QUALITY CONCRETE HOLDINGS BERHAD

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") 134_{2004}, 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 2007. 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 2007.

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.

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 RM '000	Trading RM '000	Property development RM '000	Quarry operation RM '000	Investment & mgt services RM '000	Eliminations /Adjustment RM '000	Total RM '000
REVENUE							
External sales	121,833	2,642	20,511	771	695	-	146,452
Inter-segment sales	256	-	-	1,592	7,682	(9,530)	-
Total revenue	122,089	2,642	20,511	2,363	8,377	(9,530)	146,452
RESULTS							
Segment result	4,033	175	6,061	290	6,751	(6,283)	11,027
Investing results	-	-	-	-	2,335	-	2,335
Interest expense	(1,580)	(30)	(455)	-	(103)	9	(2,159)
Interest income	2,394	-	-	-	-	(9)	2,385
Income taxes	(914)	-	(1,583)	115	(374)	-	(2,756)
Share of associate results	-	-	-	-	-	(19)	(19)
Net profit/(loss)	3,933	145	4,023	405	8,609	(6,302)	10,813
OTHER INFORMATION							
Segment assets	158,968	1,248	26,465	1,278	21,889	954	210,802
Segment liabilities	52,165	760	9,484	584	1,696	-	64,689
Depreciation	4,021	-	11	176	322	-	4,530
Non-cash expenses other than depreciation	3	-	1	-	50	-	54

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 2007.

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 under review.

For the financial year-to-date, there were no changes in the composition of the Group except for the followings:-

(a) On 3 May 2006, Polyflow Pipes Sdn. Bhd. ("Polyflow"), a wholly owned subsidiary of Quality Concrete Holdings Berhad ("QCHB") 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 associate company of QCHB.

(b) On 9 May 2006, Quality Concrete Holdings Behad ("QCHB") acquired 70% of the entire issued and paid up share capital of Seri Bumijaya Sdn. Bhd. ("Seri Bumijaya") and on 29 June 2006 QCHB further acquired the remaining 30% equity interest in Seri Bumijaya via the purchase of the remaining thirty thousand (30,000) ordinary shares of RM1.00 each from the other existing shareholder of Seri Bumijaya by cash consideration. Following the said acquisitions, Seri Bumijaya becomes a 100% wholly owned subsidiary of QCHB.

Polyflow Teguh has commenced its operation in July 2006. Seri Bumijaya has not commenced 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, except for the quarter under review and the current financial year-to-date where an additional corporate guarantee amounting to RM0.18 million was given by the Company to bankers for credit facilities granted to a subsidiary.

	RM'000
As at 31 January 2006	92,233
Additional corporate guarantee	181
As at 31 January 2007	92,414

15. Capital commitments

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

16. Review of performance of the Group

The Group's revenue for the current quarter increased by RM5.9 million compared to the preceding quarter. This is mainly due to higher sales recorded, mainly from the timber, pipes and property development divisions.

The Group also registered higher revenue of RM42.9 million compared to RM36.7 million recorded in the preceding year's corresponding period mainly contributed by significantly higher sales from timber products and property development division.

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

Following the increase in revenue and gains from the investment activities, the Group achieved a PBT of RM11.9 million for the current quarter, which is an increase of RM9.6 million from the preceding quarter. The significant increase in PBT was mainly contributed by the profits from the sales of commercial properties, better profit margins recorded from the timber and ready-mixed concrete divisions and also gains from the sales of quoted securities.

The Group also shown significant improvement in PBT in the current financial year compared last financial year as the Group achieved a PBT of RM13.6 million, an increase of RM10.5 million following the significant increase in revenue from the ready-mixed and property development divisions and also from investment activities.

18. Current year prospects

For the coming financial year, the Group anticipates to benefit from the implementation of various construction and infrastructure projects under the 9th Malaysian Plan through the supply of its products and services. The management will also continue to focus on prudent financial control, cost cutting exercises and increase productivity to remain competitive.

Barring unforeseen circumstances, the management expects the Group to be able to achieve a favourable financial result in the coming financial year.

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 31/01/2007 RM'000	**Cumulative year-to-date 31/01/2007 RM'000**
- Current period taxation	(1,802)	(2,813)
- Over/(Under) provision of taxation	-	57
- Deferred taxation	-	-
	(1,802)	(2,756)

The Group's effective tax rate for the current quarter ended 31 January 2007 is lower than the statutory tax rate of 27% due to adjustment of over provision in the previous quarter.

The Group's effective tax rate for the current financial year-to-date is higher than the statutory tax rate of 27% due to losses from certain subsidiaries which cannot be set off against taxable profits from 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	6,692	10,657
Total disposals	13,595	13,234
Total net gain on disposal	1,413	2,335

(b) Total investments in quoted securities as at 31 January 2007 were as follows:

	RM'000
At cost	7,537
At carrying value/book value	7,357
At market value	8,563

There was no provision for the diminution in the value of quoted share investment for the quarter under review.

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 31/01/2007 Total RM'000
Unsecured:	
Bank overdrafts	4,403
Revolving credit	3,000
Bankers' acceptance	20,289
	27,692
Secured:	
Term loans	2,544
Bank overdrafts	2,697
	5,241
	32,933
Repayable within twelve months	31,024
Repayable after twelve months	1,909
	32,933

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, 28 June 2006 and 28 September 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 further adjourned from 16 January 2007 to a date which has not been confirmed yet.

27. Earnings per share

	Individual quarter ended	
	31/01/2007	31/01/2006
	'000	'000
Net profit for the period (RM)	10,133	1,321
Weighted average number of ordinary shares		
Issued and fully paid share capital at beginning of the financial period	57,962	57,962
Effect of shares issued during the 3 months period ended 31 January 2007 / 2006	-	-
Weighted average number of ordinary shares	57,962	57,962
Effect of ESOS share options	-	2,541
Weighted average number of ordinary shares (diluted)	57,962	60,503
Basic (sen)	17.48	2.28
Fully diluted (sen)	17.48	2.18

	Cumulative year to date	
	31/01/2007	31/01/2006
	'000	'000
Net profit for the period (RM)	10,663	1,571
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 12 months period ended 31 January 2007 / 2006	-	8
Weighted average number of ordinary shares	57,962	57,961
Effect of ESOS share options	2,479	2,311
Weighted average number of ordinary shares (diluted)	60,441	60,272
Basic (sen)	18.40	2.71
Fully diluted (sen)	17.64	2.61

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 28 March 2007.