



**HOCK HENG STONE INDUSTRIES BHD.**

(Company No. : 840040-H)

(Incorporated in Malaysia)

**Condensed Consolidated  
Interim Financial Statements  
For the first quarter ended  
31 March 2012**

Company No. : 840040-H

Hock Heng Stone Industries Bhd.  
(Incorporated in Malaysia)

**Condensed Consolidated Statements of Comprehensive Income**  
**For the first quarter ended 31 March 2012**  
**(The figures have not been audited)**

	Note	Individual quarter		Cumulative quarter	
		Current year quarter ended 31.3.2012 RM'000	Preceding year corresponding quarter ended 31.3.2011 RM'000	Current year- to-date 31.3.2012 RM'000	Preceding year corresponding period 31.3.2011 RM'000
<b>Continuing operations</b>					
Revenue		7,531	10,675	7,531	10,675
Cost of sales		(5,333)	(8,225)	(5,333)	(8,225)
<b>Gross profit</b>		<b>2,198</b>	<b>2,450</b>	<b>2,198</b>	<b>2,450</b>
Other income		49	47	49	47
Administrative, general and selling expenses		(1,511)	(1,551)	(1,511)	(1,551)
Operating profit		736	946	736	946
Finance costs		(308)	(333)	(308)	(333)
<b>Profit before tax</b>	24	<b>428</b>	<b>613</b>	<b>428</b>	<b>613</b>
Income tax expense	25	(113)	(172)	(113)	(172)
<b>Profit for the period</b>		<b>315</b>	<b>441</b>	<b>315</b>	<b>441</b>
<b>Other comprehensive income</b>		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>315</b>	<b>441</b>	<b>315</b>	<b>441</b>
<b>Profit attributable to:</b>					
Owners of the parent		315	438	315	438
Non-controlling interests		-	3	-	3
		<b>315</b>	<b>441</b>	<b>315</b>	<b>441</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		315	438	315	438
Non-controlling interests		-	3	-	3
		<b>315</b>	<b>441</b>	<b>315</b>	<b>441</b>
<b>Earnings per share attributable to owners of the parent:</b>					
Basic, for the period (sen)	34	0.39	0.55	0.39	0.55
Diluted, for the period (sen)	34	N/A	N/A	N/A	N/A

Notes:

N/A Not applicable

These Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Company No. : 840040-H

Hock Heng Stone Industries Bhd.  
(Incorporated in Malaysia)

Condensed Consolidated Statements of Financial Position  
As at 31 March 2012

	Note	Unaudited As at 31.3.2012 RM'000	Audited As at 31.12.2011 RM'000	Audited As at 1.1.2011 RM'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	8	26,791	25,431	25,641
Investment properties		1,506	1,513	1,962
Land use rights		2,528	2,543	2,602
Development expenditure		379	379	379
		<u>31,204</u>	<u>29,866</u>	<u>30,584</u>
<b>Current assets</b>				
Inventories	9	26,846	25,396	21,898
Trade receivables and other receivables		17,984	19,795	19,652
Other current assets		4,996	4,560	5,398
Income tax receivable		52	52	204
Cash and bank balances	10	3,537	4,664	5,633
		<u>53,415</u>	<u>54,467</u>	<u>52,785</u>
<b>Total assets</b>		<u>84,619</u>	<u>84,333</u>	<u>83,369</u>
<b>Equity and liabilities</b>				
<b>Current liabilities</b>				
Income tax payable		253	258	132
Borrowings	27	14,281	13,000	14,515
Trade payables and other payables		6,691	8,456	9,193
Other current liability		25	271	106
		<u>21,250</u>	<u>21,985</u>	<u>23,946</u>
<b>Net current assets</b>		<u>32,165</u>	<u>32,482</u>	<u>28,839</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities		1,019	1,150	1,412
Borrowings	27	11,624	10,785	9,029
		<u>12,643</u>	<u>11,935</u>	<u>10,441</u>
<b>Total liabilities</b>		<u>33,893</u>	<u>33,920</u>	<u>34,387</u>
<b>Equity attributable to owners of the parent</b>				
Share capital		40,000	40,000	40,000
Retained earnings	35	10,670	10,355	8,929
		<u>50,670</u>	<u>50,355</u>	<u>48,929</u>
Non-controlling interests		56	58	53
<b>Total equity</b>		<u>50,726</u>	<u>50,413</u>	<u>48,982</u>
<b>Total equity and liabilities</b>		<u>84,619</u>	<u>84,333</u>	<u>83,369</u>
Net assets per share attributable to ordinary equity holders of the Company (sen)		<u>63.34</u>	<u>62.94</u>	<u>61.16</u>

