



**HOCK HENG STONE INDUSTRIES BHD.**

**(Company No. : 840040-H)**

**(Incorporated in Malaysia)**

**Condensed Consolidated  
Interim Financial Statements  
For the third quarter ended  
30 September 2017**

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 2017**  
**(The figures have not been audited)**

	Note	Individual quarter		Cumulative quarter	
		Current year quarter ended 30.9.2017 RM'000	Preceding year corresponding quarter ended 30.9.2016 RM'000	Current year- to-date 30.9.2017 RM'000	Preceding year corresponding period 30.9.2016 RM'000
<b>Continuing operations</b>					
Revenue		8,492	10,494	28,424	29,563
Cost of sales		(5,800)	(7,753)	(20,756)	(21,604)
<b>Gross profit</b>		<b>2,692</b>	<b>2,741</b>	<b>7,668</b>	<b>7,959</b>
Other income		144	152	845	520
Administrative, general and selling expenses		(2,141)	(2,084)	(5,728)	(5,850)
Operating profit		695	809	2,785	2,629
Finance costs		(513)	(512)	(1,482)	(1,601)
<b>Profit before tax</b>	23	<b>182</b>	<b>297</b>	<b>1,303</b>	<b>1,028</b>
Income tax expense	24	(34)	(165)	(302)	(307)
<b>Profit for the period</b>		<b>148</b>	<b>132</b>	<b>1,001</b>	<b>721</b>
<b>Other comprehensive income</b>		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>148</b>	<b>132</b>	<b>1,001</b>	<b>721</b>
<b>Profit attributable to:</b>					
Owners of the parent		149	137	1,011	726
Non-controlling interests		(1)	(5)	(10)	(5)
		<b>148</b>	<b>132</b>	<b>1,001</b>	<b>721</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		149	137	1,011	726
Non-controlling interests		(1)	(5)	(10)	(5)
		<b>148</b>	<b>132</b>	<b>1,001</b>	<b>721</b>
<b>Earnings per share attributable to owners of the parent:</b>					
Basic, for the period (sen)	34	0.19	0.17	1.26	0.91
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.  
(Incorporated in Malaysia)

Condensed Consolidated Statements of Financial Position  
As at 30 September 2017

	Note	Unaudited As at 30.9.2017 RM'000	Audited As at 31.12.2016 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	22,870	24,133
Investment properties		4,940	5,023
Land use rights		2,203	2,248
Land held for property development		4,075	4,075
Deferred tax assets		189	181
		<u>34,277</u>	<u>35,660</u>
<b>Current assets</b>			
Property development costs		23,399	24,756
Inventories	8	32,640	32,836
Trade receivables and other receivables	26	15,271	17,256
Other current assets		2,661	3,894
Current tax assets		332	389
Cash and bank balances		2,090	2,491
		<u>76,393</u>	<u>81,622</u>
<b>Total assets</b>		<u>110,670</u>	<u>117,282</u>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		40,000	40,000
Treasury shares		(15)	-
Retained earnings	35	15,131	14,119
		<u>55,116</u>	<u>54,119</u>
Non-controlling interests		103	113
<b>Total equity</b>		<u>55,219</u>	<u>54,232</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		278	463
Borrowings	27	25,035	28,730
		<u>25,313</u>	<u>29,193</u>
<b>Current liabilities</b>			
Trade payables and other payables		10,990	13,242
Borrowings	27	19,098	20,464
Other current liability		-	44
Current tax liabilities		50	107
		<u>30,138</u>	<u>33,857</u>
<b>Total liabilities</b>		<u>55,451</u>	<u>63,050</u>
<b>Total equity and liabilities</b>		<u>110,670</u>	<u>117,282</u>
Net assets per share attributable to ordinary equity holders of the Company (sen)			
		<u>68.93</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 third quarter ended 30 September 2017  
(The figures have not been audited)

	Attributable to equity holders of the parent			Total equity attributable to owners of the parent RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Distributable Retained earnings RM'000			
Opening balance at 1 January 2016	40,000	-	13,259	53,259	124	53,383
Total comprehensive income for the period	-	-	726	726	(5)	721
Closing balance at 30 September 2016	40,000	-	13,985	53,985	119	54,104
Opening balance at 1 January 2017	40,000	-	14,120	54,120	113	54,233
Total comprehensive income for the period	-	-	1,011	1,011	(10)	1,001
Transactions with owners						
Purchase of treasury shares	-	(15)	-	(15)	-	(15)
Closing balance at 30 September 2017	40,000	(15)	15,131	55,116	103	55,219

