

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 31 December 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 31 December 2015.

Treasury shares

During the current quarter, the Company repurchased 95,800 of its issued ordinary shares from open market at an average price of RM0.95 per share. The total consideration paid for the repurchase including transaction costs was RM91,328 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 31 December 2015, 202,800 ordinary shares have been purchased for RM190,755 including the transaction costs. The total number of treasury shares is 13,464,362 as at 31 December 2015.

A7. Dividend paid

A final single tier dividend of 3% amounting to RM4,981,170 in respect of the financial year ended 31 March 2015 has been paid on 18 November 2015.

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	15,912	45,744	11,177	23,997	-	96,830
Inter-segment	19,601	-	-	-	(19,601)	-
Total revenue	<u>35,513</u>	<u>45,744</u>	<u>11,177</u>	<u>23,997</u>	<u>(19,601)</u>	<u>96,830</u>
RESULT						
Segment results	11,558	15,366	6,247	10,469	(3,289)	40,351
Finance cost						(1,891)
Share of results of associated companies						(319)
Taxation						(14,495)
Profit for the financial period						<u>23,646</u>

Geographical Segments

	Revenue from external customers by geographical market RM'000
Malaysia	72,833
Papua New Guinea	23,997
	<hr/>
	96,830

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 RM1.4088.

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 2015, the Company repurchased 409,400 of its issued ordinary shares from open market at average price of RM0.93 per share. The total consideration paid for the repurchase including transaction costs was RM403,663 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/>
	37,245

A13. Capital commitments

As at 31 December 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 9 months ended 31 December 2015, the Group has registered higher revenue of RM96.8 million as compared to the preceding year corresponding period of RM83.9 million. The Group has recorded lower profit before taxation of RM38.1 million as compared to the preceding year corresponding period of RM68 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 9 months ended 31 December 2015 is as follows:

Civil engineering & construction

The segment recorded RM15.9 million in revenue for the financial period ended 31 December 2015 as compared to the preceding year corresponding period of RM22.5 million. The profit before taxation recorded RM8.2 million for the financial period ended 31 December 2015 as compared to the preceding year corresponding period of RM18.8 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 RM45.7 million in revenue for the financial period ended 31 December 2015 as compared to the preceding year corresponding period of RM29.9 million. For the same period, the segment recorded RM14.5 million in profit before taxation as compared to the preceding year corresponding period of RM25.8 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 RM11.2 million in revenue for the financial period ended 31 December 2015 as compared to the preceding year corresponding period of RM10.8 million. The marginal increase was due to slight increase of rental income in Kepong Brem Mall. The profit before taxation of RM5 million recorded for the financial period ended 31 December 2015 was lower when compared to the preceding year corresponding period of RM12.6 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 RM24 million for the financial period ended 31 December 2015 as compared to the preceding year corresponding period of RM20.7 million. The increase was due to the favourable exchange rate. The profit before taxation has decreased by RM0.3 million, from RM10.8 million in preceding year corresponding period to RM10.5 million for the financial period ended 31 December 2015. The marginal decrease in profit before taxation was due to decrease in interest income.

B2. Comparison with preceding quarter results

The Group recorded profit before taxation of RM12 million for the current quarter as compared to the preceding quarter of RM6.3 million. The increase in profit before taxation was mainly due to contribution from development projects and construction 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 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	3,930	8,159
Foreign taxation	908	6,336
Share of taxation in associated companies	-	-
	<u>4,838</u>	<u>14,495</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	12,222	38,460
Share of results of associated companies	(175)	(319)
Profit before taxation	<u>12,047</u>	<u>38,141</u>
Tax at the statutory rate of 24%	(2,891)	(9,154)
Higher foreign tax rate	(256)	(628)
Non-taxable income	(169)	630
Non allowable expenses	(333)	(1,135)
Crystallisation of deferred tax asset	(560)	(560)
Utilisation of unused tax loss	(480)	(480)
Deferred tax asset not recognised	31	31
Adjustment to tax rate	261	261
Others	(441)	(264)
Foreign withholding tax	-	(3,196)
Tax expenses	<u>(4,838)</u>	<u>(14,495)</u>

B6. Corporate proposal

There was no corporate proposal during the financial period ended 31 December 2015.

B7. Group borrowings

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

	RM'000
Long term	92,312
Short term	11,089
	<u>103,401</u>
Secured	103,401
Unsecured	-
	<u>103,401</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 31/12/2015 UNAUDITED RM'000	As at 31/03/2015 AUDITED RM'000
Total retained earnings of Brem Holding Berhad and its subsidiary companies		
- Realised	464,505	446,227
- Unrealised	(8,523)	(9,150)
	455,982	437,077
Total share of retained earnings from associated companies		
- Realised	(1,811)	(1,492)
- Unrealised	(107)	(106)
	454,064	435,479
Less: Consolidation adjustments	(98,797)	(90,553)
Retained earnings as per consolidated financial statements	355,267	344,926

B10. Dividends

No dividend has been declared in respect of the financial period ended 31 December 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 31/12/15	Preceding year corresponding quarter 31/12/14	Financial period to-date 31/12/15	Preceding year corresponding period to-date 31/12/14
Profit attributable to the equity holders of the parent (RM'000)	4,471	10,525	15,323	40,296
Weighted average number of ordinary shares ('000)	332,031	334,569	332,126	335,761
Basic earnings per share (sen)	1.4	3.1	4.6	12.0

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	43	121
Interest expense	739	1,891
Depreciation/Amortisation of property, plant and equipment	1,003	2,893
Loss on foreign exchange -unrealised	67	67
Loss on disposal of property, plant and equipment	1	1
And crediting		
Gain on foreign exchange -unrealised	13	13
Interest income	3,004	10,150
Gain on disposal of property, plant and equipment	-	183

By Order of the Board

Andrea Huong Jia Mei

Company Secretary

Kuala Lumpur

25 February 2016