

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

**Unaudited Condensed Interim Financial Statements**  
**30 June 2016**

**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2016  
THE FIGURES HAVE NOT BEEN AUDITED.**

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016**

<u>Group</u>		<b>As at 30 June 2016 RM'000</b>	<b>As at 31 December 2015 RM'000</b>
	<b>Note</b>		
<b>ASSETS</b>			
Cash and bank balances		982,704	1,367,926
Financial assets held-for-trading	<b>A9</b>	334,053	338,573
Financial investments available-for-sale	<b>A10</b>	1,489,903	1,249,661
Financial investments held-to-maturity	<b>A11</b>	40,004	40,003
Derivative financial assets		4,556	2,910
Loans, advances and financing	<b>A12</b>	2,109,070	1,930,064
Balance due from clients and brokers		404,217	457,327
Assets segregated for customers		82,315	110,635
Other assets	<b>A13</b>	652,083	115,331
Statutory deposit with Bank Negara Malaysia ("BNM")		109,660	120,753
Tax recoverable		6,443	8,229
Investment in associates and joint venture		61,301	66,838
Property, plant and equipment		193,844	35,698
Intangible assets		267,361	266,832
Deferred tax assets		5,856	10,025
<b>TOTAL ASSETS</b>		<b>6,743,370</b>	<b>6,120,805</b>
<b>LIABILITIES</b>			
Deposits from customers	<b>A14</b>	3,741,171	3,229,065
Deposits and placements of banks and other financial institutions	<b>A15</b>	597,881	575,159
Obligations on securities sold under repurchase agreements		146,158	95,310
Borrowings	<b>A16</b>	212,000	141,000
Balance due to clients and brokers		753,905	896,302
Amount held in trust		60,000	64,204
Other liabilities	<b>A17</b>	296,135	182,024
Provision for taxation and zakat		523	732
Derivative financial liabilities		53,117	72,278
<b>TOTAL LIABILITIES</b>		<b>5,860,890</b>	<b>5,256,074</b>

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

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016**

<u>Group</u>	<b>As at 30 June 2016 RM'000</b>	<b>As at 31 December 2015 RM'000</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	731,759	731,759
Share premium	75	75
Treasury shares	(6,604)	(6,604)
Accumulated losses	(949)	(11,234)
Regulatory reserve	23,704	22,111
Exchange reserve	16,425	21,653
Statutory reserve	94,623	94,623
Available-for-sale reserve	(8,888)	(19,553)
Capital reserve	22,152	22,152
	<u>872,297</u>	<u>854,982</u>
Non-controlling interests	10,183	9,749
Total equity	<u>882,480</u>	<u>864,731</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>6,743,370</u>	<u>6,120,805</u>
<b>Net Assets Per Share (RM) *</b>	<u>1.21</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 30 JUNE 2016**

	<b>As at 30 June 2016 RM'000</b>	<b>As at 31 December 2015 RM'000</b>
<b>ASSETS</b>		
Cash and bank balances	11,090	3,347
Financial assets held-for-trading	-	19,831
Other assets	16,693	67,726
Tax recoverable	2,551	2,471
Investment in subsidiaries	763,737	763,737
Investment in associates	1,187	1,187
Property, plant and equipment	2,596	2,325
Deferred tax assets	474	638
<b>TOTAL ASSETS</b>	<b>798,328</b>	<b>861,262</b>
<b>LIABILITIES</b>		
Other liabilities	6,597	7,409
Borrowings	50,000	110,000
<b>TOTAL LIABILITIES</b>	<b>56,597</b>	<b>117,409</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	731,759	731,759
Share premium	75	75
Treasury shares	(6,604)	(6,604)
Capital reserve	(49,800)	(49,800)
Retained profits	66,301	68,423
Total equity	741,731	743,853
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>798,328</b>	<b>861,262</b>
<b>Net Assets Per Share (RM)</b>	<b>1.03</b>	<b>1.03</b>

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

**Group**

	Individual Quarter		Cumulative Quarter		
	3 months ended 30 June 2016 RM'000	3 months ended 30 June 2015 RM'000	6 months ended 30 June 2016 RM'000	6 months ended 30 June 2015 RM'000	
	<b>Note</b>				
Interest income	<b>A21</b>	62,997	58,856	128,330	113,232
Interest expense	<b>A22</b>	(40,885)	(38,195)	(85,340)	(73,271)
Net interest income		22,112	20,661	42,990	39,961
Net income from Islamic banking business	<b>A31</b>	2,964	1,383	5,646	7,397
Other operating income	<b>A23</b>	73,871	71,211	155,330	148,491
Net income		98,947	93,255	203,966	195,849
Other operating expenses	<b>A24</b>	(91,692)	(93,882)	(185,498)	(186,475)
Operating profit/(loss)		7,255	(627)	18,468	9,374
(Allowance for)/write back of impairment on:					
- loans, advances and financing	<b>A25</b>	(1,332)	619	(928)	726
- balances due from clients and brokers and other receivables	<b>A26</b>	833	(1,228)	1,990	(1,209)
		6,756	(1,236)	19,530	8,891
Share of results in associates and joint venture		431	2,963	(600)	2,856
<b>Profit before taxation and zakat</b>		7,187	1,727	18,930	11,747
Taxation and zakat		(2,935)	(883)	(6,618)	(4,504)
<b>Profit for the financial period</b>		4,252	844	12,312	7,243
Other comprehensive income:					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Share of other comprehensive income/(loss) of associates		982	(927)	(709)	113
Foreign exchange differences on consolidation		1,552	1,175	(5,228)	4,662
Net gain on fair value changes of financial investments available-for-sale		4,463	2,300	14,966	7,156
Income tax relating to the components of other comprehensive income		(1,071)	(575)	(3,592)	(1,789)
Other comprehensive income for the financial period		5,926	1,973	5,437	10,142
<b>Total comprehensive income</b>		10,178	2,817	17,749	17,385

