

STONE MASTER CORPORATION BERHAD

(Company No. 498639-X)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENT FOR THE SECOND QUARTER ENDED 31ST MARCH 2018

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31st March 2018

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter (3 months to 31.3.2018)	Preceding Year Corresponding (3 months to 31.3.2017)	Current Year To Date (6 months to 31.3.2018)	Preceding Year Corresponding (6 months to 31.3.2017)
	RM'000	RM'000	RM'000	RM'000
Revenue	13,615	12,492	22,986	31,649
Operating expenses	(14,359)	(14,344)	(24,856)	(32,557)
Other operating income	76	177	129	349
Profit / (Loss) from Operations	(668)	(1,675)	(1,741)	(559)
Finance Costs	(221)	(640)	(453)	(1,325)
Profit / (Loss) before taxation	(889)	(2,315)	(2,194)	(1,884)
Taxation	-	-	-	(280)
Profit / (Loss) for the period	(889)	(2,315)	(2,194)	(2,164)
Other comprehensive income	-	-	-	-
Total Comprehensive Loss	(889)	(2,315)	(2,194)	(2,164)
Profit / (Loss) attributable to :				
Equity holders of the parent	(889)	(2,315)	(2,194)	(2,164)
Non-Controlling Interests	-	-	-	-
Net Profit / (Loss) for the period	(889)	(2,315)	(2,194)	(2,164)
Total Comprehensive Income attributable to :				
Equity holders of the parent	(889)	(2,315)	(2,194)	(2,164)
Non-Controlling Interests	-	-	-	-
Total Comprehensive Loss	(889)	(2,315)	(2,194)	(2,164)
Earnings per share (sen) :				
- Basic	(0.99)	(2.57)	(2.44)	(2.41)
- 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 2017.

STONE MASTER CORPORATION BERHAD*(Company No. 498639-X)**(Incorporated in Malaysia)***INTERIM FINANCIAL STATEMENT FOR THE SECOND QUARTER ENDED 31ST MARCH 2018**

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2018**

	UNAUDITED AS AT 31.3.2018 RM'000	AUDITED AS AT 30.9.2017 RM'000
ASSETS		
Non-Current Assets		
Property, Plant & Equipment	16,293	17,519
Investment Properties	8,449	7,975
Other Investments	28	28
	24,770	25,522
Current Assets		
Inventories	4,389	4,729
Trade Receivables	13,970	13,135
Other Receivables	508	152
Deposits	278	710
Tax Rcoverable	394	294
Cash and bank balances	3,646	5,093
	23,185	24,113
TOTAL ASSETS	47,955	49,635
EQUITY AND LIABILITIES		
Share Capital	24,524	24,524
Reserves	(23,548)	(21,354)
Equity attributable to equity holders of the parent	976	3,170
Non-Controlling Interest	-	-
Total Equity	976	3,170
Non-Current Liabilities		
Long term borrowings	2,705	3,004
Deferred Taxation	2,044	2,044
	4,749	5,048
Current Liabilities		
Short term borrowings	9,165	9,720
Trade Payables	10,707	8,557
Loan Creditors	18,000	18,000
Advances from director	972	1,062
Other payables and accruals	3,382	4,074
Taxation	4	4
	42,230	41,417
Total Liabilities	46,979	46,465
TOTAL EQUITY AND LIABILITIES	47,955	49,635
Net assets per share (sen)	1.09	3.53

Note :

- 1) The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 30 September 2017.
- 2) Loan creditor comprising RM18 million from Starfield Capital Sdn Bhd has remained unpaid.
- 3) Advances of RM0.30 million were given by Dato' Eii as interest free loan and had also been partially repaid.
- 4) In the previous reportings, included in deposits was non-refundable deposits of RM11.59 million paid by the Company pursuant to the Exclusive Agency Agreements ("EAA"). During the financial year ended 30 September 2017, the deposits have been set-off against the purchase consideration received from Quantum March Sdn Bhd pursuant to the Sale and Purchase Agreement in respect of the Company's right to complete procurement of exclusive agencies from the EAA mentioned above.

