



HOCK HENG STONE INDUSTRIES BHD.

(Company No. : 840040-H)

(Incorporated in Malaysia)

**Condensed Consolidated
Interim Financial Statements
For the second quarter ended
30 June 2017**

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

Condensed Consolidated Statements of Comprehensive Income
For the second quarter ended 30 June 2017
(The figures have not been audited)

	Note	Individual quarter		Cumulative quarter	
		Current year quarter ended 30.6.2017 RM'000	Preceding year corresponding quarter ended 30.6.2016 RM'000	Current year- to-date 30.6.2017 RM'000	Preceding year corresponding period 30.6.2016 RM'000
Continuing operations					
Revenue		10,676	9,956	19,932	19,069
Cost of sales		(8,707)	(7,596)	(14,956)	(13,851)
Gross profit		1,969	2,360	4,976	5,218
Other income		553	174	701	368
Administrative, general and selling expenses		(1,526)	(1,775)	(3,587)	(3,766)
Operating profit		996	759	2,090	1,820
Finance costs		(464)	(582)	(969)	(1,089)
Profit before tax	23	532	177	1,121	731
Income tax expense	24	(117)	(102)	(268)	(142)
Profit for the period		415	75	853	589
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		415	75	853	589
Profit attributable to:					
Owners of the parent		419	77	862	589
Non-controlling interests		(4)	(2)	(9)	-
		415	75	853	589
Total comprehensive income attributable to:					
Owners of the parent		419	77	862	589
Non-controlling interests		(4)	(2)	(9)	-
		415	75	853	589
Earnings per share attributable to owners of the parent:					
Basic, for the period (sen)	34	0.52	0.10	1.08	0.74
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 2016 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 June 2017

	Note	Unaudited As at 30.6.2017 RM'000	Audited As at 31.12.2016 RM'000
Assets			
Non-current assets			
Property, plant and equipment	7	23,263	24,133
Investment properties		4,963	5,023
Land use rights		2,219	2,248
Land held for property development		4,075	4,075
Deferred tax assets		188	181
		<u>34,708</u>	<u>35,660</u>
Current assets			
Property development costs		23,337	24,756
Inventories	8	32,152	32,836
Trade receivables and other receivables	26	15,777	17,256
Other current assets		2,010	3,894
Current tax assets		314	389
Cash and bank balances		1,817	2,491
		<u>75,407</u>	<u>81,622</u>
Total assets		<u>110,115</u>	<u>117,282</u>
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital		40,000	40,000
Treasury shares		(15)	-
Retained earnings	35	14,982	14,119
		<u>54,967</u>	<u>54,119</u>
Non-controlling interests		104	113
Total equity		<u>55,071</u>	<u>54,232</u>
Non-current liabilities			
Deferred tax liabilities		305	463
Borrowings	27	25,570	28,730
		<u>25,875</u>	<u>29,193</u>
Current liabilities			
Trade payables and other payables		11,902	13,242
Borrowings	27	16,509	20,464
Other current liability		538	44
Current tax liabilities		220	107
		<u>29,169</u>	<u>33,857</u>
Total liabilities		<u>55,044</u>	<u>63,050</u>
Total equity and liabilities		<u>110,115</u>	<u>117,282</u>
Net assets per share attributable to ordinary equity holders of the Company (sen)			
		<u>68.74</u>	<u>67.65</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 2016 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 second quarter ended 30 June 2017
(The figures have not been audited)

	Attributable to equity holders of the parent			Total equity attributable to owners of the parent	Non- controlling interests	Total equity
	Share capital RM'000	Treasury shares RM'000	Distributable Retained earnings RM'000	RM'000	RM'000	RM'000
Opening balance at 1 January 2016	40,000	-	13,259	53,259	124	53,383
Total comprehensive income for the period	-	-	589	589	-	589
Closing balance at 30 June 2016	40,000	-	13,848	53,848	124	53,972
Opening balance at 1 January 2017	40,000	-	14,120	54,120	113	54,233
Total comprehensive income for the period	-	-	862	862	(9)	853
Transactions with owners						
Purchase of treasury shares	-	(15)	-	(15)	-	(15)
Closing balance at 30 June 2017	40,000	(15)	14,982	54,967	104	55,071

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 2016 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 second quarter ended 30 June 2017
(The figures have not been audited)

