



HOCK HENG STONE INDUSTRIES BHD.

(Company No. : 840040-H)

(Incorporated in Malaysia)

**Condensed Consolidated
Interim Financial Statements
For the first quarter ended
31 March 2014**

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

Condensed Consolidated Statements of Comprehensive Income
For the first quarter ended 31 March 2014
(The figures have not been audited)

	Note	Individual quarter		Cumulative quarter	
		Current year quarter ended 31.3.2014 RM'000	Preceding year corresponding quarter ended 31.3.2013 RM'000	Current year- to-date 31.3.2014 RM'000	Preceding year corresponding period 31.3.2013 RM'000
Continuing operations					
Revenue		8,482	8,709	8,482	8,709
Cost of sales		(5,896)	(6,425)	(5,896)	(6,425)
Gross profit		2,586	2,284	2,586	2,284
Other income		65	34	65	34
Administrative, general and selling expenses		(1,834)	(1,557)	(1,834)	(1,557)
Operating profit		817	761	817	761
Finance costs		(279)	(518)	(279)	(518)
Profit before tax	23	538	243	538	243
Income tax expense	24	(180)	(139)	(180)	(139)
Profit for the period		358	104	358	104
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		358	104	358	104
Profit attributable to:					
Owners of the parent		392	192	392	192
Non-controlling interests		(34)	(88)	(34)	(88)
		358	104	358	104
Total comprehensive income attributable to:					
Owners of the parent		392	192	392	192
Non-controlling interests		(34)	(88)	(34)	(88)
		358	104	358	104
Earnings per share attributable to owners of the parent:					
Basic, for the period (sen)	33	0.49	0.24	0.49	0.24
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 2013 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 March 2014

	Note	Unaudited As at 31.3.2014 RM'000	Audited As at 31.12.2013 RM'000
Assets			
Non-current assets			
Property, plant and equipment	7	26,407	25,778
Investment properties		1,408	1,415
Land use rights		2,410	2,425
Development expenditure		379	379
Deferred tax assets		218	208
		<u>30,822</u>	<u>30,205</u>
Current assets			
Property development costs		22,806	22,504
Inventories	8	27,813	27,846
Trade receivables and other receivables		14,382	18,758
Other current assets		8,681	6,662
Income tax receivable		107	97
Cash and bank balances	9	3,221	3,789
		<u>77,010</u>	<u>79,656</u>
Total assets		<u>107,832</u>	<u>109,861</u>
Equity and liabilities			
Current liabilities			
Income tax payable		426	320
Borrowings	26	12,869	13,067
Trade payables and other payables		12,665	15,459
Other current liability		98	40
		<u>26,058</u>	<u>28,886</u>
Net current assets		<u>50,952</u>	<u>50,770</u>
Non-current liabilities			
Deferred tax liabilities		609	676
Borrowings	26	29,141	28,633
		<u>29,750</u>	<u>29,309</u>
Total liabilities		<u>55,808</u>	<u>58,195</u>
Equity attributable to owners of the parent			
Share capital		40,000	40,000
Retained earnings	34	11,845	11,453
		<u>51,845</u>	<u>51,453</u>
Non-controlling interests		179	213
Total equity		<u>52,024</u>	<u>51,666</u>
Total equity and liabilities		<u>107,832</u>	<u>109,861</u>
Net assets per share attributable to ordinary equity holders of the Company (sen)		<u>64.81</u>	<u>64.32</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 2013 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 first quarter ended 31 March 2014
(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 2013	40,000	10,284	50,284	410	50,694
Total comprehensive income for the period	-	192	192	(88)	104
Closing balance at 31 March 2013	40,000	10,476	50,476	322	50,798
Opening balance at 1 January 2014	40,000	11,453	51,453	213	51,666
Total comprehensive income for the period	-	392	392	(34)	358
Closing balance at 31 March 2014	40,000	11,845	51,845	179	52,024

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 2013 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 first quarter ended 31 March 2014
(The figures have not been audited)

