



STONE MASTER
CORPORATION BERHAD
(Company No.: 498639-X)



2016 ANNUAL REPORT

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NOTICE OF THE SIXTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixteenth Annual General Meeting of the Company will be held at Cherry Klubb Conference Room, No. 28, 5.5 Miles, Jalan Tuaran, 88300 Kota Kinabalu, Sabah on Thursday, 30 March 2017 at 10:30 a.m. for the following purposes:-

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 30 September 2016 together with the Reports of the Directors and Auditors thereon. **(Please refer to Explanatory Note 1)**
2. To re-elect the following Directors who retire by rotation pursuant to Article 79 of the Company's Articles of Association:-
 - (a) Datin Chan Chui Mei; and **(Resolution 1)**
 - (b) Encik Md Noor Bin Abd Rahim. **(Resolution 2)**
3. To re-elect the following Directors who retire by rotation pursuant to Article 82 of the Company's Articles of Association:-
 - (a) Encik Mohd Anuar Bin Mohd Hanadzlah; and **(Resolution 3)**
 - (b) Prof. Dato' Dr. Mohd Azmi Bin Mohd Lila. **(Resolution 4)**
4. To re-appoint Messrs. Baker Tilly Monteiro Heng as Auditors of the Company until the conclusion of the next Annual General Meeting and authorise the Directors to fix their remuneration. **(Resolution 5)**

As Special Business

5. To consider and, if thought fit, to pass the following Ordinary Resolution with or without modifications:-

ORDINARY RESOLUTION

- **AUTHORITY TO ALLOT SHARES PURSUANT TO SECTION 75 OF THE COMPANIES ACT, 2016**

(Resolution 6)

THAT subject always to the Companies Act, 2016 ("the Act"), the Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad ("Bursa Securities") and any other governmental/regulatory authorities, the Directors of the Company be and are hereby empowered, pursuant to Section 75 of the Act, to allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors of the Company may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being AND THAT the Directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities AND FURTHER THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.

NOTICE OF THE SIXTEENTH ANNUAL GENERAL MEETING (CONT'D)

6. To transact any other ordinary business for which due notice shall have been given.

By Order of the Board

Marie Cho Yuen Kiew (LS 0009090)
Chua Siew Chuan (MAICSA 0777689)
Mak Chooi Peng (MAICSA 7017931)
Company Secretaries

Kuala Lumpur
8 February 2017

Notes:

1. *A member of the Company entitled to attend and vote at the above Meeting is entitled to appoint a proxy or proxies and, in the case of a corporation, a duly authorised representative to attend and vote in its stead. A proxy may but need not be a member of the Company.*
2. *Where a member appoints more than one proxy (but not more than two), the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. Where a member is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991, at least one (1) proxy is allowed to be appointed in respect of each securities account it holds with the ordinary shares of the Company standing to the credit of the said securities account.*
3. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, the instrument appointing a proxy or proxies must be either under seal or under the hand of an officer or attorney duly authorised.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. Each appointment of proxy by an exempt authorised nominee shall be by a separate instrument of proxy which shall specify the proportion of shareholding to be represented by each proxy.*
5. *All forms of proxy must be deposited at the Registered Office of the Company situated at Unit 2-03, Medan Klang Lama 28, No. 419, Jalan Klang Lama, 58100 Kuala Lumpur, Wilayah Persekutuan, not less than forty-eight (48) hours before the time approved for holding the Meeting or adjournment thereof.*
6. *Only members whose name appears in the General Meeting Record of Depositors of the Company as at 20 March 2017 shall be eligible to attend the AGM.*

NOTICE OF THE SIXTEENTH ANNUAL GENERAL MEETING (CONT'D)

Explanatory Notes:-

1. Item 1 of the Agenda

This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. Resolution 6

The proposed adoption of Ordinary Resolution is for the purpose of seeking a renewal for the general mandate to empower the Directors of the Company pursuant to Section 75 of the Companies Act, 2016, from the date of the above Meeting, to allot ordinary shares of not more than ten percent (10%) from the unissued share capital of the Company for such purposes as the Directors of the Company consider would be in the interest of the Company. This authority will, unless revoked or varied at a General Meeting, expire at the conclusion of the next Annual General Meeting of the Company.

This authority will provide flexibility and enable the Directors to take swift action for allotment of shares for any possible fund raising activities, including but not limited to further placement of shares for purpose of funding future investment project(s), working capital and/or acquisition(s) and to avoid delay and cost in convening general meetings to approve such issue of shares.

As at the date of this Notice, no new shares in the Company were issued under the provision of the general mandate granted to the Directors at the Fifteenth Annual General Meeting held on 31 March 2016, which will lapse at the conclusion of the Sixteenth Annual General Meeting. Hence, no proceeds were raised therefrom.

GROUP CORPORATE STRUCTURE

Stone Master Corporation Berhad (“SMCB” or “the Company”) was incorporated in Malaysia under the Companies Act, 1965 on 11 November 1999 as a public limited company under its present name. The Company was successfully listed on the Official List of the Second Board of the Bursa Malaysia Securities Berhad (“Bursa Securities”) on 1 July 2002.

On 25 May 2011, the High Court of Malaya at Kuala Lumpur had granted an order confirming the capital reduction of the Company where its authorised share capital was reduced from its then existing RM50,000,000 divided into 50,000,000 ordinary shares of RM1.00 each to RM25,000,000 divided into 50,000,000 shares of RM0.50 each and its issued and paid-up share capital was reduced from RM42,000,000 divided into 42,000,000 ordinary shares of RM1.00 each to RM21,000,000 divided into 42,000,000 shares of RM0.50 each (“Capital Reduction”) pursuant to Section 64 of the Companies Act, 1965.

SMCB had on 24 July 2013 submitted a listing application to the Bursa Securities in relation to a corporate proposal for a Proposed Private Placement of up to ten percent (10%) of its existing issued and paid-up share capital and that on 31 July 2013, Bursa Securities had approved the listing of and quotation for up to 4,200,000 new ordinary shares of RM0.50 each in SMCB to be issued on the Main Market of the Bursa Securities pursuant to the Proposed Private Placement. On 23 January 2014, SMCB had fixed the issue price for the placement of the 4,200,000 new Placement Shares at RM0.65 per Placement Share. The Private Placement was fully completed on 30 January 2014 with the listing of and quotation for the 4,200,000 new Placement Shares pursuant to the Private Placement on the Main Market of the Bursa Securities. Upon the completion of the Private Placement and the listing and the quotation for the Placement Shares, the issued and paid-up share capital of SMCB as at 30 January 2014 stands at RM23,100,000 divided into 46,200,000 ordinary shares of RM0.50 each.

The Company had also through its EGM held on 3 September 2014 obtained its shareholders’ approval to pass all the following ordinary and special resolutions to undertake the following corporate exercises:

- (a) Renounceable Rights Issue of up to 184,800,000 new ordinary shares of RM0.25 each in Stone Master (“Rights Shares”) on the basis of four (4) Rights Shares for every one (1) ordinary share of RM0.25 each in Stone Master from the resultant proposed share capital reduction (“new Stone Master share(s)”), together with up to 92,400,000 free detachable new warrants (“warrants”) on the basis of one (1) warrant for every two (2) Rights Shares subscribed for at an entitlement date to be determined and announced later (“entitlement date”) (“Proposed Rights Issue”)
- (b) Increase in the authorised share capital of Stone Master from RM25,000,000 comprising 50,000,000 Stone Master shares to RM100,000,000 comprising 400,000,000 new Stone Master shares (“Proposed Increase in Authorised Share Capital”)
- (c) Share Capital Reduction via the cancellation of RM0.25 of the par value of every existing ordinary share of RM0.50 each in Stone Master (“Stone Master share(s)”) pursuant to Section 64(1) of the Companies Act, 1965 (“Proposed Share Capital Reduction”)
- (d) Amendment to the Memorandum and Articles of Association of Stone Master (“Proposed M&A Amendment”)

The Company had on 24 July 2014 received approval from the Bursa Securities on the admission of the warrants to the official list of the Bursa Securities as well as the listing and quotation for the warrants, the proposed Renounceable Rights Issue shares, and the new Stone Master shares to be issued arising from the exercise of the warrants on the Main Market of the Bursa Securities.

GROUP CORPORATE STRUCTURE (CONT'D)

On the 7 day of October 2014, the High Court of Malaya at Kuala Lumpur had granted an order confirming a further reduction of the issued and paid-up share capital of the Company from RM23,100,000 comprising 46,200,000 ordinary shares of RM0.50 each to RM11,550,000 comprising 46,200,000 ordinary shares of RM0.25 each through the cancellation of RM0.25 from the par value of RM0.50 each. The Company had on 5 November 2014 received from the Companies Commission of Malaysia, the Certificate of Lodgment of Order of the High Court Confirming the Reduction of the Share Capital of the Company (Form 29).

The Company had, at its Fourteenth Annual General Meeting held on 31 March 2015 obtained shareholders' approval to increase its authorised share capital to RM2,000,000,000 divided into 8,000,000,000 ordinary shares of RM0.25 each.

The Company's Rights Issue exercise was completed on 29 June 2015 and had successfully garnered subscriptions for 43,705,177 new ordinary shares at the rate of RM0.30 each, inclusive of a share premium of RM0.05 per share. Upon completion of the Rights Issue, the total issued and paid-up share capital of the Company increased to RM22,476,294.25, comprising 89,905,177 ordinary shares at RM0.25 per share. On the same date, the admission and the listing and quotation for 21,852,588 warrants on the Main Market of the Bursa Securities was completed as well.

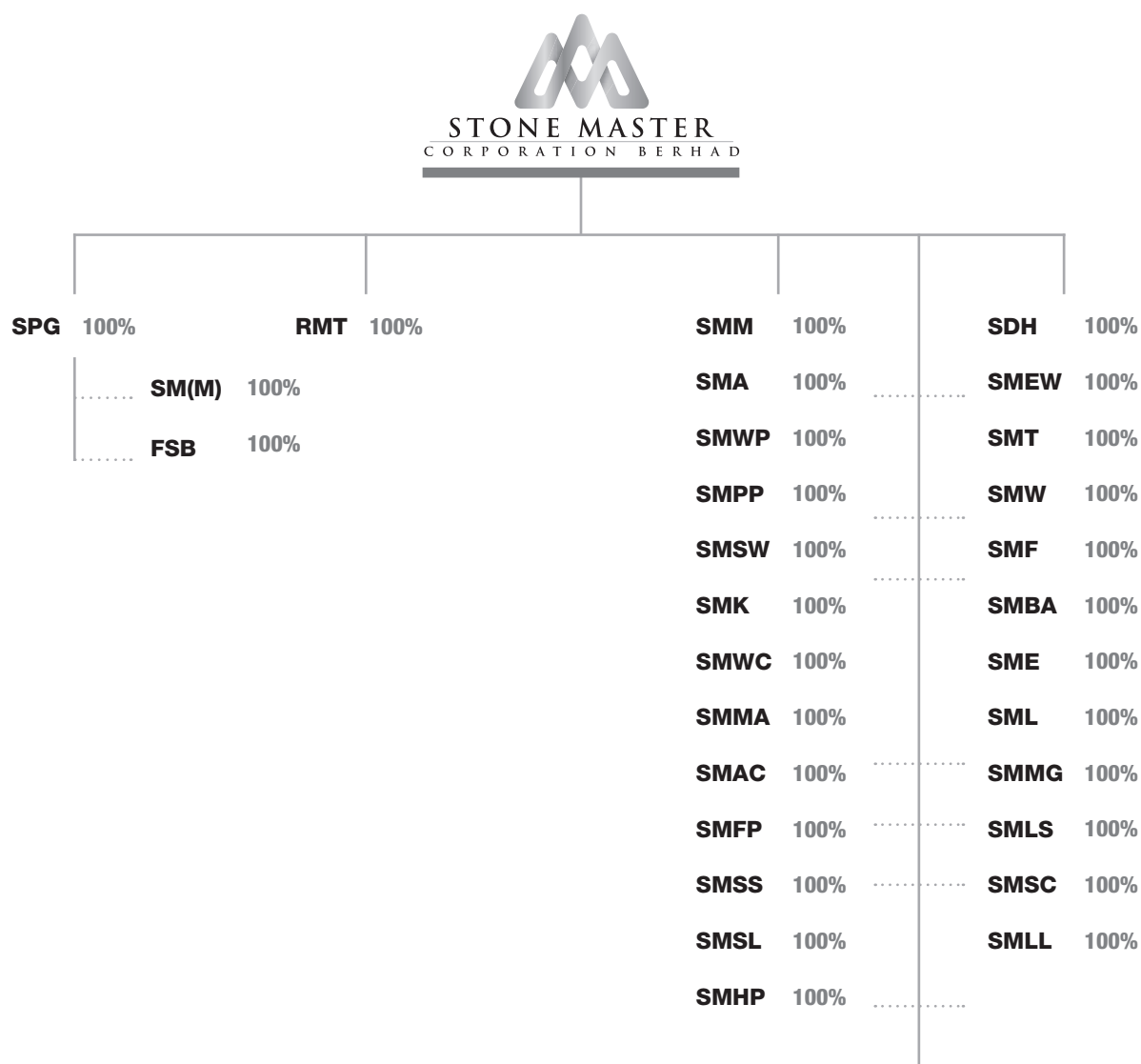
The Company had on 24 August 2016 acquired two (2) ordinary shares of RM1.00 each in twenty-three (23) private companies limited by shares ("23 New Companies") representing one hundred percent (100%) of the issued and paid-up share capital each of the said 23 New Companies for cash consideration of RM2.00 ("the Acquisitions"). The 23 New Companies were incorporated in Malaysia on 8 and 9 August 2016 under the Companies Act, 1965 as private companies limited by shares.

