

## STONE MASTER CORPORATION BERHAD

(Company No. 498639-X)

(Incorporated in Malaysia)

### INTERIM FINANCIAL STATEMENT FOR THE SECOND QUARTER ENDED 31 MARCH 2017

(The figures have not been audited)

#### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 MARCH 2017

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter (3 months to 31.3.2017)	Preceding Year Corresponding (3 months to 31.3.2016)	Current Year To Date (6 months to 31.3.2017)	Preceding Year Corresponding (6 months to 31.3.2016)
	RM'000	RM'000	RM'000	RM'000
Revenue	12,492	16,182	31,649	39,659
Operating expenses	(14,344)	(20,482)	(32,557)	(43,676)
Other operating income	177	220	349	355
Profit / (Loss) from Operations	(1,675)	(4,080)	(559)	(3,662)
Finance Costs	(640)	(426)	(1,325)	(996)
Profit / (Loss) before taxation	(2,315)	(4,506)	(1,884)	(4,658)
Taxation	-	(16)	(280)	(320)
Profit / (Loss) for the period	(2,315)	(4,522)	(2,164)	(4,978)
Other Comprehensive Income :-	-	-	-	-
Total Comprehensive Loss	(2,315)	(4,522)	(2,164)	(4,978)
Profit / (Loss) attributable to :				
Equity holders of the parent	(2,315)	(4,522)	(2,164)	(4,978)
Non-Controlling Interests	-	-	-	-
	(2,315)	(4,522)	(2,164)	(4,978)
Total Comprehensive Loss attributable to :				
Equity holders of the parent	(2,315)	(4,522)	(2,164)	(4,978)
Non-Controlling Interests	-	-	-	-
	(2,315)	(4,522)	(2,164)	(4,978)
Earnings per share (sen) :				
- Basic	(2.57)	(5.03)	(2.41)	(5.54)
- Diluted	N/A	N/A	N/A	N/A

**Note :**

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the year ended 30 September 2016

# STONE MASTER CORPORATION BERHAD

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(Incorporated in Malaysia)

## INTERIM FINANCIAL STATEMENT FOR THE SECOND QUARTER ENDED 31 MARCH 2017

(The figures have not been audited)

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 MARCH 2017

	AS AT CURRENT QUARTER 31.3.2017 RM'000	AS AT PRECEDING YEAR CORRESPONDING QUARTER (6 months to 31.3.2016 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant & Equipment	16,253	21,992
Investment Properties	9,483	4,135
Other Investments	28	28
	<u>25,764</u>	<u>26,155</u>
<b>Current Assets</b>		
Inventories	4,738	5,118
Trade Receivables	14,709	20,544
Non Refundable Deposits	-	11,590
Other Receivables	727	872
Cash and bank balances	11,287	2,231
	<u>31,461</u>	<u>40,355</u>
<b>TOTAL ASSETS</b>	<u>57,225</u>	<u>66,510</u>
<b>EQUITY AND LIABILITIES</b>		
Share Capital	22,476	22,476
Reserves	(16,936)	(10,246)
<b>Equity attributable to equity holders of the parent</b>	<u>5,540</u>	<u>12,230</u>
Non-Controlling Interest	-	-
<b>Total Equity</b>	<u>5,540</u>	<u>12,230</u>
<b>Non-Current Liabilities</b>		
Long term borrowings	3,242	4,554
Deferred Taxation	2,054	2,078
	<u>5,296</u>	<u>6,632</u>
<b>Current Liabilities</b>		
Short term borrowings	10,773	14,847
Trade Payables	8,772	7,820
Loan Creditors	20,000	18,000
Advance from director	2,000	2,800
Other payable and accruals	4,927	3,633
Taxation	(83)	548
	<u>46,389</u>	<u>47,648</u>
<b>Total Liabilities</b>	<u>51,685</u>	<u>54,280</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>57,225</u>	<u>66,510</u>
	-	-
<b>Net assets per share (sen)</b>	6.16	13.60

**Note :**

1) The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 30 September 2016

2) Loan creditors of RM18 million from Starfield Capital Sdn Bhd and RM2 million from Antico Stone Sdn Bhd

3) Advance of RM2 million from director is provided by Dato' Eii Ching Siew @ Yii Ching Siew at no interest charge.