These Condensed Consolidated Statements of Financial Position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Company No. : 840040-H

Hock Heng Stone Industries Bhd.  
(Incorporated in Malaysia)

Condensed Consolidated Statements of Changes in Equity  
For the first quarter ended 31 March 2012  
(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	Distributable Retained earnings RM'000			
Opening balance at 1 January 2011	40,000	8,929	48,929	53	48,982
Total comprehensive income for the period	-	438	438	3	441
Closing balance at 31 March 2011	40,000	9,367	49,367	56	49,423
Opening balance at 1 January 2012	40,000	10,355	50,355	58	50,413
Total comprehensive income for the period	-	315	315	-	315
Acquisition of subsidiary	-	-	-	(2)	(2)
Closing balance at 31 March 2012	40,000	10,670	50,670	56	50,726

These Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Company No. : 840040-H

Hock Heng Stone Industries Bhd.  
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**Condensed Consolidated Statements of Cash Flows**  
**For the first quarter ended 31 March 2012**  
**(The figures have not been audited)**

	Note	Current year- to-date 31.3.2012 RM'000	Preceding year corresponding period 31.3.2011 RM'000
<b>Cash flows from operating activities</b>			
Profit before tax		428	613
Adjustment for:			
Amortisation of land use rights		15	15
Depreciation of property, plant and equipment		524	520
Depreciation of investment properties		7	10
Property, plant and equipment written off		-	1
Goodwill written off		7	-
Unrealised gain on foreign exchange		(27)	-
Interest expense		308	333
Interest income		(16)	(20)
<b>Operating profit before changes in working capital</b>		<u>1,246</u>	<u>1,472</u>
Changes in working capital:			
(Increase)/decrease in inventories		(1,450)	103
Decrease in receivables		1,811	166
(Increase)/decrease in other current assets		(436)	695
Decrease in payables		(1,745)	(1,892)
Decrease in other current liabilities		(246)	(106)
<b>Cash (used in)/generated from operations</b>		<u>(820)</u>	<u>438</u>
Income tax paid		(250)	(53)
Interest paid		(308)	(333)
<b>Net cash (used in)/from operating activities</b>		<u>(1,378)</u>	<u>52</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(1,884)	(729)
Acquisition of subsidiary	17	(2)	-
Interest received		16	20
<b>Net cash used in investing activities</b>		<u>(1,870)</u>	<u>(709)</u>
<b>Cash flows from financing activities</b>			
Increase of short term borrowings		1,029	345
Drawdown of term loans		1,126	-
Repayment of term loans		(132)	(148)
Repayment of obligation under finance leases		(76)	(106)
<b>Net cash from financing activities</b>		<u>1,947</u>	<u>91</u>
<b>Net decrease in cash and cash equivalents</b>		(1,301)	(566)
<b>Cash and cash equivalents at beginning of period</b>		<u>2,195</u>	<u>3,008</u>
<b>Cash and cash equivalents at end of period</b>		<u>894</u>	<u>2,442</u>

These Condensed Consolidated Statements of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

**Company No. : 840040-H**

**Hock Heng Stone Industries Bhd.  
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**Notes to the Interim Financial Statements for the first quarter ended 31 March 2012**

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

**1. Corporate information**

Hock Heng Stone Industries Bhd. is a public limited liability company incorporated and domiciled in Malaysia and is listed on Bursa Malaysia Securities Berhad.

**2. First-time adoption of Malaysian Financial Reporting Standards ("MFRS")**

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

The consolidated financial statements of the Group for the financial year ended 31 December 2011 which were prepared under FRS are available upon request from the Company registered office at Lot 1A, 6<sup>th</sup> Floor, Menara Pertam, Jalan BBP 2, Taman Batu Berendam Putra, Batu Berendam, 75350 Melaka.

