HOCK HENG STONE INDUSTRIES BHD.

(Company No. : 840040-H)
(Incorporated in Malaysia)

Condensed Consolidated
Interim Financial Statements
For the fourth quarter ended
31 December 2012

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 2012
(The figures have not been audited)

		Individual quarter		Cumulative quarter	
	Note	**Current year quarter ended 31.12.2012 RM'000**	**Preceding year corresponding quarter ended 31.12.2011 RM'000**	**Current year-to-date 31.12.2012 RM'000**	**Preceding year corresponding period 31.12.2011 RM'000**
Continuing operations					
Revenue		9,746	9,284	34,718	40,301
Cost of sales		(8,082)	(5,972)	(26,291)	(29,844)
Gross profit		1,664	3,312	8,427	10,457
Other income		311	44	453	414
Administrative, general and selling expenses		(2,043)	(1,813)	(6,483)	(6,589)
Operating (loss)/profit		(68)	1,543	2,397	4,282
Finance costs		(368)	(142)	(1,351)	(1,162)
(Loss)/profit before tax	23	(436)	1,401	1,046	3,120
Income tax expense	24	164	(436)	(313)	(890)
(Loss)/profit for the period		(272)	965	733	2,230
Other comprehensive income		-	-	-	-
Total comprehensive (loss)/income for the period		(272)	965	733	2,230
(Loss)/profit attributable to:					
Owners of the parent		(265)	945	736	2,226
Non-controlling interests		(7)	20	(3)	4
		(272)	965	733	2,230
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(265)	945	736	2,226
Non-controlling interests		(7)	20	(3)	4
		(272)	965	733	2,230
(Loss)/earnings per share attributable to owners of the parent:					
Basic, for the period (sen)	33	(0.33)	1.18	0.92	2.78
Diluted, for the period (sen)	33	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 audited financial statements for the financial year ended 31 December 2011 and 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 December 2012

	Note	Unaudited As at 31.12.2012 RM'000	Audited As at 31.12.2011 RM'000
Assets			
Non-current assets			
Property, plant and equipment	7	46,303	25,431
Investment properties		1,485	1,513
Land use rights		2,484	2,543
Development expenditure		379	379
		50,651	29,866
Current assets			
Inventories	8	26,738	25,396
Trade receivables and other receivables		22,230	19,795
Other current assets		5,009	4,560
Income tax receivable		335	52
Cash and bank balances	9	2,073	4,664
		56,385	54,467
Total assets		107,036	84,333
Equity and liabilities			
Current liabilities			
Income tax payable		10	258
Borrowings	26	15,926	13,000
Trade payables and other payables		13,383	8,456
Other current liability		156	271
		29,475	21,985
Net current assets		*26,910*	*32,482*
Non-current liabilities			
Deferred tax liabilities		862	1,150
Borrowings	26	25,996	10,785
		26,858	11,935
Total liabilities		56,333	33,920
Equity attributable to owners of the parent			
Share capital		40,000	40,000
Retained earnings	34	10,291	10,355
		50,291	50,355
Non-controlling interests		412	58
Total equity		50,703	50,413
Total equity and liabilities		107,036	84,333
Net assets per share attributable to ordinary equity holders of the Company (sen)		62.86	62.94

These Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 and 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 fourth quarter ended 31 December 2012
(The figures have not been audited)

	Attributable to equity holders of the parent				
	Share capital RM'000	Distributable Retained earnings RM'000	Total equity attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
Opening balance at 1 January 2011	40,000	8,929	48,929	54	48,983
Total comprehensive income for the period	-	2,226	2,226	4	2,230
Transactions with owners					
Dividend paid	-	(800)	(800)	-	(800)
Closing balance at 31 December 2011	40,000	10,355	50,355	58	50,413
Opening balance at 1 January 2012	40,000	10,355	50,355	58	50,413
Total comprehensive income for the period	-	736	736	(3)	733
Transactions with owners					
Dividend paid	-	(800)	(800)	-	(800)
Acquisition of subsidiary	-	-	-	(3)	(3)
Additional investment in subsidiary				360	360
Closing balance at 31 December 2012	40,000	10,291	50,291	412	50,703

These Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 and 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 fourth quarter ended 31 December 2012
(The figures have not been audited)

