

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

Titikaya Sdn Bhd (“TK”), a 48.33% subsidiary of the Company, had completed the disposal in NPO Builders Sdn Bhd (“NPO”) on 20 October 2017. The gain on disposal amounting to RM44 million was reflected in the quarter results of the Group. The Group had received 31,159,913 shares of Titijaya Land Berhad (“TLB”) as the sales consideration in addition to the 17,205,554 TLB shares for the repayment of amount owing by NPO to the TK Group. TLB was valued at RM1.45/share for the sales consideration and repayment to the Group. TLB has since sub-divided its shares from 1 ordinary share into 2 ordinary shares on 26 December 2017. The TLB shares received were reflected as investment in the financial position of the Group.

During the quarter, goodwill amounting to RM2.9 million was impaired for some cash generating units that are not expected to generate sufficient future cash flow from continuing use.

Other than the above, there was no unusual item affecting assets, liabilities, equity, net income or cash flows of the Group for the financial period ended 31 December 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 31 December 2017.

Treasury shares

During the current quarter, there were no repurchase of ordinary shares from the open market. During the financial period ended 31 December 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 31 December 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
REVENUE						
External	147,339	55,480	10,721	24,950	-	238,490
Inter-segment	36,135	-	-	-	(36,135)	-
Total revenue	<u>183,474</u>	<u>55,480</u>	<u>10,721</u>	<u>24,950</u>	<u>(36,135)</u>	<u>238,490</u>
RESULT						
Segment results	22,907	9,792	55,308	7,810	(5,037)	90,780
Finance cost						(2,068)
Share of results of associated companies						4,302
Taxation						<u>(10,860)</u>
Profit for the financial period						<u>82,154</u>

Geographical Segments	Revenue from external customers by geographical market RM'000
Malaysia	213,540
Papua New Guinea	24,950
	238,490

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 RM1.33.

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

There was no material events subsequent to the financial period ended 31 December 2017 up to the date of this report.

A11. Changes in the composition of the Group

There was no change of composition of the Group during the quarter except disclosure at Note A4 above.

A12. Contingent liabilities

The details of Group contingent liabilities are as follows:

	RM'000
Guarantees given to financial institutions in favour of third parties	30,097

A13. Capital commitments

As at 31 December 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 9 months ended 31 December 2017, the Group has registered higher revenue of RM238.5 million as compared to the preceding year corresponding period of RM110.5 million. The Group has recorded higher profit before taxation of RM93.0 million as compared to the preceding year corresponding period of RM18.4 million. The increase in revenue and profit before taxation were mainly due to higher contribution from construction and property development sectors. The disposal of NPO Builders Sdn Bhd has also contributed RM44.2 million to the profit.

The further analysis of performance of each business segment for 9 months ended 31 December 2017 is as follows:

Civil engineering & construction

The segment recorded RM147.3 million in external revenue for the financial period ended 31 December 2017 as compared to the preceding year corresponding period of RM47.8 million. The profit before taxation recorded RM22.6 million for the financial period ended 31 December 2017 as compared to the preceding year corresponding period of RM3.2 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 RM55.5 million in revenue for the financial period ended 31 December 2017 as compared to the preceding year corresponding period of RM28.2 million. The profit before taxation recorded RM8.8 million as compared to the preceding year corresponding period of RM4.4 million. The increase in revenue and profit before taxation were due to higher percentage of completion of work done during the period.

Property investment & investment holding

The segment recorded RM10.7 million in revenue for the financial period ended 31 December 2017 as compared to the preceding year corresponding period of RM10.8 million. The profit before taxation of RM58.8 million recorded for the financial period ended 31 December 2017 was higher when compared to the preceding year corresponding period of RM4.4 million. The higher profit before taxation was mainly due to gain on disposal of an investment and a subsidiary.

Water supply & services

The revenue of the segment recorded RM24.9 million for the financial period ended 31 December 2017 as compared to the preceding year corresponding period of RM23.8 million. The increase was due to the increased sale of water. The profit before taxation has decreased by RM0.9 million, from RM8.7 million in preceding year corresponding period to RM7.8 million for the financial period ended 31 December 2017. The minor 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 RM53.2 million for the current quarter as compared to the preceding quarter of RM27.5 million. The increase in profit before taxation was mainly due to RM44.2million gain on disposal of NPO Builders Sdn Bhd.

B3. Prospects

The on-going construction works will contribute positively to the performance of the Group 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	(515)	6,493
Foreign taxation	650	2,367
Share of taxation in associated companies	2,000	2,000
	<u>2,135</u>	<u>10,860</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	51,569	91,673
Share of results of associated companies	4,702	4,378
Profit utilisation before taxation	<u>56,271</u>	<u>96,051</u>
Tax at the statutory rate of 24%	(12,907)	(22,454)
Higher foreign tax rate	(127)	(470)
Non-taxable income	11,110	13,090
Non-allowable expenses	(840)	(1,950)
Over provision in prior financial years	860	860
Share of associates results	(2,000)	(2,000)
Deferred tax asset recognised	1,769	2,064
Tax expenses	<u>(2,135)</u>	<u>(10,860)</u>

B6. Corporate proposal

There was no corporate proposal during the financial period ended 31 December 2017.

B7. Group borrowings

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

	RM'000
Long term	54,029
Short term	37,621
	<u>91,650</u>
Secured	91,650
Unsecured	-
	<u>91,650</u>

B8. Material litigation

There was no material litigation for the financial period ended 31 December 2017.

B9. Realised and unrealised profits/losses disclosure

	As at 31/12/2017 UNAUDITED RM'000	As at 31/03/2017 AUDITED RM'000
<i>Total retained earnings of Brem Holding Berhad and its subsidiary companies</i>		
- Realised	531,550	468,741
- Unrealised	3,317	(8,443)
	<u>534,867</u>	<u>460,298</u>
<i>Total share of retained earnings from associated companies</i>		
- Realised	<u>(2,921)</u>	<u>(5,223)</u>
<i>Total share of accumulated losses from joint venture</i>		
-Realised	<u>(72)</u>	<u>(72)</u>
	531,874	455,003
<i>Less: Consolidation adjustments</i>	<u>(141,865)</u>	<u>(103,468)</u>
<i>Retained earnings as per consolidated financial statements</i>	<u>390,009</u>	<u>351,535</u>

B10. Dividends

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.

The Board proposed to declare an interim single tier dividend of 1.5 sen per share in respect of the financial year ending 31 March 2018.

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 31/12/17	Preceding year corresponding quarter 31/12/16	Financial period to-date 31/12/17	Preceding year corresponding period to-date 31/12/16
Profit attributable to the equity holders of the parent (RM'000)	26,230	2,679	43,639	5,953
Weighted average number of ordinary shares ('000)	344,335	331,126	344,343	331,135
Basic earnings per share (sen)	7.6	0.8	12.7	1.8

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	77	199
Interest expense	686	2,068
Depreciation/Amortisation of property, plant and equipment	946	3,037
Loss on foreign exchange -realised	-	94
Impairment of receivables	615	615
Goodwill written off	2,857	2,857
Inventory written off	399	399
And crediting		
Gain on foreign exchange -unrealised	105	207
Interest income	3,491	8,182
Gain on disposal of property, plant and equipment	-	147
Gain on disposal of investment	-	8,090
Gain on disposal of subsidiary	44,179	44,179

By Order of the Board

Andrea Huang Jia Mei

Company Secretary

Kuala Lumpur

23 February 2018