STONE MASTER CORPORATION BERHAD
(498639 – X)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
30TH SEPTEMBER 2014

Company No. 498639-X

STONE MASTER CORPORATION BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2014

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STONE MASTER CORPORATION BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby present their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 30th September 2014.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Loss for the financial year	(3,263)	(314)
Other comprehensive loss	(151)	-
Total comprehensive loss for the financial year	(3,414)	(314)
Loss attributable to:		
Owners of the Company	(3,263)	(314)
Total comprehensive loss attributable to:		
Owners of the Company	(3,414)	(314)

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend any dividend for the financial year.

RESERVES AND PROVISIONS

There are no material transfers to and from reserves and provisions during the financial year other than those disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the directors of the Company are not aware of any circumstances that would render it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount that they might be expected to be realised.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or

(ii) any contingent liabilities in respect of the Group and of the Company that has arisen since the end of the financial year.

No contingent liabilities or other liabilities of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company that would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company for the financial year were not in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company had increased its issued and paid-up share capital of 4,200,000 new ordinary shares of RM0.50 each from a private placement at an exercise price of RM0.65 per ordinary share for a total cash consideration of RM2,730,000/-.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

The Company did not issue any debentures during the financial year.

DIRECTORS

The directors in office since the date of the last report are:-

DatoôEii Ching Siew @ Yii Ching Siew	Appointed on 01.08.2014
DatoôLee Fong Yin @ Lee Vun Ya (F)	Appointed on 01.08.2014
Prof. Dr. Wong Kong Yew @ Leong Kong Yew	Appointed on 18.08.2014
Koh Mui Tee	Appointed on 22.08.2014
Datin Chan Chui Mei (F)	Appointed on 19.09.2014
Ching Pong Hua	Appointed on 26.11.2014
Md. Noor Bin Abd Rahim	Appointed on 08.12.2014
Lam Man Kai	Appointed on 15.12.2014
Lee Hwa Cheng	Appointed on 15.12.2014
Lim Chong Kwee	Resigned on 18.02.2014
Foo Chooi Wai (F)	Resigned on 26.11.2014
Tong Ah Wah @ Tong Chun Hwi	Resigned on 18.02.2014
Andrew Ho Tho Kong	Resigned on 18.02.2014
Ng Kay Kim	Resigned on 23.05.2014
Hwang Teck Seng	Resigned on 11.07.2014
Lee Wai Kuen	Resigned on 11.07.2014
Chan Mung Bong	Resigned on 01.08.2014
DatoôTan Wei Lian	Appointed on 23.05.2014, Resigned on 09.09.2014
Teh Chee Seng	Appointed on 01.10.2013, Resigned on 06.08.2014
Low Boon Chin	Appointed on 18.02.2014, Resigned on 09.09.2014
DatoôLee Yuen Fong	Appointed on 18.02.2014, Resigned on 09.09.2014
Tan Lee Chin (F)	Appointed on 18.02.2014, Resigned on 26.11.2014

DIRECTORS' INTERESTS

According to the Register of Directorsô Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia, the interests of those directors who held office at the end of the financial year in shares in the Company and its related corporations during the financial year ended 30th September 2014 are as follows:-

	Number of ordinary shares of RM0.50 each			
	At 1.10.2013	**Bought**	**Sold**	**At 30.9.2014**
The Company				
<u>Direct Interest</u>				
Stone Master Corporation Berhad				
Datoô Eii Ching Siew @ Yii Ching Siew	-	8,500,000	-	8,500,000
Datoô Lee Fong Yin @ Lee Vun Ya (F)	-	7,539,600	-	7,539,600
<u>Indirect Interest</u>				
Datin Chan Chui Mei (F)*	-	4,856,200	-	4,856,200

***** Deemed interested by virtue of section 6A of the Companies Act, 1965 in Malaysia.

By Virtue of their interest in the Company, Datoô Eii Ching Siew @ Yii Ching Siew, Datoô Lee Fong Yin @ Lee Vun Ya (F) and Datin Chan Chui Mei (F) are also deemed to be interested in the shares of all the subsidiaries to the extent of the shares held by the Company.

Other than as stated above, none of the other directors in office at the end of the financial year have any interest in the shares of the Company and its related corporations.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company or any of its related corporations a party to any arrangement whose object was to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SIGNIFICANT EVENT DURING AND AFTER THE FINANCIAL YEAR END

Details of the significant event during and after the financial year end are disclosed in Note 30 to the financial statement.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

On behalf of the Board,

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DATOôLEE FONG YIN @ LEE VUN YA (F)
Director

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PROF. DR. WONG KONG YEW @ LEONG KONG YEW
Director

Kuala Lumpur

Date: 30 January 2015

STONE MASTER CORPORATION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 30TH SEPTEMBER 2014

		Group		Company	
		2014	2013	2014	2013
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	22,789	22,752	51	-
Investment properties	5	3,975	3,975	-	-
Investment in subsidiaries	6	-	-	9,858	9,858
Other investments	7	28	28	-	-
		26,792	26,755	9,909	9,858
Current assets					
Inventories	8	7,002	7,574	-	-
Trade receivables	9	23,590	20,909	-	-
Other receivables, deposits and prepayments	10	710	632	862	-
Tax recoverable		-	106	-	-
Deposits placed with licensed banks		-	30	-	-
Cash and bank balances		1,240	901	536	1
		32,542	30,152	1,398	1
TOTAL ASSETS		59,334	56,907	11,307	9,859
EQUITY AND LIABILITIES					
Equity attributable to Owners of the Company					
Share capital	11(a)	23,100	21,000	23,100	21,000
Share premium	11(b)	611	-	611	-
Reserves	12	4,173	4,324	-	-
Accumulated losses		(14,726)	(11,614)	(12,951)	(12,637)
Total Equity		13,158	13,710	10,760	8,363
Non-current liabilities					
Bank borrowings - secured	13	11,845	13,240	-	-
Deferred tax liabilities	14	1,966	2,041	-	-
Total non-current liabilities		13,811	15,281	-	-
Current liabilities					
Trade payables	15	13,846	11,841	-	-
Other payables, deposit and accruals	16	3,275	2,440	547	1,496
Bank borrowings - secured	13	14,334	12,333	-	-
Tax payables		910	1,302	-	-
		32,365	27,916	547	1,496
Total liabilities		46,176	43,197	547	1,496
TOTAL EQUITY AND LIABILITIES		59,334	56,907	11,307	9,859

The accompanying notes form an integral part of these financial statements.

Company No. 498639-X

STONE MASTER CORPORATION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2014

		Group		Company	
		2014	2013	2014	2013
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	17	80,898	67,051	200	200
Cost of sales		(71,656)	(60,277)	-	-
GROSS PROFIT		9,242	6,774	200	200
Other operating income		259	1,353	13	-
Distribution costs		(3,825)	(2,953)	-	-
Administrative expenses		(6,412)	(7,512)	(527)	(325)
OPERATING LOSS	18	(736)	(2,338)	(314)	(125)
Finance costs	19	(1,800)	(1,928)	-	-
LOSS BEFORE TAXATION		(2,536)	(4,266)	(314)	(125)
Taxation	20	(727)	(226)	-	-
LOSS FOR THE FINANCIAL YEAR		(3,263)	(4,492)	(314)	(125)
Other Comprehensive Income, net of tax:					
Items that are or may be reclassified subsequently to profit or loss:					
- amortisation of revaluation reserve		(151)	-	-	-
- revaluation surplus		-	3,709	-	-
		(151)	3,709	-	-
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR		(3,414)	(783)	(314)	(125)
Loss attributable to:					
Owners of the Company		(3,263)	(4,492)	(314)	(125)
Total comprehensive loss attributable to:					
Owners of the Company		(3,414)	(783)	(314)	(125)
Earnings per share attributable to Owners of the Company (sen)					
Basic loss per ordinary share	21(a)	(7.28)	(10.70)		
Diluted loss per ordinary share	21(b)	(7.28)	(10.70)		

The accompanying notes form an integral part of these financial statements.

Company No. 498639-X

STONE MASTER CORPORATION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2014

	← Distributable →		← Non-Distributable →		Distributable	
	Share Capital	**Share Premium**	**Revaluation Reserve**	**Fair Value Reserve**	**Accumulated Losses**	**Total Equity**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
At 1st October 2012	21,000	-	602	13	(7,122)	14,493
Revaluation surplus	-	-	3,709	-	-	3,709
Loss for the financial year	-	-	-	-	(4,492)	(4,492)
At 30th September 2013	21,000	-	4,311	13	(11,614)	13,710
Issuance of shares via private placement	2,100	611	-	-	-	2,711
Amortisation of revaluation reserve	-	-	(151)	-	151	-
Loss for the financial year	-	-	-	-	(3,263)	(3,263)
At 30th September 2014	23,100	611	4,160	13	(14,726)	13,158

STONE MASTER CORPORATION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2014 (Continued)

	← Distributable	→		
	Share Capital	**Share Premium**	**Accumulated Losses**	**Total Equity**
	RM'000	RM'000	RM'000	RM'000
Company				
At 1st October 2012	21,000	-	(12,512)	8,488
Loss for the financial year	-	-	(125)	(125)
At 30th September 2013	21,000	-	(12,637)	8,363
Issuance of shares via private placement	2,100	611	-	2,711
Loss for the financial year	-	-	(314)	(314)
At 30th September 2014	23,100	611	(12,951)	10,760

The accompanying notes form an integral part of these financial statements.