	Note	Current year-to-date 31.12.2012 RM'000	Preceding year corresponding period 31.12.2011 RM'000
Cash flows from operating activities			
Profit before tax		1,046	3,120
Adjustment for:			
Amortisation of land use rights		59	59
Depreciation of property, plant and equipment		2,087	2,089
Depreciation of investment properties		27	33
Impairment loss on trade receivables		239	97
Gain on disposal of property, plant and equipment		(296)	-
Gain on disposal of investment properties		-	(252)
Property, plant and equipment written off		-	1
Goodwill written off		5	-
Unrealised gain on foreign exchange		(44)	20
Interest expense		1,351	1,162
Interest income		(52)	(96)
Operating profit before changes in working capital		4,422	6,233
Changes in working capital:			
Increase in inventories		(1,342)	(3,499)
Increase in receivables		(2,674)	(240)
(Increase)/decrease in other current assets		(449)	838
Increase/(decrease) in payables		4,964	(757)
(Decrease)/increase in other current liabilities		(115)	166
Cash generated from operations		4,806	2,741
Income tax paid		(1,131)	(943)
Income tax refund		-	69
Interest paid		(1,482)	(1,365)
Net cash from operating activities		2,193	502
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(23,627)	(1,565)
Proceeds from disposal of property, plant and equipment		1,752	-
Proceeds from disposal of investment properties		-	669
Acquisition of subsidiary	16	(1)	-
Interest received		52	96
Net cash used in investing activities		(21,824)	(800)

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

Condensed Consolidated Statements of Cash Flows (continued)
For the fourth quarter ended 31 December 2012
(The figures have not been audited)

	Note	Current year-to-date 31.12.2012 RM'000	Preceding year corresponding period 31.12.2011 RM'000
Cash flows from financing activities			
Increase/(decrease) of short term borrowings		2,049	(1,281)
Drawdown of term loans		16,356	2,700
Repayment of term loans		(620)	(702)
Repayment of obligation under finance leases		(388)	(432)
Proceeds from issuance of shares to non-controlling interests		360	-
Dividend paid		(800)	(800)
Net cash from/(used in) financing activities		16,957	(515)
Net decrease in cash and cash equivalents		(2,674)	(813)
Cash and cash equivalents at beginning of period		2,195	3,008
Cash and cash equivalents at end of period	9	(479)	2,195

These Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011 and 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 fourth quarter ended 31 December 2012

Part A - Explanatory notes pursuant to Financial Reporting Standard 134

1. Basis of preparation

The interim financial statements is unaudited and has been prepared in accordance with Financial Reporting Standards ("FRS") 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 statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011. These explanatory notes attched to the interim financial statements 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 2011.

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 financial year ended 31 December 2011.

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

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

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

- Amendments to FRS 1: *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to FRS 7: *Transfers of Financial Assets*
- Amendments to FRS 112: *Deferred Tax: Recovery of Underlying Assets*
- FRS 124: *Related Party Disclosures*

2.2 Standards and Interpretations issued but not yet effective

The following new and amended FRSs 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 January 2013

- FRS 10: *Consolidated Financial Statements*
- FRS 11: *Joint Arrangements*
- FRS 12: *Disclosure of Interests in Other Entities*
- FRS 13: *Fair Value Measurement*
- FRS 119: *Employee Benefits*

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

2. Summary of significant accounting policies (continued)

2.2 Standards and Interpretations issued but not yet effective (continued)

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

Effective for financial periods beginning on or after 1 January 2013 (continued)

- FRS 127: *Separate Financial Statements*
- FRS 128: *Investment in Associate and Joint Ventures*
- IC Interpretation 20: *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7: *Disclosures - Offsetting Financial Assets and Financial Liabilities*

2.3 Malaysian Financial Reporting Standards ("MFRS Framework")

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework").

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141: Agriculture ("MFRS 141") and IC Interpretation 15: Agreements for Construction of Real Estate ("IC 15"), including its parent, significant investor and venturer (herein referred as "Transitioning Entities").

Based on the MASB announcement on 30 June 2012, Transitioning Entities will be allowed to defer the adoption of the new MFRS Framework from previous adoption date of 1 January 2013 to 1 January 2014. Consequently, the adoption of the MFRS Framework by the Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014.

