



**HOCK HENG STONE INDUSTRIES BHD.**

(Company No. : 840040-H)

(Incorporated in Malaysia)

**Condensed Consolidated  
Interim Financial Statements  
For the fourth quarter ended  
31 December 2017**

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 2017  
(The figures have not been audited)

	Note	Individual quarter		Cumulative quarter	
		Current year quarter ended 31.12.2017 RM'000	Preceding year corresponding quarter ended 31.12.2016 RM'000	Current year- to-date 31.12.2017 RM'000	Preceding year corresponding period 31.12.2016 RM'000
<b>Continuing operations</b>					
Revenue		8,783	27,121	37,207	56,684
Cost of sales		(6,150)	(23,843)	(26,905)	(45,447)
<b>Gross profit</b>		2,633	3,278	10,302	11,237
Other income		155	201	1,000	721
Administrative, general and selling expenses		(2,508)	(2,295)	(8,236)	(8,145)
Operating profit		280	1,184	3,066	3,813
Finance costs		(442)	(563)	(1,924)	(2,164)
<b>(Loss)/profit before tax</b>	23	(162)	621	1,142	1,649
Income tax expense	24	14	(492)	(288)	(800)
<b>(Loss)/profit for the period</b>		(148)	129	854	849
<b>Other comprehensive income</b>		-	-	-	-
<b>Total comprehensive (loss)/income for the period</b>		(148)	129	854	849
<b>(Loss)/profit attributable to:</b>					
Owners of the parent		(145)	135	867	860
Non-controlling interests		(3)	(6)	(13)	(11)
		(148)	129	854	849
<b>Total comprehensive (loss)/income attributable to:</b>					
Owners of the parent		(145)	135	867	860
Non-controlling interests		(3)	(6)	(13)	(11)
		(148)	129	854	849
<b>(Loss)/earnings per share attributable to owners of the parent:</b>					
Basic, for the period (sen)	34	(0.18)	0.17	1.08	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 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 31 December 2017

	Note	Unaudited As at 31.12.2017 RM'000	Audited As at 31.12.2016 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	22,610	24,139
Investment properties		4,914	5,017
Land use rights		2,188	2,248
Land held for property development		4,075	4,075
Deferred tax assets		192	181
		<u>33,979</u>	<u>35,660</u>
<b>Current assets</b>			
Property development costs		23,093	24,755
Inventories	8	33,367	32,836
Trade receivables and other receivables	26	15,263	17,256
Other current assets		3,890	3,894
Current tax assets		484	389
Cash and bank balances		929	2,491
		<u>77,026</u>	<u>81,621</u>
<b>Total assets</b>		<u>111,005</u>	<u>117,281</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	14,986	14,119
		<u>54,971</u>	<u>54,119</u>
Non-controlling interests		100	113
<b>Total equity</b>		<u>55,071</u>	<u>54,232</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		211	463
Borrowings	27	24,631	28,729
		<u>24,842</u>	<u>29,192</u>
<b>Current liabilities</b>			
Trade payables and other payables		12,083	13,242
Borrowings	27	18,936	20,464
Other current liability		-	44
Current tax liabilities		73	107
		<u>31,092</u>	<u>33,857</u>
<b>Total liabilities</b>		<u>55,934</u>	<u>63,049</u>
<b>Total equity and liabilities</b>		<u>111,005</u>	<u>117,281</u>
Net assets per share attributable to ordinary equity holders of the Company (sen)			
		<u>68.75</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 fourth quarter ended 31 December 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	-	-	860	860	(11)	849
Closing balance at 31 December 2016	40,000	-	14,119	54,119	113	54,232
Opening balance at 1 January 2017	40,000	-	14,119	54,119	113	54,232
Total comprehensive income for the period	-	-	867	867	(13)	854
Transactions with owners						
Purchase of treasury shares	-	(15)	-	(15)	-	(15)
Closing balance at 31 December 2017	40,000	(15)	14,986	54,971	100	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 fourth quarter ended 31 December 2017**  
**(The figures have not been audited)**

