



HOCK HENG STONE INDUSTRIES BHD.

(Company No. : 840040-H)

(Incorporated in Malaysia)

**Condensed Consolidated
Interim Financial Statements
For the fourth quarter ended
31 December 2013**

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 2013
(The figures have not been audited)

	Note	Individual quarter		Cumulative quarter	
		Current year quarter ended 31.12.2013 RM'000	Preceding year corresponding quarter ended 31.12.2012 RM'000	Current year- to-date 31.12.2013 RM'000	Preceding year corresponding period 31.12.2012 RM'000
Continuing operations					
Revenue		11,493	9,746	39,719	34,718
Cost of sales		(7,411)	(8,089)	(28,650)	(26,298)
Gross profit		4,082	1,657	11,069	8,420
Other income		520	311	610	453
Administrative, general and selling expenses		(3,370)	(2,042)	(8,206)	(6,482)
Operating profit		1,232	(74)	3,473	2,391
Finance costs		(547)	(368)	(1,922)	(1,351)
Profit/(loss) before tax	23	685	(442)	1,551	1,040
Income tax expense	24	(132)	161	(579)	(316)
Profit/(loss) for the period		553	(281)	972	724
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		553	(281)	972	724
Profit/(loss) attributable to:					
Owners of the parent		569	(272)	1,169	729
Non-controlling interests		(16)	(9)	(197)	(5)
		553	(281)	972	724
Total comprehensive income/(loss) attributable to:					
Owners of the parent		569	(272)	1,169	729
Non-controlling interests		(16)	(9)	(197)	(5)
		553	(281)	972	724
Earnings/(loss) per share attributable to owners of the parent:					
Basic, for the period (sen)	33	0.71	(0.34)	1.46	0.91
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.
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Condensed Consolidated Statements of Financial Position
As at 31 December 2013

	Note	Unaudited As at 31.12.2013 RM'000	Audited As at 31.12.2012 RM'000
Assets			
Non-current assets			
Property, plant and equipment	7	25,778	25,275
Investment properties		1,415	1,485
Land use rights		2,425	2,484
Land held for property development		-	21,028
Development expenditure		379	379
Deferred tax assets		208	-
		<u>30,205</u>	<u>50,651</u>
Current assets			
Property development costs		22,504	-
Inventories	8	27,846	26,738
Trade receivables and other receivables		18,761	21,082
Other current assets		6,659	5,013
Income tax receivable		97	333
Cash and bank balances	9	3,789	3,307
		<u>79,656</u>	<u>56,473</u>
Total assets		<u>109,861</u>	<u>107,124</u>
Equity and liabilities			
Current liabilities			
Income tax payable		321	10
Borrowings	26	13,067	16,267
Trade payables and other payables		15,458	13,478
Other current liability		40	156
		<u>28,886</u>	<u>29,911</u>
Net current assets		<u>50,770</u>	<u>26,562</u>
Non-current liabilities			
Deferred tax liabilities		676	864
Borrowings	26	28,633	25,655
		<u>29,309</u>	<u>26,519</u>
Total liabilities		<u>58,195</u>	<u>56,430</u>
Equity attributable to owners of the parent			
Share capital		40,000	40,000
Retained earnings	34	11,453	10,284
		<u>51,453</u>	<u>50,284</u>
Non-controlling interests		213	410
Total equity		<u>51,666</u>	<u>50,694</u>
Total equity and liabilities		<u>109,861</u>	<u>107,124</u>
Net assets per share attributable to ordinary equity holders of the Company (sen)		<u>64.32</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.
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Condensed Consolidated Statements of Changes in Equity
For the fourth quarter ended 31 December 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	-	729	729	(5)	724
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	10,284	50,284	410	50,694
Opening balance at 1 January 2013	40,000	10,284	50,284	410	50,694
Total comprehensive income for the period	-	1,169	1,169	(197)	972
Closing balance at 31 December 2013	40,000	11,453	51,453	213	51,666

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.
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Condensed Consolidated Statements of Cash Flows
For the fourth quarter ended 31 December 2013
(The figures have not been audited)

