

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

The Notice convening the Fourth Annual General Meeting (“4th AGM”) together with the Form of Proxy are set out in the Company’s 2012 Annual Report, which is dispatched together with this Circular. The Form of Proxy should be lodged at the Registered Office of the Company at No. 60-1, Jalan Lagenda 5, Taman 1 Lagenda, 75400 Melaka not later than forty-eight (48) hours before the time set for the Meeting or at any adjournment thereof. The lodgement of the Form of Proxy will not preclude you from attending and voting in person at the Meeting should you subsequently wish to do so.

Bursa Malaysia Securities Berhad (“Bursa Securities”) takes no responsibility for the contents of this Circular in respect of the Proposed Renewal of the Existing Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

Shareholders should rely on their own evaluation to assess the merits and risks of the proposal set out herein.



**HOCK HENG STONE INDUSTRIES BHD.**

(Company No. : 840040-H)

(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS**

**in relation to the**

**PROPOSED RENEWAL OF THE EXISTING SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

**Important dates:**

Last date and time for lodging the Form of Proxy	:	Tuesday, 25 June 2013 at 10.30 a.m.
Date and time of the 4th AGM	:	Thursday, 27 June 2013 at 10.30 a.m.
Venue of the 4th AGM	:	Ornaresort Berhad, Batu 16, Jalan Gapam, Ladang Gapam, Bemban, 77200 Jasin, Melaka

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## DEFINITIONS

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For the purpose of this Circular, except where the context otherwise requires, the following definitions shall apply:

<b>Act</b>	:	The Companies Act, 1965 as may be amended from time to time and any re-enactment thereof
<b>AGM</b>	:	Annual General Meeting
<b>Board</b>	:	The Board of Directors of HOCK HENG
<b>Bursa Securities</b>	:	Bursa Malaysia Securities Berhad (635998-W)
<b>EMP</b>	:	EMP Design Sdn. Bhd. (737049-P)
<b>DBA</b>	:	Dunia Batu Alam Sdn. Bhd. (487236-X)
<b>HOCK HENG or the Company</b>	:	Hock Heng Stone Industries Bhd. (840040-H)
<b>HOCK HENG Group or the Group</b>	:	HOCK HENG and its subsidiary companies, collectively
<b>HHG</b>	:	Hock Heng Granite Sdn. Bhd. (168782-D)
<b>HHMKL</b>	:	Hock Heng Marketing (KL) Sdn. Bhd. (610659-T)
<b>HHMSR</b>	:	Hock Heng Marketing (Southern Region) Sdn. Bhd. (308130-X)
<b>HHR</b>	:	Hock Heng Realty Sdn. Bhd. (972711-V)
<b>HHSEC</b>	:	Hock Heng Stone (East Coast) Sdn. Bhd. (701947-T)
<b>LBS</b>	:	LBS Realty Sdn. Bhd. (627202-M)
<b>Listing Requirements</b>	:	Bursa Securities Main Market Listing Requirements, including any amendments thereto that may be made from time to time
<b>Major Shareholder(s)</b>	:	A person who has an interest or interests in one (1) or more voting shares in HOCK HENG and the nominal amount of that shares, or the aggregate of the nominal amounts of those share, is:-  (a) 10% or more of the aggregate of nominal amounts of all the voting shares in HOCK HENG; or  (b) 5% or more of the aggregate of nominal amounts of all the voting shares in HOCK HENG where such person is the largest shareholder of HOCK HENG.