	Note	Current year- to-date 30.6.2017 RM'000	Preceding year corresponding period 30.6.2016 RM'000
Cash flows from operating activities			
Profit before tax		1,121	731
Adjustment for:			
Amortisation of land use rights		29	30
Depreciation of property, plant and equipment		895	970
Depreciation of investment properties		54	57
Reversal of impairment loss on trade receivables		(436)	(2)
Loss/(gain) on disposal of property, plant and equipment		5	(33)
Interest expense		969	1,089
Interest income		(12)	(10)
Operating profit before changes in working capital		<u>2,625</u>	<u>2,832</u>
Changes in working capital:			
Property development costs		1,678	(681)
Inventories		684	412
Receivables		1,915	(1,433)
Other current assets		1,884	(325)
Payables		(1,340)	1,429
Other current liability		494	8
Cash generated from operations		<u>7,940</u>	<u>2,242</u>
Income tax paid		<u>(244)</u>	<u>(456)</u>
Net cash from operating activities		<u>7,696</u>	<u>1,786</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(74)	(283)
Proceeds from disposal of property, plant and equipment		50	33
Increase in land held for development		-	(700)
Interest received		12	10
Net cash used in investing activities		<u>(12)</u>	<u>(940)</u>
Cash flows from financing activities			
Deposit pledged to licensed banks		(8)	(546)
Interest paid		(1,230)	(1,644)
(Decrease)/increase of short term borrowings		(4,201)	695
Drawdown of term loans		556	620
Repayment of term loans		(3,963)	(766)
Repayment of obligation under finance leases		(213)	(137)
Purchase of treasury shares		(15)	-
Net cash used in financing activities		<u>(9,074)</u>	<u>(1,778)</u>
Net decrease in cash and cash equivalents		(1,390)	(932)
Cash and cash equivalents at beginning of period		<u>(4,624)</u>	<u>(3,671)</u>
Cash and cash equivalents at end of period	9	<u>(6,014)</u>	<u>(4,603)</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 2016 and the accompanying explanatory notes attached to these interim financial statements.

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
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Notes to the Interim Financial Statements for the second quarter ended 30 June 2017

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 2016. 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 2016.

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 2016.

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 2017

- Amendments to FRS 107 *Disclosure Initiative*
- Amendments to FRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*
- Amendments to FRS 12 *Annual Improvements to FRS Standards 2014 - 2016 Cycle*

There is no material impact upon adoption of these amendments to the interim financial statements during the current financial period.

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 2018

- FRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*
- Amendments to FRS 2 *Classification and Measurement of Share-based Payment Transactions*

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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**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)

2.3 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS") Framework.

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called "Transitioning Entities").

Transitioning Entities are allowed to defer adoption of the new MFRS Framework. Consequently, adoption of the MFRS Framework by Transitioning Entities would be mandatory for annual periods beginning on or after 1 January 2018.

The Group and the Company falls within the scope definition of Transitioning Entities and accordingly, would be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the financial year ending 31 December 2018. In presenting its first MFRS financial statements, the Group and the Company would be required to adjust the comparative financial statements prepared under the FRS to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition would be made, retrospectively, against opening retained earnings. The Group has opted to defer the adoption of the MFRS Framework to the financial period beginning 1 January 2018.

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 ended 30 June 2017 except for the following:

Treasury shares

As at 30 June 2017, the total number of treasury shares held was 39,000 shares.

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

7. Property, plant and equipment

Acquisitions

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

	30.6.2017 RM'000	30.6.2016 RM'000
Buildings	-	173
Plant, machinery and factory equipment	-	78
Motor vehicles	-	131
Other assets *	74	11
	<u>74</u>	<u>393</u>

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

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

	30.6.2017 RM'000	30.6.2016 RM'000
Hire purchase	-	110
Cash outflow	74	283
	<u>74</u>	<u>393</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	Loss on disposal RM'000
Motor vehicles	<u>190</u>	<u>55</u>	<u>50</u>	<u>5</u>

8. Inventories

During the current period ended 30 June 2017, there were no write-down of inventories.

