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.

IC Interpretation 12 Service Concession Arrangements

(a) IC Interpretation 12 applies to service concession operators and explains how to account for obligations undertaken and rights received in service concession arrangements. With the adoption of IC Interpretation 12, the Group's shareholder equity has increased from RM419.9 million (2011-restated) to RM463.1 million. The increase was due to the net effect of interest income charged to the income statement and reversal of depreciation of plant and consideration previously recognised as revenue. The IC Interpretation 12 is required to be adopted retrospectively as described in Note A10 below and thus, had resulted in the increase in the shareholder's equity. However, there is no change to the business operations and cash flow of the group.

The Group's results before and after adoption of IC Interpretation 12 are as follows:

INCOME STATEMENTS

	3 months ended 31 March 2012			12 months ended 31 March 2012		
	Before IC 12 RM'000	IC 12 Impact RM'000	After IC 12 RM'000	Before IC 12 RM'000	IC 12 Impact RM'000	After IC 12 RM'000
Revenue	41,246	(7,267)	33,979	178,068	(31,165)	146,903
Other operating income	5,417	11,056	16,473	7,827	24,842	32,669
Operating expenses	(6,104)	4,130	(1,974)	(23,895)	16,564	(7,331)
Taxation	(2,696)	(453)	(3,149)	(11,433)	(1,149)	(12,582)
Profit after taxation	16,838	1,005	17,843	41,724	2,631	44,355

STATEMENT OF FINANCIAL POSITION

	31 March 2012		
	Before IC 12	IC 12 Impact	After IC 12
	RM'000	RM'000	RM'000
ASSETS			
Property, plant and equipment	140,127	(137,752)	2,375
Financial assets	-	147,635	147,635
CURRENT LIABILITIES			
Provision for taxation	1,426	2,977	4,403
EQUITY			
Reserves	287,064	5,957	293,021
Minority interests	130,727	2,484	133,211
NON-CURRENT LIABILITIES			
Deferred tax liabilities	9,508	(2,064)	7,444

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 for an additional one year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013.

The Group falls within the scope definition of Transitioning Entities and has opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the first quarter ending 30 June 2013.

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 year ended 31 March 2012.

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 year ended 31 March 2012.

Treasury shares

During the current quarter, the Company repurchased 129,800 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 RM156,688 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. As at 31 March 2012, 2,110,731 ordinary shares have been purchased for RM2,648,237 including the transaction costs, net of distribution of bonus shares.

A7. **Dividend paid**

There were 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	44,462	65,804	12,652	23,985		146,903
Inter-segment	-	-	1,760	-	(1,760)	-
Total revenue	44,462	65,804	14,412	23,985	(1,760)	146,903
RESULT						
Segment results	4,676	17,892	13,161	21,221	(1,760)	55,190
Finance cost						(4,315)
Share of results of associated companies						6,062
Taxation						(12,582)
Profit for the financial year						44,355

Geographical Segments

	Revenue from external customers by geographical market RM'000
Malaysia	122,918
Papua New Guinea	23,985
	146,903

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 RM1.35 and RMB1.00 equal to RM0.4743.

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. **Prior year adjustments**

Certain comparatives in the income statements and statement of financial position for prior year have been restated as shown below to take into account of the effects of the adoption of IC Interpretation 12. The IC Interpretation 12: Service Concession Arrangements as explained in Note A1 is required to be adopted retrospectively.

