

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

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 Financial Report for the financial quarter ended 30 September 2016 (“the Current Quarter”) has not been audited which 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 30 June 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

Pending the approval on special issuance of shares from the relevant authorities, Stone Master Corporation Berhad (“the Company”) had on 10 February 2016, entered 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. (“Starfield”) (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 September 2016, the total debts due and owing to all the above-named twenty-six (26) creditors ("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.

For the 1st to 23rd Creditor, 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 Company is currently seeking for further extension of time from Antico, Dato' Eii and Starfield (which were due on 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

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17.	Lagerung Lifestyle Design International Ltd.	99,620,000	249,050,000
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

The Company had entered into Nineteen (19) Framework Agreements (“FAs”) with local developers or their wholly owned subsidiaries (as the case may be) in respect of vendor financing services 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).

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

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

Notwithstanding the above material events, there is no impact on the financial position of the Company for the Current financial years ended 30 September 2016.

There have been no other material events subsequent to the Current Quarter that have not been reflected in this Interim Financial Report and the unaudited financial report ended 30 September 2016.

A11. Changes in composition of the Group

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

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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 12 months from the financial year ended 30 September 2015

Under the review of the fourth quarter result, the turnover of the Group performed only RM13.35 million as compared to the same period of the preceding year of RM17.41 million. There is a decrease in revenue of RM4.06 million, equivalent to approximately 23.32%, when comparing both financial quarters concerned in the Group's consolidated turnover.

The decrease in revenue of RM4.06 million for the Current Quarter is primarily due to the effect of the current sluggish economy and the rising price of the properties that influence the market demand. The weakened Ringgit in contrast with other major currencies did not inspire the foreign investors to take opportunity of the weakened Ringgit to purchase properties in Malaysia which had in turn contributed the sluggish economy activity is on regional and global basis.

The Group registered a turnover of RM72.31 million for the cumulative 12 months from the financial year ended 30 September 2015 with a reduction of RM4.08 million as compared to the revenue of the RM76.39 million for the cumulative 12 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 12 months under review, the Group registered a consolidated loss before tax of RM4.38 million and RM9.77 million respectively as compared to the loss before tax of RM2.01 million and RM7.75 million in the immediate preceding quarter and cumulative 12 months of the preceding year. The increase in loss is primarily due to the provision of impairment of inventory and doubtful debts amounting to RM1.36 million of the fully owned subsidiary. There is also an increase in selling and administrative expenses such as sales commission, travelling, professional charges to secure business contracts and business opportunity.

In relation to the impairment of doubtful debts of RM2.98 million owing by a long over-due trade receivable in Stone Master (Malasia) Sdn. Bhd., a subsidiary company, the Company had taken the recommended action by the Forensic Accountants for the next course of action.

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.

The Company will review of other business plan/opportunity to improve the business income in order to mitigate the impact resulted by the delay in implementation of the EAAs, SAs and FAs in the coming months.

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B3. Variance of actual profit from forecast profit

No profit guarantee and profit forecast is required.

B4. Taxation

	Current Quarter ended 30.9.2016 RM'000	12 months Cumulative to 30.9.2016 RM'000
Current tax expenses	28	520
Deferred tax expenses	-	-
	28	520

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, Supplementary SA and FAs as announced with Bursa, there is no further corporate proposal made by the Company during the Current Quarter as at 30 September 2016. The Company will in its ordinary course of business implement the EAAs, SAs, Supplementary SA 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 September 2016 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	1,661	-	1,661
Trade Bills Payable	8,473	-	8,473
Term Loan	802	3,777	4,579
Hire Purchase	108	341	449
	11,044	4,118	15,162

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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 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 30.9.2016	Twelve (12) months ended 30.9.2016
Net Profit/(Loss) attributable to ordinary shareholders (RM'000)	(4,348)	(10,288)
Weighted Average Number of ordinary shares issued (‘000)	89,905	89,905
Basic Profit/(Loss) per ordinary share (sen)	(4.84)	(11.44)