



HOCK HENG STONE INDUSTRIES BHD.

(Company No. : 840040-H)

(Incorporated in Malaysia)

**Condensed Consolidated
Interim Financial Statements
For the fourth quarter ended
31 December 2015**

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 2015
(The figures have not been audited)

	Note	Individual quarter		Cumulative quarter	
		Current year quarter ended 31.12.2015 RM'000	Preceding year corresponding quarter ended 31.12.2014 RM'000	Current year- to-date 31.12.2015 RM'000	Preceding year corresponding period 31.12.2014 RM'000
Continuing operations					
Revenue		9,202	13,221	37,933	39,954
Cost of sales		(6,136)	(10,473)	(27,218)	(30,067)
Gross profit		3,066	2,748	10,715	9,887
Other income		220	78	837	329
Administrative, general and selling expenses		(2,395)	(2,040)	(7,829)	(7,162)
Operating profit		891	786	3,723	3,054
Finance costs		(511)	(443)	(1,904)	(1,387)
Profit before tax	24	380	343	1,819	1,667
Income tax expense	25	(290)	(320)	(902)	(836)
Profit for the period		90	23	917	831
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		90	23	917	831
Profit attributable to:					
Owners of the parent		96	26	933	867
Non-controlling interests		(6)	(3)	(16)	(36)
		90	23	917	831
Total comprehensive income attributable to:					
Owners of the parent		96	26	933	867
Non-controlling interests		(6)	(3)	(16)	(36)
		90	23	917	831
Earnings per share attributable to owners of the parent:					
Basic, for the period (sen)	34	0.12	0.03	1.17	1.08
Diluted, for the period (sen)	34	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 2014 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 2015

	Note	Unaudited As at 31.12.2015 RM'000	Audited As at 31.12.2014 RM'000
Assets			
Non-current assets			
Property, plant and equipment	7	22,962	24,431
Investment properties		5,228	1,389
Land use rights		2,307	4,072
Land held for property development		4,063	4,063
Development expenditure		379	379
Deferred tax assets		191	208
		<u>35,130</u>	<u>34,542</u>
Current assets			
Property development costs		25,331	23,905
Inventories	8	33,378	31,520
Trade receivables and other receivables		11,869	12,685
Other current assets		5,824	5,125
Income tax receivable		324	106
Cash and bank balances	9	1,918	2,336
		<u>78,644</u>	<u>75,677</u>
Total assets		<u>113,774</u>	<u>110,219</u>
Equity and liabilities			
Current liabilities			
Income tax payable		35	353
Borrowings	26	19,782	15,307
Trade payables and other payables		9,664	10,431
Other current liability		-	-
		<u>29,481</u>	<u>26,091</u>
Net current assets		<u>49,163</u>	<u>49,586</u>
Non-current liabilities			
Deferred tax liabilities		669	405
Borrowings	26	30,242	31,226
		<u>30,911</u>	<u>31,631</u>
Total liabilities		<u>60,392</u>	<u>57,722</u>
Equity attributable to owners of the parent			
Share capital		40,000	40,000
Retained earnings	34	13,253	12,320
		<u>53,253</u>	<u>52,320</u>
Non-controlling interests		129	177
Total equity		<u>53,382</u>	<u>52,497</u>
Total equity and liabilities		<u>113,774</u>	<u>110,219</u>
Net assets per share attributable to ordinary equity holders of the Company (sen)			
		<u>66.57</u>	<u>65.40</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 2014 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 2015
(The figures have not been audited)

	Attributable to equity holders of the parent				
	Share	Distributable	Total equity	Non-	Total
	capital	Retained	attributable	controlling	equity
	RM'000	earnings	to owners of	interests	RM'000
		RM'000	the parent	RM'000	
			RM'000		
Opening balance at 1 January 2014	40,000	11,453	51,453	213	51,666
Total comprehensive income for the period	-	867	867	(36)	831
Closing balance at 31 December 2014	40,000	12,320	52,320	177	52,497
Opening balance at 1 January 2015	40,000	12,320	52,320	177	52,497
Total comprehensive income for the period	-	933	933	(16)	917
Transactions with owners					
Accretion of interest in subsidiary	-	-	-	(32)	(32)
Closing balance at 31 December 2015	40,000	13,253	53,253	129	53,382

