



HOCK HENG STONE INDUSTRIES BHD.

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

**Condensed Consolidated
Interim Financial Statements
For the third quarter ended
30 September 2014**

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

Condensed Consolidated Statements of Comprehensive Income
For the third quarter ended 30 September 2014
(The figures have not been audited)

	Note	Individual quarter		Cumulative quarter	
		Current year quarter ended 30.9.2014 RM'000	Preceding year corresponding quarter ended 30.9.2013 RM'000	Current year- to-date 30.9.2014 RM'000	Preceding year corresponding period 30.9.2013 RM'000
Continuing operations					
Revenue		9,737	10,325	26,733	28,226
Cost of sales		(7,611)	(7,944)	(19,594)	(21,239)
Gross profit		2,126	2,381	7,139	6,987
Other income		94	13	251	90
Administrative, general and selling expenses		(1,575)	(1,652)	(5,122)	(4,836)
Operating profit		645	742	2,268	2,241
Finance costs		(317)	(386)	(944)	(1,375)
Profit before tax	23	328	356	1,324	866
Income tax expense	24	(164)	(141)	(516)	(447)
Profit for the period		164	215	808	419
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		164	215	808	419
Profit attributable to:					
Owners of the parent		171	251	841	600
Non-controlling interests		(7)	(36)	(33)	(181)
		164	215	808	419
Total comprehensive income attributable to:					
Owners of the parent		171	251	841	600
Non-controlling interests		(7)	(36)	(33)	(181)
		164	215	808	419
Earnings per share attributable to owners of the parent:					
Basic, for the period (sen)	33	0.21	0.31	1.05	0.75
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 30 September 2014

	Note	Unaudited As at 30.9.2014 RM'000	Audited As at 31.12.2013 RM'000
Assets			
Non-current assets			
Property, plant and equipment	7	22,080	25,778
Investment properties		1,395	1,415
Land use rights		4,096	2,425
Land held for property development		5,527	-
Development expenditure		379	379
Deferred tax assets		251	208
		<u>33,728</u>	<u>30,205</u>
Current assets			
Property development costs		26,723	22,504
Inventories	8	31,709	27,846
Trade receivables and other receivables		12,324	18,758
Other current assets		7,743	6,662
Income tax receivable		117	97
Cash and bank balances	9	2,501	3,789
		<u>81,117</u>	<u>79,656</u>
Total assets		<u>114,845</u>	<u>109,861</u>
Equity and liabilities			
Current liabilities			
Income tax payable		266	320
Borrowings	26	16,888	13,067
Trade payables and other payables		12,111	15,459
Other current liability		16	40
		<u>29,281</u>	<u>28,886</u>
Net current assets		<u>51,836</u>	<u>50,770</u>
Non-current liabilities			
Deferred tax liabilities		459	676
Borrowings	26	32,631	28,633
		<u>33,090</u>	<u>29,309</u>
Total liabilities		<u>62,371</u>	<u>58,195</u>
Equity attributable to owners of the parent			
Share capital		40,000	40,000
Retained earnings	34	12,294	11,453
		<u>52,294</u>	<u>51,453</u>
Non-controlling interests		180	213
Total equity		<u>52,474</u>	<u>51,666</u>
Total equity and liabilities		<u>114,845</u>	<u>109,861</u>
Net assets per share attributable to ordinary equity holders of the Company (sen)			
		<u>65.37</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 third quarter ended 30 September 2014
(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 2013	40,000	10,284	50,284	410	50,694
Total comprehensive income for the period	-	600	600	(181)	419
Closing balance at 30 September 2013	40,000	10,884	50,884	229	51,113
Opening balance at 1 January 2014	40,000	11,453	51,453	213	51,666
Total comprehensive income for the period	-	841	841	(33)	808
Closing balance at 30 September 2014	40,000	12,294	52,294	180	52,474

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.
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Condensed Consolidated Statements of Cash Flows
For the third quarter ended 30 September 2014
(The figures have not been audited)

