

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 2017. 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 2017.

2. Significant Accounting Policies

The audited financial statements of the Group for the year ended 31 January 2017 were prepared in accordance with Malaysian Financial Reporting Standards (MFRS). The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 January 2017.

3. Auditors’ report on preceding annual financial statements

The Group’s audited financial statements for the financial year ended 31 January 2017 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 2017	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	73,763	3,087	254	775	-	-	77,880
Inter-segment sales	103	17,175	-	1,565	-	(18,843)	-
Total revenue	73,866	20,262	254	2,340	-	(18,843)	77,880
RESULTS							
Operating profit	(4,616)	347	(380)	330	(1,325)	(320)	(5,965)
Financing cost	(1,460)	(221)	(1,673)	(1)	(310)	-	(3,664)
Income taxes	-	-	-	(81)	-	-	(81)
Net profit/(loss)	(6,075)	126	(2,053)	248	(1,635)	(320)	(9,711)

9 months ended 31 October 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	79,964	64	18,260	582	-	-	98,870
Inter-segment sales	524	21,800	-	1,298	-	(23,622)	-
Total revenue	80,488	21,864	18,260	1,880	-	(23,622)	98,870
RESULTS							
Operating profit	883	269	(3,177)	165	(1,378)	-	(3,238)
Financing cost	(1,630)	-	(1,802)	(2)	(172)	-	(3,607)
Income taxes	(8)	(3)	-	(54)	-	-	(65)
Net profit/(loss)	(755)	266	(4,979)	109	(1,550)	-	(6,909)

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.

13. Related Party Transactions

	3 months ended		9 months ended	
	31.10.17	31.10.16	31.10.17	31.10.16
	RM'000	RM'000	RM'000	RM'000
Income				
Sale of construction materials to:				
-Lee Ling Construction & Development Sdn. Bhd.	277	1,306	4,154	4,574
-Limba Jaya Timber Sdn. Bhd.	-	100	33	35
-Lee Ling Timber Sdn. Bhd.	52	-	61	1
-Metro 360 Hotel Sdn. Bhd.	-	-	3	-
-Yong Teck Construction	-	-	-	47
Expenditure				
Purchase of sawn timber				
-Lee Ling Timber Sdn. Bhd.	1,744	2,787	10,739	6,899
Construction works				
-Lee Ling Construction & Development Sdn. Bhd.	252	1,617	3,945	2,354
Rental of office				
-BMK Development Sdn. Bhd.	27	27	81	81



14. Review of performance of the Group

The Group's revenue recorded for the 9 months period to date is at RM77.9 million, a RM21.0 million decreased compared to the same period of last year. The manufacturing segment has seen its current period revenue decrease by RM6.6 million as revenue from the ready mixed division has dropped by RM11.9 million as compared to the corresponding period of last year. The drop in revenue was largely due to slow down in the property development sector as a whole while supplies to government projects is less than expected due to delays and slow progress from contractors. On the other hand revenue from the pipes division has increased by RM4.6 million. The Construction & Property development segment also seen its revenue dropped by RM18.0 million in absent of new project secured and without new development project completed in the period under review.

Group Revenue recorded in the current quarter is at RM24.1 million which is RM19.6 million lower than the corresponding quarter of last year. The manufacturing division saw its revenue decreased by RM4.6 million as the demand for ready mixed concrete products had dropped by RM4.3 million. The Construction & Property development division also recorded a lower revenue of RM0.1 million as compared to RM16.7 million recorded in the same quarter of last financial year due to the absent of revenue from completed development project.

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

The Group has recorded LBT of RM9.6 million for the period ended 31 October 2017 as compared to LBT of RM6.8 million recorded in the corresponding period of the last financial year in line with the drop in revenue. The manufacturing segment has recorded a higher LBT of RM6.1 million as compare to LBT of RM0.7 million recorded in the same period of last financial year mainly due to the widening loss from the Ready Mixed Concrete Division as a result of weaker demands and competitive environment.