	Note	Current year- to-date 31.12.2013 RM'000	Preceding year corresponding period 31.12.2012 RM'000
Cash flows from operating activities			
Profit before tax		1,551	1,040
Adjustment for:			
Amortisation of land use rights		59	59
Depreciation of property, plant and equipment		1,984	2,087
Depreciation of investment properties		27	27
Impairment loss on trade receivables		999	261
Reversal of impairment loss on trade receivables		(313)	(24)
Write-down of inventories		34	-
Gain on disposal of property, plant and equipment		(107)	(296)
Gain on disposal of investment properties		(12)	-
Goodwill written off		-	5
Unrealised gain on foreign exchange		78	(44)
Interest expense		1,922	1,351
Interest income		(48)	(52)
Operating profit before changes in working capital		<u>6,174</u>	<u>4,414</u>
Changes in working capital:			
Increase in inventories		(1,142)	(1,341)
Decrease/(increase) in receivables		1,635	(1,523)
Increase in other current assets		(1,646)	(453)
Increase in payables		1,902	5,059
Decrease in other current liability		(116)	(115)
Cash generated from operations		<u>6,807</u>	<u>6,041</u>
Income tax paid		(714)	(1,132)
Income tax refund		286	-
Interest paid		<u>(2,103)</u>	<u>(1,481)</u>
Net cash from operating activities		<u>4,276</u>	<u>3,428</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(2,954)	(2,600)
Increase of land held for property development		(827)	(21,028)
Proceeds from disposal of property, plant and equipment		246	1,752
Proceeds from disposal of investment properties		55	-
Acquisition of subsidiary		-	(1)
Interest received		48	52
Proceeds from acquisition of non-controlling interests		-	360
Net cash used in investing activities		<u>(3,432)</u>	<u>(21,465)</u>

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Condensed Consolidated Statements of Cash Flows (continued)
For the fourth quarter ended 31 December 2013
(The figures have not been audited)

	Current year- to-date	Preceding year corresponding period
Note	31.12.2013 RM'000	31.12.2012 RM'000
Cash flows from financing activities		
(Decrease)/increase of short term borrowings	(4,153)	2,049
Drawdown of term loans	11,209	16,356
Repayment of term loans	(8,251)	(620)
Repayment of obligation under finance leases	(369)	(388)
Dividend paid	-	(800)
Net cash (used in)/from financing activities	<u>(1,564)</u>	<u>16,597</u>
Net decrease in cash and cash equivalents	(720)	(1,440)
Cash and cash equivalents at beginning of period	755	2,195
Cash and cash equivalents at end of period	<u>9</u> <u>35</u>	<u>755</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.

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Notes to the Interim Financial Statements for the third quarter ended 31 December 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 FRSs (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 FRSs (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 FRSs (2012))*
- Amendments to FRS 116: *Property, Plant and Equipment (Improvements to FRSs (2012))*
- Amendments to FRS 132: *Financial Instruments: Presentation (Improvements to FRSs (2012))*
- Amendments to FRS134: *Interim Financial Reporting (Improvements to FRSs (2012))*
- Amendments to FRS 10: *Consolidated Financial Statements: Transition Guidance*

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

2. Summary of significant accounting policies (continued)

2.1 Changes in accounting policies and effects arising from adoption of new 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.

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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:

	31.12.2013 RM'000	31.12.2012 RM'000
Land	19	1,736
Factory buildings and extensions	-	3
Building-in-progress	2,785	310
Plant, machinery and factory equipment	130	181
Motor vehicles	265	983
Other assets *	77	175
	<u>3,276</u>	<u>3,388</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:

	31.12.2013 RM'000	31.12.2012 RM'000
Finance leases	140	658
Interest expense capitalised	182	130
Cash outflow	2,954	2,600
	<u>3,276</u>	<u>3,388</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 on disposals RM'000
Factory equipment	7	6	10	4
Motor vehicles	65	-	6	6
Building	148	133	230	97
	<u>220</u>	<u>139</u>	<u>246</u>	<u>107</u>

8. Inventories

During the current period ended 31 December 2013, there were write-down of inventories of RM34,000 (31.12.2012: RM Nil). This expense was included in the cost of sales in the statement of comprehensive income.