9. Cash and bank balances

	30.6.2017 RM'000	30.6.2016 RM'000
Cash at banks and on hand	1,122	1,016
Short term deposits with licensed banks	695	546
Cash and bank balances	<u>1,817</u>	<u>1,562</u>
Less: Bank overdrafts	(7,136)	(5,619)
Less: Deposits pledged to licensed banks	(695)	(546)
Total cash and cash equivalents	<u>(6,014)</u>	<u>(4,603)</u>

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

10. Fair value hierarchy

No transfers between any levels of the fair value hierarchy took place during the current interim period and the comparative period. There were also no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

The Group does not hold credit enhancements or collateral to mitigate credit risk. The carrying amount of financial assets therefore represents the potential credit risk.

11. Provisions for cost of restructuring

There were no provision for, or reversal of, costs of restructuring during the reporting period.

12. Dividends paid

There were no dividends paid in the current financial quarter ended 30 June 2017.

13. Capital commitments

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

	30.6.2017	31.12.2016
	RM'000	RM'000
Property, plant and equipment:		
- Approved and not contracted for	662	1,292
	<u>662</u>	<u>1,292</u>

14. Contingent assets and liabilities

There were no contingent assets or liabilities since 31 December 2016.

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.

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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 30.6.2017						
Revenue:						
External customers	12,670	2,923	4,339	-	-	19,932
Inter-segment	4,578	-	-	-	(4,578)	-
	<u>17,248</u>	<u>2,923</u>	<u>4,339</u>	<u>-</u>	<u>(4,578)</u>	<u>19,932</u>
Results:						
Depreciation and amortisation	887	90	1	-	-	978
Segment profit/(loss)	<u>991</u>	<u>179</u>	<u>345</u>	<u>(13)</u>	<u>(381)</u>	<u>1,121</u>
Assets						
Capital expenditure	55	19	-	-	-	74
Segment assets	<u>76,569</u>	<u>3,746</u>	<u>29,706</u>	<u>94</u>	<u>-</u>	<u>110,115</u>
Segment liabilities	<u>32,878</u>	<u>538</u>	<u>21,565</u>	<u>63</u>	<u>-</u>	<u>55,044</u>
Period ended 30.6.2016						
Revenue:						
External customers	11,967	7,102	-	-	-	19,069
Inter-segment	14,504	-	-	-	(14,504)	-
	<u>26,471</u>	<u>7,102</u>	<u>-</u>	<u>-</u>	<u>(14,504)</u>	<u>19,069</u>
Results:						
Depreciation and amortisation	974	83	-	-	-	1,057
Other non cash expenses	(2)	-	-	-	-	2
Segment profit/(loss)	<u>631</u>	<u>165</u>	<u>(193)</u>	<u>(16)</u>	<u>144</u>	<u>731</u>
Assets						
Capital expenditure	315	78	-	-	-	393
Segment assets	<u>74,881</u>	<u>9,759</u>	<u>31,492</u>	<u>92</u>	<u>-</u>	<u>116,224</u>
Segment liabilities	<u>38,654</u>	<u>8</u>	<u>23,543</u>	<u>47</u>	<u>-</u>	<u>62,252</u>

The following items are added to/(deducted from) segment profit to arrive at profit before tax presented in the consolidated statement of comprehensive income:

	30.6.2017 RM'000	30.6.2016 RM'000
Interest income	12	10
Finance costs	(969)	(1,089)
	<u>(957)</u>	<u>(1,079)</u>

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

15. Segment information (continued)

The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

	30.6.2017	30.6.2016
	RM'000	RM'000
Current tax assets	314	505
Deferred tax assets	188	196
	<u>502</u>	<u>701</u>

The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	30.6.2017	30.6.2016
	RM'000	RM'000
Current tax liabilities	220	69
Deferred tax liabilities	305	506
	<u>525</u>	<u>575</u>

The Group's sales of goods segment continues to be the main contributor to the Group's revenue. The revenue increased by 5.87% from RM11.97 million to RM12.67 million as compared to the corresponding quarter in the preceding year. The increase in this segment's profit by RM0.36 million in line with the increase of the revenue generated from this segment during the current quarter.

The decrease in revenue of construction segment by RM4.18 million was due to the transition period to commence the new projects. Meanwhile, the Group has successfully generated revenue amounting to RM4.34 million from its newly diversified division, property development segment in current year quarter. The additional revenue generated in this segment had contributed segment's profit of RM0.35 million to the Group's profit for the current quarter under review.

