



HOCK HENG STONE INDUSTRIES BHD.

(Company No. : 840040-H)

(Incorporated in Malaysia)

**Condensed Consolidated
Interim Financial Statements
For the second quarter ended
30 June 2013**

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

Condensed Consolidated Statements of Comprehensive Income
For the second quarter ended 30 June 2013
(The figures have not been audited)

	Note	Individual quarter		Cumulative quarter	
		Current year quarter ended 30.6.2013 RM'000	Preceding year corresponding quarter ended 30.6.2012 RM'000	Current year- to-date 30.6.2013 RM'000	Preceding year corresponding period 30.6.2012 RM'000
Continuing operations					
Revenue		9,192	8,003	17,901	15,534
Cost of sales		(6,870)	(5,643)	(13,295)	(10,976)
Gross profit		2,322	2,360	4,606	4,558
Other income		43	38	77	87
Administrative, general and selling expenses		(1,627)	(1,484)	(3,184)	(2,995)
Operating profit		738	914	1,499	1,650
Finance costs		(471)	(318)	(989)	(626)
Profit before tax	23	267	596	510	1,024
Income tax expense	24	(167)	(222)	(306)	(335)
Profit for the period		100	374	204	689
Other comprehensive income		-	-	-	-
Total comprehensive (loss)/income for the period		100	374	204	689
Profit attributable to:					
Owners of the parent		157	371	349	686
Non-controlling interests		(57)	3	(145)	3
		100	374	204	689
Total comprehensive (loss)/income attributable to:					
Owners of the parent		157	371	349	686
Non-controlling interests		(57)	3	(145)	3
		100	374	204	689
Earnings per share attributable to owners of the parent:					
Basic, for the period (sen)	33	0.20	0.46	0.44	0.86
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 2012 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 30 June 2013

	Note	Unaudited As at 30.6.2013 RM'000	Audited As at 31.12.2012 RM'000
Assets			
Non-current assets			
Property, plant and equipment	7	25,220	25,275
Investment properties		1,472	1,485
Land use rights		2,454	2,484
Land held for property development		21,219	21,028
Development expenditure		379	379
		<u>50,744</u>	<u>50,651</u>
Current assets			
Inventories	8	27,070	26,738
Trade receivables and other receivables		17,976	21,082
Other current assets		5,970	5,013
Income tax receivable		253	333
Cash and bank balances	9	5,151	3,307
		<u>56,420</u>	<u>56,473</u>
Total assets		<u>107,164</u>	<u>107,124</u>
Equity and liabilities			
Current liabilities			
Income tax payable		21	10
Borrowings	26	14,800	16,267
Trade payables and other payables		12,754	13,478
Other current liability		168	156
		<u>27,743</u>	<u>29,911</u>
Net current assets		<u>28,677</u>	<u>26,562</u>
Non-current liabilities			
Deferred tax liabilities		626	864
Borrowings	26	27,897	25,655
		<u>28,523</u>	<u>26,519</u>
Total liabilities		<u>56,266</u>	<u>56,430</u>
Equity attributable to owners of the parent			
Share capital		40,000	40,000
Retained earnings	34	10,633	10,284
		<u>50,633</u>	<u>50,284</u>
Non-controlling interests		265	410
Total equity		<u>50,898</u>	<u>50,694</u>
Total equity and liabilities		<u>107,164</u>	<u>107,124</u>
Net assets per share attributable to ordinary equity holders of the Company (sen)		<u>63.29</u>	<u>62.86</u>

These Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 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 second quarter ended 30 June 2013
(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 2012	40,000	10,355	50,355	58	50,413
Total comprehensive income for the period	-	686	686	3	689
Transactions with owners					
Acquisition of subsidiary	-	-	-	(3)	(3)
Closing balance at 30 June 2012	40,000	11,041	51,041	58	51,099
Opening balance at 1 January 2013	40,000	10,284	50,284	410	50,694
Total comprehensive income for the period	-	349	349	(145)	204
Closing balance at 30 June 2013	40,000	10,633	50,633	265	50,898

