



**DFCITY GROUP BERHAD**

*(formerly known as Hock Heng Stone Industries Bhd.)*

**(Company No. : 200801038692 (840040-H))**

**(Incorporated in Malaysia)**

**Condensed Consolidated  
Interim Financial Statements  
For the fourth quarter ended  
31 December 2021**

Company No. : 200801038692 (840040-H)

DFCITY Group Berhad  
(formerly known as Hock Heng Stone Industries Bhd.)  
(Incorporated in Malaysia)

Condensed Consolidated Statements of Comprehensive Income  
For the fourth quarter ended 31 December 2021  
(The figures have not been audited)

	Note	Individual quarter		Cumulative quarter	
		Current year quarter ended 31.12.2021 RM'000	Preceding year corresponding quarter ended 31.12.2020 RM'000	Current year- to-date 31.12.2021 RM'000	Preceding year corresponding period 31.12.2020 RM'000
<b>Continuing operations</b>					
Revenue		4,691	5,524	16,972	15,940
Cost of sales		(3,313)	(3,991)	(13,491)	(12,739)
<b>Gross profit</b>		<b>1,378</b>	<b>1,533</b>	<b>3,481</b>	<b>3,201</b>
Other income		279	293	2,453	3,187
Administrative, general and selling expenses		(1,621)	(1,389)	(5,385)	(5,640)
Operating profit		36	437	549	748
Finance costs		(357)	(436)	(1,557)	(1,904)
<b>(Loss) / Profit before tax</b>	24	<b>(321)</b>	<b>1</b>	<b>(1,008)</b>	<b>(1,156)</b>
Income tax expense	25	(120)	(185)	(272)	(175)
<b>Loss for the period</b>		<b>(441)</b>	<b>(184)</b>	<b>(1,280)</b>	<b>(1,331)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the period</b>		<b>(441)</b>	<b>(184)</b>	<b>(1,280)</b>	<b>(1,331)</b>
<b>Loss attributable to:</b>					
Owners of the parent		(259)	(145)	(921)	(1,089)
Non-controlling interests		(182)	(39)	(359)	(242)
		<b>(441)</b>	<b>(184)</b>	<b>(1,280)</b>	<b>(1,331)</b>
<b>Total comprehensive loss attributable to:</b>					
Owners of the parent		(259)	(145)	(921)	(1,089)
Non-controlling interests		(182)	(39)	(359)	(242)
		<b>(441)</b>	<b>(184)</b>	<b>(1,280)</b>	<b>(1,331)</b>
<b>Loss per share attributable to owners of the parent:</b>					
Basic, for the period (sen)	35	(0.25)	(0.16)	(0.87)	(1.24)
Diluted, for the period (sen)	35	N/A	N/A	N/A	N/A

Notes:

N/A Not applicable

These Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to these interim financial statements.

Company No. : 200801038692 (840040-H)

DFCITY Group Berhad  
(formerly known as Hock Heng Stone Industries Bhd.)  
(Incorporated in Malaysia)

Condensed Consolidated Statements of Financial Position  
As at 31 December 2021

	Note	As at 31.12.2021 RM'000	As at 31.12.2020 RM'000 (Restated)	As at 01.01.2020 RM'000 (Restated)
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	7	16,553	19,084	21,829
Investment properties	8	4,041	5,551	4,707
Right-of-use assets		2,890	3,411	4,188
Inventories		3,880	3,880	3,880
Deferred tax assets		-	-	-
		<u>27,364</u>	<u>31,926</u>	<u>34,604</u>
<b>Current assets</b>				
Assets held for sale		1,804	1,184	-
Inventories	9	49,953	49,949	50,746
Trade receivables and other receivables	27	6,031	4,728	4,577
Other current assets		775	435	597
Contract assets		684	-	-
Current tax assets		346	490	545
Cash and bank balances		8,472	2,907	3,028
		<u>68,065</u>	<u>59,693</u>	<u>59,493</u>
<b>Total assets</b>		<u>95,429</u>	<u>91,619</u>	<u>94,097</u>
<b>Equity and liabilities</b>				
<b>Equity attributable to owners of the parent</b>				
Share capital		51,676	44,398	44,398
Treasury shares		(15)	(15)	(15)
Retained earnings		5,907	6,828	7,917
		<u>57,568</u>	<u>51,211</u>	<u>52,300</u>
Non-controlling interests		(3,477)	(3,118)	(2,876)
<b>Total equity</b>		<u>54,091</u>	<u>48,093</u>	<u>49,424</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities		57	230	208
Borrowings	28	17,395	19,167	20,726
Lease liabilities	28	293	439	681
		<u>17,745</u>	<u>19,836</u>	<u>21,615</u>
<b>Current liabilities</b>				
Trade payables and other payables		10,676	10,151	9,223
Contract liabilities		-	163	-
Lease liabilities	28	232	321	400
Borrowings	28	12,685	13,055	13,435
		<u>23,593</u>	<u>23,690</u>	<u>23,058</u>
<b>Total liabilities</b>		<u>41,338</u>	<u>43,526</u>	<u>44,673</u>
<b>Total equity and liabilities</b>		<u>95,429</u>	<u>91,619</u>	<u>94,097</u>
Net assets per share attributable to equity holders of the Company (sen)		<u>54.52</u>	<u>58.20</u>	<u>59.43</u>

These Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to these interim financial statements.

