

KAF-SEAGROATT & CAMPBELL BERHAD (207572-T)

EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL QUARTER ENDED 28 FEBRUARY 2014

Part A: Explanatory Notes Pursuant To MFRS 134

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with MFRS 134 – ‘Interim Financial Reporting’ issued by the Malaysian Accounting Standards Board (‘MASB’), Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This quarterly report should be read in conjunction with the audited financial statements of the Group for the last financial year ended 31 May 2013 and accompanying explanatory notes.

The accounting policies and presentation adopted by the Group for the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 May 2013, except for the adoption of the following accounting standards, amendments to published accounting standards and interpretations to existing accounting standards which are effective from 1 June 2013:

MFRS 10	Consolidated Financial Statements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 127	Consolidated and Separate Financial Statements (revised)
Amendment to MFRS 101	Presentation of Items of Other Comprehensive Income
Amendment to MFRS 119	Employee Benefits
Amendment to MFRS 7	Financial Instruments: Disclosures on Transfers of Financial Assets
Amendment to MFRS 132	Financial Instrument: Presentation

The adoption of the above accounting standards, amendments to published accounting standards and interpretations to existing accounting standards does not give rise to any material financial effects to the Group and the Company.

2. Comments About Seasonal Or Cyclical Factors

The result of the Group is dependent on the performance of the Malaysian securities market.

3. Unusual Items Due To Their Nature, Size Or Incidence

There are no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period.

4. Changes In Estimates

There are no changes in estimates of amounts reported in prior quarters of the current financial period or in prior financial years that have a material effect in the current quarter.

5. Debt And Equity Securities

There is no issuance, repurchase, resale and repayment of debt and equity securities in the current quarter.

6. Dividends Paid

The Company paid a special single tier interim dividend of 7.5 sen per ordinary share in respect of the financial year ended 31 May 2013 on 29 August 2013.

7. Segmental Information

The main business segments of the Group comprises of stockbroking, investment management and investment holding and others. Segment results, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

<u>28 February 2014</u>	<u>Stockbroking</u>	<u>Investment Management</u>	<u>Investment Holding</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Total Revenue</u>				
Revenue	31,786	5,655	645	38,086
Other Income	1,529	165	10,420	12,114
	-----	-----	-----	-----
	33,315	5,820	11,065	50,200
Overhead Expenses	(22,925)	(4,854)	(805)	(28,584)
<u>Results</u>				
Segment Results From Operations	10,390	966	10,260	21,616
Taxation				(7,855)

				13,761
				=====
<u>Assets And Liabilities</u>				
Segment Assets	395,159	21,707	122,269	539,135
Segment Liabilities	282,088	4,690	2,150	288,928
<u>Other Information</u>				
Gain On Revaluation Of Financial Assets	-	84	9,784	9,868
At Fair Value Through Profit Or Loss				
Gain On Disposal Of Financial Assets				
At Fair Value Through Profit Or Loss	-	-	156	156
Depreciation Of Plant And Equipment	848	38	-	886
Interest Income	1,770	59	466	2,295
Additions to plant and equipment	93	178	-	271
Finance Costs	454	8	66	528

28 February 2013

	Stockbroking	Investment Holding	Total
	RM'000	RM'000	RM'000
<u>Total Revenue</u>			
- Revenue	23,782	471	24,253
- Other Income	1,431	2,807	4,238
	-----	-----	-----
	25,213	3,278	28,491
Overhead Expenses	(17,599)	(619)	(18,218)
<u>Results</u>			
Segment Results From Operations	7,614	2,659	10,273
Taxation			(2,841)

			7,432
			=====
<u>Assets And Liabilities</u>			
Segment Assets	381,672	134,059	515,731
Segment Liabilities	282,544	470	283,014
<u>Other Information</u>			
Gain/(Loss) On Revaluation Of Financial Assets At Fair Value Through Profit Or Loss	(1)	897	896
Gain On Disposal Of Financial Assets At Fair Value Through Profit Or Loss	-	1,888	1,888
Depreciation Of Plant And Equipment	865	-	865
Interest Income	1,953	20	1,973
Additions To Plant And Equipment	446	-	446
Finance Costs	234	1	235

8. Subsequent Events

There were no material events subsequent to the end of the quarter that have not been reflected in the financial statements for the quarter.

9. Changes In Composition Of The Group

There are no changes in the composition of the Company during the current quarter.