	Note	Current year- to-date 30.9.2014 RM'000	Preceding year corresponding period 30.9.2013 RM'000
Cash flows from operating activities			
Profit before tax		1,324	866
Adjustment for:			
Amortisation of land use rights		59	44
Depreciation of property, plant and equipment		1,415	1,516
Depreciation of investment properties		20	21
Reversal of impairment loss on trade receivables		(73)	-
Write-down of inventories		222	-
Gain on disposal of property, plant and equipment		(29)	(4)
Interest expense		944	1,375
Interest income		(38)	(37)
Operating profit before changes in working capital		<u>3,844</u>	<u>3,781</u>
Changes in working capital:			
Increase in inventories		(4,085)	(309)
Decrease in receivables		6,507	2,951
Increase in other current assets		(1,081)	(1,647)
Increase in property development costs		(1,018)	-
(Decrease)/increase in payables		(3,348)	860
Decrease in other current liability		(24)	(116)
Cash generated from operations		<u>795</u>	<u>5,520</u>
Income tax paid		(851)	(617)
Interest paid		(1,095)	(1,506)
Net cash (used in)/from operating activities		<u>(1,151)</u>	<u>3,397</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(3,627)	(1,715)
Increase of land held for property development		(2,667)	(502)
Purchase of prepaid land lease payments		(1,730)	10
Proceeds from disposal of property, plant and equipment		30	-
Interest received		38	37
Net cash used in investing activities		<u>(7,956)</u>	<u>(2,170)</u>
Cash flows from financing activities			
Increase/(decrease) of short term borrowings		3,261	(2,467)
Drawdown of term loans		5,496	3,910
Repayment of term loans		(1,081)	(1,274)
Repayment of obligation under finance leases		(180)	(255)
Net cash from/(used in) financing activities		<u>7,496</u>	<u>(86)</u>
Net (decrease)/increase in cash and cash equivalents		(1,611)	1,141
Cash and cash equivalents at beginning of period		35	755
Cash and cash equivalents at end of period	9	<u>(1,576)</u>	<u>1,896</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 2013 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 30 September 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:

	30.9.2014	30.9.2013
	RM'000	RM'000
Land	1,012	19
Factory buildings and extensions	2,194	-
Building-in-progress	223	1,568
Plant, machinery and factory equipment	86	115
Motor vehicles	208	92
Other assets *	56	52
	<u>3,779</u>	<u>1,846</u>

* Other assets comprise of office equipment, furniture and fittings, electrical installation, computers and cabin.

During the period under review, the Group acquired property, plant and equipment by mean of:

	30.9.2014	30.9.2013
	RM'000	RM'000
Interest expense capitalised	152	131
Cash outflow	3,627	1,715
	<u>3,779</u>	<u>1,846</u>

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

7. Property, plant and equipment (continued)

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
Motor vehicles	79	1	30	29
	<u>79</u>	<u>1</u>	<u>30</u>	<u>29</u>

8. Inventories

During the current period ended 30 September 2014, there were write-down of inventories of RM222,000 (30.9.2013: RM Nil). This expense was included in the cost of sales in the statement of comprehensive income.

9. Cash and bank balances

	30.9.2014 RM'000	31.12.2013 RM'000
Cash at banks and on hand	1,063	2,304
Short term deposits with licensed banks	1,438	1,485
Cash and bank balances	<u>2,501</u>	<u>3,789</u>
Less: Bank overdrafts	<u>(4,077)</u>	<u>(3,754)</u>
Total cash and cash equivalents	<u>(1,576)</u>	<u>35</u>

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 September 2014.

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

13. Capital commitments

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

	30.9.2014 RM'000	31.12.2013 RM'000
Property, plant and equipment:		
- Approved and contracted for	1,096	6,153
- Approved and not contracted for	662	662
	<u>1,758</u>	<u>6,815</u>