Company No. : 200801038692 (840040-H)

DFCITY Group Berhad  
(formerly known as Hock Heng Stone Industries Bhd.)  
(Incorporated in Malaysia)

Condensed Consolidated Statements of Changes in Equity  
For the fourth quarter ended 31 December 2021  
(The figures have not been audited)

	Attributable to equity holders of the parent					Total equity attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Distributable Retained earnings RM'000	Share capital RM'000	Non-controlling interests RM'000			
Opening balance at 1 January 2020	44,398	(15)	11,095	55,478	(296)	55,182		
- As previously reported	-	-	(3,178)	(3,178)	(2,580)	(5,758)		
- Effect on adoption of IRRIC Agenda Decision	44,398	(15)	7,917	52,300	(2,876)	49,424		
As restated	-	-	(1,089)	(1,089)	(242)	(1,331)		
Total comprehensive loss for the period	44,398	(15)	6,828	51,211	(3,118)	48,093		
Closing balance at 31 December 2020 (restated)	44,398	(15)	6,828	51,211	(3,118)	48,093		
Opening balance at 1 January 2021 (restated)	-	-	(921)	(921)	(359)	(1,280)		
Total comprehensive loss for the period	7,278	-	-	7,278	-	7,278		
Transactions with owners	36	-	-	-	-	-		
Issuance of share capital	51,676	(15)	5,907	57,568	(3,477)	54,091		
Closing balance at 31 December 2021								

These Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to these interim financial statements.

Company No. : 200801038692 (840040-H)

DFCITY Group Berhad  
(formerly known as Hock Heng Stone Industries Bhd.)  
(Incorporated in Malaysia)

Condensed Consolidated Statements of Cash Flows  
For the fourth quarter ended 31 December 2021  
(The figures have not been audited)

	Note	Current year- to-date 31.12.2021 RM'000	Preceding year corresponding period 31.12.2020 RM'000
<b>Cash flows from operating activities</b>			
Loss before tax		(1,008)	(1,156)
Adjustment for:			
Amortisation of right-of-use assets		255	395
Depreciation of property, plant and equipment		1,078	1,094
Depreciation of investment properties		122	125
Impairment loss on trade receivables		-	89
Reversal of impairment loss on trade receivables		(1,181)	(225)
Reversal of impairment loss on other current assets		-	(200)
Reversal of impairment loss on inventories		(5)	-
Unrealised loss on foreign exchange		-	(2)
Gain on disposal of property, plant and equipment		(105)	(24)
Gain on disposal of investment properties		(708)	-
Inventories written down		42	77
Termination of lease		-	1
Interest expense		1,557	1,904
Interest income		(12)	(21)
<b>Operating profit before changes in working capital</b>		<u>35</u>	<u>2,057</u>
Changes in working capital:			
Property development costs		5,389	(12)
Inventories		(5,429)	732
Receivables		(121)	186
Contract asset		(847)	-
Contract liabilities		-	163
Other current assets		(340)	161
Payables		489	931
<b>Cash (used in)/generated from operations</b>		<u>(824)</u>	<u>4,218</u>
Income tax paid		(384)	(260)
Income tax refunded		83	162
<b>Net cash (used in)/from operating activities</b>		<u>(1,125)</u>	<u>4,120</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(106)	(143)
Proceeds from disposal of property, plant and equipment	7	850	25
Proceeds from disposal of investment property	8	2,590	-
Interest received		12	21
<b>Net cash from/(used in) investing activities</b>		<u>3,346</u>	<u>(97)</u>
<b>Cash flows from financing activities</b>			
Deposit (pledged to) / withdrawn from licensed banks		(12)	86
Interest paid		(1,557)	(1,839)
Increase / (decrease) of short term borrowings		654	(253)
Repayment of term loans		(2,066)	(1,006)
Repayment of obligation under finance leases		(235)	(328)
Net proceed from issuance of ordinary shares		7,278	-
<b>Net cash from / (used in) financing activities</b>		<u>4,062</u>	<u>(3,340)</u>

Company No. : 200801038692 (840040-H)

DFCITY Group Berhad  
(formerly known as Hock Heng Stone Industries Bhd.)  
(Incorporated in Malaysia)

Condensed Consolidated Statements of Cash Flows (Continued)  
For the fourth quarter ended 31 December 2021  
(The figures have not been audited)

	Current year- to-date 31.12.2021 RM'000	Preceding year corresponding period 31.12.2020 RM'000
Net increase in cash and cash equivalents	6,283	683
Cash and cash equivalents at beginning of period	(1,295)	(1,978)
Cash and cash equivalents at end of period	10 <u>4,988</u>	<u>(1,295)</u>

These Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to these interim financial statements.

