

Kenanga Investment Bank Berhad
(Company No. 15678-H)

Unaudited Condensed Interim Financial Statements
30 June 2017

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

<u>Group</u>	Note	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
ASSETS			
Cash and bank balances		1,389,118	1,229,928
Financial assets at fair value through profit or loss	A11	467,043	388,248
Financial investments available-for-sale	A12	1,400,205	937,704
Financial investments held-to-maturity	A13	38,002	40,000
Derivative financial assets	B11	64,866	39,117
Loans, advances and financing	A14	2,157,905	2,105,584
Balances due from clients and brokers	A15	323,893	445,005
Other assets	A16	179,600	229,112
Statutory deposit with Bank Negara Malaysia	A17	129,008	99,504
Tax recoverable		8,496	7,465
Investment in associates		65,666	72,671
Investment in a joint venture company		12,720	6,962
Property, plant and equipment		195,451	191,717
Intangible assets		266,647	266,922
Deferred tax assets		6,043	9,841
TOTAL ASSETS		6,704,663	6,069,780
LIABILITIES			
Deposits from customers	A18	4,413,428	3,286,027
Deposits and placements of banks and other financial institutions	A19	547,870	550,954
Balances due to clients and brokers		470,327	857,065
Derivative financial liabilities	B11	21,900	47,406
Other liabilities	A20	268,365	238,744
Obligations on securities sold under repurchase agreements		-	27,253
Borrowings	A21	96,600	165,700
Provision for taxation and zakat		292	439
TOTAL LIABILITIES		5,818,782	5,173,588
EQUITY			
Share capital		246,137	180,637
Reserves		629,530	705,319
		875,667	885,956
Non-controlling Interests		10,214	10,236
TOTAL EQUITY		885,881	896,192
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,704,663	6,069,780
Commitments and contingencies		3,052,059	2,911,993
Net assets per share attributable to equity holders of the Bank (RM)		1.21	1.23

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016.

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

<u>Bank</u>	Note	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
ASSETS			
Cash and bank balances		1,171,331	951,748
Financial assets at fair value through profit or loss	A11	459,837	381,588
Financial investments available-for-sale	A12	1,400,205	937,704
Financial investments held-to-maturity	A13	38,002	40,000
Derivative financial assets	B11	64,866	39,117
Loans, advances and financing	A14	2,142,854	2,065,887
Balances due from clients and brokers	A15	323,893	445,005
Other assets	A16	111,237	72,582
Statutory deposit with Bank Negara Malaysia	A17	129,008	99,504
Tax recoverable		905	894
Investment in subsidiaries		67,550	67,550
Investment in an associate		56,235	56,235
Investment in a joint venture company		15,000	7,500
Property, plant and equipment		194,104	190,731
Intangible assets		305,409	305,409
Deferred tax assets		3,807	7,554
TOTAL ASSETS		6,484,243	5,669,008
LIABILITIES			
Deposits from customers	A18	4,472,188	3,355,577
Deposits and placements of banks and other financial institutions	A19	547,870	550,954
Balances due to clients and brokers		234,058	474,231
Derivative financial liabilities	B11	21,900	47,406
Other liabilities	A20	228,401	195,833
Obligations on securities sold under repurchase agreements		-	27,253
Borrowings	A21	74,600	115,200
Provision for taxation and zakat		48	48
TOTAL LIABILITIES		5,579,065	4,766,502
EQUITY			
Share capital		246,137	180,637
Reserves		659,041	721,869
TOTAL EQUITY		905,178	902,506
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,484,243	5,669,008
Commitments and contingencies		3,082,043	2,980,493
Net assets per share (RM)		1.25	1.25

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016.

KENANGA INVESTMENT BANK BERHAD
(15678-H)

CONDENSED INTERIM FINANCIAL STATEMENTS

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended 30 June 2017 RM'000	3 months ended 30 June 2016 RM'000	6 months ended 30 June 2017 RM'000	6 months ended 30 June 2016 RM'000
			(Restated)		(Restated) (Note A4)
Group					
Interest income	A22	68,535	63,365	143,247	129,130
Interest expense	A23	(47,466)	(40,885)	(100,922)	(85,340)
Net interest income		21,069	22,480	42,325	43,790
Net income from Islamic banking business	A35	3,154	2,964	4,610	5,646
Other operating income	A24	97,715	73,871	186,987	155,330
Net income		121,938	99,315	233,922	204,766
Other operating expenses	A25	(110,204)	(91,692)	(212,508)	(185,498)
Operating profit		11,734	7,623	21,414	19,268
(Allowance for)/Write back of impairment on:					
- loans, advances and financing	A26	(155)	(924)	(154)	(928)
- balances due from clients and brokers and other receivables	A27	(338)	57	(1,110)	1,190
		11,241	6,756	20,150	19,530
Share of results of associates and joint venture		(1,644)	431	(5,066)	(600)
Profit before taxation and zakat		9,597	7,187	15,084	18,930
Taxation and zakat		(5,288)	(2,935)	(8,853)	(6,618)
Profit for the period		4,309	4,252	6,231	12,312
Other comprehensive (loss)/income					
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange differences on consolidation		(2,254)	1,552	(2,969)	(5,228)
Share of other comprehensive (loss)/income in an associate		(139)	982	(712)	(709)
Net gain on fair value changes of financial investments available-for-sale		2,457	4,464	4,468	14,966
Income tax relating to the components of other comprehensive income		(589)	(1,071)	(1,072)	(3,592)
Other comprehensive (loss)/income for the period, net of tax		(525)	5,926	(285)	5,437
Total comprehensive income for the period, net of tax		3,784	10,178	5,946	17,749

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CONDENSED INTERIM FINANCIAL STATEMENTS

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended 30 June 2017 RM'000	3 months ended 30 June 2016 RM'000	6 months ended 30 June 2017 RM'000	6 months ended 30 June 2016 RM'000
			(Restated)		(Restated) (Note A4)
Profit for the period					
Attributable to:					
Equity holders of the Bank		4,363	4,078	6,253	11,878
Non-controlling interests		(54)	174	(22)	434
		<u>4,309</u>	<u>4,252</u>	<u>6,231</u>	<u>12,312</u>
Earnings per share					
Basic (sen)	B7	0.60	0.53	0.87	1.54
Fully diluted (sen)	B7	<u>0.60</u>	<u>0.53</u>	<u>0.87</u>	<u>1.54</u>

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

	Note	Individual Quarter		Cumulative Quarter	
		3 months ended 30 June 2017 RM'000	3 months ended 30 June 2016 RM'000	6 months ended 30 June 2017 RM'000	6 months ended 30 June 2016 RM'000
Bank					
Interest income	A22	66,826	61,022	138,761	121,176
Interest expense	A23	(47,794)	(41,661)	(101,503)	(83,191)
Net interest income		19,032	19,361	37,258	37,985
Net income from Islamic banking business	A35	3,154	2,964	4,610	5,646
Other operating income	A24	81,689	60,565	155,725	129,832
Net income		103,875	82,890	197,593	173,463
Other operating expenses	A25	(89,676)	(74,723)	(172,880)	(152,240)
Operating profit		14,199	8,167	24,713	21,223
Write back of/(Allowance for) impairment on:					
- loans, advances and financing	A26	58	(253)	66	(304)
- balances due from clients and brokers and other receivables	A27	782	57	10	1,190
Profit before taxation and zakat		15,039	7,971	24,789	22,109
Taxation and zakat		(5,781)	(2,229)	(9,256)	(5,759)
Profit for the period		9,258	5,742	15,533	16,350
Other comprehensive income for					
Items that may be reclassified subsequently to profit or loss:					
Net gain on fair value changes of financial investments available-for-sale		2,457	4,324	4,468	15,167
Income tax relating to the components of other comprehensive income		(589)	(931)	(1,072)	(3,792)
Other comprehensive income for the period, net of tax		1,868	3,393	3,396	11,375
Total comprehensive income for the period, net of tax		11,126	9,135	18,929	27,725

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016.

KENANGA INVESTMENT BANK BERHAD
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UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

Group	Non- Distributable						Distributable		Controlling Interests	Total Equity
	Ordinary Shares	Share Premium	Statutory Reserve	Available-For-Sale Deficit	Regulatory Reserve	Exchange Reserve	Capital Reserve	Retained Profits		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2017	180,637	65,500	465,741	(11,034)	23,929	24,388	88,938	47,857	10,236	896,192
Net profit/(loss) for the period	-	-	-	-	-	-	-	6,253	(22)	6,231
Share of other comprehensive loss of associates	-	-	-	(712)	-	-	-	-	-	(712)
Other comprehensive income/(loss)	-	-	-	3,396	-	(2,969)	-	-	-	427
Total comprehensive income/(loss)	-	-	-	2,684	-	(2,969)	-	6,253	(22)	5,946
Transfer pursuant to Companies Act 2016	65,500	(65,500)	-	-	-	-	-	-	-	-
Transfer from statutory reserve *	-	-	(465,741)	-	-	-	-	465,741	-	-
Transfer to regulatory reserve	-	-	-	-	1,067	-	-	(1,067)	-	-
Dividend paid	-	-	-	-	-	-	-	(16,257)	-	(16,257)
At 30 June 2017	246,137	-	-	(8,350)	24,996	21,419	88,938	502,527	10,214	885,881

* The Bank has transferred the existing reserve funds to distributable retained profit as the reserve fund requirement has been removed by Bank Negara Malaysia effective 3 May 2017.

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016.

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UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

Group	Non- Distributable							Distributable		Non- Controlling Interests	Total Equity
	Ordinary Shares RM'000	Share Premium RM'000	Statutory Reserve RM'000	Available-For- Sale Deficit RM'000	Regulatory Reserve RM'000	Exchange Reserve RM'000	Capital Reserve RM'000	Reorganisation Reserve RM'000	(Accumulated losses) RM'000		
At 1 January 2016											
As previously reported	770,000	65,500	94,623	(19,553)	22,111	21,773	-	-	(40,821)	9,749	923,382
Effect of merger accounting	-	-	-	-	-	(120)	15,548	(103,666)	29,587	-	(58,651)
As restated	770,000	65,500	94,623	(19,553)	22,111	21,653	15,548	(103,666)	(11,234)	9,749	864,731
Net profit for the period	-	-	-	-	-	-	-	-	11,878	434	12,312
Share of other comprehensive loss of associates	-	-	-	(709)	-	-	-	-	-	-	(709)
Other comprehensive income/(loss)	-	-	-	11,374	-	(5,228)	-	-	-	-	6,146
Total comprehensive income/(loss)	-	-	-	10,665	-	(5,228)	-	-	11,878	434	17,749
Transfer to regulatory reserve	-	-	-	-	1,593	-	-	-	(1,593)	-	-
At 30 June 2016	770,000	65,500	94,623	(8,888)	23,704	16,425	15,548	(103,666)	(949)	10,183	882,480

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016.

