

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

**A1. Basis of Preparation**

These condensed consolidated interim financial statements (collectively “this Interim Financial Report”) have been prepared in accordance with 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 December 2016 (“the Current Quarter”) has not been audited and does not include all information required for full annual financial statements. The same should be read in conjunction with the annual audited Financial Statements of the Group for the financial year ended 30 September 2016 (“2016 Annual Financial Statements”).

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 September 2016.

**A2. Declaration of Audit Qualification**

The auditors had qualified the Annual Financial Report as at 30 September 2016 in view that the Company triggered the criteria (“PN17 Criteria”) prescribed in Paragraph 2.1(e) of Practice Note 17 and Paragraph 8.04 of the Main Market Listing Requirements of Bursa Securities. The PN17 Criteria was triggered as a result of the Auditors having expressed an emphasis of matter on the Company’s ability to continue as a going concern in the Company’s audited financial statements for the financial year ended 30 September 2015 (that was announced on 29 February 2016), and that based on the Company’s fourth quarterly results for the period ended 30 September 2016 announced on 30 November 2016, the Company’s shareholders’ equity on a consolidated basis is 50% or less of the issued and paid-up capital of the Company.

**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**

Table A, Table B and Table C below are referred.

(A) In respect of Twenty-Three (23) Principals-cum-Creditors relating to Exclusive Agencies (Debts as particularised in Table B Part I)

As hitherto announcement, the Company entered into twenty-three (23) Exclusive Agency Agreements (“EAAs”) on 3 February 2016 (as listed in Table A below) and the corresponding Settlement Agreements (“SAs”) on 10 February 2016 with twenty-three (23) Principals-cum-Creditors, as well as Frameworks Agreements (“FAs”) (as listed in Table C below) on various dates with nineteen (19) local property developers (“the Developers”).

The SAs were intended to effect settlement of the debts amounting RM3,038,410,000.00 (“the Agency Debts”) (as shown in Table B below) then owing to these Principals-cum-Creditors (arising from the balance of Agency Fee under the EAAs) by way of special issuance (“Special Issuance”) of new ordinary shares of the Company at an issue price of RM0.40 per settlement share, and is subject to the condition precedent that approval of the shareholders in an Extraordinary General Meeting of the Company should be obtained for the Special Issuance exercise within two (2) months of the date of the date of the SAs, or within such extension(s) as may be granted. Extensions of time were granted from 11 April 2016 to 10 June 2016, and 11 June 2016 to 10 August 2016 and 11 August 2016 to 10 October 2016 and 11 October 2016 to 10 April 2017 to fulfil the said Condition Precedent.

As further hitherto announced, with the prior written consent of the Principals-cum-Creditors, the Company had, on 6 December 2016, entered into a sale and purchase agreement (“S & P Agreement”) with Quantum March Sdn Bhd (“the Purchaser”) and disposed of all the Company’s right to complete procurement of exclusive agencies arising from the EAAs (read with SAs and FAs) for a sale consideration of RM1,010,000.00 Only, which was paid directly to the Company in one lump sum upon the execution of the S&P Agreement. The Purchaser had simultaneously paid the Company a further sum of RM11,590,000.00 only which represents the Company’s costs towards partial and incomplete acquisition of the exclusive agencies under the EAAs.

The salient terms of the S&P Agreement expressly provided that the Company shall not in any way be responsible for honouring all and any outstanding terms and conditions of the EAAs, SAs and FAs. On the other hand, the Purchaser shall be solely responsible for the fulfillment of all outstanding terms and conditions of the EAAs, SAs and FAs, and the same had to engage into further arrangements with the Principals-cum-Creditors under the EAAs and SAs as well as with the Developers in respect of the FAs.

In view of the above, the Agency Debts had been cancelled. The Company is therefore relieved of any payment thereof, and has therefore called off the proposed Special Issuance exercise.

(B) In respect of Three (3) other Creditors (Debts as particularised in Table B Part II)

As further hitherto announced, the Company was indebted in the sum totaling RM24,800,000.00 (as can be seen from Table B below) comprising of the sums due and owing to the three (3) creditors (collectively “these Creditors”) namely, the sum of RM 2,800,000.00 owing to Dato’ Eii Ching Siew @ Yii Ching Siew (“Dato’ Eii”) as advances to the Company, RM18,000,000.00 due to Starfield Capital Sdn Bhd as well as RM4,000,000.00 due to Antico Stone Sdn Bhd.