Company No. : 200801038692 (840040-H)

DFCITY Group Berhad  
(formerly known as Hock Heng Stone Industries Bhd.)  
(Incorporated in Malaysia)

Notes to the Interim Financial Statements for the fourth quarter ended 31 December 2021

Part A - Explanatory notes pursuant to Malaysian Financial Reporting Standard 134

## 1. Basis of preparation

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

These condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020. The explanatory notes attached to these 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 financial year ended 31 December 2020.

## 2. Significant accounting policies and application of MFRS

2.1 The accounting policies and methods of computation adopted for the interim financial report are consistent with those adopted for the annual audited financial statements for the financial year ended 31 December 2020 except for the adoption of the following new MFRSs, Amendments to MFRS and IC interpretations that are effective for the Group.

### 2.2 MFRS, Amendments to MFRSs and IC Interpretation Issued That Are Effective

The Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

*Effective for financial periods beginning on or after 1 January 2021*

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 *Interest rate benchmark Reform - Phase 2*
- *IFRIC Agenda Decision on MFRS 123 Borrowing costs*

There is no material impact upon adoption of these amendments to the interim financial statements during the current financial period except for the adoption of the Agenda Decision on MFRS 123 Borrowing Costs, which is discussed below.

#### **IFRIC Agenda Decision on MFRS 123 Borrowing Costs**

In March 2019, the IFRS Interpretations Committee ("IFRIC") published an Agenda Decision on borrowing costs confirming, receivables, contract assets and inventories for which revenue is recognised over time are non-qualification assets. On 20 March 2019, the Malaysian Accounting Standard Board announced that an entity shall apply the change in accounting policy as a result of this Agenda Decision to financial statement of of annual periods beginning on or after 1 July 2020.

The Group has adopted the IFRIC Agenda Decision retrospectively in its financial position as at 1 Jan 2020 and throughout all comparative interim periods presented, as if these policies had always been in effect. Comparative information in this interim financial statements have been restated to give effect to the above changes

Company No. : 200801038692 (840040-H)

DFCITY Group Berhad  
(formerly known as Hock Heng Stone Industries Bhd.)  
(Incorporated in Malaysia)

Part A - Explanatory notes pursuant to Malaysian Financial Reporting Standard 134 (continued)

2. Significant accounting policies and application of MFRS (continued)

2.2 MFRS, Amendments to MFRSs and IC Interpretation Issued That Are Effective (continued)

IFRIC Agenda Decision on MFRS 123 Borrowing Costs (continued)

As a result, the following comparatives in the interim financial report have been restated.

Impact on condensed consolidated statement of financial position as at 1 January 2020 (date of transition):

	As previously reported 1/1/2020	Effect on adoption of IFRIC Agenda Decision	Restated as at 1/1/2020
	RM'000	RM'000	RM'000
<b>Non-current assets</b>			
Inventories	4,076	(196)	3,880
<b>Current assets</b>			
Inventories	56,136	(5,390)	50,746
<b>Non-current liabilities</b>			
Deferred tax liability	36	172	208
<b>Equity</b>			
Retained earnings	11,095	(3,178)	7,917
Non-controlling interest	(296)	(2,580)	(2,876)

Impact on condensed consolidated statement of financial position as at 31 December 2020

	As previously reported 31/12/2020	Effect on adoption of IFRIC Agenda Decision	Restated as at 31/12/2020
	RM'000	RM'000	RM'000
<b>Non-current assets</b>			
Inventories	4,076	(196)	3,880
<b>Current assets</b>			
Inventories	55,339	(5,390)	49,949
<b>Non-current liabilities</b>			
Deferred tax liability	58	172	230
<b>Equity</b>			
Retained earnings	10,006	(3,178)	6,828
Non-controlling interest	(538)	(2,580)	(3,118)



Company No. : 200801038692 (840040-H)

DFCITY Group Berhad  
(formerly known as Hock Heng Stone Industries Bhd.)  
(Incorporated in Malaysia)

**Part A - Explanatory notes pursuant to Malaysian Financial Reporting Standard 134 (continued)**

**2. Significant accounting policies and application of MFRS (continued)**

**2.2 MFRS, Amendments to MFRSs and IC Interpretation Issued That Are Effective (continued)**

**IFRIC Agenda Decision on MFRS 123 Borrowing Costs (continued)**

There is no material impact on the consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 December 2020.

