



HOCK HENG STONE INDUSTRIES BHD
 (Company No.: 840040-H)
 (Incorporated in Malaysia under the Companies Act, 1965)

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 75350 Melaka, Malaysia
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www.hockheng.com.my

HOCK HENG STONE INDUSTRIES BHD (Company No. 840040-H)

PROSPECTUS



HOCK HENG STONE INDUSTRIES BHD

(Company No.: 840040-H)
 (Incorporated in Malaysia under the Companies Act, 1965)

PUBLIC ISSUE OF 15,342,000 NEW ORDINARY SHARES OF RM0.50 EACH IN HOCK HENG STONE INDUSTRIES BHD AT AN ISSUE PRICE OF RM0.55 PER SHARE PAYABLE IN FULL ON APPLICATION COMPRISING:

- 6,000,000 ORDINARY SHARES OF RM0.50 EACH AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
- 2,000,000 ORDINARY SHARES OF RM0.50 EACH AVAILABLE FOR APPLICATION BY THE ELIGIBLE DIRECTORS, EMPLOYEES, AND OTHER PERSONS WHO HAVE CONTRIBUTED TO OUR SUCCESS;
- 3,462,000 ORDINARY SHARES OF RM0.50 EACH BY WAY OF PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY;
- 3,880,000 ORDINARY SHARES OF RM0.50 EACH BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS;

AND

OFFER FOR SALE OF 14,258,000 ORDINARY SHARES OF RM0.50 EACH IN HOCK HENG STONE INDUSTRIES BHD AT AN OFFER PRICE OF RM0.55 PER SHARE PAYABLE IN FULL ON APPLICATION COMPRISING:

- 4,538,000 ORDINARY SHARES OF RM0.50 EACH BY WAY OF PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY; AND
- 9,720,000 ORDINARY SHARES OF RM0.50 EACH BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS,

IN CONJUNCTION WITH OUR LISTING ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD.

Adviser, Managing Underwriter, Underwriter and Sole Placement Agent



PUBLIC INVESTMENT BANK BERHAD (20027-W)
 (A Participating Organisation of Bursa Malaysia Securities Berhad)
 (Wholly-Owned Subsidiary of Public Bank Berhad)

Underwriters

Mercury Securities Sdn. Bhd. (111198-W)
 (A Participating Organisation of Bursa Malaysia Securities Berhad)

Apex JFAPEX SECURITIES BERHAD (47680-X)
 (A Participating Organisation of Bursa Malaysia Securities Berhad)

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER. THERE ARE CERTAIN RISK FACTORS WHICH YOU SHOULD CONSIDER.

PLEASE TURN TO PAGE 28 FOR "RISK FACTORS"

THIS PROSPECTUS IS DATED 9 MARCH 2010.

PROSPECTUS



ABOUT US

Established in 1988, Hock Heng Group is involved in the business of manufacturing, selling and trading distribution of dimension stones and related products.

Hock Heng's products include:

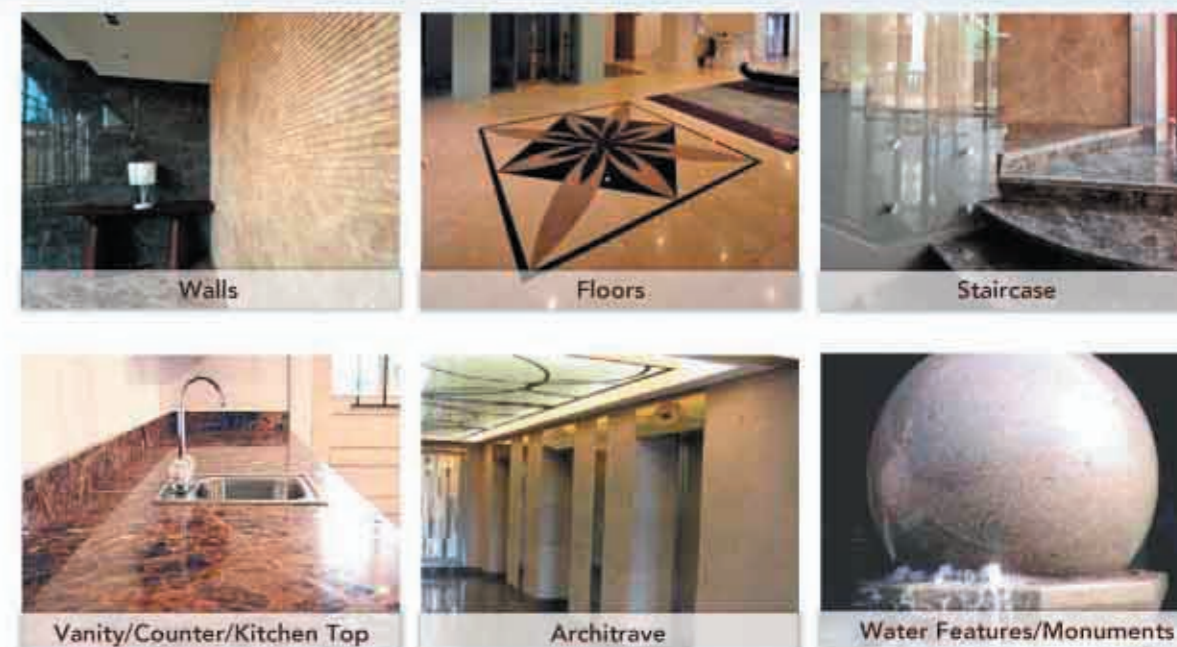
(1) GRANITE; (2) MARBLE; AND (3) OTHERS – SANDSTONE, SLATE & ETC.

Hock Heng has an integrated production facility in Melaka to cut, grind, polish, profile, and pack ready-to-install dimension stones for a wide range of applications.

PRODUCTION FACILITIES



PRODUCT APPLICATIONS



DISTRIBUTION CHANNEL



COMPETITIVE ADVANTAGES

Established Track Record

- More than 22 years in the dimension stones industry with numerous project references
- Well-known amongst property developers, contractors and interior designers

Integrated Stone Processing Player

- Ability to process about 20 tonne large blocks to ready-to-install dimension stone products
- Has a distribution network of sales and showrooms to reach end-consumers
- Moving up the value chain through quarrying

Broad Customer Base

- From walk-in customers to dealers, contractors, interior designers, architects and property developers

Highly Sophisticated Stone Cutting Machineries

- Advanced and sophisticated machineries that ensure efficiency and low wastage
- Machines capable of producing highly customized designs

Wide product offering

- Wide range of products with different textures and colours to meet customers' preferences and designs

Reputable Quality

- Accredited with the ISO 9001:2000

GROWTH STRATEGY

1 Backward Integrations into Quarry Operations

- To integrate backwards into the quarrying of dimension stones using existing quarry in Johor
- Backward integration to provide greater control over supply and better margins

2 Forming Strategic Alliances

- To strengthen relationship with architects, contractors, interior designers, and property developers
- Alliance to provide the Group with valuable market information on upcoming projects, trends and prospective clients

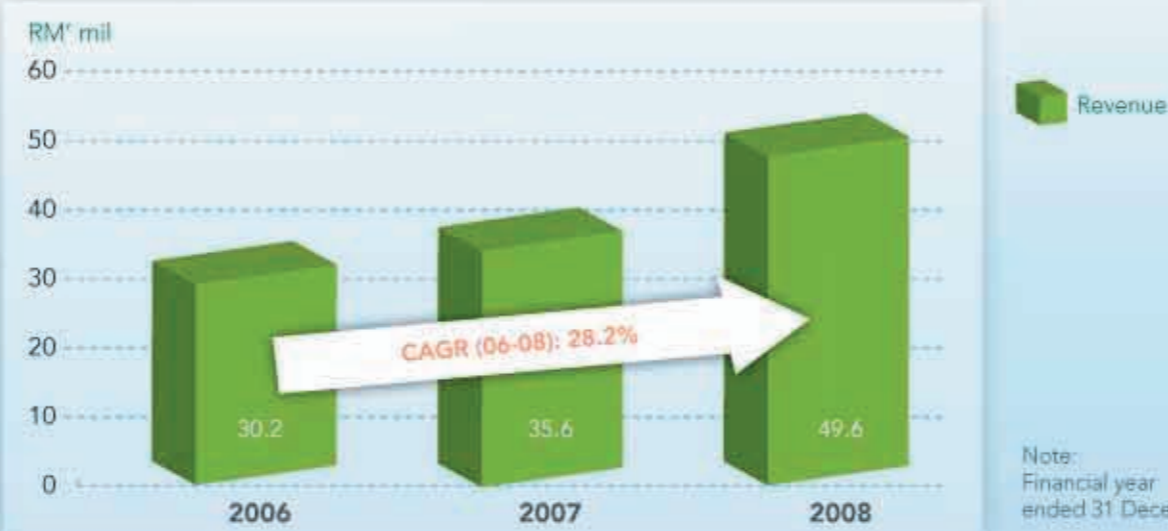
3 Domestic Market Expansion

- To establish a new secondary processing plant in Subang to cater to the increasing demand from the Central Region of Peninsular Malaysia
- To set up a sales office cum warehouse in Penang to cater to the increasing demand from the Northern Corridor Economic Region Project

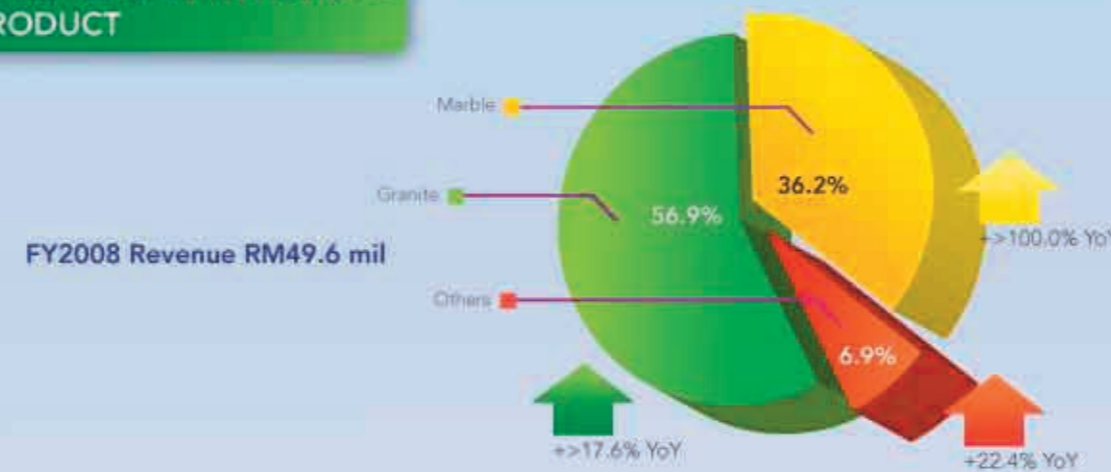
4 Overseas Market Expansion

- To export granite and marble products to China, Indonesia and Vietnam via sales offices or strategic partnerships
- To use sales and secondary plant in Johor to support market expansion in Singapore

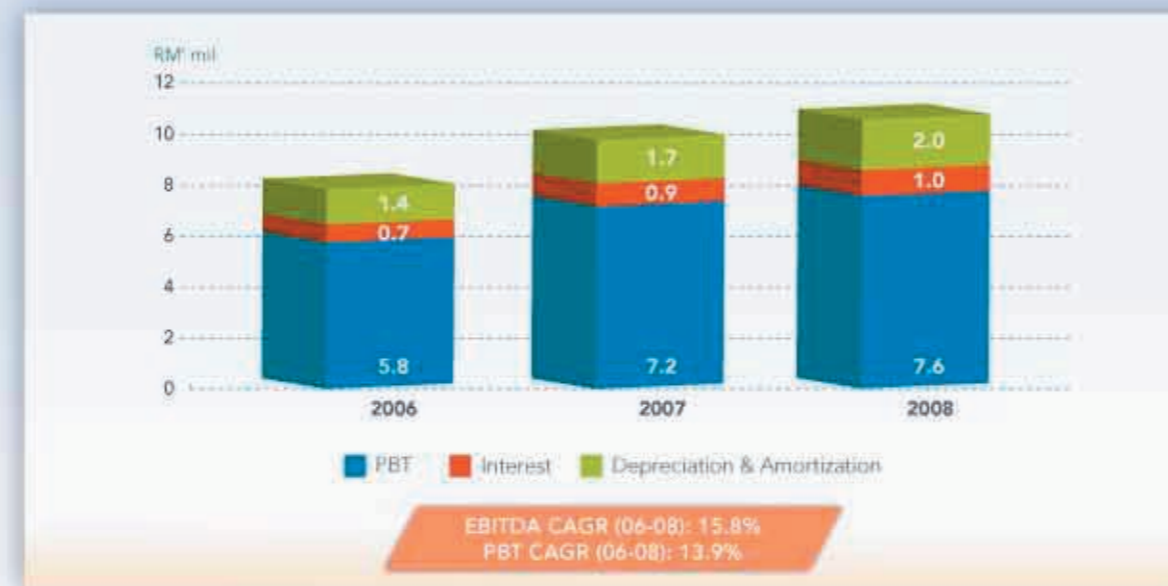
REVENUE TREND



REVENUE SEGMENTATION: PRODUCT



PROFIT TREND



LOCATION OF OUR FACILITIES



RESPONSIBILITY

OUR DIRECTORS, PROMOTERS AND OFFERORS HAVE SEEN AND APPROVED THIS PROSPECTUS. THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION. HAVING MADE ALL REASONABLE ENQUIRIES, AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THEY CONFIRM THERE IS NO FALSE OR MISLEADING STATEMENT OR OTHER FACTS WHICH IF OMITTED, WOULD MAKE ANY STATEMENT IN THIS PROSPECTUS FALSE OR MISLEADING.

PUBLIC INVESTMENT BANK BERHAD (20027-W) ("PIVB"), BEING THE ADVISER, MANAGING UNDERWRITER, UNDERWRITER AND SOLE PLACEMENT AGENT ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE INITIAL PUBLIC OFFERING ("IPO").

STATEMENT OF DISCLAIMER

THE SECURITIES COMMISSION OF MALAYSIA ("SC") HAS APPROVED THE ISSUE, OFFER OR INVITATION IN RESPECT OF OUR IPO AND A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED WITH THE SC. THE APPROVAL AND REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS OUR IPO OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION OR REPORT EXPRESSED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF THE SECURITIES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE IN THIS PROSPECTUS ON THE PART OF OUR COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS. **YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

APPROVAL HAS BEEN OBTAINED FROM BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") FOR THE LISTING OF AND QUOTATION FOR OUR SHARES ON THE MAIN MARKET OF BURSA SECURITIES. ADMISSION TO THE OFFICIAL LIST OF BURSA SECURITIES IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF OUR IPO, OUR COMPANY OR OUR SHARES. BURSA SECURITIES SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE IN THIS PROSPECTUS ON THE PART OF OUR COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS YOU MAY SUFFER AS A RESULT OF YOUR RELIANCE ON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

A COPY OF THIS PROSPECTUS TOGETHER WITH THE APPLICATION FORMS, HAVE ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

ACCEPTANCE OF APPLICATION FOR THE IPO SHARES WILL BE CONDITIONAL UPON PERMISSION BEING GRANTED BY BURSA SECURITIES TO DEAL IN AND FOR THE LISTING OF AND QUOTATION FOR OUR ENTIRE ENLARGED ISSUED AND PAID-UP ORDINARY SHARES ON THE MAIN MARKET OF BURSA SECURITIES. ACCORDINGLY, ALL MONIES PAID IN RESPECT OF ANY APPLICATION ACCEPTED FROM YOU WILL BE RETURNED IN FULL WITHOUT INTEREST IF THE SAID PERMISSION FOR THE LISTING IS NOT GRANTED WITHIN SIX (6) WEEKS FROM THE DATE OF ISSUE OF THIS PROSPECTUS (OR SUCH LONGER PERIOD AS MAY BE SPECIFIED BY THE SC) PROVIDED THAT WE ARE NOTIFIED BY OR ON BEHALF OF BURSA SECURITIES WITHIN THE AFORESAID TIMEFRAME. IF ANY SUCH MONIES ARE NOT REPAYED WITHIN FOURTEEN (14) DAYS AFTER WE BECOME LIABLE TO REPAY IT, THE PROVISION OF SUB-SECTION 243(2) OF THE CAPITAL MARKETS AND SERVICES ACT 2007 ("CMSA") SHALL APPLY ACCORDINGLY.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THE PROSPECTUS IS DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO YOU PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE IPO, FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THIS PROSPECTUS CAN BE VIEWED OR DOWNLOADED FROM BURSA SECURITIES' WEBSITE AT www.bursamalaysia.com. THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE COPY OF THIS PROSPECTUS REGISTERED WITH THE SC ARE THE SAME.

YOU MAY OBTAIN A COPY OF AN ELECTRONIC PROSPECTUS (AS DEFINED HEREIN BELOW) FROM THE WEBSITE OF CIMB INVESTMENT BANK BERHAD AT www.eipocimb.com, CIMB BANK BERHAD AT www.cimbclicks.com.my, AFFIN BANK BERHAD AT www.affinOnline.com AND MALAYAN BANKING BERHAD AT www.maybank2u.com.my.

THE INTERNET IS NOT A FULLY SECURED MEDIUM. INTERNET SHARE APPLICATION MAY BE SUBJECT TO RISKS IN DATA TRANSMISSION, COMPUTER SECURITY THREATS SUCH AS VIRUSES, HACKERS AND CRACKERS, FAULTS WITH COMPUTER SOFTWARE AND OTHER EVENTS BEYOND THE CONTROL OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS. THESE RISKS CANNOT BE BORNE BY THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS. IF YOU DOUBT THE VALIDITY OR INTEGRITY OF AN ELECTRONIC PROSPECTUS, YOU SHOULD IMMEDIATELY REQUEST FROM US, OUR ADVISER OR THE ISSUING HOUSE, A PAPER / PRINTED COPY OF THE PROSPECTUS. IF THERE IS ANY DISCREPANCY BETWEEN THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE PAPER / PRINTED COPY OF THE PROSPECTUS, THE CONTENTS OF THE PAPER / PRINTED COPY OF THE PROSPECTUS WHICH ARE IDENTICAL TO THE COPY OF THE PROSPECTUS REGISTERED WITH THE SC SHALL PREVAIL.