STONE MASTER CORPORATION BERHAD*(Company No. 498639-X)**(Incorporated in Malaysia)***INTERIM FINANCIAL STATEMENT FOR THE SECOND QUARTER ENDED 31ST MARCH 2018***(The figures have not been audited)***CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****For the period ended 31st March 2018**

	Attributable to Owners of the Company						Distributable Total Equity RM'000
	Non-Distributable					Accumulated Losses RM'000	
	Share Capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Warrant Reserve RM'000	Fair Value Reserve RM'000		
6 months period ended 31st March 2018							
Balance as at 1/10/2017	24,524	-	4,140	2,404	13	(27,911)	3,170
Total comprehensive loss for the period	-	-	-	-	-	(2,194)	(2,194)
Transfer within reserves	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-
Realisation of revaluation reserve	-	-	-	-	-	-	-
Balance as at 31/3/2018	<u>24,524</u>	<u>-</u>	<u>4,140</u>	<u>2,404</u>	<u>13</u>	<u>(30,105)</u>	<u>976</u>
6 months period ended 31st March 2017							
Balance as at 01/10/2016	22,476	2,048	4,149	2,622	13	(23,604)	7,704
Total comprehensive loss for the period	-	-	-	-	-	(2,164)	(2,164)
Transfer within reserves	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-
Realisation of revaluation reserve	-	-	-	-	-	-	-
Balance as at 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>

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 2017

STONE MASTER CORPORATION BERHAD*(Company No. 498639-X)**(Incorporated in Malaysia)***INTERIM FINANCIAL STATEMENT FOR THE SECOND QUARTER ENDED 31ST MARCH 2018***(The figures have not been audited)***CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS****For the period ended 31st March 2018**

	<u>CURRENT YEAR</u> <u>TO DATE ENDED</u> 31.3/2018 RM'000	<u>PRECEDING YEAR</u> <u>TO DATE ENDED</u> 31.3.2017 RM'000
Operating activities		
Profit/(Loss) before taxation	(2,194)	(1,884)
Adjustments for non-cash flow :-		
Non-cash items	611	419
Non-operating items	348	(7,046)
Operating profit / (loss) before changes in working capital	(1,235)	(8,511)
Changes in working capital :		
Net change in current assets	(536)	6,734
Net change in current liabilities	2,120	1,114
Net Cash Flow from operating activities	349	(663)
Interest paid	(262)	-
Tax paid	(191)	-
Interest received	18	-
	(86)	(663)
Investing Activities		
Purchases of Property, Plant & Equipment	(75)	-
Dividend Income	1	-
Proceeds from disposal of motor vehicle	40	-
Rental received	83	-
Net Cash Flow from investing activities	49	-
Financing Activities		
Loan Creditors	-	2,000
Fund received for payment of Non Refundable Deposits	-	11,590
Advance from a director	101	-
Advances to subsidiaries	(852)	-
Interest paid	(188)	-
Repayment of hire purchase payables	(65)	-
Repayment of Advance owing to director	-	(800)
Term loan obtained	31	-
Bank & other borrowings	(393)	(734)
Net Cash Flow from financing activities	(1,366)	12,056
Net Change in Cash & Cash Equivalents	(1,403)	11,393
Cash and cash equivalents at beginning of period	3,692	(1,806)
Cash and cash equivalents at end of period	2,289	9,587
Cash and cash equivalents comprise :		
Cash and bank balances	1,632	3,762
Fixed deposit with licensed banks	2,015	7,525
Bank Overdrafts	(1,358)	(1,700)
	2,289	9,587

Note :

1) The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 30 September 2017.

STONE MASTER CORPORATION BERHAD *(Company No. 498639-X)*
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2018

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 2018 (“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 2017 (“2017 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 year ended 30 September 2017.

A2. Declaration of Audit Qualification

The auditors had qualified the Annual Financial Report as at 30 September 2016 in view that the Company has 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 the 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 being 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.

STONE MASTER CORPORATION BERHAD *(Company No. 498639-X)*
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2018

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, the Company had made full settlement on the balance of the remaining outstanding amount of loan of RM2.0 million owing to Antico Stone Sdn Bhd and to Dato' Eii Ching Siew @ Yii Ching Siew (Dato' Eii), an Executive Director of the Company, of which the balance of the remaining outstanding amount of loan of RM1.44 million owing to Dato' Eii has been fully settled.