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UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

	<u>Non- Distributable</u>					<u>Distributable</u>		Total Equity RM'000
	Ordinary Shares RM'000	Share Premium RM'000	Regulatory Reserve RM'000	Statutory Reserve RM'000	Available-For- Sale Deficit RM'000	Capital Reserve RM'000	Retained Profits RM'000	
Bank								
At 1 January 2017	180,637	65,500	23,929	465,741	(7,373)	153,863	20,209	902,506
Net profit for the period	-	-	-	-	-	-	15,533	15,533
Other comprehensive income	-	-	-	-	3,396	-	-	3,396
Total comprehensive income	-	-	-	-	3,396	-	15,533	18,929
Transfer pursuant to								
Companies Act 2016	65,500	(65,500)	-	-	-	-	-	-
Transfer from statutory reserve *	-	-	-	(465,741)	-	-	465,741	-
Transfer to regulatory reserve	-	-	1,067	-	-	-	(1,067)	-
Dividend paid	-	-	-	-	-	-	(16,257)	(16,257)
At 30 June 2017	246,137	-	24,996	-	(3,977)	153,863	484,159	905,178

* The Bank has transferred the existing reserve funds to distributable retained profit as the reserve fund requirement has been removed by Bank Negara Malaysia effective 3 May 2017.

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016.

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

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

Bank	Ordinary Shares RM'000	Non- Distributable			Available-For-Sale Deficit RM'000	Distributable	Total Equity RM'000
		Share premium RM'000	Regulatory Reserve RM'000	Statutory Reserve RM'000		Accumulated losses RM'000	
At 1 January 2016	770,000	65,500	22,111	94,623	(12,786)	(47,895)	891,553
Net profit for the period	-	-	-	-	-	16,350	16,350
Other comprehensive income	-	-	-	-	11,375	-	11,375
Total comprehensive income	-	-	-	-	11,375	16,350	27,725
Transfer to regulatory reserve	-	-	1,593	-	-	(1,593)	-
At 30 June 2016	770,000	65,500	23,704	94,623	(1,411)	(33,138)	919,278

The condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016.

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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

	Group		Bank	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Cash flows from operating activities				
Profit before taxation	15,084	18,930	24,789	22,109
Adjustments for:				
Impairment allowance/(write back) of allowance on loans, advances and financing	163	(1,046)	(57)	(422)
Depreciation of property, plant and equipment	6,434	5,777	6,279	3,405
Amortisation of intangible assets - software	380	498	-	-
Impairment allowance/(write back) of allowance on balances due from clients and brokers and other receivables	1,215	(740)	95	(740)
Property, plant and equipment written off	304	7	312	7
Non-cash items	8,496	4,496	6,629	2,250
Net gain from sale of financial assets held-for-trading and derivatives	(28,617)	(42,250)	(28,617)	(43,490)
Net gain from sale of financial investments available-for-sale	(2)	(8,576)	(2)	(8,576)
Gross dividend income from investments	(491)	(1,426)	(491)	(792)
Loss on revaluation of financial assets held-for-trading and derivatives	3,118	15,060	3,118	15,060
Gain on disposal of property, plant and equipment	(2)	-	(2)	-
Share of results of associates and joint venture	5,066	600	-	-
Non-operating items - investing	(20,928)	(36,592)	(25,994)	(37,798)
Adjustments for non-operating and non-cash items	(12,432)	(32,096)	(19,365)	(35,548)
Operating profit/(loss) before working capital changes	2,652	(13,166)	5,424	(13,439)
Changes in working capital:				
Net changes in operating assets	59,074	(475,185)	(28,477)	(643,568)
Net changes in operating liabilities	739,906	553,023	878,628	666,633
Cash generated from operations	801,632	64,672	855,575	9,626
Taxation and zakat paid	(6,954)	(4,475)	(6,440)	(3,092)
Net operating cash flow	794,678	60,197	849,135	6,534
Cash flows from investing activities				
Dividends received	491	1,426	491	792
Purchase of property, plant and equipment and intangible assets	(9,921)	(164,783)	(9,302)	(161,321)
Proceeds from disposal of a subsidiary	-	-	-	60
Proceeds from disposal of property, plant and equipment	8	-	-	-
Capital injection in a joint venture	(7,500)	(1,000)	(7,500)	(1,000)
Net purchase of securities	(560,950)	(205,798)	(560,149)	(209,773)
Net investing cash flow	(577,872)	(370,155)	(576,460)	(371,242)
Cash flows from financing activities				
Dividend paid	(16,257)	-	(16,257)	-
Net (repayment)/drawdown of borrowings	(69,100)	71,000	(40,600)	78,000
Net financing cash flow	(85,357)	71,000	(56,857)	78,000
Net change in cash and cash equivalents during the financial period	131,449	(238,958)	215,818	(286,708)
Cash and cash equivalents brought forward	1,044,011	958,803	893,741	790,157
Cash and cash equivalents carried forward	1,175,460	719,845	1,109,559	503,449

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**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term funds, excluding segregated funds from customers, deposits and monies held in trust on behalf of dealer's representatives. Cash and cash equivalents included in the statements of cash flows comprise of the following amounts in the statements of financial position:

	Group		Bank	
	As at 30 June 2017 RM'000	As at 30 June 2016 RM'000	As at 30 June 2017 RM'000	As at 30 June 2016 RM'000
Cash and short-term funds	1,339,118	818,513	1,171,331	569,622
Deposits and placements with banks and other financial institutions	50,000	164,191	-	-
Less: Segregated funds from customers	(151,886)	(201,495)	-	-
Less: Cash and bank balances and deposits held in trust	(61,772)	(61,364)	(61,772)	(66,173)
	<u>1,175,460</u>	<u>719,845</u>	<u>1,109,559</u>	<u>503,449</u>

**KENANGA INVESTMENT BANK BERHAD
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A1. Basis Of Preparation

The interim financial statements, for the financial period ended 30 June 2017, have been prepared in accordance with Malaysian Financial Reporting Standards ("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 these interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2016.

The interim financial statements have incorporated those activities relating to the Islamic banking business undertaken by the Group.

Companies Act 2016

The Companies Act 2016 ("New Act") was enacted to replace the Companies Act 1965 with the objectives to create a legal and regulatory structure that will facilitate business, and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation, except section 241 and Division 8 of Part III of the New Act, will be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Group and of the Bank upon the commencement of the New Act on 31 January 2017 included:

- (a) removal of the authorised share capital;
- (b) share of the Bank will cease to have par or nominal value; and
- (c) the Bank's share premium account will become part of the Bank's share capital.

During the period, the Bank had transferred a total of RM65,500,000 from its share premium account to share capital pursuant to the New Act.

The adoption of the New Act did not have any financial impact on the Group and the Bank for the current financial year as any accounting implications will only be applied prospectively, if applicable, and the effect of adoptions mainly will be on disclosures to the annual report and financial statements for the financial year ending 31 December 2017.

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 2016. 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 2016.

A3. Preceding financial year audit report

The preceding financial year audit report in respect of the financial year ended 31 December 2016 was not qualified by the external auditors.

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A4. Preceding financial period unaudited report

The following comparative figures of the Group and the Bank's financial statements and notes have been restated to conform with the current year presentation due to the adoption of the merger method of accounting to reflect the acquisition of certain subsidiaries, assets and liabilities under the Group Internal Reorganisation which was completed on 1 November 2016.

Statements of profit and loss

For the financial period ended 30 June 2016

	Group		
	As previously reported RM'000	Effect of merger accounting RM'000	As restated RM'000
Interest income	125,001	4,129	129,130
Interest expense	(82,001)	(3,339)	(85,340)
Net interest income	43,000	790	43,790
Net income from Islamic banking operations	5,646	-	5,646
Other operating income	155,392	(62)	155,330
Net income	204,038	728	204,766
Other operating expenses	(183,395)	(2,103)	(185,498)
Operating profit/(loss)	20,643	(1,375)	19,268
(Allowance for)/Write back of impairment on:			
- loans, advances and financing	(304)	(624)	(928)
- balances due from clients and brokers and other receivables	1,190	-	1,190
	21,529	(1,999)	19,530
Share of results of associates	(546)	(54)	(600)
Profit/(loss) before taxation and zakat	20,983	(2,053)	18,930
Taxation and zakat	(6,622)	4	(6,618)
Profit/(loss) for the financial period	14,361	(2,049)	12,312
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange differences on consolidation	(5,131)	(97)	(5,228)
Share of other comprehensive loss in an associate	(339)	(370)	(709)
Net gain on fair value changes of financial investments available-for-sale	15,167	(201)	14,966
Income tax relating to the components of other comprehensive income	(3,792)	200	(3,592)
Other comprehensive income/(loss) for the period, net of tax	5,905	(468)	5,437
Total comprehensive income/(loss) for the period, net of tax	20,266	(2,517)	17,749

**KENANGA INVESTMENT BANK BERHAD
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A4. Preceding financial year audit report (cont'd)

Statements of cash flows

For the financial period ended 30 June 2016

	Group		
	As previously reported RM'000	Effect of merger accounting RM'000	As restated RM'000
Cash flows from operating activities			
Profit before taxation	20,983	(2,053)	18,930
Adjustments for non-operating and non-cash items	(34,810)	2,714	(32,096)
Operating (loss)/profit before working capital changes	(13,827)	661	(13,166)
Changes in working capital:			
Net changes in operating assets	(496,424)	21,239	(475,185)
Net changes in operating liabilities	542,345	10,678	553,023
Cash generated from operations	32,094	32,578	64,672
Taxation and zakat paid	(4,295)	(180)	(4,475)
Net operating cash flow	27,799	32,398	60,197
Cash flows from investing activities			
Dividends received	730	696	1,426
Purchase of property, plant and equipment and intangible assets	(162,621)	(2,162)	(164,783)
Acquisition of a joint venture	(1,000)	-	(1,000)
Net sales of securities	(215,884)	10,086	(205,798)
Net investing cash flow	(378,775)	8,620	(370,155)
Cash flows from financing activities			
Net repayment of borrowings	78,000	(7,000)	71,000
Net financing cash flow	78,000	(7,000)	71,000
Net change in cash and cash equivalents during the financial period	(272,976)	34,018	(238,958)
Cash and cash equivalents brought forward	953,680	5,123	958,803
Cash and cash equivalents carried forward	680,704	39,141	719,845

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A5. Seasonal or Cyclical Factors

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

A6. 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.

