

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 2012.

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 2012:

FRSs/Interpretations

Amendment to IC Interpretation 14	Prepayments of a Minimum Funding Requirement
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
FRS 124	Related Party Disclosures (revised)
Amendment to FRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendment to FRS 7	Disclosures – Transfers of Financial Assets
Amendment to FRS 112	Deferred Tax: Recovery of Underlying Assets

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

FRS 124 Related Party Disclosures (revised)

The revision to this standard simplify the definition of a related party, clarifies its intended meaning and eliminates inconsistencies from the definition and gives partial exemption from disclosure for government related entities. These changes affect disclosures in the financial statements.

Amendment to FRS 7: Transfers of Financial Assets

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risk associated with, the entity's continuing involvement in those derecognised assets. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

Amendment to FRS112: Deferred Tax: Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in FRS 140 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in FRS 116 to be always measured on a sale basis of that asset.

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 period ended 30 June 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 period ended 30 June 2012.

Treasury shares

During the current quarter, the Company repurchased 704,900 of its issued ordinary shares from open market at an average price of RM1.19 per share. The total consideration paid for the repurchase including transaction costs was RM840,040 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 June 2012, 2,815,631 ordinary shares have been purchased for RM3,488,278 including the transaction costs.

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	8,275	13,018	3,468	6,943		31,704
Inter-segment	-	-	7,000	-	(7,000)	-
Total revenue	<u>8,275</u>	<u>13,018</u>	<u>10,468</u>	<u>6,943</u>	<u>(7,000)</u>	<u>31,704</u>
RESULT						
Segment results	1,453	3,236	8,238	5,243	(7,000)	11,170
Finance cost						(1,087)
Share of results of associated companies						640
Taxation						(2,791)
Profit for the financial period						<u>7,932</u>

Geographical Segments

	Revenue from external customers by geographical market RM'000
Malaysia	24,760
Papua New Guinea	<u>6,943</u>
	<u>31,703</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 RM1.5518 and RMB1.00 equal to RM0.4934.

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 June 2012, the Company repurchased 272,300 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 RM326,179 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>1,715</u>

A13. Capital commitments

As at 30 June 2012, 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 3 months ended 30 June 2012, the Group has registered a lower revenue of RM31.7 million compared to the preceding year corresponding period of RM36.4 million. The decrease in revenue was mainly due to the delay in certification of construction work claims that resulted in lesser revenue recognised in the period. The Group has however registered a higher profit before taxation of RM10.7 million compared to the corresponding period of RM9.4 million. This was due to the operating efficiency in the construction sector and better contribution from the water supply sector.

The further analysis of performance of each business segment for 3 months ended 30 June 2012 is as follows:

Civil engineering & construction

The Group recorded RM8.3 million in revenue for the 3 months ended 30 June 2012 as compared to the preceding year corresponding period of RM15.1 million. The lower revenue was due to the delay in the certification of construction work claim which affected the revenue recognition for the period. On the other hand, the profit before taxation recorded a significant increase of 173% to RM1.4 million for the financial period ended 30 June 2012 as compared to the preceding year corresponding period. This was due to improved operating efficiency.

Property development

The Group maintained the same level of revenue at RM13 million for the 3 months ended 30 June 2012 as compared to the preceding year corresponding period. For the same period, the Group recorded an increase of 26% in profit before taxation as compared to the preceding year corresponding period, mainly with contribution from the Villa Orkid project.

Property investment & investment holding

Revenue of the Group for the financial period ended 30 June 2012 has increased by RM0.5 million as compared to the preceding year corresponding period. The profit before taxation for the financial period has also increased by about 41% as compared to the preceding year corresponding period. The improved performance was mainly due to better performance of Kepong Brem Mall operation with improved occupancy rate`.

Water supply & services

As compared to the preceding year corresponding period, the revenue of the Group for the financial period ended 30 June 2012 has increased by RM1.6 million to RM6.9 million, and the profit before taxation has increased by RM0.6 million to RM4.9 million. This was due to the increased volume of water sold.

B2. Comparison with preceding quarter results

The Group recorded a lower profit before taxation of RM10.7 million for the current quarter as compared to the preceding quarter of RM14.5 million (excluding the impairment of investment in an associated company), representing a decrease of RM3.8 million or 26.2%. The result of the preceding quarter was better due to contributions from disposal of land by subsidiary companies.

B3. Prospects

The expected increase of development projects will contribute better profit for the remaining quarter of the year. The improved performance of an associated company is also expected to contribute to the overall performance of the Group.

