
5. INFORMATION ON OUR GROUP (Cont'd)

Purchases are usually made from our approved list of suppliers. For new suppliers, samples will be requested and evaluated. For certain high volume/values raw materials purchases, our Directors will select and inspect the raw materials at the quarry site prior to their deliveries. Upon delivery of raw materials, routine inspections will be carried out by the Factory Manager to ensure that they conform to our quality standards.

(v) Production Process

In our production process which highly utilises semi-automated and fully automated machineries, raw materials will typically undergo several stages such as cutting, polishing, flaming, sizing, edging, profiling, glue filing and netting as well as packing and water proofing before the finished products are delivered to the customers. During the production process, our maintenance employees are responsible for conducting adequate corrective and preventive measures to avoid the breakdown of machineries. Details of our production process are set out in Section 5.4.3 of this Prospectus.

(vi) Storage and Delivery

All of our finished products will be numbered and arranged in sequence, packed into wooden crates and stored at our warehouse prior to delivery to our customers either by our in-house logistic team or outsourced to external logistics companies. For project-based customers, our Site Manager will coordinate the delivered products at the project site with sub-contractors and customers for the installation of dimension stone products.

(vii) Customer Service Process

Our sales personnel will provide the necessary after-sales service to the non-project based customers if there is any request or complaint and will also collate feedback from the customers.

For project-based customers, our Site Manager and Site Supervisors will liaise with the customers for any complaints on defects or problems with the dimension stone products.

(viii) Analysis and Improvement

All feedbacks from the customers are gathered and compiled for our further analysis during our monthly management meeting. During these management meetings, the issues of non-conformance are determined, investigated and preventive and corrective actions will be agreed upon and implemented to address such issues. Hence, this will enable our Group to continuously enhance the quality of our products and services.

5.4.2 Business Activities and Our Products**5.4.2.1 Business Activities**

Our Group is principally involved in the manufacturing, selling, distribution and trading of dimension stones and related products. We also secure contracts to supply and install dimension stone products for construction projects.

5. INFORMATION ON OUR GROUP (*Cont'd*)

We process our raw materials which mainly consist of granite and marble blocks, and semi-processed slabs sourced locally or abroad, into dimension stone products, according to the specifications of our customers. In addition, we also assist our customers in the installation of dimension stone products that are purchased from us.

Our customers mainly consist of the following:-

- contractors;
- interior designers;
- architects;
- property developers;
- dealers (trading companies); and
- walk-in customers.

Following the receipt of the proceeds from the Public Issue, our Group will integrate backwards into quarrying operations as we will engage a quarry operator to commence operating a quarry we owned in Tangkak, Johor. Further details on the quarry operations are set out in Section 10.3 of this Prospectus.

5.4.2.2 Products

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, which are listed below:-

- Tiles
- Slabs
- Curved panel
- Vanity and table top
- Other related dimension stone products

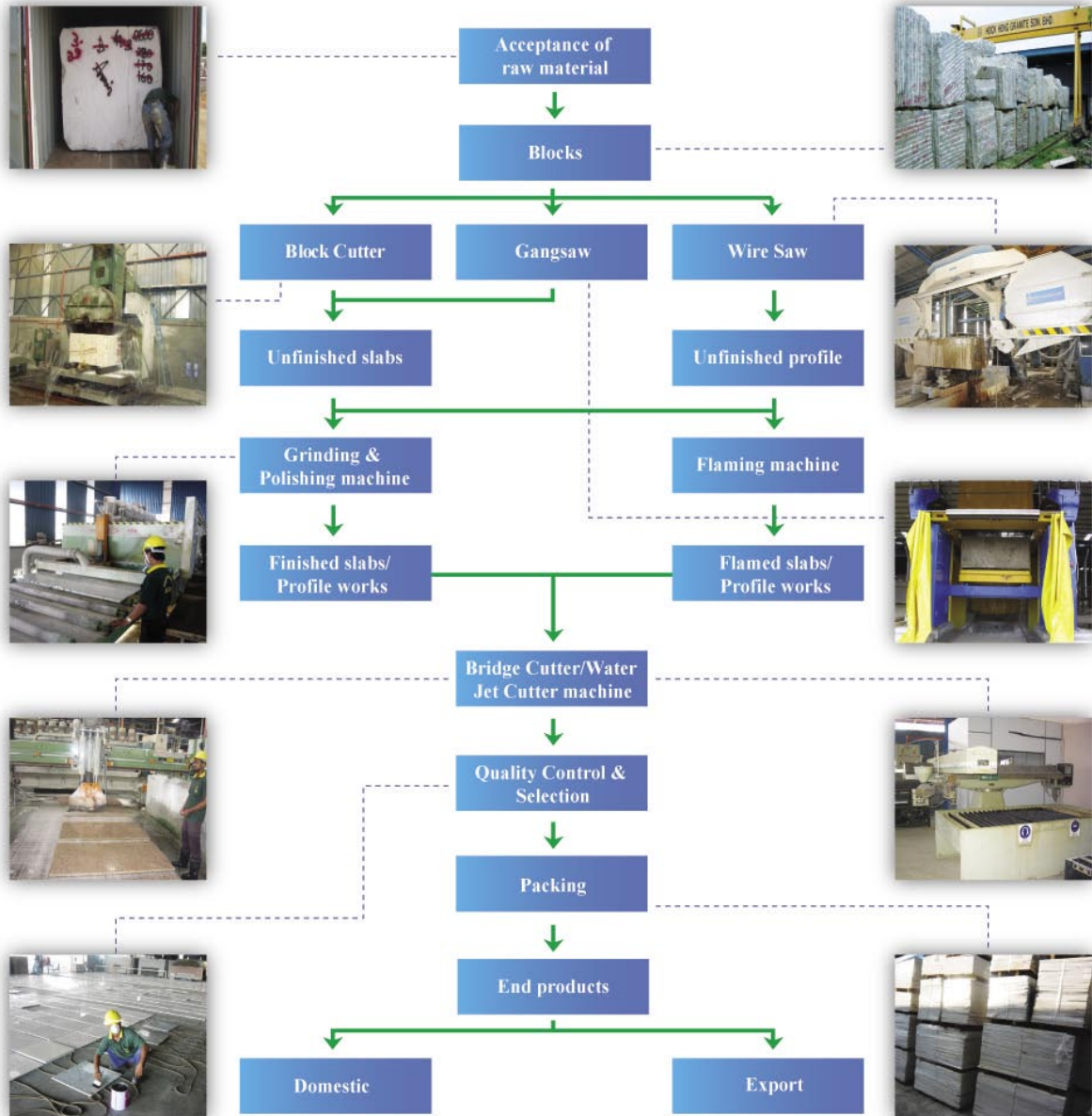
These finished products can be used for kitchen counter tops, wall claddings, floorings, staircases, monuments, ornaments, furniture, pillars, garden sets, landscaping and others.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

5. INFORMATION ON OUR GROUP (Cont'd)

5.4.3 Production Process

An overview of the production process of marbles, granites and other dimension stones is as follows:-



5. INFORMATION ON OUR GROUP (Cont'd)

(i) Acceptance of Raw Material

Our Group will receive raw materials from quarries locally and abroad, depending on the sales order requirements. Most of the raw materials obtained are in the form of huge blocks. All of the blocks will be inspected thoroughly for any visible defects such as colour tone deviations, cracks, as well as the consistency in texture of the blocks prior to delivery or acceptance of the raw materials. The raw materials will be stored at our stockyard prior to production.

(ii) Block Cutter, Gangsaw and Wire Saw

As most of our raw materials are in huge blocks, the blocks are cut using the block cutter, gangsaw and wire saw. The cutting process requires knowledge and experience in the industry, as the angle in which the blocks are inserted into the machine has to be determined accurately to minimise wastages. The cutting speed varies from blocks to blocks as it depends on the size and hardness of the blocks.

Our Group is able to cater to various needs of the customers as the block cutter and gangsaw are principally utilised for cutting the granite or marble block into slabs of different thickness whilst the computer numerical control wire saw may be used to cut the granite or marble blocks into conical shapes such as round columns.

(iii) Grinding, Polishing and Flaming Machines

After the cutting process, the slabs are examined for blemishes immediately. If there are minor flaws on the slabs, our production employees will refine the slabs in order to remove the irregularities before the grinding or polishing and cleaning processes take place. Nonetheless, if the slabs are flawless, the slabs will be sent for cleaning instantly.

After completion of the cleaning process, our production employees will then grind or polish the surface of the slabs using the grinding/polishing machine. If required by the customers, some slabs will be sent to the surface management process where the flaming machine is used to produce special effects on the surface of the dimension stone products by the immediate alternation of high temperature and cooling procedures.

(iv) Bridge Cutter / Water Jet Cutter Machine

Through the bridge cutter machine, the required size, thickness and the type of edging of the dimension stones are produced in accordance with the customers' requirements.

Through the water jet cutter machine, our production employees can cut and shape the dimension stones into alphabetical and numerical characters and various other patterns by entering the patterns into the computer.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

5. INFORMATION ON OUR GROUP (Cont'd)

(v) Quality Control and Selection

The quality control and selection process of our finished products are essential prior to the delivery of our dimension stone products to our customers. During this stage, the completely finished products are arranged orderly on the floor at our quality control section for quality assurance inspection, which will be examined in terms of smoothness of the surface, shape, squareness and colour. The defective or disqualified products will be re-processed or scrapped. For the qualified products, the quality control representative will then write down the sequential number on the back of the products in accordance to the construction diagram, so as to ensure the pattern or the texture of the products are properly arranged and consistent during the installation process of the finished products at the customers' premises.

(vi) Packing

After the quality control inspection process of the completed dimension stone products, our production staff will start marking and packing all the qualified dimension stone products in wooden crates to prevent them from the contamination of pollutants, scratches and watermarks. Subsequently, our finished products will be delivered to the customers.

5.4.4 Major Completed Projects

Details of the major projects completed by our Group for the past three (3) FYEs 31 December 2008, the nine (9) months FPE 30 September 2009 and up to the LPD, are as follows:-

Projects	Project Description	Client	Project/ Contract Value ⁽¹⁾ RM'000	Commence- ment Date	Completion Date ⁽²⁾
Customs, Immigration and Quarantine Complex in Johor Bahru (Package CIQ 02)	Supply and laying of granite works	Syarikat Bukit Granite Sdn Bhd*	4,210	November 2005	June 2006
Ministry of Finance 2, Parcel 2M10 & 2M11	Supply and installation of granite slab and cladding, marble and granite works for water closets, and granite counter vanity tops	UEM Construction Sdn Bhd*	4,706	January 2006	August 2006
Sutramas Condominium	Supply and installation of marble, granite and counter top works	Binastra Construction (M) Sdn Bhd	996	February 2006	November 2006
KL Sentral Lot N	Granite works	Marble-Avenue Sdn Bhd	1,946	March 2006	September 2006

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

5. INFORMATION ON OUR GROUP (Cont'd)

Projects	Project Description	Client	Project/ Contract Value ⁽¹⁾ RM'000	Commence- ment Date	Completion Date ⁽²⁾
Hin Hua School, Klang	Supply, delivery and installation of granite and marble works	Sekolah Menengah Hin Hua	605	December 2006	January 2007
Suasana Sentral Two KL Condominium	Granite and stone works	Bina Goodyear Berhad*	2,068	March 2007	March 2008
UEM 26-storeys Headquarters	External/internal floor and wall finishes and vanity top	UEM Construction Sdn Bhd*	3,367	March 2007	December 2008
Suria Stonor Condominium	Supply, delivery and installation of stone works	Bina Goodyear Berhad*	8,842	April 2007	August 2008
JB Sentral Customs, Immigration and Quarantine Complex Package 09	Supply and installation of granite works	Ice Loh&Loh JV*	4,728	May 2007	July 2008
Nusajaya MBSSC	Granite and marble works for internal floor, wall and column	Julung Cipta Sdn Bhd	1,242	June 2007	May 2008
Kuala Terengganu Airport (Package 2)	Marble works	Bumitiles Services	895	August 2007	January 2008
26 storey office building on Lot 170, Jalan Perak, Kuala Lumpur (TP 12)	Stone works, external paving and water feature finishes	WTW Bovis Sdn Bhd	1,595	November 2007	June 2008
29 units of bungalows at Kajang, Selangor (L'Grande)	Marble works	L'Grande Construction Sdn Bhd*	665	February 2009	June 2009
48 units of semi-detached houses at Idaman Villas	Supply and installation of marble and stone works	TA Binaprestij Sdn Bhd*	845	March 2009	April 2009

Notes:

- (1) The above values include all variation orders and are based on the audited financial statements of our Group.
- (2) Based on the physical completion date.
- * Subsidiaries of companies listed on Bursa Securities.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

5. INFORMATION ON OUR GROUP (Cont'd)

5.4.5 Major On-going and/or Secured Projects

As at the LPD, our Group's major on-going and/or secured projects amounted to approximately RM40.53 million. The details of the on-going and/or secured projects are as follows:-

Projects	Project Description	Client	Project/ Contract Value ⁽¹⁾ RM'000	Actual/ Expected Commence -ment Date	Expected Completion Date
Solaris Dutamas	Execution and completion of stone works	Aston Star Sdn Bhd*	6,438	May 2008	December 2010
Alam Warisan	Supply, delivery and laying of stone works	Luxabuilt Sdn Bhd	7,613 [^]	June 2008	March 2010
Mahkota Parade Shopping Centre	Compressed marble installation works	Luxabuilt Sdn Bhd	1,080	August 2009	April 2010
Head office - Lot 168 & 169, Seksyen 57, Jalan Perak, Kuala Lumpur (Tabung Haji)	Supply and installation of marble and granite works	Crest Builder Sdn Bhd*	2,810	November 2009	September 2010
Tower A & E (Package A) MK 11, Mont Kiara	Execution and completion of cement and sand paving, tiling and stone works (marble and granite) to podium, Tower A & E	Shimizu Corporation	11,458	October 2009	December 2010
27 units of double-storey houses on Lot 2808, Mukim Sungai Buloh, Selangor	Supply and installation of marble and stone works	TA Binaprestij Sdn Bhd*	4,050	December 2009	March 2011
Condominium – Lot 64, Jalan Madge, Kuala Lumpur	Granite and marble works	Nam Fatt Construction Sdn Bhd*	7,076	December 2009	May 2010

Notes:

(1) The above values include variation orders.

* Subsidiaries of companies listed on Bursa Securities.

[^] Subject to changes as finalisation of final claims are still in progress.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

5. INFORMATION ON OUR GROUP (Cont'd)

5.4.6 Competitive Strengths and Advantages

The competitive strengths and advantages of our Group are as follows:-

(i) Established Track Records

With more than twenty two (22) years of experience as a manufacturer of dimension stone products, our Directors believe that the name "Hock Heng" has well been established in the dimension stones industry and is widely recognised amongst the construction and property development players as it is synonymous for quality products, reliability and timely delivery.

As a testament of our established track record and reputation in the manufacturing of dimension stone products, our Group has been able to secure contracts for prominent residential and commercial projects as well as government projects.

(ii) Integrated Dimension Stones Processor

We are an integrated dimension stones processor as we have the facilities and amenities to source for raw materials, design the layout, produce and install the dimension stone products.

Our Group has the capability to cater to the specific requirements of our customers in terms of the choice of raw materials and the thickness, size and finishing of the finished products. In addition, we have the ability to design the layout and produce the dimension stone products according to the customers' aspirations and requirements. Although the installation process is outsourced through strategic partnerships with our sub-contractors, our Project Manager cum Site Manager will be the coordinator between the sub-contractors and the customers to closely monitor the installation process.

(iii) Broad Customer Base

Our Group has a broad customer base in both the private and public sectors ranging from property developers to walk-in customers which provides us the platform to sustain and grow our business.

Further, our Group is not subject to significant concentration or credit risk which may arise from exposures to a single customer or to a group of customers.

(iv) Comprehensive Range of Advanced and Sophisticated Machineries and Equipment

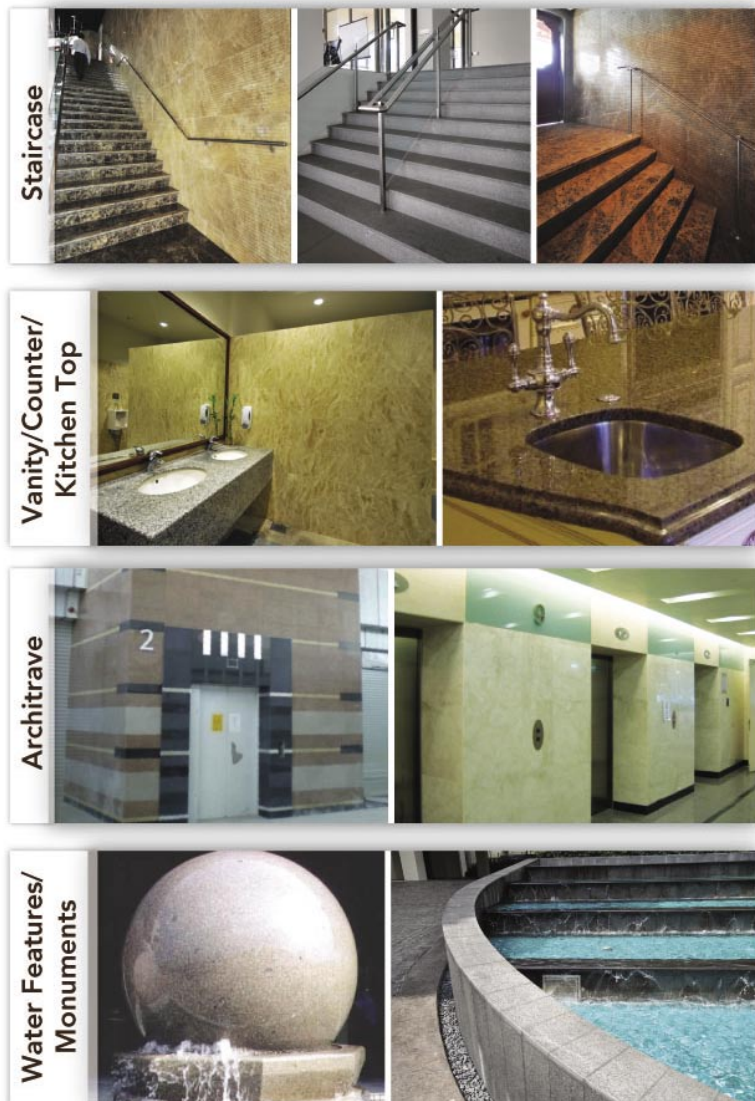
Our Group possesses a comprehensive range of advanced and sophisticated machineries and equipment which are mainly originated from Italy, Taiwan and China. These include the gangsaws, wire saws, water jet cutter, grinding and polishing machines which are fully and/or semi-automated. Several of these machineries and equipments are equipped with advanced technologies such as the programmable logic controller and computer numerical control technology in the manufacturing processes of the dimension stones. This has enabled our Group to cater to the various needs of the customers and price our products competitively. In addition, it allows completion of complex tasks accurately and economically, thus shortening the lead time for delivery of finished products and reduces wastage. Our Group takes cognisance of the importance to keep abreast with the latest developments in the processing of dimension stones to maintain our competitive edge.

5. INFORMATION ON OUR GROUP (Cont'd)

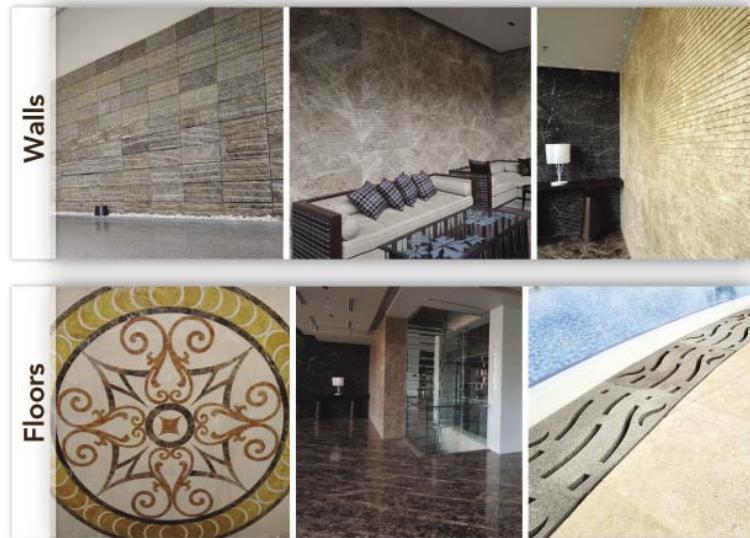
(v) Wide Range of Products

We provide a wide range of raw materials from different countries of origin. They offer different textures and colours for the customers to choose from, which we then process into dimension stone products that are customised to the customers' preferences and designs. Further, our Group has the capability to process both granite and marble products to meet the requirements of the customers, where in most larger scale projects, both granite and marble are used. This will set our Group apart from other competitors as not all dimension stones processors have such capabilities.

Our Group's dimension stone products are used for various applications mainly in medium to high cost commercial and residential projects. Some of the applications of our dimension stone products are as follows:-



5. INFORMATION ON OUR GROUP (Cont'd)



(vi) Strong and Experienced Management Team

Our Group's management team is led by our Directors who have more than twenty two (22) years of experience in the dimension stones industry. The commitment and dedication of our management team has been the driving force for our achievement and growth over the past years. Our Board has actively been involved in the daily operations of our Group through their participation in the management of our Subsidiaries.

With their knowledge and experiences in the dimension stones industry, our Group is able to source and select high quality raw materials and maintains good relationship with reliable local and foreign quarry operators and suppliers.

In addition, their extensive experiences in the processing of dimension stones has allowed our Group to process dimension stones efficiently, thus reducing wastage and lead time for delivery of finished products. Our Board has adopted a hands-on approach in mapping out the objectives and policies of our Group and is involved in overseeing the manufacturing, marketing and business development functions of our Group.

Hence, their commitments and dedications to our Group have been one of the main contributing factors for our Group's established reputation in the dimension stones industry.

