



HOCK HENG STONE INDUSTRIES BHD.

(Company No. : 840040-H)

(Incorporated in Malaysia)

**Interim Financial Report
For the third quarter ended
30 September 2011**

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

Condensed Consolidated Statements of Comprehensive Income
For the third quarter ended 30 September 2011
(The figures have not been audited)

	Note	Individual quarter		Cumulative quarter	
		Current year quarter ended 30.9.2011 RM'000	Preceding year corresponding quarter ended 30.9.2010 RM'000	Current year- to-date 30.9.2011 RM'000	Preceding year corresponding period 30.9.2010 RM'000
Continuing operations					
Revenue		8,939	11,591	31,017	28,121
Cost of sales		(6,720)	(8,762)	(23,872)	(20,807)
Gross profit		2,219	2,829	7,145	7,314
Other income		267	33	370	115
Administrative, general and selling expenses		(1,556)	(1,744)	(4,776)	(4,607)
Operating profit		930	1,118	2,739	2,822
Finance costs		(345)	(301)	(1,020)	(744)
Profit before tax		585	817	1,719	2,078
Income tax expense	21	(155)	(211)	(454)	(557)
Profit for the period		430	606	1,265	1,521
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		430	606	1,265	1,521
Profit attributable to:					
Equity holders of the Company		450	603	1,281	1,515
Non-controlling interests		(20)	3	(16)	6
		430	606	1,265	1,521
Total comprehensive income attributable to:					
Equity holders of the Company		450	603	1,281	1,515
Non-controlling interests		(20)	3	(16)	6
		430	606	1,265	1,521
Earnings per share attributable to equity holders of the Company:					
Basic, for the period (sen)	30	0.56	0.84	1.60	2.11
Diluted, for the period (sen)	30	N/A	N/A	N/A	N/A

Notes:

N/A Not applicable

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to this interim financial report.

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

Condensed Consolidated Statement of Financial Position
As at 30 September 2011

	Note	Unaudited As at 30.9.2011 RM'000	Audited As at 31.12.2010 RM'000
Assets			
Non-current assets			
Property, plant and equipment		25,208	25,641
Investment properties		1,519	1,962
Land use rights		2,558	2,602
Development expenditure		379	379
		<u>29,664</u>	<u>30,584</u>
Current assets			
Inventories		24,285	21,898
Trade receivables and other receivables		20,035	19,652
Other current assets		3,939	5,398
Income tax receivable		51	204
Cash and bank balances		4,318	5,633
		<u>52,628</u>	<u>52,785</u>
Total assets		<u>82,292</u>	<u>83,369</u>
Equity and liabilities			
Current liabilities			
Income tax payable		66	132
Loan and borrowings	25	13,725	14,515
Trade payables and other payables		6,931	9,193
Other current liability		-	106
		<u>20,722</u>	<u>23,946</u>
Net current assets		<u>31,906</u>	<u>28,839</u>
Non-current liabilities			
Deferred tax liabilities		1,166	1,412
Loan and borrowings	25	10,957	9,029
		<u>12,123</u>	<u>10,441</u>
Total liabilities		<u>32,845</u>	<u>34,387</u>
Equity attributable to equity holders of the Company			
Share capital		40,000	40,000
Retained earnings	31	9,410	8,929
		<u>49,410</u>	<u>48,929</u>
Non-controlling interests		37	53
Total equity		<u>49,447</u>	<u>48,982</u>
Total equity and liabilities		<u>82,292</u>	<u>83,369</u>
Net assets per share attributable to ordinary equity holders of the Company (sen)		<u>61.76</u>	<u>61.16</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to this interim financial report.

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

Condensed Consolidated Statement of Changes in Equity
For the third quarter ended 30 September 2011
(The figures have not been audited)

	Attributable to equity holders of the Company					
	Share capital	Non-distributable Share premium	Distributable Retained earnings	Total	Non-controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2010	32,329	-	7,525	39,854	63	39,917
Effect of FRS 139	-	-	(146)	(146)	-	(146)
	32,329	-	7,379	39,708	63	39,771
Total comprehensive income for the period	-	-	1,515	1,515	6	1,521
Transactions with owners						
Public issue of RM0.55 per share	7,671	767	-	8,438	-	8,438
Share issue expenses	-	(767)	(974)	(1,741)	-	(1,741)
Transactions with owners	7,671	-	(974)	6,697	-	6,697
As at 30 September 2010	40,000	-	7,920	47,920	69	47,989
As at 1 January 2011	40,000	-	8,929	48,929	53	48,982
Total comprehensive income for the period	-	-	1,281	1,281	(16)	1,265
Transactions with owners						
Dividend paid	-	-	(800)	(800)	-	(800)
As at 30 September 2011	40,000	-	9,410	49,410	37	49,447

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to this interim financial report.

