

**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 2017.

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 2017:

FRSs/Interpretations

Amendments/Improvements  
to FRSs

FRS 12	Disclosure of Interests in Other Entities
FRS 107	Statement of Cash Flows
FRS 112	Income Taxes

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 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 period ended 30 June 2017.

**Treasury shares**

During the current quarter, the Company repurchased 35,000 of its issued ordinary shares from the open market at an average price of RM0.92 per share. The total consideration paid for the repurchase including transaction costs was RM32,155 and this was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016. The total number of treasury shares held was 1,136,934 as at 30 June 2017.

**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
<b>REVENUE</b>						
External	64,270	8,593	3,617	8,189	-	84,669
Inter-segment	10,646	-	-	-	(10,646)	-
Total revenue	<u>74,916</u>	<u>8,593</u>	<u>3,617</u>	<u>8,189</u>	<u>(10,646)</u>	<u>84,669</u>
<b>RESULT</b>						
Segment results	8,914	2,253	1,532	3,044	(2,607)	13,136
Finance cost						(697)
Share of results of associated companies						(165)
Taxation						<u>(3,555)</u>
Profit for the financial period						<u>8,719</u>

**Geographical Segments**

	Revenue from external customers by geographical market RM'000
Malaysia	76,480
Papua New Guinea	<u>8,189</u>
	<u>84,669</u>

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 RM1.3753.

**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 2017 up to the date of this report, the Company declared an interim single tier dividend of 1.5 sen per ordinary share in respect of the financial year ending 31 March 2018. The entitlement date and payment date for dividend is 16 August 2017 and 30 August 2017 respectively.

**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 period ended 30 June 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	<u>30,351</u>

**A13. Capital commitments**

As at 30 June 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 3 months ended 30 June 2017, the Group has registered higher revenue of RM84.7 million as compared to the preceding year corresponding period of RM36.4 million. The Group has recorded higher profit before taxation of RM12.3 million as compared to the preceding year corresponding period of RM7.2 million. The increase in revenue and profit before taxation were due to contribution from construction of sewerage treatment plant project.

The further analysis of performance of each business segment for 3 months ended 30 June 2017 is as follows:

Civil engineering & construction

The segment recorded RM64.3 million in external revenue for the financial period ended 30 June 2017 as compared to the preceding year corresponding period of RM19.2 million. The profit before taxation recorded RM6.2 million for the financial period ended 30 June 2017 as compared to the preceding year corresponding period of RM2.4 million. The higher profit before taxation was mainly due to contribution from construction of sewerage treatment plant project.

Property development

The segment recorded RM8.6 million in revenue for the financial period ended 30 June 2017 as compared to the preceding year corresponding period of RM6.3 million. The profit before taxation recorded RM1.8 million as compared to the preceding year corresponding period of RM1.3 million. The increase in revenue and profit before taxation were due to improved sales of properties for the current quarter.

#### Property investment & investment holding

The segment recorded RM3.6 million in revenue for both the financial period ended 30 June 2017 and the preceding year corresponding period. The profit before taxation of RM1.3 million recorded for the financial period ended 30 June 2017 was higher when compared to the preceding year corresponding period of RM0.8 million. The higher profit before taxation was mainly due to reduced operating costs.

#### Water supply & services

The revenue of the segment recorded RM8.2 million for the financial period ended 30 June 2017 as compared to the preceding year corresponding period of RM7.3 million. The increase was due to the increased sale of water. The profit before taxation has increased by RM0.3 million, from RM2.7 million in preceding year corresponding period to RM3 million for the financial period ended 30 June 2017. The increase in profit before taxation was mainly due to fluctuation of foreign exchange.

#### **B2. Comparison with preceding quarter results**

The Group recorded profit before taxation of RM12.3 million for the current quarter as compared to the preceding quarter of RM2 million. The increase in profit before taxation was mainly due to contribution from construction 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 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	Financial period to-date
	RM'000	RM'000
Malaysia taxation	2,642	2,642
Foreign taxation	913	913
Share of taxation in associated companies	-	-
	<u>3,555</u>	<u>3,555</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	12,439	12,439
Share of results of associated companies	(165)	(165)
Profit utilisation before taxation	<u>12,274</u>	<u>12,274</u>
Tax at the statutory rate of 24%	(2,946)	(2,946)
Higher foreign tax rate	(183)	(183)
Non-taxable income	19	19
Non-allowable expenses	(616)	(616)
Deferred tax asset recognised	171	171
Tax expenses	<u>(3,555)</u>	<u>(3,555)</u>

**B6. Corporate proposal**

There was no corporate proposal during the financial period ended 30 June 2017.

**B7. Group borrowings**

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

	RM'000
Long term	55,039
Short term	39,415
	<u>94,454</u>
Secured	94,454
Unsecured	-
	<u>94,454</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 30/06/2017 UNAUDITED RM'000	As at 31/03/2017 AUDITED RM'000
Total retained earnings of Brem Holding Berhad and its subsidiary companies		
- Realised	476,900	468,741
- Unrealised	(6,952)	(8,443)
	<u>469,948</u>	<u>460,298</u>
Total share of retained earnings from associated companies		
- Realised	(4,188)	(5,223)
	<u>(4,188)</u>	<u>(5,223)</u>
Total share of accumulated losses from joint venture		
-Realised	(72)	(72)
	<u>(72)</u>	<u>(72)</u>
	465,688	455,003
Less: Consolidation adjustments	(109,493)	(103,468)
Retained earnings as per consolidated financial statements	<u>356,195</u>	<u>351,535</u>

**B10. Dividends**

No dividend has been declared in respect of the financial period ended 30 June 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 period, excluding the average number of ordinary shares purchased by the Company and held as treasury shares.

	Current quarter  30/06/17	Preceding year corresponding quarter  30/06/16	Financial period to-date  30/06/17	Preceding year corresponding period to-date  30/06/16
Profit attributable to the equity holders of the parent (RM'000)	4,660	2,615	4,660	2,615
Weighted average number of ordinary shares ('000)	344,347	331,151	344,347	331,151
Basic earnings per share (sen)	1.4	0.8	1.4	0.8

*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 RM'000	Financial period to-date RM'000
After charging		
Auditors' remuneration	51	51
Interest expense	697	697
Depreciation/Amortisation of property, plant and equipment	981	981
Loss on foreign exchange -realised	94	94
And crediting		
Gain on foreign exchange -unrealised	56	56
Interest income	2,550	2,550
Gain on disposal of property, plant and equipment	23	23

By Order of the Board

**Andrea Huang Jia Mei**  
Company Secretary  
Kuala Lumpur  
24 August 2017