



HOCK HENG STONE INDUSTRIES BHD.

(Company No. : 840040-H)

(Incorporated in Malaysia)

**Interim Financial Report
For the fourth quarter ended
31 December 2011**

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

Condensed Consolidated Statements of Comprehensive Income
For the fourth quarter ended 31 December 2011
(The figures have not been audited)

	Note	Individual quarter		Cumulative quarter	
		Current year quarter ended 31.12.2011 RM'000	Preceding year corresponding quarter ended 31.12.2010 RM'000	Current year- to-date 31.12.2011 RM'000	Preceding year corresponding period 31.12.2010 RM'000
Continuing operations					
Revenue		9,284	14,901	40,301	43,022
Cost of sales		(5,983)	(11,628)	(29,855)	(32,435)
Gross profit		3,301	3,273	10,446	10,587
Other income		44	87	414	202
Administrative, general and selling expenses		(1,800)	(1,745)	(6,576)	(6,352)
Operating profit		1,545	1,615	4,284	4,437
Finance costs		(142)	(314)	(1,162)	(1,058)
Profit before tax	21	1,403	1,301	3,122	3,379
Income tax expense	22	(441)	(422)	(895)	(979)
Profit for the period		962	879	2,227	2,400
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		962	879	2,227	2,400
Profit attributable to:					
Owners of the parent		941	894	2,222	2,409
Non-controlling interests		21	(15)	5	(9)
		962	879	2,227	2,400
Total comprehensive income attributable to:					
Owners of the parent		941	894	2,222	2,409
Non-controlling interests		21	(15)	5	(9)
		962	879	2,227	2,400
Earnings per share attributable to owners of the parent:					
Basic, for the period (sen)	28	1.18	1.24	2.78	3.35
Diluted, for the period (sen)	28	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.
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Condensed Consolidated Statement of Financial Position
As at 31 December 2011

	Note	Unaudited As at 31.12.2011 RM'000	Audited As at 31.12.2010 RM'000
Assets			
Non-current assets			
Property, plant and equipment		25,431	25,641
Investment properties		1,513	1,962
Land use rights		2,543	2,602
Development expenditure		379	379
		<u>29,866</u>	<u>30,584</u>
Current assets			
Inventories		25,361	21,898
Trade receivables and other receivables		19,812	19,652
Other current assets		4,544	5,398
Income tax receivable		51	204
Cash and bank balances		4,664	5,633
		<u>54,432</u>	<u>52,785</u>
Total assets		<u>84,298</u>	<u>83,369</u>
Equity and liabilities			
Current liabilities			
Income tax payable		263	132
Loan and borrowings	24	12,979	14,515
Trade payables and other payables		8,419	9,193
Other current liability		271	106
		<u>21,932</u>	<u>23,946</u>
Net current assets		<u>32,500</u>	<u>28,839</u>
Non-current liabilities			
Deferred tax liabilities		1,151	1,412
Loan and borrowings	24	10,806	9,029
		<u>11,957</u>	<u>10,441</u>
Total liabilities		<u>33,889</u>	<u>34,387</u>
Equity attributable to owners of the parent			
Share capital		40,000	40,000
Retained earnings	29	10,351	8,929
		<u>50,351</u>	<u>48,929</u>
Non-controlling interests		58	53
Total equity		<u>50,409</u>	<u>48,982</u>
Total equity and liabilities		<u>84,298</u>	<u>83,369</u>
Net assets per share attributable to ordinary equity holders of the Company (sen)		<u>62.94</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.
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Condensed Consolidated Statement of Changes in Equity
For the fourth quarter ended 31 December 2011
(The figures have not been audited)