	Note	Current year- to-date 31.3.2014 RM'000	Preceding year corresponding period 31.3.2013 RM'000
Cash flows from operating activities			
Profit before tax		538	243
Adjustment for:			
Amortisation of land use rights		15	15
Depreciation of property, plant and equipment		488	510
Depreciation of investment properties		7	7
Interest expense		279	518
Interest income		(15)	(11)
Operating profit before changes in working capital		1,312	1,282
Changes in working capital:			
Decrease in inventories		33	754
Decrease in receivables		4,376	2,222
Increase in other current assets		(2,019)	(418)
Increase in property development costs		(302)	(31)
Decrease in payables		(2,794)	(2,506)
Increase/(decrease) in other current liability		58	(116)
Cash generated from operations		664	1,187
Income tax paid		(161)	(234)
Interest paid		(339)	(550)
Net cash from operating activities		164	403
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(1,057)	(131)
Interest received		15	11
Net cash used in investing activities		(1,042)	(120)
Cash flows from financing activities			
Decrease of short term borrowings		(367)	(181)
Drawdown of term loans		907	-
Repayment of term loans		(236)	(411)
Repayment of obligation under finance leases		(103)	(105)
Net cash from/(used in) financing activities		201	(697)
Net decrease in cash and cash equivalents		(677)	(414)
Cash and cash equivalents at beginning of period		35	755
Cash and cash equivalents at end of period	9	(642)	341

These Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to these interim financial statements.

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Hock Heng Stone Industries Bhd.
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Notes to the Interim Financial Statements for the first quarter ended 31 March 2014

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 2013. 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 2013.

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 2013.

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 January 2014

- Amendments to FRS 10, FRS 12 and FRS 127 (2011): *Investment Entities*
- Amendments to FRS 132: *Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 136: *Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to FRS 139: *Novation of Derivatives and Contribution of Hedge Accounting*
- IC Interpretation 21 *Levies*

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 July 2014

- Amendments to FRS 119: *Defined Benefits Plans - Employee Contributions*
- Annual Improvements to FRSs 2010 - 2012 Cycle
- Annual Improvements to FRSs 2011 - 2013 Cycle

Effective for financial periods to be announced by MASB

- FRS 9 (2009) *Financial Instruments*
- FRS 9 (2010) *Financial Instruments*
- FRS 9 *Financial Instruments (Hedge Accounting and Amendments to FRS 7, FRS 9 and FRS 139)*
- Amendments to FRS 9 and FRS 7: *Mandatory Effective Date of FRS 9 and Transition Disclosures*

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

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.

7. Property, plant and equipment

Acquisitions

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

	31.3.2014	31.3.2013
	RM'000	RM'000
Land	1,012	-
Building-in-progress	79	76
Plant, machinery and factory equipment	2	68
Motor vehicles	-	1
Other assets *	24	18
	<u>1,117</u>	<u>163</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:

	31.3.2014	31.3.2013
	RM'000	RM'000
Interest expense capitalised	60	32
Cash outflow	1,057	131
	<u>1,117</u>	<u>163</u>

Disposals

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

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

8. Inventories

During the current period ended 31 March 2014, there were no write-down of inventories.

9. Cash and bank balances

	31.3.2014 RM'000	31.12.2013 RM'000
Cash at banks and on hand	1,784	2,304
Short term deposits with licensed banks	1,437	1,485
Cash and bank balances	3,221	3,789
Less: Bank overdrafts	(3,863)	(3,754)
Total cash and cash equivalents	(642)	35

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 March 2014.

13. Capital commitments

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

	31.3.2014 RM'000	31.12.2013 RM'000
Property, plant and equipment:		
- Approved and contracted for	4,884	6,153
- Approved and not contracted for	662	662
	5,546	6,815

14. Contingent assets and liabilities

There were no contingent assets or liabilities since 31 December 2013.

