

STONE MASTER CORPORATION BERHAD *(Company No. 498639-X)*
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2016

NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of Preparation

These condensed consolidated interim financial statements (collectively “this Interim Financial Report”) 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.

This Interim Financial Report for the financial quarter ended 31 March 2016 (“the Current Quarter”) does not include all information required for full annual financial statements, and should be read in conjunction with the annual audited Financial Statements of the Group for the financial year ended 30 September 2015 (“Annual Financial Report”).

These explanatory notes which are attached to this 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 last financial quarter ended 31 December 2015.

A2. Declaration of Audit Qualification

The auditors had not qualified the Annual Financial Report as at 30 September 2015.

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 Current Quarter.

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 is no other unusual item affecting the Group for the Current Quarter.

A5. Nature and Amount of changes in estimates reported in prior Interim Period(s) 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 Current Quarter.

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

As announced with Bursa Malaysia on 10 February 2016, Stone Master Corporation Berhad (“the Company”) entered into separate Settlement Agreements (“SAs”) on the same date with its twenty-five (25) creditors (“the Creditors”) in respect of the Company’s debts totaling RM3,059,210,000 (“the Debts”). Out of the total Debts, a sum of RM3,038,410,000 is due and owing to the twenty-three (23) Creditors (who are also the Agency Principal Companies referred to in Item A10 below) named in the Table A below, another sum of RM2,800,000 to Dato’ Eii Ching Siew @ Yii Ching Siew and the remaining RM18,000,000 to Starfield Capital Sdn. Bhd.

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TABLE A

Name of Creditors	Debt to be settled by Settlement Shares (RM)	No. of Settlement Shares
ROY Lifestyle Design International Ltd.	149,430,000	373,575,000
Korra Exclusive Design International Ltd.	149,430,000	373,575,000
GH Premier Stone Design International Limited	149,430,000	373,575,000
Wonlife Stone Art Design International Ltd.	149,430,000	373,575,000
Zhongsheng Creative Design International Ltd.	149,430,000	373,575,000
Golden Creative Design International Ltd.	149,430,000	373,575,000
Nature Creative Lifestyle Design International Ltd.	149,430,000	373,575,000
Greenzone Exclusive Design International Ltd.	99,620,000	249,050,000
Masdar Masterpiece Design International Ltd.	99,620,000	249,050,000
Be-Tech Smart Concept International Ltd.	99,620,000	249,050,000
Weideli Lightings Design Solution International Ltd.	99,620,000	249,050,000
CORSO Intelligent Lightings International Ltd.	99,620,000	249,050,000
Futina Switches And Sockets International Ltd.	99,620,000	249,050,000
Deron Energy Saving Solution International Ltd.	149,430,000	373,575,000
Meihua Hospitality Furnishings Design International Ltd.	149,430,000	373,575,000
Rui Bei Exclusive Design International Ltd.	149,430,000	373,575,000
Lagerung Lifestyle Design International Ltd.	99,620,000	249,050,000
Hong Ji Seating Design International Ltd.	99,620,000	249,050,000
Canbo Kitchen Ware Appliance Design International Ltd.	149,430,000	373,575,000
HuaLong Paints Design Solution International Ltd.	149,430,000	373,575,000
CKS Waterproofing Solution International Ltd.	149,430,000	373,575,000
Winone Elevator International Ltd.	149,430,000	373,575,000
Chigo AC Solution International Ltd.	149,430,000	373,575,000
Dato' Eii Ching Siew @ Yii Ching Siew	2,800,000	7,000,000
Starfield Capital Sdn Bhd	18,000,000	45,000,000
Total	3,059,210,000	7,648,025,000

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The Company proposed and the Creditors had all accepted that settlement of the Debts shall be by way of special issuance of 7,648,025,000 new ordinary shares of RM0.25 each in the Company at an issue price of RM0.40 per settlement share pursuant to the terms and conditions of the Settlement Agreements. The special issuance shall be subject to the condition precedent that approval of the shareholders in General Meeting of the Company shall first be obtained for the Special Issuance on or before 10 April 2016. The 23 Creditors have thereafter granted extension thereof to 10 June 2016.

A7. Dividend Paid

No interim dividend was paid by the Company for the Current Quarter.

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 the Current Quarter.