	Note	Current year- to-date 31.12.2017 RM'000	Preceding year corresponding period 31.12.2016 RM'000
<b>Cash flows from operating activities</b>			
Profit before tax		1,142	1,649
Adjustment for:			
Amortisation of land use rights		59	59
Depreciation of property, plant and equipment		1,729	1,942
Depreciation of investment properties		103	103
Impairment loss on trade receivables		512	195
Reversal of impairment loss on trade receivables		(437)	(3)
Reversal on write-down of inventories		-	(1)
Loss/(gain) on disposal of property, plant and equipment		1	(50)
Gain on disposal of investment properties		-	(68)
Write-down of inventories		28	-
Unrealised foreign exchange loss		39	-
Interest expense		1,924	2,164
Interest income		(20)	(19)
<b>Operating profit before changes in working capital</b>		<u>5,080</u>	<u>5,971</u>
Changes in working capital:			
Property development costs		2,583	1,688
Inventories		(559)	544
Receivables		1,918	(6,163)
Other current assets		4	2,514
Payables		(1,199)	3,578
Other current liability		(44)	44
<b>Cash generated from operations</b>		<u>7,783</u>	<u>8,176</u>
Income tax paid		(678)	(988)
<b>Net cash from operating activities</b>		<u>7,105</u>	<u>7,188</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(145)	(1,881)
Purchase of investment properties		-	(13)
Proceeds from disposal of property, plant and equipment		64	72
Proceeds from disposal of investment properties		-	175
Interest received		20	19
<b>Net cash used in investing activities</b>		<u>(61)</u>	<u>(1,628)</u>
<b>Cash flows from financing activities</b>			
Deposit pledged to licensed banks		(18)	(118)
Interest paid		(2,845)	(3,277)
(Decrease)/increase of short term borrowings		(1,394)	(923)
Drawdown of term loans		556	2,634
Repayment of term loans		(4,917)	(3,963)
Repayment of obligation under finance leases		(397)	(299)
Purchase of treasury shares		(15)	-
<b>Net cash used in financing activities</b>		<u>(9,030)</u>	<u>(5,946)</u>

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Condensed Consolidated Statements of Cash Flows (continued)  
For the fourth quarter ended 31 December 2017  
(The figures have not been audited)

	<b>Current year- to-date 31.12.2017 RM'000</b>	<b>Preceding year corresponding period 31.12.2016 RM'000</b>
Net decrease in cash and cash equivalents	(1,986)	(386)
Cash and cash equivalents at beginning of period	(4,624)	(4,238)
Cash and cash equivalents at end of period	9 <u>(6,610)</u>	<u>(4,624)</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 fourth quarter ended 31 December 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*

- Annual Improvement to FRSs 2014 - 2016 Cycle *Amendments to FRS 1*
- Amendments to FRS 128
- FRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*
- Amendments to FRS 2 *Classification and Measurement of Share-based Payment Transactions*
- Amendments to FRS 140 *Transfers of Investment Property*
- Amendments to FRS 4 *Applying MFRS 9 Financial Instruments with MFRS4 Insurance Contracts*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

*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 31 December 2017 except for the following:

**Treasury shares**

As at 31 December 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:

	31.12.2017 RM'000	31.12.2016 RM'000
Land	-	727
Buildings	-	667
Plant, machinery and factory equipment	14	221
Motor vehicles	150	1,112
Other assets *	101	34
	<u>265</u>	<u>2,761</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:

	31.12.2017 RM'000	31.12.2016 RM'000
Hire purchase	120	880
Cash outflow	145	1,881
	<u>265</u>	<u>2,761</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>210</u>	<u>65</u>	<u>64</u>	<u>1</u>

8. Inventories

During the current period ended 31 December 2017, there were write-down of inventories of RM11,000 (31.12.2016: Nil).

9. Cash and bank balances

	31.12.2017 RM'000	31.12.2016 RM'000
Cash at banks and on hand	225	1,805
Short term deposits with licensed banks	704	585
Cash and bank balances	<u>929</u>	<u>2,390</u>
Less: Bank overdrafts	(6,835)	(6,429)
Less: Deposits pledged to licensed banks	(704)	(585)
<b>Total cash and cash equivalents</b>	<u>(6,610)</u>	<u>(4,624)</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 31 December 2017.

