

**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 31 December 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 31 December 2011.

**Treasury shares**

During the current quarter, the Company repurchased 142,500 of its issued ordinary shares from open market at an average price of RM1.28 per share. The total consideration paid for the repurchase including transaction costs was RM184,131 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 17 November 2011, 7,280,000 ordinary shares have been purchased for RM9,156,544 including the transaction costs. On 9 December 2011, the total treasury shares have been reduced to 1,980,931 by way of distribution of share dividend amounting to 5,299,069 ordinary shares of RM1 each to the entitled shareholders on the basis of one (1) treasury share for every twenty-five (25) existing Brem Shares.

**Bonus issue**

On 18 November 2011, the Company issued 33,119,674 bonus shares to existing shareholders and increased the share capital from 139,616,498 shares to 172,736,172 shares.

**A7. Dividend paid**

The cash dividend of 5% less income tax 25% amounting to RM4,967,955 for financial year ended 31 March 2011 was paid on 9 December 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
<b>REVENUE</b>						
External	32,683	52,992	9,308	41,839		136,822
Inter-segment	-	-	1,760	-	(1,760)	-
Total revenue	<u>32,683</u>	<u>52,992</u>	<u>11,068</u>	<u>41,839</u>	<u>(1,760)</u>	<u>136,822</u>
<b>RESULT</b>						
Segment results	2,532	14,843	4,506	12,222	(1,760)	32,343
Finance cost						(3,286)
Share of results of associated companies						4,566
Taxation						(8,737)
Profit for the financial period						<u>24,886</u>

## Geographical Segments

	Revenue from external customers by geographical market RM'000
Malaysia	94,983
Papua New Guinea	41,839
	<u>136,822</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 RM1.3513 and RMB1.00 equal to RM0.5034.

**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 31 December 2011, the Company repurchased 45,300 of its issued ordinary shares from open market at an average price of RM1.20 per share. The total consideration paid for the repurchase including transaction costs was RM54,688 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>1,400</u>

### A13. Capital commitments

RM'000

The capital expenditure authorised and contracted but not provided for 62,626

## **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 2011, the Group has registered a higher revenue and profit before taxation of RM136.8 million and RM33.6 million respectively compared to the preceding year corresponding period of RM111 million and RM31.3 million respectively. The increase of revenue and profit before taxation is mainly due to increased construction activity and disposal of a piece of land.

For the current quarter, the Group achieved revenue of RM36 million, a decrease of 36.4% compared to RM56.6 million in the preceding year corresponding quarter. Profit before taxation has decreased by 28.4% to RM11.1 million as compared to RM15.5 million in the preceding year corresponding quarter. The lower revenue and profit before taxation was due to slow down of construction of development project.

The further analysis of performance of each business segment for 9 months ended 31 December 2011 is as follows:

#### Civil engineering & construction

The Group recorded a 152% jump in revenue for the 9 months ended 31 December 2011 as compared to the preceding year corresponding period. This was due to the active construction activities of the Villa Orkid project in Segambut Dalam. The profit before taxation increased 38.9% for the financial period ended 31 December 2011 as compared to preceding year corresponding period due to better profit margin for the contract and improved operating efficiency.

#### Property development

The Group achieved 11.1% increase in revenue for financial period ended 31 December 2011 as compared to the preceding year corresponding period. The increase was mainly due to disposal of a piece of land by a subsidiary company. The land disposal has also increased the profit before taxation for financial period ended 31 December 2011 as compared to the preceding year corresponding period.

#### Property investment & investment holding

Revenue of the Group was maintained at RM9.4 million for financial period ended 31 December 2011 as compared to preceding year corresponding period. There was a slight increase in profit before taxation for financial period ended 31 December 2011 as compared to the preceding year corresponding period. This was due to increased in rental receivable for Kepong Brem Mall.

#### Water supply & services

Revenue of the Group was maintained at RM42 million for financial period ended 31 December 2011 as compared to preceding year corresponding period. There was a slight increase in profit before taxation for financial period ended 31 December 2011 as compared to the preceding year corresponding period attributed to lower operating expenses.

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

The Group recorded lower profit for current quarter of RM8.4 million compared to the preceding quarter of RM9.5 million, representing a decrease of RM1.1 million or 11.6%. The decrease was due to slow down of the construction activity.

**B3. Prospects for the current financial year**

Despite the uncertain economic environment, the performance of civil engineering and construction segment is expected to remain stable in the final quarter of the current financial year. The performance of property development segment is expected to improve in light of the increased development activity.

Barring any unforeseen circumstances, the Group expects to continue to record satisfactory performance for the current financial year.

**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	1,202	4,218
Foreign taxation	875	2,936
Share of taxation in associated companies	665	1,583
	<u>2,742</u>	<u>8,737</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	9,122	29,057
Share of results of associated companies	1,984	4,566
Profit before taxation	<u>11,106</u>	<u>33,623</u>
Tax at the statutory rate of 25%	(2,281)	(7,264)
Higher foreign tax rate	(145)	(489)
Foreign withholding tax	-	(9)
Non taxable income	525	846
Deferred tax assets not recognised	-	(7)
Non allowable expenses	(176)	(231)
Share of taxation in associated companies	(665)	(1,583)
Tax expenses	<u>(2,742)</u>	<u>(8,737)</u>

**B6. Corporate proposal**

There were no corporate proposal during the financial period ended 31 December 2011.

**B7. Group borrowings**

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

		RM'000
Long term		83,237
Short term		<u>15,225</u>
		<u>98,462</u>
Secured		89,843
Unsecured		<u>8,619</u>
		<u>98,462</u>
		RM'000
	Kina'000	Equivalent
Borrowings denominated in foreign currency		
– Papua New Guinea	<u>5,400</u>	<u>8,159</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 31/12/2011 UNAUDITED RM'000	As at 31/03/2011 AUDITED RM'000
Total retained earnings of Brem Holding Berhad and its subsidiary companies		
- realised	320,372	315,819
- unrealised	<u>(9,337)</u>	<u>(9,534)</u>
	311,035	306,285
Total share of retained earnings from associated companies		
- realised	6,356	3,241
- unrealised	<u>(873)</u>	<u>(873)</u>
	316,518	308,653
Less: Consolidation adjustments	<u>(63,481)</u>	<u>(59,773)</u>
Retained earnings as per consolidated financial statements	<u>253,037</u>	<u>248,880</u>

**B10. Dividends**

No dividend has been declared in respect of the financial period ended 31 December 2011.

**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 31/12/11	Preceding year corresponding quarter 31/12/10 (restated)	Financial period to-date 31/12/11	Preceding year corresponding period to-date 31/12/10 (restated)
Profit attributable to the equity holders of the parent (RM'000)	6,564	8,689	17,441	17,235
Weighted average number of ordinary shares ('000)	165,551	168,017	165,908	168,795
Basic earnings per share (sen)	4.0	5.2	10.5	10.2

*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	42	128
Bad debt written off	-	109
Property, plant and equipment written off	82	82
Interest expense	321	2,578
Depreciation/Amortisation of property, plant and equipment	5,067	14,606
Loss on foreign exchange		
-realised	37	41
-unrealised	96	459
And crediting		
Gain on disposal of property, plant and equipment	17	248
Gain on foreign exchange		
-realised	-	1
-unrealised	16	69
Interest income	242	1,027

By Order of the Board

**Chow Chooi Yoong**  
Company Secretary  
Kuala Lumpur  
28 February 2012