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

Condensed Consolidated Statement of Cash Flows
For the third quarter ended 30 September 2011
(The figures have not been audited)

	Current year- to-date 30.9.2011 RM'000	Preceding year corresponding period 30.9.2010 RM'000
Cash flows from operating activities		
Profit before tax	1,719	2,078
Adjustment for:		
Amortisation of prepaid land lease payments	44	44
Depreciation of property, plant and equipment	1,568	1,549
Depreciation of investment properties	26	29
Gain on disposal of property, plant and equipment	-	(27)
Gain on disposal of investment properties	(252)	-
Property, plant and equipment written off	1	2
Interest expense	1,020	744
Interest income	(61)	(32)
Operating profit before changes in working capital	4,065	4,387
Changes in working capital:		
Increase in inventories	(2,388)	(3,809)
Increase in receivables	(382)	(2,989)
Decrease/(increase) in other current assets	1,458	(72)
(Decrease)/increase in payables	(2,262)	3,166
Decrease in other current liabilities	(105)	(34)
Cash generated from operations	386	649
Income tax paid	(612)	(1,345)
Interest paid	(1,020)	(744)
Net cash used in operating activities	(1,246)	(1,440)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,076)	(4,303)
Proceeds from disposal of property, plant and equipment	-	40
Proceeds from disposal of investment properties	669	-
Interest received	61	32
Net cash used in investing activities	(346)	(4,231)
Cash flows from financing activities		
Increase of short term borrowings	520	2,140
Drawdown of term loans	2,700	4,500
Repayment of term loans	(587)	(2,048)
Repayment of obligation under finance leases	(343)	(258)
Dividend paid	(800)	-
Repayment to shareholders prior to acquisition of subsidiaries	-	(450)
Proceeds from issuance of ordinary shares	-	8,438
Payment of share issue expenses	-	(1,741)
Net cash from financing activities	1,490	10,581

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

Condensed Consolidated Statement of Cash Flows (continued)
For the third quarter ended 30 September 2011
(The figures have not been audited)

	Current year- to-date 30.9.2011 RM'000	Preceding year corresponding period 30.9.2010 RM'000
Net (decrease)/increase in cash and cash equivalents	(102)	4,910
Cash and cash equivalents at beginning of period	3,008	(1,077)
Cash and cash equivalents at end of period	<u>2,906</u>	<u>3,833</u>

Cash and cash equivalents at the end of the financial period comprise the following:

Cash and bank balances	4,318	6,055
Less: Bank overdrafts	(1,412)	(2,222)
	<u>2,906</u>	<u>3,833</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to this interim financial report.

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

Notes to the Interim Financial Report for the third quarter ended 30 September 2011

Part A - Explanatory notes pursuant to Financial Reporting Standard 134

1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standards ("FRSs") 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad for the Main Market.

The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010. These explanatory notes attached to this interim financial report provide an explanation of the events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2010.

The accounting policies and methods of computation adopted by the Group in the interim financial report are in compliance with the new and revised FRSs issued by MASB.

2. Summary of significant accounting policies

The significant accounting policies adopted are consistent with those used in the preparation of the audited financial statements for the year ended 31 December 2010.

2.1 Changes in accounting policies and effects arising from adoption of new and revised FRSs, amendments to FRSs and IC Interpretations

At beginning of the current financial period, the Group had adopted the following new and revised FRSs, amendments to FRSs and IC Interpretations:

Effective for financial periods beginning on or after 1 March 2010

- Amendments to FRS 132: *Classification of Rights Issues*

Effective for financial periods beginning on or after 1 July 2010

- FRS 1: *First-time Adoption of Financial Reporting Standards*
- FRS 3: *Business Combinations (Revised)*
- Amendments to FRS 2: *Share-based Payment*
- Amendments to FRS 5: *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 127: *Consolidated and Separate Financial Statements*
- Amendments to FRS 138: *Intangible Assets*
- Amendments to IC Interpretation 9: *Reassessment of Embedded Derivatives*
- IC Interpretation 12: *Service Concession Arrangements*
- IC Interpretation 16: *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17: *Distributions of Non-cash Assets to Owners*