IN RELATION TO ANY REFERENCE IN THIS PROSPECTUS TO THIRD PARTY INTERNET SITES (REFERRED TO AS "THIRD PARTY INTERNET SITES"), WHETHER BY WAY OF HYPERLINKS OR BY WAY OF DESCRIPTION OF THE THIRD PARTY INTERNET SITES, YOU ACKNOWLEDGE AND AGREE THAT:

- (1) WE DO NOT ENDORSE AND ARE NOT AFFILIATED IN ANY WAY TO THE THIRD PARTY INTERNET SITES. ACCORDINGLY, WE ARE NOT RESPONSIBLE FOR THE AVAILABILITY OF, OR THE CONTENT OR ANY DATA, FILES OR OTHER MATERIAL PROVIDED IN THE THIRD PARTY INTERNET SITES. YOU BEAR ALL RISKS ASSOCIATED WITH THE ACCESS TO OR USE OF THE THIRD PARTY INTERNET SITES;
- (2) WE ARE NOT RESPONSIBLE FOR THE QUALITY OF PRODUCTS OR SERVICES IN THE THIRD PARTY INTERNET SITES, PARTICULARLY IN FULFILLING ANY OF THE TERMS OF ANY OF YOUR AGREEMENTS WITH THE THIRD PARTY INTERNET SITES. WE ARE ALSO NOT RESPONSIBLE FOR ANY LOSS OR DAMAGES OR COST THAT YOU MAY SUFFER OR INCUR IN CONNECTION WITH OR AS A RESULT OF DEALING WITH THE THIRD PARTY INTERNET SITES OR THE USE OR RELIANCE ON ANY DATA, FILE OR OTHER MATERIAL PROVIDED BY SUCH PARTIES; AND
- (3) ANY DATA, FILE OR OTHER MATERIAL DOWNLOADED FROM THE THIRD PARTY INTERNET SITES IS DONE AT YOUR OWN DISCRETION AND RISK. WE ARE NOT RESPONSIBLE, LIABLE OR UNDER OBLIGATION FOR ANY DAMAGE TO YOUR COMPUTER SYSTEM OR LOSS OF DATA RESULTING FROM THE DOWNLOADING OF ANY SUCH DATA, INFORMATION, FILES OR OTHER MATERIAL.

WHERE AN ELECTRONIC PROSPECTUS IS HOSTED ON THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION, YOU ARE ADVISED THAT:

- (1) THE INTERNET PARTICIPATING FINANCIAL INSTITUTION IS ONLY LIABLE IN RESPECT OF THE INTEGRITY OF THE CONTENTS OF AN ELECTRONIC PROSPECTUS, TO THE EXTENT OF THE CONTENT OF THE ELECTRONIC PROSPECTUS ON THE WEB SERVER OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION WHICH MAY BE VIEWED VIA YOUR WEB BROWSER OR OTHER RELEVANT SOFTWARE. THE INTERNET PARTICIPATING FINANCIAL INSTITUTION IS NOT RESPONSIBLE FOR THE INTEGRITY OF THE CONTENTS OF AN ELECTRONIC PROSPECTUS WHICH HAS BEEN OBTAINED FROM THE WEB SERVER OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION AND SUBSEQUENTLY COMMUNICATED OR DISSEMINATED IN ANY MANNER TO YOU OR OTHER PARTIES; AND

- (2) WHILE ALL REASONABLE MEASURES HAVE BEEN TAKEN TO ENSURE THE ACCURACY AND RELIABILITY OF THE INFORMATION PROVIDED IN AN ELECTRONIC PROSPECTUS, THE ACCURACY AND RELIABILITY OF AN ELECTRONIC PROSPECTUS CANNOT BE GUARANTEED BECAUSE THE INTERNET IS NOT A FULLY SECURED MEDIUM.

THE INTERNET PARTICIPATING FINANCIAL INSTITUTION IS NOT LIABLE (WHETHER IN TORT OR CONTRACT OR OTHERWISE) FOR ANY LOSS, DAMAGE OR COSTS, YOU OR ANY OTHER PERSON MAY SUFFER OR INCUR DUE TO, AS A CONSEQUENCE OF OR IN CONNECTION WITH ANY INACCURACIES, CHANGES, ALTERATIONS, DELETIONS OR OMISSIONS IN RESPECT OF THE INFORMATION PROVIDED IN AN ELECTRONIC PROSPECTUS WHICH MAY ARISE IN CONNECTION WITH OR AS A RESULT OF ANY FAULT WITH THE WEB BROWSERS OR OTHER RELEVANT SOFTWARE, ANY FAULT ON YOUR OR ANY THIRD PARTY'S PERSONAL COMPUTER, OPERATING SYSTEMS OR OTHER SOFTWARE, VIRUSES OR OTHER SECURITY THREATS, UNAUTHORISED ACCESS TO INFORMATION OR SYSTEMS IN RELATION TO THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION, AND / OR PROBLEMS OCCURRING DURING DATA TRANSMISSION WHICH MAY RESULT IN INACCURATE OR INCOMPLETE COPIES OF INFORMATION BEING DOWNLOADED OR DISPLAYED ON YOUR PERSONAL COMPUTER.

YOU SHOULD NOT TAKE THE AGREEMENT BY THE UNDERWRITERS TO UNDERWRITE THE IPO SHARES AS AN INDICATION OF THE MERITS OF OUR SHARES.

THIS PROSPECTUS HAS NOT BEEN AND WILL NOT BE MADE TO COMPLY WITH THE LAWS OF ANY JURISDICTION OTHER THAN MALAYSIA, AND HAS NOT BEEN AND WILL NOT BE LODGED, REGISTERED OR APPROVED PURSUANT TO OR UNDER ANY APPLICABLE SECURITIES OR EQUIVALENT LEGISLATION OR WITH OR BY ANY REGULATORY AUTHORITY OR OTHER RELEVANT BODY OF ANY JURISDICTION OTHER THAN MALAYSIA.

WE WILL NOT, PRIOR TO ACTING ON ANY ACCEPTANCE IN RESPECT OF THE IPO, MAKE OR BE BOUND TO MAKE ANY ENQUIRY AS TO WHETHER YOU HAVE A REGISTERED ADDRESS IN MALAYSIA AND WILL NOT ACCEPT OR BE DEEMED TO ACCEPT ANY LIABILITY IN RELATION THERETO WHETHER OR NOT ANY ENQUIRY OR INVESTIGATION IS MADE IN CONNECTION THEREWITH.

IT SHALL BE YOUR SOLE RESPONSIBILITY IF YOU ARE OR MAY BE SUBJECT TO THE LAWS OF COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA, TO CONSULT YOUR LEGAL AND / OR OTHER PROFESSIONAL ADVISERS AS TO WHETHER THE IPO WOULD RESULT IN THE CONTRAVENTION OF ANY LAW OF SUCH COUNTRIES OR JURISDICTIONS.

FURTHER, IT SHALL ALSO BE YOUR SOLE RESPONSIBILITY TO ENSURE THAT YOUR APPLICATION FOR THE IPO SHARES WOULD BE IN COMPLIANCE WITH THE TERMS OF THE IPO AND WOULD NOT BE IN CONTRAVENTION OF ANY LAWS OF COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA TO WHICH YOU MAY BE SUBJECTED TO. WE WILL FURTHER ASSUME THAT YOU HAD ACCEPTED THE IPO IN MALAYSIA AND WILL AT ALL APPLICABLE TIMES BE SUBJECTED ONLY TO THE LAWS OF MALAYSIA IN CONNECTION THEREWITH.

HOWEVER, WE RESERVE THE RIGHT, IN OUR ABSOLUTE DISCRETION TO TREAT ANY ACCEPTANCE AS INVALID IF WE BELIEVE THAT SUCH ACCEPTANCE MAY VIOLATE ANY LAW OR APPLICABLE LEGAL OR REGULATORY REQUIREMENTS.

THE SECURITIES OF THIS COMPANY IS CLASSIFIED AS SHARIAH COMPLIANT BY THE SHARIAH ADVISORY COUNCIL OF THE SC BASED ON OUR PROFORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008. THIS CLASSIFICATION REMAINS VALID FROM THE DATE OF ISSUE OF THIS PROSPECTUS UNTIL THE NEXT SHARIAH COMPLIANCE REVIEW UNDERTAKEN BY THE SHARIAH ADVISORY COUNCIL OF THE SC. THE NEW STATUS IS RELEASED IN THE UPDATED LIST OF SHARIAH-COMPLIANT SECURITIES, ON THE LAST FRIDAY OF MAY AND NOVEMBER.

INDICATIVE TIMETABLE

The following events are intended to take place on the following tentative dates:

Event	Tentative Date
Opening date of application	9 March 2010
Closing date of application	16 March 2010
Tentative date for balloting of application	18 March 2010
Tentative date for despatch of notices of allotment to successful applicants	25 March 2010
Tentative Listing date	26 March 2010

THIS TIMETABLE IS TENTATIVE AND IS SUBJECT TO CHANGE WHICH MAY BE NECESSARY TO FACILITATE IMPLEMENTATION PROCEDURES. THE APPLICATION PERIOD WILL OPEN AT 10.00 A.M. ON 9 MARCH 2010 AND WILL REMAIN OPEN UNTIL 5.00 P.M. ON 16 MARCH 2010 OR SUCH FURTHER PERIOD OR PERIODS AS OUR DIRECTORS, MANAGING UNDERWRITER AND THE OFFERORS IN THEIR ABSOLUTE DISCRETION MAY MUTUALLY DECIDE.

IF THE CLOSING DATE OF THE APPLICATION IS EXTENDED, THE DATES FOR THE BALLOTING, ALLOTMENT AND LISTING OF OUR ENTIRE ISSUED AND PAID-UP SHARE CAPITAL ON THE MAIN MARKET OF BURSA SECURITIES WOULD BE EXTENDED ACCORDINGLY AND WE WILL NOTIFY THE PUBLIC VIA AN ADVERTISEMENT IN A WIDELY CIRCULATED DAILY ENGLISH AND BAHASA MALAYSIA NEWSPAPERS WITHIN MALAYSIA.

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DEFINITIONS

The following terms in this Prospectus bear the same meanings as set out below unless the term is defined otherwise or the context requires otherwise:

Acquisitions	: Acquisition of HHG, Acquisition of HHMKL, Acquisition of HHMSR, Acquisition of HHSEC and Acquisition of PMK, collectively
Acquisition of HHG	: The acquisition by Hock Heng of the entire equity interest of HHG, comprising 4,300,000 ordinary shares of RM1.00 each in HHG for a purchase consideration of RM25,417,000 satisfied via the issuance of 50,834,000 new Hock Heng Shares at par
Acquisition of HHMKL	: The acquisition by Hock Heng of the entire equity interest of HHMKL, comprising 200,004 ordinary shares of RM1.00 each in HHMKL for a purchase consideration of RM2,562,000 satisfied via the issuance of 5,124,000 new Hock Heng Shares at par
Acquisition of HHMSR	: The acquisition by Hock Heng of the entire equity interest of HHMSR, comprising 1,000,000 ordinary shares of RM1.00 each in HHMSR for a purchase consideration of RM2,895,000 satisfied via the issuance of 5,790,000 new Hock Heng Shares at par
Acquisition of HHSEC	: The acquisition by Hock Heng of 80% of the entire equity interest of HHSEC, comprising 240,003 ordinary shares of RM1.00 each in HHSEC for a purchase consideration of RM202,000 satisfied via the issuance of 404,000 new Hock Heng Shares at par
Acquisition of PMK	: The acquisition by Hock Heng of the entire equity interest of PMK, comprising 150,000 ordinary shares of RM1.00 each in PMK for a purchase consideration of RM1,252,000 satisfied via the issuance of 2,504,000 new Hock Heng Shares at par
Act	: Companies Act, 1965 or any statutory modification, amendment or re-enactment thereof for the time being in force
ADA	: Authorised Depository Agent
ADA Code	: ADA (Broker) Code
Applicant	: The applicant for the IPO Shares by way of Application Forms or by way of Electronic Share Application or by way of Internet Share Application
Application Form	: The printed application form for the application of the IPO Shares
ATM	: Automated Teller Machine
Authorised Financial Institution(s)	: The authorised financial institution(s) participating in the Internet Share Application, with respect to the payments for the Public Issue Shares
Board	: Board of Directors of our Company
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (165570-W)
Bursa Securities	: Bursa Malaysia Securities Berhad (635998-W)
CDS	: Central Depository System
CMSA	: Capital Markets and Services Act 2007 or any statutory modification, amendment or re-enactment thereof for the time being in force

DEFINITIONS (Cont'd)

D&B Malaysia	:	Dun & Bradstreet (D&B) Malaysia Sdn Bhd (527570-M)
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation
EPS	:	Earnings per share
Electronic Share Application	:	The application for the Public Issue Shares through a Participating Financial Institution's ATM
Flotation Exercise	:	Acquisitions, IPO, Share Transfer and Listing, collectively
FPE	:	Financial period ended
FYE	:	Financial year ended
GP	:	Gross profit
Hock Heng or Company	:	Hock Heng Stone Industries Bhd (840040-H)
Hock Heng Group or Group	:	Hock Heng and its subsidiaries, collectively
HHG	:	Hock Heng Granite Sdn Bhd (168782-D)
HHMKL	:	Hock Heng Marketing (KL) Sdn Bhd (610659-T)
HHMSR	:	Hock Heng Marketing (Southern Region) Sdn Bhd (308130-X)
HHSEC	:	Hock Heng Stone (East Coast) Sdn Bhd (701947-T)
Internet Participating Financial Institution(s)	:	The institutions participating in the Internet Share Applications as listed in Section 15 of this Prospectus
Internet Share Application(s)	:	The application(s) for the Public Issue Shares through an online share application service provided by the Internet Participating Financial Institutions
IMR Report	:	Independent Market Research Report
IPO	:	Initial public offering comprising the Public Issue and Offer for Sale, collectively
IPO Share(s)	:	The Public Issue Share(s) and Offer Share(s), collectively
IPO Price	:	RM0.55 for each IPO Share
ISO	:	International Organisation for Standardisation
Issuing House or MIH	:	Malaysian Issuing House Sdn Bhd (258345-X)
JMJ	:	Jasa Maju Jaya Sdn Bhd (441269-M)
Listing	:	The admission into the Official List of Bursa Securities and the listing of and quotation for our entire enlarged issued and paid-up share capital comprising 80,000,000 Shares on the Main Market of Bursa Securities
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	5 February 2010, being the latest practicable date prior to the printing of this Prospectus

DEFINITIONS (Cont'd)

- Malaysian Public : Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
- Market Day : Any day between Monday and Friday (inclusive) which is not a public holiday and when Bursa Securities is open for trading of securities
- MI : Minority interests
- MITI : Ministry of International Trade and Industry
- NA : Net assets attributable to the ordinary shareholders
- NBV : Net book value
- Offerors : The existing shareholders of Hock Heng who are offerors for the Offer for Sale and the number of Shares offered are as follows:-

Offerors	No. of Shares offered	% of the enlarged share capital in Hock Heng
Low Kim Hock	7,137,283	8.92
Low Kim Joo	3,777,703	4.72
Low Kim Chung	904,608	1.13
Low Kim Ong	2,351,606	2.94
Low Kim Chye	28,200	0.03
Low Kim Siew	28,200	0.03
Low Kim Choon	21,800	0.03
Low Jin Yu	4,300	0.01
Low Jin Kuan	4,300	0.01
	14,258,000	17.82

- Offer for Sale : Offer for sale by the Offerors of 14,258,000 Shares at the IPO Price payable in full upon application, subject to the terms and conditions of this Prospectus
- Offer Shares : The 14,258,000 Shares to be offered by the Offerors pursuant to the Offer for Sale at the IPO Price payable in full upon application
- Participating Financial Institution(s) : The participating financial institutions for Electronic Share Application as listed in Section 15 of this Prospectus
- PAT : Profit after taxation
- PBT : Profit before taxation
- PE Multiple : Price earnings multiple
- Pink Form Allocation : The 2,000,000 Public Issue Shares reserved for application by the eligible Directors, employees and other persons who have contributed to the success of our Group
- PIVB : Public Investment Bank Berhad (20027-W)
- PMK : PMK Construction & Design Sdn Bhd (538315-X)
- Promoters : JMJ, Low Kim Hock, Low Kim Joo, and Low Kim Chung, collectively

DEFINITIONS (Cont'd)

Public Issue	: The public issue of 15,342,000 new Shares at the IPO Price payable in full upon application, subject to the terms and conditions of this Prospectus
Public Issue Shares	: The 15,342,000 new Shares to be issued pursuant to the Public Issue at the IPO Price payable in full upon application
R&D	: Research and development
ROC	: Registrar of Companies
RM and sen	: Ringgit Malaysia and sen, respectively
SAC	: Shariah Advisory Council of the SC
SC	: Securities Commission
SC Equity Guidelines	: Guidelines on the Offering of Equity and Equity-Linked Securities issued by the SC
Share(s) or Hock Heng Share(s)	: Ordinary share(s) of RM0.50 each in Hock Heng
Share Transfer	: Transfer of 36,000,000 Shares held by the Transferors to JMJ during the prescription period
SICDA	: The Securities Industry (Central Depositories) Act, 1991 or any statutory modification, amendment or re-enactment thereof for the time being in force
Transferors	: Low Kim Hock, Low Kim Joo, Low Kim Chung, Low Kim Ong, Low Kim Chye, Low Kim Siew, Low Kim Choon, Low Jin Yu and Low Jin Kuan, collectively
Underwriters	: PIVB, Mercury Securities Sdn Bhd and JF Apex Securities Berhad, collectively
US	: United States of America
USD	: United States Dollar

All references in this Prospectus to “our Company” and “Hock Heng” are to Hock Heng Stone Industries Bhd, references to “our Group” and “Hock Heng Group” are to our Company and our subsidiaries and references to “we”, “us”, “our” and “ourselves” are to our Company, and save where the context otherwise requires, and our subsidiaries. Unless the context otherwise requires, references to “Management” are to our Directors and key management personnel as at the date of this Prospectus, and statements to our beliefs, expectations, estimates and opinions are those of our Management.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include corporation.

