



HOCK HENG STONE INDUSTRIES BHD.

(Company No. : 840040-H)

(Incorporated in Malaysia)

**Condensed Consolidated
Interim Financial Statements
For the first quarter ended
31 March 2018**

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

Condensed Consolidated Statements of Comprehensive Income
For the first quarter ended 31 March 2018
(The figures have not been audited)

	Note	Individual quarter		Cumulative quarter	
		Current year quarter ended 31.03.2018 RM'000	Preceding year corresponding quarter ended 31.3.2017 RM'000	Current year- to-date 31.03.2018 RM'000	Preceding year corresponding period 31.3.2017 RM'000
Continuing operations					
Revenue		8,168	9,256	8,168	9,256
Cost of sales		(5,596)	(6,249)	(5,596)	(6,249)
Gross profit		2,572	3,007	2,572	3,007
Other income		227	148	227	148
Administrative, general and selling expenses		(2,000)	(2,061)	(2,000)	(2,061)
Operating profit		799	1,094	799	1,094
Finance costs		(406)	(505)	(406)	(505)
Profit before tax	23	393	589	393	589
Income tax expense	24	(172)	(151)	(172)	(151)
Profit for the period		221	438	221	438
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		221	438	221	438
Profit attributable to:					
Owners of the parent		226	443	226	443
Non-controlling interests		(5)	(5)	(5)	(5)
		221	438	221	438
Total comprehensive income attributable to:					
Owners of the parent		226	443	226	443
Non-controlling interests		(5)	(5)	(5)	(5)
		221	438	221	438
Earnings per share attributable to owners of the parent:					
Basic, for the period (sen)	34	0.28	0.55	0.28	0.55
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 2017 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 31 March 2018

	Note	Unaudited As at 31.03.2018 RM'000	Unaudited As at 31.12.2017 RM'000 (restated)	Unaudited As at 1.1.2017 RM'000 (restated)
Assets				
Non-current assets				
Property, plant and equipment	7	24,688	24,907	26,436
Investment properties		4,888	4,914	5,017
Land use rights		2,174	2,188	2,248
Land held for property development		4,075	4,075	4,075
Deferred tax assets		192	192	181
		<u>36,017</u>	<u>36,276</u>	<u>37,957</u>
Current assets				
Property development costs		23,157	23,093	24,756
Inventories	8	33,718	33,367	32,836
Trade receivables and other receivables	26	11,774	14,735	17,256
Other current assets		5,940	4,438	3,894
Current tax assets		514	484	389
Cash and bank balances		1,711	929	2,491
		<u>76,814</u>	<u>77,046</u>	<u>81,622</u>
Total assets		<u>112,831</u>	<u>113,322</u>	<u>119,579</u>
Equity and liabilities				
Equity attributable to owners of the parent				
Share capital		40,000	40,000	40,000
Treasury shares		(15)	(15)	-
Retained earnings		17,500	17,274	16,416
		<u>57,485</u>	<u>57,259</u>	<u>56,416</u>
Non-controlling interests		95	100	113
Total equity		<u>57,580</u>	<u>57,359</u>	<u>56,529</u>
Non-current liabilities				
Deferred tax liabilities		225	211	463
Borrowings	27	25,081	24,637	28,730
		<u>25,306</u>	<u>24,848</u>	<u>29,193</u>
Current liabilities				
Trade payables and other payables		11,631	12,103	13,242
Borrowings	27	18,245	18,930	20,464
Other current liability		-	-	44
Current tax liabilities		69	82	107
		<u>29,945</u>	<u>31,115</u>	<u>33,857</u>
Total liabilities		<u>55,251</u>	<u>55,963</u>	<u>63,050</u>
Total equity and liabilities		<u>112,831</u>	<u>113,322</u>	<u>119,579</u>
Net assets per share attributable to ordinary equity holders of the Company (sen)		<u>71.89</u>	<u>71.57</u>	<u>70.52</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 2017 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 Changes in Equity
For the first quarter ended 31 March 2018
(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 2017	40,000	-	16,416	56,416	113	56,529
Total comprehensive income for the period	-	-	443	443	(5)	438
Transactions with owners						
Purchase of treasury shares	-	(15)	-	(15)	-	(15)
Closing balance at 31 March 2017	40,000	(15)	16,859	56,844	108	56,952
Opening balance at 1 January 2018	40,000	(15)	17,274	57,259	100	57,359
Total comprehensive income for the period	-	-	226	226	(5)	221
Closing balance at 31 March 2018	40,000	(15)	17,500	57,485	95	57,580

