



HOCK HENG STONE INDUSTRIES BHD.

(Company No. : 840040-H)

(Incorporated in Malaysia)

**Condensed Consolidated
Interim Financial Statements
For the third quarter ended
30 September 2012**

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 2012
(The figures have not been audited)

	Note	Individual quarter		Cumulative quarter	
		Current year quarter ended 30.9.2012 RM'000	Preceding year corresponding quarter ended 30.9.2011 RM'000	Current year- to-date 30.9.2012 RM'000	Preceding year corresponding period 30.9.2011 RM'000
Continuing operations					
Revenue		9,438	8,939	24,972	31,017
Cost of sales		(7,233)	(6,720)	(18,209)	(23,872)
Gross profit		2,205	2,219	6,763	7,145
Other income		55	267	142	370
Administrative, general and selling expenses		(1,445)	(1,556)	(4,440)	(4,776)
Operating profit		815	930	2,465	2,739
Finance costs		(357)	(345)	(983)	(1,020)
Profit before tax	24	458	585	1,482	1,719
Income tax expense	25	(142)	(155)	(477)	(454)
Profit for the period		316	430	1,005	1,265
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		316	430	1,005	1,265
Profit attributable to:					
Owners of the parent		315	450	1,001	1,281
Non-controlling interests		1	(20)	4	(16)
		316	430	1,005	1,265
Total comprehensive income attributable to:					
Owners of the parent		315	450	1,001	1,281
Non-controlling interests		1	(20)	4	(16)
		316	430	1,005	1,265
Earnings per share attributable to owners of the parent:					
Basic, for the period (sen)	34	0.39	0.56	1.25	1.60
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 30 September 2012

	Note	Unaudited As at 30.9.2012 RM'000	Unaudited As at 31.12.2011 RM'000 (restated)	Unaudited As at 1.1.2011 RM'000 (restated)
Assets				
Non-current assets				
Property, plant and equipment	8	33,001	31,871	32,081
Investment properties		1,492	1,513	1,962
Land use rights		2,499	2,543	2,602
Development expenditure		379	379	379
		<u>37,371</u>	<u>36,306</u>	<u>37,024</u>
Current assets				
Inventories	9	27,615	25,396	21,898
Trade receivables and other receivables		21,756	19,795	19,652
Other current assets		5,095	4,560	5,398
Income tax receivable		50	52	204
Cash and bank balances	10	2,685	4,664	5,633
		<u>57,201</u>	<u>54,467</u>	<u>52,785</u>
Total assets		<u>94,572</u>	<u>90,773</u>	<u>89,809</u>
Equity and liabilities				
Current liabilities				
Income tax payable		96	258	132
Borrowings	27	14,769	13,000	14,515
Trade payables and other payables		10,211	8,456	9,193
Other current liability		135	271	106
		<u>25,211</u>	<u>21,985</u>	<u>23,946</u>
Net current assets		<u>31,990</u>	<u>32,482</u>	<u>28,839</u>
Non-current liabilities				
Deferred tax liabilities		888	1,150	1,412
Borrowings	27	11,418	10,785	9,029
		<u>12,306</u>	<u>11,935</u>	<u>10,441</u>
Total liabilities		<u>37,517</u>	<u>33,920</u>	<u>34,387</u>
Equity attributable to owners of the parent				
Share capital		40,000	40,000	40,000
Retained earnings	35	16,996	16,795	15,369
		<u>56,996</u>	<u>56,795</u>	<u>55,369</u>
Non-controlling interests		59	58	53
Total equity		<u>57,055</u>	<u>56,853</u>	<u>55,422</u>
Total equity and liabilities		<u>94,572</u>	<u>90,773</u>	<u>89,809</u>
Net assets per share attributable to ordinary equity holders of the Company (sen)		<u>71.25</u>	<u>70.99</u>	<u>69.21</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 third quarter ended 30 September 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	15,369	55,369	53	55,422
Total comprehensive income for the period	-	1,281	1,281	(16)	1,265
Transactions with owners					
Dividend paid	-	(800)	(800)	-	(800)
Closing balance at 30 September 2011	40,000	15,850	55,850	37	55,887
Opening balance at 1 January 2012	40,000	16,795	56,795	58	56,853
Total comprehensive income for the period	-	1,001	1,001	4	1,005
Transactions with owners					
Dividend paid	-	(800)	(800)	-	(800)
Acquisition of subsidiary	-	-	-	(3)	(3)
Closing balance at 30 September 2012	40,000	16,996	56,996	59	57,055

