

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 2013

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 IC Interpretations(IC Int), and amendments to certain Standards which are effective for the annual financial statements beginning on or after 1 April 2013:

FRSs/Interpretations

New FRSs

FRS 10	Consolidated Financial Statements
FRS 11	Joint Arrangements
FRS 12	Disclosure of Interests in Other Entities
FRS 13	Fair Value Measurement

Revised FRSs

FRS 119	Employee Benefits
FRS 127	Separate Financial Statements
FRS 128	Investments in Associates and Joint Ventures

Amendments/Improvements
to FRSs

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 7	Financial Instruments: Disclosures
FRS 10	Consolidated Financial Statements
FRS 11	Joint Arrangements
FRS 12	Disclosure of Interests in Other Entities
FRS 101	Presentation of Financial Statements
FRS 116	Property, Plant and Equipment
FRS 132	Financial Instruments: Presentation
FRS 134	Interim Financial Reporting

New IC Int

IC Int 20	Stripping Costs in the Production Phase of a Surface Mine
-----------	---

Amendments to IC Int

IC Int 2	Members' Shares in Co-operative Entities and Similar Instruments
----------	--

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

FRS 10: Consolidated Financial Statements

FRS 10 replaces the portion of FRS127 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. FRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by FRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in FRS 127.

FRS 12: Disclosure of Interests in Other Entities

FRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

FRS13: Fair Value Measurement

FRS 13 establishes a single source of guidance under FRS for all fair value measurements. FRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under FRS when fair value is required or permitted.

FRS 127: Separate Financial Statements

As a consequence of the new FRS 10 and FRS 12, FRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

Amendments to FRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments require additional information to be disclosed to enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

Amendments to FRS 132: Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

The amendments to FRS 132 clarified that a legally enforceable right to set off is a right of set off that must not be contingent on a future event; and must be legally enforceable in the normal course of business, the event of the default and the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendments further clarified that an entity will meet the net settlement criterion as provided in FRS 132 if the entity can settle amounts in a manner that the outcome is, in effect, equivalent to net settlement.

Amendments to FRS 10, FRS 12 and FRS 127: Investment Entities

These amendments introduce an exception to consolidation for investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. The amendments require investment entities to measure particular subsidiaries at fair value through profit or loss in accordance with FRS 139 Financial Instruments: Recognition and Measurement instead of consolidating them. In addition, the amendments also introduce new disclosure requirements related to investment entities in FRS 12 Disclosure of Interests in Other Entities and FRS 127 Separate Financial Statements.

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 2015. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2015.

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 prepare its first MFRSs financial statements using the MFRSs Framework for the financial year ending 31 March 2016.

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 2013.

A5. Changes in estimates

There was 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 2013.

Treasury shares

During the current quarter, the Company repurchased 476,300 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 RM528,476 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 2013, 4,149,531 ordinary shares have been purchased for RM4,988,453 including the transaction costs.

A7. Dividend paid

An interim dividend of 3% less 25% tax amounting to RM3,803,908 in respect of the financial year ended 31 March 2013 has been paid on 3 May 2013.

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	1,432	23,381	3,501	7,359	-	35,673
Inter-segment	14,090	-	-	-	(14,090)	-
Total revenue	<u>15,522</u>	<u>23,381</u>	<u>3,501</u>	<u>7,359</u>	<u>(14,090)</u>	<u>35,673</u>
RESULT						
Segment results	2,363	4,237	1,260	5,704	(369)	13,195
Finance cost						(514)
Share of results of associated companies						231
Taxation						(4,458)
Profit for the financial period						<u>8,454</u>

Geographical Segments

	Revenue from external customers by geographical market RM'000
Malaysia	28,314
Papua New Guinea	7,359
	<u>35,673</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 RM1.4588 and RMB1.00 equal to RM0.5066.

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 2013, the Company repurchased 196,100 of its issued ordinary shares from open market at an average price of RM1.16 per share. The total consideration paid for the repurchase including transaction costs was RM229,175 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>5,405</u>

A13. Capital commitments

As at 30 June 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 3 months ended 30 June 2013, the Group has registered higher revenue of RM35.7 million as compared to the preceding year corresponding period of RM31.7 million. The increase in revenue was due to contribution from Pelangi Heights development project. The Group has registered higher profit before taxation of RM12.9 million as compared to the preceding year corresponding period of RM10.7 million. This was mainly due to contribution from property development and water supply sectors.

