



HOCK HENG STONE INDUSTRIES BHD.

(Company No. : 840040-H)
(Incorporated in Malaysia)

**Condensed Consolidated
Interim Financial Statements
For the third quarter ended
30 September 2018**

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 2018
(The figures have not been audited)

	Note	Individual quarter		Cumulative quarter	
		Current year quarter ended 30.09.2018 RM'000	Preceding year corresponding quarter ended 30.9.2017 RM'000	Current year- to-date 30.09.2018 RM'000	Preceding year corresponding period 30.9.2017 RM'000
Continuing operations					
Revenue		7,830	8,492	23,269	28,424
Cost of sales		(5,169)	(5,800)	(15,823)	(20,756)
Gross profit		2,661	2,692	7,446	7,668
Other income		139	144	550	845
Administrative, general and selling expenses		(1,831)	(2,141)	(5,723)	(5,728)
Operating profit		969	695	2,273	2,785
Finance costs		(697)	(513)	(1,500)	(1,482)
Profit before tax	23	272	182	773	1,303
Income tax expense	24	(104)	(34)	(292)	(302)
Profit for the period		168	148	481	1,001
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		168	148	481	1,001
Profit attributable to:					
Owners of the parent		171	149	492	1,011
Non-controlling interests		(3)	(1)	(11)	(10)
		168	148	481	1,001
Total comprehensive income attributable to:					
Owners of the parent		171	149	492	1,011
Non-controlling interests		(3)	(1)	(11)	(10)
		168	148	481	1,001
Earnings per share attributable to owners of the parent:					
Basic, for the period (sen)	34	0.21	0.19	0.62	1.26
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.
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Condensed Consolidated Statements of Financial Position
As at 30 September 2018

	Note	Unaudited As at 30.09.2018 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	24,073	24,907	26,436
Investment properties		4,837	4,914	5,017
Land use rights		2,144	2,188	2,248
Land held for property development		4,076	4,075	4,075
Deferred tax assets		192	192	181
		<u>35,322</u>	<u>36,276</u>	<u>37,957</u>
Current assets				
Property development costs		23,591	23,093	24,756
Inventories	8	33,845	33,367	32,836
Trade receivables and other receivables	26	9,410	14,735	17,256
Other current assets		6,937	4,438	3,894
Current tax assets		654	484	389
Cash and bank balances		1,464	929	2,491
		<u>75,901</u>	<u>77,046</u>	<u>81,622</u>
Total assets		<u>111,223</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		17,766	17,274	16,416
		<u>57,751</u>	<u>57,259</u>	<u>56,416</u>
Non-controlling interests		89	100	113
Total equity		<u>57,840</u>	<u>57,359</u>	<u>56,529</u>
Non-current liabilities				
Deferred tax liabilities		122	211	463
Borrowings	27	23,917	24,637	28,730
		<u>24,039</u>	<u>24,848</u>	<u>29,193</u>
Current liabilities				
Trade payables and other payables		11,114	12,103	13,242
Borrowings	27	18,230	18,930	20,464
Other current liability		-	-	44
Current tax liabilities		-	82	107
		<u>29,344</u>	<u>31,115</u>	<u>33,857</u>
Total liabilities		<u>53,383</u>	<u>55,963</u>	<u>63,050</u>
Total equity and liabilities		<u>111,223</u>	<u>113,322</u>	<u>119,579</u>
Net assets per share attributable to ordinary equity holders of the Company (sen)		<u>72.22</u>	<u>71.61</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 third quarter ended 30 September 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	-	-	1,011	1,011	(10)	1,001
Transactions with owners						
Purchase of treasury shares	-	(15)	-	(15)	-	(15)
Closing balance at 30 September 2017	<u>40,000</u>	<u>(15)</u>	<u>17,427</u>	<u>57,412</u>	<u>103</u>	<u>57,515</u>
Opening balance at 1 January 2018	40,000	(15)	17,274	57,259	100	57,359
Total comprehensive income for the period	-	-	492	492	(11)	481
Closing balance at 30 September 2018	<u>40,000</u>	<u>(15)</u>	<u>17,766</u>	<u>57,751</u>	<u>89</u>	<u>57,840</u>