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

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June 2016 RM'000	3 months ended 30 June 2015 RM'000	6 months ended 30 June 2016 RM'000	6 months ended 30 June 2015 RM'000
Profit for the period attributable to				
- Equity holders of the parent	4,078	606	11,878	6,813
- Non-controlling interests	174	238	434	430
	<u>4,252</u>	<u>844</u>	<u>12,312</u>	<u>7,243</u>
Total comprehensive income for the period attributable to				
- Equity holders of the parent	10,004	2,579	17,315	16,955
- Non-controlling interests	174	238	434	430
	<u>10,178</u>	<u>2,817</u>	<u>17,749</u>	<u>17,385</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: 730,220,468 ordinary shares for the preceeding quarter and cumulative quarter to date). (sen)	0.56	0.08	1.64	0.93
(ii) Fully diluted (sen)	<u>0.56</u>	<u>0.08</u>	<u>1.64</u>	<u>0.93</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 30 June 2016 RM'000	3 months ended 30 June 2015 RM'000	6 months ended 30 June 2016 RM'000	6 months ended 30 June 2015 RM'000
Interest income	459	888	1,234	1,745
Interest expense	(1,055)	(1,265)	(2,357)	(2,451)
Net interest expense	(596)	(377)	(1,123)	(706)
Other operating income	5,686	7,122	13,173	19,508
Net income	5,090	6,745	12,050	18,802
Other operating expenses	(6,260)	(7,079)	(14,218)	(15,284)
<b>(Loss)/profit before taxation</b>	<b>(1,170)</b>	<b>(334)</b>	<b>(2,168)</b>	<b>3,518</b>
Taxation	(362)	(445)	46	(603)
<b>(Loss)/profit for the financial period</b>	<b>(1,532)</b>	<b>(779)</b>	<b>(2,122)</b>	<b>2,915</b>
(i) (Loss)/Profit for the period attributable to - Equity holders of the parent	(1,532)	(779)	(2,122)	2,915
	<u>(1,532)</u>	<u>(779)</u>	<u>(2,122)</u>	<u>2,915</u>
(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: 730,220,468 ordinary shares for the preceeding quarter and cumulative quarter to date). (sen)	(0.21)	(0.11)	(0.29)	0.40
(ii) Fully diluted (sen)	(0.21)	(0.11)	(0.29)	0.40

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 CONDENSED STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2016**

	<b>Group</b>		<b>Company</b>	
	<b>30 June 2016 RM'000</b>	<b>30 June 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>30 June 2015 RM'000</b>
<b>Cash flows from operating activities</b>				
<b>Profit/(loss) before taxation</b>				
<b>- Continuing operations</b>	18,930	11,747	(2,168)	3,518
Adjustments for non operating and non cash items	(136,745)	(140,060)	1,971	(2,010)
<b>Operating (loss)/profit before changes in working capital</b>	<u>(117,815)</u>	<u>(128,313)</u>	<u>(197)</u>	<u>1,508</u>
Net changes in operating assets	(480,584)	(213,083)	51,086	(1,657)
Net changes in operating liabilities	557,204	(49,022)	(655)	(1,612)
<b>Cash (used in)/generated from operations</b>	<u>(41,195)</u>	<u>(390,418)</u>	<u>50,234</u>	<u>(1,761)</u>
Net dividends received	-	2,653.00	-	1,593
Interest received	103,601	92,666	1,234	1,745
Net tax paid	(4,475)	(1,372)	(80)	(1)
<b>Net operating cash flow</b>	<u>57,931</u>	<u>(296,471)</u>	<u>51,388</u>	<u>1,576</u>
<b>Net investing cash flow</b>	(363,653)	333,424	18,712	(1,382)
<b>Net financing cash flow</b>	66,764	(25,788)	(62,357)	(278)
Net change in cash and cash equivalents during the financial period	<u>(238,958)</u>	<u>11,165</u>	<u>7,743</u>	<u>(84)</u>
Cash and cash equivalents brought forward	958,803	571,674	3,347	9,760
Cash and cash equivalents carried forward	<u>719,845</u>	<u>582,839</u>	<u>11,090</u>	<u>9,676</u>
Cash and cash equivalents comprise the following:				
Non trust cash and short term funds	<u>719,845</u>	<u>582,839</u>	<u>11,090</u>	<u>9,676</u>

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 CHANGES IN EQUITY  
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 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	
<b>As at 1 January 2016</b>	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	-	-	(5,228)	-	11,374	-	-	11,878	-	434	18,458
Share of an associates' other comprehensive loss	-	-	-	-	(709)	-	-	-	-	-	(709)
Transfer to regulatory reserve *	-	-	-	-	-	-	1,593	(1,593)	-	-	-
<b>As at 30 June 2016</b>	<b>731,759</b>	<b>75</b>	<b>16,425</b>	<b>22,152</b>	<b>(8,888)</b>	<b>94,623</b>	<b>23,704</b>	<b>(949)</b>	<b>(6,604)</b>	<b>10,183</b>	<b>882,480</b>

\* 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)**

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

Group	<-----Attributable to Equity Holders of the Parent----->									
	<-----Non-Distributable----->					<----Distributable---->			Non- Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Available- for-sale Reserve RM'000	Statutory Reserve RM'000	Retained Profits RM'000	Treasury Shares RM'000		
<b>As at 1 January 2015</b>	731,759	75	7,427	22,152	(8,276)	88,815	12,630	-	8,592	863,174
Total comprehensive income for the financial period	-	-	4,662	-	5,367	-	6,813	-	430	17,272
Share of an associate's other comprehensive income	-	-	-	-	113	-	-	-	-	113
Buy-back of shares	-	-	-	-	-	-	-	(5,573)	-	(5,573)
Dividend paid	-	-	-	-	-	-	(7,254)	-	-	(7,254)
<b>As at 30 June 2015</b>	<u>731,759</u>	<u>75</u>	<u>12,089</u>	<u>22,152</u>	<u>(2,796)</u>	<u>88,815</u>	<u>12,189</u>	<u>(5,573)</u>	<u>9,022</u>	<u>867,732</u>

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

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

(Incorporated in Malaysia)

**UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2016**

	<b>Share Capital RM'000</b>	<b>Non Distributable Share Premium RM'000</b>	<b>Capital Reserve RM'000</b>	<b>Distributable Retained Profits RM'000</b>	<b>Treasury Shares RM'000</b>	<b>Total Equity RM'000</b>
<b>As at 1 January 2016</b>	731,759	75	(49,800)	68,423	(6,604)	743,853
Comprehensive loss for the financial period	-	-	-	(2,122)	-	(2,122)
<b>As at 30 June 2016</b>	<u>731,759</u>	<u>75</u>	<u>(49,800)</u>	<u>66,301</u>	<u>(6,604)</u>	<u>741,731</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 30 JUNE 2015**

