

All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this Abridged Prospectus unless stated otherwise.

**THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

If you have sold or transferred all your Stone Master Shares, you should at once hand this Abridged Prospectus, and the accompanying NPA and RSF to the agent/ broker through whom you effected the sale or transfer for onward transmission to the purchaser or transferee. All enquiries concerning the Rights Issue should be addressed to our Share Registrar, Securities Services (Holdings) Sdn Bhd (36869T) at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur.

A copy of this Abridged Prospectus has been registered with the SC. The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of this Abridged Prospectus, and the accompanying NPA and RSF have also been lodged with the Registrar of Companies who takes no responsibility for the contents of these documents.

The approval from our shareholders for the Rights Issue was obtained at our EGM held on 3 September 2014. The approval from Bursa Securities has also been obtained on 23 July 2014 for the admission of the Warrants to the Official List and the listing of and quotation for the Rights Shares and the Warrants as well as the New Stone Master Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities. However, this is not an indication that Bursa Securities recommends the Rights Issue. The admission of the Warrants to the Official List and the listing of and quotation for all the said new securities on the Main Market of Bursa Securities are in no way reflective of the merits of the Rights Issue. Bursa Securities does not take any responsibility for the correctness of statements made or opinions expressed in this Abridged Prospectus. The admission of the Warrants to the Official List and the listing of and quotation for all the said new securities will commence after the receipt of confirmation from Bursa Depository that all the CDS Accounts of the successful Entitled Shareholders and/ or their renounee(s)/ transferee(s) (if applicable) have been duly credited and notices of allotment have been despatched to them.

Our Board has seen and approved all the documentation relating to the Rights Issue. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make the statements in these documents false or misleading.

This Abridged Prospectus, and the accompanying NPA and RSF are only despatched to our Entitled Shareholders whose names appear on our Record of Depositors and who have provided our share registrar with a registered address in Malaysia not later than 5.00 p.m. on 29 May 2015. This Abridged Prospectus, and the accompanying NPA and RSF are not intended to be (and will not be) issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been or will be taken to ensure that the Rights Issue complies with the laws of any countries or jurisdictions other than the laws of Malaysia. Entitled Shareholders and/ or their renounee(s)/ transferee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers and/ or other professional advisers as to whether the acceptance and/ or renunciation (as the case may be) of all or any part of their entitlements to the Rights Shares and the Warrants would result in a contravention of any laws of such countries or jurisdictions. Neither we, RHBIB nor any other professional advisers shall accept any responsibility or liability in the event that any acceptance and/ or renunciation (as the case may be) of the entitlements to the Rights Shares and the Warrants made by the Entitled Shareholders and/ or their renounee(s)/ transferee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in any such countries or jurisdictions.

RHBIB, being our Principal Adviser for the Rights Issue, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue.

**FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH YOU SHOULD CONSIDER, PLEASE REFER TO SECTION 6 OF THIS ABRIDGED PROSPECTUS.**



**STONE MASTER**  
CORPORATION BERHAD  
(Company No.: 498639-X)

(Incorporated in Malaysia under the Companies Act, 1965)

**RENOUNCEABLE RIGHTS ISSUE OF UP TO 184,800,000 NEW ORDINARY SHARES OF RM0.25 EACH IN STONE MASTER CORPORATION BERHAD ("STONE MASTER" OR THE "COMPANY") ("RIGHTS SHARE(S)") ON THE BASIS OF FOUR (4) RIGHTS SHARES FOR EVERY ONE (1) ORDINARY SHARE OF RM0.25 EACH IN STONE MASTER ("NEW STONE MASTER SHARE(S)"), TOGETHER WITH UP TO 92,400,000 FREE DETACHABLE WARRANTS ("WARRANTS") ON THE BASIS OF ONE (1) WARRANT FOR EVERY TWO (2) RIGHTS SHARES SUBSCRIBED FOR, AT 5.00 P.M. ON 29 MAY 2015 AT AN ISSUE PRICE OF RM0.30 PER RIGHTS SHARE**

Principal Adviser



**RHB Investment Bank Berhad**  
(Company No. 19663-P)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

**IMPORTANT RELEVANT DATES AND TIME:**

Entitlement Date	: Friday, 29 May 2015 at 5.00p.m.
Commencement date and time for sale of provisional allotment of rights	: Monday, 1 June 2015 at 9.00a.m.
Last date and time for sale of provisional allotment of rights	: Friday, 5 June 2015 at 5.00p.m.
Last date and time for transfer of provisional allotment of rights	: Wednesday, 10 June 2015 at 4.00p.m.
Last date and time for acceptance and payment	: Monday, 15 June 2015 at 5.00p.m.*
Last date and time for excess application and payment	: Monday, 15 June 2015 at 5.00p.m.*

\* or such later date and time as our Board may determine, and announce not less than two (2) Market Days before the stipulated date and time.

*All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this Abridged Prospectus unless stated otherwise.*

THIS ABRIDGED PROSPECTUS HAS BEEN REGISTERED WITH THE SC. THE REGISTRATION OF THIS ABRIDGED PROSPECTUS SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE RIGHTS ISSUE OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION OR REPORT EXPRESSED IN THIS ABRIDGED PROSPECTUS.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF OUR COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.

BURSA SECURITIES HAS APPROVED THE ADMISSION OF THE WARRANTS TO THE OFFICIAL LIST AND THE LISTING OF AND QUOTATION FOR THE RIGHTS SHARES AND THE WARRANTS AS WELL AS THE NEW STONE MASTER SHARES TO BE ISSUED ARISING FROM THE EXERCISE OF THE WARRANTS ON THE MAIN MARKET OF BURSA SECURITIES. HOWEVER, THIS IS NOT AN INDICATION THAT BURSA SECURITIES RECOMMENDS THE RIGHTS ISSUE.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT IN THE RIGHTS SHARES AND THE WARRANTS. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

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**DEFINITIONS**


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Except where the context otherwise requires, the following definitions shall apply throughout this Abridged Prospectus, the NPA and the RSF:

"Act"	:	The Companies Act, 1965
"Authority to Issue Shares"	:	Authority pursuant to Section 132D of the Act for the Board to issue and allot the Rights Shares, Warrants and New Stone Master Shares to be issued and allotted pursuant to the exercise of the Warrants in relation to the Rights Issue which has lapsed at the last annual general meeting of Stone Master held on 31 March 2015
"Board"	:	The Board of Directors of Stone Master
"Bursa Depository" or "Depository"	:	Bursa Malaysia Depository Sdn Bhd (165570-W)
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (635998-W)
"CDS"	:	Central Depository System
"CDS Account"	:	A securities account established by Bursa Depository pursuant to the Securities Industry (Central Depository) Act, 1991 and the Rules of Bursa Depository for the recording of deposits of securities and for dealings in such securities by a depositor
"CMSA"	:	The Capital Markets and Services Act 2007
"Code"	:	Malaysian Code on Take-Overs and Mergers, 2010
"Corporate Exercises"	:	The Share Capital Reduction, the Rights Issue, the Increase in Authorised Share Capital and the M&A Amendment, collectively
"Dato' Eii"	:	Dato' Eii Ching Siew @ Yii Ching Siew, the New Undertaking Shareholder
"Dato' Lee"	:	Dato' Lee Fong Yin @ Lee Vun Ya, the New Undertaking Shareholder
"Dato' Tan"	:	Dato' Tan Wei Lian
"Deed Poll"	:	The deed poll executed by our Company on 14 May 2015 constituting the Warrants
"Director(s)"	:	The directors of Stone Master and shall have the meaning given in Section 4 of the Act
"EGM"	:	Extraordinary general meeting
"Entitled Shareholder(s)"	:	Our shareholders whose names appear in the Record of Depositors of our Company on the Entitlement Date pursuant to the Rights Issue
"Entitlement Date"	:	5.00 p.m. on 29 May 2015, being the time and date on which the names of our Entitled Shareholders must appear in our Company's Record of Depositors in order to participate in the Rights Issue
"EPS"	:	Earnings per share

**DEFINITIONS (CONT'D)**

"Excess Rights Shares"	:	Rights Shares which are not taken up or not validly taken up by our Entitled Shareholders and/ or their renounee(s)/ transferee(s) (if applicable) prior to excess application pursuant to the Rights Issue
"FPE"	:	Financial period ended/ ending
"FYE"	:	Financial year ended/ ending
"Increase in Authorised Share Capital"	:	The increase in authorised share capital of Stone Master from RM25,000,000 comprising 50,000,000 Stone Master Shares to RM100,000,000 comprising 400,000,000 New Stone Master Shares
"Irrevocable Undertaking"	:	The written irrevocable and unconditional undertaking dated 28 April 2014 provided by Dato' Tan to subscribe up to 11,460,000 Rights Shares, whereby his shareholdings and the shareholdings of his PAC, collectively will increase up to and no more than 30.00% of the enlarged issued and paid-up share capital of Stone Master
"LAT"	:	Loss after taxation
"LBT"	:	Loss before taxation
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	30 April 2015, being the latest practicable date prior to the registration of this Abridged Prospectus with the SC
"LPS"	:	Loss per share
"M&A Amendment"	:	The amendment to the Memorandum and Articles of Association of Stone Master as a consequence of the Share Capital Reduction and Increase in Authorised Share Capital
"Market Day(s)"	:	Any day from Mondays to Fridays (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for the trading of securities
"Maximum Scenario"	:	Assuming all the Entitled Shareholders of Stone Master fully subscribe for their entitlement pursuant to the Rights Issue
"Minimum Scenario"	:	Assuming only the New Undertaking Shareholders collectively subscribe for 11,460,000 New Stone Master Shares pursuant to the Rights Issue, and none of the Entitled Shareholders of Stone Master (other than the New Undertaking Shareholders) subscribe for the Rights Shares
"Minimum Subscription Level"	:	Minimum level of subscription for the Rights Issue of 11,460,000 Rights Shares together with 5,730,000 Warrants based on the New Irrevocable Undertaking
"NA"	:	Net assets
"New Irrevocable Undertaking"	:	The written irrevocable and unconditional undertakings dated 27 March 2015 provided by each of the New Undertaking Shareholders to collectively subscribe for the same amount of Rights Shares in Dato' Tan's Irrevocable Undertaking of 11,460,000 Rights Shares
"New Stone Master Share(s)"	:	Ordinary shares of RM0.25 each in Stone Master from the resultant Share Capital Reduction

**DEFINITIONS (CONT'D)**

"New Undertaking Shareholder(s)"	:	Dato' Eii and Dato' Lee
"NPA"	:	Notice of provisional allotment
"Official List"	:	A list specifying all securities which have been admitted for listing on the Main Market of Bursa Securities and not removed
"PAC"	:	Persons acting-in-concert
"Price Fixing Date"	:	13 May 2015, being the date on which the issue price of the Rights Shares and exercise price of the Warrants have been fixed at RM0.30 per Rights Share and RM0.30 per Warrant, respectively
"Provisional Rights Shares "	:	Rights Shares provisionally allotted to the Entitled Shareholders
"Record of Depositors"	:	A record consisting of names of depositors established by Bursa Depository under the Rules of Depository
"RHBIB" or the "Principal Adviser"	:	RHB Investment Bank Berhad (19663-P)
"Rights Issue"	:	The renounceable rights issue of up to 184,800,000 Rights Shares on the basis of four (4) Rights Shares for every one (1) New Stone Master Share, together with up to 92,400,000 Warrants on the basis of one (1) Warrant for every two (2) Rights Shares subscribed for, on the Entitlement Date at an issue price of RM0.30 per Rights Share
"Rights Share(s)"	:	New Stone Master Shares with detachable Warrants to be issued pursuant to the Rights Issue
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"RSF"	:	Rights subscription form
"SC"	:	Securities Commission Malaysia
"Share Capital Reduction"	:	The cancellation of RM0.25 from the par value of every Stone Master Share pursuant to Section 64(1) of the Act
"Stone Master" or the "Company"	:	Stone Master Corporation Berhad (498639-X)
"Stone Master Group" or the "Group"	:	Stone Master and its subsidiary companies, collectively
"Stone Master Share(s)" or "Share(s)"	:	Ordinary share(s) of RM0.50 each in Stone Master
"WAMP"	:	Weighted average market price
"Warrant(s)"	:	New free detachable warrants to be issued pursuant to the Rights Issue

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**DEFINITIONS (CONT'D)**

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All references to "our Company" and "Stone Master" in this Abridged Prospectus are made to Stone Master Corporation Berhad (498639-X) and references to "our Group" or "Stone Master Group" are made to our Company and our subsidiary companies. All references to "we", "us", "our" and "ourselves" are made to our Company, or where the context requires, our Group or any of our subsidiary companies. All references to "you" in this Abridged Prospectus are made to our Entitled Shareholders.

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

Any reference in this Abridged Prospectus 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 Abridged Prospectus shall be a reference to Malaysian time, unless otherwise specified.

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**CORPORATE DIRECTORY****BOARD OF DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Nationality</b>	<b>Profession</b>
Dato' Eii Ching Siew @ Yii Ching Siew <i>(Executive Chairman)</i>	Marina Court Block D 1107, 11 Floor 88000 Kota Kinabalu Sabah	Malaysian	Company Director
Dato' Lee Fong Yin @ Lee Yun Ya <i>(Deputy Executive Chairman)</i>	No. 133, Kampung Sembulan Jalan Mat Saleh 88818 Kota Kinabalu Sabah	Malaysian	Company Director
Prof. Dr. Wong Kong Yew @ Leong Kong Yew <i>(Executive Director cum Chief Executive Officer)</i>	No. 2, Jalan Watan Taman Watan 68000 Ampang Selangor Darul Ehsan	Malaysian	Company Director
Datin Chan Chui Mei <i>(Executive Director)</i>	No. 12, Jalan USJ 17/13A 47630 Subang Jaya Selangor Darul Ehsan	Malaysian	Company Director
Koh Mui Tee <i>(Executive Director)</i>	5R4, City Apartment Pudu Plaza, Jalan Pudu 55100 Kuala Lumpur	Malaysian	Company Director
Lee Hwa Cheng <i>(Executive Director)</i>	No. 3, Jalan TR 7/3 Tropicana Golf & Country Resort 47410 Petaling Jaya Selangor Darul Ehsan	Malaysian	Company Director
Md Noor bin Abd Rahim <i>(Independent Non-Executive Director)</i>	87, Jalan TR 2/3 Tropicana Golf & Country Resort 47410 Petaling Jaya Selangor Darul Ehsan	Malaysian	Company Director
Lam Man Kai <i>(Independent Non-Executive Director)</i>	RH No. 1, Jalan Sang Kancil 2 88809 Kota Kinabalu Sabah	Malaysian	Company Director
Ching Pong Hua <i>(Independent Non-Executive Director)</i>	9, SS3/76 47300 Petaling Jaya Selangor Darul Ehsan	Malaysian	Company Director
Julius Kong Yik Liang <i>(Independent Non-Executive Director)</i> <i>(Alternate Director to Mr. Lam Man Kai)</i>	BT 5 1/2, Jalan Shantung Lama Penampang 88300 Penampang Sabah	Malaysian	Company Director

**CORPORATE DIRECTORY (CONT'D)**

**AUDIT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Md Noor bin Abd Rahim	Chairman	Independent Non-Executive Director
Ching Pong Hua	Member	Independent Non-Executive Director
Lam Man Kai	Member	Independent Non-Executive Director

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**CORPORATE DIRECTORY (CONT'D)**

<b>HEAD/ MANAGEMENT OFFICE</b>	:	Unit 2-03, Medan Klang Lama 28 No. 419, Jalan Klang Lama 58100 Kuala Lumpur Tel: 03-2382 1777 Fax: 03-7451 9487 Website: www.stonemaster.com.my Email address: enquiry@stonemaster.com.my
<b>COMPANY SECRETARY</b>	:	Cho Yuen Kiew (LS 0009090) No. 18, Jalan Bukit Setiawangsa 5 Taman Setiawangsa 54200 Kuala Lumpur
<b>REGISTERED OFFICE</b>	:	Unit 2-03, Medan Klang Lama 28 No. 419, Jalan Klang Lama 58100 Kuala Lumpur Tel: 03-2382 1777 Fax: 03-7451 9487
<b>SHARE REGISTRAR</b>	:	Securities Services (Holdings) Sdn Bhd (36869T) Level 7, Menara Milenium Jalan Damanlela Pusat Bandar Damansara Damansara Heights 50490 Kuala Lumpur Tel: 03-2084 9000 Fax: 03-2094 9940
<b>AUDITORS AND REPORTING ACCOUNTANTS</b>	:	Messrs Baker Tilly Monteiro Heng (No. AF 0117) Baker Tilly MH Tower Level 10, Tower 1, Avenue 5 Bangsar South City 59200 Kuala Lumpur Tel: 03-2297 1000 Fax: 03-2282 9980
<b>PRINCIPAL BANKERS</b>	:	Malayan Banking Berhad (3813-K) Menara Maybank 100 Jalan Tun Perak 50050 Kuala Lumpur Tel: 03-2070 8833 Fax: 03-2026 5267  United Overseas Bank (M) Berhad (271809-K) 14 - 16 Jalan Dato Captain Ahmad 86000 Kluang Johor Darul Takzim Tel: 07-772 1968 Fax: 07-773 0267
<b>DUE DILIGENCE SOLICITORS</b>	:	Messrs Wong Beh & Toh Level 19, West Block Wisma Selangor Dredging 142-C Jalan Ampang 50450 Kuala Lumpur Tel: 03-2713 6050 Fax: 03-2713 6052

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**CORPORATE DIRECTORY (CONT'D)**

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**PRINCIPAL ADVISER** : RHB Investment Bank Berhad (19663-P)  
Level 12, Tower Three  
RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur  
Tel: 03-9287 3888  
Fax: 03-9287 4770

**STOCK EXCHANGE LISTED AND LISTING SOUGHT** : Main Market of Bursa Securities

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**STONE MASTER**  
CORPORATION BERHAD

(Company No.: 498639-X)  
(Incorporated in Malaysia under the Companies Act, 1965)

**Registered Office**

Unit 2-03, Medan Klang Lama 28  
No. 419, Jalan Klang Lama  
58100 Kuala Lumpur

29 May 2015

**Board of Directors**

Dato' Eii Ching Siew @ Yii Ching Siew (*Executive Chairman*)  
Dato' Lee Fong Yin @ Lee Yun Ya (*Deputy Executive Chairman*)  
Prof. Dr. Wong Kong Yew @ Leong Kong Yew (*Executive Director cum Chief Executive Officer*)  
Datin Chan Chui Mei (*Executive Director*)  
Koh Mui Tee (*Executive Director*)  
Lee Hwa Cheng (*Executive Director*)  
Md Noor bin Abd Rahim (*Independent Non-Executive Director*)  
Lam Man Kai (*Independent Non-Executive Director*)  
Ching Pong Hua (*Independent Non-Executive Director*)  
Julius Kong Yik Liang (*Independent Non-Executive Director*) (*Alternate Director to Mr. Lam Man Kai*)

**To: Our Entitled Shareholders**

Dear Sir/ Madam,

**RENOUNCEABLE RIGHTS ISSUE OF UP TO 184,800,000 NEW STONE MASTER SHARES ON THE BASIS OF FOUR (4) RIGHTS SHARE FOR EVERY ONE (1) EXISTING NEW STONE MASTER SHARES HELD TOGETHER WITH UP TO 92,400,000 WARRANTS ON THE BASIS OF ONE (1) WARRANT FOR EVERY TWO (2) RIGHTS SHARE SUBSCRIBED FOR, AT 5.00 P.M. ON 29 MAY 2015 AT AN ISSUE PRICE OF RM0.30 PER RIGHTS SHARE**

**1. INTRODUCTION**

On 28 April 2014, RHBIB had, on behalf of our Board, announced that we propose to undertake the following Corporate Exercises:

- (i) share capital reduction via the cancellation of RM0.25 from the par value of every existing Stone Master pursuant to Section 64(1) of the Act;
- (ii) renounceable rights issue of up to 184,800,000 Rights Shares on the basis of four (4) Rights Shares for every one (1) New Stone Master Share, together with up to 92,400,000 Warrants on the basis of one (1) Warrant for every two (2) Rights Shares subscribed for, at 5.00 p.m. on 29 May 2015 at an issue price of RM0.30 per Rights Share;
- (iii) increased in the authorised share capital of Stone Master from RM25,000,000 comprising 50,000,000 Stone Master Shares to RM100,000,000 comprising 400,000,000 New Stone Master Shares; and
- (iv) amendment to the memorandum and articles of association of Stone Master.

As at the LPD, all of the Corporate Exercises have been completed save for the Rights Issue.

On 24 July 2014, RHBIB had, on behalf of our Board, announced that Bursa Securities had, vide its letter dated 23 July 2014, resolved to approve the following:

- (i) the admission of up to 92,400,000 of the Warrants to be issued pursuant to the Rights Issue to the official list of Bursa Securities;
- (ii) listing of and quotation for the Rights Shares and Warrants to be issued pursuant to the Rights Issue on the Main Market of Bursa Securities; and
- (iii) listing of and quotation for the New Stone Master Shares to be issued upon exercise of the Warrants on the Main Market of Bursa Securities.

The aforementioned approval is subject to the following conditions:

<u>Conditions</u>	<u>Status of compliance</u>
(i) Stone Master and RHBIB must fully comply the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue	To be met
(ii) Stone Master and RHBIB to inform Bursa Securities upon the completion of the Rights Issue	To be met
(iii) Stone Master to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Corporate Exercises are completed	To be met
(iv) Stone Master to furnish Bursa Securities with a certified true copy of the resolution passed by shareholders at EGM for the Corporate Exercises	To be met
(v) Stone Master is required to furnish Bursa Securities on a quarterly basis a summary of the total number of New Stone Master Shares listed pursuant to the exercise of all Warrants respectively as at the end of each quarter together with a detailed computation of listing fees payable	To be met

On 3 September 2014, our shareholders approved the Corporate Exercises at our EGM. A certified true extract of the ordinary resolution pertaining to the Rights Issue passed at the aforementioned EGM, is set out in **Appendix I** of this Abridged Prospectus.

On 7 October 2014, our Company obtained approval from the High Court of Malaya for the Share Capital Reduction via the cancellation of RM0.25 from the par value of every Stone Master Share pursuant to Section 64(1) of the Act. The Share Capital Reduction was completed on 5 November 2014.

On 20 January 2015, RHBIB had, on behalf of our Board, announced that our Company had on 15 January 2015 received a letter from Dato' Tan's solicitors stating that Dato' Tan wishes to revoke his Irrevocable Undertaking in relation to the Rights Issue. Notwithstanding the above, the Company had on the same date also announced that the Company will procure new irrevocable undertakings from the New Undertaking Shareholders to subscribe for the same amount of Rights Shares as Dato' Tan's previous Irrevocable Undertaking.

On 27 March 2015, RHBIB had, on behalf of our Board, announced that the New Undertaking Shareholders have executed their respective New Irrevocable Undertaking. The details of the New Undertaking Shareholders' shareholdings are set out in **Section 4** of this Abridged Prospectus.

On 21 April 2015, our Board announced that our Company would need to obtain shareholders' approval at an EGM in respect of the Authority to Issue Shares. Our shareholders had approved the Authority to Issue Shares at an EGM convened on 8 May 2015. A certified true extract of the ordinary resolution pertaining to the Authority to Issue Shares passed at the aforementioned EGM, is set out in **Appendix I** of this Abridged Prospectus.

On 13 May 2015, RHBIB had, on behalf of our Board, announced that the issue price of the Rights Shares and the exercise price of the Warrants have been fixed at RM0.30 per Rights Share and RM0.30 per Warrant, respectively.

On 15 May 2015, RHBIB had, on behalf of our Board, announced that the Entitlement Date has been fixed on 29 May 2015 at 5.00 p.m., along with other relevant dates pertaining to the Rights Issue.

The official listing of and quotation for the Rights Shares and Warrants to be issued pursuant to the Rights Issue will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS Accounts of the Entitled Shareholders and/ or their renounee(s)/ transferee(s) have been duly credited and notices of allotment have been despatched to them.

While our Board invites your participation in the Rights Issue, you are advised to refer to the Risk Factors as disclosed in **Section 6** of this Abridged Prospectus before making your investment decision.

No person is authorised to give any information or to make any representation not contained in this Abridged Prospectus in connection with the Rights Issue and if given or made, such information or representation must not be relied upon as having been authorised by us or RHBIB.

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

## **2. DETAILS OF THE RIGHTS ISSUE**

### **2.1 Particulars of the Rights Issue**

The Rights Issue entails an issuance of up to 184,800,000 Rights Shares on a renounceable basis of four (4) Rights Shares for every one (1) New Stone Master Share held, together with up to 92,400,000 Warrants on the basis of one (1) Warrant for every two (2) Rights Shares subscribed for by the Entitled Shareholders and/ or their renounee(s)/ transferee(s) (if applicable) on the Entitlement Date at an issue price of RM0.30 per Rights Share.

The Rights Issue will be implemented on the Minimum Subscription Level. As such, Stone Master will not procure any underwriting arrangement. The Minimum Subscription Level was determined based on, amongst others, the funding requirements of the Stone Master Group that will be channelled towards the proposed utilisation as set out in **Section 5** of this Abridged Prospectus. The Rights Shares will be provisionally allotted to the shareholders of Stone Master whose names appear in the Record of Depositors of our Company on the Entitlement Date.

**The Rights Issue is renounceable in full or in part. Accordingly, the Entitled Shareholders who renounce all or any part of their entitlements to the Rights Shares provisionally allotted to them under the Rights Issue will simultaneously relinquish any accompanying entitlement to the Warrants. For avoidance of doubt, the Rights Shares and the Warrants are not separately renounceable.**

**Any unsubscribed Rights Shares will be made available to other Entitled Shareholders and/ or their renounee(s)/ transferee(s) (if applicable) under the Excess Rights Shares application. Fractional entitlements of the Rights Shares arising from the Rights Issue, if any, shall be dealt with in such manner as the Board shall in their absolute discretion deem fit and expedient, and to be in the best interest of our Company. It is the intention of our Board to allocate the Excess Rights Shares, if any, in a fair and equitable manner, and on the basis as set out in Section 10.8 of this Abridged Prospectus.**

The Warrants will be immediately detached from the Rights Shares upon issuance and will be traded separately. The Warrants will be issued in registered form and constituted by the Deed Poll.

As the Rights Shares and the Warrants are prescribed securities, your CDS Account will be duly credited with the number of Provisional Rights Shares which you are entitled to subscribe for in full or in part under the terms of the Rights Issue. You will find enclosed in this Abridged Prospectus, a NPA notifying you of the crediting of such securities into your CDS Account and a RSF to enable you to subscribe for the Provisional Rights Shares, as well as to apply for the Excess Rights Shares if you choose to do so.

Any dealings in our securities will be subject to, *inter-alia*, the provisions of the Securities Industry (Central Depositories) Act, 1991, the Rules of Bursa Depository and any other relevant legislation. Accordingly, the Rights Shares, the Warrants and the New Stone Master Shares to be allotted and issued arising from the exercise of the Warrants will be credited directly into the respective CDS Accounts of the successful applicants and the shareholders who exercise the Warrants (as the case may be). No physical share or warrant certificates will be issued.

We will allot and issue the Rights Shares, despatch notices of allotment to the successful applicants and make an application for the quotation for the Rights Shares and the Warrants within eight (8) Market Days from the last date for acceptance of and payment for the Rights Shares or such other period as may be prescribed by Bursa Securities. The Rights Shares and the Warrants will then be quoted on the Main Market of Bursa Securities two (2) Market Days after the application for quotation is made to Bursa Securities.

## **2.2 Basis and justification of determining the issue price of the Rights Shares**

On 13 May 2015, RHBIB had, on behalf of our Board, announced that the issue price of the Rights Shares has been fixed by our Board at RM0.30 each. This represents a discount of approximately 26.83% to the theoretical ex-rights price of New Stone Master Shares of RM0.41, calculated based on the five (5)-day WAMP of New Stone Master Shares up to and including 12 May 2015, being the last trading day of Stone Master Shares immediately preceding the price-fixing date for the Rights Shares. The issue price for the Rights Shares was determined by our Board after taking into consideration of the following:

- (i) the theoretical ex-rights price of the New Stone Master Shares based on the five (5)-day WAMP of Stone Master immediately prior to the Price Fixing Date;
- (ii) the new par value of the New Stone Master Shares after the Share Capital Reduction; and
- (iii) the funding requirements of Stone Master as set out in **Section 5** of this Abridged Prospectus.

## **2.3 Basis and justification of determining the exercise price of the Warrants**

On 13 May 2015, RHBIB had, on behalf of our Board, announced that the exercise price of the Warrants has been fixed by our Board at RM0.30 each. This represents a discount of approximately 26.83% to the theoretical ex-rights price of New Stone Master Shares of RM0.41, calculated based on the five (5)-day WAMP of New Stone Master Shares up to and including 12 May 2015, being the last trading day of New Stone Master Shares immediately preceding the date of fixing the said exercise price. The exercise price of the Warrants was determined by our Board on the Price Fixing Date based on market based principles after taking into consideration, amongst others, the following:

- (i) the historical and current financial performance of the Stone Master Group;
- (ii) the five (5)-day WAMP of New Stone Master Shares prior to the Price Fixing Date for the Warrants;



- (iii) the longer-term funding requirements of the Stone Master Group; and
- (iv) in any case, the exercise price will not be lower than the par value of the New Stone Master Shares.

For avoidance of doubt, the Warrants which are attached to the Rights Shares will be issued at no cost to our Entitled Shareholders who subscribe for the Rights Shares.

#### **2.4 Ranking of the Rights Shares, Warrants and New Stone Master Shares to be issued arising from the exercise of the Warrants**

The Rights Shares to be issued shall, upon allotment and issuance, rank *pari passu* in all respects with the New Stone Master Shares, save and except that they will not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid prior to the allotment and issuance of the Rights Shares.

The holders of the Warrants will not be entitled to any voting rights or participation in any form of distribution and/or offer of further securities in our Company until and unless such holders of the Warrants exercise their Warrants into New Stone Master Shares.

The New Stone Master Shares to be issued arising from the exercise of the Warrants shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing New Stone Master Shares, save and except that they will not be entitled to any dividends, rights, allotment and/ or any other distributions that may be declared, made or paid prior to the relevant allotment date of the said New Stone Master Shares.

#### **2.5 Salient terms of the Warrants**

The principal terms of the Warrants are set out below:

Issue size	:	Up to 92,400,000 Warrants to be issued in conjunction with the Rights Issue to the entitled shareholders of Stone Master on the basis of one (1) Warrant for every two (2) Rights Shares subscribed
Form and denomination	:	The Warrants which are issued with the Rights Shares are immediately detached upon issuance and will be separately traded. The Warrants will be issued in registered form and constituted by the Deed Poll
Exercise Rights	:	Each Warrant entitles the registered holder, at any time during the Exercise Period, to subscribe for one (1) New Stone Master Share at the Exercise Price, subject to adjustments in accordance with the provisions of the Deed Poll
Exercise Period	:	The Warrants may be exercised at any time within five (5) years commencing from and including the date of issue of the Warrants and ending at 5.00 pm on the Expiry Date
Exercise Price	:	The exercise price of the Warrants is fixed at RM0.30, after taking into consideration the theoretical ex-rights price of the New Stone Master Shares at the Price Fixing Date, subject to the exercise price not being less than the par value
Expiry Date	:	The day falling immediately before the fifth (5 <sup>th</sup> ) Anniversary of the date of issuance of the Warrants and if such date is not a Market Day, then on the preceding Market Day. Any of the Warrants which have not been exercised and delivered to our Company's registrar by the Expiry Date will lapse and cease thereafter to be valid for any purpose

- Mode of exercise : The registered holder of a Warrant is required to lodge a subscription form, as set out in the Deed Poll, with our Company's registrar, duly completed, signed and stamped together with payment of the Exercise Price by bankers' draft or cashier's order drawn on a bank operating in Malaysia or a money order or postal order issued by a post office in Malaysia in accordance to the Deed Poll
- Mode of transfer : The Warrants are transferrable in the manner and according to the provisions of the Deed Poll, Securities Industry (Central Depositories) Act 1991 and the rules of Bursa Depository
- Board lot : For the purpose of trading on Bursa Securities, a board lot of Warrants shall comprise 100 Warrants carrying the right to subscribe for 100 New Stone Master Shares at any time during the Exercise Period, or such denomination as determined by Bursa Securities
- Listing status : The Warrant will be listed on the Main Market of Bursa Securities. Bursa Securities has, vide its letter dated 23 July 2014, provided its approval for the listing of and quotation for the Warrants and the listing of New Stone Master Shares arising from the exercise of Warrants on the Main Market of Bursa Securities
- Ranking of new Shares : The New Stone Master Shares to be issued pursuant to the exercise of the Warrants, shall upon allotment and issue, rank *pari passu* in all respects with the existing New Stone Master Shares, save and except that they will not be entitled to any dividend, right, allotment, and/or other distributions that may be declared, made or paid, the entitlement date of which is prior to the relevant allotment and issuance date of the said New Stone Master Shares
- Rights in the event of winding up, liquidation, compromise and/ or arrangement : Where a resolution has been passed for a members' voluntary winding up of our Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of our Company or the amalgamation of our company with one or more companies, then:
- (i) For the purpose of such winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which our Company is the continuing corporation) to which the registered Warrant holders, or some persons designated by them for such purposes by a special resolution, will be a party, the terms of such winding-up, compromise or arrangement will be binding on all registered Warrants holders; and
  - (ii) In any other case, every registered Warrant holder shall be entitled upon and subject to the provisions of the Deed Poll at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding up of our Company or six (6) weeks after the granting of the court order approving the compromise or arrangement, by the irrevocable surrender of this Warrants to our Company, elect to be treated as if he had immediately prior to the commencement of such winding up, compromise or arrangement exercised the Exercise Rights represented by his Warrants to the extent specified in the relevant exercise forms and be entitled to receive out of the assets of our Company which would be available in liquidation as if he had on such date been the holder of the New Stone Master Shares to which he would have been entitled to pursuant to such exercise and the liquidator of our Company will give effect to such election accordingly

Adjustments in the Exercise Price and/ or number of New Warrants	:	The Exercise Price and/ or number of unexercised Warrants may be adjusted by the Board, in consultation with its professional advisers and certified by the auditors, in the event of alteration to the share capital of our Company, including but not limited to consolidation or subdivision or conversion, issuance of shares or convertible securities or any other events in accordance with the provisions of the Deed Poll
Rights of the Warrant holders	:	Warrant holders are not entitled to any dividends, rights, allotments and/or other distributions and/or offer of further securities unless otherwise resolved by our Company in a general meeting. The Warrant holders are not entitled to any voting rights or participation in any form of distribution and/or offer of securities in our Company
Deed Poll	:	The deed poll constituting the Warrants was executed on 14 May 2015
Governing Law	:	Laws and regulations of Malaysia

## 2.6 Details of other corporate exercises

Save for the Rights Issue, there are no other corporate exercises announced but pending completion which is subject to the approval of the shareholders of Stone Master.

Our Board also wishes to confirm that the Rights Issue is not conditional upon any other corporate exercise/ scheme undertaken or to be undertaken by Stone Master.

## 3. RATIONALE AND JUSTIFICATION FOR THE RIGHTS ISSUE

The Rights Issue will enable Stone Master to raise minimum gross proceeds of RM3,438,000 and maximum gross proceeds of RM55,440,000 from the shareholders of Stone Master to repay bank borrowings, for working capital purposes, to upgrade and acquire new equipment in order to increase production and efficiency and to purchase raw materials, and to defray estimated expenses for the Corporate Exercises as set out in **Section 5** of this Abridged Prospectus under the Maximum Scenario. The gross proceeds arising from the Rights Issue based on the Maximum Scenario is also expected to further enhance our Group's revenue base and profitability by undertaking the necessary investment and expansion strategies when such opportunity arises. As at the LPD, our Board has yet to identify any specific businesses/assets for acquisition or investment.

