

NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of Preparation

The condensed consolidated interim financial statements (Condensed Report) are unaudited and have been prepared in accordance with MFRS 134 *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”), IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the Group’s audited annual financial statements for the financial year ended 31 January 2013. The explanatory notes attached to the condensed consolidated 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 year ended 31 January 2013.

2. Significant Accounting Policies

The significant accounting policies and methods of computation applied in the interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 January 2013 except for the adoption of the following with effect from 1 February 2013:

- Amendments to MFRS 101, Presentation of items of Other Comprehensive Income
- Amendments to MFRS 7, Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities
- MFRS 3, Business Combinations (IFRS Business Combinations issued by IASB in March 2004)
- MFRS 10, Consolidated Financial Statements
- MFRS 11, Joint Arrangements
- MFRS 12, Disclosure of Interests in Other Entities
- Amendments to MFRS 10, MFRS 11 and MFRS 12, Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transaction Guidance
- MFRS 13, Fair Value Measurement
- MFRS 119, Employee Benefits
- MFRS 127, Separate Financial Statements
- MFRS 127, Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)
- MFRS 128, Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
- Annual Improvements 2009-2011 Cycle

The initial application of the above is not expected to have any material financial impact on the Group’s results.

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

The Group's audited financial statements for the financial year ended 31 January 2013 were reported on by its external auditors, Ernst & Young without any qualifications.

4. Seasonal or cyclical factors

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

5. 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.

6. 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.

7. 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.

8. Dividends paid

No dividend was paid in the current quarter and financial year to date.

9. Segmental reporting

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

9 months ended 31 October 2013	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	88,187	297	23,388	1,126	-	-	112,998
Inter-segment sales	48	21,976	-	1,541	1,650	(25,215)	-
Total revenue	88,235	22,273	23,388	2,667	1,650	(25,215)	112,998
RESULTS							
Operating profit	2,273	39	(4,424)	454	1,491	(1,650)	(1,817)
Financing cost	(1,418)	-	(991)	(3)	(51)	-	(2,463)
Income taxes	(457)	-	-	(120)	(355)	813	(119)
Net profit/(loss)	398	39	(5,415)	331	1,085	(837)	(4,399)

9 months ended 31 October 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
REVENUE							
External sales	97,055	616	114,085	807	-	-	212,563
Inter-segment sales	399	23,204	-	1,072	5,000	(29,675)	-
Total revenue	97,454	23,820	114,085	1,879	-	(29,675)	212,563
RESULTS							
Operating profit	2,252	215	6,600	275	4,534	(5,000)	8,876
Financing cost	(1,652)	-	(1,300)	(5)	(103)	-	(3,060)
Income taxes	(70)	-	(1,490)	(65)	-	-	(1,625)
Net profit/(loss)	530	215	3,810	205	4,431	(5,000)	4,191

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

There were no changes in composition of the Group for the current quarter and financial year to date.

12. Contingent liabilities and assets

	As At 31 October 2014 RM'000	As At 31 January 2013 RM'000
Corporate Guarantee	<u>66,508</u>	<u>203,464</u>

13. Capital commitments

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

14. Related Party Transactions

	3 months ended		9 months ended	
	31.10.13 RM'000	31.10.12 RM'000	31.10.13 RM'000	31.10.12 RM'000
Income				
Sale of construction materials to:				
-Lee Ling Construction & Development Sdn. Bhd.	115	26	127	466
-Limba Jaya Timber Sdn. Bhd.	51	63	121	126
-Pahaytc Sdn. Bhd.	8	1	25	30
Sale of Timber to:				
-Lee Ling Timber Sdn. Bhd.	2	-	9	-
Expenditure				
Purchase of sawn timber				
-Lee Ling Timber Sdn. Bhd.	481	3,269	7,795	8,875
Rental of office				
-BMK Development Sdn. Bhd.	27	39	80	97

**15. Review of performance of the Group**

For the 9 months ended 31 October 2013, the Group has recorded revenue of RM113million, which is 47% lower compared to the RM212.5 million revenue recorded in the corresponding period of the last financial year. The decline is mainly due to the revenue from the Property Development & Construction Division has been significantly lower at RM23.3million compared to RM114.1 million recorded in the same period of last year as there was no new project and the existing projects are near completion.

