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 to 1 January 2014. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014.

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 2014.

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 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 31 December 2012.

Treasury shares
During the current quarter, the Company repurchased 250,100 of its issued ordinary shares from open market at an average price of RM1.10 per share. The total consideration paid for the repurchase including transaction costs was RM276,944 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 December 2012, 3,338,031 ordinary shares have been purchased for RM4,091,401 including the transaction costs.

A7. **Dividend paid**
The first and final dividend of 6% less income tax of 25% amounting to RM7,633,800 for financial year ended 31 March 2012 was paid on 7 December 2012 .

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	42,841	48,994	10,101	21,679		123,615
Inter-segment	-	-	12,711	-	(12,711)	-
Total revenue	42,841	48,994	22,812	21,679	(12,711)	123,615
RESULT						
Segment results	10,658	13,198	15,641	19,958	(12,788)	46,667
Finance cost						(3,029)
Share of results of associated companies						2,844
Taxation						(11,035)
Profit for the financial period						35,447

Geographical Segments

	Revenue from external customers by geographical market RM'000
Malaysia	101,936
Papua New Guinea	21,679
	123,615

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 RM1.497 and RMB1.00 equal to RM0.4888.

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 2012, the Company repurchased 212,200 of its issued ordinary shares from open market at an average price of RM1.08 per share. The total consideration paid for the repurchase including transaction costs was RM230,509 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	3,067

A13. **Capital commitments**

As at 31 December 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 9 months ended 31 December 2012, the Group has registered higher revenue of RM123.6 million compared to the preceding year corresponding period of RM112.9 million. The increase in revenue was attributed to recognition of contract revenue from the early termination of a contract by mutual consent. The Group has registered a higher profit before taxation of RM46.5 million compared to the corresponding period of RM36.2 million. This was spurred by better performance of various on-going projects.

The further analysis of performance of each business segment for 9 months ended 31 December 2012 is as follows:

<u>Civil engineering & construction</u>
The Group recorded RM42.8 million in revenue for the 9 months ended 31 December 2012 as compared to the preceding year corresponding period of RM32.7 million. The higher revenue was due to the early recognition of contract revenue in which the contract had been terminated by mutual consent. Similarly, the profit before taxation recorded significant increase by RM8.1 million for the financial period ended 31 December 2012 as compared to the preceding year corresponding period. This was due to contribution from various on-going projects and a terminated contract.

<u>Property development</u>
The Group recorded RM49 million in revenue for the 9 months ended 31 December 2012 as compared to the preceding year corresponding period of RM53 million. The decrease was attributed to on-going projects which have yet to contribute sizeable revenue at the early stage of development. At the same period, the Group recorded RM15.6 million in profit before taxation as compared to the preceding year corresponding period of RM19 million. The lower profit before taxation was attributed to lower contribution from associated companies.

<u>Property investment & investment holding</u>
Revenue of the Group for the financial period ended 31 December 2012 has increased by RM0.8 million to RM10.1 million as compared to the preceding year corresponding period of RM9.3 million. This was attributed to better performance of Kepong Brem Mall. Excluding inter-company dividend, the profit before taxation for the current financial period and the preceding year corresponding period maintained at RM0.9 million.

<u>Water supply & services</u>
As compared to the preceding year corresponding period, the revenue of the Group for the financial period ended 31 December 2012 has increased by RM3.8 million to RM21.7 million, and the profit before taxation has increased by RM5.6 million to RM19.3 million. This was due to the realised gain on foreign exchange arising from redemption of debenture.

B2. Comparison with preceding quarter results

The Group recorded a higher profit before taxation of RM26.3 million for the current quarter as compared to the preceding quarter of RM9.4 million, representing significant increase of RM16.9 million or 180%. This was due to the profit contribution from various construction works, a terminated contract and property development activities.

B3. Prospects

The on-going construction works and property development projects will continue to contribute profit for the remaining quarter of the year. Furthermore, the improved performance of an associated company is also expected to boost 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	3,953	6,152
Foreign taxation	1,460	4,173
Share of taxation in associated companies	427	710
	5,840	11,035

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	24,653	43,638
Share of results of associated companies	1,685	2,844
Profit before taxation	26,338	46,482
Tax at the statutory rate of 25%	(6,585)	(11,621)
Higher foreign tax rate	(242)	(692)
Foreign withholding tax	(8)	(19)
Non taxable income	2,566	4,583
Non allowable expenses	(1,144)	(2,576)
Share of taxation in associated companies	(427)	(710)
Tax expenses	(5,840)	(11,035)

B6. Corporate proposal

There were no corporate proposal during the financial period ended 31 December 2012.

B7. Group borrowings

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

	RM'000
Long term	116,949
Short term	8,933
	125,882
Secured	120,805
Unsecured	5,077
	125,882

	Kina'000	RM'000 Equivalent
Borrowings denominated in foreign currency – Papua New Guinea	-	-

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.

On 29 October 2012, the Company has entered into a Supplemental Settlement Agreement with Mega Legacy. Upon signing of the Supplemental Settlement Agreement, Mega Legacy has paid the Company a sum of RM1,000,000. The balance outstanding amount of RM21,000,000 shall be fully repaid by Mega Legacy pursuant to the terms in the Supplemental Settlement Agreement by three(3) instalments of RM6,000,000, RM7,000,000 and RM8,000,000 on 24 April 2013, 24 April 2014 and 24 December 2014 respectively. Subsequent to the Agreement, the court proceedings on the matter has been withdrawn on 1 November 2012.

(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 31/12/2012 UNAUDITED RM'000	As at 31/03/2012 AUDITED RM'000
Total retained earnings of Brem Holding Berhad and its subsidiary companies		
- Realised	362,689	338,961
- Unrealised	(12,235)	(7,807)
	350,454	331,154
Total share of retained earnings from associated companies		
- Realised	6,959	7,274
- Unrealised	(1,177)	(873)
	356,236	337,555
Less: Consolidation adjustments	(65,859)	(67,219)
Retained earnings as per consolidated financial statements	290,377	270,336

B10. **Dividends**

No dividend has been declared in respect of the financial period ended 31 December 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
	31/12/12	31/12/11 (Restated)	31/12/12	31/12/11 (Restated)
Profit attributable to the equity holders of the parent (RM'000)	17,270	7,113	27,674	18,346
Weighted average number of ordinary shares ('000)	113,075	165,551	151,092	165,908
Basic earnings per share (sen)	15.3	4.3	18.3	11.1

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	Financial period to-date
	RM'000	RM'000
After charging		
Auditors' remuneration	56	160
Interest expense	1,032	4,309
Property, plant and equipment written off	1	1
Depreciation/Amortisation of property, plant and Equipment	745	2,204
Loss on foreign exchange		
-realised	-	-
-unrealised	1	7
And crediting		
Gain on disposal of property, plant and equipment	105	105
Gain on foreign exchange		
-realised	4,167	4,167
-unrealised	34	34
Interest income	5,451	16,165

By Order of the Board

Chow Chooi Yoong
Company Secretary
Kuala Lumpur
28 February 2013