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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 31.3.2014						
Revenue:						
External customers	6,295	2,187	-	-	-	8,482
Inter-segment	3,314	-	-	-	(3,314)	-
	<u>9,609</u>	<u>2,187</u>	<u>-</u>	<u>-</u>	<u>(3,314)</u>	<u>8,482</u>
Results:						
Interest income	14	-	-	1	-	15
Finance costs	243	12	24	-	-	279
Depreciation and amortisation	472	38	-	-	-	510
Segment profit/(loss)	<u>537</u>	<u>69</u>	<u>(61)</u>	<u>(36)</u>	<u>29</u>	<u>538</u>
Assets						
Capital expenditure	1,093	24	-	-	-	1,117
Segment assets	<u>72,372</u>	<u>9,968</u>	<u>25,425</u>	<u>67</u>	<u>-</u>	<u>107,832</u>
Segment liabilities	<u>33,266</u>	<u>98</u>	<u>22,389</u>	<u>55</u>	<u>-</u>	<u>55,808</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 31.3.2013						
Revenue:						
External customers	6,126	2,583	-	-	-	8,709
Inter-segment	4,108	-	-	-	(4,108)	-
	<u>10,234</u>	<u>2,583</u>	<u>-</u>	<u>-</u>	<u>(4,108)</u>	<u>8,709</u>
Results:						
Interest income	11	-	-	-	-	11
Finance costs	342	7	169	-	-	518
Depreciation and amortisation	494	38	-	-	-	532
Segment profit/(loss)	<u>792</u>	<u>194</u>	<u>(157)</u>	<u>(42)</u>	<u>(544)</u>	<u>243</u>
Assets						
Capital expenditure	149	14	-	-	-	163
Segment assets	<u>69,884</u>	<u>12,836</u>	<u>21,404</u>	<u>78</u>	<u>-</u>	<u>104,202</u>
Segment liabilities	<u>35,255</u>	<u>40</u>	<u>18,055</u>	<u>53</u>	<u>-</u>	<u>53,403</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 31.3.2014 RM'000	Preceding year corresponding quarter ended 31.3.2013 RM'000	Current year- to-date 31.3.2014 RM'000	Preceding year corresponding period 31.3.2013 RM'000
Rental paid to LBS	21	21	21	21
Sales of dimension stone products to EMP	926	395	926	395
			Amount owed by related parties	
			As at 31.3.2014 RM'000	As at 31.12.2013 RM'000
LBS			-	-
EMP			1,250	930

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 31.3.2014

	Individual quarter		Increase/(decrease)	
	Current year quarter ended 31.3.2014 RM'000	Preceding year corresponding quarter ended 31.3.2013 RM'000	RM'000	%
Revenue	8,482	8,709	(227)	(2.6)
- Sales of goods segment	6,295	6,126	169	2.8
- Construction segment	2,187	2,583	(396)	(15.3)
Profit before tax	538	243	295	(121.4)

Revenue

The Group's revenue for current quarter ("1Q2014") ended 31 March 2014 has slight decreased by RM0.23 million or 2.6% to RM8.48 million as compared to corresponding quarter in the preceding year. The decrease in revenue for 1Q2014 was due to the decrease in construction segment by RM0.40 million however partially off-set by the increase in sales of goods segment by RM0.17 million.

Profit before tax

The Group's profit before tax for 1Q2014 has increased by RM0.30 million to RM0.54 million as compared to profit before tax of RM0.24 million in corresponding quarter in preceding year. The increase in profit before tax in 1Q2014 is mainly due to the improvement in operating profit by RM0.30 million in the current quarter under review.

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

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

	Individual quarter		Increase/ (decrease) RM'000
	Current quarter ended 31.3.2014 RM'000	Preceding quarter ended 31.12.2013 RM'000	
Revenue	8,482	11,493	(3,011)
Profit before tax	<u>538</u>	<u>685</u>	(147)

The Group recorded slight decrease in profit before tax of by RM0.15 million for the current quarter under review as compared to profit before tax in the immediate preceding quarter. The decrease of profit before tax in current quarter is mainly due to the decrease of revenue in current quarter as compared to immediate preceding quarter.