Any reference in this Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted.

TABLE OF CONTENTS

	PAGE
1. CORPORATE DIRECTORY	1
2. INFORMATION SUMMARY	5
2.1 History and Business	5
2.2 Financial Highlights	6
2.3 Principal Statistics Relating to the IPO	10
2.4 Competitive Strengths and Advantages	11
2.5 Risk Factors	11
2.6 Utilisation of Proceeds	12
3. PARTICULARS OF THE IPO	13
3.1 Introduction	13
3.2 Indicative Timetable	14
3.3 Purpose of the IPO	15
3.4 Share Capital	15
3.5 Details of the IPO	16
3.6 Selling Shareholders	18
3.7 Basis of Arriving at the IPO Price	20
3.8 Dilution	20
3.9 Utilisation of Proceeds	21
3.10 Brokerage, Placement Fees and Underwriting Commission	22
3.11 Salient Terms of the Underwriting Agreement	23
4. RISK FACTORS	28
4.1 Risks Relating to Our Group and Industry in which We Operate	28
4.2 Risks Relating to Investment in Our Shares	35
4.3 Other Risks	37
5. INFORMATION ON OUR GROUP	39
5.1 History	39
5.2 Share Capital	40
5.3 Flotation Exercise	41
5.4 Business Overview of Our Group	46
5.5 Major Customers	69
5.6 Major Suppliers	72
5.7 Future Plans, Strategies and Prospects of our Group	73

TABLE OF CONTENTS (Cont'd)

	PAGE
5. INFORMATION ON OUR GROUP (Cont'd)	
5.8 Information on Our Subsidiaries	76
6. INDUSTRY OVERVIEW	81
7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT	109
7.1 Promoters, Directors and Substantial Shareholders	109
7.2 Audit, Remuneration and Nomination Committee	118
7.3 Key Management	120
7.4 Declaration from Our Promoters, Directors and Key Management	123
7.5 Relationships or Association between Our Substantial Shareholders, Promoters, Directors and Key Management	123
7.6 Service Agreements	124
7.7 Involvement of Executive Directors and Key Management in Other Business/ Corporation	124
7.8 Information on Our Employee	128
8. APPROVALS AND CONDITIONS	129
8.1 Conditions on Approvals for the Flotation Exercise	129
8.2 Moratorium on Shares	132
9. RELATED PARTY TRANSACTIONS/CONFLICT OF INTEREST	133
9.1 Related Party Transactions/Conflict of Interest	133
9.2 Interest in Similar Business	139
9.3 Transactions that are Unusual in their Nature and Condition	139
9.4 Loans Made to Related Parties	140
9.5 Promotions of Material Assets	143
9.6 Declaration by Advisers	144
10. OTHER INFORMATION CONCERNING OUR GROUP	145
10.1 Land and Buildings	145
10.2 Material Plant and Equipment	153
10.3 Our Quarry	154
10.4 Regulatory Requirement and Environmental Issue	155
10.5 Capital Expenditure and Divestments	155
10.6 Material Plans to Construct, Expand or Improve Facilities	156

TABLE OF CONTENTS (Cont'd)

	PAGE
11. FINANCIAL INFORMATION	157
11.1 Historical Financial Information	157
11.2 Capitalisation and Indebtedness	161
11.3 Management's Discussion and Analysis of Financial Condition and Results of Operations	163
11.4 Liquidity and Capital Resources	173
11.5 Trend Information	181
11.6 Dividend Policy	184
11.7 Reporting Accountants' Letter on the Proforma Consolidated Financial Information	185
12. ACCOUNTANTS' REPORT	204
13. DIRECTORS' REPORT	287
14. ADDITIONAL INFORMATION	288
14.1 Share Capital	288
14.2 Articles of Association	288
14.3 Limitation on the Right to own Securities	293
14.4 Directors, Substantial Shareholders, Key Management and Promoters	293
14.5 Material Litigation/Arbitration	294
14.6 Material Contracts	294
14.7 General Information	295
14.8 Consents	295
14.9 Responsibility Statements	296
14.10 Documents Available for Inspection	296
15. PROCEDURES FOR APPLICATION AND ACCEPTANCE	298
15.1 Opening and Closing of Application	298
15.2 General Conditions and Methods of Application	298
15.3 Applications Using Application Forms	299
15.4 Applications Using Electronic Share Application	302
15.5 Applications Using Internet Share Application	308
15.6 Applications and Acceptances	316
15.7 CDS Accounts	317
15.8 Notice of Allotment	318
15.9 List of ADAs	319

1. CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name/(Designation)	Address	Profession	Nationality
Low Kim Hock <i>(Executive Chairman / Managing Director)</i>	51, Jalan Jati 7 Taman Jati Batu Berendam 75350 Melaka Darul Azim	Company Director	Malaysian
Low Kim Joo <i>(Executive Director)</i>	20, Jalan Seri Jati 4 Taman Seri Jati Batu Berendam 75350 Melaka Darul Azim	Company Director	Malaysian
Low Kim Chung <i>(Executive Director)</i>	12, Jalan SPR 2/1 Taman Seri Paya Rumput 2 Paya Rumput 75250 Melaka Darul Azim	Company Director	Malaysian
Chong Peng Khang <i>(Independent Non- Executive Director)</i>	No. 12, Lorong 1 Jalan M3, Taman Merak Bukit Baru 75450 Melaka Darul Azim	Group Accountant	Malaysian
Peter Yong Kuen Fook <i>(Independent Non- Executive Director)</i>	21, Jalan USJ 11/1C 47620 UEP Subang Jaya Selangor Darul Ehsan	Resident Engineer	Malaysian
Yap Koon Roy <i>(Independent Non- Executive Director)</i>	5581-E Taman Ciptaco Bukit Baru 75150 Melaka Darul Azim	Lawyer	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
Chong Peng Khang	Chairman	Independent Non-Executive Director
Peter Yong Kuen Fook	Member	Independent Non-Executive Director
Yap Koon Roy	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Yap Koon Roy	Chairman	Independent Non-Executive Director
Chong Peng Khang	Member	Independent Non-Executive Director
Low Kim Hock	Member	Executive Chairman / Managing Director

1. CORPORATE DIRECTORY (Cont'd)**NOMINATION COMMITTEE**

Name	Designation	Directorship
Peter Yong Kuen Fook	Chairman	Independent Non-Executive Director
Chong Peng Khang	Member	Independent Non-Executive Director
Yap Koon Roy	Member	Independent Non-Executive Director

COMPANY SECRETARIES	:	Sean Ne Teo (LS 008058) No. 334-B, Jalan Teratai 3 Taman Bunga Raya Bukit Beruang 75450 Melaka Darul Azim Tel: 06-335 5210
	:	Chua Siew Chuan (MAICSA 0777689) No. 6, Jalan SS 14/8E Subang Jaya Petaling Jaya 47500 Selangor Darul Ehsan Tel: 03-2084 9000
REGISTERED OFFICE	:	Lot 1A, 6 th Floor Menara Pertam Jalan BBP 2 Taman Batu Berendam Putra Batu Berendam 75350 Melaka Darul Azim Tel: 06-335 5210
HEAD OFFICE	:	Lot 197, Jalan Sungai Putat Batu Berendam 75350 Melaka Darul Azim Tel: 06-317 2028 E-mail: admin@hockheng.com.my Website: www.hockheng.com.my
AUDITORS AND REPORTING ACCOUNTANTS	:	Ernst & Young (AF:0039) Lot 1, 6 th Floor Menara Pertam Jalan BBP 2 Taman Batu Berendam Putra 75350 Melaka Darul Azim Tel: 06-336 2399
SOLICITORS FOR THE IPO	:	Tea, Kelvin Kang & Company (Incorporating Winston Wong Law Chambers) Advocates & Solicitors Suite 8.1, Level 8 Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel: 07-331 7513

1. CORPORATE DIRECTORY (Cont'd)

- PRINCIPAL BANKERS** :
- Public Bank Berhad (6463-H)
300, 300A, 300B & 300-1
Jalan Ong Kim Wee
75300 Melaka Darul Azim
Tel: 06-283 2052
 - HSBC Bank Malaysia Berhad (127776-V)
777, Jalan Hang Tuah
75300 Melaka Darul Azim
Tel: 06-280 8500
 - CIMB Bank Berhad (13491-P)
Ground Floor, 80 & 82
Jalan Bendahara
75100 Melaka Darul Azim
Tel: 06-282 3540
- ISSUING HOUSE** :
- Malaysian Issuing House Sdn Bhd (258345-X)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7841 8000
- SHARE REGISTRAR** :
- Symphony Share Registrars Sdn Bhd (378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7841 8000
- ADVISER, MANAGING
UNDERWRITER, UNDERWRITER
AND SOLE PLACEMENT AGENT** :
- Public Investment Bank Berhad (20027-W)
25th Floor, Menara Public Bank
146, Jalan Ampang
50450 Kuala Lumpur
Tel: 03-2166 9382
- UNDERWRITERS** :
- Mercury Securities Sdn Bhd (113193-W)
L-7-2, No.2, Jalan Solaris
Solaris Mon't Kiara
50480 Kuala Lumpur
Tel: 03-6203 7227
 - JF Apex Securities Berhad (47680-X)
6th Floor, Menara Apex
Off Jalan Semenyih
Bukit Mewah
43000 Kajang
Selangor Darul Ehsan
Tel: 03-8736 1118

1. CORPORATE DIRECTORY (Cont'd)

INDEPENDENT MARKET RESEARCHER	:	Dun & Bradstreet (D&B) Malaysia Sdn Bhd (527570-M) Block C-17-02, 3 Two Square No. 2, Jalan 19/1 46350 Petaling Jaya Tel: 03-7966 6866
LISTING SOUGHT	:	Main Market of Bursa Securities
SHARIAH STATUS	:	Approved by the SAC

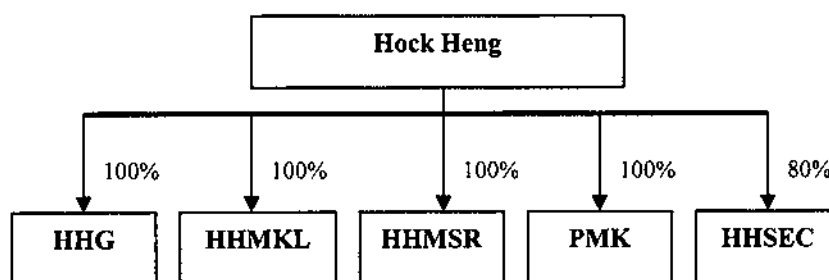
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2. INFORMATION SUMMARY

THIS IS A SUMMARY OF THE SALIENT INFORMATION IN THE PROSPECTUS. IT DOES NOT CONTAIN ALL THE INFORMATION THAT MAY BE IMPORTANT TO YOU. YOU SHOULD READ AND UNDERSTAND THE ENTIRE PROSPECTUS CAREFULLY BEFORE YOU DECIDE WHETHER TO INVEST IN OUR SHARES.

2.1 History and Business

Our Company was incorporated in Malaysia under the Act on 28 November 2008 as a public limited company to facilitate the Listing. We are principally an investment holding company whilst our subsidiaries are primarily engaged in the manufacturing, selling, distribution and trading of dimension stones and related products. Dimension stone is a piece of natural rock material that is cut to specific dimensions for use in the building, construction and monumental industries. Our Group's corporate structure is as follows:-



Our Group's history can be traced back to 1988 when the founder of our Group, Mr. Low Kim Hock, incorporated HHG on 27 February 1988 to commence the manufacturing of dimension stones and related products. Our founder, Mr. Low had gained early exposure in the dimension stones industry through his involvement in his family-owned business which specialised in the manufacturing, polishing and engraving of monuments since the age of eighteen (18). Over the past twenty two (22) years, we have expanded our operations and transformed into an integrated dimension stones processor.

Our Group is one of the major manufacturers of dimension stone products in Malaysia. Our Group's principal market is Malaysia and our principal products are manufactured from granite, marbles and other dimension stones, all of which can be customised to our customers' preferences in terms of finishing, thickness and size. They are generally used in medium to high cost commercial and residential projects/properties such as office buildings, government buildings, hotels, shopping malls and luxurious condominiums/bungalows.

To-date, we have a total of three (3) sale offices which are located in Selangor, Johor and Pahang, in addition to our headquarter in Melaka. Further, our sales offices cum showroom in Pahang and Johor have secondary processing facilities to process and store semi-finished dimension stone products which allow customers to view and select their preferred materials and also enable timely delivery of our products to the customers. Our products are also sold through our existing dealers located throughout Malaysia, mainly comprising companies involved in the trading of building materials. In addition, we own a quarry in Tangkak, Johor which we plan to commence operation using the proceeds from the Public Issue to fund the land clearing costs and costs of machineries for the operations of the said quarry.

Our Group has dedicated much effort in the process improvement in order to enhance and refine our processing methods to achieve optimum production and quality. Our emphasis on product quality assurance was recognised when HHG and PMK had respectively received the ISO 9001:2000 accreditation in 2006 for the manufacturing of granite and marble-related products, and monuments. Presently, the production capacity per annum of our factory in Melaka are approximately 45,000 square meters for granites slabs and approximately 240,000 square meters for marble slabs, which may be further increased should the need arises.

For further information on our Group's history, principal activities and business, please refer to Section 5 of this Prospectus.

2. INFORMATION SUMMARY (Cont'd)

2.2 Financial Highlights

2.2.1 Proforma Consolidated Income Statements

The following table is a summary of our proforma consolidated income statements for the past three (3) FYEs 31 December 2008 and the nine (9) months FPE 30 September 2008 and 30 September 2009 which have been prepared based on the assumption that the current structure of our Group had been in existence throughout the financial years/periods under review. The proforma consolidated income statements are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Reporting Accountants' Letter on the proforma consolidated financial information set out in Section 11.7 of this Prospectus.

	<-----FYE 31 December----->			FPE 30 September	
	2006 RM'000	2007 RM'000	2008 RM'000	2008 ⁽¹⁾ RM'000	2009 RM'000
Revenue	30,213	35,573	49,557	38,146	26,411
Cost of sales	(20,284)	(22,775)	(35,760)	(28,313)	(17,132)
Gross profit	9,929	12,798	13,797	9,833	9,279
Other income	170	105	185	57	221
General, administrative and selling expenses	(3,601)	(4,809)	(5,419)	(3,752)	(3,676)
Operating profit	6,498	8,094	8,563	6,138	5,824
Finance costs	(658)	(888)	(987)	(724)	(639)
PBT	5,840	7,206	7,576	5,414	5,185
Income tax expenses	(1,406)	(1,639)	(1,834)	(1,044)	(1,238)
Profit for the year/period	4,434	5,567	5,742	4,370	3,947
Attributable to:					
- Equity holders of the Company	4,441	5,569	5,754	4,372	3,962
- MI	(7)	(2)	(12)	(2)	(15)
	4,434	5,567	5,742	4,370	3,947
Number of Shares assumed in issue ('000) ⁽²⁾	64,658	64,658	64,658	64,658	64,658
Gross EPS (sen) ⁽³⁾	9.03	11.14	11.72	8.37	8.02
Net EPS (sen) ⁽⁴⁾	6.87	8.61	8.90	6.76	6.13
EBIDTA	7,854	9,800	10,533	7,650	7,393
GP margin (%)	32.86	35.98	27.84	25.78	35.13
PBT margin (%)	19.33	20.26	15.29	14.19	19.63
Net profit margin (%) ⁽⁵⁾	14.70	15.66	11.61	11.46	15.00

Notes:

- (1) Based on unaudited management accounts for the nine (9) months FPE 30 September 2008.
- (2) The number of Shares assumed to be in issue is based on our issued and paid-up share capital after the Acquisitions but before the IPO.
- (3) Computed based on PBT of the Company for the respective financial years/periods divided by the number of Shares assumed in issue.
- (4) Computed based on profit attributable to equity holders of the Company for the respective financial years/periods divided by the number of Shares assumed in issue.
- (5) Computed based on profit attributable to equity holders of the Company divided by revenue for the respective financial years/periods.

2. INFORMATION SUMMARY (Cont'd)

There were no exceptional or extraordinary items for the financial years/periods under review.

Detailed information on our proforma consolidated income statements is set out in Section 11.1 of this Prospectus.

2.2.2 Proforma Consolidated Balance Sheets

The proforma consolidated balance sheets as set out below have been prepared for illustrative purposes only to show the effects on our balance sheet had the Acquisitions, Public Issue, Offer for Sale, Share Transfer and the utilisation of the proceeds from the Public Issue been completed on 30 September 2009. The proforma consolidated balance sheets below should be read in conjunction with the accompanying notes included in the Reporting Accountants' Letter on the proforma consolidated financial information set out in Section 11.7 of this Prospectus.

