cont'd)		
(vi) Movement in impaired loans, advances and financing ("Impaired loans") are as follows:		
At beginning of the period	7,942	2,790
Impaired during the period	300	6,157
At end of the period	<u>8,242</u>	<u>7,942</u>
Individual allowance	(1,441)	(1,395)
Net impaired loans, advances and financing	<u>6,801</u>	<u>6,547</u>
Net impaired loans as a % of gross loans, advances and financing less individual allowance	<u>0.35%</u>	<u>0.34%</u>
(vii) Impaired loans by geographical distribution		
In Malaysia	<u>8,242</u>	<u>7,942</u>
(viii) Impaired loans by economic purpose		
Domestic operations:		
Working capital	6,243	5,986
Purchase of securities	1,999	1,956
	<u>8,242</u>	<u>7,942</u>
(ix) Movement in individual allowance for loans, advances and financing are as follows:		
<u>Individual allowance</u>		
At beginning of the period	1,395	1,725
Allowance made during the period	46	259
Amount written back in respect of recoveries	-	(589)
At end of the period	<u>1,441</u>	<u>1,395</u>
(x) Movement in collective allowance for loans, advances and financing are as follows:		
<u>Collective allowance</u>		
At beginning of the period	143	166
Allowance made during the period	69	32
Amount written back	(8)	(55)
At end of the period	<u>204</u>	<u>143</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	16,012	15,181
Prepayments and deposits	19,312	18,119
Treasury trade receivables	100,864	9,585
Other debtors	33,182	77,112
	<u>169,370</u>	<u>119,997</u>
Allowance for impairment	(3,986)	(4,666)
	<u>165,384</u>	<u>115,331</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

	31 March 2016	31 December 2015
	RM' 000	RM' 000
A14 Deposits from customers		
Fixed deposits and negotiable instruments of deposit		
- Due within six months	2,579,987	3,213,115
- Six months to one year	249,362	15,950
	2,829,349	3,229,065
By type of customers:		
Business enterprise	661,523	680,073
Domestic non-bank financial institutions	1,660,496	2,208,881
Individuals	108,626	77,320
Government and statutory bodies	398,704	262,791
	2,829,349	3,229,065
A15 Deposits and placement of banks and other financial institutions		
Licensed banks	360,000	140,000
Other financial institutions	416,925	435,159
	776,925	575,159
A16 Borrowings		
Medium Term Notes	110,000	110,000
Revolving bank loan	72,400	31,000
	182,400	141,000
A17 Other liabilities		
Interest/Profit payable	12,574	11,087
Provision and accruals	63,223	54,662
Retention for Contra Losses	602	602
Hire purchase creditors	19	28
Treasury trade payables	134,472	49,818
Deposits and other creditors	61,684	65,827
	272,574	182,024
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	1,456,788	1,400,821
- term loan	5,000	-
- foreign exchange related contracts	133,674	123,114
- equity related contracts	50,414	35,350
Commitments to extend credit with maturity of more than 1 year :-		
- term loan	739	7,249
Miscellaneous commitments	652,989	597,665
	2,299,604	2,164,199

NOTES TO INTERIM FINANCIAL STATEMENTS

	Group		Company	
	31 March 2016 RM' 000	31 December 2015 RM' 000	31 March 2016 RM' 000	31 December 2015 RM' 000
A19 Other Commitments				
Capital expenditure commitments	135,039	5,347	-	-
Operating lease arrangements	42,289	40,512	-	-
Corporate guarantee provided by the Company for subsidiary companies for credit facilities granted by licensed banks.	-	-	333,000	333,000
Corporate guarantee provided by the Company for a subsidiary company to a counter party against cash collateral.	-	-	60,000	60,000
	<u>177,328</u>	<u>45,859</u>	<u>393,000</u>	<u>393,000</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

A20 Capital Adequacy

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

The capital adequacy ratios of KIBB are as follows:

