

**Brem Holding Berhad (66756-P)**  
**(Incorporated in Malaysia)**

**NOTES TO THE INTERIM FINANCIAL REPORT**

**PART A: EXPLANATORY NOTES**

**A1. Basis of preparation**

The unaudited interim financial report has been prepared in compliance with Financial Reporting Standard (FRS) 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirement of the Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2014

The accounting policies and methods of computation adopted in this interim financial report are consistent with those adopted in the most recent annual financial statements except for the adoption of the following new FRSs and IC Interpretations(IC Int), and amendments to certain Standards which are effective for the annual financial statements beginning on or after 1 April 2014:

FRSs/Interpretations

Amendments/Improvements  
to FRSs

FRS 10	Consolidated Financial Statements
FRS 12	Disclosure of Interests in Other Entities
FRS 127	Investment Entities
FRS 132	Offsetting Financial Assets and Financial Liabilities
FRS 136	Recoverable Amount Disclosure for Non-Financial Assets
FRS 139	Novation of Derivatives and Continuation of Hedge Accounting

New IC Int

IC Interpretation 21	Levies
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The adoption of the abovementioned pronouncements will have no significant impact to the financial statements of the Group.

**Malaysian Financial Reporting Standards (MFRS Framework)**

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venture (herein called “Transitioning Entities”).

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework to 1 January 2015. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2015.

The Group falls within the scope of definition of Transitioning Entities and has opted to defer adoption of the new MFRS Framework. Accordingly, the Group will prepare its first MFRSs financial statements using the MFRSs Framework for the financial year ending 31 March 2016.

**A2. Audit report of preceding annual financial statements**

There was no audit qualification on the preceding annual financial statements.

**A3. Seasonal or cyclical factors**

The businesses of the Group are not affected by seasonal or cyclical factors.

**A4. Unusual items affecting assets, liabilities, equity, net income or cash flows**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the financial period ended 30 June 2014.

**A5. Changes in estimates**

There was no material changes in estimates used for preparation of the interim financial report.

**A6. Issuance or repayment of debts and equity securities**

There were no issuance and repayment of debts and equity securities, share cancellation, and resale of treasury shares during the financial period ended 30 June 2014.

**A7. Dividend paid**

There was no dividend paid during the current quarter.

**A8. Segmental information**

Business Segments

	Civil engineering & construction RM'000	Property development RM'000	Property investment & investment holding RM'000	Water supply & services RM'000	Elimination RM'000	Consolidated RM'000
<b>REVENUE</b>						
External	8,856	10,138	3,416	6,674	-	29,084
Inter-segment	4,448	-	-	-	(4,448)	-
Total revenue	<u>13,304</u>	<u>10,138</u>	<u>3,416</u>	<u>6,674</u>	<u>(4,448)</u>	<u>29,084</u>
<b>RESULT</b>						
Segment results	3,644	7,075	660	3,694	(4)	15,069
Finance cost						(597)
Share of results of associated companies						499
Taxation						(1,253)
Profit for the financial period						<u>13,718</u>

Geographical Segments

	Revenue from external customers by geographical market RM'000
Malaysia	22,410
Papua New Guinea	6,674
	<u>29,084</u>

Statement of comprehensive income items of foreign subsidiary companies are translated into Ringgit Malaysia at average rate of exchange throughout the financial period. The average rate used in the translation is Kina1.00 equal to RM1.2553.

**A9. Valuation of property, plant and equipment**

Property, plant and equipment of the Group are stated at cost less accumulated depreciation/amortisation and impairment loss, if any.

**A10. Events subsequent to the end of the financial period**

Subsequent to the financial period ended 30 June 2014 up to the date of this report, there were significant events as follows:

- (a) On 24 July 2014, Intan Kumuncak Sdn Bhd (“IKSB”), a wholly-owned subsidiary of the Company, had entered into a Sale and Purchase Agreement with Mr. Tan Bun Bui for the acquisition of a piece of freehold land held under No Hakmilik 1228, Lot 1918, Tempat Sungai Teba, Mukim Batu, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan and measuring approximately 1.239 hectares (133,367.34 square feet) in area for a total cash consideration of RM24,672,958.40.
- (b) On 25 July 2014, the Company had entered into a Shares Sale Agreement with Wisma Jutamas Sdn Bhd for the disposal of its investment of 68,000,000 ordinary shares of RM1.00 each in Bertam Alliance Berhad representing 32.89% of the issued and paid up share capital therein for a total cash consideration of RM80,240,000.