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 2017 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 Cash Flows
For the first quarter ended 31 March 2018
(The figures have not been audited)

	Note	Current year- to-date 31.03.2018 RM'000	Preceding year corresponding period 31.3.2017 RM'000
Cash flows from operating activities			
Profit before tax		393	589
Adjustment for:			
Amortisation of land use rights		15	15
Depreciation of property, plant and equipment		400	472
Depreciation of investment properties		26	26
Written off of property, plant and equipment		3	-
Interest expense		406	505
Interest income		(5)	(5)
Operating profit before changes in working capital		<u>1,238</u>	<u>1,602</u>
Changes in working capital:			
Property development costs		148	(25)
Inventories		(351)	(986)
Receivables		2,962	2,847
Other current assets		(1,502)	1,687
Payables		(472)	(1,698)
Other current liability		-	1,527
Cash generated from operations		<u>2,023</u>	<u>4,954</u>
Income tax paid		(203)	(78)
Net cash from operating activities		<u>1,820</u>	<u>4,876</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(34)	(16)
Interest received		5	5
Net cash used in investing activities		<u>(29)</u>	<u>(11)</u>
Cash flows from financing activities			
Deposit pledged to licensed banks		(12)	(4)
Interest paid		(618)	(732)
Decrease of short term borrowings		(1,194)	(364)
Drawdown of term loans		1,000	556
Repayment of term loans		(468)	(2,953)
Repayment of obligation under finance leases		(86)	(105)
Purchase of treasury shares		-	(15)
Net cash used in financing activities		<u>(1,378)</u>	<u>(3,617)</u>
Net increase in cash and cash equivalents		413	1,248
Cash and cash equivalents at beginning of period		<u>(6,610)</u>	<u>(4,624)</u>
Cash and cash equivalents at end of period	9	<u>(6,197)</u>	<u>(3,376)</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 2017 and the accompanying explanatory notes attached to these interim financial statements.

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

Notes to the Interim Financial Statements for the first quarter ended 31 March 2018

Part A - Explanatory notes pursuant to Malaysian Financial Reporting Standard 134

1. First-time adoption of Malaysian Financial Reporting Standards ("MFRS")

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

These condensed consolidated interim financial statements are the Group's first MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the financial year ending 31 December 2018. MFRS 1 *First-Time Adoption of Malaysian Financial Reporting Standards* ("MFRS 1") has been applied.

The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of 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 2017.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2017 (which also the date of transition), the Group had adjusted the amounts previously reported in the financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group's financial position is set out in Note 2.2 below. These notes include reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS. The transition from FRS to MFRS has no impact on the Group's financial performance and cash flows for the periods so presented.

2. Significant accounting policies and application of MFRS

2.1 The audited financial statements of the Group for the financial year ended 31 December 2017 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2017 except as discussed below:

(a) Business combination

MFRS 1 provides the option to apply MFRS 3: *Business Combinations*, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combination prior to the date of transition.

Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition,

- (i) The classification of former business combination under FRS is maintained;
- (ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
- (iii) The carrying amount of goodwill recognised under FRS is not adjusted.

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

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

2. Significant accounting policies and application of MFRS (continued)

2.1 (b) Property, plant and equipment

At the date of transition to MFRS, the Group elected to regard fair value of freehold land at the date of transition as its deemed cost at that date. As at that date, an increase of RM2,297,000 (31 March 2017: RM2,297,000; 31 December 2017: RM2,297,000) was recognised in property, plant and equipment. The resulting adjustments were recognised against retained earnings.

(c) Estimates

The estimates at 1 January 2017 and at 31 December 2017 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present these amounts in accordance with MFRS reflect conditions at 1 January 2017, the date of transition to MFRS and as of 31 December 2017.

2.2 The reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

(i) Reconciliation of equity as at 1 January 2017

	FRS as at 1.1.2017 RM'000	Note 2.1(b) Property, plant and equipment RM'000	MFRS as at 1.1.2017 RM'000
Property, plant and equipment	24,139	2,297	26,436
Retained earnings	14,119	2,297	16,416

(ii) Reconciliation of equity as at 31 March 2017

	FRS as at 31.3.2017 RM'000	Note 2.1(b) Property, plant and equipment RM'000	MFRS as at 31.3.2017 RM'000
Property, plant and equipment	23,683	2,297	25,980
Retained earnings	14,562	2,297	16,859