A7. 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.

A8. 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, shares held as treasury shares and resale of treasury shares during the first half financial year ended 30 June 2017, other than the following:

- (i) On 20 April 2017, the Bank has issued RM5 million of Subordinated Notes under the Tier 2 Subordinated Note Programme of up to RM250 million.
- (ii) During the first quarter, the Bank has redeemed RM40 million of Medium Term Notes.

A9. Dividends paid per share

A final dividend of 2.25 sen per share in respect of the financial year ended 31 December 2016, which amounted to RM16,257,320 was paid on 9 June 2017.

A10. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period

On 16 May 2017, the Bank has entered into a Share Purchase Agreement with Deutsche Asia Pacific Holdings Pte Ltd to acquire the remaining 1,350,000 ordinary shares representing 27% of the total number of issued shares of Kenanga Deutsche Futures Sdn Bhd ("KDF"), a 73%-owned subsidiary of the Bank. Upon completion of the acquisition, KDF will become a wholly-owned subsidiary of the Bank. The acquisition was completed on 27 July 2017.

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	Group		Bank	
	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
A11. Financial Assets At Fair Value Through Profit or Loss				
At Fair Value				
Money Market Instruments:				
Malaysian Government Securities	60,388	-	60,388	-
Malaysian Government Investment Certificates	70,162	-	70,162	-
	<u>130,550</u>	<u>-</u>	<u>130,550</u>	<u>-</u>
Quoted Securities:				
Shares and Unit Trust Funds in Malaysia	181,386	191,578	181,386	191,578
Shares outside Malaysia	7,385	19,632	7,385	19,632
	<u>188,771</u>	<u>211,210</u>	<u>188,771</u>	<u>211,210</u>
Unquoted Securities:				
Unit trusts funds in Malaysia	7,206	6,660	-	-
Unquoted Private Debt Securities in Malaysia:				
Corporate Bonds	-	45,035	-	45,035
Corporate Bills	89,662	84,639	89,662	84,639
Islamic Corporate Bonds	-	14,668	-	14,668
Islamic Corporate Bills	49,787	24,969	49,787	24,969
	<u>139,449</u>	<u>169,311</u>	<u>139,449</u>	<u>169,311</u>
Unquoted Private Debt Securities outside Malaysia:				
Redeemable corporate notes	1,067	1,067	1,067	1,067
	<u>1,067</u>	<u>1,067</u>	<u>1,067</u>	<u>1,067</u>
Total Financial Assets At Fair Value Through Profit or Loss	<u>467,043</u>	<u>388,248</u>	<u>459,837</u>	<u>381,588</u>
A12. Financial Investments Available-for-Sale				
At Fair Value, or amortised cost				
Money Market Instruments:				
Negotiable Instruments of Deposits	-	50,000	-	50,000
Islamic Negotiable Instruments of Deposits	179,547	149,890	179,547	149,890
Malaysian Government Securities	19,734	19,566	19,734	19,566
Malaysian Government Investment Certificates	58,842	58,428	58,842	58,428
Bank Negara Malaysia Bills and Notes	467,705	-	467,705	-
Sukuk Perumahan Kerajaan	10,044	10,056	10,044	10,056
	<u>735,872</u>	<u>287,940</u>	<u>735,872</u>	<u>287,940</u>
Unquoted Securities:				
Shares and fund in Malaysia	10,698	490	10,698	490
Unquoted Private Debt Securities:				
Islamic Corporate Bonds	528,840	524,752	528,840	524,752
Corporate Bonds	124,795	124,522	124,795	124,522
	<u>653,635</u>	<u>649,274</u>	<u>653,635</u>	<u>649,274</u>
Total Financial Investments Available-for-Sale	<u>1,400,205</u>	<u>937,704</u>	<u>1,400,205</u>	<u>937,704</u>
A13. Financial Investments Held-To-Maturity				
At Amortised Cost				
Unquoted Private Debt Securities:				
Islamic Corporate Bonds	38,002	40,000	38,002	40,000
	<u>38,002</u>	<u>40,000</u>	<u>38,002</u>	<u>40,000</u>

	Group		Bank	
	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
A14. Loans, Advances and Financing				
At Amortised Cost				
Share margin financing	1,539,607	1,490,721	1,539,607	1,490,721
Term loans	569,366	505,348	595,029	562,084
Subordinated term loan	-	-	10,298	15,219
Others	51,662	112,082	-	-
Gross loans, advances and financing	2,160,635	2,108,151	2,144,934	2,068,024
Allowance for impairment:				
- collective allowance	(531)	(432)	(729)	(871)
- individual allowance	(2,199)	(2,135)	(1,351)	(1,266)
Net Loans, Advances and Financing	2,157,905	2,105,584	2,142,854	2,065,887
(i) By Type of Customer				
Domestic business enterprise - others	926,796	894,834	911,095	900,953
Individuals	1,179,162	1,158,958	1,179,162	1,112,712
Foreign enterprises	54,677	54,359	54,677	54,359
Gross Loans, Advances and Financing	2,160,635	2,108,151	2,144,934	2,068,024
(ii) By Geographical Distribution				
In Malaysia	2,095,601	2,042,417	2,079,900	2,002,290
Outside Malaysia	65,034	65,734	65,034	65,734
Gross Loans, Advances and Financing	2,160,635	2,108,151	2,144,934	2,068,024
(iii) By Interest Rate/ Profit Rate Sensitivity				
Fixed rate				
- Other fixed rate loans	1,591,269	1,602,786	1,539,606	1,490,704
Variable rate				
- Other variable rates	546,036	464,882	581,998	536,837
- Base lending rate plus	23,330	40,483	23,330	40,483
Gross Loans, Advances and Financing	2,160,635	2,108,151	2,144,934	2,068,024
(iv) By Purpose				
- Purchase of securities	1,774,181	1,720,409	1,774,181	1,703,996
- Working capital	218,141	243,792	254,103	254,056
- Others	168,313	143,950	116,650	109,972
Gross Loans, Advances and Financing	2,160,635	2,108,151	2,144,934	2,068,024
(v) By Residual Contractual Maturity				
- Within one year	2,118,972	1,785,930	2,144,934	1,673,848
- More than one year	41,663	322,221	-	394,176
Gross Loans, Advances and Financing	2,160,635	2,108,151	2,144,934	2,068,024
(vi) Movements in impaired loans, advances and financing ("Impaired loans")				
At beginning of the financial period/year	2,608	7,942	1,735	1,954
Impaired during the financial period/year	85	1,824	85	160
Amount written off	(21)	(379)	-	(379)
Amount recovered	-	(6,779)	-	-
At end of the financial period/year	2,672	2,608	1,820	1,735
Less: Individual allowance	(2,199)	(2,135)	(1,351)	(1,266)
Net impaired loans	473	473	469	469

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	Group		Bank	
	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
A14. Loans, Advances and Financing (Cont'd)				
(vi) Movements in impaired loans, advances and financing ("Impaired loans") (Cont'd)				
Net impaired loans as a % of gross loans, advances and financing less individual allowance	0.02%	0.02%	0.02%	0.02%
(vii) Impaired loans by Geographical Distribution				
Malaysia	2,672	2,608	1,820	1,735
Gross impaired loans	2,672	2,608	1,820	1,735
(viii) Impaired loans by Purpose				
Working capital	848	869	-	-
Purchase of securities	1,824	1,739	1,820	1,735
Gross impaired loans	2,672	2,608	1,820	1,735
(ix) Movements in impairment allowance for loans, advances and financing				
<u>Individual allowance</u>				
At beginning of financial period/year	2,135	1,395	1,266	1,395
Allowance made during the period/year	85	932	85	63
Amount written back during the period/year	(21)	(192)	-	(192)
At end of the financial period/year	2,199	2,135	1,351	1,266
<u>Collective allowance</u>				
At beginning of financial period/year	432	143	871	438
Allowance made during the financial period/year	284	406	43	550
Amount written back during the financial period/year	(185)	(117)	(185)	(117)
At end of the financial period/year	531	432	729	871
Collective allowance as a % of gross loans, advances and financing less individual allowance	0.02%	0.02%	0.03%	0.04%
A15. Balances due from clients and brokers				
Balances due from clients and brokers	350,677	471,740	350,677	471,740
Less:				
Allowance for impairment	(26,784)	(26,735)	(26,784)	(26,735)
	323,893	445,005	323,893	445,005
Movements of allowance impairment for:				
<u>Individual Impairment</u>				
At beginning of the financial period/year	26,735	27,328	26,735	27,328
Allowance made	3,945	5,408	3,945	5,408
Allowance for impairment losses written back	(3,529)	(5,975)	(3,529)	(5,975)
Amount written off	(367)	(26)	(367)	(26)
At end of the financial period/year	26,784	26,735	26,784	26,735

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	Group		Bank	
	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
A16. Other Assets				
Assets segregated for customers	54,720	138,146	-	-
Interest/income receivable	11,600	9,463	11,003	8,966
Prepayments and deposits	20,678	21,567	19,272	20,372
Other debtors	36,446	63,437	22,933	45,873
Treasury trade receivables	60,555	-	60,555	-
Amount due from subsidiaries	-	-	753	872
Amount due from related parties	5	104	5	104
	184,004	232,717	114,521	76,187
Allowance for impairment	(4,404)	(3,605)	(3,284)	(3,605)
	179,600	229,112	111,237	72,582
A17. Statutory deposit with Bank Negara Malaysia				
Statutory Deposit	129,008	99,504	129,008	99,504
The non-interest bearing statutory deposit is maintained by the Bank with Bank Negara Malaysia in compliance with Section 26(2) (c) of the Central Bank of Malaysia Act 2009, and is determined as a set percentage of net eligible liabilities.				
A18. Deposits from customers				
(i) By type of deposit				
Fixed term deposits	2,754,447	2,295,897	2,754,447	2,300,906
Short term money deposits	1,612,758	972,372	1,671,518	1,036,563
Call money deposits	14,350	-	14,350	-
Negotiable instruments of deposit	31,873	17,758	31,873	18,108
	4,413,428	3,286,027	4,472,188	3,355,577
(ii) By type of customer				
Government and other statutory bodies	158,867	119,396	158,867	119,396
Individuals	118,124	94,167	118,124	94,167
Business enterprises	1,396,594	940,453	1,396,594	960,453
Non-bank financial institutions	2,739,843	2,132,011	2,739,843	2,132,011
Related companies	-	-	58,760	49,550
	4,413,428	3,286,027	4,472,188	3,355,577
(iii) By maturity structure				
Due within six months	3,884,347	2,630,511	3,943,107	2,700,061
More than six months to one year	529,081	655,516	529,081	655,516
	4,413,428	3,286,027	4,472,188	3,355,577
A19. Deposits and placements of banks and financial institutions				
Licenced banks	191,470	210,000	191,470	210,000
Licenced Islamic banks	60,000	60,000	60,000	60,000
Others financial institutions	296,400	280,954	296,400	280,954
	547,870	550,954	547,870	550,954