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

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**Condensed Consolidated Statements of Cash Flows**  
**For the third quarter ended 30 September 2017**  
**(The figures have not been audited)**

	Note	Current year- to-date 30.9.2017 RM'000	Preceding year corresponding period 30.9.2016 RM'000
<b>Cash flows from operating activities</b>			
Profit before tax		1,303	1,028
Adjustment for:			
Amortisation of land use rights		44	44
Depreciation of property, plant and equipment		1,315	1,440
Depreciation of investment properties		77	88
Impairment loss on trade receivables		-	97
Reversal of impairment loss on trade receivables		(436)	(2)
Loss/(gain) on disposal of property, plant and equipment		5	(50)
Interest expense		1,482	1,601
Interest income		(17)	(15)
<b>Operating profit before changes in working capital</b>		<u>3,773</u>	<u>4,231</u>
Changes in working capital:			
Property development costs		2,068	(276)
Inventories		196	409
Receivables		2,421	(2,950)
Other current assets		1,233	942
Payables		(2,252)	1,274
Other current liability		(44)	707
<b>Cash generated from operations</b>		<u>7,395</u>	<u>4,337</u>
Income tax paid		(494)	(765)
<b>Net cash from operating activities</b>		<u>6,901</u>	<u>3,572</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(101)	(1,702)
Purchase of investment properties		-	(14)
Proceeds from disposal of property, plant and equipment		50	72
Increase in land held for development		-	-
Interest received		17	15
<b>Net cash used in investing activities</b>		<u>(34)</u>	<u>(1,629)</u>
<b>Cash flows from financing activities</b>			
Deposit pledged to licensed banks		(14)	(582)
Interest paid		(2,194)	(2,286)
(Decrease)/increase of short term borrowings		(1,372)	833
Drawdown of term loans		556	890
Repayment of term loans		(4,524)	(898)
Repayment of obligation under finance leases		(302)	(208)
Purchase of treasury shares		(15)	-
<b>Net cash used in financing activities</b>		<u>(7,865)</u>	<u>(2,251)</u>
<b>Net decrease in cash and cash equivalents</b>		(998)	(308)
<b>Cash and cash equivalents at beginning of period</b>		<u>(4,624)</u>	<u>(3,671)</u>
<b>Cash and cash equivalents at end of period</b>	9	<u>(5,622)</u>	<u>(3,979)</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

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## Notes to the Interim Financial Statements for the third quarter ended 30 September 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 September 2017 except for the following:

**Treasury shares**

As at 30 September 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:

	30.9.2017 RM'000	30.9.2016 RM'000
Land	-	727
Buildings	-	653
Plant, machinery and factory equipment	5	193
Motor vehicles	-	484
Other assets *	96	15
	<u>101</u>	<u>2,072</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:

	30.9.2017 RM'000	30.9.2016 RM'000
Hire purchase	-	370
Cash outflow	101	1,702
	<u>101</u>	<u>2,072</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 September 2017, there were no write-down of inventories.

9. Cash and bank balances

	30.9.2017 RM'000	30.9.2016 RM'000
Cash at banks and on hand	1,391	1,805
Short term deposits with licensed banks	699	582
Cash and bank balances	<u>2,090</u>	<u>2,387</u>
Less: Bank overdrafts	(7,013)	(5,784)
Less: Deposits pledged to licensed banks	(699)	(582)
<b>Total cash and cash equivalents</b>	<u>(5,622)</u>	<u>(3,979)</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 September 2017.