(iii) Reconciliation of equity as at 31 December 2017

	FRS as at 31.12.2017 RM'000	Note 2.1(b) Property, plant and equipment RM'000	MFRS as at 31.12.2017 RM'000
Property, plant and equipment	22,610	2,297	24,907
Retained earnings	14,977	2,297	17,274

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

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

2. Significant accounting policies and application of MFRS (continued)

2.3 New MFRSs adopted during the financial year

The Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

Effective for financial periods beginning on or after 1 January 2018

- Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*
- MFRS 15 *Revenue from Contracts with Customers*
- Clarification to MFRS 15
- MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*
- Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 140 *Transfers of Investment Property*

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

2.4 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Company:

Effective for financial periods beginning on or after 1 January 2019

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*
- Amendments to MFRS 9 *Prepayment Features with Negative Compensation*

Effective for financial periods beginning on or after 1 January 2021

- MFRS 17 *Insurance Contracts*

Effective for financial periods to be announced by MASB

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

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.

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

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

5. Changes in estimates

There were no other changes in estimates that have had a material effect in the current interim results.

6. Debt and equity securities

There have been no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter under review.

7. Property, plant and equipment

Acquisitions

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

	31.03.2018 RM'000	31.3.2017 RM'000
Plant, machinery and factory equipment	8	-
Motor vehicles	167	-
Other assets *	9	16
	<u>184</u>	<u>16</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:

	31.03.2018 RM'000	31.3.2017 RM'000
Hire purchase	150	-
Cash outflow	34	16
	<u>184</u>	<u>16</u>

Disposals

There is no disposal of property, plant and equipment by the Group during the period under review.

8. Inventories

During the current period ended 31 March 2018, there were no write-down of inventories.

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

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

9. Cash and bank balances

	31.03.2018 RM'000	31.3.2017 RM'000
Cash at banks and on hand	995	1,074
Short term deposits with licensed banks	716	690
Cash and bank balances	1,711	1,764
Less: Bank overdrafts	(7,192)	(4,450)
Less: Deposits pledged to licensed banks	(716)	(690)
Total cash and cash equivalents	(6,197)	(3,376)

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 March 2018.

13. Capital commitments

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

	31.03.2018 RM'000	31.12.2017 RM'000
Property, plant and equipment:		
- Approved and not contracted for	662	662
	662	662

14. Contingent assets and liabilities

There were no contingent assets or liabilities since 31 December 2017.

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

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

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.

	Sales of goods RM'000	Construction RM'000	Property development RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Period ended 31.03.2018						
Revenue:						
External customers	7,459	300	409	-	-	8,168
Inter-segment	1,973	-	-	-	(1,973)	-
	<u>9,432</u>	<u>300</u>	<u>409</u>	<u>-</u>	<u>(1,973)</u>	<u>8,168</u>
Results:						
Depreciation and amortisation	401	40	-	-	-	441
Segment profit/(loss)	<u>520</u>	<u>24</u>	<u>(148)</u>	<u>14</u>	<u>(17)</u>	<u>393</u>
Assets						
Capital expenditure	178	6	-	-	-	184
Segment assets	<u>78,851</u>	<u>3,566</u>	<u>30,318</u>	<u>96</u>	<u>-</u>	<u>112,831</u>
Segment liabilities	<u>34,921</u>	<u>-</u>	<u>20,254</u>	<u>76</u>	<u>-</u>	<u>55,251</u>
Period ended 31.03.2017						
Revenue:						
External customers	6,478	1,432	1,346	-	-	9,256
Inter-segment	2,479	-	-	-	(2,479)	-
	<u>8,957</u>	<u>1,432</u>	<u>1,346</u>	<u>-</u>	<u>(2,479)</u>	<u>9,256</u>
Results:						
Depreciation and amortisation	467	46	-	-	-	513
Segment profit/(loss)	<u>384</u>	<u>95</u>	<u>108</u>	<u>10</u>	<u>(8)</u>	<u>589</u>
Assets						
Capital expenditure	13	3	-	-	-	16
Segment assets	<u>77,467</u>	<u>4,924</u>	<u>30,116</u>	<u>115</u>	<u>-</u>	<u>112,622</u>
Segment liabilities	<u>34,242</u>	<u>1,018</u>	<u>22,669</u>	<u>38</u>	<u>-</u>	<u>57,967</u>

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

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

15. Segment information (continued)

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

	31.03.2018 RM'000	31.3.2017 RM'000
Interest income	5	5
Finance costs	(406)	(505)
	<u>(401)</u>	<u>(500)</u>

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

	31.03.2018 RM'000	31.3.2017 RM'000
Current tax assets	514	246
Deferred tax assets	192	185
	<u>706</u>	<u>431</u>

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

	31.03.2018 RM'000	31.3.2017 RM'000
Current tax liabilities	69	129
Deferred tax liabilities	225	374
	<u>294</u>	<u>503</u>

The Group's sales of goods segment continues to be the main contributor to the Group's revenue. The revenue increased by 15.1% from RM6.48 million to RM7.46 million as compared to the corresponding quarter in the preceding year. The increase in profit by RM0.14 million is consistent with the increase in sales.