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

9. Cash and bank balances

	31.12.2013 RM'000	31.12.2012 RM'000
Cash at banks and on hand	2,352	1,902
Short term deposits with licensed banks	1,437	1,405
Cash and bank balances	3,789	3,307
Less: Bank overdrafts	(3,754)	(2,552)
Total cash and cash equivalents	35	755

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 31 December 2013.

13. Capital commitments

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

	31.12.2013 RM'000	31.12.2012 RM'000
Property, plant and equipment:		
- Approved and contracted for	6,177	93
- Approved and not contracted for	662	2,000
	6,839	2,093

14. Contingent assets and liabilities

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

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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) Property development - property development.
- (iv) Others - investment holding.

	Sales of goods RM'000	Construction RM'000	Property development RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Period ended 31.12.2013						
Revenue:						
External customers	29,987	9,732	-	-	-	39,719
Inter-segment	20,810	-	-	400	(21,210)	-
	<u>50,797</u>	<u>9,732</u>	<u>-</u>	<u>400</u>	<u>(21,210)</u>	<u>39,719</u>
Results:						
Interest income	47	-	-	1	-	48
Finance costs	1,350	34	538	-	-	1,922
Depreciation and amortisation	1,923	147	-	-	-	2,070
Other non-cash expense	702	18	-	-	-	720
Segment profit/(loss)	<u>1,846</u>	<u>461</u>	<u>(750)</u>	<u>282</u>	<u>(288)</u>	<u>1,551</u>
Assets						
Capital expenditure	1,940	1,336	-	-	-	3,276
Segment assets	<u>75,137</u>	<u>11,126</u>	<u>23,555</u>	<u>43</u>	<u>-</u>	<u>109,861</u>
Segment liabilities	<u>36,519</u>	<u>40</u>	<u>21,571</u>	<u>65</u>	<u>-</u>	<u>58,195</u>

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

15. Segment information (continued)

	Sales of goods RM'000	Construction RM'000	Property development 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)	-
	<u>48,024</u>	<u>6,623</u>	<u>-</u>	<u>1,080</u>	<u>(21,009)</u>	<u>34,718</u>
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	199	38	-	-	-	237
Segment profit/(loss)	<u>1,644</u>	<u>218</u>	<u>(41)</u>	<u>924</u>	<u>(1,705)</u>	<u>1,040</u>
Assets						
Capital expenditure	2,531	857	21,027	-	-	24,415
Segment assets	<u>72,234</u>	<u>13,659</u>	<u>21,181</u>	<u>50</u>	<u>-</u>	<u>107,124</u>
Segment liabilities	<u>38,326</u>	<u>156</u>	<u>17,905</u>	<u>43</u>	<u>-</u>	<u>56,430</u>

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.

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

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 31.12.2013 RM'000	Preceding year corresponding quarter ended 31.12.2012 RM'000	Current year- to-date 31.12.2013 RM'000	Preceding year corresponding period 31.12.2012 RM'000
Rental paid to LBS	21	21	84	84
Sales of dimension stone products to EMP	702	748	3,264	2,553
			Amount owed by related parties	
			As at	As at
			31.12.2013	31.12.2012
			RM'000	RM'000
LBS			-	-
EMP			930	491

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

19. Review performance of the Group

3 months ended 31.12.2013

	Individual quarter		Increase/(decrease)	
	Current year quarter ended 31.12.2013 RM'000	Preceding year corresponding quarter ended 31.12.2012 RM'000	RM'000	%
Revenue	11,493	9,746	1,747	17.9
- Sales of goods segment	9,273	7,073	2,200	31.1
- Construction segment	2,220	2,673	(453)	(16.9)
Profit before tax	685	(442)	1,127	255.0

Revenue

The Group's revenue for current quarter ("4Q2013") ended 31 December 2013 has increased by RM1.75 million or 17.9% to RM11.49 million as compared to corresponding quarter in the preceding year. The increase in revenue for 4Q2013 was due to the increase in sales of goods segment by RM2.20 million however partially off-set by the slight decrease in construction segment by RM0.45 million.