As certain subsidiaries of the Group fall within the scope of Transitioning Entities, the Group will adopt the MFRS Framework for the financial year beginning 1 January 2014. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The adjustments required on transition will be made, retrospectively, against opening retained earnings.

The Group is currently in the process of determining the impact arising from the intial application of MFRS Framework. Before the effective date, the Group will continue to prepare its financial statements using the Financial Reporting Standards Framework.

3. Seasonal or cyclical factors

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

4. Unusual items

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

Company No. : 840040-H

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

5. Changes in estimates

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

6. 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.

7. Property, plant and equipment

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

	31.12.2012 RM'000	**31.12.2011 RM'000**
Land	22,763	155
Factory buildings and extensions	3	67
Building-in-progress	310	1,238
Plant, machinery and factory equipment	181	81
Motor vehicles	983	163
Other assets *	175	175
	24,415	1,879

* 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:

	31.12.2012 RM'000	**31.12.2011 RM'000**
Finance leases	658	111
Interest expense capitalised	130	203
Cash outflow	23,627	1,565
	24,415	1,879

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 on disposals RM'000**
Land and building	1,419	1,369	1,600	231
Motor vehicles	731	87	152	65
	2,150	1,456	1,752	296

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

8. Inventories

During the current period ended 31 December 2012, there were no write-down of inventories.

9. Cash and bank balances

	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
Cash at banks and on hand	749	3,101
Short term deposits with licensed banks	1,324	1,563
Cash and bank balances	2,073	4,664
Less: Bank overdrafts	(2,552)	(2,469)
Total cash and cash equivalents	(479)	2,195

10. 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 diferrent 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.

11. Provisions for cost of restructuring

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

12. Dividends paid

There were no dividends paid in the current financial quarter ended 31 December 2012.

13. Capital commitments

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

	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
Property, plant and equipment:		
- Approved and contracted for	93	1,487
- Approved and not contracted for	2,000	-
	2,093	1,487

14. Contingent assets and liabilities

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

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

15. 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 31.12.2012					
Revenue:					
External customers	28,095	6,623	-	-	34,718
Inter-segment	19,929	-	1,080	(21,009)	-
	48,024	6,623	1,080	(21,009)	34,718
Results:					
Interest income	44	1	7	-	52
Finance costs	1,327	24	-	-	1,351
Depreciation and amortisation	2,010	163	-	-	2,173
Other non-cash expense	201	38	-	-	239
Segment profit	1,644	218	894	(1,710)	1,046
Assets					
Capital expenditure	2,531	857	21,027	-	24,415
Segment assets	67,348	13,659	26,029	-	107,036
Segment liabilities	34,402	156	21,775	-	56,333
Period ended 31.12.2011					
Revenue:					
External customers	26,252	14,049	-	-	40,301
Inter-segment	28,497	-	740	(29,237)	-
	54,749	14,049	740	(29,237)	40,301
Results:					
Interest income	51	3	42	-	96
Finance costs	1,149	13	-	-	1,162
Depreciation and amortisation	2,046	135	-	-	2,181

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

15. Segment information (continued)

	Sales of goods RM'000	Construction RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Results (continued):					
Other non-cash expense	5	92	-	-	97
Segment profit	3,543	460	634	(1,517)	3,120
Assets					
Capital expenditure	1,731	148	-	-	1,879
Segment assets	69,237	12,831	2,265	-	84,333
Segment liabilities	33,573	271	76	-	33,920

16. 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 acquistion 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	(7)
	(7)
Fair value of net liability	(7)
Less: Non-controlling interests	3
	(4)
Goodwill	5
Total cost of acquisition	1
Analysis of cash fows on acquisition:	
Cash paid	(1)
Cash and cash equivalents of subsidiary acquired	-
Net cash outflow	(1)

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

16. Changes in composition of the Group (continued)

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.

