

Brem Holding Berhad 198101000648 (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 statements should be read in conjunction with the audited financial statements for the year ended 31 March 2020. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 March 2020.

A2. Changes in Accounting Policies

The accounting policies and methods of computation adopted by the Group and its subsidiary companies for the interim financial statements are consistent with those adopted for the audited financial statements for the financial year ended 31 March 2020 except for the mandatory adoption of the following new and revised MFRSs effective for the financial period beginning on 1 April 2020:

Amendments to MFRS 3	Business Combinations
Amendments to MFRS 7	Financial Instruments: Disclosures
Amendments to MFRS 9	Financial Instruments
Amendments to MFRS 101	Presentation of Financial Instruments
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement

The Group has adopted the new and revised MFRSs and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 April, 2020. The adoption of these new and revised MFRSs and IC Interpretations have not resulted in any material impact on the financial statements of the Group.

A3. Audit report of preceding annual financial statements

There was no audit qualification on the preceding annual financial statements.

A4. Seasonal or cyclical factors

The businesses of the Group are not affected by seasonal or cyclical factors.

A5. Unusual items affecting assets, liabilities, equity, net income or cash flows

There was a gain on other investment of RM0.69 million during the quarter for the revaluation of shareholding of Titijaya Land Berhad's shares.

Other than the above, there was no unusual item affecting assets, liabilities, equity, net income or cash flows of the Group for the financial quarter ended 30 June 2020.

A6. Changes in estimates

There were no significant changes in estimates used for preparation of the interim financial report.

A7. 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 quarter ended 30 June 2020.

Treasury shares

During the current quarter, the Company repurchased 1,105,500 of its issued ordinary shares from open market at an average price of RM0.54 per share. The total consideration paid for the repurchase including transaction costs was RM595,541 and this was financed by internally generated funds. Shares repurchased were held as treasury shares in accordance with Section 127

of the Companies Act 2016. The total number of treasury shares held as at 30 June 2020 was 16,492,634.

A8. Dividend paid

There is no dividend paid during the current quarter.

A9 Segmental information

Business Segments

	Civil engineering & construction	Property development	Property investment & investment holding	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE					
External	4,549	4,436	2,111	-	11,096
Inter-segment	-	-	-	-	-
Total revenue	4,549	4,436	2,111	-	11,096
RESULT					
Segment results	3,787	3,643	1,321	(3,547)	5,204
Finance cost					(384)
Share of results of associates					82
Taxation					(1,536)
Profit for the financial period					3,366

The above revenue was wholly from Malaysia.

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 RM1.2499.

A10. 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.

A11. Events subsequent to the end of the financial period

There was no material event subsequent to the financial period ended 30 June 2020 up to the date of this report.

A12. Changes in the composition of the Group

There was no change of composition of the Group during the quarter.

A13. Contingent liabilities

The details of Group contingent liabilities are as follows:

	RM'000
Guarantees given to financial institutions in favour of third parties	<u>9,776</u>

A14. Capital commitments

As at 30 June 2020, 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

	Revenue				Profit before tax			
	30-06-20	30-06-19	Variances		30-06-20	30-06-19	Variances	
Business Segment	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Civil engineering & construction	4,549	7,854	(3,305)	(42.1)	1,204	5,907	(4,703)	(79.6)
Property development	4,436	23,367	(18,931)	(81.0)	2,600	4,131	(1,531)	(37.1)
Property investment & investment holding	2,111	3,429	(1,318)	(38.4)	1,098	3,158	(2,060)	(65.2)
Water supply & services	-	8,090	(8,090)	(100.0)	-	3,467	(3,467)	(100.0)
Total	11,096	42,740	(31,644)	(74.0)	4,902	16,663	(11,761)	(70.6)

The Group registered 74.0% drop in revenue in the current financial period of RM11.1 million as compared to the preceding year corresponding period of RM42.7 million. In the same periods, the Group recorded 70.6% drop in profit before taxation (PBT) against the preceding year corresponding period. The reduction in both revenue and PBT was mainly due to the aftermath of Covid-19 pandemic where the business activities were greatly affected by the Movement Control Order (MCO) imposed by the government

The further analysis of performance of each business segment for 3 months ended 30 June 2020 is as follows:

Civil engineering & construction

The segment recorded 42.1% lower revenue and 79.6% lower PBT during the current financial period ended 30 June 2020 as compared to the preceding year corresponding period. The reduction was due to most projects are near to completion and they were also affected by the MCO; progress of construction was impeded.