	Attributable to equity holders of the parent			Total equity attributable to owners of the parent RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Non- distributable Share premium RM'000	Distributable Retained earnings RM'000			
As at 1 January 2010	32,329	-	7,525	39,854	62	39,916
Effect of FRS 139	-	-	(146)	(146)	-	(146)
	32,329	-	7,379	39,708	62	39,770
Total comprehensive income for the period	-	-	2,409	2,409	(9)	2,400
Transactions with owners						
Public issue of RM0.55 per share	7,671	767	-	8,438	-	8,438
Share issue expenses	-	(767)	(859)	(1,626)	-	(1,626)
Transactions with owners	7,671	-	(859)	6,812	-	6,812
As at 31 December 2010	40,000	-	8,929	48,929	53	48,982
As at 1 January 2011	40,000	-	8,929	48,929	53	48,982
Total comprehensive income for the period	-	-	2,222	2,222	5	2,227
Transactions with owners						
Dividend paid	-	-	(800)	(800)	-	(800)
As at 31 December 2011	40,000	-	10,351	50,351	58	50,409

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.
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Condensed Consolidated Statement of Cash Flows
For the fourth quarter ended 31 December 2011
(The figures have not been audited)

	Current year- to-date 31.12.2011 RM'000	Preceding year corresponding period 31.12.2010 RM'000
Cash flows from operating activities		
Profit before tax	3,122	3,379
Adjustment for:		
Amortisation of land use rights	59	59
Depreciation of property, plant and equipment	2,089	2,000
Depreciation of investment properties	33	39
Impairment loss on trade receivables	97	42
Gain on disposal of property, plant and equipment	-	(27)
Gain on disposal of investment properties	(252)	-
Property, plant and equipment written off	1	2
Unrealised loss/(gain) on foreign exchange	20	(78)
Interest expense	1,162	1,058
Interest income	(96)	(42)
Operating profit before changes in working capital	6,235	6,432
Changes in working capital:		
Increase in inventories	(3,463)	(3,164)
Increase in receivables	(257)	(5,060)
Decrease/(increase) in other current assets	854	(1,634)
(Decrease)/increase in payables	(794)	4,093
Increase in other current liabilities	165	71
Cash generated from operations	2,740	738
Income tax paid	(872)	(1,473)
Interest paid	(1,162)	(1,058)
Net cash from/(used in) operating activities	706	(1,793)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,769)	(4,664)
Proceeds from disposal of property, plant and equipment	-	44
Proceeds from disposal of investment properties	669	-
Interest received	96	42
Net cash used in investing activities	(1,004)	(4,578)
Cash flows from financing activities		
(Decrease)/increase of short term borrowings	(1,281)	2,139
Drawdown of term loans	2,700	4,500
Repayment of term loans	(702)	(2,183)
Repayment of obligation under finance leases	(432)	(362)
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	-	(1,626)
Net cash (used in)/from financing activities	(515)	10,456

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Condensed Consolidated Statement of Cash Flows (continued)
For the fourth quarter ended 31 December 2011
(The figures have not been audited)

	Current year- to-date 31.12.2011 RM'000	Preceding year corresponding period 31.12.2010 RM'000
Net (decrease)/increase in cash and cash equivalents	(813)	4,085
Cash and cash equivalents at beginning of period	3,008	(1,077)
Cash and cash equivalents at end of period	<u>2,195</u>	<u>3,008</u>

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

Cash and bank balances	4,664	5,633
Less: Bank overdrafts	<u>(2,469)</u>	<u>(2,625)</u>
	<u>2,195</u>	<u>3,008</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.

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Notes to the Interim Financial Report for the fourth quarter ended 31 December 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*

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Hock Heng Stone Industries Bhd.
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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.

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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
Land	154
Factory buildings and extensions	67
Plant, machinery and factory equipment	82
Motor vehicles	163
Other assets *	175
Building-in-progress	1,239
	<u>1,880</u>

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

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

	RM'000
Finance leases	111
Cash outflow	1,769
	<u>1,880</u>

Disposals

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

9. Dividends paid

There were no dividends paid during the current quarter under review.

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

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 and others.

