



HOCK HENG STONE INDUSTRIES BHD.

(Company No. : 200801038692 (840040-H))

(Incorporated in Malaysia)

**Condensed Consolidated
Interim Financial Statements
For the second quarter ended
30 June 2020**

Company No. : 200801038692 (840040-H)

Hock Heng Stone Industries Bhd.
(Incorporated in Malaysia)

Condensed Consolidated Statements of Comprehensive Income
For the second quarter ended 30 June 2020
(The figures have not been audited)

	Note	Individual quarter		Cumulative quarter	
		Current year quarter ended 30.06.2020 RM'000	Preceding year corresponding quarter ended 30.06.2019 RM'000	Current year- to-date 30.06.2020 RM'000	Preceding year corresponding period 30.06.2019 RM'000
Continuing operations					
Revenue		2,808	6,371	5,983	12,543
Cost of sales		(3,040)	(5,209)	(5,365)	(9,748)
Gross (loss)/profit		(232)	1,162	618	2,795
Other income		1,389	328	1,595	686
Administrative, general and selling expenses		(1,203)	(2,093)	(2,658)	(4,247)
Operating loss		(46)	(603)	(445)	(766)
Finance costs		(321)	(425)	(682)	(696)
Loss before tax	23	(367)	(1,028)	(1,127)	(1,462)
Income tax expense	24	78	83	137	132
Loss for the period		(289)	(945)	(990)	(1,330)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		(289)	(945)	(990)	(1,330)
(Loss)/Profit attributable to:					
Owners of the parent		(293)	(945)	(998)	(1,328)
Non-controlling interests		4	-	8	(2)
		(289)	(945)	(990)	(1,330)
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(293)	(945)	(998)	(1,328)
Non-controlling interests		4	-	8	(2)
		(289)	(945)	(990)	(1,330)
Loss per share attributable to owners of the parent:					
Basic, for the period (sen)	34	(0.33)	(1.10)	(1.13)	(1.54)
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 2019 and the accompanying explanatory notes attached to these interim financial statements.

Company No. : 200801038692 (840040-H)

Hock Heng Stone Industries Bhd.
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Condensed Consolidated Statements of Financial Position
As at 30 June 2020

	Note	Unaudited As at 30.06.2020 RM'000	Audited As at 31.12.2019 RM'000
Assets			
Non-current assets			
Property, plant and equipment	7	20,208	21,829
Investment properties		6,457	4,707
Right-of-use assets		3,306	4,188
Inventories		4,076	4,076
Deferred tax assets		166	-
		<u>34,213</u>	<u>34,800</u>
Current assets			
Inventories	8	56,080	56,136
Trade receivables and other receivables	26	4,076	4,577
Other current assets		474	597
Contract assets		117	-
Current tax assets		710	545
Cash and bank balances		2,675	3,029
		<u>64,132</u>	<u>64,884</u>
Total assets		<u>98,345</u>	<u>99,684</u>
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital		44,398	44,398
Treasury shares		(15)	(15)
Retained earnings		10,097	11,095
		<u>54,480</u>	<u>55,478</u>
Non-controlling interests		(288)	(296)
Total equity		<u>54,192</u>	<u>55,182</u>
Non-current liabilities			
Deferred tax liabilities		-	36
Borrowings	27	19,953	20,726
Lease liabilities	27	515	682
		<u>20,468</u>	<u>21,444</u>
Current liabilities			
Trade payables and other payables		9,470	9,223
Lease liabilities	27	377	400
Borrowings	27	13,838	13,435
		<u>23,685</u>	<u>23,058</u>
Total liabilities		<u>44,153</u>	<u>44,502</u>
Total equity and liabilities		<u>98,345</u>	<u>99,684</u>
Net assets per share attributable to equity holders of the Company (sen)		<u>61.91</u>	<u>63.05</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 2019 and the accompanying explanatory notes attached to these interim financial statements.

