

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 2015.

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 2015:

FRSs/Interpretations

Amendments/Improvements
to FRSs

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 2	Share-based Payments
FRS 3	Business Combinations
FRS 8	Operating Segments
FRS 13	Fair Value Measurement
FRS 116	Property, Plant and Equipment
FRS 119	Employee Benefits
FRS 124	Related Party Disclosures
FRS 138	Intangible Assets
FRS 140	Investment Property

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 June 2015.

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 June 2015.

Treasury shares

During the current quarter, the Company repurchased 30,000 of its issued ordinary shares from open market at an average price of RM1.01 per share. The total consideration paid for the repurchase including transaction costs was RM30,390 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 June 2015, 30,000 ordinary shares have been purchased for RM30,390 including the transaction costs. The total number of treasury shares is 13,291,562 as at 30 June 2015.

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	3,422	30,243	3,710	7,779	-	45,154
Inter-segment	10,452	-	-	-	(10,452)	-
Total revenue	<u>13,874</u>	<u>30,243</u>	<u>3,710</u>	<u>7,779</u>	<u>(10,452)</u>	<u>45,154</u>
RESULT						
Segment results	7,738	9,426	3,110	3,536	(3,387)	20,423
Finance cost						(606)
Share of results of associated companies						(65)
Taxation						(8,090)
Profit for the financial period						<u>11,662</u>

Geographical Segments

	Revenue from external customers by geographical market RM'000
Malaysia	37,375
Papua New Guinea	7,779
	<hr/> <hr/>
	45,154

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 RM1.385.

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

There was no material events subsequent to the financial period ended 30 June 2015 up to the date of this report.

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	<hr/> <hr/>
	27,509

A13. Capital commitments

As at 30 June 2015, 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 2015, the Group has registered higher revenue of RM45.2 million as compared to the preceding year corresponding period of RM29.1 million. The Group has recorded higher profit before taxation of RM19.8 million as compared to the preceding year corresponding period of RM15 million. The increase in revenue and profit before taxation were due to the contribution from development project.

The further analysis of performance of each business segment for 3 months ended 30 June 2015 is as follows:

Civil engineering & construction

The segment recorded RM3.4 million in revenue for the financial period ended 30 June 2015 as compared to the preceding year corresponding period of RM8.9 million. The profit before taxation recorded RM4.5 million for the financial period ended 30 June 2015 as compared to the preceding year corresponding period of RM3.6 million. The lower revenue was due to lower contribution from existing external contracts and the new awarded contract has yet to contribute. However, the higher profit before taxation was due to interest income from investment in unit trust.

Property development

The segment recorded RM30.2 million in revenue for the financial period ended 30 June 2015 as compared to the preceding year corresponding period of RM10.1 million. For the same period, the segment recorded RM9.1 million in profit before taxation as compared to the preceding year corresponding period of RM7.5 million. The increase in revenue and profit before taxation were attributable to contribution from new development project.

Property investment & investment holding

The segment recorded RM3.7 million in revenue for the financial period ended 30 June 2015 as compared to the preceding year corresponding period of RM3.4 million. The marginal increase was due to slight increase of rental income in Kepong Brem Mall. The profit before taxation of RM2.6 million recorded for the financial period ended 30 June 2015 was higher when compared to the preceding year corresponding period of RM0.2 million. The increase in profit before taxation was due to unrealised gain on foreign exchange in relation to dividend income and improved occupancy rate.

Water supply & services

The revenue of the segment recorded RM7.8million for the financial period ended 30 June 2015 as compared to the preceding year corresponding period of RM6.7 million. The profit before taxation has decreased by RM0.2 million, from RM3.7 million in preceding year corresponding period to RM3.5 million for the financial period ended 30 June 2015. The lower profit was mainly due to decrease in interest income.

B2. Comparison with preceding quarter results

The Group recorded profit before taxation of RM19.8 million for the current quarter as compared to the preceding quarter of RM9.5 million. The increase in profit before taxation was mainly due to higher contribution from new development project.

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 2016.

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 year to-date are as follows:

	Current quarter RM'000	Financial period to-date RM'000
Malaysia taxation	3,833	3,833
Foreign taxation	4,257	4,257
Share of taxation in associated companies	-	-
	<u>8,090</u>	<u>8,090</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	19,817	19,817
Share of results of associated companies	(65)	(65)
Profit before taxation	<u>19,752</u>	<u>19,752</u>
Tax at the statutory rate of 25%	(4,938)	(4,938)
Higher foreign tax rate	(178)	(178)
Non-taxable income	462	462
Deferred tax asset recognised	438	438
Non allowable expenses	(678)	(678)
Foreign withholding tax	(3,196)	(3,196)
Tax expenses	<u>(8,090)</u>	<u>(8,090)</u>

B6. Corporate proposal

There was no corporate proposal during the financial period ended 30 June 2015.

B7. Group borrowings

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

	RM'000
Long term	94,666
Short term	8,864
	<u>103,530</u>
Secured	103,530
Unsecured	-
	<u>103,530</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 30/06/2015 UNAUDITED RM'000	As at 31/03/2015 AUDITED RM'000
Total retained earnings of Brem Holding Berhad and its subsidiary companies		
- Realised	459,093	446,227
- Unrealised	(8,686)	(9,150)
	<u>450,407</u>	<u>437,077</u>
Total share of retained earnings from associated companies		
- Realised	(1,557)	(1,492)
- Unrealised	(106)	(106)
	<u>448,744</u>	<u>435,479</u>
Less: Consolidation adjustments	(96,022)	(90,553)
Retained earnings as per consolidated financial statements	<u>352,722</u>	<u>344,926</u>

B10. Dividends

No dividend has been declared in respect of the financial period ended 30 June 2015,

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
	30/06/15	30/06/14	30/06/15	30/06/14
Profit attributable to the equity holders of the parent (RM'000)	7,796	7,392	7,796	7,392
Weighted average number of ordinary shares ('000)	332,191	336,374	332,191	336,374
Basic earnings per share (sen)	2.4	2.2*	2.4	2.2*

*Adjusted for 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	31	31
Interest expense	606	606
Depreciation/Amortisation of property, plant and equipment	931	931
Loss on foreign exchange -unrealised	307	307
And crediting		
Gain on foreign exchange -unrealised	1,685	1,685
Interest income	3,605	3,605
Gain on disposal of property, plant and equipment	163	163

By Order of the Board

Andrea Huang Jia Mei

Company Secretary

Kuala Lumpur

27 August 2015