

NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standard (“FRS”) 134₂₀₀₄, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 January 2006. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 January 2006.

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 January 2006 except for the adoption of the following new/revised FRSs effective for financial period beginning 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairments of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The Group has not taken the option for early adoption of the following new/revised FRSs effective for financial period beginning 1 January 2007.

FRS 117	Leases
FRS 124	Related Party Disclosures
FRS 139	Financial Instruments: Recognition and Measurement



2. Changes in Accounting Policies (contd.)

Except for FRS 3, FRS 101, FRS 136 and FRS 138, the adoption of the above standards does not have significant financial impact on the Group. The effects of the changes in accounting policies resulting from the adoption of FRS 3, FRS 101, FRS 136 and FRS 138 are discussed below:

FRS 3: Business Combinations, FRS 136: Impairments of Assets, and FRS 138: Intangible Assets

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138.

The adoption of these new FRSs has resulted in the Group ceasing annual goodwill amortisation. Goodwill is carried at cost less accumulated impairment losses and is now tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Prior to 1 January 2006, goodwill was amortised on a straight-line basis over its estimated useful life of 20 years. This change in accounting policy has been accounted for prospectively for business combinations where the agreement date is on or after 1 January 2006.

Under FRS 3, any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as "reserve on consolidation"), after reassessment, is now recognised immediately in income statement. In accordance with the transitional provisions of FRS 3, the remaining balance of reserve on consolidation as at 1 February 2006 of RM845,623 was derecognised by way of an adjustment to the opening retained earnings.

In addition, the useful lives of other intangible assets are now assessed at the individual asset level as having either a finite or indefinite life which prior to 1 January 2006, all intangible assets were considered to have a finite useful life. Under the new FRS 138, intangible assets having indefinite useful lives are not amortised but instead are tested for impairment annually. Other intangible assets which were considered to have a finite useful life were stated at cost less accumulated amortisation and impairment losses. The change in accounting policies on impairment of assets and intangible assets has no financial impact on the Group for the quarter under review.

FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures. In the consolidated balance sheets, minority interests are now presented within total equity. In the consolidated income statements, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.


2. Changes in Accounting Policies (contd.)

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives reclassified to conform to the current period's presentation.

3. Comparatives
(a) Statement of changes in equity

The opening balance of total equity was amended to include minority interest following the adoption of FRS 101. In addition, the opening retained profits as at 1 February 2006 increased by RM845,623 following the derecognition of the reserve on consolidation brought forward from 31 January 2006.

(b) Consolidated balance sheet

The following comparative amounts have been reclassified due to the adoption of new and revised FRSs:

	Previously Stated RM'000	Reclassification RM'000	Restated RM'000
Retained earnings	45,434	846	46,280
Consolidation reserves	846	(846)	-

4. Auditors' report on preceding annual financial statements

The Group's audited financial statements for the financial year ended 31 January 2006 were reported on by its external auditors, Ernst & Young without any qualifications.

5. Seasonal or cyclical factors

The performance of the Group was not affected by any significant seasonal or cyclical factors during the period under review.

6. Unusual items

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual due to their nature, size and incidence.


QUALITY CONCRETE HOLDINGS BERHAD
7. Changes in estimates

There were no changes in the estimates of amounts reported in prior quarters which have a material impact on the interim financial statements.

8. Debt and equity securities

During the quarter under review and current financial year-to-date, there were no issuances and repayment of debt and equity securities.

Apart from the above, there were no other issuances and repayments of debt and equity securities for the current quarter and financial year-to-date.

9. Dividends paid

During the financial year-to-date, the Company did not pay any dividend.

