

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 year ended 31 March 2016.

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 year ended 31 March 2016.

Treasury shares

During the current quarter, the Company repurchased 831,700 of its issued ordinary shares from open market at an average price of RM0.93 per share. The total consideration paid for the repurchase including transaction costs was RM777,992 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 year ended 31 March 2016, 1,034,500 ordinary shares have been purchased for RM968,747 including the transaction costs. The total number of treasury shares is 14,296,062 as at 31 March 2016.

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	30,290	50,279	14,893	29,512	-	124,973
Inter-segment	25,554	-	-	-	(25,555)	-
Total revenue	<u>55,844</u>	<u>50,279</u>	<u>14,893</u>	<u>29,512</u>	<u>(25,555)</u>	<u>124,973</u>
RESULT						
Segment results	13,374	14,902	7,333	12,678	(2,919)	45,368
Finance cost						(2,450)
Share of results of associated companies						(432)
Taxation						<u>(15,924)</u>
Profit for the financial year						<u>26,562</u>

Geographical Segments

	Revenue from external customers by geographical market RM'000
Malaysia	95,461
Papua New Guinea	29,512
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	124,973

Statement of comprehensive income items of foreign subsidiary companies are translated into Ringgit Malaysia at average rate of exchange throughout the financial year. The average rate used in the translation is Kina1.00 equal to RM1.3225.

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 year

Subsequent to the financial year ended 31 March 2016 up to the date of this report, there was no material event.

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/>
	36,692

A13. Capital commitments

As at 31 March 2016, 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 12 months ended 31 March 2016, the Group has registered higher revenue of RM125 million as compared to the preceding year corresponding period of RM104.1 million. The Group has recorded lower profit before taxation of RM42.5 million as compared to the preceding year corresponding period of RM77.5 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 mainly due to gain on disposal of an associated company.

The further analysis of performance of each business segment for 12 months ended 31 March 2016 is as follows:

Civil engineering & construction

The segment recorded RM30.3 million in revenue for the financial year ended 31 March 2016 as compared to the preceding year corresponding period of RM22.2 million. The profit before taxation recorded RM10.3 million for the financial year ended 31 March 2016 as compared to the preceding year corresponding period of RM13.6 million. The higher revenue was due to the contribution from various construction contracts. The lower profit before taxation was 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 RM50.3 million in revenue for the financial year ended 31 March 2016 as compared to the preceding year corresponding period of RM39.4 million. For the same year, the segment recorded RM13.8 million in profit before taxation as compared to the preceding year corresponding period of RM31.1 million. The increase in revenue was due to contribution from on-going 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 RM14.9 million in revenue for the financial year ended 31 March 2016 as compared to the preceding year corresponding period of RM14.5 million. The profit before taxation of RM5.7 million recorded for the financial year ended 31 March 2016 was lower when compared to the preceding year corresponding period of RM18.5 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 RM29.5 million for the financial year ended 31 March 2016 as compared to the preceding year corresponding period of RM28 million. The increase was due to the favourable exchange rate. The profit before taxation has decreased by RM1.6 million, from RM14.3 million in preceding year corresponding period to RM12.7 million for the financial year ended 31 March 2016. The 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 RM4.3 million for the current quarter as compared to the preceding quarter of RM12 million. The decrease in profit before taxation was mainly due to lower contribution from development projects and construction contracts.

B3. Prospects

The on-going construction works will contribute positively to the performance of the Group for the financial year ending 31 March 2017. With the current slow and subdued market, the property market is expected to improve in next half of year 2016. Hence the property development sector tends to have better result to the Group.

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 year.
- (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 year to-date	
	RM'000	RM'000	
Malaysia taxation	751	8,910	The relationship between the tax expenses and accounting profit are as
Foreign taxation	678	7,014	
Share of taxation in associated companies	-	-	
	<u>1,429</u>	<u>15,924</u>	

follows:-

Current quarter	Financial year
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	RM'000	to-date RM'000
Profit before taxation and share of results of associated companies	4,458	42,918
Share of results of associated companies	(113)	(432)
Profit before taxation	<u>4,345</u>	<u>42,486</u>
Tax at the statutory rate of 24%	(1,043)	(10,197)
Higher foreign tax rate	(133)	(761)
Non-taxable income	121	751
Non-allowable expenses	(50)	(1,185)
Crystallisation of deferred tax asset	-	(560)
Utilisation of unused tax loss	24	(456)
Over provision in prior year	142	142
Others	(475)	(447)
Foreign withholding tax	(15)	(3,211)
Tax expenses	<u>(1,429)</u>	<u>(15,924)</u>

B6. Corporate proposal

There was no corporate proposal during the financial year ended 31 March 2016.

B7. Group borrowings

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

	RM'000
Long term	89,513
Short term	<u>14,306</u>
	<u>103,819</u>
Secured	103,819
Unsecured	<u>-</u>
	<u>103,819</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 31/03/2016 UNAUDITED RM'000	As at 31/03/2015 AUDITED RM'000
Total retained earnings of Brem Holding Berhad and its subsidiary companies		
- Realised	468,812	446,227
- Unrealised	(8,585)	(9,150)
	460,227	437,077
Total share of retained earnings from associated companies		
- Realised	(1,924)	(1,492)
- Unrealised	(106)	(106)
	458,197	435,479
Less: Consolidation adjustments	(102,114)	(90,553)
Retained earnings as per consolidated financial statements	356,083	344,926

B10. Dividends

The Board has proposed to distribute a final share dividend to the entitled shareholders at the ratio of one (1) treasury share for every twenty five (25) ordinary shares of RM0.50 each held, to be approved by shareholders in the forthcoming Annual General Meeting. The actual treasury shares to be distributed will depend on the issued share capital on the entitlement date. The financial statements for the current financial year do not reflect the final dividend. Such dividend, if approved will be accounted for in the equity as a distribution of treasury shares in the financial year ending 31 March 2017.

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 year, excluding the average number of ordinary shares purchased by the Company and held as treasury shares.

	Current quarter 31/03/16	Preceding year corresponding quarter 31/03/15	Financial year to-date 31/03/16	Preceding year corresponding period to-date 31/03/15
Profit attributable to the equity holders of the parent (RM'000)	816	2,177	16,139	42,473
Weighted average number of ordinary shares ('000)	331,490	333,493	331,967	335,194
Basic earnings per share (sen)	0.3	0.7	4.9	12.7

Diluted earnings per share

There is no dilution of earnings per share.

B12. Profit before taxation

The profit before taxation for the financial year is arrived at:

	Current quarter	Financial year to-date
	RM'000	RM'000
After charging		
Auditors' remuneration	54	175
Interest expense	559	2,450
Depreciation/Amortisation of property, plant and equipment	1,099	3,992
Loss on foreign exchange -unrealised	(28)	39
Loss on disposal of property, plant and equipment	(1)	-
And crediting		
Gain on foreign exchange -unrealised	179	192
Interest income	2,567	12,717
Gain on disposal of property, plant and equipment	1	184

By Order of the Board

Andrea Huong Jia Mei

Company Secretary

Kuala Lumpur

23 May 2016