	31 March 2016	31 December 2015
	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	(48,224)	(47,895)
Other reserves	112,259	103,948
Less: Regulatory adjustments applied on CET 1 capital		
Deferred tax assets	(3,824)	(7,758)
Goodwill	(252,909)	(252,909)
Other intangibles	(52,500)	(52,500)
Regulatory reserve attributable to loans/financing	(22,442)	(22,111)
Deduction in excess of Tier 2 *	(102,943)	(104,990)
Total CET 1/Tier 1 Capital	464,917	451,285
<u>Tier 2 Capital</u>		
Collective impairment allowance and regulatory reserves	13,153	11,105
Less: Regulatory adjustments applied on Tier 2 capital	(13,153)	(11,105)
Total Tier 2 capital	-	-
Total capital	464,917	451,285
CET 1 Capital ratio	28.98%	28.36%
Tier 1 Capital ratio	28.98%	28.36%
Total Capital ratio	28.98%	28.36%

* 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 March 2016		31 December 2015	
	Notional amount	Risk-weighted amount	Notional amount	Risk-weighted amount
	RM'000	RM'000	RM'000	RM'000
Credit Risk	4,143,503	1,052,208	3,906,967	888,384
Market Risk	-	102,068	-	264,206
Operational Risk	-	450,028	-	438,746
Total Risk Weighted Assets	4,143,503	1,604,304	3,906,967	1,591,336

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

NOTES TO INTERIM FINANCIAL STATEMENTS

	Individual Quarter		Cumulative Quarter	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
A21 Interest Income				
Loans, advances and financing	35,125	31,817	35,125	31,817
Money at call and deposit placements with financial institutions	12,930	5,067	12,930	5,067
Financial assets held-for-trading	380	1,716	380	1,716
Financial investments available-for-sale	14,353	10,880	14,353	10,880
Financial investments held-to-maturity	554	121	554	121
Others	1,991	4,775	1,991	4,775
	65,333	54,376	65,333	54,376
A22 Interest Expense				
Deposits from customers	40,189	32,523	40,189	32,523
Deposits and placement of banks and other financial institutions	2,418	704	2,418	704
Revolving bank loan	546	663	546	663
Medium Term Notes	1,302	1,186	1,302	1,186
	44,455	35,076	44,455	35,076
A23 Other Operating Income				
(a) Fee income:				
Brokerage income	40,539	46,110	40,539	46,110
Commissions	4,025	4,061	4,025	4,061
Loans, advances and financing	819	1,841	819	1,841
Corporate advisory	2,877	2,381	2,877	2,381
Placement fees	2,007	898	2,007	898
Underwriting fees	-	218	-	218
Management fee income	8,853	6,776	8,853	6,776
Other fee income	2,370	2,621	2,370	2,621
	61,490	64,906	61,490	64,906
(b) Gain arising from sale of securities:				
Net gain from sale of financial assets held-for-trading and derivatives	34,537	10,859	34,537	10,859
Net gain from sale of financial investments available-for-sale	4,923	724	4,923	724
	39,460	11,583	39,460	11,583
(c) Gross dividend from:				
Securities portfolio	349	2,428	349	2,428
(d) Unrealised loss on revaluation of financial assets held-for-trading and derivatives	(21,641)	(3,178)	(21,641)	(3,178)
	(21,641)	(3,178)	(21,641)	(3,178)
(e) Other income:				
Foreign exchange profit	1,021	989	1,021	989
Gain on disposal of property, plant and equipment	-	-	-	-
Others	780	552	780	552
	1,801	1,541	1,801	1,541
Total non-interest income	81,459	77,280	81,459	77,280

NOTES TO INTERIM FINANCIAL STATEMENTS

	Individual Quarter		Cumulative Quarter	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
A24 Other operating expenses				
Personnel costs	36,651	37,646	36,651	37,646
- Salaries, allowances and bonuses	29,292	30,158	29,292	30,158
- EPF	3,527	3,738	3,527	3,738
- Others	3,832	3,750	3,832	3,750
Establishment costs	14,602	11,918	14,602	11,918
- Depreciation and amortisation of software	3,236	2,466	3,236	2,466
- Rental of leasehold land and premises	5,930	5,881	5,930	5,881
- Repairs and maintenance of property, plant and equipment	711	639	711	639
- Information technology expenses	3,436	2,148	3,436	2,148
- Others	1,289	784	1,289	784
Marketing expenses	2,995	3,249	2,995	3,249
- Advertisement and publicity	2,062	1,727	2,062	1,727
- Others	933	1,522	933	1,522
Administration and general expenses	39,558	39,780	39,558	39,780
- Fees and brokerage	26,889	26,373	26,889	26,373
- Administrative expenses	12,669	13,407	12,669	13,407
	93,806	92,593	93,806	92,593
A25 Write back of/(allowance for) impairment on loans, advances and financing:				
Allowances for loans, advances and financing:				
- collective allowance (net)	(61)	(17)	(61)	(17)
- individual allowance (net)	(46)	72	(46)	72
Bad debts and financing recovered	511	52	511	52
	404	107	404	107
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)	1,127	16	1,127	16
Bad debts and financing recovered	30	3	30	3
	1,157	19	1,157	19

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.

