

## 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 2014. 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 2014.

### 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 2014 except for the adoption of the following with effect from 1 February 2014:

- MFRS 10, Consolidated Financial Statements
- MFRS 11, Joint Arrangements
- MFRS 12, Disclosure of Interests in Other Entities
- MFRS 127, Separate Financial Statements
- MFRS 132, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136, Impairment of Assets-Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139, Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21, Levies

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 2014 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:

6 months ended 31 July 2014	Manufacturing RM '000	Trading RM '000	Property development & Construction RM '000	Quarry operation RM '000	Investment & mgt services RM '000	Eliminations /Adjustment RM '000	Total RM '000
<b>REVENUE</b>							
External sales	55,748	363	24,503	684	-	-	81,298
Inter-segment sales	3,645	14,103	-	1,217	-	(18,965)	-
Total revenue	59,393	14,466	24,503	1,901	-	(18,965)	81,298
<b>RESULTS</b>							
Operating profit	2,300	197	(3,159)	392	(1,112)	-	(1,381)
Financing cost	(1,064)	-	(987)	(1)	(117)	-	(2,169)
Income taxes	(305)	-	(181)	(98)	-	550	(34)
Net profit/(loss)	930	197	(4,327)	293	(1,229)	550	(3,584)

6 months ended 31 July 2013	Manufacturing RM '000	Trading RM '000	Property development & construction RM '000	Quarry operation RM '000	Investment & mgt services RM '000	Eliminations /Adjustment RM '000	Total RM '000
<b>REVENUE</b>							
External sales	58,449	164	18,526	565	-	-	77,704
Inter-segment sales	39	14,198	-	890	1,650	(16,777)	-
Total revenue	58,488	14,362	18,526	1,455	-	(16,777)	77,704
<b>RESULTS</b>							
Operating profit	1,228	20	(3,092)	231	2,135	(1,650)	(1,128)
Financing cost	(990)	-	(911)	(3)	(47)	-	(1,951)
Income taxes	(93)	-	-	(64)	(523)	413	(267)
Net profit/(loss)	145	20	(4,003)	164	1,565	(1,237)	(3,346)

## 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		6 months ended	
	31.07.14	31.07.13	31.07.14	31.07.13
	RM'000	RM'000	RM'000	RM'000
<b>Income</b>				
Sale of construction materials to:				
-Lee Ling Construction & Development Sdn. Bhd.	31	11	31	12
-Limba Jaya Timber Sdn. Bhd.	55	7	55	70
-Pahaytc Sdn. Bhd.	-	3	-	17
-Lee Ling Timber Sdn. Bhd.	1	6	1	6
<b>Expenditure</b>				
Purchase of sawn timber				
-Lee Ling Timber Sdn. Bhd.	3,879	4,031	6,615	7,314
Construction works				
-Lee Ling Construction & Development Sdn. Bhd.	1,095	-	2,695	-
Rental of office				
-BMK Development Sdn. Bhd.	27	27	54	54

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

The Group recorded revenue of RM81.3 million year to date which represents a RM3.6 million increase as compared to the same period of last year. During the period under review, the manufacturing division has seen its revenue consistent with that of the same period of last year while property development & construction division has shown an increase of RM6.0 million from RM18.5 million recorded in the same period last year due to increase in construction activities.

Revenue recorded in the current quarter is at RM42.7 million which represents an increase of RM4.0 million as compared to RM38.6 million recorded in the last quarter. The lower revenue recorded in the previous quarter are mainly due to lower construction activities in the previous quarter because of festive season.

**16. Comment on material change in loss before taxation (“LBT”)**

LBT recorded for the first 6 months ended 31 July 2014 is at RM3.6 million which is RM0.5 million higher than RM3.1 million recorded in the same period last year. The slight increase in LBT of RM0.5 million is due to the increase in operating cost of the Group.

The Group recorded a lower LBT of RM0.5 million compared to RM3.1 million recorded in the last quarter. Improvements are mainly due to lower LBT recorded by the property development & construction division which recorded LBT of RM0.4 million compared to LBT of RM3.8 million in the previous quarter. The lower LBT recorded in the current quarter is due to higher construction activities in the current quarter.

**17. Current year prospects**

In view of the challenging 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.

**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**

	<b>6 months ended 31/07/2014 RM'000</b>	<b>6 months ended 31/07/2013 RM'000</b>
- Current period taxation	34	267
- Over/(Under) provision of taxation	-	-
- Deferred taxation	-	-
	<u>34</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**

	<b>As At 31/07/14 Total RM'000</b>
<b>Secured:</b>	
Term loans	13,061
Bank overdrafts	8,681
Revolving credits	18,000
Bankers' acceptance	38,367
Hire purchase	2,944
	81,053
Repayable within twelve months	67,378
Repayable after twelve months	13,675
	81,053

The above borrowings are denominated in Ringgit Malaysia

**22. Earnings per share**

	<b>Individual quarter ended</b>	
	<b>31/07/2014</b>	<b>31/07/2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Net loss attributable to owners of the parent	<u>(490)</u>	<u>(1,642)</u>
<b>Weighted average number of ordinary shares</b>	<b>Individual quarter ended</b>	
	<b>31/07/2014</b>	<b>31/07/2013</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 3 months period ended 30 April 2014 / 2013	-	-
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)	(0.85)	(2.83)
Fully diluted (sen)	(0.85)	(2.83)
	<b>Cumulative year to date</b>	
	<b>31/07/2014</b>	<b>31/07/2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Net loss attributable to owners of the parent	<u>(3,537)</u>	<u>(3,443)</u>
<b>Weighted average number of ordinary shares</b>	<b>Cumulative year to date</b>	
	<b>31/07/2014</b>	<b>31/07/2013</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 3 months period ended 30 April 2014 / 2013	-	-
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)	(6.10)	(5.94)
Fully diluted (sen)	(6.10)	(5.94)



### 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 9 June 2014 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	
	31/07/2014	31/07/2013	31/07/2014	31/07/2013
	RM'000	RM'000	RM'000	RM'000
Amortisation of prepaid land lease	79	108	159	196
Bad debts written back	(14)	-	(21)	-
Depreciation of property, plant & equipment	1,166	1,163	2,280	2,320
(Gain)/Loss on disposal of other investment	-	(1,182)	-	(1,182)
Interest expenses	751	985	1,602	1,951
Interest income	(13)	(3)	(22)	(5)
Impairment loss on receivables	-	-	-	-
Inventory written off	-	-	-	-
Net fair value changes in investment securities	(40)	344	(177)	(38)
Property, plant & equipment written off	357	89	357	97


**QUALITY CONCRETE HOLDINGS BERHAD**


---

**25. Realised and unrealised profits/losses**

	<b>As at 31/07/2014 RM'000</b>	<b>(Restated) As at 31/01/2014 RM'000</b>
Total retained earnings of the Company and its subsidiaries:		
-Realised	66,873	110,193
-Unrealised	3,188	3,066
	<u>70,061</u>	<u>113,259</u>
Less: Consolidation adjustment	(16,753)	(56,416)
Retained earnings as per consolidated accounts	<u>53,308</u>	<u>56,843</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 29 September 2014.