A major shareholder also includes any person who is or was within the preceding six (6) months of the date on which the terms of the transactions were agreed upon, a major shareholder of HOCK HENG or any other company which is a subsidiary or holding company of HOCK HENG. For this purpose of the definition, “interest in shares” shall have the meaning given in Section 6A of the Act

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**DEFINITIONS (continued)**

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- Ordinary Resolution** : The ordinary resolution as set out in the Notice of AGM
- Person Connected** : In relation to a Director or a Major Shareholder, means such person who falls under any one of the following categories:-
- (a) a family member of the Director or Major Shareholder;
  - (b) a trustee of a trust (other than a trustee for an employee share scheme or pension scheme) under which the Director, Major Shareholder or a family member of the Director or Major Shareholder is the sole beneficiary;
  - (c) a partner of the Director, Major Shareholder or a partner of a person connected with that Director or Major Shareholder;
  - (d) a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder;
  - (e) a person in accordance with whose directions, instructions or wishes the Director or Major Shareholder is accustomed or is under an obligation, whether formal or informal, to act;
  - (f) a body corporate or its directors which/who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the Director or Major Shareholder;
  - (g) a body corporate or its directors whose directions, instructions or wishes the Director or Major Shareholder is accustomed or under an obligation, whether formal or informal, to act;
  - (h) a body corporate in which the Director, Major Shareholder or Persons Connected with him are entitled to exercise, or control the exercise of, not less than 15% of the votes attached to voting shares in the body corporate; or
  - (i) a body corporate which is a related corporation
- PMK** : PMK Construction & Design Sdn. Bhd. (538315-X)
- Proposed Renewal of Shareholders' Mandate** : Proposed renewal of the existing shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature
- Related Party(ies)** : A Director or Major Shareholder of HOCK HENG or persons connected with such a Director or Major Shareholder

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**DEFINITIONS (continued)**

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- Recurrent Related Party Transactions or RRPT** : Recurrent related party transactions of a revenue or trading nature, which are necessary for the day-to-day operations of the HOCK HENG Group and is within the ordinary course of business of the HOCK HENG Group
- RM and sen** : Ringgit Malaysia and sen respectively
- Share(s)** : Ordinary share(s) of RM0.50 each in HOCK HENG

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted.

Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

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**HOCK HENG STONE INDUSTRIES BHD.**

(Company No. : 840040-H)

(Incorporated in Malaysia)

**Registered Office**

No. 60-1, Jalan Lagenda 5

Taman 1 Lagenda

75400 Melaka, Malaysia

Date: 4 June 2013

**Board of Directors**

Peter Yong Kuen Fook	<i>(Independent Non-Executive Chairman)</i>
Low Kim Hock	<i>(Managing Director)</i>
Low Kim Joo	<i>(Executive Director)</i>
Low Kim Chung	<i>(Executive Director)</i>
Low Yong Seng	<i>(Executive Director)</i>
Chong Peng Khang	<i>(Independent Non-Executive Director)</i>
Yap Koon Roy	<i>(Independent Non-Executive Director)</i>

**To: The Shareholders of HOCK HENG**

Dear Sir/Madam,

**PROPOSED RENEWAL OF THE EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

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**1.0 INTRODUCTION**

At the 3rd AGM of the Company held on 28 June 2012, the Company had obtained the shareholders' mandate from the shareholders of the Company for the Company and/or its subsidiary companies to enter into RRPTs. The said shareholders' mandate shall expire at the conclusion of the forthcoming 4th AGM, unless approval is obtained for its renewal.

On 18 April 2013, the Company announced to Bursa Securities its intention to seek shareholders' approval for the ordinary resolution in respect of the Proposed Renewal of Shareholders' Mandate.

The purpose of this Circular is to provide you with the details of the proposal and to seek your approval for the Ordinary Resolution in relation thereto to be tabled at the forthcoming 4th AGM of the Company. The Notice of the 4th AGM together with the Form of Proxy is set out in the 2012 Annual Report of the Company, which is dispatched together with this Circular.

