

## 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 2011. 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 2011.

### 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 2011 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 2011.

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (Revised)
Amendments to FRS 2	Share-based Payment
Amendments to FRS 2	Group Cash-Settled Share-based Payment Transactions
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 138	Intangible Assets
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
Amendments to FRS 132	Classification of Rights Issues
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 7	Improving Disclosures about Financial Instruments

The Directors do not expect any material impact on the financial statements arising from adoption of the above standards and interpretations.

The Group has not elected for early adoption of the following FRS relevant to the current operations of the Group, which were issued but not yet effective for the financial year ending 31 January 2012:

		Effective for financial periods beginning on or after
FRS 124	Related Party Disclosures	1 January 2012
IC Interpretation 15	Agreements for the Construction of Real Estate	1 January 2012



## **QUALITY CONCRETE HOLDINGS BERHAD**

---

The above revised FRS is not expected to have any significant impact on the financial statements of the Group upon their initial application other than:

### IC Interpretation 15 : Agreements for the Construction of Real Estate

This Interpretation clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the Interpretation provides guidance on how to determine whether an agreement is within the scope of FRS 111 Construction Contracts or FRS 118 Revenue.

The Group currently recognizes revenue arising from property development projects using the stage of completion method. Upon the adoption of IC Interpretation 15, the Group may be required to change its accounting policy to recognize such revenues at completion, or upon or after delivery. The Group is in the process of making an assessment of the impact of this Interpretation.

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

The Group's audited financial statements for the financial year ended 31 January 2011 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**

The Company had paid dividend amounting to RM2.895 million in respect of financial year ended 31 January 2012.

## 8. Segmental reporting

The segment information for business segments predominantly conducted in Malaysia for the current financial year to date were as follows:

12 months ended 31 January 2012	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	129,100	848	80,005	1,469	15	-	211,437
Inter-segment sales	128	26,741	-	1,943	4,950	(33,762)	-
Total revenue	129,228	27,589	80,005	3,412	4,965	(33,762)	211,437
<b>RESULTS</b>							
Operating profit	291	51	6,459	584	2,708	(4,950)	5,143
Financing cost	(1,799)	-	(1,222)	-	(213)	-	(3,234)
Income taxes	1,188	(29)	(1,535)	(170)	(984)	-	(1,530)
Net profit/(loss)	(320)	22	3,702	414	1,511	(4,950)	379

12 months ended 31 January 2011	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	136,963	836	17,911	2,224	403	-	158,337
Inter-segment sales	318	26,240	-	1,312	2,400	(30,270)	-
Total revenue	137,281	27,076	17,911	3,536	2,803	(30,270)	158,337
<b>RESULTS</b>							
Operating profit	4,407	98	245	426	8,275	-	13,451
Financing cost	(1,471)	-	(501)	-	(233)	-	(2,205)
Income taxes	(696)	(35)	(31)	(133)	(270)	-	(1,165)
Share of associate results	-	-	-	-	-	-	-
Net profit/(loss)	2,240	63	(287)	293	7,772	-	10,081

## 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 2011.

## 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 current quarter, the Company had acquired 2 ordinary shares of RM1.00 each in the capital of Nexpeak Sdn Bhd ("NSB") representing the entire issued and paid-up share capital of NSB for a total cash consideration of RM2.00.

## 12. Contingent liabilities and assets

	<b>As At 31 January 2012 RM'000</b>	<b>As At 31 January 2011 RM'000</b>
Corporate Guarantee	<u>90,326</u>	<u>54,108</u>

## 13. Capital commitments

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

## 14. Review of performance of the Group

The Group reported a higher revenue of RM61.9 million in the current quarter compared to the reported revenue of RM50.5 in the corresponding quarter of 2011. The increase was primarily attributed by higher revenue recorded from the property and construction division where it is currently undertaking a water pipes laying sub-contract works, a government project. The Group's revenue for the current quarter under review is also higher by RM12.1 million compared to the preceeding quarter as more contract revenue was recognized in the current quarter from the property and construction division as construction works has picked up in the fourth quarter.

The Group's revenue for the year ended 31.01.2012 shown an increase of RM53.1 million or 33% compared to the last financial year end. Revenue from property and construction division has increased by RM62.1 million compared year to year due to more construction works secured during the year, however, the increase has been offset by the drop in revenue from the timber products division of RM7.6 million due to slow demand from overseas market and weak commodities price.