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 2012 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 Cash Flows
For the second quarter ended 30 June 2013
(The figures have not been audited)

	Note	Current year- to-date 30.6.2013 RM'000	Preceding year corresponding period 30.6.2012 RM'000
Cash flows from operating activities			
Profit before tax		510	1,024
Adjustment for:			
Amortisation of land use rights		30	30
Depreciation of property, plant and equipment		1,015	1,039
Depreciation of investment properties		14	14
Gain on disposal of property, plant and equipment		-	(41)
Goodwill written off		-	5
Unrealised gain on foreign exchange		-	4
Interest expense		989	626
Interest income		(25)	(29)
Operating profit before changes in working capital		<u>2,533</u>	<u>2,672</u>
Changes in working capital:			
Increase in inventories		(332)	(2,541)
Decrease/(increase) in receivables		3,106	(1,029)
(Increase)/decrease in other current assets		(957)	98
(Decrease)/increase in payables		(724)	862
Increase/(decrease) in other current liabilities		12	(43)
Cash generated from operations		<u>3,638</u>	<u>19</u>
Income tax paid		(453)	(490)
Interest paid		(1,053)	(626)
Net cash from/(used in) operating activities		<u>2,132</u>	<u>(1,097)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(896)	(2,236)
Increase of land held for property development		(191)	-
Proceeds from disposal of property, plant and equipment		-	63
Acquisition of subsidiary		-	(1)
Interest received		25	29
Net cash used in investing activities		<u>(1,062)</u>	<u>(2,145)</u>
Cash flows from financing activities			
(Decrease)/increase of short term borrowings		(1,517)	477
Drawdown of term loans		3,090	1,126
Repayment of term loans		(891)	(310)
Repayment of obligation under finance leases		(214)	(163)
Net cash from financing activities		<u>468</u>	<u>1,130</u>
Net increase/(decrease) in cash and cash equivalents		1,538	(2,112)
Cash and cash equivalents at beginning of period		<u>755</u>	<u>2,195</u>
Cash and cash equivalents at end of period	9	<u>2,293</u>	<u>83</u>

These Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 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 second quarter ended 30 June 2013

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 2012. These explanatory notes attached 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 2012.

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 2012.

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 2012

- FRS 101: *Presentation of Items of Other Comprehensive Income (Amendments to FRS 101)*

Effective for financial periods beginning on or after 1 January 2013

- Amendments to FRS 101: *Presentation of Financial Statements (Improvements to FRSSs (2012))*
- 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*
- FRS 127: *Separate Financial Statements*
- FRS 128: *Investment in Associate and Joint Ventures*
- Amendment to IC Interpretation 2: *Members' Shares in Co-operative Entities and Similar Instruments (Improvements to FRSSs (2012))*
- IC Interpretation 20: *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7: *Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 1: *First-time Adoption of Malaysian Financial Reporting Standards – Government Loans*
- Amendments to FRS 1: *First-time Adoption of Malaysian Financial Reporting Standards (Improvements to FRSSs (2012))*
- Amendments to FRS 116: *Property, Plant and Equipment (Improvements to FRSSs (2012))*
- Amendments to FRS 132: *Financial Instruments: Presentation (Improvements to FRSSs (2012))*
- Amendments to FRS 134: *Interim Financial Reporting (Improvements to FRSSs (2012))*
- Amendments to FRS 10: *Consolidated Financial Statements: Transition Guidance*

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

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

2. Summary of significant accounting policies (continued)

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

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

- Amendments to FRS 11: *Joint Arrangements: Transition Guidance*
- Amendments to FRS 12: *Disclosure of Interests in Other Entities: Transition Guidance*

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 2014

- Amendments to FRS 132: *Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 10, FRS 12 and FRS 127: *Investment Entities*

Effective for financial periods beginning on or after 1 January 2015

- FRS 9: *Financial Instruments*

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.