**SHAREHOLDERS ARE ADVISED TO READ THE CONTENTS AND APPENDIX OF THIS CIRCULAR CAREFULLY BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE.**

## 2.0 PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE

### 2.1 Details of the Proposed Renewal of Shareholders' Mandate

Pursuant to paragraph 10.09 (2) of the Listing Requirements, the Company may seek shareholders' mandate in respect of RRPTs subject to, inter-alia the following:-

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the Related Party than those generally available to the public;
- (b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is less than the threshold below in relation to the Company with an issued and paid-up capital of RM60.0 million and below:-
  - (i) the consideration, value of the assets, capital outlay or costs of the RRPT is RM1 million or more; or
  - (ii) the percentage ratio of such RRPT is 1% or more,

whichever is the lower;

- (c) the Company's circular to shareholders for the shareholder mandate includes the information as may be prescribed by Bursa Securities. The draft circular must be submitted to Bursa Securities together with a checklist showing compliance with such information;
- (d) in a meeting to obtain shareholders' mandate, the interested Director, interested Major Shareholder or interested person connected with a Director or Major Shareholder; such Director or Major Shareholder must not vote on the Ordinary Resolution approving the RRPT. An interested Director or interested Major Shareholder must ensure that the person connected with him will abstain from voting on the resolution approving the RRPT; and
- (e) the Company immediately announces to Bursa Securities when the actual value of a RRPT entered into by HOCK HENG Group, exceeds the estimated value of the RRPT disclosed in this Circular by 10% or more and must include the information as may be prescribed by Bursa Securities in its announcement.

Accordingly, the Board proposed to seek approval from the shareholders for the Proposed Renewal of Shareholders' Mandate. The Proposed Renewal of Shareholders' Mandate will allow HOCK HENG Group, in their normal course of business, to enter into the existing RRPTs referred to in Section 2.3 provided that such transactions are not more favourable to the Related Party than those generally available to the public and are not detrimental to the minority shareholders of HOCK HENG.

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## 2.0 PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE (continued)

### 2.2 Principal Activities of HOCK HENG Group

The principal activities of HOCK HENG is investment holding. The principal activities of its subsidiary companies are set out below:

<b>Name of Company</b>	<b>Principal activities</b>	<b>Effective equity interest (%)</b>
HHG	Manufacturing and selling of dimension stones and related products	100%
HHMKL	Processing and distribution of dimension stones and renovation works for homes and offices	100%
HHMSR	Processing and trading of dimension stones	100%
PMK	Processing and trading of dimension stones	100%
HHSEC	Processing and trading of dimension stones and related services	80%
HHR	Property development	100%
DBA	Property development	60%

The RRPTs are also subject to the review procedures set out in Section 2.5 in this Circular.

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## 2.0 PROPOSED RENEWAL OF THE EXISTING SHAREHOLDERS' MANDATE (continued)

### 2.3 Classes of Related Parties

Details of the RRPT, including classes of Related Parties with whom the transactions will be carried out and the nature of such transactions contemplated shall include those described below:-

(a) Details of the RRPTs covered under the Proposed Renewal of Shareholders' Mandate are set out below:-

No.	Transacting parties	Nature of relationship	Nature of transactions	Existing Mandate		Estimated aggregate value from the date of forthcoming AGM to the next AGM* (RM)
				Estimated value as disclosed in the Circular to Shareholders dated 6.6.2012 (RM)	Actual aggregate value transacted from 28.6.2012 to 8.5.2013^ (RM)	
1.	LBS	<ul style="list-style-type: none"> <li>Low Kim Hock, Low Kim Joo and Low Kim Chung are Directors and substantial shareholders of the Company, are also Directors and substantial shareholders of LBS.</li> <li>Low Kim Ong is a substantial shareholder of the Company is also Director and substantial shareholder of LBS.</li> </ul>	Rental of premises# paid from HHG to LBS	140,000	77,000	140,000
2.	EMP	<ul style="list-style-type: none"> <li>Low Kim Hock, Low Kim Joo and Low Kim Chung are Directors and substantial shareholders of the Company are also Directors and substantial shareholders of LBS, which owns 70% equity interest in EMP.</li> <li>Low Kim Ong is a substantial shareholder of the Company is also a Director and substantial shareholder of LBS, which owns 70% equity interest in EMP.</li> </ul>	Sales of dimension stone products from PMK to EMP	4,000,000	2,313,674	4,500,000

Notes:

^ The actual aggregate values from 28.6.2012 to 8.5.2013 (being the latest practicable date prior to the printing of the Circular).