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

The Group has reported a LBT of RM3.6 million in the current quarter whereas in the same quarter of last financial year the LBT stood at RM3.5 million. The HDPE pipes and timber products divisions have registered an increase in LBT of RM1.3 million and RM1.9 million respectively compared to the same quarter last year mainly due to lower sales volume and coupled with the impairment on trade receivables and inventories write down of RM4.1 million collectively. The current quarter was also compared less favourably with the preceding quarter which recorded PBT of RM2.4 million mainly due to the impairment of trade receivables and inventories write down of RM3.9 million and also profit generated from the property and construction was down by RM1.8 million due to lower profit margin as a result of higher cost of construction materials such as steels and pipes.

The Group’s PBT for the year was at RM1.9 million which is RM9.3 short of that recorded in the last financial year mainly due to an one off gain from disposal of a subsidiary company in the last financial year.

**16. Current year prospects**

The Group is hopeful that with the current contract works worth of RM200 million in hand and also the roll out of various projects in the coming year especially those related to the rural developments and SCORE (Sarawak Corridor of Renewable Energy), where the Group will be able to actively involve in the supplies of materials such as ready-mixed concrete, HDPE pipes and also the construction works, will lead to a better financial performance. The Group will continue to explore and identify new business opportunities and at the same time improve the quality of its existing products and services in order to grab a bigger market share in the new coming financial years.

**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 31/12/2012 RM'000</b>	<b>12 months ended 31/12/2012 RM'000</b>
- Current period taxation	1,304	2,778
- Over/(Under) provision of taxation	-	-
- Deferred taxation	<u>(1,248)</u>	<u>(1,248)</u>
	<u>56</u>	<u>1,530</u>

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

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

**20. Quoted securities**

(a) Total investments in quoted securities as at 31 January 2012 were as follows:

	<b>RM'000</b>
At cost	4,165
At carrying value/book value	4,954
At market value	4,954

**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 31/01/12 Total RM'000</b>
<b>Unsecured:</b>	
Bank overdrafts	1,396
Bankers' acceptance	26,100
	<u>27,496</u>
<b>Secured:</b>	
Term loans	14,156
Bank overdrafts	5,718
Revolving credits	10,000
Bankers' acceptance	29,548
Hire purchase	3,408
	<u>62,830</u>
	<u>90,326</u>
Repayable within twelve months	73,701
Repayable after twelve months	16,625
	<u>90,326</u>

The above borrowings are denominated in Ringgit Malaysia

**23. Earnings per share**

	<b>Individual quarter ended</b>	
	<b>31/1/2012</b>	<b>31/1/2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Net profit/(loss) for the period	<u>207</u>	<u>10,003</u>
<b>Weighted average number of ordinary shares</b>	<b>Individual quarter ended</b>	
	<b>31/1/2012</b>	<b>31/1/2011</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 12 months period ended 31 January 2012 / 2011	-	-
Weighted average number of ordinary shares	<u>57,962</u>	<u>57,962</u>
Effect of ESOS share options	-	-
Weighted average number of ordinary shares (diluted)	<u>57,962</u>	<u>57,962</u>
Basic (sen)	0.36	17.26
Fully diluted (sen)	0.36	17.26
	<b>Cumulative year to date</b>	
	<b>31/1/2012</b>	<b>31/1/2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Net profit/(loss) for the period	<u>(3,677)</u>	<u>(3,336)</u>
<b>Weighted average number of ordinary shares</b>	<b>Cumulative year to date</b>	
	<b>31/1/2012</b>	<b>31/1/2011</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 12 months period ended 31 January 2012 / 2011	-	-
Weighted average number of ordinary shares	<u>57,962</u>	<u>57,962</u>
Effect of ESOS share options	-	-
Weighted average number of ordinary shares (diluted)	<u>57,962</u>	<u>57,962</u>
Basic (sen)	(6.34)	(5.76)
Fully diluted (sen)	(6.34)	(5.76)



#### 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 16 June 2011 and previously announced quarterly reports.

#### 25. Comprehensive Income Disclosures

Profit for the year is arrived at after charging/(crediting) the following:

	Individual Quarter		Cumulative Quarter	
	31/01/2012	31/01/2011	31/01/2012	31/01/2011
	RM'000	RM'000	RM'000	RM'000
Amortisation of prepaid land lease	97	104	390	393
Depreciation of property, plant & equipment	1,056	835	4,176	3,345
Gain on disposal of subsidiary	-	-	-	(9,256)
(Gain)/Loss on disposal of other investment	-	-	-	(158)
Gross dividend income	-	-	(15)	(428)
Interest expenses	1,003	697	3,148	2,135
Interest income	(561)	(299)	(654)	(458)
Inventories written off	1,502	-	1,502	-
Impairment loss on receivables	1,660	3,983	2,412	6,612
Property, plant & equipment written off	50	-	56	17

#### 26. 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 March 2012.