

STONE MASTER CORPORATION BERHAD *(Company No. 498639-X)*
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2015

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 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.

This 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 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 30 June 2015.

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 was no unusual item affecting the Group for the financial period ended 30 June 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 30 June 2015.

A6. Issuance, Cancellation, Repurchases, Resale and Repayments of Debt and Equity Securities

On 7 October 2014, Stone Master Corporation Berhad (“the Company”) had 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 issued and paid-up share capital of the Group before the completion of Rights Issue amounts to RM11.55 million comprising 46,200,000 ordinary shares of RM0.25 each share.

STONE MASTER CORPORATION BERHAD *(Company No. 498639-X)*
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2015

On 29 June 2015, the Company had successfully achieved subscription of new ordinary share of 43,705,177 at the rate of RM0.30 each (inclusive of share premium of RM0.05 per share) through the Rights Issue exercise. The total new issued and paid up share capital of the Company as at 29 June 2015 amounts to RM 22,476,294.25 comprising total ordinary share 89,905,177 of RM0.25 each share. On the same date, the Company has also admitted the listing of and quotation for the 21,852,588 warrants on the Main Market of Bursa Securities.

A7. Dividend Paid

No interim dividend was paid by the Company for the financial period ended 30 June 2015.

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 30 June 2015.

A10. Subsequent Material Events

The Company had, in its ordinary course of business, entered into a Heads of Agreement (HOA) with Fujian Nan'an Guan Hui Stone Co. Ltd on 30 March 2015 which is still pending to the completion of the definitive agreement in the near future. As such, there is no impact to the current financial period ended 30 June 2015.

There was no other material events subsequent to the end of the financial period ended 30 June 2015 that have not been reflected in the financial statements for the current period.

A11. Changes in composition of the Group

There has been no change in the composition of the Group for the current financial period ended 30 June 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 30 June 2015.

STONE MASTER CORPORATION BERHAD *(Company No. 498639-X)*
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2015

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

B1. Review of Performance

The Group achieved a lower turnover of RM15.3 million and RM59.0 million respectively for the current quarter and cumulative of nine (9) months financial period ended 30 June 2015. This result had reflected a decrease in sales performance by RM6.0 million or 28.1% and RM2.3 million or 3.7% for the current and cumulative quarters as compared to RM21.3 million and RM61.3 million respectively in same period of the preceding year.

The lower turnover was primarily due to the present sluggish economic activity and delay in the delivery of goods as requested by the key customers. The deferment of projects in Johor Bahru and Klang Valley region was another reason which accounted for the lower sales turnover.

B2. Results Comparison with immediate preceding quarter

In the current quarter under review, the Group registered a consolidated loss before tax of RM4.2 million as compared to the loss before tax of RM110 thousand in the same quarter of the preceding year. The cumulative losses of nine (9) months amount of RM5.7 million as compared to the losses of RM700 thousand of the same period of last year. The losses were primarily due to decrease in sales turnover by RM6.0 million, the provision of doubtful debt of RM2.4 million to cater for the long outstanding trade receivable of a fully owned subsidiary company, increase in administrative expenses of RM2 million, finance cost for the entire 9 months amounting to RM1.6 million for the increased utilization of trade facility and interest charged on long outstanding Islamic Term Loan with Maybank Islamic Berhad which was maintained by another fully owned subsidiary company.

In response thereto, the Company had taken measures to mitigate the losses by reviewing the operation efficiency at the subsidiaries level and by effecting full settlement of the long outstanding Maybank Islamic Bank. The Company is in the development to undertake more exclusive agencies from building materials suppliers in China. This is to ensure that purchases shall be transacted in RMB instead of US dollars in order to reduce cost and to secure consistent supplies of goods with assured quality and to gain speedy and more extensive access to Malaysian as well as Singaporean markets. To this end, the Company had, subsequent to the financial period under review and in its ordinary course of business, entered into two further Heads of Agreement (HOA) respectively with Lion Legend Holdings Limited and Guangdong Be-Tech Security Systems Limited both on 7 August 2015. For further details, please refer to the two corresponding Bursa's Announcements both dated 7 August 2015.

STONE MASTER CORPORATION BERHAD *(Company No. 498639-X)*
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2015

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 is braced to face the challenging market conditions with their best effort in the future and continues with the turn-around plans.

B4. Variance of actual profit from forecast profit

No profit guarantee and profit forecast is required.

B5. Taxation

	Current Quarter Ended 30 June 2015	Nine (9) Months Cumulative to 30 June 2015
	RM'000	RM'000
Current tax expenses	471	616
Deferred tax expenses	-	-
	471	616

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 was no purchase or disposal of quoted securities for the current financial period ended 30 June 2015 under review.

B8. Corporate Proposal and Utilisation of Proceeds

On 29 June 2015, the Company had completed the Corporate Proposal dated on 28 April 2014 in relation to the following Corporate Proposals:-

- i) Proposed Share Capital Reduction
- ii) Proposed Rights Issue
- iii) Proposed Increase in Authorized Share Capital
- iv) Proposed Memorandum & Articles of Association Amendment.

For further details, please refer to Bursa's Announcements dated 28 April 2014, 5 May 2014, 12 August 2014, 5 November 2014, 20 January 2015, 27 March 2015 and 29 June 2015 respectively.

The Company had observed the provisions for utilization of proceeds as stated in Abridged Prospectus of the Rights Issue by effecting full settlement of the long outstanding Islamic

STONE MASTER CORPORATION BERHAD *(Company No. 498639-X)*
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2015

Term Loan with Maybank Islamic Berhad owed by one of the fully owned subsidiary companies subsequent to the successful Rights Issue exercise.

B9. Group Borrowings and Debt Securities

The total Group's borrowings as at 30 June 2015 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	2,958	-	2,958
Trade Bills Payable	8,643	-	8,643
Term Loan	208	13,688	13,896
Hire Purchase	<u>63</u>	<u> </u>	<u>63</u>
	<u>11,872</u>	<u>13,688</u>	<u>25,560</u>

Subsequent to the successful completion of the Rights Issue exercise, the Company settled the long outstanding Islamic Term Loan of RM8.2 million with Maybank Islamic Berhad on 23 July 2015 from the proceeds of the Rights Issue. The Company has resumed the repayment of the installments for the Term Loan of RM4.0 million with Malayan Banking Berhad which had remained outstanding by one of the fully owned subsidiary companies. Please refer to the Bursa Announcement on the above dated 27 July 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

On 11 March 2015, the Company filed a Writ of Summons against Dato'Tan Wei Lian claiming damages for breach of irrevocable and unconditional undertaking in relation to the Rights Issue, and served the same on 27 March 2015. The Statement of Defence of Dato'Tan Wei Lian was received on 22 April 2015. On 30 April 2015, the Company served its Reply to Statement of Defence.

As the trial for this suit will only be take place in later months, there was no material impact caused for this financial period ended 30 June 2015.

STONE MASTER CORPORATION BERHAD *(Company No. 498639-X)*
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2015

B12. Dividend

No interim and final dividend was recommended by the Board of Directors for the financial period ended 30 June 2015.

B13. Earnings per share

The Basic Earnings per share and Diluted Earnings per share of the Group remained the same for the reporting period as no effect was caused by the dilutive potential ordinary shares.

	Current Quarter ended 30 June 2015	Nine (9) months ended 30 June 2015
Net Profit/(Loss) attributable to ordinary shareholders (RM'000)	(4,720)	(6,355)
Weighted Average Number of ordinary shares issued ('000)	89,905	89,905
Basic Profit/(Loss) per ordinary share (Sen)	(0.05)	(0.07)