**2.3 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 April 2021**

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Company:

*Effective for financial periods beginning on or after 1 April 2021*

- Amendments to MFRS 16 *Covid 19 - Related Rent Concessions beyond 30 June 2021*

*Effective for financial periods beginning on or after 1 January 2022*

- Amendments to MFRS 1, MFRS 9, and MFRS141 *Annual improvements to MFRS Standards 2018-2020*
- Amendments to MFRS 3 *Business Combinations Reference to Conceptual Framework*
- Amendments to MFRS 116 *Property, Plant and Equipment Proceeds before Intended Use*
- Amendments to MFRS 137 *Onerous Contracts Costs of Fulfilling a Contract*

*Effective for financial periods beginning on or after 1 January 2022 (continued)*

- Amendments to MFRS 17 *Insurance Contracts*
- Amendments to MFRS 101 *Classification of Liabilities as Current or Non-Current*
- Amendments to MFRS 108 *Definition of Accounting Estimates*
- Amendments to MFRS 4 *Extension of the Temporary Exemption from Applying MFRS 9*
- Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

**3. Seasonal or cyclical factors**

The business operations of the Group are not materially affected by any seasonal or cyclical factors.

**4. Unusual items**

There were no unusual items because of their nature, size or incidence that has affected the assets, liabilities, equity, net income or cash flows of the Group during the current quarter under review.

**5. Changes in estimates**

There were no other changes in estimates that have had a material effect in the current interim results.

**6. Debt and equity securities**

There have been no cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter under review.

Company No. : 200801038692 (840040-H)

DFCITY Group Berhad  
(formerly known as Hock Heng Stone Industries Bhd.)  
(Incorporated in Malaysia)

Part A - Explanatory notes pursuant to Malaysian Financial Reporting Standard 134 (continued)

7. Property, plant and equipment

Acquisitions

Below are the property, plant and equipment acquired by the Group during the period ended:

	31.12.2021 RM'000	31.12.2020 RM'000
Renovation	-	98
Plant, machinery and factory equipment	-	29
Motor vehicles	-	2
Other assets *	106	14
	<u>106</u>	<u>143</u>

\* Other assets comprise of office equipment, furniture and fittings, electrical installation, computers and cabin.

During the period under review, the Group acquired property, plant and equipment by mean of:

	31.12.2021 RM'000	31.12.2020 RM'000
Cash outflow	106	143
	<u>106</u>	<u>143</u>

Disposals/written off

Below are the property, plant and equipment disposed by the Group during the period under review:

	Cost RM'000	Net carrying amount RM'000	Sales proceeds RM'000	Gain on disposal RM'000
<u>Disposals</u>				
Freehold land	726	726	800	74
Motor vehicles	91	19	50	31
	<u>867</u>	<u>745</u>	<u>850</u>	<u>105</u>

8. Investment properties

Disposals/written off

Below are the investment properties disposed by the Group during the period under review:

	Cost RM'000	Net carrying amount RM'000	Sales proceeds RM'000	Gain on disposal RM'000
<u>Disposals</u>				
Freehold land	460	460	690	230
Buildings	1,747	1,422	1,900	478
	<u>2,207</u>	<u>1,882</u>	<u>2,590</u>	<u>708</u>

Company No. : 200801038692 (840040-H)

DFCITY Group Berhad  
(formerly known as Hock Heng Stone Industries Bhd.)  
(Incorporated in Malaysia)

Part A - Explanatory notes pursuant to Malaysian Financial Reporting Standard 134 (continued)

9. Inventories

During the current period ended 31 December 2021, there were write-down of inventories amounting to RM 41,818.

10. Cash and bank balances

	31.12.2021 RM'000	31.12.2020 RM'000
Cash at banks and on hand	7,801	2,248
Short term deposits with licensed banks	671	659
Cash and bank balances	8,472	2,907
Less: Bank overdrafts	(2,813)	(3,543)
Less: Deposits pledged to licensed banks	(671)	(659)
<b>Total cash and cash equivalents</b>	<b>4,988</b>	<b>(1,295)</b>

11. Fair value hierarchy

No transfers between any levels of the fair value hierarchy took place during the current interim period and the comparative period. There were also no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

The Group does not hold credit enhancements or collateral to mitigate credit risk. The carrying amount of financial assets therefore represents the potential credit risk.

12. Provisions for cost of restructuring

There were no provision for, or reversal of, costs of restructuring during the reporting period.

13. Dividends paid

There were no dividends paid in the current financial quarter ended 31 December 2021.

14. Capital commitments

There were no capital commitments as at current quarter ended 31 December 2021.

15. Contingent assets and liabilities

There were no contingent assets or liabilities since 31 December 2021.

