ECM LIBRA FINANCIAL GROUP BERHAD ("ECMLFG" OR THE "COMPANY")

- **Proposed Disposal;**
- **Proposed Business Merger;**
- **Proposed Capital Repayment;**
- **Proposed Share Split; and**
- **Proposed Share Consolidation,**

(collectively referred to as the "Proposals")

1. INTRODUCTION

On behalf of the Board of Directors of ECMLFG ("**Board**"), ECM Libra Investment Bank Berhad ("**ECMLIB**") wishes to announce that:

(i) ECMLFG had on 15 June 2012, entered into a conditional share purchase agreement with Kenanga Investment Bank Berhad ("**KIBB**") and K & N Kenanga Holdings Berhad ("**KNKH**") for the proposed disposal by ECMLFG of the entire equity interest in ECMLIB to KIBB for a total disposal consideration of RM875,114,000 ("**Proposed Disposal**") ("**SPA**"); and

(ii) Pursuant to the Proposed Disposal, ECMLIB simultaneously entered into a business merger agreement with KIBB for the proposed business merger of the businesses of ECMLIB and KIBB ("**Proposed Business Merger**") ("**BMA**").

The SPA and the BMA were entered into after ECMLFG and KNKH received the approvals of the Minister of Finance ("**MoF**") via a letter from Bank Negara Malaysia ("**BNM**") dated 7 June 2012 and the Securities Commission ("**SC**") via its letter dated 12 June 2012 for the Proposed Disposal and Proposed Business Merger.

In conjunction with and arising from the above, on behalf of the Board, ECMLIB also wishes to announce that the Company proposes to undertake a capital restructuring as follows:

(i) Proposed capital repayment to the shareholders of ECMLFG comprising a total of RM442,647,000 in cash, 120,000,000 ordinary shares of RM1.00 each in KNKH ("**KNKH Shares**") and RM47,750,000 nominal value of redeemable non-convertible unsecured loan stocks of KNKH ("**RULS**") (Series A) via a reduction of the par value of the existing ordinary shares of ECMLFG by an amount to be determined, in accordance with Section 64 of the Companies Act, 1965 ("**Act**") ("**Proposed Capital Repayment**");

(ii) Proposed share split involving the subdivision of the ordinary shares in ECMLFG after the Proposed Capital Repayment, to facilitate the Proposed Share Consolidation (as defined below) ("**Proposed Share Split**"); and

(iii) Proposed consolidation of the ordinary shares in ECMLFG after the Proposed Share Split resulting in ECMLFG having a reduced issued and paid-up share capital taking into account the Proposed Disposal and the Proposed Capital Repayment ("**Proposed Share Consolidation**"),

(collectively referred to as the "**Proposed Capital Restructuring**").

2. THE PROPOSALS

2.1 Proposed Disposal

2.1.1 Details of the Proposed Disposal

The Proposed Disposal entails the disposal by ECMLFG of the entire issued and paid-up share capital of ECMLIB, which as at the date of the SPA, comprises 513,000,000 ordinary shares of RM1.00 each ("**Sale Shares**"), to KIBB, for a total disposal consideration of RM875,114,000 ("**Consideration**").

The Consideration shall be further adjusted to take into account the changes in the net tangible assets ("**NTA**") and the Loan Loss Reserve(1) of ECMLIB between 31 January 2012 and the Adjustment Date(2) ("**Adjustment**").

Notes:

(1) Loan Loss Reserve is defined as the amount outstanding under the collective impairment provisions on loans and advances of ECMLIB

(2) Adjustment Date is defined as the last day of the calendar month immediately preceding Closing.

2.1.2 Mode of settlement of the Consideration

The Consideration shall be settled as follows:

(i) RM659,614,000 to be fully satisfied by cash ("**Cash Proceeds**");

(ii) RM95,500,000 to be fully satisfied by the issuance of RM95,500,000 nominal value of RULS; and

(iii) RM120,000,000 to be fully satisfied by the issuance of 120,000,000 new KNKH Shares ("**Consideration Shares**") at par.

The Consideration shall be subject to the Adjustment to be settled in cash.

2.1.3 Basis and justification of arriving at the Consideration

The Consideration was arrived at taking into account the following:

(i) ECMLIB's audited consolidated net asset ("**NA**") of RM653.0 million and RM687.7 million as at 31 January 2011 and 31 January 2012 respectively;

(ii) ECMLIB's audited consolidated NTA of RM589.8 million as at 31 January 2011;

(iii) ECMLIB's audited consolidated NTA of RM635.2 million as at 31 January 2012;

(iv) the differential sum between NTA set out in (ii) and (iii) above of RM45.4 million and a Loan Loss Reserve of RM8.7 million as at 31 January 2012; and

(v) ECMLIB's audited consolidated profit after taxation ("**PAT**") of RM63.8 million and RM30.4 million for the financial year ended ("**FYE**") 31 January 2011 and 31 January 2012 respectively.

The Consideration represents:

- a premium of RM187.4 million over ECMLIB's audited consolidated NA of RM687.7 million as at 31 January 2012, which translates into a price-to-book ratio of approximately 1.27 times; and

- a price-to-earnings ratio of 28.82 times based on the PAT of ECMLIB for the FYE 31 January 2012 of RM30.4 million.

2.1.4 Basis of determining the issue price of the Consideration Shares

The issue price of the Consideration Shares of RM1.00 each was arrived at after taking into consideration the par value of the KNKH Shares of RM1.00 each.

The Board had considered that whilst the Consideration Shares will be issued at the par value, it nevertheless represents a premium of 58.7% to the five (5) days volume weighted average market price ("**VWAMP**") of KNKH Shares up to 14 June 2012 (being the last market day prior to the date of this announcement) of RM0.633.

In this respect, the effective value of the Consideration Shares based on the five (5) days VWAMP would be approximately RM76.0 million, as at the date of this announcement.

The Board is of the opinion that the basis of determining the pricing of the Consideration Shares is fair and reasonable, after taking into account the following:

(i) the Consideration Shares cannot be issued at lower than the par value of the KNKH Shares;

(ii) overall, the Consideration Shares are being issued to settle RM120,000,000 out of a total consideration of RM875,114,000, representing approximately 13.7% of the Consideration (before any post-closing adjustment); and

(iii) the minimal effect it has on the price-to-book as calculated in section 2.1.3 above.

2.1.5 Ranking and listing of the Consideration Shares

The Consideration Shares will, upon allotment and issue, rank pari passu in all respects with the then existing KNKH Shares except that they will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid on an entitlement date which is prior to the date of allotment and issue of the Consideration Shares.

An application will be made to Bursa Malaysia Securities Berhad ("**Bursa Securities**") by KNKH for the listing of and quotation for the Consideration Shares on the Main Market of the Bursa Securities.

