**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 September2014.

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 notesattached 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 had 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 March2015

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 March 2015.

**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 March 2015.

**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 approval 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.

**A7. Dividend Paid**

No interim dividend was paid by the Company for the financial period ended 31 March 2015 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 March 2015.

**A10. Subsequent Material Events**

Other than the company entered into a Heads of Agreement (HOA) with Fujian Nan’an Guan Hui Stone Co. Ltd on 30 March 2015 which is still early to determine the performance result for the current financial period ended 31 March 2015.

There was no other material events subsequent to the end of the financial periodended 31 March2015 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 March 2015.

**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 31March 2015.

**ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD’S LISTING REQUIREMENTS**

**B1. Review of Performance**

The Group achieved a turnover of RM21.4 million and RM43.7 million respectively for the current quarter and cumulative of six months Financial Period ended 31 March 2015.This positive performance has reflected a growth of 7.9% and 9.5% for the current and cumulative quarters as compared toRM19.8 million and RM39.9 million in same periods of the preceding year.

The increase in turnover is primarily due to the increase of theordersby the key customers of the group.

B2. Results Comparison with immediate preceding quarter

In the current quarter under review, the Group registered a consolidated lossbefore tax of RM652,000-00as compared to the loss before tax of RM505,000-00in the immediate preceding quarter. The losses were due to the increase in operating expenses which included theprovision for doubtful debts of RM300,000-00for the long overdue trade receivables of a fully owned subsidiary company 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 lacklustre and uncertainties in the current economic climate. However, the Management will in their best effort endeavor to face the market conditions during these challenging times.

**B4. Variance of actual profit from forecast profit**

No profit guarantee and profit forecast is required.

**B5. Taxation**

|  |  |  |
| --- | --- | --- |
|  | Current  Quarter  Ended  31 March 2015  RM’000 | 6 months  Cumulative  to  31 March 2015  RM’000 |
| Current tax expenses | 21 | 82 |
| Deferred tax expenses | - | (8) |
|  |  |  |
|  | 21 | 74 |
|  |  |  |

**B6. Profit or Loss from Sales of Unquoted Investments or Properties**

There were no sales of unquoted investmentor 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.

**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:-

1. Proposed Share Capital Reduction.
2. Proposed Right Issue.
3. Proposed Increase in Authorized Share Capital.
4. 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, 20 January 2015 and 27 March 2015 respectively)

and

v) Entered into a Head of Agreement (HOA) with Fujian Nan’an Guan Hui Stone Co. Ltd on 30 March 2015.

(Please refer to Bursa’ announcement dated 27March 2015, 30March2015 and 2April 2015)

##### B9. Group Borrowings and Debt Securities

The total Group’s borrowings as at 31 March 2015 are as follows:-

|  |  |  |  |
| --- | --- | --- | --- |
| Secured :-  Bank Overdrafts | Short Term  Borrowings  (Less than 12  months)  RM`000  2,867 | Long Term Borrowings  (More than 12 months)  RM`000 | Total  RM`000  2,867 |
| Trade Bills Payable | 8,494 | - | 8,494 |
| Term Loan | 202 | 14,188 | 14,390 |
| Hire Purchase | 85 | 7 | 92 |
|  | 11,648 | 14,195 | 25,843 |
|  |  |  |  |

In January 2015, one of the subsidiary company has defaulted in payment of installment to the bank for the following loan facilities:-

1. Islamic Banking Facilities 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 arrearsand has settled the repayment of interest in the subsequent months. The company hasalso obtained an approved extension letter of repayment from the same bank.

For further details, please refer to Bursa’s Announcement dated 30 January 2015, 28 February 2015 and 31 March 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.

**B11. Changes in Material Litigation**

The company has served a writ of summons on Dato’ Tan Wei Lian claiming damages for breach of undertaking in relation to the Rights Issue on 27 March 2015. As this litigation will only be trial in court in later months to be determined by the court. There is no material impact on this litigation for this financial period ended 31March 2015.

**B12. Dividend**

##### No interim and final dividend was recommended by the Board of Director for the financial periodended 31 March2015.

##### 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 March 2015 | Six  months ended  31 March 2015 |
|  |  |  |
| Net Profit/(Loss) attributable to ordinary shareholders (RM’000) | ( 652) | (1,570) |
| Weighted Average Number of ordinary shares issued (RM’000) | 46,200 | 46,200 |
| Basic Profit/(Loss) per ordinary share (Sen) | (1.41) | (3.39) |