

**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 September 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 September 2017.

**Treasury shares**

During the current quarter, there were no repurchase of ordinary shares from the open market. During the financial period ended 30 September 2017, 35,000 ordinary shares have been purchased for RM32,155 including the transactions costs. 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 September 2017.

**A7. Dividend paid**

On 30 August 2017, the Company has paid an interim dividend of 1.5 sen per share amounting to RM5,165,025 in respect of the financial year ending 31 March 2018.

**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	121,419	32,904	7,195	16,866	-	178,385
Inter-segment	22,533	-	-	-	(22,533)	-
Total revenue	<u>143,952</u>	<u>32,904</u>	<u>7,195</u>	<u>16,866</u>	<u>(22,533)</u>	<u>178,385</u>
<b>RESULT</b>						
Segment results	20,643	8,717	10,562	5,723	(4,159)	41,486
Finance cost						(1,382)
Share of results of associated companies						(324)
Taxation						<u>(8,725)</u>
Profit for the financial period						<u>31,055</u>

**Geographical Segments**

	Revenue from external customers by geographical market RM'000
Malaysia	161,519
Papua New Guinea	<u>16,866</u>
	<u>178,385</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 RM1.36.

**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 period**

Subsequent to the financial period ended 30 September 2017 up to the date of this report, Titi Kaya Sdn Bhd, a 48.33% subsidiary of the Company, had completed the divestment in NPO Builders Sdn Bhd on 20 October 2017. The gain on disposal amounting to RM44 million will be reflecting in the next quarter results of the Group.

**A11. Changes in the composition of the Group**

There was no change of composition of the Group during the 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	<u>30,102</u>

**A13. Capital commitments**

As at 30 September 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 6 months ended 30 September 2017, the Group has registered higher revenue of RM178.4 million as compared to the preceding year corresponding period of RM64.5 million. The Group has recorded higher profit before taxation of RM39.8 million as compared to the preceding year corresponding period of RM11.2 million. The increase in revenue and profit before taxation were mainly due to contribution from construction sector.

The further analysis of performance of each business segment for 6 months ended 30 September 2017 is as follows:

Civil engineering & construction

The segment recorded RM121.4 million in external revenue for the financial period ended 30 September 2017 as compared to the preceding year corresponding period of RM35.6 million. The profit before taxation recorded RM16.3 million for the financial period ended 30 September 2017 as compared to the preceding year corresponding period of RM3.4 million. The higher revenue and profit before taxation were mainly due to contribution from higher percentage of construction work done during the period.

Property development

The segment recorded RM32.9 million in revenue for the financial period ended 30 September 2017 as compared to the preceding year corresponding period of RM6.6 million. The profit before taxation recorded RM7.7 million as compared to the preceding year corresponding period of RM0.7 million. The increase in revenue and profit before taxation were due to higher percentage of progress claim during the period.

#### Property investment & investment holding

The segment recorded RM7.2 million in revenue for the financial period ended 30 September 2017 as compared to the preceding year corresponding period of RM7.3 million. The profit before taxation of RM10.1 million recorded for the financial period ended 30 September 2017 was higher when compared to the preceding year corresponding period of RM1.5 million. The higher profit before taxation was mainly due to gain on disposal of investment.

#### Water supply & services

The revenue of the segment recorded RM16.9 million for the financial period ended 30 September 2017 as compared to the preceding year corresponding period of RM15 million. The increase was due to the increased sale of water. The profit before taxation has increased by RM0.2 million, from RM5.5 million in preceding year corresponding period to RM5.7 million for the financial period ended 30 September 2017. The minor 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 RM27.5 million for the current quarter as compared to the preceding quarter of RM12.3 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	4,366	7,008
Foreign taxation	804	1,717
Share of taxation in associated companies	-	-
	<u>5,170</u>	<u>8,725</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	27,665	40,104
Share of results of associated companies	(159)	(324)
Profit utilisation before taxation	<u>27,506</u>	<u>39,780</u>
Tax at the statutory rate of 24%	(6,601)	(9,547)
Higher foreign tax rate	(160)	(343)
Non-taxable income	1,961	1,980
Non-allowable expenses	(494)	(1,110)
Deferred tax asset recognised	124	295
Tax expenses	<u>(5,170)</u>	<u>(8,725)</u>

**B6. Corporate proposal**

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

**B7. Group borrowings**

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

	RM'000
Long term	54,751
Short term	38,081
	<u>92,832</u>
Secured	92,832
Unsecured	-
	<u>92,832</u>

**B8. Material litigation**

There was no material litigation for the financial period ended 30 September 2017.

**B9. Realised and unrealised profits/losses disclosure**

	As at 30/09/2017 UNAUDITED RM'000	As at 31/03/2017 AUDITED RM'000
Total retained earnings of Brem Holding Berhad and its subsidiary companies		
- Realised	494,478	468,741
- Unrealised	(5,885)	(8,443)
	<u>488,593</u>	<u>460,298</u>
Total share of retained earnings from associated companies		
- Realised	(4,348)	(5,223)
Total share of accumulated losses from joint venture		
-Realised	-	(72)
	<u>484,245</u>	<u>455,003</u>
Less: Consolidation adjustments	(120,466)	(103,468)
Retained earnings as per consolidated financial statements	<u>363,779</u>	<u>351,535</u>

**B10. Dividends**

No dividend has been declared in respect of the financial period ended 30 September 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  30/09/17	Preceding year corresponding quarter  30/09/16	Financial period to-date  30/09/17	Preceding year corresponding period to-date  30/09/16
Profit attributable to the equity holders of the parent (RM'000)	12,749	659	17,409	3,274
Weighted average number of ordinary shares ('000)	344,335	331,126	344,341	331,139
Basic earnings per share (sen)	3.7	0.2	5.1	1.0

*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	71	122
Interest expense	685	1,382
Depreciation/Amortisation of property, plant and equipment	1,110	2,091
Loss on foreign exchange -realised	-	94
And crediting		
Gain on foreign exchange -unrealised	46	102
Interest income	2,141	4,691
Gain on disposal of property, plant and equipment	124	147
Gain on disposal of investment	8,090	8,090

By Order of the Board

**Andrea Huang Jia Mei**

Company Secretary

Kuala Lumpur

20 November 2017