After due consideration of the various options available, our Board is of the view that the Rights Issue is currently the most appropriate avenue for Stone Master after taking into consideration several major factors including the following:

- (i) The Rights Issue will improve liquidity and financial flexibility, as well as to optimise Stone Master's capital structure by strengthening the statement of financial position and reducing its current gearing level;
- (ii) The Warrants attached to the Rights Shares are expected to enhance the attractiveness of the Rights Issue. In addition, any exercise of the Warrants will further strengthen Stone Master's capital base, increase the shareholders' funds and improve its gearing level;
- (iii) The Rights Issue will provide an opportunity for the existing shareholders of Stone Master to further participate in the equity of our Company and benefit from the potential future growth of Stone Master; and
- (iv) The Rights Issue will enable Stone Master to retire part or all of its bank borrowings and enjoy interest savings thereafter and also meet its working capital requirements of Stone Master (assuming full subscription by all shareholders of Stone Master of their Rights Shares entitlements).

#### 4. IRREVOCABLE UNDERTAKING AND UNDERWRITING ARRANGEMENT

Stone Master proposes to undertake the Rights Issue on a minimum level of subscription of 11,460,000 Rights Shares together with 5,730,000 Warrants. The minimum subscription basis is determined based on the intended funding requirements of Stone Master after taking into consideration the working capital requirements of our Group primarily for operating/administration expenses and repayment of bank borrowings which are set out in **Section 5** of this Abridged Prospectus. No underwriting arrangement will be made for the balance of the Rights Shares not subscribed pursuant to the Rights Issue.

On 28 April 2014, Dato' Tan, who was a substantial shareholder of Stone Master, had provided his Irrevocable Undertaking. He was appointed as an Executive Director of Stone Master on 23 May 2014. He resigned as a director of Stone Master on 9 September 2014 and subsequently ceased to be a substantial shareholder of our Company. As at the LPD, he is still a shareholder of Stone Master.

On 20 January 2015, RHBIB had, on behalf of our Board, announced that our Company had on 15 January 2015 received a letter from Dato' Tan's solicitors stating that Dato' Tan wishes to revoke his Irrevocable Undertaking in relation to the Rights Issue as Dato' Tan claimed that he was wrongfully removed as director of Stone Master. Notwithstanding the above, the Company had on the same date also announced that the Company will procure new irrevocable undertakings from the New Undertaking Shareholders to subscribe for the same amount of Rights Shares as Dato' Tan's previous Irrevocable Undertaking.

The Company had on 25 March 2015 served a writ of summons on Dato' Tan claiming damages for breach of undertaking in relation to the Rights Issue. On 22 April 2015, the Company has received Dato' Tan's statement of defence and the Company has subsequently filed and served the reply to Dato' Tan's statement of defence on 30 April 2015. The solicitors acting for the Company in this case are of the opinion that this litigation claim will not in any event affect the interest of the Company or the shareholders of the Company as the Company's claim is on damages and the Company is the plaintiff in this suit. During the case management on 22 May 2015, the court has fixed the further post trial case management on 22 July 2015 for both parties to file the necessary documents to the court. The court has also fixed the full trial to be held from 28 September 2015 to 30 September 2015. In addition, the court has instructed both parties to refer the matter for mediation prior to the full trial.

On 27 March 2015, RHBIB had, on behalf of our Board, announced that the New Undertaking Shareholders have executed their respective New Irrevocable Undertaking.

Dato' Eii and Dato' Lee, who are both substantial shareholders and Directors of Stone Master, had each provided the New Irrevocable Undertaking. The details of the New Undertaking Shareholders' undertakings are as follows:

New Undertaking Shareholders	Shareholdings as at the LPD		Total no. of Rights Shares undertaken to be subscribed		Warrants to be issued pursuant to Rights Shares subscribed
	No. of Stone Master Shares	%	No. of Rights Shares	% <sup>(1)</sup>	No. of Warrants
Dato' Eii	8,500,000	18.40	9,950,000	5.38	4,975,000
Dato' Lee	7,539,600	16.32	1,510,000	0.82	755,000
<b>Total</b>	<b>16,039,600</b>	<b>34.72</b>	<b>11,460,000</b>	<b>6.20</b>	<b>5,730,000</b>

Note:

(1) Based on the 184,800,000 Rights Shares to be issued under the Maximum Scenario.

Notwithstanding the procurement of the undertaking by the New Undertaking Shareholders as set out above, in the event that the Minimum Subscription Level is not achieved, the Rights issue will be aborted. As a result, all subscription monies received will be returned in full without interest to the Stone Master shareholders and/or their renounee(s)/ transferee(s) who have submitted their applications for the subscription of the Rights Shares. As at the LPD, our Company does not have any other alternative plan in the event the Minimum Subscription Level is not achieved.

Upon completion of the Corporate Exercises, the equity interest of the New Undertaking Shareholders in Stone Master is as follows:

	Minimum Scenario				Maximum Scenario			
	Shareholdings		Warrants holdings		Shareholdings		Warrants holdings	
	No. of New Stone Master Shares	%	No. of the Warrants	%	No. of New Stone Master Shares	%	No. of the Warrants	%
Dato' Eii	18,450,000	32.00	4,975,000	86.82	42,500,000	18.40	17,000,000	18.40
Dato' Lee	9,049,600	15.69	755,000	13.18	37,698,000	16.32	15,079,200	16.32

The New Undertaking Shareholders have confirmed that they have sufficient financial resources to fulfil the New Irrevocable Undertaking and such confirmations have been verified by RHBIB.

**For avoidance of doubt, the abovementioned respective undertakings based on the Minimum Scenario will not give rise to any mandatory general offer obligation pursuant to the Code.**

## 5. UTILISATION OF PROCEEDS

The Rights Issue is expected to raise an estimated minimum gross proceeds of RM3,438,000 and a maximum gross proceeds of RM55,440,000. The proceeds are expected to be utilised in the following manner:

Details of utilisation	Minimum Scenario RM'000	Maximum Scenario RM'000	Estimated timeframe for utilisation of proceeds
Working capital <sup>(1)</sup>	265	7,000	Within twenty-four (24) months
Upgrading and acquiring new equipment <sup>(2)</sup>	-	4,000	Within twenty-four (24) months
Repayment of bank borrowings <sup>(3)</sup>	2,273	26,478	Within six (6) months
Acquisition of other businesses/assets <sup>(4)</sup>	-	17,062	Within twenty-four (24) months
Estimated expenses <sup>(5)</sup>	900	900	Within one (1) month
<b>Total</b>	<b>3,438</b>	<b>55,440</b>	

Notes:

(1) The proceeds for the working capital are estimated to be utilised in the following manner:

Description	Minimum Scenario RM'000	Maximum Scenario RM'000
Operating/administrative expenses for the Stone Master Group*	265	4,000
Purchase of raw materials#	-	3,000
<b>Total</b>	<b>265</b>	<b>7,000</b>

Notes:

\* The proceeds of up to RM4,000,000 will be utilised for general operating/administrative expenses of Stone Master Group, which consist of staff costs, auditing and secretarial fees, professional fees, office maintenance, upkeep of motor vehicle, insurance, travelling expenses, utilities and other administrative costs.

# Purchase of raw materials which consists of marble, granite and onyx.

If our Group does not raise sufficient proceeds from the Rights Issue to fund the working capital of our Group, our Board will endeavour to raise the necessary funds to meet its working capital requirement via amongst others, equity fund raising such as private placement and/or borrowings such as shareholders and/or Directors advances and/or bank borrowings.

- (2) Our Company intends to allocate up to RM4,000,000 of the proceeds for the purpose of upgrading and acquiring new equipment. The proceeds are anticipated to be utilised in the following manner:

Description	Maximum Scenario RM'000
The purchase and upgrading of production equipment:	
(a) One (1) unit of gang saw which is used to cut large pieces of marble or granite blocks into slabs and one (1) unit of automatic polishing line for marble and granite slabs. The total value of supply, including installation and cost insurance and freight ("CIF") for the upgrading of this equipment is estimated to be approximately RM3,000,000.	3,000
(b) One (1) unit of resin filling line to fill and reinforce the marble slabs to produce a smooth and glossy surface on the marble slab. The total value of supply, including installation and CIF of this equipment is estimated to be approximately RM1,000,000.	1,000
<b>TOTAL</b>	<b>4,000</b>

The actual utilisation for each component as stated above may differ at the time of utilisation. Any shortfall in funds allocated for the purchase and upgrading of new equipment will be funded from borrowings such as shareholders and/or Directors advances and/or bank borrowings. Any excess in funds allocated for the purchase and upgrading of new equipment will be used for the working capital of the Stone Master Group. As at the LPD, our Company has not entered into any agreements and/or arrangement to purchase these new equipment.

- (3) As at LPD, the total borrowings of Stone Master stood at approximately RM26.55 million. Our Company proposes to utilise up to RM26.48 million of the proceeds raised from the Rights Issue to repay the Stone Master Group's existing bank borrowings save for the hire purchase payable which amounts to RM76,000 as at the LPD.

Repayment of bank borrowings is as follows:

No.	Facility	Bank name	Amount outstanding as at the LPD (RM'000)	Minimum Scenario proposed repayment (RM'000)	Maximum Scenario proposed repayment (RM'000)	Interest rate/ Profit rate (% per annum)/ Maturity date	Purpose of borrowing
1	Term Loans/ Overdraft/ Trade Line	Malayan Banking Berhad/ Maybank Islamic Berhad	18,213 *	2,223	18,213	8.60% - 10.00%/ May 2019	Working capital <sup>(a)</sup>
2	Term Loan/ Overdraft	Hong Leong Bank Berhad	2,638	-	2,638	5.35% - 7.85%/ January 2024	Working capital <sup>(b)</sup>
3	Overdraft	CIMB Bank Berhad	500	50	500	8.35%	Working capital <sup>(c)</sup>
4	Trade Line	United Overseas Bank (M) Berhad	5,127	-	5,127	7.90%	Working capital <sup>(d)</sup>
<b>TOTAL</b>			<b>26,478</b>	<b>2,273</b>	<b>26,478</b>		

Notes:

# The higher interest charge was due to the conversion of the bankers' acceptance / trade line facility to a term loan facility in 2012.

\* The breakdown of the term loans, overdraft and trade line of Malayan Banking Berhad and Maybank Islamic Berhad as at the LPD are as follows:

No.	Banks	Facility	Amount outstanding (RM)
1	Malayan Banking Berhad	Term loan	3,962
2	Maybank Islamic Berhad	Term financing	9,476 <sup>^</sup>
3	Malayan Banking Berhad	Overdraft	1,268
4	Malayan Banking Berhad	Trade line	3,507
<b>TOTAL</b>			<b>18,213</b>

Note:

<sup>^</sup> The amount outstanding for the Maybank Islamic Berhad term financing, which comprises of principal amount of RM8.20 million and the advance monthly profit of RM1.28 million is calculated and imposed by Maybank Islamic Berhad as at the LPD in the event that our Company is unable to fully repay the Maybank Islamic Berhad term financing by 30 June 2015. Maybank Islamic Berhad had informed our Company that if our Company is able to settle the Maybank Islamic Berhad term financing by 30 June 2015, our Company would only be required to pay RM8.28 million which comprises of the principal amount of RM8.20 million and the advance monthly profit of RM0.08 million.

- (a) *The working capital is for the purchase of raw materials and new machines.*
- (b) *The working capital is for the following:*
  - (i) *purchase of raw materials;*
  - (ii) *administrative expenses such as staff costs, rental and utility charges;*
  - (iii) *selling and distribution expenses such as transportation fee, warehouse and commission to the agents; and*
  - (iv) *purchase of a single factory cum three (3) storey office which will be used as warehouse, showroom and office.*
- (c) *The working capital is for the administrative expenses such as staff cost, rental and utility charges.*
- (d) *The working capital for the purchase of raw materials and financing for projects,*

*The repayment of bank borrowings amounting between RM2.27 million and RM26.48 million (as the case may be) is expected to result in interest savings of up to approximately RM542,000 to RM2,626,000 per annum (calculated based on the respective interest rates and facilities set out above). The interest savings is based on the assumption that the proceeds from the Rights Issue will be utilised to repay the abovementioned bank borrowings which are outstanding as at the LPD. Based on the Minimum Scenario, the repayment to Maybank Islamic Berhad is prioritised due to conditions imposed by Maybank Islamic Berhad. Further, the repayments to Malayan Bank Berhad and CIMB Bank Berhad are to reduce the term loan and overdraft facility respectively.*

*There are no early repayments penalties for the full settlement of the bank borrowings (which is proposed to be repaid based on the Maximum Scenario) save for the Hong Leong Bank Berhad's term loan pursuant to the facility agreement dated 30 January 2012.*

- (4) *The proceeds of up to RM17.06 million is earmarked to part or fully finance potential acquisitions/investments in similar or other businesses when the opportunity arises for future business expansion of Stone Master Group's activities. These acquisitions/investments may include but is not limited to companies with similar core business, business within the same value chain and real estates (with or without development potential). As at the LPD, our Board has yet to identify any specific businesses/assets for acquisition or investment. Our Company will make an immediate announcement upon approval of our Board of such acquisition or investment, if required under the Listing Requirements. In the event any other approvals are required for the potential acquisitions/future investments, such approval will be sought accordingly. Any excess/shortfall in the actual amount utilised for future investments would be adjusted to/from working capital.*

*Pending the identification of new businesses to be invested in, our Company will place the unutilised cash proceeds in interest-bearing bank deposits and/or money market financial instruments.*

*If our Company is unable to identify suitable investments within twenty-four (24) months from the completion of the Rights Issue, the timeframe for the utilisation of proceeds that has been allocated for the said purpose will be extended and disclosed in Stone Master Group's quarterly result announcements, until our Company has successfully identified suitable new businesses to invest in.*

- (5) *Includes advisory fees, solicitor fees, fees payable to relevant authorities, printing cost, and other incidental expenses in connection with the Corporate Exercises. Any shortfall or excess in funds allocated for estimated expenses will be funded from or used for the working capital of Stone Master Group.*

The priority for allocating the proceeds raised from the Rights Issue in the event of any variation is as follows:

- (i) firstly, for repayment of bank borrowings;
- (ii) secondly, for working capital;
- (iii) thirdly, for the upgrading and acquisition of new equipment and purchase of raw materials; and
- (iv) lastly, for the acquisition of potential business/assets.

The proceeds to be raised from the exercise of the Warrants are dependent on the total number of Warrants to be exercised during the tenure of the Warrants as well as the exercise price of the Warrants. Such proceeds will be used for our Group's working capital requirements.

## 6. RISK FACTORS

You and/ or your renounee(s)/ transferee(s) (if applicable) should consider carefully, in addition to other information contained elsewhere in this Abridged Prospectus, the following risk factors (which may not be exhaustive) which may have an impact on the future performance of our Group before subscribing for or investing in the Rights Shares.

## **6.1 Risks relating to our operations and the industries that we operate in**

### **6.1.1 Business risks**

Our Group is subject to general business risks that are inherent within the industries in which it operates. These risks include, amongst others, the changes in general economic conditions such as, but not limited to, government regulations, inflation, taxation and interest rates as well as changes in business conditions such as, but not limited to, the increasing competition from industry players, dependent major customers and/or contracts, fluctuation in raw material prices and selling price of granite, marble and onyx products, and other business and operational risks common to going concerns.

Although we seek to limit these risks through, inter-alia, the delivery of quality services and products to our clients so as to maintain good business relationships, maintenance of a large pool of reliable and reputable suppliers and clients with whom we have long term relationships and expansion of customer base by increasing our range of products and services offered, no assurance can be given that any change to these factors will not have a material adverse effect on our business and financial conditions.

### **6.1.2 Operational risks**

Our Group's revenue and financial performance are dependent on our business operations running smoothly and efficiently without any significant disruptions. Our Group's business operations could be adversely affected by various factors such as changes in operating expenses, competition, shortages in human resources, machine downtime/failure and our inability to control unforeseen costs, such as fluctuations in raw material prices and the selling prices of granite, marble and onyx products and manage production capacity. Our Board believes that such operational risks can be controlled and monitored by the key management of our Group through, amongst others, effective cost management, regular inspection of operational facilities and adequate workforce planning.

Although we seek to limit these risks through, inter-alia, the effective cost control and increase and upgrade machineries to improve the efficiency of our operations, no assurance can be given that any change to these factors will not have a material adverse effect on our operations.

### **6.1.3 Political, economic, market and regulatory risks**

Our financial and business prospects and the industry in which we operate in will depend to some degree on the developments in the political, economic and regulatory conditions in Malaysia where our Group markets our products/services as well as other countries such as China where we source our supplies which amounts to RM2.1 million, contributing 3.28% of the Group's total purchase for the FYE 30 September 2014. Amongst the political, economic and regulatory risk factors are risks of war, changes in political leadership, unfavourable changes in the governmental policies such as taxation and currency exchange rules, changes in economic conditions, changes in inflation rates and interest rates, and introduction of new regulations. There can be no assurance that adverse political, economic and regulatory changes will not materially affect the business activities of our Group.



#### 6.1.4 Competition risks

Our Group's trading and manufacturing segment contributed approximately 97% and 3% respectively of our Group's total revenue for the FYE 30 September 2014. The trading and manufacturing of our Group's main products such as ceramic tiles, granite and marble are competitive in nature, and are expected to face increasing competition from existing competitors, which include public listed and private companies, where some may have significantly greater resources or advantages in terms of market dominance, financial resources, technical knowledge and human resources.

Our Group's main products face competition from both local and foreign producers as well as from substitute products like ceramics. However, granite and marble, being natural products, are renowned for their aesthetic beauty and prestige, two (2) qualities that substitute materials will find difficult to match. In order to be competitive, our Group manufactures a wide range of local as well as imported granite and marble products. Furthermore, to complement its granite and marble range, we also distribute and trade in ceramic tiles.

In addition, emerging companies may also enter the market, resulting in revenue erosion and loss of market share to our Group, any of which could materially and adversely affect our Group's business, operating results and financial conditions.

#### 6.1.5 Cross-default of loan

On 1 January 2015, S.P. Granite Sdn Bhd, a wholly-owned subsidiary of Stone Master which is involved in manufacturing and trading in marble, granite and ceramic tiles, has defaulted in the payment of installment for the following loan facilities:

- (a) Maybank Islamic Berhad's banking facility of RM8.20 million ("**Islamic Banking Facility**"); and
- (b) Malayan Banking Berhad's term loan of RM4.00 million ("**Term Loan**").

As at the LPD, the outstanding principal of the Islamic Banking Facility and Term Loan are RM8.20 million and RM3.93 million respectively. As at the LPD, the Company had only repaid the principal for the month of April 2015 for the Term Loan. As at the LPD, the interest overdue for the Islamic Banking Facility and Term Loan are RM1.28 million and RM0.03 million respectively.

Our Company had on 30 January 2015 announced that Maybank Islamic Berhad had granted an extension of time until 31 March 2015 for the Company to settle its Islamic Banking Facility. Pursuant thereto, Maybank Islamic Berhad had on 31 March 2015 granted a further extension up to 30 June 2015 subject to the Company fulfilling certain conditions which includes, amongst others, issuing this Abridged Prospectus by 30 April 2015 ("**Further Extension**") and full repayment of the amount outstanding of RM8.28 million which comprises of the principal amount of RM8.20 million and the advance monthly profit of RM0.08 million to Maybank Islamic Berhad by 30 June 2015 or the completion of the Rights Issue (whichever is earlier). Pursuant to the Further Extension, Maybank Islamic Berhad had agreed to extend the period for the issuance of this Abridged Prospectus to 31 May 2015. In the event our Company is unable to fulfil these conditions or if there is any delay in the completion of the Rights Issue and we are unable to get any further extension or indulgence for the repayment from Maybank Islamic Berhad, Maybank Islamic Berhad may request for full and immediate repayment on the Islamic Banking Facility. This may result in a cross-default situation whereby the default in the Islamic Banking Facility may trigger a default on the other loans/facilities, even though the latter loan/facilities may not be in default.

Our Solicitors, Messrs Wong Beh and Toh is of the view that, save for the aforesaid conditions, there are no other conditions set out by Maybank Islamic Berhad, the non-fulfilment of which would be detrimental to our shareholders and there are no restrictions imposed by Maybank Islamic Berhad on the utilisation of proceeds raised from the Rights Issue.

Given such risks, our Board will endeavour to meet the conditions as set out by the Banks and ensure the timely completion of the Rights Issue bearing in mind the risks of abortion or non-completion of the Rights Issue set out in **Section 6.2.2** of this Abridged Prospectus and cover any shortfall in the repayment in order to repay the Banks before 30 June 2015 and avoid any cross-default situation.

#### **6.1.6 Dependency on major customers/ contracts**

Our Group's revenue for any particular year may be dependent on a few major customers/ contracts and thus we would usually direct our resources on a few major customers in order to maximise our revenue. Based on the audited financial statements of our Group for the FYE 30 September 2014, the top five (5) customers of our Group have contributed to approximately 28% of our Group's total revenue.

There is no assurance that our Group will not lose any of its major customers/ contracts.

#### **6.1.7 Dependency on the property and construction sectors**

The prospects of the industries in which our Group operates are highly correlated to the growth of the property and construction sectors, which in turn are dependent on the state of the Malaysian economy. Any downturn in the Malaysian economy in general or the property and construction industries specifically could affect the overall demand of our Group's products, thereby adversely affecting our Group's financial performance and production.

There is no assurance that our Group would be able to diversify our customer base. Even if our Group is able to diversify our customer base, no assurance can be given that it will be sufficient to reduce any material adverse effect suffered as a consequence of any downturn in the Malaysian economy.

#### **6.1.8 Fluctuations in raw material prices**

Our Group is exposed to fluctuation in raw material prices, which may have an adverse impact on our financial results. The raw materials used by our Group include marble, granite and onyx which are sourced from suppliers, both locally and abroad. Any increase in raw material prices may affect our Group's profit margin if our Group is unable to pass on the cost to our customers.

Our Board is unable to guarantee that any fluctuations in raw material prices will not affect the future profitability of our Group. For the last one (1) year up to the LPD, our Group has not encountered any significant fluctuations in raw material prices that had resulted in any material impact to the financials of our Group.

#### **6.1.9 Fluctuations in selling prices of granite, marble and onyx products**

Fluctuation in price is a normal occurrence in industries where supply and demand are the main determinants of price. But with foresight, experience and good marketing and business strategies, the adverse impact of any price fluctuation can be reduced.

Our Group offers a wide range of marble, granite and onyx products, both local and imported, with diverse prices as well as substitutes such as ceramics. Our Group also maintains a wide range of stocks in a variety of colours and sizes. Hence, our Group's risks are reduced should any product or market suffer from a decline in selling prices or demand. Besides that, our Group is consistently sourcing for cheaper alternatives and substitutes. To maintain an effective cost control, our Group is also selective and only goes for suitable and quality blocks that provide better yields.

Although our Group seeks to limit these risks, no assurance can be given that any change to these factors will not have material adverse impact on our Group's business.

#### **6.1.10 Borrowings and fluctuations in interest rates**

Our Group obtained bank borrowings and loan facilities to finance, inter alia, our day to day operations. As payment of interest on the bank borrowings is dependent on, amongst others, prevailing interest rates, fluctuations of interest rates could materially affect our Group's profitability.

In addition, the agreements on bank credit facilities and securities in relation thereto, contain covenants which may limit our Group's future operating and financing flexibility. Any breach of such covenants may give rise to a right by the financiers to terminate the relevant credit facilities and/ or enforce any security granted in relation to the particular credit facility.

Although our Group seeks to limit these risks, no assurance can be given that the performance of our Group would not be materially affected in the event of any adverse changes in interest rates.

#### **6.1.11 Collection of Trade Debts**

The construction and property development related business tend to allow relatively long credit periods of between 90 to 180 days for payment of sales. As at the LPD, our Group's trade debtors which are outstanding for more than 180 days amount to RM2.3 million, which represents approximately 10.45% of our Group's total trade debtors of RM22.0 million. In order to minimise the occurrence of bad debts and/ or to expedite the collection of debts, our Group has implemented credit risk procedures to assess credit worthiness of our customers and to monitor the status of our Group's debts and our collection.

Despite this, there can be no assurance that our Company will be able to collect all trade debts due from our customers or within our Group's normal credit periods.

#### **6.1.12 Dependency on key personnel**

Our Group believes that our continued success will depend to a certain extent upon the abilities and continued efforts of our existing Directors and key management personnel. The loss of any of our Directors and key members of the senior management team could adversely affect our continued ability to manage the operations effectively and competitively.

Although our Group seeks to limit these risks via attracting new key personnel and retaining its current key management, no assurance can be given that our Group will not be materially effected in the event of any resignation of our Directors and key management.

### 6.1.13 Financial Position

Our Group incurred an audited LAT attributable to the owners of our Company of RM3.26 million for the FYE 30 September 2014 and we have audited accumulated losses of RM14.73 million as at 30 September 2014. Resulting from these losses, the shareholders' equity position of our Group deteriorated to RM13.16 million as at 30 September 2014 which represents approximately 56.97% of our Company's issued and paid-up share capital of RM23.10 million.

Pursuant to Paragraph 8.04(2) of the Listing Requirements, where a listed corporation triggers any of the prescribed criteria as stated in Practice Note 17 of the Listing Requirements (which include, inter-alia, the criteria that the shareholders' equity twenty-five percent (25%) or less of the issued and paid-up share capital of the listed corporation) ("**PN17 Company**"), the listed corporation will be required to submit a regularisation plan to Bursa Securities and obtain Bursa Securities' approval to implement the plan within twelve (12) months from the date the listed corporation announces that it is a PN17 Company. Failure to comply with this obligation may result in the suspension of the trading of listed securities of such listed corporation or de-listing of the listed corporation or both. Should the financial performance of our Group continue to deteriorate, we may risk triggering the said prescribed criteria which can result in our Group being classified as an affected listed corporation pursuant to the Practice Note 17 of the Listing Requirements.

Despite the utilisation of proceeds from the Rights Issue as set out in **Section 5** of this Abridged Prospectus, there can be no assurance that our Group will be profitable subsequent to the completion of the Rights Issue and thereby, reduce the accumulated losses in the near future.

## 6.2 Risks relating to the Rights Issue

### 6.2.1 Market risks

The market price of our Shares is influenced by, amongst others, the prevailing market sentiments, the liquidity of our New Stone Master Shares, the volatility of equity markets, the outlook of the industries which we operate in and our financial performance. In view of this, there can be no assurance that our New Stone Master Shares will trade at or above the issue price of the Rights Shares or the theoretical ex-rights price of our New Stone Master Shares upon or subsequent to the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities.

Shareholders should also consider carefully that each Warrant derives its value from giving its holder the right to subscribe for New Stone Master Shares at a predetermined exercise price over the exercise period. The Warrants have a finite lifespan during which tenure the holders can exercise the subscription rights comprised in the Warrant. If the sum of the price of the Warrants as quoted on Bursa Securities and the exercise price of the Warrants is higher than the market price of New Stone Master Shares, the Warrants are deemed to be 'out-of-the-money'. The value of the Warrants is directly related to the market price of New Stone Master Shares. The higher the market price of New Stone Master Shares exceeds the exercise price of the Warrants, the higher the value of the Warrants will be. Shareholders are reminded, however, that other factors may also affect the market price of our Warrants or the market price of our New Stone Master Shares. Other than the fundamentals of our Group, the future price performance of the Warrants will also depend on various external factors as mentioned above.

In view of this, there can also be no assurance that an active market for the Warrants will develop upon or subsequent to the Warrants listing on Bursa Securities or if developed, that such market can be sustained.

Furthermore, you are reminded that should the outstanding Warrants expire at the end of its tenure, it will cease thereafter to be valid for any purposes and hence, will no longer have any value.

#### **6.2.2 Delay in or abortion of the implementation of the Rights Issue**

The Rights Issue is exposed to the risk that it may be aborted or delayed on the occurrence of any material adverse change of events/ circumstances such as changes in inflation rates, interest rates, political leadership and unfavourable changes in the governments' policies such as taxation and licensing regulations as well as other force majeure events, which are beyond the control of our Company and RHBIB, arising prior to or during the implementation of the Rights Issue.

Nevertheless, our Group will endeavour to ensure the successful listing of the Rights Shares and the Warrants. However, there can be no assurance that the abovementioned events will not occur or cause a delay in or abortion of the Rights Issue. In the event the Rights Issue is aborted, our Group will repay without interest all monies received in respect of the accepted application for the subscription of the Rights Shares pursuant to the Rights Issue and if such monies are not repaid within 14 days after it becomes liable, we will repay such monies with interest at the rate of 10% per annum or at such other rate as may be prescribed by the SC in accordance with Section 243(2) of the CMSA.

In the event that the Rights Issue is aborted/ terminated, and the Rights Shares have been allotted to the shareholders, a return of monies to all holders of the Rights Shares can only be achieved by way of cancellation of share capital as provided under the Act and its related rules. Such cancellation requires the sanction of our shareholders by special resolution in a general meeting, consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya. There can be no assurance that such monies can be returned within a short period of time or at all in such circumstances.

#### **6.2.3 No prior market for Warrants**

Prior to the Rights Issue, there has been no established trading market for our Warrants. The market price of our Warrants on Bursa Securities will depend on, amongst others, the prevailing stock market sentiments, the volatility of the stock market, interest rate movements, future profitability of the Group, as well as the future prospects of the industry in which our Group operates. No assurance can be given that an active market will develop upon listing of our Warrants on Bursa Securities, or if developed, that such market will sustain. There can also be no assurance that the market price of our Warrants will be maintained at any particular level subsequent to their issue.

#### **6.2.4 Potential Dilution**

The Entitled Shareholders who do not or are not able to accept their Provisional Rights Shares will have their proportionate ownership and voting interest in our Company reduced, and the percentage of our enlarged issued and paid-up share capital represented by their shareholdings in our Company will also be reduced accordingly.

### 6.3 Forward-looking statements

Certain statements in this Abridged Prospectus are based on historical information which may not be reflective of the future results, whilst others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements contained in this Abridged Prospectus are based on forecasts and assumptions made by our Company, unless stated otherwise. Although our Board believes that these forward-looking statements are reasonable, the statements are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, inter-alia, the risk factors as set out in this section. In view of these uncertainties, the inclusion of any forward-looking statements in this Abridged Prospectus should not be regarded as a representation or warranty by our Company on the achievability of our future plans and objectives.

## 7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS OF OUR GROUP

### 7.1 Overview and outlook of the Malaysian economy

The Malaysian economy expanded strongly by 5.8% during the fourth quarter of 2014 (Q3 2014: 5.6%). For the whole of 2014, growth was 6% (2013: 4.7%), achieving the upper bound target of 5.5% - 6%. Growth was supported by domestic demand, in particular private consumption and investment. On a quarter-on-quarter seasonally-adjusted basis, the economy grew 2% (Q3 2014: 0.9%). On the supply side, all sectors registered a positive growth, except for the agriculture sector which contracted due to lower palm oil production. In tandem with higher private consumption, the services sector increased strongly by 6.4% (Q3 2014: 6.2%) led by the wholesale and retail, finance and insurance as well as communication subsectors. Meanwhile, the manufacturing sector grew 5.2% (Q3 2014: 5.4%) supported by strong output of electronics and electrical ("E&E"). The construction sector grew steadily by 8.7% (Q3 2014: 9.6%) driven by higher activities in the non-residential subsector despite negative growth in the civil engineering subsector. The mining sector recorded a strong growth of 9.6% (Q3 2014: 1.4%) on account of higher production of crude oil and condensates. The agriculture sector declined 2.8% (Q3 2014: 4%) on account of lower crude palm oil production following the unprecedented floods that mainly hit the east coast states of Peninsular Malaysia.

*(Source: Latest available quarterly Malaysian Economy, Fourth Quarter 2014, Ministry of Finance Malaysia)*

The Malaysian economy registered a growth of 5.6% in the first quarter of 2015 (4Q 2014: 5.7%). Private sector expenditure remained the key driver of growth (9.6%; 4Q 2014: 8.3%). This contributed towards a strong domestic demand performance, which offset the negative contribution from net exports during the quarter. On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a growth of 1.2% (4Q 2014: 1.8%).

Domestic demand expanded by 7.9% in the first quarter of 2015 (4Q 2014: 5.7%), driven mainly by private sector expenditure. Private sector activity grew by 9.6% (4Q 2014: 8.3%), following continued growth in consumption and investment activities. Private consumption expanded at a stronger pace of 8.8% (4Q 2014: 7.6%), supported by stable labour market conditions and higher wage growth. Furthermore, household spending was supported by flood relief efforts, in particular, during the early parts of the quarter. The frontloading of consumer purchases prior to the implementation of government service tax, particularly on transport, food and beverages, as well as communication, also contributed to the strong expansion in private consumption. Private investment expanded by 11.7% (4Q 2014: 11.1%), driven by capital spending in the export-oriented manufacturing sector and in the telecommunication and transport-related services industries.

On the supply side, growth in the first quarter was supported by the major economic sectors. The services sector was underpinned by growth in all sub-sectors, particularly consumption-related sub-sectors. Growth in the manufacturing sector was supported by stronger performance in the export-oriented industries, particularly the electronics and electrical (E&E) cluster. The construction sector was supported mainly by the non-residential and residential sub-sectors, while the mining sector continued to record stronger growth amid higher crude oil production. Meanwhile, the agriculture sector contracted as a result of lower palm oil production.

*(Source: Latest available Economic and Financial Developments in Malaysia in the First Quarter 2015, Bank Negara Malaysia)*

The Malaysian economy is projected to register a steady growth of 4.5 – 5.5% in 2015 (2014: 6.0%), supported mainly by a sustained expansion in domestic demand amid strong domestic fundamentals and a resilient export sector. Domestic demand will continue to anchor growth in 2015, driven by a private sector spending. Private consumption is forecasted to record a more moderate growth during the year, after registering five consecutive years of above-average growth rates since the financial crisis in the advanced economies. While household spending is expected to be affected by the implementation of the Goods and Services Tax (GST) in April and lower earnings in the commodity-related sectors, its impact will, however, be partially offset by Government measures to assist targeted groups, the additional disposable incomes from lower fuel prices and the favourable labour market conditions. Similarly, after three consecutive years of double-digit growth, private investment is expected to moderate due mainly to lower investment in the mining sector following weak global crude oil prices. Nevertheless, private investment growth will be supported by on-going and new investments in the manufacturing and services sectors as firms benefit from the continued global recovery and lower cost of inputs. Public sector spending, in particular public investment, is expected to improve amidst higher spending on fixed assets, particularly by the public enterprises. In 2015, the contribution to growth from the Government is expected to remain modest.

*(Source: Latest available Bank Negara Malaysia Annual Report 2014: Outlook and Policy in 2015)*

## **7.2 Overview and prospects of the manufacturing sector**

The manufacturing sector recorded a higher growth of 5.6% in the first quarter (4Q 2014: 5.4%), supported by the stronger performance in the export-oriented industries, particularly the strong production in the electronics and electrical (E&E) cluster. This more than offsets the slight moderation in the domestic-oriented industries.

Overall capacity utilisation rate in the manufacturing sector moderated to 78.4% in the first quarter (4Q 2014: 79.8%) amid lower capacity utilisation in the export-oriented industries (80%, 4Q 2014: 83%). However, the domestic-oriented industries recorded a higher capacity utilisation rate at 74% (4Q 2014: 73%).

