



HOCK HENG STONE INDUSTRIES BHD.

(Company No. : 840040-H)

(Incorporated in Malaysia)

**Condensed Consolidated
Interim Financial Statements
For the first quarter ended
31 March 2019**

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 2019
(The figures have not been audited)

	Note	Individual quarter		Cumulative quarter	
		Current year quarter ended 31.3.2019 RM'000	Preceding year corresponding quarter ended 31.3.2018 RM'000	Current year- to-date 31.3.2019 RM'000	Preceding year corresponding period 31.3.2018 RM'000
Continuing operations					
Revenue		6,172	8,168	6,172	8,168
Cost of sales		(4,539)	(5,596)	(4,539)	(5,596)
Gross profit		1,633	2,572	1,633	2,572
Other income		358	227	358	227
Administrative, general and selling expenses		(2,154)	(2,000)	(2,154)	(2,000)
Operating (loss)/profit		(163)	799	(163)	799
Finance costs		(271)	(406)	(271)	(406)
(Loss)/profit before tax	23	(434)	393	(434)	393
Income tax expense	24	49	(172)	49	(172)
(Loss)/profit for the period		(385)	221	(385)	221
Other comprehensive income		-	-	-	-
Total comprehensive (loss)/income for the period		(385)	221	(385)	221
(Loss)/profit attributable to:					
Owners of the parent		(383)	226	(383)	226
Non-controlling interests		(2)	(5)	(2)	(5)
		(385)	221	(385)	221
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(383)	226	(383)	226
Non-controlling interests		(2)	(5)	(2)	(5)
		(385)	221	(385)	221
(Loss)/earnings per share attributable to owners of the parent:					
Basic, for the period (sen)	34	(0.44)	0.28	(0.44)	0.28
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 2018 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 2019

	Note	Unaudited As at 31.3.2019 RM'000	Audited As at 31.12.2018 RM'000
Assets			
Non-current assets			
Property, plant and equipment	7	25,059	24,096
Investment properties		4,878	4,811
Land use rights		2,115	2,129
Inventories		4,076	4,076
Deferred tax assets		287	224
		<u>36,415</u>	<u>35,336</u>
Current assets			
Inventories	8	57,050	57,950
Trade receivables and other receivables	26	7,612	8,916
Other current assets		4,191	4,604
Contract assets		1,175	843
Current tax assets		344	494
Cash and bank balances		4,055	1,614
		<u>74,427</u>	<u>74,421</u>
Total assets		<u>110,842</u>	<u>109,757</u>
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital		43,998	40,000
Share premium		400	-
Treasury shares		(15)	(15)
Retained earnings		16,796	17,181
		<u>61,179</u>	<u>57,166</u>
Non-controlling interests		90	92
Total equity		<u>61,269</u>	<u>57,258</u>
Non-current liabilities			
Deferred tax liabilities		371	361
Borrowings	27	23,270	23,356
		<u>23,641</u>	<u>23,717</u>
Current liabilities			
Trade payables and other payables		10,050	11,402
Borrowings	27	15,882	17,380
Other current liability		-	-
Current tax liabilities		-	-
		<u>25,932</u>	<u>28,782</u>
Total liabilities		<u>49,573</u>	<u>52,499</u>
Total equity and liabilities		<u>110,842</u>	<u>109,757</u>
Net assets per share attributable to equity holders of the Company (sen)			
		<u>69.56</u>	<u>71.49</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 2018 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 first quarter ended 31 March 2019
(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	Share premium RM'000	Treasury shares RM'000	Distributable Retained earnings RM'000			
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
Opening balance at 1 January 2019	40,000	-	(15)	17,179	57,164	92	57,256
Total comprehensive income for the period	-	-	-	(383)	(383)	(2)	(385)
Transactions with owners							
Issuance of share capital	3,998	400	-	-	4,398	-	4,398
Closing balance at 31 March 2019	43,998	400	(15)	16,796	61,179	90	61,269

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 2018 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 2019
(The figures have not been audited)

