

STONE MASTER CORPORATION BERHAD (*Company No. 498639-X*)
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 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 30 June 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 March 2016.

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 number of items affecting Assets, Liabilities, Equity, Net Income or Cash Flows that is 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

On 10 February 2016, Stone Master Corporation Berhad (“the Company”) entered into separate Settlement Agreements (“SAs”) with twenty-five (25) creditors in respect of the Company’s debts totaling RM3,059,210,000. Amongst the said 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) first named in Table A below, and another sum of RM2,800,000 was then due and owing to Dato’ Eii Ching Siew @ Yii Ching Siew (“Dato’ Eii”) (Table A Item 24 refers), with the remaining RM18,000,000 due and owing to Starfield Capital Sdn. Bhd (Table A Item 25 refers).

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On 13 June 2016, the Company entered into another SA in respect of the Company's debts of RM4,000,000 due and owing to Antico Stone Sdn Bhd ("Antico") (Table A Item 26 refers).

On 21 June 2016, the Company repaid RM800,000 to Dato' Eii and entered into a Supplementary SA to that effect.

As of 30 June 2016, the total debts due and owing to all the above-named twenty-six (26) creditors as mentioned in Table A item 26 ("the Creditors") stands at RM3,062,410,000 ("the Debts"). The Company had by way of the afore-mentioned SAs proposed and the Creditors had all accepted that settlement of the Debts shall be by way of special issuance of all-in 7,662,025,000 new ordinary shares of RM0.25 each in the Company at an issue price of RM0.40 per settlement share ("Settlement Shares") pursuant to the terms and conditions of the SAs. 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 (with the exception of Antico which is due only on 10 August 2016). All the 26 Creditors have subsequently granted extension thereof to 10 October 2016.

Table A

No.	Name of Creditors	Debt to be settled by Settlement Shares (RM)	No. of Settlement Shares
1.	ROY Lifestyle Design International Ltd.	149,430,000	373,575,000
2.	Korra Exclusive Design International Ltd.	149,430,000	373,575,000
3.	GH Premier Stone Design International Limited	149,430,000	373,575,000
4.	Wonlife Stone Art Design International Ltd.	149,430,000	373,575,000
5.	Zhongsheng Creative Design International Ltd.	149,430,000	373,575,000
6.	Golden Creative Design International Ltd.	149,430,000	373,575,000
7.	Nature Creative Lifestyle Design International Ltd.	149,430,000	373,575,000
8.	Greenzone Exclusive Design International Ltd.	99,620,000	249,050,000
9.	Masdar Masterpiece Design International Ltd.	99,620,000	249,050,000
10.	Be-Tech Smart Concept International Ltd.	99,620,000	249,050,000
11.	Weideli Lightings Design Solution International Ltd.	99,620,000	249,050,000
12.	CORSO Intelligent Lightings International Ltd.	99,620,000	249,050,000
13.	Futina Switches And Sockets International Ltd.	99,620,000	249,050,000
14.	Deron Energy Saving Solution International Ltd.	149,430,000	373,575,000
15.	Meihua Hospitality Furnishings Design International Ltd.	149,430,000	373,575,000
16.	Rui Bei Exclusive Design International Ltd.	149,430,000	373,575,000
17.	Lagerung Lifestyle Design International Ltd.	99,620,000	249,050,000

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18.	Hong Ji Seating Design International Ltd.	99,620,000	249,050,000
19.	Canbo Kitchen Ware Appliance Design International Ltd.	149,430,000	373,575,000
20.	HuaLong Paints Design Solution International Ltd.	149,430,000	373,575,000
21.	CKS Waterproofing Solution International Ltd.	149,430,000	373,575,000
22.	Winone Elevator International Ltd.	149,430,000	373,575,000
23.	Chigo AC Solution International Ltd.	149,430,000	373,575,000
	Sub-Total:	3,038,410,000	7,648,025,000
24.	Dato' Eii Ching Siew @ Yii Ching Siew	2,000,000	5,000,000
25.	Starfield Capital Sdn Bhd	18,000,000	45,000,000
26.	Antico Stone Sdn Bhd	4,000,000	16,000,000
	Total:	3,062,410,000	7,662,025,000

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 last preceding 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: -

Table B

	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

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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
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 Current Quarter entered into Five (5) additional Framework Agreements (“FAs”) with local developers or their wholly owned subsidiaries (as the case may be) in respect of vendor financing services (making a total of Nineteen (19) local developers) on the respective dates and for the respective credit limits as listed in the Table C below (making a total of RM4,600,000,000).