\* Proposed mandate from 28 June 2013 (one day after the AGM to be held on 27 June 2013) to the next AGM. The estimated aggregate value are arrived after taking into consideration the actual values of RRPTs entered for the financial year ended 31 December 2012 and are considering the estimate values to be entered into by HOCK HENG and as such, may be subject to changes.

# Description of the rented premises:

Ownership of property	Address	Description of property/ Existing use	Approximately land area/ Built-up Area (Square meters)	Monthly rental (RM)
LBS	PT 13139, Mukim Batu Berendam, 75350 Melaka.	Double storey bungalow/ staff quarters	13,702/ 710	4,000
	Lot 1899, Mukim Batu Berendam, 75350 Melaka.	Vacant land/ stockyard	3,938	3,000

## 2.0 PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE (continued)

### 2.3 Nature of the RRPT and classes of the Related Parties (continued)

(b) The Directorships and shareholdings of the interested parties in the related companies are as follows:-

No.	Interested Directors and/or Major Shareholders of Related Parties	Directorship	Shareholdings as at 8 May 2013	
			Direct	Indirect
1.	In LBS - Low Kim Hock - Low Kim Joo - Low Kim Chung - Low Kim Ong	√ √ √ √	25% 25% 25% 19%	- - - -
2.	In EMP - Low Kim Hock - Low Kim Joo - Low Kim Chung - Low Kim Ong	√ √ √ -	- - - -	*70% *70% *70% *70%

Note:

\* Deemed interest by virtue of their interest in LBS pursuant to Section 6A of the Act, which in turn holds 70% equity interest in EMP.

### 2.4 Details of the sums due and owing by the Related Parties pursuant to a RRPT which exceeded the Credit Term as at 31 December 2012

There is no amount due and owing to the HOCK HENG Group by its Related Parties pursuant to RRPTs which has exceeded the credit term. As such, the disclosures as required under Paragraph 16A and 16B in Annexure PN 12-A of the Listing Requirements are not applicable.

### 2.5 Disclosure and Review Procedures for the RRPT

HOCK HENG Group has established various procedures to ensure that the RRPT are undertaken on an arm's length basis and on normal commercial terms, which are consistent with HOCK HENG Group's usual business practices and policies and are on terms not more favourable to the Related Parties than those extended to public and are not to the detrimental of the minority shareholders of HOCK HENG.

To monitor the RRPT, the following review procedures have been implemented and will continue to be in force for the period under which the Proposed Renewal of Shareholders' Mandate is sought for:-

- (a) An updated list of Interested Parties will be circulated to all subsidiary companies within HOCK HENG Group from time to time for reference in ensuring that all transactions with such Interested Parties are undertaken on an arm's length basis and on normal commercial terms which are not more favourable to the Interested Party than those generally made available to the public;

## **2.0 PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE (continued)**

### **2.5 Disclosure and Review Procedures for the RRPT (continued)**

- (b) The pricing shall be at the prevailing market rates/prices that are agreed upon under similar commercial terms for transactions with third parties, business practices and policies and on terms which are generally in line with relevant industry norms. At least 2 other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to/by the Related Parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities. In the event that quotations or comparative pricing from unrelated third parties cannot be obtained, the price and terms of the RRPT will be determined by HOCK HENG Group in accordance with applicable industry norms, prevailing commercial rates and at rates not more favourable to the mandated related parties than those generally available to the public and are not detrimental to the Group or the minority shareholders.