2.1.6 Principal terms of the RULS

The issuance of the RULS is subject to, *inter-alia*, the approval of the SC under the Private Debt Securities Guidelines, and hence the principal terms of the RULS as set out below are the proposed principal terms, subject to approvals for any waivers and/or exemptions being sought and obtained by KNKH:

Issuer	:	KNKH
Issue size	:	Series A - RM47,750,000 in nominal value Series B - RM47,750,000 in nominal value
Issue price	:	At par of RM1.00 each.
Tenure	:	Up to two (2) years commencing from date of issue of the RULS.
Interest	:	The RULS shall bear a 5% per annum interest, payable semi-annually.
Conversion rights	:	Non-convertible.
Selling Restriction	:	Non-transferable(1) and non-tradable.
Redemption schedule	:	Series A will be redeemed on the 1st anniversary. Series B will be redeemed on the 2nd anniversary.
Early redemption	:	The Issuer has the option to redeem all or part of the RULS subject to a minimum of RM1,000,000 or multiples thereof during the tenure of the RULS on an Interest payment date.
Redemption Price	:	100.0% (plus accrued interest, if any).
Status	:	The RULS shall constitute an unsecured obligation of the Issuer and in the event of a winding-up or liquidation, the RULS shall rank pari passu in all respects with any other unsecured obligations of the Issuer.
Listing	:	The RULS will not be listed on any stock exchange.
Rating	:	The RULS will not be rated.

Note:

*(1) The RULS shall be non-transferrable except for a one-time transfer to facilitate any distribution by ECMLFG of such RULS to its shareholders provided that the relevant exemption from the SC to rate such RULS in accordance with the relevant laws and regulations ("**SC Exemption**") is obtained. If the requisite approvals for the issuance of the RULS are obtained but the SC Exemption is not granted, the RULS shall be non-transferable.*

2.1.7 Other salient terms of the SPA

The other salient terms and conditions of the SPA are as follows:

2.1.7.1 Sale Shares

The Sale Shares shall be sold by ECMLFG to KIBB, free from encumbrances and together with all rights and advantages attaching to them on the date of completion of the SPA ("**Closing**").

2.1.7.2 Consideration Shares

ECMLFG shall, subject to the requisite approval of the SC (if required), distribute all of the Consideration Shares rateably to its shareholders as soon as practicable after Closing but in any event no later than six (6) months after Closing.

2.1.7.3 RULS

(i) Notwithstanding any approval from the SC to allow for the one-time transfer of the RULS, from ECMLFG to its shareholders, ECMLFG shall not dispose of, assign or otherwise transfer Series B of the RULS to any person whilst a particular term loan, as identified by ECMLFG, KIBB and KNKH, remains outstanding.

(ii) If requisite approvals for the issuance of the RULS are not obtained from the relevant regulators, the parties shall negotiate with each other in good faith with the aim of reaching an agreement as to the manner of completing the transactions contemplated under the SPA. In the event that the parties fail to reach an agreement within the stipulated time period, ECMLFG may, in its sole discretion, elect to accept RM95.5 million of the Consideration to remain as a debt owing by KNKH and payable based on the terms in the SPA.

2.1.7.4 Conditions precedent

The SPA is conditional upon the satisfaction of the following:

(i) The approval of the shareholders of ECMLFG at an extraordinary general meeting ("**EGM**") of ECMLFG for the Proposed Disposal, the distribution of all or part of the Consideration Shares to ECMLFG's shareholders by way of a distribution-in-specie or capital reduction and the Proposed Business Merger;

(ii) The approval of the shareholders of KNKH at an EGM of KNKH for the acquisition of the Sale Shares, the assumption of the liability by KNKH to satisfy part of the Consideration, the issuance of the Consideration Shares and the RULS to ECMLFG and the Proposed Business Merger;

(iii) The approval of the shareholders of ECMLIB at a general meeting of ECMLIB of the requisite resolution approving the proposed capital reduction exercise to be undertaken and effected by ECMLIB immediately upon Closing and completion of the Proposed Business Merger ("**Proposed Capital Reduction of ECMLIB**");

(iv) The court order confirming the Proposed Capital Reduction of ECMLIB;

(v) The vesting order from the High Court in Malaysia ("**High Court**") for the Proposed Business Merger ("**Vesting Order**");

(vi) The approval-in-principle of Bursa Securities for the listing of and quotation for the Consideration Shares; and

(vii) The approvals of the SC and such other relevant regulatory authorities for the issuance of the RULS.

2.1.7.5 Retained Assets

Notwithstanding the Proposed Disposal and the Proposed Business Merger, ECMLFG and KNKH had agreed that there shall be certain assets, properties, rights and/or benefits of ECMLIB including securities and loan portfolio (together with such liabilities associated thereto) as identified by the parties ("**Retained Assets**") where ECMLFG shall:

(i) purchase or procure any member of its group to purchase all Retained Assets comprising securities and other investments from ECMLIB on mutually acceptable terms for cash by way of a sale to be effected on Closing. The consideration for such Retained Assets shall be the assigned "marked to market value" and for securities that are not traded on the Bursa Securities, at the fair value to be determined by the auditors of ECMLIB, as at the Adjustment Date; and

(ii) retire the Retained Assets comprising loan portfolio, within six (6) months from the date on which ECMLFG first obtains its shareholders' approval. It is the Board's intention to ensure that such Retained Assets comprising loan portfolio are retired within the said six (6) months period.

As at 31 May 2012, the market value of the securities making up part of the Retained Assets to be purchased from ECMLIB amounts to approximately RM183.4 million.

2.1.7.6 Due Diligence Review

KIBB shall be entitled to carry out a due diligence review on ECMLIB and its subsidiaries ("**ECMLIB Group**") for the purpose of assessing the accuracy of ECMLFG's warranties contained in the SPA ("**Warranties**") ("**Due Diligence Review**") immediately upon the application to the High Court for the purposes of obtaining the requisite High Court order for the Proposed Capital Reduction of ECMLIB or the Vesting Order having been made.

2.1.7.7 Termination rights

Either party has the right to terminate the SPA (other than the surviving provisions) in the event:

(i) the condition precedent in paragraph 2.1.7.4(iv) above is not satisfied and the parties fail to reach an agreement as to the manner of completing the transactions under the SPA;

(ii) the condition precedent in paragraph 2.1.7.4(vii) above is not satisfied and the parties fail to reach an agreement as to the manner of completing the transactions under the SPA;

(iii) any other conditions precedent (other than paragraphs 2.1.7.4(iv) and (vii) above) is not satisfied at the first instance or waived on or before the last day of the period of twelve (12) months from the date of the SPA or such other date as the parties may agree in writing;

(iv) if ECMFLG fails to retire all the Retained Assets comprising loan portfolio in accordance with the SPA within six (6) months from the date on which ECMLFG first obtains its shareholders' approval referred to in paragraph 2.1.7.5(ii) above and the parties fail to reach an agreement to deal with such remaining Retained Assets;

(v) if KIBB, in the course of the Due Diligence Review, identifies any matter that results or may result in (i) any impairment of any loans and/or assets of any of the ECMLIB Group; or (ii) any of the Warranties being untrue, inaccurate or misleading in material respect and such material breach may be remedied by provisioning or further provisioning by ECMLIB in its accounts, and the parties fail to reach an agreement on any such provisioning in relation to such matter; and

(vi) breach of any material closing obligations by the other party on Closing.

ECMLFG is entitled to terminate the SPA upon KIBB and KNKH's default or breach of their respective warranties in a material respect.

KIBB and KNKH are entitled to terminate the SPA upon ECMLFG's default or breach of its undertakings or warranties in a material respect or certain material events affecting ECMLIB's business.

2.1.7.8 Post-closing adjustment

The Consideration shall be adjusted to take into account the difference between the consolidated NTA of ECMLIB as at Adjustment Date (plus the Loan Loss Reserve as at the Adjustment Date) and consolidated NTA of ECMLIB as at 31 January 2012 (plus the Loan Loss Reserve as at 31 January 2012) either as an increase or reduction to the Consideration which is to be settled by cash.