10. Segmental reporting

	Manufacturing	Trading	Property development	Quarry operation	Investment & mgt services	Eliminations /Adjustment	Total
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
REVENUE							
External sales	30,301	624	4,162	16	177	-	35,280
Inter-segment sales	8	-	-	627	-	(635)	-
Total revenue	30,309	624	4,162	643	177	(635)	35,280
RESULTS							
Segment result	738	14	231	107	(168)	-	922
Investing results	-	-	-	-	(517)	-	(517)
Interest expense	(413)	(9)	(102)	-	(28)	2	(550)
Interest income	88	-	-	-	-	(2)	86
Income taxes	(110)	-	(36)	(22)	-	-	(168)
Minority interest	-	-	-	-	-	(22)	(22)
Net profit/(loss)	303	5	93	85	(713)	(22)	(249)
OTHER INFORMATION							
Segment assets	156,063	949	18,315	1,106	18,158	970	195,561
Segment liabilities	50,365	795	6,641	838	1,845	-	60,484
Depreciation	1,030	-	-	46	80	-	1,156
Non-cash expenses other than depreciation	-	-	-	-	390	-	390

No geographical analysis has been prepared as the Group's business operations are predominantly located in Malaysia.

11. Valuation of property, plant and equipment

The valuations of property, plant and equipment have been brought forward, without amendment from the financial statements for the financial year ended 31 January 2006.


12. Subsequent events

No material events have arisen during the interval between the end of the current quarter and the date of this announcement which have not been reflected in the current quarterly report.

13. Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter and financial year-to-date except for the followings:-

- (a) On 3 May 2006, Polyflow Pipes Sdn. Bhd. ("Polyflow"), a wholly owned subsidiary of Quality Concrete Holdings Berhad ("QCHB") has acquired 40% of the entire issued and paid up share capital of Polyflow Teguh Sdn. Bhd. ("Polyflow Teguh") comprising 40,000 ordinary shares of RM1.00 each for a total cash consideration of RM40,000. Following the said investment, Polyflow Teguh becomes a 40% owned associated company of QCHB.
- (b) On 9 May 2006, QCHB has acquired and subscribed 70% of the entire issued and paid up share capital of Seri Bumijaya Sdn. Bhd. ("Seri Bumijaya") comprising 70,000 ordinary shares of RM1.00 each for a total cash consideration of RM70,000. Following the said investment, Seri Bumijaya becomes a 70% owned subsidiary of QCHB.

These two companies have not commence operation in the quarter under review.

14. Contingent liabilities and assets

There were no changes in contingent liabilities or assets since the last audited annual balance sheet as at 31 January 2006.

15. Capital commitments

There were no material capital commitments for the current quarter under review.

16. Review of performance of the Group

For the quarter under review, the Group recorded a revenue of RM35.3 million compared to RM36.7 million in the preceding quarter. This represents a decrease of RM1.4 million (3.8%) mainly due to lower sales recorded in the ready-mixed concrete and HDPE pipe manufacturing divisions for the quarter under review as the construction industry is generally sluggish in the first quarter of the year.

Compared to the corresponding period of the last financial year, the Group's revenue showed an improvement of RM3.8 million (12.1%) from RM31.5 million recorded in the corresponding period of the last financial year. The increase in revenue is mainly from the timber manufacturing & trading and property development divisions.


17. Comment on material change in profit before taxation (“PBT”)

The Group recorded loss before tax of RM0.1 million for the current quarter, a decrease of RM2.4 million compared to the PBT of RM2.3 million recorded in the preceding quarter. This is mainly due to lower revenue and other operating income coupled with higher financing cost recorded for the quarter under review.

However, the Group recorded an improvement of RM0.5 million compared to the loss before taxation of RM0.6 million recorded in the corresponding period in the last financial year. This is in line with higher revenue recorded for the quarter under review.

18. Current year prospects

The Directors anticipates the cost of doing business will continue to rise with the increase in fuel prices, cost of raw material and interest rates. This will have further pressure on the Group’s overall profit margin. In order to remain competitive, the Group will continue to put more emphasis on prudent financial control, cost cutting exercises and increase productivity.

Notwithstanding the above, the Group also anticipates to benefit from the implementation of projects under the Ninth Malaysia Plan through the supply of its products and services.

19. (a) Variance of actual profit from forecast profit

Not applicable as no profit forecast was published.

(b) Shortfall in the profit guarantee

There was no profit guarantee for the current year under review.