Effective for financial periods beginning on or after 1 January 2011

- Amendments to FRS 1: *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
- Amendments to FRS 1: *Additional Exemptions for First-time Adopters*
- Amendments to FRS 2: *Group Cash-settled Share-based Payment Transactions*

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

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

2. Summary of significant accounting policies (continued)

2.1 Changes in accounting policies and effects arising from adoption of new and revised FRSs, amendments to FRSs and IC Interpretations (continued)

Effective for financial periods beginning on or after 1 January 2011 (continued)

- Amendments to FRS 7: *Improving Disclosures about Financial Instruments*
- Improvements to FRSs (2010)
- IC Interpretation 4: *Determining Whether an Arrangement contains a Lease*
- IC Interpretation 18: *Transfer of Assets from Customers*
- TR i - 4: *Shariah Compliant Sale Contracts*

The adoption of these new and revised FRSs, amendments to FRSs and IC Interpretations do not have any significant impact on the interim financial report of the Group.

2.2 Standards and interpretations issued but not yet effective

The following new and amended FRS and IC Interpretations were issued but not yet effective and have not been applied by the Group:

Effective for financial periods beginning on or after 1 July 2011

- IC Interpretation 19: *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14: *Prepayments of a Minimum Funding Requirement*

Effective for financial periods beginning on or after 1 January 2012

- FRS 124: *Related Party Disclosures (Revised)*
- IC Interpretation 15: *Agreements for the Construction of Real Estate*

3. Auditors' report

The auditors' report on the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2010 were not subject to any qualification.

4. Seasonal or cyclical factors

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

5. Unusual items

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

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

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

6. Changes in estimates

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

7. Debt and equity securities

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

8. Acquisition and disposal of property, plant and equipment

Acquisitions

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

	Cost RM'000
Factory buildings and extensions	14
Plant, machinery and factory equipment	78
Motor vehicles	80
Other assets *	135
Building-in-progress	829
	<u>1,136</u>

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

Disposals

There is no disposal of property, plant and equipment by the Group during the period under review.

9. Dividends paid

During the quarter ended 30 September 2011, the Final Single Tier Dividend of 1 sen net per ordinary share, which amounted to RM0.80 million in respect of the financial year ended 31 December 2010, was approved by the shareholders of the Company at the Annual General Meeting and was paid on 15 July 2011.

10. Segment information

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

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

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

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

10. Segment information (continued)

	Sales of goods RM'000	Construction RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Period ended 30.9.2011					
Revenue:					
External customers	18,436	12,581	-	-	31,017
Inter-segment	22,449	-	740	(23,189)	-
	<u>40,885</u>	<u>12,581</u>	<u>740</u>	<u>(23,189)</u>	<u>31,017</u>
Results:					
Interest income	27	3	31	-	61
Finance costs	1,011	9	-	-	1,020
Depreciation and amortisation	1,539	99	-	-	1,638
Segment profit	<u>1,947</u>	<u>509</u>	<u>649</u>	<u>(1,386)</u>	<u>1,719</u>
Assets					
Capital expenditure	1,018	118	-	-	1,136
Segment assets	<u>67,379</u>	<u>12,738</u>	<u>2,175</u>	<u>-</u>	<u>82,292</u>
Segment liabilities	<u>32,791</u>	<u>-</u>	<u>54</u>	<u>-</u>	<u>32,845</u>
	Sales of goods RM'000	Construction RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Period ended 30.9.2010					
Revenue:					
External customers	15,132	12,989	-	-	28,121
Inter-segment	21,397	-	-	(21,397)	-
	<u>36,529</u>	<u>12,989</u>	<u>-</u>	<u>(21,397)</u>	<u>28,121</u>
Results:					
Interest income	24	2	6	-	32
Finance costs	734	10	-	-	744
Depreciation and amortisation	1,555	67	-	-	1,622
Segment profit/(loss)	<u>1,681</u>	<u>852</u>	<u>(97)</u>	<u>(358)</u>	<u>2,078</u>
Assets					
Capital expenditure	3,694	902	-	-	4,596
Segment assets	<u>67,142</u>	<u>11,370</u>	<u>2,491</u>	<u>-</u>	<u>81,003</u>
Segment liabilities	<u>32,949</u>	<u>-</u>	<u>65</u>	<u>-</u>	<u>33,014</u>

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

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

11. Valuation of property, plant and equipment

There was no valuation of the property, plant and equipment in the current quarter under review, as the Group does not adopt a revaluation policy on its property, plant and equipment.