(vii) Product Quality

Our Group places strong emphasis in ensuring our products are of high quality whereby the quality control process is instilled at each stage of the production process. As an assurance of our product quality, HHG and PMK have been respectively accredited the ISO 9001:2000 for their quality management system in the manufacturing of granite and marble-related products, and monuments.

Our ability to deliver quality products consistently is a key advantage in building customer satisfaction and increasing the referrals of new customers.

5. INFORMATION ON OUR GROUP (Cont'd)

(viii) Ability to Upscale our Production

At present, our Group's production capacity are approximately 45,000 square meters of granite slabs per annum and approximately 240,000 square meters of marble slabs per annum. Although for the past nine (9) months ended 30 September 2009, we had been operating at about 34% to 35% of our block cutting capacity for marble and granite as disclosed in Section 5.4.9 of this Prospectus, our ability to upscale our production capacity to cater for any unexpected increase in the demand in dimension stone products to cater for the specific needs of orders with large volume and short turnaround time has provided our Group with an added advantage over smaller manufacturers that are restricted by capacity. The large volume of productions allows our Group to benefit from economies of scale and discounts for bulk purchases which in turn, enables us to price our products competitively.

In addition, we also carry buffer stocks (dimension stone blocks and slabs) of the more common and popular colours and textures in our warehouses to achieve a shorter turnaround time, from confirmation of order to the completion of the finished products.

5.4.7 Principal Markets

Our Group's principal market is Malaysia with minimal exports to overseas countries. The breakdown of the revenue contribution by geographical locations for the FYE 31 December 2008 and the nine (9) months FPE 30 September 2009 is as follows:-

Revenue	FYE 31 December 2008		Nine (9) months FPE 30 September 2009	
	RM'000	%	RM'000	%
Location				
Local	50,005	99	26,223	99
Singapore	268	1	-	-
China	-	-	71	*
Indonesia	17	*	278	1
	50,290	100	26,572	100
Less: Discount and returns	(733)		(161)	
TOTAL	49,557		26,411	

Note:

* Negligible

5.4.8 Types, Sources and Availability of Raw Materials

Our raw materials, which mainly consists of marble and granite blocks are mostly sourced from countries such as China, Indonesia, Iran, India and Turkey either directly or through their respective local sales representative/agents.

In addition, to meet our Group's raw material requirements, our Group also purchases semi-processed granite and marble (in the form of slabs as well as monuments), which are mainly sourced from China. The need to source for semi-processed granite and marble slabs is mainly due to factors such as cost efficiency and the availability of ready stocks to meet our urgent needs at times for certain types of the dimension stones/monuments.

Our Group generally maintains an average of four (4) to five (5) months supply of the more common and/or popular raw materials for our normal production requirements. As for the specific project based order, we usually will procure the requisite raw materials at least two (2) months ahead of the delivery schedule of the secured orders, depending on the quantity required.

5. INFORMATION ON OUR GROUP (Cont'd)

Our Group does not enter into any supply agreements with both the local and foreign suppliers as there are abundant of stone supply globally where each quarry differs in terms of colour, texture and quality of dimension stones. In addition, we can enjoy the flexibility of sourcing for different raw materials according to the specific requirements or preferences of individual customers. However, we plan to form strategic partnerships with suitable foreign quarry operators for the exclusive rights to process and distribute their dimension stones in the Asian region for which our Directors believe would have good market potential as a measure to ensure our Group has consistent supply of quality raw materials.

During the past twelve (12) months up to the latest practicable date prior to printing of this Prospectus, our Group has not experienced any major shortages in the supply in raw materials and the prices of our raw materials have been relatively stable for the past three (3) FYE 31 December 2008 and the nine (9) months FPE 30 September 2009. In addition, the appointment of HHG by P.T. Timor Marmer Industri as the sole agent for marketing and distributing "Beige Marble" blocks, which are extracted from a quarry in Indonesia gives HHG the exclusive rights to market and distribute products manufactured from the said marble blocks to the entire South East Asia (except Indonesia), China, Hong Kong and Macau for a period of five (5) years, expiring on 25 March 2013, and it shall be further extended subject to the mutual consent between HHG and P.T. Timor Marmer Industri. Moreover, the said appointment will enable us to enjoy consistent and secured supply of raw materials over the tenure of the appointment.

Further, our Group intends to commence our quarry operations in Tangkak, Johor using part of the proceeds raised from the Public Issue in the near future, which is expected to provide our Group with a form of control in the supply chain and enjoy greater price competitiveness in the dimension stones industry.

A discussion on the impact of fluctuations in foreign exchange rates on the prices of our imported dimension stones blocks and slabs, fluctuations in the prices of our raw materials and the resulting impact in our operations are set out in Sections 4.1(xv) and (iv) of this Prospectus.

5.4.9 Production Facilities, Capacity and Utilisation

Our Group's daily production activities involve many processes such as granite and marble blocks cutting, slab's surface processing, slab flaming and slab cutting processing. Our Group's production output level and capacity for cutting blocks into slabs, which is our primary processing activity, for the FYE 31 December 2008 and the nine (9) months FPE 30 September 2009 are as follows:-

Products	Production Capacity ⁽¹⁾ (Square Meters)	Actual Production Output (Square Meters)	Utilisation rate (%)
<u>FYE 31 December 2008</u>			
Granite slabs	45,000	10,512	23.4
Marble slabs	⁽²⁾ 133,333	101,608	76.2
<u>FPE 30 September 2009</u>			
Granite slabs	⁽³⁾ 33,750	11,823	35.0
Marble slabs	⁽³⁾ 180,000	61,738	34.3

Notes:

- (1) Computed based on two (2) shifts on average of sixteen (16) hours, six (6) days per week.
- (2) Includes the pro-rated capacity of two (2) units of marble gangsaw that were set up in September 2008, whereby each marble gangsaw has the capacity of 80,000 square meter per annum.

5. INFORMATION ON OUR GROUP (Cont'd)

In view that we customise our products in accordance with our customer's specific requirement, our production lines do not always run on maximum capacity. In addition, we also purchase semi-processed granite and marble (in the form of slabs and monuments) to meet our raw material requirements which will not be subject to the block cutting process. However, should there be any increase in demand, our Group's production capacity can be increased to operate on a three (3) shifts basis with an operational length of twenty-four (24) hours per day. Hence, our Group does not foresee any major constraints to our Group's production capacity and that our production lines are flexible and can be up-scaled to meet the customer's demand. Further details on our Group's material plant and equipment owned and used by our Group are set out in Section 10.2 of this Prospectus.

5.4.10 Technologies

The main technologies used by our Group lie with our dimension stone processing machines and the technicians who operate them. The examples of such machines are as follow:-

Production Processes	Technology Utilised
Granite / Marble block cutting	<p><u>Granite / Marble Gangsaw</u></p> <p>The granite/marble gangsaw machines are robust machines with a sturdy machine frame and heavy structures used for the sawing of granite/marble blocks into slabs. The precise alignment of all the working and moving parts, frame, slides and guides of the machine is important for good performance and requires skilled technicians to operate them. The machine is fitted with a programmable logic controller ("PLC") which controls the entire function of the granite/marble gangsaw machines.</p> <p>It is designed for multiple inputs and outputs arrangement, extended temperature ranges, immunity to electrical noise and resistance to vibration and impact.</p>
	<p><u>Wire Saw</u></p> <p>The wire saw is a large machine that uses diamond-impregnated beads on a cable for the cutting of granite and marble blocks which can produce very precise cuts much thinner than a blade-based saw. There are two different types of wire saws used in our factory:</p> <ul style="list-style-type: none"> (i) The standard wire saw is used to trim the granite and marble blocks for easier loading onto the gangsaws. (ii) The Computer Numerical Control ("CNC") wire saw is able to cut customised shapes and sizes of granite and marble from dimension stones with thickness of up to twenty four (24) meters and a height of maximum twelve (12) meters.

5. INFORMATION ON OUR GROUP (Cont'd)

Production Processes	Technology Utilised
For slab processing	<p><u>Water Jet Cutter</u></p> <p>The water jet cutter is an automated machine used to shape and carve the dimension stones with thickness of not more than 100 millimetres into the desired shape according to customised designs. The dimension stone is cut into the desired shape and size by spraying it with the jet of high-pressured water. The water jet cutter is also able to produce intricate designs on the dimension stones which are not able to be accomplished through the CNC wire saws or manual labour.</p>
For surface processing	<p><u>Grinding and Polishing Machine</u></p> <p>The grinding and polishing machines are used to create a smooth surface on the dimension stones. Grinding machines are used for granite while polishing machines are used for marbles. Abrasive materials are attached to the rotating pads of the grinding and polishing machine which varies depending on the hardness of the dimension stone. The smoothness of the grinding or polishing process depends on the fineness of the abrasive materials used. The grinding and polishing machine uses PLC to maintain a consistent pressure and speed of the grinding and polishing process in order to create a uniformed and even shine on large slabs which cannot be accomplished manually in an effective and efficient manner.</p>

5.4.11 R&D

Our Group is committed to carry out R&D as it plays an important role in creating and sustaining competitive advantages through the following policies:-

- continuously improving the quality and reliability of our Group's products and services to ensure customer satisfaction;
- reviewing our production activities at all time and conducting proper production process improvement and development so as to achieve economies of scale; and
- reducing the wastages and scraps during the manufacturing process to improve cost efficiency.

5.4.11.1 Present Status and R&D Achievements

Our Group focuses on internal process improvement, particularly in enhancing and developing production processes which will significantly impact our Group's production efficiency, effectiveness and productivity.

Process Improvement

Our Group has dedicated much effort to enhance and refine our processing methods with the view of improving the cost efficiency and quality of our products.

5. INFORMATION ON OUR GROUP (Cont'd)

Through accurate customisation and configurations of these machineries to accommodate the different inherent properties of the dimension stones and the precise positioning of the granite and marble blocks and slabs into these machineries, we have been able to increase our production capacity while reducing wastages and scraps during the production process. This has allowed us to maximise the number of dimension stone products that can be produced from a single block of granite or marble and thus contributes positively to our Group's profitability.

Process Development

Through many years of accumulated knowledge and experience, our Group has been able to develop our own processing methods to enhance our products' quality and range. This involves the development of our own methods for polishing and flaming of dimension stones as well as the utilisation of special techniques to enhance the durability through strengthening of the bonding properties of our dimension stone products.

The polishing method varies for different rock types. Hence, the type of abrasive stones used as well as the amount of pressure and water used for polishing and cutting the dimension stones also differs. Our Group has developed various processing methods for polishing and cutting the various types of dimension stones to achieve optimum quality from the process.

The flaming process consists of a combination of high heat temperature and cooling steps to generate the desired effects on the dimension stones such as smooth and rough surfaces. Our workers are able to select the appropriate temperature, angle and distance of the flaming nozzle to the surface, and utilise the right amount of water to prevent the respective dimension stones from overheating.

Furthermore, our skilled workers possess the required techniques to create the desired special effects on the dimension stone products through the combination of sandblasting, flaming, polishing and bridge cutting processes.

5.4.11.2 Future R&D

Moving forward, our Group's R&D activities will continue to focus on our manufacturing process improvement and development with the aim to enhance our production efficiency, effectiveness and productivity.

5.4.11.3 R&D Facilities, Personnel and Expenses

Our Group did not maintain a separate R&D expenses account and have not capitalised any R&D expenses in our audited proforma consolidated financial statements for the past three (3) FYEs 31 December 2008 and the nine (9) months FPE 30 September 2009.

Our Group's R&D activities led by Low Kim Hock, Low Kim Chye and Low Kim Siew are conducted through continuous communication and collaboration amongst the departments within our Group especially our Production Department with our experienced team of management. Our management team has also been continuously reviewing our production and business processes, attending exhibition/trade fairs, performing ad hoc trial and error methods of experimentation to add value and improve our manufacturing processes.

5. INFORMATION ON OUR GROUP (Cont'd)

5.4.12 Mode of Marketing/Distribution Channel

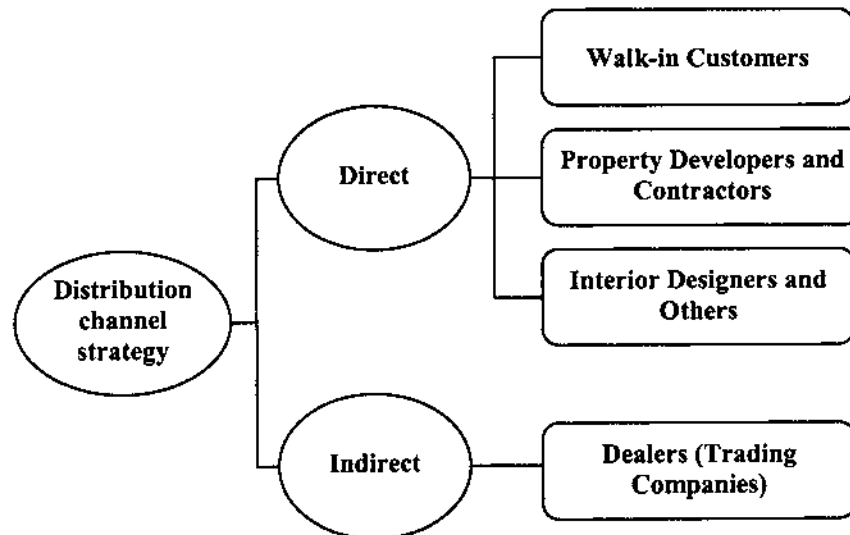
Our Group's main marketing objectives are to continuously source and introduce dimension stones with various colours and texture, offer high quality and competitively priced products as well as timely delivery of our products.

We promote and market our products through advertisement in the newspapers and magazines. In addition, we have participated in several exhibitions such as Malbex/Asiastone'99, Expo 2004 Malacca and Archidex 2009 to create awareness of our products and services.

At present, our Group has a website, namely <http://www.hockheng.com.my>, which includes our Group's profile as well as the details of our Group's existing products and services.

Our Group also capitalise on referrals from our existing customers to promote our products to new customers. Hence, to increase these referrals, we will continue to leverage on our established track records in the dimension stones products market and maintain good rapport with our existing customers.

Our Group utilises the following distribution channel for the sales of our products:-



Our Group utilises a combination of direct and indirect distribution channel to market our dimension stone products to the customers. For direct distribution channel, we utilise our sales and marketing personnel and offices in Melaka, Selangor and Pahang to sell our products to the customers. As a result of the good relationships maintained with our business associates such as the architects, property developers, interior designers and contractors, we have also adopted a direct negotiation approach in securing contracts in addition to tendering of projects. In addition, we have been frequently invited or approached by contractors, property developers and interior designers to submit our quotations for our dimension stone products in accordance with their specification and requirements.

The direct distribution channel allows us to work closely with our customers and enable us to better understand their requirements, which serves as a feedback mechanism for our continuous improvement of our products and services.

5. INFORMATION ON OUR GROUP (Cont'd)

For indirect distribution channel, we utilise intermediaries such as trading companies of building materials which primarily act as our dealers to market our products. This indirect distribution channel enable our Group to tap into the existing network of these trading companies to expand our market coverage with minimal capital requirement and will consume less management resources.

5.4.13 Location of Operations

Our operations are located in the following premises:-

Location/ Address	Existing use
Melaka Lot 197, Jalan Sungai Putat Batu Berendam 75350 Melaka	Head office cum main manufacturing plant
Puchong, Selangor 23, Jalan Rajawali 2 Bandar Puchong Jaya 47100 Puchong Selangor	Sales office for the Central Region of Peninsular Malaysia
Kuantan, Pahang 10, Jalan Industrial Semambu 9/3 Cocopalms Industrial Park 25300 Kuantan Pahang	Sales office cum showroom and secondary processing plant with warehouse for the East Coast of Peninsular Malaysia
Johor 20, Jalan Plentong 8 Sri Plentong Industrial Park 81750 Masai Johor	Sales office cum showroom and secondary processing plant with warehouse for the Southern Region of Peninsular Malaysia

As part of our Group's domestic market expansion plan, our Group will utilise part of the proceeds raised from the Public Issue to part finance the construction of a secondary processing plant with warehouse on our leasehold land in Subang, Selangor which will also be used as sales office cum showroom for the Central Region of Peninsular Malaysia. The said secondary processing plant is expected to be completed within six (6) months from the date of Listing.

5.4.14 Quality Control

Our Group practices stringent quality control on every aspect of our Group's business operations as well as places strong emphasis on our products' quality. As such, to ensure that exceptional quality standards are met, our Group adopts the following policies:-

- (i) ensure complete employees' involvement in the ISO 9001:2000 quality management system ("QMS");
- (ii) regularly develop and upgrade our employees both in technical and management fields;
- (iii) offer superior products and services constantly through the continuous stringent improvement program; and
- (iv) maintain and enhance customer satisfaction.

5. INFORMATION ON OUR GROUP (Cont'd)

As an ISO 9001:2000 accredited company, our Group's QMS is activated throughout the production process supported by the smooth internal communication flow. The quality control practices we have put in place include the following:-

- (i) New suppliers will be evaluated and approved by our Group prior to purchases being made. In addition, their service and product quality will be evaluated by our Group's purchasing personnel on a regular basis. This will ensure we purchase from reliable suppliers that supply quality raw materials which meet our requirements on a timely basis.
- (ii) Raw materials will be stored and tagged with respective serial numbers at our stockyard after the inspection by our stock personnel for easy identification and tracking of stocks.
- (iii) Semi-finished products will be inspected at each stage of the production process for any irregularities and imperfections. This will allow timely corrective actions taken to refurbish the semi-finished products in order to minimise wastage.
- (iv) Scheduled preventive maintenance is carried out in order to enhance the continuous functionality of the machineries and equipment.
- (v) Finished products will be labelled with a sequenced number and packed in wooden pallets after quality control inspection with an attached packing list for easy identification and installation at the construction site/customer premises.

In addition, our Group also undertakes internal quality audit regularly in order to ensure that our Group's business and production performance comply with the requirements of the ISO standards.

5.4.15 Key Achievements/Awards/Milestones

Our Group's major achievements and milestones are as follows:-

Year	Description of Events
1988	<ul style="list-style-type: none"> • Our Group was established through the founding of HHG • Acquisition of our first factory land in Batu Berendam measuring 4 acres
1989	<ul style="list-style-type: none"> • Set up our first bridge cutter and first polishing line
1990	<ul style="list-style-type: none"> • Set up our first block cutter
1993	<ul style="list-style-type: none"> • Set up a multi blade block cutter
1997	<ul style="list-style-type: none"> • Completed construction of main office building and first factory block • Secured a contract to supply dimension stone materials for the external infrastructure, water feature and landscaping of the KLCC project
2001	<ul style="list-style-type: none"> • Secured a project for the supply and installation of dimension stone products for the carving panel on the door architrave of the Prime Minister's Office at Putrajaya • Set up a granite gangsaw factory block to cut granite blocks into slabs

5. INFORMATION ON OUR GROUP (Cont'd)

Year	Description of Events
2002	<ul style="list-style-type: none"> Secured a project for the supply and installation of dimension stone products for the Ministry of Finance, Parcel E and plot 3G1, Putrajaya Secured a project for the supply and installation of dimension stone products for the Bridge BR6 at Putrajaya
2003	<ul style="list-style-type: none"> Set up a new marble gangsaw factory block to cut marble blocks into slabs
2005	<ul style="list-style-type: none"> Acquired a factory in Pahang to set up a sales office cum showroom and secondary processing plant with warehouse for HHSEC
2006	<ul style="list-style-type: none"> HHSEC started its operations to penetrate the East Coast of Peninsular Malaysia, especially in Pahang, Kelantan, and Terengganu Both HHG and PMK were awarded the ISO 9001:2000 accreditation Completed the acquisition of a leasehold land in Pekan Subang Baru, Selangor for the purpose of setting up a sales office cum showroom and secondary processing plant with warehouse for HHMKL
2007	<ul style="list-style-type: none"> Set up an additional polishing line at our main factory to improve production in order to meet increasing demand Acquired a factory at Johor to set up a sales office cum showroom and secondary processing plant with warehouse for HHMSR
2008	<ul style="list-style-type: none"> Set up additional two (2) units of marble gangsaw and two (2) units of bridge cutter

Our Group has received the following accreditations and recognition:-

Year	Accreditations/Awards	Awarded by	Validity
08.11.2006	ISO 9001:2000 for HHG as the manufacturer of granite and marble related products	United Kingdom Accreditation Service	29.11.2012
08.11.2006	ISO 9001:2000 for PMK as the manufacturer of monument	United Kingdom Accreditation Service	29.11.2012

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

5. INFORMATION ON OUR GROUP (Cont'd)

5.4.16 Approvals, Major Licences and Permits

As at the LPD, save as disclosed below, there are no other approvals, major licenses or permits obtained by our Group:-

Licences and permits held by	Issuing Authority	Type of approvals/licenses/permits	Date of issue/ date of expiry	Conditions imposed	Status of compliance
HHG	MITI	Manufacturing Licence	06.01.2004/ Not applicable	HHG to inform MITI of any sale of shares in the company. HHG to train Malaysian citizens so as to ensure that any transfer of technology and expertise can be passed on to all levels of employment. HHG must carry out its project as approved subject to the conditions stated above and the existing laws and regulations in Malaysia.	Complied Complied Complied
	Construction Industry Development Board	Certificate of Registration	26.12.2008 / 25.12.2011	Nil	Not applicable
	Majlis Bandaraya Melaka Bersejarah	Business Licence	01.01.2010 / 31.12.2010	Nil	Not applicable
	Pejabat Tanah dan Daerah, Daerah Kecil Tangkak	Approval for extraction of granite stones at Lot 7669, 7670 and 7671, Mukim Tangkak	22.03.2002/ Not applicable	HHG is not allowed to extract/move the stones to other areas except with a possession of a permit from the Pejabat Tanah Daerah Kecil Tangkak.	To be complied
				HHG shall protect the stones at the boundary area without moving or destroying the stones.	To be complied

5. INFORMATION ON OUR GROUP (Cont'd)

Licences and permits held by	Issuing Authority	Type of approvals/licenses/permits	Date of issue/ date of expiry	Conditions imposed	Status of compliance
	Pejabat Tanah dan Daerah, Daerah Kecil Tangkak (Cont'd)			HHG shall protect the plantation along the side and shall be liable to pay for all damages for failure to do so.	Complied
HHMKL	Construction Industry Development Board	Certificate of Registration	07.01.2010 / 06.01.2011	Nil	Not applicable
	Majlis Perbandaran Subang Jaya	Business licence	01.01.2010 / 31.12.2010	Nil	Not applicable
HHMSR	Majlis Bandaraya Melaka Bersejarah	Business/ Advertisement licence	01.01.2010 / 31.12.2010	Nil	Not applicable
HHSEC	Majlis Perbandaran Kuantan	Business/ Advertisement licence	01.01.2010 / 31.12.2010	Nil	Not applicable

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

5. INFORMATION ON OUR GROUP (Cont'd)

5.4.17 Brand Names, Patents, Trademarks and other Intellectual Properties

As at the LPD, our Group does not have any registered brand names, patents, trademarks and other intellectual properties.