A10. Subsequent Material Events

As per earlier Bursa's announcements, the Company had, during the Current Quarter and in its ordinary course of business, entered into twenty-three (23) Exclusive Agency Agreements ("EAAs") with the aforesaid Agency Principal Companies on 3 February 2016 for the respective Agency Fee and Kick-Off Package as listed in Table B below: -

	Agency Principal Company	Agency Fee (RM)	Kick-Off Package (RM)
1.	ROY Lifestyle Design International Ltd.	150,000,000	130,000,000
2.	Korra Exclusive Design International Ltd.	150,000,000	130,000,000
3.	GH Premier Stone Design International Limited	150,000,000	130,000,000
4.	Wonlife Stone Art Design International Ltd.	150,000,000	130,000,000
5.	Zhongsheng Creative Design International Ltd.	150,000,000	130,000,000
6.	Golden Creative Design International Ltd.	150,000,000	130,000,000
7.	Nature Creative Lifestyle Design International Ltd.	150,000,000	130,000,000
8.	Greenzone Exclusive Design International Ltd.	100,000,000	85,000,000
9.	Masdar Masterpiece Design International Ltd.	100,000,000	85,000,000
10.	Be-Tech Smart Concept International Ltd.	100,000,000	85,000,000
11.	Weideli Lightings Design Solution International Ltd.	100,000,000	85,000,000

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12.	CORSO Intelligent Lightings International Ltd.	100,000,000	85,000,000
13.	Futina Switches And Sockets International Ltd.	100,000,000	85,000,000
14.	Deron Energy Saving Solution International Ltd.	150,000,000	130,000,000
15.	Meihua Hospitality Furnishings Design International Ltd.	150,000,000	130,000,000
16.	Rui Bei Exclusive Design International Ltd.	150,000,000	130,000,000
17.	Lagerung Lifestyle Design International Ltd.	100,000,000	85,000,000
18.	Hong Ji Seating Design International Ltd.	100,000,000	85,000,000
19.	Canbo Kitchen Ware Appliance Design International Ltd.	150,000,000	130,000,000
20.	HuaLong Paints Design Solution International Ltd.	150,000,000	130,000,000
21.	CKS Waterproofing Solution International Ltd.	150,000,000	130,000,000
22.	Winone Elevator International Ltd.	150,000,000	130,000,000
23.	Chigo AC Solution International Ltd.	150,000,000	130,000,000
	Total:	3,050,000,000	2,630,000,000

In addition, the Company had during the Quarter entered into Four (5) additional Framework Agreements (“FAs”) with other local developers or their wholly owned subsidiaries (as the case may be) in respect of vendor financing services (making a total of Eighteen (18) local developers) on the respective dates and for the respective credit limits as listed in the Table C below.

Table C

NO.	The Developer	Date Signed	Credit Limit (RM Million)
1.	LBS Bina Group Berhad	12/11/2015	300.0
2.	Meda Inc Berhad	16/11/2015	150.0
3.	Tanco Holdings Berhad	17/11/2015	100.0
4.	Mah Sing Trading Sdn Bhd	17/11/2015	500.0
5.	Ecofirst Consolidated Berhad	17/11/2015	150.0
6.	Country Heights Holdings Berhad	18/11/2015	150.0
7.	Bina Puri Properties Sdn Bhd	26/11/2015	300.0

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8.	Eco World Trading Sdn Bhd	30/11/2015	100.0
9.	Gabungan AQRS Berhad	01/12/2015	100.0
10.	Titijaya Land Berhad	02/12/2015	250.0
11.	BCB Berhad	02/12/2015	200.0
12.	Kinsaresorts Berhad	03/12/2015	500.0
13.	Thriven Global Berhad	04/12/2015	300.0
14	Active Edge Sdn Bhd	18/03/2016	100.0
15	KSL Holdings Berhad	06/04/2016	500.0
16	LKD Trading Sdn Bhd	22/04/2016	200.0
17	Protasco Trading Sdn Bhd	25/04/2016	300.0
18	MKH Building Materials	20/05/2016	100.0
Total (Million):			4,300.0

Notwithstanding the above material events, there is no impact on the financial position of the Company for the Current Quarter and cumulative 6 months from the financial year ended 30 September 2015.

There has been no other material events subsequent to the Current Quarter that have not been reflected in this Interim Financial Report.

A11. Changes in composition of the Group

There are no changes in the composition of the Group for the Current Quarter.

A12. Contingent Liabilities/Contingent Assets

There have been no changes and no material contingent liabilities/assets incurred by the Group for the Current Quarter.