The thresholds for approvals of RRPT within HOCK HENG Group are consistent with transactions entered into with other unrelated parties. All transactions are approved by the Board after the reviewed by the Audit Committee;

- (c) The Directors of HOCK HENG who connected to Related Parties are required to declare their interest, direct or indirect, and shall abstain from deliberation or voting in respect of such transactions at the Board or Audit Committee meetings and continue to abstain from voting on the resolution approving the transactions;
- (d) Records will be maintained by the Company to capture all RRPTs entered into pursuant to the Proposed Renewal of Shareholders' Mandate to ensure that relevant approvals have been obtained and review procedures in respect of such transactions are adhered to.
- (e) The Audit Committee will review the procedures set by HOCK HENG to monitor RRPTs at every quarter with the review of quarterly results and reported to the Board to ensure that the RRPTs are not more favourable to the Related Parties and will not be detrimental to the minority shareholders of the Company. All reviews by the Audit Committee are reported to the Board for further action. In its review and approval of such transactions, the Audit Committee may, as it deems fit, request for additional information pertaining to the transactions from independent sources or advisers;
- (f) The Board and the Audit Committee shall review the internal audit reports to ascertain that the guidelines and procedures established to monitor recurrent transactions are adhered to;
- (g) In the case of RRPTs where any Director has a direct or indirect interest, he shall abstain from all deliberations and voting in respect of the said transaction. Where any member of the Audit Committee is interested in any transactions, that member shall abstain from voting in any matter relating to any decision to be taken by the Audit Committee with respect to such transactions. There are no thresholds for approval of RRPTs as all the transactions will be reviewed by the Audit Committee and approved by the Board of Directors.

### **2.6 Statement by Audit Committee**

The Audit Committee of the Company has seen and reviewed the terms of the Proposed Renewal of Shareholders' Mandate and is satisfied that the review procedures for RRPT as mentioned in Section 2.5 above are sufficient to ensure that such transactions will be carried out on an arm's length basis and on normal commercial terms and on terms which are not more favourable to the Related Parties than those generally made available to the public and not to the detriment of minority shareholders of HOCK HENG. Any member of the Audit Committee who is interested in any RRPTs shall not be involved in the review of the said transaction.

HOCK HENG has in place adequate procedures and processes to monitor, track and identify RRPTs in a timely and orderly manner, and such procedures and processes are reviewed on a quarterly basis or whenever the need arises.

## 2.7 Validity Period

The Proposed Renewal of Shareholders' Mandate if approved by the shareholders at the forthcoming 4th AGM, will be subject to annual renewal and shall only continue to be in force until:-

- (i) the conclusion of the next AGM of the Company following the forthcoming 4th AGM at which the Proposed Renewal of Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at a general meeting, the authority is renewed; or
- (ii) the expiration of the period within which the next AGM of the Company after the forthcoming 4th AGM is required to be held pursuant to section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to section 143(2) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders of the Company in a general meeting before the next AGM,

whichever is the earlier.

## 2.8 Rationale for the Proposed Renewal of Shareholders' Mandate

The RRPTs to be entered into by HOCK HENG Group are all in ordinary course of business. The RRPTs are recurring transactions of a revenue or trading nature which are likely to occur with some degree of frequency and arise at any time and from time to time.

The Proposed Renewal of Shareholders' Mandate is intended to enhance HOCK HENG Group's ability to pursue business opportunities, which are time-sensitive in nature and confidentiality of such transactions, and it may be impractical to seek shareholders' approval on a case-to-case basis before entering into such RRPT. As such, the Board is seeking shareholders' mandate pursuant to paragraph 10.09 of the Listing Requirements to allow the Group to enter into such RRPT made on arm's length basis and on normal commercial terms and which are in the Board's opinion, not prejudicial to the interest of the shareholders and are on terms not more favourable to the Related Party than those generally made available to the public and are not detrimental to the minority shareholders.