Profit before tax

The Group's profit before tax for 4Q2013 has increased by RM1.13 million to RM0.69 million as compared to loss before tax of RM0.44 million in corresponding quarter in preceding year. The increase in profit before tax in 4Q2013 is mainly due to the improvement in operating profit by RM2.43 million and increase in other income by RM0.21 million and partially off-set by the increase of administrative, general and selling expenses by RM1.33 million and increase of finance costs by RM0.18 million in tandem with the increase of revenue.

12 months ended 31.12.2013

	Cumulative quarter		Increase/(decrease)	
	Current year- to-date 31.12.2013 RM'000	Preceding year corresponding period 31.12.2012 RM'000	RM'000	%
Revenue	39,719	34,718	5,001	14.4
- Sales of goods segment	29,987	28,095	1,892	6.7
- Construction segment	9,732	6,623	3,109	46.9
Profit before tax	1,551	1,040	511	49.1

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

19. Review performance of the Group (continued)

12 months ended 31.12.2013 (continued)

Revenue

The Group's revenue for current year-to-date ("12M2013") ended 31 December 2013 has increased by RM5.00 million or 14.4% to RM39.72 million as compared to corresponding period in the preceding year. The increase in revenue for 12M2013 was due to the increase in construction segment by RM3.11 million and the increase in sales of goods segment by RM1.89 million.

Profit before tax

The Group's profit before tax for 12M2013 has increased by RM0.51 million to RM1.55 million in comparison with the corresponding period in the preceding year. The increase in the profit before tax is mainly due to improvement in operating profit by RM2.65 million and the increase in other income by RM0.16 million. However, the improvement in operating profit and the increase in other income were partially off-set by the increase of administrative, general and selling expenses by RM1.73 million in tandem with the increase of revenue; and the increase of finance costs by RM0.57 million which resulted by higher of borrowings resulted from the purchase of land 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 31.12.2013 RM'000	Preceding quarter ended 30.9.2013 RM'000	
Revenue	11,493	10,325	1,168
- Sales of goods segment	9,273	7,730	1,543
- Construction segment	2,220	2,595	(375)
Profit before tax	685	356	329

The Group recorded increase in profit before tax of by RM0.33 million for the current quarter under review as compared to profit before tax in the immediate preceding quarter. The increase of profit before tax in current quarter is mainly due to the improvement in operating profit by RM1.70 million and the increase in other income by RM0.51 million and partially off-set by the increase of administrative, general and selling expenses by RM1.72 million and increase of finance costs by RM0.16 million in tandem with the increase of revenue in current quarter as compared to immediate preceding quarter.

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

21. Commentary on prospects

The Malaysian economy is expected to grow between 5% to 5.5% in 2014 on firm domestic demand and recovery exports. Domestic demand is expected to remain strong and continue to be the driver of growth. Private investment is expected to continue to record a double-digit growth supported by accelerated implementation of on-going Economic Transformation Programme projects. Meanwhile, public investments will be mainly sustained by non-financial public enterprises in the oil and gas, utilities, transportation and telecommunication services. Construction sector is forecasted to grow at 9.6% (10.6% in 2013) and services sector forecasted to grow at 5.7% (5.5% in 2013). Both sectors will continue to lead economic drive in 2014. The strong performance of the construction sector is expected to continue, largely supported by the civil engineering and residential segments. (Source: *Economic Report 2013/2014, Ministry of Finance, Malaysia*)

Barring any unforeseen circumstances with the favourable outlook of construction sector in 2014 and the Group expected to commence property development project in 2014, the Directors believe that the Group's prospects for the next financial year ending 31 December 2014 will be 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/(loss) before tax