However, Dato Eii has granted to the Company a new loan for the sum of RM0.30 million for working capital purposes.

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 properties 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 2017 Annual Financial Statements, there have been no other material events subsequent to the Current Quarter ended 31 March 2018.

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.

STONE MASTER CORPORATION BERHAD *(Company No. 498639-X)*
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2018

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

B1. Review of Performance & Results Comparison with corresponding quarter of preceding year ended 31 March 2017.

The results of the Current Quarter showed that the revenue of the Group stood only at RM13.62 million as compared to RM12.49 million for the same period of the preceding year, representing an increase of RM1.12 million or 8.99%.

The consolidated loss before taxation was RM0.89 million as compared to consolidated loss of RM2.32 million for the same period of the preceding year.

Factors attributed to the increase in revenue and the substantial reduction in consolidated losses for the Current Quarter under review can be summarized as below:

- (a) The subsidiary has embarked on aggressive marketing plan resulting in new projects being identified which had boosted additional sales for the quarter under review;
- (b) Expenses were reduced by RM0.39 million mainly due to the reduction in staff costs for the quarter under review.

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 competitions in order to enhance the revenue base and expand business opportunities, as well as profitability.

With the change in government after the GE14, the Company is optimistic that the demand from the lower end affordable housing projects and the retail markets would be able to enhance reasonable growth within the construction sectors. The management is currently in discussions with a few property developers to secure contracts on new property projects.

The trading arm will be strengthened by reviving a currently dormant wholly owned subsidiary, Stone Design House Sdn Bhd.

To further complement the trading arm, the plant in Simpang Pulai, Ipoh which had ceased operation since June 2016 due to sustainable losses, has been recommissioned in mid January 2018. New and modern machinery with higher production capacity and efficiency would be acquired and installed. The plant would provide services such as cutting, sizing, polishing and sanding of granite and marble. Barring unforeseen circumstances, the Company believed that the revival of the business operations of the plant would contribute favourably to the profitability of the Group.

In addition, the Company is also in the midst of formulating an appropriate regularization plan to uplift from its PN17 status.

STONE MASTER CORPORATION BERHAD *(Company No. 498639-X)*
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2018

B3. Variance of actual profit from forecast profit

No profit guarantee and profit forecast is required.

B4. Taxation

	Current Quarter Ended 31.3.2018	6 Months Cumulative to 31.3.2018
	RM'000	RM'000
Current tax expenses	-	-
Deferred tax expenses	-	-
	-	-
	-	-

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 PN17 and to make regular announcements where relevant accordingly.

B8. Group Borrowings and Debt Securities

The total Group's borrowings as at 31 March 2018 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	1,359	-	1,359
Trade Bills Payable	7,124	-	7,124
Term Loan	601	2,687	3,288
Hire Purchase	<u>81</u>	<u>18</u>	<u>99</u>
	<u>9,165</u>	<u>2,705</u>	<u>11,870</u>

STONE MASTER CORPORATION BERHAD *(Company No. 498639-X)*
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2018

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' Tan Wei Lian
(now known as Suit No. 22NCVC-491-09/2015)

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 the reply to the Statement of Defence.

The trial for this suit was to take place sometime in August 2017, but however the parties involved have sought for mediation and the High Court has directed the parties concerned to mediate before the learned High Court Judge on 30 August 2017.

The parties have come to a consensus to resolve the matter amicably, where a Consent Judgement had been entered on 21 September 2017. Under the Consent Judgement dated 21 September 2017, the Company had agreed to withdraw the action against Dato' Tan Wei Lian with no order as to costs.

As such, there is no longer any material impact on any of the Company's quarterly results.

- (b) Litigation with Quantum March Sdn. Bhd.
(now known as Suit No. WA-23NCVC-9-03/2017)

On 10 April 2017, the Company received a writ of summon dated 28 March 2017 and a Statement of Claim dated 27 March 2017 from the Plaintiff, Quantum March Sdn Bhd ("**Quantum March**") 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 ("**Main Suit**").