Each of the 23 New Companies has an authorized share capital of RM400,000 divided into 400,000 ordinary shares of RM1.00 each and initial issued and paid-up share capital of RM2.00 comprising of two (2) ordinary shares of RM1.00 each. The two (2) ordinary shares of these 23 New Companies were transferred to SMCB on 24 August 2016. Henceforth, these 23 New Companies become wholly-owned subsidiaries of SMCB.

Further details of the Group Corporate Structure of SMCB are disclosed below.

GROUP CORPORATE STRUCTURE (CONT'D)

SMCB is principally a management and an investment holding company and its subsidiaries are primarily engaged in the manufacturing and trading of marble and granite products, ceramic tiles, sanitary wares and contract works within the property development sector in Malaysia.



**GROUP CORPORATE STRUCTURE
(CONT'D)**

Direct Subsidiaries

Principal Activities

S.P. Granite Sdn Bhd (SPG)

Manufacturing and merchandising of and trading in marble and granite products, ceramic tiles and all kinds of stone products and contract works.

Rainbow Marble & Tiling Sdn Bhd (RMT)

Trading in marble and granite, ceramic tiles, sanitary wares and all kinds and types of related products.

Stone Master Marketing Sdn Bhd (SMM)

Marble and granite merchant, contractor and trader of stone and marble products, ceramic tiles, sanitary wares and all kinds of related products.

Stone Design House Sdn Bhd (SDH)

Provision of services in designing, planning, creating and implementation of imaginative and creative home, office and all kinds and types of building and constructive innovative interior decors and related products.

Stone Master Aluminium Sdn Bhd (SMA)

Merchandising of and trading in aluminium products and all kinds of related products and provision of contractor services.

SM Eco Wood Sdn Bhd (SMEW)

Merchandising of and trading in furniture and all kinds of related products and provision of contractor services.

SM Wooden Products Sdn Bhd (SMWP)

Merchandising of and trading in furniture and fixtures, and all kinds of related products and provision of contractor services

Stone Master Tiling Sdn Bhd (SMT)

Merchandising of and trading in tiles and all kinds of related products and provision of contractor services.

SM Paint Products Sdn Bhd (SMPP)

Merchandising of and trading in paint products and all kinds of related products and provision of contractor services.

SM Waterproofing Sdn Bhd (SMW)

Merchandising of and trading in waterproofing products and all kinds of related products and provision of contractor services.

SM Sanitary Ware Sdn Bhd (SMSW)

Merchandising of and trading in sanitary wares and all kinds of related products and provision of contractor services.

SM Flooring Sdn Bhd (SMF)

Merchandising of and trading in flooring products and all kinds of related products and provision of contractor services.

SM Kitchenware Sdn Bhd (SMK)

Merchandising of and trading in kitchen wares and all kinds of related products and provision of contractor services.

SM Bathware & Accessories Sdn Bhd (SMBA)

Merchandising of and trading in bath wares and all kinds of related products and provision of contractor services.

SM Wardrobes & Cabinets Sdn Bhd (SMWC)

Merchandising of and trading in wardrobes and cabinets and all kinds of related products and provision of contractor services.

GROUP CORPORATE STRUCTURE (CONT'D)

Stone Master Elevator Sdn Bhd (SME)	Merchandising of and trading in elevators and all kinds of related products and provision of contractor services.
SM Marble Art Sdn Bhd (SMMA)	Merchandising of and trading in marble art designs and provision of contractor services.
SM Linens Sdn Bhd (SML)	Merchandising of and trading in fabric and linen products and all kinds of related products provision of contractor services.
SM Airconditioning Sdn Bhd (SMAC)	Merchandising of and trading in air conditioning products and provision of contractor services.
SM Marble & Granite Sdn Bhd (SMMG)	Merchandising of and trading in marble and granite products, ceramic tiles and all kinds of stone products and provision of contractor services.
SM Furnishing Products Sdn Bhd (SMFP)	Merchandising of and trading in furnishing products, and all kinds of related products and provision of contractor services.
SM Locks & Safes Sdn Bhd (SMLS)	Merchandising of and trading in locks security and safe system products and all kinds of related products and provision of contractor services.
SM Switches & Sockets Sdn Bhd (SMSS)	Merchandising of and trading in switches and sockets and all kinds of related products and provision of contractor services.
SM Seats & Chairs Sdn Bhd (SMSC)	Merchandising of and trading in seats and chairs and provision of contractor services
SM Smart Lamps Sdn Bhd (SMSL)	Merchandising of and trading in electric light source products and all kinds of related products and provision of contractor services.
SM Led Lightings Sdn Bhd (SMLL)	Merchandising of and trading in lighting products and all kinds of related products and provision of contractor services.
SM Heat Pumps Sdn Bhd (SMHP)	Merchandising of and trading in heat pump products and all kinds of related products and provision of contractor services.
Subsidiaries of SPG	
Stone Master (Malaysia) Sdn Bhd (SM(M))	Merchandising in marble and granite products, contractors and traders of marble and granite, ceramic tiles, sanitary wares and all kinds and types of related products.
Fastra Sdn Bhd (FSB)	Dormant

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mohd Anuar Bin Mohd Hanadzlah
Independent Non-Executive
Vice Chairman
(Appointed on 23 May 2016)

Dato' Koh Mui Tee
Managing Director

Datin Chan Chui Mei
Deputy Managing Director

**Dato' Eii Ching Siew @
Yii Ching Siew**
Executive Director/ President
(Re-designated as President
on 23 May 2016)

Dato' Lee Fong Yin @ Lee Yun Ya
Executive Director/ Vice President
(Re-designated as Vice President
on 23 May 2016)

Datuk Lee Hwa Cheng
Executive Director

Md Noor Bin Abd Rahim
Independent Non-Executive Director

**Prof. Dato' Dr. Mohd Azmi
Bin Mohd Lila**
Independent Non-Executive Director
(Appointed on 23 May 2016)

AUDIT COMMITTEE

Md Noor Bin Abd Rahim
Chairman

Mohd Anuar Bin Mohd Hanadzlah
Member

**Prof. Dato' Dr. Mohd Azmi
Bin Mohd Lila**
Member

NOMINATION COMMITTEE

Md Noor Bin Abd Rahim
Chairman

Mohd Anuar Bin Mohd Hanadzlah
Member

**Prof. Dato' Dr. Mohd Azmi
Bin Mohd Lila**
Member

REMUNERATION COMMITTEE

Datin Chan Chui Mei
Chairman

Mohd Anuar Bin Mohd Hanadzlah
Member

Md Noor Bin Abd Rahim
Member

RISK MANAGEMENT COMMITTEE

**Prof. Dato' Dr. Mohd Azmi
Bin Mohd Lila**
Chairman

Mohd Anuar Bin Mohd Hanadzlah
Member

Md Noor Bin Abd Rahim
Member

COMPANY SECRETARIES

Marie Cho Yuen Kiew
LS0009090

Chua Siew Chuan
MAICSA 0777689
(Joint Secretary)
(Appointed on 3 January 2017)

Mak Chooi Peng
MAICSA 7017931
(Joint Secretary)
(Appointed on 3 January 2017)

REGISTERED OFFICE

Unit 2-03, Medan Klang Lama 28
No. 419, Jalan Klang Lama,
58100 Kuala Lumpur,
Wilayah Persekutuan
Tel : +603 2382 1777
Fax : +603 7451 9487

PRINCIPAL BANKERS

Bank of China
United Overseas Bank (M) Berhad
Malayan Banking Berhad
CIMB Bank Berhad
Hong Leong Bank Berhad

AUDITORS

Messrs Baker Tilly Monteiro Heng
(Firm No. AF 001826)
Chartered Accountants
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5,
Bangsar South City,
59200 Kuala Lumpur
Tel : +603 2297 1000
Fax : +603 2282 9980

SHARE REGISTRAR

Securities Services (Holdings)
Sdn Bhd
Level 7, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
Damansara Heights,
50490 Kuala Lumpur.
Tel : +603 2084 9000
Fax : +603 2094 9940

STOCK EXCHANGE

Bursa Malaysia Securities Berhad:
Main Market
Stock Name : STONE
Stock Code : 7143
Corporate Website :
www.stonemaster.com.my

CHAIRMAN'S STATEMENT

DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors (“the Board”) of Stone Master Corporation Berhad (“the Company”), I hereby present the Annual Report and Audited Financial Statements of the Company and its subsidiaries (collectively “the Group”) for the financial year ended 30 September 2016.

Tribute to Our Late Chairman

The Group is saddened by the passing of our respected late Chairman, Y. Bhg. Tan Sri Datuk Dr. Henry Chin Poy Wu, on 23 October 2016. On behalf of the Company, the Board would like to take this opportunity to convey our deepest condolences to the families and friends of the late Tan Sri.

During his tenure as the Independent Non-Executive Chairman of the Company, Tan Sri had played his oversight role diligently and contributed immensely in enhancing the Group’s corporate governance framework and practices. We are privileged and honoured to have the service of Tan Sri as our Chairman. Our memories of Tan Sri will forever be cherished and his presence deeply missed.

Industry Overview

Malaysian economy continued to grow in 2016 but at decelerated pace with the full-year real gross domestic product (GDP) growth of slightly above 4%, supported by the private sector consumption and investment. The operating and business environment was challenging during the year affected by various external macroeconomic factors including slower growth in the advanced economies, prolonged low oil prices and volatile international financial markets due to the uncertainties associated with Brexit and US monetary and international trade policies post-election.

Although the construction sector recorded a growth in excess of 8% during the first half of 2016, primarily fuelled by the accelerated civil engineering projects and development of residential properties particularly affordable housing, it has been a challenging year for building materials segment as the market competition intensified. The weakening of Ringgit Malaysia, rising production and operating costs and price competition have weighed on the profit margin of the building materials segment.

Analysis of Financial Performance

	Financial year ended 30 September	
	2016 RM'000	2015 RM'000
Revenue	72,303	76,330
Gross profit (“GP”)	9,463	9,439
GP margin	13.09%	12.37%
Loss after tax	(9,584)	(8,548)

**CHAIRMAN'S STATEMENT
(CONT'D)**

For the financial year ended ("FYE") 30 September 2016, the Group recorded revenue of RM72.30 million, representing a slight decrease of approximately RM4.03 million or 5.28% as compared to revenue of RM76.33 million in the preceding financial year. This was primarily due to the following factors:

- (i) Decrease in revenue from conventional trading of building materials, as a result of the Group's strategic shift in business focus. During the financial year under review, in view of the intensified price competition within the conventional trading segment, the Group decided to actively expand on contract supply of building materials to development projects which generally command better margin. This had contributed positively to the Group, with revenue from contract supply increased to RM4.64 million during the financial year under review, partially mitigated the drop in revenue contribution from conventional trading segment;
- (ii) Decrease in revenue from marble and granite products in line with the cessation of the production factory during the financial year.

Despite lower revenue recorded during the financial year under review, the Group has managed to improve the gross profit to RM9.46 million for the FYE 2016 from RM9.44 million in the preceding financial year, representing a marginal growth of 0.30%. This was primarily contributed by the following:

- (i) Higher margin achieved from contract supply of building materials to development projects as mentioned above, which had mitigated the reduced profit contribution from conventional trading as for which the margin was narrowing due to price competition within the market;
- (ii) Lower operating losses from marble and granite production, following the cessation of the factory operations of S.P. Granite Sdn Bhd, being a strategic cost-saving measure implemented by the Group to reduce operating losses of this subsidiary.

Cessation of the non-profitable marble and granite production operations was part of the business improvement plans implemented by the Group, and has proven effective in cutting down the Group's overall operating costs.

The Group recorded net loss after tax of RM9.58 million for the financial year under review, as compared to net loss after tax of RM8.55 million in the preceding financial year, primarily due to the following factors:

- (a) Write-down of slow-moving and obsolescent inventories of S.P. Granite Sdn Bhd. Notwithstanding that, the Group remains actively seeking to dispose these inventories to recover their residual values;
- (b) Provision has been made for doubtful debts and bad debts as to which numerous demands having been issued;
- (c) Increase in marketing expenses and sales commission during the financial year under review, which were necessary in order to sustain orders amid the challenging environment;
- (d) Increase in professional fees during the year under review, primarily in connection with the new business model proposed to be adopted by the group.

**CHAIRMAN'S STATEMENT
(CONT'D)****Prospect**

Looking ahead, the downside risks to global growth is expected to continue due to the uncertainties and concerns associated with Brexit, new monetary and international trade policies under the Trump's administration as well as slowdown in China's economic growth.

On the domestic front, Malaysia's economy is generally expected to continue a healthy growth in 2017. The construction sector is generally expected to register steady growth in 2017, backed by the public spending on development and infrastructure projects with close to RM95 billion earmarked in the Budget 2017 and private sector investments and housing development projects.

Despite the relatively positive outlook for the construction sector, the industry competition is expected to intensify further in view of the rising operating costs and fluctuations in foreign exchange rates.

The Group will continue to take all reasonable steps and precautions to mitigate the impact of rising costs and intensifying market competition. The Group will, from time to time, identify appropriate new business venture and opportunity to enhance and expand the Group's revenue base and source.

The Board wish to highlight that the Company had, on 6 December 2016, triggered the prescribed criteria under Paragraph 8.04 of the Main Market Listing Requirements and Paragraph 2.1(e) of Practice Note 17 ("PN17"). Accordingly, the Company has been classified as a PN17 issuer. The Company is in the midst of formulating an appropriate regularisation plan to address the PN17 status, and will make the necessary announcements on the regularisation plan in due course.

Appreciation

On behalf of the Board and the Company, I would like to extend our sincere gratitude to the Management and employees for their dedication, efforts and loyalty to the Company during this challenging year. Our appreciation also goes to the former and fellow Directors of the Company for their advice, guidance and commitment that helps the Company in confronting the hurdles and challenges throughout the financial year.