STONE MASTER CORPORATION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2014

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES:				
Loss before taxation	(2,536)	(4,266)	(314)	(125)
Adjustments for:				
Depreciation of property, plant and equipment	1,394	1,452	3	-
Inventories written down	972	1,934	-	-
Impairment of property, plant and equipment	-	36	-	-
Allowance for impairment of trade and other receivables	-	861	-	-
Bad debts written off	57	1,595	-	-
Gain on disposal of property, plant and equipment	(4)	(80)	-	-
Reversal of impairment loss for trade receivables	-	(800)	-	-
Gain on fair value change in investment properties	-	(365)	-	-
Dividend income	(2)	(1)	-	-
Interest expense	1,800	1,928	-	-
Interest income	(77)	(8)	(13)	-
Operating Cash Flows Before Working Capital Changes	1,604	2,286	(324)	(125)
Changes In Working Capital:				
Inventories	(400)	494	-	-
Payables	2,752	(704)	(949)	59
Receivables	(2,816)	4,677	(862)	67
	1,140	6,753	(2,135)	1
Tax paid	(1,104)	(556)	-	-
Tax refund	16	-	-	-
Interest paid	(171)	(215)	-	-
Interest received	77	8	13	-
Net Operating Cash Flows	(42)	5,990	(2,122)	1
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property, plant and equipment	(1,451)	(554)	(54)	-
Proceeds from disposal of property, plant and equipment	24	163	-	-
Dividend income	2	1	-	-
Net Investing Cash Flows	(1,425)	(390)	(54)	-

STONE MASTER CORPORATION BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2014 (Continued)

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issuance of share capital	2,711	-	2,711	-
Drawdown of term loan	923	-	-	-
Repayment of term loan	(295)	(222)	-	-
Repayment of hire purchase payables	(166)	(163)	-	-
Repayment of other borrowings	(229)	(1,232)	-	-
Interest paid	(1,629)	(1,713)	-	-
Net Financing Cash Flows	1,315	(3,330)	2,711	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(152)	2,270	535	1
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	(1,386)	(3,656)	1	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	(1,538)	(1,386)	536	1
ANALYSIS OF CASH AND CASH EQUIVALENTS:				
Cash and bank balances	1,240	901	536	1
Deposits placed with licensed banks	-	30	-	-
Bank overdrafts	(2,778)	(2,317)	-	-
	(1,538)	(1,386)	536	1

The accompanying notes form an integral part of these financial statements.

STONE MASTER CORPORATION BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is principally engaged in investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company are located at Unit 02-03, Medan Klang Lama 28, No. 419, Jalan Klang Lama, 58100 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

The financial statements are expressed in Ringgit Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 30 January 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 (a) Fundamental accounting concept

The Group and the Company incurred a net loss of RM3,263,000/- and RM314,000/- for the financial year ended 30th September 2014 respectively. During the financial year, The Group and the Company has recorded negative operating cash flow of RM42,000/- and RM2,122,000/- respectively. The above indicate a material uncertainty which may cast significant doubt about the Groupôs ability to continue as a going concern. If the going concern assumption is inappropriate, the Group and the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

On 28th April 2014, the Company announced a proposed corporate exercise which includes a proposed renounceable rights issue as disclosed in Note 30(i).

As stated in Note 30(v), due to the delay in proposed renounceable rights issue, on 31st December 2014, the Group was unable to fulfil the condition set by the Bank including the repayment of RM966,000/- and the bank has the right to demand for the full and immediate repayment of the outstanding sum.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.1 (a) **Fundamental accounting concept (Continued)**

As stated in Note 30(vii), on 20th January 2015, the Company announced that the major shareholders have indicated and will provide an irrevocable and unconditional undertaking to subscribe 11,460,000 units of the proposed right issues shares.

On 30th January 2015, the Bank has agreed to accept part repayment and defer the repayment of the outstanding balance to 31st March 2015 and full repayment upon successful completion of the proposed renounceable rights issue.

The directors are confident that the corporate proposal can be successfully implemented to raise additional funds for the repayment of the borrowings of the Group and to fund the working capital and the Group is able to continue to achieve profitable operation.

Hence, the financial statements of the Group and the Company have been prepared on a going concern basis.

2.1 (b) **Basis of Preparation**

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards (ñMFRSsò), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost basis, other than as disclosed in the significant accounting policies in Note 2.3.

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Groupôs and the Companyôs accounting policies. Although these estimates and judgement are based on the Directorsô best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.2 **New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int**

(a) **Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int**

The Group and the Company had adopted the following new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that are mandatory for the current financial year:-

New MFRSs	
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
Revised MFRSs	
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
Amendments/Improvements to MFRSs	
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 7	Financial Instruments: Disclosures
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 132	Financial Instruments: Presentation
MFRS 134	Interim Financial Reporting
New IC Int	
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to IC Int	
IC Int 2	Members' Shares in Co-operative Entities & Similar Instruments

The adoption of the above new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int do not have any effect on the financial statements of the Group and of the Company except for those as discussed below:-

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.2 **New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)**

(a) **Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (Continued)**

MFRS 10 Consolidated Financial Statements and MFRS 127 Separate Financial Statements (Revised)

MFRS 10 replaces the consolidation part of the former MFRS 127 Consolidated and Separate Financial Statements. The revised MFRS 127 will deal only with accounting for investment in subsidiaries, joint controlled entities and associates in the separate financial statements of an investor and require the entity to account for such investments either at cost, or in accordance with MFRS 139 Financial Instruments: Recognition and Measurement.

MFRS 10 brings about convergence between MFRS 127 and IC Int 12 Consolidation-Special Purpose Entities, which interprets the requirements of MFRS 10 in relation to special purpose entities. MFRS 10 introduces a new single control model to identify a parent-subsidiary relationship by specifying that ñan investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investeeò. It provides guidance on situations when control is difficult to assess such as those involving potential voting rights, or in circumstances involving agency relationships, or where the investor has control over specific assets of the entity, or where the investee entity is designed in such a manner where voting rights are not the dominant factor in determining control.

The Group adopted MFRS 10 in the current financial year. This resulted in changes to the accounting policies as disclosed in Note 2.3. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

MFRS 12 Disclosures of Interests in Other Entities

MFRS 12 is a single disclosure standard for interests in subsidiaries, jointly controlled entities, associates and unconsolidated structured entities. The disclosure requirements in this MFRS are aimed at providing standardised and comparable information that enable users of financial statements to evaluate the nature of, and risks associated with, the entityõs interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows. The requirements in MFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.2 **New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)**

(a) **Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (Continued)**

MFRS 13 Fair Value Measurement

MFRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As a result of the guidance in MFRS 13, the Group reassessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair values measurement of liabilities.

Application of MFRS 13 has not materially impacted the fair value measurements of the Group. MFRS 13 requires more extensive disclosures. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

Amendments to MFRS 101 Presentation of Financial Statements

The amendments to MFRS 101 introduces a grouping of items presented in other comprehensive income. Items that will be reclassified to profit or loss at future point in time have to be presented separately from items that will not be reclassified.

These amendments also clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Group has not included comparative information in respect of the opening statement of financial position as at 1st October 2013.

The amendments also introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments, the ‛statement of comprehensive incomeô is renamed as the ‛statement of profit or loss and other comprehensive incomeû.

The above amendments affect presentation only and have no impact on the Groupφs financial position or performance.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.2 **New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)**

(a) **Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (Continued)**

Amendments to MFRS 7 Financial Instruments: Disclosures

Amendments to MFRS 7 addresses disclosures to include information that will enable users of an entityĝs financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entityĝs recognised financial assets and recognised financial liabilities, on the entityĝs financial position.

Amendments to MFRS 10 Consolidated Financial Statements, MFRS 11 Joint Arrangements and MFRS 12 Disclosure of Interests in Other Entities

Amendments to MFRS 10 clarifies that the date of initial application is the beginning of the annual reporting period for which this MFRS is applied for the first time. Consequently, an entity is not required to make adjustments to the previous accounting if the consolidation conclusion reached upon the application of MFRS 10 is the same as previous accounting or the entity had disposed of its interests in investees during a comparative period. When applying MFRS 10, these amendments also limit the requirement to present quantitative information required by Paragraph 28(f) of MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors to the annual period immediately preceding the date of initial application. A similar relief is also provided in MFRS 11 and MFRS 12. Additionally, entities would no longer be required to provide disclosures for unconsolidated structure entities in periods prior to the first annual period that MFRS 12 is applied.

If, upon applying MFRS 10, an entity conclude that it shall consolidate an investee that was not previously consolidated and that control was obtained before the effective date of the revised versions of these standards issued by the Malaysian Accounting Standards Board in November 2011, these amendments also clarify that an entity can apply the earlier versions of MFRS 3 Business Combinations and MFRS 127.

These amendments are not expected to have any significant impact on the financial results and position of the Group and of the Company.

Amendment to MFRS 116 Property, Plant and Equipment

Amendment to MFRS 116 clarifies that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.2 **New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)**

(a) **Adoption of New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Int and Amendments to IC Int (Continued)**

Amendment to MFRS 132 Financial Instruments: Presentation

Amendment to MFRS 132 clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with MFRS 112 Income Taxes.

Amendment to MFRS 134 Interim Financial Reporting

To be consistent with the requirements in MFRS 8 Operating Segments, the amendment to MFRS 134 clarifies that an entity shall disclose the total assets and liabilities for a particular reportable segment only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

(b) **New MFRS, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted**

The Group and the Company have not adopted the following new MFRS, amendments/improvements to MFRSs and new IC Int that have been issued by the Malaysian Accounting Standards Board (ñMASBò) as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:-

		Effective for financial periods beginning on or after
<u>New MFRS</u>		
MFRS 9	Financial Instruments	To be announced By the MASB
MFRS 14	Regulatory Deferral Accounts	1 January 2016
MFRS 15	Revenue from Contracts with Customers	1 January 2017
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 July 2014
MFRS 2	Share-based Payment	1 July 2014
MFRS 3	Business Combinations	1 July 2014
MFRS 7	Financial Instruments: Disclosures	Effective upon application of MFRS 9

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.2 **New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)**

(b) **New MFRS, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (Continued)**

		Effective for financial periods beginning on or after
Amendments/Improvements to MFRSs (Continued)		
MFRS 8	Operating Segments	1 July 2014
MFRS 9	Financial Instruments	To be announced by the MASB
MFRS 10	Consolidated Financial Statements	1 January 2016
MFRS 11	Joint Arrangements	1 January 2016
MFRS 12	Disclosure of Interests in Other Entities	1 January 2014
MFRS 13	Fair Value Measurement	1 July 2014
MFRS 101	Presentation of Financial Statements	1 January 2016
MFRS 116	Property, Plant and Equipment	1 July 2014
MFRS 119	Employee Benefits	1 July 2014/ 1 January 2016
MFRS 124	Related Party Disclosures	1 July 2014
MFRS 127	Separate Financial Statements	1 January 2016
MFRS 128	Investments in Associates and Joint Venture	1 January 2016
MFRS 132	Financial Instruments: Presentation	1 January 2014
MFRS 136	Impairment of Assets	1 January 2014
MFRS 138	Intangible Assets	1 July 2014/ 1 January 2016
MFRS 139	Financial Instruments: Recognition and Measurement	Applies when MFRS 9 is applied
MFRS 140	Investment Property	1 July 2014
MFRS 141	Agriculture	1 January 2016
New IC Int		
IC Int 21	Levies	1 January 2014

A brief discussion on the above significant new MFRS, amendments/improvements to MFRSs and new IC Int are summarised below. Due to the complexity of these new standards, the financial effects of their adoption are currently still being assessed by the Group and the Company.