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.

Company No. : 840040-H

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

7. Property, plant and equipment

Acquisitions

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

	30.6.2013 RM'000	30.6.2012 RM'000
Land	19	1,736
Factory buildings and extensions	-	3
Building-in-progress	803	68
Plant, machinery and factory equipment	86	70
Motor vehicles	14	624
Other assets *	37	161
	<u>959</u>	<u>2,662</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:

	30.6.2013 RM'000	30.6.2012 RM'000
Interest expense capitalised	63	426
Cash outflow	896	2,236
	<u>959</u>	<u>2,662</u>

Disposals

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

8. Inventories

During the current period ended 30 June 2013, there were no write-down of inventories.

9. Cash and bank balances

	As at 30.6.2013 RM'000	As at 31.12.2012 RM'000
Cash at banks and on hand	3,827	1,902
Short term deposits with licensed banks	1,324	1,405
Cash and bank balances	<u>5,151</u>	<u>3,307</u>
Less: Bank overdrafts	(2,858)	(2,552)
Total cash and cash equivalents	<u>2,293</u>	<u>755</u>

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

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

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 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.

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 30 June 2013.

13. Capital commitments

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

	As at 30.6.2013 RM'000	As at 31.12.2012 RM'000
Property, plant and equipment:		
- Approved and contracted for	1,624	93
- Approved and not contracted for	-	2,000
	<u>1,624</u>	<u>2,093</u>

14. Contingent assets and liabilities

There were no contingent assets or liabilities since 31 December 2012.

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 - property development and investment holding.

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

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

15. Segment information (continued)

	Sales of goods RM'000	Construction RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Period ended 30.6.2013					
Revenue:					
External customers	12,984	4,917	-	-	17,901
Inter-segment	10,089	-	-	(10,089)	-
	<u>23,073</u>	<u>4,917</u>	<u>-</u>	<u>(10,089)</u>	<u>17,901</u>
Results:					
Interest income	25	-	-	-	25
Finance costs	689	13	287	-	989
Depreciation and amortisation	984	75	-	-	1,059
Segment profit	<u>1,094</u>	<u>344</u>	<u>(387)</u>	<u>(541)</u>	<u>510</u>
Assets					
Capital expenditure	675	284	-	-	959
Segment assets	<u>65,570</u>	<u>11,570</u>	<u>30,024</u>	<u>-</u>	<u>107,164</u>
Segment liabilities	<u>29,936</u>	<u>168</u>	<u>26,162</u>	<u>-</u>	<u>56,266</u>
	Sales of goods RM'000	Construction RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Period ended 30.6.2012					
Revenue:					
External customers	13,952	1,582	-	-	15,534
Inter-segment	10,517	-	-	(10,517)	-
	<u>24,469</u>	<u>1,582</u>	<u>-</u>	<u>(10,517)</u>	<u>15,534</u>
Results:					
Interest income	22	1	6	-	29
Finance costs	621	5	-	-	626
Depreciation and amortisation	1,005	78	-	-	1,083
Segment profit	<u>1,532</u>	<u>157</u>	<u>(88)</u>	<u>(577)</u>	<u>1,024</u>
Assets					
Capital expenditure	1,873	789	-	-	2,662
Segment assets	<u>76,983</u>	<u>12,038</u>	<u>5,158</u>	<u>-</u>	<u>94,179</u>
Segment liabilities	<u>33,450</u>	<u>228</u>	<u>2,962</u>	<u>-</u>	<u>36,640</u>

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

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

16. Changes in composition of the Group

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

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 Ong and a major shareholder, Low Kim Chung have interest:

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

- (ii) Company in which certain directors, Low Kim Hock, Low Kim Joo, Low Kim Ong and a major shareholder, Low Kim Chung 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 30.6.2013 RM'000	Preceding year corresponding quarter ended 30.6.2012 RM'000	Current year- to-date 30.6.2013 RM'000	Preceding year corresponding period 30.6.2012 RM'000
Rental paid to LBS	21	21	42	42
Sales of dimension stone products to EMP	956	898	1,351	1,129
			Amount owed by related parties	
			As at	As at
			30.6.2013	31.12.2012
			RM'000	RM'000
LBS			-	-
EMP			765	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.
(Incorporated in Malaysia)

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

19. Review performance of the Group

3 months ended 30.6.2013

	Individual quarter		Increase/(decrease)	
	Current year quarter ended 30.6.2013 RM'000	Preceding year corresponding quarter ended 30.6.2012 RM'000	RM'000	%
Revenue	9,192	8,003	1,189	14.9
- Sales of goods segment	6,859	7,718	(859)	(11.1)
- Construction segment	2,333	285	2,048	718.6
Profit before tax	267	596	(329)	(55.2)

Revenue

The Group's revenue for current quarter ("2Q2013") ended 30 June 2013 has increased by RM1.19 million or 14.9% to RM9.19 million as compared to corresponding quarter in the preceding year. The increase in revenue for 2Q2013 was due to the increase in construction segment by RM2.05 million but was partly offset by lower sales of goods segment which decrease by RM0.86 million.

Profit before tax

The Group's profit before tax for 2Q2013 has declined by RM0.33 million to RM0.27 million in comparison with the corresponding quarter in preceding year. The decrease in profit before tax in 2Q2013 is mainly due to increase of administrative, general and selling expenses by RM0.14 million in tandem with the increase of revenue; and the increase of finance costs by RM0.15 million which resulted by higher of borrowings from the purchase of land held for property development commence on fourth quarter ended 31 December 2012.

6 months ended 30.6.2013

	Cumulative quarter		Increase/(decrease)	
	Current year- to-date 30.6.2013 RM'000	Preceding year corresponding period 30.6.2012 RM'000	RM'000	%
Revenue	17,901	15,534	2,367	15.2
- Sales of goods segment	12,984	13,952	(968)	(6.9)
- Construction segment	4,917	1,582	3,335	210.8
Profit before tax	510	1,024	(514)	(50.2)

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)

19. Review performance of the Group (continued)

6 months ended 30.6.2013 (continued)

Revenue

The Group's revenue for current year-to-date ("6M2013") ended 30 June 2013 has increased by RM2.37 million or 15.2% to RM17.90 million as compared to corresponding period in the preceding year. The increase in revenue for 6M2013 was due to the increase in construction segment by RM3.34 million and was partly offset by lower sales of goods segment by RM0.97 million.

Profit before tax

The Group's profit before tax for 6M2013 has declined by RM0.51 million to RM0.51 million in comparison with the corresponding period in the preceding year. The decrease in the profit before tax is mainly due to increase of administrative, general and selling expenses by RM0.19 million in tandem with the increase of revenue; and the increase of finance costs by RM0.36 million which resulted by higher of borrowings resulted from the purchase of land held for property development commence on fourth quarter ended 31 December 2012.

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

	Individual quarter		Increase/ (decrease) RM'000
	Current quarter ended 30.6.2013 RM'000	Preceding quarter ended 31.3.2013 RM'000	
Revenue	9,192	8,709	483
- Sales of goods segment	6,859	6,126	733
- Construction segment	2,333	2,583	(250)
Profit before tax	<u>267</u>	<u>243</u>	24

The Group recorded profit before tax of RM0.27 million for the current quarter under review as compared to profit before tax of RM0.24 million in the immediate preceding quarter. The slight increase of profit before tax in current quarter is mainly due to the increase in operating profit generated by RM0.03 million resulted from the increase of revenue by RM0.48 million in current quarter as compared to immediate preceding quarter.

