

## **HOCK HENG STONE INDUSTRIES BHD.**

(Company No. 840040-H)

(Incorporated in Malaysia)

### **SUMMARY OF KEY MATTERS DISCUSSED AT THE NINTH ANNUAL GENERAL MEETING OF THE COMPANY HELD AT THE BOARD ROOM OF ORNARESORT BERHAD AT BATU 16, JALAN GAPAM, LADANG GAPAM, BEMBAN, 77200 MELAKA ON MONDAY, 28 MAY 2018 AT 10:35 A.M.**

At the Ninth Annual General Meeting ("9th AGM") of the Company held on 28 May 2018, there were no questions raised on the business and operations of the Group, as well as on the Annual Report containing the Audited Financial Statements for the year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon.

The matters discussed in the 9th AGM relate to the letter dated 16 May 2018 received from the Minority Shareholders' Watchdog Group ("MSWG"). The clarifications from the Company in response to the enquiries raised by the MSWG are summarised as follows:-

<b>No.</b>	<b>Key Matters raised by MSWG</b>	<b>Summary of the reply from the Management of the Company</b>
1.	<p><b><u>Strategy and Financial Matters</u></b> <u>Sales of goods segment</u></p> <p>On page six (6) of the Annual Report 2017 stated that Group will closely monitor the selection of its customers and focus on those good pay-master customers who offer better profit margins in financial year 2018.</p> <p>a) What is the revenue growth target for sales of goods segment for financial year 2018?</p>	<p>The Company informed that dimension stone products are the main contributor to the Group's revenue.</p> <p>The following marketing strategy have been implemented by the Management to improve the sales in the respective goods segment:-</p> <p>(a) to encourage the Marketing staff to attend trainings; (b) to conduct weekly sales meeting to ensure that they are able to meet the monthly targeted sales; (c) to increase the advertisement in the media source, i.e. Explorer Magazine and billboard for public's awareness</p> <p>The Group has also estimated to have a revenue growth at 8% for the financial year 2018.</p>
	<p>b) By focusing on good pay-master customers, what is the expected profit margin that Group intends to achieve? What is the profit margin for financial year 2017?</p>	<p>The trade receivables was reported at a decrease from RM14.3 million in financial year 2017 as compared to RM11.2 million in the First Quarter of 2018 itself which indicated on the Group's strategy in focusing on the good pay-master customers.</p> <p>The Group intended to achieve a gross profit margin at above 30% in financial year 2018 while the gross profit for financial year 2017 was recorded at 28%.</p>

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(Minutes of the Ninth Annual General Meeting held on 28 May 2018 - cont'd)

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2.	<p><b><u>Strategy and Financial Matters (cont'd)</u></b> <b><u>Sales of goods segment</u></b></p> <p>On page six (6) of the Annual Report 2017, the Group remains focused on dimension stone products, and that it will continue its diversification in the property development business to avoid sole depending on the dimension stone business.</p> <p>a) What is the expected revenue contribution from the property development segment in the next few years, in terms of percentages?</p>	<p>The Group had successfully sold all the residential units at Taman Sutera Wangi, Seksyen 2 in Batu Berendam, Melaka which generated a GDV of RM12.1 million. By leveraging current wealth and growth, the Group strategically ventured into a new mixed development project measuring land area at approximately 40 acres beside the Sungai Udang - Paya Rumpit – Ayer Keroh highway in Melaka (“SPA”) which would increase the Group’s future growth and profit.</p> <p>The Group was expecting to generate the revenue from its property development segment in the next few years as summarised below:-</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Year</th> <th style="text-align: center;">2018</th> <th style="text-align: center;">2019</th> <th style="text-align: center;">2020</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Revenue from property development (%)</td> <td style="text-align: center;">1</td> <td style="text-align: center;">58</td> <td style="text-align: center;">25</td> </tr> </tbody> </table>	Year	2018	2019	2020	Revenue from property development (%)	1	58	25				
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	<p>b) Please update on the progress, take up rate, gross development value (“GDV”) and pricing of the property in Taman Sutera Wangi, and the new mixed development project in Melaka.</p>	<p>The updates on progress, take up rate and GDV of current and new mixed development were tabulated as below:-</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Projects</th> <th style="text-align: center;">Progress (%)</th> <th style="text-align: center;">Take Up Rate (%)</th> <th style="text-align: center;">GDV (RM'000)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Taman Sutera Wangi, Seksyen 2, Batu Berendam, Melaka</td> <td style="text-align: center;">100</td> <td style="text-align: center;">100</td> <td style="text-align: center;">12,100</td> </tr> <tr> <td style="text-align: center;">New mixed development by SPA</td> <td colspan="2" style="text-align: center;">In the midst of obtaining approval from authorities</td> <td style="text-align: center;">124,632</td> </tr> </tbody> </table>	Projects	Progress (%)	Take Up Rate (%)	GDV (RM'000)	Taman Sutera Wangi, Seksyen 2, Batu Berendam, Melaka	100	100	12,100	New mixed development by SPA	In the midst of obtaining approval from authorities		124,632
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3.	<p><b><u>Trade Receivables (Page 83 of Annual Report 2017)</u></b></p> <p>As at 31 December 2017, the impaired receivables recorded an increase to RM766,503 (2016: RM691,991) even though the total receivables have gone down to RM15,043,248 (2016: RM 16,444,733).</p> <p>Please provide the reasons of the increase of impairments and what recovery measures are being taken to collect the impaired receivables?</p>	<p>The increase in impairment of receivables resulted from the Management's implementation on strict impairment basis in monitoring the collection from trade receivables. The purpose was to strengthen the collection from trade receivables and improve the Group's cash flows.</p> <p>Some actions being taken to collect the impaired receivables were reported as follows:-</p> <ul style="list-style-type: none"><li>a) Reminder letter to customers and to contact customers on the outstanding balances.</li><li>b) Field visits by the Sales Manager together with Sales Personnel on the reminder of the outstanding amount.</li><li>c) To initiate legal procedures, i.e. issuance of letter of demand or summon by the lawyer to the customers to recover the impaired debts.</li></ul>
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All the resolutions tabled at the 9th AGM were duly passed by way of poll, the results of which had been announced to Bursa Malaysia Securities Berhad on 28 May 2018.