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")
- (iii) 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 Eternal:
- Eternal Memorial Park (M) Berhad ("Eternal")

	Individual quarter		Cumulative quarter	
	Current year quarter ended 30.6.2017 RM'000	Preceding year corresponding quarter ended 30.6.2016 RM'000	Current year- to-date 30.6.2017 RM'000	Preceding year corresponding period 30.6.2016 RM'000
Rental paid to LBS	21	21	42	42
Sales of dimension stone products to EMP	269	210	584	376
Rental income from Eternal	6	-	8	-
			Amount owed by related parties	
			As at 30.6.2017 RM'000	As at 31.12.2016 RM'000
LBS			-	-
EMP			608	1,073
Eternal			8	-

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 30.6.2017

	Individual quarter		Increase/(decrease)	
	Current year quarter ended 30.6.2017 RM'000	Preceding year corresponding quarter ended 30.6.2016 RM'000	RM'000	%
Revenue	10,676	9,956	720	7.2
- Sales of goods segment	6,192	5,655	537	9.5
- Construction segment	1,491	4,301	(2,810)	(65.3)
- Property development segment	2,993	-	2,993	100.0
Operating profit	1,969	2,360	(391)	(16.6)
Profit before interest and tax	996	759	237	100.0
Profit before tax	532	177	355	200.6
Profit after tax	415	75	340	453.3
Profit attributable to Ordinary Equity Holders of the Parent	419	77	342	444.2

The Group's revenue for current quarter ("2Q2017") ended 30 June 2017 increased by RM0.72 million or 7.2% to RM10.68 million as compared to corresponding quarter in the preceding year. The increase in revenue for 2Q2017 was mainly due to the revenue from property development segment amounting to RM2.99 million and the increase by RM0.54 million in sales of goods segment however partially off-set by the decrease in construction segment by RM2.81 million. The construction segment is in the transition period to commence the new projects.

The increase in profit before tax for 2Q2017 from RM0.18 million in the corresponding quarter to RM0.53 million in the current quarter in line with the increase of the revenue during 2Q2017 under review.

6 months ended 30.6.2017

	Cumulative quarter		Increase/(decrease)	
	Current year- to-date 30.6.2017 RM'000	Preceding year corresponding period 30.6.2016 RM'000	RM'000	%
Revenue	19,932	19,069	863	4.5
- Sales of goods segment	12,670	11,967	703	5.9
- Construction segment	2,923	7,102	(4,179)	(58.8)
- Property development segment	4,339	-	4,339	100.0
Operating profit	4,976	5,218	(242)	(4.6)
Profit before interest and tax	2,090	1,820	270	100.0
Profit before tax	1,121	731	390	53.4
Profit after tax	853	589	264	44.8
Profit attributable to Ordinary Equity Holders of the Parent	862	589	273	46.3

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

19. Review performance of the Group (continued)

6 months ended 30.6.2017 (continued)

The Group's revenue for current year-to-date ("6M2017") ended 30 June 2017 recorded growth of 4.5% to RM19.93 million as compared to RM19.07 million recorded in corresponding period in the preceding year was due to the revenue generated from property development segment amounting to RM4.34 million and the increase in sales of goods segment by RM0.70 million but partially off-set by the marginal decrease in construction segment by RM4.18 million. The construction segment is in the transition period to commence the new projects.

The increase in profit before tax from RM0.73 million in corresponding period in the preceding year to RM1.12 million in 6M2017 mainly due to the increase of the revenue as mentioned in above.

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

	Individual quarter		Increase/(decrease) RM'000	%
	Current quarter ended 30.6.2017 RM'000	Preceding quarter ended 31.3.2017 RM'000		
Revenue	10,676	9,256	1,420	15.3
- Sales of goods segment	6,192	6,478	(286)	(4.4)
- Construction segment	1,491	1,432	59	4.1
- Property development segment	2,993	1,346	1,647	100.0
Operating profit	1,969	3,007	(1,038)	(34.5)
Profit before interest and tax	996	1,094	(98)	100.0
Profit before tax	532	589	(57)	(9.7)
Profit after tax	415	438	(23)	(5.3)
Profit attributable to Ordinary Equity Holders of the Parent	419	443	(24)	(5.4)

The Group recorded 15.3% growth of revenue in current quarter as compared to preceding quarter ended 31 March 2017. This was mainly due to the increase in revenue from property development segment in current quarter under review.