2.1.8 Liabilities to be assumed by KIBB

Save as provided in the SPA, all liabilities of the ECMLIB Group, shall be transferred to KIBB, including contingent liabilities and guarantees upon completion of the Proposed Disposal and Proposed Business Merger. KNKH will assume the liability to satisfy part of the Consideration via the issuance of the Consideration Shares and RULS.

2.1.9 Original cost and date of investment

ECMLFG's original cost of investment in ECMLIB amounts to approximately RM513.6 million, which was incurred in year 2006.

2.1.10 Proposed utilisation of proceeds

ECMLFG proposes to distribute RM442,647,000 from the Cash Proceeds to shareholders of ECMLFG under the Proposed Capital Repayment. The remaining Cash Proceeds will be utilised to purchase the Retained Assets as per the terms of the SPA. The balance of the Cash Proceeds, if any, will be utilised for working capital of the ECMLFG Group's continuing operations. Pending full utilisation of the proceeds, the Cash Proceeds will be invested in interest bearing instruments with financial institutions.

The RM47,750,000 nominal value of RULS (Series A) and the entire 120,000,000 Consideration Shares are proposed to be distributed to shareholders of ECMLFG under the Proposed Capital Repayment. The remaining RM47,750,000 nominal value of RULS (Series B) is proposed to remain with ECMLFG.

The details of the Proposed Capital Repayment are set out in section 2.3 of this announcement.

Barring any unforeseen circumstances, the proceeds excluding any balance for working capital purposes, are expected to be fully utilised within two (2) months from the date the order confirming the Proposed Capital Repayment is sealed by the High Court.

2.2 Proposed Business Merger

2.2.1 Details of the Proposed Business Merger

The Proposed Business Merger is pursuant to the Proposed Disposal, where upon completion of the Proposed Disposal, the businesses of KIBB and ECMLIB (where ECMLIB will then be a wholly-owned subsidiary of KIBB) shall be merged by way of a transfer of ECMLIB's entire business as a going concern (including substantially all ECMLIB's assets and liabilities) to KIBB by way of a Vesting Order.

Upon completion of the Proposed Business Merger, ECMLIB is expected to carry out the Proposed Capital Reduction of ECMLIB in accordance with the terms of the SPA.

2.2.2 Salient terms of the BMA

2.2.2.1 ECMLIB shall sell to KIBB the entire business undertakings of ECMLIB as a going concern together with all the assets of every description of ECMLIB, free from encumbrances and together with all rights and advantages attaching to the business as at the completion of the BMA.

2.2.2.2 KIBB shall assume all the liabilities, duties and obligations of every description of ECMLIB as at the completion of the BMA.

2.2.2.3 The consideration for the Proposed Business Merger is equivalent to the Consideration (subject to post-closing adjustment), which shall be recorded as an amount owing by KIBB to ECMLIB on the completion of the BMA.

2.3 Proposed Capital Repayment

The Proposed Capital Repayment involves a capital repayment by ECMLFG of the following to entitled shareholders at a date to be determined later:

(i) a cash distribution of RM442,647,000;
(ii) distribution-in-specie of 120,000,000 KNKH Shares; and
(iii) distribution-in-specie of RM47,750,000 nominal value of RULS (Series A).

The Proposed Capital Repayment is to be implemented through the reduction of ECMLFG's share capital in accordance with the provisions of Section 64 of the Act. Upon the completion of the Proposed Capital Repayment, the par value of ECMLFG's ordinary shares will be reduced from RM1.00 to an amount to be determined at Closing.

The amount to be deducted from the par value of ordinary shares of RM1.00 each in ECMLFG ("**ECMLFG Shares**") will be determined based on the closing price of KNKH Shares on Closing.

In conjunction with the Proposed Capital Repayment, the existing treasury shares amounting to 2,082,862 shares will be cancelled in accordance with Section 67A of the Act.

Based on the issued and paid-up share capital of ECMLFG as at 31 May 2012 of 830,901,953 ECMLFG Shares, the distribution to entitled shareholders of ECMLFG based on Minimum Scenario and Maximum Scenario will be as follows:

Minimum scenario: Assuming none of the 72,512,000 employee share option scheme of ECMLFG ("**ESOS**") options outstanding as at 31 May 2012 are exercised prior to the entitlement date

Maximum scenario: Assuming all the 72,512,000 ESOS options outstanding as at 31 May 2012 are exercised prior to the entitlement date

	Minimum Scenario RM'000	Maximum Scenario RM'000
Issued and paid-up share capital as at 31 May 2012	830,902	830,902
Cancellation of all the treasury shares of ECMLFG	(2,083)	(2,083)
Exercise of outstanding ESOS options	-	72,512
Enlarged issued and paid-up share capital (after full exercise of ESOS options)	**828,819**	**901,331**
Proposed Capital Repayment	(563,597)	(563,597)
Issued and paid-up share capital after the Proposed Capital Repayment	**265,222**	**337,734**

	RM'000	RM per ECMLFG Share	RM'000	RM per ECMLFG Share
Cash Distribution	442,647	0.53	442,647	0.49
Distribution-in-specie of KNKH Shares	73,200[1]	0.09	73,200[1]	0.08
Distribution-in-specie of RULS (Series A)	47,750	0.06	47,750	0.05
Total distribution	**563,597**	**0.68**	**563,597**	**0.62**

Note:

(1) The KNKH Shares were valued at RM0.61 per KNKH Share based on the closing price as at 31 May 2012. Under Minimum Scenario, entitled shareholders will receive approximately 144 KNKH shares for every 1,000 ECMLFG Shares held at the entitlement date and under Maximum Scenario, entitled shareholders will receive approximately 133 KNKH Shares for every 1,000 ECMLFG Shares held at the entitlement date

In determining the shareholders' entitlement to the KNKH Shares, fractional entitlements, if any, will be disregarded and shall be dealt with in such manner as the Board shall in its absolute discretion deems fit and expedient in order to minimise the incidence of odd lots, and in the interest of the Company.

After the Proposed Capital Repayment, the new ordinary shares in ECMLFG will rank pari passu with each other.

The Proposed Capital Repayment will be funded entirely by the Consideration to be received from the Proposed Disposal.

2.4 Proposed Share Split

In conjunction with the Proposed Capital Repayment, the Company proposes to undertake a share split involving the subdivision of the ordinary shares in ECMLFG after the Proposed Capital Repayment, to facilitate the Proposed Share Consolidation.

The subdivided ordinary shares in the Company, shall upon issue and allotment, rank pari passu in all respects with each other. In determining the shareholders' entitlement to the subdivided shares, fractional entitlements, if any, will be disregarded and shall be dealt with in such manner as the Board shall in its absolute discretion deems fit and expedient in order to minimize the incidence of odd lots, and in the interest of the Company.

2.5 Proposed Share Consolidation

Upon completion of the Proposed Share Split, the issued and paid-up share capital of ECMLFG shall be consolidated into ordinary shares of RM1.00 each in ECMLFG.

For illustration purposes, after the Proposed Share Consolidation, the issued and paid-up share capital of ECMLFG after the Proposed Share Split will be consolidated into RM265.222 million comprising 265.222 million ordinary shares of RM1.00 each under the Minimum Scenario and RM337.734 million comprising 337.734 million ordinary shares of RM1.00 each under the Maximum Scenario.