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	Group		Bank	
	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
A20. Other liabilities				
Interest/Income payable	19,180	15,518	18,649	14,515
Accruals and provision	63,188	70,355	43,419	40,402
Retention for contra losses	487	487	487	487
Structured products	38,864	24,043	38,864	24,043
Deposits and other creditors	73,925	66,227	65,209	58,378
Amounts held in trust on behalf of				
Dealers' Representatives	61,772	58,007	61,772	58,007
Amount due to trustee	10,949	4,107	-	-
Amount due to subsidiaries	-	-	1	1
	268,365	238,744	228,401	195,833
A21. Borrowings				
Secured:				
Revolving bank loan	69,600	75,200	69,600	75,200
Unsecured:				
Revolving bank loans	22,000	50,500	-	-
Medium term notes	-	40,000	-	40,000
Subordinated notes	5,000	-	5,000	-
	96,600	165,700	74,600	115,200

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	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June 2017 RM'000	3 months ended 30 June 2016 RM'000	6 months ended 30 June 2017 RM'000	6 months ended 30 June 2016 RM'000
A22. Interest Income				
Group				
Loans, advances and financing	37,603	36,290	73,459	71,415
Money at call and deposit placements with financial institutions	9,032	9,687	19,930	22,617
Financial assets at fair value through profit or loss	2,332	1,475	4,365	1,855
Financial investments available-for-sale	9,350	11,141	29,590	25,494
Financial investments held to maturity	470	523	962	1,077
Others	9,748	4,249	14,941	6,672
	68,535	63,365	143,247	129,130
Bank				
Loans, advances and financing	35,750	34,168	70,267	67,755
Money at call and deposit placements with financial institutions	9,176	9,466	18,636	18,323
Financial assets at fair value through profit or loss	2,332	1,475	4,365	1,855
Financial investments available-for-sale	9,350	11,141	29,590	25,494
Financial investments held to maturity	470	523	962	1,077
Others	9,748	4,249	14,941	6,672
	66,826	61,022	138,761	121,176
A23. Interest Expense				
Group				
Deposits from customers	44,033	36,184	94,983	76,038
Deposits and placement from banks and other financial institutions	1,658	2,018	2,171	4,436
Borrowings	972	2,388	2,420	4,236
Others	803	295	1,348	630
	47,466	40,885	100,922	85,340
Bank				
Deposits from customers	44,540	39,075	96,050	77,852
Deposits and placement from banks and other financial institutions	1,658	2,018	2,171	4,436
Borrowings	793	273	1,934	273
Others	803	295	1,348	630
	47,794	41,661	101,503	83,191

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	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June 2017	3 months ended 30 June 2016	6 months ended 30 June 2017	6 months ended 30 June 2016
	RM'000	RM'000	RM'000	RM'000

A24. Other Operating Income

Group

(a) Fee income:

Brokerage fees	53,605	37,768	102,691	78,307
Corporate advisory fee	4,409	2,511	6,850	5,388
Processing fees on loans, advances and financing	1,624	1,700	2,897	2,519
Commissions	2,094	3,213	4,564	7,238
Management fee income	12,425	10,580	22,621	19,433
Placement fees	2,775	1,945	4,521	3,952
Underwriting commission	60	-	60	-
Other fee income	4,750	2,732	10,196	5,102
	<u>81,742</u>	<u>60,449</u>	<u>154,400</u>	<u>121,939</u>

(b) Net gain arising from sale/redemption of:

Financial assets at fair value through profit or loss and derivatives	17,583	3,443	28,798	37,980
Financial investments available-for-sale	1	1,858	1	6,781
	<u>17,584</u>	<u>5,301</u>	<u>28,799</u>	<u>44,761</u>

(c) Gross dividend income from:

(i) Financial assets at fair value through profit or loss	164	1,077	185	1,426
(ii) Financial investments available-for-sale	50	-	306	-
	<u>214</u>	<u>1,077</u>	<u>491</u>	<u>1,426</u>

(d) Unrealised (loss)/gain on revaluation of financial assets at fair value through profit or loss and derivatives

	<u>(5,233)</u>	<u>5,555</u>	<u>(2,924)</u>	<u>(16,086)</u>
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(e) Other income:

Net foreign exchange income	1,383	699	2,826	1,720
Gain on disposal of property, plant and equipment	2	-	2	-
Other operating income	9	-	5	-
Other non-operating income				
-Rental income	573	391	1,669	732
-Others	1,441	399	1,719	838
	<u>3,408</u>	<u>1,489</u>	<u>6,221</u>	<u>3,290</u>

Total other operating income	<u>97,715</u>	<u>73,871</u>	<u>186,987</u>	<u>155,330</u>
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	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June 2017 RM'000	3 months ended 30 June 2016 RM'000	6 months ended 30 June 2017 RM'000	6 months ended 30 June 2016 RM'000
A24. Other Operating Income (Cont'd)				
Bank				
(a) Fee income:				
Brokerage fees	53,605	37,768	102,691	78,307
Corporate advisory fee	4,418	2,511	6,869	5,388
Processing fees on loans, advances and financing	1,302	1,219	2,192	1,825
Management fee income	279	343	436	445
Placement fees	2,775	1,945	4,521	3,952
Underwriting commission	60	-	60	-
Other fee income	2,479	2,088	5,229	4,101
	<u>64,918</u>	<u>45,874</u>	<u>121,998</u>	<u>94,018</u>
(b) Net gain arising from sale/redemption of:				
Financial assets at fair value through profit or loss and derivatives	17,583	4,682	28,798	39,219
Financial investments available-for-sale	1	1,859	1	6,782
	<u>17,584</u>	<u>6,541</u>	<u>28,799</u>	<u>46,001</u>
(c) Gross dividend from:				
Financial assets at fair value through profit or loss	164	-	185	-
Financial investments available-for-sale	50	381	306	730
Subsidiary	-	62	-	62
	<u>214</u>	<u>443</u>	<u>491</u>	<u>792</u>
(d) Unrealised (loss)/gain on revaluation of financial assets fair value through profit or loss and derivatives	<u>(5,233)</u>	<u>5,299</u>	<u>(2,924)</u>	<u>(16,086)</u>
(e) Other income:				
Net foreign exchange income	1,391	714	2,838	1,744
Gain on disposal of property, plant and equipment	2	-	2	-
Other operating income	70	63	146	204
Other non-operating income				
-Rental income	1,275	1,185	2,577	2,318
-Others	1,468	446	1,798	841
	<u>4,206</u>	<u>2,408</u>	<u>7,361</u>	<u>5,107</u>
Total other operating income	<u>81,689</u>	<u>60,565</u>	<u>155,725</u>	<u>129,832</u>

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Individual Quarter		Cumulative Quarter	
3 months ended 30 June 2017	3 months ended 30 June 2016	6 months ended 30 June 2017	6 months ended 30 June 2016
RM'000	RM'000	RM'000	RM'000

A25. Other operating expenses

Group

Personnel costs	39,635	36,837	77,695	73,488
- Salaries, allowances and bonuses	30,863	28,629	60,902	57,921
- EPF	3,877	3,624	7,748	7,151
- Others	4,895	4,584	9,045	8,416
Establishment costs	14,918	13,709	27,924	28,311
- Depreciation of property, plant and equipment	3,211	2,790	6,434	5,777
- Amortisation of intangible assets - software	190	249	380	498
- Rental of premises	4,107	5,873	8,281	11,803
- Rental of equipment	188	146	345	300
- Repairs and maintenance	1,303	661	2,325	1,218
- Information technology expenses	2,848	2,550	5,398	5,986
- Others	3,071	1,440	4,761	2,729
Marketing expenses	4,222	2,838	8,429	5,833
- Promotion and advertisements	2,466	1,562	4,489	3,624
- Travel and entertainment	877	590	1,940	945
- Others	879	686	2,000	1,264
Administration and general expenses	51,429	38,308	98,460	77,866
- Communication expenses	1,189	1,497	2,576	3,110
- Professional fees and legal fees	954	1,930	1,561	2,619
- Regulatory charges	5,963	4,507	11,100	10,673
- Fees and brokerage	37,620	25,007	72,381	51,896
- Administrative expenses	5,281	4,986	9,987	8,711
- Printing and stationery	422	381	855	857
	110,204	91,692	212,508	185,498

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Individual Quarter		Cumulative Quarter	
3 months ended 30 June 2017 RM'000	3 months ended 30 June 2016 RM'000	6 months ended 30 June 2017 RM'000	6 months ended 30 June 2016 RM'000

A25. Other operating expenses (Cont'd)

Bank

Personnel costs	30,326	31,383	59,718	62,813
- Salaries, allowances and bonuses	24,937	21,706	49,538	42,420
- EPF	3,098	2,691	6,194	5,314
- Others	2,291	6,986	3,986	15,079
Establishment costs	13,594	12,064	25,005	25,012
- Depreciation of property, plant and equipment	3,130	2,495	6,279	5,149
- Rental of premises	4,195	5,724	7,998	11,525
- Rental of equipment	101	58	173	126
- Repair and maintenance	1,044	432	1,874	777
- Information technology expenses	2,822	2,493	5,351	5,859
- Others	2,302	862	3,330	1,576
Marketing expenses	2,780	1,491	5,715	2,941
- Promotion and advertisement	1,309	646	2,378	1,517
- Travel and entertainment	703	696	1,600	1,171
- Others	768	149	1,737	253
Administration and general expenses	42,976	29,785	82,442	61,474
- Communication expenses	1,040	1,312	2,273	2,731
- Professional fees and legal fees	886	1,025	1,435	1,051
- Regulatory charges	5,452	3,616	10,039	8,942
- Administrative expenses	4,667	3,567	8,605	6,182
- Printing and stationery	317	283	687	665
- Fees and brokerages	30,614	19,982	59,403	41,903
	89,676	74,723	172,880	152,240