21. Commentary on prospects

The Malaysian economy is forecasted 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 strengthen 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 grow 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)

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 (continued)

Barring any unforeseen circumstances and with the favourable outlook of construction sector in 2013, the Directors believe that the Group's prospects for the remaining periods of the 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. Profit before tax

Included in the profit before tax are the following items:

	Individual quarter		Cumulative quarter	
	Current year quarter ended 30.6.2013 RM'000	Preceding year corresponding quarter ended 30.6.2012 RM'000	Current year- to-date 30.6.2013 RM'000	Preceding year corresponding period 30.6.2012 RM'000
Interest income	(14)	(13)	(25)	(29)
Other income (including investment income)	-	-	-	-
Interest expense	471	318	989	626
Depreciation of:				
- Property, plant and equipment	505	515	1,015	1,039
- Investment properties	7	7	14	14
Amortisation of land use rights	15	15	30	30
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)	-	(41)
- Investment properties	-	-	-	-
Impairment of assets	-	-	-	-
Property, plant and equipment written off	-	-	-	-
Goodwill written off	-	-	-	5
(Gain)/Loss on foreign exchange:				
- Realised	(6)	(1)	(6)	1
- Unrealised	-	31	-	4
(Gain)/Loss on derivative	-	-	-	-
Rental income	(9)	(8)	(17)	(15)

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

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

24. Income tax expense

Major components of income tax expense includes the following:

	Individual quarter		Cumulative quarter	
	Current year quarter ended 30.6.2013 RM'000	Preceding year corresponding quarter ended 30.6.2012 RM'000	Current year- to-date 30.6.2013 RM'000	Preceding year corresponding period 30.6.2012 RM'000
Current tax:				
Malaysian income tax	225	310	543	554
Deferred tax:				
Relating to origination and reversal of temporary differences	(58)	(90)	(237)	(219)
Underprovided in prior periods	-	2	-	-
	<u>(58)</u>	<u>(88)</u>	<u>(237)</u>	<u>(219)</u>
Total income tax expense	<u>167</u>	<u>222</u>	<u>306</u>	<u>335</u>

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.

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 30.6.2013 RM'000	As at 31.12.2012 RM'000
Short term borrowings		
Secured:		
Bank overdrafts	2,858	2,552
Banker acceptances	10,175	11,692
Obligation under finance leases	394	432
Term loans	1,373	1,591
	<u>14,800</u>	<u>16,267</u>

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)

26. Borrowings and debts securities (continued)

	As at 30.6.2013 RM'000	As at 31.12.2012 RM'000
Long term borrowings		
Secured:		
Obligation under finance leases	587	762
Term loans	27,310	24,893
	<u>27,897</u>	<u>25,655</u>
Total borrowings	<u>42,697</u>	<u>41,922</u>

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 30 June 2013 or the previous financial year ended 31 December 2012.

31. Risks and policies of derivatives

The Group did not enter into any derivatives during the period ended 30 June 2013 or the previous financial year ended 31 December 2012.

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 30 June 2013 or the previous financial year ended 31 December 2012.

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)

33. 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 30.6.2013	Preceding year corresponding quarter ended 30.6.2012	Current year- to-date 30.6.2013	Preceding year corresponding period 30.6.2012
Profit for the period attributable to ordinary equity holders of the Company (RM'000)	157	371	349	686
Weighted average number of ordinary shares in issue ('000)	80,000	80,000	80,000	80,000
Basic earnings per share (sen)	0.20	0.46	0.44	0.86

(b) Diluted

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

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

Part C - Disclosure of realised and unrealised profits or losses

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 30 June 2013			
Total retained earnings of the Company and its subsidiaries	12,355	(1,312)	11,043
Less: Consolidation adjustments			(410)
Retained earnings of the Group			<u>10,633</u>
Previous financial year ended 31 December 2012			
Total retained earnings of the Company and its subsidiaries	12,183	(1,370)	10,813
Less: Consolidation adjustments			(529)
Retained earnings of the Group			<u>10,284</u>

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 2012 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 26 August 2013.