We would also like to express our deepest gratitude to our valued shareholders, customers, suppliers, associates bankers and dealers who continue to believe and support us during the challenging times.

MOHD ANUAR BIN MOHD HANADZLAH
Independent Non-Executive Vice Chairman

PROFILE OF DIRECTORS

Qualification: Graduated in Accounting from MARA Institute of Technology (now known as Universiti Teknologi MARA)

Encik Mohd Anuar Bin Mohd Hanadzlah was appointed as the Independent Non-Executive Vice Chairman of the Company on 23 May 2016.

He started his early career as an auditor with Azman Wong Salleh & Co for three (3) years. Thereafter, he joined several other private companies namely, Mafira Holdings Sdn Bhd, Ipoh as an Assistant Accountant for three (3) years, and as an Assistant Manager of Permodalan Perak Bhd for nine (9) years.

Subsequently, he ventured overseas and joined PT. Wapoga Mutiara Industries, Indonesia as the Branch Manager for three (3) years and was with Precision Logging Ltd in Papua New Guinea as an Accountant for six (6) months. Joining all these companies have allowed Encik Mohd Anuar to gain great exposure and vast working experiences in the various fields and industries such as in accounting, finance, sales and marketing, wholesale and retail trading, personnel and general administrations, mining, sawmilling, plywood and woodworking.

He was appointed as Advisor to Worldgate Express Services Sdn Bhd in 2007. In June 2007, he joined Avic Tech Corporation Sdn Bhd as its Marketing Manager and was appointed as General Manager from January, 2008 to 31 August 2008. He was previously the Executive Director of Raya International Berhad (formerly known as Envair Holding Berhad) from July 2011 till June 2012.

He is presently the Executive Director/Chairman of SMTRACK Berhad and the Executive Director of INIX Technologies Holdings Berhad. He is also the Independent Non-Executive Chairman of Milux Corporation Berhad and the Independent Non-Executive Chairman of MQ Technology Berhad.

Encik Mohd Anuar has attended the remaining two (2) Board of Directors' Meetings held during the financial year ended 30 September 2016 and subsequent to his appointment to the Board of Directors. He is a member of the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee. He does not have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company. He has no conviction of any offences within the past five (5) years other than traffic offences, if any.



MOHD ANUAR BIN MOHD HANADZLAH
Independent Non-Executive Vice Chairman
Malaysian, 58

PROFILE OF DIRECTORS (CONT'D)



Qualification: (i) Bachelor of Laws (LL.B), United Kingdom
(ii) Barrister-at-Law, Lincoln's Inn, London

Dato' Koh Mui Tee was first appointed to the Board as Independent Director on 22 August 2014 and was re-designated as Executive Director on 8 December 2014 and was further re-designated as Managing Director on 14 July 2015.

He started his own legal firm and has been in private practice since 1986. In his legal practice, Dato' Koh specialises in property law, corporate law and civil litigation. Over his more than thirty (30) years of practice, Dato' Koh has amassed vast and extensive professional legal work, experience and knowledge. He has appeared at all tiers of the Malaysian Courts. Dato' Koh advises and acts for various local and foreign corporations, banks and financial institutions, securities firms, construction and property development companies as well as foreign professional consultancy firms in relation to procedures, requirements and compliance of Malaysian laws. He is also involved in reviewing, drafting and negotiating construction, building and engineering contracts for the construction of buildings, factories, infrastructure works, plants, housing developments, and various other engineering and government projects.

Dato' Koh has attended all the five (5) Board of Directors' Meetings held during the financial year ended 30 September 2016. He does not

have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company. He has no conviction of any offences within the past five (5) years other than traffic offences, if any. He does not hold any directorship in other listed corporation.



Qualification: ABE Higher Diploma in Business Management and Financial Management, Advance Tertiary College, University of London (external program)

Datin Chan Chui Mei was appointed to the Board as Executive Director on 19 September 2014 and was re-designated as Deputy Managing Director of the Company on 9 September 2015.

Datin Chan serves as the Executive Chairman of Starfield Capital Sdn Bhd, an international private equity investment company vested in industry, plantation, education and consumer products companies. She has more than twelve (12) years of experience and is well versed in investment portfolio management, expansively in strategic assets allocation and investment policies, portfolio risk and performance management, quantitative investment strategies and innovative financial planning. She was on the asset allocation and investment strategy Committees at Prime China Consultants Ltd (Hong Kong).

Datin Chan has attended all the five (5) Board of Directors' Meetings held during the financial year ended 30 September 2016. She also serves as the Chairman of the Remuneration Committee. She does not have any family relationship with any Director and/or major shareholder of the Company. She does not have any conflict of interest with the Company. She has no conviction of any offences within the past five

(5) years other than traffic offences, if any. She does not hold any directorship in other listed corporation.

**PROFILE OF DIRECTORS
(CONT'D)**

Qualification: PhD in Administration and Finance, University of America

Dato' Eii Ching Siew @ Yii Ching Siew was appointed to the Board as Executive Chairman on 1 August 2014 and was re-designated as Executive Director / President on 23 May 2016.

He has accumulated more than forty-seven (47) years of extensive and vast experience in the field of corporate finance, management and business administration. He has steadfastly and ardently played a key role as the Executive Chairman and Managing Director of several other private companies of various fields and industries which include that of media communication and advertising, general trading and resources, printing and publishing, timber transportation, food and beverages, etc. Through his many years of experience in the private business sectors and several years of active participation and engagement in various executive functions, roles and positions, he has gained immeasurable experiences in the areas of financial management and control, business operation, planning and implementation, sponsorship, marketing, promotion and organisational development in all those other companies where he holds an executive function position as Executive Director.

Dato' Eii has attended all the five (5) Board of Directors' Meetings held during the financial year ended 30 September 2016. He does not have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company. He has no conviction of any offences within the past five (5) years other than traffic offences, if any. He does not hold any directorship in other listed corporation.

Qualification: Diploma in Interior Design, Osaka Institute of Japan

Dato' Lee Fong Yin @ Lee Yun Ya was appointed to the Board as the Deputy Executive Chairman on 1 August 2014 and was re-designated as Executive Director / Vice President on 23 May 2016.

Dato' Lee has over more than twelve (12) years of working experience in the field of business administration, management and financial planning and control. Dato' Lee also sits on the Board as Executive Director of several other private companies limited by shares in Malaysia where she oversees, supervises and manages the overall business operation, corporate affairs as well as the marketing and promotions of the business products and activities of the said companies of various industries which include general trading and resources, media communication, advertising, publishing, health care, environmental and transportation services. Dato' Lee is very devoted and passionate about teaching, coaching and training, and was previously a lecturer in a private international school in Sarawak for a number of years before venturing full-time into the corporate and business sectors.

Dato' Lee has attended all the five (5) Board of Directors' Meetings held during the financial year ended 30 September 2016. She does not have any family relationship with any Director and/or major shareholder of the Company. She does not have any conflict of interest with the Company. She has no conviction of any offences within the past five (5) years other than traffic offences, if any. She does not hold any directorship in other listed corporation.



**DATO' EII CHING SIEW @
YII CHING SIEW**
Executive Director / President
Malaysian, 71



**DATO' LEE FONG YIN @
LEE YUN YA**
Executive Director / Vice President
Malaysian, 49

PROFILE OF DIRECTORS (CONT'D)



DATUK LEE HWA CHENG
Executive Director
Malaysian, 55

Datuk Lee Hwa Cheng was appointed to the Board as Executive Director on 15 December 2014. Datuk Lee is a successful entrepreneur and a renowned businessman with vast and extensive experience in the consumer retail and the construction and property development industries and sectors.

He was formerly the Chief Executive Officer of the Sinma Jewellery Sdn Bhd (“Sinma”) from 1986 to 2011 and is currently the Executive Chairman of Zhonghe Huaxing Development (M) Sdn Bhd (“Zhonghe Huaxing”) since 2012. He started his early years with Sinma in 1986 and grew the company to become the largest costume jewellery retail chain in Malaysia with outlets spanning across the Asian region before exiting the business in 2011 to start up his new business venture in the construction and property development. Datuk Lee advanced further and entered into a very challenging joint venture business with China’s state-owned enterprise, China Nuclear Engineering Group – a large diversified construction company in China with expertise in civil engineering projects such as power plant, military construction works, energy and resources, to set up Zhonghe Huaxing and several other private companies in China. During his tenure as Chief Executive Officer of Sinma, Datuk Lee was also appointed as the President of Malaysia Retail Chain Association (“MRCA”). In recognition of his contributions to MRCA, Datuk Lee was subsequently appointed as the Life Time Honorary President. He also sits on the Board of several NGOs as well

as on the Board of several other private companies limited by shares.

Datuk Lee has attended all the five (5) Board of Directors’ Meetings held during the financial year ended 30 September 2016. He does not have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company. He has no conviction of any offences within the past five (5) years other than traffic offences, if any. Datuk Lee also sits on the Board of BHS Industries Berhad as an Executive Director.



MD NOOR BIN ABD RAHIM
Independent Non-Executive Director
Malaysian, 61

Qualification: (i) Masters of Administration, Monash University of Australia
(ii) Bachelor of Economics (Hons), major in Accounting, Universiti Malaya
(iii) Diploma in Public Administration, INTAN

Encik Md Noor Bin Abd Rahim was appointed to the Board as Independent Non-Executive Director on 8 December 2014.

He is presently the Senior Principal Partner with DWA Advisory Sdn Bhd. He has vast and extensive working experience of thirty-two (32) years in providing advice on all corporate finance matters. Encik Md Noor started his career as a Trainee Officer in UMBC Bhd (1978). Thereafter, he went on to be an Administrative and Diplomatic Service Officer (1979 – 1993), Assistant Secretary in the Investment Division of the Ministry of Finance (1979 – 1984) and Principal Assistant Secretary of the Capital Issues Committee of the Finance Division in the Ministry of Finance (1984 – 1993). He was the Deputy General Manager and Head of the Takeover and Mergers Department of the Securities Commission (March 1993 - November 2011), a Member of the Technical Committee for Tax Incentive for Foreign Assets Acquisition chaired by MIDA (2004 – 2010) and an Independent Non-Executive Director of Naim Indah Corporation Berhad (March 2012 - June 2016).

**PROFILE OF DIRECTORS
(CONT'D)**

He has attended all the five (5) Board of Directors' Meetings held during the financial year ended 30 September 2016. He is the Chairman of the Audit Committee and Nomination Committee and member of the Remuneration Committee and Risk Management Committee. He does not have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company. He has no conviction of any offences within the past five (5) years other than traffic offences, if any. He does not hold any directorship in other listed corporation.

Qualification: (i) Master of Law (LLM) in Business Law, International Islamic University of Malaysia
 (ii) MBA in Finance, Universiti Putra Malaysia (UPM)
 (iii) PhD in Virology, University of Cambridge

Prof. Dato' Dr. Mohd Azmi Bin Mohd Lila was appointed to the Board as Independent Non-Executive Director on 23 May 2016.

He is presently, the Deputy Vice Chancellor of UPM and has been a Professor in UPM since 2001. He has held directorship and senior position in various organisations which include Malaysian Technology Development Corporation, Ninebio Sdn Bhd, UPM Innovations Sdn Bhd, TDM Berhad, INS BioScience Berhad, Malaysian BioDiagnostic Research Sdn Bhd, BioAlpha Sdn Bhd, Foresight Technology Sdn Bhd, and Primera BioSystem Inc. (Boston, USA). He was the Chairman of Innovation & Technology Managers Association Malaysia (ITMA) in 2015 and subsequently appointed as the Advisor in 2016.

Prof. Dato' Dr. Mohd Azmi has attended one (1) out of the two (2) Board of Directors' Meetings held during the financial year ended 30 September 2016 and subsequent to his appointment to the Board of Directors. He is the Chairman of the Risk Management Committee and member of the Audit Committee and Nomination Committee. He does not have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company. He has no conviction of any offences within the past five (5) years other than traffic offences, if any. He does not hold any directorship in other listed corporation.



**PROF. DATO' DR. MOHD
AZMI BIN MOHD LILA**
 Independent Non-Executive Director
 Malaysian, 52

AUDIT COMMITTEE REPORT

Composition of Audit Committee

The Audit Committee members are nominated and appointed by the Board and consist of three (3) members as of the date of this report:

- Md Noor Bin Abd Rahim Chairman, Independent Non-Executive Director
- Mohd Anuar Bin Mohd Hanadzlah Member, Independent Non-Executive Director
- Prof. Dato' Dr. Mohd Azmi Bin Mohd Lila Member, Independent Non-Executive Director

Objectives

The Audit Committee is established with the following objectives:

- To provide assistance to the Board in fulfilling its statutory and fiduciary responsibilities for examinations of the Company and in monitoring its accounting and financial reporting practices;
- To determine whether the Company has adequate administrative, operational and internal accounting controls and it is operating in accordance with its prescribed procedures;
- To serve as an independent and objective party in the review of the financial information presented by the Management to be distributed to the shareholders and the general public; and
- To provide direction and controls over the internal audit function and the external auditors.

Authority

In discharging its duties and responsibilities, the Audit Committee is authorised to:

- (a) Investigate into any matter within its terms of reference;
- (b) Have, at the Company's cost, full and unrestricted access to all information, documents and resources pertaining to the Group which are necessary to perform its duties;
- (c) Have direct communication with the senior management of the Group;
- (d) Convene meetings with the external auditors and/or the internal auditors without the presence of the Executive Directors and employees of the Group, whenever deemed necessary; and
- (e) Obtain external and independent professional or other advice, and to invite external parties with relevant experience to attend meetings, whenever deemed necessary.