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.
(Incorporated in Malaysia)

Condensed Consolidated Statements of Cash Flows
For the third quarter ended 30 September 2012
(The figures have not been audited)

	Note	Current year- to-date 30.9.2012 RM'000	Preceding year corresponding period 30.9.2011 RM'000
Cash flows from operating activities			
Profit before tax		1,482	1,719
Adjustment for:			
Amortisation of land use rights		44	44
Depreciation of property, plant and equipment		1,567	1,568
Depreciation of investment properties		21	26
Gain on disposal of property, plant and equipment		(41)	-
Gain on disposal of investment properties		-	(252)
Property, plant and equipment written off		-	1
Goodwill written off		5	-
Unrealised gain on foreign exchange		(35)	-
Interest expense		983	1,020
Interest income		(40)	(61)
Operating profit before changes in working capital		3,986	4,065
Changes in working capital:			
Increase in inventories		(2,219)	(2,388)
Increase in receivables		(1,961)	(382)
(Increase)/decrease in other current assets		(535)	1,458
Increase/(decrease) in payables		1,783	(2,262)
Decrease in other current liabilities		(136)	(105)
Cash generated from operations		918	386
Income tax paid		(901)	(612)
Interest paid		(983)	(1,020)
Net cash used in operating activities		(966)	(1,246)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(2,292)	(1,076)
Proceeds from disposal of property, plant and equipment		63	-
Proceeds from disposal of investment properties		-	669
Acquisition of subsidiary	17	(1)	-
Interest received		40	61
Net cash used in investing activities		(2,190)	(346)
Cash flows from financing activities			
Increase of short term borrowings		825	520
Drawdown of term loans		1,126	2,700
Repayment of term loans		(473)	(587)
Repayment of obligation under finance leases		(266)	(343)
Dividend paid		(800)	(800)
Net cash from financing activities		412	1,490
Net decrease in cash and cash equivalents		(2,744)	(102)
Cash and cash equivalents at beginning of period		2,195	3,008
Cash and cash equivalents at end of period		(549)	2,906

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.
(Incorporated in Malaysia)**

Notes to the Interim Financial Statements for the third quarter ended 30 September 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, 6th 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), the Group had adjusted the amounts previously reported in the financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group's financial position is set out in Note 3.1 below. These notes include reconciliations of equity 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. The transition from FRS to MFRS has no impact on the Group's 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:

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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)

3.1 Application of MFRS 1 (continued)

(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.

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) Property, plant and equipment

At the date of transition to MFRS, the Group elected to regard fair value of freehold land at the date of transition as its deemed cost at that date. As at that date, an increase of RM6,440,000 (30 September 2011: RM6,440,000) was recognised in property, plant and equipment. The resulting adjustments were recognised against retained earnings.

(c) 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 for comparative period 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 provided below:

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Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

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

3. Significant accounting policies (continued)

3.1 Application of MFRS 1 (continued)

(i) Reconciliation of equity as at 30 September 2011

	FRS as at 30.9.2011 RM'000	Note 3.1(b) Property, plant and equipment RM'000	MFRS as at 30.9.2011 RM'000
Assets			
Non-current assets			
Property, plant and equipment	25,208	6,440	31,648
Investment properties	1,519		1,519
Land use rights	2,558		2,558
Development expenditure	379		379
	<u>29,664</u>		<u>36,104</u>
Current assets			
Inventories	24,285		24,285
Trade receivables and other receivables	20,035		20,035
Other current assets	3,939		3,939
Income tax receivable	51		51
Cash and bank balances	4,318		4,318
	<u>52,628</u>		<u>52,628</u>
Total assets	<u>82,292</u>		<u>88,732</u>
Equity and liabilities			
Current liabilities			
Income tax payable	66		66
Borrowings	13,725		13,725
Trade payables and other payables	6,931		6,931
Other current liability	-		-
	<u>20,722</u>		<u>20,722</u>
Non-current liabilities			
Deferred tax liabilities	1,166		1,166
Borrowings	10,957		10,957
	<u>12,123</u>		<u>12,123</u>
Total liabilities	<u>32,845</u>		<u>32,845</u>
Equity attributable to owners of the parent			
Share capital	40,000		40,000
Retained earnings	9,410	6,440	15,850
	<u>49,410</u>		<u>55,850</u>
Non-controlling interests	37		37
Total equity	<u>49,447</u>		<u>55,887</u>
Total equity and liabilities	<u>82,292</u>		<u>88,732</u>

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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

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 1: *Government Loans*
- 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*

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.