INCOME STATEMENTS

	3 months ended 31 March 2011			12 months ended 31 March 2011		
	Previously reported RM'000	IC 12 Impact RM'000	Restated RM'000	Previously reported RM'000	IC 12 Impact RM'000	Restated RM'000
Revenue	27,737	(6,772)	20,965	138,713	(32,285)	106,428
Other operating income	21,060	3,459	24,519	25,411	17,283	42,694
Operating expenses	(5,148)	3,529	(1,619)	(21,458)	14,895	(6,563)
Taxation	(2,474)	(61)	(2,535)	(9,674)	36	(9,638)
Profit after taxation	27,793	154	27,947	51,857	(72)	51,785

STATEMENT OF FINANCIAL POSITION

	31 March 2011		
	Previously reported RM'000	IC 12 Impact RM'000	Restated RM'000
ASSETS			
Property, plant and equipment	125,491	(123,423)	2,068
Financial assets	-	127,893	127,893
CURRENT LIABILITIES			
Provision for taxation	322	1,662	1,984
EQUITY			
Reserves	282,675	5,601	288,276
Minority interests	107,379	(1,256)	106,123
NON-CURRENT LIABILITIES			
Deferred tax liabilities	8,974	(1,537)	7,437

A11. **Events subsequent to the end of the financial year**

Subsequent to the financial year ended 31 March 2012, the Company repurchased 470,900 of its issued ordinary shares from open market at an average price of RM1.18 per share. The total consideration paid for the repurchase including transaction costs was RM560,223 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.

A12. **Changes in the composition of the Group**

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

A13. **Contingent liabilities**

The details of Group contingent liabilities are as follows:

	RM'000
Guarantees given to financial institutions in favour of third parties	1,510

A14. **Capital commitments**

	RM'000
The capital expenditure authorised and contracted but not provided for	-

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 2012, the Group has registered higher revenue of RM146.9 million compared to the preceding year of RM106.4 million. The increase of revenue was mainly due to increased construction activity and disposal of a piece of land. The Group has registered lower profit before taxation of RM44.4 million compared to the corresponding period of RM51.8 million. This was due to the lower reversal of allowance for impairment of investment in an associated company. Furthermore, the increased construction cost was the another factor for the lower profit before taxation.

For the current quarter, the Group achieved revenue of RM34 million, an increase of 61.9% compared to RM21 million in the preceding year corresponding quarter. Profit before taxation has decreased by 36.2% to RM17.8 million as compared to RM27.9 million in the preceding year corresponding quarter. The higher revenue was due to increased construction and property development activity. The lower profit before taxation was due to increased operational costs.

The further analysis of performance of each business segment for 12 months ended 31 March 2012 is as follows:

<u>Civil engineering & construction</u>

The Group recorded a 127% jump to RM44.5 million in revenue for the 12 months ended 31 March 2012 as compared to the preceding year. This was due to the active construction activities of the Villa Orkid project in Segambut Dalam and contribution from the infrastructure and building work undertaken by a subsidiary company. The profit before taxation increased 56.7% to RM4.7 million for the financial year ended 31 March 2012 as compared to the preceding year due to better profit margin for the contract and improved operating efficiency.

<u>Property development</u>

The Group achieved 24.6% increase in revenue for financial year ended 31 March 2012 as compared to the preceding year. 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 year ended 31 March 2012 as compared to the preceding year.

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

Revenue of the Group has increased by RM1.3 million for financial year ended 31 March 2012 as compared to the preceding year. This was due to better performance of Kepong Brem Mall operation. There was a significant decrease in profit before taxation for financial year ended 31 March 2012 as compared to the preceding year. This was due to lower reversal of impairment of investment in an associated company in view of increased its recoverable amount.

Water supply & services
The adoption of IC Interpretation 12 has affected both revenue and profit before taxation. Revenue of the Group has increased by RM3 million for financial year ended 31 March 2012 as compared to the preceding year of RM21 million. There was increase of RM4 million in profit before taxation for financial year ended 31 March 2012 as compared to the preceding year of RM16 million.

B2. **Comparison with preceding quarter results**
The Group recorded higher profit before taxation for current quarter of RM17.8 million compared to the preceding quarter of RM9.2 million (restated), representing an increase of RM8.6 million or 93.5%. The increase was due to the reversal of allowance for impairment of investment in an associated company amounting to RM6.46 million and gain on disposal of a piece of land by a subsidiary company.