MFRS 9 Financial Instruments

MFRS 9 specifies how an entity should classify and measure financial assets and financial liabilities.

This standard requires all financial assets to be classified based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial asset. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, they will be measured at either fair value or at amortised cost.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.2 **New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)**

(b) **New MFRS, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (Continued)**

MFRS 9 Financial Instruments (Continued)

In respect of the financial liabilities, the requirements are generally similar to the former MFRS 139. However, this standard requires that for financial liabilities designated as fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the profit or loss.

MFRS 9 Financial Instruments (Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139)

The new hedge accounting model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements. The most significant improvements apply to those that hedge non-financial risk, and they are expected to be of particular interest to non-financial institutions. As a result of these changes, users of the financial statements will be provided with better information about risk management and about the effect of hedge accounting on the financial statements. The MFRS 9 hedge accounting model, if adopted, applies prospectively with limited exceptions.

As part of the Amendments, an entity is now allowed to change the accounting for liabilities that it has elected to measure at fair value, before applying any of the other requirements in MFRS 9. This change in accounting would mean that gains caused by a worsening in the entityǿs own credit risk on such liabilities are no longer recognised in profit or loss. The Amendments will facilitate earlier application of this long-awaited improvement to financial reporting.

The Amendments also remove the mandatory effective date from MFRS 9.

MFRS 14 Regulatory Deferral Accounts

MFRS 14 permits first-time adopters of MFRSs to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt MFRSs. An entity that already presents MFRSs financial statements is not eligible to apply this Standard.

As regulatory deferral account balances were not recognised in the MFRS financial statements, the principles specified in MFRS 14 would have no impact to the Malaysian entities.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.2 **New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)**

(b) **New MFRS, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (Continued)**

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

- Identify the contracts with a customer.
- Identify the performance obligation in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract.
- Recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue ï Barter Transactions Involving Advertising Services

Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards

Amendments to MFRS 1 relates to the IASBøs Basis for Conclusions which is not an integral part of the Standard. The Basis for Conclusions clarifies that a first-time adopter is permitted but not required to apply a new or revised Standard that is not yet mandatory but is available for early application.

Amendments to MFRS 2 Share-based Payments

Amendments to MFRS 2 clarifies the definition of óvesting conditionô by separately defining óperformance conditionô and óservice conditionô to ensure consistent classification of conditions attached to a share-based payment.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.2 **New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)**

(b) **New MFRS, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (Continued)**

Amendments to MFRS 3 Business Combinations

Amendments to MFRS 3 clarifies that when contingent consideration meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132 Financial Instruments: Presentation. It also clarifies that contingent consideration that is classified as an asset or a liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

In addition, amendments to MFRS 3 clarifies that MFRS 3 excludes from its scope the accounting for the formation of all types of joint arrangements (as defined in MFRS 11 *Joint Arrangements*) in the financial statements of the joint arrangement itself.

Amendments to MFRS 8 Operating Segments

Amendments to MFRS 8 requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

The Amendments also clarifies that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly to the chief operating decision maker.

Amendments to MFRS 11 Joint Arrangements

Amendments to MFRS 11 clarifies that when an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in MFRS 3 Business Combinations, it shall apply the relevant principles on business combinations accounting in MFRS 3, and other MFRSs, that do not conflict with MFRS 11. Some of the impact arising may be the recognition of goodwill, recognition of deferred tax assets/liabilities and recognition of acquisition-related costs as expenses. The Amendments do not apply to joint operations under common control and also clarify that previously held interests in a joint operation are not re-measured if the joint operator retains joint control.

Amendments to MFRS 13 Fair Value Measurement

Amendments to MFRS 13 relates to the IASBǿs Basis for Conclusions which is not an integral part of the Standard. The Basis for Conclusions clarifies that when IASB issued IFRS 13, it did not remove the practical ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, if the effect of discounting is immaterial.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.2 **New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)**

(b) **New MFRS, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (Continued)**

Amendments to MFRS 13 Fair Value Measurement (Continued)

The Amendments also clarifies that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 Financial Instruments: Recognition and Measurement or MFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132 Financial Instruments: Presentation.

Amendments to MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets

Amendments to MFRS 116 and MFRS 138 clarifies the accounting for the accumulated depreciation/amortisation when an asset is revalued. It clarifies that:
- the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset; and
- the accumulated depreciation/amortisation is calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

Amendments to MFRS 116 prohibits revenue-based depreciation because revenue does not reflect the way in which an item of property, plant and equipment is used or consumed.

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 provides a practical expedient in accounting for contributions from employees or third parties to defined benefit plans.

If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service.

However, if the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by MFRS 119 for the gross benefit (i.e. either based on the planôs contribution formula or on a straight-line basis).

Amendments to MFRS 124 Related Party Disclosures

Amendments to MFRS 124 clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.2 **New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations (“IC Int”) and Amendments to IC Int (Continued)**

(b) **New MFRS, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (Continued)**

Amendments to MFRS 132 Financial Instruments: Presentation

Amendments to MFRS 132 does not change the current offsetting model in MFRS 132. The amendments clarify the meaning of ócurrently has a legally enforceable right of set-offô, that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. The amendments clarify that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

Amendments to MFRS 136 Impairment of Assets

Amendments to MFRS 136 clarifies that disclosure of the recoverable amount (based on fair value less costs of disposal) of an asset or cash generating unit is required to be disclosed only when an impairment loss is recognised or reversed. In addition, there are new disclosure requirements about fair value measurement when impairment or reversal of impairment is recognised.

Amendments to MFRS 139 Financial Instruments: Recognition and Measurement

Amendments to MFRS 139 provides relief from discontinuing hedge accounting in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. As a result of the amendments, continuation of hedge accounting is permitted if as a consequence of laws or regulations, the parties to hedging instrument agree to have one or more clearing counterparties replace their original counterparty and the changes to the terms arising from the novation are consistent with the terms that would have existed if the novated derivative were originally cleared with the central counterparty.

Amendments to MFRS 140 Investment Property

Amendments to MFRS 140 clarifies that the determination of whether an acquisition of investment property meets the definition of both a business combination as defined in MFRS 3 and investment property as defined in MFRS 140 requires the separate application of both Standards independently of each other.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised MFRSs, Amendments/Improvements to MFRSs, New IC Interpretations ("IC Int") and Amendments to IC Int (Continued)

(b) New MFRS, Amendments/Improvements to MFRSs and New IC Int that are issued, but not yet effective and have not been early adopted (Continued)

Amendments to MFRS 116 Property, Plant and Equipment and Amendments to MFRS 141 Agriculture

With the Amendments, bearer plants would come under the scope of MFRS 116 and would be accounted for in the same way as property, plant and equipment. A bearer plant is defined as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Nevertheless, the produce growing on the bearer plant would remain within the scope of MFRS 141. This is because the growth of the produce directly increases the expected revenue from the sale of the produce. Moreover, fair value measurement of the growing produce provides useful information to users of financial statements about future cash flows that an entity will actually realise as the produce will ultimately be detached from the bearer plants and sold separately.

2.3 Significant Accounting Policies

The accounting policies set out below are applied consistently to the periods presented in these financial statements of the Group and of the Company, unless otherwise stated.

(a) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group adopted MFRS 10, Consolidated Financial Statements in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those return through its power over the entity. In the previous financial years, controls exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.3 **Significant Accounting Policies (Continued)**

(a) **Basis of Consolidation (Continued)**

(i) **Subsidiaries (Continued)**

- The Group considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investeeœs return. In the previous financial years, the Group did not consider *de facto* power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transition provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

Investments in subsidiaries are measured in the Companyœs statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) **Business combination**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiary used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for by applying the acquisition method.

The Group has changed its accounting policy with respect to accounting for business combinations.

<u>Acquisitions on or after 1st January 2011</u>

For acquisitions on or after 1st January 2011, the Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquire; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.3 **Significant Accounting Policies (Continued)**

(a) **Basis of Consolidation (Continued)**

(ii) **Business combination (Continued)**

Acquisitions on or after 1st January 2011 (Continued)

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relations. Such amounts are generally recognised in profit or loss.

Cost related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognise in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquireeôs employees (acquireeôs awards) and relate to past services, then all or a portion of the amount of the acquirerôs replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquireeôs award and the extent to which the replacement awards relate to past and / or future service.

Acquisitions before 1st January 2011

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1st January 2011. Goodwill arising from acquisitions before 1st January 2011 has been carried forward from the previous FRS framework as at the date of transition.

Acquisitions between 1st January 2006 to 1st January 2011

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.3 **Significant Accounting Policies (Continued)**

(a) **Basis of Consolidation (Continued)**

(ii) **Business combination (Continued)**

Acquisitions between 1st January 2006 to 1st January 2011 (Continued)

The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

Any excess of the cost of business combination over the Groupôs share in the net fait value of the acquired subsidiaryôs identifiable assets, liabilities and contingent liabilities is recorded as goodwill in the statements of financial position. Any excess of the Groupôs share in the net fair value of the acquired subsidiaryôs identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in statements of profit or loss on the date of acquisition.