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.
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Condensed Consolidated Statements of Cash Flows
For the third quarter ended 30 September 2018
(The figures have not been audited)

	Note	Current year- to-date 30.09.2018 RM'000	Preceding year corresponding period 30.9.2017 RM'000
Cash flows from operating activities			
Profit before tax		773	1,303
Adjustment for:			
Amortisation of land use rights		44	44
Depreciation of property, plant and equipment		1,199	1,315
Depreciation of investment properties		77	77
Reversal of impairment loss on trade receivables		(7)	(436)
(Gain)/loss on disposal of property, plant and equipment		(59)	5
Written off of property, plant and equipment		3	-
Inventories written down		4	-
Interest expense		1,500	1,482
Interest income		(17)	(17)
Operating profit before changes in working capital		<u>3,517</u>	<u>3,773</u>
Changes in working capital:			
Property development costs		135	2,068
Inventories		(482)	196
Receivables		5,333	2,421
Other current assets		(2,499)	1,233
Payables		(989)	(2,252)
Other current liability		-	(44)
Cash generated from operations		<u>5,015</u>	<u>7,395</u>
Income tax paid		(634)	(494)
Net cash from operating activities		<u>4,381</u>	<u>6,901</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(168)	(101)
Proceeds from disposal of property, plant and equipment		59	50
Interest received		17	17
Net cash used in investing activities		<u>(92)</u>	<u>(34)</u>
Cash flows from financing activities			
Deposit pledged to licensed banks		(16)	(14)
Interest paid		(2,133)	(2,194)
Decrease of short term borrowings		(781)	(1,372)
Drawdown of term loans		1,000	556
Repayment of term loans		(1,455)	(4,524)
Repayment of obligation under finance leases		(271)	(302)
Purchase of treasury shares		-	(15)
Net cash used in financing activities		<u>(3,656)</u>	<u>(7,865)</u>
Net increase/(decrease) in cash and cash equivalents		633	(998)
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>(5,977)</u>	<u>(5,622)</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.
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Notes to the Interim Financial Statements for the third quarter ended 30 September 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.

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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 (30 June 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 30 September 2017

	FRS as at 30.9.2017 RM'000	Note 2.1(b) Property, plant and equipment RM'000	MFRS as at 30.9.2017 RM'000
Property, plant and equipment	22,870	2,297	25,167
Retained earnings	15,130	2,297	17,427

(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

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Hock Heng Stone Industries Bhd.
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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*
- Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*
- Annual Improvements to MFRS Standards 2015 - 2017 Cycles

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.

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Hock Heng Stone Industries Bhd.
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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:

	30.09.2018 RM'000	30.9.2017 RM'000
Plant, machinery and factory equipment	51	5
Motor vehicles	281	-
Other assets *	36	96
	<u>368</u>	<u>101</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:

	30.09.2018 RM'000	30.9.2017 RM'000
Finance leases	200	-
Cash outflow	168	101
	<u>368</u>	<u>101</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	Gain on disposal RM'000
Motor vehicles	<u>180</u>	<u>-</u>	<u>59</u>	<u>59</u>

8. Inventories

During the current period ended 30 September 2018, there were slight write-down of inventories amounting to RM4,334 and we will assess the impairment test for the year end result.

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

9. Cash and bank balances

	30.09.2018 RM'000	30.9.2017 RM'000
Cash at banks and on hand	744	1,391
Short term deposits with licensed banks	720	699
Cash and bank balances	1,464	2,090
Less: Bank overdrafts	(6,721)	(7,013)
Less: Deposits pledged to licensed banks	(720)	(699)
Total cash and cash equivalents	(5,977)	(5,622)

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 2018.