*(Source: Latest available Economic and Financial Developments in Malaysia in the First Quarter 2015, Bank Negara Malaysia)*

Value-added of the manufacturing sector grew at a steady pace of 5.2% during the fourth quarter of 2014 (Q3 2014: 5.4%) while production rose 4.9% (Q3 2014: 5.1%). Sales of manufacturing products rose 2.4% to RM165.7 billion during the period (Q3 2014: 3.6%; RM166.1 billion). Meanwhile, the capacity utilisation rate of the sector remained steady at 79.5% (Q3 2014: 76.2%)

Growth of the manufacturing sector was supported by the sustained performance of export-oriented industries at 5.4% (Q3 2014: 4.4%). High demand for E&E and chemical products saw the subsectors growing 10.2% and 7.9%, respectively (Q3 2014: 10.1%; 7.4%). The E&E subsector was led by increased production of printed circuit boards, consumer electronics as well as machinery and equipment which increased 31.3%, 36.3% and 6.5%, respectively (Q3 2014: 40.9%; 49.8%; 4.7%). The chemical products subsector was backed by higher manufacture of liquefied medical gases (8.4%), basic organic chemicals (19.7%) and fertilisers (23.7%).

Output of the wood and wood products grew 11.1% (Q3 2014: 10.6%). Production of sawmilling and planing of wood as well as manufacture of particle board and fibreboard products expanded further by 36.2% and 49.8%, respectively (Q3 2014: 43.8%; 17%). This cushioned the decline in output of veneer sheets and plywood (-6.9%). Meanwhile, refined petroleum products turnaround 1.8% (Q3 2014: -5.4%). Textiles, wearing apparel, leather products and footwear remained strong at 6.6% (Q3 2014: 14.8%) on account of higher external demand. However, manufacture of paper and rubber products contracted 3.3% and 0.8%, respectively (Q3 2014: 2.1%; -4%). Off-estate processing contracted 9% (Q3 2014: 4.3%) on account of lower output from manufacture of crude palm (-9%) and palm kernel oil (-8.2%) as well as rubber remilling and latex processing (-10.2%).

Production of domestic-oriented industries moderated to 3.8% (Q3 2014: 7.3%). Production of food products and beverage grew 5.4% and 13.5%, respectively (Q3 2014: 5.2%; 15.6%), on account of higher consumption during the festivities and school holidays. Output of tobacco products rose at a stronger double-digit pace of 36.5% (Q3 2014: 16%) supported by higher exports to Taiwan, Singapore and Vietnam. The transport equipment subsector expanded at a slower pace of 1.1% (Q3 2014: 11.4%) affected by the slower growth in building of ships and boats (-1.8%) as well as parts and accessories of motor vehicles (-2.4%). However, the manufacture of motor vehicles and motorcycles was higher at 3.9% and 13.8%, respectively (Q3 2014: -2%; 13.9%). Meanwhile, the construction-related subsector increased 3.5% (Q3 2014: 5.7%) in line with vibrant ongoing construction activity. The production of non-metallic mineral and basic metals increased 6.9% and 2.8%, respectively (Q3 2014: 9.1%; 4.5%). However, output of other manufactured products contracted 4.3% (Q3 2014: 1.5%), weighed down by measuring, testing, navigating and control equipment (-37.1%) as well as irradiation, electromedical and electrotherapeutic equipment (-1.3%) segments.

*(Source: Latest available Quarterly Malaysian Economy, Fourth Quarter 2014, Ministry of Finance Malaysia)*

### **7.3 Overview and prospects of the construction sector**

The construction sector grew by 9.7% in the first quarter (4Q 2014: 8.8%), underpinned by the expansion in non-residential and residential sub-sectors. The expansion of the non-residential sub-sector was driven by construction activity for industrial and commercial buildings. Growth in the residential sub-sector remained supported by the construction of properties in both the mass- and high-end markets. The special trade sub-sector continued to expand, reflecting activity for piling, earthworks, electrical and system installation as well as building completion and finishing works. Growth in the civil engineering sub-sector improved, supported by large infrastructure projects in the utility and transportation segments.

*(Source: Latest available Economic and Financial Developments in Malaysia in the First Quarter 2015, Bank Negara Malaysia)*

The construction sector registered a steady growth of 8.7% during the fourth quarter of 2014 following the strong growth momentum of the non-residential and residential subsectors. The non-residential subsector rose 17.1% (Q3 2014: 7.9%), supported by the construction of factories for manufacturing, storage facilities and commercial buildings. The residential subsector increased 14.9% (Q3 2014: 18.6%), mainly due to higher housing construction amid favourable economic and business conditions as well as rising household income. However, the civil engineering subsector decreased 4.3% mainly due to the completion of major infrastructure projects. During the quarter, the total value of construction works expanded 9.7% to RM27.1 billion with 10,000 construction projects registered. The highest share was contributed by the non-residential building subsector with 34.6%, followed by the civil engineering subsector (30.6%), residential buildings (29.7%) and special trade (5.1%). The private sector continued to dominate construction activities with a share of 70% during the quarter.

*(Source: Latest available Quarterly Malaysian Economy, Fourth Quarter 2014, Ministry of Finance Malaysia)*



#### **7.4 Management of Stone Masters' perspective on the overview and prospects of the business of manufacturing and trading in marble, granite, ceramic tiles and sanitary ware in Malaysia**

There are currently no publicly available information on the overview and prospects of the business of manufacturing and trading in marble, granite, ceramic tiles and sanitary ware in Malaysia. As such, our Directors and key management had, based on their previous experience in this business and their judgements, given their perspective on the business that our Group is currently involved in.

The manufacturing and trading of marble, granite, ceramic tiles and sanitary ware are expected to grow in parallel with the growth of the domestic consumption, property and construction sector. The manufacturing and trading of marble, granite, ceramic tiles and sanitary ware industry in the country are mainly categorised into two (2) segments, (i) direct supply to the new development projects, and (ii) retail sale via distribution network /channel to the replacement market for renovation and upgrading of residential, commercial and industrial properties. Demand from new projects in the country generally accounts for about 30% to 40% of the total market and the said segment is expected to grow in tandem with the growth of the property and construction sectors. Please refer to **Section 7.3** of this Abridged Prospectus for the overview and prospects of the construction sector.

*(Source: Management of Stone Master)*

#### **7.5 Overview and prospects of Stone Master**

The principal activities of Stone Master are that of investment holding and provision of management services, whilst the principal activities of its subsidiaries are manufacturing and trading in marble, granite, ceramic tiles and sanitary ware, stone design and contract works. Our Group's trading and manufacturing segment contributed approximately 97% and 3% respectively of our Group's total revenue which was wholly derived from Malaysia based on the audited financial statements of our Group for the FYE 30 September 2014. The contract works activity relates to contract to cut, supply and lay marble, granite and ceramic tiles for new property development projects and refurbishment of buildings.

Our Group's manufacturing and trading of marble and granite divisions have been incurring losses due to lower output as a result of ageing and less efficient machineries which has affected our production capacity and efficiency as well as causing our Group to secure lesser big projects. Our management is currently implementing new cost saving measures, improving sales and marketing strategies. These measures/ strategies include importing raw materials directly from source countries as their costs are lower compared to local manufacturers even after taking into consideration the effect of the foreign exchange translation rate, are of better quality and have more variety of designs of marble and granite as compared to the local manufacturers. Further, we intend to strengthen our marketing team to secure more contracts for cutting, supplying and laying of marble and granite. Our Group's trading of ceramic tiles and sanitary ware divisions have seen an increase in revenue due to the higher demand and the growth of the property industry in particular in the Iskandar Development Zone in Johor. For clarity, our Group's contract work division is complementary to the sales performance of the marble, granite and ceramic tiles division.

Our Company aims to increase its revenue for the FYE 30 September 2015 by implementing new cost saving measures, improving sales and marketing strategies stated above. However, our Group's borrowings currently stand at RM26.55 million as at the LPD which would burden our Group with high finance cost for the FYE 30 September 2015.

Based on the audited annual reports and the latest quarterly report of our Group, our Group has been making continuous losses since FYE 2006. The audited financial performance of our Group is set out below:

	Audited			Unaudited
	Eighteen (18)- month FPE 30 September 2012 * RM('000)	Twelve (12)- month FYE 30 September 2013 RM('000)	Twelve (12)- month FYE 30 September 2014 RM('000)	Three (3)-month FPE 31 December 2014 RM('000)
Revenue	105,090	67,051	80,898	21,381
Gross profit	10,841	6,774	9,242	2,356
Loss after tax	(7,971)	(4,492)	(3,263)	(918)
Shareholders' funds	14,493	13,710	13,158	12,240

Note:

\* Change of our Group's financial year end from 31 March to 30 September.

Please refer to **Section 6, Appendix II** of this Abridged Prospectus for the commentaries for the latest quarterly result for the three (3)-month FPE 31 December 2014 and the past three (3) financial years up to 30 September 2014.

Our Company has decided to implement the Rights Issue in order to expand our existing business by acquiring and upgrading machineries in order to increase production efficiency and productivity, and strengthen our business operations. According to the management of Stone Master, the upgrading and purchase of new machineries is anticipated to increase efficiency and productivity level by thirty percent (30%) to forty percent (40%) as compared to the older machineries. Apart from that, there will also be a reduction in labour cost by up to forty percent (40%). The description of the machineries that our Company intends to purchase is set out in **Section 5** of this Abridged Prospectus.

Further, our Company is also proactively seeking to establish mutually beneficial partnerships and/or joint ventures to tap into and secure projects which are anticipated to enhance the financial position and positively contribute to the future earnings of our Group such as property developers or construction companies that require our services/ products. In relations thereto, our Company had on 30 March 2015 entered into a Heads of Agreement ("HOA") with Fujian Nan'an Guanhui Stone Ltd. ("**Fujian**") to become an exclusive agent of Fujian to undertake stone design and installation contracts under the brand name of "GH Premier Stone". Fujian, a company incorporated in China, has undertaken numerous stone design and installation contracts throughout Asia and Australia. Our Company intends to leverage on Fujian's technical expertise and experience in stone design and installation which would enable our Group to expand our products offering and services to our existing and new customers. Our Board believes that the HOA, which will culminate into a definitive agreement to be entered between our Company and Fujian within two (2) months from the date of the HOA, will have a positive contribution to the future of our Group. Our Company is required to make payment of RM100.0 million to be satisfied via issuance of 100.0 million New Stone Master Shares at an issue price of RM1.00 each as a one (1) – time initial agency fee to become an exclusive agent for the period of five (5) years from the date of fulfilment of the last of the conditions precedents as set out in the HOA. As at the LPD, the Company and Fujian are still in negotiations to enter into the definitive agreement.

In addition, our Company is also on the lookout for new opportunities via acquisition of new businesses or assets which are inter-related with its current business or other business opportunities to preserve and uplift shareholders' value while strengthening its business and operations. As at the LPD, our Board has yet to identify any specific businesses/assets for acquisition or investment. In the event any other approvals are required for the potential acquisition or investments, such approvals will be sought accordingly.

The completion of the Corporate Exercises, which is pending the completion of the Rights Issue, is expected to put our Group onto a better financial standing and profitability. The Share Capital Reduction will enable our Company to rationalise its balance sheet by eliminating the accumulated losses of our Company, thereby better reflecting the present financial position of our Company and our Group.

The Rights Issue is undertaken to recapitalise our Company after the Share Capital Reduction which will enable our Group to raise capital for the repayment of bank borrowings, working capital requirements and for current business expansion and future growth. The availability of funds from the Rights Issue will provide our Company with a better option as opposed to bank borrowings which will increase the gearing and finance cost of our Group.

The proceeds from the Rights Issue which is partially used to repay our Group's bank borrowings would lower the gearing of our Group as well as lower the finance cost of our Group, which will bode well in our Group's future earnings. The balance of the proceeds from the Rights Issue which will be allocated for current business expansion and future growth is expected to contribute positively to the earnings potential of our Group. This will enhance the value of the New Stone Master Shares and strengthen shareholders' value.

Our Board believes that the proceeds raised from the Rights Issue will address our Group's current financial concerns and cater for future business expansion purposes. As such, the prospects of our Group are favourable after having considered all relevant aspects including the outlook of the industry and global economic prospects.

## 8. FINANCIAL EFFECTS OF THE RIGHTS ISSUE

### 8.1 Issued and paid-up share capital

The proforma effects of the Rights Issue on our issued and paid-up share capital as at the LPD are set out below:

	Minimum Scenario			Maximum Scenario		
	No. of Shares	Par value RM	RM	No. of Shares	Par value RM	RM
Issued and paid-up share capital as at the LPD	46,200,000	0.25	11,550,000	46,200,000	0.25	11,550,000
To be issued pursuant to the Rights Issue	11,460,000	0.25	2,865,000	184,800,000	0.25	46,200,000
	57,660,000	0.25	14,415,000	231,000,000	0.25	57,750,000
To be issued pursuant to the full exercise of Warrants	5,730,000	0.25	1,432,500	92,400,000	0.25	23,100,000
<b>Enlarged issued and paid-up capital</b>	<b>63,390,000</b>	<b>0.25</b>	<b>15,847,500</b>	<b>323,400,000</b>	<b>0.25</b>	<b>80,850,000</b>

## 8.2 NA and gearing

Based on the audited consolidated financial statements of our Company as at 30 September 2014, the proforma effects of the Share Capital Reduction and Rights Issue on the consolidated NA per Share and gearing of our Group are set out below:

### Minimum Scenario:

	Audited as at 30 September 2014	Proforma I Adjusted as at 30 September 2014 <sup>(1)</sup>	Proforma II After Proforma I and the Rights Issue	Proforma III After Proforma II and full exercise of Warrants <sup>(5)</sup>
	RM'000	RM'000	RM'000	RM'000
Share capital	23,100	11,550	14,415	15,848
Share premium	611	611	611 <sup>(3)</sup>	1,928
Warrant reserve	-	-	1,031 <sup>(3)</sup>	-
Revaluation reserve	4,160	4,160	4,160	4,160
Fair value reserve	13	13	13	13
Accumulated losses	(14,726)	(3,734)	(5,092) <sup>(2)(3)</sup>	(5,092)
<b>Shareholders fund/NA</b>	<b>13,158</b>	<b>12,600</b>	<b>15,138</b>	<b>16,857</b>
Number of shares ('000)	46,200	46,200	57,660	63,390
Total borrowings (RM'000)	26,179	26,574	24,301 <sup>(4)</sup>	24,301
NA per share (RM)	0.28	0.27	0.26	0.27
Gearing ratio (times)	1.99	2.11	1.61	1.44

### Notes:

(1) After adjusting for the following events:

- (i) The credit arising from the Share Capital Reduction amounting to RM11,550,000 which was set-off against the accumulated losses of our Company and Group pursuant to the order granted by the High Court of Malaya at Kuala Lumpur dated 7 October 2014; and
- (ii) The drawdown, repayments and interest expenses incurred on borrowings after the FYE 30 September 2014 which had the following impact on the borrowings and accumulated losses of our Company and Group:

	RM
Borrowings	395,000
Accumulated losses	(558,000)

(2) After adjusting the estimated expenses of the Corporate Exercises amounting to RM900,000.

(3) Pursuant to the FR5IC Consensus 9 "Accounting for Rights Issue with Free Warrants" issued by the Malaysian Institute of Accountants, our Group has recognised fair value of Warrants of RM0.18 per Warrant based on the Black-Scholes option pricing model as set out in **Appendix III** of this Abridged Prospectus in relation to the Rights Issue, offset against the share premium account amounting to RM573,000 and accumulated losses amounting to RM458,400.

(4) Assuming the RM3,438,000 raised from the Rights Issue is utilised to pare down borrowings of RM2,273,000.

(5) Based on the exercise price of the Warrants of RM0.30 each for the exercise of one (1) Warrant into one (1) New Stone Master Share.

**Maximum Scenario:**

	Audited as at 30 September 2014	Proforma I Adjusted as at 30 September 2014 <sup>(1)</sup>	Proforma II After Proforma I and the Rights Issue	Proforma III After Proforma II and full exercise of Warrants <sup>(5)</sup>
	RM'000	RM'000	RM'000	RM'000
Share capital	23,100	11,550	57,750	80,850
Share premium	611	611	611 <sup>(3)</sup>	21,863
Warrant reserve	-	-	16,632 <sup>(3)</sup>	-
Revaluation reserve	4,160	4,160	4,160	4,160
Fair value reserve	13	13	13	13
Accumulated losses	(14,726)	(3,734)	(12,026) <sup>(2)(3)</sup>	(12,026)
<b>Shareholders fund/NA</b>	<b>13,158</b>	<b>12,600</b>	<b>67,140</b>	<b>94,860</b>
Number of shares ('000)	46,200	46,200	231,000	323,400
Total borrowings (RM'000)	26,179	26,574	96 <sup>(4)</sup>	96
NA per share (RM)	0.28	0.27	0.29	0.29
Gearing ratio (times)	1.99	2.11	<sup>(6)</sup>	<sup>(6)</sup>

**Notes:**

- (1) After adjusting for the following events:
- (i) The credit arising from the Share Capital Reduction amounting to RM11,550,000 which was set-off against the accumulated losses of our Company and Group pursuant to the order granted by the High Court of Malaya at Kuala Lumpur dated 7 October 2014.
- (ii) The drawdown, repayments and interest expenses incurred on borrowings after the FYE 30 September 2014 which had the following impact on the borrowings and accumulated losses of our Company and Group:
- |                    | RM        |
|--------------------|-----------|
| Borrowings         | 395,000   |
| Accumulated losses | (558,000) |
- (2) After adjusting the estimated expenses of the Corporate Exercises amounting to RM900,000.
- (3) Pursuant to the FRSC Consensus 9 "Accounting for Rights Issue with Free Warrants" issued by the Malaysian Institute of Accountants, our Group has recognised fair value of Warrants of RM0.18 per Warrant based on the Black-Scholes option pricing model as set out in **Appendix III** of this Abridged Prospectus in relation to the Rights Issue, offset against the share premium account amounting to RM9,240,000 and accumulated losses amounting to RM7,392,000.
- (4) Assuming the RM55,440,000 raised from the Rights Issue is utilised to pay down borrowings of RM26,478,000.
- (5) Based on the exercise price of the Warrants of RM0.30 each for the exercise of one (1) Warrant into one (1) New Stone Master Share.
- (6) Negligible.

### 8.3 Earnings and EPS

Save for the estimated expenses of RM900,000 in relation to the Corporate Exercises, the Rights Issue is not expected to have material effect on the consolidated earnings of Stone Master for the FYE 30 September 2015. In addition, our Board is of the opinion that there should be no material impact to the consolidated earnings of Stone Master due to the ongoing litigation against Dato' Tan as well as the cross-default of loan situation as set out in **Section 6.1.5** and **Section 9.2** respectively of this Abridged Prospectus. However, the EPS of the Company may be reduced correspondingly as a result of the increase in the number of New Stone Master Shares pursuant to the Rights Issue and the exercise of Warrants into New Stone Master Shares as well as the potential issuance and allotment of 100.0 million New Stone Master Shares to Fujian as disclosed in **Section 7.5** of this Abridged Prospectus.

The proforma effects of the Rights Issue on the loss and LPS of Stone Master for the FYE 30 September 2014 are set out below:

#### Minimum Scenario:

	Audited FYE 30 September 2014	Proforma I After Proforma I and the Rights Issue	Proforma II After Proforma I and full exercise of Warrants
	RM'000	RM'000	RM'000
LAT	(3,263)	(3,263)	(3,263)
Number of shares ( '000)	46,200	57,660	63,390
LPS (sen)	7.06	5.66	5.15

#### Maximum Scenario:

	Audited FYE 30 September 2014	Proforma I After Proforma I and the Rights Issue	Proforma II After Proforma I and full exercise of Warrants
	RM'000	RM'000	RM'000
LAT	(3,263)	(3,263)	(3,263)
Number of shares ( '000)	46,200	231,000	323,400
LPS (sen)	7.06	1.41	1.01

Nevertheless, the Rights Issue is expected to contribute positively to the future earnings of Stone Master when the benefits of the utilisation of proceeds are realised, which include, amongst others, the interest savings as illustrated in **Section 5** of this Abridged Prospectus.

### 8.4 Convertible securities

As at the LPD, our Company does not have any other convertible securities in issue.

## 9. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

### 9.1 Working capital

Our Board is of the opinion that, after taking into consideration the cash flow position of our Group, borrowings available and the proceeds to be received from the Rights Issue based on the Maximum Scenario, our Group will have sufficient working capital for the next twelve (12) months from the date of this Abridged Prospectus.

However, our Board is of the opinion that, if only the Minimum Subscription Level is achieved, our Group will not have sufficient working capital for the next twelve (12) months from the date of this Abridged Prospectus. In such event, our Board will endeavour to raise the necessary funds to meet its working capital requirement via, amongst others, equity fund raising such as private placement and/or borrowings such as shareholders and/or Directors advances and/or bank borrowings. The risk to our Company in the event we obtain additional financing via bank borrowings to fund its working capital is set out in **Section 6.1.10** of this Abridged Prospectus.

### 9.2 Borrowings

As at the LPD, our Group has total outstanding borrowings of approximately RM26.55 million. All the borrowings denominated in local currency, are interest-bearing and comprise the following:

	RM'000
<b>Short term borrowings:</b>	
Bank overdrafts	2,018
Bankers' acceptances	8,634
Hire purchase payables	52
Term loans	2,396
	<u>13,100</u>
<b>Long term borrowings:</b>	
Hire purchase payables	24
Term loans	13,430
	<u>13,454</u>
<b>Total</b>	<u><u>26,554</u></u>

As at the LPD, we do not have any non-interest bearing borrowings.

Save as disclosed below and **Section 6.1.5** of this Abridged Prospectus, there has been no default on payments of either interest and/ or principal sums in respect of any borrowings during the FYE 30 September 2014 and the subsequent financial period up to the LPD:

- (i) On 1 January 2015, S.P. Granite Sdn Bhd, a wholly-owned subsidiary of Stone Master has defaulted in the payment of installment for the following loan facilities:
  - (b) Maybank Islamic Berhad's banking facility of RM8.20 million ("**Islamic Banking Facility**"); and
  - (c) Malayan Banking Berhad's term loan of RM4.00 million ("**Term Loan**").

On 28 January 2015, our Company has settled the arrears of interest amounting to RM90,116.03 for the Term Loan. On 30 January 2015, our Company has also settled a sum totaling RM179,153.53 for the interest in arrears for the Islamic Banking Facility.

On 30 January 2015, our Company has received confirmation from Maybank Islamic Berhad granting our Company a further extension of time of up to 31 March 2015 for the loan repayments with an approved new repayment structure for S.P. Granite Sdn Bhd.

Our Company had on 31 March 2015 received a letter from Maybank Islamic Berhad granting a further extension of up to 30 June 2015 subject to the Company fulfilling certain conditions which includes, amongst others, issuing this Abridged Prospectus by 30 April 2015 ("**Further Extension**") and full repayment of the amount outstanding of RM8.28 million which comprises of the principal amount of RM8.20 million and the advance monthly profit of RM0.08 million to Maybank Islamic Berhad by 30 June 2015 or the completion of the Rights Issue (whichever is earlier). Pursuant to the Further Extension, Maybank Islamic Berhad had agreed to extend the period for the issuance of this Abridged Prospectus to 31 May 2015.

### **9.3 Contingent liabilities**

After having made all reasonable enquiries, as at the LPD, there is no contingent liabilities incurred or known to be incurred by our Group which, upon becoming enforceable, may have a material impact on the financial results/ position of our Group.

### **9.4 Material commitments**

After having made all reasonable enquiries, as at the LPD, there is no material commitments for capital expenditure incurred or known to be incurred by our Group that has not been provided for which, upon becoming enforceable, may have a material impact on the financial results/ position of our Group.

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## **10. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE OR TRANSFER AND EXCESS APPLICATION FOR THE RIGHTS ISSUE**

### **10.1 General**

As an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Rights Shares which you are entitled to subscribe for in full or in part, under the terms of the Rights Issue. You will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such Provisional Rights Shares into your CDS Account and the RSF to enable you to subscribe for such Provisional Rights Shares, as well as to apply for the Excess Rights Shares if you choose to do so.

### **10.2 NPA**

The Provisional Rights Shares are prescribed securities pursuant to Section 14(5) of the Securities Industry (Central Depositories) Act, 1991 and therefore, all dealings in the Provisional Rights Shares will be by book entries through the CDS Accounts and will be governed by the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository. You and/ or your renounee(s)/ transferee(s) (if applicable) are required to have valid and subsisting your CDS Accounts when making your applications.

### **10.3 Last date and time for acceptance and payment**

The last date and time for acceptance of and payment for the Provisional Rights Shares is **5.00 p.m. on 15 June 2015**, or such later time and date as our Board may in their absolute discretion determine and announce not less than two (2) Market Days before the original closing date.

### **10.4 Procedures for acceptance and payment**

Acceptance of and payment for the Provisional Rights Shares by you as an Entitled Shareholder or your renounee(s)/ transferee(s) (if applicable) must be made on the RSF enclosed together with this Abridged Prospectus and must be completed in accordance with the notes and instructions contained in these documents. Acceptances which do not strictly conform to the terms of this Abridged Prospectus or the RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board.

**FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL RIGHTS SHARES, EXCESS APPLICATION FOR THE RIGHTS SHARES AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU AND/OR YOUR RENOUNCEE(S)/ TRANSFEREE(S) (IF APPLICABLE) WISH TO SELL OR TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTION CONTAINED THEREIN.**

**YOU AND/ OR YOUR RENOUNCEE(S)/ TRANSFEREE(S) (IF APPLICABLE) ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS, THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN CAREFULLY.**

You or your renounee(s)/ transferee(s) (if applicable) who are accepting all or part of the Provisional Rights Shares of your entitlement, please complete Parts I(A) and II of the RSF in accordance with the notes and instructions contained in the RSF. Each completed and signed RSF together with the relevant payment must be sent to our share registrar for the Rights Issue in the envelope provided (at your own risk) by **ORDINARY POST, COURIER or DELIVERED BY HAND** at the following address:

**Securities Services (Holdings) Sdn Bhd**

Level 7, Menara Milenium  
Jalan Damanlela  
Pusat Damansara  
Damansara Heights  
50490 Kuala Lumpur  
Tel: 03 2084 9000  
Fax: 03 2094 9940

so as to arrive **not later than 5.00 p.m. on 15 June 2015**, being the last time and date for acceptance of and payment for the Provisional Rights Shares, or such later time and date as may be determined and announced by our Board not less than two (2) Market Days before the original closing date.

If you lose, misplace or for any other reasons require another copy of the RSF, you may obtain additional copies from our share registrar at the address stated above, our Registered Office or the website of Bursa Securities (<http://www.bursamalaysia.com>).

One (1) RSF can only be used for acceptance of Provisional Rights Shares standing to the credit of one (1) CDS Account. Separate RSF(s) must be used for the acceptance of Provisional Rights Shares standing to the credit of more than one (1) CDS Account(s). If successful, the Rights Shares subscribed for will be credited into your CDS Account(s) as stated in the completed RSF(s).

A reply envelope is enclosed in this Abridged Prospectus. To facilitate the processing of the RSF(s) by our share registrar, you are advised to use (1) one reply envelope for each completed RSF.

The minimum number of Rights Shares that can be subscribed for or accepted is one (1) Rights Share. Successful applicants of the Rights Shares will be given Warrants on the basis of one (1) Warrant for every two (2) Rights Shares successfully subscribed for. However, you and/ or your renounee(s)/ transferee(s) (if applicable) should take note that a trading board lot for the Rights Shares and the Warrants comprises of 200 Rights Shares and 100 Warrants, respectively. Fractions of Rights Shares will be disregarded and shall be dealt with in such manner as our Board shall in their absolute discretion deem fit and expedient, and to be in the best interest of our Company.

If acceptance of and payment for the Provisional Rights Shares allotted to you and /or your renounee(s)/ transferee(s) (if applicable) are not received by our share registrar by **5.00 p.m. on 15 June 2015**, being the last time and date for acceptance of and payment for the Provisional Rights Shares or such later date and time as may be determined and announced by our Board not less than two (2) Market Days before the original closing date, you and/ or your renounee(s)/ transferee(s) (if applicable) will be deemed to have declined the provisional entitlement made to you and it will be cancelled. Proof of time of postage shall not constitute proof of time of receipt by our share registrar.

In the event that the Rights Shares are not fully taken up by such applicants, our Board will then have the right to allot such Rights Shares to the applicants who have applied for the Excess Rights Shares in the manner as set out in **Section 10.8** of this Abridged Prospectus. Our Board reserves the right to accept any application in full or in part only without assigning any reasons.

**EACH COMPLETED RSF MUST BE ACCOMPANIED BY THE APPROPRIATE REMITTANCE MADE IN RM FOR THE FULL AMOUNT PAYABLE FOR THE RIGHTS SHARES ACCEPTED IN THE FORM OF BANKER'S DRAFT(S), CASHIER'S ORDER(S), MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY", MADE PAYABLE TO "STONE MASTER RIGHTS ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME AND CDS ACCOUNT NUMBER IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR NOT LATER THAT THE LAST DATE AND TIME FOR ACCEPTANCE AND PAYMENT AS SET OUT ON THE COVER PAGE OF THIS ABRIDGED PROSPECTUS.**

**APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.**

**NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES IN RESPECT OF THE RIGHTS ISSUE WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN IN OUR RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.**

**APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.**

**APPLICANTS SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.**

**WHERE AN APPLICATION IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANT BY ORDINARY POST TO THE ADDRESS AS SHOWN IN OUR RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT YOUR OWN RISK WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES.**

#### **10.5 Procedures for part acceptance by Entitled Shareholders**

You are entitled to accept part of your entitlement to the Provisional Rights Shares provided always that the minimum of Rights Shares that can be subscribed for or accepted is one (1) Rights Share. Successful applicants of the Rights Shares will be given Warrants on the basis of one (1) Warrant for every two (2) Rights Shares successfully subscribed for.

You must complete Parts I(A) and II of the RSF by specifying the number of the Rights Shares which you are accepting and deliver the completed and signed RSF together with the relevant payment to our share registrar in the manner set out in **Section 10.4** of this Abridged Prospectus.

**YOU ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.**

The portion of the Provisional Rights Shares that have not been accepted shall be allotted to any other persons allowed under the law, regulations or rules to accept the transfer of the Provisional Rights Shares.

#### **10.6 Procedures for sale or transfer of Provisional Rights Shares**

As the Provisional Rights Shares are prescribed securities, you may sell or transfer all or part of your entitlement to the Provisional Rights Shares to one (1) or more person(s) through your stockbroker for the period up to the last date and time for sale or transfer of such Provisional Rights Shares, without first having to request for a split of the Provisional Rights Shares standing to the credit of your CDS Account. To sell or transfer all or part of your entitlement to the Provisional Rights Shares, you may sell such entitlement on the open market or transfer such entitlement to such persons as may be allowed under the Rules of Bursa Depository. If you have sold or transferred only part of the Provisional Rights Shares, you may still accept the balance of the Provisional Rights Shares by completing Parts I(A) and II of the RSF. Please refer to **Section 10.4** of this Abridged Prospectus for the procedures of acceptance and payment.

In selling or transferring all or part of your Provisional Rights Shares, you need not deliver any document including the RSF, to your stockbroker. However, you must ensure that there is sufficient Provisional Rights Shares standing to the credit of your CDS Account that are available for settlement of the sale or transfer.

Purchaser(s) or transferee(s) of the Provisional Rights Shares may obtain a copy of this Abridged Prospectus and the RSF from our share registrar, our Registered Office or the website of Bursa Securities (<http://www.bursamalaysia.com>).

#### **10.7 Procedures for acceptance by renounee(s)/ transferee(s)**

Renounee(s)/ transferee(s) who wish to accept the Provisional Rights Shares must obtain a copy of the RSF from our share registrar for the Rights Issue, our Registered Office or the website of Bursa Securities (<http://www.bursamalaysia.com>), complete the RSF and submit the same together with the remittance to our share registrar in accordance with the notes and instructions printed therein.

The procedure for acceptance and payment applicable to the Entitled Shareholders as set out in **Section 10.4** of this Abridged Prospectus also applies to renounee(s)/ transferee(s) who wish to accept the Provisional Rights Shares.

**RENOUNEE(S)/ TRANSFEREE(S) ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS ABRIDGED PROSPECTUS AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS ABRIDGED PROSPECTUS AND THE RSF.**

## 10.8 Procedures for application of Excess Rights Shares

You and/ or your renounee(s)/ transferee(s) (if applicable) may apply for additional Rights Shares in excess of your entitlement by completing Part I(B) of the RSF (in addition to Parts I(A) and II and forwarding it with a **separate remittance made in RM** for the full amount payable for the Excess Rights Shares applied for, to our share registrar for the Rights Issue **not later than 5.00 p.m. on 15 June 2015**, being the last time and date for application of and payment for Excess Rights Shares or such later date and time as may be determined and announced by our Board not less than two (2) Market Days before the original closing date.

**PAYMENT FOR THE EXCESS RIGHTS SHARES APPLIED FOR SHOULD BE MADE IN THE SAME MANNER AS DESCRIBED IN SECTION 10.4 OF THIS ABRIDGED PROSPECTUS, AND IN THE FORM OF BANKER'S DRAFT(S), CASHIER'S ORDER(S), MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY", MADE PAYABLE TO "STONE MASTER EXCESS RIGHTS ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME AND CDS ACCOUNT NUMBER IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR FOR THE RIGHTS ISSUE.**

It is the intention of our Board to allot the Excess Rights Shares, if any, on a fair and equitable basis and in the following priority:

- (i) Firstly, to minimise the incidence of odd lots;
- (ii) Secondly, for allocation to Entitled Shareholders who have applied for Excess Rights Shares, on a pro-rata basis and in board lot, calculated based on their respective shareholdings as per their CDS Accounts in our Company as at the Entitlement Date;
- (iii) Thirdly, for allocation to Entitled Shareholders who have applied for Excess Rights Shares, on a pro-rata basis and in board lot, calculated based on the quantum of their respective Excess Rights Shares applied for; and
- (iv) Finally, for allocation to renounee(s)/ transferee(s) who have applied for Excess Rights Shares, on a pro-rata basis and in board lot, calculated based on the quantum of their respective Excess Rights Shares applied for.

In the event of any Excess Rights Shares balance after the above allocations are completed, the balance will be allocated in the processes set out in (ii) to (iv) above.

Nevertheless, our Board reserves the right to allot any Excess Rights Shares applied for under Part I(B) of the RSF in such manner as our Board deems fit and expedient in the best interest of our Company subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in (i), (ii), (iii) and (iv) above are achieved. Our Board also reserves the right to accept any application for Excess Rights Shares in full or in part only without assigning any reason.

**NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES IN RESPECT OF THE EXCESS RIGHTS SHARES WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR. HOWEVER, IF YOU ARE SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN IN OUR RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR APPLICATION OF AND PAYMENT FOR THE EXCESS RIGHTS SHARES OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.**

WHERE AN APPLICATION FOR THE EXCESS RIGHTS SHARES IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANT BY ORDINARY POST TO THE ADDRESS SHOWN IN OUR RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT YOUR OWN RISK WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR APPLICATION OF AND PAYMENT FOR THE EXCESS RIGHTS SHARES.

#### **10.9 Form of issuance**

Bursa Securities has prescribed our New Stone Master Shares listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares and the Warrants are prescribed securities and as such, all dealings in the Rights Shares and the Warrants will be subject to the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository.

Failure to comply with the specific instructions for applications or inaccuracy in your CDS Account number may result in your application being rejected. No physical share or warrant certificates will be issued to you under the Rights Issue. A notice of allotment will be despatched to you and/ or your renounee(s)/ transferee(s) (if applicable) by ordinary post to the address shown in our Record of Depositors provided by Bursa Depository at your own risk within eight (8) Market Days from the last date for acceptance of and payment for the Rights Shares.

