

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 |
|----------------------|--------|

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.

On 2 September 2014, the MASB has announced that Transitioning Entities shall be required to apply the MFRS Framework for annual periods beginning on or after 1 January 2017.

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 2018.

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 September 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

Save as disclosed below, there were no issuance and repayment of debts and equity securities, share cancellation, and resale of treasury shares during the financial period ended 30 September 2014.

Treasury shares

During the current quarter, the Company repurchased 103,000 of its issued ordinary shares from open market at an average price of RM2.39 per share. The total consideration paid for the repurchase including transaction costs was RM247,209 and this was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965. As at 30 September 2014, 4,652,031 ordinary shares have been purchased for RM5,708,691 including the transaction costs.

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 |
|--|---|-----------------------------------|---|--|-----------------------|------------------------|
| REVENUE | | | | | | |
| External | 14,737 | 26,652 | 7,158 | 13,367 | - | 61,914 |
| Inter-segment | 16,582 | - | - | - | (16,582) | - |
| Total revenue | <u>31,319</u> | <u>26,652</u> | <u>7,158</u> | <u>13,367</u> | <u>(16,582)</u> | <u>61,914</u> |
| RESULT | | | | | | |
| Segment results | 10,683 | 24,355 | 30,624 | 7,184 | (20,217) | 52,629 |
| Finance cost | | | | | | (1,136) |
| Share of results of associated companies | | | | | | 462 |
| Taxation | | | | | | (8,225) |
| Profit for the financial period | | | | | | <u>43,730</u> |

Geographical Segments

| | Revenue from external customers by geographical market RM'000 |
|------------------|--|
| Malaysia | 48,547 |
| Papua New Guinea | 13,367 |
| | <u>61,914</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 RM1.248.

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 September 2014, the Company repurchased 1,179,000 of its issued ordinary shares from open market at average price of RM2.33 per share. The total consideration paid for the repurchase including transaction costs was RM2,760,627 and this was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

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>5,221</u> |

A13. Capital commitments

As at 30 September 2014, the Group has capital commitment as follows:

| | RM'000 |
|------------------------------|---------------|
| Approved and contracted for: | |
| -Purchase of freehold land | <u>24,673</u> |

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

B1. Review of performance

For the 6 months ended 30 September 2014, the Group has registered lower revenue of RM61.9 million as compared to the preceding year corresponding period of RM92.2 million. Despite lower revenue, the Group has recorded higher profit before taxation of RM52 million as compared to the preceding year corresponding period of RM34.3 million. The decrease in revenue was due to completion of Villa Orkid project in last financial year. However, the increase in profit before taxation was due to gain on disposal of an associated company amounting to RM17.2 million.

The further analysis of performance of each business segment for 6 months ended 30 September 2014 is as follows:

Civil engineering & construction

The segment recorded RM14.7 million in revenue for the financial period ended 30 September 2014 as compared to the preceding year corresponding period of RM9.4 million. The profit before taxation recorded RM9 million for the financial period ended 30 September 2014 as compared to the preceding year corresponding period of RM4.2 million. The higher revenue and profit before taxation were attributed to the contribution from various contracts.

Property development

The segment recorded RM26.7 million in revenue for the financial period ended 30 September 2014 as compared to the preceding year corresponding period of RM61.7 million. For the same period, the segment recorded RM24.8 million in profit before taxation as compared to the preceding year corresponding period of RM19.1 million. The decrease in revenue was due to the only relying on contribution from Pelangi Heights. On the other hand, the increase in profit before taxation was attributable to contribution from Pelangi Heights project.

Property investment & investment holding

The segment recorded RM7.2 million in revenue for the financial period ended 30 September 2014 as compared to the preceding year corresponding period of RM7 million. The marginal increase was due to slight increase of rental income in Kepong Brem Mall. The profit before taxation of RM11 million recorded for the financial period ended 30 September 2014 was higher when compared to the preceding year corresponding period of RM1 million. The increase in profit before taxation was due to net effect of gains on disposal of an associated company and inter-company interests elimination.