These condensed consolidated interim financial statements are the Group's first MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the financial year ending 31 December 2012. MFRS 1 *First-Time Adoption of Malaysian Financial Reporting Standards* ("MFRS 1") has been applied.

The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2011.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2011 (which also the date of transition), no adjustments were required to be made to the amounts previously reported in Group's FRS financial statements. The transition from FRS to MFRS has no impact on the Group's financial position, financial performance and cash flows for the periods so presented.

**3. Significant accounting policies**

**3.1 Application of MFRS 1**

The audited financial statements of the Group for the financial year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2011 except as discussed below:

**(a) Business combination**

MFRS 1 provides the option to apply MFRS 3: *Business Combinations*, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combination prior to the date of transition.

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

**3. Significant accounting policies (continued)**

**3.1 Application of MFRS 1 (continued)**

**(a) Business combination (continued)**

Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition,

- (i) The classification of former business combination under FRS is maintained;
- (ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
- (iii) The carrying amount of goodwill recognised under FRS is not adjusted.

**(b) Estimates**

The estimates at 1 January 2011 and at 31 December 2011 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present these amounts in accordance with MFRS reflect conditions at 1 January 2011, the date of transition to MFRS and as of 31 December 2011.

The reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are not provided as the transition from FRS to MFRS had no impact to the amounts so reported.

**3.2 MFRSs, Amendments to MFRSs and IC Interpretation issued but not yet effective**

The following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:

*Effective for financial periods beginning on or after 1 July 2012*

- Amendments to MFRS 101: *Presentation of Items of Other Comprehensive Income*

*Effective for financial periods beginning on or after 1 January 2013*

- MFRS 10: *Consolidated Financial Statements*
- MFRS 11: *Joint Arrangements*
- MFRS 12: *Disclosure of Interests in Other Entities*
- MFRS 13: *Fair Value Measurement*
- MFRS 119: *Employee Benefits*
- MFRS 127: *Separate Financial Statements*
- MFRS 128: *Investments in Associate and Joint Ventures*
- Amendments to MFRS 7: *Disclosures - Offsetting Financial Assets and Financial Liabilities*
- IC Interpretation 20: *Stripping Costs in the Production Phase of a Surface Mine*

*Effective for financial periods beginning on or after 1 January 2014*

- Amendments to MFRS 132: *Offsetting Financial Assets and Financial Liabilities*

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Hock Heng Stone Industries Bhd.  
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**Part A - Explanatory notes pursuant to Malaysian Financial Reporting Standard 134 (continued)**

**3. Significant accounting policies (continued)**

**3.2 MFRSs, Amendments to MFRSs and IC Interpretation issued but not yet effective (continued)**

*Effective for financial periods beginning on or after 1 January 2015*

- MFRS 9: *Financial Instruments* (IFRS 9 issued by IASB in November 2009 and October 2010)

**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.

**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. Property, plant and equipment**

Acquisitions

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

	<b>31.3.2012</b>	<b>31.3.2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Land	1,736	-
Factory buildings and extensions	3	-
Building-in-progress	35	635
Plant, machinery and factory equipment	-	19
Motor vehicles	55	-
Other assets *	55	75
	<u>1,884</u>	<u>729</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.



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

9. Inventories

During the three months ended 31 March 2012, there were no write-down of inventories.

10. Cash and bank balances

	As at 31.3.2012 RM'000	As at 31.12.2011 RM'000	As at 1.1.2011 RM'000
Cash at banks and on hand	2,213	3,101	4,117
Short term deposits with licensed banks	1,324	1,563	1,516
Cash and bank balances	3,537	4,664	5,633
Less: Bank overdrafts	(2,643)	(2,469)	(2,625)
<b>Total cash and cash equivalents</b>	<b>894</b>	<b>2,195</b>	<b>3,008</b>

11. Fair value hierarchy

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

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

12. Provisions for cost of restructuring

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

13. Dividends paid

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

14. Capital commitments

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

	As at 31.3.2012 RM'000	As at 31.12.2011 RM'000	As at 1.1.2011 RM'000
Property, plant and equipment:			
- Approved and contracted for	161	1,487	820
- Approved and not contracted for	-	-	544
	<b>161</b>	<b>1,487</b>	<b>1,364</b>

15. Contingent assets and liabilities

There were no contingent assets or liabilities since 31 December 2011.