	Sales of goods RM'000	Construction RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Period ended 31.12.2011					
Revenue:					
External customers	26,252	14,049	-	-	40,301
Inter-segment	28,497	-	740	(29,237)	-
	<u>54,749</u>	<u>14,049</u>	<u>740</u>	<u>(29,237)</u>	<u>40,301</u>
Results:					
Interest income	51	3	42	-	96
Finance costs	1,149	13	-	-	1,162
Depreciation and amortisation	2,046	135	-	-	2,181
Other non-cash expense	5	92	-	-	97
Segment profit	<u>3,544</u>	<u>461</u>	<u>634</u>	<u>(1,517)</u>	<u>3,122</u>
Assets					
Capital expenditure	1,731	149	-	-	1,880
Segment assets	<u>68,973</u>	<u>13,060</u>	<u>2,265</u>	<u>-</u>	<u>84,298</u>
Segment liabilities					
	<u>33,541</u>	<u>271</u>	<u>77</u>	<u>-</u>	<u>33,889</u>

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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 31.12.2010					
Revenue:					
External customers	21,259	21,763	-	-	43,022
Inter-segment	33,918	-	1,700	(35,618)	-
	<u>55,177</u>	<u>21,763</u>	<u>1,700</u>	<u>(35,618)</u>	<u>43,022</u>
Results:					
Interest income	33	3	6	-	42
Finance costs	1,044	14	-	-	1,058
Depreciation and amortisation	1,999	99	-	-	2,098
Other non-cash expense	42	-	-	-	42
Segment profit	<u>3,073</u>	<u>1,045</u>	<u>1,468</u>	<u>(2,207)</u>	<u>3,379</u>
Assets					
Capital expenditure	4,138	1,039	-	-	5,177
Segment assets	<u>66,173</u>	<u>14,794</u>	<u>2,402</u>	<u>-</u>	<u>83,369</u>
Segment liabilities	<u>34,224</u>	<u>106</u>	<u>57</u>	<u>-</u>	<u>34,387</u>

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 31.12.2011 RM'000	As at 31.12.2010 RM'000
Property, plant and equipment:		
- Approved and contracted for	1,487	820
- Approved but not contracted for	-	544
	<u>1,487</u>	<u>1,364</u>

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

13. Material events subsequent to the end of period reported

There were no material events subsequent to the end of the current quarter except as disclosed in Note 14(ii).

14. Changes in composition of the Group

- (i) On 23 December 2011, the Company has incorporated a wholly-owned subsidiary, Hock Heng Realty Sdn. Bhd. ("HHR"), a company incorporated in Malaysia. HHR has an authorised capital of RM100,000 and paid-up capital of RM1,000. The Company become the holding company of HHR.
- (ii) On 16 January 2012, the Company has acquired 75,001 ordinary shares (equivalent to 75% equity interest) in Dunia Batu Alam Sdn. Bhd. ("DBA"), a company incorporated in Malaysia, for a total consideration of RM1,500. DBA has an authorised capital of RM500,000 and paid-up capital of RM100,002. The acquisition resulting DBA become a 75% owned subsidiary of the Company.

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.

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")

	Individual quarter		Cumulative quarter	
	Current year quarter ended 31.12.2011 RM'000	Preceding year corresponding quarter ended 31.12.2010 RM'000	Current year- to-date 31.12.2011 RM'000	Preceding year corresponding period 31.12.2010 RM'000
Rental paid to LBS	21	21	84	84
Sales of dimension stone products to EMP	355	680	2,348	1,610

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.

