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 year ended 31 March 2017.

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 2017.

Treasury shares
During the current quarter, there were no repurchase of ordinary shares from the open market. During the financial year ended 31 March 2017, 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. On 17 October 2016, the total treasury shares have been reduced to 1,101,934 by way of distribution of share dividend amounting to 13,244,128 ordinary shares of RM0.50 each 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.

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	92,560	37,091	14,330	31,566	-	175,547
Inter-segment	31,395	-	20,490	-	(51,885)	-
Total revenue	123,955	37,091	34,820	31,566	(51,885)	175,547
RESULT						
Segment results	15,887	2,490	24,530	11,366	(31,452)	22,821
Finance cost						(2,311)
Share of results of associated companies						(190)
Taxation						(9,355)
Profit for the financial year						10,965

Geographical Segments

	Revenue from external customers by geographical market RM'000
Malaysia	143,981
Papua New Guinea	31,566
	175,547

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 RM1.3263.

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 2017 up to the date of this report, there was no significant event.

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 TKSB of its entire equity interest of 51% in NPO Builders Sdn Bhd ("NPO"). The result is not reflected in the financial year ended 31 March 2017 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	32,621

A13. **Capital commitments**

As at 31 March 2017, 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 2017, the Group has registered higher revenue of RM175.5 million as compared to the preceding year corresponding period of RM125 million. The Group has recorded lower profit before taxation of RM20.3 million as compared to the preceding year corresponding period of RM42.5 million. The revenue has increased by RM50.5 million for the financial year ended 31 March 2017 was mainly due to higher revenue recorded from construction segment. The lower profit before taxation was due to overall low contribution from each business segment.

The further analysis of performance of each business segment for 12 months ended 31 March 2017 is as follows:

Civil engineering & construction

The segment recorded RM92.6 million in external revenue for the financial year ended 31 March 2017 as compared to the preceding year corresponding period of RM30.3 million. The profit before taxation recorded RM4.5 million for the financial year ended 31 March 2017 as compared to the preceding year corresponding period of RM10.3 million. The lower profit before taxation was due to lower profit margin from various construction contracts.

Property development

The segment recorded RM37.1 million in revenue for the financial year ended 31 March 2017 as compared to the preceding year corresponding period of RM50.3 million. The profit before taxation recorded RM1.7 million as compared to the preceding year corresponding period of RM13.8 million. The decrease in revenue and profit before taxation were due to lower sales of properties.

Property investment & investment holding

The segment recorded RM14.3 million in revenue for the financial year ended 31 March 2017 as compared to the preceding year corresponding period of RM14.9 million. The profit before taxation of RM2.7 million recorded for the financial year ended 31 March 2017 was lower when compared to the preceding year corresponding period of RM5.7 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 RM31.6 million for the financial year ended 31 March 2017 as compared to the preceding year corresponding period of RM29.5 million. The increase was due to the increased sale of water. The profit before taxation has decreased by RM1.3 million, from RM12.7 million in preceding year corresponding period to RM11.4 million for the financial year ended 31 March 2017. The decrease in profit before taxation was mainly due to low contribution from interest income.

B2. Comparison with preceding quarter results

The Group recorded profit before taxation of RM2 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 inventory written down of RM3.9 million in property development segment.

B3. Prospects

The on-going construction works will contribute positively to the performance of the Group for the financial year ending 31 March 2018. The property market is expected to improve for the financial year ending 31 March 2018. 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 RM'000	Financial year to-date RM'000
Malaysia taxation	2,192	5,945
Foreign taxation	788	3,410
Share of taxation in associated companies	-	-
	2,980	9,355

The relationship between the tax expenses and accounting profit are as follows:-

	Current quarter RM'000	Financial year to-date RM'000
Profit before taxation and share of results of associated companies	2,034	20,510
Share of results of associated companies	(66)	(190)
Profit utilisation before taxation	1,968	20,320
Tax at the statutory rate of 24%	(473)	(4,877)
	(158)	(682)
Non-taxable income	34	80
Non-allowable expenses	508	(1,927)
Deferred tax asset recognised	(272)	670
Deferred tax asset not recognised	(2,662)	(2,662)
Over provision in prior year	43	43
Tax expenses	(2,980)	(9,355)

B6. **Corporate proposal**

There was no corporate proposal during the financial year ended 31 March 2017.

B7. **Group borrowings**

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

	RM'000
Long term	56,112
Short term	44,301
	100,413
Secured	100,413
Unsecured	-
	100,413

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 31/03/2017 UNAUDITED RM'000	As at 31/03/2016 AUDITED RM'000
Total retained earnings of Brem Holding Berhad and its subsidiary companies		
- Realised	474,681	468,951
- Unrealised	(8,296)	(8,344)
	466,385	460,607
Total share of retained earnings from associated companies		
- Realised	(1,020)	(2,030)
	465,365	458,577
Less: Consolidation adjustments	(114,615)	(102,142)
Retained earnings as per consolidated financial statements	350,750	356,435

B10. **Dividends**

No dividend has been declared in respect of the financial year ended 31 March 2017.

B11. **Earnings per share**

Basic earnings per share

Basic earnings per share for the financial year 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	Preceding year corresponding quarter	Financial year to-date	Preceding year corresponding period to-date
	31/03/17	31/03/16	31/03/17	31/03/16
(Loss)/Profit attributable to the equity holders of the parent (RM'000)	(1,307)	816	4,646	16,139
Weighted average number of ordinary shares ('000)	331,126	331,490	331,133	331,967
Basic (loss)/earnings per share (sen)	(0.4)	0.3	1.4	4.9

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 RM'000	Financial year to-date RM'000
After charging		
Auditors' remuneration	47	199
Interest expense	1,033	2,703
Depreciation/Amortisation of property, plant and equipment	1,102	4,153
Loss on foreign exchange		
-unrealised	(31)	204
Bad debt written off	336	574
Inventory written down	3,900	3,900
And crediting		
Gain on foreign exchange		
-unrealised	(7)	57
Interest income	2,772	10,676
Gain on disposal of property, plant and equipment	-	127

By Order of the Board

Andrea Huong Jia Mei
Company Secretary
Kuala Lumpur
24 May 2017