	<-----Attributable to Equity Holders of the Parent----->					Total Equity RM'000
	Share Capital RM'000	Non Distributable Share Premium RM'000	Capital Reserve RM'000	Distributable Retained Profits RM'000	Treasury Shares RM'000	
<b>As at 1 January 2015</b>	731,759	75	(49,800)	73,286	-	755,320
Comprehensive income for the financial period	-	-	-	2,915	-	2,915
Buy-back of shares	-	-	-	-	(5,573)	(5,573)
Dividend paid	-	-	-	(7,254)	-	(7,254)
<b>As at 30 June 2015</b>	<b>731,759</b>	<b>75</b>	<b>(49,800)</b>	<b>68,947</b>	<b>(5,573)</b>	<b>745,408</b>

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

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A1. Basis of Preparation**

The interim financial statements, for the second quarter and financial half year ended 30 June 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 equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the second quarter and financial half year ended 30 June 2016, other than the following:

- (i) On 29 June 2016, the Company has issued RM5 million of Series 009 Medium Term Notes ("MTN").
- (ii) During the second quarter, the Company has redeemed amount up to RM65 million of MTN.

<u>Series</u>	<u>Issued 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

**A8. Dividends paid per share**

No dividend was paid during the six months ended 30 June 2016.

**NOTES TO INTERIM FINANCIAL STATEMENTS**

	<b>30 June 2016</b> <b>RM' 000</b>	<b>31 December 2015</b> <b>RM' 000</b>
<b>A9 Financial assets held-for-trading</b>		
<b>At Fair Value</b>		
<b>Money Market Instruments:</b>		
Malaysian Government Securities	20,225	-
Malaysian Government Investment Issues	20,735	57,373
	<u>40,960</u>	<u>57,373</u>
<b>Quoted securities:</b>		
Shares and Unit Trust Funds in Malaysia	130,924	231,311
Shares outside Malaysia	25,229	-
	<u>156,153</u>	<u>231,311</u>
<b>Unquoted securities:</b>		
Corporate Bills	101,918	-
Islamic Corporate Bills	24,984	-
Islamic Corporate Bonds	10,038	49,889
	<u>136,940</u>	<u>49,889</u>
Total financial assets held-for-trading	<u><b>334,053</b></u>	<u><b>338,573</b></u>
<b>A10 Financial investments available-for-sale</b>		
<b>At Fair Value, or amortised cost</b>		
<b>Money Market instruments:</b>		
Islamic Negotiable Instruments	149,697	-
Malaysian Government Securities	29,909	131,390
Malaysian Government Investment Issues	393,030	244,556
Bank Negara Malaysia Bills and Notes	-	39,706
Sukuk Perumahan Kerajaan	10,117	9,996
	<u>582,753</u>	<u>425,648</u>
<b>Unquoted securities:</b>		
Shares in Malaysia	490	490
<b>Unquoted Corporate Bonds:</b>		
Islamic Corporate Bonds	551,238	120,050
Islamic Corporate Bills	-	24,878
Corporate Bonds	355,422	653,717
Corporate Bills	-	24,878
	<u>906,660</u>	<u>823,523</u>
Total financial investments available-for-sale	<u><b>1,489,903</b></u>	<u><b>1,249,661</b></u>
<b>A11 Financial investments held-to maturity</b>		
<b>At Amortised Cost</b>		
<b>Unquoted Corporate Bonds:</b>		
Islamic Corporate Bonds	5,002	5,001
Corporate Bonds	35,002	35,002
Total financial investments held-to-maturity	<u><b>40,004</b></u>	<u><b>40,003</b></u>

**NOTES TO INTERIM FINANCIAL STATEMENTS**

	<b>30 June 2016</b> <b>RM' 000</b>	<b>31 December 2015</b> <b>RM' 000</b>
<b>A12 Loans, advances and financing</b>		
Term loans	488,015	424,483
Share margin financing	1,471,089	1,399,394
Other financing	152,550	107,725
Gross loans, advances and financing	<u>2,111,654</u>	<u>1,931,602</u>
Allowances for impairment on loans, advances and financing:		
- Individual allowance	(2,325)	(1,395)
- Collective allowance	(259)	(143)
Net loans, advances and financing	<u><b>2,109,070</b></u>	<u><b>1,930,064</b></u>
<b>(i) By type of customer</b>		
<b>Domestic operations:</b>		
Domestic business enterprise - others	890,352	896,820
Individuals	1,176,476	1,002,660
Foreign entities	44,826	32,122
Gross loans, advances and financing	<u>2,111,654</u>	<u>1,931,602</u>
<b>(ii) By geographical distribution</b>		
In Malaysia	2,075,992	1,898,570
Outside Malaysia	35,662	33,032
Gross loans, advances and financing	<u>2,111,654</u>	<u>1,931,602</u>
<b>(iii) By interest/profit rate sensitivity</b>		
Fixed rate		
- Other fixed rate loans/financing	1,623,639	1,519,169
Variable rate		
- Base lending rate plus	70,198	-
- Cost plus	-	317,198
- Other variable rates	417,817	95,235
Gross loans, advances and financing	<u>2,111,654</u>	<u>1,931,602</u>
<b>(iv) Total loans by economic purpose</b>		
<b>Domestic operations:</b>		
Purchase of securities	1,706,702	1,598,275
Working capital	141,477	98,490
Others	263,475	234,837
Gross loans, advances and financing	<u>2,111,654</u>	<u>1,931,602</u>
<b>(v) By maturity structure</b>		
Within one year	1,723,539	1,643,632
More than one year	388,115	287,970
Gross loans, advances and financing	<u>2,111,654</u>	<u>1,931,602</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