NOTES TO INTERIM FINANCIAL STATEMENTS

A27 Segmental reporting (cont'd.)

31 March 2016	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	56,728	72,191	7,966	2,751	8,862	3,625	-	152,123
Inter-segment sales	908	47	381	-	318	8,502	(10,156)	-
Total revenue	57,636	72,238	8,347	2,751	9,180	12,127	(10,156)	152,123
Result								
Net income	16,280	68,830	6,210	1,022	9,481	12,196	(9,000)	105,019
Other operating expenses	(10,796)	(59,580)	(4,869)	(1,142)	(11,032)	(15,237)	8,850	(93,806)
(Allowance for)/write back of impairment on loans, advances and financing	(108)	58	-	-	-	407	47	404
Write back of impairment on balances due from clients and brokers and other receivables	697	446	-	-	-	14	-	1,157
Share of results in associates	-	-	-	-	-	(1,031)	-	(1,031)
Profit/(loss) before taxation and zakat	6,073	9,754	1,341	(120)	(1,551)	(3,651)	(103)	11,743
Taxation and zakat								(3,683)
Net profit for the financial period								8,060

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	-	-	-	-	57,334	-	57,334
Addition to non-current assets	28,143	1,046	602	115	562	-	30,468
Segment assets	5,492,555	593,630	143,301	70,335	873,514	(1,066,477)	6,106,858
Liabilities							
Segment liabilities	4,582,412	556,562	132,867	34,105	121,758	(193,146)	5,234,558

NOTES TO INTERIM FINANCIAL STATEMENTS

A27 Segmental reporting (cont'd.)

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

NOTES TO INTERIM FINANCIAL STATEMENTS

A27 Segmental reporting (cont'd.)

	-----Continued Operations-----						
	Investment banking and stock broking RM'000	Futures RM'000	Money Lending and financing RM'000	Investment Management RM'000	Corporate and others RM'000	Eliminations/ Adjustments RM'000	Total RM'000
Assets							
Investment in associates	-	-	-	-	63,642	-	63,642
Addition to non-current assets	990	-	-	296	784	-	2,070
Segment assets	5,818,071	423,088	149,571	59,396	879,706	(1,047,402)	6,282,430
Liabilities							
Segment liabilities	4,926,261	390,554	139,715	17,154	112,515	(181,511)	5,404,688

NOTES TO INTERIM FINANCIAL STATEMENTS

A28 Revaluation of property, plant and equipment

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

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 were no material events subsequent to the end of the interim period that have not been reflected in the current 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.

31 March 2016

	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	-	144,735	-	144,735
- Equity securities and unit trusts	156,430	10,716	-	167,146
Financial investments available-for-sale #				
- Debt securities	-	1,142,306	-	1,142,306
- Islamic Negotiable Instruments	-	119,755	-	119,755
Derivative financial assets	-	2,348	-	2,348
Financial assets for which fair values are disclosed				
Financial instruments held-to-maturity	-	40,122	-	40,122
Loans, advances and financing	-	-	1,923,342	1,923,342
	156,430	1,459,982	1,923,342	3,539,754
Financial liabilities measured at fair value				
Derivatives financial liabilities	10,251	50,985	-	61,236
Obligations on securities sold under repurchase agreements	-	175,836	-	175,836
Borrowings	-	182,400	-	182,400
	10,251	409,221	-	419,472

A30 Fair value of financial instruments (continued)

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

Excludes unquoted securities stated at cost of RM490,000 (2015: RM490,000)

