

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 2015. 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 2015.

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 2015 except for the adoption of the following with effect from 1 February 2015:

- 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 2015 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 2016	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
REVENUE							
External sales	121,556	(306)	62,790	1,579	25	-	185,643
Inter-segment sales	345	32,576	-	2,400	-	(35,321)	-
Total revenue	121,901	32,270	62,790	3,979	25	(35,321)	185,643
RESULTS							
Operating profit	(964)	460	7,126	514	(3,341)	7,852	11,647
Financing cost	(1,913)	-	(2,430)	(4)	(271)	-	(4,617)
Income taxes	97	(107)	(1,381)	(178)	4	-	(1,565)
Net profit/(loss)	(2,780)	353	3,315	332	(3,608)	7,852	5,464

12 months ended 31 January 2015	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
REVENUE							
External sales	114,751	914	56,931	1,583	10	-	174,189
Inter-segment sales	4,529	29,269	-	2,258	-	(36,056)	-
Total revenue	119,280	30,183	56,931	3,841	-	(36,056)	174,189
RESULTS							
Operating profit	(6,007)	98	2,771	286	(2,919)	-	(5,771)
Financing cost	(1,799)	-	(2,078)	(2)	(294)	-	(4,173)
Income taxes	1,380	(95)	(536)	(177)	234	800	1,606
Net profit/(loss)	(6,426)	3	157	107	(2,979)	800	(8,338)

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	
	31.01.16 RM'000	31.01.15 RM'000	31.01.16 RM'000	31.01.15 RM'000
Income				
Sale of construction materials to:				
-Lee Ling Construction & Development Sdn. Bhd.	113.4	-	135.4	54.2
-Limba Jaya Timber Sdn. Bhd.	-	-	161.3	111
-Pahaytc Sdn. Bhd.	-	-	5	-
-Lee Ling Timber Sdn. Bhd.	-	1,211	7.1	1,283
Expenditure				
Purchase of sawn timber				
-Lee Ling Timber Sdn. Bhd.	2,995	2,065	12,937	11,977
Construction works				
-Lee Ling Construction & Development Sdn. Bhd.	804	12,293	20,678	19,484
Rental of office				
-BMK Development Sdn. Bhd.	27	27	108	108

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

The Group's current revenue of RM72.6 million is significantly higher compared to last quarter's group revenue of RM38.6 million mainly due to revenue recognition for its property development division. The revenue of RM35.4 million from the completed shop commercial properties sold was recognized in the current quarter in compliance with MFRS118 Revenue Recognition. Revenue from the manufacturing division and construction division has down by RM3.7 million and RM1.8 million respectively due to weaker market.

The Group revenue for the year of RM185 million, an increase of RM11.5 million compared to last year was mainly due to the revenue contribution from the property development division as mentioned above.

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

In tandem with the increase in revenue from the property development division, the PBT for the Group in the current quarter has shown a better performance with PBT of RM15.9 million whereas the last quarter the Group has registered LBT of RM1.3 million.

For the financial year under review, the Group has registered PBT of RM7.0 million compared to LBT of RM9.9 million in the last financial year. The turnaround was mainly due to profit contributed from the property development project.

17. Current year prospects

While the Group managed to register a better performance during the year, the management is mindful of the challenges ahead. The Group will continue to explore ways to achieve better efficiency without compromising the quality and delivery of our products and services and the same time looking for new business opportunity in the coming year. We are cautiously optimistic that with the launching of the PR1MA Housing projects and Pan Borneo Highway Project in Sarawak, the Group would be able to maintain its performance in the year ahead.

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 31/01/2016 RM'000	12 months ended 31/01/2015 RM'000
- Current period taxation	1,610	837
-(Over)/Under provision of taxation	(89)	(1,137)
- Deferred taxation	44	(1,306)
	<u>1,565</u>	<u>(1,606)</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 31/01/16 Total RM'000
Secured:	
Term loans	10,258
Bank overdrafts	8,497
Revolving credits	33,200
Bankers' acceptance	20,627
Hire purchase	3,342
	75,924
Repayable within twelve months	65,256
Repayable after twelve months	10,668
	75,924

The above borrowings are denominated in Ringgit Malaysia

22. Earnings per share

	Individual quarter ended	
	31/01/2016	31/01/2015
	RM'000	RM'000
Net loss attributable to owners of the parent	<u>15,440</u>	<u>(6,806)</u>
Weighted average number of ordinary shares	Individual quarter ended	
	31/01/2016	31/01/2015
	'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 2015 / 2014	-	-
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)	26.64	(11.74)
Fully diluted (sen)	26.64	(11.74)
	Cumulative year to date	
	31/01/2016	31/01/2015
	RM'000	RM'000
Net loss attributable to owners of the parent	<u>5,582</u>	<u>(8,208)</u>
Weighted average number of ordinary shares	Cumulative year to date	
	31/01/2016	31/01/2015
	'000	'000
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 2015 / 2014	-	-
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)	9.63	(14.16)
Fully diluted (sen)	9.63	(14.16)

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 8 June 2015 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	
	31/01/2016	31/01/2015	31/01/2016	31/01/2015
	RM'000	RM'000	RM'000	RM'000
Amortisation of prepaid land lease	46	80	319	319
Bad debts written back	11	(28)	(115)	(54)
Depreciation of property, plant & equipment	1,340	1,375	4,961	4,885
(Gain)/Loss on disposal of other investment	306	-	306	-
Interest expenses	1,138	792	4,617	4,173
Interest income	(1,281)	(30)	(1,344)	(154)
Impairment loss on receivables	421	6,637	421	6,637
Inventory written off	196	2,433	196	2,433
Net fair value changes in investment securities	(215)	464	(177)	407
Property, plant & equipment written off	-	(715)	3	698


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25. Realised and unrealised profits/losses

	As at 31/10/2015 RM'000	As at 31/01/2015 RM'000
Total retained earnings of the Company and its subsidiaries:		
-Realised	93,952	102,656
-Unrealised	(141)	1,317
	<u>93,811</u>	<u>103,973</u>
Less: Consolidation adjustment	(55,492)	(55,486)
Retained earnings as per consolidated accounts	<u>38,319</u>	<u>48,487</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 30 March 2016.