	30 June 2016 RM' 000	31 December 2015 RM' 000
<b>A12 Loans, advances and financing (cont'd)</b>		
<b>(vi) Movement in impaired loans, advances and financing ("Impaired loans") are as follows:</b>		
At beginning of the period	7,942	2,790
Impaired during the period	595	6,157
Recovered	(144)	(1,005)
At end of the period	<u>8,393</u>	<u>7,942</u>
Individual allowance	(2,325)	(1,395)
Net impaired loans, advances and financing	<u>6,068</u>	<u>6,547</u>
Net impaired loans as a % of gross loans, advances and financing less individual allowance	<u>0.29%</u>	<u>0.34%</u>
<b>(vii) Impaired loans by geographical distribution</b>		
In Malaysia	<u>8,393</u>	<u>7,942</u>
<b>(viii) Impaired loans by economic purpose</b>		
<b>Domestic operations:</b>		
Working capital	6,497	5,986
Purchase of securities	1,896	1,956
	<u>8,393</u>	<u>7,942</u>
<b>(ix) Movement in individual allowance for loans, advances and financing are as follows:</b>		
<u>Individual allowance</u>		
At beginning of the period	1,395	1,725
Allowance made during the period	930	259
Amount written back in respect of recoveries	-	(589)
At end of the period	<u>2,325</u>	<u>1,395</u>
<b>(x) Movement in collective allowance for loans, advances and financing are as follows:</b>		
<u>Collective allowance</u>		
At beginning of the period	143	166
Allowance made during the period	124	32
Amount written back	(8)	(55)
At end of the period	<u>259</u>	<u>143</u>
Collective allowance as % of gross loans, advances and financing less individual allowance	<u>0.01%</u>	<u>0.01%</u>
<b>A13 Other assets</b>		
Interest/Income receivable	20,267	15,181
Prepayments and deposits	21,118	18,119
Treasury trade receivables	580,870	9,585
Other debtors	33,671	77,112
	<u>655,926</u>	<u>119,997</u>
Allowance for impairment	(3,843)	(4,666)
	<u>652,083</u>	<u>115,331</u>



**NOTES TO INTERIM FINANCIAL STATEMENTS**

	<b>30 June 2016</b> <b>RM' 000</b>	<b>31 December 2015</b> <b>RM' 000</b>
<b>A14 Deposits from customers</b>		
Fixed deposits and negotiable instruments of deposit		
- Due within six months	3,424,348	3,213,115
- Six months to one year	316,823	15,950
	<b>3,741,171</b>	<b>3,229,065</b>
By type of customers:		
Business enterprise	745,656	680,073
Domestic non-bank financial institutions	2,417,815	2,208,881
Individuals	88,244	77,320
Government and statutory bodies	489,456	262,791
	<b>3,741,171</b>	<b>3,229,065</b>
<b>A15 Deposits and placement of banks and other financial institutions</b>		
Licensed banks	210,000	140,000
Other financial institutions	387,881	435,159
	<b>597,881</b>	<b>575,159</b>
<b>A16 Borrowings</b>		
Medium Term Notes	50,000	110,000
Revolving bank loans	162,000	31,000
	<b>212,000</b>	<b>141,000</b>
<b>A17 Other liabilities</b>		
Interest/Profit payable	12,553	11,087
Provision and accruals	51,986	54,662
Retention for Contra Losses	487	602
Hire purchase creditors	9	28
Treasury trade payables	174,060	49,818
Deposits and other creditors	57,040	65,827
	<b>296,135</b>	<b>182,024</b>
<b>A18 Commitments and Contingencies and Off-Balance Sheet Financial Instruments</b>		
	<b>Principal</b> <b>Amount</b> <b>RM' 000</b>	<b>Principal</b> <b>Amount</b> <b>RM' 000</b>
Commitments to extend credit with maturity of less than 1 year :-		
- margin	1,545,899	1,400,821
- term loan	-	-
- foreign exchange related contracts	132,915	123,114
- equity related contracts	49,125	35,350
Commitments to extend credit with maturity of more than 1 year :-		
- term loan	11,281	7,249
Miscellaneous commitments	550,577	597,665
	<b>2,289,797</b>	<b>2,164,199</b>

**NOTES TO INTERIM FINANCIAL STATEMENTS**

	<b>Group</b>		<b>Company</b>	
	<b>30 June 2016 RM' 000</b>	<b>31 December 2015 RM' 000</b>	<b>30 June 2016 RM' 000</b>	<b>31 December 2015 RM' 000</b>
<b>A19 Other Commitments</b>				
Capital expenditure commitments	4,348	4,470	-	-
Operating lease arrangements	21,144	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>25,492</u>	<u>44,982</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:

	<b>30 June 2016</b>	<b>31 December 2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Common Equity Tier 1 (CET 1)/Tier 1 Capital</u></b>		
Paid-up share capital	770,000	770,000
Share premium	65,500	65,500
Accumulated loss	(49,488)	(47,895)
Other reserves	116,915	103,948
Less: Regulatory adjustments applied on CET 1 capital		
Deferred tax assets	(3,880)	(7,758)
Goodwill	(252,909)	(252,909)
Other intangibles	(52,500)	(52,500)
Regulatory reserve attributable to loans/financing	(23,704)	(22,111)
Deduction in excess of Tier 2 *	(102,449)	(104,990)
<b>Total CET 1/Tier 1 Capital</b>	<b>467,485</b>	<b>451,285</b>
<b><u>Tier 2 Capital</u></b>		
Collective impairment allowance and regulatory reserves	14,586	11,105
Less: Regulatory adjustments applied on Tier 2 capital	(14,586)	(11,105)
<b>Total Tier 2 capital</b>	<b>-</b>	<b>-</b>
<b>Total capital</b>	<b>467,485</b>	<b>451,285</b>
CET 1 Capital ratio	27.02%	28.36%
Tier 1 Capital ratio	27.02%	28.36%
Total Capital ratio	27.02%	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:

	<b>Bank</b>		<b>Bank</b>	
	<b>30 June 2016</b>		<b>31 December 2015</b>	
	<b>Notional amount</b>	<b>Risk-weighted amount</b>	<b>Notional amount</b>	<b>Risk-weighted amount</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Credit Risk	4,541,635	1,166,841	3,906,967	888,384
Market Risk	-	111,918	-	264,206
Operational Risk	-	451,239	-	438,746
<b>Total Risk Weighted Assets</b>	<b>4,541,635</b>	<b>1,729,998</b>	<b>3,906,967</b>	<b>1,591,336</b>