5.4.18 Dependency on Contract or Arrangement

There is no agreement or contract that our Group is highly dependent on that may significantly affect our business or profitability as at the LPD. We therefore have to continually and consistently secure new projects or replenish our order book from new or existing customers.

5.4.19 Seasonality

The demand for our products and services is subject to a certain extent, cyclical effects of the property market and construction sector as set out in Section 4.1(ii) of this Prospectus. However, our Group has not experienced any material seasonality in our business as our Group does not depend on certain customers for sales of our products and services.

5.4.20 Interruption of Business

Our Group did not experience any material disruption in our business activities which had a significant effect on our operations during the past twelve (12) months preceding the date of this Prospectus.

5.5 Major Customers

Our Group only had one (1) customer contributing more than 10% of our Group's revenue for each of the past three (3) FYEs 31 December 2008 and the nine (9) months FPE 30 September 2009. We have therefore chose to disclose our top five (5) customers for each of the past three (3) FYEs 31 December 2008 and for the nine (9) months FPE 30 September 2009. These customers are listed as follows:-

Major Customers	Sales Contribution		Length of Relationship (Years)	Products sold/Project	
	(RM'000)	(%)			
FYE 31 December 2006					
1	UEM Construction Sdn Bhd	3,831	12.68	2	Granite and marble/ Ministry of Finance 2, Parcel 2M10 & 2M11
2	Marble-Avenue Sdn Bhd	2,044	6.77	2	Granite/ KL Sentral Lot N
3	Binastra Construction (M) Sdn Bhd	1,067	3.53	2	Granite and marble/ Stonor Park Condominium and Sutramas Condominium
4	Zin Wei Trading	936	3.10	1	Granite and marble
5	PGU Stonework	763	2.53	2	Granite and marble

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

5. INFORMATION ON OUR GROUP (Cont'd)

Major Customers		Sales Contribution		Length of Relationship (Years)	Products sold/Project
		(RM'000)	(%)		
FYE 31 December 2007					
1	Bina Goodyear Sdn Bhd	3,569	10.03	4	Granite and marble/ Suasana Sentral Two KL Condominium and Suria Stonor Condominium
2	Perpetual Memorial Park	2,158	6.07	7	Monuments
3	UEM Construction Sdn Bhd	1,267	3.56	3	Granite, marble and other dimension stone products/ UEM 26-storeys Headquarters
4	ICE – Loh & Loh JV	1,245	3.50	1	Granite/ JB Sentral Customs, Immigration and Quarantine Complex Package 09
5	Bumitiles Services	712	2.00	2	Marble/ Kuala Terengganu Airport (Package 2)
FYE 31 December 2008					
1	Bina Goodyear Sdn Bhd	6,913	13.95	5	Granite and marble/ Suasana Sentral Two KL Condominium and Suria Stonor Condominium
2	Luxabuilt Sdn Bhd	3,469	7.00	5	Granite and marble and other dimension stone products/ Alam Warisan
3	ICE – Loh & Loh JV	2,877	5.81	2	Granite/ JB Sentral Customs, Immigration and Quarantine Complex Package 09
4	Perpetual Memorial Park	2,076	4.19	8	Monuments
5	Aston Star Sdn Bhd	1,841	3.71	2	Granite and marble/ Solaris Dutamas

5. INFORMATION ON OUR GROUP (Cont'd)

Major Customers	Sales Contribution		Length of Relationship (Years)	Products sold/Project	
	(RM'000)	(%)			
FPE 30 September 2009					
1	L & W Tiling Sdn Bhd	4,749	17.98	2	Granite and marble
2	Perpetual Memorial Park	2,469	9.35	9	Monuments
3	Luxabuilt Sdn Bhd	1,619	6.13	6	Granite, marble and other dimension stone products/ Alam Warisan and Mahkota Parade Shopping Centre
4	TA Binaprestij Sdn Bhd	845	3.20	1	Marble/ 48 units of semi-detached houses at Idaman Villas
5	Nation Strength Sdn Bhd	837	3.17	3	Monuments

For the past three (3) FYEs 31 December 2008 and the nine (9) months FPE 30 September 2009, only approximately 12.3% to 36.5%, respectively of our Group's total revenue was derived from contract revenue. Hence, a majority of our revenue is derived from confirmed sales orders mainly from our dealers (trading companies), walk-in-customers, contractors and interior designers, which we do not have any formal long-term contracts. However, due to the value of the projects we secured for the supply and installation of dimension stone products and the duration of these projects, majority of our top five (5) customers for the years/period under review are our contract/project customers as illustrated in the table above. Thus, the risk factors arising from the lack of long term contractual agreements and the mitigating steps are set out in Section 4.1(ix) of this Prospectus.

Our Group managed to secure recurring customer orders and business referrals in both project and non-project segments due to our quality of products and services provided as well as our established track record. Further, the diversity of our customer base will ensure business continuity and growth for our Group in the future. As such, our Group is not dependent on any single major customer.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

5. INFORMATION ON OUR GROUP (Cont'd)

5.6 Major Suppliers

Our Group only had, not exceeding two (2) suppliers that had contributed more than 10% of our Group's purchases for each of the past two (2) FYEs 31 December 2007 and for the nine (9) months FPE 30 September 2009 while there were three (3) major suppliers in the FYE 31 December 2008. We have therefore chose to disclose our top five (5) suppliers for each of the past three (3) FYEs 31 December 2008 and for the nine (9) months FPE 30 September 2009. These suppliers are listed as follows:-

Major Suppliers	Purchases		Length of Relationship (Years)	Products Supplied	Country of Origin	
	(RM'000)	(%)				
FYE 31 December 2006						
1	MS Stone Enterprise	3,521	29.10	2	Marble and granite slabs	China
2	SW Stone Supply	1,301	10.75	1	Monuments	China
3	Hexafort Sdn Bhd	761	6.29	2	Marble and granite blocks/ slabs	Iran
4	Jain Granites & Projects India Ltd	341	2.82	2	Granite blocks/ slabs	India
5	Stone Master (M) Sdn Bhd	261	2.16	10	Marble and granite blocks / slabs	Malaysia
FYE 31 December 2007						
1	MS Stone Enterprise	3,818	26.02	3	Marble and granite slabs	China
2	SW Stone Supply	2,395	16.32	2	Monuments	China
3	Hexafort Sdn Bhd	1,349	9.19	3	Marble blocks	Iran
4	Midstream Techno Sdn Bhd	1,036	7.06	1	Marble blocks	Iran
5	Jain Granites & Projects India Ltd	336	2.29	3	Granite blocks / slabs	India
FYE 31 December 2008						
1	Midstream Techno Sdn Bhd	4,956	17.03	2	Marble blocks	Iran
2	SW Stone Supply	4,889	16.80	3	Monuments	China
3	Seri Dunia Enterprise	3,240	11.13	4	Marble and granite blocks/ slabs	China
4	MS Stone Enterprise	2,484	8.54	4	Marble and granite slabs	China
5	Ichifuji Sdn Bhd	1,186	4.08	1	Marble and granite slabs	China

5. INFORMATION ON OUR GROUP (Cont'd)

Major Suppliers	Purchases		Length of Relationship (Years)	Products Supplied	Country of Origin	
	(RM'000)	(%)				
FPE 30 September 2009						
1	SW Stone Supply	3,741	26.39	4	Monuments	China
2	Seri Dunia Enterprise	1,777	12.53	5	Marble and granite blocks/slabs	China
3	Midstream Techno Sdn Bhd	1,344	9.48	3	Marble blocks	Iran
4	Hexafort Sdn Bhd	735	5.18	5	Marble blocks/slabs	Iran
5	P.T. Timor Marmer Industri	532	3.75	6	Marble blocks/slabs	Indonesia

Our Group usually purchases from our approved list of suppliers and prefers to maintain long-term business relationships with our suppliers based upon their trustworthiness and reliability in the supply of quality raw materials in the past. However, save for the distributor agreement with P.T. Timor Marmer Industri, we do not have any supply agreements with any other quarry operators. Our Directors are of view that our Group is not dependent on any single major supplier due to the availability of a large pool of local and overseas suppliers in the market coupled with the abundant supply of dimension stones available. In addition, we have a wide network of contacts for suppliers and quarry owners to meet our raw materials requirements.

5.7 Future Plans, Strategies and Prospects of our Group

5.7.1 Overview of Future Plans and Strategies

Our key business development and expansion strategies revolve around four (4) core objectives, namely,

- to ensure revenue sustainability;
- to improve revenue growth;
- to improve profit margin; and
- to achieve better cost efficiency.

In line with our objectives, our Group's future plans over the next three (3) financial years are further detailed as below:-

5.7.1.1 Backward Integration

Our Group plans to integrate backwards into the quarrying of dimension stones, to expand within the supply value chain. The backward integration into quarry activities would provide our Group with a form of control in the supply chain and enjoy greater price competitiveness in the dimension stones industry. Our Group currently owns a quarry in Tangkak, Johor and plans to utilise part of the proceeds raised from the Public Issue to commence the quarry operations.

5. INFORMATION ON OUR GROUP (*Cont'd*)

Our Group is contemplating to venture into other quarries in Malaysia should those dimension stones are commercially viable. In addition, our Group also plans to form strategic partnerships with other foreign quarry operators in Iran and Indonesia, for the exclusive rights to process and distribute their dimension stones in the Asian region.

5.7.1.2 Strategic Alliance

Our Group also wishes to pursue more and strengthen the strategic alliances with the architects, contractors, interior designers and property developers for future upcoming projects. Through such alliance and cooperation, our Group aspires to improve on our competitive positioning, gain entry to new markets and prospective clients as well as new businesses. Our Group can also exchange market intelligence in the process such as latest market trend for the types of dimension stone products used and any upcoming new property developments launches, allowing us to gain valuable first hand knowledge of the latest developments in the property market and construction sector.

5.7.1.3 Domestic Market Expansion

Our Group intends to establish a new secondary processing plant in Subang, Selangor to cater for our increasing business activities in the Klang Valley by utilising part of the proceeds to be raised from the Public Issue. The secondary processing plant will be used for processing and storing of our semi-finished products and as a sales office cum showroom for Central Region of Peninsular Malaysia.

In addition, we plan to establish our market presence in the Northern Region of Peninsular Malaysia by setting up a sales office and a warehouse in Penang within the next two (2) years, where growth in the property market and construction sector in the region is expected to accelerate from the Northern Corridor Economic Region Project, as initiated by the Government.

The recent establishment of the sales office cum showroom with secondary processing and warehousing facilities in Johor allows us to take advantage of the opportunities arising from the Iskandar Malaysia and penetrate deeper into the Southern Region market especially Johor which is one of the most populated states in Malaysia.

5.7.1.4 Overseas Market Expansion

Our Group plans to broaden our overseas market presence, in particular, China, Singapore, Indonesia and Vietnam, where our Directors believe that there are market opportunities for our dimension stone products in these countries. Our Group intends to penetrate the markets in China, Indonesia and Vietnam through establishing sales and marketing offices in the respective country or via strategic partnerships with the respective countries' investors.

5. INFORMATION ON OUR GROUP (Cont'd)

As for Singapore, our Group will leverage on the proximity of our newly set up sales office cum showroom and secondary processing plant with warehouse in Johor to expand our market reach in Singapore.

5.7.2 Prospects of our Group

The prospects of the dimension stones industry is inherently linked to the performance of the property market and construction sector. The construction sector is projected to expand by 3.2% in 2010 (2009: 3.5%), supported by the civil engineering segment due to the implementation of projects under the two (2) economic stimulus packages introduced by the government in late 2008 and early 2009. The main drivers of growth are expected to be from civil engineering activities as well as the residential and commercial property segments. In addition, the development of regional growth corridors will further stimulate the expansion of this sector. The effective implementation of the fiscal stimulus and providing the necessary policy support to strengthen domestic sources of growth will be vital to supporting overall growth. In addition, the global and domestic economies are showing signs of stabilisation as well as recovery in 2010.

Our Directors recognise the short to medium term challenges posed by the current global economic conditions but believe that the long term prospects for our Group are promising with the increasing awareness of our products in the dimension stone products market. Our Group will continue to leverage on our competitive strength to sustain growth and stay ahead of competition in the future. In addition, with the new secondary processing plant in Subang, Selangor, which is expected to be completed within six (6) months from the date of the Listing, we expect to better cater for the demand of our products in the Central Region of Peninsular Malaysia. Further, our Group's plans to undertake overseas markets expansion, penetrate into the untapped market in Malaysia and venture into quarry operations, which are expected to contribute positively to our Group's future financial performance. Hence, 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.

Based on the prospect and the outlook of our industry as set out in Section 6 of this Prospectus, our competitive strengths as outlined in Section 5.4.6 of this Prospectus and our business strategies as detailed in Section 5.7.1 of this Prospectus, our Board believes that our future plans will allow our Group to grow and further establish our market presence in the dimension stones industry. Nevertheless, our Group recognises the various risk factors and the industry challenges faced by our Group as outlined in Sections 4 and 6 of this Prospectus, which may pose a potential threat to our Group in successfully implementing our growth strategies.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

5. INFORMATION ON OUR GROUP (Cont'd)

5.8 Information on Our Subsidiaries

5.8.1 HHG

5.8.1.1 History and Business

HHG was incorporated as a private limited company in Malaysia under the Act on 27 February 1988 under its present name. HHG commenced its business operations in 1988 and is principally involved in the manufacturing and selling of dimension stones and related products.

5.8.1.2 Share Capital

The present authorised and issued and paid-up share capital of HHG is as follows:-

Type	No. of ordinary shares of RM 1.00 each	Amount RM
Authorised	5,000,000	5,000,000
Issued and paid-up	4,300,000	4,300,000

Details of the changes in the issued and paid-up share capital of HHG since the date of incorporation are as follows:-

Date of allotment	No. of shares allotted	Consideration	Cumulative issued and paid-up share capital RM
27.02.1988	3	Subscribers' shares	3
25.06.1988	40,000	Cash	40,003
22.04.1989	10,000	Cash	50,003
15.06.1989	67,571	Acquisition of assets	117,574
15.06.1989	2,429	Cash	120,003
24.08.1989	20,000	Cash	140,003
02.05.1992	20,000	Cash	160,003
28.05.1997	339,997	Cash	500,000
16.09.2002	1,500,000	Bonus issue	2,000,000
22.07.2003	900,000	Cash	2,900,000
02.08.2004	900,000	Cash	3,800,000
27.12.2005	500,000	Cash	4,300,000

5.8.1.3 Substantial Shareholders

Hock Heng owns the entire equity interest in HHG.

5.8.1.4 Subsidiary and Associated Companies

As at the LPD, HHG does not have any subsidiary or associated company.

5. INFORMATION ON OUR GROUP (Cont'd)

5.8.2 HHMKL

5.8.2.1 History and Business

HHMKL was incorporated as a private limited company in Malaysia under the Act on 31 March 2003 under its present name. HHMKL commenced its business operations in 2003 and is principally involved in the distribution of dimension stones and renovation works for homes and offices.

5.8.2.2 Share Capital

The present authorised and issued and paid-up share capital of HHMKL is as follows:-

Type	No. of ordinary shares of RM 1.00 each	Amount RM
Authorised	500,000	500,000
Issued and paid-up	200,004	200,004

Details of the changes in the issued and paid-up share capital of HHMKL since the date of incorporation are as follows:-

Date of allotment	No. of shares allotted	Consideration	Cumulative issued and paid-up share capital RM
31.03.2003	4	Subscribers' shares	4
21.08.2006	200,000	Cash	200,004

5.8.2.3 Substantial Shareholders

Hock Heng owns the entire equity interest in HHMKL.

5.8.2.4 Subsidiary and Associated Companies

As at the LPD, HHMKL does not have any subsidiary or associated company.

5.8.3 HHMSR

5.8.3.1 History and Business

HHMSR was incorporated as a private limited company in Malaysia under the Act on 16 July 1994 under the name of Hock Heng Granite & Marble Sdn Bhd. On 23 March 2004, it changed its name to its present name. HHMSR commenced its business operations in 1996 and is principally involved in the processing and trading of dimension stones.

5. INFORMATION ON OUR GROUP (Cont'd)

5.8.3.2 Share Capital

The present authorised and issued and paid-up share capital of HHMSR is as follows:-

Type	No. of ordinary shares of RM 1.00 each	Amount RM
Authorised	1,000,000	1,000,000
Issued and paid-up	1,000,000	1,000,000

Details of the changes in the issued and paid-up share capital of HHMSR since the date of incorporation are as follows:-

Date of allotment	No. of shares allotted	Consideration	Cumulative issued and paid-up share capital RM
16.07.1994	4	Subscribers' shares	4
01.07.2003	200,000	Cash	200,004
01.09.2004	250,000	Cash	450,004
10.01.2007	549,996	Cash	1,000,000

5.8.3.3 Substantial Shareholders

Hock Heng owns the entire equity interest in HHMSR.

5.8.3.4 Subsidiary and Associated Companies

As at the LPD, HHMSR does not have any subsidiary or associated company.

5.8.4 HHSEC

5.8.4.1 History and Business

HHSEC was incorporated as a private limited company in Malaysia under the Act on 6 July 2005 under its present name. HHSEC commenced its business operations in 2006 and is principally involved in the trading in dimension stones and related services.

5.8.4.2 Share Capital

The present authorised and issued and paid-up share capital of HHSEC is as follows:-

Type	No. of ordinary shares of RM 1.00 each	Amount RM
Authorised	500,000	500,000
Issued and paid-up	300,004	300,004

5. INFORMATION ON OUR GROUP (Cont'd)

Details of the changes in the issued and paid-up share capital of HHSEC since the date of incorporation are as follows:-

Date of allotment	No. of shares allotted	Consideration	Cumulative issued and paid-up share capital RM
06.07.2005	4	Subscribers' shares	4
24.03.2008	300,000	Cash	300,004

5.8.4.3 Substantial Shareholders

Hock Heng owns eighty percent (80%) of the entire equity interest in HHSEC and Wong Liang Meng owns the remaining twenty percent (20%) equity interest in HHSEC.

5.8.4.4 Subsidiary and Associated Companies

As at the LPD, HHSEC does not have any subsidiary or associated company.

5.8.5 PMK

5.8.5.1 History and Business

PMK was incorporated as a private limited company in Malaysia under the Act on 5 February 2001 under its present name. PMK commenced its business operations in 2001 and is principally involved in the processing and trading of dimension stones.

5.8.5.2 Share Capital

The present authorised and issued and paid-up share capital of PMK is as follows:-

Type	No. of ordinary shares of RM 1.00 each	Amount RM
Authorised	500,000	500,000
Issued and paid-up	150,000	150,000

Details of the changes in the issued and paid-up share capital of PMK since the date of incorporation are as follows:-

Date of allotment	No. of shares allotted	Consideration	Cumulative issued and paid-up share capital RM
05.02.2001	3	Subscribers' shares	3
10.09.2008	149,997	Cash	150,000

5. INFORMATION ON OUR GROUP (Cont'd)

5.8.5.3 Substantial Shareholders

Hock Heng owns the entire equity interest in PMK.

5.8.5.4 Subsidiary and Associated Companies

As at the LPD, PMK does not have any subsidiary or associated company.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

6. INDUSTRY OVERVIEW

(Prepared for inclusion in this Prospectus)



Decide with Confidence

8 February 2010

The Board of Directors
Hock Heng Stone Industries Bhd
Lot 1A, 6th Floor
Menara Pertama
Jalan BBP 2
Taman Batu Berendam Putra
Batu Berendam
75350 Melaka Darul Azim

Dear Sirs

EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (“EXECUTIVE SUMMARY”) FOR HOCK HENG STONE INDUSTRIES BHD (“HOCK HENG” OR THE “COMPANY”)

This Executive Summary has been prepared for inclusion in the Prospectus to be dated 9 March 2010 pursuant to the listing of Hock Heng on the Main Market of Bursa Malaysia Securities Berhad.

This research is undertaken with the purpose of providing an overview of The Dimension Stones Industry in Malaysia. The research methodology includes both primary research, involving in-depth interviews with pertinent companies, as well as secondary research such as reviewing press articles, periodicals, government literatures, in-house databases, Internet research and online databases.

Dun & Bradstreet (D&B) Malaysia Sdn Bhd (“D&B Malaysia”) has prepared this Executive Summary in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the Executive Summary. In addition, D&B Malaysia acknowledges that if there are significant changes affecting the contents of the Executive Summary after the issue of the Prospectus and before the issue of securities, then D&B Malaysia has an on-going obligation to either cause the Executive Summary to be updated for the changes and, where applicable, cause the Company to issue a Supplementary Prospectus, or withdraw our consent to the inclusion of the Executive Summary in the Prospectus.

The Executive Summary is highlighted in the following sections.

Yours faithfully,
for and on behalf of

DUN & BRADSTREET (D&B) MALAYSIA SDN BHD

A handwritten signature in black ink, appearing to read 'Tan Sze Chong', written over a faint, stylized graphic element.

TAN SZE CHONG
Managing Director

6. INDUSTRY OVERVIEW (Cont'd)

**Decide with Confidence**

EXECUTIVE SUMMARY

1.1 The Global Economy

The world economy showed signs of emerging from the worst recession since the Second World War, earlier than expected. The turnaround in early 2009 was encouraging given the unprecedented severity of the global financial crisis which emanated from the United States ("US") and Europe and which evolved into an economic crisis as asset prices fell and global demand plunged. The subsequent fall out impacted developing economies and resulted in a moderation in their growths.