The consolidated ordinary shares of RM1.00 each in the Company, shall upon issue and allotment, rank pari passu in all respects with each other. In determining the shareholders' entitlement to the consolidated shares, fractional entitlements, if any, will be disregarded and shall be dealt with in such manner as the Board shall in its absolute discretion deems fit and expedient in order to minimize the incidence of odd lots, and in the interest of the Company.

3. INFORMATION ON THE ECMLIB GROUP

ECMLIB was incorporated in Malaysia under the Act on 2 June 1930. ECMLIB is principally involved in dealing with securities and derivatives and is a participating organisation of Bursa Securities and a trading participant of Bursa Malaysia Derivatives Berhad. ECMLIB is also involved in the provision of corporate finance and other advisory services by virtue of its status as an investment bank. The subsidiaries are principally engaged in the provision of nominee services to clients. The type of products and services provided by the ECMLIB Group include stockbroking, investment banking, structured lending, treasury, capital market, and wealth management.

Further details on the ECMLIB Group are set out in Appendix I.

4. INFORMATION ON KIBB AND KNKH

4.1 Information on KIBB

KIBB was incorporated in Malaysia under the Act on 6 September 1973 as a private company under the name of K & N Kenanga Sdn. KIBB subsequently changed to a private limited company under the name of K & N Kenanga Sdn Bhd on 10 May 1975. Following the conversion to a public limited company on 7 December 1995, its name was changed to K & N Kenanga Bhd. It assumed its present name on 5 January 2007 when KIBB was granted investment bank status. As at 31 May 2012, the authorised share capital of KIBB is RM800,000,000 comprising 800,000,000 ordinary shares of RM1.00 each, of which 620,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

KIBB is involved in the investment banking business, provision of stockbroking and related financial services.

KIBB is a wholly-owned subsidiary of KNKH.

4.2 Information on KNKH

KNKH was incorporated in Malaysia under the Act on 7 June 1994 as a private limited company under the name of Empirex Sdn Bhd. KNKH subsequently converted to a public limited company on 1 August 1994 under the name of Empirex Bhd. It assumed its present name on 28 March 1995. As at 31 May 2012, the authorised share capital of KNKH is RM800,000,000 comprising 800,000,000 ordinary shares of RM1.00 each, of which 611,759,499 ordinary shares of RM1.00 each have been issued and fully paid-up.

The principal activity of KNKH is investment holding and provision of management services. Further details on KNKH are set out in Appendix II.

5. RATIONALE FOR THE PROPOSALS

The Board believes that the Proposed Disposal and Proposed Business Merger are timely as the Board is of the view that as a stand-alone mid-size investment bank, the prospects of the bank will be challenging. Therefore, the Proposed Disposal provides an opportunity for ECMLFG to exit the industry.

The Proposed Capital Restructuring is undertaken for the purpose of returning the proceeds received from the Proposed Disposal to the shareholders of ECMLFG. After taking into consideration the current financial standing, future financial obligations and operational requirements of ECMLFG, the Board is recommending that the Proposed Capital Restructuring be undertaken as part of the Company's initiative to return capital in excess of its requirements.

6. COMPLETION RISK

The completion of the Proposed Disposal and Proposed Business Merger will be conditional upon the conditions precedent set out in the SPA, including the approvals/consent in Section 9 of this announcement being obtained/ fulfilled or waived (as the case may be). There is no certainty that such approvals and/or conditions will be obtained, satisfied and/or waived. However, ECMLFG will ensure that all reasonable steps will be taken in relation to the completion of the Proposed Disposal and Proposed Business Merger.

7. EFFECTS OF THE PROPOSALS

The effects of the Proposed Disposal and Proposed Capital Restructuring are set out below:

7.1 Issued and paid-up share capital

The Proposed Disposal will not have any effect on the issued and paid-up share capital of ECMLFG.

The effects of the Proposed Capital Restructuring on the issued and paid-up share capital of the Company are set out below:

	Minimum Scenario			**Maximum Scenario**		
	No. of shares '000	**Par value RM**	**Share capital RM'000**	**No. of shares '000**	**Par value RM**	**Share capital RM'000**
Issued and paid-up share capital as at 31 May 2012	830,902	1.00	830,902	830,902	1.00	830,902
Cancellation of all the treasury shares of ECMLFG	(2,083)	-	(2,083)	(2,083)	-	(2,083)
	828,819	1.00	828,819	828,819	1.00	828,819
Exercise of all the 72,512,000 ESOS Options outstanding as at 31 May 2012	-	-	-	72,512	1.00	72,512
	828,819	**1.00**	**828,819**	**901,331**	**1.00**	**901,331**
Issued and paid-up share capital after the Proposed Capital Restructuring	**265,222**	**1.00**	**265,222**	**337,734**	**1.00**	**337,734**

7.2 Substantial shareholders' shareholdings

The Proposed Disposal will not have any effect on the substantial shareholders' shareholdings in ECMLFG.

The Proposed Capital Repayment will not have any effect on the shareholdings of the substantial shareholders as the reduction of the share capital will be effected via a proportionate reduction of the par value of all ordinary shares of ECMLFG.

The effects of the Proposed Share Split and Proposed Share Consolidation on the substantial shareholders' shareholdings in ECMLFG are as follows:

<u>Minimum Scenario</u>

Substantial shareholders	As at 31 May 2012				After the Proposed Capital Restructuring			
	Direct		Indirect		Direct		Indirect	
	No. of shares '000	%	No. of shares '000	%	No. of shares '000	%	No. of shares '000	%
Equity Vision Sdn Bhd	134,436	16.22	-	-	43,019	16.22	-	-
Lim Kian Onn	80,288	9.69	-	-	25,692	9.69	-	-
Hikkaya Jaya Sdn Bhd	51,030	6.16	-	-	16,329	6.16	-	-
Tan Sri Dato' Azman Bin Hashim	-	-	199,054(1)	24.02	-	-	63,697	24.02
Amcorp Group Berhad	-	-	64,618(2)	7.80	-	-	20,678	7.80
Clear Goal Sdn Bhd	-	-	64,618(2)	7.80	-	-	20,678	7.80

Notes:

(1) Deemed interested by virtue of Section 6A of the Act held through Hikkaya Jaya Sdn Bhd, Arab-Malaysian (CSL) Sdn Bhd and Equity Vision Sdn Bhd
(2) Deemed interested by virtue of Section 6A of the Act held through Hikkaya Jaya Sdn Bhd and Arab-Malaysian (CSL) Sdn Bhd

Maximum Scenario

Substantial shareholders	As at 31 May 2012				After exercise of all the 72,512,000 ESOS Options outstanding as at 31 May 2012				After the Proposed Capital Restructuring			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of shares '000	%	No. of shares '000	%	No. of shares '000	%	No. of shares '000	%	No. of shares '000	%	No. of shares '000	%
Equity Vision Sdn Bhd	134,436	16.22	-	-	134,436	14.92	-	-	50,374	14.92	-	-
Lim Kian Onn	80,288	9.69	-	-	109,288	12.13	-	-	40,951	12.13	-	-
Hikkaya Jaya Sdn Bhd	51,030	6.16	-	-	51,030	5.66	-	-	19,121	5.66	-	-
Dato' Seri Kalimullah Bin Masheerul Hassan	32,970	3.98	-	-	61,970	6.88	-	-	23,220	6.88	-	-
Tan Sri Dato' Azman Bin Hashim	-	-	199,054[(1)]	24.02	-	-	199,054[(1)]	22.08	-	-	74,587	22.08
Amcorp Group Berhad	-	-	64,618[(2)]	7.80	-	-	64,618[(2)]	7.17	-	-	24,213	7.17
Clear Goal Sdn Bhd	-	-	64,618[(2)]	7.80	-	-	64,618[(2)]	7.17	-	-	24,213	7.17