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

**NOTES TO INTERIM FINANCIAL STATEMENTS**

	Individual Quarter		Cumulative Quarter	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
<b>A21 Interest Income</b>				
Loans, advances and financing	36,290	35,182	71,415	66,999
Money at call and deposit placements with financial institutions	9,687	5,007	22,617	10,074
Financial assets held-for-trading	1,475	1,568	1,855	3,284
Financial investments available-for-sale	11,141	10,400	25,494	21,280
Financial investments held-to-maturity	523	452	1,077	573
Others	3,881	6,247	5,872	11,022
	<b>62,997</b>	<b>58,856</b>	<b>128,330</b>	<b>113,232</b>
<b>A22 Interest Expense</b>				
Deposits from customers	36,479	31,041	76,668	63,564
Deposits and placement of banks and other financial institutions	2,018	5,224	4,436	5,928
Revolving bank loans	1,333	665	1,879	1,328
Medium Term Notes	1,055	1,265	2,357	2,451
	<b>40,885</b>	<b>38,195</b>	<b>85,340</b>	<b>73,271</b>
<b>A23 Other Operating Income</b>				
(a) Fee income:				
Brokerage income	37,768	46,737	78,307	92,847
Commissions	3,213	3,441	7,238	7,502
Loans, advances and financing	1,700	923	2,519	2,764
Corporate advisory	2,511	3,466	5,388	5,847
Placement fees	1,945	1,464	3,952	2,362
Underwriting fees	-	1,038	-	1,256
Management fee income	10,580	6,807	19,433	13,583
Other fee income	2,732	2,597	5,102	5,218
	<b>60,449</b>	<b>66,473</b>	<b>121,939</b>	<b>131,379</b>
(b) Gain arising from sale of securities:				
Net gain from sale of financial assets held-for-trading and derivatives	3,443	8,428	37,980	19,287
Net gain from sale of financial investments available-for-sale	1,858	(664)	6,781	60
	<b>5,301</b>	<b>7,764</b>	<b>44,761</b>	<b>19,347</b>
(c) Gross dividend from:				
Securities portfolio	1,077	225	1,426	2,653
(d) Unrealised loss on revaluation of financial assets held-for-trading and derivatives	5,555	(5,802)	(16,086)	(8,980)
(e) Other income:				
Foreign exchange profit	699	1,792	1,720	2,781
Gain on disposal of property, plant and equipment	-	(1)	-	(1)
Others	790	760	1,570	1,312
	<b>1,489</b>	<b>2,551</b>	<b>3,290</b>	<b>4,092</b>
Total non-interest income	<b>73,871</b>	<b>71,211</b>	<b>155,330</b>	<b>148,491</b>

**NOTES TO INTERIM FINANCIAL STATEMENTS**

	Individual Quarter		Cumulative Quarter	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
<b>A24 Other operating expenses</b>				
Personnel costs	36,837	34,001	73,488	71,647
- Salaries, allowances and bonuses	28,629	26,711	57,921	56,869
- EPF	3,624	3,629	7,151	7,367
- Others	4,584	3,661	8,416	7,411
Establishment costs	13,709	13,242	28,311	25,160
- Depreciation and amortisation of software	3,039	2,353	6,275	4,819
- Rental of leasehold land and premises	5,873	5,825	11,803	11,706
- Repairs and maintenance of property, plant and equipment	807	805	1,518	1,444
- Information technology expenses	2,550	2,490	5,986	4,638
- Others	1,440	1,769	2,729	2,553
Marketing expenses	2,838	2,942	5,833	6,191
- Advertisement and publicity	1,562	1,760	3,624	3,487
- Others	1,276	1,182	2,209	2,704
Administration and general expenses	38,308	43,697	77,866	83,477
- Fees and brokerage	25,007	28,257	51,896	54,630
- Administrative expenses	13,301	15,440	25,970	28,847
	<b>91,692</b>	<b>93,882</b>	<b>185,498</b>	<b>186,475</b>
<b>A25 (Allowance for)/write back of impairment on loans, advances and financing:</b>				
Allowances for loans, advances and financing:				
- collective allowance (net)	(55)	17	(116)	-
- individual allowance (net)	(884)	331	(930)	403
Bad debts and financing recovered	15	271	118	323
	<b>(924)</b>	<b>619</b>	<b>(928)</b>	<b>726</b>
<b>A26 Write back of/(allowance for) impairment on balances due from clients and brokers and other receivables</b>				
Allowances for bad and doubtful debts and financing:				
- individual allowance (net)	413	(1,229)	1,540	(1,213)
Bad debts and financing recovered	12	1	450	4
	<b>425</b>	<b>(1,228)</b>	<b>1,990</b>	<b>(1,209)</b>

**A27 Segmental reporting**

- (i) Investment bank - Investment banking business, treasury and related financial services;
- (ii) Stockbroking - Dealings in securities and investment related services;
- (iii) Futures - Futures broker business
- (iv) Money lending and financing - Licensed money lender and financing;
- (v) Investment management - Management of funds and unit trusts; and
- (vi) Corporate and others - Investment holding and management services, support services comprise all middle and back office functions includes business operations conducted by the Group's associates and investment in the Kingdom of Saudi Arabia, Vietnam and Sri Lanka.

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A27 Segmental reporting (cont'd.)**

<b>30 June 2016</b>	<b>Continued Operations</b>							<b>Total RM'000</b>
	<b>Investment banking RM'000</b>	<b>Stockbroking RM'000</b>	<b>Futures broking RM'000</b>	<b>Money lending and financing RM'000</b>	<b>Investment management RM'000</b>	<b>Corporate and others RM'000</b>	<b>Eliminations RM'000</b>	
<b>Revenue</b>								
External sales	114,425	133,615	11,287	6,798	19,235	9,146	-	294,506
Inter-segment sales	1,958	104	760	-	674	15,000	(18,496)	-
<b>Total revenue</b>	<b>116,383</b>	<b>133,719</b>	<b>12,047</b>	<b>6,798</b>	<b>19,909</b>	<b>24,146</b>	<b>(18,496)</b>	<b>294,506</b>
<b>Result</b>								
Net income	34,393	127,359	11,536	3,202	20,485	23,338	(16,347)	203,966
Other operating expenses	(21,502)	(113,361)	(9,290)	(2,431)	(23,428)	(31,834)	16,348	(185,498)
(Allowance for)/write back of impairment on loans, advances and financing	(998)	86	-	(898)	-	609	273	(928)
Write back of impairment on balances due from clients and brokers and other receivables	479	988	-	-	-	523	-	1,990
Share of results in associates and joint venture	-	-	-	-	-	(600)	-	(600)
Profit/(loss) before taxation and zakat	12,372	15,072	2,246	(127)	(2,943)	(7,964)	274	18,930
Taxation and zakat								(6,618)
Net profit for the financial period								<u>12,312</u>