The growing signs of recovery in the global economy are expected to firm up in 2010, with emerging and developing countries, particularly Asian countries, leading the rebound. However, recovery is expected to be sluggish and not strong enough to mitigate the impact of high unemployment, especially in the developed countries. Additionally, with banks continuing to rebuild their balance sheets, credit flows will be constrained in advanced economies. This could impact capital flows to the emerging and developing countries.

The massive fiscal stimulus measures, which supported demand and lowered systemic risk in the financial markets, have also increased fiscal burdens significantly, especially in the developed countries. This raises issues of fiscal sustainability as well as the need to rein in spending and reduce debt levels over the medium term. Nevertheless, with consumption and investment continuing to be weak, caution remains against early unwinding of the stimulus packages before recovery is on a firmer footing.

6. INDUSTRY OVERVIEW (Cont'd)



Decide with Confidence

Table 1: Global Real Gross Domestic Product ("GDP") Growth, 2001-2010^f

Growth (%)	2001	2002	2003	2004	2005	2006	2007	2008	2009 ^e	2010 ^f
World GDP	2.5	3.1	4.0	5.3	4.8	4.9	5.2	3.0	-1.1	3.1
US	0.8	1.6	2.5	3.9	3.1	2.9	2.0	0.4	-2.7	1.5
Japan	0.2	0.3	1.4	2.7	1.9	2.2	2.4	-0.7	-5.4	1.7
Euro area *	1.9	0.9	0.8	2.0	1.5	2.8	2.4	0.7	-4.2	0.3

Notes:

* = Indicates member countries of the Euro area (Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Slovak Republic, Slovenia, Spain)

^e = estimate

^f = forecast

Source: Bank Negara Malaysia, Ministry of Finance

1.2 The Malaysian Economy

Malaysia, being an open economy, was adversely affected with exports contracting sharply, following the global financial crisis and economic downturn in 2009. The significant decline in exports in turn, affected domestic demand. Domestic demand will be the main driver of the economy, attributed to both public sector expenditure and private consumption. Public investment is expected to expand following the implementation of projects under the stimulus package. In contrast, private investment is anticipated to contract, reflecting the lower business sentiment. Meanwhile, private consumption is envisaged to record positive growth on account of firm household disposable income, as a result of stabilisation in the job market and recovery in commodity prices.

On the supply side, growth is expected to emanate from the services and construction sectors. The services sector is envisaged to register positive growth contributed by strong performance in the communication, finance and insurance, as well as accommodation and restaurant sub-sectors.

6. INDUSTRY OVERVIEW (Cont'd)



Decide with Confidence

The construction sector continues to strengthen, driven by the implementation of various government projects, particularly construction works under the stimulus packages. However, manufacturing output is envisaged to decline on account of weak external demand. Growth in the agriculture sector is anticipated to be propelled by sturdy expansion of the non-commodity sub-sector, while the mining sector continues to contract due to lower crude oil production.

The economy is expected to benefit from stabilising global economic conditions, augmented by fiscal measures and accommodative monetary policy. GDP growth is forecasted to turn around to between 2.0% and 3.0% in 2010, driven by domestic demand, particularly private expenditure and supported by an expected recovery in external demand.

Table 2: Annual Change in Real GDP by Sector, 2001-2010^f (2000 prices)

Growth (%)	2001	2002	2003	2004	2005	2006	2007	2008	2009 ^e	2010 ^f
GDP	0.5	5.4	5.8	6.8	5.0	5.8	6.3	4.6	-3.0	2.0-3.0
Agriculture	-0.2	2.9	6.0	4.7	2.6	5.4	2.2	4.0	-2.3	2.5
Manufacturing	-4.3	4.1	9.2	9.6	5.3	7.1	3.1	1.3	-12.1	1.7
Mining	-1.7	4.4	6.1	4.1	-1.3	-2.7	3.3	-0.8	-2.9	1.1
Construction	3.3	2.3	1.8	-0.9	-1.8	-0.5	4.6	2.1	3.5	3.2
Services	4.1	5.8	4.2	6.4	6.7	7.3	9.7	7.2	2.1	3.6

Notes:

e = estimate

f = forecast

Source: Bank Negara Malaysia, Ministry of Finance

6. INDUSTRY OVERVIEW (*Cont'd*)



Decide with Confidence

1.3 The Manufacturing Sector in Malaysia

In 2009, the government announced several measures, including easing the issuance of import and export licenses, as well as manufacturing licences for producing iron and steel products. This is to enhance the competitiveness of the local steel players. In addition, gradual tariff reductions for long and flat products as well as import duty exemptions for iron and steel products were also announced. In line with an expanding muslim population and rising awareness of food hygiene and safety, the expanding global halal food market is expected to provide greater opportunities for Malaysian halal food manufacturers.

In 2010, export-oriented industries are expected to benefit from the recovery of global trade, while domestic-oriented industries are anticipated to expand in line with better consumer sentiment and business confidence. The electrical and electronics industry is projected to turn around, driven by higher demand for electronic equipment and parts, as well as semiconductors. The resource-based industry is envisaged to expand steadily, attributed to improved demand of petroleum, chemical, rubber and plastic products. In addition, increasing construction activities with the recovery in the property market will augur well for the building materials industry.

1.4 The Construction Sector in Malaysia

In 2009, the low interest rates and attractive packages offered by developers helped to renew buying interest, especially in high-end properties and preferred locations. In addition, the Foreign Investment Committee guidelines for property transactions were substantially relaxed to stimulate foreign investments in the property market.

6. INDUSTRY OVERVIEW (Cont'd)



Decide with Confidence

In 2010, the construction sector is expected to benefit further from the economic recovery and the second stimulus package. Major projects such as the light rail transit extension works on the Kelana Jaya and Ampang lines, Pahang – Selangor Raw Water Transfer, new low cost carrier terminal at the Kuala Lumpur International Airport and expansion of the Penang International Airport, as well as the electrified double track railway between Ipoh and Padang Besar are expected to drive the expansion of the civil engineering sub-sector. The non-residential sub-sector is projected to pick up, spurred by better demand for commercial buildings. The residential sub-sector is also anticipated to strengthen following improved consumer sentiment and job prospects.

1.5 Overview of the Dimension Stones Industry

The dimension stones industry covers establishments primarily engaged in cutting, shaping and finishing granites, marbles, limestones, slates, sandstones and other stones for building, construction and monument uses, which falls under the manufacturing sector. The cutting or quarrying of rocks at the quarry by business entities is classified under the mining and quarrying sector. Establishments primarily engaged in buying or selling partly finished monuments and tombstones, but performing no work on the stones other than lettering, finishing, or shaping to custom order, are classified as either wholesale or retail trade in the services sector.

A dimension stone is a natural rock material quarried for the purpose of obtaining blocks or slabs that meet specifications as to size (width, length and thickness) and shape. It is a piece of rock that is cut to specific dimensions for use in the building, construction and monumental industries. Attributes such as colour, grain texture, grain pattern and surface finish of the stone also are normal requirements by both customers and the dimension stones industry. Durability, strength, and the ability of the stone to be polished are other important selection criterion.

6. INDUSTRY OVERVIEW (Cont'd)



Decide with Confidence

Found in every continent on Earth, global resources of dimension stones are virtually limitless. The top five (5) producing countries of dimension stones are China, India, Iran, Italy and Turkey, and these countries accounted for approximately 70% of the world's production of dimension stones, estimated at slightly about 105 million tons in 2007. Although there were probably some small-scale production in the majority of the world's nations, dimension stones were produced and officially reported in about 25 countries. During the period between 2000 and 2007, global demand for granite and marble expanded at a growth rate of 14% and 13.7%, respectively.

From the quarry, the blocks of stones are hauled to a dimension stones processing plant where they are cut, shaped, polished, and/or coated into slabs or finished products. The quarries ship the rough stone blocks, usually weighing between 20 tons and 40 tons, to their own or to third-party fabrication plants locally or overseas, where the stones are cut or sawed into a wide range of sizes for use as exterior cladding on buildings (cut-to-size projects), interior walls, floors and counter tops, monuments and memorials, and other miscellaneous uses such as landscaping and curbing. In the dimension stones processing plant, the blocks are separated by more precise and delicate techniques, such as diamond wire saws and diamond belt saws. The dimension stones processors also source numerous stone types from other countries around the world.

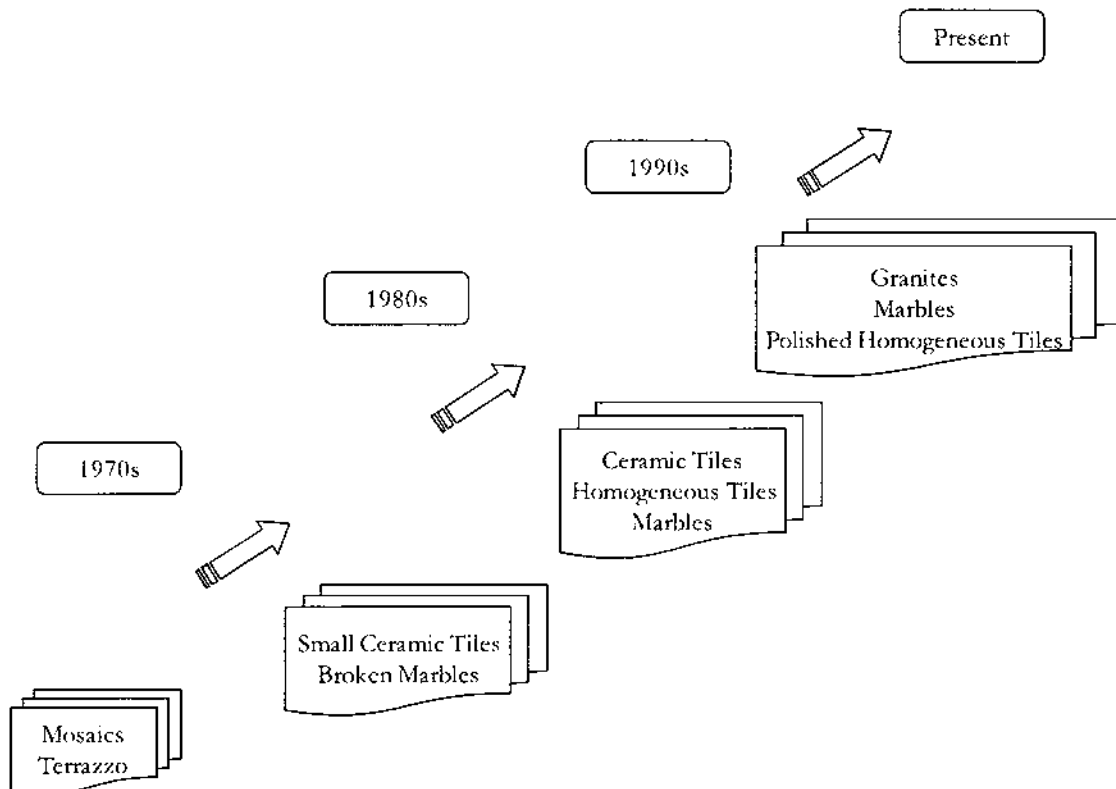
There has been a gradual change in the preference of tiles used in medium and high cost properties by property owners in Malaysia over the past four (4) decades. Although both ceramic and homogeneous tiles are still in widespread usage today owing to the cost factor, many affluent property owners opt for dimension stones such as granites and marbles as they are aesthetically-pleasing and impart a touch of splendour to the properties. This includes both commercial and residential properties. Particularly during the renovation phase, many property owners would choose dimension stones, if their budget permits. In the case of low cost properties, the property developers usually provide plain cement rendering for the flooring.

6. INDUSTRY OVERVIEW (Cont'd)



Decide with Confidence

Figure 1: Trends in the Preference of Tiles / Dimension Stones, 1970s – Present



Source: D&B Malaysia

The key market segments for dimension stones are as follows:-

- Residential construction - this is almost exclusively kitchen countertops and bathroom vanity countertops which are mostly granite. However, floor tiles made from dimension stones are getting popular, albeit more expensive than the conventional ceramic tiles. In this segment, fashion predominates;

6. INDUSTRY OVERVIEW (*Cont'd*)



Decide with Confidence

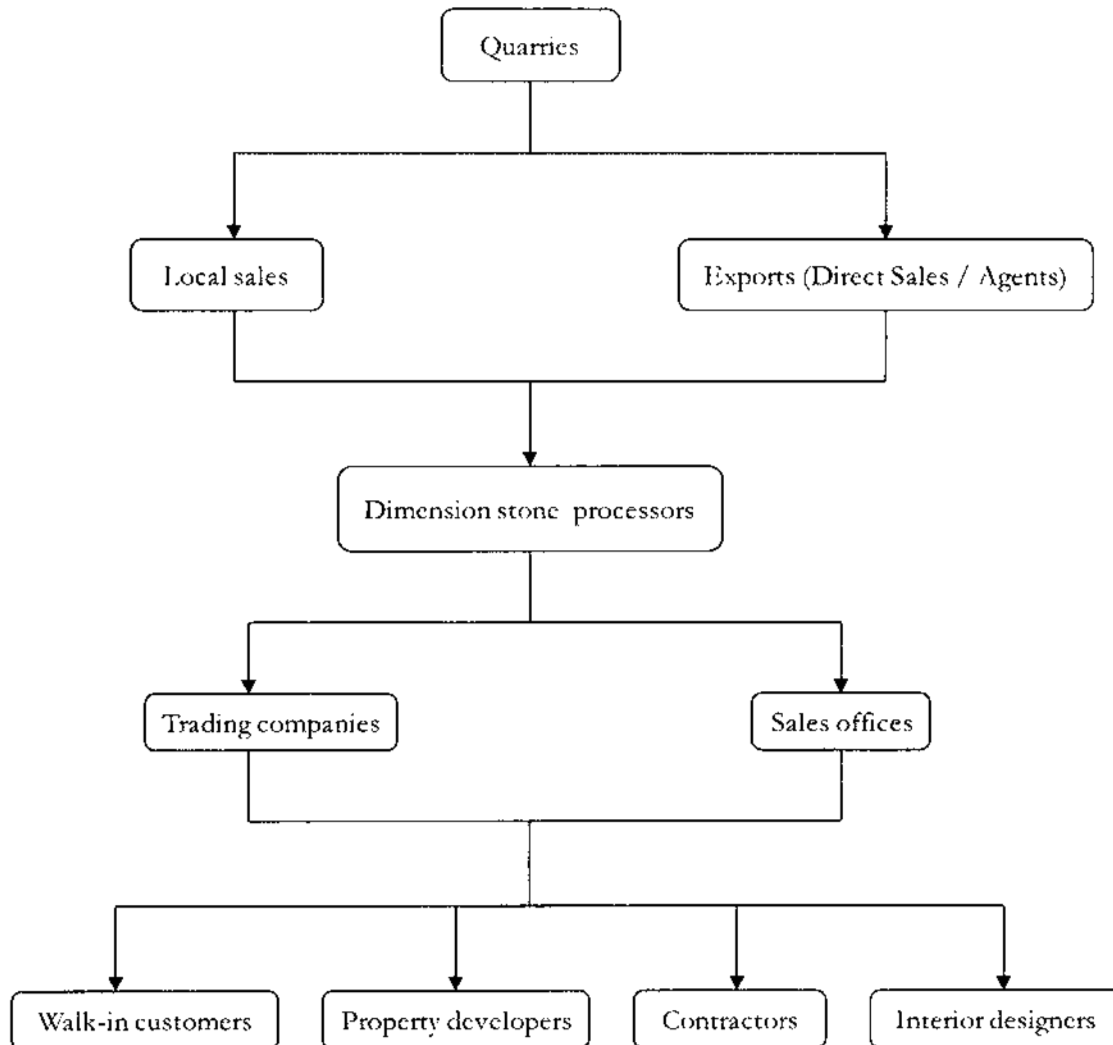
- Commercial construction - exterior, interior, cut-to-size. This segment is impacted by the state of the hospitality industry. Dimension stones are preferred by builders as they impart the walls with a distinct aesthetic appeal and make walls strong and more weather proof. In particular, dimension stones such as granites can withstand adverse climatic conditions and remain attractive. Others include office buildings and shopping complexes. The colours of dimension stones used in the commercial segment are beginning to merge with those used in the residential segment;
- Landscaping and other outdoor features - this is a smaller segment, utilising waste materials not usable in other segments, and it has enormous potential. Landscaping stone is typically a fine to medium-grained sandstone, which readily splits into between 3 centimetre ("cm") and 10 cm thick pieces for use as flagstone for patios, retaining walls, etc; and
- Monumental - this market is obviously tied to demographics and is less prone to trends, although there is some, and is based on only a few colours such as black, grey and red. The term "monuments" refers mostly to finished headstones that are used as grave markers in cemeteries. Monuments also include large, elaborate memorials for war veterans, historic figures and events, etc.

6. INDUSTRY OVERVIEW (Cont'd)



Decide with Confidence

Figure 2: Supply Chain in the Dimension Stones Industry



Source: D&B Malaysia

A recent trend in the industry has been a tendency towards vertical integration, with the larger quarrying companies moving forward into block distribution, and to a lesser extent fabrications, while several dimension stones processors are integrating backward into block trading and quarrying. Some stone processors establish their own marketing and sales offices to take advantage of lower inter-company sales transactions, in view of the fact that dimension stones sold in the market in Malaysia are subjected to a 10% sales tax.

6. INDUSTRY OVERVIEW (*Cont'd*)



Decide with Confidence

The dimension stones industry in Malaysia has made strong contributions to the national economy over the years. It has extensive and important linkages, both forward and backward, with a range of industries in the various sectors of the economy, so that its impacts on the economy go well beyond the direct contribution of these activities.

1.6 Nature of Competition

The main qualities of dimension stones that determine their popularity and uses include colour, texture, durability, and consistency of supply. Different markets demand different quality characteristics. Dimension stones are marketed by companies and selected by end-users based on their aesthetic appeal and technical characteristics (compressive strength, resistance to abrasion, etc.).

Basically, the dimension stones processors compete on price, quality, production capability, turnaround time, product range and the ability to provide value added services. In addition, dimension stones processors also compete with each other in the market through the establishments of their own sales offices. Some of them also possess quarries, as they are integrated backwards in their operations. Hence, most dimension stones processors compete on a level playing field.

Sometimes, the dimension stones processors do compete with trading companies involved in dimension stones. The latter can be either on an exclusive or non-exclusive basis, as the trading activities can also encompass other building materials such as ceramic and homogeneous tiles, as they are complementary in nature. For example, property owners seeking tiling may need a combination of dimension stones and homogeneous tiles. Therefore, the trading companies are able to provide a suite of tiles for the shopping and selection convenience of the property owners, by providing these products at the same location. Some of the trading companies do also source their dimension stones from the dimension stones processors. Hence, they are both a customer and a competitor to the sales offices of these dimension stones processors.

6. INDUSTRY OVERVIEW (Cont'd)



Decide with Confidence

1.7 Industry Players and Market Share

There are approximately seventeen (17) major manufacturers of dimension stones products in Malaysia. The majority are involved in marble products, due to the ubiquitous marble deposits in the country. A smaller proportion of the players are involved in both granites and marbles. All these companies possess their own dimension stones plants in the areas of cutting, shaping and finishing of dimension stones such as granites and marbles.

In terms of revenue, the Hock Heng Group was ranked number three (3) among the seven (7) major players in Malaysia, based on their latest available audited financial statements. However, in terms of profit before taxation, the Hock Heng Group was ranked number two (2) among the seven (7) major players in the industry.

Table 3: Comparison of Key Manufacturers of Dimension Stones, by Revenue and Profit Before Taxation

Company	Principal Activities	Financial Year Ended ("FYE")	Revenue (RM '000)	Profit Before Taxation (RM '000)
Stone Master Corporation Bhd	The company, through its subsidiaries, manufactures, trades and installs marbles, granites and ceramic tiles. The company also trades in sanitary ware.	31/03/09	88,537.0	-9,371.0
Gefung Holdings Bhd	The company, through its subsidiaries, processes, trades and installs marble and granite slabs. It also operates a marble quarry.	31/12/08	75,026.0	10,776.0
Hock Heng Group	The company, through its subsidiaries, manufactures, sells, distributes and trades in dimension stones and related products.	31/12/08	49,557.0	7,576.0
Stone Empire Sdn Bhd	The company is involved in dimension stones processing, supplying and installing.	31/12/08	42,180.1	3,275.1
S. R. Marble Sdn Bhd	The company is principally involved in the manufacturing of marble slabs and trading of marbles and ceramic tiles.	30/06/08	15,715.9	-136.8
Stone Link Sdn Bhd	Importing and dealing in stone products.	31/12/08	10,185.1	272.9

6. INDUSTRY OVERVIEW (Cont'd)



Decide with Confidence

Company	Principal Activities	Financial Year Ended ("FYE")	Revenue (RM '000)	Profit Before Taxation (RM '000)
Major Team Holdings Bhd	The company, through its subsidiaries, manufactures, supplies and installs dimension stones products.	31/12/08	7,081.3	-9,913.2

Notes:

It should be noted that although the above selected companies are all broadly involved in the manufacturing and trading of dimension stones products, these selected companies may not be directly comparable to the Hock Heng Group due to various factors which include, amongst others, the composition of business activities, size of the business, target markets or product offerings, profit track record, management and financial strength, accounting policies, risk profiles and future prospects.

Source: Companies Commission of Malaysia and management of the Hock Heng Group

According to the latest Economic Census of Construction conducted by the Department of Statistics, the value of dimension stones installed in the construction sector represented 0.23% of the value of construction work done in 2005. Based on this, the market size of the dimension stones industry in Malaysia was estimated at approximately RM220.4 million in 2008. With Hock Heng Group reporting a revenue of RM49.6 million (a negligible portion of which was exported) for financial year ended 31 December 2008, it managed to achieve an estimated market share of approximately 22.5%.

1.8 Government Legislation, Policies and Incentives

1.8.1 Legislation

a.) Manufacturing licence

Application of a manufacturing licence under the Industrial Co-ordination Act, 1975 is required for companies with shareholders' funds of RM2.5 million or above, or engaging 75 or more full-time employees.