Attendance of Meetings

During the financial year under review, five (5) meetings were held and the details of attendance are as follows:

Members	Attendance
Md Noor Bin Abd Rahim	5 out of 5
Mohd Anuar Bin Mohd Hanadzlah	2 out of 2 (i)
Prof. Dato' Dr. Mohd Azmi Bin Mohd Lila	1 out of 2 (i)
Tan Sri Datuk Dr Henry Chin Poy Wu	/
	(Deceased on 23 October 2016)
Ching Pong Hua	2 out of 2 (ii)
	(Resigned on 18 May 2016)
Lam Man Kai	3 out of 3 (iii)
	(Resigned on 22 April 2016)
	1 out of 3 (iii)

Notes

- (i) Two (2) meetings were held subsequent to their appointments and up to 30 September 2016.
- (ii) Two (2) meetings were held subsequent to his appointment and up to 30 September 2016, and prior to his demise on 23 October 2016.
- (iii) Three (3) meetings were held prior to their resignations.

AUDIT COMMITTEE REPORT (CONT'D)

Summary of Activities of the Committee

In discharging its function, the Audit Committee had carried out the following activities during the financial year ended 30 September 2016:

- **Financial reporting**

- (a) Reviewed the unaudited quarterly financial reports prior to recommending them to the Board for approval of announcement to Bursa Malaysia Securities Berhad (“Bursa Securities”) and Securities Commission (“SC”). To this end, the Audit Committee had enquired the Management on the fluctuations in the financial performance and position of the Group during the relevant financial periods, deliberated on the action plans proposed by the Management to turnaround the Group’s financial performance and position and reviewed the accounting policies adopted by the Group to ensure conformity to the applicable approved accounting standards;
- (b) Reviewed the annual audited financial statements of the Company and of the Group for the financial year ended 30 September 2015 prior to recommending it to the Board for approval of announcement to Bursa Securities and SC. To this end, the Audit Committee had:
 - Reviewed the significant accounting policies (including the new accounting standards that came into effect) adopted by the Group to ensure conformity to the applicable approved accounting standards;
 - Reviewed the going concern assumptions applied by the Group in preparing the annual audited financial statements. The Audit Committee took note of the concerns and uncertainties highlighted by the External Auditors that may cast doubt about the Group’s ability to continue as a going concern, and had discussed those concerns with the Management. After due consideration, taking into account the business plans and actions proposed to be taken by the Management aiming to boost the revenue of the Group and to cut costs, the Audit Committee opined that the going concern assumptions remained appropriate;
 - Reviewed the financial performance and position as reported in the annual audited financial statements and enquired the Management on the fluctuations; and
 - Reviewed the significant events as disclosed in the annual audited financial statements to ensure the adequacy and accuracy of the disclosures;
- (c) Reviewed the long outstanding receivables’ balances recorded in the books of the Group and recommended to the Board to make full and specific allowance on doubtful debts / impairment, where applicable, for those balances in the annual audited financial statements ended 30 September 2015;
- (d) Reviewed the revised unaudited quarterly report for the period ended 31 March 2016, and enquired the Management on the rationale for such amendments after the said quarterly report was announced to the Bursa Securities and SC. After due consideration of the explanations provided by the Management, where the amendments were primarily due to change in accounting treatment in relation to recognition of the agency rights fees and made after consultation with the External Auditors and the authorities, the Audit Committee concurred that it is appropriate to revise the previously announced unaudited quarterly report for the period ended 31 March 2016; and
- (e) Reviewed the Statement on Report of the Audit Committee and Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 30 September 2015 (“Annual Report 2015”) to ensure the contents therein are accurate and in compliance with the Main Market Listing Requirements (“MMLR”) of Bursa Securities Berhad.

AUDIT COMMITTEE REPORT (CONT'D)

Summary of Activities of the Committee (Cont'd)

- **External Auditors**

- (a) Reviewed and assessed the suitability and independence of the external auditors and make recommendation for the external audit fees. To this end, the Audit Committee had obtained confirmation from the External Auditors on their independence and were not aware of any potential conflict of interest situation;
- (b) Reviewed and discussed the significant audit findings in relation to the audited financial statements for the financial year ended 30 September 2015 as well as internal control areas that required improvement with the External Auditors. To this end, the Audit Committee had reviewed the findings highlighted, deliberated on the Management's responses thereto and evaluated the recommended improvement action plans to ensure the areas of concern are adequately mitigated;
- (c) Reviewed the audit plan tabled by the External Auditors in relation to the statutory audit for the financial year ended 30 September 2016. To this end, the Audit Committee had discussed with the External Auditors, the following matters:
 - The scope of work and audit approach to be adopted by the External Auditors;
 - The risk areas to be emphasised by the External Auditors, where the key areas identified include revenue recognition, going concern, property, plant and equipment, recoverability of receivables and proper measurement and recognition of liabilities; and
 - Key changes to the accounting and financial reporting standards, auditing standards as well as listing requirements and the consequential impacts therefrom; and
- (d) Reviewed the list of related party transaction undertaken by the Group and confirmed that the transaction was undertaken at arm's length basis and that the terms are not more favourable than those generally available to the public, and that adequate and accurate disclosure was made in compliance with the MMLR of Bursa Securities Berhad.

- **Internal Auditors**

- (a) Reviewed the audit plans and scope of works submitted by the outsourced internal auditors engaged by the Group, namely Ferrier Hodgson MH Sdn Bhd, Total Advisors Sdn Bhd and NGL Tricor Governance Sdn Bhd; and
- (b) Reviewed and discussed the areas of concern identified by the outsourced internal auditors. To this end, the Audit Committee had assessed the potential impact of the findings to the overall effectiveness of the internal control and risk management systems, deliberated on the Management's responses thereto and evaluated the recommended corrective/ improvement actions to ensure that the risk exposures are adequately mitigated.

The Audit Committee confirmed that it has been allowed unrestricted communication with both the External and Internal Auditors during the financial year under review, and participations of the Executive Directors and Management in the Committee's meetings were strictly upon invitation.

AUDIT COMMITTEE REPORT (CONT'D)

Internal Audit Function

The Group has outsourced its internal audit function to independent professional consulting firms, namely Ferrier Hodgson MH Sdn Bhd, Total Advisors Sdn Bhd and NGL Tricor Governance Sdn Bhd (“Outsourced Internal Auditors”) each tasked with different companies within the Group.

The primary role of the internal audit function is to review the effectiveness of the Group’s systems on internal control and this is performed with impartiality, proficiency and due professional care. The internal audit function adopts a risk-based auditing approach by focusing on reviewing identified high risk areas for compliance with control policies and procedures, identifying business risk which have not been appropriately addressed and evaluating the adequacy and effectiveness of controls.

The internal audit function assists the Audit Committee in discharging its duties and responsibilities with respect to the adequacy and effectiveness of the Group’s internal control system. In order to maintain the integrity of the internal audit function, the Outsourced Internal Auditors report directly to the Audit Committee.

During the financial year under review, the Outsourced Internal Auditors have completed the review on the following areas/departments, the findings and recommendations of which had been tabled to the Audit Committee for deliberations:

In respect of the Company

- Corporate governance review on compliance status with Malaysian Code on Corporate Governance 2012

In respect of Rainbow Marble & Tiling Sdn Bhd

- Revenue and receivables
- Inventory management
- Sales ordering and finished goods management
- Assets management

In respect of S.P. Granite Sdn Bhd and its subsidiaries, as well as Stone Master Marketing Sdn Bhd

- Financial and operational aspects covering revenue, expenditure, inventory, treasury and finance, fixed assets and capital expenditure, sales and marketing, warehousing and logistics, information technology, human resource and production facilities.

The Audit Committee had reviewed the findings identified, deliberated on the Management’s responses thereto and communicated with the Management to implement the proposed corrective/ improvement action plans accordingly. Further details on the internal control are set out in the “Statement on Risk Management and Internal Control” contained in this Annual Report.

The total internal audit fees incurred for the abovementioned reviews carried out during the financial year under review amounted to RM169,000.00.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board takes cognisance that a sound risk management and internal control systems is necessary to be established in order to support the Group's objectives and to safeguard the shareholders' investments and the Group's assets.

The Board is pleased to present this Statement on Risk Management and Internal Control ("Statement") in compliance with Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad. This Statement has been prepared in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

It is essential to note that the systems of internal control and risk management are designed to manage, supervise and control risks appropriately within reasonable and practicable level, rather than to eliminate the risk of failure to achieve business objectives. Accordingly, these systems can only provide reasonable and not absolute assurance against material misstatement of management and financial information, or against financial losses and fraud or breaches of laws and regulations.

The effectiveness of risk management and internal control systems may vary over time due to the ever-changing circumstances and conditions of the Company and the Group. Nevertheless, the Board recognises that the systems of risk management and internal control should be continuously improved in line with the evolving business development.

RISK MANAGEMENT

Risk management is embedded within the daily operations of the Group. The Executive Directors, through their active involvement in the day-to-day affairs of the Group, obtain updates and feedbacks on the business risks and issues encountered by the Group from the respective divisional / departmental heads from time to time. Business risks and issues that are of significant impact are tabled during the Board meetings for deliberations and appropriate action plan(s), once resolved at the Board level, will be communicated to the relevant person-in-charge for implementation. The Management is responsible to monitor the implementation progress and to update the Board on the status periodically during the Board meetings.

Risk Management Committee has been established to assist the Board in discharging its duties and responsibilities for continuous monitoring of the risks faced by the Group. During the financial year under review, in view of the challenging economic conditions and business environment, the risk management has been carried out as an integral part of the Board's periodic reviews of the Group's operational and financial performance. Amongst others, the key risks discussed at the periodic Board's meetings during the financial year under review include:

- (i) Risk of non-recoverability of long outstanding debts. The Board, upon recommendation by the Audit Committee, had resolved to make full and specific allowance on doubtful debts / impairment where applicable in compliance with the applicable approved accounting standards. The Board had also instructed that relevant documentary evidence on those debts to be compiled to determine the appropriate recourse action(s);
- (ii) Going concern risk. The Board, having evaluated the prevailing financial performance and position of the Group, had taken measures to reduce costs. Apart from that, the Board had also assessed new business model aiming to expand the revenue base of the Group; and
- (iii) Business risks pertaining to the new business model. To this end, the Board had reviewed the due diligence report on the new business model to make an informed decision.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL CONTROLS

The key components of the Group's system of internal control consist of the following:

- (a) An organisational structure to define and regulate the accountability and responsibility;
- (b) Implementation of standard operating procedures and policies to govern the daily operations, in order to strengthen the internal control mechanism of the Group;
- (c) Board and Management meetings are held from time to time, whenever deemed necessary, to address the operational issues; and on periodic basis (quarterly) to review the financial and operational performance of the Group. The meeting agenda and relevant reports/ documents are circulated to the members of the Board in advance of the meeting to allow sufficient time for any request of information and/or queries to be raised;
- (d) A fully independent Audit Committee comprising exclusively Independent Non-Executive Directors that monitor and review internal control issues identified by the Internal and/or External Auditors, and evaluate the adequacy and effectiveness of the risk management and internal control systems;
- (e) Quarterly meetings for the Audit Committee are held to discuss the quarterly financial reports and issues that warrant the Audit Committee's attention, of which the key findings and/or recommendations are subsequently reported to the Board for further deliberations; and
- (f) The Board, assisted by the Audit Committee, maintains active and regular communication with the Internal and External Auditors to allow the reporting of any significant findings/ issues identified and changes in the regulatory, financial reporting and corporate governance requirements.

INTERNAL AUDIT FUNCTION

The Board recognises and acknowledges the importance of the internal audit function in assisting the Board in reviewing the effectiveness of the systems of risk management and internal control within the Group in safeguarding the shareholders' investments and the Group's assets.

Three independent consulting firms, namely Ferrier Hodgson Mh Sdn Bhd, Total Advisors Sdn Bhd and NGL Tricor Governance Sdn Bhd have been engaged by the Group as the Outsourced Internal Auditors to provide much of the assurance it requires regarding the effectiveness and the adequacy and integrity of the Group's system of internal control. To ensure independence, the Outsourced Internal Auditors report directly to the Audit Committee.

During the financial year under review, the internal audit reviews were carried out on a risk-based auditing approach in accordance with the audit plan and scope of works approved by the Audit Committee. The internal audit provides an assessment of the adequacy and reliability of the Group's system of internal control. Findings, Management's responses thereto and recommendations for improvement are presented to the Audit Committee for deliberation at its periodic meetings. The internal audit reports are also circulated to the Management for implementation of the recommended corrective/ improvement action plans. Follow-up reviews are conducted by the Outsourced Internal Auditors to ascertain whether the recommendations are implemented within the stipulated time frame.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

ASSURANCE FROM MANAGEMENT

The Management is accountable to the Board for implementing and monitoring the risk management and internal control systems and for providing assurance to the Audit Committee and the Board that it has done so. The Board has received assurance from the Managing Director and Chief Financial Officer that, to their best knowledge, the Group is implementing the recommended corrective/ improvement action plans in relation to the areas of concern identified by the Internal Auditors; and that the Group's risk management and internal control systems are operating in all material aspects in accordance with the risk management and internal control systems adopted by the Group.

CONCLUSION

The Board has considered the adequacy and effectiveness of the Group's risk management and internal control systems for the financial year under review, and up to the date of this Statement. The Board is of the view that no significant breakdown or weaknesses in the system of internal control of the Group that may result in material losses incurred by the Group for the financial year under review.

The Board and the Management continuously take measures to enhance the risk management and internal control mechanism in place for the Group.

This Statement was made in accordance with a Board of Directors' resolution dated 7 February 2017.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement. As set out in their terms of engagement, the said review procedures were performed in accordance with the Recommended Practice Guide 5 (Revised): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control Included in the Annual Report ("RPG 5"), issued by the Malaysian Institute of Accountants.