**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
<b>Assets</b>							
Investment in associates and joint venture	-	-	-	-	61,301	-	61,301
Addition to non-current assets	161,325	1,067	602	205	575	-	163,774
Segment assets	6,252,104	474,612	189,596	62,347	814,604	(1,049,893)	6,743,370
<b>Liabilities</b>							
Segment liabilities	5,332,826	436,897	179,168	27,577	64,324	(179,902)	5,860,890

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A27 Segmental reporting (cont'd.)**

<b>30 June 2015</b>	<b>Continued Operations</b>							<b>Total RM'000</b>
	<b>Investment banking RM'000</b>	<b>Stockbroking RM'000</b>	<b>Futures RM'000</b>	<b>Money Lending and financing RM'000</b>	<b>Investment Management RM'000</b>	<b>Corporate and others RM'000</b>	<b>Eliminations/ Adjustments RM'000</b>	
<b>Revenue</b>								
External sales	96,967	132,680	13,184	5,815	13,590	13,266	-	275,502
Inter-segment sales	1,595	116	619	-	922	19,535	(22,787)	-
<b>Total revenue</b>	<b>98,562</b>	<b>132,796</b>	<b>13,803</b>	<b>5,815</b>	<b>14,512</b>	<b>32,801</b>	<b>(22,787)</b>	<b>275,502</b>
<b>Result</b>								
Net income	29,394	126,423	10,972	2,082	14,639	32,871	(20,532)	195,849
Other operating expenses	(21,438)	(117,044)	(8,832)	(2,290)	(18,960)	(37,582)	19,671	(186,475)
(Allowance for)/write back of impairment on loans, advances and financing	(23)	726	-	-	-	-	23	726
Write back of/(allowance for) impairment on balances due from clients and brokers and other receivables	687	(1,946)	-	-	-	-	50	(1,209)
Share of results in associate	-	-	-	-	-	2,856	-	2,856
Profit/(loss) before taxation and zakat	8,620	8,159	2,140	(208)	(4,321)	(1,855)	(788)	11,747
Taxation and zakat								(4,504)
Non-controlling interest								(430)
Net profit for the financial period								<b>6,813</b>



(Incorporated in Malaysia)

## NOTES TO INTERIM FINANCIAL STATEMENTS

### A27 Segmental reporting (cont'd.)

	-----Continued Operations-----						
	Investment banking and stock broking RM'000	Futures RM'000	Money Lending and financing RM'000	Investment Management RM'000	Corporate and others RM'000	Eliminations/ Adjustments RM'000	Total RM'000
<b>Assets</b>							
Investment in associates	-	-	-	-	66,854	-	66,854
Addition to non-current assets	1,454	11	-	326	1,381	-	3,172
Segment assets	5,231,350	416,256	144,309	83,231	879,353	(1,045,660)	5,708,839
<b>Liabilities</b>							
Segment liabilities	4,337,178	382,844	133,986	43,253	125,763	(181,917)	4,841,107

**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.

**30 June 2016**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets measured at fair value</b>				
Financial assets held-for-trading				
- Debt securities	-	177,900	-	177,900
- Equity securities and unit trusts	145,289	10,864	-	156,153
Financial investments available-for-sale #				
- Debt securities	-	1,339,716	-	1,339,716
- Islamic Negotiable Instruments	-	149,697	-	149,697
Derivative financial assets	-	4,556	-	4,556
<b>Financial assets for which fair values are disclosed</b>				
Financial instruments held-to-maturity	-	39,851	-	39,851
Loans, advances and financing	-	-	2,108,139	2,108,139
	<b>145,289</b>	<b>1,722,584</b>	<b>2,108,139</b>	<b>3,976,012</b>
<b>Financial liabilities measured at fair value</b>				
Derivatives financial liabilities	9,617	43,500	-	53,117
Obligations on securities sold under repurchase agreements	-	146,158	-	146,158
Borrowings	-	212,000	-	212,000
	<b>9,617</b>	<b>401,658</b>	<b>-</b>	<b>411,275</b>

**A30 Fair value of financial instruments (continued)**

**31 December 2015**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets measured at fair value</b>				
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
<b>Financial assets for which fair values are disclosed</b>				
Financial instruments held-to-maturity	-	39,922	-	39,922
Loans, advances and financing	-	-	1,926,827	1,926,827
	<u>220,136</u>	<u>1,410,440</u>	<u>1,926,827</u>	<u>3,557,403</u>
<b>Financial liabilities measured at fair value</b>				
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
	<u>45,688</u>	<u>262,900</u>	<u>-</u>	<u>308,588</u>

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

**A31 Credit Exposures Arising From Credit Transactions With Connected Parties**

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

	<b>30 June 2016</b>	<b>31 December 2015</b>
Outstanding credit exposures with connected parties (RM'000)	<u>249,732</u>	<u>179,071</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	<u>6.86%</u>	<u>5.18%</u>
Percentage of outstanding credit exposures to connected parties which is non-performing or in default (%)	<u>-</u>	<u>-</u>

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A32 OPERATIONS OF ISLAMIC BANKING**

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

**(a) UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2016**

	Note	As at 30 June 2016 RM '000	As at 31 December 2015 RM '000
<b>ASSETS</b>			
Cash and bank balances	(c)	68	115,437
Financial assets held-for-trading	(d)	55,757	78,576
Financial investments available-for-sale	(e)	399,028	194,630
Financial investments held-to-maturity	(f)	5,002	5,001
Financing and Advances	(g)	62,627	59,150
Other assets		138,056	1,730
Property, plant and equipment		167	14
Deferred tax assets		-	157
<b>TOTAL ASSETS</b>		<b>660,705</b>	<b>454,695</b>
<b>LIABILITIES</b>			
Islamic deposits from customers	(h)	415,616	272,367
Balance due from clients and brokers		19	-
Other liabilities		110,287	55,012
Deferred tax liabilities		508	-
Provision for taxation and zakat		3,666	1,963
<b>TOTAL LIABILITIES</b>		<b>530,096</b>	<b>329,342</b>
<b>ISLAMIC BANKING CAPITAL FUNDS</b>			
Islamic banking funds		120,000	120,000
Reserves		10,609	5,353
<b>TOTAL ISLAMIC BANKING CAPITAL FUNDS</b>		<b>130,609</b>	<b>125,353</b>
<b>TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS</b>		<b>660,705</b>	<b>454,695</b>