**A11. Changes in the composition of the Group**

There were no changes in the composition of the Group during the current quarter.

**A12. Contingent liabilities**

The details of Group contingent liabilities are as follows:

	RM'000
Guarantees given to financial institutions in favour of third parties	<u>5,256</u>

**A13. Capital commitments**

As at 30 June 2014, the Group has no capital commitment.

**PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B1. Review of performance**

For the 3 months ended 30 June 2014, the Group has registered lower revenue of RM29.1 million as compared to the preceding year corresponding period of RM35.7 million. Despite lower revenue, the Group has recorded higher profit before taxation of RM15 million as compared to the preceding year corresponding period of RM12.9 million. The decrease in revenue was due to lower contribution from property development sector. However, the increase in profit before taxation was due to the contribution from various construction contracts.

The further analysis of performance of each business segment for 3 months ended 30 June 2014 is as follows:

Civil engineering & construction

The segment recorded RM8.9 million in revenue for the financial period ended 30 June 2014 as compared to the preceding year corresponding period of RM1.4 million. The profit before taxation recorded RM3.6 million for the financial period ended 30 June 2014 as compared to the preceding year corresponding period of RM1.9 million. The higher revenue and profit before taxation were attributed to the contribution from various on-going contracts.

### Property development

The segment recorded RM10.1 million in revenue for the financial period ended 30 June 2014 as compared to the preceding year corresponding period of RM23.4 million. For the same period, the segment recorded RM7.5 million in profit before taxation as compared to the preceding year corresponding period of RM4.5 million. The decrease in revenue was due to the completion of Villa Orkid project in preceding quarter. On the other hand, the increase in profit before taxation was attributable to contribution from on-going development project.

### Property investment & investment holding

The segment recorded RM3.4 million in revenue for the financial period ended 30 June 2014 as compared to the preceding year corresponding period of RM3.5 million. The marginal decrease was due to lower contribution from rental in Kepong Brem Mall. The profit before taxation of RM0.2 million recorded for the financial period ended 30 June 2014 was lower when compared to the preceding year corresponding period of RM0.8 million. The decrease in profit before taxation was due to increased operating costs.

### Water supply & services

As compared to the preceding year corresponding period, the revenue of the segment for the financial period ended 30 June 2014 has decreased by RM0.7 million to RM6.7 million. This was attributed to the fluctuation of exchange rate. The profit before taxation has decreased by RM2 million, from RM5.7 million in preceding year corresponding period to RM3.7 million for the financial period ended 30 June 2014. The higher profit in preceding year corresponding period was due to foreign exchange difference.

#### **B2. Comparison with preceding quarter results**

The Group recorded profit before taxation of RM15 million for the current quarter as compared to the preceding quarter of RM13.6 million. The increase in profit before taxation was due to contribution from property development project and various on-going contracts.

#### **B3. Prospects**

The on-going construction works and new launching of property development projects will contribute positively to the performance of the Group for the financial year ending 31 March 2015.

It is expected that there will be stable revenue and profit derived from water supply and services sector. For the property investment and investment holding sector, the rental receivable in Kepong Brem Mall is expected to continue contribute positively to the results of the Group.

#### **B4. Variance of actual profit from forecast profit**

- (a) The Company did not issue any profit forecast during the financial period.
- (b) The Company did not issue profit guarantee to any parties.