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

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:

	30.9.2012 RM'000	30.9.2011 RM'000
Land	1,736	-
Factory buildings and extensions	3	14
Building-in-progress	109	829
Plant, machinery and factory equipment	77	78
Motor vehicles	624	80
Other assets *	169	135
	<u>2,718</u>	<u>1,136</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:

	30.9.2012 RM'000	30.9.2011 RM'000
Finance leases	426	60
Cash outflow	2,292	1,076
	<u>2,718</u>	<u>1,136</u>

Disposals

Below is the property, plant and equipment disposed by the Group during the period under review:

	Cost RM'000	Net carrying amount RM'000	Sales proceeds RM'000	Gain/(loss) on disposals RM'000
Motor vehicle	<u>102</u>	<u>22</u>	<u>63</u>	<u>41</u>

9. Inventories

During the current period ended 30 September 2012, there were no write-down of inventories.

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

10. Cash and bank balances

	As at 30.9.2012 RM'000	As at 31.12.2011 RM'000	As at 1.1.2011 RM'000
Cash at banks and on hand	1,361	3,101	4,117
Short term deposits with licensed banks	1,324	1,563	1,516
Cash and bank balances	2,685	4,664	5,633
Less: Bank overdrafts	(3,234)	(2,469)	(2,625)
Total cash and cash equivalents	(549)	2,195	3,008

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

During the quarter ended 30 September 2012, 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 2011, was approved by the shareholders of the Company at the Third Annual General Meeting and was paid on 8 August 2012.

14. Capital commitments

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

	As at 30.9.2012 RM'000	As at 31.12.2011 RM'000	As at 1.1.2011 RM'000
Property, plant and equipment:			
- Approved and contracted for	18,433	1,487	820
- Approved and not contracted for	-	-	544
	18,433	1,487	1,364

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
Period ended 30.9.2012					
Revenue:					
External customers	21,022	3,950	-	-	24,972
Inter-segment	15,695	-	1,080	(16,775)	-
	<u>36,717</u>	<u>3,950</u>	<u>1,080</u>	<u>(16,775)</u>	<u>24,972</u>
Results:					
Interest income	32	1	7	-	40
Finance costs	966	17	-	-	983
Depreciation and amortisation	1,509	123	-	-	1,632
Segment profit	<u>1,927</u>	<u>283</u>	<u>955</u>	<u>(1,683)</u>	<u>1,482</u>
Assets					
Capital expenditure	1,926	792	-	-	2,718
Segment assets	<u>75,122</u>	<u>13,890</u>	<u>5,560</u>	<u>-</u>	<u>94,572</u>
Segment liabilities					
	<u>35,063</u>	<u>135</u>	<u>2,319</u>	<u>-</u>	<u>37,517</u>
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>

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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
Assets					
Capital expenditure	1,018	118	-	-	1,136
Segment assets	<u>73,819</u>	<u>12,738</u>	<u>2,175</u>	<u>-</u>	<u>88,732</u>
Segment liabilities	<u>32,791</u>	<u>-</u>	<u>54</u>	<u>-</u>	<u>32,845</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. On 15 June 2012, the Company has disposed off its 15% equity interest, representing 15,000 ordinary shares of RM1.00 each in the capital of DBA for a total cash consideration of RM300.

The acquisition and disposal resulting DBA become a 60% 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
Liabilities	
Payables	<u>(7)</u>
	<u>(7)</u>
Fair value of net liability	(7)
Less: Non-controlling interests	<u>3</u>
	(4)
Goodwill	<u>5</u>
Total cost of acquisition	<u>1</u>
Analysis of cash flows on acquisition:	
Cash paid	(1)
Cash and cash equivalents of subsidiary acquired	<u>-</u>
Net cash outflow	<u>(1)</u>

From the date of acquisition, DBA has contributed net loss of RM2,800 to the profit before tax of the Group. If the acquisition had taken place on 1 January 2012, DBA will contribute net loss of RM2,800 to the profit before tax of the Group. The goodwill has been written off during the current period.