When the Group acquires a business, embedded derivatives separated from the host contract by the acquire are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Acquisitions prior to 1st January 2006

For acquisitions prior to 1st January 2006, goodwill represents the excess of the cost of the acquisition over the Groupôs interest in the fair values of the net identifiable assets and liabilities.

(iii) **Acquisition of non-controlling interests**

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Groupôs share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) **Loss of control**

Upon loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.3 **Significant Accounting Policies (Continued)**

(a) **Basis of Consolidation (Continued)**

(v) **Non-controlling interest**

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interest to have a deficit balances.

(vi) **Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) **Property, Plant and Equipment and Depreciation**

Property, plant and equipment were initially stated at cost. Property, plant and equipment which have been subsequently revalued, are stated at valuation less accumulated depreciation and impairment loss, if any. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is included in the assetфs carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss as incurred.

No depreciation is provided on the freehold land as it has infinite useful life. Assets under construction are not depreciated as these assets are not available for use.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.3 **Significant Accounting Policies (Continued)**

(b) **Property, Plant and Equipment and Depreciation (Continued)**

Depreciation of other property, plant and equipment is provided on a straight line basis to write off the costs of the assets to their residual values over their estimated useful lives at the following rates:-

Leasehold land	Over remaining lease term, 43 to 70 years
Buildings	2% - 15%
Plant and machinery	5% - 33.3%
Motor vehicles	10% - 25%
Furniture, fitting & equipment	5% - 33.3%

The residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the period the asset is derecognised.

(c) **Revaluation of Assets**

Land and buildings at valuation are revalued at a regular interval of a least once in every five years with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued land and buildings materially differ from the market values.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any surplus or deficit arising from the revaluations will be dealt with in the Revaluation Reserve Account. Any deficit is set-off against the Revaluation Reserve Account only to the extent of the surplus credited from the previous revaluation of the land and buildings and the excess of the deficit is charged to the profit or loss. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained earnings.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.3 **Significant Accounting Policies (Continued)**

(d) **Investment properties**

Investment properties are properties which are held either to earn rental income o for capital appreciation or for both of the Group.

Properties which are occupied by the companies in the Group are accounted for using fair value model.

Investment properties are derecognised when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfer are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property or vice-versa, the property shall be accounted for in accordance with the accounting policy for property, plant and equipment both up to the date of change in use to subsequent accounting.

(e) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs is determined using standard costing basis.

Costs of inventories comprise the cost of purchase plus the cost of bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity.

Net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(f) Leases

(i) Finance lease

Finance leases, which transfer to the Group and to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainly that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Operating lease, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating lease and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentive provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight - line basis.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.3 **Significant Accounting Policies (Continued)**

(g) **Income Tax**

The tax expense in the profit or loss represents the aggregate amount of current tax and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charge or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirerœs interest in the net fair value of the acquirerœs identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(h) **Financial Instruments**

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

A financial instrument is recognised initially, at its fair value, plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.3 **Significant Accounting Policies (Continued)**

(h) **Financial Instruments (Continued)**

The Group and the Company categorise the financial instruments as follows:

(i) *Financial Assets*

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss if they are held for trading, including derivatives, or are designated as such upon initial recognition.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised as other gains or losses in profit or loss.

Loans and Receivables

Financial assets with fixed or determinable payments that are not quoted in an active market, trade and other receivables and cash and cash equivalents are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Held-to-maturity Investments

Financial assets with fixed or determinable payments and fixed maturity that are quoted in an active market and the Group and the Company have the positive intention and ability to hold the investment to maturity is classified as held-to-maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(h) Financial Instruments (Continued)

(i) *Financial Assets (Continued)*

Available-for-sale financial assets

Available-for-sale financial are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

(ii) *Financial Liabilities*

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated as fair value through profit or loss upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.3 **Significant Accounting Policies (Continued)**

(h) **Financial Instruments (Continued)**

(iii) *Financial Guarantee Contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

(iv) *Derecognition*

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

(i) **Impairment of Assets**

(i) *Impairment of Financial Assets*

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the assetõs carrying amount and the present value of estimated future cash flows discounted at the assetõs original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(i) Impairment of Assets (Continued)

(i) *Impairment of Financial Assets (Continued)*

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the assetøs acquisition cost (net of any principal repayment and amortisation) and the assetøs current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the assetøs carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the assetøs carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) *Impairment of Non-financial Assets*

The Group and the Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company makes an estimate of the assetøs recoverable amount.

An assetøs recoverable amount is the higher of an assetøs or CGUøs fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Where the carrying amounts of an asset exceed its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.3 **Significant Accounting Policies (Continued)**

(i) **Impairment of Assets (Continued)**

(ii) *Impairment of Non-financial Assets (Continued)*

An impairment loss is recognised in the profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the assetô recoverable amount since the last impairment was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed its carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the profit or loss.

(j) **Contingencies**

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group and the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and the Company.

(k) **Income Recognition**

Income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Income is measured at the fair value of consideration received or receivable.

(i) *Sales of goods*

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and provisions, trade discounts and volume rebates.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be reliably estimated, and there is no continuing measurement involvement with the goods.

Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.3 **Significant Accounting Policies (Continued)**

(k) **Revenue Recognition (Continued)**

(ii) *Construction Contracts*

Revenue from construction contracts is accounted for by the stage of completion method.

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract works to the extent that It is probable that they will result in revenue and they are capable it being reliably measured.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

(iii) *Dividend income*

Dividend income is recognised when the Groupôs right to receive payment is established.

(iv) *Interest income*

Interest income is recognised on an accrual basis, based on effective yield on the investment.

(v) *Management fee*

Management fee is recognised when services are rendered.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.3 **Significant Accounting Policies (Continued)**

(k) **Revenue Recognition (Continued)**

(vi) *Rental income*

Rental income is accounted for on a straight-line basis over the lease terms.

(l) **Borrowing Costs**

Borrowing costs are stated at cost with an difference between cost and redemption value being recognised in the profit or loss over the period of the loans and borrowings using the effective interest method.

Borrowing costs incurred in connection with financing the construction and installation of property, plant and equipment is capitalised until the property plat and equipment are ready for their intended use. All other borrowing costs are charged to the profit or loss.

Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(m) **Employee Benefits**

(i) *Short term employee benefits*

Wages, salaries, allowances, social security contribution, bonuses and non-monetary benefits are recognised as an expense in the period in which the associated services are rendered by the employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(ii) *Post-employment benefits*

The Group and the Company contributes to the Employeesô Provident Fund, the national defined contribution plan. The contributions are charged to the profit and loss in the period to which they are related. Once the contributions have been paid, the Group and the Company has no further payment obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant Accounting Policies (Continued)

(n) Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the nominal value and the consideration in excess of nominal value of shares issued, if any, is accounted for as share premium. Both ordinary shares and share premium are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, if any, otherwise it is charged to the profit or loss. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(o) Cash and Cash Equivalents

For the purpose of statements of cash flows, cash and cash equivalents comprise cash in hand, demand deposits, bank balances and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are stated net of bank overdrafts which are repayable on demand.

(p) Fair value measurements

From 1st October 2013, the Group and the Company adopted MFRS 13 Fair Value Measurement which prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participantös ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In accordance with the transitional provision of MFRS 13, the Group and the Company applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Groupös and the Companyös assets or liabilities other than the additional disclosures.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.3 **Significant Accounting Policies (Continued)**

(p) **Fair value measurements (Continued)**

When measuring the fair value of an asset or a liability, the Group uses observable market data as for as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:-

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the assets or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the Groupọs and the Companyọs financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustments to the carrying amount of the asset or liability affected in the future.

Key Sources of Estimation Uncertainty

Estimates and judgements are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumption concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as stated below:-

(i) *Useful lives of property, plant and equipment*

The Group estimate the useful lives of property, plant and equipment based on period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectation differs from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets.

3. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**

Key Sources of Estimation Uncertainty (Continued)

(i) *Useful lives of property, plant and equipment (Continued)*

In addition, the estimation of useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in the factors mentioned above.

The amount and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

(ii) *Impairment of property, plant and equipment*

The Group assesses impairment of assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on the Groupǿs estimates, calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

As at the reporting date, the directors of the Group are of the opinion that there is no impact resulting from the impairment review by the management.

(iii) *Impairment of investment in subsidiaries*

The Company carried out the impairment test based on a variety of estimation, including the value-in-use of the cash generating unit. Estimating a value-in-use amount requires the Company to make an estimation of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The management determined the recoverable amount of the investment in subsidiaries based on the individual assetsô value in use and the probability of the realisation of the assets. The present value of the future cash flows to be generated by the asset is the assetǿs value in use, and it is assumed to be the same as the net worth of the asset as at reporting date. An impairment loss is recognised immediately in the profit or loss if the recoverable amount is less than the carrying amount.

In view of the above, the management are in the opinion that no impairment is required for the investment in subsidiaries as at the reporting date.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Key Sources of Estimation Uncertainty (Continued)

(iv) *Allowance for impairment*

The Group makes allowances for impairment based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

(v) *Allowance for inventories*

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgements and estimates. Possible changes in these estimates could result in a revision to the valuation of inventories.

