**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

<u>Amendments/Improvements to FRSs</u>

| | |
|---|---|
| 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.

**<u>Malaysian Financial Reporting Standards (MFRS Framework)</u>**

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**

Titi Kaya 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 current financial year 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.

The investment in TLB was mark-to-market and RM18.9 million of the investment was impaired during the quarter and the financial year.

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 March 2018.

A5. **Changes in estimates**

There were no significant 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 March 2018.

Treasury shares

During the current quarter, the Company did not purchase any of its ordinary shares from the open market. Earlier 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 31 March 2018 was 1,136,934.

Subsequent to financial year 31 March 2018, the Company repurchased 51,700 ordinary shares for RM44,932 including the transaction costs.

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 | 175,178 | 73,266 | 13,925 | 32,408 | - | 294,777 |
| Inter-segment | 54,502 | - | - | - | (54,502) | - |
| Total revenue | 229,680 | 73,266 | 13,925 | 32,408 | (54,502) | 294,777 |
| **RESULT** | | | | | | |
| Segment results | 32,294 | 19,608 | 33,214 | 9,595 | (10,290) | 84,420 |
| Finance cost | | | | | | (2,771) |
| Share of results of associated companies | | | | | | 4,161 |
| Taxation | | | | | | (13,782) |
| Profit for the financial period | | | | | | 72,028 |

Geographical Segments

| | Revenue from external customers by geographical market RM'000 |
|---|---|
| Malaysia | 262,369 |
| Papua New Guinea | 32,408 |
| | 294,777 |

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 RM1.292.

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 March 2018 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 | 30,162 |

A13. **Capital commitments**

As at 31 March 2018, 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 2018, the Group has registered higher revenue of RM294.8 million as compared to the preceding year corresponding period of RM175.5 million. The Group has recorded higher profit before taxation of RM85.8 million as compared to the preceding year corresponding period of RM20.5 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 12 months ended 31 March 2018 is as follows:

<u>Civil engineering & construction</u>

The segment recorded RM175.2 million in external revenue for the financial period ended 31 March 2018 as compared to the preceding year corresponding period of RM92.6 million. The profit before taxation recorded RM23.6 million for the financial period ended 31 March 2018 as compared to the preceding year corresponding period of RM4.5 million. The higher revenue and profit before taxation were mainly due to contribution from higher percentage of construction work done during the period.

<u>Property development</u>

The segment recorded RM73.3 million in revenue for the financial period ended 31 March 2018 as compared to the preceding year corresponding period of RM37.1 million. The profit before taxation recorded RM14.0 million as compared to the preceding year corresponding period of RM1.7 million. The increase in revenue and profit before taxation were due to higher percentage of completion of work done during the period.

<u>Property investment & investment holding</u>

The segment recorded RM13.9 million in revenue for the financial period ended 31 March 2018 as compared to the preceding year corresponding period of RM14.3 million. The profit before taxation of RM38.7 million recorded for the financial period ended 31 March 2018 was higher when compared to the preceding year corresponding period of RM2.7 million. The higher profit before taxation was mainly due to gain on disposal of an investment and a subsidiary.

<u>Water supply & services</u>

The revenue of the segment recorded RM32.4 million for the financial period ended 31 March 2018 as compared to the preceding year corresponding period of RM31.6 million. The increase was due to the increased sale of water. The profit before taxation has decreased by RM1.8 million, from RM11.4 million in preceding year corresponding period to RM9.6 million for the financial period ended 31 March 2018. The minor decrease in profit before taxation was mainly due to decrease in interest income.

B2. **Comparison with preceding quarter results**

The Group recorded loss before taxation of RM2.6 million for the current quarter as compared to the preceding quarter of RM53.2 million. The loss in current quarter was mainly due to RM18.9 million impairment of investment in TLB (stated in A4) while the high profit before tax last quarter was mainly due to RM44 million gain from disposal of NPO Builders Sdn Bhd.

B3. **Prospects**

The on-going construction works will continue to have positive contribution to the Group. 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 contributing to the results of the Group while for property development, the short-term prospect of the industry is expected to remain challenging. The Group will be careful in selecting the areas for development as well as open to explore any joint development with other parties.

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 year ending 31 March 2019.

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 |
|---|---|---|
| Malaysia taxation | 2,454 | 8,947 |
| Foreign taxation | 468 | 2,835 |
| Share of taxation in associated companies | - | 2,000 |
| | 2,922 | 13,782 |

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 | (1,700) | 81,650 |
| Share of results of associated companies | (141) | 4,161 |
| Profit utilisation before taxation | (1,841) | 85,811 |
| Tax at the statutory rate of 24% | 1,728 | (20,726) |
| Higher foreign tax rate | (109) | (579) |
| Non-taxable income | 186 | 13,276 |
| Non-allowable expenses | (5,336) | (7,286) |
| Over provision in prior financial years | (85) | 775 |
| Share of associates results | - | (2,000) |
| Deferred tax asset recognised | 694 | 2,758 |
| Tax expenses | (2,922) | (13,782) |

B6. **Corporate proposal**

There was no corporate proposal during the financial period ended 31 March 2018.

B7. **Group borrowings**

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

| | RM'000 |
|---|---|
| Long term | 54,167 |
| Short term | 48,760 |
| | 102,927 |
| | |
| Secured | 102,927 |
| Unsecured | - |
| | 102,927 |

B8. **Material litigation**

There was no material litigation for the financial period ended 31 March 2018.

B9. **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.

Subsequent to year end, the Company has paid an interim dividend of 1.5 sen per share amounting to RM5,165,025 in respect of the financial year ended 31 March 2018 on 10 April 2018.

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 | Preceding year corresponding quarter | Financial period to-date | Preceding year corresponding period to-date |
|---|---|---|---|---|
| | 31/3/18 | 31/3/17 | 31/3/18 | 31/3/17 |
| Profit attributable to the equity holders of the parent (RM'000) | (2,635) | (1,199) | 41,004 | 4,754 |
| Weighted average number of ordinary shares ('000) | 344,335 | 331,126 | 344,341 | 331,133 |
| Basic earnings per share (sen) | (0.8) | (0.4) | 11.9 | 1.4 |

*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<br>RM'000 | Financial period to-date<br>RM'000 |
|---|---|---|
| After charging | | |
| Auditors' remuneration | 54 | 253 |
| Interest expense | 703 | 2,771 |
| Depreciation/Amortisation of property, plant and equipment | 1,040 | 4,077 |
| Loss on foreign exchange | | |
| -realised | - | 94 |
| Impairment of investment | 18,863 | 18,863 |
| Goodwill written off | - | 2,858 |
| Inventory written off | (399) | - |
| | | |
| And crediting | | |
| Gain on foreign exchange | | |
| -unrealised | 98 | 304 |
| Interest income | 1,620 | 9,802 |
| Reversal on impairment of receivables | 746 | 131 |
| Gain on disposal of property, plant and equipment | - | 146 |
| Gain on disposal of investment | - | 8,090 |
| Gain on disposal of subsidiary | - | 44,179 |

By Order of the Board

**Andrea Huong Jia Mei**
Company Secretary
Kuala Lumpur
24 May 2018