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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 other than as mentioned below:

The Company through a 60% owned subsidiary, Dunia Batu Alam Sdn. Bhd., had on 23 August 2012 entered into a Sale & Purchase Agreement with Wang Seng Sdn. Bhd. (non related party) to acquire a piece of land measuring approximately 40.5486 acres held under Geran 54223 (formerly Geran 13938), Lot No. 9195 (formerly Lot No. 3207 and new Lot No. 10511), Mukim Durian Tunggal, Daerah Alor Gajah, Negeri Melaka for a total purchase consideration of RM20,312,415.68.

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 disclosed below:

- (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 30.9.2012 RM'000	Preceding year corresponding quarter ended 30.9.2011 RM'000	Current year- to-date 30.9.2012 RM'000	Preceding year corresponding period 30.9.2011 RM'000
Rental paid to LBS	21	21	63	63
Sales of dimension stone products to EMP	676	872	1,805	1,993

	Amount owed by/(owed to) related parties		
	As at 30.9.2012 RM'000	As at 31.12.2011 RM'000	As at 1.1.2011 RM'000
LBS	-	-	-
EMP	323	-	170

The transactions above were based on negotiated and mutually agreed terms and has been approved by the shareholders in the 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 30.9.2012

	Individual quarter		Increase/(decrease)	
	Current year quarter ended 30.9.2012 RM'000	Preceding year corresponding quarter ended 30.9.2011 RM'000	RM'000	%
Revenue	9,438	8,939	499	5.6
- Sales of goods segment	7,070	6,005	1,065	17.7
- Construction segment	2,368	2,934	(566)	(19.3)
Profit before tax	458	585	(127)	(21.7)

Revenue

The Group's revenue for current quarter ("3Q2012") ended 30 September 2012 has increased by RM0.50 million or 5.6% to RM9.44 million as compared to corresponding quarter in the preceding year. The increase in revenue for 3Q2012 was due to the increase in sales of goods segment by RM1.07 million but was partly offset by lower construction segment which decrease of RM0.57 million.

Profit before tax

The Group's profit before tax for 3Q2012 has slightly decreased by RM0.13 million or 21.7% to RM0.46 million in comparison with the corresponding quarter in the preceding year. The decrease in profit before tax is mainly due to the decrease in other income by RM0.21 million (mainly from gain on disposal of investment properties of RM0.22 million in corresponding quarter in the preceding year) but was partly offset by lower administrative, general and selling expenses by RM0.11 million in the current quarter under review.

9 months ended 30.9.2012

	Cumulative quarter		Increase/(decrease)	
	Current year- to-date 30.9.2012 RM'000	Preceding year corresponding period 30.9.2011 RM'000	RM'000	%
Revenue	24,972	31,017	(6,045)	(19.5)
- Sales of goods segment	21,022	18,437	2,585	14.0
- Construction segment	3,950	12,580	(8,630)	(68.6)
Profit before tax	1,482	1,719	(237)	(13.8)

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

20. Review performance of the Group (continued)

9 months ended 30.9.2012 (continued)

Revenue

The Group's revenue for current year-to-date ("9M2012") ended 30 September 2012 has decreased by RM6.04 million or 19.5% to RM24.97 million as compared to corresponding period in the preceding year. The decrease in revenue for 9M2012 was due to the decrease in construction segment by RM8.63 million and was partly offset by the increase in sales of goods segment by RM2.59 million.

Profit before tax

The Group's profit before tax for 9M2012 has declined by RM0.24 million or 13.8% to RM1.48 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 by RM0.38 million resulted from lower revenue in 9M2012 and the decrease in other income by RM0.23 million (mainly from gain on disposal of investment properties of RM0.25 million in the corresponding period in the preceding year) but was partly offset the decrease in administrative, general and selling expenses by RM0.34 million in the current period under review.

