

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:

12 months ended 31 January 2014	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	116,075	445	34,023	1,595	19	-	152,157
Inter-segment sales	57	30,063	-	2,012	1,650	(33,782)	-
Total revenue	116,132	30,508	34,023	3,607	1,669	(33,782)	152,157
RESULTS							
Operating profit	347	145	(5,613)	585	8,829	(10,068)	(5,776)
Financing cost	(1,708)	-	(2,207)	(4)	(69)	-	(3,988)
Income taxes	(63)	(51)	3	(158)	(184)	413	(40)
Net profit/(loss)	(1,424)	94	(7,817)	423	8,576	(9,655)	(9,804)

12 months ended 31 January 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	129,467	776	143,737	1,023	10	-	275,013
Inter-segment sales	466	31,810	-	1,270	5,000	(38,546)	-
Total revenue	129,933	32,586	143,737	2,293	-	(38,546)	275,013
RESULTS							
Operating profit	1,401	220	4,435	256	3,798	(5,000)	5,109
Financing cost	(2,046)	-	(1,742)	(6)	(144)	-	(3,938)
Income taxes	(361)	(58)	(890)	(71)	(1,175)	2,288	(267)
Net profit/(loss)	(1,006)	162	1,803	179	2,479	(2,712)	905

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. Capital commitments

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

14. Related Party Transactions

	3 months ended		12 months ended	
	31.01.14	31.01.13	31.01.14	31.01.13
	RM'000	RM'000	RM'000	RM'000
Income				
Sale of construction materials to:				
-Lee Ling Construction & Development Sdn. Bhd.	254	74	381	540
-Limba Jaya Timber Sdn. Bhd.	79	48	200	174
-Pahaytc Sdn. Bhd.	11	107	36	137
-Lee Ling Timber Sdn. Bhd.	0	2	0	2
Expenditure				
Purchase of sawn timber				
-Lee Ling Timber Sdn. Bhd.	481	1,193	7,795	10,068
Construction works				
-Lee Ling Construction & Development Sdn. Bhd.	3,340	0	3,340	0
Rental of office				
-BMK Development Sdn. Bhd.	27	39	10	107

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

The Group has recorded a slightly higher revenue in the current quarter at RM39 million compared to RM35 million recorded in the last quarter. However, compared to the same quarter of last financial year, revenue has dropped by 37.3% or RM23 million due to lower revenue recorded from the construction and property development division and ready mixed concrete division. Collectively, both divisions have seen their revenue down by RM23 million.

The Group's annual revenue has decreased significantly by RM123 million due to lower revenue generated from projects as most of the projects are in their final stage. Other divisions in the Group also experiencing a slowdown in the respective industry due to slower demand from the market.

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

In the current quarter, the Group has incurred LBT of RM5.5 million representing an increase of RM4.3 million compared to the last quarter. The loss mainly derived from higher operating costs due to delay on project completion and also impairment of trade receivables of RM1.6 million during the quarter.

For the current financial year, the Group recorded LBT of RM9.7 million compared to the PBT of RM1.2 million due to the significant drop in revenue in the current year coupled with the lower profit margin from the existing projects on hands.

17. Current year prospects

In view of the current market condition, the management will continue to explore ways to expand its revenue source while at the same time be more prudent in costs control to ensure the financial stability of the Group is not compromised. The Group has several development projects in the pipeline currently, barring any unforeseen circumstances, the management is confident that the Group's financial will improve in the coming quarters.

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

	12 months ended 31/01/2014 RM'000	12 months ended 31/01/2013 RM'000
- Current period taxation	977	499
- Over/(Under) provision of taxation	(31)	(236)
- Deferred taxation	(906)	4
	<u>40</u>	<u>267</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 31/01/14 Total RM'000
Secured:	
Term loans	14,201
Bank overdrafts	11,141
Revolving credits	20,000
Bankers' acceptance	34,290
Hire purchase	3,977
	83,609
Repayable within twelve months	68,705
Repayable after twelve months	14,904
	83,609

The above borrowings are denominated in Ringgit Malaysia

22. Earnings per share

	Individual quarter ended	
	31/01/2014	31/01/2013
	RM'000	RM'000
Net profit/(loss) attributable to owners of the parent	<u>(5,362)</u>	<u>793</u>
Weighted average number of ordinary shares	Individual quarter ended	
	31/01/2014	31/01/2013
	'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 January 2014 / 2013	<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)	(9.25)	1.37
Fully diluted (sen)	(9.25)	1.37
	Cumulative year to date	
	31/01/2014	31/01/2013
	RM'000	RM'000
Net profit/(loss) attributable to owners of the parent	<u>(9,848)</u>	<u>(3,244)</u>
Weighted average number of ordinary shares	Cumulative year to date	
	31/01/2014	31/01/2013
	'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 January 2014 / 2013	<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)	(16.99)	(5.60)
Fully diluted (sen)	(16.99)	(5.60)

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	
	31/01/2014	31/01/2013	31/01/2014	31/01/2013
	RM'000	RM'000	RM'000	RM'000
Amortisation of prepaid land lease	44	98	319	391
Bad debts written back	(3)	-	(145)	(4)
Depreciation of property, plant & equipment	1,013	1,482	4,532	4,552
(Gain)/Loss on disposal of other investment	-	-	(1,182)	(300)
Interest expenses	1,475	794	3,938	3,854
Interest income	(18)	(94)	(82)	(149)
Impairment loss on receivables	1,589	56	1,597	1,134
Inventory written off	-	1,671	-	1,671
Net fair value changes in investment securities	(175)	(135)	(183)	849
Property, plant & equipment written off	10	14	170	121


QUALITY CONCRETE HOLDINGS BERHAD

25. Realised and unrealised profits/losses

	As at 31/01/2014 RM'000	(Restated) As at 31/01/2013 RM'000
Total retained earnings of the Company and its subsidiaries:		
-Realised	71,193	71,672
-Unrealised	3,066	3,971
	<u>74,259</u>	<u>75,643</u>
Less: Consolidation adjustment	(17,378)	(8,916)
Retained earnings as per consolidated accounts	<u>56,881</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 28 March 2014.