RPG 5 does not require the External Auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system. RPG 5 also does not require the External Auditors to consider whether the processes described to deal with material internal control aspects if any significant problems disclosed in this Annual Report will, in fact, remedy the problems.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of Stone Master Corporation Berhad (“the Board”) is committed to ensure that good corporate governance is practised and applied throughout the Company and its subsidiaries (“the Group”). These best practices will not only safeguard and enhance sustainability of its shareholders’ value but also ensure that the interests of all the stakeholders are protected.

The Board will continuously uphold good corporate governance practices and will endeavour to ensure that the principles and recommendations advocated therein by the Malaysian Code on Corporate Governance 2012 (“the Code”) are observed, where applicable and appropriate. The paragraphs set out below describe the extent of how the Group has applied and complied with the principles and recommendations set out in the Code pursuant to Paragraph 15.25 of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the financial year under review.

PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Principal Responsibilities of the Board

The Board acknowledges its key responsibilities in establishing the Group’s objectives, deliberating and directing the strategic plans and policies and strategic allocation of the Group’s resources to align with the overall objectives of the Group. The primary focus of the Board mainly comprises of formulation of strategies, overseeing the proper conduct of the Group’s, monitoring of financial performance, evaluation and management of principal risks faced by the Group, implementation and review of risk management and internal control system, succession planning, as well as development and implementation of investor relations programme and shareholders’ policy.

To ensure the effective discharge of its function and responsibilities, the Board delegates some of the authorities and discretion to the Executive Directors and key management staff of the operating units within the Group (“the Management”) as well as properly constituted Board committees. There is a clear segregation of responsibilities reserved for the Board and those delegated to the Management.

The Board committees established to assist the Board consist of the Audit Committee, the Nominating Committee, the Remuneration Committee and the Risk Management Committee (collectively referred to as the “Board Committees”). The Board Committees are entrusted with specific duties and responsibilities to oversee the Group’s affairs, in accordance with their respective terms of reference. Any material and important proposals that will significantly affect the policies, strategies, directions and assets of the Group will be subject to the Board’s approval. None of the members of the Board has unfettered powers of decision.

The roles and responsibilities of the Executive and Non-Executive Directors are distinguished and clearly defined. The Executive Directors assume the primary responsibility for managing the Group’s day-to-day operations and resources. The Independent Non-Executive Directors, on the other hand, exercise with professional competence and independence, a supervisory role via their involvement in various Board Committees and focus principally on performance monitoring and enhancement of corporate governance and internal controls. They offer a capable check and balance for the Executive Directors and ensure that issues pertaining to strategies, performance and resources allocation proposed by the Management are objectively evaluated, taking into consideration the interests of the shareholders and relevant stakeholders of the Group.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

1.2 Board Charter

The Board is guided by its Board Charter which clearly sets out the Board's roles, duties and responsibilities in discharging its fiduciary and leadership functions. The objective of the Board Charter is to ensure that the members of the Board practise good corporate governance in their business conducts and dealings in respect of and on behalf of the Group, and comply with the various laws and regulations governing them and the Group.

The Board will review the Board Charter from time to time. Amendments and updates are made from time to time in accordance with the needs of the Company to ensure its effectiveness and consistency with the Board's objectives and corporate vision.

The Board Charter is available for reference on the Company's corporate website at www.stonemaster.com.my.

1.3 Code of Conduct

The Board recognises the importance of the Code of Conduct which sets out the standard of conduct which the Directors and employees should adhere to, with the aim of cultivating good ethical behaviour that in turn promote the values of transparency, integrity, accountability and social responsibility.

The Code of Conduct is available for reference on the Company's corporate website at www.stonemaster.com.my.

1.4 Strategies Promoting Sustainability

The Board is aware of the importance of maintaining a sustainable business and has taken into consideration the environmental, social and governance ("ESG") impact towards its long term sustainability when formulating its short and long term business strategies.

Further details on the Group's core areas of ESG consideration are disclosed in the "Statement on Corporate Social Responsibility" contained in this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)**PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)****1.5 Access to Information and Advice**

The Board convenes regular meetings on a quarterly basis to deliberate on the Group's overall strategies, operations, and financial performance of the Group, with additional meetings to be convened from time to time to resolve any major and ad hoc matters that require immediate attention. Directors are allowed to either participate in person or through other communication channels for e.g. tele-conference.

During the financial year under review, five (5) Board meetings have been called. The attendance of the individual Directors at the Board meetings are as follows:

Executive Directors	Attendance
Dato' Koh Mui Tee	5 out of 5
Datin Chan Chui Mei	5 out of 5
Dato' Eii Ching Siew @ Yii Ching Siew	5 out of 5
Dato' Lee Fong Yin @ Lee Yun Ya	5 out of 5
Datuk Lee Hwa Cheng	5 out of 5
 Independent Non-Executive Directors	
Mohd Anuar bin Mohd Hanadzlah	(Appointed on 23 May 2016) 2 out of 2 (i)
Md Noor Bin Abd Rahim	5 out of 5
Prof. Dato' Dr. Mohd Azmi Bin Mohd Lila	(Appointed on 23 May 2016) 1 out of 2 (i)
Tan Sri Datuk Dr. Henry Chin Poy Wu	(Appointed on 31 March 2016)/ (Deceased on 23 October 2016) 2 out of 2 (ii)
Ching Pong Hua	(Resigned on 18 May 2016) 3 out of 3 (iii)
Lam Man Kai	(Resigned on 22 Apr 2016) 1 out of 3 (iii)

Notes

- (i) Two (2) meetings were held subsequent to their appointments and up to 30 September 2016.
- (ii) Two (2) meetings were held subsequent to his appointment and up to 30 September 2016, and prior to his demise on 23 October 2016.
- (iii) Three (3) meetings were held prior to their resignations.

The Board is satisfied with the Directors' commitment in fulfilling their roles and responsibilities as the directors of the Company, evidenced by the good attendance record of the Directors at the Board meetings.

The Board is given full and unrestricted access to all information pertaining to the Group's affairs at all times to help in discharge of their fiduciary duties effectively. The Board also has full access to the advice and services of the Company Secretary who are responsible to the Board for ensuring that the Board meeting procedures are adhered to and that the applicable rules and regulations are being complied with. The Board is allowed, whether as a full board or in their individual capacity, to solicit independent professional advice, where necessary and in appropriate circumstances, in furtherance of their duties, at the Group's expense.

A formal agenda together with meeting papers are circulated to the Board members in advance of each Board meeting to ensure the Directors have sufficient time to solicit further clarification and/or information, where necessary, so as to enable them to duly discharge their duties and ensure that deliberations at the meeting are focused and constructive. Management team and external advisers are normally invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda.

The proceedings and relevant resolutions passed at the Board meeting are duly recorded by the Company Secretary, and properly documented and filed in the Minutes Book maintained at the Registered Office of the Company.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONT'D)

1.6 Company Secretaries

During the financial year under review, the Board is supported by a licensed Company Secretary. The Company Secretary plays an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretary is also responsible to ensure that discussions during the Board and its Committees meetings are properly minuted and kept. In order to strengthen the secretarial support to the Board, two joint company secretaries have been engaged subsequent to the financial year-end.

PRINCIPLE 2 – STRENGTHEN COMPOSITION

Four (4) Board Committees have been established to assist the Board in discharging its duties and responsibilities, namely the Audit Committee, the Nominating Committee, the Remuneration Committee and Risk Management Committee.

The Board Committees operate within their respective clearly defined terms of reference to assist in the effective functioning of the Board. The respective Board Committees' function, terms of reference and the authority delegated by the Board are reviewed from time to time to ensure they remain relevant and up to date.

The Board Committees discuss matters within their functioning scope in greater details and report to the Board on matters deliberated together with their recommendations for the Board's consideration. The final decision on all matters remains the subject of the Board's collective approval.

2.1 Nominating Committee

The Board has strived to apply the best practices of the Code by setting up a Nominating Committee comprising exclusively three (3) Independent Non-Executive Directors. The composition of the Nominating Committee as of the date of this Annual Report is as follows:

- Md Noor Bin Abd Rahim *(Chairman / Independent Non-Executive Director)*
- Mohd Anuar Bin Mohd Hanadzlah *(Member / Independent Non-Executive)*
- Prof. Dato' Dr. Mohd Azmi Bin Mohd Lila *(Member / Independent Non-Executive Director)*

The terms of reference of the Nominating Committee can be viewed at the Company's website at www.stonemaster.com.my.

The Nominating Committee meets as and when deemed necessary. During the financial year under review, no separate meeting was held by the Nominating Committee due to the changes in the composition of the Nominating Committee encountered by the Group as disclosed below:

- (i) On 22 April 2016, Mr. Lam Man Kai tendered his resignation as the Independent Non-Executive Director of the Company. Accordingly, his appointment to the Nominating Committee ceased on the same date.
- (ii) On 18 May 2016, Mr. Ching Pong Hua tendered his resignation as the Independent Non-Executive Director of the Company. Accordingly, his appointment to the Nominating Committee ceased on the same date.
- (iii) On 23 May 2016, the following candidates have been appointed as the members of the Nominating Committee to fill the above mentioned vacancies:
 - Tan Sri Datuk Dr. Henry Chin Poy Wu *(deceased on 23 October 2016)*
 - Encik Mohd Anuar Bin Mohd Hanadzlah
 - Prof. Dato' Dr. Mohd Azmi Bin Mohd Lila

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)**PRINCIPLE 2 – STRENGTHEN COMPOSITION (CONT'D)****2.1 Nominating Committee (Cont'd)**

New appointments to the Board and to the Board Committees during the financial year under review were discussed and approved directly by the Board at the relevant Board meetings.

During the financial year under review, the activities carried out by the Nominating Committee are as follows:

- Reviewed and assessed the profile of a new candidate for appointment as a member of the Board, and recommended the candidate for appointment; and
- Reviewed and recommended to the Board, the re-election and re-appointment of the Directors who will be retiring at the forthcoming Annual General Meeting of the Company.

The Nominating Committee has a formal assessment mechanism to assess the effectiveness of the Board as a whole, Board Committees and individual Directors. The criteria for assessment include contribution to interaction, integrity, competency and time commitment of the members of the Board and Board Committees in discharging their duties.

Recommendation 2.1 of the Code advocates that the Chairman of the Nominating Committee should be the Senior Independent Non-Executive Director identified by the Board. Due to the changes in the composition of the Board encountered by the Company during the financial year under review, the Board has yet to identify a Senior Independent Non-Executive Director. The Board will take the necessary action to comply with this recommendation.

2.2 Appointment and Re-Election of Directors

The Nominating Committee is tasked with overseeing the selection process and assessment of the performance of the Directors with the objective of securing the best composition to meet the diverse objectives of the Company.

The selection and appointment of candidates for the Board membership involve the following procedures:

- (i) Identification of potential candidate(s);
- (ii) Assessment on the suitability of potential candidate(s);
- (iii) Interview with potential candidate(s);
- (iv) Final deliberation by the Nominating Committee; and
- (v) Recommendation to the Board for approval.

In the selection process, the Board and the Nominating Committee endeavour to appoint member that can improve the Board's overall compositional balance and enhance the Board's overall effectiveness in discharging its duties. The selection process is unbiased in respect of race, religion and gender although the Board and the Nominating Committee are cognisant of the gender diversity recommendation advocated by the Code.

The Board members collectively make decisions on appointment of Director, upon recommendation by the Nominating Committee. The Nominating Committee shall first assess the required mix of skills and experience of the candidates, competency, integrity, time commitment and other qualities, before making recommendation to the Board. In the case of candidates for the position of the Independent Non-Executive Directors, the Nominating Committee will determine whether the test of independence under the Listing Requirements of Bursa Securities is satisfied.

The Board is entitled to the services of the Company Secretaries who ensure that all appointments are properly made, that all necessary information is obtained from Directors, both for the internal records and for the purposes of meeting statutory obligations, as well as obligations arising from the Listing Requirement of Bursa Securities or other regulatory requirements.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

PRINCIPLE 2 – STRENGTHEN COMPOSITION (CONT'D)

2.2 Appointment and Re-Election of Directors (Cont'd)

Pursuant to the Company's Articles of Association, one-third (1/3) of the Directors are required to retire at each Annual General Meeting and be subjected to re-election by shareholders. All Directors shall also retire at least once every three (3) years. Directors who are newly appointed by the Board shall retire and subject themselves for re-election by the shareholders at the next Annual General Meeting held following their appointments.

Upon the recommendation of the Nominating Committee and the Board, the Directors who are standing for re-election and re-appointment at the forthcoming Annual General Meeting of the Company to be held in 2017 are as stated in the Notice of Annual General Meeting.

Due to the changes in the composition of the Nominating Committee encountered by the Group as explained above, new appointments to the Board and to the Board Committees during the financial year under review were discussed, evaluated and approved directly by the Board at the relevant Board meetings. However, the Nominating Committee has in its recent meeting conducted evaluation on the Directors to be re-appointed in the forthcoming Annual General Meeting,

2.3 Board Gender Diversity

The Board is cognisant of the gender diversity promoted under Recommendation 2.2 of the Code. The Company currently has two (2) female Executive Directors albeit there is no female Independent Non-Executive Director. The Board is satisfied with the competency, skills, experience and time commitment demonstrated by the respective Directors and is of the opinion there is no immediate need to revise the present Board's composition. Notwithstanding that, the Board will remain mindful of the gender diversity recommendation advocated by the Code when there is a change to the Board's composition in the future.

The Board does not have any gender, ethnicity and age diversity policies and targets or any set measures to meet any target. Nevertheless, the Group is an equal opportunity employer and all appointments and employments are strictly based on merits and are not driven by any racial, gender, ethnicity or age bias.