6. **INDUSTRY OVERVIEW (Cont'd)**



Decide with Confidence

b.) Environmental Quality Act 1974 (“EQA”)

Companies involved in the dimension stones industry have to employ modern and efficient methods of processing and waste disposal which minimise the immediate and long term impacts on the environment. The companies must comply with the environmental standards and obligations detailed in the EQA, and all other relevant laws.

Although the dimension stones industry produces a wide array of products, the pollution outputs for this industry are generally limited to particulate emissions, certain solid wastes associated with raw material handling and plant maintenance, used lubricants, and wastewater resulting from the mixing, melting, and refining of raw materials, and the finishing of the final product.

c.) Factories and Machinery Act 1967 (“FMA”) and Occupational Safety and Health Act 1994 (“OSHA”)

Under the FMA, any employees in the factory exposed to a wet or dusty process, to noise, heat or any poisonous, corrosive or other injurious substance which is likely to cause bodily injury to them, may be provided with suitable and adequate personal protective clothing and appliances. Both the foundations and floors of the factory shall be of sufficient strength to sustain the loads for which they are designed; and no foundation or floor shall be overloaded.

Dimension stones processors are also subjected to the OSHA. This OSHA is enforced by the Ministry of Human Resources under the Department of Occupational Safety and Health.

6. INDUSTRY OVERVIEW (Cont'd)



Decide with Confidence

- d.) Registration with the Construction Industry Development Board (“CIDB”)
- Since 1995, all local and foreign contractors are required to register with the CIDB before undertaking any construction work in Malaysia. Only contractors bidding for government projects are required to register with the Contractor Service Centre or the Pusat Khidmat Kontraktor, whereas all contractors, regardless of their job scope, requires mandatory registration with the CIDB as provided for under the CIDB Act 1994. This applies to dimension stones processors which are also involved in the installation of dimension stones for their customers.

1.8.2 Policies

Malaysia formulated a National Mineral Policy (“NMP”) in 1994. The primary aim of the NMP is to provide the foundation for the development of an effective, efficient, modern and internationally competitive regulatory environment for the mineral industry to expand, diversify and contribute to the nation’s economic development. The thrust of the policy in expanding and diversifying the mineral industry is through optimum exploration, exploitation and utilisation of the mineral resources in Malaysia. Emphasis is also given in the maximum use of research and development (“R&D”) and modern technology.

The basic objective of the NMP is to enhance Malaysia’s competitive advantage in a globalised market for selected mineral commodities and their value added products considered economically and socially strategic in national development, as well as to maximise the usage of R&D, minerals and geoscientific information for the socio-economic improvement of the people with due consideration for environmental protection and sustainable development.

6. INDUSTRY OVERVIEW (Cont'd)



Decide with Confidence

Subsequently, the Second National Mineral Policy (“NMP2”) was launched in January 2009. The NMP2 has been specifically formulated to focus on the sustainable development and optimum utilisation of mineral resources; promoting environmental stewardship; enhancing the mineral sector’s competitiveness and advancement in the global arena; promoting the use of local minerals and further development of mineral-based products; and encouraging the recovery, recycling and reuse of metals and minerals.

Malaysia encourages the development of export-oriented mineral projects. It encourages and supports the development of mineral processing facilities which utilise locally produced raw materials that will contribute to import substitution and savings on foreign exchange. Where the minerals or mineral products are not available locally, then they may be imported.

1.8.3 Incentives

Generally, a reinvestment allowance (“RA”) is given to companies engaged in manufacturing, and selected agricultural activities that reinvest for the purposes of expansion, automation, modernisation or diversification of their existing businesses into any related products within the same industry, on condition that such companies have been in operation for at least 12 months. This condition has been revised to at least 36 months, effective from the year of assessment 2009. The RA is given at the rate of 60% on the qualifying capital expenditure incurred by the company, and can be offset against 70% of its statutory income for the year of assessment. Any unutilised allowance can be carried forward to subsequent years until fully utilised.

The RA will be given for a period of 15 consecutive years beginning from the year the first reinvestment is made. Companies can only claim the RA upon the completion of the qualifying project, ie. after the building is completed or when the plant/machinery is put to operational use.

6. INDUSTRY OVERVIEW (Cont'd)



Decide with Confidence

1.9 Demand/Supply Conditions

On the demand side, the dimension stones industry relies on the property, construction and monumental markets, as the final end products are mainly utilised in these markets. In most cases, the market for dimension stones is inherently linked to the demand for medium and high cost residential and commercial properties.

Although the primary property market may experience some contractions during economic slowdowns, activities in the secondary property market may still be active as property owners may possibly undertake renovations and restorations. Commercial property owners, particularly hotels and shopping malls, regularly undertake renovations, repairs and restorations in order to attract customers to their business premises. This is normally done in conjunction with other promotions in order to attract customers in a competitive market. As for government projects, demand is a function of the government's fiscal position and spending. When pump-priming measures are instituted during periods of economic slowdown, then additional projects that utilise dimension stones may be in the pipeline.

On the supply side, the dimension stones industry is dependent on the quarries for raw materials. Some of the dimension stones processors have also integrated backwards into quarrying, to avoid being completely dependent on external sourcing of dimension stones. In this context, a particular country must be systematically geologically mapped, so as to enable the effective and efficient extraction of dimension stones by players interested in quarrying these natural resources. Further downstream, a dimension stones processing plant utilises stone working machines in sawing, planing, rubbing, and polishing to further process the dimension stones blocks and slabs into the finished products, as per customers' requirements.

6. INDUSTRY OVERVIEW (Cont'd)



Decide with Confidence

1.10 Barriers to Entry

The main barriers to entry for the dimension stones industry are as follows:

1.10.1 Relatively High Capital Investments

There have been major changes in the dimension stones industry over the past decade, in the technological field. Vastly improved rock cutting machinery has changed the business in the areas of cutting, shaping and polishing. Automated gang saws can equal the work done by two (2) or three (3) of the first generation machines, and have drastically reduced running costs and final sawing costs.

The cutting of thinner slabs, particularly in the case of the harder rock types (such as granite), has been made possible, thereby improving efficiencies for cladding, tiling, etc. Secondary cutting has been revolutionised by the use of computerised bridge saws, laser and water jet cutting technology.

The price of technologically advanced machineries has resulted in an increase in capital costs. An estimated RM15 million is required to establish a relatively large-size dimension stones processing plant. Not many companies have sufficient capital resources to invest in expensive processing machines which often have a lead time from order to installation and operation of up to twelve months. They may also face the lack of full order books and potential future work.

6. INDUSTRY OVERVIEW (*Cont'd*)



Decide with Confidence

1.10.2 High Costs of Marketing

Architects have become the drivers of trends in the dimension stones industry, and dimension processors have had to align themselves more closely with gradually changing demands for particular colours of stone in the market. This extensive selection of materials as well as short lead times, have created some problems for the dimension stones processors. As a result, the costs and risks associated with establishing a new product in the market have increased quite considerably. In addition, the ability to cut and process hard rocks more efficiently than in the past has led to a vast increase in the product mix and volume of dimension stones being available in the market. In return, this has resulted in higher costs of marketing.

1.10.3 Established Track Records

The time required in establishing a strong track record in terms of building up a brand name among property developers and architects may not be easily achieved by potential new entrants in the dimension stones industry. In this context, well-established dimension stones processors will most likely be the preferred choice. A company which can draw on its past flagship projects which have proven to be very successful would be able to stand out from the rest in the market. By drawing upon its past successful projects, particularly prestigious ones, a dimension stones processor would stand a higher chance of being successful in bidding for work in the property market and construction sector.

6. INDUSTRY OVERVIEW (*Cont'd*)



Decide with Confidence

1.10.4 Strong Business Relationships

A strong business relationship is important as it plays a critical role in communicating product and commercial information. It also exerts a significant influence in the choice of materials used. Others include the ability to be in the priority position to receive information of upcoming development project launches, as well as the latest changes in market trends in the usage of dimension stones products. The dimension stones processors are often viewed as strategic partners by the property development companies where both parties seek to gain greater economic value in such project-specific partnership. Once a business relationship is established, a customer must see a significant advantage in order to justify switching suppliers. Strong business relationships also extend to the dealings between the quarries and dimension stones processors. These emerging business practices in the industry will be a significant barrier to entry for many new players to the industry.

1.10.5 Steep Learning Curve

There is an observed tendency for unit costs to decline as a dimension stones processor gains more cumulative experience in producing a product. The costs decline due to a number of factors, such as the workers improve their methods to become more efficient, factory layout improves, better performance is coaxed from the equipment, specialised equipment and processes are developed, and techniques for control of operations and procedures improve.

6. INDUSTRY OVERVIEW (*Cont'd*)



Decide with Confidence

The cost declines with experience arising from the individual operations or functions. Dimension stones are supplied as cut or finished stones according to the drawing supplied by customers. Such stones need to be sawed or chipped into shape; and hence excellent workmanship is required. New entrants will inherently absorb higher costs than established players and must bear heavy start-up losses from below or near cost-pricing in order to gain the experience to achieve cost parity.

In addition, the dimension stones processors must be able to source for raw materials at competitive prices from the various quarries, in order to compete in the market. This requires extensive travelling and evaluations of the quality of the dimension stones. As a result of the learning experience needed involving skilled labour and machinery, a new entrant may have to absorb higher indirect costs, leading to longer lead times and lower margins. Otherwise, it may lead to loss of customers or the inability to meet customer requirements.

1.11 Critical Success Factors

The main critical success factors for the dimension stones industry are as follows:

- Knowledge of mineralogy and petrology;
- Technical competence;
- Ability to achieve economies of scale;
- Sufficient working capital;
- Competitive pricing;
- Service differentiation; and
- Fast turnaround time.

6. INDUSTRY OVERVIEW (*Cont'd*)



Decide with Confidence

1.12 Industry Challenges

The main industry challenges for the dimension stones industry are as follows:

- Proximity to quarries;
- Ability to anticipate changing trends; and
- Currency volatility.

1.13 Substitute Products

Depending on the application, dimension stones can be replaced with ceramic tiles, homogeneous tiles, steel, aluminium, concrete, plastics, wood, glass and other similar materials. Steel frames and concrete have particularly infringed on conventional uses of dimension stones. Furthermore, new synthetic materials have replaced dimension stones in many decorative and functional applications, such as counter tops, wall coverings and architectural ornamentation. Many synthetic substitutes with the look and feel of marble or granite are less expensive and easier to manufacture, ship and install than real stones. The choice of materials depends on the preferences and budgets of the customers.

Both granite and marble tiles in Malaysia compete aggressively with ceramic and homogeneous tiles in the market. However, granite and marble tiles are viewed as premium building materials as compared to ceramic and homogeneous tiles. In addition, the invention of the automated tile lines that use diamonds to cut and finish stone slabs into tiles has made tiles made from dimension stones more competitive.

In building or monument construction, for instance, the material chosen very much depends on the design choices and goals of the architect and/or customers. A particular stone might be chosen for its colour and texture, or for the look it gives to a building or a room. Nevertheless, dimension stones are still popular and cost-effective building materials for many indoor and outdoor construction projects and consumer products due to their aesthetic appeal and technical characteristics.

6. INDUSTRY OVERVIEW (Cont'd)

**Decide with Confidence****1.14 Industry's Reliance on and Vulnerability to Imports of Raw Materials**

Although both granite and marble deposits are available in the country for use as dimension stones, there is a limited variety of colours and textures that suit the various tastes of customers in a wide spectrum of application markets. No single country in the world is endowed with a full suite of granites and marbles. Hence, there is a need to source dimension stones from a wide range of countries in order to meet the semi-customised and customised requirements of different customers in the various application markets. As widely available raw materials, there are no difficulties encountered by dimension stones processors in sourcing for dimension stones. However, some challenges may be encountered if there is a sudden increase in demand by customers for dimension rocks with exotic colours and textures. In this case, price is likely to increase, until the situation of excess demand is met by increased supply.

In addition, not all rocks make them suitable to be processed into dimension stones; as certain geological and physical properties are necessary attributes, such as strength, durability and ease of processing and quarrying. In addition, the rock deposits must also possess workability properties. Workability is a function of hardness and the presence or absence of planes or incipient planes of splitting, or joints. The texture of a piece of rock also affects its workability, as fine-grained rocks split more easily than their coarse counterparts. For example, due to its inherent geological properties, marble is easy and cheap to dress, but granite is expensive (higher processing costs). In other words, despite the abundance of rock outcrops, only few rock deposits can satisfy both the commercial and technical requirements of dimension stones. However, this is mitigated by the fact that both granites and marbles occur ubiquitously in outcrops in many countries around the world.

6. INDUSTRY OVERVIEW (Cont'd)



Decide with Confidence

1.15 Prospects and Outlook of the Dimension Stones Industry

The dimension stones industry is truly a global enterprise. Different types of dimension stones are quarried in many countries of the world and are marketed globally in rough, semi-processed or finished forms. While there is a large reserve of dimension stones worldwide, high quality accessible dimension stones with the desired colours, textures, mineralogy, strength and other factors are more limited. A ready supply of dimension stones is necessary for many architectural needs. The dimension stones industry is experiencing an expansive trend as a result of a broad change in the building criteria of modern industrialised architecture. The demand for dimension stones is also expanding for diversified uses in urban and interior decorations.

The prospects of the dimension stones industry is inherently linked to the performance of the construction sector. During 2008, the construction sector grew by 2.1% and it is projected to expand by 3.5% in 2009 and 3.2% in 2010. The main drivers of growth are expected to be from civil engineering activities as well as the residential and commercial property segments. In addition, the development of regional growth corridors will further stimulate the expansion of this sector. Being an integral part of the global economy, Malaysia felt the impact of the global economic slowdown, albeit there are signs of a gradual recovery. The effective implementation of the fiscal stimulus and providing the necessary policy support to strengthen domestic sources of growth will be vital to supporting overall growth.

The dimension stones industry is a resource-based industry strongly promoted by the government. By adding value to the granite and marble deposits extracted in the country, the dimension stones industry plays an important role in the economy, particularly as inputs to the property market and construction sector. It also assists in import substitution and savings on foreign exchange, by furnishing locally manufactured quality building materials.

6. INDUSTRY OVERVIEW (Cont'd)



Decide with Confidence

The growth of dimension stones industry is mainly driven by the following factors:

1.15.1 Trends Toward Quality Homes

As living standards increased along with rising disposable incomes, valuable furnishing is preferred, which is distinguished by the durability of the material and design. Wellness and relaxation are also becoming more and more important in the home. In addition, there is the tendency to spend more time at homes, with the importance of the living area as a retreat from daily routines and as an area for realising one's own ideas. Hence, the installation of aesthetically-pleasing furnishings such as dimension stones products by the property owners plays a key role in realising these objectives. The choice of the right colour also plays a major role in aesthetics. Dimension stones products are increasingly used as they can meet functional requirements and designs, though in many cases in medium and high cost properties.

1.15.2 Rising Importance of Building Aesthetics

In the corporate world, building aesthetics are crucial in projecting the corporate image, amongst other things. Hence, there is increasing usage of quality building materials such as dimension stones in offices, hotels and commercial complexes for prestigious reasons. Seldom, however, are corporate buildings now constructed of massive masonry, but thin slabs of dimension stones, in the form of curtain-wall panels, sheathe most steel skyscrapers. In an increasing number of brick and concrete buildings, sills, trims, facings and steps are installed using dimension stones.

6. INDUSTRY OVERVIEW (Cont'd)

**Decide with Confidence****1.15.3 High Durability of Dimension Stones**

The durability of many dimension stones has given the material a reputation of being an everlasting building material. As a building material, dimension stones are subject to the forces of weathering, climatic conditions, frost, heat and fire. Only stainless steel, which is costly in production, is able to achieve the durability of dimension stones. Dimension stones are also the most durable materials with the lowest abrasion values for floor coverings.

Granite resists vagaries of climatic conditions best, as opposed to marbles. As the lifespan of dimension stones are extremely long, this factor has an impact on the demand for the product in the market, as some property owners are willing to pay for this attribute.

The relatively high initial investment costs of installing dimension stones are offset by the low long term maintenance costs and long lifespan. Dimension stones such as granite are not easily prone to scratches as compared with ceramic tiles. The cost of cleaning and maintaining of dimension stones is also low. The hectic lifestyles of property owners in the modern world mean that most of them would opt for low maintenance building materials such as granites and marbles.

6. INDUSTRY OVERVIEW (Cont'd)

**Decide with Confidence****1.15.4 Government Measures to Promote the Property Market and Construction Sector**

In a bid to spur the property market, the government embarked on a number of measures to promote the property market. Firstly, under Budget 2008, the new monthly withdrawal scheme for house owners and eligible EPF members is expected to release a potential RM9.6 billion worth of funds into the property market. It will also enable contributors to upgrade to better homes. As purchasing a house is one of the biggest investment decisions in a person's lifetime, this will assist to alleviate the strain of servicing the housing loan and help individual cash flow. In short, it lowers the threshold on the affordability factor.

Secondly, to stimulate foreign ownership of property in Malaysia, the "Silver-Haired" programme was launched, which has since been changed to "Malaysia My Second Home" programme and is coordinated by the Ministry of Culture, Arts and Tourism. Under this new programme, foreigners are allowed to purchase up to two (2) units of residential premises costing more than RM250,000 each, effective from June 2002 onwards. Financing from both internal and external sources are allowed for all acquisitions of properties.

Lastly, there is also the 50% stamp duty exemption on documents of transfer given for the purchase of one (1) house of not more than RM250,000. This is valid for sale and purchase agreements executed from September 8, 2007, until December 31, 2010. The Housing Credit Guarantee Scheme has been increased by another RM100 million to reach RM2 billion, to assist property buyers without a fixed income.

6. INDUSTRY OVERVIEW (*Cont'd*)



Decide with Confidence

In addition, the Master Builders Association Malaysia foresees high-impact infrastructure projects in the rail and water sectors, and government-initiated regional development corridors to fuel construction growth, besides the two (2) economic fiscal stimulus packages announced in late 2008 and early 2009.

Indirectly, all these measures would have a positive impact on the demand for dimension stones, as the property market and construction sector become more dynamic.

1.15.5 Good Thermal Conductivity

Dimension stones have very good thermal conductivity and a large heat storage capacity. Used as a facade material, dimension stones are capable of absorbing the heat radiated by the sun. In an era of rising energy costs, this is a boon to house owners who wish to decrease the air conditioning costs of their properties. Particularly in the tropical countries, property owners desire a cooling environment for their abodes.

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT

7.1 Promoters, Directors and Substantial Shareholders

7.1.1 Promoters, Directors and Substantial Shareholders' Shareholdings

Our Promoters, Directors and Substantial Shareholders and their respective shareholdings in our issued and paid-up share capital before and after the IPO are as follows:-

Name	Designation	Nationality/ Country of Incorporation	Before the IPO			After the IPO*				
			Direct		Indirect		Direct		Indirect	
			No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Promoters, Substantial Shareholders and Directors										
Low Kim Hock	Executive Chairman / Managing Director	Malaysian	22,257,283	34.42	-	-	4,320,000	5.40	36,040,000#	45.05
Low Kim Joo	Executive Director	Malaysian	12,849,703	19.87	-	-	2,592,000	3.24	36,000,000^	45.00
Low Kim Chung	Executive Director	Malaysian	8,968,608	13.87	-	-	2,304,000	2.88	36,000,000^	45.00
Promoter and Substantial Shareholder										
JMJ	-	Malaysia	-	-	-	-	36,000,000	45.00	-	-
Substantial Shareholders										
Low Kim Ong	General Manager and director. PMK	Malaysian	10,415,606	16.11	-	-	2,304,000	2.88	36,000,000^	45.00

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)

Name	Designation	Nationality	Before the IPO		After the IPO*	
			Direct No. of Shares	Indirect No. of Shares	Direct No. of Shares	Indirect No. of Shares
Substantial Shareholders (Cont'd)						
Low Kim Chye	Assistant Factory Manager	Malaysian	3,304,210	-	1,021,000	-
			5.11	-	1.28	-
Low Kim Siew	Factory Manager	Malaysian	3,304,210	-	1,016,000	-
			5.11	-	1.27	-
Directors						
Chong Peng Khang	Independent Non-Executive Director	Malaysian	-	-	50,000	-
			-	-	0.06	-
Peter Yong Kuen Fook	Independent Non-Executive Director	Malaysian	-	-	30,000	-
			-	-	0.04	-
Yap Koon Roy	Independent Non-Executive Director	Malaysian	-	-	30,000	-
			-	-	0.04	-

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.
- ^ Deemed interested by virtue of their direct interests in JMJ pursuant to Section 6A of the Act.
- # Deemed interested by virtue of the direct interest of his son, Low Yong Seng in Hock Heng and his direct interest in JMJ pursuant to Section 6A of the Act.

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)

7.1.2 Profiles of Promoters

The profiles of our Promoters who are also Directors of our Group are set out in Section 7.1.4 of this Prospectus.

JMJ

The principal activity of JMJ is investment holding. It was incorporated in Malaysia under the Act on 4 August 1997 as a private limited company.

As at the LPD, JMJ has an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which 50,000 ordinary shares have been issued and fully paid-up.

The present directors of JMJ are Low Kim Hock, Low Kim Joo, Low Kim Chung and Low Kim Ong. During the prescription period, certain of our shareholders, namely, 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, will transfer certain portion of their Shares to JMJ. Further details on the Share Transfer are set out in Section 5.3.3 of this Prospectus.

The shareholding structure in JMJ as at the LPD is as follows:-

Name	Nationality	As at the LPD			
		Direct		Indirect	
		No. of shares	%	No. of shares	%
Low Kim Hock	Malaysian	15,000	30.00	-	-
Low Kim Joo	Malaysian	9,000	18.00	-	-
Low Kim Chung	Malaysian	8,000	16.00	-	-
Low Kim Ong	Malaysian	8,000	16.00	-	-
Low Kim Chye	Malaysian	3,250	6.50	-	-
Low Kim Siew	Malaysian	3,250	6.50	-	-
Low Kim Choon	Malaysian	2,500	5.00	-	-
Low Jin Yu	Malaysian	500	1.00	-	-
Low Jin Kuan	Malaysian	500	1.00	-	-

7.1.3 Profiles of our Substantial Shareholders

(i) Low Kim Ong

The profile of Low Kim Ong, who is also a key management of our Group is disclosed in Section 7.3.2 of this Prospectus.