Company No. : 200801038692 (840040-H)

Hock Heng Stone Industries Bhd.
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Condensed Consolidated Statements of Changes in Equity
For the second quarter ended 30 June 2020
(The figures have not been audited)

	Attributable to equity holders of the parent			Total equity attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Distributable Retained earnings RM'000			
Opening balance at 1 January 2019	40,000	(15)	17,179	57,164	92	57,256
Total comprehensive loss for the period	-	-	(1,328)	(1,328)	(2)	(1,330)
Transactions with owners						
Issuance of share capital	4,398	-	-	4,398	-	4,398
Closing balance at 30 June 2019	44,398	(15)	15,851	60,234	90	60,324
Opening balance at 1 January 2020	44,398	(15)	11,095	55,478	(296)	55,182
Total comprehensive (loss)/profit for the period	-	-	(998)	(998)	8	(990)
Closing balance at 30 June 2020	44,398	(15)	10,097	54,480	(288)	54,192

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 2019 and the accompanying explanatory notes attached to these interim financial statements.

Company No. : 200801038692 (840040-H)

Hock Heng Stone Industries Bhd.
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Condensed Consolidated Statements of Cash Flows
For the second quarter ended 30 June 2020
(The figures have not been audited)

	Current year- to-date 30.06.2020 RM'000	Preceding year corresponding period 30.06.2019 RM'000
	Note	
Cash flows from operating activities		
Loss before tax	(1,127)	(1,462)
Adjustment for:		
Amortisation of land use rights	-	30
Amortisation of right-of-use assets	227	-
Depreciation of property, plant and equipment	564	759
Depreciation of investment properties	73	52
Reversal of impairment loss on trade receivables	(243)	(4)
Unrealised loss on foreign exchange	25	-
Gain on disposal of property, plant and equipment	(16)	(180)
Written off of property, plant and equipment	-	201
Interest expense	682	696
Interest income	(10)	(18)
Operating profit before changes in working capital	<u>175</u>	<u>74</u>
Changes in working capital:		
Property development costs	(12)	(566)
Inventories	428	1,380
Receivables	744	142
Contract asset	(118)	685
Other current assets	123	2,466
Payables	222	(1,816)
Cash generated from operations	<u>1,562</u>	<u>2,365</u>
Income tax paid	(230)	(309)
Income tax refund	-	269
Net cash from operating activities	<u>1,332</u>	<u>2,325</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	7 (112)	(1,058)
Proceeds from disposal of property, plant and equipment	17	244
Interest received	10	18
Net cash used in investing activities	<u>(85)</u>	<u>(796)</u>
Cash flows from financing activities		
Deposit pledged to licensed banks	(5)	(40)
Interest paid	(1,040)	(696)
Increase/(Decrease) of short term borrowings	383	(1,068)
Repayment of term loans	(551)	(550)
Repayment of obligation under finance leases	(190)	(334)
Proceed from issuance of ordinary shares	-	4,397
Net cash (used in)/generated from financing activities	<u>(1,403)</u>	<u>1,709</u>

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Condensed Consolidated Statements of Cash Flows (Continued)
For the second quarter ended 30 June 2020
(The figures have not been audited)

	Current year- to-date 30.06.2020 RM'000	Preceding year corresponding period 30.06.2019 RM'000
Net (decrease)/increase in cash and cash equivalents	(156)	3,238
Cash and cash equivalents at beginning of period	(1,978)	(5,652)
Cash and cash equivalents at end of period	9 <u>(2,134)</u>	<u>(2,414)</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 2019 and the accompanying explanatory notes attached to these interim financial statements.

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Hock Heng Stone Industries Bhd.
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Notes to the Interim Financial Statements for the second quarter ended 30 June 2020

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 2019. 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 2019.

2. Significant accounting policies and application of MFRS

2.1 The audited financial statements of the Group for the financial year ended 31 December 2019 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 2019.