13. Capital commitments

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

	30.09.2018 RM'000	31.12.2017 RM'000
Property, plant and equipment:		
- Approved and not contracted for	-	662
	-	662

14. Contingent assets and liabilities

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

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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 6 months.
- (ii) Construction - supply and installation of dimension stones and related products for projects secured and is completed over a period of more than 6 months.
- (iii) Property development - property development.
- (iv) Others - investment holding.

	Sales of goods RM'000	Construction RM'000	Property development RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Period ended 30.09.2018						
Revenue:						
External customers	21,907	955	407	-	-	23,269
Inter-segment	6,998	-	-	-	(6,998)	-
	<u>28,905</u>	<u>955</u>	<u>407</u>	<u>-</u>	<u>(6,998)</u>	<u>23,269</u>
Results:						
Depreciation and amortisation	1,196	123	1	-	-	1,320
Segment profit/(loss)	<u>1,171</u>	<u>44</u>	<u>(295)</u>	<u>8</u>	<u>(155)</u>	<u>773</u>
Assets						
Capital expenditure	302	66	-	-	-	368
Segment assets	<u>79,380</u>	<u>3,537</u>	<u>28,214</u>	<u>92</u>	<u>-</u>	<u>111,223</u>
Segment liabilities	<u>34,675</u>	<u>-</u>	<u>18,630</u>	<u>78</u>	<u>-</u>	<u>53,383</u>
Period ended 30.09.2017						
Revenue:						
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>
Results:						
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>
Assets						
Capital expenditure	75	26	-	-	-	101
Segment assets	<u>80,561</u>	<u>3,013</u>	<u>29,306</u>	<u>87</u>	<u>-</u>	<u>112,967</u>
Segment liabilities	<u>34,894</u>	<u>-</u>	<u>20,492</u>	<u>65</u>	<u>-</u>	<u>55,451</u>

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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:

	30.09.2018 RM'000	30.9.2017 RM'000
Interest income	17	17
Finance costs	(1,500)	(1,482)
	<u>(1,483)</u>	<u>(1,465)</u>

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

	30.09.2018 RM'000	30.9.2017 RM'000
Current tax assets	654	332
Deferred tax assets	192	189
	<u>846</u>	<u>521</u>

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

	30.09.2018 RM'000	30.9.2017 RM'000
Current tax liabilities	-	50
Deferred tax liabilities	122	278
	<u>122</u>	<u>328</u>

The Group's sales of goods segment continues to be the main contributor to the Group's revenue. The revenue from sales of goods segment increased by 8.68% from RM20.16 million to RM21.91 million as compared to the corresponding quarter in the preceding year. However, the sales of goods segment's profit in corresponding period in preceding year is higher than current period was mainly due to the reversal of impairment loss on trade receivables in preceding year under review.

The decrease in revenue of construction segment in current year quarter as compared to preceding year corresponding quarter was due to the early stage of commencement of new projects. While the decrease in revenue of property development segment was due to the completed development project and 100% recognition of revenue in first quarter of year 2018.

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.
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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 30.09.2018 RM'000	Preceding year corresponding quarter ended 30.9.2017 RM'000	Current year- to-date 30.09.2018 RM'000	Preceding year corresponding period 30.9.2017 RM'000
Rental paid to LBS	21	21	63	63
Sales of dimension stone products to EMP	322	473	693	1,057
Rental income from Eternal	6	7	18	15
			Amount owed by related parties	
			As at 30.09.2018 RM'000	As at 31.12.2017 RM'000
EMP			807	791
Eternal			40	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 30.09.2018