2.4 Remuneration Committee

The Board's Remuneration Committee comprising the following members as of the date of this Annual Report, majority of them are Independent Non-Executive Directors:

- Datin Chan Chui Mei *(Chairman / Deputy Managing Director)*
- Mohd Anuar Bin Mohd Hanadzlah *(Member / Independent Non-Executive)*
- Md Noor Bin Abd Rahim *(Member / Independent Non-Executive Director)*

The terms of reference of the Remuneration Committee can be viewed at the Company's website at www.stonemaster.com.my.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)**PRINCIPLE 2 – STRENGTHEN COMPOSITION (CONT'D)****2.4 Remuneration Committee**

There were several changes to the composition of the Remuneration Committee during the financial year under review, as disclosed below:

- (i) On 22 April 2016, Mr. Lam Man Kai tendered his resignation as the Independent Non-Executive Director of the Company. Accordingly, his appointment to the Remuneration Committee ceased on the same date.
- (ii) On 23 May 2016, the Board resolved to appoint Tan Sri Datuk Dr. Henry Chin Poy Wu (deceased on 23 October 2016) and Encik Mohd Anuar Bin Mohd Hanadzlah as members of the Remuneration Committee.

Due to the abovementioned changes in the composition of the Remuneration Committee, no separate Committee meeting was held during the financial year under review. Matters relating to the Directors' remuneration were deliberated and approved directly by the Board.

2.5 Directors' Remuneration

The overriding principle of the Group's remuneration policy is to attract, retain and motivate Directors of the necessary calibre and experience to lead and manage the Group successfully particularly during the challenging times. For Executive Directors, the remuneration package is structured to align the interests of the Executive Directors with those of shareholders and is linked to corporate and individual performance, service seniority, experience and responsibilities. For Independent Non-Executive Directors, the level of remuneration is based on the level of calibre, experience and responsibilities. The Board members collectively make decision on the remuneration package of the Independent Non-Executive Directors. Directors are required to abstain from deliberations and voting on decisions concerning their own remuneration.

In view of the lacklustre financial performance of the Group during the financial year under review, no directors' fees were proposed. Nevertheless, for the efforts and contributions made by the Independent Non-Executive Directors, allowances are proposed to be paid to the Independent Non-Executive Directors for their time commitment and expenses incurred to participate at the Board and its Committees Meetings.

Remuneration paid or payable or otherwise made available to Directors of the Company who have served during the financial year ended 30 September 2016 are as follows:

Aggregate Directors' Remuneration

Directors	Group		Company		Total (RM'000)
	Directors' Fees (RM'000)	Salaries and Other Emoluments (RM'000)	Directors' Fees (RM'000)	Salaries and Other Emoluments (RM'000)	
Executive Directors	–	2,506	–	1,746	1,746
Non-Executive Directors	–	213	–	213	137
Grand Total	–	2,719	–	1,959	1,883

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

PRINCIPLE 2 – STRENGTHEN COMPOSITION (CONT'D)

2.5 Directors' Remuneration

Analysis of Directors' Remuneration

Directors	Group		Company	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
RM50,000 and below	2	3	–	3
RM50,001 – RM100,000	–	1	–	1
RM200,001 – RM250,000	3	–	1	–
RM300,001 – RM350,000	2	–	2	–
RM400,001 – RM450,000	1	–	1	–
RM450,001 – RM500,000	1	–	1	–

The Board is of the opinion that disclosure of remuneration by appropriate components and bands is adequate to meet the objectives of the Code.

2.6 Risk Management Committee

The members of the Risk Management Committee are nominated and appointed by the Board to assist the Board in discharging its fiduciary duties and responsibilities in relation to overseeing and monitoring of risk management activities to ensure that the inherent business risk exposure of the Group is managed within an acceptable and appropriate level.

The terms of reference of the Risk Management Committee can be viewed at the Company's website.

As of the date of this Annual Report, the composition of the Risk Management consists of the following members, all of which are Independent Non-Executive Directors:

- Prof. Dato' Dr. Mohd Azmi Bin Mohd Lila *(Chairman / Independent Non-Executive Director)*
- Mohd Anuar Bin Mohd Hanadzlah *(Member / Independent Non-Executive Vice Chairman)*
- Md Noor Bin Abd Rahim *(Member / Independent Non-Executive Director)*

Further details on the risk management and internal control functions and activities are disclosed in the "Statement on Risk Management and Internal Control" contained in this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

PRINCIPLE 3 – REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independent Non-Executive Directors

The Board is satisfied that the three (3) Independent Non-Executive Directors has maintained their independence in discharging their duties and responsibilities during the financial year under review, and that each of them continues to fulfil the definition of independence as set out in the Listing Requirements of Bursa Securities.

3.2 Tenure of Independent Non-Executive Directors

The Board is aware that the tenure of an Independent Non-Executive Director should not exceed a cumulative term of nine (9) years as recommended by the Code.

Upon completion of the nine (9) years, the Independent Non-Executive Director concerned may:

- (i) Continue to serve on the Board if deemed appropriate and suitable by the Board, subject to him/her being re-designated as Non-Independent Director; or
- (ii) Remain as an Independent Non-Executive Director if deemed appropriate and suitable by the Board, subject to the shareholders' approval. The Board must provide justification for the decision.

As of the date of this Annual Report, none of the Independent Non-Executive Directors has served a consecutive term of nine (9) years.

3.3 Separation of Positions of Chairman and Managing Director

During the financial year under review, the Company has complied with the recommendation of the Code where the positions of Chairman and Managing Director are to be held by different individuals, and that the Chairman should be a non-executive member of the Board.

The Company suffered the loss of the Independent Non-Executive Chairman subsequent to the financial year-end upon the passing of Tan Sri Datuk Dr. Henry Chin Poy Wu on 23 October 2016. Nevertheless, the Company's adherence to Recommendation 3.4 of the Code is not affected with the presence of an Independent Non-Executive Vice Chairman.

The roles of the Independent Non-Executive Chairman / Vice Chairman and the Managing Director are clearly defined and segregated, to ensure appropriate balance of power and authority, increased accountability and enhanced capacity of the Board for independent decision-making. The Independent Non-Executive Chairman / Vice Chairman are not related to the Managing Director, and are responsible in leading the Board in the oversight and supervision of the Group's management; whilst the Managing Director is responsible for the day-to-day operations of the Group, making strategic business decision and implementing the Board's policies and decisions.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

PRINCIPLE 3 – REINFORCE INDEPENDENCE (CONT'D)

3.4 Composition of the Board

The Board currently consists of eight (8) members, comprising five (5) Executive Directors and three (3) Independent Non-Executive Directors, as follows:

Name	Designation
Mohd Anuar Bin Mohd Hanadzlah	<i>Independent Non-Executive Vice Chairman</i>
Dato' Koh Mui Tee	<i>Managing Director</i>
Datin Chan Chui Mei	<i>Deputy Managing Director</i>
Dato' Eii Ching Siew @ Yii Ching Siew	<i>Executive Director / President</i>
Dato' Lee Fong Yin @ Lee Vun Ya	<i>Executive Director / Vice President</i>
Datuk Lee Hwa Cheng	<i>Executive Director</i>
Md Noor Bin Abd Rahim	<i>Independent Non-Executive Director</i>
Prof. Dato' Dr. Mohd Azmi Bin Mohd Lila	<i>Independent Non-Executive Director</i>

The composition of the Board is in compliance with paragraph 15.02 of the Listing Requirements of Bursa Securities, which require at least two (2) Directors or one-third (1/3) of the Board, whichever is the higher, to consist of Independent Non-Executive Directors.

Please refer to the "Profile of Directors" contained in this Annual Report for biographical information on the individual Directors.

Members of the Board are persons of high calibre with different professional and commercial backgrounds. The current composition of the Board presents a balanced mix, which benefits the Group with extensive depth and diversity in experience and perspectives that are essential for the sustainability of the Group.

The roles and responsibilities of the Independent Non-Executive Directors and Executive Directors are clearly defined and properly segregated. All the Independent Non-Executive Directors are independent of the Executive Directors, Management and major shareholders of the Company, and are free from any business or other relationship with the Group that could materially interfere with the exercise of their independent judgement. This offers a strong check and balance on the Board's deliberations.

The Executive Directors are responsible for the overall performance and operations as well as the corporate affairs and administrations of the Group. They are assisted by the senior management personnel of the Group in managing the business activities of the Group in the manner that is consistent with the policies, standards, guidelines, procedures and/or practices of the Group and in accordance with the specific plans, instructions and directions set by the Board.

The Managing Director holds the principal obligations in focusing, guiding, addressing, supervising, regulating, managing and controlling as well as communicating the Company's goals and objectives, as well as all significant corporate matters, corporate restructuring plans and business extension plans and proposals. The Managing Director, assisted by the Deputy Managing Director and other Executive Directors, is also responsible for proposing, developing and implementing applicable and relevant new policies and procedures.

The Independent Non-Executive Directors, on the other hand, provide unbiased, impartial, fair, equitable and self-sufficient governing views, advice and opinions on the ideas, business plans, strategies, policies and procedures proposed by the Executive Directors; and ensure that the interests of the Group and its shareholders and stakeholders are adequately protected at all times.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)**PRINCIPLE 4 – FOSTER COMMITMENT****4.1 Time Commitment**

The Board is satisfied with the time committed by the Directors towards fulfilling their duties and responsibilities as director of the Company. This is evidenced by the good attendance record of the individual Directors at the Board meetings for the financial year under review, as set out above under Section 1.5 of this statement. Notice of meeting is circulated in advance to the Directors, allowing sufficient time for the Directors to make the necessary scheduling.

4.2 Continuing Education Programme for Directors

The Board takes cognisance of the importance of continuous training in keeping the Directors updated and informed on the changes and developments of operating environment and the corporate regulatory framework.

All the Directors have attended and completed the Mandatory Accreditation Programme (MAP). In addition to that, the Directors are briefed and updated at the quarterly meetings by the External Auditors, Internal Auditors and/or the Company Secretary on relevant amendments to the Listing Requirements, corporate governance practices and principles, risk management and internal control approaches, Malaysian Financial Reporting Standards as well as auditing requirements. The Directors also gained insights to the market development through constructive and active deliberations at the Board meetings.

The Directors, on their own efforts, continue to equip themselves with latest knowledge and updates on the business and economic environment via the following channels:

- (i) Personal readings;
- (ii) Interaction and communication with other industry veterans, entrepreneurs / business owners, corporate managers and professionals in their daily business dealings and undertakings;
- (iii) Participation in seminars, dialogues/talks and briefings.

The Directors will, from time to time, assess the needs to enrol in formal, structured training programmes. During the financial year under review, the Directors have attended the following formal training programmes:

- Dialog Session: Capitalising on the Growth of Shariah Investing
(Attended by *Mohd Anuar Bin Mohd Hanadzlah*)
- MFRS made simple for Directors and Senior Management
(Attended by *Dato' Koh Mui Tee*)

The Board will, via its Nominating Committee, identify and suggest suitable training programme(s) for the Directors so as to provide the Directors with the necessary updates to assist them in discharging their roles and responsibilities effectively.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with Applicable Financial Reporting Standard

The Board strives to provide shareholders with a balanced and meaningful evaluation of the Group's financial performance, financial position and prospects through the annual audited financial statements, interim financial reports, annual report and announcements to Bursa Securities.

The interim financial reports, annual audited financial statements and annual report of the Group for the financial year ended 30 September are prepared in accordance with the Malaysian Financial Reporting Standards, Listing Requirements and the Companies Act, 1965. The Board is assisted by the Audit Committee in overseeing the financial reporting processes and ensuring the quality of its financial reporting.

Directors' responsibilities in connection with the preparation of the Group's financial statements are further elaborated under the "Directors' Responsibility Statement" included hereunder.

5.2 Assessment of Suitability and Independence of External Auditors

The Board recognises that the independent opinion of the Group's External Auditors is an essential reassurance to the shareholders that the Group's financial statements present a true and fair view of its financial position, financial performance and cash flows status.

The Board strives to establish a transparent and professional relationship with the External Auditors with the assistance of the Audit Committee. Participation of the Executive Directors and/or senior management in the Audit Committee meeting is strictly by invitation only, so that the External Auditors can unreservedly highlight any issues/ concerns on the Group's operations and management practices.

The Audit Committee is responsible to review and monitor the suitability and independence of the External Auditors, and make recommendation for the audit fees. The Audit Committee has obtained confirmation from the External Auditors that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS

6.1 Risk Management

The Board affirms its overall responsibility in ensuring the adequacy, effectiveness and integrity of the Group's risk management and internal control systems. Nonetheless, it is important to note that the risk management and internal control systems are designed to manage, and not to eliminate, the risks faced by the Group within acceptable and appropriate level. Accordingly, the systems can only be relied upon to provide reasonable and not absolute assurance against material misstatement, loss and/or fraud.

6.2 Internal Audit Function

The Board has outsourced the internal audit function to professional consultancy firms which are independent of the activities and operations of the Group. The Outsourced Internal Auditors conduct independent reviews on the state of risk management and internal controls of the Group, and report directly to the Audit Committee of the findings and recommendations for improvement.

Further details on the state of the Group's risk management and internal control systems, as well as the internal audit function and its activities during the financial year under review are set out under the "Statement on Risk Management and Internal Control" contained herein this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure

The Board is mindful of the disclosure obligations as stipulated in the Listing Requirements and strive to ensure compliance at all times. The Board, in its best efforts, always ensure that shareholders and stakeholders are provided with accurate and quality information in relation to the Group on a timely basis.

7.2 Leverage on Information Technology for Effective Dissemination of Information

To ensure effective dissemination of information to the shareholders and stakeholders, the Group make necessary announcements on the Group's affairs and development in accordance with the Listing Requirements through the website of Bursa Securities. In addition to that, the Company also maintain a corporate website at www.stonemaster.com.my where pertinent information on the Group can be easily accessible by the shareholders and stakeholders.