**DFCITY Group Berhad**  
(formerly known as *Hock Heng Stone Industries Bhd.*)  
(Incorporated in Malaysia)

**Part A - Explanatory notes pursuant to Malaysian Financial Reporting Standard 134 (continued)**

**16. Segment information**

The segment information in respect of the Group's operating segments are as follows:

- (i) Sales of goods - manufacture and sales of dimension stones and related products and is completed within 6 months.
- (ii) Construction - supply and installation of dimension stones and related products for projects secured and is completed over a period of more than 6 months.
- (iii) Property development - property development.
- (iv) Others - investment holding.

	Sales of goods RM'000	Construction RM'000	Property development RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>Period ended 31.12.2021</b>						
<b>Revenue:</b>						
External customers	14,244	2,728	-	-	-	16,972
Inter-segment	4,299	-	-	-	(4,299)	-
	<u>18,543</u>	<u>2,728</u>	<u>-</u>	<u>-</u>	<u>(4,299)</u>	<u>16,972</u>
<b>Results:</b>						
Depreciation and amortisation	1,385	70	-	-	-	1,455
Segment profit/(loss)	<u>540</u>	<u>(24)</u>	<u>(1,196)</u>	<u>(282)</u>	<u>(46)</u>	<u>(1,008)</u>
<b>Assets</b>						
Capital expenditure	54	52	-	-	-	106
Segment assets	<u>58,976</u>	<u>1,482</u>	<u>21,539</u>	<u>13,437</u>	<u>(5)</u>	<u>95,429</u>
<b>Segment liabilities</b>	<u>22,145</u>	<u>-</u>	<u>19,135</u>	<u>58</u>	<u>-</u>	<u>41,338</u>
	Sales of goods RM'000	Construction RM'000	Property development RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>Period ended 31.12.2020</b>						
<b>(Restated)</b>						
<b>Revenue:</b>						
External customers	15,341	599	-	-	-	15,940
Inter-segment	4,484	-	-	-	(4,484)	-
	<u>19,825</u>	<u>599</u>	<u>-</u>	<u>-</u>	<u>(4,484)</u>	<u>15,940</u>
<b>Results:</b>						
Depreciation and amortisation	1,535	78	1	-	-	1,614
Segment profit/(loss)	<u>(132)</u>	<u>1</u>	<u>(787)</u>	<u>(196)</u>	<u>(42)</u>	<u>(1,156)</u>

Company No. : 200801038692 (840040-H)

DFCITY Group Berhad  
(formerly known as Hock Heng Stone Industries Bhd.)  
(Incorporated in Malaysia)

Part A - Explanatory notes pursuant to Malaysian Financial Reporting Standard 134 (continued)

16. Segment information (continued)

	Sales of goods	Construction	Property development	Others	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>						
Capital expenditure	136	7	-	-	-	143
Segment assets	64,500	1,895	22,607	2,617	-	91,619
<b>Segment liabilities</b>	23,913	-	19,197	416	-	43,526

The following items are added to/(deducted from) segment profit to arrive at profit before tax presented in the consolidated statement of comprehensive income:

	31.12.2021 RM'000	31.12.2020 RM'000
Interest income	12	21
Finance costs	(1,557)	(1,904)
	<u>(1,545)</u>	<u>(1,883)</u>

The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

	31.12.2021 RM'000	31.12.2020 RM'000
Current tax assets	346	490
Deferred tax assets	-	-
	<u>346</u>	<u>490</u>

The Group's Sales of Goods segment continues to be the main contributor of the Group's revenue. The revenue from Sales of Goods segment decreased by RM1.1 million from RM15.34 million to RM14.24 million as compared to the preceding year. This segment had improved from loss of RM0.13 million to profit of RM0.54 million in current year period. This was mainly due to the higher other income such as gain on the disposal of assets and reversal of provision for doubtful debts.

The revenue of Construction segment increased by RM2.1 million in current year period as compared to the corresponding quarter in the preceding year was mainly due to the commencement of additional new secured projects such as IOI, G Tower, Apple 99 and other projects.

17. Changes in composition of the Group

There were no changes in the composition of the Group in the current quarter under review.

18. Events after the reporting period

There were no material events subsequent to the end of the current quarter.

Company No. : 200801038692 (840040-H)

DFCITY Group Berhad  
(formerly known as Hock Heng Stone Industries Bhd.)  
(Incorporated in Malaysia)

Part A - Explanatory notes pursuant to Malaysian Financial Reporting Standard 134 (continued)

19. Related party transactions

The Group had the following transactions with related parties during the current quarter under review and current year-to-date as well as the balances with the related parties as disclosed below:

- (i) Company in which a director, Low Kim Hock, has deemed interested by virtue of their interests in LBS Realty Sdn. Bhd. which in turn holds 70% equity interest in EMP:

- EMP Design Sdn. Bhd. ("EMP")

	Individual quarter		Cumulative quarter	
	Current year quarter ended 31.12.2021 RM'000	Preceding year corresponding quarter ended 31.12.2020 RM'000	Current year- to-date 31.12.2021 RM'000	Preceding year corresponding period 31.12.2020 RM'000
Sales of dimension stone products to EMP	22	76	140	533
			<b>Amount owed by related party</b>	
			<b>As at 31.12.2021 RM'000</b>	<b>As at 01.01.2020 RM'000</b>
EMP			41	232

The transactions above were based on negotiated and mutually agreed terms and has been approved by the shareholders in the Annual General Meeting.

