

**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.

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 31 December 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 31 December 2014.

**Treasury shares**

During the current quarter, the Company repurchased 2,749,700 of its issued ordinary shares from open market at an average price of RM1.60 per share. The total consideration paid for the repurchase including transaction costs was RM4,411,845 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. On 27 November 2014, the additional shares of 5,831,031 being issued as treasury share on the basis of every one existing ordinary share of RM1.00 each in Brem Holding Berhad ("Brem") into two ordinary shares of RM0.50 each in Brem under share split corporate exercise. As at 31 December 2014, 7,401,731 ordinary shares have been purchased for RM10,120,537 including the transaction costs. The total number of treasury shares is 13,232,762 as at 31 December 2014.

**Ordinary shares**

On 27 November 2014, the Company issued additional ordinary shares of 172,736,172 of RM0.50 each to existing shareholders under share split corporate exercise.

**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	22,452	29,924	10,846	20,669	-	83,891
Inter-segment	24,442	-	-	-	(24,442)	-
Total revenue	<u>46,894</u>	<u>29,924</u>	<u>10,846</u>	<u>20,669</u>	<u>(24,442)</u>	<u>83,891</u>
<b>RESULT</b>						
Segment results	18,891	25,739	32,834	10,811	(18,753)	69,522
Finance cost						(1,824)
Share of results of associated companies						323
Taxation						(11,764)
Profit for the financial period						<u>56,257</u>

## Geographical Segments

	Revenue from external customers by geographical market RM'000
Malaysia	63,222
Papua New Guinea	20,669
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	83,891

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 RM1.273.

### 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 31 December 2014, the Company repurchased 28,800 of its issued ordinary shares from open market at average price of RM1.01 per share. The total consideration paid for the repurchase including transaction costs was RM29,175 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

On 31 December 2014, the Company disposed 114,000 ordinary shares of RM1.00 each representing 2.2% of the equity interest in Titi Kaya Sdn Bhd("TKSB"), a subsidiary company. Following the disposal, TKSB has changed the status as an associated company.

### A12. Contingent liabilities

The details of Group contingent liabilities are as follows:

	RM'000
Guarantees given to financial institutions in favour of third parties	<hr/>
	12,028

### A13. Capital commitments

As at 31 December 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 9 months ended 31 December 2014, the Group has registered lower revenue of RM83.9 million as compared to the preceding year corresponding period of RM113 million. Despite lower revenue, the Group has recorded higher profit before taxation of RM68 million as compared to the preceding year corresponding period of RM49.5 million. The decrease in revenue was due to the 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 and divestment of 2.2% equity interest in a subsidiary company amounting to RM18.2 million.

The further analysis of performance of each business segment for 9 months ended 31 December 2014 is as follows:

#### Civil engineering & construction

The segment recorded RM22.5 million in revenue for the financial period ended 31 December 2014 as compared to the preceding year corresponding period of RM8.6 million. The profit before taxation recorded RM18.8 million for the financial period ended 31 December 2014 as compared to the preceding year corresponding period of RM11.5 million. The higher revenue and profit before taxation were attributed to the contribution from various contracts.

#### Property development

The segment recorded RM29.9 million in revenue for the financial period ended 31 December 2014 as compared to the preceding year corresponding period of RM71.9 million. For the same period, the segment recorded RM25.8 million in profit before taxation as compared to the preceding year corresponding period of RM20.3 million. The decrease in revenue was due to the only relying on contribution from Pelangi Heights project. 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 RM10.8 million in revenue for the financial period ended 31 December 2014 as compared to the preceding year corresponding period of RM10.4 million. The marginal increase was due to slight increase of rental income in Kepong Brem Mall. The profit before taxation of RM12.6 million recorded for the financial period ended 31 December 2014 was higher when compared to the preceding year corresponding period of RM1.4 million. The increase in profit before taxation was due to gains on disposal of an associated company and divestment of 2.2% equity interest in a subsidiary company.

#### Water supply & services

As compared to the preceding year corresponding period, the revenue of the segment for the financial period ended 31 December 2014 has decreased by RM1.3 million to RM20.7 million. This was attributed to the fluctuation of exchange rate. The profit before taxation has decreased by RM3.9 million, from RM14.7 million in preceding year corresponding period to RM10.8 million for the financial period ended 31 December 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 RM16 million for the current quarter as compared to the preceding quarter of RM37 million. The decrease in profit before taxation was mainly due to completion of Pelangi Heights construction project in second quarter.

#### **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	2,480	11,073
Foreign taxation	1,059	566
Share of taxation in associated companies	-	125
	<u>3,539</u>	<u>11,764</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	16,205	67,698
Share of results of associated companies	(139)	323
Profit before taxation	<u>16,066</u>	<u>68,021</u>
Tax at the statutory rate of 25%	(3,936)	(16,925)
Higher foreign tax rate	(179)	(541)
Non-taxable income	227	4,519
Under provision of income tax in prior year	(204)	(3,008)
Reversal of temporary differences in prior year	110	5,563
Crystallisation of deferred tax on completed project	(109)	(242)
Deferred tax asset recognised	211	490
Non allowable expenses	341	(1,495)
Share of taxation in associated companies	-	(125)
Tax expenses	<u>(3,539)</u>	<u>(11,764)</u>

**B6. Corporate proposal**

There was no corporate proposal during the financial period ended 31 December 2014.

**B7. Group borrowings**

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

	RM'000
Long term	91,451
Short term	7,070
	<u>98,521</u>
Secured	98,521
Unsecured	-
	<u>98,521</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 31/12/2014 UNAUDITED RM'000	As at 31/03/2014 AUDITED RM'000
Total retained earnings of Brem Holding Berhad and its subsidiary companies		
- Realised	354,266	386,758
- Unrealised	(7,716)	(12,890)
	<u>346,550</u>	<u>373,868</u>
Total share of retained earnings from associated companies		
- Realised	(1,233)	7,442
- Unrealised	(106)	(1,178)
	<u>345,211</u>	<u>380,132</u>
Less: Consolidation adjustments	3,930	(70,579)
Retained earnings as per consolidated financial statements	<u>349,141</u>	<u>309,553</u>

**B10. Dividends**

No dividend has been declared in respect of the financial period ended 31 December 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  31/12/14	Preceding year corresponding quarter  31/12/13 restated	Financial period to-date  31/12/14	Preceding year corresponding period to-date  31/12/13 restated
Profit attributable to the equity holders of the parent (RM'000)	10,525	7,110	40,296	25,916
Weighted average number of ordinary shares ('000)	334,569	336,429	335,761	336,662
Basic earnings per share (sen)*	3.1	2.1	12.0	7.7

\*Paid up share capital RM172.7 million consist of 345,472,344 ordinary shares of RM0.50 per share after share split

*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	30	114
Interest expense	684	1,824
Depreciation/Amortisation of property, plant and equipment	856	2,577
Loss on foreign exchange -unrealised	76	273
And crediting		
Gain on foreign exchange -unrealised	16	51
Interest income	3,514	11,718
Gain on disposal of property, plant and equipment	-	73

By Order of the Board

**Chow Chooi Yoong**  
Company Secretary  
Kuala Lumpur  
10 February 2015