NOTES TO INTERIM FINANCIAL STATEMENTS

A31 OPERATIONS OF ISLAMIC BANKING

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

**(a) UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016**

	Note	As at 31 March 2016 RM '000	As at 31 December 2015 RM '000
ASSETS			
Cash and bank balances	(c)	97,700	115,437
Financial assets held-for-trading	(d)	40,662	78,576
Financial investments available-for-sale	(e)	311,943	194,630
Financial investments held-to-maturity	(f)	5,002	5,001
Financing and Advances	(g)	65,242	59,150
Other assets		23,633	1,730
Property, plant and equipment		178	14
Deferred tax assets		-	157
TOTAL ASSETS		544,360	454,695
LIABILITIES			
Islamic deposits from customers	(h)	369,938	272,367
Balance due from clients and brokers		1	-
Other liabilities		42,571	55,012
Deferred tax liabilities		343	-
Provision for taxation and zakat		3,097	1,963
TOTAL LIABILITIES		415,950	329,342
ISLAMIC BANKING CAPITAL FUNDS			
Islamic banking funds		120,000	120,000
Reserves		8,410	5,353
TOTAL ISLAMIC BANKING CAPITAL FUNDS		128,410	125,353
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS		544,360	454,695

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.

NOTES TO INTERIM FINANCIAL STATEMENTS

A31 OPERATIONS OF ISLAMIC BANKING

**(b) UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2016**

	Individual Quarter		Cumulative Quarter	
	3 months ended 31 March 2016 RM'000	3 months ended 31 March 2015 RM'000	3 months ended 31 March 2016 RM'000	3 months ended 31 March 2015 RM'000
Income derived from investment of depositors' funds	5,380	2,428	5,380	2,428
Income derived from investment of shareholders' funds	1,917	6,959	1,917	6,959
Impairment allowances on financing	(47)	-	(47)	-
Total attributable income	7,250	9,387	7,250	9,387
Profit distributed to depositors	(4,359)	(3,373)	(4,359)	(3,373)
Net income	2,891	6,014	2,891	6,014
Finance cost	(256)	-	(256)	-
Personnel expenses	(135)	(184)	(135)	(184)
Other overhead expenses	(530)	(397)	(530)	(397)
Profit before taxation and zakat	1,970	5,433	1,970	5,433
Taxation	(498)	(1,385)	(498)	(1,385)
Profit for the financial period	1,472	4,048	1,472	4,048

For consolidation with the conventional banking operations, income from Islamic Banking Window as shown on the face of the consolidated statements of profit or loss, comprise the following items:

Income derived from investment of depositors' funds	5,380	2,428	5,380	2,428
Income derived from investment of shareholders' funds	1,917	6,959	1,917	6,959
Total income before impairment allowance on financing and overhead expenses	7,297	9,387	7,297	9,387
Profit distributed to depositors	(4,359)	(3,373)	(4,359)	(3,373)
Finance cost	(256)	-	(256)	-
Income from Islamic Banking Window operations reported in the statement of profit or loss of the Group	2,682	6,014	2,682	6,014

The condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2015.

NOTES TO INTERIM FINANCIAL STATEMENTS

A31 OPERATIONS OF ISLAMIC BANKING

	As at 31 March 2016 RM'000	As at 31 December 2015 RM'000
(c) Cash and bank balances		
Current account with BNM and banks	78	21,117
Money at call and deposit placements with: Licensed investment banks	97,622	94,320
	97,700	115,437
(d) Financial assets held-for-trading		
At fair value		
Money market securities:		
Malaysian Government Securities	30,603	78,576
Unquoted securities:		
Islamic Corporate Bonds	10,059	-
	40,662	78,576
(e) Financial investments available-for-sale		
At fair value		
Money market instruments:		
Malaysian Government Investment Certificates	40,734	39,706
Islamic Negotiable instruments	119,755	-
Sukuk Perumahan Kerajaan	10,077	9,996
Unquoted private debt securities:		
Islamic Corporate Bills	24,994	-
Islamic Corporate Bonds	116,383	120,050
	311,943	169,752
(f) Financial investments held-to-maturity		
At amortised cost		
Money market instruments:		
Islamic Corporate Bonds	5,002	5,001
(g) Financing and advances		
Commodity Murabahah Revolving Credit		
- Shariah contract - others	20,263	14,122
Commodity Murabahah Term Financing		
- Shariah contract - others	45,135	45,137
	65,398	59,259
Allowance for impairment:		
- collective impairment	(156)	(109)
	65,242	59,150

