

## 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<sub>2004</sub>, 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 2010. 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 2010.

### 2. Changes in Accounting Policies

The significant accounting policies adopted in these interim financial statements are consistent with those of the audited financial statements for the year ended 31 January 2010 except for the adoption of the following Financial Reporting Standards (FRS), Amendment to FRS and IC Interpretations issued by MASB that is effective for the Group’s annual financial period commencing 1 February 2010.

FRS 7	Financial instruments: Disclosure
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (Revised)
FRS 123	Borrowing Cost
FRS 139	Financial instruments: Recognition and Measurement
Amendment to FRS 1	First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in Subsidiary, Jointly Controlled Entity or Associate
Amendment to FRS 132	Financial Instruments: Presentation
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment

Other than the adoption of FRS 8, FRS 101 and FRS 139, the application of the above FRSs, Amendments to FRSs and interpretations did not result in any significant changes in the accounting policies and the presentation of the financial results of the Group.

#### (a) FRS 8: Operating Segments

The Group applied this standard from financial periods beginning on 1 February 2010. As this is a disclosure standard, there is no impact on the financial position or results of the Group. This new standard requires a ‘management approach’, under which segment information is presented on the same bases as that used for internal reporting purposes.

**(b) FRS 101: Presentation of Financial Statements**

The Group applies revised FRS101 (revised) which become effective as of 1 February 2010. As a result, income statements have been re-presented as statement of comprehensive income. All non-owner changes in equity that were presented in the statement of changes in equity are now in the statement of comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity. Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per ordinary share.

**(c) FRS 139, Financial Instruments: Recognition and Measurement**

FRS139 sets out principals for the recognition and measurement of financial instruments. A financial instrument is recognized in the statement of financial position when, and, only when, the Group becomes a party to the contractual provisions of the instrument. A financial instrument is recognized initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument. Subsequently measurement of these instruments at balance sheet date reflects the designation of the financial instruments. The adoption of FRS 139 has resulted in following changes to accounting policies:

**Receivables**

Prior to the adoption of FRS 139, receivables were initially recorded at their costs and subsequently stated at cost less allowance for doubtful debts. With the adoption of FRS 139, receivables that are financial assets are categorized as loans and receivables and are now recognized initially at their fair values and subsequently measured at amortised cost using the effective interest method.

**Impairment of receivables**

Prior to the adoption of FRS 139, an allowance for doubtful debts was made when a receivable is considered irrecoverable. With the adoption of FRS 139, an impairment loss for a receivable that is financial asset is recognized when there is objective evidence that an impairment loss has been incurred and is measured as the difference between the asset's carrying amount and the present value of estimated future cashflows discounted at the asset's original effective interest rate.

**Payables**

Prior to the adoption of FRS 139, payables were recorded at their costs. With the adoption of FRS 139, payables that are financial liabilities are now recognized initially at their fair values and subsequently measured at amortised cost using the effective interest method.

In accordance with the transitional provisions of FRS139 for the first time adoption, adjustments arising from remeasuring the financial instruments at the beginning of the financial period were recognized as adjustments of the opening balance of retained earnings as follows:

	<b>Retained earnings</b>
<b>Group</b>	<b>2010</b>
In thousand of RM	<b>RM'000</b>
As at 1 February, as previously stated	52,138
Effects on adopting FRS139:	1,876
As at 1 February, as restated	54,014

Comparatives are not adjusted. Consequently, the adoption of FRS139 does not affect the basic and diluted earnings per ordinary share for prior periods. The adoption of FRS139 does not have any significant impact on the earnings for the current financial year to date.

**2. Auditors' report on preceding annual financial statements**

The Group's audited financial statements for the financial year ended 31 January 2010 were reported on by its external auditors, Ernst & Young without any qualifications.

**3. Seasonal or cyclical factors**

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

**4. 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.

**5. 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.

**6. 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.

**7. Dividends paid**

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


**QUALITY CONCRETE HOLDINGS BERHAD**
**8. Segmental reporting**

9 months ended 31 October 2010	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
<b>REVENUE</b>							
External sales	102,044	600	3,853	1,232	128	-	107,857
Inter-segment sales	22	19,861	-	972	-	(20,855)	-
Total revenue	102,066	20,461	3,853	2,204	128	(20,855)	107,857
<b>RESULTS</b>							
Segment result	5,967	146	(94)	193	8,077	19	14,308
Investing results	-	-	-	-	1,830	-	1,830
Interest expense	(1,247)	-	-	-	(159)	-	(1,406)
Income taxes	(1,232)	-	(34)	(49)	-	-	(1,315)
Net profit/(loss)	3,488	146	(128)	144	9,748	19	13,417

9 months ended 31 October 2009	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
<b>REVENUE</b>							
External sales	72,875	548	3,911	130	224	-	77,688
Inter-segment sales	77	17,420	-	2,018	-	(19,515)	-
Total revenue	72,952	17,968	3,911	2,148	224	(19,515)	77,688
<b>RESULTS</b>							
Segment result	2,949	122	427	88	(962)	39	2,663
Investing results	-	-	-	-	(271)	-	(271)
Interest expense	(899)	-	-	-	(258)	-	(1,157)
Income taxes	(165)	-	(112)	(24)	-	-	(301)
Share of associate results	-	-	-	-	-	-	-
Net profit/(loss)	1,885	122	315	64	(1,491)	39	934

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

**9. 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 2010.

**10. 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.

**11. Changes in the composition of the Group**

During the quarter under review a dormant subsidiary, Protoreka Perunding Sdn Bhd had been disposed off. Other than that there are no changes to the composition of the group.