4. PROPERTY, PLANT AND EQUIPMENT

Group 2014	**Freehold Land** RM'000	**Leasehold Land** RM'000	**Buildings** RM'000	**Buildings on Rented Properties** RM'000	**Plant and Machinery** RM'000	**Motor Vehicles** RM'000	**Furniture Fittings and Equipment** RM'000	**Total** RM'000
Cost/Valuation								
At 1st October 2013	715	3,088	11,874	1,313	18,511	3,508	2,719	41,728
Additions	-	-	1,245	-	34	-	172	1,451
Disposals/written off	-	-	-	-	(555)	(62)	(358)	(975)
At 30th September 2014	715	3,088	13,119	1,313	17,990	3,446	2,533	42,204
Accumulated Depreciation								
At 1st October 2013	-	29	201	647	13,155	3,098	1,793	18,923
Depreciation for the financial year	-	73	277	66	629	158	191	1,394
Disposals/written off	-	-	-	-	(539)	(62)	(354)	(955)
At 30th September 2014	-	102	478	713	13,245	3,194	1,630	19,362
Accumulated Impairment Loss								
At 1st October 2013	-	-	53	-	-	-	-	53
Additions	-	-	-	-	-	-	-	-
At 30th September 2014	-	-	53	-	-	-	-	53
Carrying Value								
At 30th September 2014	715	2,986	12,588	600	4,745	252	903	22,789
Representing:								
At cost	-	-	3,153	600	4,745	252	903	9,653
At valuation	715	2,986	9,435	-	-	-	-	13,136
	715	2,986	12,588	600	4,745	252	903	22,789

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group 2013	**Freehold Land** RM'000	**Leasehold Land** RM'000	**Buildings** RM'000	**Buildings on Rented Properties** RM'000	**Plant and Machinery** RM'000	**Motor Vehicles** RM'000	**Furniture Fittings and Equipment** RM'000	**Total** RM'000
Cost/Valuation								
At 1st October 2012	650	3,106	7,050	1,313	19,092	3,452	2,314	36,977
Reclassification	-	-	-	-	(51)	-	51	-
Additions	-	-	1,423	-	87	329	408	2,247
Revaluation	65	(18)	3,401	-	-	-	-	3,448
Disposals/written off	-	-	-	-	(617)	(273)	(54)	(944)
At 30th September 2013	715	3,088	11,874	1,313	18,511	3,508	2,719	41,728
Accumulated Depreciation								
At 1st October 2012	-	1,122	348	581	13,075	3,098	1,634	19,858
Reclassification		-	-	-	(19)	-	19	-
Depreciation for the financial year	-	88	197	66	634	273	194	1,452
Disposals/written off	-	-	-	-	(535)	(273)	(54)	(862)
Revaluation	-	(1,181)	(344)	-	-	-	-	(1,525)
At 30th September 2013	-	29	201	647	13,155	3,098	1,793	18,923
Accumulated Impairment Loss								
At 1st October 2012	-	-	2	-	-	-	-	2
Additions	-	-	51	-	-	-	-	51
At 30th September 2013	-	-	53	-	-	-	-	53
Carrying Value								
At 30th September 2013	715	3,059	11,620	666	5,356	410	926	22,752
Representing:								
At cost	-	-	1,907	666	5,356	410	926	9,265
At valuation	715	3,059	9,713	-	-	-	-	13,487
	715	3,059	11,620	666	5,356	410	926	22,752

4. **PROPERTY, PLANT AND EQUIPMENT (Continued)**

Company 2014	**Furniture Fittings and Equipment** RM'000
Cost	
At 1st October 2013	-
Additions	54
Disposals/written off	-
At 30th September 2014	54
Accumulated Depreciation	
At 1st October 2013	-
Depreciation for the financial year	3
Disposals/written off	-
At 30th September 2014	3
Carrying Value	
At 30th September 2014	51

Included under property, plant and equipment of the Group are:-

(i) assets with carrying value of RM226,973/- (2013: RM360,000/-) acquired under hire purchase arrangements;

(ii) assets with carrying value of RM16,085,008/- (2013: RM15,182,470/-) pledged to financial institution for banking facilities granted to the Group as disclosed in Note 13 to the financial statements;

(iii) fully depreciated assets which are still in use, with costs as follows:-

	Group	
	2014 RM'000	2013 RM'000
Motor vehicle	2,649	1,820
Furniture and fittings	817	480
Plant & machinery	1,182	-
	4,648	2,300

(iv) Buildings under construction with an aggregate cost totalling to RM3,152,916/- (2013: RM1,907,487/-);

4. **PROPERTY, PLANT AND EQUIPMENT (Continued)**

(v) **Revaluation of land and buildings**

On 18th July 2013 and 28th November 2013, freehold land, leasehold land and buildings have been revalued based on valuations performed by an independent professional qualified valuer using comparison method; and

(vi) **Fair value information**

Fair value of the freehold land, leasehold land and buildings are categorised under level 2 of fair value. Level 2 fair value is determined by using the sales comparison approach. Sales price of comparable properties is close proximity are adjusted for differences in key attributes such as property size.

5. **INVESTMENT PROPERTIES**

	Leasehold Land	**Freehold Land**	**Buildings**	**Total**
Group	RM'000	RM'000	RM'000	RM'000
At fair value				
At 1st October 2013				
and 30th September 2014	125	2,550	1,300	3,975
At 1st October 2012	110	2,270	1,230	3,610
Gain on fair value changes	15	280	70	365
At 30th September 2013	125	2,550	1,300	3,975

(i) Investment properties comprise a number of commercial properties that are leased to third parties. Each of leases contains an initial non-cancellable period 1 to 3 years, with annual rents indexed to customer price. Subsequent renewals are negotiated with the lessee and on average renewal periods of 1 to 3 years. No contingent rents are charged.

(ii) All of the investment properties had pledged as collateral for banking facilities granted to the Group is disclosed as Note 13 to the financial statements.

(iii) The following are recognised in profit or loss in respect of investment properties:

	Group	
	2014	2013
	RM'000	RM'000
Rental income	158	89

(iv) **Fair value information**

Fair value of the land and buildings are categorised under level 2 of fair value. Level 2 fair value is determined by using the sales comparison approach. Sales price of comparable properties is close proximity are adjusted for differences in key attributes such as property size.

6. INVESTMENT IN SUBSIDIARIES

	Company 2014 RM'000	Company 2013 RM'000
Unquoted shares - at cost	38,958	38,958
Less : Impairment loss	(29,100)	(29,100)
Carrying amount	9,858	9,858

The Companyǿs equity interest in the subsidiaries, which are incorporated in Malaysia and its principal activities are as follows:-

Name of Company	Effective Equity Interest 2014 %	Effective Equity Interest 2013 %	Principal Activities
Direct subsidiaries			
S.P. Granite Sdn. Bhd.*	100	100	Manufacturing and trading in marble, granite and ceramic tiles.
Rainbow Marble & Tiling Sdn. Bhd.	100	100	Trading in marble, granite, ceramic tiles and sanitary ware.
Stone Master Marketing Sdn. Bhd.	100	100	Trading in marble, granite, sanitary ware and all other related products.
Indirect subsidiaries Held by S.P. Granite Sdn. Bhd.			
Stone Master (Malaysia) Sdn. Bhd.*	100	100	Trading in marble, granite, ceramic tiles and sanitary ware and contract works.
Fastra Sdn. Bhd.	100	100	Dormant.

* *The auditors' report of these subsidiaries are qualified in relation to the recoverability of trade receivables.*

7. OTHER INVESTMENTS

	Group 2014 RM'000	Group 2013 RM'000
Quoted shares in Malaysia		
At 1st October/30th September	28	28
Fair value	28	28

8. INVENTORIES

	Group 2014 RM'000	Group 2013 RM'000
At cost:		
Raw materials	278	331
Finished goods and goods for resale	5,705	6,514
	5,983	6,845
At net realisable value:		
Finished goods	1,019	729
	7,002	7,574
Recognised in profit or loss:		
Inventories recognised as costs of sales	71,297	57,252
Written down to net realisable value	972	1,934

9. TRADE RECEIVABLES

The Groupôs normal trade credit terms range from 30 to 180 days (2013: 30 to 180 days). The credit terms are assessed and approved on a case-by-case basis.

The foreign currency exposure profiles of trade receivables are as follows:-

	Group 2014 RM'000	Group 2013 RM'000
Ringgit Malaysia	23,452	20,909
United States Dollar	138	-
	23,590	20,909

9. TRADE RECEIVABLES (Continued)

Ageing analysis of trade receivables

The ageing analysis of the Groupôs trade receivables is as follows:

	Group	
	2014	2013
	RM'000	RM'000
Neither past due nor impaired	17,676	12,954
1 to 90 days past due but not impaired	1,193	2,231
More than 91 days past due but not impaired	3,865	4,868
	5,058	7,099
Impaired	856	856
	23,590	20,909

(i) Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired at the reporting date are creditworthy receivables.

(ii) Receivables that are past due but not impaired

At the reporting date, the Group has trade receivables amounting to RM5,058,000/- (2013: RM7,099,000/-) that are past due but not impaired.

Included in the trade receivable is an amount of RM2,865,943/- (2013: RM2,941,025/-) owing by a former subsidiary which has past due but not impaired. The directors are monitoring the recoverability of the amount owing and are in the midst of assessing the amount to be recovered from this trade receivables by considering alternative actions that may be available to the Group. Subsequent to the end of financial year, the directors obtained the agreement to contra the amount owing by the said trade receivable with amount owing to a former director and other payable amounted to RM890,500/-. The directors have not made any allowance for impairment on this receivable.

Other than as described above, trade receivables that are past due but not impaired relates to customers that have good track payment records with the Group. Based on the past experience and no adverse information to date, the directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances still considered fully recoverable.

9. **TRADE RECEIVABLES (Continued)**

(iii) Receivables that are impaired

The Groupôs trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follow:-

	Group	
	2014	2013
	RM'000	RM'000
Collectively impaired		
Trade receivables - nominal amounts	856	856
Less: Allowance for impairment	(856)	(856)
	-	-

Movement in allowance accounts:

	Group	
	2014	2013
	RM'000	RM'000
At the beginning of the financial year	856	1,148
Impairment for the financial year	-	508
Reversal of impairment loss	-	(800)
At the end of the financial year	856	856

10. **OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Other receivables	26	287	-	-
Deposits	225	171	12	-
Prepayments	459	174	401	-
Amount due from subsidiaries	-	-	449	-
	710	632	862	-

Company

Amount due from subsidiaries

The amount due from subsidiaries are non-trade in nature, unsecured, interest free and are repayable on demand.