Part B - Explanatory notes pursuant to Appendix 9B of the Listing Requirements

20. Review performance of the Group

3 months ended 31.12.2021

	Individual quarter		Increase/(decrease)	
	Current year quarter ended 31.12.2021 RM'000	Preceding year corresponding quarter ended 31.12.2020 RM'000	RM'000	%
Revenue	4,691	5,524	(833)	(15.1)
- Sales of goods segment	3,942	5,164	(1,222)	(23.7)
- Construction segment	749	360	389	108.1
Operating profit	1,378	1,533	(155)	(10.1)
Profit before interest and tax	36	1	35	3,500.0
Profit /(Loss) before tax	(321)	1	(322)	32,200.0
Loss after tax	(441)	(184)	(257)	(139.7)
Loss attributable to ordinary equity holders of the parent	(259)	(145)	(114)	(78.6)

The Group's revenue for current quarter ("4Q2021") ended 31 December 2021 decreased by approximately RM0.83 million or 15% to RM4.69 million as compared to the corresponding quarter in the preceeding year. The decrease in revenue for 4Q2021 was due to the significant decrease in revenue from the Sales of Goods segment by RM1.22 million. However, there is an increase in revenue from the Construction segment by RM0.38 million due to resuming the projects after MCO 3.0.

Due to the decrease in revenue, the Group's operating profit decreased from RM1.53 million in corresponding quarter in preceeding year to RM1.38 million in current year quarter and resulted higher loss before tax of RM0.32 million in current quarter as compared to the preceeding year corresponding quarter's profit before tax of RM0.001 million.

12 months ended 31.12.2021

	Cumulative quarter		Increase/(decrease)	
	Current year- to-date 31.12.2021 RM'000	Preceding year corresponding period 31.12.2020 RM'000	RM'000	%
Revenue	16,972	15,940	1,032	6.5
- Sales of goods segment	14,244	15,341	(1,097)	(7.2)
- Construction segment	2,728	599	2,129	355.4
Operating profit	3,481	3,201	280	8.7
Profit before interest and tax	549	748	(199)	26.6
Loss before tax	(1,008)	(1,156)	148	12.8
Loss after tax	(1,280)	(1,331)	51	3.8
Loss attributable to ordinary equity holders of the parent	(921)	(1,089)	168	15.4

DFCITY Group Berhad  
(formerly known as Hock Heng Stone Industries Bhd.)  
(Incorporated in Malaysia)

Part B - Explanatory notes pursuant to Appendix 9B of the Listing Requirements (continued)

20. Review performance of the Group (continued)

12 months ended 31.12.2021 (continued)

The Group's revenue for current year-to-date ("12M2021") ended 31 December 2021 shown a increase of 6.5% to RM16.97 million as compared to RM15.94 million recorded in the preceeding year mainly due to the increase in revenue generated from Construction segment by RM2.13 million offset with decreased in Sale of Goods segment by RM1.10 million. This resulted increase in operating profit by 8.7%

The Group's performance had improved in which the loss before tax lower to RM1.01 million in 12M2021 as compared to loss before tax at RM1.16 million in 12M2020 mainly due to the increase in revenue.

21. Material changes in the loss before tax as compared to the immediate preceding quarter

	Individual quarter		Increase/(decrease)	
	Current quarter ended 31.12.2021 RM'000	Preceding quarter ended 30.09.2021 RM'000	RM'000	%
Revenue	4,691	2,266	2,425	107.0
- Sales of goods segment	3,942	1,619	2,323	143.5
- Construction segment	749	647	102	15.8
Operating profit	1,378	465	913	(196.3)
Profit before interest and tax	36	220	(184)	83.6
Loss before tax	(321)	(124)	(197)	(158.9)
Loss after tax	(441)	(50)	(391)	(782.0)
Profit/(Loss) attributable to ordinary equity holders of the parent	(259)	5	(264)	5,280.0

The Group's revenue increased by RM2.43 million in current quarter as compared to the immediate preceding quarter ended 30 September 2021. Both Sales of Goods segment's revenue and Construction segment revenue were increased by RM2.33 million and RM0.10 million respectively. This was mainly due to the cessation of full movement control (FMCO 3.0) after August 2021.

Although the Group's revenue increased significantly and it generated an operating profit of RM1.40 million in current quarter, however, the Group's suffered a loss before tax of RM0.32 million which is higher as compared to the loss before tax of RM0.12 million in the immediate preceding quarter ended 30 September 2021. This was mainly due to the increase in administrative, general and selling expenses such as inventories written down.

