

KAF-SEAGROATT & CAMPBELL BERHAD (207572-T)

EXPLANATORY NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL QUARTER ENDED 31 MAY 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 13	Fair Value Measurement
Amendment to MFRS 119	Employee benefits
Amendment to MFRS 7	Financial Instruments: Disclosures
Amendments to MFRS 10, 11 & 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

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 single tier interim dividend of 7.5 sen per ordinary share on 30 May 2014 in respect of the financial year ended 31 May 2014.

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>31 May 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	42,277	7,785	731	50,793
Other Income	2,583	389	9,950	12,922
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	44,860	8,174	10,681	63,715
Less: Overhead Expenses	34,895	6,329	1,520	42,744
<u>Results</u>				
Segment Results From Operations	9,965	1,845	9,161	20,971
Less: Taxation				5,559

				15,412
				=====
<u>Assets And Liabilities</u>				
Segment Assets	562,612	19,930	93,646	676,188
Segment Liabilities	430,100	2,149	711	432,960
<u>Other Information</u>				
Gain On Revaluation Of Financial Assets				
At Fair Value Through Profit Or Loss	-	191	8,644	8,835
Gain On Disposal Of Financial Assets				
At Fair Value Through Profit Or Loss	-	-	1,028	1,028
Depreciation Of Plant And Equipment	1,128	61	-	1,189
Interest Income	2,596	84	514	3,194
Additions to plant and equipment	167	177	-	344
Finance Costs	529	13	66	608

31 May 2013

	Stockbroking	Investment Holding	Total
	RM'000	RM'000	RM'000
<u>Total Revenue</u>			
- Revenue	36,295	1,474	37,769
- Other Income	1,654	14,638	16,292
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	37,949	16,112	54,061
Less: Overhead Expenses	31,077	2,187	33,264
<u>Results</u>			
Segment Results From Operations	6,872	13,925	20,797
Less: Taxation			(5,452)

			15,345
			=====
<u>Assets And Liabilities</u>			
Segment Assets	307,558	162,429	469,987
Segment Liabilities	218,382	6,159	224,541
<u>Other Information</u>			
Gain On Revaluation Of Financial Assets At Fair Value Through Profit Or Loss	-	58	58
(Loss)/Gain On Disposal Of Financial Assets At Fair Value Through Profit Or Loss	(2)	13,816	13,814
Depreciation Of Plant And Equipment	1,147	12	1,159
Interest Income	2,480	468	2,948
Additions To Plant And Equipment	339	27	366
Finance Costs	332	1	333

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 31 May 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 RM12.71 million for the fourth quarter ended 31 May 2014, marginally lower compared to RM13.52 million recorded in the corresponding quarter ended 31 May 2013. The decrease in operating revenue of the Group was mainly due to the lower brokerage income generated by the stockbroking segment.

The Group recorded loss before tax of RM0.65 million for the fourth quarter ended 31 May 2014 mainly due to higher staff cost. Meanwhile, the previous corresponding quarter recorded a profit before tax of RM10.51 million was mainly from gain on disposal of investment of RM12.2 million.

12. Comparison With Immediate Preceding Quarter

The total operating revenue of RM12.71 million recorded by the Group for the fourth quarter ended 31 May 2014, showed 19% or RM2.06 million higher compared to the immediate preceding quarter ended 28 February 2014 of RM10.66 million. The higher operating revenue for the current quarter was due to higher brokerage and management fee income as compared to the immediate preceding quarter.

The Group recorded loss before tax of RM0.65 million for the current quarter, compared to the profit before tax of RM5.17 million for the immediate preceding quarter mainly due to lower gain on revaluation of investment and higher staff cost recorded in the current quarter.

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:

	Year Ended 31 May 2014 RM'000	Year Ended 31 May 2013 RM'000
Malaysian income tax:		
- Current year provision	5,530	6,163
- Under/(over) provision in prior years	239	(79)
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	5,769	6,084
Deferred tax	(210)	(632)
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	5,559	5,452
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Reconciliation of effective tax expenses:

Profit before taxation	20,971	20,797
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Tax at Malaysian tax rate of 25%	5,243	5,199
Non-deductible expenses	181	190
Non-taxable income	(104)	(1)
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	5,320	5,388
Under/(over) provision in prior year	239	(79)
Temporary difference previously not recognised	-	143
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	5,559	5,452
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16. Corporate Proposals

There are no corporate proposals announced but not completed as at 17 July 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 17 July 2014.

19. Proposed Dividends

No final dividend is recommended for the quarter under review.

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 or RM15.304 million by the number of ordinary shares of RM120 million in issue during the financial period.

There were no dilutive potential ordinary shares outstanding as at 31 May 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:

	Year Ended 31 May 2014	Year Ended 31 May 2013
	RM'000	RM'000
Interest income	3,194	2,948
Financial assets at fair value through profit or loss:		
- Gain on revaluation	8,835	58
- Gain on disposal	1,028	13,814
- Dividend income	689	528
Depreciation of plant and equipment	1,189	1,159
Bad and doubtful debts recovered	11	6

23. Retained Earnings

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

	As at 31 May 2014	As at 31 May 2013
	RM'000	RM'000
Total retained earnings		
- Realised	72,981	81,107
- Unrealised	14,208	9,148
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Total retained earnings as per unaudited consolidated financial statements	87,189	90,255
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BY ORDER OF THE BOARD

WENDY CHIN NGEOK MUI
(MAICSA NO: 7003178)

SITI NURMAZITA BINTI MUSTAPHA
(LS0009160)

Joint Company Secretaries

Kuala Lumpur
23 July 2014