20. Taxation

	3 months ended 30/04/2006 RM'000	Cumulative year-to-date 30/04/2006 RM'000
- Current period taxation	(168)	(168)
- Deferred taxation	-	-
	<u>(168)</u>	<u>(168)</u>

The Group’s effective tax rate for the current quarter ended 30 April 2006 and year-to-date are higher than the statutory tax rate of 28% due to losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries, and certain expenses which are not deductible for tax purpose.


21. Sales of unquoted investments and/or properties

There were no sales of unquoted investments and properties for the quarter under review.

22. Quoted securities

- (a) Purchases and disposals of quoted securities during the current quarter and financial year-to-date were as follows:

	Current quarter RM'000	Current year-to-date RM'000
Total purchases	-	-
Total disposals	338	338
Total net loss on disposal	127	127

- (b) Total investments in quoted securities as at 30 April 2006 were as follows:

	RM'000
At cost	10,476
At carrying value/ book value	9,021
At market value	8,656

A further provision for the diminution in the value of quoted share investment of RM0.4 million was provided for the financial year-to-date. Total provision to date is RM1.5 million.

23. Status of corporate proposals announced but not completed

There were no corporate proposals which have been announced but not yet been completed as at the date of this announcement.


24. Group borrowings and debt securities

	As at 30/04/2006 Total RM'000
Unsecured:	
Bank overdrafts	3,902
Revolving credit	3,000
Bankers' acceptance	18,959
	<u>25,861</u>
Secured:	
Term loans	3,476
Bank overdrafts	4,238
	<u>7,714</u>
	<u>33,575</u>
Repayable within twelve months	30,882
Repayable after twelve months	2,693
	<u>33,575</u>

The above borrowings are denominated in Ringgit Malaysia.

25. Off balance sheet financial instruments

The Group does not have any financial instruments with off balance sheet risk as at the date of this announcement.

26. Changes in material litigation

As at the date of this announcement, there were no changes in all the existing material litigations of the Group which were disclosed in the Company's Circular to Shareholders dated 30 May 2006 and as previously announced in the quarterly report dated 29 March 2006 except for the date of the court hearing for Quality Concrete Holdings Berhad's Ex-Parte Summons In Chambers for the order to examine an Officer of Classic Ceiling Manufacturer (M) Sdn. Bhd. (Civil suit no. 22-96-99-III (II)) which has been adjourned from 23 May 2006 to 8 August 2006.


27. Earnings per share

	Individual quarter ended	
	30/04/2006	30/04/2005
	'000	'000
Net loss for the period (RM)	<u>(249)</u>	<u>(987)</u>
Weighted average number of ordinary shares		
Issued and fully paid share capital at beginning of the financial period	57,962	57,953
Effect of shares issued during the 3 months period ended 30 April 2006 / 2005	<u>-</u>	<u>6</u>
Weighted average number of ordinary shares	57,962	57,959
Effect of ESOS share options	<u>2,459</u>	<u>2,013</u>
Weighted average number of ordinary shares (diluted)	<u>60,421</u>	<u>59,972</u>
Basic (sen)	(0.43)	(1.70)
Fully diluted (sen)	(0.41)	(1.65)
Cumulative year to date		
	30/04/2006	30/04/2005
	'000	'000
Net loss for the period (RM)	<u>(249)</u>	<u>(987)</u>
Weighted average number of ordinary shares		
Issued and fully paid share capital at beginning of the financial year	57,962	57,953
Effect of shares issued during the 3 months period ended 30 April 2006 / 2005	<u>-</u>	<u>6</u>
Weighted average number of ordinary shares	57,962	57,959
Effect of ESOS share options	<u>2,459</u>	<u>2,013</u>
Weighted average number of ordinary shares (diluted)	<u>60,421</u>	<u>59,972</u>
Basic (sen)	(0.43)	(1.70)
Fully diluted (sen)	(0.41)	(1.65)



28. Dividend payable

No dividends have been declared for the financial year-to-date.

29. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 June 2006.