**13. Capital commitments**

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

	31.12.2017 RM'000	31.12.2016 RM'000
Property, plant and equipment:		
- Approved and not contracted for	662	662
	<u>662</u>	<u>662</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 31.12.2017</b>						
<b>Revenue:</b>						
External customers	27,692	3,903	5,612	-	-	37,207
Inter-segment	8,731	-	-	-	(8,731)	-
	<u>36,423</u>	<u>3,903</u>	<u>5,612</u>	<u>-</u>	<u>(8,731)</u>	<u>37,207</u>
<b>Results:</b>						
Depreciation and amortisation	1,718	172	1	-	-	1,891
Segment profit/(loss)	<u>1,114</u>	<u>111</u>	<u>298</u>	<u>(31)</u>	<u>(350)</u>	<u>1,142</u>
<b>Assets</b>						
Capital expenditure	235	30	-	-	-	265
Segment assets	<u>78,184</u>	<u>3,057</u>	<u>29,672</u>	<u>92</u>	<u>-</u>	<u>111,005</u>
<b>Segment liabilities</b>	<u>35,495</u>	<u>-</u>	<u>20,348</u>	<u>91</u>	<u>-</u>	<u>55,934</u>
<b>Period ended 31.12.2016</b>						
<b>Revenue:</b>						
External customers	37,147	13,458	6,079	-	-	56,684
Inter-segment	24,480	-	-	-	(24,480)	-
	<u>61,627</u>	<u>13,458</u>	<u>6,079</u>	<u>-</u>	<u>(24,480)</u>	<u>56,684</u>
<b>Results:</b>						
Depreciation and amortisation	1,932	172	-	-	-	2,104
Other non cash expenses	(4)	195	-	-	-	191
Segment profit/(loss)	<u>1,096</u>	<u>330</u>	<u>192</u>	<u>(62)</u>	<u>93</u>	<u>1,649</u>
<b>Assets</b>						
Capital expenditure	1,494	521	746	-	-	2,761
Segment assets	<u>77,577</u>	<u>8,398</u>	<u>31,213</u>	<u>93</u>	<u>-</u>	<u>117,281</u>
<b>Segment liabilities</b>	<u>38,613</u>	<u>44</u>	<u>24,347</u>	<u>45</u>	<u>-</u>	<u>63,049</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:

	31.12.2017 RM'000	31.12.2016 RM'000
Interest income	20	19
Finance costs	(1,924)	(2,164)
	<u>(1,904)</u>	<u>(2,145)</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:

	<b>31.12.2017</b>	<b>31.12.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Current tax assets	484	389
Deferred tax assets	192	181
	<u>676</u>	<u>570</u>

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

	<b>31.12.2017</b>	<b>31.12.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Current tax liabilities	73	107
Deferred tax liabilities	211	463
	<u>284</u>	<u>570</u>

The Group's sales of goods segment continues to be the main contributor to the Group's revenue in current year-to-date revenue. The revenue decreased by 25.5% from RM37.15 million to RM27.69 million as compared to the preceding year. This is because there are bulk sales amounted to RM13.41 million in preceeding year.

The decrease in revenue of construction segment by RM9.56 million was due to the transition period to commence the new projects at end of financial year ended 31 December 2017 and next financial year whereas the slight decrease in revenue of property development segment in current year as compared to prior year was due to the last stage of completion of property development. There are approximately RM0.44 million revenue to be recognised from property development segment in the next financial year.

**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 31.12.2017 RM'000	Preceding year corresponding quarter ended 31.12.2016 RM'000	Current year- to-date 31.12.2017 RM'000	Preceding year corresponding period 31.12.2016 RM'000
Rental paid to LBS	21	21	84	84
Sales of dimension stone products to EMP	420	323	1,477	1,055
Rental received from Eternal	5	-	20	-
			<b>Amount owed by related parties</b>	
			<b>As at</b>	<b>As at</b>
			<b>31.12.2017</b>	<b>31.12.2016</b>
			<b>RM'000</b>	<b>RM'000</b>
LBS			-	-
EMP			791	1,074
Eternal			21	-

The transactions above were based on negotiated and mutually agreed terms and has been approved by the shareholders in the Annual General Meeting.

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

19. Review performance of the Group

3 months ended 31.12.2017

	Individual quarter		Increase/(decrease)	
	Current year quarter ended 31.12.2017 RM'000	Preceding year corresponding quarter ended 31.12.2016 RM'000	RM'000	%
Revenue	8,783	27,121	(18,338)	(67.6)
- Sales of goods segment	7,538	19,723	(12,185)	(61.8)
- Construction segment	238	3,391	(3,153)	(93.0)
- Property development segment	1,007	4,007	(3,000)	(74.9)
Operating profit	2,633	3,278	(645)	(19.7)
Profit before interest and tax	280	1,184	(904)	100.0
Profit before tax	(162)	621	(783)	(126.1)
Profit after tax	(148)	129	(277)	(214.7)
Profit attributable to Ordinary Equity Holders of the Parent	(145)	135	(280)	(207.4)

The Group's revenue for current quarter ("4Q2017") ended 31 December 2017 decreased by RM18.34 million or 67.6% to RM8.78 million as compared to corresponding quarter in the preceding year. The decrease in revenue for 4Q2017 was mainly due to the decreased in sales of goods segment by RM12.19 million as in 4Q2017 mainly due to bulk sales amounted to RM13.41 million in corresponding quarter in preceding year. Besides, the decreased in revenue of construction segments by RM3.15 million due to the transition period to commence the new projects at end of 4Q2017. There is also decrease in revenue of property development segment by RM3.00 million was due to the last stage of completion of property development.

