

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 2016.

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 2016:

FRSs/Interpretations

Amendments/Improvements
to FRSs

FRS 5	Non-current Asset Held for Sale and Discontinued Operations
FRS 7	Financial Instruments: Disclosures
FRS 10	Consolidated Financial Statements
FRS 11	Joint Arrangements
FRS 12	Disclosure of Interests in Other Entities
FRS 14	Regulatory Deferral Accounts
FRS 101	Presentation of Financial Statements
FRS 116	Property, Plant and Equipment
FRS 119	Employee benefits
FRS 127	Separate Financial Statements
FRS 128	Investments in Associates and Joint Ventures
FRS 134	Interim Financial Reporting
FRS 138	Intangible Assets

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 June 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 period ended 30 June 2016.

Treasury shares

During the current quarter, the Company repurchased 50,000 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 RM44,493 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 June 2016, 50,000 ordinary shares have been purchased for RM44,493 including the transaction costs. The total number of treasury shares is 14,346,062 as at 30 June 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	19,172	6,264	3,635	7,322	-	36,393
Inter-segment	6,774	-	-	-	(6,774)	-
Total revenue	<u>25,946</u>	<u>6,264</u>	<u>3,635</u>	<u>7,322</u>	<u>(6,774)</u>	<u>36,393</u>
RESULT						
Segment results	3,864	1,893	1,253	2,695	(1,879)	7,826
Finance cost						(586)
Share of results of associated companies						(38)
Taxation						<u>(2,546)</u>
Profit for the financial period						<u>4,656</u>

Geographical Segments

	Revenue from external customers by geographical market RM'000
Malaysia	29,071
Papua New Guinea	7,322
	<hr/>
	36,393
	<hr/>

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 RM1.265.

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 period ended 30 June 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/>
	37,401

A13. Capital commitments

As at 30 June 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 3 months ended 30 June 2016, the Group has registered lower revenue of RM36.4 million as compared to the preceding year corresponding period of RM45.2 million. The Group has recorded lower profit before taxation of RM7.2 million as compared to the preceding year corresponding period of RM19.8 million. The decrease in revenue was mainly due to lower contribution from property development project. The lower profit before taxation was due to poor performance of construction and property development sectors.

The further analysis of performance of each business segment for 3 months ended 30 June 2016 is as follows:

Civil engineering & construction

The segment recorded RM19.2 million in revenue for the financial period ended 30 June 2016 as compared to the preceding year corresponding period of RM3.4 million. The profit before taxation recorded RM2.4 million for the financial period ended 30 June 2016 as compared to the preceding year corresponding period of RM4.5 million. The higher revenue was mainly due to the contribution from Bunus project. The lower profit before taxation was due to lower contribution from various construction contracts.

Property development

The segment recorded RM6.3 million in revenue for the financial period ended 30 June 2016 as compared to the preceding year corresponding period of RM30.2 million. For the same year, the segment recorded RM1.3 million in profit before taxation as compared to the preceding year corresponding period of RM9.1 million. The decrease in revenue and profit before taxation were due to slow sales of properties in current subdued market.

Property investment & investment holding

The segment recorded RM3.6 million in revenue for the financial period ended 30 June 2016 as compared to the preceding year corresponding period of RM3.7 million. The profit before taxation of RM0.8 million recorded for the financial period ended 30 June 2016 was lower when compared to the preceding year corresponding period of RM2.6 million. The higher profit before taxation in preceding year corresponding period was mainly due to unrealised gain on foreign exchange.

Water supply & services

The revenue of the segment recorded RM7.3 million for the financial period ended 30 June 2016 as compared to the preceding year corresponding period of RM7.8 million. The decrease was due to the adverse movement in the exchange rate. The profit before taxation has decreased by RM0.8 million, from RM3.5 million in preceding year corresponding period to RM2.7 million for the financial period ended 30 June 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 RM7.2 million for the current quarter as compared to the preceding quarter of RM4.3 million. The increase in profit before taxation was mainly due to higher contribution from development project 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 be improved 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 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	1,736	1,736
Foreign taxation	810	810
Share of taxation in associated companies	-	-
	<u>2,546</u>	<u>2,546</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	7,240	7,240
Share of results of associated companies	(38)	(38)
Profit utilisation before taxation	<u>7,202</u>	<u>7,202</u>
Tax at the statutory rate of 24%	(1,728)	(1,728)
Higher foreign tax rate	(162)	(162)
Non-taxable income	1	1
Non-allowable expenses	(579)	(579)
Deferred tax asset recognised	(78)	(78)
Tax expenses	<u>(2,546)</u>	<u>(2,546)</u>

B6. Corporate proposal

There was no corporate proposal during the financial period ended 30 June 2016.

B7. Group borrowings

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

	RM'000
Long term	63,926
Short term	38,303
	<u>102,229</u>
Secured	102,229
Unsecured	-
	<u>102,229</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 30/06/2016 UNAUDITED RM'000	As at 31/03/2016 AUDITED RM'000
Total retained earnings of Brem Holding Berhad and its subsidiary companies		
- Realised	475,942	468,951
- Unrealised	(8,340)	(8,344)
	<u>467,602</u>	<u>460,607</u>
Total share of retained earnings from associated companies		
- Realised	(1,924)	(2,030)
	<u>465,678</u>	<u>458,577</u>
Less: Consolidation adjustments	(106,628)	(102,142)
Retained earnings as per consolidated financial statements	<u>359,050</u>	<u>356,435</u>

B10. Dividends

No dividend has been declared in respect of the financial period ended 30 June 2016.

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 30/06/16	Preceding year corresponding quarter 30/06/15	Financial period to-date 30/06/16	Preceding year corresponding period to-date 30/06/15
Profit attributable to the equity holders of the parent (RM'000)	2,615	7,796	2,615	7,796
Weighted average number of ordinary shares ('000)	331,151	332,191	331,151	332,191
Basic earnings per share (sen)	0.8	2.4	0.8	2.4

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	50	50
Interest expense	523	523
Depreciation/Amortisation of property, plant and equipment	1,006	1,006
Loss on foreign exchange -unrealised	17	17
Bad debt written off	238	238
And crediting		
Gain on foreign exchange -unrealised	5	5
Interest income	2,567	2,567

By Order of the Board

Andrea Huang Jia Mei
Company Secretary

Kuala Lumpur
29 August 2016