The decrease in revenue of construction segment by RM1.13 million was due to the transition period to commence the new projects in current quarter whereas the decrease in revenue of property development segment in current year quarter as compared to corresponding quarter was due to the balance revenue recognition for the 100% completion project.

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.

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

Part A - Explanatory notes pursuant to Malaysian 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 31.03.2018 RM'000	Preceding year corresponding quarter ended 31.3.2017 RM'000	Current year- to-date 31.03.2018 RM'000	Preceding year corresponding period 31.3.2017 RM'000
Rental paid to LBS	21	21	21	21
Sales of dimension stone products to EMP	149	315	149	315
Rental income from Eternal	6	-	6	-
			Amount owed by related parties	
			As at 31.03.2018 RM'000	As at 31.12.2017 RM'000
EMP			490	791
Eternal			28	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 31.03.2018

	Individual quarter		Increase/(decrease)	
	Current year quarter ended 31.03.2018 RM'000	Preceding year corresponding quarter ended 31.3.2017 RM'000	RM'000	%
Revenue	8,168	9,256	(1,088)	(11.8)
- Sales of goods segment	7,459	6,478	981	15.1
- Construction segment	300	1,432	(1,132)	(79.1)
- Property development segment	409	1,346	(937)	(69.6)
Operating profit	2,572	3,007	(435)	(14.5)
Profit before interest and tax	799	1,094	(295)	100.0
Profit before tax	393	589	(196)	(33.3)
Profit after tax	221	438	(217)	(49.5)
Profit attributable to Ordinary Equity Holders of the Parent	226	443	(217)	(49.0)

The Group's revenue for current quarter ("1Q2018") ended 31 March 2018 decreased by RM1.09 million or 11.8% to RM8.17 million as compared to corresponding quarter in the preceding year. The decrease in revenue for 1Q2018 was mainly due to the decrease in revenue of construction segments by RM1.13 million due to the early stage of commencement of new projects. Besides, the decrease in revenue recognised from property development segment was due to completion of project in current quarter.

This resulted the decrease in profit before tax for 1Q2018 from RM0.59 million in the corresponding quarter to RM0.39 million in the current quarter in line with the decrease of the revenue during 1Q2018 under review.

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

	Individual quarter		Increase/(decrease)	
	Current quarter ended 31.03.2018 RM'000	Preceding quarter ended 31.12.2017 RM'000	RM'000	%
Revenue	8,168	8,783	(615)	(7.0)
- Sales of goods segment	7,459	7,538	(79)	(1.0)
- Construction segment	300	238	62	26.1
- Property development segment	409	1,007	(598)	(59.4)
Operating profit	2,572	2,633	(61)	(2.3)
Profit before interest and tax	799	280	519	100.0
Profit/(loss) before tax	393	(162)	555	(342.6)
Profit/(loss) after tax	221	(148)	369	(249.3)
Profit/(loss) attributable to Ordinary Equity Holders of the Parent	226	(145)	371	(255.9)

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

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

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

The Group's revenue decreased by RM0.62 million in current quarter as compared to preceding quarter ended 31 December 2017. This was mainly due to the decrease in revenue from property development segment due to completion of project in current quarter.

The Group recorded a profit before tax of RM0.39 million for the current quarter as compared to loss before tax of RM0.16 million in the immediate preceding quarter. The loss before tax in immediate preceding quarter is mainly due to the impairment loss on trade receivables amounted to RM512,000 in the immediate preceding quarter.