The Company had on 10 February 2016 entered into respective Settlement Agreements (“SAs”) with these Creditors with the intent to effect settlement of the said debts by way of special issuance (“Special Issuance”) of new ordinary shares of the Company at an issue price of RM0.40 per settlement share, which is subject to the condition precedent that approval of the shareholders in an Extraordinary General Meeting of the Company should be obtained for the Special Issuance exercise within two (2) months of the date of the date of the SAs, or within such extension(s) as may be granted.

On 21 June 2016, the Company made a partial repayment of RM800,000-00 to Dato’ Eii and entered into a Supplementary Settlement Agreement (“SSA”) with the same. The remaining debts (“the Remaining Debts”) then stood at RM24,000,000.00.

Although extensions of time were granted from 11 April 2016 to 10 June 2016, and 11 June 2016 to 10 August 2016 and 11 August 2016 to 10 October 2016 to fulfil the said Condition Precedent, no further extension was given thereafter. The SA (and in the case of Dato’ Eii the SSA) were therefore deemed terminated and thereafter shall be of no further effect, and the Remaining Debts had since 11 October 2016 become payable.

The Company had since been negotiating with these Creditors for further extension of time to repay the Remaining Debts. On 20 December 2016, the Company made a partial repayment of RM2,000,000.00 to Antico Stone Sdn Bhd.

As at the date hereof, a total sum of RM22,000,000.00 is still due and outstanding to these Creditors.

**Table A: Exclusive Agency Agreements**

N.B.: All Exclusive Agency Agreements with these Agency Principal Companies are no longer binding on the Company as the Company had disposed of its rights to complete procurement of these Exclusive Agencies pursuant to S&P Agreement dated 6 December 2016. Therefore, the Company is relieved of the payment of the balance of Agency Fee stated below, and on the other hand shall no longer be entitled to enjoy the benefit of the Kick-Off Package.

	<b>Agency Principal Company</b>	<b>Agency Fee (RM)</b>	<b>Kick-Off Package (RM)</b>
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

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
	<b>Total:</b>	<b>3,050,000,000</b>	<b>2,630,000,000</b>

**Table B: Settlement Agreements**

**PART I: Under procurement of Exclusive Agencies**

**N.B.:** These debts had been cancelled and the Company had been relieved of any payment thereof as the Company had disposed of its rights to complete procurement of these Exclusive Agencies pursuant to S&P Agreement dated 6 December 2016.

No.	Name of Creditors	Debt to be settled by Settlement Shares (RM)	No. of Settlement Shares (as originally provided for in the respective Settlement Agreement)
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
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
	<b>Total:</b>	<b>3,038,410,000</b>	<b>7,648,025,000</b>

**PART II: Under the three (3) creditors named below**

N.B.: These debts remained payable but the respective Settlement Agreements had lapsed and therefore the intended Special Issuance exercise is no longer practicable.

No.	Name of Creditors	Debt to be settled by Settlement Shares (RM)	No. of Settlement Shares (as originally provided for in the respective Settlement Agreement)
24.	Dato' Eii Ching Siew @ Yii Ching Siew (* RM0.8 mil was partially settled)	*2,800,000	7,000,000
25.	Starfield Capital Sdn Bhd	18,000,000	45,000,000
26.	Antico Stone Sdn Bhd (** RM2.0 mil was partially settled)	**4,000,000	10,000,000
	<b>Total:</b>	<b>24,800,000</b>	<b>62,000,000</b>

**Table C**

N.B.: The Purchaser had pursuant to S&P Agreement dated 6 December 2016 undertake to be solely responsible for the fulfilment of all outstanding terms and conditions of these Framework Agreements, and the same had to engage into further arrangements with the Developers.

<b>NO.</b>	<b>The Developer</b>	<b>Date Signed</b>	<b>Credit Limit (RM Million)</b>
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 Sdn Bhd	25/04/2016	300.0
18.	MKH Building Materials	20/05/2016	100.0
19.	Acoustech Berhad	22/06/2016	300.0
<b>Total (Million):</b>			<b>4,600.0</b>

**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**

Other than as mentioned in Notes A2 and A6 above, and further as reported in the 2016 Annual Financial Statements, there have been no other material events subsequent to the Current Quarter ended 31 December 2016.

**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 ended 31 December 2015**

The results of the Current Quarter showed that the turnover of the Group stood only at RM19.16 million as compared to RM23.38 million for the same period of the preceding year. There is a decrease in revenue of RM4.22 million, equivalent to approximately 18.05%, when comparing both financial quarters concerned in the Group's consolidated turnover.