**STONE MASTER CORPORATION BERHAD***(Company No. 498639-X)**(Incorporated in Malaysia)***INTERIM FINANCIAL STATEMENT FOR THE SECOND QUARTER ENDED 31 MARCH 2017***(The figures have not been audited)***CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS****For the period ended 31 MARCH 2017**

	<u>2017</u> 6 months ended 31.3.2017 RM'000	<u>2016</u> 6 months ended 31.3.2016 RM'000
<b>Operating activities</b>		
Profit/(Loss) before taxation	(1,884)	(4,658)
Adjustments for non-cash flow :-		
Non-cash items	419	393
Non-operating items	(7,046)	(7,063)
Operating profit / (loss) before changes in working capital	(8,511)	(11,328)
Changes in working capital :		
Net change in current assets	6,734	(7,292)
Net change in current liabilities	1,114	(3,799)
Net Cash Flow from operating activities	(663)	(22,419)
<b>Investing Activities</b>		
Equity Investment	-	-
Purchases of Property, Plant & Equipment	-	(160)
Proceeds from Sale of Property, Plant & Equipment	-	-
Net Cash Flow from investing activities	-	(160)
<b>Financing Activities</b>		
Proceeds from issuance of shares	-	12,363
Loan Creditors	2,000	18,000
Fund received for payment of Non Reundable Deposits	2 11,590	-
Repayment of Advance owing to director	3 (800)	595
Bank & Other borrowings	(734)	(7,735)
Debts securities issued	-	-
Net Cash Flow from financing activities	12,056	23,223
<b>Net Change in Cash &amp; Cash Equivalents</b>	11,393	644
<b>Cash and cash equivalents at beginning of period</b>	(1,806)	(2,450)
<b>Cash and cash equivalents at end of period</b>	9,587	(1,806)
Cash and cash equivalents comprise :		
Cash and bank balances	3,762	1,467
Fixed Deposit	7,525	764
Bank Overdraft	(1,700)	(4,037)
	9,587	(1,806)

**Note :**

- 1) *The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 30 September 2016.*
- 2) *The disposal of Procurement of Exclusive Agency Rights has included the payment of the Non refundable deposit of RM11.59 million.*
- 3) *There was a repayment of advance amounting to RM 800,000 to Dato Eii Ching Siew.*

## STONE MASTER CORPORATION BERHAD

(Company No. 498639-X)

(Incorporated in Malaysia)

### INTERIM FINANCIAL STATEMENT FOR THE SECOND QUARTER ENDED 31 MARCH 2017

(The figures have not been audited)

#### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 MARCH 2017

	←-----  Attributable to Equity Holders of the Parent  -----→						Distributable	
	Non-Distributable					Accumulated Losses		Total Equity
	Share Capital	Share Premium	Revaluation Reserve	Warrant Reserve	Fair Value Reserve			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
<b>6 months period</b>								
<b><u>Ended 31 MARCH 2017</u></b>								
Balance as at 01/10/2016	22,476	2,048	4,149	2,622	13	(23,604)	7,704	
Total comprehensive income for the period	-	-	-	-	-	(2,164)	(2,164)	
Transfer within reserves	-	-	-	-	-	-	-	
Currency translation difference	-	-	-	-	-	-	-	
Realisation of revaluation reserve	-	-	-	-	-	-	-	
Balance as at end of the period ended 31/3/2017	<u>22,476</u>	<u>2,048</u>	<u>4,149</u>	<u>2,622</u>	<u>13</u>	<u>(25,768)</u>	<u>5,540</u>	
<b><u>Ended 31 MARCH 2016</u></b>								
Balance as at 01/10/2015	22,476	2,048	4,224	2,622	13	(14,175)	17,208	
Total comprehensive income for the period	-	-	-	-	-	(4,978)	(4,978)	
Capital Reduction	-	-	-	-	-	-	-	
Amortization of revaluation reserve	-	-	-	-	-	-	-	
Balance as at end of the period ended 31/3/2016	<u>22,476</u>	<u>2,048</u>	<u>4,224</u>	<u>2,622</u>	<u>13</u>	<u>(19,153)</u>	<u>12,230</u>	

**Note :**

The Condensed Consolidated Statement Of Changes In Equity should be read in conjunction with the Annual Financial Report for the year ended 30 September 2016.

**STONE MASTER CORPORATION BERHAD***(Company No. 498639-X)**(Incorporated in Malaysia)***INTERIM FINANCIAL STATEMENT FOR THE SECOND QUARTER ENDED 31 MARCH 2017***(The figures have not been audited)***ADDITIONAL INFORMATION**

for the period ended 31 MARCH 2017

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter ( 3 months to 31.3.2017)	Preceding Year Corresponding Quarter ( 3 months to 31.3.2016)	Current Year To Date ( 6 months to 31.3.2017)	Preceding Year Corresponding ( 6 months to 31.3.2016)
	RM'000	RM'000	RM'000	RM'000
Gross Interest Income	<u>8</u>	<u>150</u>	<u>8</u>	<u>150</u>
Gross Bank Interest Expenses	98	406	223	971
Gross Loan Interest Expenses	<u>500</u>	<u>          </u>	<u>1004</u>	<u>          </u>
Total Gross Interest Expenses	<u>598</u>	<u>406</u>	<u>1227</u>	<u>971</u>

***Note :****The Condensed Consolidated Additional Information should be read in conjunction with the Annual Financial Report for the year ended 30 September 2016*

**STONE MASTER CORPORATION BERHAD** (*Company No. 498639-X*)  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS**  
**FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2017**

**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 March 2017 (“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**

There is no change in the position of the Debts and Equity Securities for this Current Quarter following the disposal of the Company's rights to complete procurement of exclusive agency on 6 December 2016.