	Note	Current year- to-date 31.3.2019 RM'000	Preceding year corresponding period 31.3.2018 RM'000
Cash flows from operating activities			
(Loss)/profit before tax		(434)	393
Adjustment for:			
Amortisation of land use rights		15	15
Depreciation of property, plant and equipment		384	400
Depreciation of investment properties		26	26
Reversal of impairment loss on trade receivables		(2)	-
Unrealised gain on foreign exchange		(37)	-
Gain on disposal of property, plant and equipment		(179)	-
Written off of property, plant and equipment		-	3
Interest expense		271	406
Interest income		(13)	(5)
Operating profit before changes in working capital		<u>31</u>	<u>1,238</u>
Changes in working capital:			
Property development costs		(369)	148
Inventories		1,293	(351)
Receivables		1,307	2,962
Contract asset		(332)	-
Other current assets		413	(1,502)
Payables		(1,315)	(472)
Cash generated from operations		<u>1,028</u>	<u>2,023</u>
Income tax paid		(149)	(203)
Income tax refund		268	-
Net cash from operating activities		<u>1,147</u>	<u>1,820</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(701)	(34)
Purchase of investment properties		(93)	-
Proceeds from disposal of property, plant and equipment		234	-
Interest received		13	5
Net cash used in investing activities		<u>(547)</u>	<u>(29)</u>
Cash flows from financing activities			
Deposit pledged to licensed banks		(35)	(12)
Interest paid		(271)	(618)
Decrease of short term borrowings		(1,487)	(1,194)
Drawdown of term loans		-	1,000
Repayment of term loans		(526)	(468)
Repayment of obligation under finance leases		(99)	(86)
Proceed from issuance of ordinary shares		4,397	-
Net cash generated from/(used in) financing activities		<u>1,979</u>	<u>(1,378)</u>
Net increase in cash and cash equivalents		2,579	413
Cash and cash equivalents at beginning of period		(5,652)	(6,610)
Cash and cash equivalents at end of period	9	<u>(3,073)</u>	<u>(6,197)</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 2018 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 first quarter ended 31 March 2019

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

1. Basis of preparation

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.

These condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018. 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 2018.

2. Significant accounting policies and application of MFRS

2.1 The audited financial statements of the Group for the financial year ended 31 December 2018 were prepared in accordance with MFRS. 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 2018.

2.2 MFRS, Amendments to MFRSs and IC Interpretation Issued That Are Effective

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 2019

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015-2017 Cycle*
- Amendments to MFRS 9 *Prepayment Features with Negative Compensation*
- Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015-2017 Cycle*
- Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015-2017 Cycle*
- Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015-2017 Cycle*
- Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*

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

2.3 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2020

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 2020

- Amendment to *References to the Conceptual Framework in MFRS Standards*
- Amendments to MFRS 3 *Definition of a Business*
- Amendments to MFRS 101 and MFRS 108 *Definition of Material*

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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 that have been issued, but only effective for annual periods beginning on or after 1 January 2020 (continued)

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.

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

On 25 March 2019, 7,996,100 new shares were allotted by the Company at a price of RM0.55 per share to certain identified investors, pursuant to the Company's private placement exercise.

There have been no other 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:

	31.3.2019 RM'000	31.3.2018 RM'000
Building-in-progress	455	-
Plant, machinery and factory equipment	-	8
Motor vehicles	944	167
Other assets *	2	9
	<u>1,401</u>	<u>184</u>

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

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

7. Property, plant and equipment (continued)

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

	31.3.2019 RM'000	31.3.2018 RM'000
Finance leases	700	150
Cash outflow	701	34
	<u>1,401</u>	<u>184</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>918</u>	<u>55</u>	<u>234</u>	<u>179</u>

8. Inventories

During the current period ended 31 March 2019, there were no write-down of inventories.

9. Cash and bank balances

	31.3.2019 RM'000	31.3.2018 RM'000
Cash at banks and on hand	3,316	995
Short term deposits with licensed banks	739	716
Cash and bank balances	<u>4,055</u>	<u>1,711</u>
Less: Bank overdrafts	(6,389)	(7,192)
Less: Deposits pledged to licensed banks	(739)	(716)
Total cash and cash equivalents	<u>(3,073)</u>	<u>(6,197)</u>

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.