Where the Rights Shares are provisionally allotted to you as an Entitled Shareholder in respect of your existing Stone Master Shares standing to the credit to your CDS Account on the Entitlement Date, the acceptance by you of the Provisional Rights Shares shall mean that you consent to receive such Provisional Rights Shares as prescribed or deposited securities which will be credited directly into your CDS Account.

Any person who has purchased the Provisional Rights Shares or to whom the Provisional Rights Shares has been transferred and intends to subscribe for the Rights Shares must state his/ her CDS Account number in the space provided in the RSF. The Rights Shares and the Warrants will be credited directly as prescribed or deposited securities into his/ her CDS Account upon allotment and issuance.

The Excess Rights Shares, if allotted to the successful applicant who applies for the Excess Rights Shares, will be credited directly as prescribed securities into the CDS Account of the successful applicant. The allocation of the Excess Rights Shares will be made on a fair and equitable basis as disclosed in **Section 10.8** of this Abridged Prospectus.

#### **10.10 Laws of foreign country or jurisdiction**

This Abridged Prospectus, and the accompanying NPA and RSF have not been (and will not be) made to comply with the laws of any foreign country or jurisdiction, and have not been (and will not be) lodged, registered or approved under any legislation (or with or by any regulatory authorities or other relevant bodies) of any foreign country or jurisdiction. The Rights Issue will not be made or offered for subscription in any foreign country or jurisdiction.

Accordingly, this Abridged Prospectus, and the accompanying NPA and RSF will not be sent to the foreign Entitled Shareholders and/ or their renounee(s)/ transferee(s) (if applicable) who do not have a registered address in Malaysia. However, the foreign Entitled Shareholders and/ or their renounee(s)/ transferee(s) (if applicable) may collect this Abridged Prospectus, and the accompanying NPA and RSF from our share registrar for the Rights Issue, in which event our share registrar for the Rights Issue shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting these documents relating to the Rights Issue.

The foreign Entitled Shareholders and/ or their renounee(s)/ transferee(s) (if applicable) may accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Rights Issue only to the extent that it would be lawful to do so. RHBIB, our Company, our Directors and officers and other professional advisers would not, in connection with the Rights Issue, be in breach of the laws of any country or jurisdiction to which the foreign Entitled Shareholders and/ or their renounee(s)/ transferee(s) (if applicable) are or may be subject to. The foreign Entitled Shareholders and/ or their renounee(s)/ transferee(s) (if applicable) shall solely be responsible to seek advice from their legal advisers and/ or other professional advisers as to the laws of the countries or jurisdictions to which they are or may be subject to. RHBIB, our Company, our Directors and officers and other professional advisers shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any foreign Entitled Shareholders and/ or their renounee(s)/ transferee(s) (if applicable), is or shall become unlawful, unenforceable, voidable or void in any such country or jurisdiction.

The foreign Entitled Shareholders and/ or their renounee(s)/ transferee(s) (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such country or jurisdiction and we shall be entitled to be fully indemnified and held harmless by such foreign Entitled Shareholders and/ or their renounee(s)/ transferee(s) (if applicable) for any issue, transfer or other taxes or other requisite payments that such person may be required to pay in any country or jurisdiction. They will have no claims whatsoever against us and/ or RHBIB in respect of their rights and entitlements under the Rights Issue. Such foreign Entitled Shareholders and/ or their renounee(s)/ transferee(s) (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights Issue.

By signing the RSF, the foreign Entitled Shareholders and/ or their renounee(s)/ transferee(s) (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) RHBIB, our Company, our Directors and officers and other professional advisers that:

- (i) we would not, by acting on the acceptance or renunciation in connection with the Rights Issue, be in breach of the laws of any jurisdiction to which the foreign Entitled Shareholders and/ or their renounee(s)/ transferee(s) (if applicable) are or may be subject to;
- (ii) the foreign Entitled Shareholders and/ or their renounee(s)/ transferee(s) (if applicable) have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation of the Provisional Rights Shares;
- (iii) the foreign Entitled Shareholders and/ or their renounee(s)/ transferee(s) (if applicable) are not nominees or agents of a person in respect of whom we would, by acting on the acceptance or renunciation of the Provisional Rights Shares, be in breach of the laws of any jurisdiction to which that person is or may be subject to;

- (iv) the foreign Entitled Shareholders and/ or their renouncee(s)/ transferee(s) (if applicable) are aware that the Rights Shares and the Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;
- (v) the foreign Entitled Shareholders and/ or their renouncee(s)/ transferee(s) (if applicable) have received a copy of this Abridged Prospectus, had access to such financial and other information and have been provided the opportunity to ask such questions to our representatives and receive answers thereto as they deem necessary in connection with their decision to subscribe for or purchase the Rights Shares; and
- (vi) the foreign Entitled Shareholders and/ or their renouncee(s)/ transferee(s) (if applicable) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares.

Persons receiving this Abridged Prospectus, and the accompanying NPA and RSF (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any country or jurisdiction, where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If this Abridged Prospectus, and the accompanying NPA and RSF are received by any persons in such country or jurisdiction, or by the agent or nominee of such a person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant country or jurisdiction in connection herewith.

Any person who does forward this Abridged Prospectus, and the accompanying NPA and RSF to any foreign country or jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and we reserve the right to reject a purported acceptance of the Rights Shares from any such application by foreign Entitled Shareholders and/ or their renouncee(s)/ transferee(s) (if applicable) in any foreign country or jurisdiction.

We reserve the right, in our absolute discretion, to treat any acceptance of the Rights Shares as invalid if we believe that such acceptance may violate any applicable legal or regulatory requirements.

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**11. TERMS AND CONDITIONS**

The issuance of the Rights Shares and the Warrants pursuant to the Rights Issue is governed by the terms and conditions set out in this Abridged Prospectus, and the accompanying NPA and RSF.

**12. FURTHER INFORMATION**

You are advised to refer to the attached appendices for further information.

Yours faithfully,  
For and on behalf of the Board of  
**STONE MASTER CORPORATION BERHAD**



**PROF. DR. WONG KONG YEW @ LEONG KONG YEW**  
Executive Director cum Chief Executive Officer

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**CERTIFIED TRUE EXTRACT OF THE RESOLUTIONS PERTAINING TO THE RIGHTS ISSUE AND AUTHORITY TO ISSUE SHARES PASSED AT OUR EGM HELD ON 3 SEPTEMBER 2014 AND 8 MAY 2015, RESPECTIVELY**

Page 1 of 3

**STONE MASTER CORPORATION BERHAD**

(Company No. 498639-X)  
(Company Incorporate in Malaysia)

**CERTIFIED TRUE EXTRACT OF THE RESOLUTIONS PASSED AT THE EXTRAORDINARY GENERAL MEETING OF THE COMPANY HELD AT THE JUNIOR BALLROOM 2, LEVEL 2, INTERCONTINENTAL KUALA LUMPUR, 165, JALAN AMPANG, 50450 KUALA LUMPUR ON 3<sup>RD</sup> SEPTEMBER 2014 AT 11.30 A.M.**

**ORDINARY RESOLUTION 1**

**PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 184,800,000 NEW ORDINARY SHARES OF RM0.25 EACH IN STONE MASTER ("RIGHTS SHARES") ON THE BASIS OF FOUR (4) RIGHTS SHARES FOR EVERY ONE (1) ORDINARY SHARE OF RM0.25 EACH IN STONE MASTER FROM THE RESULTANT PROPOSED SHARE CAPITAL REDUCTION ("NEW STONE MASTER SHARE(S)"), TOGETHER WITH UP TO 92,400,000 FREE DETACHABLE NEW WARRANTS ("WARRANTS") ON THE BASIS OF ONE (1) WARRANT FOR EVERY TWO (2) RIGHTS SHARES SUBSCRIBED FOR AT AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER ("ENTITLEMENT DATE") ("PROPOSED RIGHTS ISSUE")**

Upon the proposal of Mr. Wong Chee Hong which was duly seconded by Ms. Wong Jing Yu, the following ordinary resolution was **RESOLVED** :

**"THAT**, subject to the passing of Ordinary Resolution 2 and Special Resolutions 1 and 2, the approval-in-principle granted by Bursa Malaysia Securities Berhad ("**Bursa Securities**") and all other relevant authorities/ parties (if applicable), approval be and is hereby given to the Directors of the Company for the following:

- (a) to provisionally allot and issue by way of a renounceable rights issue of up to 184,800,000 Rights Shares at an indicative issue price of RM0.30, on the basis of four (4) Rights Share for every one (1) Stone Master Share held together with Warrants on the basis of one (1) Warrant for every one (2) Rights Share subscribed by way of provisional allotment to shareholders whose names appear in the Record of Depositors at the close of business on an entitlement date to be determined and announced later by the Board of Directors of Stone Master ("**Board**") ("**Entitlement Date**") wherein each of the Warrants will carry the right to subscribe, subject to any adjustment in accordance with a deed poll ("**Deed Poll**") to be executed, at any time during the "**Exercise Period**" as defined in the Deed Poll, for one (1) New Stone Master Shares at an indicative exercise price of RM0.30;
- (b) to enter into and execute the Deed Poll constituting the Warrants and to do all acts, deeds and things as they deem fit or expedient in order to implement, finalise and give effect to the aforesaid Deed Poll;
- (c) to allot and issue such number of New Stone Master Shares pursuant to the exercise of the Warrants, from time to time during the tenure of the Warrants, and such New Stone Master Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the existing New Stone Master Shares provided that such New Stone Master Shares then issued, shall not be entitled to any dividend, right, allotment and/ or other distribution declared, made or paid, the entitlement date of which is prior to the date of allotment and issuance of the said New Stone Master Shares;  
to allot and issue such further Warrants and New Stone Master Shares arising from the subscription of further Warrants as a consequence of any adjustment in accordance with the provisions of the Deed Poll and/ or as may be required by the relevant authorities; and
- (d) to do all such acts and things including but not limited to the application to Bursa Securities for the listing of and quotation for the New Stone Master Shares which may from time to time be allotted and issued upon exercise of the Warrants;

**CERTIFIED TRUE EXTRACT OF THE RESOLUTIONS PERTAINING TO THE RIGHTS ISSUE AND AUTHORITY TO ISSUE SHARES PASSED AT OUR EGM HELD ON 3 SEPTEMBER 2014 AND 8 MAY 2015, RESPECTIVELY (CONT'D)**

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**THAT** any fractional entitlements under the Proposed Rights Issue will be disregarded and shall be dealt with in such manner as the Directors shall in their absolute discretion deem expedient in the interest of the Company;

**THAT** the proceeds of the Proposed Rights Issue be utilised for the purposes as set out in the circular to shareholders of the Company dated 12 August 2014 ("**Circular**"), and the Directors be authorised with full powers to vary the manner and/ or purpose of utilisation of such proceeds in such manner as the Directors may deem fit, necessary and/ or expedient, subject (where required) to the approval of the relevant authorities;

**THAT** the Rights Shares and New Stone Master Shares arising from exercise of the Warrants will, upon allotment and issue, rank *pari passu* in all respects with the existing ordinary shares of the Company then, save and except that they will not be entitled to any dividend, right, allotment and/ or other distribution that may be declared, made or paid, the entitlement date of which is prior to the date of allotment and issuance of the Rights Shares or New Stone Master Shares arising from exercise of the Warrants;

**AND THAT** the Board be and is hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the aforesaid Proposed Rights Issue with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps to enter into all such agreement, arrangement, undertaking, indemnities, transfer, assignment and guarantee with any party or parties and to do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Rights Issue."

**ORDINARY RESOLUTION 2**

**PROPOSED INCREASE IN THE AUTHORISED SHARE CAPITAL OF STONE MASTER FROM RM25,000,000 COMPRISING 50,000,000 STONE MASTER SHARES TO RM100,000,000 COMPRISING 400,000,000 NEW STONE MASTER SHARES ("PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL")**

Upon the proposal of Ms. Hoo Chun Moi which was duly seconded by Ms. Pang Lee Woon, the following ordinary resolution was **RESOLVED** :

"**THAT**, subject to the passing of the Ordinary Resolution 1 and Special Resolutions 1 and 2, the authorised share capital of the Company be increased from RM25,000,000 comprising 50,000,000 Stone Master Shares to RM100,000,000 comprising 400,000,000 New Stone Master Shares.

**AND THAT** the Board be and is hereby authorised to do all such acts and things and to take such step that are necessary to give full effect to the Proposed Increase in Authorised Share Capital."

**SPECIAL RESOLUTION 1**

**PROPOSED SHARE CAPITAL REDUCTION VIA THE CANCELLATION OF RM0.25 OF THE PAR VALUE OF EVERY EXISTING ORDINARY SHARE OF RM0.50 EACH IN STONE MASTER ("STONE MASTER SHARE(S)") PURSUANT TO SECTION 64(1) OF THE COMPANIES ACT, 1965 ("PROPOSED SHARE CAPITAL REDUCTION")**

Upon the proposal of Ms. Loo Siew Mei which was duly seconded by Ms. Chin She Ying, the following special resolution was **RESOLVED** :

"**THAT**, subject to the passing of Ordinary Resolutions 1 and 2 and Special Resolution 2, the confirmation of the High Court of Malaya and the approvals from the relevant authorities being obtained where necessary, the approval be and is hereby given to the Directors of the Company to reduce the issued and paid-up share capital of Stone Master from RM23,100,000 comprising 46,200,000 ordinary shares of RM0.50 each to RM11,550,000 comprising 46,200,000 ordinary

**CERTIFIED TRUE EXTRACT OF THE RESOLUTIONS PERTAINING TO THE RIGHTS ISSUE AND AUTHORITY TO ISSUE SHARES PASSED AT OUR EGM HELD ON 3 SEPTEMBER 2014 AND 8 MAY 2015, RESPECTIVELY (CONT'D)**

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shares of RM0.25 each through the cancellation of RM0.25 from the par value of RM0.50 of each Stone Master share;

**AND THAT** the credit arising from the Proposed Share Capital Reduction be applied towards setting off against the accumulated losses of the Company and the remaining balance (if any) will be credited to the distributable reserve of the Company which may be utilised in such manner as the Directors of the Company deems fit and as permitted by relevant and applicable laws;

**AND THAT** authority be and is hereby given to the Directors of the Company to do all such deeds, acts and things and execute, sign and deliver all documents for and on behalf of the Company as they may consider necessary or expedient to finalise, implement and give effect to the Proposed Share Capital Reduction with full power to assent to any conditions, modifications, variations and/or amendments in any manner as may be in the best interest of the Company or as may be imposed or permitted by the relevant authorities”.

**SPECIAL RESOLUTION 2**

**PROPOSED AMENDMENT TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF STONE MASTER (“PROPOSED M&A AMENDMENT”)**

Upon the proposal of Ms. Yap Su Pei which was duly seconded by Ms. Chin She Ying, the following special resolution was **RESOLVED** :

**“THAT**, subject to the passing of the Ordinary Resolutions 1 and 2 and Special Resolution 1 and all approvals being obtained from the relevant authorities, approval be and is hereby given to the Company to amend the Memorandum of Association of Stone Master by deleting the existing Clause 5 in its entirety and replacing it with the following new Clause 5:

“The share capital of the Company is RM100,000,000 divided into 400,000,000 ordinary shares of RM0.25 each, with power for the Company to increase, sub-divide, consolidate or reduce such capital and to divide the shares forming the capital (original increased or reduced) into several classes and to attach thereto respectively any preferential, special or qualified rights, privileges or conditions as regards dividends, repayment of capital, voting or otherwise.”

The Articles of Association of the Company will be amended by deleting the existing Article No. 5 in its entirety and replacing them with the following new Article No. 5:

“The authorised share capital of the Company is RM100,000,000 divided into 400,000,000 shares of RM0.25 each. The Company may from time to time by ordinary resolution change its authorised share capital.”

**THAT** the Board be and is hereby authorised to give effect to the Proposed M&A Amendment and to take all such steps and do all acts and things in any manner as they may deem necessary to complete, finalise, implement and give full effect to the Proposed M&A Amendment.”

**CONFIRMED AND CERTIFIED TRUE AS A CORRECT RECORD  
OF THE PROCEEDINGS OF THE EGM HELD THEREAT BY :**



**CHAIRMAN OF THE MEETING  
DATO' LEE FONG YIN @ LEE VUN YA**



**COMPANY SECRETARY  
CHO YUEN KIEW  
LS0009090**

**CERTIFIED TRUE EXTRACT OF THE RESOLUTIONS PERTAINING TO THE RIGHTS ISSUE AND AUTHORITY TO ISSUE SHARES PASSED AT OUR EGM HELD ON 3 SEPTEMBER 2014 AND 8 MAY 2015, RESPECTIVELY (CONT'D)**

**STONE MASTER CORPORATION BERHAD**

(Company No. 498639-X)  
(Company Incorporated in Malaysia)

**CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION PASSED AT THE EXTRAORDINARY GENERAL MEETING OF THE COMPANY HELD AT THE CHERRY KLUBB CONFERENCE ROOM, NO. 28, 5.5 MILES, JALAN TUARAN, 88300 KOTA KINABALU, SABAH ON 8<sup>TH</sup> MAY 2015 AT 10.30 A.M.**

**ORDINARY RESOLUTION**

NOTED :

Upon the proposal of Dato' Clement Tan Wei Loon which was duly seconded by Mr. Ong Seng Lai, the following Ordinary Resolution was **RESOLVED** :

**AUTHORITY PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965 ("ACT") FOR THE DIRECTORS OF STONE MASTER CORPORATION BERHAD ("STONE MASTER") ("DIRECTORS") TO ISSUE AND ALLOT:**

(I) **NEW ORDINARY SHARES OF RM0.25 EACH IN STONE MASTER ("STONE MASTER SHARE(S)") PURSUANT TO THE RENOUNCEABLE RIGHTS ISSUE OF UP TO 184,800,000 STONE MASTER SHARES ("RIGHTS SHARES") ON THE BASIS OF FOUR (4) RIGHTS SHARES FOR EVERY ONE (1) STONE MASTER SHARE HELD, TOGETHER WITH UP TO 92,400,000 FREE DETACHABLE NEW WARRANTS ("WARRANTS") ON THE BASIS OF ONE (1) WARRANT FOR EVERY TWO (2) RIGHTS SHARES SUBSCRIBED FOR, AT AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER ("ENTITLEMENT DATE") ("RIGHTS ISSUE") WHICH WAS APPROVED AT THE EXTRAORDINARY GENERAL MEETING OF STONE MASTER ON 3 SEPTEMBER 2014; AND**

(II) **STONE MASTER SHARES ARISING FROM THE EXERCISE OF THE WARRANTS**

"THAT, subject to the approvals from all other relevant authorities/ parties (if applicable), approval be and is hereby given to the Directors for the following:

- (a) to provisionally allot and issue by way of renounceable rights issue up to 184,800,000 Rights Shares on the basis of four (4) Rights Shares for every one (1) Stone Master Share held, together with up to 92,400,000 Warrants on the basis of one (1) Warrant for every two (2) Rights Shares subscribed for, on an entitlement date to be determined and announced later by the Board of Directors of Stone Master ("**Board**") ("**Entitlement Date**");
- (b) to issue the Warrants based on the indicative principal terms of the Warrants as set out in section 2.2.6 of the circular to the shareholders of the Company dated 12 August 2014 ("**Circular**") and the terms and conditions of the deed poll constituting the Warrants to be executed by the Company ("**Deed Poll**")
- (c) to enter into and execute the Deed Poll and to do all acts, deeds and things as they deem fit or expedient in order to implement, finalise and give effect to the aforesaid Deed Poll;
- (d) to allot and issue such number of Stone Master Shares pursuant to the exercise of the Warrants, from time to time during the tenure of the Warrants; and
- (e) to allot and issue any further Warrants as a consequence of any adjustment in the number of Warrants which may be carried out in accordance with the provisions of the Deed Poll and/ or as may be required by the relevant authorities ("**Further Warrants**") and Stone Master Shares arising from the exercise of such Further Warrants;

**CERTIFIED TRUE EXTRACT OF THE RESOLUTIONS PERTAINING TO THE RIGHTS ISSUE AND AUTHORITY TO ISSUE SHARES PASSED AT OUR EGM HELD ON 3 SEPTEMBER 2014 AND 8 MAY 2015, RESPECTIVELY (CONT'D)**

**THAT** any fractional entitlements under the Rights Issue will be disregarded and shall be dealt with in such manner as the Directors shall in their absolute discretion deem expedient in the interest of the Company;

**THAT** the proceeds of the Rights Issue be utilised for the purposes as set out in the Circular, and the Directors be authorised with full powers to vary the manner and/ or purpose of utilisation of such proceeds in such manner as the Directors may deem fit, necessary and/ or expedient, subject (where required) to the approval of the relevant authorities;

**THAT** the Rights Shares and Stone Master Shares arising from exercise of the Warrants and the Further Warrants will, upon allotment and issue, rank *pari passu* in all respects with the existing ordinary shares of the Company then, save and except that they will not be entitled to any dividend, right, allotment and/ or other distribution that may be declared, made or paid, the entitlement date of which is prior to the date of allotment and issuance of the Rights Shares or Stone Master Shares arising from exercise of the Warrants and the Further Warrants;

**AND THAT** the Board be and is hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the aforesaid Rights Issue with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps to enter into all such agreement, arrangement, undertaking, indemnities, transfer, assignment and guarantee with any party or parties and to do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Rights Issue."

**CONFIRMED AND CERTIFIED TRUE AS A CORRECT RECORD  
OF THE PROCEEDINGS OF THE EGM HELD THEREAT BY :**



CHAIRMAN OF THE MEETING  
DATO' LEE FONG YIN @ LEE VUN YA



COMPANY SECRETARY  
CHO YUEN KIEW  
LS0009090

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**INFORMATION ON OUR COMPANY**


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**1. HISTORY AND PRINCIPAL ACTIVITIES**

Our Company was incorporated in Malaysia on 11 November 1999 under the Act, as a public limited company under its present name. Our Company was successfully listed on the Official List of the Second Board of the Bursa Securities (now known as the Main Market of Bursa Securities) on 1 July 2002.

We are a management and an investment holding company and our subsidiary companies are primarily engaged in the manufacturing and trading of marble and granite products, ceramic tiles, sanitary wares, stone design and contract works within the property development sector in Malaysia.

Further details on our subsidiary companies are set out in **Section 5** of this Appendix.

**2. SHARE CAPITAL**

Our authorised and issued and paid-up share capital are set out below:

	No. of Shares	Par value RM	Total RM
Authorised	8,000,000,000	0.25	2,000,000,000
Issued and paid-up	46,200,000	0.25	11,550,000

The changes in our Company's issued and paid-up share capital for the past three (3) years preceding the LPD are set out below:

Date of change	No. of ordinary shares allotted	Par value RM	Consideration/ Type of issue	Cumulative issued and paid-up share capital RM
28 January 2014	4,200,000	0.50	Issuance of Stone Master Shares pursuant to a private placement	23,100,000
5 November 2014	-	0.25	Reduction of existing issued and paid-up share capital pursuant to the Share Capital Reduction	11,550,000

## INFORMATION ON OUR COMPANY (CONT'D)

## 3. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

The shareholdings of our substantial shareholders as at the LPD and after the Rights Issue are set out below:

**Minimum Scenario:**

Substantial shareholder	Shareholdings as at the LPD				Proforma I After the Rights Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Stone Master Shares held	%	No. of Stone Master Shares held	%	No. of New Stone Master Shares held	%	No. of New Stone Master Shares held	%
Dato' Eii Ching Siew @ Yii Ching Siew	8,500,000	18.40	-	-	18,450,000	32.00	-	-
Dato' Lee Fong Yin @ Lee Yun Ya	7,539,600	16.32	-	-	9,049,600	15.69	-	-
Starfield Capital Sdn Bhd	4,856,200	10.51	-	-	4,856,200	8.42	-	-
Datin Chan Chui Mei	-	-	4,856,200 <sup>(1)</sup>	10.51	-	-	4,856,200 <sup>(1)</sup>	8.42
Tan Li Li	2,378,300	5.15	-	-	2,378,300	4.12	-	-

Substantial shareholder	Proforma II After Proforma I & After full exercise of Warrants			
	Direct		Indirect	
	No. of New Stone Master Shares held	%	No. of New Stone Master Shares held	%
Dato' Eii Ching Siew @ Yii Ching Siew	23,425,000	36.95	-	-
Dato' Lee Fong Yin @ Lee Yun Ya	9,804,600	15.47	-	-
Starfield Capital Sdn Bhd	4,856,200	7.66	-	-
Datin Chan Chui Mei	-	-	4,856,200 <sup>(1)</sup>	7.66
Tan Li Li	2,378,300	3.75	-	-

**Note:**

(1) Deemed interested by virtue of her interest through Starfield Capital Sdn Bhd pursuant to Section 6A of the Act.



## INFORMATION ON OUR COMPANY (CONT'D)

**Maximum Scenario:**

Substantial shareholder	Shareholdings as at the LPD				Proforma I			
	Direct		Indirect		Direct		Indirect	
	No. of Stone Master Shares held	%	No. of Stone Master Shares held	%	No. of New Stone Master Shares held	%	No. of New Stone Master Shares held	%
Dato' Eii Ching Siew @ Yii Ching Siew	8,500,000	18.40	-	-	42,500,000	18.40	-	-
Dato' Lee Fong Yin @ Lee Yun Ya	7,539,600	16.32	-	-	37,698,000	16.32	-	-
Starfield Capital Sdn Bhd	4,856,200	10.51	-	-	24,281,000	10.51	-	-
Datin Chan Chui Mei	-	-	4,856,200 <sup>(1)</sup>	10.51	-	-	24,281,000 <sup>(1)</sup>	10.51
Tan Li Li	2,378,300	5.15	-	-	11,891,500	5.15	-	-

Substantial shareholder	Proforma II			
	After Proforma I & After full exercise of Warrants			
	Direct		Indirect	
No. of New Stone Master Shares held	%	No. of New Stone Master Shares held	%	
Dato' Eii Ching Siew @ Yii Ching Siew	59,500,000	18.40	-	-
Dato' Lee Fong Yin @ Lee Yun Ya	52,777,200	16.32	-	-
Starfield Capital Sdn Bhd	33,993,400	10.51	-	-
Datin Chan Chui Mei	-	-	33,993,400 <sup>(1)</sup>	10.51
Tan Li Li	16,648,100	5.15	-	-

**Note:**

(1) Deemed interested by virtue of her interest through Starfield Capital Sdn Bhd pursuant to Section 6A of the Act.

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**INFORMATION ON OUR COMPANY (CONT'D)**


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**4. DIRECTORS**

The particulars of our Directors as at the LPD are set out below:

<b>Name</b>	<b>Address</b>	<b>Age</b>	<b>Nationality</b>	<b>Profession</b>	<b>Designation</b>
Dato' Eii Ching Siew @ Yii Ching Siew	Marina Court Block D 1107, 11 Floor 88000 Kota Kinabalu Sabah	69	Malaysian	Company Director	Executive Chairman
Dato' Lee Fong Yin @ Lee Yun Ya	No. 133, Kampung Sembulan Jalan Mat Saleh 88818 Kota Kinabalu Sabah	47	Malaysian	Company Director	Deputy Executive Chairman
Prof. Dr. Wong Kong Yew @ Leong Kong Yew	No. 2, Jalan Watan Taman Watan 68000 Ampang Selangor Darul Ehsan	40	Malaysian	Company Director	Executive Director cum Chief Executive Officer
Datin Chan Chui Mei	No. 12, Jalan USJ 17/13A 47630 Subang Jaya Selangor Darul Ehsan	44	Malaysian	Executive Director	Executive Director
Koh Mui Tee	5R4 City Apartment Pudu Plaza Jalan Pudu 55100 Kuala Lumpur	56	Malaysian	Company Director	Executive Director
Lee Hwa Cheng	No. 3, Jalan TR 7/3 Tropicana Golf & Country Resort 47410 Petaling Jaya Selangor Darul Ehsan	53	Malaysian	Company Director	Executive Director
Md Noor bin Abd Rahim	87, Jalan TR 2/3 Tropicana Golf & Country Resort 47410 Petaling Jaya Selangor Darul Ehsan	59	Malaysian	Company Director	Independent Non- Executive Director
Lam Man Kai	RH No.1, Jalan Sang Kancil 2 88809 Kota Kinabalu Sabah	34	Malaysian	Company Director	Independent Non- Executive Director
Ching Pong Hua	9, SS3/76 47300 Petaling Jaya Selangor Darul Ehsan	54	Malaysian	Company Director	Independent Non- Executive Director
Julius Kong Yik Liang	BT 5 1/2, Jalan Shantung Lama, Penampang 88300 Penampang Sabah	34	Malaysian	Company Director	Independent Non- Executive Director (Alternate Director to Mr. Lam Man Kai)

**INFORMATION ON OUR COMPANY (CONT'D)**

The shareholdings of our Directors as at the LPD and after the Rights Issue are set out below:

**Minimum Scenario:**

Directors	Shareholdings as at the LPD			Proforma I After the Rights Issue			Proforma II After Proforma I and assuming full exercise of the Warrants		
	Direct	Indirect	%	Direct	Indirect	%	Direct	Indirect	%
	No. of Stone Master Shares held	No. of Stone Master Shares held	%	No. of New Stone Master Shares held	No. of New Stone Master Shares held	%	No. of New Stone Master Shares held	No. of New Stone Master Shares held	%
Dato' Eii Ching Siew @ Yii Ching Siew	8,500,000	-	18.40	18,450,000	-	32.00	23,425,000	-	36.95
Dato' Lee Fong Yin @ Lee Vun Ya	7,539,600	-	16.32	9,049,600	-	15.69	9,804,600	-	15.47
Prof. Dr. Wong Kong Yew @ Leong Kong Yew	-	-	-	-	-	-	-	-	-
Datin Chan Chui Mei	-	4,856,200 <sup>(1)</sup>	10.51	-	4,856,200 <sup>(1)</sup>	8.42	-	4,856,200 <sup>(1)</sup>	7.66
Koh Mui Tee	-	-	-	-	-	-	-	-	-
Lee Hwa Cheng	-	-	-	-	-	-	-	-	-
Md Noor bin Abd Rahim	-	-	-	-	-	-	-	-	-
Lam Man Kai	-	-	-	-	-	-	-	-	-
Ching Pong Hua	-	-	-	-	-	-	-	-	-
Julius Kong Yik Liang (Alternate Director to Mr. Lam Man Kai)	-	-	-	-	-	-	-	-	-

**Note:**

<sup>(1)</sup> Deemed interested by virtue of her interest through Starfield Capital Sdn Bhd pursuant to Section 6A of the Act.

## INFORMATION ON OUR COMPANY (CONT'D)

Maximum Scenario:

Directors	Shareholdings as at the LPD				Proforma I After the Rights Issue				Proforma II After I and assuming full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Stone Master Shares held	%	No. of Stone Master Shares held	%	No. of Stone Master Shares held	%	No. of Stone Master Shares held	%	No. of Stone Master Shares held	%	No. of Stone Master Shares held	%
Dato' Eii Ching Siew @ Yii Ching Siew	8,500,000	18.40	-	-	42,500,000	18.40	-	-	59,500,000	18.40	-	-
Dato' Lee Fong Yin @ Lee Yun Ya	7,539,600	16.32	-	-	37,698,000	16.32	-	-	52,777,200	16.32	-	-
Prof. Dr. Wong Kong Yew @ Leong Kong Yew	-	-	-	-	-	-	-	-	-	-	-	-
Datin Chan Chui Mei	-	-	4,856,200 <sup>(1)</sup>	10.51	-	-	24,281,000 <sup>(1)</sup>	10.51	-	-	33,993,400 <sup>(1)</sup>	10.51
Koh Mui Tee	-	-	-	-	-	-	-	-	-	-	-	-
Lee Hwa Cheng	-	-	-	-	-	-	-	-	-	-	-	-
Md Noor bin Abd Rahim	-	-	-	-	-	-	-	-	-	-	-	-
Lam Man Kai	-	-	-	-	-	-	-	-	-	-	-	-
Ching Pong Hua	-	-	-	-	-	-	-	-	-	-	-	-
Julius Kong Yik Liang (Alternate Director to Mr. Lam Man Kai)	-	-	-	-	-	-	-	-	-	-	-	-

**Note:**

(1) Deemed interested by virtue of her interest through Starfield Capital Sdn Bhd pursuant to Section 6A of the Act.

**INFORMATION ON OUR COMPANY (CONT'D)****5. SUBSIDIARY AND ASSOCIATE COMPANIES**

As at the LPD, our subsidiary companies are set out below:

Name of company	Date and place of incorporation	Issued and paid-up share capital	Effective equity interest %	Principal activities
S.P. Granite Sdn Bhd	13 May 1989/ Malaysia	10,000,000	100	Manufacturing and trading in marble, granite and ceramic tiles
Rainbow Marble & Tiling Sdn Bhd	28 November 1986/ Malaysia	1,000,000	100	Trading in marble, granite ceramic tiles and sanitary ware
Stone Master Marketing Sdn Bhd	20 August 2010/ Malaysia	2	100	Trading in marble, granite, sanitary ware and all other related products
Stone Design House Sdn Bhd	8 December 2014/ Malaysia	2	100	A designing house specialising in all aspects of architectural, creative and interior design works and projects
<b>Subsidiaries of S.P. Granite Sdn Bhd</b>				
Stone Master (Malaysia) Sdn Bhd	19 October 1991/ Malaysia	1,500,000	100	Trading in marble, granite, ceramic tiles and sanitary ware and contract works
Fastra Sdn Bhd	10 August 1987/ Malaysia	20,000	100	Dormant

As at the LPD, we do not have any associate company.

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**INFORMATION ON OUR COMPANY (CONT'D)**


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**6. PROFIT AND DIVIDEND RECORDS**

The following table sets out a summary of our audited consolidated financial statements for the past three (3) financial years up to the FYE 30 September 2014 and our unaudited consolidated financial statements for the three (3)-month FPE 31 December 2014.

	Eighteen (18)- month FPE 30 September 2012 RM'000	Twelve (12)- month FYE 30 September 2013 RM'000	Twelve (12)- month FYE 30 September 2014 RM'000	Three (3)- month FPE 31 December 2014 RM'000
Revenue	105,090	67,051	80,898	21,381
Cost of sales	(94,249)	(60,277)	(71,656)	(19,025)
<b>Gross profit</b>	<b>10,841</b>	<b>6,774</b>	<b>9,242</b>	<b>2,356</b>
Other income	5,955	1,353	259	39
Distribution costs	(4,808)	(2,953)	(3,825)	(6)
Administrative expenses	(16,774)	(7,512)	(6,412)	(2,703)
<b>Loss from operations</b>	<b>(4,786)</b>	<b>(2,338)</b>	<b>(736)</b>	<b>(314)</b>
Finance costs	(2,988)	(1,928)	(1,800)	(543)
<b>LBT</b>	<b>(7,774)</b>	<b>(4,266)</b>	<b>(2,536)</b>	<b>(857)</b>
Income tax expense	(197)	(226)	(727)	(61)
<b>LAT</b>	<b>(7,971)</b>	<b>(4,492)</b>	<b>(3,263)</b>	<b>(918)</b>
<b>Loss attributable to:</b>				
Owners of our Company	(7,830)	(4,492)	(3,263)	(918)
Non-controlling interest	(141)	-	-	-
	<b>(7,971)</b>	<b>(4,492)</b>	<b>(3,263)</b>	<b>(918)</b>
Profit/ (Loss) before interests, taxes, depreciation and amortisation	(2,050)	(886)	658	4
Gross profit margin (%)	10.32	10.10	11.42	11.02
LAT margin (%)	(7.58)	(6.70)	(4.03)	(4.29)
Loss per Share (RM)				
Basic and fully diluted	(0.19)	(0.11)	(0.08)	(0.02)

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**INFORMATION ON OUR COMPANY (CONT'D)**

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**Commentary on past performance:****FPE 30 September 2012**

Our Group changed its FYE from 31 March to 30 September during the FPE 30 September 2012, thereby requiring the FPE 30 September 2012 financial statements to be prepared and tabled on the basis of an eighteen (18)-month period from 1 April 2011 through 30 September 2012 for the previous year.

