

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 year ended 31 March 2013.

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 2013.

Treasury shares

During the current quarter, the Company repurchased 335,200 of its issued ordinary shares from open market at an average price of RM1.09 per share. The total consideration paid for the repurchase including transaction costs was RM368,576 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 2013, 3,673,231 ordinary shares have been purchased for RM4,459,977 including the transaction costs.

A7. Dividend paid

There was 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	16,871	75,074	13,533	29,127	-	134,605
Inter-segment	42,153	-	13,716	-	(55,869)	-
Total revenue	<u>59,024</u>	<u>75,074</u>	<u>27,249</u>	<u>29,127</u>	<u>(55,869)</u>	<u>134,605</u>
RESULT						
Segment results	12,387	21,278	4,823	26,155	(14,952)	49,691
Finance cost						(3,726)
Share of results of associated companies						3,042
Taxation						(15,268)
Profit for the financial year						<u>33,739</u>

Geographical Segments

	Revenue from external customers by geographical market RM'000
Malaysia	105,478
Papua New Guinea	29,127
	<u>134,605</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 RM1.4955 and RMB1.00 equal to RM0.4924.

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 year

Subsequent to the financial year ended 31 March 2013, the Company repurchased 246,300 of its issued ordinary shares from open market at an average price of RM1.06 per share. The total consideration paid for the repurchase including transaction costs was RM262,769 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.

PNG Water Limited ("PNG Water), a 51% owned subsidiary of the Company has on 21 March 2013 received a Notice of Termination from Eda Ranu to terminate the Concession Agreement between Eda Ranu and PNG Water (the "Purported Termination"). After reconciliation and negotiation between the two parties, Eda Ranu has via their letter dated 16 May 2013 withdrawn the Purported Termination with immediate effect. With the withdrawal of the Notice of Termination by Eda Ranu, it would mean that the Concession Agreement has not been terminated and the concession has been restored to its original position without any changes to its terms or conditions.

A11. 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.

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>3,588</u>

A13. Capital commitments

As at 31 March 2013, 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 12 months ended 31 March 2013, the Group has registered a lower revenue of RM134.6 million as compared to the preceding year corresponding period of RM146.9 million. The decrease in revenue was due to elimination of inter-company revenue prospectively. The Group has registered a lower profit before taxation of RM49 million as compared to the corresponding period of RM56.9 million. This was mainly due to impairment loss on investment in an associated company. If excluding impairment, the profit before taxation would be RM61.6 million and RM50.4 million for year 2013 and 2012 respectively.

The further analysis of performance of each business segment for 12 months ended 31 March 2013 is as follows:

Civil engineering & construction

The Group recorded RM59 million in revenue for the financial year ended 31 March 2013 as compared to the preceding year corresponding period of RM49.7 million. The higher revenue was due to commencement of Pelangi Heights project in Klang and contribution from Villa Orkid project in Segambut Dalam. The profit before taxation recorded RM12.1 million for the financial year ended 31 March 2013 as compared to the preceding year corresponding period of RM4.6 million. The significant increase was due to recognition of profit for Taman Aman Putra project in Jinjang Utara, Kuala Lumpur.

Property development

The Group recorded RM75.1 million in revenue for the financial year ended 31 March 2013 as compared to the preceding year corresponding period of RM65.8 million. The increase was attributed to contribution of Villa Orkid and Pelangi Heights projects. For the same period, the Group recorded RM24.1 million in profit before taxation as compared to the preceding year corresponding period of RM23.6 million. The increase was attributed to contribution from on-going projects.

Property investment & investment holding

Revenue of the Group for the financial year ended 31 March 2013 has increased by RM0.8 million to RM13.5 million as compared to the preceding year corresponding period of RM12.7 million. This was attributed to better performance of Kepong Brem Mall. Excluding inter-company dividend and impairment, the profit before taxation recorded RM1 million for the financial year ended 31 March 2013 as compared to the preceding year corresponding period of RM2.3 million. The better result of 2012 was due to gain on disposal of a piece of land.