14. Contingent assets and liabilities

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

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 30.9.2014						
Revenue:						
External customers	21,577	5,156	-	-	-	26,733
Inter-segment	16,435	-	-	-	(16,435)	-
	<u>38,012</u>	<u>5,156</u>	<u>-</u>	<u>-</u>	<u>(16,435)</u>	<u>26,733</u>
Results:						
Interest income	37	-	-	1	-	38
Finance costs	791	7	146	-	-	944
Depreciation and amortisation	1,400	94	-	-	-	1,494
Other non-cash expense	149	-	-	-	-	149
Segment profit/(loss)	<u>1,630</u>	<u>119</u>	<u>(200)</u>	<u>(148)</u>	<u>(77)</u>	<u>1,324</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 30.9.2014 (continued)						
Assets						
Capital expenditure	5,370	139	2,667	-	-	8,176
Segment assets	<u>76,353</u>	<u>10,738</u>	<u>27,694</u>	<u>60</u>	<u>-</u>	<u>114,845</u>
Segment liabilities	<u>38,433</u>	<u>16</u>	<u>23,890</u>	<u>32</u>	<u>-</u>	<u>62,371</u>
Period ended 30.9.2013						
Revenue:						
External customers	20,714	7,512	-	-	-	28,226
Inter-segment	<u>15,319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,319)</u>	<u>-</u>
	<u>36,033</u>	<u>7,512</u>	<u>-</u>	<u>-</u>	<u>(15,319)</u>	<u>28,226</u>
Results:						
Interest income	37	-	-	-	-	37
Finance costs	1,017	21	337	-	-	1,375
Depreciation and amortisation	1,470	111	-	-	-	1,581
Segment profit/(loss)	<u>1,546</u>	<u>405</u>	<u>(405)</u>	<u>(164)</u>	<u>(516)</u>	<u>866</u>
Assets						
Capital expenditure	1,171	675	-	-	-	1,846
Segment assets	<u>66,083</u>	<u>11,618</u>	<u>29,644</u>	<u>65</u>	<u>-</u>	<u>107,410</u>
Segment liabilities	<u>29,361</u>	<u>40</u>	<u>26,821</u>	<u>75</u>	<u>-</u>	<u>56,297</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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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 30.9.2014 RM'000	Preceding year corresponding quarter ended 30.9.2013 RM'000	Current year- to-date 30.9.2014 RM'000	Preceding year corresponding period 30.9.2013 RM'000
Rental paid to LBS	21	21	63	63
Sales of dimension stone products to EMP	245	1,211	2,207	2,562
			Amount owed by related parties	
			As at 30.9.2014 RM'000	As at 31.12.2013 RM'000
LBS			-	-
EMP			919	1,016

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 30.9.2014

	Individual quarter		Increase/(decrease)	
	Current year quarter ended 30.9.2014 RM'000	Preceding year corresponding quarter ended 30.9.2013 RM'000	RM'000	%
Revenue	9,737	10,325	(588)	(5.7)
- Sales of goods segment	7,982	7,730	252	3.3
- Construction segment	1,755	2,595	(840)	(32.4)
Profit before tax	328	356	(28)	7.9

Revenue

The Group's revenue for current quarter ("3Q2014") ended 30 September 2014 has decreased by RM0.59 million or 5.7% to RM9.74 million as compared to corresponding quarter in the preceding year. The decrease in revenue for 3Q2014 was due to the decrease in construction segment by RM0.84 million however partially off-set by the increase in sales of goods segment by RM0.25 million.

Profit before tax

The Group's profit before tax for 3Q2014 has slight decreased by RM0.03 million to RM0.33 million as compared to profit before tax of RM0.36 million in corresponding quarter in preceding year. The decrease in profit before tax in 3Q2014 is mainly due to the decrease in revenue in the current quarter under review.

9 months ended 30.9.2014

	Cumulative quarter		Increase/(decrease)	
	Current year- to-date 30.9.2014 RM'000	Preceding year corresponding period 30.9.2013 RM'000	RM'000	%
Revenue	26,733	28,226	(1,493)	(5.3)
- Sales of goods segment	21,577	20,714	863	4.2
- Construction segment	5,156	7,512	(2,356)	(31.4)
Profit before tax	1,324	866	458	52.9

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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)

9 months ended 30.9.2014 (continued)

Revenue

The Group's revenue for current year-to-date ("9M2014") ended 30 September 2014 has decreased by RM1.49 million or 5.3% to RM26.73 million as compared to corresponding period in the preceding year. The decrease in revenue for 9M2014 was due to the decrease in construction segment by RM2.36 million however partially off-set by the increase in sales of goods segment by RM0.86 million.