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 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*
- Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform*
- Amendments to MFRS 16 *Covid-19 Related Concessions*

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 2021

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 2021

- MFRS 17 *Insurance Contracts*

Effective for financial periods beginning on or after 1 January 2022

- Amendments to MFRS 3 *Business Combinations*
- Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 116 *Property, Plant and Equipment*
- Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*
- Amendments to MFRS 1, MFRS 9 and MFRS 141 *Annual Improvements to MFRS Standards 2018-2020*

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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 2021 (continued)

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

There have been no 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:

	30.06.2020 RM'000	30.06.2019 RM'000
Building-in-progress	-	580
Renovation	84	-
Plant, machinery and factory equipment	18	221
Motor vehicles	2	944
Other assets *	8	13
	<u>112</u>	<u>1,758</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:

	30.06.2020 RM'000	30.06.2019 RM'000
Finance leases	-	700
Cash outflow	112	1,058
	<u>112</u>	<u>1,758</u>

Disposals/written off

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
<u>Disposals</u>				
Motor vehicles	<u>150</u>	<u>-</u>	<u>16</u>	<u>16</u>

8. Inventories

During the current period ended 30 June 2020, there were no write-down of inventories.

9. Cash and bank balances

	30.06.2020 RM'000	30.06.2019 RM'000
Cash at banks and on hand	1,924	2,015
Short term deposits with licensed banks	751	744
Cash and bank balances	<u>2,675</u>	<u>2,759</u>
Less: Bank overdrafts	(4,058)	(4,429)
Less: Deposits pledged to licensed banks	(751)	(744)
Total cash and cash equivalents	<u>(2,134)</u>	<u>(2,414)</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 30 June 2020.

13. Capital commitments

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

	30.06.2020 RM'000	31.12.2019 RM'000
Property, plant and equipment:		
- Approved and not contracted for	204	-
	<u>204</u>	<u>-</u>

14. Contingent assets and liabilities

There were no contingent assets or liabilities since 31 December 2019.

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 3 months.
- (ii) Construction - supply and installation of dimension stones and related products for projects secured and is completed over a period of more than 3 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 30.06.2020						
Revenue:						
External customers	5,838	145	-	-	-	5,983
Inter-segment	1,639	-	-	-	(1,639)	-
	<u>7,477</u>	<u>145</u>	<u>-</u>	<u>-</u>	<u>(1,639)</u>	<u>5,983</u>
Results:						
Depreciation and amortisation	822	42	-	-	-	864
Segment (loss)/profit	(947)	(38)	(58)	(81)	(3)	(1,127)
Assets						
Capital expenditure	112	-	-	-	-	112
Segment assets	65,813	1,355	28,486	2,691	-	98,345
Segment liabilities						
	24,928	-	19,111	114	-	44,153

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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 30.06.2019						
Revenue:						
External customers	12,077	466	-	-	-	12,543
Inter-segment	2,415	-	-	-	(2,415)	-
	<u>14,492</u>	<u>466</u>	<u>-</u>	<u>-</u>	<u>(2,415)</u>	<u>12,543</u>
Results:						
Depreciation and amortisation	756	84	1	-	-	841
Segment (loss)/profit	<u>(1,216)</u>	<u>(71)</u>	<u>62</u>	<u>(26)</u>	<u>(211)</u>	<u>(1,462)</u>
Assets						
Capital expenditure	1,322	436	-	-	-	1,758
Segment assets	<u>71,052</u>	<u>3,576</u>	<u>28,823</u>	<u>3,999</u>	<u>-</u>	<u>107,450</u>
Segment liabilities	<u>27,512</u>	<u>-</u>	<u>19,526</u>	<u>88</u>	<u>-</u>	<u>47,126</u>

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

	30.06.2020 RM'000	30.06.2019 RM'000
Interest income	10	18
Finance costs	(682)	(696)
	<u>(672)</u>	<u>(678)</u>

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

	30.06.2020 RM'000	30.06.2019 RM'000
Current tax assets	710	444
Deferred tax assets	166	247
	<u>876</u>	<u>691</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 segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	30.06.2020 RM'000	30.06.2019 RM'000
Current tax liabilities	-	-
Deferred tax liabilities	-	189
	<u>-</u>	<u>189</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 51.7% from RM12.08 million to RM5.84 million as compared to the corresponding quarter in the preceeding year as the Covid-19 pandemic has had a more negative impact on global activity in the first half of 2020. The lower segment's loss in current year of RM0.95 million as compared to the loss of RM1.22 million in the corresponding quarter in the preceeding year was due to the better cost control.