17. Events after the reporting period

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

18. 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 31.12.2012 RM'000	**Preceding year corresponding quarter ended 31.12.2011 RM'000**	**Current year-to-date 31.12.2012 RM'000**	**Preceding year corresponding period 31.12.2011 RM'000**
Rental paid to LBS	21	21	84	84
Sales of dimension stone products to EMP	748	355	2,553	2,348

	Amount owed by related parties	
	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**
LBS	-	-
EMP	491	-

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

Company No. : 840040-H

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

19. Review performance of the Group

3 months ended 31.12.2012

	Individual quarter			
	Current year quarter ended 31.12.2012 RM'000	**Preceding year corresponding quarter ended 31.12.2011 RM'000**	**Increase/(decrease) RM'000**	**%**
Revenue	9,746	9,284	462	5.0
- Sales of goods segment	7,073	7,816	(743)	(9.5)
- Construction segment	2,673	1,468	1,205	82.1
(Loss)/profit before tax	(436)	1,401	(1,837)	(131.1)

Revenue

The Group's revenue for current quarter ("4Q2012") ended 31 December 2012 has increased by RM0.46 million or 5.0% to RM9.75 million as compared to corresponding quarter in the preceding year. The increase in revenue for 4Q2012 was due to the increase in construction segment by RM1.20 million but was partly offset by lower sales of goods segment which decrease of RM0.74 million.

Profit before tax

The Group has incurred loss before tax for 4Q2012 of RM0.44 million in comparison with profit before tax of RM1.40 miilion in corresponding quarter in preceding year. The loss before tax in 4Q2012 is mainly due to lower operating profit by RM1.64 million which resulted by the decrease of the profit margin especially in sales of goods segment and the increase of finance costs by RM0.22 million which resulted by higher of borrowings in current quarter under review.

12 months ended 31.12.2012

	Cumulative quarter			
	Current year-to-date 31.12.2012 RM'000	**Preceding year corresponding period 31.12.2011 RM'000**	**Increase/(decrease) RM'000**	**%**
Revenue	34,718	40,301	(5,583)	(13.9)
- Sales of goods segment	28,095	26,252	1,843	7.0
- Construction segment	6,623	14,049	(7,426)	(52.9)
Profit before tax	1,046	3,120	(2,074)	(66.5)

19. Review performance of the Group (continued)

<u>12 months ended 31.12.2012 (continued)</u>

Revenue

The Group's revenue for current year-to-date ("12M2012") ended 31 December 2012 has decreased by RM5.58 million or 13.9% to RM34.72 million as compared to corresponding period in the preceding year. The decrease in revenue for 12M2012 was due to the decrease in construction segment by RM7.42 million and was partly offset by the increase in sales of goods segment by RM1.84 million.

Profit before tax

The Group's profit before tax for 12M2012 has declined by RM2.07 million to RM1.05 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 RM2.03 million resulted from lower revenue in 12M2012 in the current period under review.

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

	Individual quarter		
	Current quarter ended 31.12.2012 RM'000	**Preceding quarter ended 30.9.2012 RM'000**	**Increase/ (decrease) RM'000**
Revenue	9,746	9,438	308
- Sales of goods segment	7,073	7,070	3
- Construction segment	2,673	2,368	305
(Loss)/profit before tax	(436)	458	(894)

The Group recorded loss before tax of RM0.44 million for the current quarter under review as compared to profit before tax of RM0.46 million in the immediate preceding quarter. The loss before tax in current quarter is mainly due to the decrease in operating profit generated by RM0.54 million resulted from the decrease of profit margin especially in sales of goods segment and the increase in administrative, general and selling expenses by RM0.60 million but was partly offset by the increase of other income by RM0.26 million (mainly consist gain on disposal of property, plant and equipment) in current quarter as compared to immediate preceding quarter.

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

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

21. Commentary on prospects

The Malaysian economy is foracasted to grow between 4.5% to 5.5% in 2013. Growth will be supported by improving exports and strong domestic demand on the assumption that global growth will be pick up. Given that the domestic economy is expected to strengthern further in 2013, inflation is estimated to increase moderately mitigated by further capacity expansion in the economy. On the construction sector, it is envisaged to expand strongly at 11.2% in 2013 (15.5% in 2012) with all the subsectors registering steady growth. On the domestic demand, it is expected to growth at 5.6% (9.4% in 2012) and will remain the key driver of growth in 2013 by strong private sector expenditure. *(Source: Economic Report 2012/2013, Ministry of Finance, Malaysia)*

Barring any unforeseen circumstances and with the favourable outlook of construction sector in 2013, the Directors believe that the Group's prospects for the next financial year ending 31 December 2013 will remain favourable.