A26. (Allowance for)/Write back of impairment on loans, advances and financing

Group

Impairment:

- collective allowance (net)	(141)	(55)	(99)	(116)
- individual allowance (net)	(22)	(884)	(64)	(930)
Bad debts and financing:				
- recovered	8	15	9	118
	(155)	(924)	(154)	(928)

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<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
3 months ended 30 June 2017	3 months ended 30 June 2016	6 months ended 30 June 2017	6 months ended 30 June 2016
RM'000	RM'000	RM'000	RM'000

A26. Write back/(Allowance for) of impairment on loans, advances and financing (cont'd)

Bank

Impairment:

- collective allowance (net)	93	(282)	142	(390)
- individual allowance (net)	(43)	14	(85)	(32)
	<u>50</u>	<u>(268)</u>	<u>57</u>	<u>(422)</u>

Bad debts and financing:

- recovered	8	15	9	118
	<u>58</u>	<u>(253)</u>	<u>66</u>	<u>(304)</u>

A27. (Allowance for)/Write back of impairment on balances due from clients and brokers and other receivables

Group

Impairment:

(i) individual allowance on clients and brokers (net)	751	(2,726)	(416)	(3,103)
(ii) impairment allowance on other receivables (net)	(1,171)	2,771	(799)	3,843

Impaired debts:

- recovered	82	12	105	450
	<u>(338)</u>	<u>57</u>	<u>(1,110)</u>	<u>1,190</u>

Bank

Impairment:

(i) individual allowance on clients and brokers (net)	751	(2,726)	(416)	(3,103)
(ii) impairment allowance on other receivables (net)	(51)	2,771	321	3,843

Impaired debts:

- recovered	82	12	105	450
	<u>782</u>	<u>57</u>	<u>10</u>	<u>1,190</u>

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A28. Fair value of financial instruments

Fair value measurements

The Group and the Bank 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.

Valuation techniques and sensitivity analysis

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. This would include quoted securities.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Bank then determine fair value based upon valuation techniques that use inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data. These would include certain bonds, government bonds, corporate debt securities and derivatives.

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A28. Fair value of financial instruments (cont'd.)

Group

30 June 2017

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
- Debt securities	-	269,999	-	269,999
- Equity securities and unit trusts	188,771	7,206	-	195,977
Financial investments available-for-sale #				
- Debt securities	-	1,209,960	-	1,209,960
- Islamic Negotiable Instruments of Deposit	-	179,547	-	179,547
Unquoted private debt securities	-	-	1,067	1,067
Derivative financial assets	-	64,866	-	64,866
Financial assets for which fair values are disclosed				
Financial investments held-to-maturity	-	38,178	-	38,178
Loans, advances and financing	-	-	2,156,094	2,156,094
	188,771	1,769,756	2,157,161	4,115,688

Financial liabilities measured at fair value

Derivative financial liabilities	12,008	9,892	-	21,900
Borrowings	-	95,976	-	95,976
	12,008	105,868	-	117,876

31 December 2016

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
- Debt securities	-	169,311	-	169,311
- Equity securities and unit trusts	211,210	-	-	211,210
Financial investments available-for-sale #				
- Debt securities	-	737,324	-	737,324
- Negotiable Instruments of Deposit	-	50,000	-	50,000
- Islamic Negotiable Instruments of Deposit	-	149,890	-	149,890
- Equity securities and unit trusts	-	6,660	-	6,660
Unquoted private debt securities	-	-	1,067	1,067
Derivative financial assets	-	39,117	-	39,117
Financial assets for which fair values are disclosed				
Financial investments held-to-maturity	-	40,026	-	40,026
Loans, advances and financing	-	-	2,102,439	2,102,439
	211,210	1,192,328	2,103,506	3,507,044

Financial liabilities measured at fair value

Derivative financial liabilities	13,613	33,793	-	47,406
Obligations on securities sold under repurchase agreements	-	27,253	-	27,253
Borrowings	-	168,906	-	168,906
	13,613	229,952	-	243,565

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A28. Fair value of financial instruments (cont'd.)

Bank

30 June 2017

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
- Debt securities	-	269,999	-	269,999
- Equity securities and unit trusts	188,771	-	-	188,771
Financial investments available-for-sale #				
- Debt securities	-	1,209,960	-	1,209,960
- Islamic Negotiable Instruments of Deposit	-	179,547	-	179,547
Unquoted private debt securities	-	-	1,067	1,067
Derivative financial assets	-	64,866	-	64,866
Financial assets for which fair values are disclosed				
Financial investments held-to-maturity	-	38,178	-	38,178
Loans, advances and financing	-	-	2,156,094	2,156,094
	188,771	1,762,550	2,157,161	4,108,482

Financial liabilities measured at fair value

Derivative financial liabilities	9,753	12,147	-	21,900
Borrowings	-	73,976	-	73,976
	9,753	86,123	-	95,876

31 December 2016

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
- Debt securities	-	169,311	-	169,311
- Equity securities and unit trusts	211,210	-	-	211,210
Financial investments available-for-sale #				
- Debt securities	-	737,324	-	737,324
- Negotiable Instruments of Deposit	-	50,000	-	50,000
- Islamic Negotiable Instruments of Deposit	-	149,890	-	149,890
Unquoted private debt securities	-	-	1,067	1,067
Derivative financial assets	-	39,117	-	39,117
Financial assets for which fair values are disclosed				
Financial investments held-to-maturity	-	40,026	-	40,026
Loans, advances and financing	-	-	2,062,740	2,062,740
	211,210	1,185,668	2,063,807	3,460,685

Financial liabilities measured at fair value

Derivative financial liabilities	13,613	33,793	-	47,406
Obligations on securities sold under repurchase agreements	-	27,253	-	27,253
Borrowings	-	118,334	-	118,334
	13,613	179,380	-	192,993

Excluded unquoted securities stated at cost of RM10,698,000 (2016 : RM490,000).

There has been no transfer between level 1 & level 2 during the current period ended 30 June 2017 (30 June 2016: no transfer in either direction)

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	As at 30 June 2017	As at 31 December 2016
	Principal Amount RM'000	Principal Amount RM'000
A29. <u>Commitments and Contingencies and Off-Balance Sheet Financial Instruments</u>		
Group		
Obligations under underwriting agreements	-	9,380
Commitments to extend credit with maturity of less than 1 year :-		
- share margin financing	1,622,561	1,656,405
- corporate loans	88,500	-
- foreign exchange related contracts	100,014	44,858
- equity exchange related contracts	186,980	127,966
Commitments to extend credit with maturity of more than 1 year :-		
- corporate loans	8,017	347
- equity related contracts	-	1,145
Client trust in respect of the stockbroking business	727,689	665,738
Derivative financial assets (Note B11)		
- dual currency investment - options	19,076	17,407
- equity related contracts - options	81,027	93,636
- equity related contracts - swap	-	57,262
Derivative financial liabilities (Note B11)		
- dual currency investment - options	19,076	17,407
- equity related contracts - options	199,119	220,442
	<u>3,052,059</u>	<u>2,911,993</u>

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As at 30 June 2017	As at 31 December 2016
Principal Amount RM'000	Principal Amount RM'000

**A29. Commitments and Contingencies and Off-Balance Sheet
Financial Instruments (Cont'd)**

Bank

Obligations under underwriting agreements	-	9,380
Commitments to extend credit with maturity of less than 1 year :-		
- share margin financing	1,622,544	1,656,405
- corporate loans	88,500	43,500
- foreign exchange related contracts	100,014	44,858
- equity exchange related contracts	186,980	127,966
Commitments to extend credit with maturity of more than 1 year :-		
- corporate loan	38,017	25,347
- equity exchange related contracts	-	1,145
Client trust in respect of the stockbroking business	727,689	665,738
Derivative financial assets (Note B11)		
- dual currency investment - options	19,076	17,407
- equity related contracts - options	81,027	93,636
- equity related contracts - swap	-	57,262
Derivative financial liabilities (Note B11)		
- dual currency investment - options	19,076	17,407
- equity related contracts - options	199,119	220,442
	<u>3,082,043</u>	<u>2,980,493</u>

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	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
A30. Other Commitments				
Capital expenditure commitments	8,487	11,339	8,441	11,043
Operating lease arrangements payables	7,277	12,500	7,277	12,500
	<u>15,764</u>	<u>23,839</u>	<u>15,718</u>	<u>23,543</u>
Future minimum sublease receipts:				
Subsidiaries	-	-	4,683	4,674
External parties	1,564	1,136	1,564	1,136
	<u>1,564</u>	<u>1,136</u>	<u>6,247</u>	<u>5,810</u>

A31. Capital Adequacy

(i) Components of Common Equity Tier 1 ("CET 1") capital ratio, Tier 1 and Tier 2 capital:

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
<u>CET 1 / Tier 1 capital</u>				
Paid-up share capital	246,137	180,637	246,137	180,637
Share premium	-	65,500	-	65,500
Retained profits	496,274	47,857	468,626	20,209
Other reserves	127,003	591,962	174,881	636,160
Less: Regulatory adjustments:				
Deferred tax assets	(6,043)	(9,841)	(3,807)	(7,554)
Goodwill	(203,109)	(203,109)	(252,909)	(252,909)
Other intangibles	(63,538)	(63,813)	(52,500)	(52,500)
Regulatory reserve	(24,996)	(23,929)	(24,996)	(23,929)
Deduction in excess of Tier 2*	(62,709)	(65,313)	(118,902)	(116,876)
Total CET 1/Tier 1 capital	<u>509,019</u>	<u>519,951</u>	<u>436,530</u>	<u>448,738</u>
<u>Tier 2 capital</u>				
Subordinated debt capital	5,000	-	5,000	-
Collective impairment provision and regulatory reserves	14,526	14,320	14,283	13,809
Less: Regulatory adjustments applied to Tier 2 capital	(15,677)	(14,320)	(19,283)	(13,809)
Total Tier 2 capital	<u>3,849</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital	<u>512,868</u>	<u>519,951</u>	<u>436,530</u>	<u>448,738</u>

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A31. Capital Adequacy (cont'd)

(i) Components of Common Equity Tier 1 ("CET 1") capital ratio, Tier 1 and Tier 2 capital (cont'd):

	Group		Bank	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
CET 1 capital ratio	26.707%	28.176%	24.686%	26.199%
Tier 1 capital ratio	26.707%	28.176%	24.686%	26.199%
Total capital ratio	26.909%	28.176%	24.686%	26.199%

* The portion of regulatory adjustments not deducted from Tier 2 (as the Bank 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 Bank Negara Malaysia's Capital Adequacy Framework (Capital Components).