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

12. Dividends paid

There were no dividends paid in the current financial quarter ended 31 March 2019.

13. Capital commitments

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

	31.3.2019 RM'000	31.12.2018 RM'000
Property, plant and equipment:		
- Approved and not contracted for	-	107
	<u>-</u>	<u>107</u>

14. Contingent assets and liabilities

There were no contingent assets or liabilities since 31 December 2018.

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 31.03.2019						
Revenue:						
External customers	5,520	652	-	-	-	6,172
Inter-segment	871	-	-	-	(871)	-
	<u>6,391</u>	<u>652</u>	<u>-</u>	<u>-</u>	<u>(871)</u>	<u>6,172</u>
Results:						
Depreciation and amortisation	383	42	-	-	-	425
Segment profit/(loss)	(498)	2	123	(88)	27	(434)
Assets						
Capital expenditure	965	436	-	-	-	1,401
Segment assets	<u>72,109</u>	<u>4,535</u>	<u>28,718</u>	<u>5,480</u>	<u>-</u>	<u>110,842</u>
Segment liabilities	<u>29,784</u>	<u>-</u>	<u>19,634</u>	<u>155</u>	<u>-</u>	<u>49,573</u>

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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)

15. Segment information (continued)

	Sales of goods RM'000	Construction RM'000	Property development RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Period ended 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>

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

	31.3.2019 RM'000	31.3.2018 RM'000
Interest income	13	5
Finance costs	(271)	(406)
	<u>(258)</u>	<u>(401)</u>

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

	31.3.2019 RM'000	31.3.2018 RM'000
Current tax assets	344	514
Deferred tax assets	287	192
	<u>631</u>	<u>706</u>

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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)

15. Segment information (continued)

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

	31.3.2019 RM'000	31.3.2018 RM'000
Current tax liabilities	-	69
Deferred tax liabilities	371	225
	<u>371</u>	<u>294</u>

The Group's sales of goods segment continues to be the main contributor of the Group's revenue. The revenue from sales of goods segment decreased by 26.0% from RM7.46 million to RM5.52 million as compared to the corresponding quarter in the preceding year. This resulted the sales of goods segment's loss in current year quarter at RM0.50 million as compared to the profit of RM0.52 million in corresponding quarter in the preceding year.

The increase in revenue of construction segment in current year period as compared to the corresponding quarter in the preceding year was due to two secured major projects commenced in current year period. There is no revenue generated from property development segment 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.

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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)

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 31.3.2019 RM'000	Preceding year corresponding quarter ended 31.3.2018 RM'000	Current year- to-date 31.3.2019 RM'000	Preceding year corresponding period 31.3.2018 RM'000
Rental paid to LBS	9	21	9	21
Sales of dimension stone products to EMP	124	149	124	149
Rental income from Eternal	-	6	-	6
			Amount owed by related parties	
			As at 31.3.2019 RM'000	As at 31.12.2018 RM'000
EMP			730	871
Eternal			-	40

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 31.3.2019

	Individual quarter		Increase/(decrease)	
	Current year quarter ended 31.3.2019 RM'000	Preceding year corresponding quarter ended 31.3.2018 RM'000		
	Revenue	6,172	8,168	(1,996)
- Sales of goods segment	5,520	7,459	(1,939)	(26.0)
- Construction segment	652	300	352	117.3
- Property development segment	-	409	(409)	(100.0)
Operating profit	1,633	2,572	(939)	(36.5)
(Loss)/profit before interest and tax	(163)	799	(962)	(120.4)
(Loss)/profit before tax	(434)	393	(827)	(210.4)
(Loss)/profit after tax	(385)	221	(606)	(274.2)
(Loss)/profit attributable to ordinary equity holders of the parent	(383)	226	(609)	(269.5)

The Group's revenue for current quarter ("1Q2019") ended 31 March 2019 decreased by approximately RM2.00 million or 24.4% to RM6.17 million as compared to the corresponding quarter in the preceding year. The decrease in revenue for 1Q2019 was mainly due to the decrease in revenue of sales of goods segment by RM1.94 million. The Group has yet to commence any new property development project in the current quarter.