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 2014 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 2015
(The figures have not been audited)

	Current year- to-date	Preceding year corresponding period
Note	31.12.2015 RM'000	31.12.2014 RM'000
Cash flows from operating activities		
Profit before tax	1,819	1,667
Adjustment for:		
Amortisation of land use rights	59	82
Depreciation of property, plant and equipment	1,877	1,886
Depreciation of investment properties	105	26
Impairment loss on trade receivables	241	247
Reversal of impairment loss on trade receivables	(213)	(98)
Write-down of inventories	-	423
Reversal on write-down of inventories	(267)	-
Property, plant & equipment written off	-	7
Gain on disposal of property, plant and equipment	(25)	(29)
Loss on accretion of interest in subsidiary	28	-
Unrealised gain on foreign exchange	-	19
Interest expense	1,904	1,387
Interest income	(23)	(45)
Operating profit before changes in working capital	<u>5,505</u>	<u>5,572</u>
Changes in working capital:		
Increase in inventories	(1,591)	(4,097)
Decrease in receivables	788	5,924
(Increase)/decrease in other current assets	(699)	1,537
(Increase)/decrease in property development costs	(277)	3,135
Decrease in payables	(767)	(5,046)
Decrease in other current liability	-	(40)
Cash generated from operations	<u>2,959</u>	<u>6,985</u>
Income tax paid	(1,157)	(1,085)
Net cash from operating activities	<u>1,802</u>	<u>5,900</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	7 (2,336)	(3,570)
Increase of land held for property development	-	(3,687)
Purchase of prepaid land lease payments	-	(1,730)
Proceeds from disposal of property, plant and equipment	61	31
Accretion of interest in subsidiary	(60)	-
Interest received	23	45
Net cash used in investing activities	<u>(2,312)</u>	<u>(8,911)</u>
Cash flows from financing activities		
Interest paid	(3,253)	(2,996)
Increase of short term borrowings	1,362	3,297
Drawdown of term loans	790	6,054
Repayment of term loans	(1,484)	(3,213)
Repayment of obligation under finance leases	(328)	(414)
Net cash (used in)/from financing activities	<u>(2,913)</u>	<u>2,728</u>

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Condensed Consolidated Statements of Cash Flows (continued)
For the fourth quarter ended 31 December 2015
(The figures have not been audited)

	Current year- to-date 31.12.2015 RM'000	Preceding year corresponding period 31.12.2014 RM'000
Net decrease in cash and cash equivalents	(3,423)	(283)
Cash and cash equivalents at beginning of period	(248)	35
Cash and cash equivalents at end of period	9 <u>(3,671)</u>	<u>(248)</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 2014 and the accompanying explanatory notes attached to these interim financial statements.

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Notes to the Interim Financial Statements for the fourth quarter ended 31 December 2015

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 2014. 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 2014.

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 2014.

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

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 2016

- FRS 14 *Regulatory Deferral Accounts*
- Amendments to FRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to FRS 116 and FRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to FRS 127 *Equity Method in Separate Financial Statements*
- Amendments to FRSs *Annual Improvements to 2012-2014 Cycle*
- Amendments to FRS 101 *Disclosure Initiative*
- Amendments to FRS 10, FRS 12 and FRS 128 *Investment Entities: Applying the consolidation Exception*

Effective for financial periods beginning on or after 1 January 2018

- FRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*

Effective for financial periods to be announced by MASB

- Amendments to FRS 10 and FRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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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:

	31.12.2015	31.12.2014
	RM'000	RM'000
Land	543	1,012
Factory buildings and extensions	1,043	3,247
Building-in-progress	-	205
Plant, machinery and factory equipment	569	97
Motor vehicles	412	414
Other assets *	114	91
	<u>2,681</u>	<u>5,066</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:

	31.12.2015	31.12.2014
	RM'000	RM'000
Interest expense capitalised	199	204
Hire purchase	146	280
Transfer to land held for property development		1,012
Cash outflow	2,336	3,570
	<u>2,681</u>	<u>5,066</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
Factory equipment	7	5	19	14
Motor vehicles	528	31	42	11
	<u>535</u>	<u>36</u>	<u>61</u>	<u>25</u>

8. Inventories

During the current period ended 31 December 2015, there were no write-down of inventories.

9. Cash and bank balances

	31.12.2015 RM'000	31.12.2014 RM'000
Cash at banks and on hand	1,372	1,790
Short term deposits with licensed banks	546	546
Cash and bank balances	<u>1,918</u>	<u>2,336</u>
Less: Bank overdrafts	<u>(5,589)</u>	<u>(2,584)</u>
Total cash and cash equivalents	<u>(3,671)</u>	<u>(248)</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 31 December 2015.

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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:

	31.12.2015 RM'000	31.12.2014 RM'000
Property, plant and equipment:		
- Approved and contracted for	630	364
- Approved and not contracted for	662	662
	<u>1,292</u>	<u>1,026</u>

14. Contingent assets and liabilities

There were no contingent assets or liabilities since 31 December 2014.

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 31.12.2015						
Revenue:						
External customers	29,412	8,521	-	-	-	37,933
Inter-segment	20,070	-	-	-	(20,070)	-
	<u>49,482</u>	<u>8,521</u>	<u>-</u>	<u>-</u>	<u>(20,070)</u>	<u>37,933</u>
Results:						
Interest income	22	-	-	1	-	23
Finance costs	259	245	1,400	-	-	1,904
Depreciation and amortisation	1,888	153	-	-	-	2,041
Other non-cash expense	(480)	241	-	-	-	(239)
Segment profit/(loss)	<u>1,716</u>	<u>294</u>	<u>(347)</u>	<u>(88)</u>	<u>244</u>	<u>1,819</u>
Assets						
Capital expenditure	2,406	275	-	-	-	2,681
Segment assets	<u>75,840</u>	<u>8,121</u>	<u>29,720</u>	<u>93</u>	<u>-</u>	<u>113,774</u>
Segment liabilities						
	<u>37,712</u>	<u>-</u>	<u>22,639</u>	<u>39</u>	<u>-</u>	<u>60,390</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 31.12.2014						
Revenue:						
External customers	29,438	6,656	3,860	-	-	39,954
Inter-segment	22,197	-	-	-	(22,197)	-
	<u>51,635</u>	<u>6,656</u>	<u>3,860</u>	<u>-</u>	<u>(22,197)</u>	<u>39,954</u>
Results:						
Interest income	44	-	-	1	-	45
Finance costs	1,137	10	240	-	-	1,387
Depreciation and amortisation	1,863	131	-	-	-	1,994
Other non-cash expense	572	-	-	-	-	572
Segment profit/(loss)	<u>1,840</u>	<u>162</u>	<u>(227)</u>	<u>(81)</u>	<u>(27)</u>	<u>1,667</u>
Assets						
Capital expenditure	5,701	153	3,687	-	-	9,541
Segment assets	<u>72,611</u>	<u>9,612</u>	<u>27,953</u>	<u>57</u>	<u>-</u>	<u>110,233</u>
Segment liabilities	<u>33,702</u>	<u>-</u>	<u>23,993</u>	<u>41</u>	<u>-</u>	<u>57,736</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 31.12.2015 RM'000	Preceding year corresponding quarter ended 31.12.2014 RM'000	Current year- to-date 31.12.2015 RM'000	Preceding year corresponding period 31.12.2014 RM'000
Rental paid to LBS	21	21	84	84
Sales of dimension stone products to EMP	303	1,641	1,598	3,848
			Amount owed by related parties	
			As at 31.12.2015 RM'000	As at 31.12.2014 RM'000
LBS			-	-
EMP			877	1,417