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Shareholders' Participation at General Meeting

The Board always encourage the shareholders to attend the Company's general meeting, particularly the Annual General Meeting, as it forms an important platform where the shareholders can engage directly with the Board and the Management and raise any questions and concerns they may have on the Group. Shareholders who are unable to attend personally are allowed to appoint proxy/proxies to attend and vote on their behalf. Notice of the Annual General Meeting is circulated to the shareholders at least twenty-one (21) days prior to the meeting.

8.2 Poll Voting

The Board is mindful of the poll voting requirement under Paragraph 8.29A of the Listing Requirements of Bursa Securities. The Board will implement poll voting for all the resolutions to be passed in the forthcoming Annual General Meeting. The Company will appoint one (1) scrutineer, who is independent of the Group and the person undertaking the polling process, to validate the votes casted.

8.3 Effective Communication and Proactive Engagement

The Board acknowledges the rights of the shareholders and stakeholders to be updated of the Group's activities and performance so as to enable them to make informed evaluation and investment decision.

To this end, the Group relies on the following channels for effective communication with the shareholders and stakeholders:

- Interim financial reports to provide updates on the Group's operations and business developments on a quarterly basis;
- Annual audited financial statements and annual report to provide an overview of the Group's state of governance, state of affairs, financial performance and cash flows for the relevant financial year;
- Corporate announcements to Bursa Securities on material developments of the Group, as and when necessary and mandated by the Listing Requirements; and
- Annual General Meetings.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS (CONT'D)

8.3 Effective Communication and Proactive Engagement (Cont'd)

Shareholders and stakeholders may raise their concerns and queries by contacting the Registered Office of the Group, the details of which as provided under the “Corporate Information” section of this Annual Report. Moving forward, the Board will also consider the recommendation of the Code to nominate a Senior Independent Non-Executive Director to whom queries and concerns regarding the Group may be conveyed.

While the Group strives to provide as much information as possible to the shareholders and stakeholders, the Board is mindful of the legal and regulatory framework governing the dissemination of information to shareholders and the general public particularly the rules and regulations stipulated under Chapter 9 of the Listing Requirements.

CORPORATE GOVERNANCE COMPLIANCE STATEMENT

The Board recognises the importance of good corporate governance towards long term sustainability of the Group. To this end, the Board always strive to adopt the principles and recommendations promoted by the Code. Save as disclosed within this Annual Report, the Group has, and will continue to apply the principles and recommendations as set out in the Code where practical and appropriate.

This statement was made in accordance with a Board of Directors’ resolution dated 7 February 2017.

STATEMENT OF DIRECTORS’ RESPONSIBILITY

The Directors reaffirm that they are collectively responsible for ensuring that the annual financial statements of the Group and the Company are drawn up in accordance with the applicable approved accounting standards in Malaysia, the provisions of the Companies Act, 1965 and the Listing Requirements of Bursa Securities; and that these financial statements give a true and fair view of the financial position, financial performance and cash flows of the Group for the financial year ended 30 September 2016.

To ensure that financial statements are properly drawn up, the Directors have taken the following measures:

- adopted the relevant Malaysian Financial Reporting Standards and International Financial Reporting Standards;
- applied the appropriate and relevant accounting policies on consistent basis;
- where applicable, made judgements and estimates that are prudent and reasonable;
- ensured that proper accounting records are kept in accordance with the requirements of the Companies Act, 1965 so as to enable the preparation of the financial statements with reasonable accuracy; and
- reviewed all significant matters that may affect the Group’s ability to continue as a going concern.

The Directors have also made reasonable steps to prevent and detect fraud as well as other irregularities in safeguarding the assets of the Group.

This statement was made in accordance with a Board of Directors’ resolution dated 7 February 2017.

STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY

The Group recognises the significance of corporate social responsibility towards the Group's continuous and long term sustainability. The Group is committed to ensure ethical conduct of its business activities while striving to maximise the returns' to the shareholders. The Group is dedicated to continuously improve its corporate social responsibility programs and hence, will review and monitor its corporate social responsibility policies from time to time to identify areas for enhancement.

The Group's corporate social responsibility policies and programs encompass four (4) core areas:

(a) Human Resources

The Group believes that dedicated, loyal and competent workforce is paramount to the success of the Group's operations and business activities. As such, the Group places great emphasis in:

- Offering reasonable remuneration package and staff welfare to the employees to reward their contributions, and ensuring that all relevant labour and employment legislative and regulatory requirements are complied with;
- Creating safe and conducive working environment for our employees to cultivate sense of belonging and to minimise the occurrence of accidents and health hazards; and
- Providing training and development opportunities to the employees to enhance their knowledge, skills and capabilities, where necessary and appropriate.

(b) Marketplace

The Group places great emphasis on the quality of all products produced and are committed towards ensuring a consistent and reliable supply that meet the customers' expectations. Proper quality inspection is conducted prior to delivery to ensure that the products delivered are of good quality.

The Group maintains active and constructive communication with the customers and suppliers as they are the essential business associates that contribute to long term sustainability of the Group.

(c) Environment

The Group is committed to seek continuous improvements and enhancements in its business operations to minimise any negative impacts on the environment. To this end, the Group always strive to ensure that its business operations and activities are conducted in compliance with all relevant and applicable rules, regulations, directives and guidelines in relation to environmental protection.

(d) Community

The Group is committed to make contribution to the well-being of the community and had historically rendered support to various charitable activities and made donations to local community and not-for-profit organisation.

During the financial year under review, in view of the challenging economic conditions and business environment, the Group was obliged to concentrate on the action plans to enhance the financial performance and position and accordingly, had temporarily hold off on participation in community events and charitable activities.

Notwithstanding that, the Group remains an advocate of corporate's responsibilities towards the well-being of the community and society. The Group will from time to time identify the appropriate opportunities and initiatives for contribution to the community and society.

STATEMENT ON OTHER COMPLIANCE INFORMATION

Audit Fees	Financial year ended 30 September	
	Group RM	Company RM
Audit Fees paid & payable to the External Auditors	201,000	114,000

Non-Audit Fees

During the financial year under review there were a professional fee of RM45,000.00 as non-audit fee in relation to the advisory service on Exclusive Agency Agreements (EAAs) incurred by the Group and the Company.

Material Contracts Involving Directors' and Major Shareholders' Interests

The material contracts which had been entered into by the Company and its subsidiaries involving the interests of the Directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year are as follows:

- a. Settlement Agreement dated 10 February 2016 and Supplementary Settlement Agreement dated 21 June 2016 with Dato' Eii Ching Siew @ Yii Ching Siew ("Dato' Eii")

Details on the above transactions are as disclosed in the Audited Financial Statements as a "Significant Event during and after the Financial Year" in this Annual Report.

- b. Loan Agreements dated 14 and 19 January 2016 respectively and Settlement Agreement dated 10 February 2016 with Starfield Capital Sdn Bhd

Details on the above transactions are as disclosed in the Audited Financial Statements as a "Significant Event during and after the Financial Year" in this Annual Report.

Recurrent Related Party Transactions of Revenue or Trading Nature ("RRPTs")

Details on the RRPTs entered by the Group during the financial year under review are as disclosed in the Audited Financial Statements in this Annual Report.

Employee Share Scheme

There was no Employee Share Scheme implemented by the Company during the financial year under review.

Key Senior Management Personnel

The profile of the key Senior Management Personnel of the Company are available on the Company website at www.stonemaster.com.my.

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DIRECTOR'S REPORT

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 2016.

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 7 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	(9,584)	(9,977)
Other comprehensive income	(75)	-
Total comprehensive loss for the financial year	(9,659)	(9,977)
Loss attributable to:		
Owners of the Company	(9,584)	(9,977)
Total comprehensive loss attributable to:		
Owners of the Company	(9,659)	(9,977)

DIVIDENDS

No dividend was paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 30th September 2016.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or 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 are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

DIRECTORS' REPORT (CONT'D)

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 which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected to realise.

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

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.

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 which 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 which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liabilities of the Group and of the Company has become enforceable, or are likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due.

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

In the opinion of the directors,

- (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely 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.

DIRECTORS' REPORT (CONT'D)**ISSUE OF SHARES AND DEBENTURES**

During the financial year, no new issue of shares or debentures were made by the Company.

DIRECTORS

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

Dato' Eii Ching Siew @ Yii Ching Siew	
Dato' Lee Fong Yin @ Lee Vun Ya	
Dato' Koh Mui Tee	
Datin Chan Chui Mei	
Datuk Lee Hwa Cheng	
Md. Noor Bin Abd Rahim	
Tan Sri (Datuk) Dr. Henry Chin Poy Wu	Appointed on 31.3.2016; Demised on 23.10.2016
Mohd Anuar Bin Mohd Hanadzlah	Appointed on 23.5.2016
Prof. Dato' Dr. Mohd Azmi Bin Mohd Lila	Appointed on 23.5.2016
Ching Pong Hua	Resigned on 18.5.2016
Julius Kong Yik Liang (Alternate director to Lam Man Kai)	Resigned on 18.5.2016
Lam Man Kai	Resigned on 22.4.2016

DIRECTORS' INTERESTS

According to the Register of Directors' 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 2016 are as follows:-

	Number of ordinary shares of RM0.25 each			
	At 1.10.2015	Rights Issue	Sold	At 30.9.2016
The Company				
<u>Direct Interest</u>				
Stone Master Corporation Berhad				
Dato' Eii Ching Siew @ Yii Ching Siew	8,500,000	-	-	8,500,000
Dato' Lee Fong Yin @ Lee Vun Ya	20,039,600	-	-	20,039,600
<u>Indirect Interest</u>				
Datin Chan Chui Mei*	4,856,200	-	-	4,856,200
	Number of warrants			
	At 1.10.2015	Rights Issue	Sold	At 30.9.2016
The Company				
<u>Direct Interest</u>				
Stone Master Corporation Berhad				
Dato' Lee Fong Yin @ Lee Vun Ya	6,250,000	-	(6,250,000)	-

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

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (CONT'D)

By Virtue of their interest in the Company, Dato' Eii Ching Siew @ Yii Ching Siew, Dato' Lee Fong Yin @ Lee Yun 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 any 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, other than as disclosed in Note 26 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement where the object is 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 events during and after the financial year end are disclosed in Note 32 to the financial statements.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng, retire and are not seeking re-appointment at the forthcoming Annual General Meeting.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

DATO' KOH MUI TEE

Director

DATO' EII CHING SIEW @ YII CHING SIEW

Director

Kuala Lumpur

Date: 7th February 2017

STATEMENTS OF FINANCIAL POSITION AS AT 30TH SEPTEMBER 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	18,598	21,488	873	125
Investment properties	6	7,735	4,135	–	–
Investment in subsidiaries	7	–	–	4,886	4,886
Other investments	8	28	28	–	–
Total non-current assets		26,361	25,651	5,759	5,011
Current assets					
Inventories	9	4,745	5,243	–	–
Trade receivables	10	15,756	21,329	–	–
Other receivables, deposits and prepayments	11	12,361	481	12,273	263
Deposits placed with licensed banks	12	1,025	13,460	10	13,010
Tax recoverable		66	–	–	–
Cash and bank balances		2,741	1,491	824	6
Total current assets		36,694	42,004	13,107	13,279
TOTAL ASSETS		63,055	67,655	18,866	18,290
EQUITY AND LIABILITIES					
Equity attributable to Owners of the Company					
Share capital	13(a)	22,476	22,476	22,476	22,476
Share premium	13(b)	2,048	2,048	2,048	2,048
Reserves	14	6,784	6,859	2,622	2,622
Accumulated losses		(23,604)	(14,175)	(33,686)	(23,709)
TOTAL EQUITY		7,704	17,208	(6,540)	3,437
Non-current liabilities					
Bank borrowings - secured	15	4,100	5,096	182	–
Deferred tax liabilities	16	2,054	2,052	–	–
Total non-current liabilities		6,154	7,148	182	–
Current liabilities					
Trade payables	17	8,861	13,186	–	–
Other payables, deposit and accruals	18	29,197	5,264	25,178	2,895
Bank borrowings - secured	15	11,062	24,256	46	11,958
Tax payables		77	593	–	–
Total current liabilities		49,197	43,299	25,224	14,853
TOTAL LIABILITIES		55,351	50,447	25,406	14,853
TOTAL EQUITY AND LIABILITIES		63,055	67,655	18,866	18,290

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	19	72,303	76,330	175	300
Cost of sales		(62,840)	(66,891)	-	-
Gross profit		9,463	9,439	175	300
Other operating income		1,046	387	150	1
Distribution costs		(5,327)	(3,492)	-	-
Administrative expenses		(12,865)	(12,041)	(7,814)	(4,620)
Other operating expenses:					
- Impairment loss on investment in subsidiaries		-	-	(230)	(4,972)
- Impairment loss on amount due from subsidiaries		-	-	(1,934)	(10,253)
Operating loss	20	(7,683)	(5,707)	(9,653)	(19,544)
Finance costs	21	(1,479)	(2,012)	(324)	(142)
Loss before tax		(9,162)	(7,719)	(9,977)	(19,686)
Income tax expense	22	(422)	(829)	-	-
Loss for the financial year		(9,584)	(8,548)	(9,977)	(19,686)
Other comprehensive (loss)/income, net of tax:					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
- amortisation of revaluation reserve		(155)	(171)	-	-
- revaluation surplus		80	235	-	-
		(75)	64	-	-
Total comprehensive loss for the financial year		(9,659)	(8,484)	(9,977)	(19,686)
Loss attributable to:					
Owners of the Company		(9,584)	(8,548)	(9,977)	(19,686)
Total comprehensive loss attributable to:					
Owners of the Company		(9,659)	(8,484)	(9,977)	(19,686)
Loss per share attributable to Owners of the Company (sen)					
Basic loss per ordinary share	23(a)	(10.66)	(14.88)		
Diluted loss per ordinary share	23(b)	(10.66)	(14.88)		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2016