21. Commentary on prospects

The Malaysian economy is expected to grow between 5% to 5.5% in 2014, supported by domestic demand and improvement in external environment. 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% and services sector forecasted to grow at 5.7%. 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, the Directors believe that the Group's prospects for the remaining periods of the financial year ending 31 December 2014 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.

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

23. Profit before tax

Included in the profit before tax are the following items:

	Individual quarter		Cumulative quarter	
	Current year quarter ended 31.3.2014 RM'000	Preceding year corresponding quarter ended 31.3.2013 RM'000	Current year- to-date 31.3.2014 RM'000	Preceding year corresponding period 31.3.2013 RM'000
Interest income	(15)	(11)	(15)	(11)
Other income (including investment income)	-	-	-	-
Interest expense	279	518	279	518
Depreciation of:				
- Property, plant and equipment	488	510	488	510
- Investment properties	7	7	7	7
Amortisation of land use rights	15	15	15	15
Impairment loss on trade receivables	-	-	-	-
Reversal of impairment loss on trade receivables	-	-	-	-
Bad debts written off	-	-	-	-
Write-down of inventories	-	-	-	-
Inventories written off	-	-	-	-
(Gain)/Loss on disposal of quoted and unquoted investments	-	-	-	-
(Gain)/Loss on disposal of:				
- Property, plant and equipment	-	-	-	-
- Investment properties	-	-	-	-
Impairment of assets	-	-	-	-
Property, plant and equipment written off	-	-	-	-
(Gain)/Loss on foreign exchange:				
- Realised	(15)	-	(15)	-
- Unrealised	-	-	-	-
(Gain)/Loss on derivative	-	-	-	-
Rental income	(14)	(8)	(14)	(8)

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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 31.3.2014 RM'000	Preceding year corresponding quarter ended 31.3.2013 RM'000	Current year- to-date 31.3.2014 RM'000	Preceding year corresponding period 31.3.2013 RM'000
Current tax:				
Malaysian income tax	258	318	258	318
Under/(over)provision in previous years	-	-	-	-
	<u>258</u>	<u>318</u>	<u>258</u>	<u>318</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	(70)	(179)	(70)	(179)
(Over)/underprovision in previous years	(8)	-	(8)	-
	<u>(78)</u>	<u>(179)</u>	<u>(78)</u>	<u>(179)</u>
Total income tax expense	<u>180</u>	<u>139</u>	<u>180</u>	<u>139</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.

	31.3.2014 RM'000	31.12.2013 RM'000
Short term borrowings		
Secured:		
Bank overdrafts	3,863	3,754
Banker acceptances	7,172	7,539
Obligation under finance leases	370	399
Term loans	1,464	1,375
	<u>12,869</u>	<u>13,067</u>

Company No. : 840040-H

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

26. Borrowings and debts securities (continued)

	31.3.2014 RM'000	31.12.2013 RM'000
Long term borrowings		
Secured:		
Obligation under finance leases	492	566
Term loans	<u>28,649</u>	<u>28,067</u>
	<u>29,141</u>	<u>28,633</u>
Total borrowings	<u>42,010</u>	<u>41,700</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 March 2014 or the previous financial year ended 31 December 2013.

31. Risks and policies of derivatives

The Group did not enter into any derivatives during the period ended 31 March 2014 or the previous financial year ended 31 December 2013.

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 March 2014 or the previous financial year ended 31 December 2013.

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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 31.3.2014	Preceding year corresponding quarter ended 31.3.2013	Current year- to-date 31.3.2014	Preceding year corresponding period 31.3.2013
Profit for the period attributable to ordinary equity holders of the Company (RM'000)	392	192	392	192
Weighted average number of ordinary shares in issue ('000)	80,000	80,000	80,000	80,000
Basic earnings per share (sen)	<u>0.49</u>	<u>0.24</u>	<u>0.49</u>	<u>0.24</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 March 2014			
Total retained earnings of the Company and its subsidiaries	12,728	(905)	11,823
Less: Consolidation adjustments			22
Retained earnings of the Group			<u>11,845</u>
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>

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 2013 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 May 2014.