10. Contingent Assets And Liabilities

There are no contingent assets and liabilities outstanding as at 28 February 2014 (2013: Nil).

Part B: Explanatory Notes Pursuant To Main Market Listing Requirements Of Bursa Malaysia Securities Berhad

11. Performance Review

The Group reported total operating revenue of RM10.66 million for the third quarter ended 28 February 2014, 52% higher compared to RM7.03 million recorded in the corresponding quarter ended 28 February 2013. The increase in operating revenue of the Group was mainly attributable to the higher brokerage income and fund management fee income generated by the stockbroking segment and investment management segment respectively.

The Group's profit before tax for the third quarter ended 28 February 2014 of RM5.17 million was marginally lower compared to the corresponding quarter ended 28 February 2013 of RM5.33 million due to higher staff cost and commission paid for the current quarter under review.

12. Comparison With Immediate Preceding Quarter

The total operating revenue of RM10.66 million recorded by the Group for the third quarter ended 28 February 2014, showed RM3.42 million lower compared to the immediate preceding quarter ended 30 November 2013 of RM14.08 million. The lower operating revenue for the current quarter was due to lower brokerage income as compared to the immediate preceding quarter.

The Group's profit before tax of RM5.17 million for the current quarter, was lower than the immediate preceding quarter's profit before tax of RM7.57 million by RM2.4 million mainly due to lower brokerage income and decrease in write-back in value of investment in the current quarter under review.

13. Commentary On Prospects And Targets

There are no material factors affecting the earnings and/or revenue of the Group for the current quarter and financial period-to-date.

The Board of Directors is of the opinion that barring any unforeseen circumstances, the Group's performance for the current financial year will be in tandem with the performance of the Malaysian securities market.

14. Variance From Profit Forecast/Profit Guarantee

The explanatory notes on variance of actual profit from forecast profit and/or shortfall in profit guarantee is not relevant to the Group.

15. Taxation

The tax expense of the Group is as follows:

	9-month cumulative for financial period to date 28 February 2014 RM'000
Malaysian income tax:	
- Current year provision	5,700
- Under provision of tax in prior year	2,155

	7,855
	=====

Reconciliation of effective tax expenses:

Profit before taxation	21,616

Tax at Malaysian tax rate of 25%	5,404
Add:	
Non-deductible expenses	296

	5,700
Under provision of tax in prior year	2,155

	7,855
	=====

16. Corporate Proposals

There are no corporate proposals announced but not completed as at 18 April 2014.

17. Borrowings And Debt Securities

There are no Group's borrowings and debt securities as at the end of the reporting period.

18. Material Litigations

There are no material litigations pending as at 18 April 2014.

19. Dividends

The Board of Directors has declared a single tier interim dividend of 7.5 sen per ordinary share in respect of the financial year ending 31 May 2014 to shareholders whose names appear in the Record of Depositors on 16 May 2014, to be paid on 30 May 2014.

20. Earnings Per Share

Basic earnings per share is calculated by dividing the profit for the financial year attributable to equity holders of the Company of RM13.56 million by the number of ordinary shares of 120 million in issue during the financial period, 1.8 times higher than corresponding quarter ended 28 February 2013.

There were no dilutive potential ordinary shares outstanding as at 28 February 2014.

21. Auditors' Report On Preceding Annual Financial Statements

The financial statement for the year ended 31 May 2013 was not subjected to any audit qualification.

22. Profit Before Taxation

Included in the profit before tax are:

	9 Months Ended 28 February 2014	9 months Ended 28 February 2013
	RM'000	RM'000
Interest income	2,295	1,973
Financial assets at fair value through profit or loss:		
- Gain on revaluation	9,868	896
- Gain on disposal	156	1,888
- Dividend income	633	463
Depreciation of plant and equipment	886	865
Bad and doubtful debts recovered	7	5

23. Retained Profits

The breakdown of retained profits of the Group as at reporting date, into realised and unrealised profits is as follows:

	As at 28 February 2014	As at 28 February 2013
	RM'000	RM'000
Total retained profits		
- Realised	70,907	71,250
- Unrealised	14,906	11,188
	-----	-----
Total retained profits as per unaudited consolidated financial statements	85,813	82,438
	=====	=====

BY ORDER OF THE BOARD

WENDY CHIN NGEOK MUI
(MAICSA NO: 7003178)

SITI NURMAZITA BINTI MUSTAPHA
(LS0009160)

Joint Company Secretaries

Kuala Lumpur
24 April 2014