The further analysis of performance of each business segment for 3 months ended 30 June 2013 is as follows:

Civil engineering & construction

The Group recorded RM15.5 million in revenue for the financial period ended 30 June 2013 as compared to the preceding year corresponding period of RM8.3 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 RM1.9 million for the financial period ended 30 June 2013 as compared to the preceding year corresponding period of RM1.4 million. The marginal increase was attributed to contribution from Pelangi Heights project.

Property development

The Group recorded RM23.4 million in revenue for the financial period ended 30 June 2013 as compared to the preceding year corresponding period of RM13 million. The increase was attributed to contribution of Villa Orkid and Pelangi Heights development projects. For the same period, the Group recorded RM4.5 million in profit before taxation as compared to the preceding year corresponding period of RM3.8 million. The increase was attributed to contribution from on-going projects.

Property investment & investment holding

Revenue of the Group for the financial period ended 30 June 2013 as compared to the preceding year corresponding period was maintained at RM3.5 million. This was due to this business sector was operated in stable condition. The profit before taxation recorded RM0.8 million for the financial period ended 30 June 2013 as compared to the preceding year corresponding period of RM0.5 million. The marginal increase of profit before taxation was due to lower finance cost.

Water supply & services

As compared to the preceding year corresponding period, the revenue of the Group for the financial period ended 30 June 2013 has increased by RM0.5 million to RM7.4 million. This was attributed to the increase volume of water supply. The profit before taxation has increased by RM0.7 million to RM5.7 million. This was due to saving of finance cost arising from full redemption of debenture.

B2. Comparison with preceding quarter results

The Group recorded profit before taxation of RM12.9 million for the current quarter as compared to the preceding quarter of RM2.5 million in profit before taxation. The lower profit for the preceding 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 remaining quarters of the year. In view of completion of Villa Orkid project, the Group is expected to launch the new development project in the financial year ending 31 March 2014.

It is expected that there will be stable revenue and profit derived 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 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	1,727	1,727
Foreign taxation	2,628	2,628
Share of taxation in associated companies	103	103
	<u>4,458</u>	<u>4,458</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	12,681	12,681
Share of results of associated companies	231	231
Profit before taxation	<u>12,912</u>	<u>12,912</u>
Tax at the statutory rate of 25%	(3,170)	(3,170)
Higher foreign tax rate	(242)	(242)
Foreign withholding tax	(1,177)	(1,177)
Non taxable income	432	432
Non allowable expenses	(198)	(198)
Share of taxation in associated companies	(103)	(103)
Tax expenses	<u>(4,458)</u>	<u>(4,458)</u>

B6. Corporate proposal

There was no corporate proposal during the financial period ended 30 June 2013.

B7. Group borrowings

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

	RM'000
Long term	102,162
Short term	11,177
	<u>113,339</u>
Secured	108,339
Unsecured	5,000
	<u>113,339</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 30/06/2013 UNAUDITED RM'000	As at 31/03/2013 AUDITED RM'000
Total retained earnings of Brem Holding Berhad and its subsidiary companies		
- Realised	363,397	356,245
- Unrealised	<u>(13,404)</u>	<u>(13,294)</u>
	349,993	342,951
Total share of retained earnings from associated companies		
- Realised	7,479	7,119
- Unrealised	<u>(1,179)</u>	<u>(1,177)</u>
	356,293	348,893
Less: Consolidation adjustments	<u>(69,237)</u>	<u>(67,588)</u>
Retained earnings as per consolidated financial statements	<u>287,056</u>	<u>281,305</u>

B10. Dividends

No dividend has been declared in respect of the financial period ended 30 June 2013.

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
	30/06/13	30/06/12	30/06/13	30/06/12
Profit attributable to the equity holders of the parent (RM'000)	5,751	5,704	5,751	5,704
Weighted average number of ordinary shares ('000)	168,762	170,397	168,762	170,397
Basic earnings per share (sen)	3.4	3.3	3.4	3.3

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	38	38
Interest expense	460	460
Property, plant and equipment written off	2	2
Depreciation/Amortisation of property, plant and equipment	781	781
Loss on foreign exchange		
-realised	-	-
-unrealised	8	8
And crediting		
Gain on disposal of property, plant and equipment	8	8
Gain on foreign exchange		
-realised	-	-
-unrealised	867	867
Interest income	5,636	5,636

By Order of the Board

Chow Chooi Yoong
Company Secretary
Kuala Lumpur
29 August 2013