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

16. Segment information

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

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

	Sales of goods RM'000	Construction RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>Period ended 31.3.2012</b>					
<b>Revenue:</b>					
External customers	6,234	1,297	-	-	7,531
Inter-segment	4,744	-	-	(4,744)	-
	<u>10,978</u>	<u>1,297</u>	<u>-</u>	<u>(4,744)</u>	<u>7,531</u>
<b>Results:</b>					
Interest income	11	1	4	-	16
Finance costs	305	3	-	-	308
Depreciation and amortisation	509	37	-	-	546
Segment profit	<u>901</u>	<u>109</u>	<u>(30)</u>	<u>(552)</u>	<u>428</u>
<b>Assets</b>					
Capital expenditure	1,324	560	-	-	1,884
Segment assets	<u>69,840</u>	<u>12,491</u>	<u>2,288</u>	<u>-</u>	<u>84,619</u>
<b>Segment liabilities</b>	<u>33,807</u>	<u>25</u>	<u>61</u>	<u>-</u>	<u>33,893</u>
<b>Period ended 31.3.2011</b>					
<b>Revenue:</b>					
External customers	5,256	5,419	-	-	10,675
Inter-segment	7,377	-	-	(7,377)	-
	<u>12,633</u>	<u>5,419</u>	<u>-</u>	<u>(7,377)</u>	<u>10,675</u>
<b>Results:</b>					
Interest income	8	-	12	-	20
Finance costs	329	4	-	-	333
Depreciation and amortisation	513	32	-	-	545
Segment profit	<u>789</u>	<u>341</u>	<u>(32)</u>	<u>(485)</u>	<u>613</u>

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

16. Segment information (continued)

	Sales of goods RM'000	Construction RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>Period ended 31.3.2011</b>					
<b>Assets</b>					
Capital expenditure	686	43	-	-	729
Segment assets	<u>65,635</u>	<u>13,760</u>	<u>2,155</u>	<u>-</u>	<u>81,550</u>
<b>Segment liabilities</b>	<u>32,090</u>	<u>-</u>	<u>37</u>	<u>-</u>	<u>32,127</u>

17. Changes in composition of the Group

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. The acquisition has been accounted for using the acquisition method. The condensed consolidated interim financial statements include the results of DBA from the date of acquisition.

The liabilities of DBA as at the date of acquisition are as follows:

	Fair value recognised on acquisition RM'000
<b>Liabilities</b>	
Payables	<u>(7)</u>
	<u>(7)</u>
Fair value of net liability	(7)
Less: Non-controlling interests	<u>2</u>
	(5)
Goodwill	<u>7</u>
Total cost of acquisition	<u>2</u>
<b>Analysis of cash flows on acquisition:</b>	
Cash paid	(2)
Cash and cash equivalents of subsidiary acquired	<u>-</u>
<b>Net cash outflow</b>	<u>(2)</u>

From the date of acquisition, DBA has contributed net loss of RM1,000 to the profit before tax of the Group. If the acquisition had taken place on 1 January 2012, DBA will contribute net loss of RM1,000 to the profit before tax of the Group.

The above goodwill has been written off during the current quarter.

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

**18. Events after the reporting period**

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

**19. Related party transactions**

The Group had the following transactions with related parties during the current quarter under review and current year-to-date as well as the balances with the related parties as at 31 March 2012, 31 March 2011 and 1 January 2011:

- (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 31.3.2012 RM'000	Preceding year corresponding quarter ended 31.3.2011 RM'000	Current year- to-date 31.3.2012 RM'000	Preceding year corresponding period 31.3.2011 RM'000
Rental paid to LBS	21	21	21	21
Sales of dimension stone products to EMP	231	378	231	378
	<b>Amount owed by/(owed to) related parties</b>			
	<b>As at 31.3.2012 RM'000</b>	<b>As at 31.12.2011 RM'000</b>	<b>As at 1.1.2011 RM'000</b>	
LBS	-	-	-	
EMP	-	-	-	170