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

	Group		Group	
	30 June 2017		31 December 2016	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
Credit Risk	4,890,923	1,162,091	4,273,833	1,145,590
Market Risk	-	175,530	-	154,586
Operational Risk	-	561,920	-	545,211
Large Exposure Risk	10,208	6,400	-	-
Total Risk Weighted Assets	4,890,923	1,905,941	4,273,833	1,845,387

	Bank		Bank	
	30 June 2017		31 December 2016	
	Notional amount RM'000	Risk-weighted amount RM'000	Notional amount RM'000	Risk-weighted amount RM'000
Credit Risk	4,713,613	1,142,655	3,933,702	1,104,691
Market Risk	-	155,714	-	154,586
Operational Risk	-	463,531	-	453,526
Large Exposure Risk	10,208	6,400	-	-
Total Risk Weighted Assets	4,723,821	1,768,300	3,933,702	1,712,804

The capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia'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").

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A33. Credit Exposures Arising From Credit Transactions With Connected Parties

	30 June 2017	31 December 2016
Outstanding credit exposures with connected parties (RM'000)	<u>292,599</u>	<u>253,809</u>
Percentage of outstanding credit exposures to connected parties:- - as a proportion of total credit exposures	<u>8.14%</u>	<u>6.91%</u>
- which is impaired or in default	<u>-</u>	<u>-</u>

The credit exposure above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which are effective on 1 January 2008.

A34. Segmental reporting

The Group has five major operating divisions as described below. The division form the basis of which the Group reports its segment information.

- (i) Investment bank - Investment banking business, treasury and related financial services;
- (ii) Stockbroking - Dealings in equity securities and investment related services;
- (iii) Futures - Futures broker business
- (iv) Money lending and financing - Money lending, islamic factoring and leasing;
- (v) Investment and wealth management - Management of funds and unit trusts (Note 1); and
- (vi) Corporate and others - Support services comprise all middle and back office functions, and, includes business operations conducted by the Group's associate in the Kingdom of Saudi Arabia and joint venture.

Note 1

Wealth management was previously reported under the corporate and other segments. However with effect from this financial year, it has been reported as part of the investment management segment due to similar products and services rendered. This will enable decisions on allocation of resources to be handled more effectively and efficiently to improve the performance of this segment.

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A34. Segmental reporting (cont'd)

	Investment banking RM'000	Stock broking RM'000	Futures broking RM'000	Money lending and financing RM'000	Investment and wealth management RM'000	Corporate and Others RM'000	Elimination/ consolidation adjustments RM'000	Total RM'000
2017								
Revenue								
External sales	127,296	164,220	7,126	4,512	34,308	6,011	-	343,473
Inter-segment sales	1,861	140	767	-	1,047	-	(3,815)	-
Total revenue	129,157	164,360	7,893	4,512	35,355	6,011	(3,815)	343,473
Result								
Net income	31,832	156,717	7,538	2,647	30,423	7,076	(2,311)	233,922
Other operating expenses	(22,717)	(132,684)	(7,584)	(2,262)	(34,564)	(15,008)	2,311	(212,508)
(Allowance for)/write back of impairment on loans, advances and financing	(155)	(77)	-	21	-	298	(241)	(154)
(Allowance for)/ Write back of impairment on balance due from clients and brokers and other receivables	(54)	(328)	-	-	3	(731)	-	(1,110)
Share of results in associates and joint venture	-	-	-	-	-	(5,066)	-	(5,066)
Profit/(loss) before taxation and zakat	8,906	23,628	(46)	406	(4,138)	(13,431)	(241)	15,084
Taxation and zakat								(8,853)
Net profit for the financial period								<u>6,231</u>
Other information								
Net interest and finance income	13,633	23,369	2,981	1,786	215	4,078	-	46,062
Depreciation and amortisation	335	2,481	300	7	225	3,466	-	6,814
Non cash expenses								
- Unrealised (losses)/gains on revaluation of financial assets at fair value through profit or loss and derivatives	436	(3,554)	-	-	-	-	-	(3,118)

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A34. Segmental reporting (cont'd.)

	Investment banking and stockbroking RM'000	Futures broking RM'000	Investment and wealth management RM'000	Money lending and financing RM'000	Corporate and Others RM'000	Elimination/ consolidation adjustments RM'000	Notes	Total RM'000
2017 (cont'd.)								
Assets								
Investments in associates	-	-	-	-	65,666	-		65,666
Investment in a joint venture company					12,720	-		12,720
Addition to non-current assets	9,302	50	3	566	-	-	A	9,921
Segment assets	6,484,243	286,338	62,718	58,461	18,973	(206,070)	B	6,704,663
Liabilities								
Segment liabilities	5,579,066	248,508	51,244	28,368	6,877	(95,281)	C	5,818,782

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A34. Segmental reporting (cont'd.)

	Investment banking RM'000	Stock broking RM'000	Futures broking RM'000	Money lending and financing RM'000	Investment and wealth management RM'000	Corporate and Others RM'000	Elimination/ consolidation adjustments RM'000	Total RM'000
2016								
Revenue								
External sales	114,425	133,615	11,287	6,798	21,336	7,045	-	294,506
Inter-segment sales	1,958	104	760	-	674	15,000	(18,496)	-
Total revenue	116,383	133,719	12,047	6,798	22,010	22,045	(18,496)	294,506
Result								
Net income	34,393	128,159	11,536	3,202	21,968	21,855	(16,347)	204,766
Other operating expenses	(21,502)	(113,361)	(9,290)	(2,431)	(28,778)	(26,484)	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 balance due from clients and brokers and other receivables	479	188	-	-	-	523	-	1,190
Share of results in associates	-	-	-	-	-	(600)	-	(600)
Profit/(loss) before taxation and zakat	12,372	15,072	2,246	(127)	(6,810)	(4,097)	274	18,930
Taxation and zakat								(6,618)
Net profit for the financial period								12,312
Other information								
Net interest and finance income	10,016	21,446	4,347	1,914	808	6,538	-	45,069
Depreciation and amortisation	415	2,852	347	7	515	2,139	-	6,275
Non cash expenses								
- Unrealised gains/(losses) on revaluation of financial assets at fair value through profit or loss and derivatives	4,185	(17,641)	-	-	-	(1,604)	-	(15,060)

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A34. Segmental reporting (cont'd.)

	Investment banking and stockbroking RM'000	Futures broking RM'000	Investment and wealth management RM'000	Money lending and financing RM'000	Corporate and Others RM'000	Elimination/ consolidation adjustments RM'000	Notes	Total RM'000
2016 (cont'd.)								
Assets								
Investments in associates	-	-	-	-	60,301	-		60,301
Investment in a joint venture company	-	-	-	-	1,000	-		1,000
Addition to non-current assets	161,325	1,067	205	602	575	-	A	163,774
Segment assets	6,252,104	474,612	62,347	189,596	814,604	(1,049,893)	B	6,743,370
Liabilities								
Segment liabilities	5,332,826	436,897	27,577	179,168	64,324	(179,902)	C	5,860,890

Notes

A Additions to non-current assets consist of:

	2017 RM'000	2016 RM'000
Property, plant and equipment		
- Additions during the financial period	9,818	163,230
Intangible assets		
- Additions during the financial period	103	1,553
	<u>9,921</u>	<u>164,783</u>

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A34. Segmental reporting (cont'd.)

B The following items are (deducted from)/added to segment assets to arrive at total assets reported in the consolidated statement of financial position.

	2017	2016
	RM'000	RM'000
Investment in subsidiaries	(67,550)	(59,800)
Investment in associates and joint venture	5,965	2,953
Intangible assets	(40,095)	(40,095)
Inter-segment assets	(104,390)	(952,951)
	<u>(206,070)</u>	<u>(1,049,893)</u>

C The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position.

	2017	2016
	RM'000	RM'000
Deposits accepted from subsidiaries	(58,760)	(77,420)
Inter-segment liabilities	(36,521)	(102,482)
	<u>(95,281)</u>	<u>(179,902)</u>

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**

A35. Operations of Islamic Banking

**(a) Unaudited Consolidated Statement of Financial Position
As at 30 June 2017**

	Note	Group and Bank	
		As at 30 June 2017 RM '000	As at 31 December 2016 RM '000
ASSETS			
Cash and bank balances	(e)	352,216	160,638
Financial assets at fair value through profit or loss	(f)	85,020	34,750
Financial investments available-for-sale	(g)	326,436	276,405
Financial investments held-for-maturity	(h)	5,001	5,000
Advances and financing	(i)	189,310	155,162
Balances due from clients and brokers		173	24
Other assets		53,507	1,322
Property, plant and equipment		117	138
Deferred tax assets		17	205
TOTAL ASSETS		1,011,797	633,644
LIABILITIES			
Deposits from customers	(j)	768,187	410,813
Balances due to clients and brokers		938	56
Other liabilities	(k)	103,966	84,378
Provision for taxation and zakat		904	3,567
TOTAL LIABILITIES		873,995	498,814
ISLAMIC BANKING CAPITAL FUNDS			
Islamic banking funds		120,000	120,000
Reserves		17,802	14,830
TOTAL ISLAMIC BANKING CAPITAL FUNDS		137,802	134,830
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS		1,011,797	633,644

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**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**

A35. Operations of Islamic Banking (Cont'd)

**(b) Unaudited Statement Of Profit Or Loss And Other Comprehensive Income
For the financial period ended 30 June 2017**

	Group and Bank			
	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June 2017 RM'000	3 months ended 30 June 2016 RM'000	6 months ended 30 June 2017 RM'000	6 months ended 30 June 2016 RM'000
Income derived from investment of depositors' funds	(l) 8,747	5,873	13,508	11,253
Income derived from investment of shareholders' funds	(m) 1,357	1,643	3,115	3,560
Write back of/ (Allowance for) impairment on financing and advances	86	(123)	59	(170)
Allowance for impairment on other assets	(60)	-	(60)	-
Total attributable income	10,130	7,393	16,622	14,643
Profit distributed to depositors	(n) (6,291)	(4,340)	(10,732)	(8,699)
Net income	3,839	3,053	5,890	5,944
Finance cost	(659)	(212)	(1,281)	(468)
Personnel expenses	(o) (145)	(130)	(277)	(265)
Other overhead expenses	(p) (511)	(466)	(1,049)	(996)
Profit before taxation and zakat	2,524	2,245	3,283	4,215
Taxation and zakat	(673)	(569)	(904)	(1,067)
Profit for the financial period	1,851	1,676	2,379	3,148