22. 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.

23. (Loss)/profit before tax

Included in the (loss)/profit before tax are the following items:

	Individual quarter		**Cumulative quarter**	
	Current year quarter ended 31.12.2012 RM'000	**Preceding year corresponding quarter ended 31.12.2011 RM'000**	**Current year-to-date 31.12.2012 RM'000**	**Preceding year corresponding period 31.12.2011 RM'000**
Interest income	(12)	(35)	(52)	(96)
Other income (including investment income	-	-	-	-
Interest expense	368	142	1,351	1,162
Depreciation of:				
- Property, plant and equipment	520	521	2,087	2,089
- Investment properties	6	7	27	33
Amortisation of land use rights	15	15	59	59
Impairment loss on trade receivables	239	97	239	97
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	(255)	-	(296)	-
- Investment properties	-	-	-	(252)

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

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

23. (Loss)/profit before tax (continued)

	Individual quarter		Cumulative quarter	
	Current year quarter ended 31.12.2012 RM'000	Preceding year corresponding quarter ended 31.12.2011 RM'000	Current year-to-date 31.12.2012 RM'000	Preceding year corresponding period 31.12.2011 RM'000
Impairment of assets	-	-	-	-
Property, plant and equipment written off	-	-	-	1
Goodwill written off	-	-	5	-
(Gain)/Loss on foreign exchange:				
- Realised	(6)	-	(4)	(9)
- Unrealised	(9)	20	(44)	20
(Gain)/Loss on derivative	-	-	-	-
Rental income	(8)	(9)	(31)	(38)

24. Income tax expense

Major components of income tax expense includes the following:

	Individual quarter		Cumulative quarter	
	Current year quarter ended 31.12.2012 RM'000	Preceding year corresponding quarter ended 31.12.2011 RM'000	Current year-to-date 31.12.2012 RM'000	Preceding year corresponding period 31.12.2011 RM'000
Current tax:				
Malaysian income tax	(83)	501	656	1,201
Overprovided in prior periods	(55)	(49)	(55)	(49)
	(138)	452	601	1,152
Deferred tax:				
Relating to origination and reversal of temporary differences	(27)	(102)	(289)	(316)
Underprovided in prior periods	1	86	1	54
	(26)	(16)	(288)	(262)
Total income tax expense	(164)	436	313	890

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.

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

25. Status of corporate proposals

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

26. Borrowings and debts securities

None of the below borrowings are denominated in foreign currencies.

	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
Short term borrowings		
Secured:		
Bank overdrafts	2,552	2,469
Banker acceptances	11,692	9,643
Obligation under finance leases	432	319
Term loans	1,250	569
	15,926	13,000
Long term borrowings		
Secured:		
Obligation under finance leases	762	606
Term loans	25,234	10,179
	25,996	10,785
Total borrowings	41,922	23,785

27. Material litigation

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

28. Dividend

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

29. Disclosure of nature of outstanding derivatives

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

30. Rationale for entering into derivatives

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

31. Risks and policies of derivatives

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

32. 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 December 2012 or the previous financial year ended 31 December 2011.

33. (Loss)/earnings per share

(a) Basic

Basic (loss)/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 31.12.2012	**Preceding year corresponding quarter ended 31.12.2011**	**Current year-to-date 31.12.2012**	**Preceding year corresponding period 31.12.2011**
(Loss)/profit for the period attributable to ordinary equity holders of the Company (RM'000)	(265)	945	736	2,226
Weighted average number of ordinary shares in issue ('000)	80,000	80,000	80,000	80,000
Basic (loss)/earnings per share (sen)	(0.33)	1.18	0.92	2.78

(b) Diluted

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

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

Part C - Disclosure of realised and unrealised profits or losses

34. 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 financial year ended 31 December 2012			
Total retained earnings of the Company and its subsidiaries	12,191	(1,369)	10,822
Less: Consolidation adjustments			(531)
Retained earnings of the Group			10,291
Previous financial year ended 31 December 2011			
Total retained earnings of the Company and its subsidiaries	12,507	(1,564)	10,943
Less: Consolidation adjustments			(588)
Retained earnings of the Group			10,355

35. 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.

36. 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 February 2013.