	Individual quarter		Increase/(decrease)	
	Current year quarter ended 30.09.2018 RM'000	Preceding year corresponding quarter ended 30.9.2017 RM'000	RM'000	%
Revenue	7,830	8,492	(662)	(7.8)
- Sales of goods segment	7,384	7,485	(101)	(1.3)
- Construction segment	446	741	(295)	(39.8)
- Property development segment	-	266	(266)	(100.0)
Operating profit	2,661	2,692	(31)	(1.2)
Profit before interest and tax	969	695	274	39.4
Profit before tax	272	182	90	49.5
Profit after tax	168	148	20	13.5
Profit attributable to ordinary equity holders of the parent	171	149	22	14.8

The Group's revenue for current quarter ("3Q2018") ended 30 September 2018 decreased by RM0.66 million or 7.8% to RM7.83 million as compared to corresponding quarter in the preceding year. The decrease in revenue for 3Q2018 was mainly due to the decrease in revenue of construction segment by RM0.30 million due to the early stage of commencement of new projects. Besides, the Group has yet to commence any property development project in current quarter.

The increase in profit before tax for 3Q2018 from RM0.18 million in the preceding year corresponding quarter to RM0.27 million in the current year quarter was mainly due to the decrease in administrative, general and selling expenses by RM0.31 million however partially off-set by the increase of finance costs by RM0.18 million.

9 months ended 30.9.2018

	Cumulative quarter		Increase/(decrease)	
	Current year- to-date 30.09.2018 RM'000	Preceding year corresponding period 30.9.2017 RM'000	RM'000	%
Revenue	23,269	28,424	(5,155)	(18.1)
- Sales of goods segment	21,907	20,155	1,752	8.7
- Construction segment	955	3,664	(2,709)	(73.9)
- Property development segment	407	4,605	(4,198)	(91.2)
Operating profit	7,446	7,668	(222)	(2.9)
Profit before interest and tax	2,273	2,785	(512)	(18.4)
Profit before tax	773	1,303	(530)	(40.7)
Profit after tax	481	1,001	(520)	(51.9)
Profit attributable to ordinary equity holders of the parent	492	1,011	(519)	(51.3)

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19. Review performance of the Group (continued)

9 months ended 30.9.2018 (continued)

The Group's revenue for current year-to-date ("9M2018") ended 30 September 2018 shown a decrease of 18.10% to RM23.27 million as compared to RM28.42 million recorded in corresponding period in the preceding year were mainly due to the decrease in revenue generated from construction segment and the decrease in property development segment by RM2.71 million and RM4.20 million respectively. However, the decrease in construction segment and property development segment have partially off-set by the increase in sales of goods segment by RM1.75 million.

In overall, the profit before tax had decreased from RM1.30 million in corresponding period in the preceding year to RM0.77 million in 9M2018 mainly due to decrease in revenue as mentioned above.

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

	Individual quarter		Increase/(decrease)	
	Current quarter ended 30.09.2018 RM'000	Preceding quarter ended 30.6.2018 RM'000	RM'000	%
Revenue	7,830	7,271	559	7.7
- Sales of goods segment	7,384	7,062	322	4.6
- Construction segment	446	209	237	113.4
- Property development segment	-	-	-	-
Operating profit	2,661	2,213	448	20.2
Profit before interest and tax	969	505	464	91.9
Profit before tax	272	108	164	151.9
Profit after tax	168	92	76	82.6
Profit attributable to ordinary equity holders of the parent	171	95	76	80.0

The Group's revenue improved by RM0.56 million in current quarter as compared to preceding quarter ended 30 June 2018. This was due to the increase in sales of goods segment by 4.6% and the significant increase in revenue from construction segment due to the commencement of new projects in second quarter of year 2018.

The increase in profit before tax by RM0.16 million for the current quarter as compared to immediate preceding quarter of RM0.11 million is in line with the increase in revenue as mentioned above.