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 and statements of profit or loss, comprise the following items:

Income derived from investment of depositors' funds	8,747	5,873	13,508	11,253
Income derived from investment of shareholders' funds	1,357	1,643	3,115	3,560
Total income before impairment allowances and overhead expenses	10,104	7,516	16,623	14,813
Profit distributed to depositors	(6,291)	(4,340)	(10,732)	(8,699)
Finance cost	(659)	(212)	(1,281)	(468)
Income from Islamic Banking Window operations reported in the statement of profit or loss of the Group and the Bank	3,154	2,964	4,610	5,646

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(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**

A35. Operations of Islamic Banking (Cont'd)

**(c) Unaudited Condensed Statements Of Cash Flows
For the financial period ended 30 June 2017**

	Group and Bank	
	30 June 2017 RM '000	30 June 2016 RM '000
Cash flows from operating activities		
Profit before tax expense and zakat	3,283	1,970
Adjustments for:		
Depreciation of plant and equipment	21	11
Impairment allowances	1	47
Net loss/(gain) from sale of financial assets held-for-trading and derivatives	181	(634)
Net gain from sale of financial investments available-for-sale	(1)	(804)
Unrealised loss/(gain) on revaluation of financial assets at fair value through profit or loss	194	(271)
Operating profit before working capital changes	<u>3,679</u>	<u>319</u>
Changes in operating assets:		
Financial assets at fair value through profit or loss	(50,464)	38,185
Financial investments available-for-sale	(50,031)	(117,313)
Financial investments held-to-maturity	(1)	(1)
Financing and advances	(34,089)	(6,139)
Other assets	(52,394)	(21,903)
Changes in operating liabilities:		
Deposits from customers	357,374	117,571
Balances due to clients and brokers	882	1
Other liabilities	16,803	(29,895)
Net cash generated from/(used in) operating activities	<u>191,759</u>	<u>(19,175)</u>
Net cash flows (used in)/generated from investing activities	(181)	1,438
Net change in cash and cash equivalents	191,578	(17,737)
Cash and cash equivalents at beginning of the financial period	<u>160,638</u>	<u>115,437</u>
Cash and cash equivalents at end of the financial period	<u>352,216</u>	<u>97,700</u>

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**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**

A35. Operations Of Islamic Banking (Cont'd)

**(d) Statement Of Changes In Islamic Banking Funds
For the financial period ended 30 June 2017**

Group and Bank

	Non-distributable			Distributable		Total RM'000
	Islamic Banking Fund RM'000	Available for-sale (Deficit)/ Reserve RM'000	Regulatory Reserve RM'000	Capital Reserve * RM'000	Retained Profits RM'000	
At 1 January 2017	120,000	(649)	1,663	5,248	8,568	134,830
Profit for the financial period	-	-	-	-	2,379	2,379
Other comprehensive income for the financial period	-	593	-	-	-	593
Merger adjustment	-	-	-	-	-	-
Transfer to regulatory reserve	-	-	468	-	(468)	-
At 30 June 2017	120,000	(56)	2,131	5,248	10,479	137,802
At 1 January 2016	120,000	(497)	602	-	5,248	125,353
Profit for the financial period	-	-	-	-	3,148	3,148
Other comprehensive income for the financial period	-	1,585	-	-	-	1,585
Merger adjustment	-	-	-	5,248	(5,248)	-
Transfer to regulatory reserve	-	-	27	-	(27)	-
At 30 June 2016	120,000	1,088	629	5,248	3,121	130,086

* Capital reserve arose from the merger adjustment to reflect the capital restructuring as a result of the group internal reorganisation exercise.

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(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**

A35. Operations Of Islamic Banking (Cont'd)

	Group and Bank	
	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
(e) Cash and short-term funds		
Current account with BNM and banks	116	59
Money at call and deposit placements with:		
Licensed investment banks	352,100	160,579
	<u>352,216</u>	<u>160,638</u>
(f) Financial Assets at fair value through profit or loss		
At Fair Value		
Money Market Instruments:		
Malaysian Government Investment Certificates	60,126	-
Unquoted Private Debt Securities:		
Islamic Corporate Bills	24,894	24,968
Islamic Corporate Bonds	-	9,782
	<u>85,020</u>	<u>34,750</u>
(g) Financial Investments Available-for-Sale		
At Fair Value		
Money Market Instruments:		
In Malaysia		
Malaysian Government Treasury Bills	19,861	-
Malaysian Government Investment Certificates	20,538	20,322
Islamic Negotiable Instruments of Deposits	179,547	149,890
Sukuk Perumahan Kerajaan	10,044	10,056
	<u>229,990</u>	<u>180,268</u>
Unquoted Private Debt Securities:		
In Malaysia		
Islamic Corporate Bonds	96,446	96,137
	<u>326,436</u>	<u>276,405</u>
(h) Financial Investments Held-to-Maturity		
At Amortised Cost		
Unquoted Islamic Private Debt Securities:		
In Malaysia		
Islamic Corporate bonds	5,001	5,000
	<u>5,001</u>	<u>5,000</u>
The maturity structure of above securities are as follows:		
More than one year to three years	<u>5,001</u>	<u>5,000</u>

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**

A35. Operations Of Islamic Banking (Cont'd)

	Group and Bank	
	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
(i) Advances and financing		
At Amortised Cost		
Share margin		
- Shariah contract - others	60	-
Commodity Murabahah Revolving Credit		
- Shariah contract - others	12,644	20,224
Commodity Murabahah Term Financing		
- Shariah contract - others	176,748	135,139
	<u>189,452</u>	<u>155,363</u>
Allowance for impairment:		
- Collective allowance	(142)	(201)
Net financing and advances	<u>189,310</u>	<u>155,162</u>
(i) Gross advances and financing analysed by type of customer are as follows:		
Domestic business enterprise - others	151,795	115,256
Individuals	37,657	40,107
	<u>189,452</u>	<u>155,363</u>
(ii) Gross advances and financing analysed by geographical distribution are as follows:		
In Malaysia	<u>189,452</u>	<u>155,363</u>
(iii) Gross advances and financing analysed by profit rate sensitivity are as follows:		
Fixed rate		
- Other fixed rate loans	60	-
Variable rate:		
- Cost plus	189,392	155,363
	<u>189,452</u>	<u>155,363</u>
(v) Gross advances and financing analysed by economic purpose are as follows:		
- Working capital	57,652	65,241
- Purchase of securities	94,203	50,015
- Others	37,597	40,107
	<u>189,452</u>	<u>155,363</u>
(vi) Gross advances and financing analysed by residual contractual maturity are as follows:		
- Within one year	<u>189,452</u>	<u>155,363</u>

KENANGA INVESTMENT BANK BERHAD
(15678-H)

NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

A35. Operations Of Islamic Banking (Cont'd)

	Group and Bank	
	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
(j) Islamic deposits from customers		
(i) By type of deposit		
Term deposits		
- Tawarruq (Commodity Murabahah deposits)	768,187	410,813
	<u>768,187</u>	<u>410,813</u>
(ii) By type of customer		
Domestic non-bank institutions	598,240	315,032
Business enterprises	169,006	94,855
Individuals	941	926
	<u>768,187</u>	<u>410,813</u>
(iii) By maturity structure		
- Due within six months	754,187	16,000
- Due more than six months	14,000	394,813
	<u>768,187</u>	<u>410,813</u>
(k) Other liabilities		
Mudharabah Specific Investment Account	75,500	62,500
Profit payable	2,074	1,023
Other payable	26,392	20,855
	<u>103,966</u>	<u>84,378</u>
	Group and Bank	
	6 months ended 30 June 2017 RM'000	6 months ended 30 June 2016 RM'000
(l) Income derived from investment of depositors' funds		
Finance income and hibah		
Advances and financing	2,603	1,273
Deposits placements with financial institutions	4,299	2,475
Financial assets at fair value through profit or loss	959	862
Financial investments available-for-sale	4,895	3,056
Financial investments held-to-maturity	118	118
Accretion of discount	(239)	(98)
	<u>12,635</u>	<u>7,686</u>

KENANGA INVESTMENT BANK BERHAD
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NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

A35. Operations Of Islamic Banking (Cont'd)

	Group and Bank	
	6 months ended 30 June 2017 RM'000	6 months ended 30 June 2016 RM'000
(l) Income derived from investment of depositors' funds (Cont'd)		
Other operating income		
Net (loss)/gain on sale of financial assets at fair value through profit or loss	(375)	1,878
Net gain on sale of financial investments available-for-sale	1	1,795
Fees on financing and advances	659	-
Brokerage fee	399	1
Advisory fee	247	-
Placement fee	35	-
Direct trading fees	(99)	(112)
Other non-operating income	6	5
	<u>873</u>	<u>3,567</u>
	<u>13,508</u>	<u>11,253</u>
(m) Income derived from investment of shareholders' funds		
Finance income and hibah		
Advances and financing	2,644	1,036
Financial investments available-for-sale	512	2,692
Accretion of discount	(41)	(168)
	<u>3,115</u>	<u>3,560</u>
(n) Income attributable to depositors		
Deposits from customers and financial institutions		
- Murabahah Fund	8,629	6,268
Others	2,103	2,431
	<u>10,732</u>	<u>8,699</u>
(o) Personnel costs		
- Salaries, allowances and bonus	220	218
- EPF	34	30
- Others	23	17
	<u>277</u>	<u>265</u>

**KENANGA INVESTMENT BANK BERHAD
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**NOTES TO INTERIM FINANCIAL REPORT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**

A35. Operations Of Islamic Banking (Cont'd)

	Group and Bank	
	6 months ended 30 June 2017 RM'000	6 months ended 30 June 2016 RM'000
(p) Other overhead expenses:		
Establishment costs		
- Depreciation of property, plant and equipment	21	22
- Rental of premises	28	23
- Repairs and maintenance	1	2
- Others	3	2
	<u>53</u>	<u>49</u>
Marketing and trading expenses		
- Promotion and advertisement	15	38
- Travel and entertainment	12	4
	<u>27</u>	<u>42</u>
Administration and general expenses		
- Others	969	905
	<u>1,049</u>	<u>996</u>