However, the Group recorded slight decrease in profit before tax by RM0.06 million for the current quarter 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 in operating profit by RM1.04 million however partially off-set by the increase in other income by RM0.41 million, the decrease in administrative, general, selling expenses and finance costs by RM0.57 million in current quarter under review.

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

21. Commentary on prospects

The Malaysian economy in year 2017 is expected to grow moderately at between 4% to 5%, driven by domestic demand with private expenditure as the main anchor while the government expects public expenditure to increase moderately.

Looking forward into year 2017, the weakening Ringgit Malaysia and the increase of minimum wage will continue to pose challenges to Malaysian business in coping with the higher operating costs.

With the favourable outlook of construction sector in year 2017, the Group will continue to focus on maximising efficiency and undertake strategies to ensure the long-term strength of the businesses and operations.

Barring any unforeseen circumstances with the favourable outlook of construction sector, the Directors believe that the Group's prospects for the remaining periods of the financial year ending 31 December 2017 will remain favourable.

22. Profit forecast or profit guarantee

The Group has not issued any profit forecast or profit guarantee for the current quarter under review and hence this information is not applicable.

23. Profit before tax

Included in the profit before tax are the following items:

	Individual quarter		Cumulative quarter	
	Current year quarter ended 30.6.2017 RM'000	Preceding year corresponding quarter ended 30.6.2016 RM'000	Current year- to-date 30.6.2017 RM'000	Preceding year corresponding period 30.6.2016 RM'000
Interest income	(7)	(5)	(12)	(10)
Interest expense	464	582	969	1,089
Depreciation of:				
- Property, plant and equipment	423	475	895	970
- Investment properties	28	29	54	57
Amortisation of land use rights	14	15	29	30
Impairment loss on trade receivables	-	-	-	-
Reversal of impairment loss on trade receivables	(436)	(2)	(436)	(2)
Bad debts written off	-	-	-	-
Write-down of inventories	-	-	-	-
Reversal on inventories written off	-	-	-	-

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23. Profit before tax (continued)

	Individual quarter		Cumulative quarter	
	Current year quarter ended 30.6.2017 RM'000	Preceding year corresponding quarter ended 30.6.2016 RM'000	Current year- to-date 30.6.2017 RM'000	Preceding year corresponding period 30.6.2016 RM'000
(Gain)/Loss on disposal of quoted and unquoted investments	-	-	-	-
(Gain)/Loss on disposal of:				
- Property, plant and equipment	5	-	5	(33)
- Investment properties	-	-	-	-
Impairment of assets	-	-	-	-
Property, plant and equipment written off	-	-	-	-
(Gain)/Loss on foreign exchange:				
- Realised	(2)	(11)	(5)	(42)
- Unrealised	-	-	-	-
(Gain)/Loss on derivative	-	-	-	-
Rental income	(109)	(116)	(224)	(216)

24. Income tax expense

Major components of income tax expense includes the following:

	Individual quarter		Cumulative quarter	
	Current year quarter ended 30.6.2017 RM'000	Preceding year corresponding quarter ended 30.6.2016 RM'000	Current year- to-date 30.6.2017 RM'000	Preceding year corresponding period 30.6.2016 RM'000
Current tax:				
Malaysian income tax	189	96	433	310
Under/(over)provision in previous years	-	-	-	-
	<u>189</u>	<u>96</u>	<u>433</u>	<u>310</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	(42)	100	(75)	55
Relating to reduction in tax rate	-	3	-	(26)
Under/(over)provision in previous years	(30)	(97)	(90)	(197)
	<u>(72)</u>	<u>6</u>	<u>(165)</u>	<u>(168)</u>
Total income tax expense	<u>117</u>	<u>102</u>	<u>268</u>	<u>142</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 quarter were lower than the statutory tax rate mainly due to reversal of deferred tax while the effective tax rate of the Group for the previous corresponding quarter is higher due to certain expenses which are not deductible for tax purposes.

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25. Status of corporate proposals

There were no corporate proposals announced but not completed as at the date of this interim financial statements.