It is expected that there will be consistent revenue and profit before taxation from water supply and services sector. For the property investment and investment holding sector, the rental receivable 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 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	1,316	1,316
Foreign taxation	1,390	1,390
Share of taxation in associated companies	85	85
	<u>2,791</u>	<u>2,791</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	10,083	10,083
Share of results of associated companies	640	640
Profit before taxation	<u>10,723</u>	<u>10,723</u>
Tax at the statutory rate of 25%	(2,681)	(2,681)
Higher foreign tax rate	(230)	(230)
Foreign withholding tax	(11)	(11)
Non taxable income	644	644
Non allowable expenses	(428)	(428)
Share of taxation in associated companies	(85)	(85)
Tax expenses	<u>(2,791)</u>	<u>(2,791)</u>

B6. Corporate proposal

There were no corporate proposal during the financial period ended 30 June 2012.

B7. Group borrowings

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

		RM'000
Long term		118,284
Short term		23,778
		<u>142,062</u>
Secured		134,066
Unsecured		7,996
		<u>142,062</u>
	Kina'000	RM'000 Equivalent
Borrowings denominated in foreign currency – Papua New Guinea	<u>5,400</u>	<u>8,613</u>

B8. Material litigation

- (a) On 23 July 2012, the Company has filed a winding up petition against Mega Legacy (M) Sdn Bhd (“Mega Legacy”) for a balance settlement sum of RM22,000,000 and late interest of RM12,500 plus subsequent interest chargeable thereon. The Company has entered into a tripartite settlement agreement dated 25 April 2011 (the “Settlement Agreement”) with Mega Legacy and Pembinaan Kery Sdn Bhd (“Pembinaan Kery”) upon which the parties have mutually agreed that Mega Legacy shall pay the Company a settlement sum of RM25,910,000 (the “Settlement Sum”) in the manner and times and upon the terms and conditions stated therein. The Settlement Sum was derived from the progress billings of work done in respect of a proposed development project (the “Development Project”) located in Jinjang Utara, Mukim Batu, Negeri Wilayah Persekutuan, Kuala Lumpur where Mega Legacy was the appointed developer. Pembinaan Kery was the contractor of Mega Legacy for the Development Project while the Company was the sub-contractor of Pembinaan Kery. Mega Legacy has paid the Company RM910,000 upon signing of the Settlement Agreement but has defaulted in making the subsequent instalment payment in accordance with the terms of the Settlement Agreement resulting in the Company serving a Statutory Notice of Demand (the “Notice”) for the full amount of the balance of the Settlement Sum amounting to RM25,000,000 together with interest pursuant to the terms of the Settlement Agreement. Mega Legacy has on 9 July 2012 paid the Company RM3,000,000 but not the full amount in the Notice. The winding up petition has been fixed for hearing on 10 September 2012. The Directors are of the opinion that the Company will not suffer any material losses from initiating the proceeding.
- (b) 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 30/06/2012 UNAUDITED RM'000	As at 31/03/2012 AUDITED RM'000
Total retained earnings of Brem Holding Berhad and its subsidiary companies		
- Realised	346,598	338,961
- Unrealised	(12,648)	(7,807)
	<u>333,950</u>	<u>331,154</u>
Total share of retained earnings from associated companies		
- Realised	6,800	7,274
- Unrealised	(1,177)	(873)
	<u>339,573</u>	<u>337,555</u>
Less: Consolidation adjustments	(63,533)	(67,219)
Retained earnings as per consolidated financial statements	<u>276,040</u>	<u>270,336</u>

B10. Dividends

No dividend has been declared in respect of the financial period ended 30 June 2012.

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	Preceding year Corresponding quarter	Financial period to-date	Preceding year corresponding period to-date
	30/06/12	30/06/11	30/06/12	30/06/11
Profit attributable to the equity holders of the parent (RM'000)	5,704	5,090	5,704	5,090
Weighted average number of ordinary shares ('000)	170,397	133,335	170,397	133,335
Basic earnings per share (sen)	3.3	3.8	3.3	3.8

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	52	52
Interest expense	1,582	1,582
Depreciation/Amortisation of property, plant and equipment	739	739
Loss on foreign exchange		
-realised	27	27
-unrealised	130	130
And crediting		
Gain on disposal of property, plant and equipment	-	-
Gain on foreign exchange		
-realised	1,543	1,543
-unrealised	7	7
Interest income	5,446	5,446

By Order of the Board

Chow Chooi Yoong

Company Secretary

Kuala Lumpur

29 August 2012