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**

**A32 OPERATIONS OF ISLAMIC BANKING**

**(b) UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2016**

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June 2016 RM'000	3 months ended 30 June 2015 RM'000	6 months ended 30 June 2016 RM'000	6 months ended 30 June 2015 RM'000
Income derived from investment of depositors' funds	5,873	4,629	11,253	11,588
Income derived from investment of shareholders' funds	1,643	524	3,560	2,952
Impairment allowances on investments	(123)	(23)	(170)	(23)
<b>Total attributable income</b>	<b>7,393</b>	<b>5,130</b>	<b>14,643</b>	<b>14,517</b>
Profit distributed to depositors	(4,340)	(3,770)	(8,699)	(7,143)
<b>Net income</b>	<b>3,053</b>	<b>1,360</b>	<b>5,944</b>	<b>7,374</b>
Finance cost	(212)	-	(468)	-
Personnel expenses	(130)	(134)	(265)	(318)
Other overhead expenses	(466)	(394)	(996)	(791)
<b>Profit before taxation and zakat</b>	<b>2,245</b>	<b>832</b>	<b>4,215</b>	<b>6,265</b>
Taxation	(569)	(207)	(1,067)	(1,592)
<b>Profit for the financial period</b>	<b>1,676</b>	<b>625</b>	<b>3,148</b>	<b>4,673</b>

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	5,873	4,629	11,253	11,588
Income derived from investment of shareholders' funds	1,643	524	3,560	2,952
<b>Total income before impairment allowance on financing and overhead expenses</b>	<b>7,516</b>	<b>5,153</b>	<b>14,813</b>	<b>14,540</b>
Profit distributed to depositors	(4,340)	(3,770)	(8,699)	(7,143)
Finance cost	(212)	-	(468)	-
<b>Income from Islamic Banking Window operations reported in the statement of profit or loss of the Group</b>	<b>2,964</b>	<b>1,383</b>	<b>5,646</b>	<b>7,397</b>

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**

**A32 OPERATIONS OF ISLAMIC BANKING**

	<b>As at 30 June 2016 RM'000</b>	<b>As at 31 December 2015 RM'000</b>
<b>(c) Cash and bank balances</b>		
Current account with BNM and banks	68	21,117
Money at call and deposit placements with: Licensed investment banks	-	94,320
	<b>68</b>	<b>115,437</b>
<b>(d) Financial assets held-for-trading</b>		
<b>At fair value</b>		
<b>Money market securities:</b>		
Malaysian Government Investment Issues	20,735	28,687
<b>Unquoted securities:</b>		
Islamic Corporate Bills	24,984	-
Islamic Corporate Bonds	10,038	49,889
	<b>55,757</b>	<b>78,576</b>
<b>(e) Financial investments available-for-sale</b>		
<b>At fair value</b>		
<b>Money market instruments:</b>		
Malaysian Government Investment Issues	122,219	39,706
Islamic Negotiable instruments	149,697	-
Sukuk Perumahan Kerajaan	10,117	9,996
<b>Unquoted Sukuk:</b>		
Islamic Corporate Bills	-	24,878
Islamic Corporate Bonds	116,995	120,050
	<b>399,028</b>	<b>194,630</b>
<b>(f) Financial investments held-to-maturity</b>		
<b>At amortised cost</b>		
<b>Money market instruments:</b>		
Islamic Corporate Bonds	<b>5,002</b>	<b>5,001</b>
<b>(g) Financing and advances</b>		
Commodity Murabahah Revolving Credit		
- Shariah contract - others	20,183	14,122
Commodity Murabahah Term Financing		
- Shariah contract - others	42,600	45,137
	62,783	59,259
Allowance for impairment:		
- collective impairment	(156)	(109)
	<b>62,627</b>	<b>59,150</b>

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A32 OPERATIONS OF ISLAMIC BANKING**

	<b>As at 30 June 2016 RM'000</b>	<b>As at 31 December 2015 RM'000</b>
<b>(g) Financing and advances (cont'd.)</b>		
<b>(i) Gross financing and advances analysed by type of customer are as follows:</b>		
Domestic business enterprise - others	20,183	-
Individuals	42,600	59,259
	<u>62,783</u>	<u>59,259</u>
<b>(ii) Gross financing and advances analysed by geographical distribution are as follows:</b>		
In Malaysia	<u>62,783</u>	<u>59,259</u>
<b>(iii) Gross financing and advances analysed by profit sensitivity are as follows:</b>		
Variable rate:		
Cost plus	<u>62,783</u>	<u>59,259</u>
<b>(iv) Gross financing and advances analysed by economic purpose are as follows:</b>		
Purchase of securities	42,599	45,137
Working capital	20,183	14,122
	<u>62,782</u>	<u>59,259</u>
<b>(v) Gross financing and advances analysed by residual contractual maturity are as follows:</b>		
Within one year	20,183	59,259
More than one year	42,600	-
	<u>62,783</u>	<u>59,259</u>
<b>(h) Deposits from customers</b>		
<b>(i) By type of deposit</b>		
Term deposits		
- Tawarruq (Commodity Murabahah deposits)	<u>415,616</u>	<u>272,367</u>
<b>(ii) By type of customer</b>		
Business enterprises	<u>415,616</u>	<u>272,367</u>
<b>(iii) By maturity structure</b>		
Due within six months	<u>415,616</u>	<u>272,367</u>

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**A32 OPERATIONS OF ISLAMIC BANKING**

	<b>As at 30 June 2016 RM'000</b>	<b>As at 31 December 2015 RM'000</b>
<b>(i) Capital adequacy</b>		
<b>CET 1/Tier 1 Capital</b>		
Islamic Banking funds	120,000	120,000
Retained Profits	7,039	5,248
Other reserves	2,207	105
Less: Regulatory reserves	(629)	-
Less: Deferred tax assets	(885)	(157)
Total CET 1/Tier 1 capital	<u>127,732</u>	<u>125,196</u>
<b>Tier 2 Capital</b>		
Collective impairment provision and regulatory reserves	<u>753</u>	<u>711</u>
Total Tier 2 capital	<u>753</u>	<u>1,496</u>
Total capital	<u>128,485</u>	<u>126,692</u>
CET 1 capital ratio	113.79%	99.60%
Tier 1 capital ratio	113.79%	99.60%
Total capital ratio	<u>114.46%</u>	<u>100.79%</u>

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

	<b>30 June 2016</b>		<b>31 December 2015</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
	<b>Principal</b>	<b>Risk-weighted</b>	<b>Principal</b>	<b>Risk-weighted</b>
Credit risk	561,606	80,075	380,972	64,481
Market risk	-	19,291	-	52,041
Operational risk	-	12,889	-	9,172
Total RWA	<u>561,606</u>	<u>112,255</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 RM18.9 million for the financial half year ended 30 June 2016 ("1H16") as compared to PBT of RM11.7 million for the financial half year ended 30 June 2015 ("1H15").