As hitherto announced, currently the Company was indebted in the sum totaling RM22,000,000.00 comprising of the sums due and owing to the three (3) creditors (collectively "the Creditors") namely, the sum of RM 2,000,000.00 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 RM2,000,000.00 due to Antico Stone Sdn Bhd.

**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 March 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 RM12.49 million as compared to RM16.18 million for the same period of the preceding year. There is a decrease in revenue of RM3.69 million, equivalent to approximately 22.80%, when comparing both financial quarters concerned in the Group's consolidated turnover.

The decrease in revenue of RM3.69 million for the Current Quarter is primarily due to one or more of the following reasons: -

- (a) A decrease in revenue from the conventional trading of building materials resulted by the intensified price competition and deferment of the projects due to the sluggish properties market
- (b) The effect of the current sluggish economy and the tightening credit approval by the financial institution have weakened the local market demand especially on the medium and luxury residents. Such market situation is expected to continue in the short run due to the current property prices are general higher than the propensity income of the general income group.
- (c) The weakening of Ringgit against other major currencies did not inspire foreign investors to take opportunity to purchase properties in Malaysia and the effect of the sluggish economies activities on the regional and global basis. In addition, the recent capital control by the Chinese Government would have further negative import on properties market. The weaken Ringgit has caused the prices of cost of materials increased that the properties' prices would not reduce in the short run.

As a result of the reduction in the revenue recorded during the Current Quarter under review, the Group has registered a consolidated loss before tax of RM2.31 million as compared to the loss before tax of RM4.52 million in the immediate preceding quarter of the preceding year.

The losses of the current quarter has included the following:-

- (a) the written off of the renovation cost amounting to RM322 thousands for the two units of show rooms subsequent to the termination of the Tenancy Agreements in response to the disposal of the procurement of the Exclusive Agency Rights for the sale consideration of Ringgit One Million and Ten Thousand (RM1,010,000.00).
- (b) A sum of the interest expenses of RM426 thousands has been accrued in this quarter incurred in response to the default in repayment of loan to the two largest loan creditors of Starfield Capital Sdn Bhd of RM18 million and Antico Stone Sdn Bhd of RM2 million. On the other hand, the Company has made efforts to reduce the bank interest by lowering the utilization of bank facilities. The increase of the loan interest has well exceeded the saving on bank interest.
- (c) The increase in operating cost of the subsidiaries for the procurement of the business which related to sales commission and business travelling expenses.



In contrast, the Company has reduced the losses before tax by RM2.19 million or 48.6% which is mainly due to the expenses incurred for procurement of exclusive agencies and project contract framework agreements in the preceding quarter of the preceding year.

The performance of the current year 6 months period has registered the sales revenue of RM 31.6 million as compared to RM 39.6 million for the same period of the preceding year. The reduction in sales revenue of RM8.01 million, equivalent to approximately 20.25% is generally affected by the poor market demand as explained above.

However, the consolidated loss before taxation of RM1.89 million of the current 6 months is very much lower than the losses of the same period of RM4.66 million of the preceding year. This is partly due to the effort in the benefit derived from the cessation of the unprofitable operation of SPG and other reason mentioned above.

**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 31.3.2017 RM'000	6 months Cumulative to 31.3.2017 RM'000
Current tax expenses	-	280
Deferred tax expenses	-	-
	<hr/>	<hr/>
	-	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 March 2017 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	1,700	-	1,700
Trade Bills Payable	7,861	-	7,861
Term Loan	948	3,122	4,070
Hire Purchase	<u>264</u>	<u>120</u>	<u>384</u>
	<u>10,773</u>	<u>3,242</u>	<u>14,015</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****(a) Litigation with Dato' William Tan Wei Lian**

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 August 2017, there was no material impact on the Current Quarter.

**(b) Litigation with Quantum March Sdn Bhd**

On 10 April 2017, the Company received a writ of Summon dated 28 March 2017, Statement of Claim dated 27 March 2017, Notice of Application dated 29 March 2017, Affidavit in support dated 28 March and Sealed Order of the Ex-Parte Injunction dated 4 April from Quantum March Sdn Bhd against the Company for conspiracy to commit the torts of defaming, including breach of contract and causing economic injury together with three (3) other defendants. Please refers to Bursa announcement for the detail of this case.

The Company has engaged an independent firm of solicitors to defend the claims.

(c) Litigation with Dato' Eii Ching Siew @ Yii Ching Siew

On 19 April 2017, the company was served with a sealed copy of the Originating Summons dated 17 April 2017 from Dato Eii Ching Siew @ Yii Ching Siew against the Company pertaining to his directorship to the Company. Please refer to the Bursa Announcement for the detail of the case.

**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 31.3.2017	Three (6) months ended 31.3.2017
Net Profit/(Loss) attributable to ordinary shareholders (RM'000)	(2,315)	(2,164)
Weighted Average Number of ordinary shares issued (‘000)	89,905	89,905
Basic Profit/(Loss) per ordinary share (sen)	(2.57)	(2.41)