(ii) Low Kim Chye

The profile of Low Kim Chye, who is also a key management of our Group is disclosed in Section 7.3.2 of this Prospectus.

(iii) Low Kim Siew

The profile of Low Kim Siew, who is also a key management of our Group is disclosed in Section 7.3.2 of this Prospectus.

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)

7.1.4 Profile of our Directors**(i) Low Kim Hock (Executive Chairman / Managing Director)**

Low Kim Hock, aged 53, was appointed to our Board on 28 November 2008. His extensive experience in the dimension stones industry is as a result of over thirty (30) years of hands-on working experience in the industry. He has been instrumental to the success, growth and development of our Group. His involvement in the industry started when he began working in his small family-owned business at the age of eighteen (18), which specialised in the manufacturing, polishing and engraving of monuments. In 1988, he founded HHG which paved way for his involvement in the manufacturing of dimension stones and related products.

Through his years of exposure in the dimension stones industry and his extensive travels to foreign countries in search of dimension stones which he believes will have good market potential, he has gained vast experience, knowledge and skills in the selection of quality marble and granite blocks and the efficient processing of dimension stones which are considered crucial for the success of our Group. His current responsibilities include developing the overall business strategies and direction, managing the day-to-day operations and business development of our Group. He is currently a director of our subsidiaries and a few other private limited companies.

(ii) Low Kim Joo (Executive Director)

Low Kim Joo, aged 46, was appointed to our Board on 28 November 2008. He has more than twenty two (22) years of experience in the dimension stones industry when he began his career in HHG in 1988 as an executive director and was responsible for the sales and marketing operations of HHG. He was also appointed as the marketing director for Hock Mah Stone Industries Sdn Bhd for two (2) years from 1997, and was subsequently appointed as the executive and marketing director in both HHMSR and HHSEC in 2000 and 2005, respectively. He was instrumental in expanding our Group's non-project based business in the Southern Region and East Coast of Peninsular Malaysia. He is currently in-charge of the management and operations of HHMSR and HHSEC which focus on non-project based clientele. He is currently a director of several of our subsidiaries and a few other private limited companies.

(iii) Low Kim Chung (Executive Director)

Low Kim Chung, aged 47, was appointed to our Board on 28 November 2008. He began his career in the dimension stones industry when he joined HHG in 1988 as an executive director to oversee the production operations of HHG. In 2002, he was appointed as the executive and marketing director to oversee the entire operations of PMK which focuses on the monuments and other dimension stones related products market. Over the span of more than twenty two (22) years in the dimension stones industry, he has gained vast experience in the procurement of raw materials and the know-how in the manufacturing, engraving and sandblasting of monuments. He is currently responsible for the sales and marketing operations as well as the procurements of raw materials for PMK. He is currently a director of several of our subsidiaries and a few other private limited companies.

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)**(iv) Chong Peng Khang (*Independent Non-Executive Director*)**

Chong Peng Khang, aged 29 was appointed as an Independent Non-Executive Director of our Group on 21 October 2009. He graduated with a degree in Accounting from the Multimedia University, Malaysia in 2002. He began his career as an auditor with Deloitte KassimChan in 2002 and subsequently joined Ernst & Young in 2003, being involved in auditing and business advisory services to companies from various industries. He is a Chartered Accountant by profession as well as a member of the Association of Chartered Certified Accountants, United Kingdom ("ACCA") and a member of the Malaysian Institute of Accountants ("MIA"). He is presently a Group Accountant for Oriental Food Industries Holdings Berhad and also an independent non-executive director of Fibon Berhad, both of which are listed on the Main Market of Bursa Securities.

(v) Peter Yong Kuen Fook (*Independent Non-Executive Director*)

Peter Yong Kuen Fook, aged 52, was appointed as an Independent Non-Executive Director of our Group on 21 October 2009. He graduated with a degree in Electrical Engineering from City University, England in 1982. He has more than twenty (20) years of experience in project management, having started his career as a project engineer in Pathfinder M&E Sdn Bhd in 1983 and thereafter held the position as engineer in various companies mainly in the construction sector. He is currently a resident engineer of Berjaya Land Berhad, a company listed on the Main Market of Bursa Securities.

(vi) Yap Koon Roy (*Independent Non-Executive Director*)

Yap Koon Roy, aged 47, was appointed as an Independent Non-Executive Director of our Group on 21 October 2009. He graduated with a Bachelor of Laws from the University of Malaya in 1986. He was called to the Malaysian Bar in March 1987 and has been in active legal practice since then. He began his practice in Messrs Nordin & Phua, Advocates & Solicitors and subsequently started his own practice, Messrs Yap Koon Roy & Associates in 1997. He has approximately twenty two (22) years of experience in the legal services industry and serves as a Committee Member of the Strata Title Board of the Melaka State Government. He is currently a director of several other private limited companies. He was previously an independent non-executive director of Perfect Food Industries Berhad and Golsta Synergy Berhad.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)

7.1.5 Changes in our Promoters and Substantial Shareholders' Shareholdings

The changes in our Promoters and substantial shareholders' shareholdings in our Company since incorporation are as follows:-

Names of Promoters/ Substantial Shareholders	As at date of incorporation				As at 15 December 2008				After the Acquisitions			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Low Kim Hock	1	33.34	-	-	1,000	50.00	-	-	22,257,283	34.42	-	-
Low Kim Joo	1	33.33	-	-	500	25.00	-	-	12,849,703	19.87	-	-
Low Kim Chung	1	33.33	-	-	500	25.00	-	-	8,968,608	13.87	-	-
Low Kim Ong	-	-	-	-	-	-	-	-	10,415,606	16.11	-	-
Low Kim Chye	-	-	-	-	-	-	-	-	3,304,210	5.11	-	-
Low Kim Siew	-	-	-	-	-	-	-	-	3,304,210	5.11	-	-

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)

7.1.6 Principal Activities Performed Outside Our Group

None of our directors hold other principal directorships and / or business activities performed outside of our Group at present and in the past five (5) years from the LPD, save for the following:-

Name	Directorship	Involvement in business activities other than as director
Low Kim Hock	<p><u>Present directorships:</u></p> <ul style="list-style-type: none"> ▪ Dynamic Stone Industries Sdn Bhd ▪ LBS Realty Sdn Bhd ▪ Bentuk Cemerlang Development Sdn Bhd ▪ Pembinaan Antap Asia Sdn Bhd ▪ Menang Mulia Sdn Bhd ▪ Wiscaya Development Sdn Bhd ▪ JMJ ▪ Eternal Memorial Park Sdn Bhd <p><u>Previous directorships:</u></p> <ul style="list-style-type: none"> ▪ Marble-Avenue Sdn Bhd ▪ Legacy Construction Sdn Bhd ▪ HHM Tiling Sdn Bhd ▪ Stone Frontier Sdn Bhd ▪ Dunia Batu Alam Sdn Bhd ▪ Smartools Industry Sdn Bhd 	None
Low Kim Joo	<p><u>Present directorships:</u></p> <ul style="list-style-type: none"> ▪ Dynamic Stone Industries Sdn Bhd ▪ LBS Realty Sdn Bhd ▪ TET Pan Sdn Bhd ▪ Bentuk Cemerlang Development Sdn Bhd ▪ Pembinaan Antap Asia Sdn Bhd ▪ Menang Mulia Sdn Bhd ▪ Wiscaya Development Sdn Bhd ▪ Kiara Cekal Sdn Bhd ▪ JMJ ▪ Eternal Memorial Park Sdn Bhd <p><u>Previous directorship:</u></p> <ul style="list-style-type: none"> ▪ Dunia Batu Alam Sdn Bhd 	None
Low Kim Chung	<p><u>Present directorships:</u></p> <ul style="list-style-type: none"> ▪ LBS Realty Sdn Bhd ▪ Menang Mulia Sdn Bhd ▪ JMJ ▪ Eternal Memorial Park Sdn Bhd 	None
Chong Peng Khang	<p><u>Present directorship:</u></p> <ul style="list-style-type: none"> ▪ Fibon Berhad 	<ul style="list-style-type: none"> ▪ Employee at Oriental Food Industries Holdings Berhad
Peter Yong Kuen Fook	None	<ul style="list-style-type: none"> ▪ Employee at Berjaya Land Corporation Berhad

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)

Name	Directorship	Involvement in business activities other than as director
Yap Koon Roy	<p><u>Present directorships:</u></p> <ul style="list-style-type: none"> ▪ Synerfort Industrial Sdn Bhd ▪ Pan Mega Development Sdn Bhd ▪ Pan Metro Development Sdn Bhd ▪ Asia Mawar Development Sdn Bhd <p><u>Previous directorships:</u></p> <ul style="list-style-type: none"> ▪ Perfect Food Industries Berhad ▪ Golsta Synergy Berhad 	<ul style="list-style-type: none"> ▪ Partner at Messrs Yap Koon Roy & Associates

7.1.7 Directors' Remuneration and Benefits

The remuneration and material benefits-in-kind paid and proposed to be paid to all our Directors for services rendered to us in all capacities to our Group were approximately RM645,644 and RM771,687 for the FYE 31 December 2008 and 31 December 2009, respectively and RM792,912 is proposed to be paid for the financial year ending 31 December 2010.

The remuneration and material benefits-in-kind paid and proposed to be paid to our Directors are as follows:-

Directors	FYE 31 December 2008	FYE 31 December 2009	Financial year ending 31 December 2010
	Range	Range	Range
Low Kim Hock	200,000-250,000	250,000-300,000	300,000-350,000
Low Kim Joo	250,000-300,000	250,000-300,000	250,000-300,000
Low Kim Chung	150,000-200,000	150,000-200,000	150,000-200,000
Chong Peng Khang	-	-	0 - 50,000
Peter Yong Kuen Fook	-	-	0 - 50,000
Yap Koon Roy	-	-	0 - 50,000

7.1.8 Benefits Paid or Intended to be Paid or Given to Promoters, Directors or Substantial Shareholder

Save as disclosed above and in Section 7.1.7 of this Prospectus, no amounts or benefits were paid or intended to be paid or given to any Promoters, Directors or substantial shareholders by our Company within the two (2) years preceding the date of this Prospectus.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)

7.1.9 Term of Office

As at the LPD, the details of the date of expiration of the current term of office for each of our Directors and the period for which they have served in that office are as follows:-

Director	Designation	Date of appointment	Date of expiration of the current term of office	No. of years in office as at the LPD
Low Kim Hock	Executive Chairman/ Managing Director	28 November 2008	*	> 1 year
Low Kim Joo	Executive Director	28 November 2008	*	> 1 year
Low Kim Chung	Executive Director	28 November 2008	*	> 1 year
Chong Peng Khang	Independent Non-Executive Director	21 October 2009	*	< 1 year
Peter Yong Kuen Fook	Independent Non-Executive Director	21 October 2009	*	< 1 year
Yap Koon Roy	Independent Non-Executive Director	21 October 2009	*	< 1 year

Note:

* *These directors' current term will expire on the Company's first Annual General Meeting.*

According to our Articles of Association, an election of directors shall take place each year. At the first annual general meeting of the Company, all the Directors shall retire from office, and at the annual general meeting in every subsequent year, one-third of the Directors (including Managing Director) for the time being or, if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office and be eligible for re-election provided always that all Directors shall retire from office once at least in each three (3) years, but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.

Any Director so appointed shall hold office only until the next annual general meeting, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (*Cont'd*)

7.2 Audit, Remuneration and Nomination Committee

7.2.1 Audit Committee

The composition of our Audit Committee is as follows:-

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

The Audit Committee performs, amongst others, the following functions:-

- (i) recommends to our Board regarding the selections of our external auditors;
- (ii) reviews the results and scope of the audit and other services provided by our Group's external auditors;
- (iii) reviews and evaluates our Group's internal audit and control functions; and
- (iv) assesses the financial risk and matters relating to related party transactions and conflict of interests.

The Audit Committee may obtain advice from independent parties and other professionals in the performance of its duties.

7.2.2 Remuneration Committee

The Remuneration Committee performs, amongst others, the following functions:-

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

The summary of the terms of reference of our Remuneration Committee is as follows:-

- (i) recommends to our Board the remuneration framework of our Directors;
- (ii) assists our Board in assessing the responsibility and commitment undertaken by our Board members; and
- (iii) assists our Board in ensuring the remuneration of our Directors reflects the responsibility and commitment of our Director concerned.

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)

7.2.3 Nomination Committee

The composition of our Nomination Committee is as follows:-

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

The Nomination Committee performs, amongst others, the following functions:-

- (i) reviews our Board structure, size and composition;
- (ii) nominates candidates to our Board to fill Board vacancies when they arise;
- (iii) recommends Directors who are retiring by rotation to be put forward for re-election; and
- (iv) ensures that all Board appointees undergo an appropriate introduction and training program.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)

7.3 Key Management

7.3.1 Key Management's Shareholdings

The direct and indirect interests of our key management in our issued and paid-up share capital before and after the IPO are as follows:-

Name	Designation	Before the IPO			After the IPO#				
		Direct		Indirect	Direct		Indirect		
		No. of Shares	%	No. of Shares	%	No. of Shares	%		
Low Kim Ong	General Manager and director, PMK	10,415,606	16.11	-	-	2,304,000	2.88	36,000,000 [^]	45.00
Low Kim Chye	Assistant Factory Manager	3,304,210	5.11	-	-	1,021,000	1.28	-	-
Low Kim Siew	Factory Manager	3,304,210	5.11	-	-	1,016,000	1.27	-	-
Low Jin Yu	Sales and Administrative Manager, HHMKL	508,340	0.79	-	-	194,000	0.24	-	-
Low Jin Kuan	Purchasing and Administrative Manager	508,340	0.79	-	-	199,000	0.25	-	-
Low Yong Seng	Accounts and Finance Manager	-	-	-	-	40,000	0.05	-	-
Lee Siang Ling	Group Accountant	-	-	-	-	30,000	0.04	-	-
Wong Liang Meng	Sales Manager and director, HHSEC	-	-	-	-	-	-	-	-
Loo Teck Hai	Sales Manager and director, HHMSR	-	-	-	-	100,000	0.13	-	-
Tay Yong Seng	Contract Manager, HHMKL	-	-	-	-	45,000	0.06	-	-
Mohd Azman bin Abdul Aziz	Project Manager cum Site Manager, HHMKL	-	-	-	-	15,000	0.02	-	-

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.
[^] Deemed interested by virtue of his direct interest in JMJ pursuant to Section 6A of the Act.

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)

7.3.2 Profile of our Key Management**(i) Low Kim Ong**

Low Kim Ong, aged 48 is the General Manager of PMK. He has more than twenty (20) years of experience in the dimension stones industry, especially in the manufacturing, engraving and sandblasting of monuments. In 1988, he joined our Group as an executive director in HHG and was appointed as a General Manager in PMK after the establishment of PMK in 2001 which focuses on our Group's monuments and other dimension stones related product market. In 2004, he was appointed as a director of PMK and he currently assists in the management and operations of PMK. He is also currently a director of several of our subsidiaries and a few other private limited companies.

(ii) Low Kim Chye

Low Kim Chye, aged 43, is the Assistant Factory Manager of our Group. He was involved in his family-owned business of manufacturing, polishing and engraving of monuments from 1981 to 1988. He joined HHG in 1988 as a Factory Supervisor. In 2003, he was promoted to the position of Assistant Factory Manager and he is currently responsible for supervising the operations of our Group's production lines and the Quality Control Department.

(iii) Low Kim Siew

Low Kim Siew, aged 37 is the Factory Manager of our Group. He began his career with our Group in 1993 as a production machines operator in HHG and he has since accumulated invaluable experiences in handling machineries for the manufacturing of dimension stone products. He was promoted to a supervisory position in 2001 and was later promoted to the position of Factory Manager in 2003. He currently oversees our Group's overall production operations which include monitoring of the production planning process, product specifications control as well as coordination of job orders.

(iv) Low Jin Yu

Low Jin Yu, aged 35, is the Sales and Administrative Manager in HHMKL. She began her career with our Group in 1995 as a Marketing cum Factory Coordinator in HHG. In 2005, she was transferred and promoted to the position of Sales Manager in HHMKL and is responsible for the sales and marketing operations of HHMKL, especially in the project-based sales.

(v) Low Jin Kuan

Low Jin Kuan, aged 36, is the Purchasing and Administrative Manager of our Group. She began her career with our Group in 1990 as an Accounts cum Sales Clerk in HHG. She was promoted to the position of Purchasing and Administrative officer in 2001. In 2005, she was promoted to the current position and is currently responsible for the purchasing of raw materials as well as the administrative and human resource affairs of our Group.

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)

(vi) Low Yong Seng

Low Yong Seng, aged 29, is the Accounts and Finance Manager of our Group. He graduated with a Degree in Accounting from the University of Hertfordshire, United Kingdom in 2002 and began his career with our Group after graduation as an accounts executive in HHG. He has since been promoted to the current position in 2005. He is currently responsible for overseeing our Group's Accounts and Finance Department.

(vii) Wong Liang Meng

Wong Liang Meng, aged 40, is the Sales Manager of HHSEC. Prior to joining our Group, he was a sub-contractor involved in the installation of dimension stone products for non-project based orders between 1990 and 2005. In 2005, he joined HHSEC as a Sales Manager. He is currently a director in HHSEC and is responsible for the sales and marketing operations of our Group in the East Coast of Peninsular Malaysia.

(viii) Lee Siang Ling

Lee Siang Ling, aged 30, is the Group Accountant of our Group. He graduated from the University of Malaya with a Bachelor Degree in Accounting in 2004. He started his career as an Audit Associate with Ernst & Young in 2004. He was involved in auditing and business advisory services to companies from various industries. He is a member of the Malaysian Institute of Accountants (MIA). He joined our Group in 2009. He is currently responsible for the overall accounting functions as well as the financial management and reporting of our Group.

(ix) Loo Teck Hai

Loo Teck Hai, aged 41, is the Sales Manager of HHMSR. Prior to joining our Group, he was a marketing representative in Hock Mah Stone Industries Sdn Bhd between 1998 and 1999. He began his career with our Group in 1999 as a Marketing Executive in HHMSR and was promoted to Sales Manager in 2004. In 2009, he was appointed as a director of HHMSR and is responsible for the sales and marketing operations of HHMSR.

(x) Tay Yong Seng

Tay Yong Seng, aged 33, is the Contract Manager in HHMKL. He graduated with a Diploma in Quantity Surveying from Pertama Institute of Technology in 1997 and subsequently worked as a site quantity surveyor in Satujaya Sdn Bhd. In 2004, he joined HHMKL as a Contract Executive. He was promoted to the position of Contract Manager in 2006 and has since been involved in major projects undertaken by our Group. He is currently responsible for amongst others, the tendering of projects and reviewing claims submitted by the sub-contractors.

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (*Cont'd*)

(xi) Mohd Azman bin Abdul Aziz

Mohd Azman bin Abdul Aziz, aged 36, is the Project Manager cum Site Manager in HHMKL. He graduated with a Diploma in Interior Designing from Institut Teknologi Mara in 1994. He worked in Lauremar & Associates from 1996 to 1999 as an interior designer. He later joined Sri Alam Sdn Bhd as a design manager until 2002. Thereafter, he joined Stone Empire Marketing Sdn Bhd as a site manager and in 2006, he left and joined LCL Stone Sdn Bhd as a project manager. In 2007, he joined HHMKL as a Project Manager and in 2009, he also took over the role of Site Manager where he is currently responsible for the coordination and supervision of work and labour at the construction sites of our Group's projects. He is also currently a director of a private limited company.

7.4 Declaration from Our Promoters, Directors and Key Management

None of our Promoters, Directors and key management is or has been involved in any of the following events (whether in or outside Malaysia):

- (i) a petition under any bankruptcy or insolvency laws that was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) charged and/or convicted in a criminal proceeding or is named subject of a pending criminal proceeding;
- (iv) any judgement was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (v) the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

7.5 Relationships or Associations between Our Substantial Shareholders, Promoters, Directors and Key Management

Saved as disclosed below, as at the LPD, there is no family relationship (as defined in Section 122A of the Act) or associations between our substantial shareholders, Promoters, Directors and key management:-

- (i) Low Kim Hock, Low Kim Joo, Low Kim Chung, Low Kim Ong, Low Kim Chye, Low Kim Siew, Low Jin Yu and Low Jin Kuan are siblings;
- (ii) Low Yong Seng is Low Kim Hock's son; and
- (iii) Low Kim Hock, Low Kim Joo, Low Kim Chung and Low Kim Ong are the directors and substantial shareholders of JMJ, while Low Kim Chye and Low Kim Siew are substantial shareholders of JMJ.

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (*Cont'd*)

7.6 Service Agreements

There are no existing or proposed service agreements between our Group and our Directors or key management, excluding contracts expiring or determinable by our Company without payments or compensation (other than statutory compensation), which are not terminable by notice without payment or compensation (other than statutory notice).