In the current year quarter, the Group is incurred a loss before tax of RM0.43 million as compared to the preceding year corresponding quarter's profit before tax of RM0.39 million was mainly due to the decrease in operating profit of RM0.94 million.

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

	Individual quarter		Increase/(decrease)	
	Current quarter ended 31.3.2019 RM'000	Preceding quarter ended 31.12.2018 RM'000		
	Revenue	6,172	7,681	(1,509)
- Sales of goods segment	5,520	7,080	(1,560)	(22.0)
- Construction segment	652	601	51	8.5
- Property development segment	-	-	-	-
Operating profit	1,633	2,232	(599)	(26.8)
(Loss)/profit before interest and tax	(163)	378	(541)	(143.1)
Loss before tax	(434)	(67)	(367)	547.8
Loss profit after tax	(385)	(326)	(59)	18.1
Loss attributable to ordinary equity holders of the parent	(383)	(329)	(54)	16.4

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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 RM1.51 million in current quarter as compared to the immediate preceding quarter ended 31 December 2018. This was due to the decrease in sales of goods segment by RM1.56 million or 22.0% and off-setted by the slight increase in revenue from construction segment by RM0.05 million.

The loss before tax of RM0.43 million for the current year quarter as compared to immediate preceding quarter's loss before tax of RM0.07 million was mainly due to the decrease in operating profit by RM0.60 million.

21. Commentary on prospects

The Malaysian economy growth is expected to pick up marginally to 4.9% in 2019. Domestic demand will remain to be the main growth engine, growing moderate at a 4.8% in year 2019 as compared with 5.0% growth in year 2018. The private sector will continue to be in the driver's seat. Private sector activities is expected to sustain a 6.4% growth in year 2019 (2018: 6.5%).

The construction sector is expected to improve marginally to 4.7% in year 2019 (2018: 4.5%) led by increased in new planned supply in the affordable homes and industrial segments. Civil engineering continues as the leading subsector of the construction sector in year 2019, largely supported by on-going projects.

The Board anticipates that the prospects for the financial year ending 31 December 2019 will continue to be challenging. The Group will continue to focus on maximising efficiency and timely delivery of quality products at competitive pricing 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 2019 remains 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. (Loss)/profit before tax

Included in the (loss)/profit before tax are the following items:

	Individual quarter		Cumulative quarter	
	Current year quarter ended 31.3.2019 RM'000	Preceding year corresponding quarter ended 31.3.2018 RM'000	Current year- to-date 31.3.2019 RM'000	Preceding year corresponding period 31.3.2018 RM'000
Interest income	(13)	(5)	(13)	(5)
Interest expense	271	406	271	406
Depreciation of:				
- Property, plant and equipment	384	400	384	400
- Investment properties	26	26	26	26
Amortisation of land use rights	15	15	15	15
Reversal of impairment loss on trade receivables	(2)	-	(2)	-

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

23. (Loss)/profit before tax (continued)

Included in the (loss)/profit before tax are the following items:

	Individual quarter		Cumulative quarter	
	Current year quarter ended 31.3.2019 RM'000	Preceding year corresponding quarter ended 31.3.2018 RM'000	Current year- to-date 31.3.2019 RM'000	Preceding year corresponding period 31.3.2018 RM'000
(Gain)/Loss on disposal of:				
- Property, plant and equipment	(179)	-	(179)	-
Gain on foreign exchange:				
- Realised	(13)	(62)	(13)	(62)
- Unrealised	(37)	-	(37)	-
Rental income	(110)	(113)	(110)	(113)

24. Income tax expense

Major components of income tax expense includes the following:

	Individual quarter		Cumulative quarter	
	Current year quarter ended 31.3.2019 RM'000	Preceding year corresponding quarter ended 31.3.2018 RM'000	Current year- to-date 31.3.2019 RM'000	Preceding year corresponding period 31.3.2018 RM'000
Current tax:				
Malaysian income tax	30	159	30	159
	30	159	30	159
Deferred tax:				
Relating to origination and reversal of temporary differences	(102)	(5)	(102)	(5)
Underprovision in previous years	23	18	23	18
	(79)	13	(79)	13
Total income tax expense	(49)	172	(49)	172

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 and property development segment incurred losses in current quarter 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.