26. Trade and other receivables

	30.6.2017 RM'000	31.12.2016 RM'000
Trade receivables		
Third parties	11,530	12,936
Retention sums on construction contract	1,562	1,744
	<u>13,092</u>	<u>14,680</u>
Amount due from related party	608	1,073
Other receivables	2,077	1,503
	<u>15,777</u>	<u>17,256</u>

Ageing analysis of trade receivables

The ageing analysis of trade receivables is as follows:

	Third parties		Related party	
	30.6.2017 RM'000	31.12.2016 RM'000	30.6.2017 RM'000	31.12.2016 RM'000
Not past due	6,902	10,568	316	387
Past due:				
- less than 3 months	2,630	1,530	292	304
- 3 months to 6 months	1,015	544	-	281
- more than 6 months	2,801	2,730	-	101
	<u>6,446</u>	<u>4,804</u>	<u>292</u>	<u>686</u>
	13,348	15,372	608	1,073
Individual impairment	(256)	(692)	-	-
	<u>13,092</u>	<u>14,680</u>	<u>608</u>	<u>1,073</u>

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Trade receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables. These receivables are active accounts which the management considers to be recoverable.

Trade receivables that are past due and impaired

Information regarding financial assets that are past due and impaired is disclosed in the ageing analysis as above.

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27. Borrowings and debts securities

	30.6.2017 RM'000	Weighted Average Interest Rate	31.12.2016 RM'000	Weighted Average Interest Rate
Short term borrowings (secured)				
Secured:				
Bank overdrafts (floating)	7,136	7.25%	6,429	7.25%
Banker acceptances (floating)	5,090	4.27%	4,623	4.31%
Trust receipts (floating)	1,984	7.65%	6,652	7.78%
Obligation under finance leases (fixed)	326	2.42%	391	4.74%
Term loans (floating)	1,973	6.50%	2,369	6.52%
	<u>16,509</u>		<u>20,464</u>	
Long term borrowings (secured)				
Secured:				
Obligation under finance leases (fixed)	690	4.46%	838	4.74%
Term loans (floating)	24,880	6.50%	27,892	6.52%
	<u>25,570</u>		<u>28,730</u>	
Total borrowings	<u>42,079</u>		<u>49,194</u>	

None of the above borrowings are denominated in foreign currencies.

The significant decrease in borrowings mainly due to the decrease in trust receipts by RM4.67 million and term loans of RM3.41 million respectively.

28. Material litigation

There were no pending material litigations at the date of this interim financial statements.

29. Dividend

No interim dividend has been recommended for the current quarter under review.

30. Disclosure of nature of outstanding derivatives

There were no outstanding derivatives as at the end of the reporting period.

31. Rationale for entering into derivatives

The Group did not enter into any derivatives during the period ended 30 June 2017 or the previous financial year ended 31 December 2016.

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32. Risks and policies of derivatives

The Group did not enter into any derivatives during the period ended 30 June 2017 or the previous financial year ended 31 December 2016.

33. Disclosure of gains/losses arising from fair value changes of financial liabilities

The Group did not have any financial liabilities measured at fair value through profit or loss as at 30 June 2017 or the previous financial year ended 31 December 2016.

34. Earnings per share

(a) Basic

Basic earnings per share amounts is calculated by dividing profit for the period, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial period.

	Individual quarter		Cumulative quarter	
	Current year quarter ended 30.6.2017	Preceding year corresponding quarter ended 30.6.2016	Current year- to-date 30.6.2017	Preceding year corresponding period 30.6.2016
Profit for the period attributable to ordinary equity holders of the Company (RM'000)	419	77	862	589
Weighted average number of ordinary shares in issue ('000)	79,961	80,000	79,961	80,000
Basic earnings per share (sen)	<u>0.52</u>	<u>0.10</u>	<u>1.08</u>	<u>0.74</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

35. 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 June 2017			
Total retained earnings of the Company and its subsidiaries	14,810	(117)	14,693
Less: Consolidation adjustments			<u>289</u>
Retained earnings of the Group			<u><u>14,982</u></u>
Financial year ended 31 December 2016			
Total retained earnings of the Company and its subsidiaries	14,457	(282)	14,175
Less: Consolidation adjustments			<u>(56)</u>
Retained earnings of the Group			<u><u>14,119</u></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 2016 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 28 August 2017.