**13. Capital commitments**

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

	<b>30.9.2017</b>	<b>31.12.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
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 9 months.
- (ii) Construction - supply and installation of dimension stones and related products for projects secured and is completed over a period of more than 9 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
<b>Period ended 30.9.2017</b>						
<b>Revenue:</b>						
External customers	20,155	3,664	4,605	-	-	28,424
Inter-segment	6,869	-	-	-	(6,869)	-
	<u>27,024</u>	<u>3,664</u>	<u>4,605</u>	<u>-</u>	<u>(6,869)</u>	<u>28,424</u>
<b>Results:</b>						
Depreciation and amortisation	1,304	131	1	-	-	1,436
Segment profit/(loss)	<u>1,371</u>	<u>227</u>	<u>273</u>	<u>(14)</u>	<u>(554)</u>	<u>1,303</u>
<b>Assets</b>						
Capital expenditure	75	26	-	-	-	101
Segment assets	<u>78,264</u>	<u>3,013</u>	<u>29,306</u>	<u>87</u>	<u>-</u>	<u>110,670</u>
<b>Segment liabilities</b>	<u>34,894</u>	<u>-</u>	<u>20,492</u>	<u>65</u>	<u>-</u>	<u>55,451</u>
<b>Period ended 30.9.2016</b>						
<b>Revenue:</b>						
External customers	17,425	10,067	2,071	-	-	29,563
Inter-segment	20,080	-	-	-	(20,080)	-
	<u>37,505</u>	<u>10,067</u>	<u>2,071</u>	<u>-</u>	<u>(20,080)</u>	<u>29,563</u>
<b>Results:</b>						
Depreciation and amortisation	1,447	125	-	-	-	1,572
Other non cash expenses	95	-	-	-	-	95
Segment profit/(loss)	<u>698</u>	<u>310</u>	<u>(40)</u>	<u>(41)</u>	<u>101</u>	<u>1,028</u>
<b>Assets</b>						
Capital expenditure	854	490	728	-	-	2,072
Segment assets	<u>75,357</u>	<u>9,005</u>	<u>32,973</u>	<u>91</u>	<u>-</u>	<u>117,426</u>
<b>Segment liabilities</b>	<u>37,698</u>	<u>-</u>	<u>25,560</u>	<u>64</u>	<u>-</u>	<u>63,322</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:

	30.9.2017 RM'000	30.9.2016 RM'000
Interest income	17	15
Finance costs	(1,482)	(1,601)
	<u>(1,465)</u>	<u>(1,586)</u>

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Hock Heng Stone Industries Bhd.  
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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:

	<b>30.9.2017</b>	<b>30.9.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Current tax assets	332	544
Deferred tax assets	189	197
	<u>521</u>	<u>741</u>

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

	<b>30.9.2017</b>	<b>30.9.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Current tax liabilities	50	23
Deferred tax liabilities	278	449
	<u>328</u>	<u>472</u>

The Group's sales of goods segment continues to be the main contributor to the Group's revenue. The revenue increased by 15.7% from RM17.43 million to RM20.16 million as compared to the corresponding quarter in the preceding year. The increase in this segment's profit by RM0.67 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 RM6.40 million was due to the transition period to commence the new projects. Meanwhile, the Group has generated additional revenue amounting to RM2.53 million from its newly diversified division, property development segment in current year quarter as compared to corresponding quarter. The property development segment had contributed segment's profit of RM0.27 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 30.9.2017 RM'000	Preceding year corresponding quarter ended 30.9.2016 RM'000	Current year- to-date 30.9.2017 RM'000	Preceding year corresponding period 30.9.2016 RM'000
Rental paid to LBS	21	21	63	63
Sales of dimension stone products to EMP	473	356	1,057	732
Rental income from Eternal	7	-	15	-
			<b>Amount owed by related parties</b>	
			<b>As at 30.9.2017 RM'000</b>	<b>As at 31.12.2016 RM'000</b>
LBS			-	-
EMP			677	1,073
Eternal			15	-

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 30.9.2017**

	Individual quarter		Increase/(decrease)	
	Current year quarter ended 30.9.2017	Preceding year corresponding quarter ended 30.9.2016		
	RM'000	RM'000	RM'000	%
Revenue	8,492	10,494	(2,002)	(19.1)
- Sales of goods segment	7,485	5,458	2,027	37.1
- Construction segment	741	2,965	(2,224)	(75.0)
- Property development segment	266	2,071	(1,805)	(87.2)
Operating profit	2,692	2,741	(49)	(1.8)
Profit before interest and tax	695	809	(114)	100.0
Profit before tax	182	297	(115)	(38.7)
Profit after tax	148	132	16	12.1
Profit attributable to Ordinary Equity Holders of the Parent	149	137	12	8.8

The Group's revenue for current quarter ("3Q2017") ended 30 September 2017 decreased by RM2.00 million or 19.1% to RM8.49 million as compared to corresponding quarter in the preceding year. The decrease in revenue for 3Q2017 was mainly due to the significant decrease in revenue of construction segments by RM2.22 million due to the transition period to commence the new projects. Besides, the decrease in revenue recognised from property development segment was due to almost fully sold for all the properties development.

This resulted the decrease in profit before tax for 3Q2017 from RM0.30 million in the corresponding quarter to RM0.18 million in the current quarter in line with the decrease of the revenue during 3Q2017 under review.