B3. **Prospects**
In view of demand for the Group’s property is encouraging, both construction and property development sectors are expected to be contributing significantly to the results of the Group. Furthermore, a subsidiary company is continuously tendering external works and anticipates some tenders to be awarded. The outcome of awarded contract will influence the performance of the Group. Accompanying with improving performance of an associated company, the Group is expecting the company to be one of the major contributors to the result.

It is expected that there will be consistent revenue and profit before taxation from water supply and services sector. For property investment and investment holding sector, the rental received are expected to improve slightly in view of the increased occupancy rate in Kepong Brem Mall.

B4. **Variance of actual profit from forecast profit**
(a) The Company did not issue any profit forecast during the financial year.
(b) The Company did not issue profit guarantee to any parties.

B5. **Taxation**
The taxation for the current quarter and financial year to-date are as follows:

	Current quarter RM’000	Financial year to-date RM’000
Malaysia taxation	708	5,602
Foreign taxation	1,995	4,951
Share of taxation in associated companies	446	2,029
	3,149	12,582

The relationship between the tax expenses and accounting profit are as follows:-

	Current quarter RM'000	Financial year to-date RM'000
Profit before taxation and share of results of associated companies	19,496	50,875
Share of results of associated companies	1,496	6,062
Profit before taxation	20,992	56,937
Tax at the statutory rate of 25%	(4,874)	(12,719)
Higher foreign tax rate	(332)	(821)
Foreign withholding tax	-	(20)
Non taxable income	2,014	3,495
Reversal of deferred tax liabilities	513	513
Deferred tax assets not recognised	-	(7)
Non allowable expenses	(24)	(994)
Share of taxation in associated companies	(446)	(2,029)
Tax expenses	(3,149)	(12,582)

B6. **Corporate proposal**

There were no corporate proposal during the financial year ended 31 March 2012.

B7. **Group borrowings**

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

	RM'000
Long term	82,249
Short term	22,425
	104,674
Secured	91,679
Unsecured	12,995
	104,674

	Kina'000	RM'000 Equivalent
Borrowings denominated in foreign currency – Papua New Guinea	5,400	8,146

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 31/03/2012 UNAUDITED RM'000	As at 31/03/2011 AUDITED RM'000 (restated)
Total retained earnings of Brem Holding Berhad and its subsidiary companies		
- Realised	338,744	319,783
- Unrealised	(7,589)	(9,534)
	331,155	310,249
Total share of retained earnings from associated companies		
- Realised	4,033	3,241
- Unrealised	(154)	(873)
	335,034	312,617
Less: Consolidation adjustments	(61,408)	(59,773)
Retained earnings as per consolidated financial statements	273,626	252,844

B10. Dividends

The Board has proposed a first and final dividend of 6% less 25% income tax in respect of the financial year ended 31 March 2012 for shareholders approval.

B11. 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 31/03/12	Preceding year Corresponding quarter 31/03/11 (restated)	Financial year to-date 31/03/12	Preceding year corresponding period to-date 31/03/11 (restated)
Profit attributable to the equity holders of the parent (RM'000)	15,796	26,093	34,066	43,213
Weighted average number of ordinary shares ('000)	165,426	166,946	165,787	168,333
Basic earnings per share (sen)	9.5	15.6	20.5	25.7

Diluted earnings per share

There is no dilution of earnings per share.

B12. Profit before taxation

The profit before taxation for the financial year is arrived at:

	Current quarter RM'000	Financial year to-date RM'000
After charging		
Auditors' remuneration	59	187
Interest expense	772	3,350
Depreciation/Amortisation of property, plant and equipment	785	2,945
Loss on foreign exchange		
-realised	5	5
-unrealised	90	549

And crediting		
Gain on disposal of property, plant and equipment	1,599	1,847
Reversal of allowance for impairment of investment in an associated company	6,460	6,460
Interest income for financial assets	4,596	18,382
Gain on foreign exchange		
-realised	1,595	1,596
-unrealised	-	20
Interest income	362	1,389

By Order of the Board

Chow Chooi Yoong
Company Secretary
Kuala Lumpur
30 May 2012