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 remaining periods of 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 31.03.2018 RM'000	Preceding year corresponding quarter ended 31.3.2017 RM'000	Current year- to-date 31.03.2018 RM'000	Preceding year corresponding period 31.3.2017 RM'000
Interest income	(5)	(5)	(5)	(5)
Interest expense	406	505	406	505
Depreciation of:				
- Property, plant and equipment	400	472	400	472
- Investment properties	26	26	26	26
Amortisation of land use rights	15	15	15	15
(Gain)/Loss on foreign exchange:				
- Realised	(62)	(3)	(62)	(3)
- Unrealised	-	-	-	-
(Gain)/Loss on derivative	-	-	-	-
Rental income	(113)	(115)	(113)	(115)

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

24. Income tax expense

Major components of income tax expense includes the following:

	Individual quarter		Cumulative quarter	
	Current year quarter ended 31.03.2018 RM'000	Preceding year corresponding quarter ended 31.3.2017 RM'000	Current year- to-date 31.03.2018 RM'000	Preceding year corresponding period 31.3.2017 RM'000
Current tax:				
Malaysian income tax	159	244	159	244
Under/(over)provision in previous years	-	-	-	-
	<u>159</u>	<u>244</u>	<u>159</u>	<u>244</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	(5)	(33)	(5)	(33)
Under/(over)provision in previous years	18	(60)	18	(60)
	<u>13</u>	<u>(93)</u>	<u>13</u>	<u>(93)</u>
Total income tax expense	<u>172</u>	<u>151</u>	<u>172</u>	<u>151</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 higher than the statutory tax rate due to certain expenses which are not deductible for tax purposes while the effective tax rate of the Group for the previous corresponding quarter is lower due to the reversal of deferred tax.

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

	31.03.2018 RM'000	31.12.2017 RM'000
Trade receivables		
Third parties	9,371	12,006
Retention sums on construction contract	1,267	1,458
	<u>10,638</u>	<u>13,464</u>
Amount due from related parties	518	812
Other receivables	618	459
	<u>11,774</u>	<u>14,735</u>

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

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

26. Trade and other receivables (continued)

Ageing analysis of trade receivables

The ageing analysis of trade receivables is as follows:

	Third parties		Related parties	
	31.03.2018 RM'000	31.12.2017 RM'000	31.03.2018 RM'000	31.12.2017 RM'000
Not past due	7,438	7,633	170	419
Past due:				
- less than 3 months	983	1,884	333	349
- 3 months to 6 months	313	632	4	6
- more than 6 months	2,671	4,082	11	38
	3,967	6,598	348	393
	11,405	14,231	518	812
Individual impairment	(767)	(767)	-	-
	10,638	13,464	518	812

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.

27. Borrowings and debts securities

	31.03.2018 RM'000	Weighted Average Interest Rate	31.12.2017 RM'000	Weighted Average Interest Rate
Short term borrowings (secured)				
Secured:				
Bank overdrafts (floating)	7,192	6.95%	6,835	7.21%
Banker acceptances (floating)	7,339	4.42%	8,456	4.25%
Trust receipts (floating)	1,348	7.65%	1,425	7.65%
Obligation under finance leases (fixed)	328	4.60%	317	4.43%
Term loans (floating)	2,038	6.59%	1,897	6.52%
	18,245		18,930	

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

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

27. Borrowings and debts securities (continued)

	31.03.2018 RM'000	Weighted Average Interest Rate	31.12.2017 RM'000	Weighted Average Interest Rate
Long term borrowings (secured)				
Secured:				
Obligation under finance leases (fixed)	688	4.60%	635	4.43%
Term loans (floating)	<u>24,393</u>	6.59%	<u>24,002</u>	6.52%
	<u>25,081</u>		<u>24,637</u>	
Total borrowings	<u>43,326</u>		<u>43,567</u>	

None of the above borrowings are denominated in foreign currencies.

The slight decrease in borrowings mainly due to the decrease in bank acceptances by RM1.12 million and partially off-set by the newly drawn down of term loan of RM1.00 million for working capital.

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 March 2018 or the previous financial year ended 31 December 2017.

32. Risks and policies of derivatives

The Group did not enter into any derivatives during the period ended 31 March 2018 or the previous financial year ended 31 December 2017.

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 March 2018 or the previous financial year ended 31 December 2017.

Company No. : 840040-H

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

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

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 31.03.2018	Preceding year corresponding quarter ended 31.3.2017	Current year- to-date 31.03.2018	Preceding year corresponding period 31.3.2017
Profit for the period attributable to ordinary equity holders of the Company (RM'000)	226	443	226	443
Weighted average number of ordinary shares in issue ('000)	79,961	79,968	79,961	79,968
Basic earnings per share (sen)	<u>0.28</u>	<u>0.55</u>	<u>0.28</u>	<u>0.55</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.

35. Auditors' report on the preceding annual financial statements

The auditors' report on the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2017 were not subject to any qualification.