By obtaining shareholders' approval for the Proposed Renewal of Shareholders' Mandate and the renewal of the same on an annual basis, the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such RRPT occur would not arise. This would reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings and allow manpower resources and time to be channelled towards attaining other corporate objectives without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

In addition to the above benefits, the Related Parties has also proven to be reliable in its delivery of services and products as well as fulfilling the quality expectations of the Group. Due to previous business dealings with the Related Parties, the Related Parties are familiar with the Group's operations and is able to meet the Group's business requirements even when short notice is given. This has allowed the Group to benefit from sudden business opportunities that has arisen.

## 2.0 PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE (continued)

### 2.9 Interests of the Directors and Major Shareholders and/or Persons Connected to them

The Directors, Major Shareholders and/or Persons Connected as named below, are interested in the Proposed Renewal of Shareholders' Mandate as they are also the Directors and Major Shareholders of the Related Parties as identified in Section 2.3 above.

The Interested Directors, who have interest, direct or indirect, in the RRPTs have and shall continue to abstain from all Board deliberations and voting pertaining to the Proposed Renewal of Shareholders' Mandate.

The Interested Directors together with the Interested Major Shareholders and persons connected to them will abstain from voting in respect of their direct and/or indirect shareholdings in HOCK HENG, on the resolution approving the Proposed Renewal of Shareholders' Mandate at the forthcoming 4th AGM. In addition, the Interested Directors and the Interested Major Shareholders have also undertaken to ensure that persons connected to them will abstain from voting on the resolution approving the Proposed Renewal of Shareholders' Mandate at the forthcoming 4th AGM.

The shareholdings of the Interested Directors, Interested Major Shareholders and persons connected to them as at 8 May 2013 are as follows:-

Interested Party (ies)	Shareholdings as at 8 May 2013			
	Direct	%	Indirect	%
<b>Interested Directors</b>				
Low Kim Hock	4,320,000	5.40	36,040,000 *	45.05
Low Kim Joo	2,592,000	3.24	36,000,000 ^	45.00
Low Kim Chung	2,304,000	2.88	36,000,000 ^	45.00
Low Yong Seng #	40,000	0.05	-	-
<b>Interested Major Shareholders</b>				
Low Kim Ong	2,304,000	2.88	36,000,000 ^	45.00
Jasa Maju Jaya Sdn. Bhd.	36,000,000	45.00	-	-

#### Notes

# Low Yong Seng is the son of Low Kim Hock.

\* Deemed interest by virtue of his substantial shareholdings in Jasa Maju Jaya Sdn. Bhd. and the direct interest of his son, Low Yong Seng in HOCK HENG pursuant to Section 6A of the Act.

^ Deemed interest by virtue of their substantial shareholdings in Jasa Maju Jaya Sdn. Bhd. pursuant to Section 6A of the Act.

Save as disclosed above, none of the other Directors, Major Shareholders and/or persons connected to the Directors and/or Major Shareholders of HOCK HENG, have any interest, whether direct or indirect, in the Proposed Renewal of Shareholders' Mandate.

### 2.10 Financial Effects

The Proposed Renewal of Shareholders' Mandate will not have any material effect on the issued and paid up share capital, net assets or earnings per share or gearing of HOCK HENG and substantial shareholders' shareholdings of HOCK HENG is not expected to be any different from similar transactions with a non-related party. The Proposed Renewal of Shareholders' Mandate will also have no material effects on the Major Shareholders and their respective shareholdings including any benefit which is expected to accrue to the Company as a result of the transactions.

### **3.0 APPROVAL REQUIRED**

The proposal is subject to approval being obtained from the shareholders of HOCK HENG at the forthcoming 4th AGM to be convened or at any adjournment thereof. Save for the approval of the shareholders of HOCK HENG, there are no other approvals required for the proposal.