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**NOTES TO INTERIM FINANCIAL REPORT
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**A35. Operations Of Islamic Banking (Cont'd)
(q) Capital adequacy**

	Group and Bank	
	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
CET 1 / Tier 1 Capital		
Islamic Banking funds	120,000	120,000
Retained profits	8,568	8,568
Other reserves	6,855	6,262
Less:		
Deferred tax assets	(18)	(205)
Regulatory reserves	(2,131)	(1,663)
Total CET 1 / Tier 1 capital	<u>133,275</u>	<u>132,962</u>
Tier 2 Capital		
Collective allowance and regulatory reserve	<u>2,273</u>	<u>1,696</u>
Total Tier 2 capital	<u>2,273</u>	<u>1,696</u>
Total capital	<u>135,548</u>	<u>134,658</u>
CET 1 capital ratio	61.705%	83.230%
Tier 1 capital ratio	61.705%	83.230%
Total capital ratio	<u>62.758%</u>	<u>84.292%</u>

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

	Group and Bank			
	As at 30 June 2017		As at 31 December 2016	
	RM'000	RM'000	RM'000	RM'000
	Notional amount	Risk-weighted amount	Notional amount	Risk-weighted amount
Credit risk	794,340	188,723	508,000	135,691
Market risk	-	9,672	-	8,056
Operational risk	-	17,591	-	16,005
Total Risk Weighted Assets	<u>794,340</u>	<u>215,986</u>	<u>508,000</u>	<u>159,752</u>

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**NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**

**REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD**

B1. Performance Review

Current financial period versus previous financial period

The Group reported a pretax profit ("PBT") of RM15.1 million for the period ended 30 June 2017 ("1H17") as compared to RM18.9 million for the the period ended 30 June 2016 ("1H16") . The decrease in PBT was mainly due to lower trading and investment income and share of losses from associate companies and a joint venture company mitigated by higher brokerage income and management fees income.

Performance analysis of the Group's major operating segments are as follows:

Stockbroking:

Stockbroking registered PBT of RM23.6 million in 1H17 (1H16: PBT of RM15.1 million) mainly due to higher brokerage income and interest income negated by lower trading and investment income.

Net brokerage fee income increased from RM33.8 million to RM45.0 million due to higher trading value on the Bursa Malaysia stock exchange which recorded RM640.4 billion for 1H17 compared to RM499.8 billion during the corresponding period of 2016.

Investment Banking:

Investment Banking registered a lower PBT of RM8.9 million in 1H17 (1H16: PBT of RM12.4 million) mainly due to lower trading and investment income from available-for-sale securities mitigated by higher interest income earned and investment banking fees income.

Investment and Wealth Management:

Investment and wealth management registered a lower loss before tax ("LBT") of RM4.1 million (1H16: LBT of RM6.8 million) as a result of higher management fee income from the increase in the total Assets under Management ("AUM") negated by higher personnel and administrative expenses.

Futures:

Futures registered LBT of RM0.05 million 1H17 as compared to PBT of RM2.2 million in 1H16 mainly due to lower commission income earned from lower levels of client activities amid the sluggish market conditions and tame volatility as well as lower interest income earned.

Money lending and financing:

This segment reported PBT of RM0.2 million in 1H17 compared to LBT of RM0.1 million in 1H16 due to higher islamic financing activities.

**KENANGA INVESTMENT BANK BERHAD
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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

Current quarter versus previous quarter

Compared to previous quarter for the period from 1 January 2017 to 31 March 2017, ("1Q17"), the Group recorded an improvement of 14% and 75% in net income and profit before tax respectively. The improved pretax profit for the quarter was mainly driven by higher brokerage fees income and investment banking fee income and lower share of losses in associate companies in the current quarter. These were negated by higher share of loss in a joint venture company due to higher marketing costs and depreciation arising from its commencement of online broking business.

B3. Prospects for 2017

The growth achieved by the Malaysian economy was surprisingly high at 5.6% during 1Q17. We expect the improved growth momentum to persist, albeit at a slower pace of 5.4% and 5.2% for 2Q17 and 3Q17 respectively. Nonetheless, we are cautious on the sustainability of the momentum and we believe that growth will likely taper for the rest of the year and is expected to recede to 5.0% in 2H17. Despite robust demand and relatively high compliance by OPEC participants, rising production from the US has kept oil prices relatively low.

Domestic inflation retreated to 3.9% as at May from the 4.3% peaked in 1Q17 as cost-push factors have subsided with receding oil prices. With a general improvement in economic fundamentals relative to 2016, investor confidence in capital markets has improved.

The Group projected its Equity Broking division to continue to perform well on the back of higher Bursa volumes to-date and the pre-General Election hype. The Investment Banking division is confident in recording higher income moving forward as exemplified by the continued net inflows of foreign capital in the equity and bond markets since mid-1Q17. Meanwhile our Investment Management division continued its positive momentum with a 30% increase in revenue during the first half of 2017 in tandem with the increase in AUM growth. With the higher AUM and a buoyant equity market, we hope to achieve at least break-even for the year for this division. Lastly we also expect to realise cost savings from 2017 onwards arising from the relocation to our own corporate building.

Overall the Group is cautiously optimistic that it will continue to improve on its financial performance compared to 2016.

NOTES TO INTERIM FINANCIAL STATEMENTS
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SELECTED EXPLANATORY NOTES
REQUIREMENTS OF PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES
BERHAD

B4. Variance From Profit Forecast And Profit Guarantee

This is not applicable as the Company did not issue any profit forecast or profit guarantee during the financial period.

B5. Taxation and zakat

	Individual Quarter 3 months ended 30 June 2017 RM'000	Cumulative Quarter 6 months ended 30 June 2017 RM'000
Current period - income tax and zakat	(5,024)	(6,127)
Deferred taxation	(264)	(2,726)
Total	<u>(5,288)</u>	<u>(8,853)</u>

The effective tax rate of the Group for the second quarter and financial half year ended 30 June 2017 was higher than the statutory tax rate mainly due to non-deductibility of certain expenses for tax purpose.

B6. Borrowings

	Group		Bank	
	As at 30 June 2017 RM '000	As at 31 December 2016 RM '000	As at 30 June 2017 RM '000	As at 31 December 2016 RM '000
Secured				
Revolving bank loan denominated in RM				
- More than one year	69,600	75,200	69,600	75,200
Unsecured				
Revolving bank loans denominated in RM				
- Within one year	22,000	50,500	-	-
Subordinated notes denominated in RM				
- More than one year	5,000	-	5,000	-
Medium term notes denominated in RM				
- Within one year	-	40,000	-	40,000
	<u>96,600</u>	<u>165,700</u>	<u>74,600</u>	<u>115,200</u>

B7. Earnings per share

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June 2017 RM'000	3 months ended 30 June 2016 RM'000	6 months ended 30 June 2017 RM'000	6 months ended 30 June 2016 RM'000
Profit for the period attributable to equity holders of the bank	<u>4,363</u>	<u>4,078</u>	<u>6,253</u>	<u>11,878</u>
Weighted average number of ordinary shares in issue ('000)	<u>722,547</u>	<u>770,000</u>	<u>722,547</u>	<u>770,000</u>
Earnings per share (sen)				
- basic / fully diluted	<u>0.60</u>	<u>0.53</u>	<u>0.87</u>	<u>1.54</u>

There were no potential dilutive ordinary shares outstanding as at 30 June 2017 and 30 June 2016.

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

B8. Dividend

No dividend has been proposed for the current financial period.

B9. Realised and Unrealised Retained Profits/(Accumulated Losses) Disclosure:

	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
Total (accumulated losses)/retained profits of Bank and its subsidiaries:		
- Realised	270,371	(175,109)
- Unrealised	10,895	(3,079)
	281,266	(178,188)
Total share of (accumulated losses)/retained profit from associates and joint venture		
- Realised	(4,837)	206
- Unrealised	(229)	(217)
	(5,066)	(11)
Add: Consolidation adjustments	226,327	226,056
Total Group retained profits as per consolidated accounts	502,527	47,857

B10. Status of Corporate Proposals

On 13 February 2017, the Bank proposed to establish and implement an Employee Share Scheme ("ESS") of up to 10% of the Bank's total issued share capital (excluding treasury shares) at any one time during the duration of the scheme for the eligible employees and executive directors of Kenanga Investment Bank Berhad and its non-dormant subsidiary companies which will be valid for a period of five (5) years from its commencement date, and may be extended for a further period of five (5) years.

BNM had vide its letter dated 13 March 2017, which was received on 21 March 2017, approved the application of the Company for the increase of up to ten percent (10%) of its issued share capital, excluding treasury shares at any point of time arising from the issuance of new Kenanga IB Shares under the Proposed ESS.

Bursa Securities had, vide its letter dated 24 March 2017, approved the listing and quotation for such number of new ordinary shares, representing up to ten percent (10%) of the issued shares of Kenanga IB (excluding treasury shares), to be issued pursuant to the employees' share scheme under the Proposed ESS.

The proposed ESS was recently approved by the shareholders of the Bank in the Extraordinary General Meeting held on 25 May 2017 and is now pending implementation.

**KENANGA INVESTMENT BANK BERHAD
(15678-H)**

B11. Derivative financial instruments

Derivative financial instruments are as follows:

Group and Bank

Items	As at 30 June 2017		As at 31 December 2016	
	Contract/Notional Value RM'000	Fair Value RM'000	Contract/Notional Value RM'000	Fair Value RM'000
<u>Derivatives financial assets</u>				
Equity related contract- options	81,027	64,555	93,636	33,498
Equity related contract- swaps	-	-	57,262	5,573
Dual currency investment- options	19,076	311	17,407	45
	100,103	64,866	168,305	39,117
<u>Derivatives financial liabilities</u>				
Equity related contract- options	199,119	21,589	220,442	47,361
Dual currency investment- options	19,076	311	17,407	45
	218,195	21,900	237,849	47,406

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.

(Loss)/Gain arising from fair value change of derivative financial instruments

The loss arising from fair value changes of derivative financial instruments for the current quarter amounted to RM3,947,182 (1Q17 gain: RM3,017,173). This was arrived at based on the fluctuation in the market prices of the derivative financial instruments or underlying assets which are listed on Bursa Malaysia.