Notes:

(1) *Deemed interested by virtue of Section 6A of the Act held through Hikkaya Jaya Sdn Bhd, Arab-Malaysian (CSL) Sdn Bhd and Equity Vision Sdn Bhd*
(2) *Deemed interested by virtue of Section 6A of the Act held through Hikkaya Jaya Sdn Bhd and Arab-Malaysian (CSL) Sdn Bhd*

7.3 Earnings

The Proposed Disposal is expected to reduce the consolidated earnings and earnings per share ("**EPS**") of ECMLFG for the financial year ending 31 January 2013 as the ECMLFG Group expects to realise a loss from the Proposed Disposal. The Proposed Capital Restructuring is expected to be completed by the fourth quarter of the ECMLFG Group's financial year ending 31 January 2013 and therefore, is not expected to have any material effect on the earnings of the ECMLFG Group for the financial year ending 31 January 2013.

For illustrative purposes, based on the audited consolidated financial statements of ECMLFG for the FYE 31 January 2012 and on the assumption that the Proposed Disposal had been effected on that date, the Proposed Disposal will have the following immediate proforma effects on the consolidated earnings of ECMLFG, before taking into account the Proposed Capital Restructuring:

	Proforma consolidated earnings RM'000	**Minimum Scenario - Proforma consolidated EPS sen**	**Maximum Scenario - Proforma consolidated EPS sen**
Net income for the audited FYE 31 January 2012	31,554	3.81	3.50
Add: Excess of sales consideration over NTA(1)	34,452	4.16	3.82
Proforma income before writeoff of intangible asset	**66,006**	**7.97**	**7.32**
Less: Writeoff of intangible asset (merchant bank license)	(52,500)	(6.33)	(5.82)
Add: Realised gain on available-for-sale ("**AFS**") securities and other assets	7,524	0.91	0.83
Less: Effects of mark-to-market of Consideration Shares(2)	(37,800)	(4.56)	(4.19)
Proforma net income for the FYE 31 January 2012	**(16,770)**	**(2.02)**	**(1.86)**

Notes:

(1) Computed based on the Consideration (after adjustment in accordance with the terms of the SPA) of RM875 million less NTA of RM635 million and after writeoff of goodwill and merger reserves of RM205 million, concurrent with the Proposed Disposal. Without the goodwill and merger writeoffs, the proforma excess would be RM240 million.

(2) Computed based on the closing price of Consideration Shares of RM0.685 as at 31 January 2012

Upon completion of the Proposed Disposal, the ECMLIB Group which contributed RM30.4 million to the consolidated earnings of ECMLFG or 3.69 sen to the consolidated EPS of ECMLFG for the FYE 31 January 2012 will no longer be consolidated as part of the ECMLFG Group moving forward.

However, assuming coupon received from the remaining RULS and the cash sum of the Consideration (after the Proposed Capital Repayment) is placed in an interest-bearing deposit account with a licensed financial institution at an interest rate of 3.0% per annum, ECMLFG will derive a net interest income (after taxation) of RM4.9 million per annum or a proforma consolidated EPS of 1.86 sen based on the Minimum Scenario and 1.46 sen based on the Maximum Scenario.

The proforma effects set out above does not take into consideration any future income from the remaining assets of the ECMLFG Group.

7.4 NA, NTA and gearing

For illustrative purposes only, the proforma effects of the Proposed Disposal and Proposed Capital Restructuring on the consolidated NA, NTA and gearing of ECMLFG based on the audited consolidated statement of financial position of ECMLFG as at 31 January 2012 and assuming that the Proposed Disposal and Proposed Capital Restructuring had been effected on 31 May 2012, are set out below:

Minimum Scenario

	Audited as at 31 January 2012 RM'000	**After payment of final dividend by ECMLFG RM'000**	**After Proposed Disposal(1), (2) and purchase of Retained Assets(3) RM'000**	**After Proposed Capital Restructuring(4) RM'000**
Share capital	830,902	830,902	830,902	265,222
Retained profits	59,307	39,415	63,090	63,090
AFS revaluation reserves	20,331	20,331	12,807	12,807
Equity compensation reserve	3,122	3,122	2,910	2,910
Statutory reserve	80,787	80,787	-	-
Merger reserves	26,561	26,561	-	-
Exchange reserves	(3,293)	(3,293)	(3,293)	(3,293)
General reserves	159	159	159	159
Capital reserves	-	-	-	504
Less: Treasury shares, at cost	(1,579)	(1,579)	(1,579)	-
Shareholders' funds / NA	1,016,297	996,405	904,996	341,399
Number of ordinary shares in issue less treasury shares ('000)	828,819	828,819	828,819	265,222
NA per share(5) (RM)	1.23	1.20	1.09	1.29
NTA per share(5) (RM)	0.88	0.86	1.09	1.29
Total interest-bearing borrowings	-	-	-	-
Gearing (times)	-	-	-	-

Notes:

(1) *Included transfer of statutory reserve no longer required to retained earnings of RM80.8 million and payment of final dividend for FY2012 of RM19.9 million*

(2) *Valuation of Consideration Shares is computed based on the closing price as at 31 May 2012 amounting to RM0.61 per KNKH Share*

(3) *Purchase of Retained Assets is based on market prices as at 31 January 2012*

(4) *In conjunction with the Proposed Capital Repayment, the existing treasury shares amounting to 2,082,862 shares will be cancelled in accordance with Section 67A of the Act*

(5) *Computed based on the number of ordinary shares in issue of ECMLFG less treasury shares*

Maximum Scenario

	Audited as at 31 January 2012 RM'000	After exercise of all the 72,512,000 ESOS Options outstanding RM'000	After payment of final dividend by ECMLFG RM'000	After Proposed Disposal(1), (2) and purchase of Retained Assets(3) RM'000	After Proposed Capital Restructuring(4) RM'000
Share capital	830,902	903,414	903,414	903,414	337,734
Retained profits	59,307	62,429	40,797	64,260	64,260
AFS revaluation reserves	20,331	20,331	20,331	12,807	12,807
Equity compensation reserve	3,122	-	-	-	-
Statutory reserve	80,787	80,787	80,787		-
Merger reserves	26,561	26,561	26,561		-
Exchange reserves	(3,293)	(3,293)	(3,293)	(3,293)	(3,293)
General reserves	159	159	159	159	159
Capital reserves	-	-	-	-	504
Less: Treasury shares, at cost	(1,579)	(1,579)	(1,579)	(1,579)	-
Shareholders' funds / NA	1,016,297	1,088,809	1,067,177	975,768	412,171
Number of ordinary shares in issue less treasury shares ('000)	828,819	901,331	901,331	901,331	337,734
NA per share(5) (RM)	1.23	1.21	1.18	1.08	1.22
NTA per share(5) (RM)	0.88	0.89	0.87	1.08	1.22
Total interest-bearing borrowings	-	-	-	-	-
Gearing (times)	-	-	-	-	-

Notes:

(1) *Included transfer of statutory reserve no longer required to retained earnings of RM80.8 million and payment of final dividend for FY2012 of RM21.6 million*
(2) *Valuation of Consideration Shares is computed based on the closing price as at 31 May 2012 amounting to RM0.61 per KNKH Shares*
(3) *Purchase of Retained Assets is based on market prices as at 31 January 2012*
(4) *In conjunction with the Proposed Capital Repayment, the existing treasury shares amounting to 2,082,862 shares will be cancelled in accordance with Section 67A of the Act*
(5) *Computed based on the number of ordinary shares in issue of ECMLFG less treasury shares*

The Proposed Business Merger will have no bearing on any of the abovementioned matters as it will be implemented immediately after the completion of the Proposed Disposal and which forms part of the internal restructuring of KIBB.