For the financial period under review, our Group registered a 67.71% increase in revenue to RM105.09 million for the period ended 31 September 2012 against revenue of RM62.66 million for the previous year. However, if the FPE 30 September 2012 was pro-rated over a twelve (12)-month period, the revenue would have increased by RM7.40 million or 11.81% from RM62.66 million to RM70.06 million in the FPE 30 September 2012. The increase in revenue was driven by the increase of the revenue of the ceramic tiles division due to more contracts secured during this financial period in particular from new property development projects.

Our Group's LAT has decreased from RM9.16 million in the FYE 31 March 2011 to RM5.31 million in the FPE 30 September 2012 based on a pro-rated basis over a twelve (12)-month period. The decrease of the LAT was contributed from other operating income such as the fair value gain of RM1.60 million from the investment properties and gain of RM2.80 million from the disposal of properties.

**FYE 30 September 2013**

For the financial year under review, our Group registered a slight decrease of 4.30% in sales revenue amounting to RM67.05 million for a twelve (12)-month FYE 2013 against the preceding twelve (12)-month pro-rata revenue of RM70.06 million. The decrease in revenue was attributed to the decrease in revenue of the marble and granite division for this financial year due to the lower number of the contracts secured during the financial year.

Our Group recorded a LAT of RM4.49 million for FYE 2013 against a loss of RM7.97 million for FYE 2012 (based on a pro-rated basis over a twelve (12)-month period) reflecting an improvement in our Group's overall performance. The decrease in the LAT was due to the decrease of the operating and administration expenses incurred due to the implementation of cost saving measures during the financial period.

**FYE 30 September 2014**

For the financial year under review, our Group recorded revenue of RM80.90 million representing an increase of RM13.85 million or 20.66% as compared to RM67.05 million in the FYE 30 September 2013. The increase in revenue was contributed by the increase sale of ceramic tiles and other building products from projects in Plentong, Nusajaya and Iskandar Development Zone in Johor and Klang Valley.

Our Group recorded a lower LAT of RM3.26 million, representing a decrease of RM1.23 million or 27.39% as compared to RM4.49 million for the FYE 30 September 2013. This decrease was contributed by the implementation of cost saving measures during the financial period.

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**INFORMATION ON OUR COMPANY (CONT'D)**


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**Three (3)-month FPE 31 December 2014**

For the financial period under review, our Group recorded a revenue of RM21.38 million representing an increase of RM1.32 million or 6.58% as compared to RM20.06 million in the three (3)-month FPE 31 December 2013. The increase in revenue was due to the increase in sale of tiles and building products from existing projects in Plentong, Nusajaya and Iskandar Development Zone in Johor and Klang Valley.

Our Group recorded a higher LAT of RM0.92 million, representing a substantial increase of RM0.61 million as compared to RM0.31 million for the three (3)-month FPE 31 December 2013. This increase was due to increase in operating and administrative expenses such as directors' remuneration and expenses in relation to the Corporate Exercises.

**7. HISTORICAL SHARE PRICES**

The monthly highest and lowest market prices of our Shares as traded on Bursa Securities for the past twelve (12) months from May 2014 to April 2015 are set out below:

	<b>High</b>	<b>Low</b>
	<b>RM</b>	<b>RM</b>
<b>2014</b>		
May	0.330	0.285
June	0.365	0.295
July	0.650	0.350
August	0.860	0.600
September	1.290	0.810
October	1.100	0.870
November	1.030	0.940
December	0.985	0.850
<b>2015</b>		
January	0.950	0.880
February	0.930	0.850
March	0.925	0.850
April	0.900	0.810
Last transacted market price on 25 April 2014 (being the day prior to the announcement on the Rights Issue)		0.695
Last transacted market price on the LPD		0.895
Last transacted price of Stone Master Shares on 26 May 2015 (being the date prior to the ex-date for the Rights Issue)		0.670

*(Source: Bloomberg Finance LP)*



**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 SEPTEMBER 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON**



**BAKER TILLY**

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Date: **14 MAY 2015**

The Board of Directors  
**Stone Master Corporation Berhad**  
Unit 02-03, Medan Klang Lama 28  
No. 419, Jalan Klang Lama  
58100 Kuala Lumpur  
Malaysia

**STRICTLY CONFIDENTIAL**

Dear Sirs,

**STONE MASTER CORPORATION BERHAD (“Stone Master” or “the Company”)  
REPORT ON THE COMPILATION OF THE PROFORMA CONSOLIDATED  
STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014**

We have completed our assurance engagement to report on the compilation of the Proforma Consolidated Statements of Financial Position of Stone Master and its subsidiaries (“the Group”) as at 30 September 2014 for which the directors of Stone Master are solely responsible. The Proforma Consolidated Statements of Financial Position consists of the Proforma Consolidated Statements of Financial Position as at 30 September 2014 together with the accompanying notes thereon, as set out in the accompanying statements, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the directors of Stone Master have compiled the Proforma Consolidated Statements of Financial Position are as described in Note 1 to the Proforma Consolidated Statements of Financial Position (“Applicable Criteria”).

The Proforma Consolidated Statements of Financial Position of the Group has been compiled by the directors of Stone Master to illustrate the impact of the renounceable rights issue of up to 184,800,000 new ordinary shares of RM0.25 each in Stone Master (“Rights Share(s)”) on the basis of four (4) Rights Shares for every one (1) ordinary share of RM0.25 each in Stone Master (“New Stone Master Share(s)”), together with up to 92,400,000 free detachable new warrants (“Warrants”) on the basis of one (1) Warrant for every two (2) Rights Shares subscribed for, at 5 p.m. on 29 May 2015 at an issue price of RM0.30 per Rights Share (“Rights Issue”) on the Group’s financial position as at 30 September 2014, as if the Rights Issue had taken place at 30 September 2014.

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 SEPTEMBER 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

**STONE MASTER CORPORATION BERHAD**  
**Report on the Compilation of the Proforma Consolidated**  
**Statements of Financial Position as at 30 September 2014**



As part of this process, information about the Group's financial position has been extracted by the directors of Stone Master from the audited financial statements of the Group for the financial year ended 30 September 2014, which were reported by us to the members of Stone Master on 30 January 2015, contained the following qualified opinion and emphasis of matter paragraphs:-

*"Basis for Qualified Opinion*

*As disclosed in Note 9(ii) to the financial statements, included in trade receivables of the Group is an amount of RM2,865,943/- owing to a subsidiary which has past due but not impaired. We are unable to obtain sufficient and appropriate audit evidence on the recoverability of the amount owing from the said trade receivable.*

*Qualified Opinion*

*In our opinion, except for the effects of the matters described in the Basis of Qualified Opinion paragraph, the financial statements have been properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as of 30th September 2014 and of their financial performances and cash flows for the financial year then ended.*

*Emphasis of Matter*

*Without further qualifying our opinion, we draw your attention to Note 2.1(a) to the financial statements which discloses the premise upon which the Group and the Company has prepared their financial statements by applying the going concern assumption, notwithstanding that the Group and the Company incurred a net loss of RM3,263,000/- and RM314,000/- for the financial year ended 30th September 2014 respectively. During the financial year, the Group and the Company has recorded negative operating cash flow of RM42,000/- and RM2,122,000/- respectively. The above indicate the existence of a material uncertainty which may cast significant doubt about the Group and the Company's ability to continue as a going concern. If the going concern assumption is inappropriate, the Group and the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. On 28th April 2014, the Company announced a proposed corporate exercise which includes a proposed renounceable rights issue. Due to the delay in proposed renounceable rights issue, on 31st December 2014, the Group was unable to fulfil the condition set by the Bank including the repayment of RM966,000/- and the Bank has the right to demand for the full and immediate repayment of the outstanding sum. On 20th January 2015, the Company announced that the major shareholders have indicated and will provide an irrevocable and unconditional undertaking to subscribe 11,460,000 units of the proposed right issues shares. On 30th January 2015, the Bank has agreed to accept part repayment and defer the repayment of the outstanding balance to 31st March 2015 and full repayment upon successful completion of the proposed renounceable rights issue. The directors are confident that the corporate proposal can be successfully implemented to raise additional funds for the repayment of the borrowings of the Group and to fund the working capital and the Group is able to continue achieve profitable operation. Hence, the financial statements of the Group and the Company have been prepared on a going concern basis."*

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**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 SEPTEMBER 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

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**STONE MASTER CORPORATION BERHAD**  
**Report on the Compilation of the Proforma Consolidated**  
**Statements of Financial Position as at 30 September 2014***Directors' Responsibility for the Proforma Consolidated Statements of Financial Position*

The directors of Stone Master are responsible for compiling the Proforma Consolidated Statements of Financial Position based on the Applicable Criteria.

*Reporting Accountants' Responsibilities*

Our responsibility is to express an opinion, whether the Proforma Consolidated Statements of Financial Position has been compiled, in all material respects, by the directors of Stone Master based on the Applicable Criteria.

We conducted our engagement in accordance with *International Standard on Assurance Engagements (ISAE) 3420: Assurance Engagements to Report on the Compilation of Proforma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of Stone Master have compiled, in all material respects, the Proforma Consolidated Statements of Financial Position based on the Applicable Criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Proforma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Proforma Consolidated Statements of Financial Position.

The purpose of Proforma Consolidated Statements of Financial Position included in the Abridged Prospectus of Stone Master is solely to illustrate the impact of the Rights Issue on unadjusted financial information of the Group as if the Rights Issue had occurred or had been undertaken at an earlier date selected for illustrative purposes only. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue would have been as presented.

A reasonable assurance engagement to report on whether the Proforma Consolidated Statements of Financial Position has been compiled, in all material respects, based on the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the directors of Stone Master in the compilation of the Proforma Consolidated Statements of Financial Position of the Group provide a reasonable basis for presenting the significant effects directly attributable to the Proposals, and to obtain sufficient appropriate evidence about whether:-

- (a) The related proforma adjustments give appropriate effect to those criteria; and
- (b) The Proforma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

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**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 SEPTEMBER 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

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**STONE MASTER CORPORATION BERHAD**  
**Report on the Compilation of the Proforma Consolidated**  
**Statements of Financial Position as at 30 September 2014**

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Proforma Consolidated Statements of Financial Position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Proforma Consolidated Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion:-

- (i) the Proforma Consolidated Statements of Financial Position of the Group have been properly compiled on the basis as set out in the accompanying notes to the Proforma Consolidated Statements of Financial Position based on the audited consolidated financial statements of the Group for the financial year ended 30 September 2014 (which have been prepared by the directors of Stone Master in accordance with the Malaysian Financial Reporting Standards), and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its audited consolidated financial statements for the financial year ended 30 September 2014 and the adoption of a new accounting policy as detailed in Note 1.2 of the Proforma Consolidated Statements of Financial Position; and
- (ii) each material adjustment made to the information used in the preparation of the Proforma Consolidated Statements of Financial Position is appropriate for the purposes of preparing the Proforma Consolidated Statements of Financial Position.

This report has been prepared for inclusion in the Abridged Prospectus of Stone Master in connection with the Rights Issue and is not to be used, circulated, quoted or otherwise referenced to in any document or used for any other purpose without the prior written consent from us. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully,

  
.....  
**BAKER TILLY MONTEIRO HENG**

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 SEPTEMBER 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

**STONE MASTER CORPORATION BERHAD**

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014**

The Proforma Consolidated Statements of Financial Position of Stone Master Corporation Berhad ("Stone Master" or "the Company") and its subsidiaries ("the Group") as at 30 September 2014 as set out below for which the directors of Stone Master are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited consolidated statement of financial position of the Group as at 30 September 2014 had the transactions as described in Note 2 and the Rights Issue as described in Note 3 been effected on that date, and should be read in conjunction with the notes accompanying to the Proforma Consolidated Statements of Financial Position.

**Minimum Scenario**

	<b>Audited Consolidated Statement of Financial Position as at 30 September 2014 RM'000</b>	<b>Adjusted Consolidated Statement of Financial Position as at 30 September 2014 RM'000</b>	<b>Proforma I  After the Rights Issue RM'000</b>	<b>Proforma II  After I and Assuming Full Exercise of Warrants RM'000</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	22,789	22,789	22,789	22,789
Investment properties	3,975	3,975	3,975	3,975
Other investments	28	28	28	28
	26,792	26,792	26,792	26,792
<b>Current assets</b>				
Inventories	7,002	7,002	7,002	7,002
Trade receivables	23,590	23,590	23,590	23,590
Other receivables, deposits and prepayments	710	710	710	710
Cash and bank balances	1,240	1,077	1,342	3,061
	32,542	32,379	32,644	34,363
<b>TOTAL ASSETS</b>	59,334	59,171	59,436	61,155

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 SEPTEMBER 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

**STONE MASTER CORPORATION BERHAD**

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014 (Continued)**

**Minimum Scenario (Continued)**

	Audited Consolidated Statement of Financial Position as at 30 September 2014 RM'000	Adjusted Consolidated Statement of Financial Position as at 30 September 2014 RM'000	Proforma I  After the Rights Issue RM'000	Proforma II  After I and Assuming Full Exercise of Warrants RM'000
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital	23,100	11,550	14,415	15,848
Share premium	611	611	611	1,928
Revaluation reserve	4,160	4,160	4,160	4,160
Fair value reserve	13	13	13	13
Warrants reserve	-	-	1,031	-
Accumulated losses	(14,726)	(3,734)	(5,092)	(5,092)
<b>Total equity</b>	<b>13,158</b>	<b>12,600</b>	<b>15,138</b>	<b>16,857</b>
<b>Non-current liabilities</b>				
Bank borrowings - secured	11,845	4,979	4,979	4,979
Deferred tax liabilities	1,966	1,966	1,966	1,966
	<b>13,811</b>	<b>6,945</b>	<b>6,945</b>	<b>6,945</b>
<b>Current liabilities</b>				
Trade payables	13,846	13,846	13,846	13,846
Other payables, deposits and accruals	3,275	3,275	3,275	3,275
Bank borrowings - secured	14,334	21,595	19,322	19,322
Tax payable	910	910	910	910
	<b>32,365</b>	<b>39,626</b>	<b>37,353</b>	<b>37,353</b>
<b>Total liabilities</b>	<b>46,176</b>	<b>46,571</b>	<b>44,298</b>	<b>44,298</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>59,334</b>	<b>59,171</b>	<b>59,436</b>	<b>61,155</b>
Number of ordinary shares in issued:				
- RM0.50 each ('000)	46,200	-	-	-
- RM0.25 each ('000)	-	46,200	57,660	63,390
<b>Net assets ("NA")</b>	<b>13,158</b>	<b>12,600</b>	<b>15,138</b>	<b>16,857</b>
<b>NA per share (RM)</b>	<b>0.28</b>	<b>0.27</b>	<b>0.26</b>	<b>0.27</b>

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 SEPTEMBER 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

**STONE MASTER CORPORATION BERHAD**

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014 (Continued)**

**Maximum Scenario**

	<b>Audited Consolidated Statement of Financial Position as at 30 September 2014 RM'000</b>	<b>Adjusted Consolidated Statement of Financial Position as at 30 September 2014 RM'000</b>	<b>Proforma I  After the Rights Issue RM'000</b>	<b>Proforma II  After I and Assuming Full Exercise of Warrants RM'000</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	22,789	22,789	26,789	26,789
Investment properties	3,975	3,975	3,975	3,975
Other investments	28	28	28	28
	26,792	26,792	30,792	30,792
<b>Current assets</b>				
Inventories	7,002	7,002	7,002	7,002
Trade receivables	23,590	23,590	23,590	23,590
Other receivables, deposits and prepayments	710	710	710	710
Cash and bank balances	1,240	1,077	25,139	52,859
	32,542	32,379	56,441	84,161
<b>TOTAL ASSETS</b>	59,334	59,171	87,233	114,953

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 SEPTEMBER 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

**STONE MASTER CORPORATION BERHAD**

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014 (Continued)**

**Maximum Scenario (Continued)**

	<b>Audited Consolidated Statement of Financial Position as at 30 September 2014 RM'000</b>	<b>Adjusted Consolidated Statement of Financial Position as at 30 September 2014 RM'000</b>	<b>Proforma I  After the Rights Issue RM'000</b>	<b>Proforma II  After I and Assuming Full Exercise of Warrants RM'000</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital	23,100	11,550	57,750	80,850
Share premium	611	611	611	21,863
Revaluation reserve	4,160	4,160	4,160	4,160
Fair value reserve	13	13	13	13
Warrants reserve	-	-	16,632	-
Accumulated losses	(14,726)	(3,734)	(12,026)	(12,026)
<b>Total equity</b>	<b>13,158</b>	<b>12,600</b>	<b>67,140</b>	<b>94,860</b>
<b>Non-current liabilities</b>				
Bank borrowings - secured	11,845	4,979	-	-
Deferred tax liabilities	1,966	1,966	1,966	1,966
	<b>13,811</b>	<b>6,945</b>	<b>1,966</b>	<b>1,966</b>
<b>Current liabilities</b>				
Trade payables	13,846	13,846	13,846	13,846
Other payables, deposits and accruals	3,275	3,275	3,275	3,275
Bank borrowings - secured	14,334	21,595	96	96
Tax payable	910	910	910	910
	<b>32,365</b>	<b>39,626</b>	<b>18,127</b>	<b>18,127</b>
<b>Total liabilities</b>	<b>46,176</b>	<b>46,571</b>	<b>20,093</b>	<b>20,093</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>59,334</b>	<b>59,171</b>	<b>87,233</b>	<b>114,953</b>
Number of ordinary shares in issued:				
- RM0.50 each ('000)	46,200	-	-	-
- RM0.25 each ('000)	-	46,200	231,000	323,400
NA	13,158	12,600	67,140	94,860
NA per share (RM)	0.28	0.27	0.29	0.29



**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 SEPTEMBER 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

**STONE MASTER CORPORATION BERHAD**

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014**

**1. Basis of Preparation**

- 1.1 The Proforma Consolidated Statements of Financial Position of the Group, for which the directors of Stone Master are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited consolidated statement of financial position of the Group as at 30 September 2014 had the transactions as described in Note 2 and the Rights Issue as described in Note 3 been effected on that date, and should be read in conjunction with the notes accompanying the Proforma Consolidated Statements of Financial Position.
- 1.2 The Proforma Consolidated Statements of Financial Position of the Group have been prepared in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its audited consolidated financial statements for the financial year ended 30 September 2014, which have been prepared in accordance with the Malaysian Financial Reporting Standards in Malaysia, and the adoption of the following new accounting policy:-

**Warrants Reserve**

The allocated fair values of free warrants are credited to a warrants reserve, which is non-distributable. The warrants reserve will be transferred to the share premium account upon the exercise of warrants.

For the preparation of the Proforma Consolidated Statements of Financial Position, the directors of Stone Master have allocated a value of RM0.18 per Warrant to the free Warrants based on the fair value of the Warrant extracted from Bloomberg Finance LP as at 30 April 2015, being the latest practicable date ("LPD"). The value of the Warrants is based on the relative fair values of the ordinary shares by reference to the following information extracted from Bloomberg Finance LP:-

Valuation model	: Black Scholes
Share price	: RM0.885
Exercise price	: RM0.30 per Warrant
Tenure of Warrants	: 5 years
Share price volatility	: 73.28%
Dividend	: No dividend
Risk free interest rate	: 3.659% per annum

As the above variables are subject to change upon the implementation of the Rights Issue as described in Note 3, the actual quantum of the components of the warrant reserve will only be determined upon issuance of the Warrants. As such, the actual quantum may differ from the amount computed above.

- 1.3 The audited financial statements of Stone Master for the financial year ended 30 September 2014, which were reported by the auditors to the members of Stone Master on 30 January 2015, contained the following qualified opinion and the emphasis of matters paragraphs:-

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 SEPTEMBER 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

**STONE MASTER CORPORATION BERHAD**

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014 (Continued)**

**1. Basis of Preparation (Continued)**

**1.3 (Continued)**

*"Basis for Qualified Opinion*

*As disclosed in Note 9(ii) to the financial statements, included in trade receivables of the Group is an amount of RM2,865,943/- owing to a subsidiary which has past due but not impaired. We are unable to obtain sufficient and appropriate audit evidence on the recoverability of the amount owing from the said trade receivable.*

*Qualified Opinion*

*In our opinion, except for the effects of the matters described in the Basis of Qualified Opinion paragraph, the financial statements have been properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as of 30th September 2014 and of their financial performances and cash flows for the financial year then ended.*

*Emphasis of Matter*

*Without further qualifying our opinion, we draw your attention to Note 2.1(a) to the financial statements which discloses the premise upon which the Group and the Company has prepared their financial statements by applying the going concern assumption, notwithstanding that the Group and the Company incurred a net loss of RM3,263,000/- and RM314,000/- for the financial year ended 30th September 2014 respectively. During the financial year, the Group and the Company has recorded negative operating cash flow of RM42,000/- and RM2,122,000/- respectively. The above indicate the existence of a material uncertainty which may cast significant doubt about the Group and the Company's ability to continue as a going concern. If the going concern assumption is inappropriate, the Group and the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. On 28th April 2014, the Company announced a proposed corporate exercise which includes a proposed renounceable rights issue. Due to the delay in proposed renounceable rights issue, on 31st December 2014, the Group was unable to fulfil the condition set by the Bank including the repayment of RM966,000/- and the Bank has the right to demand for the full and immediate repayment of the outstanding sum. On 20th January 2015, the Company announced that the major shareholders have indicated and will provide an irrevocable and unconditional undertaking to subscribe 11,460,000 units of the proposed right issues shares. On 30th January 2015, the Bank has agreed to accept part repayment and defer the repayment of the outstanding balance to 31st March 2015 and full repayment upon successful completion of the proposed renounceable rights issue. The directors are confident that the corporate proposal can be successfully implemented to raise additional funds for the repayment of the borrowings of the Group and to fund the working capital and the Group is able to continue achieve profitable operation. Hence, the financial statements of the Group and the Company have been prepared on a going concern basis."*

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 SEPTEMBER 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

**STONE MASTER CORPORATION BERHAD**

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014 (Continued)**

**1. Basis of Preparation (Continued)**

**1.3 (Continued)**

Extraction from Note 9(ii) to the financial statements

*"At the reporting date, the Group has trade receivables amounting to RM5,058,000/- (2013: RM7,099,000/-) that are past due but not impaired.*

*Included in the trade receivable is an amount of RM2,865,943/- (2013: RM2,941,025/-) owing to a subsidiary which has past due but not impaired. The directors are monitoring the recoverability of the amount owing and are in the midst of assessing the amount to be recovered from this trade receivables by considering alternative actions that may be available to the Group. Subsequent to the end of financial year, the directors obtained the agreement to contra the amount owing by the said trade receivable with amount owing to a former director and other payable amounted to RM890,500/-. The directors have not made any allowance for impairment on this receivable.*

*Other than as described above, trade receivables that are past due but not impaired relates to customers that have good track payment records with the Group. Based on the past experience and no adverse information to date, the directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances still considered fully recoverable."*

Extraction from Note 2.1(a) to the financial statements

*"The Group and the Company incurred a net loss of RM3,263,000/- and RM314,000/- for the financial year ended 30th September 2014 respectively. During the financial year, The Group and the Company has recorded negative operating cash flow of RM42,000/- and RM2,122,000/- respectively. The above indicate a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. If the going concern assumption is inappropriate, the Group and the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.*

*On 28th April 2014, the Company announced a proposed corporate exercise which includes a proposed renounceable rights issue as disclosed in Note 30(i).*

*As stated in Note 30(v), due to the delay in proposed renounceable rights issue, on 31st December 2014, the Group was unable to fulfil the condition set by the Bank including the repayment of RM966,000/- and the bank has the right to demand for the full and immediate repayment of the outstanding sum.*

*As stated in Note 30(vii), on 20th January 2015, the Company announced that the major shareholders have indicated and will provide an irrevocable and unconditional undertaking to subscribe 11,460,000 units of the proposed right issues shares.*

*On 30th January 2015, the Bank has agreed to accept part repayment and defer the repayment of the outstanding balance to 31st March 2015 and full repayment upon successful completion of the proposed renounceable rights issue.*

*The directors are confident that the corporate proposal can be successfully implemented to raise additional funds for the repayment of the borrowings of the Group and to fund the working capital and the Group is able to continue to achieve profitable operation.*

*Hence, the financial statements of the Group and the Company have been prepared on a going concern basis."*

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 SEPTEMBER 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

**STONE MASTER CORPORATION BERHAD**

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014 (Continued)**

**2. Adjusted Consolidated Statement of Financial Position as at 30 September 2014**

The audited consolidated statement of financial position of Stone Master as at 30 September 2014 had been adjusted for the following transactions prior subsequent to 30 September 2014 and up to the LPD:-

**2.1 Share Capital Reduction**

On 7 October 2014, the Company has obtained approval from the High Court of Malaya on the reduction of the issued and paid-up share capital of Stone Master amounting to RM11.55 million via the cancellation of RM0.25 from the par value of every ordinary shares of RM0.50 each in Stone Master pursuant to Section 64(1) of the Companies Act, 1965 ("Share Capital Reduction"). The Share Capital Reduction was effected on 5 November 2014.

The reduction of the issued and paid-up share capital of Stone Master amounting to RM11.55 million arising from the Proposed Share Capital Reduction will be credited to the Accumulated Losses Account.

The Share Capital Reduction had the following impact on the audited consolidated statement of financial position of the Group as at 30 September 2014:-

	<b>Increase/(Decrease) Effects on Total Equity RM'000</b>
Share capital	(11,550)
Accumulated losses	11,550
	<u>-</u>

**2.2 Drawdown, Repayments and Additional Interests on Borrowings**

Subsequent to the financial year ended 30 September 2014, the Group has drawdown additional borrowings, made repayments to the borrowings and incurred additional interest expenses on the borrowings.

The net proceeds arising from the drawdown and repayments of borrowings will be included in Cash and Bank Balances Account. The interest expenses incurred on the borrowings had been debited to Accumulated Losses Account.

The drawdown, repayments and interest expenses incurred on borrowings had the following impact on the audited consolidated statement of financial position of the Group as at 30 September 2014:-

	<b>Increase/(Decrease) Effects on Total Assets RM'000</b>	<b>Effects on Total Liabilities and Total Equity RM'000</b>
Cash and bank balances	(163)	-
Borrowings (Non-current)	-	(6,866)
Borrowings (Current)	-	7,261
Accumulated losses	-	(558)
	<u>(163)</u>	<u>(163)</u>

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 SEPTEMBER 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

**STONE MASTER CORPORATION BERHAD**

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014 (Continued)**

**3. Rights Issue**

Stone Master has undertaken the renounceable rights issue of up to 184,800,000 new ordinary shares of RM0.25 each in Stone Master ("Rights Share(s)") on the basis of four (4) Rights Shares for every one (1) ordinary share of RM0.25 each in Stone Master ("New Stone Master Share(s)"), together with up to 92,400,000 free detachable new warrants ("Warrants") on the basis of one (1) Warrant for every two (2) Rights Shares subscribed for, at 5 p.m. on 29 May 2015 at an issue price of RM0.30 per Rights Share ("Rights Issue").

**Utilisation of Proceeds from the Rights Issue**

The proceeds from the Rights Issue will be utilised in the following manner:-

	<b>Minimum Scenario RM'000</b>	<b>Maximum Scenario RM'000</b>
Working capital	265	7,000
Upgrading and acquiring new equipments	-	4,000
Repayment of bank borrowings	2,273	26,478
Acquisition of other businesses/assets	-	17,062
Estimated expenses	900	900
<b>Total</b>	<b>3,438</b>	<b>55,440</b>

**4. Proforma Consolidated Statements of Financial Position**

**4.1 Minimum Scenario**

The minimum scenario assumes that:-

- (i) The Rights Issue will be undertaken on a minimum level of subscription of 11,460,000 Rights Shares together with 5,730,000 Warrants at an issue price of RM0.30 per Rights Share which will raise a gross proceeds of RM3,438,000; and
- (ii) The 5,730,000 Warrants issued pursuant to the Rights Issue will be fully exercised at an exercise price of RM0.30.

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 SEPTEMBER 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

**STONE MASTER CORPORATION BERHAD**

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014 (Continued)**

**4. Proforma Consolidated Statements of Financial Position (Continued)**

**4.1 Minimum Scenario (Continued)**

**4.1.1 Proforma I**

Proforma I incorporates the effects of the Rights Issue on the adjusted consolidated statement of financial position of the Group as at 30 September 2014 and the utilisation of proceeds arising from the Rights Issue as described in Notes 3 and 4.1(i).

With the issuance of 5,730,000 Warrants pursuant to the Rights Issue, Stone Master has recognised the fair value of the Warrants of approximately RM1.031 million based on the basis as disclosed in Note 1.2 of which RM0.573 million and RM0.458 million will be debited to the Share Premium Account and Accumulated Losses Account respectively.

The proceeds arising from the Rights Issue earmarked for repayment of borrowings of RM2.273 million will be debited to the Borrowings Account and the proceeds earmarked for working capital of RM0.265 million will be included in the Cash and Bank Balances Account. The estimated expenses in relation to the Rights Issue of RM0.90 million will be debited to the Accumulated Losses Account.

The Rights Issue will have the following impact on the adjusted consolidated statements of financial position of the Group as at 30 September 2014:-

	<b>Increase/(Decrease)</b>	
	<b>Effects on</b>	<b>Effects on</b>
	<b>Total Assets</b>	<b>Total Liabilities</b>
	<b>RM'000</b>	<b>and Total Equity</b>
		<b>RM'000</b>
Cash and bank balances	265	-
Accumulated losses	-	(1,358)
Share capital	-	2,865
Warrants reserve	-	1,031
Borrowings (Current)	-	(2,273)
	265	265

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 SEPTEMBER 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

**STONE MASTER CORPORATION BERHAD**

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014 (Continued)**

**4. Proforma Consolidated Statements of Financial Position (Continued)**

**4.1 Minimum Scenario (Continued)**

**4.1.2 Proforma II**

Proforma II incorporates the cumulative effects of Proforma I and assuming the full exercise of 5,730,000 Warrants at the exercise price of RM0.30 as described in Note 4.1(ii).

The full exercise of 5,730,000 Warrants will have the following impact on the Proforma Consolidated Statements of Financial Position of the Group as at 30 September 2014:-

	<b>Increase/(Decrease)</b>	
	<b>Effects on Total Assets RM'000</b>	<b>Effects on Total Equity RM'000</b>
Cash and bank balances	1,719	-
Share capital	-	1,433
Share premium	-	1,317
Warrants reserve	-	(1,031)
	<u>1,719</u>	<u>1,719</u>

**4.2 Maximum Scenario**

The maximum scenario assumes that:-

- (i) The Rights Issue will raise a gross proceeds of RM55,440,000 based on the renounceable rights issue of up to 184,800,000 Rights Shares together with 92,400,000 Warrants at an issue price of RM0.30 per Rights Share; and
- (ii) The 92,400,000 Warrants issued pursuant to the Rights Issue will be fully exercised at an exercise price of RM0.30.

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 SEPTEMBER 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

**STONE MASTER CORPORATION BERHAD**

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014 (Continued)**

**4. Proforma Consolidated Statements of Financial Position (Continued)**

**4.2 Maximum Scenario (Continued)**

**4.2.1 Proforma I**

Proforma I incorporates the effects of the Rights Issue on the adjusted consolidated statement of financial position of the Group as at 30 September 2014 and the utilisation of proceeds arising from the Rights Issue as described in Notes 3 and 4.2(i).

With the issuance of 92,400,000 Warrants pursuant to the Rights Issue, Stone Master has recognised the fair value of the Warrants of approximately RM16.632 million based on the basis as disclosed in Note 1.2 of which RM9.240 million and RM7.392 million will be debited to the Share Premium Account and Accumulated Losses Account respectively.

The proceeds arising from the Rights Issue earmarked for repayment of borrowings of RM26.478 million will be debited to the Borrowings Account. The proceeds earmarked for working capital and acquisition of other businesses/assets of RM7.0 million and RM17.062 million respectively will be debited to Cash and Bank Balances Account. The proceeds earmarked for the upgrading and acquiring new equipments of RM4.0 million will be debited to Property, Plant and Equipment Account on the assumption that the costs incurred will meet the criterias for capitalisation. The estimated expenses in relation to the Rights Issue of RM0.90 million will be debited to the Accumulated Losses Account.

The Rights Issue will have the following impact on the adjusted consolidated statements of financial position of the Group as at 30 September 2014:-

	<b>Increase/(Decrease)</b>	
	<b>Effects on Total Assets RM'000</b>	<b>Effects on Total Liabilities and Total Equity RM'000</b>
Property, plant and equipment	4,000	-
Cash and bank balances	24,062	-
Share capital	-	46,200
Accumulated losses	-	(8,292)
Warrants reserve	-	16,632
Borrowings (Non-current)	-	(4,979)
Borrowings (Current)	-	(21,499)
	28,062	28,062



**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 SEPTEMBER 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

**STONE MASTER CORPORATION BERHAD**

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014 (Continued)**

**4. Proforma Consolidated Statements of Financial Position (Continued)**

**4.2 Maximum Scenario (Continued)**

**4.2.3 Proforma II**

Proforma II incorporates the cumulative effects of Proforma I and assuming the full exercise of 92,400,000 Warrants at the exercise price of RM0.30 as described in Note 4.2(ii).

The full exercise of 92,400,000 Warrants will have the following impact on the Proforma Consolidated Statements of Financial Position of the Group as at 30 September 2014:-

	<b>Increase/(Decrease)</b>	
	<b>Effects on Total Assets RM'000</b>	<b>Effects on Total Equity RM'000</b>
Cash and bank balances	27,720	-
Share capital	-	23,100
Share premium	-	21,252
Warrants reserve	-	(16,632)
	<u>27,720</u>	<u>27,720</u>

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 SEPTEMBER 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

**STONE MASTER CORPORATION BERHAD AND ITS SUBSIDIARIES**

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014 (Continued)**

**5. Movements in Share Capital and Reserves**

**5.1 Minimum Scenario**

	Share capital						
	Number of Shares RM'000	Amount RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Fair Value Reserve RM'000	Warrants Reserve RM'000	Accumulated Losses RM'000
Audited consolidated statement of financial position as at 30 September 2014	46,200	23,100	611	4,160	13	-	(14,726)
Arising from the Share Capital Reduction	-	(11,550)	-	-	-	-	11,550
Interest expenses incurred on borrowings	-	-	-	-	-	-	(558)
Adjusted consolidated statement of financial position as at 30 September 2014	46,200	11,550	611	4,160	13	-	(3,734)
Arising from the Rights Issue	11,460	2,865	-	-	-	-	-
- proceeds from the Rights Issue	-	-	-	-	-	1,031	(458)
- fair value of Warrants	-	-	-	-	-	-	(900)
- defrayment of estimated expenses	-	-	-	-	-	-	-
Per Proforma I	57,660	14,415	611	4,160	13	1,031	(5,092)
Arising from the full exercise of Warrants	5,730	1,433	1,317	-	-	(1,031)	-
Per Proforma II	63,390	15,848	1,928	4,160	13	-	(5,092)

**Proforma Consolidated Statements of Financial Position as at 30 September 2014**



**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 SEPTEMBER 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

**STONE MASTER CORPORATION BERHAD AND ITS SUBSIDIARIES**

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014 (Continued)**

**5. Movements in Share Capital and Reserves (Continued)**  
**5.2 Maximum Scenario**

	Share capital		Share Premium RM'000	Revaluation Reserve RM'000	Fair Value Reserve RM'000	Warrants Reserve RM'000	Accumulated Losses RM'000
	Number of Shares RM'000	Amount RM'000					
Audited consolidated statement of financial position as at 30 September 2014	46,200	23,100	611	4,160	13	-	(14,726)
Arising from the Share Capital Reduction	-	(11,550)	-	-	-	-	11,550
Interest expenses on incurred borrowings	-	-	-	-	-	-	(558)
Adjusted consolidated statement of financial position as at 30 September 2014	46,200	11,550	611	4,160	13	-	(3,734)
Arising from the Rights Issue	184,800	46,200	-	-	-	-	-
- proceeds from the Rights Issue	-	-	-	-	-	16,632	(7,392)
- fair value of Warrants	-	-	-	-	-	-	(900)
- defrayment of estimated expenses	-	-	-	-	-	-	-
Per Proforma I	231,000	57,750	611	4,160	13	16,632	(12,026)
Arising from the full exercise of Warrants	92,400	23,100	21,252	-	-	(16,632)	-
Per Proforma II	323,400	80,850	21,863	4,160	13	-	(12,026)

**Proforma Consolidated Statements of Financial Position  
as at 30 September 2014**



**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 SEPTEMBER 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

**STONE MASTER CORPORATION BERHAD AND ITS SUBSIDIARIES**

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014 (Continued)**

**6. Movements in Cash and Bank Balances**

**6.1 Minimum Scenario**

	RM'000
Audited consolidated statement of financial position as at 30 September 2014	1,240
Arising from the Share Capital Reduction	-
Net change in borrowings	(163)
Adjusted consolidated statement of financial position as at 30 September 2014	1,077
Arising from the Rights Issue	
- proceeds from the Rights Issue	3,438
- defrayment of estimated expenses	(900)
- repayment of borrowings	(2,273)
Per Proforma I *	1,342
Arising from the full exercise of Warrants	1,719
Per Proforma II *	3,061

\* Included in the cash and bank balances is an amount of RM0.265 million arising from the Rights Issue earmarked for the working capital purposes.