### **4.0 DIRECTORS' RECOMMENDATION**

Having considered all aspect of the Proposed Renewal of Shareholders' Mandate, the Board of HOCK HENG, save for Mr. Low Kim Hock, Mr. Low Kim Chung, Mr. Low Kim Joo and Mr. Low Yong Seng, being Interested Directors of HOCK HENG, who are interested in the Proposed Renewal of Shareholders' Mandate who have and will continue to abstain from any recommendation by virtue of their respective direct and indirect shareholdings, is of the opinion that the Proposed Renewal of Shareholders' Mandate is fair, reasonable and is in the best interest of the Company.

For the reasons stated above, the Directors (with the exception of Mr. Low Kim Hock, Mr. Low Kim Joo, Mr. Low Kim Chung and Mr. Low Yong Seng) recommend that you vote in favour of the Ordinary Resolution in respect of the Proposed Renewal of Shareholders' Mandate to be proposed at the forthcoming 4th AGM.

### **5.0 AGM**

The Notice of the 4th AGM which is enclosed in the 2012 Annual Report of the Company accompanying this Circular, will be held at the Ballroom of Ornaresort Berhad, Batu 16, Jalan Gapam, Ladang Gapam, Bemban, 75200 Jasin, Melaka on Thursday, 27 June 2013 at 10.30 a.m. for the purpose of considering and if thought fit, passing the resolution pertaining to the Proposed Renewal of Shareholders' Mandate as described herein.

If you are unable to attend and vote in person at the 4th AGM, you are requested to complete, sign and return the enclosed Form of Proxy attached to the 2012 Annual Report of the Company in accordance with the instructions printed thereon as soon as possible, so as to arrive at the Registered Office of the Company at No. 60-1, Jalan Lagenda 5, Taman 1 Lagenda, 75400 Melaka, not less than forty-eight (48) hours before the time scheduled for holding the 4th AGM. The lodging of a completed Proxy Form will not, preclude you from attending and voting in person at the forthcoming 4th AGM should you subsequently wish to do so.

### **6.0 FURTHER INFORMATION**

Shareholders are requested to refer to the attached Appendix I of this Circular for further information.

Yours faithfully

For and on behalf of the Board of Directors of  
**HOCK HENG STONE INDUSTRIES BHD.**

**PETER YONG KUEN FOOK**

*Independent Non-Executive Chairman*

**FURTHER INFORMATION**

**1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Board of HOCK HENG and they individually and collectively accept full responsibility for the accuracy of the information given in this Circular and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this Circular misleading.

**2. MATERIAL LITIGATION**

HOCK HENG and its subsidiary companies are not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the Directors of HOCK HENG do not have any knowledge of any proceedings pending or threatened against HOCK HENG and/or its subsidiary companies or of any facts likely to give rise to any proceedings which may materially affect the financial position and business of HOCK HENG Group, as at the date of this Circular.

**3. MATERIAL CONTRACTS**

There are no material contracts (not being contracts entered into in the ordinary course of business) entered into by HOCK HENG and/or its subsidiary companies within the two (2) years immediately preceding the date of this Circular.

**4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at the date of this Circular, there are no material commitments for capital expenditure contracted or known to be contracted by the Company which may have a substantial impact on the results or the financial position of HOCK HENG Group.

As at the date of this Circular, there are no contingent liabilities incurred or known to be incurred which upon becoming enforceable, may have a substantial impact on the results or the financial position of HOCK HENG Group.

**5. DOCUMENTS FOR INSPECTION**

Copies of the following documents will be available for inspection during normal office hours on any week day (except public holiday) at the Registered Office of HOCK HENG at No. 60-1, Jalan Lagenda 5, Taman 1 Lagenda, 75400 Melaka for a period from the date of this Circular to the date of the 4th AGM:-

- (a) Memorandum and Articles of Association of HOCK HENG;
- (b) Audited Consolidated Financial Statements of HOCK HENG Group for the past two (2) financial years ended 31 December 2011 and 31 December 2012; and
- (c) The unaudited quarterly results of HOCK HENG Group for the three (3) months period ended 31 March 2013.