The decrease in revenue of Construction segment in current year period as compared to the corresponding quarter in the preceeding year was mainly due to the Movement Control Order (MCO) period in which the projects are being deferred for one and a half month in current year period. The Group may focus more on Property Development segment in current year.

16. Changes in composition of the Group

There were no changes in the composition of the Group in the current quarter under review.

17. Events after the reporting period

There were no material events subsequent to the end of the current quarter.

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Hock Heng Stone Industries Bhd.
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Part A - Explanatory notes pursuant to 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 a director, Low Kim Hock, has deemed interested by virtue of their interests in LBS Realty Sdn. Bhd. which in turn holds 70% equity interest in EMP:

- EMP Design Sdn. Bhd. ("EMP")

	Individual quarter		Cumulative quarter	
	Current year quarter ended 30.06.2020 RM'000	Preceding year corresponding quarter ended 30.06.2019 RM'000	Current year- to-date 30.06.2020 RM'000	Preceding year corresponding period 30.06.2019 RM'000
Rental paid to LBS	-	9	-	18
Sales of dimension stone products to EMP	92	247	220	359
			Amount owed by related parties	
			As at 30.06.2020 RM'000	As at 31.12.2019 RM'000
EMP			429	509

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

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

19. Review performance of the Group

3 months ended 30.06.2020

	Individual quarter		Increase/(decrease) RM'000	%
	Current year quarter ended 30.06.2020 RM'000	Preceding year corresponding quarter ended 30.06.2019 RM'000		
Revenue	2,808	6,371	(3,563)	(55.9)
- Sales of goods segment	2,663	6,371	(3,708)	(58.2)
- Construction segment	145	-	145	-
Operating (loss)/profit	(232)	1,162	(1,394)	(120.0)
Loss before interest and tax	(46)	(603)	557	92.4
Loss before tax	(367)	(1,028)	661	64.3
Loss after tax	(289)	(945)	656	69.4
Loss attributable to ordinary equity holders of the parent	(293)	(945)	652	69.0

The Group's revenue for current quarter ("2Q2020") ended 30 June 2020 decreased by approximately RM3.56 million or 55.9% to RM2.81 million as compared to the corresponding quarter in the preceding year. The decrease in revenue for 2Q2020 was due to the significant decrease in revenue from the Sales of Goods segment by RM3.71 million and offset from the increase in revenue from the Construction segment by RM0.15 million. The Group has yet to commence any new property development project in the current quarter.

In the current year quarter, the Group incurred loss before tax of RM0.37 million as compared to the preceding year corresponding quarter's loss before tax of RM1.03 million. This was due to the operating loss of RM0.23 million as a result of the significant decrease in Group's revenue from the Movement Control Order (MCO) which effective since 18 March 2020. However, it was partially offset with lower administrative, general and selling expenses incurred due to better cost control and austerity measures.