	Balance Sheet			
	of Hock Heng	Proforma I	Proforma II	Proforma III
	RM'000	RM'000	RM'000	RM'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	-	21,977	21,977	23,625
Prepaid land lease payments	-	2,675	2,675	2,675
Investment properties	-	2,011	2,011	2,011
Exploration, evaluation and development expenditure	-	379	379	1,639
	-	27,042	27,042	29,950
CURRENT ASSETS				
Inventories	-	16,981	16,981	16,981
Trade receivables	-	16,498	16,498	16,498
Other receivables	-	3,403	3,403	3,403
Tax recoverables	-	172	172	172
Cash and bank balances	1	1,215	9,653	5,215
	1	38,269	46,707	42,269
TOTAL ASSETS	1	65,311	73,749	72,219
EQUITY AND LIABILITIES				
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY				
Share capital	1	32,329	40,000	40,000
Share premium	-	-	767	-
(Accumulated loss)/ Retained earnings	(4)	6,322	6,322	5,559
Shareholders' equity	(3)	38,651	47,089	45,559
Minority interest	-	36	36	36
Total Equity	(3)	38,687	47,125	45,595
NON-CURRENT LIABILITIES				
Long term borrowings	-	6,142	6,142	6,142
Deferred tax liabilities	-	1,530	1,530	1,530
	-	7,672	7,672	7,672
CURRENT LIABILITIES				
Short term borrowings	-	12,752	12,752	12,752
Trade payables	-	3,475	3,475	3,475
Other payables	4	2,301	2,301	2,301
Tax payables	-	424	424	424
	4	18,952	18,952	18,952
TOTAL LIABILITIES	4	26,624	26,624	26,624
TOTAL EQUITY AND LIABILITIES	1	65,311	73,749	72,219

2. INFORMATION SUMMARY (Cont'd)

	Balance Sheet of Hock Heng RM'000	Proforma I RM'000	Proforma II RM'000	Proforma III RM'000
Number of Shares ('000)	2	64,658	80,000	80,000
(Net liabilities)/NA (RM'000)	(3)	38,651	47,089	45,559
(Net liabilities)/NA per share (RM)	(1.50)	0.60	0.59	0.57

Notes:

Proforma I : After the Acquisitions and after adjusting for the payment of an interim tax exempt dividend amounting to RM450,000 by HHG that was declared subsequent to 30 September 2009 but before the implementation of the Acquisition of HHG.

Proforma II : After Proforma I, IPO and the Share Transfer.

Proforma III : After Proforma I, Proforma II and the utilisation of proceeds from the Public Issue.

Detailed information on our proforma consolidated balance sheets is set out in Section 11.1 of this Prospectus.

2.2.3 Proforma Consolidated Cash Flow Statement

The following is our proforma consolidated cash flow statement for the FPE 30 September 2009 which have been prepared on the assumption that the current structure of our Group had been in existence throughout the financial period under review and the Public Issue, Offer for Sale, Share Transfer and the utilisation of proceeds from the Public Issue had been completed on 30 September 2009. The proforma consolidated cash flow statement is prepared for illustrative purposes only and should be read in conjunction with the Reporting Accountant's Letter on the proforma consolidated financial information set out in Section 11.7 of this Prospectus.

	FPE 30 September 2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
PBT	5,185
Adjustments for:	
Amortisation of prepaid land lease payments	44
Depreciation:	
- Property, plant and equipment	1,496
- Investment properties	29
Loss on disposal of property, plant and equipment	(1)
Property, plant and equipment written off	2
Gain on disposal of subsidiaries	160
Interest expenses	639
Operating profit before working capital changes	7,234
Increase in inventories	(3,012)
Decrease in receivables	382
Decrease in payables	(595)
Cash generated from operations	4,009
Interest paid	(639)
Income tax paid	(1,519)
Income tax refund	3
Net cash from operating activities	1,854

2. INFORMATION SUMMARY (Cont'd)

	FPE 30 September 2009 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property, plant and equipment	(2,984)
Purchase of prepaid land lease payment	(11)
Proceeds from disposal of property, plant and equipment	8
Addition of exploration, evaluation and development expenditure	(1,260)
Net cash used in investing activities	(4,247)
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of term loans	(609)
Repayment of hire purchase	(180)
Increase in short term borrowings	234
Proceeds from issuance of ordinary shares	1
Proceeds from the Public Issue	8,438
Dividends paid #	(642)
Payment of estimated listing expenses	(1,530)
Net cash from financing activities	5,712
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,319
Cash and cash equivalents at beginning of period	(819)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,500
CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER 2009 COMPRISE:	
	RM'000
Cash on hand and at bank	4,046
Deposits with licensed banks*	1,169
	5,215
Less: Bank overdrafts	(2,715)
	2,500

Notes:

- * *The deposits with licensed banks are pledged to banks as securities for credit facilities granted to our Group.*
- # *After adjusting for the payment of an interim tax exempt dividend amounting to RM450,000 by HHG that was declared subsequent to 30 September 2009 but before the implementation of the Acquisition of HHG.*

Detailed information on our proforma consolidated cash flow statement is set out in Section 11.1 of this Prospectus.

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2. INFORMATION SUMMARY (Cont'd)

2.3 Principal Statistics Relating to the IPO

2.3.1 Our Share Capital

	No. of Shares	Share Capital RM
Authorised share capital	<u>200,000,000</u>	<u>100,000,000</u>
Issued and paid-up share capital		
As at the date of this Prospectus	64,658,000	32,329,000
To be issued and credited pursuant to the Public Issue	<u>15,342,000</u>	<u>7,671,000</u>
Enlarged issued and fully paid-up share capital upon Listing	<u>80,000,000</u>	<u>40,000,000</u>
Existing Shares to be offered pursuant to the Offer for Sale	<u>14,258,000</u>	<u>7,129,000</u>

2.3.2 Issue Price Per IPO Share (RM) **0.55**

2.3.3 Total Market Capitalisation upon Listing

The total market capitalisation based on the IPO Price of RM0.55 per Share and our enlarged share capital of 80,000,000 Shares (RM'000) 44,000

2.3.4 Proforma Consolidated NA as at 30 September 2009

Proforma Consolidated NA
- After the Flotation Exercise and utilisation of proceeds from the Public Issue (RM'000) 45,559

Proforma Consolidated NA per Share
- Based on our enlarged share capital of 80,000,000 Shares (RM) 0.57

2.3.5 Classes and Ranking

We only have one (1) class of share, being ordinary shares of RM0.50 each. The IPO Shares will upon allotment and issue, rank *pari passu* in all respects with our other existing issued and paid-up ordinary shares including voting rights and rights to all dividends and distribution that may be declared subsequent to the date of allotment thereof.

Please refer to Section 3 of this Prospectus for detailed information of the IPO.

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2. INFORMATION SUMMARY *(Cont'd)*

2.4 Competitive Strengths and Advantages

Our Directors believe that our Group's business sustainability and growth is built on the following competitive strengths/advantages:-

- (i) Established track records;
- (ii) Integrated dimension stones processor;
- (iii) Broad customer base;
- (iv) Comprehensive range of advanced and sophisticated machineries and equipment;
- (v) Wide range of products;
- (vi) Strong and experienced management team;
- (vii) Product quality; and
- (viii) Ability to upscale our production.

Further details on our Group's competitive strengths and advantages are set out in Section 5.4.6 of this Prospectus.

2.5 Risk Factors

Before investing in our Shares, you should carefully consider, along with other matters in this Prospectus, the risks of investment as summarised below. The investment considerations that should be considered include, but are not limited to the following:-

2.5.1 Risks Relating to Our Group and Industry in which We Operate

- (i) Business risks;
- (ii) Dependency on property market and construction sector;
- (iii) Competition;
- (iv) Supply and prices of raw materials;
- (v) Dependency on key personnel;
- (vi) Credit risks;
- (vii) Delay in completion of projects;
- (viii) Significant claims by our customers may adversely affect our reputation and profitability;
- (ix) Lack of long term contractual agreements;
- (x) Operational risks;
- (xi) Financial risks and the availability and adequacy of financing to fund our operations and capital expenditure
- (xii) Risk of expansion of business;
- (xiii) Technology used and risk of technological changes;
- (xiv) Potential conflict of interest of our substantial shareholders and Directors;
- (xv) Foreign exchange risks;
- (xvi) Dependence on supply of foreign workers; and
- (xvii) Threat of substitutes.

2.5.2 Risks Relating to Investment in Our Shares

- (i) No prior market for our Shares;
- (ii) Failure or delay in the Listing; and
- (iii) Control by Promoters.

2.5.3 Other Risks

- (i) Economic, political and regulatory risks;
- (ii) Environmental concerns and workplace safety compliance; and
- (iii) Forward looking statements.

Please refer to Section 4 of this Prospectus for further details on the risks in investing in our Company.

2. INFORMATION SUMMARY *(Cont'd)*

2.6 Utilisation of Proceeds

The gross proceeds from the Public Issue of approximately RM8.44 million is expected to be utilised by our Group in the following manner:-

Utilisation	RM'000	Estimated timeframe for utilisation from the date of Listing
Construction of a secondary processing plant	788	Within 6 months
Operating of quarry	2,120	Within 18 months
Working capital	4,000	Within 12 months
Defraying listing expenses	1,530	Within 6 months
	8,438	

Further details on the utilisation of the gross proceeds from the Public Issue are set out in Section 3.9 of this Prospectus.

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3. PARTICULARS OF THE IPO

3.1 Introduction

This Prospectus is dated 9 March 2010.

A copy of this Prospectus has been registered with the SC. We have also lodged a copy of this Prospectus, together with the Application Forms with the ROC. Neither the SC nor the ROC takes any responsibility for its contents.

On 30 September 2009 and 14 December 2009, approvals were obtained from the SC in respect of the Flotation Exercise. On 4 December 2009, the SAC had classified our Company's securities as Shariah-compliant based on our proforma consolidated financial information for the FYE 31 December 2008. This classification remains valid from the date of issue of this Prospectus until the next Shariah compliance review is undertaken by the SAC. The new status is released in the updated list of Shariah-compliant securities, on the last Friday of May and November. The approval of the SC for the Flotation Exercise shall not be taken to indicate that the SC recommends the IPO. You should rely on your own evaluation to assess the merits and risks of the IPO.

Pursuant to Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as a prescribed security. In consequence thereof, the Shares offered through this Prospectus will be deposited directly with the Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and the Rules of Bursa Depository. We will not issue share certificates to successful applicants.

Bursa Securities has resolved to approve our admission to the Official List of the Main Market of Bursa Securities and the listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities, vide its letter dated 5 March 2010. Official quotation will commence upon receipt of confirmation from the Bursa Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Acceptance of the applications for the IPO Shares will be conditional upon permission being granted by Bursa Securities to deal in and for the listing of and quotation for our entire enlarged issued and paid-up ordinary shares on the Main Market of Bursa Securities. Accordingly, all monies paid in respect of any application accepted from you will be returned in full without interest if the said permission for the listing is not granted within six (6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC) provided that we are notified by or on behalf of Bursa Securities within the aforesaid timeframe. If any such monies are not repaid within fourteen (14) days after we become liable to repay it, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

Pursuant to the Listing Requirements, at least 25% of the total number of Shares for which listing is sought must be held by a minimum of 1,000 public shareholders holding not less than 100 Shares each at the point of Listing. In the event that the above requirement is not met pursuant to the IPO, we may not be allowed to proceed with our listing on the Main Market of Bursa Securities. In such an event, monies paid in respect of all applications will be returned in full without interest.

Persons submitting applications by way of Application Forms or by way of Electronic Share Application or Internet Share Application must have a CDS account. In the case of an application by way of Application Form, an applicant should state his CDS account in the space provided in the Application Form.

3. PARTICULARS OF THE IPO (Cont'd)

In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS account can make an Electronic Share Application and the applicant shall furnish his CDS account number to the Participating Financial Institutions by way of keying in his CDS account number if the instructions on the ATM screen at which he enters his Electronic Share Application requires him to do so. In the case of an application by way of Internet Share Application, the applicant can make an application only if he has a CDS account and an existing account with access to the Internet financial services facilities with the Internet Participating Financial Institutions by way of keying in his CDS account number into the online application form. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application or Internet Share Application.

No person is authorised to give any information or make any representation not contained herein in connection with the IPO and if given or made, such information or representation must not be relied upon as having been authorised by us. Neither the delivery of this Prospectus nor any IPO made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in our affairs since the date hereof.

This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for or an offer to sell any IPO Share in any jurisdiction in which such invitation or offer is not authorised or lawful or to any person to whom it is unlawful to make such an invitation or offer. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions. The distribution of this Prospectus is subject to Malaysian laws and we take no responsibility for the distribution of this Prospectus outside Malaysia.

The SC and Bursa Securities assume no responsibility for the correctness of any statements made or opinion or reports expressed in this Prospectus. Admission to the Official List of the Main Market of Bursa Securities is not to be taken as an indication of the merits of our Company or our Shares.

You should rely on your own evaluation to assess the merits and risks of the IPO and an investment in us. In considering the investment, if you are in doubt about this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser immediately.

3.2 Indicative Timetable

The indicative timetable of events leading up to the listing of and quotation for our entire issued and paid-up capital are as follows:

Event	Tentative Dates
Opening date of application	9 March 2010
Closing date of application	16 March 2010
Tentative date for balloting of applications	18 March 2010
Tentative date for despatch of notices of allotment to successful applicants	25 March 2010
Tentative Listing date	26 March 2010

The application period will open at 10.00 a.m. on 9 March 2010 and will remain open until 5.00 p.m. on 16 March 2010 or such further period or periods as our Directors, Managing Underwriter and the Offerors in their absolute discretion may mutually decide.

If the closing date of the application is extended, the dates for the balloting, allotment and listing of our entire issued and paid-up share capital on the Main Market of Bursa Securities would be extended accordingly and we will notify the public via an advertisement in widely circulated daily English and Bahasa Malaysia newspapers within Malaysia.

3. PARTICULARS OF THE IPO (Cont'd)

3.3 Purpose of the IPO

The purposes of the IPO are to:-

- (i) to obtain a listing of and quotation for our Company's entire issued and paid-up share capital on the Main Market of Bursa Securities;
- (ii) to enable our Group to gain access to the capital market for funds to finance our future expansion and continued growth;
- (iii) to enhance the stature and corporate reputation of our Group, assist in expanding our customer base in both local and overseas market and to retain our existing employees and attract new skilled personnel; and
- (iv) to provide an opportunity for the Malaysian Public, eligible Directors, employees and other persons who have contributed to the success of our Group to participate in the continuing growth of our Group by way of equity participation.

3.4 Share Capital

	No. of Shares	RM
Authorised share capital	200,000,000	100,000,000
Issued and paid-up share capital		
As at the date of this Prospectus	64,658,000	32,329,000
To be issued and credited pursuant to the Public Issue	15,342,000	7,671,000
Enlarged issued and fully paid-up share capital upon Listing	80,000,000	40,000,000
Existing Shares to be offered pursuant to the Offer For Sale	14,258,000	7,129,000

We have only one (1) class of shares, being ordinary shares of RM0.50 each. The IPO Shares will upon allotment and issue, rank *pari passu* in all respects with our other existing issued and paid-up ordinary shares including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment thereof.

Subject to any special rights attaching to any shares which we may issue in the future, the holders of ordinary shares in our Company shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out of our Company as dividends and other distributions and in respect of any surplus in the event of the liquidation of our Company, in accordance with our Articles of Association.

At any of our general meeting, each ordinary shareholder shall be entitled to vote in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative of a shareholder shall have one (1) vote, and on poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each Share held. A proxy may but need not be a member of our Company.

3. PARTICULARS OF THE IPO (Cont'd)

3.5 Details of the IPO

3.5.1 Public Issue

The Public Issue of 15,342,000 new Shares, representing approximately 19.18% of our enlarged issued and paid-up share capital, at the IPO Price are payable in full on application upon the terms and conditions as set out in this Prospectus and will be allocated in the following manner:-

(i) **Malaysian Public**

6,000,000 Public Issue Shares, representing 7.50% of our enlarged issued and paid-up share capital will be made available for application by the Malaysian Public to be allocated via ballot, of which 50% will be set aside for Bumiputera investors.

(ii) **Eligible Directors, Employees and Other Persons Who Have Contributed to the Success of Our Group**

2,000,000 Public Issue Shares, representing 2.50% of our enlarged issued and paid-up share capital will be reserved for application by our eligible Directors, employees and other persons who have contributed to the success of our Group.

Eligibility	Total	Number of Shares allocated
Eligible Directors of our Company ⁽¹⁾	3	110,000
Eligible employees of our Group ⁽¹⁾	49	1,790,000
Persons who have contributed to the success of our Group ⁽²⁾	2	100,000
TOTAL	54	2,000,000

Notes:

- (1) The allocation criteria for the Public Issue Shares reserved for the eligible Directors and employees of our Group, as approved by our Board, have taken into consideration, amongst others, the seniority level, job position, years of employment with our Group and other factors.
- (2) The allocation criteria for the Public Issue Shares reserved for the persons who have contributed to the success of our Group, have taken into consideration, amongst others, the level of contribution rendered by these persons to the success of our Group in terms of our Group's revenue and profitability growth.

Details of the Pink Form Allocation to our Directors are as follows:-

Name of Directors	Designation	Number of Shares allocated
Chong Peng Khang	Independent Non-Executive Director	50,000
Peter Yong Kuen Fook	Independent Non-Executive Director	30,000
Yap Koon Roy	Independent Non-Executive Director	30,000
TOTAL		110,000

3. PARTICULARS OF THE IPO

(iii) Bumiputera Investors

3,462,000 Public Issue Shares, representing approximately 4.33% of our enlarged issued and paid-up share capital will be made available for application by way of placement to Bumiputera investors approved by MITI.

(iv) Private Placement

3,880,000 Public Issue Shares, representing 4.85% of our enlarged issued and paid-up share capital will be made available for application by way of private placement to selected investors.