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

17. Review performance of the Group

3 months ended 31.12.2011

	Individual quarter		Increase/(decrease)	
	Current year quarter ended 31.12.2011 RM'000	Preceding year corresponding quarter ended 31.12.2010 RM'000	RM'000	%
Revenue	9,284	14,901	(5,617)	(37.7)
- Sales of goods segment	7,816	6,128	1,688	27.5
- Construction segment	1,468	8,773	(7,305)	(83.3)
Profit before tax	1,403	1,301	102	7.8

Revenue

The Group's revenue for current quarter ("4Q2011") ended 31 December 2011 has decreased by RM5.62 million or 37.7% to RM9.28 million as compared to corresponding quarter in the preceding year. The decrease in revenue for 4Q2011 was due to the decrease in construction segment by RM7.31 million but was partly offset by higher sales of goods segment which increase of RM1.69 million.

Profit before tax

The Group's profit before tax for 4Q2011 has increase by RM102,000 or 7.8% to RM1.40 million in comparison with the corresponding quarter in the preceding year. The increase in the profit before tax is mainly due to lower finance costs but partly off-set by higher administrative, selling and general expenses in the current quarter under review.

12 months ended 31.12.2011

	Cumulative quarter		Increase/(decrease)	
	Current year- to-date 31.12.2011 RM'000	Preceding year corresponding period 31.12.2010 RM'000	RM'000	%
Revenue	40,301	43,022	(2,721)	(6.3)
- Sales of goods segment	26,252	21,259	4,993	23.5
- Construction segment	14,049	21,763	(7,714)	(35.4)
Profit before tax	3,122	3,379	(257)	(7.6)

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

17. Review performance of the Group (continued)

12 months ended 31.12.2011 (continued)

Revenue

The Group's revenue for current year-to-date ("12M2011") ended 31 December 2011 has decreased by RM2.72 million or 6.3% to RM40.30 million as compared to corresponding period in the preceding year. The decrease in revenue for 12M2011 was due to the decrease in construction segment by RM7.71 million and was partly offset by the increase in sales of goods segment by RM4.99 million.

Profit before tax

The Group's profit before tax for 12M2011 has declined by RM0.26 million or 7.6% to RM3.12 million in comparison with the corresponding period in the preceding year. The decrease in the profit before tax is mainly due to lower operating profit generated resulted from lower revenue in 12M2011 as well as higher finance costs, administrative, general and selling expenses in the current period under review.

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

	Individual quarter		Increase/ (decrease) RM'000
	Current quarter ended 31.12.2011 RM'000	Preceding quarter ended 30.9.2011 RM'000	
Profit before tax	1,403	585	818

The Group recorded a profit before tax of RM1.40 million for the current quarter under review as compared to RM0.58 million in the immediate preceding quarter, representing an increase of RM0.82 million. The increase of profit before tax is mainly due to higher operating profit generated by RM1.08 million and lower finance costs by RM0.20 million but was partly offset by the increase in administrative, general and selling expenses by RM0.24 million and lower other income by RM0.22 million in current quarter as compared to immediate preceding quarter.

19. Commentary on prospects

The global economic outlook remains challenging following the weaker-than-expected United States (US) economic performance, deepening euro sovereign debt crisis as well as rising of global inflation.

Despite the uncertainties, the Malaysian economy is forecasted to grow between 5% to 6% in 2012 with construction sector as one of the key drivers. The construction sector is expected to grow at a stronger pace of 7% in 2012 as large infrastructure projects and property construction activities pick up. (Source: *Economic Report 2011/2012, Ministry of Finance, Malaysia*)

Barring any unforeseen circumstances, the Directors believe that the Group's prospect will be favourable for the next financial year ending 31 December 2012.

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Hock Heng Stone Industries Bhd.
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Part B - Explanatory notes pursuant to Appendix 9B of the Listing Requirements (continued)

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. Profit before tax

Profit before tax is arrived at after charging/(crediting):