11. SHARE CAPITAL AND SHARE PREMIUM

(a) Share capital

	Group and Company			
	2014		2013	
	Number of ordinary shares		**Number of ordinary shares**	
	Unit	RM'000	Unit	RM'000
Authorised				
Ordinary share of RM0.50 each:				
At 1st October/30th September	50,000	25,000	50,000	25,000
Issued and fully paid				
Ordinary share of RM0.50 each:				
At 1st October	42,000	21,000	42,000	21,000
Issuance of shares	4,200	2,100	-	-
At 30th September	46,200	23,100	42,000	21,000

During the financial year, the Company issued 4,200,000 new ordinary shares of RM0.50 each at RM0.65 per ordinary share via a private placement to eligible investors for a total cash consideration of RM2,730,000/-.

(a) Share premium

	Group and Company	
	2014	2013
	RM'000	RM'000
At 1st October	-	-
Issuance of share via private placement	630	-
Less: shares issues expenses	(19)	-
At 30th September	611	-

The share premium is arrived at after accounting for the premium received over the nominal value of the shares issued.

12. RESERVES

	Non-distributable		
	Revaluation reserve	**Fair value reserve**	**Total**
	RM'000	RM'000	RM'000
Group			
At 1st October 2012	602	13	615
Revaluation surplus	3,724	-	3,724
Reversal due to impairment of property, plant and equipment	(15)	-	(15)
At 30th September 2013	4,311	13	4,324
Amortisation of revaluation reserve	(151)	-	(151)
At 30th September 2014	4,160	13	4,173

Revaluation reserve

The revaluation reserve represents the surplus arising from the revaluation of land and buildings, net of related tax effects.

Fair value reserve

The fair value reserve arising from the cumulative net change in fair value of available for sale financial assets are derecognised or impaired.

13. BANK BORROWINGS - SECURED

		Group	
		2014	2013
	Notes	RM'000	RM'000
Current			
Bank overdraft	(a)	2,778	2,317
Trust receipt	(b)	3,081	3,472
Banker acceptance	(c)	5,598	5,436
Term loans	(d)	2,750	942
Hire purchase liabilities	(e)	127	166
		14,334	12,333
Non-current			
Term loans	(d)	11,806	13,074
Hire purchase liabilities	(e)	39	166
		11,845	13,240
		26,179	25,573

13. **BANK BORROWINGS – SECURED (Continued)**

The bank borrowings of the Group bear interest rates as follows:-

	Group	
	2014	2013
	%	%
Bank overdrafts	8.35 - 8.85	8.10 - 8.60
Trust receipts/ Banker acceptance	1.75 - 8.60	1.75 - 8.60
Term loans	5.33 - 8.85	5.33 - 8.60
Hire purchase liabilities	3.60 - 6.64	3.81 - 6.69

(a) Bank overdraft

The bank overdraft of the Group are secured by way of:

(i) Negative pledge over all assets of the Subsidiaries;
(ii) Corporate guarantee by the Company and a subsidiary;
(iii) First and second party legal charge over two pieces of vacant industrial land belong to two Companies which a former director has interest;
(iv) Joint and several guarantees by former directors of the Group; and
(v) First and second party legal charge over the Groupôs freehold land, leasehold land and buildings.

(b) Trust receipt

Trust receipt of the Group are secured by way of:

(i) First party legal charge over the Groupôs freehold land and building; and
(ii) Corporate guarantee by the Company.

(c) Banker acceptance

Banker acceptance of the Group are secured by way of:

(i) First and second party legal charge over the Groupôs freehold land, leasehold land and buildings; and
(ii) Corporate guarantee by the Company.

(d) Term loans

	2014	2013
	RM'000	RM'000
Term loan 1	7,974	8,113
Term loan 2	4,000	4,000
Term loan 3	117	157
Term loan 4	121	162
Term loan 5	2,344	1,584
	14,556	14,016

The borrowings other than hire purchase liabilities are secured by assets pledged as collateral as disclosed in Note 4 and Note 5 to the financial statements.

13. BANK BORROWINGS – SECURED (Continued)

(d) Term loans (Continued)

The maturity structure of the term loans can be analysed as follows:-

	Group	
	2014	2013
	RM'000	RM'000
Repayable within one year	2,750	942
Repayable between one to two years	1,742	1,980
Repayable between two to five years	5,965	6,676
Repayable after five years	4,099	4,418
	11,806	13,074
	14,556	14,016

Group

These term loans are secured by way of:

Term loan 1

(i) Third party legal charge over the Groupõs leasehold land and buildings as disclosed in Note 4; and
(ii) Corporate guarantee by the Company.

On 22nd March 2014, the Group requested the Bank to defer the monthly principal repayment of the above mentioned term loan facility from June 2014 onwards to December 2014. On 22nd May 2014, the Bank agreed to allow the Group to defer the monthly principal repayment of RM138,000/- per month due from June 2014 to December 2014 subject to the following terms and conditions:-

(a) The monthly principal repayment of RM138,000/- per month due from June 2014 to December 2014 totalling RM966,000/- shall be settled in full on 31st December 2014 or upon completion of the proposed rights issue exercise whichever is earlier;

(b) The Company are to continue to service the monthly profit promptly;

(c) In the event the proceeds raise from the proposed rights issued exercise exceeds the minimum scenario of RM3,945,000/-, the Company shall irrevocably undertake to pay the Bank an additional payment of RM3,000,000/- towards reducing the outstanding financing of CMTF-I upon completion of the proposed rights issue exercise;

(d) In the event the proposed right issue exercise fails to be implemented for whatsoever reasons, the Company shall irrevocably undertake to remit the sum of RM966,000/- to the Bank.

Due to the delay in proposed renounceable rights issue, on 31st December 2014, the Group was unable to fulfil the condition set by the Bank including the repayment of RM966,000/- and the bank has the right to demand for the full and immediate repayment of the outstanding sum. On 30th January 2015, the Bank has agreed to accept part repayment and defer the repayment of the outstanding balance to 31st March 2015 and full repayment upon successful completion of the proposed renounceable right issues.

13. **BANK BORROWINGS – SECURED (Continued)**

(d) Term loans (Continued)

Term loan 2

(i) First, second and third party legal charge over the Groupĝs leasehold land and buildings;
(ii) Corporate guarantee by the Company;
(iii) Negative pledge over all assets of the Group;

Term loan 3 and 4

(i) Personal guarantee by a Director of the subsidiary;
(ii) An assignment over the rights, title and interest to the building under construction as disclosed in Note 4; and
(iii) First fixed legal charge to secure all monies due and payable should be executed where required by the Bank.

Term loan 5

(i) Personal guarantee by a Director of the subsidiary;
(ii) An assignment over the rights, title and interest to the building under construction as disclosed in Note 4; and
(iii) First fixed legal charge to secure all monies due and payable should be executed where required by the Bank.

(e) Hire purchase liabilities

	Group	
	2014	2013
	RM'000	RM'000
Minimum hire purchase payments:		
Repayable within one year	132	180
Repayable between one to two years	40	171
	172	351
Less: Future finance charges	(6)	(19)
Present value of hire purchase liabilities	166	332
Present value of hire purcahse liabilities:		
Repayable within one year	127	166
Repayable between one to two years	39	166
	166	332
Representing hire purchase liabilities		
Current	127	166
Non-current	39	166
	166	332

14. DEFERRED TAX LIABILITIES

	Group 2014 RM'000	Group 2013 RM'000
At the beginning of the financial year	2,041	742
Transfer (to)/from profit or loss (Note 20)	(92)	49
Realisation of deferred tax liabilities	17	1,250
At the end of the financial year	1,966	2,041

The components and movements of deferred tax liabilities during the financial year are as follows:

	Temporary differences between net book value and coressponding Tax written down value RM'000	Revaluation reserve RM'000	Others RM'000	Total RM'000
Deferred tax libilities of the Group				
At 1st October 2012	11	731	-	742
Recognised in profit or loss	108	(7)	-	101
Revaluation surplus	-	1,198	-	1,198
At 30th September 2013	119	1,922	-	2,041
Recognised in profit or loss	11	(55)	(31)	(75)
At 30th September 2014	130	1,867	(31)	1,966

15. TRADE PAYABLES

	Group 2014 RM'000	Group 2013 RM'000
Trade payables	13,309	11,304
Amount due to customers for contract work	537	537
	13,846	11,841

Credit terms for trade payables are 30 to 120 days (2013: 30 to 120 days).

16. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	Group		**Company**	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Other payables	1,178	1,186	170	288
Deposits	436	144	-	-
Accruals	1,371	791	314	150
Amount due to former directors	290	319	63	63
Amount due to subsidiaries	-	-	-	995
	3,275	2,440	547	1,496

Group

Other payables

Included in non-trade payables is an amount of RM607,000 (2013: RM647,000) owing to a company in which former director have interests.

Company

Amount due to former directors

The amount due to former directors are non-trade in nature, unsecured, interest free and are repayable on demand.

Amount due to subsidiaries

The amount due to subsidiaries are non-trade in nature, unsecured, interest free and are repayable on demand.

17. REVENUE

	Group		**Company**	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Sales of goods	80,898	67,051	-	-
Management fees	-	-	200	200
	80,898	67,051	200	200

18. OPERATING LOSS

Operating loss has been arrived at:-

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
After charging:-				
Audit fees:				
- current year	136	138	48	48
- over accrual in prior year	(1)	(10)	-	(4)
Allowance for impairment of trade and other receivables	-	861	-	-
Bad debts written off	57	1,595	-	-
Depreciation of property, plant and equipment	1,394	1,452	3	-
Directors' remuneration:				
- fees	256	27	256	27
- salaries and allowances	626	677	20	20
- Employees' Provident Fund and SOCSO	64	74	-	-
- other emoluments	9	19	-	-
Inventories written down	972	1,934	-	-
Impairment of property, plant and equipment	-	36	-	-
Rental of premises	422	410	12	-
Staff costs:				
- salary, wages, allowances and bonus	3,860	3,545	38	25
- Employees' Provident Fund and SOCSO	370	429	1	6
- other staff related expenses	6	95	1	-
and crediting:-				
Bad debts recovered	(12)	(11)	-	-
Dividend income	(2)	(1)	-	-
Gain on disposal of property, plant and equipment	(4)	(80)	-	-
Gain on fair value change of investment properties	-	(365)	-	-
Interest income	(77)	(8)	(13)	-
Rental income	(158)	(89)	-	-
Reversal of allowance for impairment loss on receivables	-	(800)	-	-

19. FINANCE COSTS

	Group	
	2014	2013
	RM'000	RM'000
Interest expense		
- bank overdrafts	171	215
- hire purchase	13	18
- term loans	1,094	1,099
- other borrowings	522	596
	1,800	1,928

20. TAXATION

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Income tax				
- current year	683	276	-	-
- prior year	136	(99)	-	-
Deferred tax liabilities (Note 14)				
- current year	(102)	12	-	-
- prior year	10	37	-	-
	727	226	-	-

Income tax is calculated at the Malaysian statutory rate of 25% of the estimated assessable profit for the fiscal year.