3.5.2 Offer for Sale

The Offer for Sale of 14,258,000 Shares, representing approximately 17.82% of our enlarged issued and paid-up share capital, at the IPO Price are payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated in the following manner:-

Categories	No. of Offer Shares	% of enlarged share capital of Hock Heng
(i) Bumiputera investors approved by MITI by way of placement	4,538,000	5.67
(ii) Selected investors by way of private placement	9,720,000	12.15
Total	14,258,000	17.82

There is no minimum subscription amount to be raised from the Public Issue. All the Public Issue Shares under Sections 3.5.1(i), 3.5.1(ii) and 3.5.1(iii) above have been fully underwritten by the Underwriters.

Any of the Public Issue Shares under Section 3.5.1(ii) above that are not subscribed by our eligible Directors, employees and other persons who have contributed to the success of our Group will be first re-offered to our other eligible Directors, employees and other persons who have contributed to the success of our Group. Subsequently, any re-offered Shares not taken up will be made available for subscription by the Malaysian Public. Thereafter, any remaining Shares not subscribed for will be made available for subscription by the Underwriters in proportions specified in the Underwriting Agreement dated 9 February 2010.

The Public Issue Shares under Section 3.5.1(iv) above will not be underwritten as irrevocable undertakings have been obtained from the selected investors to subscribe for these Shares.

The Public Issue Shares under Section 3.5.1(iii) above and any of the Offer Shares under Section 3.5.2(i) not subscribed for by the Bumiputera investors under the Offer for Sale to be placed to Bumiputera investors approved by MITI shall be made available for application by the Bumiputera public as part of the IPO balloting process. Thereafter, any Shares that were reallocated to the Bumiputera public (as part of the IPO balloting process) not subscribed for by the Bumiputera public, shall be made available for application by the Malaysian Public. Lastly, any remaining unsubscribed Shares will either be made available for subscription by the Underwriters in proportions specified in the Underwriting Agreement (up to a maximum of 4,000,000 Shares) or retained by the Offeror(s).

3. PARTICULARS OF THE IPO (Cont'd)

3.6 Selling Shareholders

The Offerors who are offering the Offer for Sale and their respective relationships with our Group within the past three (3) years are as follows:-

Offerors	Material relationship with our Group	Address	Before the IPO		Shares offered pursuant to the Offer for Sale			After the IPO*	
			No. of Shares	% [@]	No. of Shares	% [*]	% [^]	No. of Shares	% [^]
Low Kim Hock	<ul style="list-style-type: none"> Promoter of Hock Heng Director of Hock Heng, HHG, HHMKL, HHMSR, HHSEC and PMK Substantial shareholder of Hock Heng, HHG, HHMKL, HHMSR, HHSEC and PMK 	51, Jalan Jati 7 Taman Jati Batu Berendam 75350 Melaka	22,257,283	34.42	7,137,283	11.04	8.92	4,320,000	5.40
Low Kim Joo	<ul style="list-style-type: none"> Promoter of Hock Heng Director of Hock Heng, HHG, HHMKL, HHMSR, and HHSEC Substantial shareholder of Hock Heng, HHG, HHMKL, HHMSR and HHSEC 	20, Jalan Seri Jati 4 Taman Seri Jati Batu Berendam 75350 Melaka	12,849,703	19.87	3,777,703	5.84	4.72	2,592,000	3.24
Low Kim Chung	<ul style="list-style-type: none"> Promoter of Hock Heng Director of Hock Heng, HHG, HHMSR, HHSEC and PMK Substantial shareholder of Hock Heng, HHG and PMK Substantial shareholder of HHSEC until 24 March 2008 	12, Jalan SPR 2/1 Taman Seri Paya Rumput 2 Paya Rumput 75250 Melaka	8,968,608	13.87	904,608	1.40	1.13	2,304,000	2.88
Low Kim Ong	<ul style="list-style-type: none"> Director of HHG, HHMSR, and PMK Substantial shareholder of Hock Heng, HHG, HHMSR and PMK Key management of our Group 	22, Jalan OZ 16 Ozana Irtipian Bukit Katil 75450 Melaka	10,415,606	16.11	2,351,606	3.64	2.94	2,304,000	2.88

3. PARTICULARS OF THE IPO (Cont'd)

Offerors	Material relationship with our Group	Address	Before the IPO		Shares offered pursuant to the Offer for Sale				After the IPO*	
			No. of Shares	% [@]	No. of Shares	% [*]	No. of Shares	% [^]	No. of Shares	% [^]
Low Kim Chye	<ul style="list-style-type: none"> Substantial shareholder of HHG Key management of our Group 	No. 197-1, Batu 5 ½ Jalan Sungai Putat Batu Berendam 75350 Melaka	3,304,210	5.11	28,200	0.04	0.03	1,021,000	1.28	
Low Kim Siew	<ul style="list-style-type: none"> Substantial shareholder of HHG Key management of our Group 	No. 197-1, Batu 5 ½ Jalan Sungai Putat Batu Berendam 75350 Melaka	3,304,210	5.11	28,200	0.04	0.03	1,016,000	1.27	
Low Kim Choon	<ul style="list-style-type: none"> Substantial shareholder of HHG 	No. 197-1, Batu 5 ½ Jalan Sungai Putat Batu Berendam 75350 Melaka	2,541,700	3.93	21,800	0.03	0.03	770,000	0.96	
Low Jin Yu	<ul style="list-style-type: none"> Key management of our Group 	No. 197-1, Batu 5 ½ Jalan Sungai Putat Batu Berendam 75350 Melaka	508,340	0.79	4,300	0.01	0.01	194,000	0.24	
Low Jin Kuan	<ul style="list-style-type: none"> Key management of our Group 	No. 197-1, Batu 5 ½ Jalan Sungai Putat Batu Berendam 75350 Melaka	508,340	0.79	4,300	0.01	0.01	199,000	0.25	
TOTAL			64,658,000	100.00	14,258,000	22.05	17.82	14,720,000	18.40	

Notes:

* Including the effects of the Share Transfer (as set out in Section 5.3.3 of this Prospectus) and their respective entitlements under the Pink Form Allocation.

@ Based on the issued and paid-up share capital of 64,658,000 Hock Heng Shares, before the Public Issue.

^ Based on the issued and paid-up share capital of 80,000,000 Hock Heng Shares, after the Public Issue.

3. PARTICULARS OF THE IPO (Cont'd)

3.7 Basis of Arriving at the IPO Price

The IPO Price was determined and agreed upon by our Directors, the Offerors and PIVB as the Adviser, Managing Underwriter, Underwriter and Sole Placement Agent, after taking into consideration the following factors:-

- (i) our Group's operating and financial history and position as outlined in Sections 5 and 11 of this Prospectus;
- (ii) our proforma consolidated NA per Share as at 30 September 2009 after the IPO and the utilisation of proceeds from the Public Issue, of RM0.57, as set out in Section 11.1.2 of this Prospectus;
- (iii) our Group's historical net EPS of 7.19 sen computed based on the proforma consolidated PAT and after MI of our Group for the FYE 31 December 2008 of approximately RM5.75 million and our enlarged issued and paid-up share capital of 80,000,000 Shares, translating to a historical PE Multiple of 7.65 times based on the IPO Price;
- (iv) future plans, strategies and prospects of our Group as outlined in Section 5.7 of this Prospectus; and
- (v) the prospect and outlook of the dimension stones industry as set out in Section 6 of this Prospectus.

Based on the IPO Price, our Company's total market capitalisation upon Listing is estimated at RM44 million.

However, you should note that the market prices of our Shares upon and subsequent to the listing on the Main Market of Bursa Securities are subject to vagaries of the market forces and other uncertainties, which may affect the price of our Shares being traded. You should also bear in mind the risk factors set out in Section 4 of this Prospectus before deciding on whether or not to invest in our Shares.

3.8 Dilution

Dilution is the amount by which the IPO Price paid by the Applicant exceeds the proforma consolidated NA per Share of our Group after the IPO. Our proforma consolidated NA per Share as at 30 September 2009 (after adjusting the effects of the Acquisitions and the declaration of interim tax exempt dividend of RM0.45 million by HHG on 31 December 2009) based on the issued and paid-up share capital of 64,658,000 Shares before the IPO is RM0.60.

Pursuant to the IPO (after adjusting the effects of the utilisation of proceeds), our proforma consolidated NA per Share as at 30 September 2009 will decrease to RM0.57 based on our enlarged issued and paid-up capital of 80,000,000 Shares. The NA per Share of RM0.57 is higher than the IPO Price of RM0.55 and thus, there is no dilution to the new investors in our Company, the details of which are set out below:-

	RM
IPO Price	0.55
NA per Share as at 30 September 2009 (after adjusting the effects of the Acquisitions and the declaration of interim tax exempt dividend of RM0.45 million by HHG on 31 December 2009)	0.60
Decrease in NA per Share attributable to existing shareholders	(0.03)
NA per Share after the IPO ^	0.57

Note:

^ After taking into consideration the effect of the utilisation of proceeds raised from the Public Issue.

3. PARTICULARS OF THE IPO (Cont'd)

3.9 Utilisation of Proceeds

The total gross proceeds of RM8,438,100 from the Public Issue will be utilised by our Group in the following manner:-

Utilisation	Note	RM'000	Estimated timeframe for utilisation from the date of Listing
Construction of a secondary processing plant	(i)	788	Within 6 months
Operating of quarry	(ii)	2,120	Within 18 months
Working capital	(iii)	4,000	Within 12 months
Defraying listing expenses	(iv)	1,530	Within 6 months
		8,438	

Pending the eventual utilisation of the proceeds raised from the Public Issue, the funds will be placed in short-term deposits with licensed financial institutions or used to invest in short-term money market instruments.

Notes:

- (i) Our Group intends to allocate RM788,000 of the gross proceeds to partially finance the setting up of a secondary processing plant cum warehouse on a piece of leasehold land owned by our Group in Subang, Selangor, which is currently under construction. The remaining construction costs will be financed via bank borrowings and internally generated funds. Out of the RM788,000 allocated, RM396,000 will be utilised to finance the purchases of new machineries as detailed below:-

Type of machinery	Quantity	Estimated cost RM'000
½ & ¼ Circle, Bevel, plane & chamfering polishing machine	1	234
Stone sawing machine	1	162
Total		396

The balance of RM392,000 will be used to set up the new machineries and to part finance the construction cost for the abovementioned secondary processing plant and warehouse that will be used for processing our semi-finished products into finished products through sizing, edging and profiling processes. In addition, our secondary processing plant cum warehouse will also be used as our sales office, warehouse cum showroom. This is in line with the market expansion plan of our Group in view of the expected increase in the demand of our products from the Central Region of Peninsular Malaysia.

In addition, this will allow customers to view and select their preferred materials and also enable timely delivery of our products to the customers. The new secondary processing plant is expected to be completed within six (6) months from the date of Listing.

- (ii) Our Group intends to allocate RM2,120,000 to commence operations of our quarry in Tangkak, Johor as further set out in Sections 5.7.1(i) and 10.3 of this Prospectus. This includes RM1,260,000 allocated for clearing the quarry land and RM860,000 to purchase machineries to start excavating raw stones from the quarry.

The operation of the quarry will enable our Group to integrate backward into our supply chain to increase efficiency in our production process and reduce the dependency in the supply of dimension stones from suppliers.

3. PARTICULARS OF THE IPO (Cont'd)

(iii) *Approximately RM4,000,000 will be used to meet part of our Group's working capital requirements, which includes payment to creditors, payment of salaries and operating expenses, purchases of raw materials, which will improve our Group's liquidity and enable the smooth conduct of our operations.*

(iv) *Our Group will bear all expenses incidental to the listing which is estimated as follows:-*

	RM
<i>Professional fees</i>	<i>1,025,000</i>
<i>Underwriting, placement fees and brokerage</i>	<i>220,000</i>
<i>Fees to the authorities</i>	<i>105,000</i>
<i>Printing, advertising and other expenses in relation to the Listing</i>	<i>180,000</i>
TOTAL	<u>1,530,000</u>

Any difference arising from the actual listing expenditure and the estimated amount as set out above will be adjusted accordingly to our working capital requirements.

Our Directors expect the above utilisation of proceeds will enhance our earnings and contribute positively to the financial position of our Group.

We will bear all expenses and fees incidental to the listing and quotation for our entire issued and paid-up share capital on the Main Market of Bursa Securities, which include underwriting commission, placement fees, brokerage, professional fees, underwriting fees, authorities' fees, advertising and other expenses the aggregate of which is estimated to be RM1,530,000.

The Offer for Sale will raise gross proceeds of RM7,841,900. This amount shall accrue entirely to the Offerors and no part of the proceeds shall be receivable by us. The Offerors shall bear all expenses such the placement fees, underwriting commission and other expenses relating to the Offer Shares estimated to be approximately RM180,000.

3.10 Brokerage, Placement Fees and Underwriting Commission

3.10.1 Brokerage

Brokerage fees are payable by us in respect of the Public Issue Shares at the rate of 1.0% on the IPO Price in respect of successful applications which bear the stamps of PIVB, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of Malaysian Investment Banking Association or Issuing House.

3.10.2 Placement Fees

The placement fees are payable by us to the Placement Agent for the private placement of 7,342,000 Shares at a rate of up to 2.0% of the IPO Price for each Share successfully placed.

The Offerors will bear the placement fees for the placement of 14,258,000 Offer Shares pursuant to the IPO under Section 3.5.2 of this Prospectus at the rate of up to 2.0% of the IPO Price for each Offer Share successfully placed.

3.10.3 Underwriting Commission

Our Company together with Low Kim Hock, being one of the Offerors had entered into a conditional underwriting agreement on 9 February 2010 ("Underwriting Agreement") with PIVB as the managing underwriter ("Managing Underwriter") and the Underwriters to underwrite an aggregate of 12,000,000 Shares, in equal proportion consisting of 8,000,000 Public Issue Shares available for application by the Malaysian Public, the eligible Directors, employees and other persons who have contributed to the success of our Group as well as 4,000,000 Shares reserved for Bumiputera investors approved by MITI.

3. PARTICULARS OF THE IPO (Cont'd)

The underwriting commission is payable by our Company at a rate of 2.0% of the IPO Price in respect of the 11,462,000 Shares to be underwritten.

The underwriting commission is payable by Mr Low Kim Hock at a rate of 2.0% of the IPO Price in respect of the 538,000 Shares to be underwritten.

Our Company and Low Kim Hock will also be respectively paying the Managing Underwriter a management fee of 0.5% of the IPO Price per Public Issue Share and Offer Share underwritten.

3.11 Salient Terms of the Underwriting Agreement

The following salient terms are reproduced from the Underwriting Agreement. The capitalised terms and numbering references used in this section shall have the respective meanings and numbering references as ascribed thereto in the Underwriting Agreement:

AGREEMENT TO UNDERWRITE (Clause 2)

- 2.1 *In consideration of the payment by the Company and Low Kim Hock ("LKH") of the Management Fee and the Underwriting Commission, the Managing Underwriter hereby agrees to act as the Managing Underwriter and the Underwriters hereby agree to jointly act as Underwriters and, relying upon such of the representations, warranties and undertakings by the Company set out in Clause 3, the Underwriters agree to underwrite and purchase or procure purchasers or subscribe and procure subscribers for up to such number of the Underwritten Shares in the proportion as set out in Column 2 of the First Schedule hereto upon the terms and conditions hereinafter contained.*
- 2.2 *The obligations of the Underwriters and the Managing Underwriter under this Agreement are conditional, as from the date hereof upon:-*
- 2.2.1 *there having been on or prior to the last date for the receipt of application for the Underwritten Shares as disclosed in the Prospectus to be issued or such other date to be fixed and announced by the Directors of the Company together with the Managing Underwriter and Underwriters ("Closing Date"), neither any adverse change nor any development reasonably likely, in the opinion of the Underwriters, to result in any adverse change in the condition (financial or otherwise) of the Group, taken as a whole, and which is material in the context of the IPO Shares from that set forth in the Prospectus, nor the occurrence of any event or the discovery of any facts which makes, in the opinion of the Managing Underwriter, any of the representations, warranties and undertakings by the Company in Clause 3 untrue, incorrect and/or become breached in any material respect;*
- 2.2.2 *the delivery to the Managing Underwriter prior to the date of the registration of the Prospectus with the SC of :-*
- (i) *a certified true copy by an authorized officer of the Company of all the resolutions of the Directors of the Company and the shareholders in general meeting approving this Agreement, the Prospectus, the IPO Shares and authorizing the execution of this Agreement and the issuance of the Prospectus;*
- (ii) *a certificate, in the form or substantially in the form contained in the Second Schedule hereto, dated the Closing Date signed by a duly authorised officer of the Company stating that, to the best of his knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as is referred to in Clause 3 hereof.*

3. PARTICULARS OF THE IPO (Cont'd)

- 2.2.3 *the delivery to the Managing Underwriter on the Closing Date of such reports and confirmations from the Board of Directors of the Company as the Managing Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of this Agreement that will adversely affect the performance or financial position of the Company;*
- 2.2.4 *the Managing Underwriter having been satisfied that arrangements have been made by the Company and LKH to ensure payment of the expenses referred to in Clause 15.3;*
- 2.2.5 *the Public Issue and Offer for Sale not being prohibited by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia;*
- 2.2.6 *the Managing Underwriter having been satisfied that the Company has complied and that the Public Issue and Offer for Sale are in compliance with the policies, guidelines and requirements of the SC and all revisions, amendments and/or supplements thereto;*
- 2.2.7 *the Prospectus being in form and substance satisfactory to the Underwriters and the acceptance for registration by the SC of the Prospectus and such other documents as may be required in accordance with the CMSA in relation to the Public Issue and Offer for Sale and the lodgement of the Prospectus with the Registrar of Companies within one (1) month from the date of this Agreement or within such other time as the parties may mutually agree;*
- 2.2.8 *the Company will apply for the approval-in-principle of Bursa Securities for the admission of the Company to the Official List of Bursa Securities and for dealing in and quotation for the entire enlarged issued and paid-up share capital of the Company on the Main Market of Bursa Securities prior to the listing of the Company on the Main Market of Bursa Securities, and will obtain Bursa Securities' approval-in-principle as soon as possible, and shall comply with all requirements and provisions of the CMSA and other applicable legislation, the Listing Requirements and the requirements of all other relevant authorities;*
- 2.2.9 *the offering of the IPO Shares having been approved by the SC, MITI and/or any other relevant authorities;*
- 2.2.10 *this Agreement having been duly executed by all the parties hereto and duly stamped;*
- 2.2.11 *there shall not have occurred, on or prior to the Closing Date, any event rendering untrue, inaccurate or incorrect any of the representation or warranties contained in Clause 3.1 hereof;*
- 2.2.12 *there shall not have occurred, on or prior to the Closing Date, any breach of or failure to perform any of the undertakings contained in Clauses 3.1 and 3.2 hereof;*
- 2.2.13 *the Managing Underwriter having received the irrevocable undertakings from placees of the Public Issue in relation to the subscription of their respective entitlements;*
- 2.2.14 *the Prospectus having been issued within two (2) months of the date hereof or within such extended period as may be consented to by the Managing Underwriter and Underwriters; and*