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

On 18 July 2017, the Kuala Lumpur High Court has dismissed Quantum March's application for *inter parte* injunction pending disposal of the Main Suit.

The Company has also via its solicitors filed an application to strike out the Writ of Summons and Statement of Claim of the Suit ("**Application**"), and the Kuala Lumpur High Court has directed Quantum March to file an Affidavit in Reply to the Application by 5 September 2017 and the Company to file a reply to the same, if necessary, by 12 September 2017.

STONE MASTER CORPORATION BERHAD (*Company No. 498639-X*)
**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2018**

The Writ and Statement of Claim of the Main Suit has been fixed for case management on 8 September 2017 and the Application has been fixed for hearing on 12 October 2017. The trial will not take place until the disposal of the Application.

However, following Quantum March's Application to amend the Statement of Claim of the Main Suit, which all the defendants, including the Company, have no objection provided costs to be awarded to each of the defendants, all striking out applications filed earlier were withdrawn with no order as to cost. The Company however has reserved their rights to refile a striking out Application.

Following the amendment to the Statement of Claim, all the Defendants have also amended their respective Defence and Rejoinder. Upon perusing the amended Statement of Claim, the 3rd Defendant (Enclosure 76) and the Company have again file a Striking Out application (Enclosure 78).

The case management was held on 12 February 2018 in chambers and her Ladyship has given the following directions:

- (i) Quantum March to reply to the 3rd Defendant's Striking Out application by 12 February 2018 and the 3rd Defendant to reply to the same on 5 March 2018.
- (ii) the Company to serve the sealed copy of the Striking Out application on Quantum March and Quantum March to file Affidavit in Reply 14 days from the day of service of the sealed Notice of Application.

The case management was fixed on 12 March 2018 for the parties to update the court as to the progress of the striking out applications and to get further directions. During the case management which was held on 12 March 2018, the Judge has given the following directions:

- (i) for Enclosure 76 (3rd Defendant's Striking Out application), Leong Wei Ping to reply to the Plaintiff's, i.e. Quantum March's Affidavit in Reply by 19 March 2018;
- (ii) for Enclosure 78 (4th Defendant's Striking Out application), the Company to reply to the Plaintiff's, i.e. Quantum March's Affidavit in Reply by 23 March 2018.

Subsequently, written submissions were filed by 13 April 2018 and written submissions in reply by 20 April 2018 for Enclosures 76 and 78 (3rd Defendant's and the 4th Defendant's Striking Out application respectively).

The hearing for Enclosure 76 (the 3rd Defendant's Striking Out Application) and Enclosure 78 (the Company's Striking Out Application)[**"the Application"**] which were fixed earlier on 27 April 2018 were then adjourned to 18 May 2018. The Judge has also given further directions for parties to file and exchange written submissions by 7 May 2018 and submission in reply by 14 May 2018.

On 18 May 2018, the hearing for Enclosure 76 and Enclosure 78 was held and the Kuala Lumpur High Court has ordered that the Application was allowed and that Quantum March is to pay the Company RM5,000/- as costs within 14 days from 19 May 2018.

STONE MASTER CORPORATION BERHAD (*Company No. 498639-X*)
**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2018**

As such, there will no longer be any material impact on the Company's current quarter and future quarterly results.

(c) Litigation with Dato' Eii Ching Siew @ Yii Ching Siew
(Suit No. WA-24NCC-144-04/2017)

On 19 April 2017, the Company was served with 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. The Kuala Lumpur High Court has on 28 June 2017 granted, among others, that ("**Order**"):