**12. Contingent liabilities and assets**

	<b>As At 31 October 2010 RM'000</b>	<b>As At 31 January 2010 RM'000</b>
Corporate Guarantee	<u>51,962</u>	<u>46,774</u>

**13. Capital commitments**

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

**14. Review of performance of the Group**

Revenue for the Group in the current quarter stood at RM35.7 million, slightly less than that of last quarter at RM36.2 million. However, compared to the same quarter of last financial year there was an improvement of 15.7% or an increase of RM4.9 million mainly due to better sales generated from the HDPE pipes division and timber products division.

The total revenue to date for the Group has shown a vast improvement of RM30.2 million or 38.8% spearheaded by the three main divisions, Ready Mixed Concrete, HDPE pipes and timber products with revenue increased by RM5.8 million, RM17.8 million and RM5.3 million respectively. Overall improvement was mainly due to strong economic recovery and also higher demand from the local market.

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

The Group recorded a PBT of RM12.4 million in the current quarter partly arising from the gain from disposal of a subsidiary during the quarter. The PBT also included provision for impairment on receivables of RM 2.6 million for long outstanding accounts in compliance with FRS 139.

The 9 months’ cumulative PBT for the Group stood at RM14.7 million compared to RM1.2 million recorded in the corresponding period of last financial year in tender with the increase in revenue and also gain from disposal of a subsidiary.


**16. Current year prospects**

Barring any unforeseen circumstances, the management expects the Group to be able to achieve a favourable financial result in the coming financial year in view of the overall improvement shown in the local and global financial market.

**17. (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.

**18. Taxation**

	<b>3 months ended 31/10/2010 RM'000</b>	<b>9 months ended 31/10/2010 RM'000</b>
- Current period taxation	925	1,315
- Over/(Under) provision of taxation	-	-
- Deferred taxation	-	-
	<u>925</u>	<u>1,315</u>

The Group's effective tax rate for the current quarter ended 31 October 2010 and the current financial year-to-date is lower than the statutory tax rate of 25% due to utilization of tax losses carried forward

**19. Sales of unquoted investments and/or properties**

During the quarter under review, the group has completed the disposal of its entire equity interest in Protoreka Perunding Sdn. Bhd., which is a dormant company.


**20. Quoted securities**

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

	<b>Current quarter RM'000</b>	<b>Current year-to-date RM'000</b>
Total purchases	1,037	3,340
Total disposals	190	14,763
Total net (loss)/gain on disposal	33	1,797

- (b) Total investments in quoted securities as at 31 October 2010 were as follows:

	<b>RM'000</b>
At cost	3,479
At carrying value/book value	4,401
At market value	4,401

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

**21. 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.


**22. Group borrowings and debt securities**

	<b>As At 31/10/10 Total RM'000</b>
<b>Unsecured:</b>	
Bank overdrafts	3,531
Revolving credit	-
Bankers' acceptance	29,216
	<u>32,747</u>
<b>Secured:</b>	
Term loans	14,086
Bank overdrafts	3,662
Hire purchase	1,467
	<u>19,215</u>
	<u>51,962</u>
Repayable within twelve months	36,894
Repayable after twelve months	15,068
	<u>51,962</u>

The above borrowings are denominated in Ringgit Malaysia.

**23. 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.

**24. 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 both in the Company's Circular to Shareholders dated 10 June 2010 and previously announced quarterly reports.



**25. Earnings per share**

	<b>Individual quarter ended</b>	
	<b>31/10/2010</b>	<b>31/10/2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Net profit for the period	<u>11,383</u>	<u>1,847</u>
<b>Weighted average number of ordinary shares</b>	<b>Individual quarter ended</b>	
	<b>31/10/2010</b>	<b>31/10/2009</b>
	<b>'000</b>	<b>'000</b>
Issued and fully paid share capital at beginning of the financial period	57,962	57,962
Effect of shares issued during the 9 months period ended 31 October 2010 / 2009	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares	57,962	57,962
Effect of ESOS share options	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares (diluted)	<u>57,962</u>	<u>57,962</u>
Basic (sen)	19.64	3.19
Fully diluted (sen)	19.64	3.19
	<b>Cumulative year to date</b>	
	<b>31/10/2010</b>	<b>31/10/2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Net profit/(loss) for the period	<u>13,113</u>	<u>818</u>
<b>Weighted average number of ordinary shares</b>	<b>Cumulative year to date</b>	
	<b>31/10/2010</b>	<b>31/10/2009</b>
	<b>'000</b>	<b>'000</b>
Issued and fully paid share capital at beginning of the financial year	57,962	57,962
Effect of shares issued during the 9 months period ended 31 October 2010 / 2009	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares	57,962	57,962
Effect of ESOS share options	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares (diluted)	<u>57,962</u>	<u>57,962</u>
Basic (sen)	22.62	1.41
Fully diluted (sen)	22.62	1.41

**26. Dividend payable**

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

**27. 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 30 December 2010.