7.7 Involvement of Executive Directors and Key Management in other Business/Corporation

Save as disclosed below, none of our executive Directors and key management is involved in other businesses/corporations:-

Name	Name of Corporation	Principal Activities	Designation	% equity interest held		Remarks
				Direct	Indirect	
<u>Managing Director</u> Low Kim Hock	Dynamic Stone Industries Sdn Bhd	Quarry operator	Director	50.00	-	Time and effort spent is minimal
	LBS Realty Sdn Bhd	Property and investment holding	Director	25.00	-	Time and effort spent is minimal
	Bentuk Cemerlang Development Sdn Bhd	Property development and investment holding	Director	-	60.00*	Time and effort spent is minimal
	Pembinaan Antap Asia Sdn Bhd	Property developer	Director	-	50.00**	Time and effort spent is minimal
	Menang Mulia Sdn Bhd	Property development and related business	Director	-	70.00*	Time and effort spent is minimal
	Wiscaya Development Sdn Bhd	Housing development and building construction	Director	-	100.00**	Time and effort spent is minimal
	Kiara Cekal Sdn Bhd	Property development	-	-	30.00*	#
	JMJ	Investment holding	Director	30.00	-	Time and effort spent is minimal

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)

7.7 Involvement of Executive Directors and Key Management in other Business/Corporation (Cont'd)

Name	Name of Corporation	Principal Activities	Designation	% equity interest held		Remarks
				Direct	Indirect	
<u>Executive Director</u> Low Kim Joo	Eternal Memorial Park Sdn Bhd	Memorial park developer	Director	-	70.00*	Time and effort spent is minimal
	Dynamic Stone Industries Sdn Bhd	Quarry operator	Director	30.00	-	Time and effort spent is minimal
	LBS Realty Sdn Bhd	Property and investment holding	Director	25.00	-	Time and effort spent is minimal
	TET Pan Sdn Bhd	Wholesaling and retail dealing of metal products, hardware and tools	Director	55.00	-	Time and effort spent is minimal
	Bentuk Cemerlang Development Sdn Bhd	Property development and investment holding	Director	-	60.00*	Time and effort spent is minimal
	Pembinaan Antap Asia Sdn Bhd	Property developer	Director	-	50.00**	Time and effort spent is minimal
	Menang Mulia Sdn Bhd	Property development and related business	Director	-	70.00*	Time and effort spent is minimal
	Wiscaya Development Sdn Bhd	Housing development and building construction	Director	-	100.00**	Time and effort spent is minimal
	Kiara Cekal Sdn Bhd	Property development	Director	-^	30.00*	Time and effort spent is minimal
JMJ	Investment holding	Director	18.00	-	Time and effort spent is minimal	

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)
7.7 Involvement of Executive Directors and Key Management in other Business/Corporation (Cont'd)

Name	Name of Corporation	Principal Activities	Designation	% equity interest held		Remarks
				Direct	Indirect	
Low Kim Chung	Eternal Memorial Park Sdn Bhd	Memorial park developer	Director	-	70.00*	Time and effort spent is minimal
	LBS Realty Sdn Bhd	Property and investment holding	Director	25.00	-	Time and effort spent is minimal
	Bentuk Cemerlang Development Sdn Bhd	Property development and investment holding	-	-	60.00*	#
	Pembinaan Antap Asia Sdn Bhd	Property developer	-	-	50.00**	#
	Menang Mulia Sdn Bhd	Property development and related business	Director	-	70.00*	Time and effort spent is minimal
	Wiscaya Development Sdn Bhd	Housing development and building construction	-	-	100.00**	#
	Kiara Cekai Sdn Bhd	Property development	-	-	30.00*	#
	JMJ	Investment holding	Director	16.00	-	Time and effort spent is minimal
<u>Key Management</u> Low Kim Ong	Eternal Memorial Park Sdn Bhd	Memorial park developer	Director	-	70.00*	Time and effort spent is minimal
	LBS Realty Sdn Bhd	Property and investment holding	Director	19.00	-	Time and effort spent is minimal
	Bentuk Cemerlang Development Sdn Bhd	Property development and investment holding	-	-	60.00*	#

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)
7.7 Involvement of Executive Directors and Key Management in other Business/Corporation (Cont'd)

Name	Name of Corporation	Principal Activities	Designation	% equity interest held		Remarks
				Direct	Indirect	
	Pembinaan Antap Asia Sdn Bhd	Property developer	-	-	50.00**	#
	Menang Mulia Sdn Bhd	Property development and related business	-	-	70.00*	#
	Wiscaya Development Sdn Bhd	Housing development and building construction	-	-	100.00**	#
	Kiara Cekal Sdn Bhd	Property development	-	-	30.00*	#
	Eternal Memorial Park Sdn Bhd	Memorial park developer	-	-	70.00*	#
	JMJ	Investment holding	Director	16.00	-	Time and effort spent is minimal
Low Kim Chye	LBS Realty Sdn Bhd	Property and investment holding	-	2.00	-	#
	JMJ	Investment holding	-	6.50	-	#
Low Kim Siew	LBS Realty Sdn Bhd	Property and investment holding	-	2.00	-	#
	JMJ	Investment holding	-	6.50	-	#
Low Jin Yu	JMJ	Investment holding	-	1.00	-	#
Low Jin Kuan	JMJ	Investment holding	-	1.00	-	#

Notes:

- # Their capacity are as shareholders in the companies mentioned above and are not involved in the day-to-day operations of these companies.
- * Deemed interested by virtue of their interests in LBS Realty Sdn Bhd pursuant to Section 6A of the Act, which in turn holds 60%, 70%, 30% and 70% equity interests in Bentuk Cemerlang Development Sdn Bhd, Menang Mulia Sdn Bhd, Kiara Cekal Sdn Bhd and Eternal Memorial Park Sdn Bhd, respectively.
- ** Deemed interested by virtue of their interests in LBS Realty Sdn Bhd pursuant to Section 6A of the Act, which in turn holds 60% equity interests in Bentuk Cemerlang Development Sdn Bhd which in turn holds 50% and 100% equity interests in Pembinaan Antap Asia Sdn Bhd and Wiscaya Development Sdn Bhd, respectively.
- ^ Negligible.

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (*Cont'd*)

7.8 Information on our Employees

The details of our Group's employees as at the end of the three (3) FYE 31 December 2008 and the nine (9) months FPE 30 September 2009 are as follows:-

Employee classification	No. of Employees			
	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008*	As at 30 September 2009*
Management & Professional	4	4	4	5
Managers	10	10	9	8
Technical	1	1	1	1
Site Coordinator & Draftsman	6	9	10	10
Sales and Marketing	6	8	7	9
Supervisory	10	10	12	11
Administration	21	21	27	27
Factory Workers				
<i>Skilled workers</i>	64	65	49	44
<i>Unskilled workers</i>	6	10	10	19
Driver	3	5	6	5
General workers	14	16	8	10
TOTAL	145	159	143	149

Note:

* As at 30 September 2009, we have 67 foreign workers employed on a contractual basis.

7.8.1 Training and Development Programs

Over the past few years, our Group had conducted several training and development programs for our employees, namely corporate directors' training program, safety program as well as computer hardware and software learning program. All of the training programs were conducted by external organisers. In addition, as we are an ISO 9000:2001 certified company, it is compulsory to provide ISO training program for our employees so that they are aware of the ISO regulations and policies. Through active participation in the training programs, our employees are educated professionally and they are expected to apply their expertise and knowledge in the daily business and production activities so as to achieve optimal productivity.

Furthermore, on-the-job trainings are designed and executed regularly. This includes trainings on handling the heavy machineries for cutting, polishing, flaming, sizing and edging of dimension stone products. Our employees are also trained to examine for blemishes on the dimension stone products. These trainings are crucial so that our employees are able to learn and develop themselves with the technical know-how and relevant knowledge to effectively carry out their duties.

7.8.2 Labour Union Relationships

Our management enjoys a good working relationship with our employees and none of our employees belong to any union. As at the LPD, our Group has not been involved with any material industrial disputes with any of our employees.

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (*Cont'd*)

7.2 Audit, Remuneration and Nomination Committee

7.2.1 Audit Committee

The composition of our Audit Committee is as follows:-

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

The Audit Committee performs, amongst others, the following functions:-

- (i) recommends to our Board regarding the selections of our external auditors;
- (ii) reviews the results and scope of the audit and other services provided by our Group's external auditors;
- (iii) reviews and evaluates our Group's internal audit and control functions; and
- (iv) assesses the financial risk and matters relating to related party transactions and conflict of interests.

The Audit Committee may obtain advice from independent parties and other professionals in the performance of its duties.

7.2.2 Remuneration Committee

The Remuneration Committee performs, amongst others, the following functions:-

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

The summary of the terms of reference of our Remuneration Committee is as follows:-

- (i) recommends to our Board the remuneration framework of our Directors;
- (ii) assists our Board in assessing the responsibility and commitment undertaken by our Board members; and
- (iii) assists our Board in ensuring the remuneration of our Directors reflects the responsibility and commitment of our Director concerned.

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)

7.2.3 Nomination Committee

The composition of our Nomination Committee is as follows:-

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

The Nomination Committee performs, amongst others, the following functions:-

- (i) reviews our Board structure, size and composition;
- (ii) nominates candidates to our Board to fill Board vacancies when they arise;
- (iii) recommends Directors who are retiring by rotation to be put forward for re-election; and
- (iv) ensures that all Board appointees undergo an appropriate introduction and training program.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)

7.3 Key Management

7.3.1 Key Management's Shareholdings

The direct and indirect interests of our key management in our issued and paid-up share capital before and after the IPO are as follows:-

Name	Designation	Before the IPO			After the IPO#			
		Direct		Indirect	Direct		Indirect	
		No. of Shares	%	No. of Shares	No. of Shares	%	No. of Shares	
Low Kim Ong	General Manager and director, PMK	10,415,606	16.11	-	2,304,000	2.88	36,000,000^	45.00
Low Kim Chye	Assistant Factory Manager	3,304,210	5.11	-	1,021,000	1.28	-	-
Low Kim Siew	Factory Manager	3,304,210	5.11	-	1,016,000	1.27	-	-
Low Jin Yu	Sales and Administrative Manager, HHMKL	508,340	0.79	-	194,000	0.24	-	-
Low Jin Kuan	Purchasing and Administrative Manager	508,340	0.79	-	199,000	0.25	-	-
Low Yong Seng	Accounts and Finance Manager	-	-	-	40,000	0.05	-	-
Lee Siang Ling	Group Accountant	-	-	-	30,000	0.04	-	-
Wong Liang Meng	Sales Manager and director, HHSEC	-	-	-	-	-	-	-
Loo Teck Hai	Sales Manager and director, HHMSR	-	-	-	100,000	0.13	-	-
Tay Yong Seng	Contract Manager, HHMKL	-	-	-	45,000	0.06	-	-
Mohd Azman bin Abdul Aziz	Project Manager cum Site Manager, HHMKL	-	-	-	15,000	0.02	-	-

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.
^ Deemed interested by virtue of his direct interest in JMJ pursuant to Section 6A of the Act.

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)

7.3.2 Profile of our Key Management**(i) Low Kim Ong**

Low Kim Ong, aged 48 is the General Manager of PMK. He has more than twenty (20) years of experience in the dimension stones industry, especially in the manufacturing, engraving and sandblasting of monuments. In 1988, he joined our Group as an executive director in HHG and was appointed as a General Manager in PMK after the establishment of PMK in 2001 which focuses on our Group's monuments and other dimension stones related product market. In 2004, he was appointed as a director of PMK and he currently assists in the management and operations of PMK. He is also currently a director of several of our subsidiaries and a few other private limited companies.

(ii) Low Kim Chye

Low Kim Chye, aged 43, is the Assistant Factory Manager of our Group. He was involved in his family-owned business of manufacturing, polishing and engraving of monuments from 1981 to 1988. He joined HHG in 1988 as a Factory Supervisor. In 2003, he was promoted to the position of Assistant Factory Manager and he is currently responsible for supervising the operations of our Group's production lines and the Quality Control Department.

(iii) Low Kim Siew

Low Kim Siew, aged 37 is the Factory Manager of our Group. He began his career with our Group in 1993 as a production machines operator in HHG and he has since accumulated invaluable experiences in handling machineries for the manufacturing of dimension stone products. He was promoted to a supervisory position in 2001 and was later promoted to the position of Factory Manager in 2003. He currently oversees our Group's overall production operations which include monitoring of the production planning process, product specifications control as well as coordination of job orders.

(iv) Low Jin Yu

Low Jin Yu, aged 35, is the Sales and Administrative Manager in HHMKL. She began her career with our Group in 1995 as a Marketing cum Factory Coordinator in HHG. In 2005, she was transferred and promoted to the position of Sales Manager in HHMKL and is responsible for the sales and marketing operations of HHMKL, especially in the project-based sales.

(v) Low Jin Kuan

Low Jin Kuan, aged 36, is the Purchasing and Administrative Manager of our Group. She began her career with our Group in 1990 as an Accounts cum Sales Clerk in HHG. She was promoted to the position of Purchasing and Administrative officer in 2001. In 2005, she was promoted to the current position and is currently responsible for the purchasing of raw materials as well as the administrative and human resource affairs of our Group.

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)

(vi) Low Yong Seng

Low Yong Seng, aged 29, is the Accounts and Finance Manager of our Group. He graduated with a Degree in Accounting from the University of Hertfordshire, United Kingdom in 2002 and began his career with our Group after graduation as an accounts executive in HHG. He has since been promoted to the current position in 2005. He is currently responsible for overseeing our Group's Accounts and Finance Department.

(vii) Wong Liang Meng

Wong Liang Meng, aged 40, is the Sales Manager of HHSEC. Prior to joining our Group, he was a sub-contractor involved in the installation of dimension stone products for non-project based orders between 1990 and 2005. In 2005, he joined HHSEC as a Sales Manager. He is currently a director in HHSEC and is responsible for the sales and marketing operations of our Group in the East Coast of Peninsular Malaysia.

(viii) Lee Siang Ling

Lee Siang Ling, aged 30, is the Group Accountant of our Group. He graduated from the University of Malaya with a Bachelor Degree in Accounting in 2004. He started his career as an Audit Associate with Ernst & Young in 2004. He was involved in auditing and business advisory services to companies from various industries. He is a member of the Malaysian Institute of Accountants (MIA). He joined our Group in 2009. He is currently responsible for the overall accounting functions as well as the financial management and reporting of our Group.

(ix) Loo Teck Hai

Loo Teck Hai, aged 41, is the Sales Manager of HHMSR. Prior to joining our Group, he was a marketing representative in Hock Mah Stone Industries Sdn Bhd between 1998 and 1999. He began his career with our Group in 1999 as a Marketing Executive in HHMSR and was promoted to Sales Manager in 2004. In 2009, he was appointed as a director of HHMSR and is responsible for the sales and marketing operations of HHMSR.

(x) Tay Yong Seng

Tay Yong Seng, aged 33, is the Contract Manager in HHMKL. He graduated with a Diploma in Quantity Surveying from Pertama Institute of Technology in 1997 and subsequently worked as a site quantity surveyor in Satujaya Sdn Bhd. In 2004, he joined HHMKL as a Contract Executive. He was promoted to the position of Contract Manager in 2006 and has since been involved in major projects undertaken by our Group. He is currently responsible for amongst others, the tendering of projects and reviewing claims submitted by the sub-contractors.

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (*Cont'd*)

(xi) Mohd Azman bin Abdul Aziz

Mohd Azman bin Abdul Aziz, aged 36, is the Project Manager cum Site Manager in HHMKL. He graduated with a Diploma in Interior Designing from Institut Teknologi Mara in 1994. He worked in Lauremar & Associates from 1996 to 1999 as an interior designer. He later joined Sri Alam Sdn Bhd as a design manager until 2002. Thereafter, he joined Stone Empire Marketing Sdn Bhd as a site manager and in 2006, he left and joined LCL Stone Sdn Bhd as a project manager. In 2007, he joined HHMKL as a Project Manager and in 2009, he also took over the role of Site Manager where he is currently responsible for the coordination and supervision of work and labour at the construction sites of our Group's projects. He is also currently a director of a private limited company.

7.4 Declaration from Our Promoters, Directors and Key Management

None of our Promoters, Directors and key management is or has been involved in any of the following events (whether in or outside Malaysia):

- (i) a petition under any bankruptcy or insolvency laws that was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) charged and/or convicted in a criminal proceeding or is named subject of a pending criminal proceeding;
- (iv) any judgement was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (v) the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

7.5 Relationships or Associations between Our Substantial Shareholders, Promoters, Directors and Key Management

Saved as disclosed below, as at the LPD, there is no family relationship (as defined in Section 122A of the Act) or associations between our substantial shareholders, Promoters, Directors and key management:-

- (i) Low Kim Hock, Low Kim Joo, Low Kim Chung, Low Kim Ong, Low Kim Chye, Low Kim Siew, Low Jin Yu and Low Jin Kuan are siblings;
- (ii) Low Yong Seng is Low Kim Hock's son; and
- (iii) Low Kim Hock, Low Kim Joo, Low Kim Chung and Low Kim Ong are the directors and substantial shareholders of JMJ, while Low Kim Chye and Low Kim Siew are substantial shareholders of JMJ.

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (*Cont'd*)

7.6 Service Agreements

There are no existing or proposed service agreements between our Group and our Directors or key management, excluding contracts expiring or determinable by our Company without payments or compensation (other than statutory compensation), which are not terminable by notice without payment or compensation (other than statutory notice).

7.7 Involvement of Executive Directors and Key Management in other Business/Corporation

Save as disclosed below, none of our executive Directors and key management is involved in other businesses/corporations:-

Name	Name of Corporation	Principal Activities	Designation	% equity interest held		Remarks
				Direct	Indirect	
<u>Managing Director</u> Low Kim Hock	Dynamic Stone Industries Sdn Bhd	Quarry operator	Director	50.00	-	Time and effort spent is minimal
	LBS Realty Sdn Bhd	Property and investment holding	Director	25.00	-	Time and effort spent is minimal
	Bentuk Cemerlang Development Sdn Bhd	Property development and investment holding	Director	-	60.00*	Time and effort spent is minimal
	Pembinaan Antap Asia Sdn Bhd	Property developer	Director	-	50.00**	Time and effort spent is minimal
	Menang Mulia Sdn Bhd	Property development and related business	Director	-	70.00*	Time and effort spent is minimal
	Wiscaya Development Sdn Bhd	Housing development and building construction	Director	-	100.00**	Time and effort spent is minimal
	Kiara Cekal Sdn Bhd	Property development	-	-	30.00*	#
	JMJ	Investment holding	Director	30.00	-	Time and effort spent is minimal

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)

7.7 Involvement of Executive Directors and Key Management in other Business/Corporation (Cont'd)

Name	Name of Corporation	Principal Activities	Designation	% equity interest held		Remarks
				Direct	Indirect	
<u>Executive Director</u> Low Kim Joo	Eternal Memorial Park Sdn Bhd	Memorial park developer	Director	-	70.00*	Time and effort spent is minimal
	Dynamic Stone Industries Sdn Bhd	Quarry operator	Director	30.00	-	Time and effort spent is minimal
	LBS Realty Sdn Bhd	Property and investment holding	Director	25.00	-	Time and effort spent is minimal
	TET Pan Sdn Bhd	Wholesaling and retail dealing of metal products, hardware and tools	Director	55.00	-	Time and effort spent is minimal
	Bentuk Cemerlang Development Sdn Bhd	Property development and investment holding	Director	-	60.00*	Time and effort spent is minimal
	Pembinaan Antap Asia Sdn Bhd	Property developer	Director	-	50.00**	Time and effort spent is minimal
	Menang Mulia Sdn Bhd	Property development and related business	Director	-	70.00*	Time and effort spent is minimal
	Wiscaya Development Sdn Bhd	Housing development and building construction	Director	-	100.00**	Time and effort spent is minimal
	Kiara Cekal Sdn Bhd	Property development	Director	-^	30.00*	Time and effort spent is minimal
JMJ	Investment holding	Director	18.00	-	Time and effort spent is minimal	

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)
7.7 Involvement of Executive Directors and Key Management in other Business/Corporation (Cont'd)

Name	Name of Corporation	Principal Activities	Designation	% equity interest held		Remarks
				Direct	Indirect	
Low Kim Chung	Eternal Memorial Park Sdn Bhd	Memorial park developer	Director	-	70.00*	Time and effort spent is minimal
	LBS Realty Sdn Bhd	Property and investment holding	Director	25.00	-	Time and effort spent is minimal
	Bentuk Cemerlang Development Sdn Bhd	Property development and investment holding	-	-	60.00*	#
	Pembinaan Antap Asia Sdn Bhd	Property developer	-	-	50.00**	#
	Menang Mulia Sdn Bhd	Property development and related business	Director	-	70.00*	Time and effort spent is minimal
	Wiscaya Development Sdn Bhd	Housing development and building construction	-	-	100.00**	#
	Kiara Cekai Sdn Bhd	Property development	-	-	30.00*	#
	JMJ	Investment holding	Director	16.00	-	Time and effort spent is minimal
<u>Key Management</u> Low Kim Ong	Eternal Memorial Park Sdn Bhd	Memorial park developer	Director	-	70.00*	Time and effort spent is minimal
	LBS Realty Sdn Bhd	Property and investment holding	Director	19.00	-	Time and effort spent is minimal
	Bentuk Cemerlang Development Sdn Bhd	Property development and investment holding	-	-	60.00*	#

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (Cont'd)
7.7 Involvement of Executive Directors and Key Management in other Business/Corporation (Cont'd)

Name	Name of Corporation	Principal Activities	Designation	% equity interest held		Remarks
				Direct	Indirect	
	Pembinaan Antap Asia Sdn Bhd	Property developer	-	-	50.00**	#
	Menang Mulia Sdn Bhd	Property development and related business	-	-	70.00*	#
	Wiscaya Development Sdn Bhd	Housing development and building construction	-	-	100.00**	#
	Kiara Cekal Sdn Bhd	Property development	-	-	30.00*	#
	Eternal Memorial Park Sdn Bhd	Memorial park developer	-	-	70.00*	#
	JMJ	Investment holding	Director	16.00	-	Time and effort spent is minimal
Low Kim Chye	LBS Realty Sdn Bhd	Property and investment holding	-	2.00	-	#
	JMJ	Investment holding	-	6.50	-	#
Low Kim Siew	LBS Realty Sdn Bhd	Property and investment holding	-	2.00	-	#
	JMJ	Investment holding	-	6.50	-	#
Low Jin Yu	JMJ	Investment holding	-	1.00	-	#
Low Jin Kuan	JMJ	Investment holding	-	1.00	-	#

Notes:

- # Their capacity are as shareholders in the companies mentioned above and are not involved in the day-to-day operations of these companies.
- * Deemed interested by virtue of their interests in LBS Realty Sdn Bhd pursuant to Section 6A of the Act, which in turn holds 60%, 70%, 30% and 70% equity interests in Bentuk Cemerlang Development Sdn Bhd, Menang Mulia Sdn Bhd, Kiara Cekal Sdn Bhd and Eternal Memorial Park Sdn Bhd, respectively.
- ** Deemed interested by virtue of their interests in LBS Realty Sdn Bhd pursuant to Section 6A of the Act, which in turn holds 60% equity interests in Bentuk Cemerlang Development Sdn Bhd which in turn holds 50% and 100% equity interests in Pembinaan Antap Asia Sdn Bhd and Wiscaya Development Sdn Bhd, respectively.
- ^ Negligible.