1. Dato' Eii Ching Siew @ Yii Ching Siew ("**Dato' Eii**") remains a Director of the Company pursuant to his appointment on 31 March 2016, and continuing until such time as Dato' Eii has vacated his office as a Director under one of the circumstances as prescribed in Section 208(1) of the Companies Act 2016 ("**Lawful Events**");
2. until one of the Lawful Events shall have taken place, Dato' Eii is entitled to enjoy and exercise all privileges and rights as are accorded to Directors of the Company under the Company's Articles of Association, the Companies Act 2016 and at common law, unimpeded howsoever and by whatever means by the Company and its officers, servants and/or agents;
3. any purported meetings of the Company's Board of Directors and all resolutions purportedly passed by the Company's Board of Directors whether expressly or otherwise and whether at a physical meeting or by circular resolution or otherwise, from 30 March 2017 onwards when Dato' Eii was excluded whether constructively or otherwise from participation as a Director of the Company, are invalid, null and void;
4. the Company and its officers, servants and/or agents, be restrained from giving effect to any resolution passed by the Company's Board of Directors whether expressly or otherwise and whether at a physical or by circular resolution or otherwise, from 30 March 2017 onwards when Dato' Eii was excluded whether constructively or otherwise from participation as a Director of the Company;
5. the Company and its officers, servants and/or agents, cause the reversal of any action taken to give effect to any purported resolution passed by the Board of Directors of the Company whether expressly or otherwise and whether at a physical meeting or by circular resolution or otherwise, from 30 March 2017 onwards when Dato' Eii was excluded whether constructively or otherwise from participation as a Director of the Company; and
6. Costs of RM15,000.00 to be borne and paid by the Company.

There is no further step taken by the Company in this suit. As such, there is no material impact on the current quarter under review.

However, a Notice of Appeal dated 28 July 2017 has been filed by Messrs. Koh & Associates purportedly acting for the Company. Messrs. Koh & Associates has filed a

STONE MASTER CORPORATION BERHAD (Company No. 498639-X)
**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2018**

Notice of Discontinuance dated 10 January 2018. The matter was withdrawn with no order as to costs.

(d) Litigation with Starfield Capital Sdn Bhd
(Suit No. WA-22NCC-195-05/2017)

Starfield Capital Sdn Bhd (“**Starfield**”) has filed a Writ and Statement of Claim against the Company claiming, among others, for RM18,000,000.00 and an Impugned Consent Judgment has been entered on 30 May 2017 by the Company and the Company is alleging that the Impugned Consent Judgment was entered, among others, without proper authority.

The Company has on 21 June 2017 filed an application at the Kuala Lumpur High Court through its independent solicitors to obtain order to, among others, stay the Impugned Consent Judgment (“**Application**”) pending disposal of Suit No. WA-22NCC-232-06/2017 filed by the Company (“**New Action**”) to set aside the Impugned Consent Judgment.

On 22 August 2017, the Kuala Lumpur High Court has allowed the Application and ordered that the whole of the Impugned Consent Judgment be stayed until the New Action is finally disposed of.

Starfield has subsequently filed a Notice of Appeal dated 20 September 2017 to appeal against the order granted by the Kuala Lumpur High Court. The case management for the said Appeal was held on 8 December 2017 and the hearing of the Appeal has now been fixed on 18 April 2018.

The Company has filed an Affidavit in Support dated 23 March 2018 to adduce further evidence of which the first case management for the said application was heard on 30 March 2018 whereby the Court has directed Starfield to file in Affidavit in Reply by 10 April 2018 with the date of hearing of the Appeal proper being maintained on 18 April 2018.

On 18 April 2018, the hearing was heard and the High Court has dismissed the Starfield’s Appeal against the stay of the execution of the Impugned Consent Judgement with a cost of RM5,000/-

As the Application is now to stay the Impugned Consent Order pending the disposal of the New Action, unless and until the New Action is disposed of, there is presently no material impact on the current quarter under review.

(e) Litigation with Starfield Capital Sdn Bhd, Dato’ Koh Mui Tee, Datin Chan Chui Mei and Datuk Lee Hwa Cheng
(Suit No. WA-22NCC-232-06/2017)

The Company, had on 19 June 2017, filed a Writ and Statement of Claim at the High Court Kuala Lumpur Summons No. 22NCC-232-06/2017 (“**New Action**”) through the Company’s independent solicitors to pursue legal actions against Dato’ Koh Mui Tee (as 1st Defendant), Datuk Lee Hwa Cheng (as 2nd Defendant), Datin Chan Chui Mei (as 3rd Defendant), and Starfield Capital Sdn Bhd (as 4th Defendant).