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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 30.09.2018 RM'000	Preceding year corresponding quarter ended 30.9.2017 RM'000	Current year- to-date 30.09.2018 RM'000	Preceding year corresponding period 30.9.2017 RM'000
Interest income	(5)	(5)	(17)	(17)
Interest expense	697	513	1,500	1,482
Depreciation of:				
- Property, plant and equipment	435	420	1,199	1,315
- Investment properties	25	23	77	77
Amortisation of land use rights	14	15	44	44
Reversal of impairment loss on trade receivables	(7)	-	(7)	(436)
Write-down of inventories	4	-	4	-
(Gain)/Loss on disposal of:				
- Property, plant and equipment	-	-	(59)	5
Property, plant and equipment written off	-	-	3	-
(Gain)/Loss on foreign exchange:				
- Realised	(6)	(17)	(63)	(22)
Rental income	(116)	(117)	(345)	(341)

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 30.09.2018 RM'000	Preceding year corresponding quarter ended 30.9.2017 RM'000	Current year- to-date 30.09.2018 RM'000	Preceding year corresponding period 30.9.2017 RM'000
Current tax:				
Malaysian income tax	180	62	396	495
Overprovision in previous years	(10)	-	(15)	-
	<u>170</u>	<u>62</u>	<u>381</u>	<u>495</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	(42)	(28)	(76)	(103)
Overprovision in previous years	(24)	-	(13)	(90)
	<u>(66)</u>	<u>(28)</u>	<u>(89)</u>	<u>(193)</u>
Total income tax expense	<u>104</u>	<u>34</u>	<u>292</u>	<u>302</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

	30.09.2018 RM'000	31.12.2017 RM'000
Trade receivables		
Third parties	7,008	12,006
Retention sums on construction contract	1,164	1,458
	<u>8,172</u>	<u>13,464</u>
Amount due from related parties	847	812
Other receivables	391	459
	<u>9,410</u>	<u>14,735</u>

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26. Trade and other receivables (continued)

Ageing analysis of trade receivables

The ageing analysis of trade receivables is as follows:

	Third parties		Related parties	
	30.09.2018 RM'000	31.12.2017 RM'000	30.09.2018 RM'000	31.12.2017 RM'000
Not past due	4,354	7,633	328	419
Past due:				
- less than 3 months	1,681	1,884	241	349
- 3 months to 6 months	577	632	170	6
- more than 6 months	2,319	4,082	108	38
	4,577	6,598	519	393
	8,931	14,231	847	812
Individual impairment	(759)	(767)	-	-
	8,172	13,464	847	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

	30.09.2018 RM'000	Weighted Average Interest Rate	31.12.2017 RM'000	Weighted Average Interest Rate
Short term borrowings (secured)				
Secured:				
Bank overdrafts (floating)	6,721	7.26%	6,835	7.21%
Banker acceptances (floating)	7,823	4.47%	8,456	4.25%
Trust receipts (floating)	1,277	7.96%	1,425	7.65%
Obligation under finance leases (fixed)	305	4.65%	317	4.43%
Term loans (floating)	2,104	6.59%	1,897	6.52%
	18,230		18,930	

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27. Borrowings and debts securities (continued)

	30.09.2018 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)	577	4.65%	635	4.43%
Term loans (floating)	23,340	6.59%	24,002	6.52%
	<u>23,917</u>		<u>24,637</u>	
Total borrowings	<u>42,147</u>		<u>43,567</u>	

None of the above borrowings are denominated in foreign currencies.

The decrease in borrowings by RM1.42 million mainly due to the decrease in bank acceptances and trust receipts by RM0.78 million and reduction of term loans by RM0.46 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 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 30 September 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 30 September 2018 or the previous financial year ended 31 December 2017.

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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 30.09.2018	Preceding year corresponding quarter ended 30.9.2017	Current year- to-date 30.09.2018	Preceding year corresponding period 30.9.2017
Profit for the period attributable to ordinary equity holders of the Company (RM'000)	171	149	492	1,011
Weighted average number of ordinary shares in issue ('000)	79,961	79,961	79,961	79,961
Basic earnings per share (sen)	0.21	0.19	0.62	1.26

(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.