6 months ended 30.06.2020

	Cumulative quarter		Increase/(decrease) RM'000	%
	Current year- to-date 30.06.2020 RM'000	Preceding year corresponding period 30.06.2019 RM'000		
Revenue	5,983	12,543	(6,560)	(52.3)
- Sales of goods segment	5,838	12,077	(6,239)	(51.7)
- Construction segment	145	466	(321)	(68.9)
- Property development segment	-	-	-	-
Operating profit	618	2,795	(2,177)	(77.9)
Loss before interest and tax	(445)	(766)	321	41.9
Loss before tax	(1,127)	(1,462)	335	22.9
Loss after tax	(990)	(1,330)	340	25.6
Loss attributable to ordinary equity holders of the parent	(998)	(1,328)	330	24.8

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

19. Review performance of the Group (continued)

6 months ended 30.06.2020 (continued)

The Group's revenue for current year-to-date ("6M2020") ended 30 June 2020 shown a decrease of 52.3% to RM5.98 million as compared to RM12.54 million recorded in the corresponding quarter in the preceeding year mainly due to the decrease in revenue generated from Sales of Goods segment by RM6.24 million. The Group had secured some major construction segment projects in current quarter period, hence deriving some revenue from Construction segment.

Overall, the Group reported a loss before tax at RM1.13 million in 6M2020. This was mainly due to the significant decrease in Group's revenue as the Covid-19 pandemic has had a negative impact on business activity in the first half of 2020. Although the decrease in revenue, the current period loss before tax has improved by 22.9% due to the better cost control over the administrative and general cost from RM4.25 million in corresponding period in the preceeding year to RM2.66 million in 6M2020 as well as the increase in other income by approximately RM1.00 million.

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

	Individual quarter		Increase/(decrease)	%
	Current quarter ended 30.06.2020 RM'000	Preceding quarter ended 31.03.2020 RM'000		
Revenue	2,808	3,175	(367)	(11.6)
- Sales of goods segment	2,663	3,175	(512)	(16.1)
- Construction segment	145	-	145	-
Operating (loss)/profit	(232)	850	(1,082)	(127.3)
Loss before interest and tax	(46)	(399)	353	(88.5)
Loss before tax	(367)	(760)	393	(51.7)
Loss profit after tax	(289)	(701)	412	(58.8)
Loss attributable to ordinary equity holders of the parent	(293)	(705)	412	(58.4)

The Group's revenue decreased by RM0.37 million in current quarter as compared to the immediate preceeding quarter ended 31 March 2020. This was mainly due to the decrease in Sales of Goods segment's revenue by RM0.51 million and offset against the increase in Construction segment's revenue by RM0.15 million.

In current quarter, the Group generated an operating loss of RM0.23 million, whereas the loss before tax has improved to RM0.37 million. This was due to the production capacity not fully utilised as a result of significant decrease in customer orders during the Covid-19 pandemic. Besides, higher cost reduction in administrative cost by RM0.89 million and higher other incomes such as reversal of doubtful debts of RM0.20 million and contribution received of RM1.00 million, resulted decrease in loss before tax as compared to the immediate preceeding quarter ended 31 March 2020.

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

21. Commentary on prospects

According to the Trading Economics's 2020-2022 Outlook, Malaysia's economic grew by 0.7 percent year-on-year in the second quarter of 2020, the weakest pace of expansion since the third quarter of 2019 and compared with market expectations of a 1.5 percent contraction, reflecting the negative impact of measures taken both globally and domestically to contain the spread of the COVID-19 pandemic.

Hence, the Board anticipates that the prospects for the financial year ending 31 December 2020 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.

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 before tax

Included in the loss before tax are the following items:

	Individual quarter		Cumulative quarter	
	Current year quarter ended 30.06.2020 RM'000	Preceding year corresponding quarter ended 30.06.2019 RM'000	Current year- to-date 30.06.2020 RM'000	Preceding year corresponding period 30.06.2019 RM'000
Interest income	(5)	(5)	(10)	(18)
Interest expense	321	425	682	696
Depreciation of:				
- Property, plant and equipment	281	375	564	759
- Investment properties	36	26	73	52
Amortisation of land use rights	-	15	-	30
Amortisation of right-of-use assets	111	-	227	-
Reversal of impairment loss on trade receivables	(204)	(2)	(243)	(4)
Gain on disposal of:				
- Property, plant and equipment	-	(1)	(16)	(180)
Property, plant and equipment written off	-	201	-	201
(Gain)/loss on foreign exchange:				
- Realised	(16)	2	(36)	(11)
- Unrealised	-	37	25	-
Rental income	(86)	(113)	(198)	(223)