	Individual quarter		Cumulative quarter	
	Current year quarter ended 31.12.2011 RM'000	Preceding year corresponding quarter ended 31.12.2010 RM'000	Current year- to-date 31.12.2011 RM'000	Preceding year corresponding period 31.12.2010 RM'000
Gain on disposal of:				
- Property, plant and equipment	-	-	-	(27)
- Investment properties	-	-	(252)	-
Gain on foreign exchange:				
- Realised	-	-	(9)	-
- Unrealised	-	(66)	-	(78)
Interest income	(35)	(10)	(96)	(42)
Rental income	(9)	(11)	(38)	(50)
Amortisation of land use rights	15	15	59	59
Depreciation of:				
- Property, plant and equipment	521	451	2,089	2,000
- Investment properties	7	10	33	39
Property, plant and equipment written off	-	-	1	2
Impairment loss on trade receivables	97	42	97	42
Loss on foreign exchange:				
- Unrealised	20	-	20	-

Other than the above items, there were no provision for and write off of inventories, gain or loss on disposal of quoted or unquoted investments, impairment of assets, gain or loss on derivatives and exceptional items for the current quarter and and current year-to-date.

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

22. Income tax expense

Major components of income tax expense includes the following:

	Individual quarter		Cumulative quarter	
	Current year quarter ended 31.12.2011 RM'000	Preceding year corresponding quarter ended 31.12.2010 RM'000	Current year- to-date 31.12.2011 RM'000	Preceding year corresponding period 31.12.2010 RM'000
Current tax:				
Malaysian income tax	505	519	1,205	1,103
Overprovided in prior periods	(49)	-	(49)	-
	<u>456</u>	<u>519</u>	<u>1,156</u>	<u>1,103</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	(103)	(121)	(317)	(159)
Underprovided in prior periods	88	24	56	35
	<u>(15)</u>	<u>(97)</u>	<u>(261)</u>	<u>(124)</u>
Total income tax expense	<u>441</u>	<u>422</u>	<u>895</u>	<u>979</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.

23. 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	[^] -	-	-
Working capital	Within 30 months	[^] 6,384	4,264	2,120
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.

[^] On 27 December 2011, the Company has announced that the Board had resolved to vary the proposed utilisation of proceeds of RM2.12 million that was allocated for the operation of the quarry to working capital. The Board also resolved to extend the timeframe for utilisation of the revised proceeds for another twelve (12) months period to thirty (30) months period until 25 September 2012.

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

24. Borrowings and debts securities

There were no foreign currency denominated borrowings as at 31 December 2011.

	As at 31.12.2011 RM'000	As at 31.12.2010 RM'000
Short term borrowings		
Secured:		
Bank overdrafts	2,469	2,625
Banker acceptances	9,643	10,924
Obligation under finance leases	319	431
Term loans	548	535
	<u>12,979</u>	<u>14,515</u>
Long term borrowings		
Secured:		
Obligation under finance leases	606	814
Term loans	10,200	8,215
	<u>10,806</u>	<u>9,029</u>
Total borrowings	<u>23,785</u>	<u>23,544</u>

25. Derivatives

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

26. Material litigation

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

27. Dividend

The Board of Directors is pleased to propose a final single tier dividend of 1 sen net per ordinary share, which is not taxable, amounting to RM0.80 million for the financial year ended 31 December 2011. The proposed final dividend is subject to shareholders' approval at the forthcoming Third Annual General Meeting.

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

28. 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 31.12.2011	Preceding year corresponding quarter ended 31.12.2010	Current year- to-date 31.12.2011	Preceding year corresponding period 31.12.2010
Profit for the period attributable to ordinary equity holders of the Company (RM'000)	941	894	2,222	2,409
Weighted average number of ordinary shares in issue ('000)	80,000	71,876	80,000	71,876
Basic earnings per share (sen)	<u>1.18</u>	<u>1.24</u>	<u>2.78</u>	<u>3.35</u>

(b) Diluted

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

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Part C - Disclosure of realised and unrealised profits or losses

29. 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 31 December 2011			
Total retained earnings of the Company and its subsidiaries	12,505	(1,565)	10,940
Less: Consolidation adjustments			<u>(589)</u>
Retained earnings of the Group			<u>10,351</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>

30. 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 27 February 2012.