3. PARTICULARS OF THE IPO (Cont'd)

2.2.15 *the FTSE Bursa Malaysia KLCI Index shall not be lower than 900 points on or prior to the Closing Date.*

2.3 *If any of the conditions set out in Clause 2.2 is not satisfied by the Closing Date, the Managing Underwriter shall thereupon be entitled to terminate this Agreement and in that event except for the liability of the Company for the payment of costs and expenses as provided in Clause 15.3 incurred prior to or in connection with such termination there shall be no further claims by the Managing Underwriter against the Company, and the Parties shall be released and discharged from their respective obligations hereunder save and except for any antecedent breaches and further PROVIDED THAT the Underwriters may at its discretion waive compliance with any of the provisions of Clause 2.2.*

EVENTS OF TERMINATION (Clause 14)

14.1 *Notwithstanding anything herein contained, the Managing Underwriter and/or the Underwriters may by notice in writing to the Company and LKH given at any time before the allotment of the Unsubscribed Underwritten Shares, terminate and cancel and withdraw its commitment to underwrite the Underwritten Shares if:-*

14.1.1 *there is any breach by the Company of any of the representations, warranties or undertakings contained in Clause 3 or of any of the Company's obligations under this Agreement, which, if capable of remedy, is not remedied to the satisfaction of the Managing Underwriter or the Underwriters within ten (10) Market Days from the date of the notice given to the Company in respect of such breach; or*

14.1.2 *there is withholding from the Managing Underwriter or the Underwriters of information of a material nature which is required or ought to be disclosed pursuant to the underwriting commitment under this Agreement, which in the opinion of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business, financial condition or operations of the Company, the success of the Public Issue and Offer for Sale, or the distribution or sale of the IPO Shares; or*

14.1.3 *any of the conditions set out in Clause 2.2 hereof are not duly satisfied by the Closing Date; or*

14.1.4 *there is a failure on the part of the Company and/or LKH to perform any of its obligations contained herein; or*

14.1.5 *there shall have occurred or happened any material and adverse change in the business or financial condition of the Company or the Group; or*

14.1.6 *there shall have occurred, happened or come into effect any material change (prospective or otherwise) development or event in:-*

(i) *national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-Bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or currency exchange rate or the occurrence of any combination of any of the foregoing; or*

3. PARTICULARS OF THE IPO (Cont'd)

- (ii) *any development, occurrence or any change or prospective change in or any introduction of any legislation, regulation, policy, directive, guideline, ruling or any request or interpretation by the SC, or any other regulatory authority, whether or not having the force of law, or occurrence of any other nature, which will materially and adversely affect the Company and the success of the IPO, the business and/or prospects of the Company and/or the Group, or which is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms; or*
- (iii) *any event or series of events beyond the reasonable control of the Managing Underwriter or the Underwriters (including without limitation, acts of God, national disorder, declaration of a state of emergency, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents) which, would have or can reasonably be expected to have in the reasonable opinion of the Underwriters, a material adverse effect on or materially prejudice the business, financial condition or the operations of the Company or the Group as a whole, the success of the Public Issue, or the listing, quotation, distribution or sale of the IPO Shares, or which is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms.*

In the event that this Agreement is terminated pursuant to this Clause 14.1.6, the Managing Underwriter and/or the Underwriters and the Company may confer with a view to deferring the Public Issue and Offer for Sale by amending its terms or the terms of this Agreement and may enter into a new Underwriting Agreement accordingly, but neither the Managing Underwriter and/or the Underwriters nor the Company shall be under an obligation to enter into a fresh agreement.

- 14.2 *In the event that the permission of Bursa Securities to deal in and for quotation of the entire issued and paid-up capital of the Company on the Main Market of Bursa Securities is not obtained or withdrawn for any reason whatsoever after the Unsubscribed Underwritten Shares have been allotted, the Underwriters shall be entitled to terminate this Agreement by notice in writing ("Demand Notice") to the Company. The Company and LKH shall within two (2) Market Days from its receipt of the Demand Notice, do the following:-*
- 14.2.1 *pay, if it has yet to be paid, the Underwriting Commission to the Underwriters less any amount set-off by the Underwriters pursuant to Clause 8.1;*
- 14.2.2 *pay, if it has yet to be paid, the Management Fee to the Managing Underwriter;*
- 14.2.3 *pay all relevant costs and expenses referred to in Clause 15.3 to the Managing Underwriter and the Underwriters;*
- 14.2.4 *compensate the Managing Underwriter and the Underwriters for its "broken funding cost" which shall be calculated based on the Managing Underwriter's and the Underwriters' cost of funds on an amount equal to its underwriting commitment under this Agreement for the period commencing from the date of this Agreement up to the date on which the Managing Underwriter and the Underwriters receive such compensation; and*

3. PARTICULARS OF THE IPO (Cont'd)

- 14.2.5 *return the total payment consideration for those Unsubscribed Underwritten Shares for which applications and remittance was made by or on behalf of the Managing Underwriter and the Underwriters pursuant to the Underwriting Notice, following which the Managing Underwriter and the Underwriters shall cause the transfer of the Unsubscribed Underwritten Shares to the CDS Accounts of persons to be nominated by the Company.*
- 14.3 *Upon such notice(s) being given under Clauses 14.1 and 14.2, the Managing Underwriter and the Underwriters shall be released and discharged of its obligations without prejudice to its accrued rights and remedies, whereupon this Agreement shall be of no further force or effect and no party shall be under any liability to any other in respect of this Agreement, except that the Company shall remain liable in respect of any antecedent breach and its obligations under Clauses 3.3.1, 3.3.3, 3.4, 11 and 12 and for costs and expenses pursuant to Clause 15.3 that have been incurred up to the date on which such notice is given, and subject thereto, each party shall thereafter return any monies paid without interest thereon to the other party within 3 Market Days of receipt of such notice of termination from the Managing Underwriter and the Underwriters.*

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4. RISK FACTORS

Prior to making an investment decision, you should carefully consider, along with the other matters in this Prospectus, the risks set out below. The risks set out below are not an exhaustive list of the challenges that we currently face or that may develop in the future. Additional risks, whether known or unknown, may in the future have a material adverse effect on us or our Shares.

4.1 Risks Relating to Our Group and Industry in Which We Operate

(i) Business Risks

Our Group is principally engaged in the manufacturing, selling, distribution and trading of dimension stones and related products. Therefore, we are subject to certain risks inherent in the business which include, amongst others, fluctuations in demand for our products, competitive conditions in the industry, rising cost of raw materials and operational costs, shortages of labour, collectibility of debts, changes in customers' preferences, customer-order deferrals, and dependency on the performance of the property market and construction sector.

Although our Group will seek to limit these risks, through *inter-alia*, improving our operational efficiency, maintaining a good relationship with a wide range of customers and suppliers, continuously sourcing for new raw materials of high quality, penetrating into new export markets and expanding our marketing network and being prudent and careful in the selection of contracts and contractual terms, no assurance can be given that any changes to these risks would not have any material adverse effects on our Group's business in the future.

(ii) Dependency on Property Market and Construction Sector

The dimension stones industry is closely associated to, amongst others, the property market and construction sector as the main application of dimension stones are for buildings and landscaping purposes. Hence, the demand for our dimension stones is inherently linked to the performance of the property market and construction sector in Malaysia. Our business performance may therefore be subjected to any uncertainties, adverse developments or cyclical nature of the property market and construction sector which depends upon the Malaysian general economy as a whole. Any widespread or prolonged slowdown in the residential property market is likely to have a direct impact on the demand for dimension stone products. Nonetheless, the activities in the secondary property market may still be active as property owners may possibly undertake renovations and restorations.

Although our Group plans to diversify into other overseas countries, there is no assurance that our business would not be affected by any adverse developments in the property market and construction sector.

(iii) Competition

Our Group faces competition in project tenders and non-project sales of dimension stone products mainly with established dimension stones processors in Malaysia as well as trading companies which sell a comprehensive range of building materials including dimension stone products. The principal elements of competition include, amongst others, price, quality, production capability, turnaround time, product range and the ability to provide value added services.

To compete effectively in the market, our Group as an integrated dimension stones processor is well equipped with the facilities and amenities to undertake projects right from the sourcing of raw materials, designing of the layout to producing and installing the dimension stone products. In addition, we also have sales offices with manufacturing facilities at strategic locations to capture the market in the Central, East Coast and Southern Region of Peninsular Malaysia.

4. RISK FACTORS (Cont'd)

Taking cognisance of the importance of the quality of our products as a mean to differentiate ourselves from the other players in the market, our products are subject to stringent quality controls and our subsidiaries have obtained accreditation of ISO 9001:2000 for the manufacture of granite and marble-related products, and monuments.

Although the threat of new entrants to the industry may arise, a new entrant will need to face certain barriers to entry as set out in Section 6 of this Prospectus. Hence, such factors can reduce the risk of new entrants to the industry. Although our Group strives to remain competitive in the industry, there can be no assurance that our Group will be able to maintain or increase our existing market share in the future.

(iv) Supply and Prices of Raw Materials

Most of our raw material supplies and purchases of semi-processed granite and marble (in the form of slabs and monuments) are foreign sourced. However, as our Group's raw materials are widely available from a varied base of local and overseas suppliers, we have not encountered any difficulties or major disruptions in sourcing for supply and we are not overly dependent on raw materials sourced from any particular countries or suppliers. Nevertheless, some challenges may be encountered if there is a sudden surge in demand for dimension stones with exotic colours and texture, poor quality of raw materials being supplied or delay in the delivery of raw materials to us. Hence, any disruptions in the supply of granite and marble blocks and slabs will affect our Group's manufacturing operations. Further, any sharp increase in the prices of granite and marble blocks and slabs which could be due to the surge in demand or as a result of fluctuation of foreign exchange rate passed on by the local sales representatives and agents will also have a direct impact on our overall cost of sales and affect our profit margin.

To mitigate the risk of poor quality and delay in the delivery of raw materials, we maintain a list of approved suppliers where regular evaluations are performed for amongst others, the quality of goods and services provided. Routine inspections are carried out by our Factory Manager prior to the acceptance of the raw materials to ensure that they meet our quality standards. Further, for certain high volume/value purchases of raw materials, our Directors, namely, Low Kim Hock and/or Low Kim Joo will visit the quarry sites to select and inspect the quality of the raw materials. In addition, the appointment of HHG as the sole agent for marketing and distribution of a type of marble stone blocks extracted from a quarry in Indonesia will provide our Group with a consistent supply of raw material and a form of control in the supply chain as well as enjoy greater price competitiveness in the dimension stones industry.

For our non-project customers, our Group believes that we are able to pass part of the additional costs arising from the price increases for raw materials to our non-project customers depending on the market condition. For our project customers, we are exposed to higher risks of price fluctuation due to the longer time lag between the time the price quotation is made for the project and the actual commencement of the manufacturing of dimension stone products. Our Group strives to minimise the effects of the price increases and the risk of disruption of supply in raw materials by holding higher level of inventories of the requisite raw materials or by fixing the price of raw materials with our suppliers at the time the project been secured, to act as a buffer against any unfavourable price fluctuations.

Nevertheless, there can be no assurance that risks such as disputes concerning the quality and specification of the material purchased, unfavourable terms of purchase, difficulty in procuring specific stone materials or discontinuity or delay in the supply of specific dimension stones and/or adverse price increase in the dimension stones will not have a material adverse impact on our Group's business and profitability.

4. RISK FACTORS (Cont'd)

(v) Dependency on Key Personnel

We believe that our Group's continued success will depend, to a significant extent, on the broad knowledge, experience and continued efforts of our Directors as well as our Group's key management. The loss of services from any of the key members of our Board and senior management team, may affect our Group's continued ability to compete and grow our business.

Our Directors recognise the importance of our Group's ability to retain existing key personnel and attract new skilled personnel and thus have put in place human resource strategies, which include suitable compensation packages and training as well as personal development programmes. Further, as part of our Group's management succession plan, we have made continuous efforts to train and groom younger members of our management to gradually take on more responsibilities.

However, there can be no assurance that the above measures will be successful in retaining key personnel or ensuring a smooth transition should changes occur.

(vi) Credit Risks

We generally grant our customers credit terms within the range between 30 days to 90 days, subject to a grace period of additional 30 days. In respect of our project customers which are property developers and/or main contractors, there is usually a retention sum of 5% of total contract value during the defect liability period ranging from 18 months to 24 months. We usually bill our project customers progressively based on each stage of work completed. As the issuance of the progress certificates and the finalisation of contract sum or project accounts (for the final payments) with the main contractors/project owners often takes time (which is common in the industry), we are potentially exposed to higher credit risks for our project customers.

In mitigating our exposure to credit risk, we will assess the credit standing of the existing and prospective customers prior to accepting their orders. In addition, we regularly review our trade receivable ageing and monitor subsequent collection of debts. Our Group also maintains proper follow up procedures which include sending out reminder letters and calls, field visits and initiating legal procedures to recover the long outstanding debts.

Nonetheless, there is no assurance that our financial performance will not be materially and adversely affected in the event any material trade receivables are not collected or recovered by our Group on a timely basis.

(vii) Delay in Completion of Projects

The duration of completing a property development and construction project relies on various external factors which are beyond our Group's control, such as market conditions, obtaining approvals from various regulatory bodies, adequacy of construction materials, equipment and labour secured by the main contractors, weather conditions, human errors and compliance with the initial plan. The failure or delay in completing a construction project according to its initial timeframe on the part of property developer will have an adverse impact on our Group's performance as dimension stone installation work usually commences near the finishing stage of a construction project. In addition, the failure or delay of our Group in executing our contract on schedule may lead to our Group compensating for the liquidated ascertained damages which may adversely affect the financial performance and reputation of our Group.

4. RISK FACTORS (Cont'd)

In order to minimise our Group's exposure to the risk of delays in the completion of project, our Group will take pro-active steps to mitigate these risks, such as entering into contracts with favourable contractual terms, efficient production planning and project management and close monitoring of the progress on our Group's projects and endeavour to promptly rectify any setback encountered in a project.

(viii) Significant Claims by Our Customers May Adversely Affect Our Reputation and Profitability

It is a norm within the construction industry for a contractor to provide a performance bond in the form of a banker's guarantee to the customer for due performance of the construction contract. It follows that any non-performance or under-performance of the contract terms may result in the customer calling upon the bank guarantee. Such instances will adversely affect our reputation as well as our profitability. For our record, our Group had not encountered any of such claims since our commencement of business.

With regard to defects liability periods for work done (which generally range between 18 to 24 months from the official handover of completed works), we are liable for the rectification works of faults or defects which may surface during the defects liability periods. In addition, disputes sometimes may arise between us and our customers over the natural characteristic of the dimension stones such as evenness of colour tone and texture upon installation. Hence, in carrying out the rectification works or resolving disputes/claims by the customers, substantial additional costs may be borne by us and thus the profitability of that particular project/sales order will be reduced.

We seek to limit the abovementioned risks by closely monitoring the progress of our projects and ensuring our quality control and selection process of our finished products are properly carried out. In addition, we will also involve our customers in the selection of raw materials for production and conduct final inspections together with the architects and/or property owners prior to us handing over the completed works. Nonetheless, there can be no assurance that any significant claims by our customers will not adversely affect our financial performance or reputation.

(ix) Lack of Long Term Contractual Agreements

Our Group does not have any long term contractual agreements with our customers, which is the norm of the industry in which our Group operates in. For the FPE 30 September 2009, approximately 87.7% of our Group's gross revenue was derived from non-contract revenue which we typically work from confirmed sales orders mainly from our dealers (trading companies), contractors, walk-in customers and interior designers. Hence, our Group's revenue is, to a certain extent, dependent upon the efforts and performance of the dealers (trading companies) whereby we have not entered into any dealership agreement with them. In addition, the contract revenue or projects we secured are usually for a period less than a year and are non-recurring. We therefore have to continually and consistently secure new projects from new or existing customers.

Although our Group does not have any formal contractual agreements with our existing dealers, our Group has a wide network of dealers throughout Malaysia and majority of these dealers have established business relationship with us for an average of more than three (3) years. Further, we have continuously market our products through advertisement in the newspapers and magazines to create public awareness about our products and our Group maintains good business relationships with a vast number of interior designers, contractors, dealers, architects and property developers for the continuous growth of our Group's revenue.

4. RISK FACTORS (Cont'd)

However, there is no assurance that our Group would continue to enjoy the support of our customers and the dealers will continue to sell our products and that any loss of customers and/or dealers will not have an adverse impact on our Group's financial performance.

(x) Operational Risks

Our Group relies on our machineries such as the block cutters, gangsaws, wire saws, bridge cutters, water jet cutter, polishing and flaming machines, as they are crucial for the production of our finished goods. However, these machineries and equipment are subject to unexpected failures, which will result in a halt in production. Furthermore, there is a risk that there might be interruptions to our business operations as a result of power failure, fire breakouts or any act of God.

