

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 September 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 September 2016.

Treasury shares

During the current quarter, there were no repurchase of ordinary shares from the open market. During the financial period ended 30 September 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 September 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	35,576	6,613	7,314	14,950	-	64,453
Inter-segment	11,667	-	-	-	(11,667)	-
Total revenue	<u>47,243</u>	<u>6,613</u>	<u>7,314</u>	<u>14,950</u>	<u>(11,667)</u>	<u>64,453</u>
RESULT						
Segment results	7,815	1,353	2,284	5,504	(4,732)	12,224
Finance cost						(1,062)
Share of results of associated companies						3
Taxation						<u>(4,150)</u>
Profit for the financial period						<u>7,015</u>

Geographical Segments

	Revenue from external customers by geographical market RM'000
Malaysia	49,503
Papua New Guinea	14,950
	<u>64,453</u>

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 RM1.275.

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 September 2016 up to the date of this report, there was significant event as follows:

On 17 October 2016, the Company had distributed 13,244,128 treasury shares as share dividend to the entitled shareholders on the basis of one (1) treasury share for every twenty five (25) existing ordinary shares of RM0.50 each held in the Company.

A11. Changes in the composition of the Group

On 30 September 2016, Titi Kaya Sdn Bhd (“TKSB”), a 48.33% subsidiary of the Company, had entered into a Shares Sale Agreement (“SSA”) with Titijaya Land Berhad (“TJLB”) in relation to disposal by TKS B of its entire equity interest of 51% in NPO Builders Sdn Bhd (“NPO”). The result is not reflected in the financial period ended 30 September 2016 until or unless the transaction is completed as per the condition of the SSA.

A12. Contingent liabilities

The details of Group contingent liabilities are as follows:

	RM'000
Guarantees given to financial institutions in favour of third parties	<u>31,016</u>

A13. Capital commitments

As at 30 September 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 6 months ended 30 September 2016, the Group has registered lower revenue of RM64.5 million as compared to the preceding year corresponding period of RM65.4 million. The Group has recorded lower profit before taxation of RM11.2 million as compared to the preceding year corresponding period of RM26.1 million. There was higher revenue recorded from construction segment, but lower revenue from property development segment. The overall revenue has decreased by RM1 million for the financial period ended 30 September 2016. The lower profit before taxation was due to poor performance from property development sector.

The further analysis of performance of each business segment for 6 months ended 30 September 2016 is as follows:

Civil engineering & construction

The segment recorded RM35.6 million in external revenue for the financial period ended 30 September 2016 as compared to the preceding year corresponding period of RM7.5 million. The profit before taxation recorded RM3.4 million for the financial period ended 30 September 2016 as compared to the preceding year corresponding period of RM7.2 million. The higher revenue was mainly due to the contribution from construction contract. The lower profit before taxation was due to lower contribution from various construction contracts.

Property development

The segment recorded RM6.6 million in revenue for the financial period ended 30 September 2016 as compared to the preceding year corresponding period of RM33.7 million. For the same year, the segment recorded RM0.7 million in profit before taxation as compared to the preceding year corresponding period of RM9.8 million. The decrease in revenue and profit before taxation were due to lower sales of properties.

Property investment & investment holding

The segment recorded RM7.3 million in revenue for the financial period ended 30 September 2016 as compared to the preceding year corresponding period of RM7.4 million. The profit before taxation of RM1.5 million recorded for the financial period ended 30 September 2016 was lower when compared to the preceding year corresponding period of RM1.7 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 RM15 million for the financial period ended 30 September 2016 as compared to the preceding year corresponding period of RM16.8 million. The decrease was due to the adverse movement in the exchange rate. The profit before taxation has decreased by RM1.9 million, from RM7.4 million in preceding year corresponding period to RM5.5 million for the financial period ended 30 September 2016. The decrease in profit before taxation was mainly due to decrease in interest income.

B2. Comparison with preceding quarter results

The Group recorded profit before taxation of RM4 million for the current quarter as compared to the preceding quarter of RM7.2 million. The decrease in profit before taxation was mainly due to lower sales of properties.

B3. Prospects

The on-going construction works will contribute positively to the performance of the Group for the financial year ending 31 March 2017. The property market is expected to improve for the remaining financial year ending 31 March 2017. 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	762	2,498
Foreign taxation	842	1,652
Share of taxation in associated companies	-	-
	<u>1,604</u>	<u>4,150</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	3,922	11,162
Share of results of associated companies	41	3
Profit utilisation before taxation	<u>3,963</u>	<u>11,165</u>
Tax at the statutory rate of 24%	(951)	(2,680)
Higher foreign tax rate	(170)	(331)
Non-taxable income	33	34
Non-allowable expenses	(776)	(1,355)
Deferred tax asset recognised	260	182
Tax expenses	<u>(1,604)</u>	<u>(4,150)</u>

B6. Corporate proposal

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

B7. Group borrowings

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

	RM'000
Long term	44,449
Short term	57,262
	<u>101,711</u>
Secured	101,711
Unsecured	-
	<u>101,711</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 30/09/2016 UNAUDITED RM'000	As at 31/03/2016 AUDITED RM'000
Total retained earnings of Brem Holding Berhad and its subsidiary companies		
- Realised	479,866	468,951
- Unrealised	(8,333)	(8,344)
	<u>471,533</u>	<u>460,607</u>
Total share of retained earnings from associated companies		
- Realised	(1,924)	(2,030)
	<u>469,609</u>	<u>458,577</u>
Less: Consolidation adjustments	(109,900)	(102,142)
Retained earnings as per consolidated financial statements	<u>359,709</u>	<u>356,435</u>

B10. Dividends

No dividend has been declared in respect of the financial period ended 30 September 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 30/09/16	Preceding year corresponding quarter 30/09/15	Financial period to-date 30/09/16	Preceding year corresponding period to-date 30/09/15
Profit attributable to the equity holders of the parent (RM'000)	659	3,056	3,274	10,852
Weighted average number of ordinary shares ('000)	331,126	332,155	331,139	332,173
Basic earnings per share (sen)	0.2	0.9	1.0	3.3

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	54	104
Interest expense	539	1,062
Depreciation/Amortisation of property, plant and equipment	1,029	2,035
Loss on foreign exchange -unrealised	32	49
Bad debt written off	-	238
And crediting		
Gain on foreign exchange -unrealised	8	13
Interest income	2,533	5,100
Gain on disposal of property, plant and equipment	127	127

By Order of the Board

Andrea Huong Jia Mei

Company Secretary

Kuala Lumpur

21 November 2016