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

26. Trade and other receivables

	31.3.2019 RM'000	31.12.2018 RM'000
Trade receivables		
Third parties	5,138	6,279
Retention sums on construction contract	999	1,012
	<u>6,137</u>	<u>7,291</u>
Amount due from related parties	730	911
Other receivables	<u>745</u>	<u>714</u>
	<u><u>7,612</u></u>	<u><u>8,916</u></u>

Ageing analysis of trade receivables

The ageing analysis of trade receivables is as follows:

	Third parties		Related parties	
	31.3.2019 RM'000	31.12.2018 RM'000	31.3.2019 RM'000	31.12.2018 RM'000
Not past due	2,669	3,318	124	234
Past due:				
- less than 3 months	688	1,702	234	328
- 3 months to 6 months	1,401	771	322	242
- more than 6 months	2,104	2,228	50	107
	<u>4,193</u>	<u>4,701</u>	<u>606</u>	<u>677</u>
	6,862	8,019	730	911
Individual impairment	(725)	(728)	-	-
	<u>6,137</u>	<u>7,291</u>	<u>730</u>	<u>911</u>

Trade receivables that are neither past due nor impaired

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

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

Trade receivables that are past due but not impaired

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

Trade receivables that are past due and impaired

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

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

27. Borrowings and debts securities

	31.3.2019 RM'000	Weighted Average Interest Rate	31.12.2018 RM'000	Weighted Average Interest Rate
Short term borrowings (secured)				
Secured:				
Bank overdrafts (floating)	6,389	7.48%	6,562	7.42%
Banker acceptances (floating)	6,112	4.94%	7,095	4.71%
Trust receipts (floating)	770	8.33%	1,274	8.16%
Obligation under finance leases (fixed)	438	4.49%	313	4.66%
Term loans (floating)	2,173	6.60%	2,136	6.60%
	<u>15,882</u>		<u>17,380</u>	
Long term borrowings (secured)				
Secured:				
Obligation under finance leases (fixed)	1,017	4.49%	540	4.66%
Term loans (floating)	22,253	6.60%	22,816	6.60%
	<u>23,270</u>		<u>23,356</u>	
Total borrowings	<u>39,152</u>		<u>40,736</u>	

None of the above borrowings are denominated in foreign currencies.

The decrease in borrowings by RM1.58 million mainly due to the decrease in bank acceptances and trust receipts by RM1.49 million and the repayment of term loans by RM0.53 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 March 2019 or the previous financial year ended 31 December 2018.

32. Risks and policies of derivatives

The Group did not enter into any derivatives during the period ended 31 March 2019 or the previous financial year ended 31 December 2018.

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 2019 or the previous financial year ended 31 December 2018.

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

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 31.3.2019	Preceding year corresponding quarter ended 31.3.2018	Current year- to-date 31.3.2019	Preceding year corresponding period 31.3.2018
(Loss)/profit for the period attributable to ordinary equity holders of the Company (RM'000)	(383)	226	(383)	226
Weighted average number of ordinary shares in issue ('000)	87,957	79,961	87,957	79,961
Basic (loss)/earnings per share (sen)	<u>(0.44)</u>	<u>0.28</u>	<u>(0.44)</u>	<u>0.28</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. Utilisation of proceeds

Private Placement

7,996,100 new shares were allotted by the Company at a price of RM0.55 per share to certain identified investors, pursuant to the Company's private placement exercise. The private placement of 7,996,100 placement shares were granted listing and quotation on the Main Market of Bursa Malaysia Securities Berhad on 25 March 2019, making the completion of the private placement. The proceeds raised of RM4.4 million from the placement have been utilised as follows:

Purposes	Actual utilisation RM'000	Amount unutilise RM'000	Total RM'000
Working capital	-	2,300	2,300
Repayment of borrowings	1,900	-	1,900
Defraying placement expenses	200	-	200
	<u>2,100</u>	<u>2,300</u>	<u>4,400</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 2018 were not subject to any qualification.