Water supply & services

As compared to the preceding year corresponding period, the revenue of the segment for the financial period ended 30 September 2014 has decreased by RM0.7 million to RM13.4 million. This was attributed to the fluctuation of exchange rate. The profit before taxation has decreased by RM2.7 million, from RM9.9 million in preceding year corresponding period to RM7.2 million for the financial period ended 30 September 2014. The lower profit was due to various factors such as increased operating cost, adverse fluctuation of foreign exchange rate and reduced interest income.

B2. Comparison with preceding quarter results

The Group recorded profit before taxation of RM37 million for the current quarter as compared to the preceding quarter of RM15 million. The increase in profit before taxation was mainly due to gain on disposal of an associated company.

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 | 5,909 | 8,593 |
| Foreign taxation | 1,063 | (493) |
| Share of taxation in associated companies | - | 125 |
| | <u>6,972</u> | <u>8,225</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 | 37,021 | 51,493 |
| Share of results of associated companies | (37) | 462 |
| Profit before taxation | <u>36,984</u> | <u>51,955</u> |
| Tax at the statutory rate of 25% | (9,371) | (12,989) |
| Higher foreign tax rate | (177) | (362) |
| Non-taxable income | 4,282 | 4,292 |
| Under provision of income tax in prior year | 16 | (2,804) |
| Reversal of temporary differences in prior year | (32) | 5,453 |
| Crystallisation of deferred tax on completed project | (133) | (133) |
| Deferred tax asset recognised | 19 | 279 |
| Non allowable expenses | (1,576) | (1,836) |
| Share of taxation in associated companies | - | (125) |
| Tax expenses | <u>(6,972)</u> | <u>(8,225)</u> |

B6. Corporate proposal

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

- (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”)

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 Proposal has been approved by shareholders of the Company at the annual general meeting on 30 September 2014.

On 10 November 2014, the Company announced that the entitlement date for the Proposed Share Split has been fixed on 27 November 2014.

B7. Group borrowings

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

| | RM'000 |
|------------|----------------|
| Long term | 96,516 |
| Short term | 7,246 |
| | <u>103,762</u> |
| Secured | 103,762 |
| Unsecured | - |
| | <u>103,762</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 30/09/2014 UNAUDITED RM'000 | As at 31/03/2014 AUDITED RM'000 |
|---|--|--|
| Total retained earnings of Brem Holding Berhad and its subsidiary companies | | |
| - Realised | 439,822 | 386,758 |
| - Unrealised | (7,709) | (12,890) |
| | <u>432,113</u> | <u>373,868</u> |
| Total share of retained earnings from associated companies | | |
| - Realised | (1,094) | 7,442 |
| - Unrealised | (106) | (1,178) |
| | <u>430,913</u> | <u>380,132</u> |
| Less: Consolidation adjustments | (87,705) | (70,579) |
| Retained earnings as per consolidated financial statements | <u>343,208</u> | <u>309,553</u> |

B10. Dividends

No dividend has been declared in respect of the financial period ended 30 September 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 | Preceding year corresponding quarter | Financial period to-date | Preceding year corresponding period to-date |
|--|--------------------|--|-----------------------------|---|
| | 30/09/14 | 30/09/13 restated | 30/09/14 | 30/09/13 restated |
| Profit attributable to the equity holders of the parent (RM'000) | 22,379 | 11,203 | 29,771 | 16,954 |
| Weighted average number of ordinary shares ('000) | 168,153 | 168,420 | 168,170 | 168,591 |
| Basic earnings per share (sen) | 13.3 | 6.7 | 17.7 | 10.1 |

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 | Financial period to-date |
|---|--------------------|--------------------------------|
| | RM'000 | RM'000 |
| After charging | | |
| Auditors' remuneration | 40 | 84 |
| Interest expense | 541 | 1,140 |
| Depreciation/Amortisation of property, plant and equipment | 899 | 1,721 |
| Loss on foreign exchange -unrealised | (22) | 197 |
| And crediting | | |
| Gain on foreign exchange -unrealised | (4) | 35 |
| Interest income | (945) | 8,204 |
| Gain on disposal of property, plant and equipment | 73 | 73 |

By Order of the Board

Chow Chooi Yoong

Company Secretary

Kuala Lumpur

24 November 2014