In mitigating such risks, our Group has in-house maintenance technicians and engaged external parties to regularly maintain and repair our machineries and equipment to ensure smooth running of our production processes. In addition, we take precautionary steps to minimise the risk of fire outbreak through the installation of fire-fighting equipment as well as providing training to our employees to handle fire outbreak crisis. Our Group has also taken up fire insurance coverage for our factory building, machineries and equipment, which are reviewed on a yearly basis.

However, even with all the precautions our Group has taken to mitigate these risks, there is no assurance that these operational risks will not materially affect our business and/or the insurance coverage our Group has taken would be comprehensive enough to reflect the replacement cost of the assets or any consequential loss our Group may suffer.

(xi) Financial Risks and the Availability and Adequacy of Financing to Fund our Operations and Capital Expenditure

Save as disclosed in Section 11.4.3 of this Prospectus, our Group has no other borrowings in the form of term loans, trust receipts, letters of credit, bankers' acceptance or hire purchase financing. We may, from time to time, obtain other credit facilities from banks and financiers to finance our Group's operations and business activities. Interest may be charged on these credit facilities by the banks and financiers. Fluctuations of these interest rates and any adverse changes to the terms and conditions of the credit facilities may have a material effect on our Group's profitability.

Pursuant to the credit facility agreements entered into by our Group with banks and financiers, we are bound by certain positive and negative covenants which may limit our Group's operating and financial flexibility. The aforesaid covenants are typically contained in credit facility agreements of such nature. Any act by our Group falling within the ambit or scope of such covenants will require the consent of the relevant banks/financiers. Breach of such covenants may give rise to a right by the banks/financiers to terminate the relevant credit facilities and/or enforce any security granted in relation to that credit facilities. Our Directors are aware of such covenants and shall take all precautions necessary to prevent any such breach.

In view of the contract sums for the projects to supply and install dimension stone products are usually payable by our customers progressively whilst a portion of the contract sums are being retained for a period ranging from 18 months to 24 months, our Group may be required to secure external financing in the form of bank borrowings or credit facilities to fund our working capital or capital expenditure, particularly in the event there is a delay in payment by our customers. In addition, we may also be required to secure the requisite performance bonds or guarantees from financial institutions to secure our performance under the relevant projects.

4. RISK FACTORS (Cont'd)

However, there can be no assurance that our Group's performance would remain favourable in the event of adverse changes in interest rates or loan amounts or that the necessary financing for our business operations and capital expenditure will be available in amounts or on terms acceptable to us. Nevertheless, our Group will undertake prudent financial management and conduct detailed forward planning in order to address our funding requirements and secure external financing where necessary, ahead of execution of sales orders or undertaking of projects as well as ensuring there is sufficient funds available for the repayment of bank borrowings and credit facilities.

(xii) Risk of Expansion of Business

Our Group has envisaged various expansion plans to penetrate deeper into the domestic markets, expand into new geographical markets overseas and integrate backward into quarry operations. Our Group's resources and investments will be devoted to penetrate and expand our operations in these new markets and/or operations which may be a significant strain on our Group's management, financial, customer support, operational and other resources. In addition, our Group will be subject to new challenges and risks arising from the business of quarry operations in which our Group has not been actively involved in the past to ensure our successful venture into such business.

Further, there is no guarantee that these business expansions will be successful or contribute significant revenue and profit to our Group in the future. In addition, there is no assurance that there will be demand for the raw dimension stone blocks excavated from our quarry. Any such failure or lack of demand could have an adverse impact on our business, financial condition and operating results.

Our Group will also be subject to additional risks if we decide to operate in foreign countries that could affect our financial condition and operating results. These risks include amongst others, compliance with local regulatory requirements, fluctuations in currency exchange rate, any imposition of currency exchange and capital controls, unexpected changes in regulatory requirements, cost of staffing and managing overseas operations.

In order to limit our risk associated with the expansion of our businesses, our Group will conduct or engage professionals to conduct detailed analysis of potential new markets prior to making any concrete decisions on expansion of our business in certain target markets. Various possible aspects of the penetration strategy will be reviewed and modified in accordance with the specific requirements of the respective target markets. In connection with our venture into the quarry operation business, our Group will engage a company which has the expertise in managing quarry operations so that we can continue to focus on our core business of manufacturing of dimension stone products. A detailed geological study on potential dimension stone deposits and a thorough assessment on the demand for the dimension stones will be conducted prior to us acquiring new quarry land in the future.

However, there is no assurance that our Group will be able to successfully penetrate into new markets and expand our existing market share as well as reaping the benefits of integrating backward into quarry operations. Further, there is no assurance that our Group will not face the risk of over expansion.

4. RISK FACTORS (Cont'd)

(xiii) Technology Used and Risk of Technological Changes

Our Directors believe that utilising technologically advanced machineries and equipment in the processing of dimension stones allow completion of complex tasks accurately and economically and is one of the critical factors to stay competitive in the dimension stones industry.

Although our Group presently employs advanced technology in running our operations, the changes in technology used in the processing of dimension stones may affect our operational edge and competitiveness in the absence of upgrades or improvement.

In mitigating such risks, we plan to continue to invest in more technologically advanced plant and machinery and production technologies to keep abreast with the latest technology and technical know-how in the manufacturing of dimension stone products, after taking into consideration the potential costs and benefits arising from such investments.

(xiv) Potential Conflict of Interest of Our Substantial Shareholders and Directors

Our Group engages in some transactions with companies where certain of our Directors and substantial shareholders have interests. Most of the related party transactions are trade in nature, which are contracted in the ordinary course of business. Our Directors believe that such transactions are in the best interests of our Group and on an arm's length basis.

We have taken steps to resolve any conflict of interest that may arise from the related party transactions such as monitoring of all related party transactions by the audit committee comprising all non-executive directors and majority being independent directors. The Listing Requirements also provides certain protection to shareholders including but not limited to mandatory shareholders' approvals for material related party transactions that fall under the threshold stipulated in the Listing Requirements and abstinence from voting by shareholders who have an interest in the transaction.

(xv) Foreign Exchange Risks

For the FPE 30 September 2009, approximately 82.4% of our Group's purchases were transacted in RM whilst approximately 12.4% were transacted in USD and the remaining in other currencies. Our Group will also intends to expand into overseas market such as China, Singapore and, Vietnam and Indonesia whereby the sales may be transacted in USD and Singapore Dollar. Thus, any fluctuations in foreign exchange rates may have an adverse effect on our financial performance. Nonetheless, the expected USD sales transactions will provide a natural hedge to the fluctuations in foreign exchange. In addition, our Group is able to pass on part of the additional cost arising from the fluctuations in foreign exchange rate to our non-project customers. As the RM is currently a managed float, the effects of foreign currency risks are less significant and mitigated to a certain extent. However, there is no assurance that any future significant fluctuations in foreign exchange rates will not have any impact on the revenue and earnings of our Group.

4. RISK FACTORS *(Cont'd)*

(xvi) Dependence on Supply of Foreign Workers

As at 30 September 2009, our Group has 149 employees, out of which 67 are foreign workers. These foreign workers account for approximately 45% of the total production workers of our Group, of which 39 are skilled workers. The foreign workers are employed on a contractual basis and are mainly sourced from Nepal and Vietnam, which have all been issued with valid employment permits. Hence, any review of policies in relation to foreign labour by the Government such as freezing recruitment of foreign workers in manufacturing and services sectors and the changes to levy policy on foreign workers, may adversely affect our Group's operations.

To mitigate the risk of possible disruptions to the operations due to a shortage of foreign labour, our Group has adopted measures to ensure the retention of foreign workers by providing employees incentives and benefits, housing and amenities. In addition, our Group intends to improve our production efficiency and reduce our dependency on labour force in the production process, by striving to move towards mechanisation of our production line progressively, where feasible. Alternatively, we may hire local workers in replacing those foreign workers which, however will increase our Group's labour costs. Nevertheless, no assurance can be given that any changes in immigration and labour policies by the Government in respect of foreign labour will not affect our Group's operations or financial performance.

(xvii) Threat of Substitutes

The inherent characteristics of dimension stones such as durability, hardness, heat and scratch resistance render such stones a furnishing material without any direct substitute. However, depending on the application, ceramic tiles, homogeneous tiles, steel, aluminium, concrete, plastics, wood, glass and other similar materials may be used as an alternative to dimension stones. In addition, new synthetic materials have also been used in many decorative and functional applications in place of dimension stones as they are less expensive and easier to manufacture, ship and install as compared to the dimension stones. Hence, the choice of material used usually depends on the preference and budget of the customers.

Whilst there is continuous demand for dimension stones as they are generally used in medium to high cost residential and commercial properties, dimension stones may nevertheless be subjected to the risk of being substituted with alternative building materials which may arise from changes in market trend or technological advancement in creating new or improved synthetic materials.

Our Group seeks to mitigate these risks through market penetration and development strategy and by constantly keeping abreast with the latest market trends and ensuring our products are kept in line with the current market trend and consumer's taste. However, there can be no assurance that the demand for dimension stones will not be affected by the threat of substitutes.

4.2 Risks Relating to Investment in Our Shares

(i) No Prior Market for Our Shares

Prior to this IPO, there has been no public market for our Shares. There can be no assurance that an active market for our Shares will develop upon our listing on the Main Market of Bursa Securities or, if developed, that such market will be sustained. There can also be no assurance that the IPO Price will correspond to the price at which our Shares will be traded on the Main Market of Bursa Securities upon or subsequent to our listing or that an active market for our Shares will develop and continue upon or subsequent to our listing.

4. RISK FACTORS (Cont'd)

The IPO Price has been determined after taking into consideration a number of factors, including but not limited to, our Group's financial and operating history and position, our future plans and the prospects for the industry in which our Group operates. As such, the price at which our Shares will trade on the Main Market of Bursa Securities would be dependent upon market forces beyond our control.

(ii) Failure or Delay in the Listing

Our Listing may be delayed or aborted due to the occurrence of any one or more of the following events:-

- (a) the places identified under the private placement and Bumiputera investors approved by MITI fail to take up the portion of Shares allocated to them;
- (b) the underwriters fail to honour their obligations under the underwriting agreement;
- (c) we are unable to meet the public spread requirement, that is, at least 25% of the total number of Shares for which listing is sought must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares at the point of our admission to the Main Market of Bursa Securities; or
- (d) the approvals of Bursa Securities, SC or any other relevant authorities for our Listing are revoked, withdrawn or cancelled.

Although our Directors will endeavour to ensure our compliance of the various Listing Requirements, including, *inter-alia*, the public spread requirement imposed by Bursa Securities for the successful Listing, no assurance can be given that the abovementioned factors will not cause a delay in or non-implementation of the Listing.

(iii) Control by Promoters

Upon completion of the IPO, the Promoters, namely, MJM, Low Kim Hock, Low Kim Joo and Low Kim Chung will in aggregate, beneficially own approximately 56.52% of our enlarged issued and paid-up share capital. As a result, these shareholders, acting together, will be able to effectively control the outcome of certain matters requiring the vote of our shareholders unless they are required to abstain from voting by law or the relevant authorities.

Nevertheless, our Board includes Independent Directors who would act on behalf of our minority shareholders for any Board deliberation. An audit committee comprising non-executive directors, a majority of which are independent directors, has been formed under the Listing Requirements will, *inter-alia*, monitor any transactions between our Group and our Directors/substantial shareholders and/or persons connected with them to ensure those transactions are entered into at commercial terms and on an arm's length basis.

4. RISK FACTORS (Cont'd)

4.3 Other Risks**(i) Economic, Political and Regulatory Risks**

Adverse developments in political, economic and regulatory conditions in Malaysia and other countries in which our Group may operate could materially and adversely affect the financial prospects of our Group. Political and economic uncertainties that could unfavourably affect our Group include, amongst others, changes in political leadership, risk of war, nullification of existing orders, global economic downturn, changes in interest rates, methods of taxation and currency exchange rules and contracts. Our Group could also be indirectly affected by laws, regulations and guidelines which regulate the property market and construction sector.

Whilst our Group strives to continually take effective measures such as prudent financial management and efficient operating procedures, there is no assurance that adverse political and economic factors will not materially affect our Group.

(ii) Environmental Concerns and Workplace Safety Compliance

Our Group generates fugitive dusts, waste water and plant maintenance waste during the manufacturing process of our dimension stone products which may cause some environmental concerns. These wastes include particulate emissions into the air, waste water containing dusts as process wastes, waste rocks and waste oils. Hence, our Group are required to comply with, amongst others, the Environmental Quality Act 1974 and is subject to stringent environmental regulations which require our Group to put in place the necessary measures to ensure compliance with the relevant environmental laws and regulations.

Our operations are also subject to regulations relating to workplace safety compliance. These regulations ensure the protection against risks to safety or health in connection with the activities of persons at work. As a measure of compliance, certain machineries within our premises are subject to inspections and renewal of certification.

Typically, these laws and regulations provide for substantial fines and potential criminal sanction for violations. Violations of these laws can result in permit revocation, cessation of or restricted operations, remedial work required to be carried out or the additional equipment required to be installed at substantial cost and/or plant shutdown.

Our Group has taken several measures to address the issue of air and water pollution as well as the workplace safety by:-

- (a) setting up a water filter plant wherein the waste water generated from the processing of dimension stone products can be recycled and reused;
- (b) applying water during the manufacturing process to reduce the fugitive dusts generated;
- (c) requiring all production workers to apply safety gears such as goggles and masks while working at the manufacturing plant; and
- (d) consistently monitoring of our environmental practices to ensure that we conform to the requirements.

4. RISK FACTORS (Cont'd)

Our Group has always conformed to the environmental regulatory and workplace safety requirements. Although no guarantee can be given for full compliance with the relevant laws, our Directors are confident that our Group's current environmental practices are sufficient in minimising the likelihood of contravention of these applicable laws.

Nonetheless, new laws and regulations or stricter enforcement of or changes to existing environmental laws and regulations in future could require us to incur additional operating costs to comply with such laws and regulations and no assurance can be given that such additional costs, if material, will not adversely affect our profitability.

(iii) Forward Looking Statements

Certain statements in this Prospectus are based on historical data which may not be reflective of future results, and other statements which are forward looking in nature, and are subject to uncertainties. These statements are based on estimates and assumptions made by our Board, and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied by such forward looking statements.

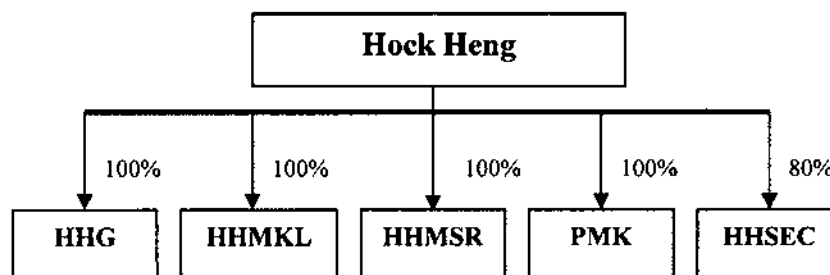
Although our Group believes that the expectations reflected in such forward statements are reasonable at this point of time, there can be no assurance that such expectations will prove to have been correct. Due to these uncertainties and the above mentioned risk factors, the inclusion of forward looking statements in this Prospectus should not be regarded as a representation or warranty by our Group, PIVB or any other advisers that the plans and objectives of our Group will be achieved.

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5. INFORMATION ON OUR GROUP

5.1 History

Our Company was incorporated in Malaysia under the Act on 28 November 2008 as a public limited company to facilitate the Listing. We are principally an investment holding company whilst our subsidiaries are primarily engaged in the manufacturing, selling, distribution and trading of dimension stones and related products. Dimension stone is a piece of natural rock material that is cut to specific dimensions for use in the building, construction and monumental industries. The corporate structure of our Group is as follows:-



The principal activities of our subsidiaries are as follows:-

Name of subsidiaries	Principal activities
HHG	Manufacturing and selling of dimension stones and related products
HHMKL	Distribution of dimension stones and renovation works for homes and offices
HHMSR	Processing and trading of dimension stones
PMK	Processing and trading of dimension stones
HHSEC	Trading in dimension stones and related services

Our Group's history can be traced back to 1988 when the founder of our Group, Mr. Low Kim Hock, incorporated HHG on 27 February 1988 to commence the manufacturing of dimension stones and related products. Our founder, Mr. Low had gained early exposure in the dimension stones industry through his involvement in his family-owned business which specialised in the manufacturing, polishing and engraving of monuments since the age of eighteen (18). Over the past twenty two (22) years, we have expanded our operations and transformed into an integrated dimension stones processor.

By 1990, our Group had installed and set up a bridge cutter, a polishing line, and a block cutter line to become a fully equipped dimension stones processor. In 1994, Hock Heng Granite & Marble Sdn Bhd (presently known as HHMSR) was incorporated with the main purpose of supplying stone building materials to end-consumers. In 1997, our Group managed to secure a major contract to supply dimension stones for the external infrastructure, water feature and landscaping of the Kuala Lumpur City Centre ("KLCC") project which marked the beginning of our Group's expansion into the project-based segment.

In 2001, our Group achieved another milestone in our business where our Group managed to secure a project for the supply and installation of granites and marbles for the carving panels on the door architrave in the Prime Minister's office in Putrajaya. In the same year, our Group also incorporated PMK to strengthen and expand our business in the monuments and other related products market.

5. INFORMATION ON OUR GROUP (Cont'd)

In view of the growing revenue contribution from the project-based segment, our Group had in 2003, incorporated HHMKL to handle our project-based business and coordinate our Group's projects. Subsequently in 2004, Hock Heng Granite & Marble Sdn Bhd was renamed as HHMSR to focus on our Group's marketing activities in the Southern Region of Peninsular Malaysia. In an effort to capture the market in the East Coast Region of Peninsular Malaysia, we incorporated HHSEC in 2005.