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 SEPTEMBER 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

**STONE MASTER CORPORATION BERHAD AND ITS SUBSIDIARIES**

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014 (Continued)**

**6. Movements in Cash and Bank Balances (Continued)**

**6.2 Maximum Scenario**

	RM'000
Audited consolidated statement of financial position as at 30 September 2014	1,240
Arising from the Share Capital Reduction	-
Net change in borrowings	(163)
Adjusted consolidated statement of financial position as at 30 September 2014	<u>1,077</u>
Arising from the Rights Issue	
- proceeds from the Rights Issue	55,440
- purchase and upgrading of production equipments	(4,000)
- defrayment of estimated expenses	(900)
- repayment of borrowings	(26,478)
Per Proforma I *	<u>25,139</u>
Arising from the full exercise of Warrants	27,720
Per Proforma II *	<u>52,859</u>

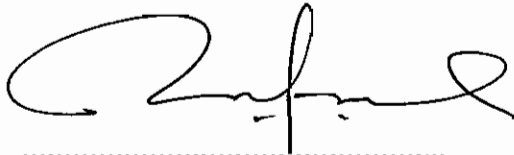
\* Included in the cash and bank balances is an amount of RM7.0 million and RM17.062 million arising from the Rights Issue earmarked for the working capital purposes and acquisition of other businesses/assets respectively.

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 SEPTEMBER 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' REPORT THEREON (CONT'D)**

**STONE MASTER CORPORATION BERHAD AND ITS SUBSIDIARIES**

**APPROVAL BY BOARD OF DIRECTORS**

Approved and adopted by the Board of Directors of Stone Master Corporation Berhad in accordance with a resolution dated **12 MAY 2015**



.....  
Name:  
Director

**Prof. Dr. Wang, Kong-Yew**  
Chief Executive Officer



.....  
Name: **KOH MIYI TEE**  
Director



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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30  
SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON**

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**STONE MASTER CORPORATION BERHAD**  
**(498639 – X)**  
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS  
30TH SEPTEMBER 2014

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**STONE MASTER CORPORATION BERHAD**  
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2014**

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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**STONE MASTER CORPORATION BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**

The directors hereby present their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 30th September 2014.

**PRINCIPAL ACTIVITIES**

The Company is principally engaged in investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

**RESULTS**

	<b>Group</b> RM'000	<b>Company</b> RM'000
Loss for the financial year	(3,263)	(314)
Other comprehensive loss	(151)	-
Total comprehensive loss for the financial year	<u>(3,414)</u>	<u>(314)</u>
Loss attributable to:		
Owners of the Company	<u>(3,263)</u>	<u>(314)</u>
Total comprehensive loss attributable to:		
Owners of the Company	<u>(3,414)</u>	<u>(314)</u>

**DIVIDENDS**

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend any dividend for the financial year.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**RESERVES AND PROVISIONS**

There are no material transfers to and from reserves and provisions during the financial year other than those disclosed in the financial statements.

**BAD AND DOUBTFUL DEBTS**

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the directors of the Company are not aware of any circumstances that would render it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company.

**CURRENT ASSETS**

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount that they might be expected to be realised.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

**CONTINGENT AND OTHER LIABILITIES**

At the date of this report, there does not exist:-

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or
- (ii) any contingent liabilities in respect of the Group and of the Company that has arisen since the end of the financial year.

No contingent liabilities or other liabilities of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****VALUATION METHODS**

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

**CHANGE OF CIRCUMSTANCES**

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company that would render any amount stated in the financial statements misleading.

**ITEMS OF AN UNUSUAL NATURE**

The results of the operations of the Group and of the Company for the financial year were not in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

**ISSUE OF SHARES AND DEBENTURES**

During the financial year, the Company had increased its issued and paid-up share capital of 4,200,000 new ordinary shares of RM0.50 each from a private placement at an exercise price of RM0.65 per ordinary share for a total cash consideration of RM2,730,000/-.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

The Company did not issue any debentures during the financial year.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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**DIRECTORS**

The directors in office since the date of the last report are:-

Dato' Eii Ching Siew @ Yii Ching Siew	Appointed on 01.08.2014
Dato' Lee Fong Yin @ Lee Yun Ya (F)	Appointed on 01.08.2014
Prof. Dr. Wong Kong Yew @ Leong Kong Yew	Appointed on 18.08.2014
Koh Mui Tee	Appointed on 22.08.2014
Datin Chan Chui Mei (F)	Appointed on 19.09.2014
Ching Pong Hua	Appointed on 26.11.2014
Md. Noor Bin Abd Rahim	Appointed on 08.12.2014
Lam Man Kai	Appointed on 15.12.2014
Lee Hwa Cheng	Appointed on 15.12.2014
Lim Chong Kwee	Resigned on 18.02.2014
Foo Chooi Wai (F)	Resigned on 26.11.2014
Tong Ah Wah @ Tong Chun Hwi	Resigned on 18.02.2014
Andrew Ho Tho Kong	Resigned on 18.02.2014
Ng Kay Kim	Resigned on 23.05.2014
Hwang Teck Seng	Resigned on 11.07.2014
Lee Wai Kuen	Resigned on 11.07.2014
Chan Mung Bong	Resigned on 01.08.2014
Dato' Tan Wei Lian	Appointed on 23.05.2014, Resigned on 09.09.2014
Teh Chee Seng	Appointed on 01.10.2013, Resigned on 06.08.2014
Low Boon Chin	Appointed on 18.02.2014, Resigned on 09.09.2014
Dato' Lee Yuen Fong	Appointed on 18.02.2014, Resigned on 09.09.2014
Tan Lee Chin (F)	Appointed on 18.02.2014, Resigned on 26.11.2014

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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**DIRECTORS' INTERESTS**

According to the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia, the interests of those directors who held office at the end of the financial year in shares in the Company and its related corporations during the financial year ended 30th September 2014 are as follows:-

	Number of ordinary shares of RM0.50 each			
	At 1.10.2013	Bought	Sold	At 30.9.2014
The Company				
<u>Direct Interest</u>				
<b>Stone Master Corporation Berhad</b>				
Dato' Eii Ching Siew @ Yii Ching Siew	-	8,500,000	-	8,500,000
Dato' Lee Fong Yin @ Lee Vun Ya (F)	-	7,539,600	-	7,539,600
<u>Indirect Interest</u>				
Datin Chan Chui Mei (F)*	-	4,856,200	-	4,856,200

\* Deemed interested by virtue of section 6A of the Companies Act, 1965 in Malaysia.

By Virtue of their interest in the Company, Dato' Eii Ching Siew @ Yii Ching Siew, Dato' Lee Fong Yin @ Lee Vun Ya (F) and Datin Chan Chui Mei (F) are also deemed to be interested in the shares of all the subsidiaries to the extent of the shares held by the Company.

Other than as stated above, none of the other directors in office at the end of the financial year have any interest in the shares of the Company and its related corporations.

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company or any of its related corporations a party to any arrangement whose object was to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

**SIGNIFICANT EVENT DURING AND AFTER THE FINANCIAL YEAR END**

Details of the significant event during and after the financial year end are disclosed in Note 30 to the financial statement.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30  
SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**AUDITORS**

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

On behalf of the Board,

.....  
DATO' LEE FONG YIN @ LEE VUN YA (F)  
Director

.....  
PROF. DR. WONG KONG YEW @ LEONG KONG YEW  
Director

Kuala Lumpur

Date: 30 January 2015

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**STONE MASTER CORPORATION BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30TH SEPTEMBER 2014**

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	22,789	22,752	51	-
Investment properties	5	3,975	3,975	-	-
Investment in subsidiaries	6	-	-	9,858	9,858
Other investments	7	28	28	-	-
		<u>26,792</u>	<u>26,755</u>	<u>9,909</u>	<u>9,858</u>
<b>Current assets</b>					
Inventories	8	7,002	7,574	-	-
Trade receivables	9	23,590	20,909	-	-
Other receivables, deposits and prepayments	10	710	632	862	-
Tax recoverable		-	106	-	-
Deposits placed with licensed banks		-	30	-	-
Cash and bank balances		1,240	901	536	1
		<u>32,542</u>	<u>30,152</u>	<u>1,398</u>	<u>1</u>
<b>TOTAL ASSETS</b>		<u>59,334</u>	<u>56,907</u>	<u>11,307</u>	<u>9,859</u>
<b>EQUITY AND LIABILITIES</b>					
Equity attributable to					
Owners of the Company					
Share capital	11(a)	23,100	21,000	23,100	21,000
Share premium	11(b)	611	-	611	-
Reserves	12	4,173	4,324	-	-
Accumulated losses		(14,726)	(11,614)	(12,951)	(12,637)
Total Equity		<u>13,158</u>	<u>13,710</u>	<u>10,760</u>	<u>8,363</u>
<b>Non-current liabilities</b>					
Bank borrowings - secured	13	11,845	13,240	-	-
Deferred tax liabilities	14	1,966	2,041	-	-
<b>Total non-current liabilities</b>		<u>13,811</u>	<u>15,281</u>	<u>-</u>	<u>-</u>
<b>Current liabilities</b>					
Trade payables	15	13,846	11,841	-	-
Other payables, deposit and accruals	16	3,275	2,440	547	1,496
Bank borrowings - secured	13	14,334	12,333	-	-
Tax payables		910	1,302	-	-
		<u>32,365</u>	<u>27,916</u>	<u>547</u>	<u>1,496</u>
<b>Total liabilities</b>		<u>46,176</u>	<u>43,197</u>	<u>547</u>	<u>1,496</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>59,334</u>	<u>56,907</u>	<u>11,307</u>	<u>9,859</u>

The accompanying notes form an integral part of these financial statements.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**STONE MASTER CORPORATION BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2014**

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue	17	80,898	67,051	200	200
Cost of sales		(71,656)	(60,277)	-	-
<b>GROSS PROFIT</b>		<b>9,242</b>	<b>6,774</b>	<b>200</b>	<b>200</b>
Other operating income		259	1,353	13	-
Distribution costs		(3,825)	(2,953)	-	-
Administrative expenses		(6,412)	(7,512)	(527)	(325)
<b>OPERATING LOSS</b>	18	<b>(736)</b>	<b>(2,338)</b>	<b>(314)</b>	<b>(125)</b>
Finance costs	19	(1,800)	(1,928)	-	-
<b>LOSS BEFORE TAXATION</b>		<b>(2,536)</b>	<b>(4,266)</b>	<b>(314)</b>	<b>(125)</b>
Taxation	20	(727)	(226)	-	-
<b>LOSS FOR THE FINANCIAL YEAR</b>		<b>(3,263)</b>	<b>(4,492)</b>	<b>(314)</b>	<b>(125)</b>
<b>Other Comprehensive Income, net of tax:</b>					
Items that are or may be reclassified subsequently to profit or loss:					
- amortisation of revaluation reserve		(151)	-	-	-
- revaluation surplus		-	3,709	-	-
		(151)	3,709	-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR</b>		<b>(3,414)</b>	<b>(783)</b>	<b>(314)</b>	<b>(125)</b>
<b>Loss attributable to:</b>					
Owners of the Company		(3,263)	(4,492)	(314)	(125)
<b>Total comprehensive loss attributable to:</b>					
Owners of the Company		(3,414)	(783)	(314)	(125)
<b>Earnings per share attributable to Owners of the Company (sen)</b>					
Basic loss per ordinary share	21(a)	(7.28)	(10.70)		
Diluted loss per ordinary share	21(b)	(7.28)	(10.70)		

The accompanying notes form an integral part of these financial statements.



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' THEREON (CONT'D)**

**STONE MASTER CORPORATION BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2014**

	← Distributable →		← Non-Distributable →		← Distributable →		Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Fair Value Reserve RM'000	Accumulated Losses RM'000		
<b>Group</b>							
At 1st October 2012	21,000	-	602	13	(7,122)		14,493
Revaluation surplus	-	-	3,709	-	-		3,709
Loss for the financial year	-	-	-	-	(4,492)		(4,492)
At 30th September 2013	21,000	-	4,311	13	(11,614)		13,710
Issuance of shares via private placement	2,100	611	-	-	-		2,711
Amortisation of revaluation reserve	-	-	(151)	-	151		-
Loss for the financial year	-	-	-	-	(3,263)		(3,263)
At 30th September 2014	23,100	611	4,160	13	(14,726)		13,158

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**STONE MASTER CORPORATION BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2014 (Continued)**

	← Distributable →			Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Accumulated Losses RM'000	
<b>Company</b>				
At 1st October 2012	21,000	-	(12,512)	8,488
Loss for the financial year	-	-	(125)	(125)
At 30th September 2013	21,000	-	(12,637)	8,363
Issuance of shares via private placement	2,100	611	-	2,711
Loss for the financial year	-	-	(314)	(314)
At 30th September 2014	23,100	611	(12,951)	10,760

The accompanying notes form an integral part of these financial statements.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**STONE MASTER CORPORATION BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2014**

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Loss before taxation	(2,536)	(4,266)	(314)	(125)
Adjustments for:				
Depreciation of property, plant and equipment	1,394	1,452	3	-
Inventories written down	972	1,934	-	-
Impairment of property, plant and equipment	-	36	-	-
Allowance for impairment of trade and other receivables	-	861	-	-
Bad debts written off	57	1,595	-	-
Gain on disposal of property, plant and equipment	(4)	(80)	-	-
Reversal of impairment loss for trade receivables	-	(800)	-	-
Gain on fair value change in investment properties	-	(365)	-	-
Dividend income	(2)	(1)	-	-
Interest expense	1,800	1,928	-	-
Interest income	(77)	(8)	(13)	-
Operating Cash Flows Before Working Capital Changes	1,604	2,286	(324)	(125)
Changes In Working Capital:				
Inventories	(400)	494	-	-
Payables	2,752	(704)	(949)	59
Receivables	(2,816)	4,677	(862)	67
	1,140	6,753	(2,135)	1
Tax paid	(1,104)	(556)	-	-
Tax refund	16	-	-	-
Interest paid	(171)	(215)	-	-
Interest received	77	8	13	-
Net Operating Cash Flows	(42)	5,990	(2,122)	1
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of property, plant and equipment	(1,451)	(554)	(54)	-
Proceeds from disposal of property, plant and equipment	24	163	-	-
Dividend income	2	1	-	-
Net Investing Cash Flows	(1,425)	(390)	(54)	-

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**STONE MASTER CORPORATION BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2014 (Continued)**

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Issuance of share capital	2,711	-	2,711	-
Drawdown of term loan	923	-	-	-
Repayment of term loan	(295)	(222)	-	-
Repayment of hire purchase payables	(166)	(163)	-	-
Repayment of other borrowings	(229)	(1,232)	-	-
Interest paid	(1,629)	(1,713)	-	-
Net Financing Cash Flows	1,315	(3,330)	2,711	-
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>				
	(152)	2,270	535	1
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>				
	(1,386)	(3,656)	1	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>				
	(1,538)	(1,386)	536	1
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS:</b>				
Cash and bank balances	1,240	901	536	1
Deposits placed with licensed banks	-	30	-	-
Bank overdrafts	(2,778)	(2,317)	-	-
	(1,538)	(1,386)	536	1

The accompanying notes form an integral part of these financial statements.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**STONE MASTER CORPORATION BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS****1. GENERAL INFORMATION**

The Company is principally engaged in investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company are located at Unit 02-03, Medan Klang Lama 28, No. 419, Jalan Klang Lama, 58100 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

The financial statements are expressed in Ringgit Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 30 January 2015.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****2.1 (a) Fundamental accounting concept**

The Group and the Company incurred a net loss of RM3,263,000/- and RM314,000/- for the financial year ended 30th September 2014 respectively. During the financial year, The Group and the Company has recorded negative operating cash flow of RM42,000/- and RM2,122,000/- respectively. The above indicate a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. If the going concern assumption is inappropriate, the Group and the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

On 28th April 2014, the Company announced a proposed corporate exercise which includes a proposed renounceable rights issue as disclosed in Note 30(i).

As stated in Note 30(v), due to the delay in proposed renounceable rights issue, on 31st December 2014, the Group was unable to fulfil the condition set by the Bank including the repayment of RM966,000/- and the bank has the right to demand for the full and immediate repayment of the outstanding sum.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.1 (a) Fundamental accounting concept (Continued)**

As stated in Note 30(vii), on 20th January 2015, the Company announced that the major shareholders have indicated and will provide an irrevocable and unconditional undertaking to subscribe 11,460,000 units of the proposed right issues shares.

On 30th January 2015, the Bank has agreed to accept part repayment and defer the repayment of the outstanding balance to 31st March 2015 and full repayment upon successful completion of the proposed renounceable rights issue.

The directors are confident that the corporate proposal can be successfully implemented to raise additional funds for the repayment of the borrowings of the Group and to fund the working capital and the Group is able to continue to achieve profitable operation.

Hence, the financial statements of the Group and the Company have been prepared on a going concern basis.

**2.1 (b) Basis of Preparation**

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost basis, other than as disclosed in the significant accounting policies in Note 2.3.

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**
- 2.2 **New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int**
- (a) **Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int**

The Group and the Company had adopted the following new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that are mandatory for the current financial year:-

New MFRSs

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement

Revised MFRSs

MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures

Amendments/Improvements to MFRSs

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 7	Financial Instruments: Disclosures
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 132	Financial Instruments: Presentation
MFRS 134	Interim Financial Reporting

New IC Int

IC Int 20	Stripping Costs in the Production Phase of a Surface Mine
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Amendments to IC Int

IC Int 2	Members' Shares in Co-operative Entities & Similar Instruments
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The adoption of the above new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int do not have any effect on the financial statements of the Group and of the Company except for those as discussed below:-

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
- 2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)
- (a) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (Continued)

***MFRS 10 Consolidated Financial Statements and MFRS 127 Separate Financial Statements (Revised)***

MFRS 10 replaces the consolidation part of the former MFRS 127 Consolidated and Separate Financial Statements. The revised MFRS 127 will deal only with accounting for investment in subsidiaries, joint controlled entities and associates in the separate financial statements of an investor and require the entity to account for such investments either at cost, or in accordance with MFRS 139 Financial Instruments: Recognition and Measurement.

MFRS 10 brings about convergence between MFRS 127 and IC Int 12 Consolidation-Special Purpose Entities, which interprets the requirements of MFRS 10 in relation to special purpose entities. MFRS 10 introduces a new single control model to identify a parent-subsidiary relationship by specifying that "an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". It provides guidance on situations when control is difficult to assess such as those involving potential voting rights, or in circumstances involving agency relationships, or where the investor has control over specific assets of the entity, or where the investee entity is designed in such a manner where voting rights are not the dominant factor in determining control.

The Group adopted MFRS 10 in the current financial year. This resulted in changes to the accounting policies as disclosed in Note 2.3. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

***MFRS 12 Disclosures of Interests in Other Entities***

MFRS 12 is a single disclosure standard for interests in subsidiaries, jointly controlled entities, associates and unconsolidated structured entities. The disclosure requirements in this MFRS are aimed at providing standardised and comparable information that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows. The requirements in MFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries.



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
- 2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)
- (a) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (Continued)

***MFRS 13 Fair Value Measurement***

MFRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As a result of the guidance in MFRS 13, the Group reassessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair values measurement of liabilities.

Application of MFRS 13 has not materially impacted the fair value measurements of the Group. MFRS 13 requires more extensive disclosures. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

***Amendments to MFRS 101 Presentation of Financial Statements***

The amendments to MFRS 101 introduces a grouping of items presented in other comprehensive income. Items that will be reclassified to profit or loss at future point in time have to be presented separately from items that will not be reclassified.

These amendments also clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Group has not included comparative information in respect of the opening statement of financial position as at 1st October 2013.

The amendments also introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'.

The above amendments affect presentation only and have no impact on the Group's financial position or performance.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**
- 2.2 **New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations (“IC Int”) and Amendments to IC Int (Continued)**
- (a) **Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (Continued)**

*Amendments to MFRS 7 Financial Instruments: Disclosures*

Amendments to MFRS 7 addresses disclosures to include information that will enable users of an entity’s financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity’s recognised financial assets and recognised financial liabilities, on the entity’s financial position.

*Amendments to MFRS 10 Consolidated Financial Statements, MFRS 11 Joint Arrangements and MFRS 12 Disclosure of Interests in Other Entities*

Amendments to MFRS 10 clarifies that the date of initial application is the beginning of the annual reporting period for which this MFRS is applied for the first time. Consequently, an entity is not required to make adjustments to the previous accounting if the consolidation conclusion reached upon the application of MFRS 10 is the same as previous accounting or the entity had disposed of its interests in investees during a comparative period. When applying MFRS 10, these amendments also limit the requirement to present quantitative information required by Paragraph 28(f) of MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors to the annual period immediately preceding the date of initial application. A similar relief is also provided in MFRS 11 and MFRS 12. Additionally, entities would no longer be required to provide disclosures for unconsolidated structure entities in periods prior to the first annual period that MFRS 12 is applied.

If, upon applying MFRS 10, an entity conclude that it shall consolidate an investee that was not previously consolidated and that control was obtained before the effective date of the revised versions of these standards issued by the Malaysian Accounting Standards Board in November 2011, these amendments also clarify that an entity can apply the earlier versions of MFRS 3 Business Combinations and MFRS 127.

These amendments are not expected to have any significant impact on the financial results and position of the Group and of the Company.

*Amendment to MFRS 116 Property, Plant and Equipment*

Amendment to MFRS 116 clarifies that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**
**2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)**
**(a) Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (Continued)**
***Amendment to MFRS 132 Financial Instruments: Presentation***

Amendment to MFRS 132 clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with MFRS 112 Income Taxes.

***Amendment to MFRS 134 Interim Financial Reporting***

To be consistent with the requirements in MFRS 8 Operating Segments, the amendment to MFRS 134 clarifies that an entity shall disclose the total assets and liabilities for a particular reportable segment only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

**(b) New MFRS, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted**

The Group and the Company have not adopted the following new MFRS, amendments/improvements to MFRSs and new IC Int that have been issued by the Malaysian Accounting Standards Board ("MASB") as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:-

		<b>Effective for financial periods beginning on or after</b>
<u>New MFRS</u>		
MFRS 9	Financial Instruments	To be announced By the MASB
MFRS 14	Regulatory Deferral Accounts	1 January 2016
MFRS 15	Revenue from Contracts with Customers	1 January 2017
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 July 2014
MFRS 2	Share-based Payment	1 July 2014
MFRS 3	Business Combinations	1 July 2014
MFRS 7	Financial Instruments: Disclosures	Effective upon application of MFRS 9

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**
- 2.2 **New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)**
- (b) **New MFRS, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (Continued)**

<u>Amendments/Improvements to MFRSs (Continued)</u>		<b>Effective for financial periods beginning on or after</b>
MFRS 8	Operating Segments	1 July 2014
MFRS 9	Financial Instruments	To be announced by the MASB
MFRS 10	Consolidated Financial Statements	1 January 2016
MFRS 11	Joint Arrangements	1 January 2016
MFRS 12	Disclosure of Interests in Other Entities	1 January 2014
MFRS 13	Fair Value Measurement	1 July 2014
MFRS 101	Presentation of Financial Statements	1 January 2016
MFRS 116	Property, Plant and Equipment	1 July 2014
MFRS 119	Employee Benefits	1 July 2014/ 1 January 2016
MFRS 124	Related Party Disclosures	1 July 2014
MFRS 127	Separate Financial Statements	1 January 2016
MFRS 128	Investments in Associates and Joint Venture	1 January 2016
MFRS 132	Financial Instruments: Presentation	1 January 2014
MFRS 136	Impairment of Assets	1 January 2014
MFRS 138	Intangible Assets	1 July 2014/ 1 January 2016
MFRS 139	Financial Instruments: Recognition and Measurement	Applies when MFRS 9 is applied
MFRS 140	Investment Property	1 July 2014
MFRS 141	Agriculture	1 January 2016
<u>New IC Int</u>		
IC Int 21	Levies	1 January 2014

A brief discussion on the above significant new MFRS, amendments/improvements to MFRSs and new IC Int are summarised below. Due to the complexity of these new standards, the financial effects of their adoption are currently still being assessed by the Group and the Company.

***MFRS 9 Financial Instruments***

MFRS 9 specifies how an entity should classify and measure financial assets and financial liabilities.

This standard requires all financial assets to be classified based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial asset. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, they will be measured at either fair value or at amortised cost.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
- 2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)
- (b) New MFRS, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (Continued)

*MFRS 9 Financial Instruments (Continued)*

In respect of the financial liabilities, the requirements are generally similar to the former MFRS 139. However, this standard requires that for financial liabilities designated as fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the profit or loss.

*MFRS 9 Financial Instruments (Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139)*

The new hedge accounting model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements. The most significant improvements apply to those that hedge non-financial risk, and they are expected to be of particular interest to non-financial institutions. As a result of these changes, users of the financial statements will be provided with better information about risk management and about the effect of hedge accounting on the financial statements. The MFRS 9 hedge accounting model, if adopted, applies prospectively with limited exceptions.

As part of the Amendments, an entity is now allowed to change the accounting for liabilities that it has elected to measure at fair value, before applying any of the other requirements in MFRS 9. This change in accounting would mean that gains caused by a worsening in the entity's own credit risk on such liabilities are no longer recognised in profit or loss. The Amendments will facilitate earlier application of this long-awaited improvement to financial reporting.

The Amendments also remove the mandatory effective date from MFRS 9.

*MFRS 14 Regulatory Deferral Accounts*

MFRS 14 permits first-time adopters of MFRSs to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt MFRSs. An entity that already presents MFRSs financial statements is not eligible to apply this Standard.

As regulatory deferral account balances were not recognised in the MFRS financial statements, the principles specified in MFRS 14 would have no impact to the Malaysian entities.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**
**2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)**
**(b) New MFRS, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (Continued)**
***MFRS 15 Revenue from Contracts with Customers***

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

- Identify the contracts with a customer.
- Identify the performance obligation in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract.
- Recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

***Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards***

Amendments to MFRS 1 relates to the IASB's Basis for Conclusions which is not an integral part of the Standard. The Basis for Conclusions clarifies that a first-time adopter is permitted but not required to apply a new or revised Standard that is not yet mandatory but is available for early application.

***Amendments to MFRS 2 Share-based Payments***

Amendments to MFRS 2 clarifies the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition' to ensure consistent classification of conditions attached to a share-based payment.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**
- 2.2 **New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)**
- (b) **New MFRS, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (Continued)**

*Amendments to MFRS 3 Business Combinations*

Amendments to MFRS 3 clarifies that when contingent consideration meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132 Financial Instruments: Presentation. It also clarifies that contingent consideration that is classified as an asset or a liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

In addition, amendments to MFRS 3 clarifies that MFRS 3 excludes from its scope the accounting for the formation of all types of joint arrangements (as defined in MFRS 11 *Joint Arrangements*) in the financial statements of the joint arrangement itself.

*Amendments to MFRS 8 Operating Segments*

Amendments to MFRS 8 requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

The Amendments also clarifies that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly to the chief operating decision maker.

*Amendments to MFRS 11 Joint Arrangements*

Amendments to MFRS 11 clarifies that when an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in MFRS 3 Business Combinations, it shall apply the relevant principles on business combinations accounting in MFRS 3, and other MFRSs, that do not conflict with MFRS 11. Some of the impact arising may be the recognition of goodwill, recognition of deferred tax assets/liabilities and recognition of acquisition-related costs as expenses. The Amendments do not apply to joint operations under common control and also clarify that previously held interests in a joint operation are not re-measured if the joint operator retains joint control.

*Amendments to MFRS 13 Fair Value Measurement*

Amendments to MFRS 13 relates to the IASB's Basis for Conclusions which is not an integral part of the Standard. The Basis for Conclusions clarifies that when IASB issued IFRS 13, it did not remove the practical ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, if the effect of discounting is immaterial.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
- 2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)
- (b) New MFRS, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (Continued)

*Amendments to MFRS 13 Fair Value Measurement (Continued)*

The Amendments also clarifies that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 Financial Instruments: Recognition and Measurement or MFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132 Financial Instruments: Presentation.

*Amendments to MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets*

Amendments to MFRS 116 and MFRS 138 clarifies the accounting for the accumulated depreciation/amortisation when an asset is revalued. It clarifies that:

- the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset; and
- the accumulated depreciation/amortisation is calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

Amendments to MFRS 116 prohibits revenue-based depreciation because revenue does not reflect the way in which an item of property, plant and equipment is used or consumed.

*Amendments to MFRS 119 Employee Benefits*

Amendments to MFRS 119 provides a practical expedient in accounting for contributions from employees or third parties to defined benefit plans.

If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service.

However, if the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by MFRS 119 for the gross benefit (i.e. either based on the plan's contribution formula or on a straight-line basis).

*Amendments to MFRS 124 Related Party Disclosures*

Amendments to MFRS 124 clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.



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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
- 2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)
- (b) New MFRS, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (Continued)

*Amendments to MFRS 132 Financial Instruments: Presentation*

Amendments to MFRS 132 does not change the current offsetting model in MFRS 132. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off', that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. The amendments clarify that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

*Amendments to MFRS 136 Impairment of Assets*

Amendments to MFRS 136 clarifies that disclosure of the recoverable amount (based on fair value less costs of disposal) of an asset or cash generating unit is required to be disclosed only when an impairment loss is recognised or reversed. In addition, there are new disclosure requirements about fair value measurement when impairment or reversal of impairment is recognised.

*Amendments to MFRS 139 Financial Instruments: Recognition and Measurement*

Amendments to MFRS 139 provides relief from discontinuing hedge accounting in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. As a result of the amendments, continuation of hedge accounting is permitted if as a consequence of laws or regulations, the parties to hedging instrument agree to have one or more clearing counterparties replace their original counterparty and the changes to the terms arising from the novation are consistent with the terms that would have existed if the novated derivative were originally cleared with the central counterparty.

*Amendments to MFRS 140 Investment Property*

Amendments to MFRS 140 clarifies that the determination of whether an acquisition of investment property meets the definition of both a business combination as defined in MFRS 3 and investment property as defined in MFRS 140 requires the separate application of both Standards independently of each other.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**
**2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)**
**(b) New MFRS, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (Continued)**
***Amendments to MFRS 116 Property, Plant and Equipment and Amendments to MFRS 141 Agriculture***

With the Amendments, bearer plants would come under the scope of MFRS 116 and would be accounted for in the same way as property, plant and equipment. A bearer plant is defined as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Nevertheless, the produce growing on the bearer plant would remain within the scope of MFRS 141. This is because the growth of the produce directly increases the expected revenue from the sale of the produce. Moreover, fair value measurement of the growing produce provides useful information to users of financial statements about future cash flows that an entity will actually realise as the produce will ultimately be detached from the bearer plants and sold separately.

**2.3 Significant Accounting Policies**

The accounting policies set out below are applied consistently to the periods presented in these financial statements of the Group and of the Company, unless otherwise stated.

**(a) Basis of Consolidation**
**(i) Subsidiaries**

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group adopted MFRS 10, Consolidated Financial Statements in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those return through its power over the entity. In the previous financial years, controls exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**
**2.3 Significant Accounting Policies (Continued)**
**(a) Basis of Consolidation (Continued)**
**(i) Subsidiaries (Continued)**

- The Group considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider *de facto* power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transition provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

**(ii) Business combination**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiary used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for by applying the acquisition method.

The Group has changed its accounting policy with respect to accounting for business combinations.

Acquisitions on or after 1st January 2011

For acquisitions on or after 1st January 2011, the Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquire; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.3 Significant Accounting Policies (Continued)****(a) Basis of Consolidation (Continued)****(ii) Business combination (Continued)**Acquisitions on or after 1st January 2011 (Continued)

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relations. Such amounts are generally recognised in profit or loss.

Cost related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's award and the extent to which the replacement awards relate to past and / or future service.

Acquisitions before 1st January 2011

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1st January 2011. Goodwill arising from acquisitions before 1st January 2011 has been carried forward from the previous FRS framework as at the date of transition.

Acquisitions between 1st January 2006 to 1st January 2011

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.3 Significant Accounting Policies (Continued)****(a) Basis of Consolidation (Continued)****(ii) Business combination (Continued)**Acquisitions between 1st January 2006 to 1st January 2011 (Continued)

The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill in the statements of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in statements of profit or loss on the date of acquisition.

When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Acquisitions prior to 1st January 2006

For acquisitions prior to 1st January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

**(iii) Acquisition of non-controlling interests**

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

**(iv) Loss of control**

Upon loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.3 Significant Accounting Policies (Continued)****(a) Basis of Consolidation (Continued)****(v) Non-controlling interest**

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interest to have a deficit balances.

**(vi) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

**(b) Property, Plant and Equipment and Depreciation**

Property, plant and equipment were initially stated at cost. Property, plant and equipment which have been subsequently revalued, are stated at valuation less accumulated depreciation and impairment loss, if any. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss as incurred.

No depreciation is provided on the freehold land as it has infinite useful life. Assets under construction are not depreciated as these assets are not available for use.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.3 Significant Accounting Policies (Continued)****(b) Property, Plant and Equipment and Depreciation (Continued)**

Depreciation of other property, plant and equipment is provided on a straight line basis to write off the costs of the assets to their residual values over their estimated useful lives at the following rates:-

Leasehold land	Over remaining lease term, 43 to 70 years
Buildings	2% - 15%
Plant and machinery	5% - 33.3%
Motor vehicles	10% - 25%
Furniture, fitting & equipment	5% - 33.3%

The residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the period the asset is derecognised.

**(c) Revaluation of Assets**

Land and buildings at valuation are revalued at a regular interval of a least once in every five years with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued land and buildings materially differ from the market values.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any surplus or deficit arising from the revaluations will be dealt with in the Revaluation Reserve Account. Any deficit is set-off against the Revaluation Reserve Account only to the extent of the surplus credited from the previous revaluation of the land and buildings and the excess of the deficit is charged to the profit or loss. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained earnings.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.3 Significant Accounting Policies (Continued)****(d) Investment properties**

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both of the Group.

Properties which are occupied by the companies in the Group are accounted for using fair value model.

