

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. Furthermore, on 8 September 2015, the MASB has announced that the effective date for the Transitioning Entities to apply the MFRS Framework will be deferred to 1 January 2018.

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 2019.

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 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 September 2015.

Treasury shares

During the current quarter, the Company repurchased 77,000 of its issued ordinary shares from open market at an average price of RM0.89 per share. The total consideration paid for the repurchase including transaction costs was RM69,037 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. During the financial period ended 30 September 2015, 107,000 ordinary shares have been purchased for RM99,427 including the transaction costs. The total number of treasury shares is 13,368,562 as at 30 September 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	7,526	33,720	7,438	16,764	-	65,448
Inter-segment	15,077	-	-	-	(15,077)	-
Total revenue	22,603	33,720	7,438	16,764	(15,077)	65,448
RESULT						
Segment results	8,763	10,126	6,139	7,439	(5,077)	27,390
Finance cost						(1,152)
Share of results of associated companies						(144)
Taxation						(9,657)
Profit for the financial period						16,437

Geographical Segments

	Revenue from external customers by geographical market RM'000
Malaysia	48,684
Papua New Guinea	16,764
	<hr/> <hr/>
	65,448

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 RM1.4685.

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 2015, the Company repurchased 26,000 of its issued ordinary shares from open market at average price of RM0.97 per share. The total consideration paid for the repurchase including transaction costs was RM25,419 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	<hr/> <hr/>
	37,681

A13. Capital commitments

As at 30 September 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 6 months ended 30 September 2015, the Group has registered higher revenue of RM65.4 million as compared to the preceding year corresponding period of RM61.9 million. The Group has recorded lower profit before taxation of RM26.1 million as compared to the preceding year corresponding period of RM52 million. The increase in revenue was mainly due to contribution from property development projects. The higher profit before taxation in preceding year corresponding period was due to gain on disposal of an associated company.

The further analysis of performance of each business segment for 6 months ended 30 September 2015 is as follows:

Civil engineering & construction

The segment recorded RM7.5 million in revenue for the financial period ended 30 September 2015 as compared to the preceding year corresponding period of RM14.7 million. The profit before taxation recorded RM7.2 million for the financial period ended 30 September 2015 as compared to the preceding year corresponding period of RM9 million. The lower revenue and profit before taxation

were due to lower contribution from construction contracts and the new awarded contract has yet to contribute positively to the performance of the Group.

Property development

The segment recorded RM33.7 million in revenue for the financial period ended 30 September 2015 as compared to the preceding year corresponding period of RM26.7 million. For the same period, the segment recorded RM9.8 million in profit before taxation as compared to the preceding year corresponding period of RM24.8 million. The increase in revenue was due to contribution from new development project. However, the lower profit before taxation was due to lower profit recognised at the early stage of development.

Property investment & investment holding

The segment recorded RM7.4 million in revenue for the financial period ended 30 September 2015 as compared to the preceding year corresponding period of RM7.2 million. The marginal increase was due to slight increase of rental income in Kepong Brem Mall. The profit before taxation of RM1.7 million recorded for the financial period ended 30 September 2015 was lower when compared to the preceding year corresponding period of RM11 million. The higher profit before taxation in preceding year corresponding period was mainly due to gain on disposal of an associated company.

Water supply & services

The revenue of the segment recorded RM16.8million for the financial period ended 30 September 2015 as compared to the preceding year corresponding period of RM13.4 million. This was due to the favourable exchange rate. The profit before taxation has increased by RM0.2 million, from RM7.2 million in preceding year corresponding period to RM7.4 million for the financial period ended 30 September 2015. The marginal increase in profit before taxation was due to increase in interest income.

B2. Comparison with preceding quarter results

The Group recorded profit before taxation of RM6.3 million for the current quarter as compared to the preceding quarter of RM19.8 million. The decrease in profit before taxation was mainly due to lower profit recognised for new development project in current quarter under review.

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	Financial period to-date
	RM'000	RM'000
Malaysia taxation	396	4,229
Foreign taxation	1,171	5,428
Share of taxation in associated companies	-	-
	<u>1,567</u>	<u>9,657</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	6,421	26,238
Share of results of associated companies	(79)	(144)
Profit before taxation	<u>6,342</u>	<u>26,094</u>
Tax at the statutory rate of 25%	(1,586)	(6,524)
Higher foreign tax rate	(194)	(372)
Non-taxable income	337	799
Deferred tax asset recognised	-	438
Non allowable expenses	(124)	(802)
Foreign withholding tax	-	(3,196)
Tax expenses	<u>(1,567)</u>	<u>(9,657)</u>

B6. Corporate proposal

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

B7. Group borrowings

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

	RM'000
Long term	93,505
Short term	10,381
	<u>103,886</u>
Secured	103,886
Unsecured	-
	<u>103,886</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 30/09/2015 UNAUDITED RM'000	As at 31/03/2015 AUDITED RM'000
Total retained earnings of Brem Holding Berhad and its subsidiary companies		
- Realised	463,936	446,227
- Unrealised	(8,481)	(9,150)
	<u>455,455</u>	<u>437,077</u>
Total share of retained earnings from associated companies		
- Realised	(1,636)	(1,492)
- Unrealised	(106)	(106)
	<u>453,713</u>	<u>435,479</u>
Less: Consolidation adjustments	(97,935)	(90,553)
Retained earnings as per consolidated financial statements	<u>355,778</u>	<u>344,926</u>

B10. Dividends

No dividend has been declared in respect of the financial period ended 30 September 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
	30/09/15	30/09/14	30/09/15	30/09/14
Profit attributable to the equity holders of the parent (RM'000)	3,056	22,379	10,852	29,771
Weighted average number of ordinary shares ('000)	332,155	336,340	332,173	336,357
Basic earnings per share (sen)	0.9	6.7*	3.3	8.9*

*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	47	78
Interest expense	546	1,152
Depreciation/Amortisation of property, plant and equipment	959	1,890
And crediting		
Gain on foreign exchange -unrealised	1,328	3,013
Interest income	3,541	7,146
Gain on disposal of property, plant and equipment	20	183

By Order of the Board

Andrea Huang Jia Mei

Company Secretary

Kuala Lumpur

27 November 2015