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 31.12.2015

	Individual quarter		Increase/(decrease)	
	Current year quarter ended 31.12.2015 RM'000	Preceding year corresponding quarter ended 31.12.2014 RM'000	RM'000	%
Revenue	9,202	13,221	(4,019)	(30.4)
- Sales of goods segment	7,275	7,862	(587)	(7.5)
- Construction segment	1,927	1,499	428	28.6
- Property development segment	-	3,860	(3,860)	(100.0)
Profit before tax	380	343	37	10.8

Revenue

The Group's revenue for current quarter ("4Q2015") ended 31 December 2015 has decreased by RM4.02 million or 30.4% to RM9.20 million as compared to corresponding quarter in the preceding year. The decrease in revenue for 4Q2015 was mainly due to the decrease in property development segment by RM3.86 million and sales of goods segment by RM0.59 million however partially off-set by the increase in construction segment by RM0.43 million.

Profit before tax

The Group's profit before tax for 4Q2015 has increased marginally to RM0.38 million as compared to profit before tax of RM0.34 million in corresponding quarter in preceding year. The increase in profit before tax in 4Q2015 is mainly due to the improvement in operating profit by RM0.32 million and the increase in other income by RM0.14 million however partially off-set by the increase administrative, general, selling expenses and finance costs by RM0.42 million in the current quarter under review.

12 months ended 31.12.2015

	Cumulative quarter		Increase/(decrease)	
	Current year- to-date 31.12.2015 RM'000	Preceding year corresponding period 31.12.2014 RM'000	RM'000	%
Revenue	37,933	39,954	(2,021)	(5.1)
- Sales of goods segment	29,412	29,438	(26)	(0.1)
- Construction segment	8,521	6,656	1,865	28.0
- Property development segment	-	3,860	(3,860)	(100.0)
Profit before tax	1,819	1,667	152	9.1

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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 31.12.2015 (continued)

Revenue

The Group's revenue for current year-to-date ("12M2015") ended 31 December 2015 has decreased by RM2.02 million or 5.1% to RM37.93 million as compared to corresponding period in the preceding year. The decrease in revenue for 12M2015 was due to the decrease sales of goods segment and property development segment of RM0.40 million and RM3.86 million respectively which offset with the increase in construction segment by RM2.24 million.

Profit before tax

The Group's profit before tax for 12M2015 has increased by marginally RM0.15 million to RM1.82 million in comparison with the corresponding period in the preceding year. The slight increase in the profit before tax is mainly due to marginal the improvement in operating profit by RM0.83 million and the increase in other income by RM0.51 million however partially off-set by the increase administrative, general, selling expenses and finance costs by RM1.19 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 31.12.2015 RM'000	Preceding quarter ended 30.9.2015 RM'000	
Revenue	9,202	8,706	496
Profit before tax	<u>380</u>	<u>334</u>	46

The Group recorded slight increase in profit before tax of by RM0.05 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 increase of operating profit as resulted higher revenue generated in current quarter as compared to immediate preceding quarter.

21. Commentary on prospects

The Malaysian economy is expected to grow moderately between 4% to 5% in 2016, driven by domestic demand with private expenditure as the main anchor while the government expects public expenditure to increase moderately. Looking forward into year 2016, the weakening Ringgit Malaysia and the increase of minimum wage will continue to pose challenges to Malaysian business in coping with higher operating costs. The construction sector is expected to continue with largely supported by the civil engineering and residential sub-sectors. *(Source: Economic Report 2015/2016, Ministry of Finance, Malaysia)*

Barring any unforeseen circumstances with the favourable outlook of construction sector, the Directors believe that the Group's prospects for the next financial year ending 31 December 2016 remain favourable.