**9 months ended 30.9.2017**

	Cumulative quarter		Increase/(decrease)	
	Current year- to-date 30.9.2017	Preceding year corresponding period 30.9.2016		
	RM'000	RM'000	RM'000	%
Revenue	28,424	29,563	(1,139)	(3.9)
- Sales of goods segment	20,155	17,425	2,730	15.7
- Construction segment	3,664	10,067	(6,403)	(63.6)
- Property development segment	4,605	2,071	2,534	122.4
Operating profit	7,668	7,959	(291)	(3.7)
Profit before interest and tax	2,785	2,629	156	100.0
Profit before tax	1,303	1,028	275	26.8
Profit after tax	1,001	721	280	38.8
Profit attributable to Ordinary Equity Holders of the Parent	1,011	726	285	39.3

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

**19. Review performance of the Group (continued)**

**9 months ended 30.9.2017 (continued)**

The Group's revenue for current year-to-date ("9M2017") ended 30 September 2017 shown a slight decrease of 3.9% to RM28.42 million as compared to RM29.56 million recorded in corresponding period in the preceding year were due to the decrease in revenue generated from construction segment amounting to RM6.40 million and partially off-set by the marginal increase in property development segment's revenue by RM2.53 million and sales of goods segment by RM2.73 million. However, the Group had successfully secured some new construction projects in coming period.

In overall, regardless the decreased in operating profits, the profit before tax had increased from RM1.03 million in corresponding period in the preceding year to RM1.30 million in 9M2017 mainly due to the decreased in finance costs as the borrowings of the Group is in reducing trend.

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

	Individual quarter		Increase/(decrease) RM'000	%
	Current quarter ended 30.9.2017 RM'000	Preceding quarter ended 30.6.2017 RM'000		
Revenue	8,492	10,676	(2,184)	(20.5)
- Sales of goods segment	7,485	6,192	1,293	20.9
- Construction segment	741	1,491	(750)	(50.3)
- Property development segment	266	2,993	(2,727)	(91.1)
Operating profit	2,692	1,969	723	36.7
Profit before interest and tax	695	996	(301)	100.0
Profit before tax	182	532	(350)	(65.8)
Profit after tax	148	415	(267)	(64.3)
Profit attributable to Ordinary Equity Holders of the Parent	149	419	(270)	(64.4)

The Group's revenue decreased by RM2.18 million in current quarter as compared to preceding quarter ended 30 June 2017. This was mainly due to the significant decrease in revenue from property development segment due to almost all the properties development had fully sold in current quarter.

The Group recorded a decrease in profit before tax by RM0.35 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 there is a reversal of impairment loss on trade receivables in the immediate preceding quarter amounting to RM0.44 million.

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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 30.9.2017 RM'000	Preceding year corresponding quarter ended 30.9.2016 RM'000	Current year- to-date 30.9.2017 RM'000	Preceding year corresponding period 30.9.2016 RM'000
Interest income	(5)	(5)	(17)	(15)
Interest expense	513	512	1,482	1,601
Depreciation of:				
- Property, plant and equipment	420	470	1,315	1,440
- Investment properties	23	31	77	88
Amortisation of land use rights	15	14	44	44
Impairment loss on trade receivables	-	97	-	97
Reversal of impairment loss on trade receivables	-	-	(436)	(2)
Bad debts written off	-	-	-	-
Write-down of inventories	-	-	-	-
Reversal on inventories written off	-	-	-	-

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

23. Profit before tax (continued)

	Individual quarter		Cumulative quarter	
	Current year quarter ended 30.9.2017 RM'000	Preceding year corresponding quarter ended 30.9.2016 RM'000	Current year- to-date 30.9.2017 RM'000	Preceding year corresponding period 30.9.2016 RM'000
(Gain)/Loss on disposal of quoted and unquoted investments	-	-	-	-
(Gain)/Loss on disposal of:				
- Property, plant and equipment	-	(17)	5	(50)
- Investment properties	-	-	-	-
Impairment of assets	-	-	-	-
Property, plant and equipment written off	-	-	-	-
(Gain)/Loss on foreign exchange:				
- Realised	(17)	5	(22)	(37)
- Unrealised	-	-	-	-
(Gain)/Loss on derivative	-	-	-	-
Rental income	(117)	(106)	(341)	(322)

24. Income tax expense

Major components of income tax expense includes the following:

	Individual quarter		Cumulative quarter	
	Current year quarter ended 30.9.2017 RM'000	Preceding year corresponding quarter ended 30.9.2016 RM'000	Current year- to-date 30.9.2017 RM'000	Preceding year corresponding period 30.9.2016 RM'000
<b>Current tax:</b>				
Malaysian income tax	62	223	495	533
Under/(over)provision in previous years	-	-	-	-
	<u>62</u>	<u>223</u>	<u>495</u>	<u>533</u>
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(28)	(57)	(103)	(2)
Relating to reduction in tax rate	-	-	-	(26)
Overprovision in previous years	-	(1)	(90)	(198)
	<u>(28)</u>	<u>(58)</u>	<u>(193)</u>	<u>(226)</u>
Total income tax expense	<u>34</u>	<u>165</u>	<u>302</u>	<u>307</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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Part B - Explanatory notes pursuant to Appendix 9B of the Listing Requirements (continued)

25. Status of corporate proposals

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

26. Trade and other receivables

	30.9.2017 RM'000	31.12.2016 RM'000
<b>Trade receivables</b>		
Third parties	11,028	12,936
Retention sums on construction contract	1,400	1,744
	<u>12,428</u>	<u>14,680</u>
Amount due from related parties	692	1,073
<b>Other receivables</b>	2,151	1,503
	<u>15,271</u>	<u>17,256</u>

Ageing analysis of trade receivables

The ageing analysis of trade receivables is as follows:

	Third parties		Related parties	
	30.9.2017 RM'000	31.12.2016 RM'000	30.9.2017 RM'000	31.12.2016 RM'000
Not past due	6,921	10,568	537	387
Past due:				
- less than 3 months	1,104	1,530	151	304
- 3 months to 6 months	1,147	544	4	281
- more than 6 months	3,511	2,730	-	101
	<u>5,762</u>	<u>4,804</u>	<u>155</u>	<u>686</u>
	12,683	15,372	692	1,073
Individual impairment	(255)	(692)	-	-
	<u>12,428</u>	<u>14,680</u>	<u>692</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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Part B - Explanatory notes pursuant to Appendix 9B of the Listing Requirements (continued)

27. Borrowings and debts securities

	30.9.2017 RM'000	Weighted Average Interest Rate	31.12.2016 RM'000	Weighted Average Interest Rate
<b>Short term borrowings (secured)</b>				
Secured:				
Bank overdrafts (floating)	7,013	7.12%	6,429	7.25%
Banker acceptances (floating)	8,377	4.26%	4,623	4.31%
Trust receipts (floating)	1,526	7.65%	6,652	7.78%
Obligation under finance leases (fixed)	305	4.45%	391	4.74%
Term loans (floating)	1,877	6.50%	2,369	6.52%
	<u>19,098</u>		<u>20,464</u>	
<b>Long term borrowings (secured)</b>				
Secured:				
Obligation under finance leases (fixed)	619	4.45%	838	4.74%
Term loans (floating)	24,416	6.50%	27,892	6.52%
	<u>25,035</u>		<u>28,730</u>	
<b>Total borrowings</b>	<u>44,133</u>		<u>49,194</u>	

None of the above borrowings are denominated in foreign currencies.

The decrease in borrowings mainly due to the decrease in trust receipts by RM5.13 million and term loans by RM3.97 million respectively and partially off-set by the increase in banker acceptances by RM3.76 million.

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 September 2017 or the previous financial year ended 31 December 2016.

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

**32. Risks and policies of derivatives**

The Group did not enter into any derivatives during the period ended 30 September 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 September 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 30.9.2017	Preceding year corresponding quarter ended 30.9.2016	Current year- to-date 30.9.2017	Preceding year corresponding period 30.9.2016
Profit for the period attributable to ordinary equity holders of the Company (RM'000)	149	137	1,011	726
Weighted average number of ordinary shares in issue ('000)	79,961	80,000	79,961	80,000
Basic earnings per share (sen)	<u>0.19</u>	<u>0.17</u>	<u>1.26</u>	<u>0.91</u>

**(b) Diluted**

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

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**Part C - Disclosure of realised and unrealised profits or losses**

**35. Retained earnings**

The breakdown of realised and unrealised retained earnings is as follows:

	<b>Realised RM'000</b>	<b>Unrealised RM'000</b>	<b>Total retained earnings RM'000</b>
<b>Financial year ended 30 September 2017</b>			
Total retained earnings of the Company and its subsidiaries	14,799	(89)	14,710
Less: Consolidation adjustments			421
Retained earnings of the Group			<u>15,131</u>
<b>Financial year ended 31 December 2016</b>			
Total retained earnings of the Company and its subsidiaries	14,457	(282)	14,175
Less: Consolidation adjustments			(56)
Retained earnings of the Group			<u>14,119</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 24 November 2017.