7. INFORMATION ON PROMOTERS, DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND KEY MANAGEMENT (*Cont'd*)

7.8 Information on our Employees

The details of our Group's employees as at the end of the three (3) FYE 31 December 2008 and the nine (9) months FPE 30 September 2009 are as follows:-

Employee classification	No. of Employees			
	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008*	As at 30 September 2009*
Management & Professional	4	4	4	5
Managers	10	10	9	8
Technical	1	1	1	1
Site Coordinator & Draftsman	6	9	10	10
Sales and Marketing	6	8	7	9
Supervisory	10	10	12	11
Administration	21	21	27	27
Factory Workers				
<i>Skilled workers</i>	64	65	49	44
<i>Unskilled workers</i>	6	10	10	19
Driver	3	5	6	5
General workers	14	16	8	10
TOTAL	145	159	143	149

Note:

* As at 30 September 2009, we have 67 foreign workers employed on a contractual basis.

7.8.1 Training and Development Programs

Over the past few years, our Group had conducted several training and development programs for our employees, namely corporate directors' training program, safety program as well as computer hardware and software learning program. All of the training programs were conducted by external organisers. In addition, as we are an ISO 9000:2001 certified company, it is compulsory to provide ISO training program for our employees so that they are aware of the ISO regulations and policies. Through active participation in the training programs, our employees are educated professionally and they are expected to apply their expertise and knowledge in the daily business and production activities so as to achieve optimal productivity.

Furthermore, on-the-job trainings are designed and executed regularly. This includes trainings on handling the heavy machineries for cutting, polishing, flaming, sizing and edging of dimension stone products. Our employees are also trained to examine for blemishes on the dimension stone products. These trainings are crucial so that our employees are able to learn and develop themselves with the technical know-how and relevant knowledge to effectively carry out their duties.

7.8.2 Labour Union Relationships

Our management enjoys a good working relationship with our employees and none of our employees belong to any union. As at the LPD, our Group has not been involved with any material industrial disputes with any of our employees.

8. APPROVALS AND CONDITIONS

8.1 Conditions on Approvals for the Flotation Exercise

The SC had vide its letter dated 30 September 2009, approved the Flotation Exercise pursuant to Section 212(5) of the CMSA and equity requirements for public listed companies on Bursa Securities. The conditions imposed by the SC and the status of compliance are set out as follows:-

Conditions	Status of compliance
(i) JMJ and the promoters of Hock Heng, namely, Low Kim Hock, Low Kim Joo and Low Kim Chung should not sell, transfer or assign their entire shareholdings in Hock Heng for 6 months from the date of admission of Hock Heng to Bursa Securities;	To be complied
(ii) Full disclosure should be made in the listing prospectus of Hock Heng with regard to the following:-	
(a) Pertinent details of the quarry and its operation in Tangkak, Johor;	Complied. Disclosure is set out in Section 10.3 of this Prospectus
(b) Corporate guarantee that have not been fully discharged, if any	Complied. Disclosure is set out in Section 11.4.8 of this Prospectus
(c) The Hock Heng Group's trade receivables position, ageing analysis and comments on the recoverability of trade receivables' amount which have exceeded the credit period;	Complied. Disclosure is set out in Section 11.4.9 of this Prospectus
(d) The Group's trade receivables turnover period vis-à-vis trade payables turnover period for the last 5 financial years and how the funding gap between the collection and payment cycle was being managed;	Complied. Disclosure is set out in Section 11.4.9 of this Prospectus
(e) The Group's reliance on overseas supply of raw materials and the mitigating factors to address the concern; and	Complied. Disclosure is set out in Sections 4.1(iv) and 5.4.8 of this Prospectus
(f) Growth prospects of Hock Heng, given that the dimension stones industry is inherently linked to the performance of the property development and construction sector, taking into consideration the current economic conditions.	Complied. Disclosure is set out in Section 5.7.2 of this Prospectus
(iii) With regard to the Group's trade receivables, Hock Heng should:-	
(a) Make full provision for all overdue trade receivables which are in dispute or under legal action, or for amounts which have been outstanding for more than 6 months (excluding retention sums). The directors of Hock Heng should confirm to the SC that this condition has been complied with prior to the issuance of the listing prospectus; and	Complied. The confirmation by the Directors of Hock Heng was submitted to the SC on 11 February 2010.
(b) Submit a declaration by the directors of Hock Heng to the SC that trade receivables which have not been provided for as doubtful debts under paragraph (a) above, are recoverable.	Complied. The declaration by the Directors of Hock Heng was submitted to the SC on 11 February 2010.

8. APPROVALS AND CONDITIONS (Cont'd)

Conditions	Status of compliance
(iv) Hock Heng should not utilise, either directly or indirectly, the proceeds raised from the proposed listing or funds from bank borrowings, to pay for dividends, if any;	To be complied.
(v) Hock Heng to allocate 50% of the public spread requirement to the Bumiputera investors, including the shares offered under the balloted public offer portion, of which 50% are to be offered to the retail Bumiputera investors. In the event that Hock Heng/MITI is unable to allocate the shares to the potential Bumiputera investors, the unsubscribed shares shall be offered to the Bumiputera public investors via balloting; and	To be complied.
(vi) Hock Heng and PIVB should comply with the relevant requirements relating to the implementation of the flotation proposal as stipulated in the SC Equity Guidelines.	To be complied.

The SC noted the equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in our Company would change arising from the implementation of our Flotation Exercise, as follows:-

Category of shareholders	Before implementation of Flotation Exercise* %	After Completion of Flotation Exercise %
Bumiputera		
▪ To be nominated and approved by MITI		
- Non-public shareholder	-	16.83
- public shareholder	-	13.17
Total Bumiputera	-	30.00 [^]
Non-bumiputera	100.00	70.00
Foreigners	-	-
Total	100.00	100.00

Notes:

* As at incorporation

[^] Excluding 50% of the Shares to be offered to Bumiputera investors under the balloting portion.

Our Company has voluntarily submitted an application to the SC for a Shariah compliance review to be carried out by the SAC as part of the process of determining our Shariah status at IPO. The SAC had vide its letter dated 4 December 2009, classified our Shares as Shariah-compliant based on our proforma consolidated financial information for the FYE 31 December 2008.

8. APPROVALS AND CONDITIONS (Cont'd)

The SC had vide its letter dated 14 December 2009, approved our application for a revision made to the number of Shares to be offered pursuant to the Offer for Sale ("Revision"). The SC has taken note that the equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in Hock Heng would change arising from the implementation of the revised Flotation Exercise, as follows:-

Category of shareholders	Before implementation of Flotation Exercise ⁽¹⁾	After implementation of Flotation Exercise
	%	%
Bumiputera	-	13.75 ⁽²⁾
Non-Bumiputera	100.00	86.25
Foreigners	-	-
Total	100.00	100.00

Notes:

(1) As at incorporation.

(2) Inclusive of 10% of Public Issue Shares and Offer Shares reserved for Bumiputera investors approved by MITI and 3.75% Public Issue Shares set aside for retail Bumiputera investors to be allocated via balloting.

The MITI had taken note of our Flotation Exercise vide its letter dated 21 May 2009. The conditions imposed by MITI and the status of compliance are as follows:-

Conditions	Status of compliance
(i) The approval of the SC and compliance with the Foreign Investment Committee's Guidelines on the Acquisition of Interest, Mergers and Take-overs by Local and Foreign Interest;	Complied. The SC had approved the Flotation Exercise vide its letter dated 30 September 2009 and 14 December 2009 subject to certain conditions as set out herein.
(ii) The allocation of 3,462,000 Public Issue Shares and 20,538,000 Offer Shares to the identified Bumiputera investors is subject to the approval of MITI and the allocation will be determined after the approval is obtained from the SC for the Flotation Exercise; and	Please refer to the conditions imposed by MITI pursuant to the Revision.
(iii) Our Company to inform MITI upon completion of our Flotation Exercise.	To be complied. We will inform MITI of the completion of Flotation Exercise.

On 17 December 2009, the MITI agreed to take note of the Revision and has no objection to the Revision. The condition imposed by MITI and the status of compliance are as follows:-

Condition	Status of compliance
(i) The allocation of 8,000,000 Shares to Bumiputera investors is subject to the approval of MITI and the allocation will be determined after the approval is obtained from the SC for the Revision.	Complied.

8. APPROVALS AND CONDITIONS (Cont'd)

8.2 Moratorium on Shares

Pursuant to Paragraph 5.42 of the SC Equity Guidelines and as a condition of the SC's approval for the Flotation Exercise, our Promoters should not be allowed to sell, transfer or assign their entire shareholdings in Hock Heng held upon the completion of the Flotation Exercise, for six (6) months from the date of admission of Hock Heng to the Official List of the Main Market of Bursa Securities.

Details of the Promoters who will be subject to moratorium, are as follows:-

Promoters	Shareholding after the Flotation Exercise	
	No. of Hock Heng Shares held	% of enlarged share capital
JMJ	36,000,000	45.00
Low Kim Hock	4,320,000	5.40
Low Kim Joo	2,592,000	3.24
Low Kim Chung	2,304,000	2.88
Total	45,216,000	56.52

The moratorium, which has been fully accepted by the Promoters, is specifically endorsed on the share certificates representing the shareholding of the aforesaid shareholders which are under moratorium to ensure that the Company's registrar do not register any transfer not in compliance with the restriction imposed by the SC. The Promoters have provided undertakings that they shall not sell, transfer, assign or otherwise dispose of any part of their respective shareholdings in our Company held upon completion of the Flotation Exercise for six (6) months from the date our Company's Shares are listed on the Main Market of Bursa Securities.

Pursuant to the SC Equity Guidelines, the shareholders of JMJ, namely, Low Kim Hock, Low Kim Joo, Low Kim Ong, Low Kim Chung, Low Kim Chye, Low Kim Siew, Low Kim Choon, Low Jin Yu and Low Jin Kuan have also provided an undertaking that they shall not sell, transfer, assign or otherwise dispose of any part of their respective shareholdings in JMJ for six (6) months from the date our Company's Shares are listed on the Main Market of Bursa Securities.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

9. RELATED PARTY TRANSACTIONS/CONFLICT OF INTEREST

9.1 Related Party Transactions/Conflict of Interest

Under the Listing Requirements, a “related party transaction” is a transaction entered into by a listed company or its subsidiaries that involves the interests, direct or indirect, of a related party. A “related party” of a listed company is:-

- (i) a director; or
- (ii) a major shareholder having an interest in one or more voting shares in a corporation and the nominal amount of that shares, or the aggregate of the nominal of those shares, is:-
 - (a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the corporation; and
 - (b) 5% or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation,

of the listed company or its subsidiaries or holding company or the subsidiaries of its holding company and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a director or major shareholder. Further, a related party includes a person connected with such director or major shareholder.

Save as disclosed below, for the past three (3) FYEs 31 December 2008 and nine (9) months FPE 30 September 2009 and up to the LPD, our Group does not have any other existing and/or proposed related party transactions or other subsisting contracts of arrangement entered into by our Group which involved the interest, direct or indirect, of our Directors, substantial shareholders and/or key management and/or persons connected to them as defined under the Section 122A of the Act:-

- 9.1.1 The transactions disclosed in Section 5.3.1 of this Prospectus in relation to the Acquisitions undertaken by Hock Heng in conjunction with the Flotation Exercise.
- 9.1.2 On 6 January 2010, HHMKL acquired a motor vehicle from Low Yong Seng, who is a key management of our Group, for a cash consideration of RM60,000.
- 9.1.3 On 30 September 2008, HHG had entered into a sale and purchase agreement for the disposal of a plot of land in a memorial park to Low Kim Hock, Low Kim Joo, Low Kim Chung and Low Kim Ong for a cash consideration of RM110,628. Low Kim Hock, Low Kim Joo and Low Kim Chung are our Directors and substantial shareholders while Low Kim Ong is our substantial shareholder and a key management of our Group.
- 9.1.4 On 30 September 2008, HHG had entered into a sale and purchase agreement for the disposal of a plot of land in a memorial park to Low Kim Hock, Low Kim Joo, Low Kim Chung and Low Kim Ong, for a cash consideration of RM60,220.
- 9.1.5 On 30 September 2008, HHG disposed off 13,373 units of CIMB Principal Equity Funds to Low Kim Hock and Low Kim Ong for a cash consideration of RM12,951.
- 9.1.6 On 19 February 2008, HHSEC acquired a motor vehicle from Wong Liang Meng, who is a key management of our Group, for a cash consideration of RM8,000.
- 9.1.7 On 1 January 2008, PMK acquired a motor vehicle from Low Kim Ong, for a cash consideration of RM66,533.

9. RELATED PARTY TRANSACTIONS/CONFLICT OF INTEREST (Cont'd)

9.1.8 On 21 November 2006, HHMKL acquired a motor vehicle from Low Kim Hock, for a cash consideration of RM55,000.

Our Directors are of the opinion that the terms of all the business transactions between our Group and our Directors, substantial shareholders and/or key management and/or persons connected to them as defined under the Section 122A of the Act as disclosed above were transacted on an arm's length basis which were/will not detrimental to the interest of our Group and to our minority shareholders.

9.1.9 Recurrent related party transactions

Our Group, in the ordinary course of business, enters into transactions that are of revenue or trading in nature with related parties ("Recurrent Transactions"), which are likely to occur with some degree of frequency and arise at any time and from time to time. As these transactions may be constrained by the time-sensitive nature and confidentiality of such transactions, it may be impractical to seek shareholders' approval on a case-by-case basis before entering into such transactions. As such, we will seek shareholders' mandate pursuant to Paragraph 10.09 and Practice Note 12 of the Listing Requirements to allow our Group to enter into such transactions made on an arm's length basis and on normal commercial terms which are not detrimental to our shareholders.

These transactions are intended to meet the business needs of our Group on the best possible terms. By transacting with the related parties, our Group would have an advantage of familiarity with the background and management of the related parties, thus enabling more informed commercial decisions to be made. In most dealings with the related parties, our Group and the related parties have close co-operations and a good understanding of each other's business needs thus providing a platform where all parties can benefit from conducting the transactions.

Our Directors will ensure that Recurrent Transactions carried out are not prejudicial to our Group, nor on terms more favourable to the related parties than those normally agreed with other customers/suppliers and are also not to the detriment of our Group and the minority shareholders of Hock Heng.

Set forth below are the Recurrent Transactions that our Group has entered into with our related parties for the past three (3) FYEs 31 December 2008 and the nine (9) months FPE 30 September 2009 as well as our proposed related party transactions for the financial year ending 31 December 2010.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

9. RELATED PARTY TRANSACTIONS/CONFLICT OF INTEREST (Cont'd)

Save as disclosed below, there are no existing or potential Recurrent Transactions that we have entered into in respect of which rights and obligations are subsisting and/or proposed at the LPD.

Transacting parties	Nature of relationship	Nature of the transactions	Transaction value for the FYE 31 December (RM'000)			Nine (9) months FPE 30 September 2009 (RM'000)	Forecast for the financial year ending 31 December 2010 (RM'000)
			2006	2007	2008		
LBS Realty Sdn Bhd and HHG/HHMSR	Low Kim Hock, Low Kim Joo and Low Kim Chung who are our Directors and substantial shareholders are also the directors and substantial shareholders of LBS Realty Sdn Bhd.	Rental of premises to HHG	84	84	84	63	77
	Low Kim Ong who is our substantial shareholder and key management is also the director and substantial shareholder of LBS Realty Sdn Bhd.	Rental of premises to HHMSR	24	24	24	10	-
Legacy Construction Sdn Bhd and HHG	Low Kim Hock who is our Director and substantial shareholder was also the director and substantial shareholder of Legacy Construction Sdn Bhd.*	Sales to Legacy Construction Sdn Bhd by HHG	1	-	-	-	-
Dynamic Stone Industries Sdn Bhd and HHG	Low Kim Hock and Low Kim Joo who are our Directors and substantial shareholders are also the directors and substantial shareholders of Dynamic Stone Industries Sdn Bhd.	Purchases by HHG	74	-	-	-	-

9. RELATED PARTY TRANSACTIONS/CONFLICT OF INTEREST (Cont'd)

Transacting parties	Nature of relationship	Nature of the transactions	Transaction value for the FYE 31 December (RM'000)			Nine (9) months FPE 30 September 2009 (RM'000)	Forecast for the financial year ending 31 December 2010 (RM'000)
			2006	2007	2008		
HHM Tiling Sdn Bhd and HHMKL	Low Kim Hock who is our Director and substantial shareholder was also the director of HHM Tiling Sdn Bhd.#	Sales to HHM Tiling Sdn Bhd by HHMKL	266	-	-	-	-
Stone Frontier Sdn Bhd and HHG/HHMKL	Low Kim Hock who is our Director and substantial shareholder was also the director of Stone Frontier Sdn Bhd.@	Purchases by HHMKL	-	43	-	-	-
Marble Avenue Sdn Bhd and HHMKL	Low Kim Hock who is our Director and substantial shareholder was also the director of Marble Avenue Sdn Bhd. +	Sales to Stone Frontier Sdn Bhd by HHG	252	70	-	-	-
Dunia Batu Alam Sdn Bhd and HHMKL	Low Kim Hock and Low Kim Joo who are our Directors and substantial shareholders were also the directors of Dunia Batu Alam Sdn Bhd.**	Sales to Stone Frontier Sdn Bhd by HHMKL	49	3	-	-	-
TET Pan Sdn Bhd and HHMKL	Low Kim Joo who is our Director and substantial shareholder is also the director and substantial shareholder of TET Pan Sdn Bhd.	Sales to Marble Avenue Sdn Bhd by HHMKL	2,044	443	-	-	-
		Sales to Dunia Batu Alam Sdn Bhd by HHMKL	53	-	-	-	-
		Purchases by HHMKL	129	33	14	-	-

9. RELATED PARTY TRANSACTIONS/CONFLICT OF INTEREST (Cont'd)

Transacting parties	Nature of relationship	Nature of the transactions	Transaction value for the FYE 31 December (RM'000)			Forecast for the financial year ending 31 December 2010 (RM'000)
			2006	2007	2008	
Eternal Memorial Park Sdn Bhd and PMK	Low Kim Hock, Low Kim Joo and Low Kim Chung who are our Directors and substantial shareholders are also the directors and substantial shareholders of Eternal Memorial Park Sdn Bhd.	Sales to Eternal Memorial Park Sdn Bhd by PMK	-	-	-	83
WBS Natural Stone Trading [^] and HHG	Low Yong Seng who is a key management of our Group is the sole proprietor of WBS Natural Stone Trading.	Purchases by HHG	-	58	72	-

Notes:

- * Low Kim Hock had disposed off his shareholding in Legacy Construction Sdn Bhd and ceased to be its director with effect from 19 February 2009.
- # Low Kim Hock had disposed off his shareholding in HHM Tiling Sdn Bhd and ceased to be its director with effect from 19 February 2009 and 9 February 2009, respectively.
- @ Low Kim Hock had disposed off his shareholding in Stone Frontier Sdn Bhd and ceased to be its director with effect from 9 February 2009.
- + Low Kim Hock ceased to be the director of Marble-Avenue Sdn Bhd with effect from 26 December 2008.
- ** Low Kim Hock and Low Kim Joo ceased to be the directors of Dunia Batu Alam Sdn Bhd with effect from 19 January 2009.
- ^ WBS Natural Stone Trading has been struck off with effect from 6 March 2009 and dissolved accordingly.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

9. RELATED PARTY TRANSACTIONS/CONFLICT OF INTEREST (Cont'd)

Our Directors are of the opinion that the terms of all the Recurrent Transactions disclosed above were transacted in the ordinary course of business and on an arm's length basis which were/will not detrimental to the interest of our Group and our minority shareholders.

We will obtain a waiver from Bursa Securities to allow our Group to procure the shareholder's mandate of the above-mentioned transactions at our annual general meeting or extraordinary general meeting, whichever is earlier, after our listing on the Main Market of Bursa Securities.

9.1.10 Mitigating Factors

Our Board have proposed that our Group shall take the following measures to resolve any potential conflict of interest situations that may arise in the future and to ensure that related party transactions are carried out on arm's length basis and not detrimental to our Group:-

- (i) all Directors, substantial shareholders and key management of our Group are required to declare and disclose any related party transactions in which they are deemed interested, to our Board and such transactions must be conducted on an arms' length basis, based on commercial terms and not more favourable to the related party than those generally available to the public and are not to the detriment of our Group;
- (ii) the Audit Committee comprising majority of independent directors which is required to be formed under the Listing Requirements will, amongst others, review the procedures set by our Group to monitor transactions between our Group and our Directors, substantial shareholders or parties connected to them with any direct or indirect interest to ensure that the related party transactions are conducted at arm's length and are not detrimental to our minority shareholders. In the event there are any proposed related party transactions that involve the interest, direct or indirect, of our Directors, the interested Director(s) shall disclose his interest to our Board, of the details of the nature and extent of his interest, including all matters in relation to the proposed related party transactions that he is aware or should reasonably be aware of, which is not in our best interests. The interested Director(s) shall also abstain from any Board deliberation and voting on the relevant resolution(s) in respect of such proposed related party transactions; and
- (iii) we will procure the approval from our shareholders in respect of related party transactions in which shareholders' approval are required in accordance to the Listing Requirements, and if necessary, the shareholders' mandate for Recurrent Transactions pursuant to the requirements of Paragraph 10.09 of the Listing Requirements. Further, in a meeting to obtain shareholders' mandate, the interested Director, interested major shareholder or interested person connected with a Director or major shareholder, and where it involves the interest of an interested person connected with a Director or major shareholder, such Director or major shareholder, must not vote on the resolution approving the transactions. An interested Director or major shareholder must ensure that persons connected to them will abstain from voting on the resolution approving the transactions.