Investment properties are derecognised when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfer are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property or vice-versa, the property shall be accounted for in accordance with the accounting policy for property, plant and equipment both up to the date of change in use to subsequent accounting.

**(e) Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs is determined using standard costing basis.

Costs of inventories comprise the cost of purchase plus the cost of bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity.

Net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition.



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.3 Significant Accounting Policies (Continued)****(f) Leases****(i) Finance lease**

Finance leases, which transfer to the Group and to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

**(ii) Operating lease**

Operating lease, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating lease and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentive provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight - line basis.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.3 Significant Accounting Policies (Continued)****(g) Income Tax**

The tax expense in the profit or loss represents the aggregate amount of current tax and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charge or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

**(h) Financial Instruments**

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

A financial instrument is recognised initially, at its fair value, plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.3 Significant Accounting Policies (Continued)****(h) Financial Instruments (Continued)**

The Group and the Company categorise the financial instruments as follows:

**(i) *Financial Assets*****Financial assets at fair value through profit or loss**

Financial assets are classified as fair value through profit or loss if they are held for trading, including derivatives, or are designated as such upon initial recognition.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised as other gains or losses in profit or loss.

**Loans and Receivables**

Financial assets with fixed or determinable payments that are not quoted in an active market, trade and other receivables and cash and cash equivalents are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

**Held-to-maturity Investments**

Financial assets with fixed or determinable payments and fixed maturity that are quoted in an active market and the Group and the Company have the positive intention and ability to hold the investment to maturity is classified as held-to-maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.3 Significant Accounting Policies (Continued)****(h) Financial Instruments (Continued)****(i) *Financial Assets (Continued)******Available-for-sale financial assets***

Available-for-sale financial are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

**(ii) *Financial Liabilities***

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated as fair value through profit or loss upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.3 Significant Accounting Policies (Continued)****(h) Financial Instruments (Continued)****(iii) Financial Guarantee Contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

**(iv) Derecognition**

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

**(i) Impairment of Assets****(i) Impairment of Financial Assets**

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.3 Significant Accounting Policies (Continued)****(i) Impairment of Assets (Continued)****(i) *Impairment of Financial Assets (Continued)***

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

**(ii) *Impairment of Non-financial Assets***

The Group and the Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Where the carrying amounts of an asset exceed its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**
**2.3 Significant Accounting Policies (Continued)**
**(i) Impairment of Assets (Continued)**
**(ii) *Impairment of Non-financial Assets (Continued)***

An impairment loss is recognised in the profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed its carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the profit or loss.

**(j) Contingencies**

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group and the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and the Company.

**(k) Income Recognition**

Income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Income is measured at the fair value of consideration received or receivable.

**(i) *Sales of goods***

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and provisions, trade discounts and volume rebates.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be reliably estimated, and there is no continuing measurement involvement with the goods.

Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.3 Significant Accounting Policies (Continued)****(k) Revenue Recognition (Continued)****(ii) Construction Contracts**

Revenue from construction contracts is accounted for by the stage of completion method.

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract works to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

**(iii) Dividend income**

Dividend income is recognised when the Group's right to receive payment is established.

**(iv) Interest income**

Interest income is recognised on an accrual basis, based on effective yield on the investment.

**(v) Management fee**

Management fee is recognised when services are rendered.



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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.3 Significant Accounting Policies (Continued)****(k) Revenue Recognition (Continued)****(vi) Rental income**

Rental income is accounted for on a straight-line basis over the lease terms.

**(l) Borrowing Costs**

Borrowing costs are stated at cost with an difference between cost and redemption value being recognised in the profit or loss over the period of the loans and borrowings using the effective interest method.

Borrowing costs incurred in connection with financing the construction and installation of property, plant and equipment is capitalised until the property plant and equipment are ready for their intended use. All other borrowing costs are charged to the profit or loss.

Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

**(m) Employee Benefits****(i) Short term employee benefits**

Wages, salaries, allowances, social security contribution, bonuses and non-monetary benefits are recognised as an expense in the period in which the associated services are rendered by the employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

**(ii) Post-employment benefits**

The Group and the Company contributes to the Employees' Provident Fund, the national defined contribution plan. The contributions are charged to the profit and loss in the period to which they are related. Once the contributions have been paid, the Group and the Company has no further payment obligations.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.3 Significant Accounting Policies (Continued)****(n) Equity instrument**

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the nominal value and the consideration in excess of nominal value of shares issued, if any, is accounted for as share premium. Both ordinary shares and share premium are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, if any, otherwise it is charged to the profit or loss. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

**(o) Cash and Cash Equivalents**

For the purpose of statements of cash flows, cash and cash equivalents comprise cash in hand, demand deposits, bank balances and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are stated net of bank overdrafts which are repayable on demand.

**(p) Fair value measurements**

From 1st October 2013, the Group and the Company adopted MFRS 13 Fair Value Measurement which prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In accordance with the transitional provision of MFRS 13, the Group and the Company applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's and the Company's assets or liabilities other than the additional disclosures.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****2.3 Significant Accounting Policies (Continued)****(p) Fair value measurements (Continued)**

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:-

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the assets or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

**3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustments to the carrying amount of the asset or liability affected in the future.

**Key Sources of Estimation Uncertainty**

Estimates and judgements are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumption concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as stated below:-

**(i) Useful lives of property, plant and equipment**

The Group estimate the useful lives of property, plant and equipment based on period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectation differs from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)****Key Sources of Estimation Uncertainty (Continued)***(i) Useful lives of property, plant and equipment (Continued)*

In addition, the estimation of useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in the factors mentioned above.

The amount and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

*(ii) Impairment of property, plant and equipment*

The Group assesses impairment of assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on the Group's estimates, calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

As at the reporting date, the directors of the Group are of the opinion that there is no impact resulting from the impairment review by the management.

*(iii) Impairment of investment in subsidiaries*

The Company carried out the impairment test based on a variety of estimation, including the value-in-use of the cash generating unit. Estimating a value-in-use amount requires the Company to make an estimation of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The management determined the recoverable amount of the investment in subsidiaries based on the individual assets' value in use and the probability of the realisation of the assets. The present value of the future cash flows to be generated by the asset is the asset's value in use, and it is assumed to be the same as the net worth of the asset as at reporting date. An impairment loss is recognised immediately in the profit or loss if the recoverable amount is less than the carrying amount.

In view of the above, the management are in the opinion that no impairment is required for the investment in subsidiaries as at the reporting date.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30  
SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)****Key Sources of Estimation Uncertainty (Continued)***(iv) Allowance for impairment*

The Group makes allowances for impairment based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

*(v) Allowance for inventories*

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgements and estimates. Possible changes in these estimates could result in a revision to the valuation of inventories.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' THEREON (CONT'D)**

**4. PROPERTY, PLANT AND EQUIPMENT**

Group 2014	Free hold Land		Leasehold Land		Buildings		Buildings on Rented Properties		Plant and Machinery		Motor Vehicles		Furniture Fittings and Equipment		Total RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Cost/Valuation</b>															
At 1st October 2013	715	3,088	11,874	1,313	18,511	3,508	2,719	41,728							
Additions	-	-	1,245	-	34	-	172	1,451							
Disposals/written off	-	-	-	-	(555)	(62)	(358)	(975)							
At 30th September 2014	715	3,088	13,119	1,313	17,990	3,446	2,533	42,204							
<b>Accumulated Depreciation</b>															
At 1st October 2013	-	29	201	647	13,155	3,098	1,793	18,923							
Depreciation for the financial year	-	73	277	66	629	158	191	1,394							
Disposals/written off	-	-	-	-	(539)	(62)	(354)	(955)							
At 30th September 2014	-	102	478	713	13,245	3,194	1,630	19,362							
<b>Accumulated Impairment Loss</b>															
At 1st October 2013	-	-	53	-	-	-	-	53							
Additions	-	-	-	-	-	-	-	-							
At 30th September 2014	-	-	53	-	-	-	-	53							
<b>Carrying Value</b>															
At 30th September 2014	715	2,986	12,588	600	4,745	252	903	22,789							
<b>Representing:</b>															
At cost	-	-	3,153	600	4,745	252	903	9,653							
At valuation	715	2,986	9,435	-	-	-	-	13,136							
	715	2,986	12,588	600	4,745	252	903	22,789							

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' THEREON (CONT'D)**

**4. PROPERTY, PLANT AND EQUIPMENT (Continued)**

Group 2013	Freehold Land		Leasehold Land		Buildings on Rented Properties		Plant and Machinery		Motor Vehicles		Furniture Fittings and Equipment		Total RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Cost/Valuation</b>													
At 1st October 2012	650	3,106	7,050	1,313	19,092	3,452	2,314	36,977					
Reclassification	-	-	-	-	(51)	-	51	-					
Additions	-	-	1,423	-	87	329	408	2,247					
Revaluation	65	(18)	3,401	-	-	-	-	3,448					
Disposals/written off	-	-	-	-	(617)	(273)	(54)	(944)					
At 30th September 2013	715	3,088	11,874	1,313	18,511	3,508	2,719	41,728					
<b>Accumulated Depreciation</b>													
At 1st October 2012	-	1,122	348	581	13,075	3,098	1,634	19,858					
Reclassification	-	-	-	-	(19)	-	19	-					
Depreciation for the financial year	-	88	197	66	634	273	194	1,452					
Disposals/written off	-	-	-	-	(535)	(273)	(54)	(862)					
Revaluation	-	(1,181)	(344)	-	-	-	-	(1,525)					
At 30th September 2013	-	29	201	647	13,155	3,098	1,793	18,923					
<b>Accumulated Impairment Loss</b>													
At 1st October 2012	-	-	2	-	-	-	-	2					
Additions	-	-	51	-	-	-	-	51					
At 30th September 2013	-	-	53	-	-	-	-	53					
<b>Carrying Value</b>													
At 30th September 2013	715	3,059	11,620	666	5,356	410	926	22,752					
Representing:													
At cost	-	-	1,907	666	5,356	410	926	9,265					
At valuation	715	3,059	9,713	-	-	-	-	13,487					
	715	3,059	11,620	666	5,356	410	926	22,752					

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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4. **PROPERTY, PLANT AND EQUIPMENT (Continued)**

<b>Company</b>	<b>Furniture Fittings and Equipment RM'000</b>
2014	
<b>Cost</b>	
At 1st October 2013	-
Additions	54
Disposals/written off	-
At 30th September 2014	<u>54</u>
<b>Accumulated Depreciation</b>	
At 1st October 2013	-
Depreciation for the financial year	3
Disposals/written off	-
At 30th September 2014	<u>3</u>
<b>Carrying Value</b>	
At 30th September 2014	<u>51</u>

Included under property, plant and equipment of the Group are:-

- (i) assets with carrying value of RM226,973/- (2013: RM360,000/-) acquired under hire purchase arrangements;
- (ii) assets with carrying value of RM16,085,008/- (2013: RM15,182,470/-) pledged to financial institution for banking facilities granted to the Group as disclosed in Note 13 to the financial statements;
- (iii) fully depreciated assets which are still in use, with costs as follows:-

	<b>Group</b>	
	2014 RM'000	2013 RM'000
Motor vehicle	2,649	1,820
Furniture and fittings	817	480
Plant & machinery	1,182	-
	<u>4,648</u>	<u>2,300</u>

- (iv) Buildings under construction with an aggregate cost totalling to RM3,152,916/- (2013: RM1,907,487/-);



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**4. PROPERTY, PLANT AND EQUIPMENT (Continued)**
**(v) Revaluation of land and buildings**

On 18th July 2013 and 28th November 2013, freehold land, leasehold land and buildings have been revalued based on valuations performed by an independent professional qualified valuer using comparison method; and

**(vi) Fair value information**

Fair value of the freehold land, leasehold land and buildings are categorised under level 2 of fair value. Level 2 fair value is determined by using the sales comparison approach. Sales price of comparable properties is close proximity are adjusted for differences in key attributes such as property size.

**5. INVESTMENT PROPERTIES**

Group	Leasehold	Freehold	Buildings	Total
	Land	Land		
	RM'000	RM'000	RM'000	RM'000
At fair value				
At 1st October 2013 and 30th September 2014	125	2,550	1,300	3,975
At 1st October 2012	110	2,270	1,230	3,610
Gain on fair value changes	15	280	70	365
At 30th September 2013	125	2,550	1,300	3,975

- (i) Investment properties comprise a number of commercial properties that are leased to third parties. Each of leases contains an initial non-cancellable period 1 to 3 years, with annual rents indexed to customer price. Subsequent renewals are negotiated with the lessee and on average renewal periods of 1 to 3 years. No contingent rents are charged.
- (ii) All of the investment properties had pledged as collateral for banking facilities granted to the Group is disclosed as Note 13 to the financial statements.
- (iii) The following are recognised in profit or loss in respect of investment properties:

	Group	
	2014	2013
	RM'000	RM'000
Rental income	158	89

**(iv) Fair value information**

Fair value of the land and buildings are categorised under level 2 of fair value. Level 2 fair value is determined by using the sales comparison approach. Sales price of comparable properties is close proximity are adjusted for differences in key attributes such as property size.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2014 RM'000	2013 RM'000
Unquoted shares - at cost	38,958	38,958
Less : Impairment loss	(29,100)	(29,100)
Carrying amount	9,858	9,858

The Company's equity interest in the subsidiaries, which are incorporated in Malaysia and its principal activities are as follows:-

Name of Company	Effective		Principal Activities
	Equity Interest		
	2014 %	2013 %	
<u>Direct subsidiaries</u>			
S.P. Granite Sdn. Bhd.*	100	100	Manufacturing and trading in marble, granite and ceramic tiles.
Rainbow Marble & Tiling Sdn. Bhd.	100	100	Trading in marble, granite, ceramic tiles and sanitary ware.
Stone Master Marketing Sdn. Bhd.	100	100	Trading in marble, granite, sanitary ware and all other related products.
<u>Indirect subsidiaries</u>			
<u>Held by S.P. Granite Sdn. Bhd.</u>			
Stone Master (Malaysia) Sdn. Bhd.*	100	100	Trading in marble, granite, ceramic tiles and sanitary ware and contract works.
Fastra Sdn. Bhd.	100	100	Dormant.

\* The auditors' report of these subsidiaries are qualified in relation to the recoverability of trade receivables.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**7. OTHER INVESTMENTS**

	<b>Group</b>	
	2014 RM'000	2013 RM'000
Quoted shares in Malaysia At 1st October/30th September	28	28
Fair value	28	28

**8. INVENTORIES**

	<b>Group</b>	
	2014 RM'000	2013 RM'000
At cost:		
Raw materials	278	331
Finished goods and goods for resale	5,705	6,514
	5,983	6,845
At net realisable value:		
Finished goods	1,019	729
	7,002	7,574
Recognised in profit or loss:		
Inventories recognised as costs of sales	71,297	57,252
Written down to net realisable value	972	1,934

**9. TRADE RECEIVABLES**

The Group's normal trade credit terms range from 30 to 180 days (2013: 30 to 180 days). The credit terms are assessed and approved on a case-by-case basis.

The foreign currency exposure profiles of trade receivables are as follows:-

	<b>Group</b>	
	2014 RM'000	2013 RM'000
Ringgit Malaysia	23,452	20,909
United States Dollar	138	-
	23,590	20,909

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**9. TRADE RECEIVABLES (Continued)**
Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	<b>Group</b>	
	2014 RM'000	2013 RM'000
Neither past due nor impaired	17,676	12,954
1 to 90 days past due but not impaired	1,193	2,231
More than 91 days past due but not impaired	3,865	4,868
	5,058	7,099
Impaired	856	856
	23,590	20,909

(i) Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired at the reporting date are creditworthy receivables.

(ii) Receivables that are past due but not impaired

At the reporting date, the Group has trade receivables amounting to RM5,058,000/- (2013: RM7,099,000/-) that are past due but not impaired.

Included in the trade receivable is an amount of RM2,865,943/- (2013: RM2,941,025/-) owing by a former subsidiary which has past due but not impaired. The directors are monitoring the recoverability of the amount owing and are in the midst of assessing the amount to be recovered from this trade receivables by considering alternative actions that may be available to the Group. Subsequent to the end of financial year, the directors obtained the agreement to contra the amount owing by the said trade receivable with amount owing to a former director and other payable amounted to RM890,500/-. The directors have not made any allowance for impairment on this receivable.

Other than as described above, trade receivables that are past due but not impaired relates to customers that have good track payment records with the Group. Based on the past experience and no adverse information to date, the directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances still considered fully recoverable.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**9. TRADE RECEIVABLES (Continued)**
**(iii) Receivables that are impaired**

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follow:-

	<b>Group</b>	
	2014 RM'000	2013 RM'000
Collectively impaired		
Trade receivables - nominal amounts	856	856
Less: Allowance for impairment	(856)	(856)
	-	-

Movement in allowance accounts:

	<b>Group</b>	
	2014 RM'000	2013 RM'000
At the beginning of the financial year	856	1,148
Impairment for the financial year	-	508
Reversal of impairment loss	-	(800)
At the end of the financial year	856	856

**10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	<b>Group</b>		<b>Company</b>	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Other receivables	26	287	-	-
Deposits	225	171	12	-
Prepayments	459	174	401	-
Amount due from subsidiaries	-	-	449	-
	710	632	862	-

**Company**
Amount due from subsidiaries

The amount due from subsidiaries are non-trade in nature, unsecured, interest free and are repayable on demand.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**11. SHARE CAPITAL AND SHARE PREMIUM**
**(a) Share capital**

	Group and Company			
	2014		2013	
	Number of ordinary shares Unit	RM'000	Number of ordinary shares Unit	RM'000
<b>Authorised</b>				
Ordinary share of RM0.50 each:				
At 1st October/30th September	50,000	25,000	50,000	25,000
<b>Issued and fully paid</b>				
Ordinary share of RM0.50 each:				
At 1st October	42,000	21,000	42,000	21,000
Issuance of shares	4,200	2,100	-	-
At 30th September	46,200	23,100	42,000	21,000

During the financial year, the Company issued 4,200,000 new ordinary shares of RM0.50 each at RM0.65 per ordinary share via a private placement to eligible investors for a total cash consideration of RM2,730,000/-.

**(a) Share premium**

	Group and Company	
	2014 RM'000	2013 RM'000
At 1st October	-	-
Issuance of share via private placement	630	-
Less: shares issues expenses	(19)	-
At 30th September	611	-

The share premium is arrived at after accounting for the premium received over the nominal value of the shares issued.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**12. RESERVES**

	← Non-distributable →		
	Revaluation reserve RM'000	Fair value reserve RM'000	Total RM'000
<b>Group</b>			
At 1st October 2012	602	13	615
Revaluation surplus	3,724	-	3,724
Reversal due to impairment of property, plant and equipment	(15)	-	(15)
At 30th September 2013	4,311	13	4,324
Amortisation of revaluation reserve	(151)	-	(151)
At 30th September 2014	4,160	13	4,173

Revaluation reserve

The revaluation reserve represents the surplus arising from the revaluation of land and buildings, net of related tax effects.

Fair value reserve

The fair value reserve arising from the cumulative net change in fair value of available for sale financial assets are derecognised or impaired.

**13. BANK BORROWINGS - SECURED**

	Notes	Group	
		2014 RM'000	2013 RM'000
<b>Current</b>			
Bank overdraft	(a)	2,778	2,317
Trust receipt	(b)	3,081	3,472
Banker acceptance	(c)	5,598	5,436
Term loans	(d)	2,750	942
Hire purchase liabilities	(e)	127	166
		14,334	12,333
<b>Non-current</b>			
Term loans	(d)	11,806	13,074
Hire purchase liabilities	(e)	39	166
		11,845	13,240
		26,179	25,573

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**13. BANK BORROWINGS – SECURED (Continued)**

The bank borrowings of the Group bear interest rates as follows:-

	Group	
	2014 %	2013 %
Bank overdrafts	8.35 - 8.85	8.10 - 8.60
Trust receipts/ Banker acceptance	1.75 - 8.60	1.75 - 8.60
Term loans	5.33 - 8.85	5.33 - 8.60
Hire purchase liabilities	3.60 - 6.64	3.81 - 6.69

**(a) Bank overdraft**

The bank overdraft of the Group are secured by way of:

- (i) Negative pledge over all assets of the Subsidiaries;
- (ii) Corporate guarantee by the Company and a subsidiary;
- (iii) First and second party legal charge over two pieces of vacant industrial land belong to two Companies which a former director has interest;
- (iv) Joint and several guarantees by former directors of the Group; and
- (v) First and second party legal charge over the Group's freehold land, leasehold land and buildings.

**(b) Trust receipt**

Trust receipt of the Group are secured by way of:

- (i) First party legal charge over the Group's freehold land and building; and
- (ii) Corporate guarantee by the Company.

**(c) Banker acceptance**

Banker acceptance of the Group are secured by way of:

- (i) First and second party legal charge over the Group's freehold land, leasehold land and buildings; and
- (ii) Corporate guarantee by the Company.

**(d) Term loans**

	2014 RM'000	2013 RM'000
Term loan 1	7,974	8,113
Term loan 2	4,000	4,000
Term loan 3	117	157
Term loan 4	121	162
Term loan 5	2,344	1,584
	<u>14,556</u>	<u>14,016</u>

The borrowings other than hire purchase liabilities are secured by assets pledged as collateral as disclosed in Note 4 and Note 5 to the financial statements.



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**13. BANK BORROWINGS – SECURED (Continued)**
**(d) Term loans (Continued)**

The maturity structure of the term loans can be analysed as follows:-

	<b>Group</b>	
	2014 RM'000	2013 RM'000
Repayable within one year	2,750	942
Repayable between one to two years	1,742	1,980
Repayable between two to five years	5,965	6,676
Repayable after five years	4,099	4,418
	11,806	13,074
	<u>14,556</u>	<u>14,016</u>

**Group**

These term loans are secured by way of:

Term loan 1

- (i) Third party legal charge over the Group's leasehold land and buildings as disclosed in Note 4; and
- (ii) Corporate guarantee by the Company.

On 22nd March 2014, the Group requested the Bank to defer the monthly principal repayment of the above mentioned term loan facility from June 2014 onwards to December 2014. On 22nd May 2014, the Bank agreed to allow the Group to defer the monthly principal repayment of RM138,000/- per month due from June 2014 to December 2014 subject to the following terms and conditions:-

- (a) The monthly principal repayment of RM138,000/- per month due from June 2014 to December 2014 totalling RM966,000/- shall be settled in full on 31st December 2014 or upon completion of the proposed rights issue exercise whichever is earlier;
- (b) The Company are to continue to service the monthly profit promptly;
- (c) In the event the proceeds raise from the proposed rights issued exercise exceeds the minimum scenario of RM3,945,000/-, the Company shall irrevocably undertake to pay the Bank an additional payment of RM3,000,000/- towards reducing the outstanding financing of CMTF-I upon completion of the proposed rights issue exercise;
- (d) In the event the proposed right issue exercise fails to be implemented for whatsoever reasons, the Company shall irrevocably undertake to remit the sum of RM966,000/- to the Bank.

Due to the delay in proposed renounceable rights issue, on 31st December 2014, the Group was unable to fulfil the condition set by the Bank including the repayment of RM966,000/- and the bank has the right to demand for the full and immediate repayment of the outstanding sum. On 30th January 2015, the Bank has agreed to accept part repayment and defer the repayment of the outstanding balance to 31st March 2015 and full repayment upon successful completion of the proposed renounceable right issues.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**13. BANK BORROWINGS – SECURED (Continued)**
**(d) Term loans (Continued)**
Term loan 2

- (i) First, second and third party legal charge over the Group's leasehold land and buildings;
- (ii) Corporate guarantee by the Company;
- (iii) Negative pledge over all assets of the Group;

Term loan 3 and 4

- (i) Personal guarantee by a Director of the subsidiary;
- (ii) An assignment over the rights, title and interest to the building under construction as disclosed in Note 4; and
- (iii) First fixed legal charge to secure all monies due and payable should be executed where required by the Bank.

Term loan 5

- (i) Personal guarantee by a Director of the subsidiary;
- (ii) An assignment over the rights, title and interest to the building under construction as disclosed in Note 4; and
- (iii) First fixed legal charge to secure all monies due and payable should be executed where required by the Bank.

**(e) Hire purchase liabilities**

	<b>Group</b>	
	2014 RM'000	2013 RM'000
Minimum hire purchase payments:		
Repayable within one year	132	180
Repayable between one to two years	40	171
	172	351
Less: Future finance charges	(6)	(19)
Present value of hire purchase liabilities	166	332
Present value of hire purchase liabilities:		
Repayable within one year	127	166
Repayable between one to two years	39	166
	166	332
Representing hire purchase liabilities		
Current	127	166
Non-current	39	166
	166	332

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**14. DEFERRED TAX LIABILITIES**

	<b>Group</b>	
	2014 RM'000	2013 RM'000
At the beginning of the financial year	2,041	742
Transfer (to)/from profit or loss (Note 20)	(92)	49
Realisation of deferred tax liabilities	17	1,250
At the end of the financial year	1,966	2,041

The components and movements of deferred tax liabilities during the financial year are as follows:

	<b>Temporary differences between net book value and corresponding</b>			
	<b>Tax written down value</b>	<b>Revaluation reserve</b>	<b>Others</b>	<b>Total</b>
	RM'000	RM'000	RM'000	RM'000
<b>Deferred tax liabilities of the Group</b>				
At 1st October 2012	11	731	-	742
Recognised in profit or loss	108	(7)	-	101
Revaluation surplus	-	1,198	-	1,198
At 30th September 2013	119	1,922	-	2,041
Recognised in profit or loss	11	(55)	(31)	(75)
At 30th September 2014	130	1,867	(31)	1,966

**15. TRADE PAYABLES**

	<b>Group</b>	
	2014 RM'000	2013 RM'000
Trade payables	13,309	11,304
Amount due to customers for contract work	537	537
	13,846	11,841

Credit terms for trade payables are 30 to 120 days (2013: 30 to 120 days).

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**16. OTHER PAYABLES, DEPOSITS AND ACCRUALS**

	<b>Group</b>		<b>Company</b>	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Other payables	1,178	1,186	170	288
Deposits	436	144	-	-
Accruals	1,371	791	314	150
Amount due to former directors	290	319	63	63
Amount due to subsidiaries	-	-	-	995
	<b>3,275</b>	<b>2,440</b>	<b>547</b>	<b>1,496</b>

**Group**
Other payables

Included in non-trade payables is an amount of RM607,000 (2013: RM647,000) owing to a company in which former director have interests.

**Company**
Amount due to former directors

The amount due to former directors are non-trade in nature, unsecured, interest free and are repayable on demand.

Amount due to subsidiaries

The amount due to subsidiaries are non-trade in nature, unsecured, interest free and are repayable on demand.

**17. REVENUE**

	<b>Group</b>		<b>Company</b>	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Sales of goods	80,898	67,051	-	-
Management fees	-	-	200	200
	<b>80,898</b>	<b>67,051</b>	<b>200</b>	<b>200</b>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**18. OPERATING LOSS**

Operating loss has been arrived at:-

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
After charging:-				
Audit fees:				
- current year	136	138	48	48
- over accrual in prior year	(1)	(10)	-	(4)
Allowance for impairment of trade and other receivables	-	861	-	-
Bad debts written off	57	1,595	-	-
Depreciation of property, plant and equipment	1,394	1,452	3	-
Directors' remuneration:				
- fees	256	27	256	27
- salaries and allowances	626	677	20	20
- Employees' Provident Fund and SOCSO	64	74	-	-
- other emoluments	9	19	-	-
Inventories written down	972	1,934	-	-
Impairment of property, plant and equipment	-	36	-	-
Rental of premises	422	410	12	-
Staff costs:				
- salary, wages, allowances and bonus	3,860	3,545	38	25
- Employees' Provident Fund and SOCSO	370	429	1	6
- other staff related expenses	6	95	1	-
and crediting:-				
Bad debts recovered	(12)	(11)	-	-
Dividend income	(2)	(1)	-	-
Gain on disposal of property, plant and equipment	(4)	(80)	-	-
Gain on fair value change of investment properties	-	(365)	-	-
Interest income	(77)	(8)	(13)	-
Rental income	(158)	(89)	-	-
Reversal of allowance for impairment loss on receivables	-	(800)	-	-

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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**19. FINANCE COSTS**

	<b>Group</b>	
	2014 RM'000	2013 RM'000
Interest expense		
- bank overdrafts	171	215
- hire purchase	13	18
- term loans	1,094	1,099
- other borrowings	522	596
	1,800	1,928

**20. TAXATION**

	<b>Group</b>		<b>Company</b>	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Income tax				
- current year	683	276	-	-
- prior year	136	(99)	-	-
Deferred tax liabilities (Note 14)				
- current year	(102)	12	-	-
- prior year	10	37	-	-
	727	226	-	-

Income tax is calculated at the Malaysian statutory rate of 25% of the estimated assessable profit for the fiscal year.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**20. TAXATION (Continued)**

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:-

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Loss before taxation	(2,536)	(4,266)	(314)	(125)
Tax at the applicable tax rate of 25%	(634)	(1,067)	(79)	(32)
Tax effect arising from				
- non-deductible expenses	435	910	20	32
- non-taxable income	(1)	(434)	-	-
- reversal of deferred tax assets not recognised in the financial statements	836	886	59	-
- crystallisation of deferred tax on revaluation reserves	(55)	(7)	-	-
- under accrual in prior years	146	(62)	-	-
Tax expense for the financial year	727	226	-	-

Further, the deferred tax assets have not been recognised for the following items:-

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Taxable temporary differences	(1,548)	(2,368)	-	-
Unutilised tax losses	25,182	22,657	2,325	2,089
	23,634	20,289	2,325	2,089
Potential deferred tax assets not recognised at 25%	5,908	5,072	581	522

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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**21. EARNINGS/(LOSS) PER SHARE****(a) Basic**

Basic earnings/(loss) per share is calculated by dividing the Group's profit/(loss) for the financial year attributable to owners of the Company by the number of ordinary shares in issue during the financial year.

	<b>Group</b>	
	2014	2013
Loss attributable to Owners of the Company (RM'000)	<u>(3,263)</u>	<u>(4,492)</u>
Weighted average number of ordinary shares issued ('000)	<u>44,796</u>	<u>42,000</u>
Loss per share (sen)	<u>(7.28)</u>	<u>(10.70)</u>

**(b) Diluted**

Diluted earnings per share was not calculated as the Group does not have any financial instruments which are convertible to potential issued shares during the financial year.

**22. CAPITAL COMMITMENTS**

	<b>Group</b>	
	2014	2013
	RM'000	RM'000
Capital expenditure approved and contracted for:		
- Building in construction	<u>404</u>	<u>1,649</u>



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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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**23. CONTINGENT LIABILITIES**

As at reporting date, the Company is contingently liable for the following:-

	<b>Company</b>	
	2014 RM'000	2013 RM'000
Corporate guarantee given to subsidiaries:		
S.P. Granite Sdn. Bhd.	14,850	14,850
Rainbow Marble & Tiling Sdn. Bhd.	20,934	20,934
Stone Master (Malaysia) Sdn. Bhd.	11,100	11,100
	<u>46,884</u>	<u>46,884</u>

**24. SIGNIFICANT RELATED PARTY TRANSACTIONS****(a) Identification of related parties**

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with the Company or that has an interest in the Group and the Company that gives it significant influence over the Group's and the Company's financial operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in the Group and the Company resides with, directly or indirectly.

The Group and the Company has related party relationship with its subsidiaries, significant investors, directors and key management personnel.

**(b) Significant Related Party Transactions**

In the normal course of business, the Group and the Company undertake transactions with some of its related parties listed above.

Set out below are significant related party transactions during the financial year (in disclosures mentioned elsewhere in the financial statements). The related party transactions described below were carried out on terms and conditions mutually agreed between the respective parties.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**24. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)**
**(b) Significant Related Party Transactions (Continued)**

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Subsidiaries</b>				
<b>S.P. Granite Sdn. Bhd.</b>				
Management fees receivable	-	-	(100)	(100)
<b>Rainbow Marble &amp; Tiling Sdn. Bhd.</b>				
Management fees receivable	-	-	(100)	(100)
<b>Directors</b>				
Directors' remuneration	955	797	276	47

**(c) Key Management Personnel Compensation**

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel include all the directors of the Group, and certain members of senior management of the Group.

The remuneration of the key management personnel during the financial year is as follows:-

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Directors</b>				
Fees	256	27	256	27
Salaries and allowances	626	677	20	20
Employees' Provident Fund and SOCSO	64	74	-	-
Other emoluments	9	19	-	-
	955	797	276	47

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**25. SEGMENTAL INFORMATION**

No segmental analysis is provided as the Group operates principally within one industry wholly in Malaysia.

**26. FINANCIAL INSTRUMENTS**
**(a) Classification of Financial Instruments**

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The significant accounting policies in Note 2.3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

<b>Group 2014</b>	<b>Loans and receivables</b>	<b>Available for sale</b>	<b>Financial liabilities at amortised cost</b>	<b>Total</b>
	RM'000	RM'000	RM'000	RM'000
<b>Financial assets</b>				
Other investments	-	28	-	28
Trade receivables	23,590	-	-	23,590
Other receivables and deposits <i>(exclude non-refundable deposits and prepayments)</i>	251	-	-	251
Cash and bank balances	1,240	-	-	1,240
<b>Financial liabilities</b>				
Bank borrowings - secured	-	-	(26,179)	(26,179)
Trade payables	-	-	(13,309)	(13,309)
Other payables, deposits and accruals <i>(exclude non-refundable deposits)</i>	-	-	(2,985)	(2,985)
Amount due to former directors	-	-	(290)	(290)

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**26. FINANCIAL INSTRUMENTS (Continued)**
**(a) Classification of Financial Instruments (Continued)**

Group	Loans and receivables RM'000	Available for sale RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
<b>2013</b>				
<b>Financial assets</b>				
Other investments	-	28	-	28
Trade receivables	20,909	-	-	20,909
Other receivables and deposits <i>(exclude non-refundable deposits and prepayments)</i>	458	-	-	458
Deposits placed with licensed banks	30	-	-	30
Cash and bank balances	901	-	-	901
<b>Financial liabilities</b>				
Bank borrowings	-	-	(25,573)	(25,573)
Trade payables	-	-	(11,304)	(11,304)
Other payables, deposits and accruals <i>(exclude non-refundable deposits)</i>	-	-	(2,121)	(2,121)
Amount due to former directors	-	-	(319)	(319)
<b>Company</b>				
<b>2014</b>				
<b>Financial assets</b>				
Deposits <i>(exclude non-refundable deposits)</i>	12	-	-	12
Amount due from subsidiaries	449	-	-	449
Cash and bank balances	536	-	-	536
<b>Financial liabilities</b>				
Other payables, deposits and accruals <i>(exclude non-refundable deposits)</i>	-	-	(484)	(484)
Amount due to former directors	-	-	(63)	(63)

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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26. **FINANCIAL INSTRUMENTS (Continued)**(a) **Classification of Financial Instruments (Continued)**

Company 2013	Loans and receivables RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
<b>Financial assets</b>			
Cash and bank balances	1	-	1
<b>Financial liabilities</b>			
Other payables, deposits and accruals (exclude non-refundable deposits)	-	(438)	(438)
Amount due to subsidiaries	-	(995)	(995)
Amount due to former directors	-	(63)	(63)

(b) **Fair value of financial instruments**

The carrying amounts of these financial assets and liabilities are reasonable approximation of their fair values, either due to their short term nature or that they are floating rate instruments that are re-priced to market interest rates or near the reporting date.

There were no unrecognised financial instruments as at 30th September 2014 that are required to be disclosed.

27. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The operations of the Group and of the Company are subject to a variety of financial risks, including credit risk, interest rate risk and liquidity risk. The Group and the Company have adopted a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

(i) **Credit Risk**

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. The Company's exposure to credit risk arises principally from loan, advances and financial guarantees to subsidiaries.