Other divisions such as ready mixed concrete, HDPE pipes and Timber products division also shown a decline in revenue of RM1.5 million, RM3.8 million and RM3.9 million, respectively due to slower market condition.

The Group's revenue for the current quarter is also lower compared to the preceeding quarter by RM6.1 million or 14.7%. The property development & construction division recorded a lower revenue of RM4.9 million down from RM10.8 million as most of the current projects are at their final phase.

16. Comment on material change in loss before taxation ("LBT")

The Group has recorded a LBT of RM4.3 million in the 9 months period ended 31 October 2013 while in the same period of last year it managed to register a PBT of RM5.8 million. This is in line with the significant lower revenue recorded in the period under review and also the increase in operating costs in the current period.

There is no significant change in form of the financial performance in the current quarter compared to last quarter.

17. Current year prospects

The Group shall continue to work towards enhancing the Group performance and financial position in the remaining quarters of the year. The management is mindful of the challenges ahead and will take a prudent approach in its day to day operation to ensure that the Group is in good financial footing.

18. (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.

19. Taxation

	9 months ended 31/07/2013 RM'000	9 months ended 31/10/2012 RM'000
- Current period taxation	119	1,625
- Over/(Under) provision of taxation	-	-
- Deferred taxation	-	-
	<u>119</u>	<u>1,625</u>

20. 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.

21. Group borrowings and debt securities

	As At 31/10/13 Total RM'000
Unsecured:	
Bankers' acceptance	40
	<u>40</u>
Secured:	
Term loans	15,054
Bank overdrafts	9,496
Revolving credits	11,000
Bankers' acceptance	26,381
Hire purchase	4,577
	<u>66,508</u>
	<u>66,548</u>
Repayable within twelve months	50,802
Repayable after twelve months	15,706
	<u>66,508</u>

The above borrowings are denominated in Ringgit Malaysia

22. Earnings per share

	Individual quarter ended	
	31/10/2013	31/10/2012
	RM'000	RM'000
Net profit/(loss) attributable to owners of the parent	<u>(1,043)</u>	<u>(1,256)</u>
Weighted average number of ordinary shares	Individual quarter ended	
	31/10/2013	31/10/2012
	'000	'000
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 October 2013 / 2012	-	-
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)	(1.80)	(2.17)
Fully diluted (sen)	(1.80)	(2.17)
	Cumulative year to date	
	31/10/2013	31/10/2012
	RM'000	RM'000
Net profit/(loss) attributable to owners of the parent	<u>(4,486)</u>	<u>4,037</u>
Weighted average number of ordinary shares	Cumulative year to date	
	31/10/2013	31/10/2012
	'000	'000
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 2013 / 2012	-	-
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)	(7.74)	6.96
Fully diluted (sen)	(7.74)	6.96

23. 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 31 May 2013 and previously announced quarterly reports.

24. Comprehensive Income Disclosures

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

	Individual Quarter		Cumulative Quarter	
	31/07/2013	31/10/2012	31/07/2013	31/10/2012
	RM'000	RM'000	RM'000	RM'000
Amortisation of prepaid land lease	79	97	275	293
Bad debts written back	(142)	-	(142)	(4)
Depreciation of property, plant & equipment	1,199	983	3,519	3,070
(Gain)/Loss on disposal of other investment	-	-	(1,182)	(300)
Interest expenses	512	970	2,463	3,060
Interest income	(59)	(15)	(64)	(55)
Impairment loss on receivables	8	367	8	1,078
Inventory written off	-	1,671	-	1,671
Net fair value changes in investment securities	30	(135)	(8)	849
Property, plant & equipment written off	63	97	160	107


QUALITY CONCRETE HOLDINGS BERHAD

25. Realised and unrealised profits/losses

	As at 31/10/2013 RM'000	(Restated) As at 31/01/2013 RM'000
Total retained earnings of the Company and its subsidiaries:		
-Realised	66,876	71,672
-Unrealised	3,971	3,971
	<u>70,847</u>	<u>75,643</u>
Less: Consolidation adjustment	(8,604)	(8,916)
Retained earnings as per consolidated accounts	<u>62,243</u>	<u>66,727</u>

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 26 December 2013.