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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 31.12.2015 RM'000	Preceding year corresponding quarter ended 31.12.2014 RM'000	Current year- to-date 31.12.2015 RM'000	Preceding year corresponding period 31.12.2014 RM'000
Interest income	(5)	(7)	(23)	(45)
Other income (including investment income)	-	-	-	-
Interest expense	511	443	1,904	1,387
Depreciation of:				
- Property, plant and equipment	458	471	1,877	1,886
- Investment properties	76	6	105	26
Amortisation of land use rights	(8)	23	59	82
Impairment loss on trade receivables	241	247	241	247
Reversal of impairment loss on trade receivables	(42)	(25)	(213)	(98)
Bad debts written off	-	-	-	-
Write-down of inventories	-	201	-	423
Reversal on inventories written off	(65)	-	(267)	-
(Gain)/Loss on disposal of quoted and unquoted investments	-	-	-	-
(Gain)/Loss on disposal of:				
- Property, plant and equipment	(2)	-	(25)	(29)
- Investment properties	-	-	-	-
Impairment of assets	-	-	-	-
Property, plant and equipment written off	-	7	-	7
(Gain)/Loss on foreign exchange:				
- Realised	(20)	(2)	(33)	(13)
- Unrealised	-	19	-	19
(Gain)/Loss on derivative	-	-	-	-
Rental income	(96)	(14)	(371)	(48)

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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 31.12.2015 RM'000	Preceding year corresponding quarter ended 31.12.2014 RM'000	Current year- to-date 31.12.2015 RM'000	Preceding year corresponding period 31.12.2014 RM'000
Current tax:				
Malaysian income tax	131	270	607	1,031
Underprovision in previous years	-	60	14	76
	<u>131</u>	<u>330</u>	<u>621</u>	<u>1,107</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	170	(59)	275	(313)
(Over)/underprovision in previous years	(11)	49	6	42
	<u>159</u>	<u>(10)</u>	<u>281</u>	<u>(271)</u>
Total income tax expense	<u>290</u>	<u>320</u>	<u>902</u>	<u>836</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.

	31.12.2015 RM'000	31.12.2014 RM'000
Short term borrowings		
Secured:		
Bank overdrafts	5,589	2,584
Banker acceptances	5,346	5,200
Obligation under finance leases	265	308
Trust receipts	6,852	5,636
Term loans	1,730	1,579
	<u>19,782</u>	<u>15,307</u>

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

26. Borrowings and debts securities (continued)

	31.12.2015 RM'000	31.12.2014 RM'000
Long term borrowings		
Secured:		
Obligation under finance leases	383	522
Term loans	29,859	30,704
	<u>30,242</u>	<u>31,226</u>
Total borrowings	<u>50,024</u>	<u>46,533</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 2015 or the previous financial year ended 31 December 2014.

31. Risks and policies of derivatives

The Group did not enter into any derivatives during the period ended 31 December 2015 or the previous financial year ended 31 December 2014.

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 2015 or the previous financial year ended 31 December 2014.

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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 31.12.2015	Preceding year corresponding quarter ended 31.12.2014	Current year- to-date 31.12.2015	Preceding year corresponding period 31.12.2014
Profit for the period attributable to ordinary equity holders of the Company (RM'000)	96	26	933	867
Weighted average number of ordinary shares in issue ('000)	80,000	80,000	80,000	80,000
Basic earnings per share (sen)	0.12	0.03	1.17	1.08

(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 2015			
Total retained earnings of the Company and its subsidiaries	13,855	(476)	13,379
Less: Consolidation adjustments			<u>(124)</u>
Retained earnings of the Group			<u>13,255</u>
Financial year ended 31 December 2014			
Total retained earnings of the Company and its subsidiaries	12,932	(216)	12,716
Less: Consolidation adjustments			<u>(396)</u>
Retained earnings of the Group			<u>12,320</u>

36. 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 2014 were not subject to any qualification.

37. 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 29 February 2016.