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

	Individual quarter		Increase/ (decrease) RM'000
	Current quarter ended 30.9.2012 RM'000	Preceding quarter ended 30.6.2012 RM'000	
Revenue	9,438	8,003	1,435
- Sales of goods segment	7,070	7,718	(648)
- Construction segment	2,368	285	2,083
Profit before tax	458	596	(138)

The Group recorded a profit before tax of RM0.46 million for the current quarter under review as compared to RM0.60 million in the immediate preceding quarter, representing an decrease of RM0.14 million. The decrease in profit before tax is mainly due to the decrease in operating profit generated by RM0.15 million resulted from the higher revenue generated from construction segment which contribute lower margin (as comparison with sales of goods segment) in current quarter as compared to immediate preceding quarter.

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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 foracasted 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 30.9.2012 RM'000	Preceding year corresponding quarter ended 30.9.2011 RM'000	Current year- to-date 30.9.2012 RM'000	Preceding year corresponding period 30.9.2011 RM'000
Interest income	(11)	(22)	(40)	(61)
Other income (including investment income)	-	-	-	-
Interest expense	357	345	983	1,020
Depreciation of:				
- Property, plant and equipment	528	524	1,567	1,568
- Investment properties	7	7	21	26
Amortisation of land use rights	14	14	44	44
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	-	-	(41)	-
- Investment properties	-	(225)	-	(252)

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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 30.9.2012 RM'000	Preceding year corresponding quarter ended 30.9.2011 RM'000	Current year- to-date 30.9.2012 RM'000	Preceding year corresponding period 30.9.2011 RM'000
Impairment of assets	-	-	-	-
Property, plant and equipment written off	-	-	-	1
Goodwill written off	-	-	5	-
(Gain)/Loss on foreign exchange:				
- Realised	1	(15)	2	(9)
- Unrealised	(39)	-	(35)	-
(Gain)/Loss on derivative	-	-	-	-
Rental income	(8)	(10)	(23)	(29)

25. Income tax expense

Major components of income tax expense includes the following:

	Individual quarter		Cumulative quarter	
	Current year quarter ended 30.9.2012 RM'000	Preceding year corresponding quarter ended 30.9.2011 RM'000	Current year- to-date 30.9.2012 RM'000	Preceding year corresponding period 30.9.2011 RM'000
Current tax:				
Malaysian income tax	185	177	739	700
Deferred tax:				
Relating to origination and reversal of temporary differences	(43)	(58)	(262)	(214)
Under/(over)provided in prior periods	-	36	-	(32)
	(43)	(22)	(262)	(246)
Total income tax expense	142	155	477	454

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.

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

26. Status of corporate proposals

There were no corporate proposals announced but not completed as at the date of this interim financial statements.

27. Borrowings and debts securities

None of the below borrowings are denominated in foreign currencies.

	As at 30.9.2012 RM'000	As at 31.12.2011 RM'000	As at 1.1.2011 RM'000
Short term borrowings			
Secured:			
Bank overdrafts	3,234	2,469	2,625
Banker acceptances	10,468	9,643	10,924
Obligation under finance leases	405	319	431
Term loans	662	569	535
	<u>14,769</u>	<u>13,000</u>	<u>14,515</u>
Long term borrowings			
Secured:			
Obligation under finance leases	679	606	814
Term loans	10,739	10,179	8,215
	<u>11,418</u>	<u>10,785</u>	<u>9,029</u>
Total borrowings	<u>26,187</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

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

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 30 September 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)

32. Risks and policies of derivatives

The Group did not enter into any derivatives during the period ended 30 September 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 30 September 2012 or the previous financial year ended 31 December 2011.

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 30.9.2012	Preceding year corresponding quarter ended 30.9.2011	Current year- to-date 30.9.2012	Preceding year corresponding period 30.9.2011
Profit for the period attributable to ordinary equity holders of the Company (RM'000)	315	450	1,001	1,281
Weighted average number of ordinary shares in issue ('000)	80,000	80,000	80,000	80,000
Basic earnings per share (sen)	0.39	0.56	1.25	1.60

(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:

	Realised RM'000	Unrealised RM'000	Total retained earnings RM'000
For the quarter ended 30 September 2012			
Total retained earnings of the Company and its subsidiaries	18,910	(1,396)	17,514
Less: Consolidation adjustments			<u>(518)</u>
Retained earnings of the Group			<u>16,996</u>
Previous financial year ended 31 December 2011			
Total retained earnings of the Company and its subsidiaries	18,947	(1,564)	17,383
Less: Consolidation adjustments			<u>(588)</u>
Retained earnings of the Group			<u>16,795</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 26 November 2012.