

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 2011.

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 Interpretations, and amendments to certain Standards which are effective for the annual financial statements beginning on or after 1 April 2011:

FRSs/Interpretations

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (Revised)
Amendment to FRS 2	Share-based Payment
Amendment to FRS 5	Non-current Asset Held for Sale and Discontinued Operations
Amendment to FRS 127	Consolidated and Separate Financial Statements
Amendment to FRS 138	Intangible Assets
Amendment to IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 12	Service Concession Agreements
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
Amendment to FRS 1	Limited Exemption from Comparative FRS7 Disclosure for First-time Adopters
Amendment to FRS 1	First-time Adoption of Financial Reporting Standards [Improvements to FRSs (2010)]
Amendment to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendment to FRS 3	Business Combinations [Improvements to FRSs (2010)]
Amendment to FRS 7	Improving Disclosures about Financial Instruments
Amendment to FRS 7	Financial Instruments – Disclosures [Improvements to FRSs (2010)]
Amendment to FRS 101	Presentation of Financial Statements [Improvements to FRSs (2010)]
Amendment to FRS 132	Financial Instruments – [Improvements to FRSs (2010)]
Amendment to FRS 134	Interim Financial Reporting - [Improvements to FRSs (2010)]
Amendment to FRS 139	Financial Instruments – Recognition and Measurement [Improvements to FRSs (2010)]
IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 18	Transfers of Assets from Customers

The adoption of the abovementioned pronouncements will have no significant impact to the financial statements of the Group except for the followings:

Revised FRS 3 Business Combinations and Amendment to FRS 127 Consolidated and Separate Financial Statements

The revised standards are effective for the annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The amendments to FRS 127 require that a change in the ownership interest of a subsidiary company (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary company as well as the loss of control of a subsidiary company. Other consequential amendments have been made to FRS 107 Statement of Cash Flows, FRS 112 Income Tax, FRS 121 The Effects of Changes in Foreign Exchange Rates, FRS 128 Investment in Associates and FRS 131 Interests in Joint Ventures. The changes from revised FRS 3 and Amendment to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests.

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 2011.

A5. Changes in estimates

There were 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 2011.

Treasury shares

During the current quarter, the Company repurchased 537,900 of its issued ordinary shares from open market at an average price of RM1.45 per share. The total consideration paid for the repurchase including transaction costs was RM783,312 and this was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965. As at 30 September 2011, 7,137,500 ordinary shares have been purchased for RM8,972,413 including the transaction costs.

A7. Dividend paid

No dividend was paid during the financial period ended 30 September 2011.

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	24,050	43,014	6,119	27,673		100,856
Inter-segment	-	-	1,080	-	(1,080)	-
Total revenue	<u>24,050</u>	<u>43,014</u>	<u>7,199</u>	<u>27,673</u>	<u>(1,080)</u>	<u>100,856</u>
RESULT						
Segment results	1,959	9,994	2,825	8,517	(1,080)	22,215
Finance cost						(2,280)
Share of results of associated companies						2,582
Taxation						(5,995)
Profit for the financial period						<u>16,522</u>

Geographical Segments

	Revenue from external customers by geographical market RM'000
Malaysia	73,183
Papua New Guinea	<u>27,673</u>
	<u>100,856</u>

Statement of comprehensive income items of foreign subsidiary companies are translated into Ringgit Malaysia at average rate of exchange throughout the financial year. The average rate used in the translation is Kina1.00 equal to RM1.3178 and RMB1.00 equal to RM0.4809.

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 2011, the Company repurchased 40,200 of its issued ordinary shares from open market at an average price of RM1.33 per share. The total consideration paid for the repurchase including transaction costs was RM53,622 and this was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

A11. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter and financial period to-date.

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>1,435</u>

A13. Capital commitments

RM'000

The capital expenditure authorised and contracted but not provided for	62,626
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**PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

B1. Review of performance

The Group has registered a higher revenue and profit before taxation of RM100.9 million and RM22.5 million respectively compared to the preceding year corresponding period of RM54.3 million and RM15.8 million respectively. The increase of revenue and profit before taxation is mainly due to the contribution from civil engineering & construction division, property development division and associated companies.