#### **B5. Taxation**

The taxation for the current quarter and financial period to-date are as follows:

	Current quarter RM'000	Financial period to-date RM'000
Malaysia taxation	2,684	2,684
Foreign taxation	(1,556)	(1,556)
Share of taxation in associated companies	125	125
	<u>1,253</u>	<u>1,253</u>

The relationship between the tax expenses and accounting profit are as follows:-

	Current quarter RM'000	Financial period to-date RM'000
Profit before taxation and share of results of associated companies	14,472	14,472
Share of results of associated companies	499	499
Profit before taxation	<u>14,971</u>	<u>14,971</u>
Tax at the statutory rate of 25%	(3,618)	(3,618)
Higher foreign tax rate	(185)	(185)
Non taxable income	10	10
Under provision of income tax in prior year	(2,820)	(2,820)
Reversal of temporary differences in prior year	5,485	5,485
Deferred tax assets not recognised	260	260
Non allowable expenses	(260)	(260)
Share of taxation in associated companies	(125)	(125)
Tax expenses	<u>(1,253)</u>	<u>(1,253)</u>

**B6. Corporate proposal**

On 4 August 2014, the Company announced the following proposals:

- (a) A share split involving the subdivision of every one(1) existing ordinary share of RM1.00 each in Brem Holding Berhad (“Brem”) into two (2) ordinary shares of RM0.50 each in Brem (“Proposed Share Split”); and
- (b) Amendments to Memorandum and Articles of Association of Brem (“Proposed Amendments”).

(collectively referred to as the “Proposals”)

The application for the Proposed Share Split had been submitted to Bursa Malaysia Securities Berhad on 15 August 2014 and approved on 22 August 2014. The Proposals are now subject to the approval of shareholders of the Company which will be sought at the forthcoming annual general meeting.

**B7. Group borrowings**

The tenure of group borrowings classified as short and long term categories are as follows:

	RM'000
Long term	99,285
Short term	11,563
	<u>110,848</u>
Secured	105,848
Unsecured	5,000
	<u>110,848</u>

**B8. Material litigation**

There are several suits which involve claims against the Company and subsidiary companies. In the opinion of the directors and solicitors, the pending litigation involving the Group will not result in material losses to the Group.

**B9. Realised and unrealised profits/losses disclosure**

	As at 30/06/2014 UNAUDITED RM'000	As at 31/03/2014 AUDITED RM'000
Total retained earnings of Brem Holding Berhad and its subsidiary companies		
- Realised	391,054	386,758
- Unrealised	(7,704)	(12,890)
	<u>383,350</u>	<u>373,868</u>
Total share of retained earnings from associated companies		
- Realised	7,809	7,442
- Unrealised	(1,133)	(1,178)
	<u>390,026</u>	<u>380,132</u>
Less: Consolidation adjustments	(73,082)	(70,579)
Retained earnings as per consolidated financial statements	<u>316,944</u>	<u>309,553</u>

**B10. Dividends**

No dividend has been declared in respect of the financial period ended 30 June 2014.

**B11. Earnings per share***Basic earnings per share*

Basic earnings per share for the financial period to-date are calculated by dividing the net profit attributable to the equity holders of the parent by the weighted average number of ordinary shares in issue during the financial period, excluding the average number of ordinary shares purchased by the Company and held as treasury shares.

	Current quarter  30/06/14	Preceding year corresponding quarter  30/06/13	Financial period to-date  30/06/14	Preceding year corresponding period to-date  30/06/13
Profit attributable to the equity holders of the parent (RM'000)	7,392	5,751	7,392	5,751
Weighted average number of ordinary shares ('000)	168,187	168,762	168,187	168,762
Basic earnings per share (sen)	4.4	3.4	4.4	3.4

*Diluted earnings per share*

There is no dilution of earnings per share.

**B12. Profit before taxation**

The profit before taxation for the financial period is arrived at:

	Current quarter RM'000	Financial period to-date RM'000
After charging		
Auditors' remuneration	44	44
Interest expense	599	599
Depreciation/Amortisation of property, plant and equipment	822	822
Loss on foreign exchange -unrealised	219	219
And crediting		
Gain on foreign exchange -unrealised	39	39
Interest income	9,149	9,149

By Order of the Board

**Chow Chooi Yoong**  
Company Secretary  
Kuala Lumpur  
29 August 2014