The Group's current quarter LBT of RM3.8 million is RM0.1 million lower than in the corresponding quarter of last financial year. The increase in loses in the Manufacturing segment of RM2.6 million primary due to the lower demand of ready mixed concrete products and higher operating costs. Meanwhile Construction & Property Development segment recorded a decrease in LBT of RM3.1 million due to the absent of construction project loses recorded in the same quarter of last year.

16. Current year prospects

The management is mindful of the challenges ahead and is taking measures to improve the performance of the Group and ensure better efficiency. Externally we will continue to seek new opportunities to secure more revenue, while internally cost cutting and streamlining the operation to achieve better outputs and efficiency. The market will continue to pose a big challenge to the construction industry, and management will continue to be prudent in our approach to ensure the Group is in a strong footing to meet this challenges.

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

	9 months ended 31/10/2017 RM'000	9 months ended 31/10/2016 RM'000
- Current period taxation	81	65
-(Over)/Under provision of taxation	-	-
- Deferred taxation	-	-
	<u>81</u>	<u>65</u>

19. 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.

20. Group borrowings and debt securities

	As At 31/10/17 Total RM'000
Secured:	
Term loans	9,941
Bank overdrafts	15,630
Revolving credits	26,500
Bankers' acceptance	22,970
Hire purchase	3,262
	78,303
Repayable within twelve months	71,238
Repayable after twelve months	7,065
	78,303

The above borrowings are denominated in Ringgit Malaysia


QUALITY CONCRETE HOLDINGS BERHAD
21. Earnings per share

	Individual quarter ended	Individual quarter ended
	31/10/2017	31/10/2016
	RM'000	RM'000
Net loss attributable to owners of the parent	<u>(3,719)</u>	<u>(3,858)</u>
Weighted average number of ordinary shares		
	Individual quarter ended	Individual quarter ended
	31/10/2017	31/10/2016
	'000	'000
Issued and fully paid share capital at beginning of the financial period	57,962	57,962
Effect of shares issued during the 9 months period ended 31 October 2017 / 2016	<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)	(6.42)	(6.66)
Fully diluted (sen)	(6.42)	(6.66)
	Cumulative year to date	Cumulative year to date
	31/10/2017	31/10/2016
	RM'000	RM'000
Net loss attributable to owners of the parent	<u>(9,244)</u>	<u>(6,801)</u>
Weighted average number of ordinary shares		
	Cumulative year to date	Cumulative year to date
	31/10/2017	31/10/2016
	'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 2017 / 2016	<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)	(15.95)	(11.73)
Fully diluted (sen)	(15.95)	(11.73)

22. 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 2017 and previously announced quarterly reports.

23. Comprehensive Income Disclosures

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

	Individual Quarter		Cumulative Quarter	
	31/10/2017	31/10/2016	31/10/2017	31/10/2016
	RM'000	RM'000	RM'000	RM'000
Amortisation of prepaid land lease	80	80	240	240
Bad debts written back	(407)	(4)	(941)	(12)
Depreciation of property, plant & equipment	1,449	1,204	4,337	3,706
(Gain)/Loss on disposal of other investment	-	-	163	(275)
Interest expenses	1,296	1,033	3,664	3,606
Interest income	(169)	(39)	(370)	(76)
Impairment loss on receivables	-	(2)	-	(3)
Inventory written off	-	-	-	-
Net fair value changes in investment securities	72	42	(42)	65
Property, plant & equipment written off	(135)	(19)	45	79


24. Realised and unrealised profits/losses

	As at 31/10/2017 RM'000	As at 31/01/2017 RM'000
Total retained earnings of the Company and its subsidiaries:		
-Realised	81,409	90,589
-Unrealised	1,548	1,548
	<u>82,957</u>	<u>92,137</u>
Less: Consolidation adjustment	(46,706)	(47,643)
Retained earnings as per consolidated accounts	<u>36,251</u>	<u>45,494</u>

25. 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 December 2017.