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

**Stockbroking:**

Stockbroking registered PBT of RM15.1 million (1H15: PBT of RM8.2 million) mainly due to higher interest income and trading and investment income which were the contribution from income generated from warrants and option activities negated by lower brokerage fee income.

The decline in brokerage fee income arose from lower trading value on the Bursa Malaysia stock exchange which recorded RM499.8 billion for 1H16 compared to RM509.2 billion in the corresponding period of 2015.

**Investment Banking:**

Investment Banking registered a higher PBT of RM12.4 million in 1H16 (1H15: PBT of RM8.6 million) mainly due to higher trading and investment income from bond securities recorded for 1H16.

**Investment Management:**

Investment management registered a lower loss before tax ("LBT") of RM2.9 million (1H15: LBT of RM4.3 million) as a result of higher management fee income contributed by higher asset under management (1H16:RM7.5 billion; 1H15:RM6.3 billion).

**Futures:**

Futures segment has delivered a consistent performance with PBT of RM2.2 million in 1H16 as compared to RM2.1 million in 1H15 mainly due to higher interest income earned.

**Money lending and financing:**

The money lending and financing segment has reported a LBT of RM127,000 in 1H16 compared to LBT of RM208,000 in 1H15. The improvement was mainly due to higher volume of loan disbursement and financing activities during the period.

**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 RM7.2 million in the second quarter ended 30 June 2016 ("2Q16") as compared to a pre-tax profit of RM11.7 million in the preceding quarter ended 31 March 2016. 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 domestic market has been resilient despite global uncertainties such as the exit of UK from the EU ("Brexit") and the US Presidential Election. Positive factors such as a less aggressive interest rate hike in US, improved Brent Crude Oil prices as well as the cut in the overnight policy rate are expected to partly contribute to recovery in the domestic economy in the second half of 2016. For the whole of 2016, the Malaysia's GDP growth is projected to moderate further to between 4% and 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.

**B5. Taxation and zakat**

	<b>Individual Quarter 3 months ended 30 June 2016 RM'000</b>	<b>Cumulative Quarter 6 months ended 30 June 2016 RM'000</b>
Current period - income tax and zakat	(3,688)	(6,041)
Deferred taxation	753	(577)
Total	<u>(2,935)</u>	<u>(6,618)</u>

**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**

- (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 submitted an application on 3 February 2016 and subsequently updated listing application on 3 June 2016 to Bursa Malaysia Securities Berhad in relation to the Proposed Transfer of Listing Status of KNKH to KIBB.

BNM and SC had vide its letter dated 3 May 2016 and 4 May 2016 respectively, granted approval for the Proposed Internal Reorganisation.

On 1 July 2016, KNKH and KIBB had entered into the Reorganisation Agreement to give effect to the Proposed Internal Reorganisation.

- (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.

The proposed acquisition of Dijaya Plaza has been completed on 31 May 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**

		<b>RM'000</b>
Short term loan from financial institutions	Note 1	162,000
MTN	Note 2	50,000

Note 1 : Kenanga Capital Sdn. Bhd., the money lending subsidiary company, obtained unsecured 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.

Kenanga Investment Bank Berhad, an investment banking subsidiary, obtained a RM78 million of secured loan facility for 7 years and 6 months from the date of first drawdown of the loan to finance its acquisition of Dijaya Plaza. The facility has an interest rate of cost of funds plus 0.5% per annum.

Note 2 : The following are the outstanding unsecured MTN as at 30 June 2016.

<u>Series</u>	<u>Issue Date</u>	<u>Principal</u>	<u>Coupon Rate</u>	<u>Tenure</u>
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
009	29 June 2016	RM 5 million	4.30%	273 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 RM12.4 million representing the profit for the financial period attributable to ordinary equity holders of the parent (30 June 2015: RM5.1 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: 730,220,468).

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

**B10. Derivatives**

As at 30 June 2016, derivative financial assets and liabilities are as follows:

<b>Type of Derivatives</b>	<b>Contract/ Notional Value RM'000</b>	<b>Fair Value RM'000</b>
<b><u>Assets</u></b>		
Equity related options	13,362	4,511
Dual currency investment options	2,624	45
<b><u>Liabilities</u></b>		
Equity related options	189,767	53,072
Dual currency investment options	2,624	45

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

<b>Type of Derivatives</b>	<b>Contract/ Notional Value RM'000</b>	<b>Fair Value RM'000</b>
<b><u>Assets</u></b>		
Equity related options	13,762	2,908
Dual currency investment options	1,588	2
<b><u>Liabilities</u></b>		
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.)**

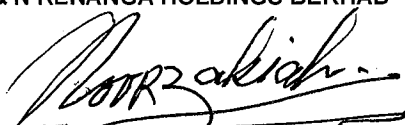
**B11. Gain Arising From Fair Value Changes of Derivative Financial Instruments**

The gain arising from fair value changes of derivative financial instruments for the current quarter amounted to RM 6,323,000. This was arrived at based on the fluctuations in the market prices of the derivative financial instruments or underlying assets which are listed on Bursa Malaysia.

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

	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000
Total (accumulated losses) / retained profits of Company and its subsidiaries:		
- Realised	(224,916)	(240,870)
- Unrealised	54,329	59,295
	(170,587)	(181,575)
Total share of accumulated losses from associates		
- Realised	30	(1,499)
- Unrealised	(557)	(487)
	(527)	(1,986)
Add: Consolidation adjustments	170,165	172,327
Total group accumulated losses as per consolidated accounts	(949)	(11,234)

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



**Y.M. TENGGU DATO PADUKA NOOR**  
**ZAKIAH BTE TENGGU ISMAIL**  
Chairman