Our Group is one of the major manufacturers of dimension stone products in Malaysia. Our Group's principal market is Malaysia and our principal products are manufactured from granite, marbles and other dimension stones, all of which can be customised to our customers' preferences in terms of finishing, thickness and size. They are generally used in medium to high cost commercial and residential projects/properties such as office buildings, government buildings, hotels, shopping malls and luxurious condominiums/bungalows.

To-date, we have a total of three (3) sale offices which are located in Selangor, Johor and Pahang, in addition to our headquarter in Melaka. Further, our sales offices cum showroom in Pahang and Johor have secondary processing facilities to process and store semi-finished dimension stone products which allow customers to view and select their preferred materials and also enable timely delivery of our products to the customers. Our products are also sold through our existing dealers located throughout Malaysia, mainly comprising companies involved in the trading of building materials. In addition, we own a quarry in Tangkak, Johor which we plan to commence operation using the proceeds from the Public Issue to fund the land clearing costs and costs of machineries for the operations of the said quarry.

Our Group has dedicated much effort in the process improvement in order to enhance and refine our processing methods to achieve optimum production and quality. Our emphasis on product quality assurance was recognised when HHG and PMK have respectively received the ISO 9001:2000 accreditation in 2006 for the manufacturing of granite and marble-related products, and monuments. Presently, the production capacity per annum of our factory in Melaka are approximately 45,000 square meters for granites slabs and approximately 240,000 square meters for marble slabs, which may be further increased should the need arises.

5.2 Share Capital

Presently, our authorised share capital is RM100,000,000 comprising 200,000,000 Shares. Our issued and paid-up share capital is RM32,329,000 comprising 64,658,000 Shares.

The changes in our issued and paid-up share capital since incorporation are as follows:-

Date of allotment	No. of Shares allotted	Par Value RM	Consideration	Cumulative issued and paid-up share capital RM
28.11.2008	3	0.50	Subscribers' shares	1.50
15.12.2008	1,997	0.50	Cash	1,000
04.02.2010	64,656,000	0.50	Acquisitions	32,329,000

5. INFORMATION ON OUR GROUP (Cont'd)

5.3 Flotation Exercise

In conjunction with, and as an integral part of the listing and quotation for our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities, we undertook the following exercises:-

5.3.1 Acquisitions

5.3.1.1 Acquisition of HHG

Hock Heng entered into a conditional sale of shares agreement dated 20 February 2009 with the vendors of HHG for the acquisition of the entire equity interest in HHG comprising 4,300,000 ordinary shares of RM1.00 each for a purchase consideration of RM25,417,000 satisfied by the issuance of 50,834,000 new Shares at par.

The vendors of HHG, the number of shares that were acquired by Hock Heng and the number of new Shares that were issued to them pursuant to the Acquisition of HHG are as follows:-

Vendors	No. of shares acquired	% of share capital	Purchase consideration RM	No. of Shares issued
Low Kim Hock	1,290,000	30.00	7,625,100	15,250,200
Low Kim Joo	774,000	18.00	4,575,060	9,150,120
Low Kim Chung	688,000	16.00	4,066,720	8,133,440
Low Kim Ong	688,000	16.00	4,066,720	8,133,440
Low Kim Siew	279,500	6.50	1,652,105	3,304,210
Low Kim Chye	279,500	6.50	1,652,105	3,304,210
Low Kim Choon	215,000	5.00	1,270,850	2,541,700
Low Jin Yu	43,000	1.00	254,170	508,340
Low Jin Kuan	43,000	1.00	254,170	508,340
Total	4,300,000	100.00	25,417,000	50,834,000

The purchase consideration of RM25,417,000 for the Acquisition of HHG was arrived at based on a "willing-buyer willing-seller" basis after taking into consideration the audited NA of HHG of RM25,417,537 as at 31 December 2007.

On 31 December 2009, the Board of Directors of HHG had declared an interim tax-exempt dividend of approximately 10.5% amounted to RM0.45 million for the FYE 31 December 2009. The said dividend will be paid prior to issuance of this Prospectus

The Acquisition of HHG was completed on 4 February 2010.

5.3.1.2 Acquisition of HHMKL

Hock Heng entered into a conditional sale of shares agreement dated 20 February 2009 with the vendors of HHMKL for the acquisition of the entire equity interest in HHMKL comprising 200,004 ordinary shares of RM1.00 each for a purchase consideration of RM2,562,000 satisfied by the issuance of 5,124,000 new Shares at par.

5. INFORMATION ON OUR GROUP (Cont'd)

The vendors of HHMKL, the number of shares that were acquired by Hock Heng and the number of new Shares that were issued to them pursuant to the Acquisition of HHMKL are as follows:-

Vendors	No. of shares acquired	% of share capital	Purchase consideration RM	No. of Shares issued
Low Kim Hock	120,003	60.00	1,537,208	3,074,415
Low Kim Joo	80,001	40.00	1,024,792	2,049,585
Total	200,004	100.00	2,562,000	5,124,000

The purchase consideration of RM2,562,000 for the Acquisition of HHMKL was arrived at based on a "willing-buyer willing-seller" basis after taking into consideration the audited NA of HHMKL of RM2,562,440 as at 31 December 2007.

The Acquisition of HHMKL was completed on 4 February 2010.

5.3.1.3 Acquisition of HHMSR

Hock Heng entered into a conditional sale of shares agreement dated 20 February 2009 with the vendors of HHMSR for the acquisition of the entire equity interest in HHMSR comprising 1,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM2,895,000 satisfied by the issuance of 5,790,000 new Shares at par.

The vendors of HHMSR, the number of shares that were acquired by Hock Heng and the number of new Shares that were issued to them pursuant to the Acquisition of HHMSR are as follows:-

Vendors	No. of shares acquired	% of share capital	Purchase consideration RM	No. of Shares issued
Low Kim Hock	500,000	50.00	1,447,500	2,895,000
Low Kim Joo	250,000	25.00	723,750	1,447,500
Low Kim Ong	250,000	25.00	723,750	1,447,500
Total	1,000,000	100.00	2,895,000	5,790,000

The purchase consideration of RM2,895,000 for the Acquisition of HHMSR was arrived at based on a "willing-buyer willing-seller" basis after taking into consideration the audited NA of HHMSR of RM2,895,018 as at 31 December 2007.

The Acquisition of HHMSR was completed on 4 February 2010.

5.3.1.4 Acquisition of HHSEC

Hock Heng entered into a conditional sale of shares agreement dated 20 February 2009 with the vendors of HHSEC for the acquisition of the 80% of the total equity interest in HHSEC comprising 240,003 ordinary shares of RM1.00 each for a purchase consideration of RM202,000 satisfied by the issuance of 404,000 new Shares at par.

5. INFORMATION ON OUR GROUP (Cont'd)

The vendors of HHSEC, the number of shares that were acquired by Hock Heng and the number of new Shares that were issued to them pursuant to the Acquisition of HHSEC are as follows:-

Vendors	No. of shares acquired	% of share capital	Purchase consideration RM	No. of Shares issued
Low Kim Hock	120,001	40.00	101,000	202,000
Low Kim Joo	120,001	40.00	100,999	201,998
Low Kim Chung	1	-*	1	2
Total	240,003	80.00	202,000	404,000

Note:

* Negligible

The purchase consideration of RM202,000 for the Acquisition of HHSEC was arrived at based on a "willing-buyer willing-seller" basis after taking into consideration the 80% share of adjusted audited NA of HHSEC of RM202,340 as at 31 December 2007.

The Acquisition of HHSEC was completed on 4 February 2010.

5.3.1.5 Acquisition of PMK

Hock Heng entered into a conditional sale of shares agreement dated 20 February 2009 with the vendors of PMK for the acquisition of the entire equity interest in PMK comprising 150,000 ordinary shares of RM1.00 each for a purchase consideration of RM1,252,000 satisfied by the issuance of 2,504,000 new Shares at par.

The vendors of PMK, the number of shares that were acquired by Hock Heng and the number of new Shares that were issued to them pursuant to the Acquisition of PMK are as follows:-

Vendors	No. of shares acquired	% of share capital	Purchase consideration RM	No. of Shares issued
Low Kim Hock	50,000	33.34	417,334	834,668
Low Kim Chung	50,000	33.33	417,333	834,666
Low Kim Ong	50,000	33.33	417,333	834,666
Total	150,000	100.00	1,252,000	2,504,000

The purchase consideration of RM1,252,000 for the Acquisition of PMK was arrived at based on a "willing-buyer willing-seller" basis after taking into consideration the adjusted audited NA of PMK of RM1,252,924 as at 31 December 2007.

The Acquisition of PMK was completed on 4 February 2010.

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5. INFORMATION ON OUR GROUP (Cont'd)

5.3.2 IPO

5.3.2.1 Public Issue

The Public Issue of 15,342,000 new Shares, representing approximately 19.18% of our enlarged issued and paid-up share capital, at the IPO Price are payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated in the following manner:-

(i) **Malaysian Public**

6,000,000 Public Issue Shares, representing 7.50% of our enlarged issued and paid-up share capital will be made available for application by the Malaysian Public to be allocated via ballot, of which 50% will be set aside for Bumiputera investors.

(ii) **Eligible Directors and employees and other persons who have contributed to the success of our Group**

2,000,000 Public Issue Shares, representing 2.50% of our enlarged issued and paid-up share capital will be reserved for application by our eligible Directors, employees and other persons who have contributed to the success of our Group.

Please refer to Section 3.5.1 of this Prospectus for further details of the allocation of Public Issue Shares to eligible Directors, employees and other persons who have contributed to the success of our Group.

(iii) **Bumiputera investors**

3,462,000 Public Issue Shares, representing approximately 4.33% of our enlarged issued and paid-up share capital will be made available for application by way of placement to Bumiputera investors approved by MITI.

(iv) **Private placement**

3,880,000 Public Issue Shares, representing 4.85% of our enlarged issued and paid-up share capital will be made available for application by way of private placement to selected investors.

5.3.2.2 Offer for Sale

The Offer for Sale of 14,258,000 Shares, representing approximately 17.82% of our enlarged issued and paid-up share capital, at the IPO Price are payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated in the following manner:-

Categories	No. of Offer Shares	% of enlarged share capital of Hock Heng
Bumiputera investors approved by MITI by way of placement	4,538,000	5.67
Selected investors by way of private placement	9,720,000	12.15
Total	14,258,000	17.82

5. INFORMATION ON OUR GROUP (Cont'd)

5.3.3 Share Transfer

During the prescription period, the Transferors will transfer a portion of their Shares amounting to 36,000,000 Shares to JMJ for a total cash consideration of RM18.00 million payable by JMJ to the Transferors.

Further details of the Share Transfer are set out below:-

Transferors	No. of Shares to be held after the IPO	No. of Shares to be transferred	No. of Shares to be held after the Share Transfer	%
Low Kim Hock	15,120,000	10,800,000	4,320,000	5.40
Low Kim Joo	9,072,000	6,480,000	2,592,000	3.24
Low Kim Chung	8,064,000	5,760,000	2,304,000	2.88
Low Kim Ong	8,064,000	5,760,000	2,304,000	2.88
Low Kim Chye	3,276,010	2,340,010	936,000	1.17
Low Kim Siew	3,276,010	2,340,010	936,000	1.17
Low Kim Choon	2,519,900	1,799,900	720,000	0.90
Low Jin Yu	504,040	360,040	144,000	0.18
Low Jin Kuan	504,040	360,040	144,000	0.18
TOTAL	50,400,000	36,000,000	14,400,000	18.00

5.3.4 Listing

Upon the completion of the IPO, we will seek the listing of and quotation for our entire enlarged issued and paid-up share capital of RM40,000,000 comprising 80,000,000 Shares on the Main Market of Bursa Securities.

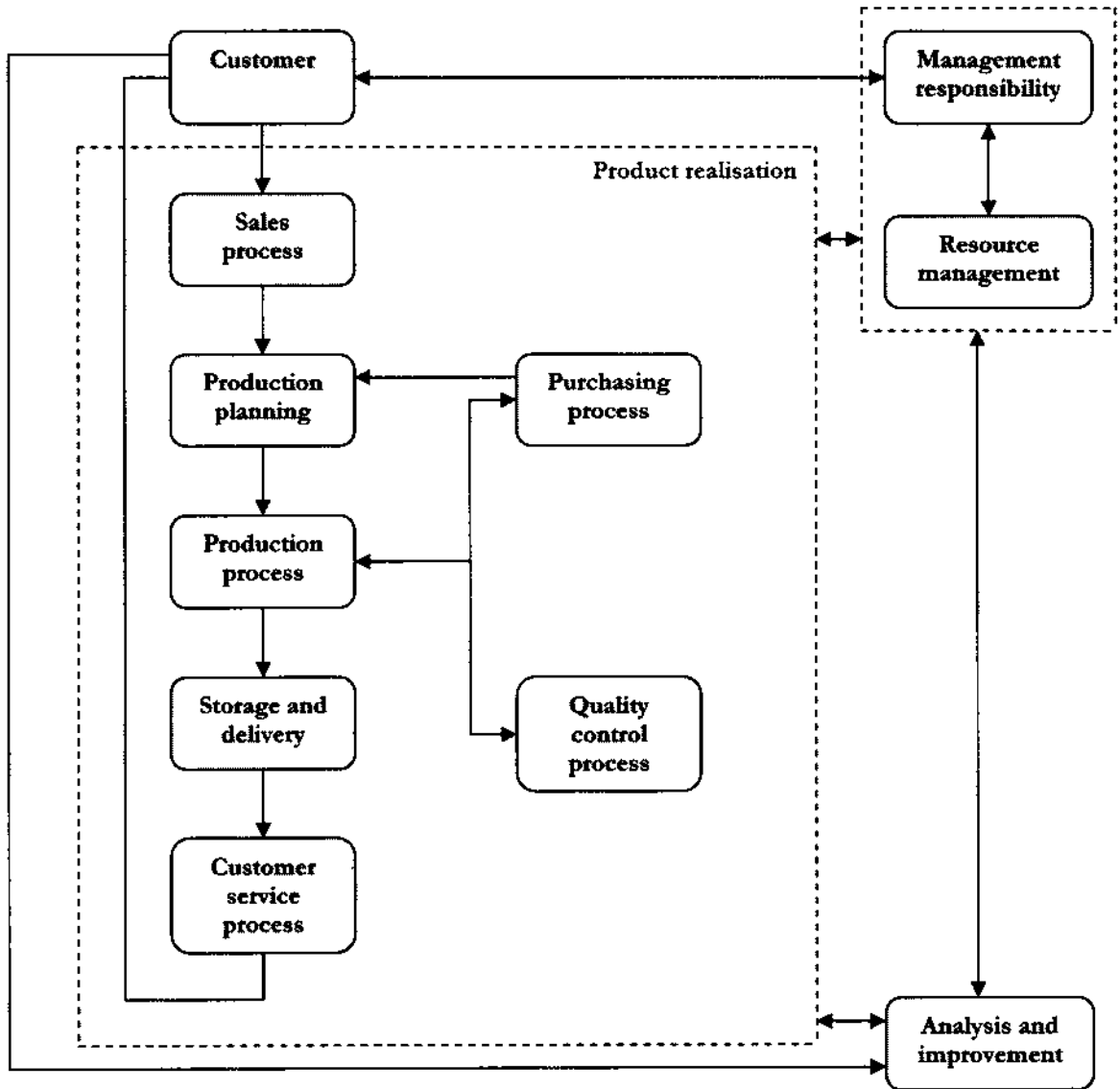
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5. INFORMATION ON OUR GROUP (Cont'd)

5.4 Business Overview of Our Group

5.4.1 Business Process

An overview of our Group's business process is as follows:-



5. INFORMATION ON OUR GROUP (Cont'd)

(i) Determine Customer Requirements

Our Group's sales personnel will meet the customers to discuss and understand their requirements such as the type of stones and the layout design while samples of our marbles, granites and other dimension stone products will be shown to the customers for their selection. Our sales personnel will further negotiate other requirements such as the delivery date and payment terms with the customers. The credit standing of the customers is checked with the Accounts and Finance Department, while the turnaround time and stock availability are checked with the Production Department prior to accepting the orders.

(ii) Sales Order Process

Upon the agreement of the payment terms, delivery date and product requirements, our sales personnel will notify the Administration Department to process a quotation for the customers. Upon acceptance of the confirmed quotation from the customers, our Sales and Marketing Department will issue a job order to the Production Department. The Production Department will undertake the necessary production planning according to the job order and our sales personnel will monitor the status of production, follow up with customers and notify the Production Department and other relevant departments if there are any variations to the customers' orders.

(iii) Production Planning

Our Factory Manager will commence the relevant production planning and scheduling upon receipt of the job orders which normally can be categorised into project-based orders and non-project based orders.

For the project-based orders, a specification list with details such as the orders' specifications and the breakdown schedule for the delivery of finished products will be prepared by our sales personnel based on the project plan provided by the customers. The specification list will be handed to the Production Department for further production planning.

For the non-project orders, all job orders received will be further analysed and detailed in terms of specifications by our respective sales personnel in charge. Our production supervisors will arrange and file the detailed job orders according to the estimated date of delivery of the finished products. Hence, the Production Department will identify the quantity of the raw materials, the manpower, the number of shifts and other necessities required for the completion of the production process.

(iv) Purchasing Process

After the production planning process, if the required raw materials are insufficient to meet the production demand, a material requisition form will be submitted to the Purchasing and Administrative Manager for review and approval (for certain high volume and high value purchases, Directors' approvals are required). The Purchasing and Administrative Manager will ensure there are sufficient stocks to meet the job orders.

Stock counts are also conducted on a periodic basis to ensure that our inventory levels are maintained at a satisfactory level, depending on the market demand.