The management has a credit policy in place to monitor and minimise the exposure of default. Trade and other receivables are monitored on a regular and an ongoing basis. Credit evaluations are performed on all customers requiring credit over certain amount.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)****(i) Credit Risk (Continued)**Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of trade and other receivables recognised in the statements of financial position.

Information regarding credit enhancements for trade receivables is disclosed in Note 9 to the financial statements.

Credit risk concentration profile

There is no significant concentration of credit risk that may arise from exposure to a single customer or to a group of customers.

Interecompany balances

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

At the reporting date, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Financial guarantee

The Company provides unsecured financial guarantees to financial institution in respect of bank facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

**(ii) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and is managed through the use of fixed and floating rate debts. The Group does not use derivative financial instruments to hedge its risk.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**
**(ii) Interest Rate Risk (Continued)**

The Group and the Company manage the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an on-going basis. Management does not enter into interest rate hedging transactions since it considers that the cost of such instruments outweigh the potential risk of interest rate fluctuation.

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as the end of the reporting period were:

	<b>Group</b>	
	2014 RM'000	2013 RM'000
<b>Floating rate instruments</b>		
<b>Financial Liabilities</b>		
Bank overdraft	2,778	2,317
Trust receipt	3,081	3,472
Banker acceptance	5,598	5,436
Term loans	14,556	14,016
	<hr/>	<hr/>
<b>Fixed rate instruments</b>		
<b>Financial Liabilities</b>		
Hire purchase liabilities	166	332
	<hr/>	<hr/>

**Sensitivity analysis for interest rate risk**
**(a) Fair value sensitivity analysis for fixed rate instruments**

The Group and the Company do not account for any fixed rate financial assets at fair value through profit or loss and equity. Therefore a change in interest rates at the reporting date would not affect profit or loss and equity.

**(b) Fair value sensitivity analysis for floating rate instruments**

A change of 1% in interest rates at the end of reporting period would have increased/(decreased) loss before tax by the amounts shown below. This analysis assumes that all other variables remain unchanged.

	<b>Loss before tax</b>			
	<b>Increase 1%</b>		<b>Decrease 1%</b>	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Group</b>				
<i>Floating rate instruments</i>				
Financial Liabilities	(260)	(252)	260	252
	<hr/>		<hr/>	

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**
**(iii) Liquidity Risk**

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Company maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

*Maturity analysis*

The maturity profile of the Group's and the Company's financial liabilities based on undiscounted contractual repayment at the reporting date are as follows:

	Carrying Amount RM'000	← Undiscounted cash flows →			Total RM'000
		Within 1 Year RM'000	1 - 5 Years RM'000	> 5 Years RM'000	
<b>2014</b>					
<b>Group</b>					
<b>Financial Liabilities</b>					
Bank borrowings	26,013	14,207	7,707	4,099	26,013
Hire purchase liabilities	166	132	40	-	172
Trade payables	13,846	13,846	-	-	13,846
Other payables, deposit and accruals	3,275	3,275	-	-	3,275
<b>Company</b>					
Other payables, deposit and accruals	547	547	-	-	547
<b>2013</b>					
<b>Group</b>					
<b>Financial Liabilities</b>					
Bank borrowings	25,241	12,167	8,656	4,418	25,241
Hire purchase liabilities	332	180	171	-	351
Trade payables	11,841	11,841	-	-	11,841
Other payables, deposit and accruals	2,440	2,440	-	-	2,440
<b>Company</b>					
Other payables, deposit and accruals	1,496	1,496	-	-	1,496



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**28. CAPITAL MANGEMENT**

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios at the end of the reporting date were as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade payables	13,846	11,841	-	-
Other payables and accruals	3,275	2,440	547	1,496
Borrowings	26,179	25,573	-	-
	43,300	39,854	547	1,496
Less : Cash and cash equivalents	(1,240)	(931)	(536)	(1)
Capital and net debts	42,060	38,923	11	1,495
Shareholders' funds	13,158	13,710	10,760	8,363
Total capital	55,218	52,633	10,771	9,858
Gearing ratio	76.17%	73.95%	0.10%	15.17%

There were no changes in the Group's and Company's approach to the capital management during the financial year.

**29. COMPARATIVE FIGURES**

The comparative figures as for the financial year ended 30th September 2013 were audited by another firm of Chartered Accountants other than Messrs. Baker Tilly Monteiro Heng.

**30. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR**

- (i) On 28th April 2014 the Company proposed a corporate exercise which comprise:
  - (a) Proposed share capital reduction via the cancellation of RM0.25 from the par value of every existing ordinary share of RM0.50 each in Stone Master Corporation Berhad pursuant to section 64(1) of the Companies Act, 1965.
  - (b) Proposed renounceable rights issue of up to 184,800,000 new ordinary shares of RM0.25 each in Stone Master Corporation Berhad on the basis of four rights shares for every one ordinary shares of RM0.25 each in the Company from the resultant proposed share capital reduction together with up to 92,400,000 free detachable new warrants on the basis of one warrant for every two rights shares subscribed for at an entitlement date to be determine and announced later.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

30. **SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR**  
**(Continued)**
- (i) On 28th April 2014 the Company has announced (Continued):
    - (c) Proposed increase in the authorised share capital of the Company from RM25,000,000 comprising 50,000,000 of the Company shares to RM100,000,000 comprising 400,000,000 new ordinary shares.
  - (ii) On 22nd March 2014, the Group requested a Bank to defer the repayment of monthly principal of one of the Group's term loan facility from June 2014 onwards to December 2014. On 22nd May 2014, the Bank agreed to allow the Group to defer the monthly principal repayment of RM138,000/- per month due from June 2014 to December 2014 subject to terms and conditions, including that of the monthly principal repayment of RM138,000/- per month due from June 2014 to December 2014 totalling RM966,000/- shall be settled in full on 31st December 2014 or upon completion of the proposed rights issue exercise whichever is earlier.
  - (iii) On 23rd July 2014, Bursa Securities had approved the admission of the warrants to the official list of Bursa Securities as well as the listing of and quotation for the warrants, the proposed renounceable right issue shares, and the new shares to be issued arising from the exercise of the warrants on the main market of Bursa Securities.
  - (iv) During the Extraordinary General Meeting on 3rd September 2014, all the proposals have been duly passed and carried by a show of hands by the shareholders of the Company.
  - (v) Due to the delay in proposed renounceable rights issue, on 31st December 2014 the Group was unable to fulfil the condition set by the Bank including the repayment of RM966,000/- and the Bank has the right to demand for the full and immediate repayment of the outstanding sum.
  - (vi) On 7th January 2015, the Company proposed to acquire two ordinary shares of RM1.00 each in Stone Design House Sdn Bhd representing 100% of the issued and paid-up share capital of the said company for a total cash consideration of RM2.00 from two individuals, namely, Dato' Lee Fong Yin @ Lee Vun Ya (F) and Mr Steven Yii.
  - (vii) On 20th January 2015, the Company announced that the major shareholders have indicated and will provide an irrevocable and unconditional undertaking to subscribe 11,460,000 units of the proposed right issues shares.
  - (viii) On 30th January 2015, the Bank has agreed to accept part repayment and defer the repayment of the outstanding balance to 31st March 2015 and full repayment upon successful completion of the proposed renounceable right issues.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES**

On 25th March 2010, Bursa Malaysia Securities Berhad (“Bursa Malaysia”) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses.

On 20th December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

Pursuant to the directive, the amounts of realised and unrealised profits or losses included in the accumulated losses of the Group and the Company as at 30th September 2014 are as follows:-

	<b>Group</b>		<b>Company</b>	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Realised	(17,690)	(14,486)	(12,951)	(12,637)
Unrealised	2,964	2,872	-	-
	<u>(14,726)</u>	<u>(11,614)</u>	<u>(12,951)</u>	<u>(12,637)</u>

The determination of realised and unrealised profits is based on Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits and Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20th December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**STONE MASTER CORPORATION BERHAD**  
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**

We, **DATO' LEE FONG YIN @ LEE VUN YA (F)** and **PROF. DR. WONG KONG YEW @ LEONG KONG YEW**, being two of the directors of Stone Master Corporation Berhad, do hereby state that in the opinion of the directors, the financial statements set out on page 7 to 74 are properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 30th September 2014 and of the results and cash flows of the Group and of the Company for the financial year ended.

The supplementary information set out on page 75 to the financial statements have been prepared in accordance with the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants.

On behalf of the Board,

.....  
DATO' LEE FONG YIN @ LEE VUN YA (F)

.....  
PROF. DR. WONG KONG YEW @ LEONG KONG YEW

Kuala Lumpur

Date: 30 January 2015

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**STONE MASTER CORPORATION BERHAD**  
(Incorporated in Malaysia)

**STATUTORY DECLARATION**

I, **YONG TIONG FATT**, being the officer primarily responsible for the financial management of Stone Master Corporation Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on page 7 to 74 and the supplementary information set out on page 75 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

.....  
**YONG TIONG FATT**

Subscribed and solemnly declared by the abovenamed at Petaling Jaya in State of Selangor on 30 January 2015

Before me,

.....  
**ABDUL HALIM BIN BAHARI (No. B349)**  
Commissioner for Oaths

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
STONE MASTER CORPORATION BERHAD**  
(Incorporated in Malaysia)**Report on the Financial Statements**

We have audited the financial statements of Stone Master Corporation Berhad, which comprise the statements of financial position as at 30th September 2014 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 74.

*Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Group's and the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
STONE MASTER CORPORATION BERHAD (Continued)**  
(Incorporated in Malaysia)*Basis for Qualified Opinion*

As disclosed in Note 9(ii) to the financial statements, included in trade receivables of the Group is an amount of RM2,865,943/- owing by a former subsidiary which has past due but not impaired. We are unable to obtain sufficient and appropriate audit evidence on the recoverability of the amount owing from the said trade receivable.

*Qualified Opinion*

In our opinion, except for the effects of the matters described in the Basis of Qualified Opinion paragraph, the financial statements have been properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as of 30th September 2014 and of their financial performances and cash flows for the financial year then ended.

*Emphasis of Matter*

Without further qualifying our opinion, we draw your attention to Note 2.1(a) to the financial statements which discloses the premise upon which the Group and the Company has prepared their financial statements by applying the going concern assumption, notwithstanding that the Group and the Company incurred a net loss of RM3,263,000/- and RM314,000/- for the financial year ended 30th September 2014 respectively. During the financial year, The Group and the Company has recorded negative operating cash flow of RM42,000/- and RM2,122,000/- respectively. The above indicate the existence of a material uncertainty which may cast significant doubt about the Group and the Company's ability to continue as a going concern. If the going concern assumption is inappropriate, the Group and the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. On 28th April 2014, the Company announced a proposed corporate exercise which includes a proposed renounceable rights issue. Due to the delay in proposed renounceable rights issue, on 31st December 2014, the Group was unable to fulfil the condition set by the Bank including the repayment of RM966,000/- and the Bank has the right to demand for the full and immediate repayment of the outstanding sum. On 20th January 2015, the Company announced that the major shareholders have indicated and will provide an irrevocable and unconditional undertaking to subscribe 11,460,000 units of the proposed right issues shares. On 30th January 2015, the Bank has agreed to accept part repayment and defer the repayment of the outstanding balance to 31st March 2015 and full repayment upon successful completion of the proposed renounceable rights issue. The directors are confident that the corporate proposal can be successfully implemented to raise additional funds for the repayment of the borrowings of the Group and to fund the working capital and the Group is able to continue achieve profitable operation. Hence, the financial statements of the Group and the Company have been prepared on a going concern basis.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
STONE MASTER CORPORATION BERHAD (Continued)**  
(Incorporated in Malaysia)**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:-

- (a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Except for those subsidiaries with qualified opinions in the auditors' reports as disclosed in Note 6 to the financial statements, our audit reports on the financial statements of the remaining subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

**Other Reporting Responsibility**

The supplementary information set out on page 75 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 SEPTEMBER 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
STONE MASTER CORPORATION BERHAD (Continued)**  
(Incorporated in Malaysia)

**Other Matters**

The financial statements of the Group and of the Company for the financial year ended 30th September 2013 were audited by another firm of chartered accountants whose report dated 23rd January 2014 expressed an unmodified opinion on those financial statements.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Baker Tilly Monteiro Heng  
No. AF 0117  
Chartered Accountants

Ng Boon Hiang  
No. 2916/03/16(J)  
Chartered Accountant

Kuala Lumpur

Date: 30 January 2015

**UNAUDITED QUARTERLY REPORT OF OUR GROUP FOR THE THREE (3)-MONTH FPE 31 DECEMBER 2014**

**STONE MASTER CORPORATION BERHAD**

*(Company No. 498639-X)*

*(Incorporated in Malaysia)*

**INTERIM FINANCIAL STATEMENT FOR THE FIRST QUARTER ENDED 31 DECEMBER 2014**

*(The figures have not been audited)*

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**For the period ended 31 DECEMBER 2014**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter (3 months to 31.12.2014)	Preceding Year Corresponding (3 months to 31.12.2013)	Current Year To Date (3 months to 31.12.2014)	Preceding Year Corresponding (3 months to 31.12.2013)
	RM'000	RM'000	RM'000	RM'000
Revenue	21,381	20,062	21,381	20,062
Operating expenses	(21,734)	(19,941)	(21,734)	(19,941)
Other operating income	39	41	39	41
Profit / (Loss) from Operations	(314)	162	(314)	162
Finance Costs	(543)	(502)	(543)	(502)
Profit / (Loss) before taxation	(857)	(340)	(857)	(340)
Taxation	(61)	30	(61)	30
Profit / (Loss) for the period	(918)	(310)	(918)	(310)
Other Comprehensive Income :-	-	-	-	-
Total Comprehensive Loss	(918)	(310)	(918)	(310)
Profit / (Loss) attributable to :				
Equity holders of the parent	(918)	(310)	(918)	(310)
Non-Controlling Interests	-	-	-	-
	(918)	(310)	(918)	(310)
Total Comprehensive Loss attributable to :				
Equity holders of the parent	(918)	(310)	(918)	(310)
Non-Controlling Interests	-	-	-	-
	(918)	(310)	(918)	(310)
Earnings per share (sen) :				
- Basic	(1.99)	(0.74)	(1.99)	(0.74)
- Diluted	N/A	N/A	N/A	N/A

**Note :**

*The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the year ended 30 September 2014*

**UNAUDITED QUARTERLY REPORT OF OUR GROUP FOR THE THREE (3)-MONTH FPE 31 DECEMBER 2014 (CONT'D)**

**STONE MASTER CORPORATION BERHAD**

*(Company No. 498639-X)*

*(Incorporated in Malaysia)*

**INTERIM FINANCIAL STATEMENT FOR THE FIRST QUARTER ENDED 31 DECEMBER 2014**

*(The figures have not been audited)*

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**as at 31 DECEMBER 2014**

	AS AT CURRENT QUARTER 31.12.2014 RM'000	AS AT FINANCIAL YEAR ENDED 30.9.2014 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant & Equipment	22,528	22,789
Investment Properties	3,975	3,975
Other Investments	28	28
	26,531	26,792
<b>Current Assets</b>		
Inventories	6,275	7,002
Trade Receivables	23,332	23,590
Other Receivables	814	710
Cash and bank balances	707	1,240
	31,128	32,542
<b>TOTAL ASSETS</b>	57,659	59,334
<b>EQUITY AND LIABILITIES</b>		
Share Capital	11,550	23,100
Reserves	690	(9,942)
<b>Equity attributable to equity holders of the parent</b>	12,240	13,158
Non-Controlling Interest	-	-
<b>Total Equity</b>	12,240	13,158
<b>Non-Current Liabilities</b>		
Long term borrowings	11,124	11,845
Deferred Taxation	1,958	1,966
	13,082	13,811
<b>Current Liabilities</b>		
Short term borrowings	16,352	14,334
Trade Payables	10,874	13,846
Other payable and accruals	4,301	3,275
Taxation	810	910
	32,337	32,365
<b>Total Liabilities</b>	45,419	46,176
<b>TOTAL EQUITY AND LIABILITIES</b>	57,659	59,334
<b>Net assets per share (sen)</b>	26.49	29.37

**Note :**

*The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 30 September 2014*

**UNAUDITED QUARTERLY REPORT OF OUR GROUP FOR THE THREE (3)-MONTH FPE 31 DECEMBER 2014 (CONT'D)**
**STONE MASTER CORPORATION BERHAD**
*(Company No. 498639-X)*
*(Incorporated in Malaysia)*
**INTERIM FINANCIAL STATEMENT FOR THE FIRST QUARTER ENDED 31 DECEMBER 2014**

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the period ended 31 DECEMBER 2014

	<u>2014</u> 3 months ended 31.12.2014 RM'000	<u>2013</u> 3 months ended 31.12.2013 RM'000
<b>Operating activities</b>		
Profit/(Loss) before taxation	(857)	(340)
Adjustments for non-cash flow :-		
Non-cash items	862	330
Non-operating items	112	184
Operating profit / (loss) before changes in working capital	117	174
Changes in working capital :		
Net change in current assets	(424)	(2,915)
Net change in current liabilities	(144)	348
Net Cash Flow from operating activities	(451)	(2,393)
<b>Investing Activities</b>		
Equity Investment	-	-
Purchases of Property, Plant & Equipment	(165)	(15)
Proceeds from Sale of Property, Plant & Equipment	-	-
Net Cash Flow from investing activities	(165)	(15)
<b>Financing Activities</b>		
Proceeds from issuance of shares	-	-
Bank borrowings	(351)	(454)
Debts securities issued	-	-
Net Cash Flow from financing activities	(351)	(454)
<b>Net Change in Cash &amp; Cash Equivalents</b>	(967)	(2,862)
<b>Cash and cash equivalents at beginning of period</b>	(1,538)	(1,386)
<b>Cash and cash equivalents at end of period</b>	(2,505)	(4,248)
Cash and cash equivalents comprise :		
Cash and bank balances	707	124
Fixed deposit with licensed banks	-	30
Bank Overdrafts	(3,212)	(4,402)
	(2,505)	(4,248)

**Note :**

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 30 September 2014.

**UNAUDITED QUARTERLY REPORT OF OUR GROUP FOR THE THREE (3)-MONTH FPE 31 DECEMBER 2014 (CONT'D)**

**STONE MASTER CORPORATION BERHAD**

(Company No. 498639-X)

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENT FOR THE FIRST QUARTER ENDED 31 DECEMBER 2014**

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the period ended 31 DECEMBER 2014

	← Attributable to Equity Holders of the Parent →				Distributable	Total Equity
	Share Capital	Share Premium	Revaluation Reserve	Fair Value Reserve		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>3 months quarter</b>						
<b>Ended 31 December 2014</b>						
Balance as at 01/10/2014	23,100	611	4,160	13	(14,726)	13,158
Total comprehensive income for the period	-	-	-	-	(918)	(918)
Capital Reduction	(11,550)	-	-	-	11,550	-
Amortization of revaluation reserve	-	-	(38)	-	38	-
Balance as at end of the period ended 31/12/2014	11,550	611	4,122	13	(4,056)	12,240
<b>3 months quarter</b>						
<b>Ended 31 December 2013</b>						
Balance as at 01/10/2012	21,000	-	(11,614)	13	4,311	13,710
Total comprehensive income for the period	-	-	(310)	-	-	(310)
Transfer within reserves	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-
Balance as at end of the period ended 31/12/2013	21,000	-	(11,924)	13	4,311	13,400

**Note :**

The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the Annual Financial Report for the year ended 30 September 2014.

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**UNAUDITED QUARTERLY REPORT OF OUR GROUP FOR THE THREE (3)-MONTH FPE 31  
DECEMBER 2014 (CONT'D)**

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**STONE MASTER CORPORATION BERHAD** *(Company No. 498639-X)*  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2014****NOTES TO THE INTERIM FINANCIAL REPORT****A1. Basis of Preparation**

These condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, Interim Financial Reporting in Malaysia and with IAS 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 September 2014.

The interim financial report should be read in conjunction with the annual audited Financial Statements of the Group for the financial year ended 30 September 2014. The explanatory notes attached to the interim financial report provide an explanation of the 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 30 September 2014.

**A2. Declaration of Audit Qualification**

The auditors has qualified the financial report as at 30 September 2014.

**A3. Seasonal or Cyclical Factors**

The performance and the business operations within the Group were not significantly affected by any material seasonal or cyclical factors for the financial period ended 31 December 2014.

**A4. Nature and Amount of Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows that are unusual because of their Nature, Size or Incidence**

There were no unusual items affecting the Group for the financial period ended 31 December 2014.

**A5. Nature and Amount of Changes in estimates reported in prior Interim Periods of the current Financial Year or prior Financial Year which may have a material effect in the current Interim Period**

There were no material changes in the estimates for the financial period ended 31 December 2014.

**A6. Issuance, Cancellation, Repurchases, Resale and Repayments of Debt and Equity Securities**

On 7 October 2014, Stone Master Corporation Berhad (“the Company”) has obtained the Order from the High Court confirming that capital reduction of the paid-up share capital with cancellation of RM0.25 of the par value of each ordinary share of RM0.50 each. As a result, the existing issued and paid-up share capital of the Group amounts to RM11.55 million comprising 46,200,000 ordinary shares of RM0.25 each share.

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**UNAUDITED QUARTERLY REPORT OF OUR GROUP FOR THE THREE (3)-MONTH FPE 31 DECEMBER 2014 (CONT'D)**

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**STONE MASTER CORPORATION BERHAD** *(Company No. 498639-X)*  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS**  
**FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2014**

**A7. Dividend Paid**

No interim dividend was paid by the Company for the financial period ended 31 December 2014 under review.

**A8. Segmental Reporting**

No geographical segmental analysis is presented as the Group operates principally within one industry wholly in Malaysia.

**A9. Valuation of Property, Plant and Equipment**

The valuation of property and assets of the Group have been brought forward without amendments from the previous annual financial statements to this period ended 31 December 2014.

**A10. Subsequent Material Events**

There has been no other material events subsequent to the end of the financial period ended 31 December 2014 that have not been reflected in the financial statements for the current period.

**A11. Changes in composition of the Group**

There are no changes in the composition of the Group for the current financial period ended 31 December 2014.

**A12. Contingent Liabilities/Contingent Assets**

There have been no changes and no material contingent liabilities/assets incurred by the Group as at the financial period ended 31 December 2014.

**ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS****B1. Review of Performance**

The Group achieved a turnover of RM21.38 million for the current Financial Quarter ended 31 December 2014 as compared to RM20.06 million in the same period of preceding year. This represents a growth of approximately 7% in comparison of both financial quarters involved in the Group's consolidated turnover.

The Group posted its current quarter's financial results with a loss after tax of RM 918,000.00 which was higher than the previous corresponding quarter of RM310,000.00 only.

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**UNAUDITED QUARTERLY REPORT OF OUR GROUP FOR THE THREE (3)-MONTH FPE 31 DECEMBER 2014 (CONT'D)**


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**STONE MASTER CORPORATION BERHAD** *(Company No. 498639-X)*  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS**  
**FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2014**

**B2. Results Comparison with immediate preceding quarter**

In the current quarter under review, the Group registered a consolidated loss before tax of RM857,000.00 as compared to the loss before tax of RM340,000.00 in the immediate preceding quarter. The losses were due to the increase in operating expenses by RM 1.7 million. The higher operating expenses included the provision of directors' fee of RM320,000.00 and materialized expenses incurred during the quarter.

**B3. Current Year Prospects**

The overall outlook for the Group's performance for the rest of the year remains slow but will be very challenging due to the continuing lackluster and uncertainties in the current economic climate. However, the Management will in their best effort endeavor to face the challenging market conditions during these trying times.

**B4. Variance of actual profit from forecast profit**

No profit guarantee and profit forecast is required.

**B5. Taxation**

	Current Quarter ended 31.12.2014 RM'000	3 months Cumulative to 31.12.2014 RM'000
Current tax expenses	69	69
Deferred tax expenses	(8)	(8)
	61	61

**B6. Profit or Loss from Sales of Unquoted Investments or Properties**

There were no sales of unquoted investment or properties for the Group.

**B7. Purchase or disposal of quoted securities**

There is no purchase or disposal of quoted securities for the current financial year under review.



**UNAUDITED QUARTERLY REPORT OF OUR GROUP FOR THE THREE (3)-MONTH FPE 31 DECEMBER 2014 (CONT'D)**

**STONE MASTER CORPORATION BERHAD** *(Company No. 498639-X)*  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS**  
**FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2014**

**B8. Corporate Proposal and Utilisation of Proceeds**

On 28 April 2014, Stone Master Corporation Berhad (“the Company”) has made a corporate proposal announcement to Bursa in relation to the following matters:-

- i) Proposed Share Capital Reduction.
- ii) Proposed Right Issue.
- iii) Proposed Increase in Authorized Share Capital.
- iv) Proposed Memorandum & Articles of Association Amendment.

For further details, please refer to Bursa’ Announcements dated 28 April 2014, 5 May 2014, 12 August 2014, 5 November 2014 and 20 January 2015 respectively.

**B9. Group Borrowings and Debt Securities**

The total Group’s borrowings as at 31 December 2014 are as follows:-

	Short Term Borrowings (Less than 12 months)	Long Term Borrowings (More than 12 months)	Total
	RM'000	RM'000	RM'000
Secured :-			
Bank Overdrafts	3,212		3,212
Trade Bills Payable	9,665	-	9,665
Term Loan	3,368	11,105	14,473
Hire Purchase	<u>107</u>	<u>19</u>	<u>126</u>
	<u>16,352</u>	<u>11,124</u>	<u>27,476</u>

One of the subsidiary company has defaulted in payment of installment to the bank for the following loan facilities:

- 1) Islamic Banking Facility of RM8.2 million and
- 2) Term Loan of RM4.0 million.

The default in payment is primarily due to the delay in the completion of the Right Issue of which the Company is currently undergoing. The Company has rectified the matter by making payment to the interest repayment arrears and obtained an approved new Restructured Repayment Scheme from the same bank.

For further details, please refer to Bursa’s Announcement dated 30 January 2015.

**B10. Off Balance Sheet Financial Instruments**

There were no financial instruments with off balance sheet risk as at the latest practicable date, which is not earlier than 7 days from date of issuance of this quarterly report.

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**UNAUDITED QUARTERLY REPORT OF OUR GROUP FOR THE THREE (3)-MONTH FPE 31 DECEMBER 2014 (CONT'D)**


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**STONE MASTER CORPORATION BERHAD** *(Company No. 498639-X)*  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS**  
**FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2014**

**B11. Changes in Material Litigation**

There is no pending material litigation as at the date of this report.

**B12. Dividend**

No interim and final dividend was recommended by the Board of Director for the financial period ended 31 December 2014.

**B13. Earnings per share**

The basic Earnings per Share and Diluted Earnings per Share of the Group were the same for the reporting period as there was no effect of dilutive potential ordinary shares.

	Current Quarter ended 31/12/14	Three months ended 31/12/14
Net Profit/(Loss) attributable to ordinary shareholders (RM'000)	( 918)	(918)
Weighted Average Number of ordinary shares issued ('000)	46,200	46,200
Basic Profit/(Loss) per ordinary share (sen)	(1.99)	(1.99)

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**DIRECTORS' REPORT**


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**Registered Office:-**

Unit 2-03, Medan Klang Lama 28  
No. 419, Jalan Klang Lama  
58100 Kuala Lumpur

Date: **19 MAY 2015****To: The Shareholders of Stone Master Corporation Berhad ("Stone Master" or the "Company")**

On behalf of the Board of Directors of Stone Master ("**Board**"), I wish to report that, after making due enquiries in relation to Stone Master and its subsidiaries ("**Group**") during the period between 30 September 2014, being the date to which the latest audited consolidated financial statements of our Group have been made up, and the date of this letter, being a date not earlier than 14 days before the date of this Abridged Prospectus:

- (i) The business of our Group, in the opinion of our Board, has been satisfactorily maintained;
- (ii) In the opinion of our Board, no circumstances have arisen since the latest audited consolidated financial statements of our Company which have adversely affected the trading or the value of the assets of our Group;
- (iii) The current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) There are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by our Group;
- (v) Save as disclosed in this Abridged Prospectus, there has been no default or any known event that could give rise to a default situation, in respect of payment of either interest and/ or principal sums in relation to any borrowings in our Group since the latest audited consolidated financial statements of our Company; and
- (vi) There have been no material changes in the published reserves or any unusual factors affecting the profits of our Group since the latest audited consolidated financial statements of our Company.

Yours faithfully,

For and on behalf of the Board of  
**STONE MASTER CORPORATION BERHAD**

**PROF. DR. WONG KONG YEW @ LEONG KONG YEW**  
Executive Director cum Chief Executive Officer

Stone Master Corporation Berhad (498639-X)

Head Office

Unit 2-03, Medan Klang Lama 28, No.419, Jalan Klang Lama, 58100 Kuala Lumpur, Malaysia.

T : +603 - 2382 1777

F: +603 - 7451 9487

W: www.stonemaster.com.my

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**ADDITIONAL INFORMATION**

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**1. SHARE CAPITAL**

- (i) Save for the Rights Shares, the Warrants and the New Stone Master Shares to be issued arising from the exercise of the Warrants, no securities in our Company will be allotted or issued on the basis of this Abridged Prospectus later than 12 months after the date of this Abridged Prospectus.
- (ii) As at the date of this Abridged Prospectus, there is no founder, management, deferred shares or preference shares in the share capital of our Company. There is only one (1) class of shares in our Company, namely the ordinary shares of RM0.25 each, all of which rank *pari passu* with one another.
- (iii) All the Rights Shares and the New Stone Master Shares to be issued arising from the exercise of the Warrants shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing New Stone Master Shares, save and except that such New Stone Master Shares will not be entitled to any dividends, rights, allotments and/or other forms of distribution that may be declared, made or paid prior to the relevant date of allotment and issuance of such New Stone Master Shares.
- (iv) Save for the Entitled Shareholders who will be allotted the Provisional Rights Shares, no person has been or is entitled to be granted an option to subscribe for any of our securities as at the LPD.
- (v) Save for the Warrants, as at the LPD, none of the securities of our Group have been issued or agreed to be issued either as fully or partly paid-up otherwise than in cash within the two (2) years immediately preceding the date of this Abridged Prospectus.

**2. DIRECTORS' REMUNERATION**

The provisions in our Company's Articles of Association in relation to the remuneration of our Directors are set out below:

**Article 83**

- (i) The fees payable to the Directors shall not be increased except pursuant to a resolution passed at a General Meeting, where notice of the proposed increase has been given in the notice convening of the General Meeting.
- (ii) Salaries payable to executive Directors may not include a commission on or percentage of turnover.
- (iii) Fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover.
- (iv) Any fee paid to an alternate director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

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**ADDITIONAL INFORMATION (CONT'D)**

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**Article 84**Travelling and Other Expenses

The Directors shall be paid such reasonable travelling, hotel and other expenses as he shall incur in attending meetings of the Directors or General Meetings or which he may otherwise incur on or about the business of the Company.

**Article 85**

Any Director who serves on any committee or who devotes special attention to the business of the Company or goes or resides abroad for such purpose, or who otherwise performs services which in the opinion of the Board of Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, percentage of profits or otherwise (other than by a sum to include a commission on or percentage of turnover) as the Board of Directors may determine. Such remuneration may be either in addition to or in substitution for his share in the remuneration provided by Article 83.

**3. MATERIAL CONTRACTS**

Save as disclosed below, our Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the two (2) years preceding the date of this Abridged Prospectus:

- (i) Sale and Purchase Agreement dated 8 December 2014 between Welton Development Sdn Bhd ("**Welton**") and Rainbow Marble & Tiling Sdn Bhd ("**Rainbow**") where Welton sold Parcel No. A-21-05, Type B2, Building No. Tower A, Storey No. Level 21 measuring 1,001 square feet with accessory parcel, to be erected on a freehold land held under H.S. (D) 518718 PTD 216347, Mukim Plentong Daerah Johor Bahru Negeri Johor, to Rainbow for a cash consideration of RM723,668 ("**Acquisition**"). The Acquisition has yet to be completed as at the LPD; and
- (ii) The Deed Poll constituting our Warrants.

**4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION**

As at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and after having made all reasonable enquiries, there is no such proceedings pending or threatened against our Group or of any facts which is likely to give rise to any proceedings which may materially or adversely affect the financial position or business of our Group.

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**ADDITIONAL INFORMATION (CONT'D)**

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**5. GENERAL**

- (i) There is no existing or proposed service contract entered or to be entered into by our Group with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one (1) year from the date of this Abridged Prospectus.
- (ii) Save as disclosed in this Abridged Prospectus, after having made all reasonable enquiries, the financial conditions and operations of our Group are not affected by any of the following:
  - (a) known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease the liquidity of our Group;
  - (b) material commitments for capital expenditure of our Group, the purpose of such commitments and the source of fundings;
  - (c) unusual, infrequent events or transactions or significant economic changes which materially affect the amount of reported income from the operations of our Group;
  - (d) known trends or uncertainties which have had, or will have, a material favourable or unfavourable impact on the revenue or operating income of our Group;
  - (e) substantial increase in revenues; and
  - (f) material information, including special trade factors or risks, which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group.

**6. CONSENTS**

Our Principal Adviser, principal bankers, Bloomberg Finance LP, share registrar and due diligence solicitors for the Rights Issue have given and have not subsequently withdrawn their written consents to the inclusion in this Abridged Prospectus of their names and all references thereto in the form and context in which they appear in this Abridged Prospectus.

Our auditors and reporting accountants have given and have not subsequently withdrawn their written consent the inclusion in this Abridged Prospectus of name, the report on the proforma consolidated statements of financial position of our Company as at 30 September 2014, the audited consolidated financial statements of our Company for the FYE 30 September 2014 together with the auditors' report thereon and all references thereto in the form and context in which they appear in this Abridged Prospectus.

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**ADDITIONAL INFORMATION (CONT'D)**

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**7. DECLARATIONS OF CONFLICT OF INTEREST**

RHBIB confirms that as at the LPD, there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Principal Adviser to our Company for the Rights Issue.

Messrs Wong Beh & Toh confirms that as at the LPD, there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the due diligence solicitors to our Company for the Rights Issue.

Messrs Baker Tilly Monteiro Heng confirms that as at the LPD, there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the reporting accountants to our Company for the Rights Issue.

**8. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection at the Registered Office of our Company at Unit 2-03, Medan Klang Lama 28, No. 419, Jalan Klang Lama, 58100 Kuala Lumpur, during normal business hours (except public holidays) for a period of 12 months from the date of this Abridged Prospectus:

- (i) Our Memorandum and Articles of Association;
- (ii) The proforma consolidated statements of financial position of Stone Master as at 30 September 2014 together with the reporting accountants' report thereon, as set out in **Appendix III** of this Abridged Prospectus;
- (iii) The Deed Poll for the Warrants;
- (iv) Our audited consolidated financial statements of Stone Master for the past two (2) FYE 30 September 2014 and the FYE 30 September 2013;
- (v) Our latest unaudited quarterly report of our Group for the three (3)-month FYE 31 December 2014, as set out in **Appendix V** of this Abridged Prospectus;
- (vi) The Directors' Report, as set out in **Appendix VI** of this Abridged Prospectus;
- (vii) The letters of consent referred to in **Section 6** above;
- (viii) The New Undertaking Letters from the New Undertaking Shareholders referred to in **Section 4** of this Abridged Prospectus; and
- (ix) The material contracts referred to in **Section 3** above.

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**ADDITIONAL INFORMATION (CONT'D)**

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**9. RESPONSIBILITY STATEMENT**

This Abridged Prospectus together with the accompanying NPA and RSF have been seen and approved by our Board. They collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make any statement herein false or misleading.

RHBIB, being our Principal Adviser for the Rights Issue, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue.

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