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

B1. Review of Performance & Results Comparison with immediate preceding quarter and Cumulative 6 months from the financial year ended 30 September 2015

The Group achieved a turnover of RM16.18 million for the Current Quarter as compared to RM21.39 million for the same period of preceding year. There is a decrease in revenue of RM5.21 million which is approximately 24.3% when comparing both financial quarters concerned in the Group's consolidated turnover.

The decrease in revenue of RM5.21 million for the Current Quarter is primarily due to sluggish economic condition and low purchasing power by the retail market despite of the special promotions and offers provided by the local developers. In addition, the weak currency of Ringgit with other currencies such as US dollars, Renminbi and Singapore Dollars unable to induce the foreigner to invest in the local property market partly due to weak regional economic performance.

The Group registered a turnover of RM39.7 million for the cumulative 6 months from the financial year ended 30 September 2015 with a reduction of RM4.05 million as compared to the revenue of the RM43.7 million for the cumulative 6 months of the preceding year.

In the current Quarter and cumulative 6 months under review, the Group registered a consolidated loss before tax of RM4.506 million and RM4.658 million respectively as compared to the loss before tax of RM631,000 and RM1.49 million in the immediate preceding Quarter and cumulative 6 months of the preceding year. The increase in losses was due to the decrease in sales revenue by RM5.21 million and general increase in cost of purchases and operating expenses which included the cost related to the due diligence exercise.

B2. Current Year Prospects

The Company has taken reasonable precautions to mitigate the impact of rising costs and the effect that would arise from the current sluggish economic activity.

The Company anticipates that steady recovery of its business would be possibly achieved with the successful implementation of the EAAs, SAs and FAs in the coming months.

B3. Variance of actual profit from forecast profit

No profit guarantee and profit forecast is required.

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B4. Taxation

	Current Quarter ended 31.3.2016 RM'000	6 months Cumulative to 31.3.2016 RM'000
Current tax expenses	12	320
Deferred tax expenses	-	-
	12	320

B5. Profit or Loss from Sales of Unquoted Investments or Properties

There were no sales of unquoted investment or properties for the Group.

B6. Purchase or disposal of quoted securities

There is no purchase or disposal of quoted securities for the current Quarter.

B7. Corporate Proposal and Utilization of Proceeds

Other than the signing of the EAAs, SAs and FAs as recently announced with Bursa, there is no further corporate proposal made by the Company during the Current Quarter. The Company will in its ordinary course of business implement the EAAs, SAs and FAs in the forthcoming quarters. Hence, there is no impact to the Company's financial position for the Current Quarter.

B8. Group Borrowings and Debt Securities

The total Group's borrowings as at 31 March 2016 are as follows: -

	Short Term Borrowings (Less than 12 months) RM'000	Long Term Borrowings (More than 12 months) RM'000	Total RM'000
Secured :-			
Bank Overdrafts	4,037	-	4,037
Trade Bills Payable	9,698	-	9,698
Term Loan	1,025	4,284	5,309
Hire Purchase	<u>82</u>	<u>270</u>	<u>352</u>
	<u>14,842</u>	<u>4,554</u>	<u>19,396</u>

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The company has redeemed the fixed deposit of RM13.0 million (which previously served as the security pledging the bank overdraft facilities) to set off the bank overdraft facility of RM12 million (which overdraft facility was partly utilized to fully settle the long outstanding Islamic term loan of RM8.2 million with Maybank Islamic Berhad owed by a fully owned subsidiary on 23 July 2015). Other facilities are related to working capital.

B9. 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 seven (7) days from date of issuance of this Interim Financial Report.

B10. Changes in Material Litigation

On 11 March 2015, the Company filed a lawsuit against a former director Dato' Tan Wei Lian ("Dato Tan") for anticipatory breach and repudiation of his irrevocable and unconditional letter of undertaking dated 28th April 2015. The Company seeks for an order for assessment of damages. The statement of Defence of Dato' Tan Wei Lian was received on 22nd April 2015. On 30th 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 on the Current Quarter.

B11. Dividend

No interim and final dividend was recommended by the Board of Director for the Current Quarter.

B12. Earnings per share

The basic Earnings per Share and Diluted Earnings per Share of the Group remain the same for the reporting Current Quarter as there was no effect of dilutive potential ordinary shares.

	Current Quarter ended 31.3.2016	Six (6) months ended 31.3.2016
Net Profit/(Loss) attributable to ordinary shareholders (RM'000)	(4,522)	(4,978)
Weighted Average Number of ordinary shares issued (*000)	89,905	89,905
Basic Profit/(Loss) per ordinary share (sen)	(5.03)	(5.54)