NOTES TO INTERIM FINANCIAL STATEMENTS

A31 OPERATIONS OF ISLAMIC BANKING

	As at 31 March 2016 RM'000	As at 31 December 2015 RM'000
(g) Financing and advances (cont'd.)		
(i) Gross financing and advances analysed by type of customer are as follows:		
Domestic business enterprises:		
- Others	20,263	-
Individual	45,135	59,259
	<u>65,398</u>	<u>59,259</u>
(ii) Gross financing and advances analysed by geographical distribution are as follows:		
In Malaysia	<u>65,398</u>	<u>59,259</u>
(iii) Gross financing and advances analysed by profit sensitivity are as follows:		
Variable rate:		
Cost plus	<u>65,398</u>	<u>59,259</u>
(iv) Gross financing and advances analysed by economic purpose are as follows:		
Purchase of securities	45,135	45,137
Working capital	20,263	14,122
	<u>65,398</u>	<u>59,259</u>
(v) Gross financing and advances analysed by residual contractual maturity are as follows:		
Within one year	<u>65,398</u>	<u>59,259</u>
(h) Deposits from customers		
(i) By type of deposit		
Term deposits		
- Tawarruq (Commodity Murabahah deposits)	<u>369,938</u>	<u>272,367</u>
(ii) By type of customer		
Business enterprises	<u>369,938</u>	<u>272,367</u>
(iii) By maturity structure		
Due within six months	<u>369,938</u>	<u>272,367</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

A31 OPERATIONS OF ISLAMIC BANKING

	As at 31 March 2016 RM'000	As at 31 December 2015 RM'000
(i) Capital adequacy		
CET 1/Tier 1 Capital		
Islamic Banking funds	120,000	120,000
Retained Profits	7,008	5,248
Other reserves	1,717	105
Less: Regulatory reserves	(629)	-
Less: Deferred tax assets	(598)	(157)
Total CET 1/Tier 1 capital	<u>127,498</u>	<u>125,196</u>
Tier 2 Capital		
Collective impairment provision and regulatory reserves	<u>785</u>	<u>711</u>
Total Tier 2 capital	<u>785</u>	<u>711</u>
Total capital	<u>128,283</u>	<u>125,907</u>
CET 1 capital ratio	121.90%	99.60%
Tier 1 capital ratio	121.90%	99.60%
Total capital ratio	<u>122.65%</u>	<u>100.17%</u>

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

	31 March 2016		31 December 2015	
	RM'000	RM'000	RM'000	RM'000
	Principal	Risk-weighted	Principal	Risk-weighted
Credit risk	458,150	93,750	380,972	64,481
Market risk	-	-	-	52,041
Operational risk	-	10,840	-	9,172
Total RWA	<u>458,150</u>	<u>104,590</u>	<u>380,972</u>	<u>125,694</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 RM11.7 million for the period ended 31 March 2016 ("1Q16") as compared to PBT of RM10 million for the period ended 31 March 2015 ("1Q15").

The performance of the Group's respective operating business segments were analysed as follow:

Stockbroking:

Stockbroking registered PBT of RM9.8 million (1Q15: PBT of RM5.6 million) mainly due to higher trading and investment income from index and equity derivatives activities of RM13.4 million negated by lower brokerage fee income.

The decline in brokerage fee income was due to lower trading value on the Bursa Malaysia stock exchange which recorded RM248.3 billion for 1Q16 compared to RM256.9 billion in the corresponding period of 2015.

Investment Banking:

Investment Banking registered a lower PBT of RM6.1 million in 1Q16 (1Q15: PBT of RM8.2 million) mainly due to lower net interest income generated as a result of higher funding cost in 1Q16.

Investment Management:

Investment management registered a lower loss before tax ("LBT") of RM1.6 million (1Q15: LBT of RM2.1 million) as a result of higher management fee income contributed by retail channel in 1Q16.

Futures:

Futures segment performance has improved and delivered a PBT of RM1.3 million in 1Q16 as compared to RM1.1 million in 1Q15 mainly due to higher interest income earned.

Money lending and financing:

The money lending and financing segment has reported a LBT of RM120,000 in 1Q16 compared to LBT of RM176,000 in 1Q15. The improvement was mainly due to lower borrowing amount and the borrowing rate which consequently reduced the financing costs.

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 RM11.7 million in the 1Q16 as compared to a pre-tax profit of RM22.2 million in the previous quarter ended 31 December 2015. The pre-tax profit declined due to lower trading and investment banking income and mark to market valuation of financial derivatives.