20. **TAXATION (Continued)**

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:-

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Loss before taxation	(2,536)	(4,266)	(314)	(125)
Tax at the applicable tax rate of 25%	(634)	(1,067)	(79)	(32)
Tax effect arising from				
- non-deductible expenses	435	910	20	32
- non-taxable income	(1)	(434)	-	-
- reversal of deferred tax assets not recognised in the financial statements	836	886	59	-
- crystalisation of deferred tax on revaluation reserves	(55)	(7)	-	-
- under accrual in prior years	146	(62)	-	-
Tax expense for the financial year	727	226	-	-

Further, the deferred tax assets have not been recognised for the following items:-

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Taxable temporary differences	(1,548)	(2,368)	-	-
Unutilised tax losses	25,182	22,657	2,325	2,089
	23,634	20,289	2,325	2,089
Potential deferred tax assets not recognised at 25%	5,908	5,072	581	522

21. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the Groupôs profit/(loss) for the financial year attributable to owners of the Company by the number of ordinary shares in issue during the financial year.

	Group	
	2014	2013
Loss attributable to Owners of the Company (RM'000)	(3,263)	(4,492)
Weighted average number of ordinary shares issued ('000)	44,796	42,000
Loss per share (sen)	(7.28)	(10.70)

(b) Diluted

Diluted earnings per share was not calculated as the Group does not have any financial instruments which are convertible to potential issued shares during the financial year.

22. CAPITAL COMMITMENTS

	Group	
	2014	2013
	RM'000	RM'000
Capital expenditure approved and contracted for:		
- Building in construction	404	1,649

23. CONTINGENT LIABILITIES

As at reporting date, the Company is contingently liable for the following:-

	Company	
	2014	2013
	RM'000	RM'000
Corporate guarantee given to subsidiaries:		
S.P. Granite Sdn. Bhd.	14,850	14,850
Rainbow Marble & Tiling Sdn. Bhd.	20,934	20,934
Stone Master (Malaysia) Sdn. Bhd.	11,100	11,100
	46,884	46,884

24. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Identification of related parties

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with the Company or that has an interest in the Group and the Company that gives it significant influence over the Groupҫs and the Companyҫs financial operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in the Group and the Company resides with, directly or indirectly.

The Group and the Company has related party relationship with its subsidiaries, significant investors, directors and key management personnel.

(b) Significant Related Party Transactions

In the normal course of business, the Group and the Company undertake transactions with some of its related parties listed above.

Set out below are significant related party transactions during the financial year (in disclosures mentioned elsewhere in the financial statements). The related party transactions described below were carried out on terms and conditions mutually agreed between the respective parties.

24. **SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)**

(b) **Significant Related Party Transactions (Continued)**

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Subsidiaries				
S.P. Granite Sdn. Bhd.				
Management fees receivable	-	-	(100)	(100)
Rainbow Marble & Tiling Sdn. Bhd.				
Management fees receivable	-	-	(100)	(100)
Directors				
Directors' remuneration	955	797	276	47

(c) **Key Management Personnel Compensation**

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel include all the directors of the Group, and certain members of senior management of the Group.

The remuneration of the key management personnel during the financial year is as follows:-

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Directors				
Fees	256	27	256	27
Salaries and allowances	626	677	20	20
Employees' Provident Fund and SOCSO	64	74	-	-
Other emoluments	9	19	-	-
	955	797	276	47

25. SEGMENTAL INFORMATION

No segmental analysis is provided as the Group operates principally within one industry wholly in Malaysia.

26. FINANCIAL INSTRUMENTS

(a) Classification of Financial Instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The significant accounting policies in Note 2.3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

Group	**Loans and receivables**	**Available for sale**	**Financial liabilities at amortised cost**	**Total**
2014	RM'000	RM'000	RM'000	RM'000
Financial assets				
Other investments	-	28	-	28
Trade receivables	23,590	-	-	23,590
Other receivables and deposits *(exclude non-refundable deposits and prepayments)*	251	-	-	251
Cash and bank balances	1,240	-	-	1,240
Financial liabilities				
Bank borrowings - secured	-	-	(26,179)	(26,179)
Trade payables	-	-	(13,309)	(13,309)
Other payables, deposits and accruals *(exclude non-refundable deposits)*	-	-	(2,985)	(2,985)
Amount due to former directors	-	-	(290)	(290)

26. FINANCIAL INSTRUMENTS (Continued)

(a) Classification of Financial Instruments (Continued)

Group	Loans and receivables	Available for sale	Financial liabilities at amortised cost	Total
	RM'000	RM'000	RM'000	RM'000
2013				
Financial assets				
Other investments	-	28	-	28
Trade receivables	20,909	-	-	20,909
Other receivables and deposits *(exclude non-refundable deposits and prepayments)*	458	-	-	458
Deposits placed with licensed banks	30	-	-	30
Cash and bank balances	901	-	-	901
Financial liabilities				
Bank borrowings	-	-	(25,573)	(25,573)
Trade payables	-	-	(11,304)	(11,304)
Other payables, deposits and accruals *(exclude non-refundable deposits)*	-	-	(2,121)	(2,121)
Amount due to former directors	-	-	(319)	(319)

Company	Loans and receivables	Financial liabilities at amortised cost	Total
2014	RM'000	RM'000	RM'000
Financial assets			
Deposits *(exclude non-refundable deposits)*	12	-	12
Amount due from subsidiaries	449	-	449
Cash and bank balances	536	-	536
Financial liabilities			
Other payables, deposits and accruals *(exclude non-refundable deposits)*	-	(484)	(484)
Amount due to former directors	-	(63)	(63)

26. **FINANCIAL INSTRUMENTS (Continued)**

(a) **Classification of Financial Instruments (Continued)**

Company	**Loans and receivables**	**Financial liabilities at amortised cost**	**Total**
2013	RM'000	RM'000	RM'000
Financial assets			
Cash and bank balances	1	-	1
Financial liabilities			
Other payables, deposits and accruals *(exclude non-refundable deposits)*	-	(438)	(438)
Amount due to subsidiaries	-	(995)	(995)
Amount due to former directors	-	(63)	(63)

(b) **Fair value of financial instruments**

The carrying amounts of these financial assets and liabilities are reasonable approximation of their fair values, either due to their short term nature or that they are floating rate instruments that are re-priced to market interest rates or near the reporting date.

There were no unrecognised financial instruments as at 30th September 2014 that are required to be disclosed.

27. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The operations of the Group and of the Company are subject to a variety of financial risks, including credit risk, interest rate risk and liquidity risk. The Group and the Company have adopted a financial risk management framework whose principal objective is to minimise the Groupœs and the Companyœs exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

(i) **Credit Risk**

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Groupœs exposure to credit risk arises primarily from trade and other receivables. The Companyœs exposure to credit risk arises principally from loan, advances and financial guarantees to subsidiaries.

The management has a credit policy in place to monitor and minimise the exposure of default. Trade and other receivables are monitored on a regular and an ongoing basis. Credit evaluations are performed on all customers requiring credit over certain amount.

27. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

(i) **Credit Risk (Continued)**

Exposure to credit risk

At the reporting date, the Groupҫs and the Companyҫs maximum exposure to credit risk is represented by the carrying amount of trade and other receivables recognised in the statements of financial position.

Information regarding credit enhancements for trade receivables is disclosed in Note 9 to the financial statements.

Credit risk concentration profile

There is no significant concentration of credit risk that may arise from exposure to a single customer or to a group of customers.

Intercompany balances

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

At the reporting date, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Financial guarantee

The Company provides unsecured financial guarantees to financial institution in respect of bank facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

(ii) **Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of the Groupҫs and the Companyҫs financial instruments will fluctuate because of changes in market interest rates.

The Groupҫs income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Groupҫs borrowings and is managed through the use of fixed and floating rate debts. The Group does not use derivative financial instruments to hedge its risk.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(ii) Interest Rate Risk (Continued)

The Group and the Company manage the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an on-going basis. Management does not enter into interest rate hedging transactions since it considers that the cost of such instruments outweigh the potential risk of interest rate fluctuation.

The interest rate profile of the Groupĝs significant interest-bearing financial instruments, based on carrying amounts as the end of the reporting period were:

	Group	
	2014	2013
	RM'000	RM'000
Floating rate instruments		
Financial Liabilities		
Bank overdraft	2,778	2,317
Trust receipt	3,081	3,472
Banker acceptance	5,598	5,436
Term loans	14,556	14,016
Fixed rate instruments		
Financial Liabilities		
Hire purchase liabilities	166	332

Sensitivity analysis for interest rate risk

(a) *Fair value sensitivity analysis for fixed rate instruments*

The Group and the Company do not account for any fixed rate financial assets at fair value through profit or loss and equity. Therefore a change in interest rates at the reporting date would not affect profit or loss and equity.

(b) *Fair value sensitivity analysis for floating rate instruments*

A change of 1% in interest rates at the end of reporting period would have increased/(decreased) loss before tax by the amounts shown below. This analysis assumes that all other variables remain unchanged.