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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 30.06.2020 RM'000	Preceding year corresponding quarter ended 30.06.2019 RM'000	Current year- to-date 30.06.2020 RM'000	Preceding year corresponding period 30.06.2019 RM'000
Current tax:				
Malaysian income tax	57	58	60	88
	<u>62</u>	<u>58</u>	<u>65</u>	<u>88</u>
Deferred tax:				
Relating to origination and reversal of temporary differences	53	(159)	(1)	(261)
(Over)/Underprovision in previous years	(193)	18	(201)	41
	<u>(140)</u>	<u>(141)</u>	<u>(202)</u>	<u>(220)</u>
Total income tax expense	<u>(78)</u>	<u>(83)</u>	<u>(137)</u>	<u>(132)</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 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.

26. Trade and other receivables

	30.06.2020 RM'000	31.12.2019 RM'000
Trade receivables		
Third parties	2,635	3,055
Retention sums on construction contract	644	636
	<u>3,279</u>	<u>3,691</u>
Amount due from related parties	429	509
Other receivables	368	377
	<u>4,076</u>	<u>4,577</u>

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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	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Not past due	1,455	2,310	92	226
Past due:				
- less than 3 months	708	1,049	129	156
- 3 months to 6 months	476	361	208	127
- more than 6 months	2,717	2,142	-	-
	<u>3,901</u>	<u>3,552</u>	<u>337</u>	<u>283</u>
	5,356	5,862	429	509
Individual impairment	(2,077)	(2,171)	-	-
	<u>3,279</u>	<u>3,691</u>	<u>429</u>	<u>509</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.

27. Borrowings and debts securities

	30.06.2020	Weighted	31.12.2019	Weighted
	RM'000	Average	RM'000	Average
		Interest Rate		Interest Rate
Short term borrowings (secured)				
Bank overdrafts (floating)	4,058	6.85%	4,260	7.52%
Banker acceptances (floating)	2,404	3.95%	1,979	4.26%
Trust receipts (floating)	-	-	34	8.63%
Lease liabilities (fixed)	377	4.31%	400	4.45%
Revolving credit (floating)	5,061	5.61%	5,069	5.61%
Term loans (floating)	2,315	5.74%	2,093	6.59%
	<u>14,215</u>		<u>13,835</u>	
Long term borrowings (secured)				
Lease liabilities (fixed)	515	4.31%	682	4.45%
Term loans (floating)	19,953	5.74%	20,726	6.59%
	<u>20,468</u>		<u>21,408</u>	
Total borrowings	<u>34,683</u>		<u>35,243</u>	

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

27. Borrowings and debts securities (continued)

None of the borrowings are denominated in foreign currencies.

The decrease in borrowings by RM0.56 million mainly due to the term loans repayment by total of RM0.55 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 June 2020 or the previous financial year ended 31 December 2019.

32. Risks and policies of derivatives

The Group did not enter into any derivatives during the period ended 30 June 2020 or the previous financial year ended 31 December 2019.

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 June 2020 or the previous financial year ended 31 December 2019.

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34. Loss per share

(a) Basic

Basic loss per share amounts is calculated by dividing loss 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 30.06.2020	Preceding year corresponding quarter ended 30.06.2019	Current year- to-date 30.06.2020	Preceding year corresponding period 30.06.2019
Loss for the period attributable to ordinary equity holders of the Company (RM'000)	(293)	(945)	(998)	(1,328)
Weighted average number of ordinary shares in issue ('000)	87,957	86,139	87,957	86,139
Basic loss per share (sen)	<u>(0.33)</u>	<u>(1.10)</u>	<u>(1.13)</u>	<u>(1.54)</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 2019 were not subject to any qualification.