B2. Comparison with preceding quarter results

The Group recorded higher profit for current quarter of RM9.5 million compared to the preceding quarter of RM7.0 million, representing an increase of RM2.5 million or 35.7%.

B3. Prospects for the current financial year

Barring any unforeseen circumstances, the Group expects current financial year overall performance to be better with improved contributions from the property development division and from associated companies.

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	2,083	3,016
Foreign taxation	802	2,061
Share of taxation in associated companies	454	918
	3,339	5,995

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	11,968	19,935
Share of results of associated companies	865	2,582
Profit before taxation	<u>12,833</u>	<u>22,517</u>
Tax at the statutory rate of 25%	(2,992)	(4,984)
Higher foreign tax rate	(134)	(344)
Foreign withholding tax	-	(9)
Non taxable income	164	321
Deferred tax assets not recognised	100	(7)
Non allowable expenses	(23)	(54)
Share of taxation in associated companies	<u>(454)</u>	<u>(918)</u>
Tax expenses	<u>(3,339)</u>	<u>(5,995)</u>

B6. Sale of unquoted investments and/or properties

There were no sales of unquoted investments and/or properties in the current quarter and financial period to-date.

B7. Purchase/Disposal of quoted securities

There were no purchase or disposal of quoted securities in the current quarter and financial period to-date.

B8. Corporate proposal

On 18 August 2011, the Company has proposed bonus issue of up to 34,904,124 new ordinary shares of RM1 each ("Bonus Shares") on the basis of one (1) bonus share for every four (4) existing Brem shares held on an entitlement date to be determined later ("Proposed Bonus Issue"). The shareholders have approved the Proposed Bonus Issue during the 30th Annual General Meeting held on 30 September 2011 and the Bonus Shares entitlement date is on 18 November 2011. In accordance with Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Bonus Shares will be listed and quoted on 21 November 2011, being one market day after the entitlement date.

B9. Group borrowings

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

		RM'000
Long term		83,066
Short term		11,999
		<u>95,065</u>
Secured		86,471
Unsecured		8,594
		<u>95,065</u>
		RM'000
	Kina'000	Equivalent
Borrowings denominated in foreign currency – Papua New Guinea	<u>5,400</u>	<u>7,798</u>

B10. Off balance sheet financial instruments

There were no financial instruments with off balance sheet risk as at the latest practicable date, which is not earlier than 7 days from date of issue of this quarterly report.

B11. 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.

B12. Realised and unrealised profits/losses disclosure

	As at 30/09/2011 UNAUDITED RM'000	As at 31/03/2011 AUDITED RM'000
Total retained earnings of Brem Holding Berhad and its subsidiary companies		
- realised	327,470	315,819
- unrealised	(9,886)	(9,534)
	<u>317,584</u>	<u>306,285</u>
Total share of retained earnings from associated companies		
- realised	4,993	3,241
- unrealised	(873)	(873)
	<u>321,704</u>	<u>308,653</u>
Less: Consolidation adjustments	(61,947)	(59,773)
Retained earnings as per consolidated financial statements	<u>259,757</u>	<u>248,880</u>

B13. Dividends

No dividend has been declared in respect of the financial period ended 30 September 2011.

B14. Earnings per share*Basic earnings per share*

Basic earnings per share for the financial year 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 year, excluding the average number of ordinary shares purchased by the Company and held as treasury shares.

	Current quarter 30/09/11	Preceding year corresponding quarter 30/09/10	Financial period to-date 30/09/11	Preceding year corresponding period to-date 30/09/10
Profit attributable to the equity holders of the parent (RM'000)	5,701	4,489	10,877	8,546
Weighted average number of ordinary shares ('000)	132,881	135,773	132,966	136,064
Basic earnings per share (sen)	4.3	3.3	8.2	6.3

Diluted earnings per share

There is no dilution of earnings per share.

By Order of the Board

Chow Chooi Yoong

Company Secretary

Kuala Lumpur

17 November 2011