The decrease in revenue of RM4.22 million for the Current Quarter is primarily due to the following reasons: -

- (a) The cessation of the non-profitable marble and granite production operation of S.P. Granite Sdn Bhd, one of the fully owned subsidiaries, had made no contribution to the revenue as compared to the revenue contribution of RM 0.6 million in the same quarter of the preceding year. However, the net effect of the cessation of the operation had improved the group performance by greater reduction of expenses that enabled the Group to register a profit in this quarter;

- (b) A decrease in revenue from the conventional trading of building materials resulted by the intensified price competition. The Group has mitigated the decrease in revenue by expanding the business on contract of supply of building materials to development projects;
- (c) The effect of the current sluggish economy and the tightening credit approval by the financial institution have weakened the local market demand thereby tampering the sales orders by the customers. In addition, the further weakening of Ringgit against other major currencies did not inspire foreign investors to take opportunity to purchase properties in Malaysia, and that may have been due to the sluggish economic activities on regional and global basis.

Despite lower revenue recorded during the Current Quarter under review, the Group has registered a consolidated profit before tax of RM0.43 million as compared to the loss before tax of RM0.15 million in the immediate preceding quarter of the preceding year. This was primarily contributed by the following factors: -

- (a) The sale consideration of Ringgit One Million and Ten Thousand (RM1.010,000.00) only was paid to the Company upon execution of the S&P Agreement as mentioned in Note A6 above;
- (b) Lower operating expenses from marble and granite production, following the cessation of the factory operations of S.P. Granite Sdn Bhd;
- (c) Reduction of bank interest expenses by approximately RM282,000-00 as compared to the same quarter of the preceding year where the company incurred a large amount of interest in respect to the Bank Overdraft facilities of RM13,000,000-00 with Bank of China Berhad and other banks owing by the fully owned subsidiaries. S.P. Granite Sdn Bhd and Stone Master (Malaysia) Sdn Bhd. The Company had made a lot of efforts to reduce the bank borrowings (including the said overdraft of RM13,000,000-00) with an objective to cut interest expenses during the last financial period ended 30 September 2016.

The Company has made an accrual of a loan interest of RM417 thousand for both loans which have been defaulted on 11 October 2016 in respect to the loan from Starfield Capital Sdn Bhd of RM18,000,000-00 and Antico Stone Sdn Bhd of RM4 millions (The Company has subsequently made a repayment of RM2 million to Antico Stone Sdn Bhd on 20 December 2016. Hence, the balance of loan due to Antico Stone Sdn Bhd is now reduced to RM2 million since 20 December 2016). As a result, total gross interest expenses incurred by the Company has increased by RM417 thousand to RM628 thousand for this quarter. The Company is currently negotiating with both loan creditors for the extension of time for repayment of loan and a lower sum of interest.

The Company has registered a net profit after tax of RM0.15 million for this quarter. The Company will continue to take all reasonable steps and precautions to reduce and mitigate the impacts of the rising costs and identifying market competition in order to enhance and expand the revenue base.

## **B2. Current Year Prospects**

The Company will continue to take all reasonable steps and precautions to mitigate the impact of the rising costs and to identify market competition in order to enhance the revenue base and expand business opportunity, as well as profitability.

The Company is also in the midst of formulating appropriate regularization plan to ameliorate from the PN 17 status.



**B3. Variance of actual profit from forecast profit**

No profit guarantee and profit forecast is required.

**B4. Taxation**

	Current Quarter ended 31.12.2016 RM'000	3 months Cumulative to 31.12.2016 RM'000
Current tax expenses	280	280
Deferred tax expenses	-	-
	<hr/>	<hr/>
	280	280
	<hr/>	<hr/>

**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**

The Company will formulate the regularization plan in accordance with the provision of PN 17 and to make regular announcements accordingly.

**B8. Group Borrowings and Debt Securities**

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

	Short Term Borrowings (Less than 12 months)	Long Term Borrowings (More than 12 months)	Total
Secured :-	RM'000	RM'000	RM'000
Bank Overdrafts	1,559	-	1,559
Trade Bills Payable	7,224	-	7,224
Term Loan	782	3,383	4,165
Hire Purchase	<u>128</u>	<u>290</u>	<u>418</u>
	<u>9,693</u>	<u>3,673</u>	<u>13,366</u>

**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.

**12. 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 31.12.2016	Three (3) months ended 31.12.2016
Net Profit/(Loss) attributable to ordinary shareholders (RM'000)	151	151
Weighted Average Number of ordinary shares issued (‘000)	89,905	89,905
Basic Profit/(Loss) per ordinary share (sen)	0.17	0.17