B3. Prospects for 2016

The global economy may see some improvement following the outcome of various measures by both developed and developing countries to prop up growth in their respective countries. Positive factors such as less aggressive interest rate hike in US, improved Brent Crude Oil prices as well as improved foreign funds inflow and domestic liquidity resulted in Ringgit strengthening against US Dollar. These factors are also expected to partly contribute to recovery in the domestic economy beginning in second half of 2016 or early 2017. For the whole of 2016, Malaysia's GDP growth is projected to moderate further to 4.5% from the 5.0% recorded in 2015.

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.

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

B5. Taxation and zakat

	Individual Quarter 3 months ended 31 March 2016 RM'000	Cumulative Quarter 3 months ended 31 March 2016 RM'000
Current period - income tax and zakat	(2,353)	(2,353)
Deferred taxation	(1,330)	(1,330)
Total	<u>(3,683)</u>	<u>(3,683)</u>

B6. Status of Corporate Proposals

(a) 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).

NOTES TO INTERIM FINANCIAL STATEMENTS

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

B6. Status of Corporate Proposals (continued)

(b) 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.

On 11 April 2016, all conditions precedent as stipulated in the SPA had been met. Pursuant to that, the proposed acquisition shall be completed within two (2) months from the Unconditional Date, in accordance to the terms and conditions of the Agreement.

(c) Proposed Joint Venture

On 8 April 2016, the Company announced that KIBB, a wholly-owned subsidiary of the Company has entered into a Subscription Agreement and a Joint Venture Agreement with Rakuten Securities, Inc. ("Rakuten") and EB Global JV Sdn. Bhd. (formerly known as ECML Nominees (Asing) Sdn. Bhd.) ("EB Global JV"), a wholly-owned subsidiary of KIBB, to jointly collaborate in providing online brokerage services through the JV Company, subject to the relevant regulatory approvals being obtained.

Arising from the Subscription Agreement, EB Global JV has on 8 April 2016 increased its issued and paid-up share capital from RM2.00 divided into 2 ordinary shares of RM1.00 each to RM2,000,000.00 divided into 2,000,000 ordinary shares of RM1.00 each with the issuance of 1,999,998 new ordinary shares of RM1.00 each, to KIBB and Rakuten resulting in both parties having 50% shareholding in EB Global JV.

In view of the above, KIBB's shareholding in EB Global JV has been diluted from 100% to 50% and hence, EB Global JV has ceased to be a subsidiary of KIBB and an indirect subsidiary of the Company with effect from 8 April 2016.

**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

		RM'000
Short term loan from financial institutions (unsecured)	Note 1	72,400
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 March 2016.

<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.

B9. Earnings per share

The amount used as the numerator for the purposes of calculating the basic earnings per share for the financial period is RM7.8 million representing the profit for the financial period attributable to ordinary equity holders of the parent (31 March 2015: RM6.2 million).

The weighted average number of shares in issue during the financial period excluding the weighted average treasury shares held by the Company, used as the denominator in calculating the basic earnings per share for the financial period is 722,546,999 (31 December 2015: 726,678,068).

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 March 2016, 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	13,025	2,345
Dual currency investment options	679	3
<u>Liabilities</u>		
Equity related options	488,420	61,233
Dual currency investment options	679	3

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

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

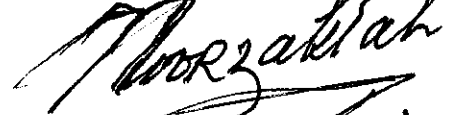
The loss arising from fair value changes of derivative financial instruments for the current quarter amounted to RM11,602,000. This is arrived at based on the fluctuation in the market prices of the derivative financial instruments or underlying assets which are listed on Bursa Malaysia.

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

	As at 31 March 2016 RM'000	As at 31 December 2015 RM'000
Total (accumulated losses) / retained profits of Company and its subsidiaries:		
- Realised	(227,476)	(240,870)
- Unrealised	54,702	59,295
	(172,774)	(181,575)
Total share of accumulated losses from associates		
- Realised	(475)	(1,499)
- Unrealised	(556)	(487)
	(1,031)	(1,986)
Add: Consolidation adjustments	170,040	172,327
Total group accumulated losses as per consolidated accounts	(3,765)	(11,234)

By Order of the Board

K & N KENANGA HOLDINGS BERHAD



YM TENGKU DATO' PADUKA NOOR
ZAKIAH BTE TENGKU ISMAIL
Chairman