Property development

The segment recorded 81.0% lower revenue and 37.1% lower PBT during the current financial period ended 30 June 2020 as compared to the preceding year corresponding period. The reduction was due to no operation was carried out during the MCO.

Property investment & investment holding

The segment recorded 38.4% lower revenue and 65.2% lower PBT during the current financial period ended 30 June 2020 as compared to the preceding year corresponding period. The reduction was due to the operation of Brem Mall, retail cum office complex at Jalan Kepong, Kuala Lumpur, was affected by the MCO. In additions, rental waiver was also offered to eligible tenants to alleviate their financial burden during the MCO.

Water supply & services

The segment has been discontinued after the cessation of water concession in June 2019.

B2. Comparison with preceding quarter results

Business Segment	Revenue				Profit before tax			
	Current Quarter	Preceding Quarter	Variances		Current Quarter	Preceding Quarter	Variances	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Civil engineering & construction	4,549	6,165	(1,616)	(26.2)	1,204	12,104	(10,900)	(90.1)
Property development	4,436	467	3,969	849.9	2,600	(5,906)	8,506	(144.0)
Property investment & investment holding	2,111	2,790	(679)	(24.3)	1,098	(14,119)	15,217	(107.8)
Total	11,096	9,422	1,674	17.8	4,902	(7,921)	12,823	(161.9)

The Group recorded 17.8% higher revenue in the current quarter compared to the immediate preceding quarter for better property sales from completed project Harmony-2. There was an increase in PBT in the current quarter compared to the immediate preceding quarter. Last quarter's results were affected by RM8.2 million impairment in goodwill, RM2.4 million impairment of Titijaya Land Berhad shares and RM0.9 million impairment of receivables.

B3. Prospects

The construction segment will continue to make contribution to the Group based on the few projects on hand which are expected to complete in this financial year. The group will be selective in tendering for valued projects. For property development segment, the group is venturing into other marketing avenues to improve sales. At the same time, the group will wait for the right timing to launch its new development in the midst of oversupply properties and availability of financing. For the property investment and investment holding segment, Brem Mall at Kepong is expected to face downward pressure on occupancy rate and teething collection issues from tenants post Covid-19 pandemic.

The Board is cautious about the current market sentiment and will continue to seek ways and implement measures to improve the financial performance for the financial period ending 31 March 2021.

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
Malaysian taxation	1,753	1,753
Foreign taxation	82	82
Deferred tax expense relating to origination & reversal of temporary differences	(299)	(299)
	1,536	1,536

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	4,902	4,902
Tax at the statutory rate of 24%	1,177	1,177
Higher foreign tax rate	16	16
Non-taxable income	(720)	(720)
Non-allowable expenses	1,083	1,083
Share of associates results	(20)	(20)
Tax expenses	1,536	1,536

B6. Corporate proposal

There was no corporate proposal during the financial period ended 30 June 2020.

B7. Group borrowings

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

	RM'000
Long term	39,543
Short term	48,955
	<u>88,498</u>
Secured	63,980
Unsecured	24,518
	<u>88,498</u>

B8. Material litigation

There was no material litigation for the financial period ended 30 June 2020.

B9. Dividends

There was no dividend declared during the quarter ended 30 June 2020.

B10. 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 30/06/20	Preceding year corresponding quarter 30/06/19	Financial period to-date 30/06/20	Preceding year corresponding period to-date 30/06/19
Profit attributable to the equity holders of the parent (RM'000)	2,160	8,603	2,160	8,603
Weighted average number of ordinary shares ('000)	329,125	341,002	329,125	341,002
Basic earnings per share (sen)	0.7	2.5	0.7	2.5

Diluted earnings per share

There is no dilution of earnings per share.

B11. 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	81	81
Interest expense	384	384
Depreciation/Amortisation of property, plant and equipment	781	781
Rental of premise	96	96
Loss on:		
-foreign exchange (realised)	102	102
And crediting		
Gain on other investment	692	692
Interest income	1,044	1,044
Rental income	90	90

By Order of the Board

Andrea Huong Jia Mei
Company Secretary
Kuala Lumpur
28 August 2020