Profit before tax

Notwithstanding the reduce in Group's revenue, the Group's profit before tax for 9M2014 has increased by RM0.46 million to RM1.32 million in comparison with the corresponding period in the preceding year. The increase in the profit before tax is mainly due to the reduce of finance costs by RM0.43 million.

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

	Individual quarter		Increase/ (decrease) RM'000
	Current quarter ended 30.9.2014 RM'000	Preceding quarter ended 31.6.2014 RM'000	
Revenue	9,737	8,514	1,223
Profit before tax	<u>328</u>	<u>458</u>	(130)

The Group recorded decreased in profit before tax of by RM0.13 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 caused by the decrease of the operating profit by RM0.30 million however partially off-set by the decrease of administrative, general and selling expenses by RM0.14 million 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.

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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)

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 30.9.2014 RM'000	Preceding year corresponding quarter ended 30.9.2013 RM'000	Current year- to-date 30.9.2014 RM'000	Preceding year corresponding period 30.9.2013 RM'000
Interest income	(11)	(12)	(38)	(37)
Other income (including investment income)	-	-	-	-
Interest expense	317	386	944	1,375
Depreciation of:				
- Property, plant and equipment	451	501	1,415	1,516
- Investment properties	7	7	20	21
Amortisation of land use rights	24	14	59	44
Impairment loss on trade receivables	-	-	-	-
Reversal of impairment loss on trade receivables	(27)	-	(73)	-
Bad debts written off	-	-	-	-
Write-down of inventories	175	-	222	-
Inventories written off	-	-	-	-
(Gain)/Loss on disposal of quoted and unquoted investments	-	-	-	-
(Gain)/Loss on disposal of:				
- Property, plant and equipment	(29)	(4)	(29)	(4)
- Investment properties	-	-	-	-
Impairment of assets	-	-	-	-
Property, plant and equipment written off	-	-	-	-
(Gain)/Loss on foreign exchange:				
- Realised	9	(13)	(11)	(19)
- Unrealised	-	-	-	-
(Gain)/Loss on derivative	-	-	-	-
Rental income	(10)	(10)	(34)	(27)

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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 30.9.2014 RM'000	Preceding year corresponding quarter ended 30.9.2013 RM'000	Current year- to-date 30.9.2014 RM'000	Preceding year corresponding period 30.9.2013 RM'000
Current tax:				
Malaysian income tax	289	165	761	708
(Over)/underprovision in previous years	16	-	16	-
	<u>305</u>	<u>165</u>	<u>777</u>	<u>708</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	(142)	(24)	(254)	(261)
(Over)/underprovision in previous years	1	-	(7)	-
	<u>(141)</u>	<u>(24)</u>	<u>(261)</u>	<u>(261)</u>
Total income tax expense	<u>164</u>	<u>141</u>	<u>516</u>	<u>447</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.

	30.9.2014 RM'000	31.12.2013 RM'000
Short term borrowings		
Secured:		
Bank overdrafts	4,077	3,754
Banker acceptances	9,620	7,539
Trust receipts	1,180	-
Obligation under finance leases	307	399
Term loans	1,704	1,375
	<u>16,888</u>	<u>13,067</u>

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

26. Borrowings and debts securities (continued)

	30.9.2014	31.12.2013
	RM'000	RM'000
Long term borrowings		
Secured:		
Obligation under finance leases	478	566
Term loans	32,153	28,067
	<u>32,631</u>	<u>28,633</u>
Total borrowings	<u>49,519</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 30 September 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 30 September 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 30 September 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 30.9.2014	Preceding year corresponding quarter ended 30.9.2013	Current year- to-date 30.9.2014	Preceding year corresponding period 30.9.2013
Profit for the period attributable to ordinary equity holders of the Company (RM'000)	171	251	841	600
Weighted average number of ordinary shares in issue ('000)	80,000	80,000	80,000	80,000
Basic earnings per share (sen)	0.21	0.31	1.05	0.75

(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 30 September 2014			
Total retained earnings of the Company and its subsidiaries	13,101	(749)	12,352
Less: Consolidation adjustments			(58)
Retained earnings of the Group			<u>12,294</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 28 November 2014.