12. Capital commitments

Capital commitments as at end of the current quarter are as follows:

	As at 30.9.2011 RM'000	As at 31.12.2010 RM'000
Property, plant and equipment:		
- Approved and contracted for	1,125	820
- Approved but not contracted for	-	544
	<u>1,125</u>	<u>1,364</u>

13. Material events subsequent to the end of period reported

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

14. Changes in composition of the Group

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

15. Changes in contingent liabilities and contingent assets

There were no changes in contingent liabilities or contingent assets since the end of the last annual balance sheet date.

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

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

16. Related party transactions

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

- (i) Company in which certain directors, Low Kim Hock, Low Kim Joo, Low Kim Chung and a major shareholder, Low Kim Ong have interest:

- LBS Realty Sdn. Bhd. ("LBS")

- (ii) Company in which certain directors, Low Kim Hock, Low Kim Joo, Low Kim Chung and a major shareholder, Low Kim Ong have deemed interested by virtue of their interests in LBS which in turn holds 70% equity interest in EMP:

- EMP Design Sdn. Bhd. ("EMP") (formerly known as Eternal Memorial Park Sdn. Bhd.)

	Individual quarter		Cumulative quarter	
	Current year quarter ended 30.9.2011 RM'000	Preceding year corresponding quarter ended 30.9.2010 RM'000	Current year- to-date 30.9.2011 RM'000	Preceding year corresponding period 30.9.2010 RM'000
Rental paid to LBS	21	21	63	63
Sales of dimension stone products to EMP	872	399	1,993	930

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established under terms no less favourable than those transacted with unrelated parties.

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

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

17. Review performance of the Group

	Individual quarter		Cumulative quarter	
	Current year quarter ended 30.9.2011 RM'000	Preceding year corresponding quarter ended 30.9.2010 RM'000	Current year- to-date 30.9.2011 RM'000	Preceding year corresponding period 30.9.2010 RM'000
Revenue	8,939	11,591	31,017	28,121
- Sales of goods segment	6,005	4,974	18,436	15,132
- Construction segment	2,934	6,617	12,581	12,989
Profit before tax	585	817	1,719	2,078

Revenue

The Group's revenue for current quarter ("3Q2011") ended 30 September 2011 has decreased by RM2.65 million or 22.9% to RM8.94 million as compared to corresponding quarter in the preceding year. The decrease in revenue for 3Q2011 was due to the decrease in construction segment by RM3.68 million but was partly offset by higher sales of goods segment which increase of RM1.03 million.

The Group's revenue for current year-to-date ("9M2011") ended 30 September 2011 has increased by RM2.90 million or 10.3% to RM31.02 million as compared to corresponding period in the preceding year. The increase in revenue for 9M2011 was due to the increase in sales of goods segment by RM3.31 million and offset by minor decrease in construction segment of RM0.41 million.

Profit before tax

The Group's profit before tax for 3Q2011 has declined by RM0.23 million or 28.4% to RM0.59 million in comparison with the corresponding quarter in the preceding year. The decrease in the profit before tax is mainly due to lower revenue generated in the current quarter as stated above.

The Group's profit before tax for 9M2011 has declined by RM0.36 million or 17.3% to RM1.72 million in comparison with the corresponding period in the preceding year. The decrease in the profit before tax is mainly due to lower operating margin as well as higher finance costs, administrative, general and selling expenses in the current period under review.

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

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

18. Material changes in the profit before tax as compared to the immediate preceding quarter

	Individual quarter		Variance RM'000
	Current quarter ended 30.9.2011 RM'000	Preceding quarter ended 30.6.2011 RM'000	
Revenue	8,939	11,403	(2,464)
Gross profit	2,219	2,476	(257)
Other income	267	56	211
Administrative, general and selling expenses	1,556	1,669	(113)
Profit before tax	585	521	64

The Group recorded a profit before tax of RM0.59 million for the current quarter under review as compared to RM0.52 million in the immediate preceding quarter, representing a slight increase of RM0.07 million or 12.3%. The slight increase of profit before tax is mainly due to lower administrative, general and selling expenses by RM0.11 million and gain on disposal of investment properties of RM0.22 million but was partly offset by the decrease of operating margin by RM0.26 million in current quarter as compared to immediate preceding quarter.

19. Commentary on prospects

Despite facing general economic challenges and competitive market, the Directors believe that the Group's performance for the remaining periods of the financial year ending 31 December 2011 will not be severely affected.