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

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

20. Review performance of the Group

3 months ended 31.3.2012

	Current year quarter ended 31.3.2012 RM'000	Preceding year corresponding quarter ended 31.3.2011 RM'000	Increase/(decrease)	
			RM'000	%
Revenue	7,531	10,675	(3,144)	(29.5)
- Sales of goods segment	6,234	5,256	978	18.6
- Construction segment	1,297	5,419	(4,122)	(76.1)
Profit before tax	428	613	(185)	(30.2)

**Revenue**

The Group's revenue for current quarter ("1Q2012") ended 31 March 2012 has decreased by RM3.14 million or 29.5% to RM7.53 million as compared to corresponding quarter in the preceding year. The decrease in revenue for 1Q2012 was due to the decrease in construction segment by RM4.12 million but was partly offset by higher sales of goods segment which increase of RM0.98 million. The decrease in construction segment is resulted by the new major contracts only will commence in second and third quarters.

**Profit before tax**

The Group's profit before tax for 1Q2012 has declined by RM0.18 million or 30.2% to RM0.43 million in comparison with the corresponding quarter in the preceding year. The decrease in profit before tax is mainly due to lower operating profit by RM0.25 million resulted from lower revenue generated (as mentioned above) but was partly offset by the decrease in administrative, general and selling expenses by RM40,000 and finance costs by RM25,000 respectively in the current quarter under review.

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

	Current quarter ended 31.3.2012 RM'000	Preceding quarter ended 31.12.2011 RM'000	Increase/ (decrease) RM'000
Revenue	7,531	9,284	(1,753)
- Sales of goods segment	6,234	7,816	(1,582)
- Construction segment	1,297	1,468	(171)
Profit before tax	428	1,403	(975)

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

**21. Material changes in the profit before tax as compared to the immediate preceding quarter (continued)**

The Group recorded a profit before tax of RM0.43 million for the current quarter under review as compared to RM1.40 million in the immediate preceding quarter, representing a decrease of RM0.98 million. The decrease in profit before tax is due to the decrease in operating profit generated by RM1.10 million resulted from the decrease in revenue from sales of goods segment and construction segment and higher finance costs by RM0.17 million but was partly offset by the decrease in administrative, general and selling expenses by RM0.29 million in current quarter as compared to immediate preceding quarter.

**22. Commentary on prospects**

The global economic outlook remains challenging following the weaker-than-expected United States (US) economic performance, deepening euro sovereign debt crisis, global supply chain disruptions resulting earthquake and tsunami in Japan 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 (3.4% in 2011) as large infrastructure projects and property construction activities pick up. (Source: *Economic Report 2011/2012, Ministry of Finance, Malaysia*)

Barring any unforeseen circumstances and with the favourable outlook of construction sector in 2012, the Directors believe that the Group's prospects for the remaining periods of the financial year ending 31 December 2012 will remain favourable.

**23. Profit forecast or profit guarantee**

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

**24. Profit before tax**

Included in the profit before tax are the following items:

	Individual quarter		Cumulative quarter	
	Current year quarter ended 31.3.2012 RM'000	Preceding year corresponding quarter ended 31.3.2011 RM'000	Current year- to-date 31.3.2012 RM'000	Preceding year corresponding period 31.3.2011 RM'000
Interest income	(16)	(20)	(16)	(20)
Other income (including investment income)	-	-	-	-
Interest expense	308	333	308	333
Depreciation of:				
- Property, plant and equipment	524	520	524	520
- Investment properties	7	10	7	10

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

24. Profit before tax (continued)

	Individual quarter		Cumulative quarter	
	Current year quarter ended 31.3.2012 RM'000	Preceding year corresponding quarter ended 31.3.2011 RM'000	Current year- to-date 31.3.2012 RM'000	Preceding year corresponding period 31.3.2011 RM'000
Amortisation of land use rights	15	15	15	15
Impairment loss on trade receivables	-	-	-	-
Bad debts written off	-	-	-	-
Write-down of inventories	-	-	-	-
Inventories written off	-	-	-	-
(Gain)/Loss on disposal of quoted and unquoted investments	-	-	-	-
(Gain)/Loss on disposal of:				
- Property, plant and equipment	-	-	-	-
- Investment properties	-	-	-	-
Impairment of assets	-	-	-	-
Property, plant and equipment written off	-	1	-	1
Goodwill written off	7	-	7	-
(Gain)/Loss on foreign exchange:	-	-	-	-
- Realised	2	1	2	1
- Unrealised	(27)	-	(27)	-
(Gain)/Loss on derivative	-	-	-	-
Rental income	(7)	(10)	(7)	(10)