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

	Individual quarter		Cumulative quarter	
	Current year quarter ended 31.12.2013 RM'000	Preceding year corresponding quarter ended 31.12.2012 RM'000	Current year- to-date 31.12.2013 RM'000	Preceding year corresponding period 31.12.2012 RM'000
Interest income	(11)	(12)	(48)	(52)
Other income (including investment income)	-	-	-	-
Interest expense	547	368	1,922	1,351
Depreciation of:				
- Property, plant and equipment	468	520	1,984	2,087
- Investment properties	6	6	27	27
Amortisation of land use rights	15	15	59	59
Impairment loss on trade receivables	999	261	999	261
Reversal of impairment loss on trade receivables	(313)	(24)	(313)	(24)
Bad debts written off	-	-	-	-
Write-down of inventories	34	-	34	-
Inventories written off	-	-	-	-
(Gain)/Loss on disposal of quoted and unquoted investments	-	-	-	-

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

23. Profit/(loss) before tax (continued)

	Individual quarter		Cumulative quarter	
	Current year quarter ended 31.12.2013 RM'000	Preceding year corresponding quarter ended 31.12.2012 RM'000	Current year- to-date 31.12.2013 RM'000	Preceding year corresponding period 31.12.2012 RM'000
(Gain)/Loss on disposal of:				
- Property, plant and equipment	(103)	(255)	(107)	(296)
- Investment properties	(12)	-	(12)	-
Impairment of assets	-	-	-	-
Property, plant and equipment written off	-	-	-	-
Goodwill written off	-	-	-	5
(Gain)/Loss on foreign exchange:				
- Realised	(4)	(5)	(23)	(3)
- Unrealised	78	(9)	78	(44)
(Gain)/Loss on derivative	-	-	-	-
Rental income	(12)	(8)	(39)	(31)

24. Income tax expense

Major components of income tax expense includes the following:

	Individual quarter		Cumulative quarter	
	Current year quarter ended 31.12.2013 RM'000	Preceding year corresponding quarter ended 31.12.2012 RM'000	Current year- to-date 31.12.2013 RM'000	Preceding year corresponding period 31.12.2012 RM'000
Current tax:				
Malaysian income tax	264	(81)	972	658
Under/(over)provision in previous years	2	(55)	2	(55)
	<u>266</u>	<u>(136)</u>	<u>974</u>	<u>603</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	(68)	(29)	(329)	(291)
(Over)/underprovision in previous years	(66)	4	(66)	4
	<u>(134)</u>	<u>(25)</u>	<u>(395)</u>	<u>(287)</u>
Total income tax expense	<u>132</u>	<u>(161)</u>	<u>579</u>	<u>316</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.

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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.

	31.12.2013	31.12.2012
	RM'000	RM'000
Short term borrowings		
Secured:		
Bank overdrafts	3,754	2,552
Banker acceptances	7,539	11,692
Obligation under finance leases	399	432
Term loans	1,375	1,591
	<u>13,067</u>	<u>16,267</u>
Long term borrowings		
Secured:		
Obligation under finance leases	566	762
Term loans	28,067	24,893
	<u>28,633</u>	<u>25,655</u>
Total borrowings	<u>41,700</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 31 December 2013 or the previous financial year ended 31 December 2012.

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

31. Risks and policies of derivatives

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

33. Earnings/(loss) per share

(a) Basic

Basic earnings/(loss) 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 31.12.2013	Preceding year corresponding quarter ended 31.12.2012	Current year- to-date 31.12.2013	Preceding year corresponding period 31.12.2012
Profit/(loss) for the period attributable to ordinary equity holders of the Company (RM'000)	569	(272)	1,169	729
Weighted average number of ordinary shares in issue ('000)	80,000	80,000	80,000	80,000
Basic earnings/(loss) per share (sen)	<u>0.71</u>	<u>(0.34)</u>	<u>1.46</u>	<u>0.91</u>

(b) Diluted

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

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Part C - Disclosure of realised and unrealised profits or losses

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
Financial year ended 31 December 2013			
Total retained earnings of the Company and its subsidiaries	12,441	(1,068)	11,373
Less: Consolidation adjustments			80
Retained earnings of the Group			<u>11,453</u>
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 27 February 2014.