This resulted the loss before tax for 4Q2017 at RM0.16 million in current quarter as compared to the profit before tax in the corresponding quarter at RM0.62 million in line with the decreased of the revenue during 4Q2017 under review.

12 months ended 31.12.2017

	Cumulative quarter		Increase/(decrease)	
	Current year- to-date 31.12.2017 RM'000	Preceding year corresponding period 31.12.2016 RM'000	RM'000	%
Revenue	37,207	56,684	(19,477)	(34.4)
- Sales of goods segment	27,692	37,147	(9,455)	(25.5)
- Construction segment	3,903	13,458	(9,555)	(71.0)
- Property development segment	5,612	6,079	(467)	(7.7)
Operating profit	10,302	11,237	(935)	(8.3)
Profit before interest and tax	3,066	3,813	(747)	100.0
Profit before tax	1,142	1,649	(507)	(30.7)
Profit after tax	854	849	5	0.6
Profit attributable to Ordinary Equity Holders of the Parent	867	860	7	0.8

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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 31.12.2017 (continued)**

The Group's revenue for current year-to-date ("12M2017") ended 31 December 2017 shown a decrease of 34.4% to RM37.21 million as compared to RM56.68 million recorded in corresponding period in the preceding year were mainly due to the bulk sales amounted to RM13.41 million in preceeding year. The decrease in revenue generated from construction segment by RM9.56 million due to the transition period to commence the new projects at end of 4Q2017 and next financial year. The Group had successfully secured some new construction projects and will commence in next financial year.

In overall, the profit before tax had decreased from RM1.65 million in corresponding period in the preceding year to RM1.14 million in 12M2017 in line with the decreased in revenue as mentioned 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 31.12.2017 RM'000	Preceding quarter ended 30.9.2017 RM'000		
Revenue	8,783	8,492	291	3.4
- Sales of goods segment	7,538	7,485	53	0.7
- Construction segment	238	741	(503)	(67.9)
- Property development segment	1,007	266	741	278.6
Operating profit	2,633	2,692	(59)	(2.2)
Profit before interest and tax	280	695	(415)	100.0
Profit before tax	(162)	182	(344)	(189.0)
Profit after tax	(148)	148	(296)	(200.0)
Profit attributable to Ordinary Equity Holders of the Parent	(145)	149	(294)	(197.3)

The Group's revenue slight increased by RM0.29 million in current quarter as compared to preceding quarter ended 30 September 2017. This was mainly due to the additional revenue generated from its newly diversified properties development segment started since last financial year.

The Group recorded loss before tax of RM0.16 million for the current quarter under review as compared to profit before tax of RM0.18 million in the immediate preceding quarter. The loss before tax in current quarter is mainly due to the impairment loss on trade receivables amounted to RM512,000 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 will remain resilient in year 2018, is expected to grow at between 5% to 5.5%. The growth will be mainly driven by domestic demand amid favourable private sector. Private sector expenditure continues to be primary driver of growth with private investment and consumption, while public sector continues committed towards its fiscal consolidation path.

The market would be challenging but with favourable outlook of construction sector in year 2018, 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, the Directors believe that the Group's prospects for the financial year ending 31 December 2018 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 31.12.2017 RM'000	Preceding year corresponding quarter ended 31.12.2016 RM'000	Current year- to-date 31.12.2017 RM'000	Preceding year corresponding period 31.12.2016 RM'000
Interest income	(3)	(4)	(20)	(19)
Interest expense	442	563	1,924	2,164
Depreciation of:				
- Property, plant and equipment	414	502	1,729	1,942
- Investment properties	26	15	103	103
Amortisation of land use rights	15	15	59	59
Impairment loss on trade receivables	512	98	512	195
Reversal of impairment loss on trade receivables	-	(1)	(436)	(3)
Bad debts written off	-	-	-	-
Write-down of inventories	28	-	28	-
Reversal on inventories written off	-	(1)	-	(1)
(Gain)/Loss on disposal of quoted and unquoted investments	-	-	-	-
(Gain)/Loss on disposal of:				
- Property, plant and equipment	(4)	-	1	(50)
- Investment properties	-	(68)	-	(68)
Impairment of assets	-	-	-	-
Property, plant and equipment written off	-	-	-	-