25. Income tax expense

Major components of income tax expense includes the following:

	Individual quarter		Cumulative quarter	
	Current year quarter ended 31.3.2012 RM'000	Preceding year corresponding quarter ended 31.3.2011 RM'000	Current year- to-date 31.3.2012 RM'000	Preceding year corresponding period 31.3.2011 RM'000
<b>Current tax:</b>				
Malaysian income tax	244	339	244	339
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(129)	(135)	(129)	(135)
Overprovided in prior periods	(2)	(32)	(2)	(32)
	(131)	(167)	(131)	(167)
Total income tax expense	113	172	113	172

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25. Income tax expense (continued)

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

26. 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	<sup>^</sup> -	-	-
Working capital	Within 30 months	<sup>^</sup> 6,384	4,763	1,621
Defraying listing expenses	Within 6 months	1,530	* 1,741	-
		<u>8,438</u>	<u>7,028</u>	<u>1,621</u>

\* Deficit was paid through internally generated fund.

<sup>^</sup> 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.

27. Borrowings and debts securities

None of the below borrowings are denominated in foreign currencies.

	As at 31.3.2012 RM'000	As at 31.12.2011 RM'000	As at 1.1.2011 RM'000
<b>Short term borrowings</b>			
Secured:			
Bank overdrafts	2,643	2,469	2,625
Banker acceptances	10,672	9,643	10,924
Obligation under finance leases	318	319	431
Term loans	648	569	535
	<u>14,281</u>	<u>13,000</u>	<u>14,515</u>



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

27. Borrowings and debts securities (continued)

	As at 31.3.2012 RM'000	As at 31.12.2011 RM'000	As at 1.1.2011 RM'000
<b>Long term borrowings</b>			
Secured:			
Obligation under finance leases	530	606	814
Term loans	11,094	10,179	8,215
	<u>11,624</u>	<u>10,785</u>	<u>9,029</u>
<b>Total borrowings</b>	<u>25,905</u>	<u>23,785</u>	<u>23,544</u>

28. Material litigation

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

29. 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.

30. Disclosure of nature of outstanding derivatives

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

31. Rationale for entering into derivatives

The Group did not enter into any derivatives during the period ended 31 March 2012 or the previous financial year ended 31 December 2011.

32. Risks and policies of derivatives

The Group did not enter into any derivatives during the period ended 31 March 2012 or the previous financial year ended 31 December 2011.

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

The Group did not have any financial liabilities measured at fair value through profit or loss as at 31 March 2012 or the previous financial year ended 31 December 2011.

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

34. Earnings per share

(a) Basic

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

	Individual quarter		Cumulative quarter	
	Current year quarter ended 31.3.2012	Preceding year corresponding quarter ended 31.3.2011	Current year- to-date 31.3.2012	Preceding year corresponding period 31.3.2011
Profit for the period attributable to ordinary equity holders of the Company (RM'000)	315	438	315	438
Weighted average number of ordinary shares in issue ('000)	80,000	80,000	80,000	80,000
Basic earnings per share (sen)	<u>0.39</u>	<u>0.55</u>	<u>0.39</u>	<u>0.55</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**

**35. Retained earnings**

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

	<b>Realised RM'000</b>	<b>Unrealised RM'000</b>	<b>Total retained earnings RM'000</b>
<b>For the quarter ended 31 March 2012</b>			
Total retained earnings of the Company and its subsidiaries	12,668	(1,522)	11,146
Less: Consolidation adjustments			<u>(476)</u>
Retained earnings of the Group			<u>10,670</u>
<b>Previous financial year ended 31 December 2011</b>			
Total retained earnings of the Company and its subsidiaries	12,507	(1,564)	10,943
Less: Consolidation adjustments			<u>(588)</u>
Retained earnings of the Group			<u>10,355</u>

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

The auditors' report on the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2011 were not subject to any qualification.

**37. Authorisation for issue**

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board on 28 May 2012.