8. LISTING STATUS AND FUTURE PLANS

Upon completion of the Proposed Disposal, the Board is aware that the Company may, according to the Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**"), trigger criteria 2.1 (g) of Practice Note 17 of the Listing Requirements where the Company may be deemed to have suspended or ceased its major business and operations with the disposal of ECMLIB. Notwithstanding, the Company will carry on as an investment holding company and will still have continuing operations by virtue of Libra Invest Berhad (a wholly-owned asset management company which has assets under management of RM2.8 billion), the management of the Retained Assets (comprising securities and other investments), and exploring and undertaking other strategic investments. This is expected to be the platform for the Company to maintain its listing status, and if necessary the Board will make the necessary applications to the relevant authorities for the same.

9. APPROVALS REQUIRED

The Proposals are subject to and conditional upon *inter-alia*, approvals being obtained from the following:

(i) the shareholders of ECMLFG for the Proposals at an EGM to be convened;

(ii) the shareholders of ECMLIB for the Proposed Capital Reduction of ECMLIB at an EGM to be convened;

(iii) the High Court for a court order confirming the Proposed Capital Reduction of ECMLIB and Proposed Capital Repayment;

(iv) the SC for the proposed capital repayment of the 120,000,000 Consideration Shares and RM47,750,000 nominal value of RULS (Series A) to the shareholders of ECMLFG, which forms part of the Proposed Capital Repayment;

(v) the High Court for the Vesting Order;

(vi) the shareholders of KNKH for the proposed acquisition of the Sale Shares, the assumption of the liability by KNKH to satisfy part of the Consideration, the issuance of the Consideration Shares and the RULS to ECMLFG and the Proposed Business Merger at an EGM to be convened;

(vii) the SC for the issuance of RULS;

(viii) Bursa Securities for approvals-in-principle for the listing of and quotation for the Consideration Shares to be issued to ECMLFG on the Main Market of Bursa Securities, Proposed Share Split and Proposed Share Consolidation; and

(ix) any other relevant authorities, if required.

The Proposed Disposal and Proposed Business Merger are inter-conditional upon the respective approvals having been obtained for each proposal and are to be executed simultaneously.

The Proposed Capital Restructuring is conditional upon the respective approvals having been obtained for the Proposed Disposal and Proposed Business Merger.

The Proposed Capital Repayment, Proposed Share Split and Proposed Share Consolidation are inter-conditional upon the respective approvals having been obtained for each proposal.

Barring any unforeseen circumstances, the applications where applicable to the SC and Bursa Securities in relation to the Proposals are expected to be made within three (3) months from the date of this announcement.

10. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save as disclosed below, none of the Directors and major shareholders of ECMLFG and/or person(s) connected to them have any direct or indirect interest in the Proposed Disposal and by virtue of ECMLIB being a wholly-owned subsidiary of ECMLFG, the Proposed Business Merger:

Mr. Lum Sing Fai ("**Interested Director**") is a Director in ECMLFG and ECMLIB representing the interest of Amcorp Group Berhad, a substantial shareholder of ECMLFG. Amcorp Group Berhad is a person connected to Tan Sri Dato' Azman Bin Hashim.

Tan Sri Dato' Azman Bin Hashim ("**Interested Shareholder**"), a major shareholder of ECMLFG via his 24.02% indirect interest in ECMLFG, is deemed interested in the Proposed Disposal by virtue of his brother, Encik Abdul Aziz Bin Hashim, being a director and shareholder of KNKH. Together with his daughter, Encik Abdul Aziz Bin Hashim holds 9.19% direct and indirect interests in KNKH.

As the Proposed Disposal and the Proposed Business Merger are inter-conditional, the Interested Director and Interested Shareholder are also deemed interested in the Proposed Business Merger.

Accordingly, the Interested Director has abstained and shall continue to abstain from all deliberations and voting at all Board meetings in relation to the Proposed Disposal and Proposed Business Merger. In addition, the Interested Director and Interested Shareholder shall also abstain from voting in respect of their direct and/or indirect shareholdings and have undertaken to ensure that persons connected to them will abstain from voting on the resolutions pertaining to the Proposed Disposal and Proposed Business Merger at the EGM to be convened.

Other than those transactions in the ordinary course of business of ECMLIB, there is no other transaction involving the Interested Shareholder.

None of the Directors and substantial shareholders of ECMLFG and/or person(s) connected to them have any direct or indirect interest in the Proposed Capital Restructuring save for their respective entitlements as shareholders of the Company, which are also available to all other entitled shareholders.

11. DIRECTORS' STATEMENT

The Board (save for the Interested Director), after having considered and deliberated on all aspects of the Proposed Disposal and Proposed Business Merger (including, but not limited to the rationale and salient terms of the SPA and BMA) as well as the views of the Independent Adviser, is of the opinion that the Proposed Disposal and Proposed Business Merger are in the best interest of the Company, is fair, reasonable and on normal commercial terms and not detrimental to the interest of the non-interested shareholders.

The Board, after having considered and deliberated on all aspects of the Proposed Capital Restructuring, is of the opinion that the Proposed Capital Restructuring is in the best interest of the Company and its shareholders.

12. BOARD AUDIT AND RISK MANAGEMENT COMMITTEE'S STATEMENT

The Board Audit and Risk Management Committee of ECMLFG, having considered all aspects of the Proposed Disposal and Proposed Business Merger (including, but not limited to the rationale and salient terms of the SPA and BMA) as well as the views of the Independent Adviser, is of the opinion that the Proposed Disposal and Proposed Business Merger are in the best interest of ECMLFG, is fair, reasonable and on normal commercial terms and not detrimental to the interest of the non-interested shareholders.

13. ADVISERS

ECMLIB has been appointed as the adviser for the Proposals.

As the Proposed Disposal is a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements, ECMLFG has appointed Affin Investment Bank Berhad as the Independent Adviser in relation to the Proposed Disposal and Proposed Capital Repayment. The role of the Independent Adviser in relation to the Proposed Disposal and Proposed Capital Repayment is as follows:

(i) to comment as to whether the Proposed Disposal and Proposed Capital Repayment are fair and reasonable in so far as the shareholders of ECMLFG are concerned and whether the Proposed Disposal and Proposed Capital Repayment are to the detriment of non-interested shareholders, including the reasons for the key assumptions made and the factors taken into consideration in forming such opinion;

(ii) to advise the non-interested directors and non-interested shareholders of ECMLFG on whether they should vote in favour of the Proposed Disposal and Proposed Capital Repayment; and

(iii) to take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in subparagraphs (i) and (ii) above.

14. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposals are expected to be completed by the fourth quarter of the ECMLFG Group's financial year ending 31 January 2013.

15. HIGHEST PERCENTAGE RATIO APPLICABLE TO THE PROPOSED DISPOSAL

Based on the Consideration and ECMLFG's audited consolidated financial statements for the FYE 31 January 2012, the highest percentage ratio pursuant to paragraph 10.02(g) of the Listing Requirements applicable to the Proposed Disposal is more than 100%. The Proposed Disposal represents a very substantial transaction pursuant to the Listing Requirements and requires the approval of ECMLFG's shareholders.

16. SUSPENSION OF TRADING

There will not be any suspension in the trading of shares in ECMLFG on Bursa Securities for the purpose of implementing the Proposed Share Split and Proposed Share Consolidation.

17. DOCUMENTS FOR INSPECTION

A copy of the SPA and BMA will be made available for inspection during normal business hours at ECMLFG's registered office at 2nd Floor, West Wing, Bangunan ECM Libra, 8 Jalan Damansara Endah, Damansara Heights, 50490 Kuala Lumpur from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 15 June 2012.

INFORMATION ON THE ECMLIB GROUP

1. History and business

ECMLIB was incorporated in Malaysia under the Act on 2 June 1930.

As at 31 May 2012, the authorised share capital of ECMLIB is RM700,000,000 comprising 700,000,000 ordinary shares of RM1.00 each, of which 513,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up. ECMLIB is a wholly-owned subsidiary of ECMLFG.

The ECMLIB Group is principally involved in dealing with securities and derivatives and is a Participating Organisation of Bursa Securities and a Trading Participant of Bursa Malaysia Derivatives Berhad. ECMLIB is also involved in the provision of corporate finance and other advisory services by virtue of its status as an investment bank. The subsidiaries are principally engaged in the provision of nominee services to clients. The type of products and services provided by the ECMLIB Group include stockbroking, investment banking, structured lending, treasury, capital market, and wealth management.

2. Subsidiaries and associate company

The subsidiaries of ECMLIB as at 31 May 2012 are as follows:

Subsidiaries	Place/ Date of incorporation	Issued and paid-up capital RM	Effective equity interest (%)	Principal activity
ECML Nominees (Tempatan) Sdn Bhd	Malaysia/ 11 February 1938	50	100	Provision of nominee services for local clients
ECML Nominees (Asing) Sdn Bhd	Malaysia/ 11 June 1993	2	100	Provision of nominee services for foreign clients
Avenue Kestrel Sdn Bhd	Malaysia/ 3 February 1983	39,000,000	100	Dormant

ECMLIB does not have any associate company.

3. Key financial information

The summary of the key financial information of the ECMLIB Group based on its audited consolidated financial statements for the past three (3) FYE 31 January 2012 is set out below:

	FYE 31 January 2010 RM'000	FYE 31 January 2011 RM'000	FYE 31 January 2012 RM'000
Revenue	120,076	207,771	166,565
Profit before taxation ("**PBT**")	43,207	84,683	51,773
Taxation	(4,600)	(20,935)	(21,407)
Profit after taxation ("**PAT**")	38,607	63,748	30,366
No. of ordinary shares in issue ('000)	513,000	513,000	513,000
Gross EPS (sen)[(1)]	8.42	16.51	10.09
Net EPS (sen)[(2)]	7.53	12.43	5.92
Shareholders' funds / NA	632,909	653,012	687,723
NA per share (RM)[(3)]	1.23	1.27	1.34
Total interest-bearing borrowings (RM'000)	-	-	-
Gearing (times)	-	-	-
Current ratio	1.32	1.28	1.30

Notes:

(1) Computed based on PBT divided by the number of ordinary shares in issue
(2) Computed based on PAT divided by the number of ordinary shares in issue
(3) Computed based on NA divided by the number of ordinary shares in issue

There were no exceptional and/or extraordinary items during the years under review. There have been no peculiar accounting policies adopted by the ECMLIB Group during the years under review and there have been no audit qualifications to its financial statements during the years under review.

Commentary:

(i) FYE 31 January 2010

The ECMLIB Group recorded a PBT of RM43.2 million. This is largely contributed by net brokerage income of RM43.2 million, fee income of RM7.2 million, net gain from trading and investment securities of RM23.2 million, net interest income of RM24.8 million as well as dividend income of RM3.2 million; partially offset by operating expenses of RM60.6 million.

(ii) FYE 31 January 2011

The ECMLIB Group recorded a PBT of RM84.7 million. This is largely contributed by net brokerage income of RM44.2 million, fee income of RM9.9 million, net gain from trading and investment securities of RM76.3 million, net interest income of RM28.6 million as well as dividend income of RM9.4 million; partially offset by operating expenses of RM79.6 million and provision of impairment allowance of RM4.7 million for securities and allowance for losses on loans, advances and financing of RM5.1 million.

(iii) FYE 31 January 2012

The ECMLIB Group achieved a PBT of RM51.8 million. The income was largely contributed by net brokerage fee of RM47.3 million, fee income of RM9.1 million, net interest income of RM35.1 million and investment and trading income of RM24.4 million; partially offset by operating expenses of RM81.4 million.

INFORMATION ON KNKH

(The information in relation to KNKH and KIBB in this announcement have been duly provided by the management of KNKH and KIBB)

1. History and business

KNKH was incorporated in Malaysia under the Act on 7 June 1994 as a private limited company under the name of Empirex Sdn Bhd. KNKH subsequently converted to a public limited company on 1 August 1994 under the name of Empirex Bhd. It assumed its present name on 28 March 1995.

As at 31 May 2012, the authorised share capital of KNKH is RM800,000,000 comprising 800,000,000 ordinary shares of RM1.00 each, of which 611,759,499 ordinary shares of RM1.00 each have been issued and fully paid-up.

The principal activity of KNKH is investment holding and provision of management services.

2. Directors

The Directors of KNKH and their respective shareholdings in KNKH as at 31 May 2012 are as follows:

		Direct		Indirect	
Directors	**Designation**	**No. of KNKH Shares**	**%**	**No. of KNKH Shares**	**%**
YM Tengku Dato' Paduka Noor Zakiah Binti Tengku Ismail	Non-Independent Non-Executive Director ("**NINED**") and Chairman	100,969,770	16.50	43,500[(1)]	0.01
Y Bhg Datuk Syed Ahmad Alwee Alsree	NINED and Deputy Chairman	-	-	-	-
Abdul Aziz Bin Hashim	NINED	29,753,712	4.86	26,464,115[(1)]	4.33
Chay Wai Leong	Group Managing Director	-	-	-	-
YM Raja Dato' Seri Abdul Aziz Bin Raja Salim	Independent Non-Executive Director ("**INED**")	-	-	-	-
Y Bhg Dato' Richard Alexander John Curtis	NINED	-	-	-	-
Luigi Fortunato Ghirardello	INED	140,000	0.02	-	-
Kevin How Kow	INED	-	-	-	-
Izlan Bin Izhab	INED	-	-	-	-
Ismail Harith Merican	NINED	-	-	-	-
Raymond Yeoh Cheng Seong	NINED	-	-	-	-
Nilesh Navlakha	NINED	-	-	-	-

Note:

(1) Deemed interested by virtue of shares held in persons connected

3. Substantial shareholders

The substantial shareholders of KNKH and their respective shareholdings in KNKH as at 31 May 2012 are as follows:

	Direct		Indirect	
Directors	**No. of KNKH Shares**	**%**	**No. of KNKH Shares**	**%**
CMS Capital Sdn Bhd	153,353,000	25.07	-	-
Cahya Mata Sarawak Berhad	-	-	153,353,000[(1)]	25.07
Deutsche Asia Pacific Holdings Pte Ltd	101,250,000	16.55	-	-
YM Tengku Dato' Paduka Noor Zakiah Binti Tengku Ismail	100,969,770	16.50	43,500[(2)]	0.01

Notes:

(1) Deemed interested by virtue of shares held by CMS Capital Sdn Bhd
(2) Deemed interested by virtue of shares held by person connected

4. Subsidiaries and associate company

The subsidiaries of KNKH as at 31 May 2012 are as follows:

Subsidiaries	Place/ Date of incorporation	Issued and paid-up capital RM	Effective equity interest (%)	Principal activity
Kenanga Investment Bank Berhad	Malaysia/ 6.9.1973	620,000,000	100	Investment banking business, provision of stockbroking and related financial services
Kenanga Investors Berhad	Malaysia/ 2.8.1995	6,765,300	100	Promotion and management of unit trust funds and management of investment funds
Kenanga Islamic Investors Berhad (formerly known as Kenanga Fund Management Berhad)	Malaysia/ 5.11.1997	21,043,336	100	Managing unit trust schemes
Kenanga Asset Management Sdn Bhd	Malaysia/ 12.8.1994	6,000,000	100	Dormant
Kenanga Nominees (Tempatan) Sdn Bhd	Malaysia/ 19.12.1973	2	100	Provision of nominee services
Kenanga Nominees (Asing) Sdn Bhd	Malaysia/ 28.10.1993	3	100	Provision of nominee services
Kenanga Capital Sdn Bhd	Malaysia/ 24.7.1997	13,000,000	100	Licensed money lender
Kenanga Deutsche Futures Sdn Bhd	Malaysia/ 2.8.1995	5,000,000	73	Futures Broker
Kenanga Management & Services Sdn Bhd	Malaysia/ 7.8.1980	600,000	100	Provision of car park management services

Subsidiaries	**Place/ Date of incorporation**	**Issued and paid-up capital RM**	**Effective equity interest (%)**	**Principal activity**
Kenanga Private Equity Sdn Bhd	Malaysia/ 14.3.1997	1,000,000	100	Venture capitalist
PSSB Corporate Services Sdn Bhd	Malaysia/ 14.4.1980	100,000,000	100	Dormant
SSSB Management Services Sdn Bhd	Malaysia/ 20.6.1991	180,000,000	100	Dormant
Kenanga Business Access Sdn Bhd	Malaysia/ 16.12.2002	50,000	100	Commission agent
KUT Nominees (Tempatan) Sdn Bhd	Malaysia/ 23.1.2002	2	100	Provision of nominee services
KUT Nominees (Asing) Sdn Bhd	Malaysia/ 23.1.2002	2	100	Provision of nominee services
Kenanga Capital Islamic Sdn Bhd	Malaysia/ 4.4.2011	2,000,000	100	Factoring and Leasing Businesses
Capital Investment Bank (Labuan) Limited	Malaysia/ 23.4.2004	USD2,631,579	100	Investment Bank

The associated companies of KNKH as at 31 May 2012 are as follows:

Associated companies	**Place/ Date of Incorporation**	**Issued and Paid up capital**	**Effective equity interest**	**Principal activity**
Kenanga Investment Corporation Ltd	Sri Lanka/ 28 November 2006	10,000,000 ordinary shares of Rupees 10 each	45%	Investment banking, corporate finance services and placements
Alwasatah AlMaliah Co.	Kingdom of Saudi Arabia/ 29 December 2007	25,000,000 shares of SAR10 each	29.6%	Providing underwriting, managing advisory, arranging, managing investment funds and custodian services
Kenanga Vietnam Securities Corporation	Vietnam/ 3 December 2007	135,000,000 Ordinary shares at par value of VND10,000 each	49%	Securities and advisory business

5. Key financial information

The summary of the key financial information of the KNKH Group based on its audited consolidated financial statements for the past three (3) FYE 31 December 2011 and the unaudited three (3)-month financial period ended ("**FPE**") 31 March 2012 is set out below:

	FYE 31 December 2009 RM'000	**FYE 31 December 2010 (Restated) RM'000**	**FYE 31 December 2011 RM'000**	**3-month FPE 31 March 2012 RM'000**
Revenue	247,689	296,341	276,907	84,040
(Loss)/ PBT	30,635	(50,630)	14,869	7,825
(Loss)/ PAT and non-controlling interest	16,169	(53,301)	7,401	6,112
No. of ordinary shares in issue ('000)	611,759	611,759	611,759	611,759
Gross EPS (sen)(1)	5.01	(8.28)	2.43	1.28
Net EPS (sen)(2)	2.64	(8.71)	1.21	1.00
Shareholders' funds / NA	804,742	743,868	752,687	758,934
NA per share (RM)(3)	1.32	1.22	1.23	1.24
Total interest-bearing borrowings (RM)	65,232	67,267	1,415	2,850
Gearing (times)(4)	0.08	0.09	0.00(5)	0.00(5)

Notes:

(1) Computed based on PBT divided by the number of ordinary shares in issue
(2) Computed based on PAT divided by the number of ordinary shares in issue
(3) Computed based on NA divided by the number of ordinary shares in issue
(4) Computed based on total interest-bearing borrowings divided by shareholders' funds
(5) Negligible

There were no exceptional and/or extraordinary items during the years under review. There have been no peculiar accounting policies adopted by the KNKH Group during the years under review and there have been no audit qualifications to its financial statements during the years under review.

Commentary:

(i) FYE 31 December 2009

During the FYE 31 December 2009, the Group recorded a PBT from continuing operations of RM14.55 million as compared to a loss of RM70.14 million in the preceding FYE 31 December 2008.

The PBT for the FYE 31 December 2009 were due mainly to positive growth in net brokerage income earned by the equity division of the bank and write-backs in allowances for loans, advances and financing and balances on clients and brokers amounting to RM1.95 million.

However, these profits were negated by RM3.73 million losses made in respect of the KNKH Group's share of losses in associated companies.

(ii) FYE 31 December 2010

During the FYE 31 December 2010, the KNKH Group recorded a loss before taxation from continuing operations of RM50.63 million as compared to a profit of RM14.55 million in the preceding FYE 31 December 2009.

For the FYE 31 December 2010, the loss was due mainly to impairment made in respect of the investment bank's loans and advances amounting to RM88.45 million and impairment of investment in an associated company of RM17.69 million.

(iii) FYE 31 December 2011

During the FYE 31 December 2011, the KNKH Group recorded a PBT from continuing operations of RM14.87 million as compared to a loss of RM50.63 million in the preceding FYE 31 December 2010.

The PBT for the FYE 31 December 2011 was due mainly to operational profits achieved by its investment banking, futures broker subsidiary companies and unit trust portfolio of RM11.48 million, and, bad debts recovery of RM15.87 million negated by impairment on loans, advances and financing and balances due from clients and brokers of RM6.19 million, and, share of losses in associates of RM5.88 million.