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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
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 Bhd	25/04/2016	300.0
18.	MKH Building Materials Sdn Bhd	20/05/2016	100.0
19.	Acoustech Berhad	22/06/2016	300.0
Total (Million):			4,600.0

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Notwithstanding the above material events, there is no impact on the financial position of the Company for the Current Quarter and cumulative 9 months from the financial year ended 30 September 2015.

There have 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.

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

B1. Review of Performance & Results Comparison with immediate preceding quarter and Cumulative 9 months from the financial year ended 30 September 2015

The Group achieved a turnover of RM19.50 million for the Current Quarter as compared to RM15.29 million for the same period of the preceding year. There is an increase in revenue of RM4.21 million, equivalent to approximately 27.6%, when comparing both financial quarters concerned in the Group's consolidated turnover.

The increase in revenue of RM4.21 million for the Current Quarter is primarily due to the orders received from local developers to meet delivery schedules for completion of the latter's project developments.

The Group registered a turnover of RM58.96 million for the cumulative 9 months from the financial year ended 30 September 2015 with a marginal reduction of RM17 thousand as compared to the revenue of the RM58.98 million for the cumulative 9 months of the preceding year. The reduction of revenue was primarily due to weak performance resulting from lesser orders received in the last preceding quarter.

In the Current Quarter and cumulative 9 months under review, the Group registered a consolidated loss before tax of RM434 thousand and RM5.392 million respectively as compared to the loss before tax of RM4.249 million and RM5.739 million in the immediate preceding quarter and cumulative 9 months of the preceding year.

It is noteworthy that in same quarter of the preceding year, an impairment of doubtful debts of RM2.98 million owing by a long over-due trade receivable in a subsidiary company had been made. Prior hereto, at the request of Bursa, the Company has appointed a Forensic Accountants to conduct an investigation on this trade debtor. The Board shall deliberate upon the next course of action once the results of the investigation are obtained from the Forensic Accountants.

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B2. Current Year Prospects

The Company will continue to take all reasonable steps and precautions to mitigate the impact of rising costs and potentially sluggish economic activity.

It is anticipated that leasing out of the factory in Simpang Pulai, Ipoh commencing June 2016 by the Company's subsidiary concerned will not only cut down recurring losses but will bring in steady income by way of rentals receivable.

The Company anticipates that steady recovery of its business would possibly be 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.

B4. Taxation

	Current Quarter ended 31.6.2016 RM'000	9 months Cumulative to 31.6.2016 RM'000
Current tax expenses	228	548
Deferred tax expenses	-	-
	228	548

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 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 30 June 2016 are as follows: -

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	Short Term Borrowings (Less than 12 months) RM'000	Long Term Borrowings (More than 12 months) RM'000	Total RM'000
Secured :-			
Bank Overdrafts	1,769	-	1,769
Trade Bills Payable	9,076	-	9,076
Term Loan	1,025	3,772	4,797
Hire Purchase	<u>82</u>	<u>244</u>	<u>326</u>
	<u>11,952</u>	<u>4,016</u>	<u>15,968</u>

Note: Apart from the Hire Purchase facilities, other borrowings are for working capital only.

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 for anticipatory breach and repudiation of his irrevocable and unconditional letter of undertaking dated 28 April 2014. The Company seeks for an order for assessment of damages. 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 is yet to be fixed by the court 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 30.6.2016	Nine (9) months ended 30.6.2016
Weighted Average Number of ordinary shares issued ('000)	89,905	89,905
Basic Profit/(Loss) per ordinary share (sen)	(0.736)	(6.606)