	Loss before tax			
	Increase 1%		Decrease 1%	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Group				
Floating rate instruments				
Financial Liabilities	(260)	(252)	260	252

27. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

(iii) **Liquidity Risk**

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Groupôs and the Companyôs exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Company maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Maturity analysis

The maturity profile of the Groupôs and the Companyôs financial liabilities based on undiscounted contractual repayment at the reporting date are as follows:

		← Undiscounted cash flows →			
	Carrying Amount	**Within 1 Year**	**1 - 5 Years**	**> 5 Years**	**Total**
	RM'000	RM'000	RM'000	RM'000	RM'000
2014					
Group					
Financial Liabilities					
Bank borrowings	26,013	14,207	7,707	4,099	26,013
Hire purchase liabilities	166	132	40	-	172
Trade payables	13,846	13,846	-	-	13,846
Other payables, deposit and accruals	3,275	3,275	-	-	3,275
Company					
Other payables, deposit and accruals	547	547	-	-	547
2013					
Group					
Financial Liabilities					
Bank borrowings	25,241	12,167	8,656	4,418	25,241
Hire purchase liabilities	332	180	171	-	351
Trade payables	11,841	11,841	-	-	11,841
Other payables, deposit and accruals	2,440	2,440	-	-	2,440
Company					
Other payables, deposit and accruals	1,496	1,496	-	-	1,496

28. CAPITAL MANGEMENT

The primary objective of the Groupõs capital management is to ensure that it maintains a strong capital base and safeguard the Groupõs ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios at the end of the reporting date were as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Trade payables	13,846	11,841	-	-
Other payables and accruals	3,275	2,440	547	1,496
Borrowings	26,179	25,573	-	-
	43,300	39,854	547	1,496
Less : Cash and cash equivalents	(1,240)	(931)	(536)	(1)
Capital and net debts	42,060	38,923	11	1,495
Shareholders' funds	13,158	13,710	10,760	8,363
Total capital	55,218	52,633	10,771	9,858
Gearing ratio	76.17%	73.95%	0.10%	15.17%

There were no changes in the Groupõs and Companyõs approach to the capital management during the financial year.

29. COMPARATIVE FIGURES

The comparative figures as for the financial year ended 30th September 2013 were audited by another firm of Chartered Accountants other than Messrs. Baker Tilly Monteiro Heng.

30. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR

(i) On 28th April 2014 the Company proposed a corporate exercise which comprise:

(a) Proposed share capital reduction via the cancellation of RM0.25 from the par value of every existing ordinary share of RM0.50 each in Stone Master Corporation Berhad pursuant to section 64(1) of the Companies Act, 1965.

(b) Proposed renounceable rights issue of up to 184,800,000 new ordinary shares of RM0.25 each in Stone Master Corporation Berhad on the basis of four rights shares for every one ordinary shares of RM0.25 each in the Company from the resultant proposed share capital reduction together with up to 92,400,000 free detachable new warrants on the basis of one warrant for every two rights shares subscribed for at an entitlement date to be determine and announced later.

30. **SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (Continued)**

(i) On 28th April 2014 the Company has announced (Continued):

(c) Proposed increase in the authorised share capital of the Company from RM25,000,000 comprising 50,000,000 of the Company shares to RM100,000,000 comprising 400,000,000 new ordinary shares.

(ii) On 22nd March 2014, the Group requested a Bank to defer the repayment of monthly principal of one of the Groupǿs term loan facility from June 2014 onwards to December 2014. On 22nd May 2014, the Bank agreed to allow the Group to defer the monthly principal repayment of RM138,000/- per month due from June 2014 to December 2014 subject to terms and conditions, including that of the monthly principal repayment of RM138,000/- per month due from June 2014 to December 2014 totalling RM966,000/- shall be settled in full on 31st December 2014 or upon completion of the proposed rights issue exercise whichever is earlier.

(iii) On 23rd July 2014, Bursa Securities had approved the admission of the warrants to the official list of Bursa Securities as well as the listing of and quotation for the warrants, the proposed renounceable right issue shares, and the new shares to be issued arising from the exercise of the warrants on the main market of Bursa Securities.

(iv) During the Extraordinary General Meeting on 3rd September 2014, all the proposals have been duly passed and carried by a show of hands by the shareholders of the Company.

(v) Due to the delay in proposed renounceable rights issue, on 31st December 2014 the Group was unable to fulfil the condition set by the Bank including the repayment of RM966,000/- and the Bank has the right to demand for the full and immediate repayment of the outstanding sum.

(vi) On 7th January 2015, the Company proposed to acquire two ordinary shares of RM1.00 each in Stone Design House Sdn Bhd representing 100% of the issued and paid-up share capital of the said company for a total cash consideration of RM2.00 from two individuals, namely, DatoôLee Fong Yin @ Lee Vun Ya (F) and Mr Steven Yii.

(vii) On 20th January 2015, the Company announced that the major shareholders have indicated and will provide an irrevocable and unconditional undertaking to subscribe 11,460,000 units of the proposed right issues shares.

(viii) On 30th January 2015, the Bank has agreed to accept part repayment and defer the repayment of the outstanding balance to 31st March 2015 and full repayment upon successful completion of the proposed renounceable right issues.

SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25th March 2010, Bursa Malaysia Securities Berhad (ñBursa Malaysiaò) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses.

On 20th December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

Pursuant to the directive, the amounts of realised and unrealised profits or losses included in the accumulated losses of the Group and the Company as at 30th September 2014 are as follows:-

	Group		**Company**	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Realised	(17,690)	(14,486)	(12,951)	(12,637)
Unrealised	2,964	2,872	-	-
	(14,726)	(11,614)	(12,951)	(12,637)

The determination of realised and unrealised profits is based on Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits and Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20th December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

STONE MASTER CORPORATION BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, **DATO' LEE FONG YIN @ LEE VUN YA (F)** and **PROF. DR. WONG KONG YEW @ LEONG KONG YEW**, being two of the directors of Stone Master Corporation Berhad, do hereby state that in the opinion of the directors, the financial statements set out on page 7 to 74 are properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 30th September 2014 and of the results and cash flows of the Group and of the Company for the financial year ended.

The supplementary information set out on page 75 to the financial statements have been prepared in accordance with the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants.

On behalf of the Board,

....
DATOôLEE FONG YIN @ LEE VUN YA (F)

....
PROF. DR. WONG KONG YEW @ LEONG KONG YEW

Kuala Lumpur

Date: 30 January 2015

STONE MASTER CORPORATION BERHAD
(Incorporated in Malaysia)

STATUTORY DECLARATION

I, **YONG TIONG FATT**, being the officer primarily responsible for the financial management of Stone Master Corporation Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on page 7 to 74 and the supplementary information set out on page 75 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

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YONG TIONG FATT

Subscribed and solemnly declared by the abovenamed at Petaling Jaya in State of Selangor on 30 January 2015

Before me,

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ABDUL HALIM BIN BAHARI (No. B349)
Commissioner for Oaths

Company No. 498639-X

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STONE MASTER CORPORATION BERHAD
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Stone Master Corporation Berhad, which comprise the statements of financial position as at 30th September 2014 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 74.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Group ôs and the Companyôs preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Groupôs and the Companyôs internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STONE MASTER CORPORATION BERHAD (Continued)
(Incorporated in Malaysia)

Basis for Qualified Opinion

As disclosed in Note 9(ii) to the financial statements, included in trade receivables of the Group is an amount of RM2,865,943/- owing by a former subsidiary which has past due but not impaired. We are unable to obtain sufficient and appropriate audit evidence on the recoverability of the amount owing from the said trade receivable.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis of Qualified Opinion paragraph, the financial statements have been properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as of 30th September 2014 and of their financial performances and cash flows for the financial year then ended.

Emphasis of Matter

Without further qualifying our opinion, we draw your attention to Note 2.1(a) to the financial statements which discloses the premise upon which the Group and the Company has prepared their financial statements by applying the going concern assumption, notwithstanding that the Group and the Company incurred a net loss of RM3,263,000/- and RM314,000/- for the financial year ended 30th September 2014 respectively. During the financial year, The Group and the Company has recorded negative operating cash flow of RM42,000/- and RM2,122,000/- respectively. The above indicate the existence of a material uncertainty which may cast significant doubt about the Group and the Companyǿs ability to continue as a going concern. If the going concern assumption is inappropriate, the Group and the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. On 28th April 2014, the Company announced a proposed corporate exercise which includes a proposed renounceable rights issue. Due to the delay in proposed renounceable rights issue, on 31st December 2014, the Group was unable to fulfil the condition set by the Bank including the repayment of RM966,000/- and the Bank has the right to demand for the full and immediate repayment of the outstanding sum. On 20th January 2015, the Company announced that the major shareholders have indicated and will provide an irrevocable and unconditional undertaking to subscribe 11,460,000 units of the proposed right issues shares. On 30th January 2015, the Bank has agreed to accept part repayment and defer the repayment of the outstanding balance to 31st March 2015 and full repayment upon successful completion of the proposed renounceable rights issue. The directors are confident that the corporate proposal can be successfully implemented to raise additional funds for the repayment of the borrowings of the Group and to fund the working capital and the Group is able to continue achieve profitable operation. Hence, the financial statements of the Group and the Company have been prepared on a going concern basis.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STONE MASTER CORPORATION BERHAD (Continued)
(Incorporated in Malaysia)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:-

(a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Companyôs financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Except for those subsidiaries with qualified opinions in the auditorsô reports as disclosed in Note 6 to the financial statements, our audit reports on the financial statements of the remaining subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

Other Reporting Responsibility

The supplementary information set out on page 75 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STONE MASTER CORPORATION BERHAD (Continued)
(Incorporated in Malaysia)

Other Matters

The financial statements of the Group and of the Company for the financial year ended 30th September 2013 were audited by another firm of chartered accountants whose report dated 23rd January 2014 expressed an unmodified opinion on those financial statements.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Ng Boon Hiang
No. 2916/03/16(J)
Chartered Accountant

Kuala Lumpur

Date: 30 January 2015