22. Commentary on prospects

According to the Trading Economics's 2021 Outlook, Malaysia's economic grew by 3.6 percent year-on-year in Q4 of 2021, rebounding sharply from a 4.5% contraction in Q3 and above market consensus of a 3.3 percent gain. This was mainly due to surging vaccinations and boosted by further easing of COVID-19 curbs. On a seasonally adjusted quarterly basis, the GDP expanded 6.6 percent, recovering from a 3.6 percent drop in Q3 of 2021. For the whole year of 2021, the economy advanced 3.1 percent, recovering from a 5.6 percent fall in 2020 while staying below its pre-pandemic level in 2019.



Part B - Explanatory notes pursuant to Appendix 9B of the Listing Requirements (continued)

22. Commentary on prospects (continued)

Hence, the Board anticipates that the prospects for the financial year ending 31 December 2022 will continue to be challenging. The Group will continue to focus on maximising efficiency and timely delivery of quality products at competitive pricing to ensure the long-term strength of the businesses and operations as well as in the preparation of commencing the Property Development Segment.

23. Profit forecast or profit guarantee

The Group has not issued any profit forecast or profit guarantee for the current quarter under review and hence this information is not applicable.

24. Loss before tax

Included in the loss before tax are the following items:

	Individual quarter		Cumulative quarter	
	Current year quarter ended 31.12.2021 RM'000	Preceding year corresponding quarter ended 31.12.2020 RM'000	Current year- to-date 31.12.2021 RM'000	Preceding year corresponding period 31.12.2020 RM'000
Interest income	(2)	(3)	(12)	(21)
Interest expense	358	436	1,557	1,904
Depreciation of:				
- Property, plant and equipment	339	259	1,078	1,094
- Investment properties	26	16	122	125
Amortisation of right-of-use assets	30	147	255	395
Impairment loss on receivables	-	9	-	89
Reversal of impairment loss on trade/other receivables	(184)	55	(1,181)	(225)
Inventories written down	42	57	42	77
Gain on disposal of:				
- Property, plant and equipment	(20)	-	(105)	(24)
- Investment properties	-	-	(708)	-
(Gain)/loss on foreign exchange:				
- Realised	(11)	34	(38)	-
- Unrealised	(5)	(2)	-	(2)
Rental income	(461)	(713)	(237)	(412)

Part B - Explanatory notes pursuant to Appendix 9B of the Listing Requirements (continued)

25. Income tax expense

Major components of income tax expense includes the following:

	Individual quarter		Cumulative quarter	
	Current year quarter ended 31.12.2021 RM'000	Preceding year corresponding quarter ended 31.12.2020 RM'000	Current year- to-date 31.12.2021 RM'000	Preceding year corresponding period 31.12.2020 RM'000
<b>Current tax:</b>				
Malaysian income tax	101	47	182	146
Underprovision in previous years	(1)	(4)	129	6
Real property gain tax	27	3	132	-
	<u>127</u>	<u>46</u>	<u>443</u>	<u>152</u>
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(4)	(15)	(172)	(19)
Underprovision in previous years	(3)	154	1	42
	<u>(7)</u>	<u>139</u>	<u>(171)</u>	<u>23</u>
Total income tax expense	<u>120</u>	<u>185</u>	<u>272</u>	<u>175</u>

Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. The effective tax rate of the Group for the current quarter were higher than the statutory tax rate due to certain expenses which are not deductible for tax purposes and property development segment incurred losses in current quarter while the effective tax rate of the Group for the previous corresponding quarter is lower due to the reversal of deferred tax.

26. Status of corporate proposals

There were no corporate proposals announced but not completed as at the date of this interim financial statements.

27. Trade and other receivables

	31.12.2021 RM'000	31.12.2020 RM'000
<b>Trade receivables</b>		
Third parties	2,906	3,532
Retention sums on construction contract	<u>612</u>	<u>537</u>
	3,518	4,069
Amount due from related parties	41	232
<b>Other receivables</b>	<u>2,472</u>	<u>427</u>
	<u>6,031</u>	<u>4,728</u>

Company No. : 200801038692 (840040-H)

DFCITY Group Berhad  
(formerly known as Hock Heng Stone Industries Bhd.)  
(Incorporated in Malaysia)

Part B - Explanatory notes pursuant to Appendix 9B of the Listing Requirements (continued)

27. Trade and other receivables (continued)

Ageing analysis of trade receivables

The ageing analysis of trade receivables is as follows:

	Third parties		Related parties	
	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000
Not past due	2,318	2,774	22	85
Past due:				
- less than 3 months	530	495	19	147
- 3 months to 6 months	603	261	-	-
- more than 6 months	1,581	2,573	-	-
	<u>2,714</u>	<u>3,329</u>	<u>19</u>	<u>147</u>
	5,032	6,103	41	232
Individual impairment	<u>(1,514)</u>	<u>(2,034)</u>	<u>-</u>	<u>-</u>
	<u>3,518</u>	<u>4,069</u>	<u>41</u>	<u>232</u>

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. These receivables are active accounts which the management considers to be recoverable.