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23. Profit before tax (continued)

	Individual quarter		Cumulative quarter	
	Current year quarter ended 31.12.2017 RM'000	Preceding year corresponding quarter ended 31.12.2016 RM'000	Current year- to-date 31.12.2017 RM'000	Preceding year corresponding period 31.12.2016 RM'000
(Gain)/Loss on foreign exchange:				
- Realised	(33)	33	(55)	(4)
- Unrealised	39	-	39	-
(Gain)/Loss on derivative	-	-	-	-
Rental income	(112)	(109)	(453)	(431)

24. Income tax expense

Major components of income tax expense includes the following:

	Individual quarter		Cumulative quarter	
	Current year quarter ended 31.12.2017 RM'000	Preceding year corresponding quarter ended 31.12.2016 RM'000	Current year- to-date 31.12.2017 RM'000	Preceding year corresponding period 31.12.2016 RM'000
<b>Current tax:</b>				
Malaysian income tax	117	355	612	888
(Over)/underprovision in previous years	(62)	107	(62)	107
	55	462	550	995
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(64)	(66)	(167)	(68)
Relating to reduction in tax rate	-	(3)	-	(29)
(Over)/underprovision in previous years	(5)	99	(95)	(98)
	(69)	30	(262)	(195)
Total income tax expense	(14)	492	288	800

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.

25. Status of corporate proposals

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

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26. Trade and other receivables

	31.12.2017 RM'000	31.12.2016 RM'000
<b>Trade receivables</b>		
Third parties	12,575	12,936
Retention sums on construction contract	1,418	1,744
	<u>13,993</u>	<u>14,680</u>
Amount due from related parties	812	1,074
<b>Other receivables</b>	458	1,502
	<u>15,263</u>	<u>17,256</u>

Ageing analysis of trade receivables

The ageing analysis of trade receivables is as follows:

	Third parties		Related parties	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Not past due	8,162	10,568	419	387
Past due:				
- less than 3 months	1,884	1,459	349	375
- 3 months to 6 months	632	614	6	211
- more than 6 months	4,082	2,730	38	101
	<u>6,598</u>	<u>4,803</u>	<u>393</u>	<u>687</u>
	14,760	15,371	812	1,074
Individual impairment	(767)	(691)	-	-
	<u>13,993</u>	<u>14,680</u>	<u>812</u>	<u>1,074</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

	31.12.2017 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)	6,835	7.21%	6,429	7.25%
Banker acceptances (floating)	8,456	4.25%	4,623	4.31%
Trust receipts (floating)	1,425	7.65%	6,652	7.78%
Obligation under finance leases (fixed)	317	4.43%	391	4.74%
Term loans (floating)	1,903	6.52%	2,369	6.52%
	<u>18,936</u>		<u>20,464</u>	
<b>Long term borrowings (secured)</b>				
Secured:				
Obligation under finance leases (fixed)	635	4.43%	838	4.74%
Term loans (floating)	23,996	6.52%	27,891	6.52%
	<u>24,631</u>		<u>28,729</u>	
<b>Total borrowings</b>	<u>43,567</u>		<u>49,193</u>	

None of the above borrowings are denominated in foreign currencies.

The decrease in borrowings mainly due to the decrease in trust receipts by RM5.23 million and term loans by RM4.38 million respectively and partially off-set by the increase in banker acceptances by RM3.83 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 31 December 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 31 December 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 31 December 2017 or the previous financial year ended 31 December 2016.

34. (Loss)/earnings per share

(a) Basic

Basic (loss)/earnings per share amounts is calculated by dividing (loss)/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 31.12.2017	Preceding year corresponding quarter ended 31.12.2016	Current year- to-date 31.12.2017	Preceding year corresponding period 31.12.2016
(Loss)/profit for the period attributable to ordinary equity holders of the Company (RM'000)	(145)	135	867	860
Weighted average number of ordinary shares in issue ('000)	79,961	80,000	79,961	80,000
Basic (loss)/earnings per share (sen)	<u>(0.18)</u>	<u>0.17</u>	<u>1.08</u>	<u>1.08</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 31 December 2017</b>			
Total retained earnings of the Company and its subsidiaries	14,740	(19)	14,721
Less: Consolidation adjustments			<u>265</u>
Retained earnings of the Group			<u><u>14,986</u></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			<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 27 February 2018.