STONE MASTER CORPORATION BERHAD (Company No. 498639-X)
**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2018**

The Company in the New Action is seeking for the following reliefs:-

1. That the Consent Judgment entered into between Starfield Capital Sdn Bhd and the Company via Suit No. WA-22NCC-195-05/2017 on 30 May 2017 be set aside;
2. In the alternative, that Dato' Koh Mui Tee and Datuk Lee Hwa Cheng, jointly and severally indemnify the Company in the sum of RM18 million together with interest thereon as per the Consent Judgment and an order that the same be paid forthwith by Dato' Koh Mui Tee and Datuk Lee Hwa Cheng, jointly and severally to Starfield Capital Sdn Bhd;
3. Exemplary damages against Dato' Koh Mui Tee and Datuk Lee Hwa Cheng for breaches of fiduciary duties to the Company in causing the Company to enter into the Consent Judgment;
4. The cost of the action on a full indemnity basis;
5. Interests on damages that might be awarded by the Honourable Court; and
6. Such further and other reliefs that the Honourable Court may deem fit.

The Kuala Lumpur High Court has fixed 6 March 2018, 7 March 2018, 8 March 2018, 13 March 2018 and 14 March 2018 to be the trial dates for the case.

On 13 December 2017, the Company was served with an application filed by Datin Chan Chui Mei and Starfield (Enclosure 29) to recuse the Learned Judge from hearing the trial. Dato' Koh Mui Tee and Datuk Lee Hwa Cheng (Enclosure 30) have filed an application to stay the proceeding pending disposal of Suit WA-22NCVC-608-09/2016 filed by the Securities Commission.

Enclosure 29 were heard on 14 February 2018 and the Judge has deferred the decision for the recusal application until 23 February 2018. On 23 February 2018, the Judge has dismissed the recusal application with costs of RM3,000.00. On 23 February 2018, the Court has heard Enclosure 30 and dismissed Enclosure 30 with costs of RM2,000.00.

As for the application to add Dato' Karen as Third Party, filed by the 1st Defendant and 2nd Defendant, the Judge has fixed 27 February 2018 as decision after hearing it by way of *ex parte*. The Court has allowed the application for leave to issue Third Party Notice to Dato' Karen on 27 February 2018. The Judge has also given an unless order for parties to file in their respective witness statements by 27 February 2018. The Court has allowed until 2 March 2018 to file supplementary witness statement (if any).

However, on 2 March 2018, Dato' Koh Mui Tee and Datuk Lee Hwa Cheng have filed an unsealed notice of application to stay the proceeding pending the appeal against the Court's decision in dismissing Enclosure 30 (for stay the proceeding pending the disposal of SC's suit), together with an affidavit in support affirmed by Dato' Koh Mui Tee. Both Defendants had on 28 March 2018, filed an application to amend the notice of appeal dated 1 March 2018 to merely amend typographical error in the said notice of appeal.

STONE MASTER CORPORATION BERHAD *(Company No. 498639-X)*
QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2018

The case management on the above notice of appeal was heard on 3 April 2018 whereby the Court has given the following directions :

- (i) Respondent (the Company) to file affidavit in reply on or before 17 April 2018;
- (ii) Appellant (Dato' Koh Mui Tee and Datuk Lee Hwa Cheng) to file affidavit in reply on or before 2 May 2018;
- (iii) Submission to be filed by 11 May 2018; and
- (iv) Hearing of the application is fixed on 15 May 2018.

Prior thereto, Datin Chan Chui Mei and Starfield Capital Sdn Bhd had filed a notice of appeal dated 23 March 2018 to plead against the decision of the High Court in dismissing their application to recuse the Judge. The first case management for the notice of appeal against the recusal application was fixed on 24 May 2018.

Until the new Action is disposed of and the trial dates for the case to be heard on the dates so fixed by the Kuala Lumpur High Court as abovementioned, there is no material impact on the current quarter under review.

B11. Dividend

No interim and final dividend was recommended by the Board of Directors 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 31.3.2018	Six (6) months ended 31.3.2018
Net (Loss) attributable to ordinary shareholders (RM'000)	(889)	(2,194)
Weighted Average Number of ordinary shares issued ('000)	89,905	89,905
Basic (Loss) per ordinary share (Sen)	(0.99)	(2.44)