20. Profit forecast or profit guarantee

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

21. Income tax expense

Major components of income tax expense includes the following:

	Individual quarter		Cumulative quarter	
	Current year quarter ended 30.9.2011 RM'000	Preceding year corresponding quarter ended 30.9.2010 RM'000	Current year- to-date 30.9.2011 RM'000	Preceding year corresponding period 30.9.2010 RM'000
Current tax:				
Malaysian income tax	177	186	700	584

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

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

21. Income tax expense (continued)

	Individual quarter		Cumulative quarter	
	Current year quarter ended 30.9.2011 RM'000	Preceding year corresponding quarter ended 30.9.2010 RM'000	Current year- to-date 30.9.2011 RM'000	Preceding year corresponding period 30.9.2010 RM'000
Deferred tax:				
Relating to origination and reversal of temporary differences	(58)	25	(214)	(38)
(Over)/underprovided in prior years	36	-	(32)	11
	<u>(22)</u>	<u>25</u>	<u>(246)</u>	<u>(27)</u>
Total income tax expense	<u>155</u>	<u>211</u>	<u>454</u>	<u>557</u>

The effective tax rate of the Group was higher than the statutory tax rate mainly due to certain expenses which are not deductible for tax purposes.

22. Sale of unquoted investments and/or properties

There were no sales of unquoted investments and/or properties held by the Group for the current quarter under review and current year-to-date.

23. Purchase or disposal of quoted securities

There was no purchase or disposal of quoted securities for the current quarter under review and current year-to-date.

24. Status of corporate proposals

Utilisation of proceeds

As at the end of the current quarter and current year-to-date, the total gross proceeds of RM8.438 million from Public Issue have been utilised in the following manner:

Details of the utilisation of proceeds	Estimated timeframe for utilisation from the date of Listing	Revised Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000
Construction of a secondary processing plant	Within 12 months	524	524	-
Operating of quarry	Within 30 months	2,120	-	2,120
Working capital	Within 18 months	4,264	4,264	-
Defraying listing expenses	Within 6 months	1,530	* 1,741	-
		<u>8,438</u>	<u>6,529</u>	<u>2,120</u>

* Deficit was paid through internally generated fund.

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

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

24. Status of corporate proposals (continued)

Utilisation of proceeds (continued)

^ On 9 September 2011, the Company has announced that the Board had resolved to extend the timeframe for utilisation of proceeds for operating of quarry of RM2.12 million from eighteen (18) months period to thirty (30) months period until 25 September 2012.

25. Borrowings and debts securities

There were no foreign currency denominated borrowings as at 30 September 2011.

	As at 30.9.2011 RM'000	As at 31.12.2010 RM'000
Short term borrowings		
Secured:		
Bank overdrafts	1,412	2,625
Banker acceptances	11,444	10,924
Obligation under finance leases	325	431
Term loans	544	535
	<u>13,725</u>	<u>14,515</u>
Long term borrowings		
Secured:		
Obligation under finance leases	639	814
Term loans	10,318	8,215
	<u>10,957</u>	<u>9,029</u>
Total borrowings	<u>24,682</u>	<u>23,544</u>

26. Off balance sheet financial instruments

There were no off balance sheet financial instruments as at the date of this interim financial report.

27. Derivatives

There were no outstanding derivatives as at the date of this interim financial report.

28. Material litigation

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

29. Dividend

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

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

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

30. Earnings per share

(a) Basic

Basic earnings per share amounts is calculated by dividing profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial period.

	Individual quarter		Cumulative quarter	
	Current year quarter ended 30.9.2011	Preceding year corresponding quarter ended 30.9.2010	Current year- to-date 30.9.2011	Preceding year corresponding period 30.9.2010
Profit for the period attributable to ordinary equity holders of the Company (RM '000)	450	603	1,281	1,515
Weighted average number of ordinary shares in issue ('000)	80,000	71,876	80,000	71,876
Basic earnings per share (sen)	0.56	0.84	1.60	2.11

(b) Diluted

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

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

Part C - Disclosure of realised and unrealised profits or losses

31. Retained earnings

The breakdown of realised and unrealised retained earnings is as follows:

	Realised RM'000	Unrealised RM'000	Total retained earnings RM'000
For the quarter ended 30 September 2011			
Total retained earnings of the Company and its subsidiaries	11,405	(1,527)	9,878
Less: Consolidation adjustments			<u>(468)</u>
Retained earnings of the Group			<u>9,410</u>
For the quarter ended 31 December 2010			
Total retained earnings of the Company and its subsidiaries	10,834	(1,534)	9,300
Less: Consolidation adjustments			<u>(371)</u>
Retained earnings of the Group			<u>8,929</u>

32. Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Board on 21 November 2011.