Trade receivables that are past due and impaired

Information regarding financial assets that are past due and impaired is disclosed in the ageing analysis as above.

Company No. : 200801038692 (840040-H)

DFCITY Group Berhad  
(formerly known as Hock Heng Stone Industries Bhd.)  
(Incorporated in Malaysia)

Part B - Explanatory notes pursuant to Appendix 9B of the Listing Requirements (continued)

28. Borrowings and debts securities

	31.12.2021 RM'000	Weighted Average Interest Rate	31.12.2020 RM'000	Weighted Average Interest Rate
<b>Short term borrowings (secured)</b>				
Bank overdrafts (floating)	2,813	6.60%	3,543	7.52%
Banker acceptances (floating)	2,417	3.21%	1,760	4.21%
Lease liabilities (fixed)	232	4.10%	321	4.38%
Revolving credit (floating)	5,103	5.61%	5,106	5.61%
Term loans (floating)	2,352	5.63%	2,646	6.59%
	<u>12,917</u>		<u>13,376</u>	
<b>Long term borrowings (secured)</b>				
Lease liabilities (fixed)	293	4.10%	439	4.38%
Term loans (floating)	17,395	5.63%	19,167	6.59%
	<u>17,688</u>		<u>19,606</u>	
<b>Total borrowings</b>	<u>30,605</u>		<u>32,982</u>	

None of the borrowings are denominated in foreign currencies.

The decrease in borrowings by RM2.37 million mainly due to the borrowings repayment.

29. Material litigation

There were no pending material litigations at the date of this interim financial statements.

30. Dividend

No interim dividend has been recommended for the current quarter under review.

31. Disclosure of nature of outstanding derivatives

There were no outstanding derivatives as at the end of the reporting period.

32. Rationale for entering into derivatives

The Group did not enter into any derivatives during the period ended 31 December 2021 or the previous financial year ended 31 December 2020.

33. Risks and policies of derivatives

The Group did not enter into any derivatives during the period ended 31 December 2021 or the previous financial year ended 31 December 2020.

Company No. : 200801038692 (840040-H)

DFCITY Group Berhad  
(formerly known as Hock Heng Stone Industries Bhd.)  
(Incorporated in Malaysia)

Part B - Explanatory notes pursuant to Appendix 9B of the Listing Requirements (continued)

34. Disclosure of gains/losses arising from fair value changes of financial liabilities

The Group did not have any financial liabilities measured at fair value through profit or loss as at 31 December 2021 or the previous financial year ended 31 December 2020.

35. Loss per share

(a) Basic

Basic loss per share amounts is calculated by dividing loss for the period, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial period.

	Individual quarter		Cumulative quarter	
	Current year quarter ended 31.12.2021	Preceding year corresponding quarter ended 31.12.2020	Current year- to-date 31.12.2021	Preceding year corresponding period 31.12.2020
Loss for the period attributable to ordinary equity holders of the Company (RM'000)	(259)	(145)	(921)	(1,089)
Weighted average number of ordinary shares in issue ('000)	105,588	87,957	105,588	87,957
Basic loss per share (sen)	<u>(0.25)</u>	<u>(0.16)</u>	<u>(0.87)</u>	<u>(1.24)</u>

(b) Diluted

There is no diluted earnings per share as the Company does not have any dilutive potential ordinary shares for the current quarter under review and current year-to-date.

36. Utilisation of proceeds

Private Placement

17,591,420 new shares were allotted by the Company at a price of RM0.42 per share to certain identified investors, pursuant to the Company's private placement exercise. The private placement of 17,591,420 placement shares were granted listing and quotation on the Main Market of Bursa Malaysia Securities Berhad on 24 December 2021, making the completion of the private placement. The proceeds raised of RM7.38 million from the placement have been utilised as follows:

Purposes	Propose utilisation RM'000	Actual utilisation RM'000	Amount unutilise RM'000
Working capital for upcoming project	7,000	-	7,000
General working capital	238	-	238
Defraying placement expenses	150	(110)	40
	<u>7,388</u>	<u>(110)</u>	<u>7,278</u>

Company No. : 200801038692 (840040-H)

DFCITY Group Berhad  
(formerly known as Hock Heng Stone Industries Bhd.)  
(Incorporated in Malaysia)

Part B - Explanatory notes pursuant to Appendix 9B of the Listing Requirements (continued)

**36. Auditors' report on the preceding annual financial statements**

The auditors' report on the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2020 were not subject to any qualification.