Water supply & services

As compared to the preceding year corresponding period, the revenue of the Group for the financial year ended 31 March 2013 has increased by RM5.1 million to RM29.1 million, and the profit before taxation has increased by RM5.5 million to RM25.5 million. This was due to the realised gain on foreign exchange and reduction of finance cost arising from redemption of debenture.

B2. Comparison with preceding quarter results

The Group recorded profit before taxation of RM2.5 million for the current quarter as compared to the preceding quarter of RM26.3 million in profit before taxation. The lower profit for the current quarter was mainly due to the impairment loss on investment in an associated company.

B3. Prospects

The on-going construction works and property development projects will continue to contribute profit for the next year. It is also expected that a new contract awarded will have better contribution in term of revenue and profit.

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 in Kepong Brem Mall is expected to continue contribute positively to the results of the Group.

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	2,303	8,455
Foreign taxation	1,892	6,065
Share of taxation in associated companies	38	748
	<u>4,233</u>	<u>15,268</u>

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	2,327	45,965
Share of results of associated companies	198	3,042
Profit before taxation	<u>2,525</u>	<u>49,007</u>
Tax at the statutory rate of 25%	(631)	(12,252)
Higher foreign tax rate	(307)	(999)
Foreign withholding tax	-	(19)
Non taxable income	(3,435)	1,148
Non allowable expenses	134	(2,442)
Under provision of income tax in prior year	(17)	(17)
Crystallisation of deferred tax resulting from revaluation of property	61	61
Share of taxation in associated companies	(38)	(748)
Tax expenses	<u>(4,233)</u>	<u>(15,268)</u>

B6. Corporate proposal

There was no corporate proposal during the financial year ended 31 March 2013.

B7. Group borrowings

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

	RM'000
Long term	111,198
Short term	10,938
	<u>122,136</u>
Secured	117,136
Unsecured	5,000
	<u>122,136</u>

B8. Material litigation

(a) 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 31/03/2013 UNAUDITED RM'000	As at 31/03/2012 AUDITED RM'000
Total retained earnings of Brem Holding Berhad and its subsidiary companies		
- Realised	360,442	338,961
- Unrealised	(13,577)	(7,807)
	<u>346,865</u>	<u>331,154</u>
Total share of retained earnings from associated companies		
- Realised	7,119	7,274
- Unrealised	(1,177)	(873)
	<u>352,807</u>	<u>337,555</u>
Less: Consolidation adjustments	(67,662)	(67,219)
Retained earnings as per consolidated financial statements	<u>285,145</u>	<u>270,336</u>

B10. Dividends

The interim dividend of 3% less 25% income tax has been declared in respect of the financial year ended 31 March 2013. The dividend was paid on 3 May 2013.

The Board has proposed a final dividend of 3% less 25% income tax in respect of the financial year ended 31 March 2013 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	Preceding year Corresponding quarter	Financial year to-date	Preceding year corresponding year to-date
	31/03/13	31/03/12	31/03/13	31/03/12
(Loss)/Profit attributable to the equity holders of the parent (RM'000)	(5,231)	15,796	22,443	34,065
Weighted average number of ordinary shares ('000)	112,828	165,426	169,780	165,787
Basic (loss)/earnings per share (sen)	(4.6)	9.5	13.2	20.5

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	Financial year to- date
	RM'000	RM'000
After charging		
Auditors' remuneration	56	216
Interest expense	(583)	3,726
Property, plant and equipment written off	-	1
Depreciation/Amortisation of property, plant and Equipment	752	2,956
Loss on foreign exchange		
-realised	315	315
-unrealised	-	8
Impairment loss on investment in an associated Company	12,580	12,580
And crediting		
Gain on disposal of property, plant and equipment	-	105
Gain on foreign exchange		
-realised	-	4,167
-unrealised	287	321
Interest income	6,678	22,843

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By Order of the Board

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Kuala Lumpur
31 May 2013