	Attributable to Owners of the Company					Distributable
	Share Capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Warrant Reserve RM'000	Fair Value Accumulated Reserve RM'000	
Group						
At 1st October 2014	23,100	611	4,160	-	13	13,158
Total comprehensive loss for the financial year						
Loss for the financial year	-	-	-	-	-	(8,548)
Revaluation surplus	-	-	235	-	-	235
Amortisation of revaluation reserve	-	-	(171)	-	-	171
Total comprehensive loss	-	-	64	-	-	(8,313)
Transaction with owners:						
Share capital reduction	(11,550)	-	-	-	-	-
Issuance of shares via right issues	10,926	2,185	-	2,622	-	13,111
Rights Issue costs charged to share premium	-	(748)	-	-	-	(748)
Total transaction with owners	(624)	1,437	-	2,622	-	8,928
At 30th September 2015	22,476	2,048	4,224	2,622	13	17,208
Total comprehensive loss for the financial year						
Loss for the financial year	-	-	-	-	-	(9,584)
Revaluation surplus	-	-	80	-	-	80
Amortisation of revaluation reserve	-	-	(155)	-	-	155
Total comprehensive loss	-	-	(75)	-	-	(9,504)
At 30th September 2016	22,476	2,048	4,149	2,622	13	(23,604)
						7,704

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

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2016 (CONT'D)**

	← Non-Distributable →			Distributable	
	Share Capital RM'000	Share Premium RM'000	Warrant Reserve RM'000	Accumulated Losses RM'000	Total Equity RM'000
Company					
At 1st October 2014	23,100	611	–	(12,951)	10,760
Total comprehensive loss for the financial year	–	–	–	(19,686)	(19,686)
Transaction with owners:					
Share capital reduction	(11,550)	–	–	11,550	–
Issuance of shares via right issues	10,926	2,185	2,622	(2,622)	13,111
Rights Issue costs charged to share premium	–	(748)	–	–	(748)
	(624)	1,437	2,622	8,928	12,363
At 30th September 2015	22,476	2,048	2,622	(23,709)	3,437
Total comprehensive loss for the financial year	–	–	–	(9,977)	(9,977)
At 30th September 2016	22,476	2,048	2,622	(33,686)	(6,540)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES:				
Loss before taxation	(9,162)	(7,719)	(9,977)	(19,686)
Adjustments for:				
Depreciation of property, plant and equipment	1,338	1,320	86	22
Inventories written down	–	136	–	–
Loss on disposal of property plant and equipment	–	208	–	–
Property, plant and equipment written off	2	40	–	40
Allowance for impairment of trade and other receivables	(232)	2,504	–	–
Allowance for impairment of amount owing from subsidiaries	–	–	2,078	10,253
Impairment of investment in subsidiaries	–	–	230	4,972
Bad debts written off	105	30	–	–
Bad debts written back	(82)	–	–	–
Deposit written off	–	6	–	6
Gain on disposal of property, plant and equipment	(82)	–	–	–
Reversal of impairment loss for inventories	–	(231)	–	–
Gain on fair value change in investment properties	(176)	(160)	–	–
Unrealised gain on foreign exchange	–	(7)	–	–
Dividend income	(1)	(1)	–	–
Interest expense	1,479	2,012	324	142
Interest income	(170)	(3)	150	(1)
<hr/>				
Operating Cash Flows Before Working Capital Changes	(6,981)	(1,865)	(7,109)	(4,252)
Changes In Working Capital:				
Inventories	498	1,854	–	–
Payables	19,608	1,336	22,283	(9,660)
Receivables	(6,098)	(50)	(14,088)	2,348
<hr/>				
	7,027	1,275	1,086	(11,564)
Tax paid	(1,027)	(1,127)	–	–
Interest paid	(475)	(314)	(317)	(142)
Interest received	170	3	(150)	1
<hr/>				
Net Operating Cash Flows	5,695	(163)	619	(11,705)

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2016 (CONT'D)**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES:				
Acquisition of subsidiary companies (Note A)	-	-	(1)	-
Additional investment in subsidiaries companies	-	-	(229)	-
Purchase of property, plant and equipment (Note B)	(1,274)	(315)	(584)	(136)
Proceeds from disposal of property, plant and equipment	87	350	-	-
Dividend income	1	1	-	-
Net Investing Cash Flows	(1,186)	36	(814)	(136)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issuance of ordinary share	-	12,363	-	12,363
Deposits placed as security	13,000	(13,010)	13,000	(13,010)
Repayment of term loan	(1,240)	(8,737)	-	-
Repayment of hire purchase payables	(88)	(128)	(22)	-
Drawdown/(Repayment) of other borrowings	(991)	785	-	-
Interest paid	(1,004)	(1,698)	(7)	-
Net Financing Cash Flows	9,677	(10,425)	12,971	(647)
NET CHANGE IN CASH AND CASH EQUIVALENTS	14,186	(10,552)	12,776	(12,488)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	(12,090)	(1,538)	(11,952)	536
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	2,096	(12,090)	824	(11,952)
ANALYSIS OF CASH AND CASH EQUIVALENTS:				
Cash and bank balances	2,741	1,491	824	6
Deposits placed with licensed banks	1,025	13,460	10	13,010
Bank overdrafts	(1,660)	(14,031)	-	(11,958)
	2,106	920	834	1,058
Less: Deposits held as security	(10)	(13,010)	(10)	(13,010)
	2,096	(12,090)	824	(11,952)

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

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER 2016 (CONT'D)**

A EFFECTS ON ACQUISITIONS OF SUBDIARY COMPANIES

Effects on acquisitions of the following subsidiary companies:-

2016

On 24th September 2016, the Company acquired 2 ordinary shares of RM1.00 each in 23 subsidiary companies, representing 100% of the total issued and paid up share capital of the subsidiaries for a cash consideration of RM2.00 each as disclosed in Note 32.11.

2015

Stone Design House Sdn Bhd

On 7th January 2015, the Company acquired 2 ordinary shares of RM1.00 each of the Stone Design House Sdn. Bhd., representing 100% of the total issued and paid up share capital of the subsidiary for a cash consideration of RM2.00.

B PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Purchase of property, plant and equipment	1,274	-	584	-
Less:				
Financed by hire purchase instalment plans	(500)	-	(250)	-
Cash payment	774	-	334	-

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Stone Master Corporation Berhad (“the Company”) is a public limited liability company, incorporated and domiciled in Malaysia and is 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 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 financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 7th February 2017.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), the International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia (pursuant to the transitional provisions of the Companies Act 2016).

2.2 Fundamental accounting principle

The financial statements of the Group and the Company have been prepared on the assumption that the Group and the Company will continue as a going concern. The application of the going concern basis is based on the assumption that the Group and the Company will be able to realise its assets and liquidate its liabilities in the normal course of business.

During the financial year, the Group and the Company incurred a net loss of RM9,584,000/- and RM9,977,000/- respectively for the financial year ended 30th September 2016. As at 30th September 2016, the current liabilities of the Group and the Company exceeded its current assets by RM12,503,000/- and RM12,117,000/- respectively and the Group and the Company also recorded accumulated losses of RM23,604,000/- and RM33,686,000/- respectively thereby indicating the existence of a material uncertainty which may cast significant doubt about the Group and the Company’s ability to continue as a going concern.

On 6th December 2016, the Company announced that it had been classified as an affected listed issuer pursuant to Paragraph 2.1 (e) of Practice Note 17 (“PN17”) under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. As a result, the Company is required to submit a Regularisation Plan to the relevant authorities and to implement the Regularisation Plan within the stipulated timeframe. The Company is currently in the midst of formalising a Regularisation Plan.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION (CONT'D)

2.2 Fundamental accounting principle (Cont'd)

As disclosed in Note 32.7, 32.8 and 32.9, the Company had obtained loans from Dato' Eii Ching Siew @ Yii Ching Siew ("Dato' Eii"), Starfield Capital Sdn. Bhd. ("Starfield") and Antico Stone Sdn. Bhd. ("Antico"). The Company has defaulted in the repayment of the loan by the stipulated time given by Dato' Eii, Starfield and Antico. Subsequent to the financial year, the Company received written demands from Starfield and Antico for repayment of the debt and default interest thereon.

The ability of the Group and the Company to operate as going concerns is dependent upon:

- (i) the timely and successful formulation and implementation of a Regularisation Plan;
- (ii) the continuing support from its lenders; and
- (iii) achieving sustainable and viable operations.

If these are not forthcoming, the application of the going concern accounting concept may be inappropriate and adjustments may be required to, inter alia, write down assets to their realisable values, reclassify all long term assets and liabilities as current and to provide for any further costs which may arise.

2.3 Adoption of amendments/improvements to MFRSs

The Group and the Company have adopted the following amendments/improvements to MFRSs that are mandatory for the current financial year:

Amendments/Improvements to MFRSs

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 3	Business Combinations
MFRS 8	Operating Segments
MFRS 13	Fair Value Measurement
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 124	Related Party Disclosures
MFRS 138	Intangible Assets
MFRS 140	Investment Property

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies.

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

Amendments to MFRS 1 relate to the IASB's 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**2. BASIS OF PREPARATION (CONT'D)****2.3 Adoption of amendments/improvements to MFRSs (Cont'd)*****Amendments to MFRS 2 Share-based Payment***

Amendments to MFRS 2 clarify the definition of 'vesting conditions' by separately defining 'performance condition' and 'service condition' to ensure consistent classification of conditions attached to a share-based payment.

Amendments to MFRS 3 Business Combinations

Amendments to MFRS 3 clarify that when contingent consideration meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132. They also clarify 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 clarify that MFRS 3 excludes from its scope the accounting for the formation of all types of joint arrangements (as defined in MFRS 11) in the financial statements of the joint arrangement itself.

Amendments to MFRS 8 Operating Segments

Amendments to MFRS 8 require 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 clarify 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 13 Fair Value Measurement

Amendments to MFRS 13 relate to the IASB's 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.

The amendments also clarify that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 or MFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION (CONT'D)

2.3 Adoption of amendments/improvements to MFRSs (Cont'd)

Amendments to MFRS 116 Property, Plant and Equipment

Amendments to MFRS 116 clarify the accounting treatment for the accumulated depreciation when an asset is revalued. They clarify 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 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 119 Employee Benefits

Amendments to MFRS 119 provide 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 plan's contribution formula or on a straight-line basis).

Amendments to MFRS 124 Related Party Disclosures

Amendments to MFRS 124 clarify 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.

Amendments to MFRS 138 Intangible Assets

Amendments to MFRS 138 clarify the accounting treatment for the accumulated amortisation when an asset is revalued. They clarify 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 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 140 Investment Property

Amendments to MFRS 140 clarify 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**2. BASIS OF PREPARATION (CONT'D)****2.4 New MFRSs and amendments/improvements to MFRSs that have been issued, but yet to be effective**

The Group and the Company have not adopted the following new MFRSs and amendments/improvements to MFRSs that have been issued, but yet to be effective:

	Effective for financial periods beginning on or after
<u>New MFRSs</u>	
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
<u>Amendments/Improvements to MFRSs</u>	
MFRS 5 Non-current Asset Held for Sale and Discontinued Operations	1 January 2016
MFRS 7 Financial Instruments: Disclosures	1 January 2016
MFRS 10 Consolidated Financial Statements	Deferred/ 1 January 2016
MFRS 11 Joint Arrangements	1 January 2016
MFRS 12 Disclosure of Interest in Other Entities	1 January 2016
MFRS 101 Presentation of Financial Statements	1 January 2016
MFRS 107 Statement of Cash Flows	1 January 2017
MFRS 112 Income Taxes	1 January 2017
MFRS 116 Property, Plant and Equipment	1 January 2016
MFRS 119 Employee Benefits	1 January 2016
MFRS 127 Separate financial statements	1 January 2016
MFRS 128 Investments in Associates and Joint Ventures	Deferred/ 1 January 2016
MFRS 138 Intangible Assets	1 January 2016
MFRS 141 Agriculture	1 January 2016

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION (CONT'D)

2.4 New MFRSs and amendments/improvements to MFRSs that have been issued, but yet to be effective (Cont'd)

MFRS 9 Financial Instruments

Key requirements of MFRS 9:-

- MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.
- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**2. BASIS OF PREPARATION (CONT'D)****2.4 New MFRSs and amendments/improvements to MFRSs that have been issued, but yet to be effective (Cont'd)*****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:

- (i) identify the contracts with a customer;
- (ii) identify the performance obligation in the contract;
- (iii) determine the transaction price;
- (iv) allocate the transaction price to the performance obligations in the contract;
- (v) 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 – Barter Transactions Involving Advertising Services

MFRS 16 Leases

Currently under MFRS 117 Leases, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

Amendments to MFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Amendments to MFRS 5 introduce specific guidance on when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution is discontinued.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION (CONT'D)

2.4 New MFRSs and amendments/improvements to MFRSs that have been issued, but yet to be effective (Cont'd)

Amendments to MFRS 7 Financial Instruments: Disclosures

Amendments to MFRS 7 provide additional guidance to clarify whether servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements of MFRS 7.

The amendments also clarify the applicability of Disclosure – Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7) to condensed interim financial statements.

Amendments to MFRS 11 Joint Arrangements

Amendments to MFRS 11 clarify 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, 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 101 Presentation of Financial Statements

Amendments to MFRS 101 improve the effectiveness of disclosures. The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Amendments to MFRS 107 Statement of Cash Flows

Amendments to MFRS 107 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that decreases in value of debt instrument measured at fair value for which the tax base remains at its original cost give rise to a deductible temporary difference. The estimate of probable future taxable profits may include recovery of some of an entity's assets for more than their carrying amounts if sufficient evidence exists that it is probable the entity will achieve this.

The amendments also clarify that deductible temporary differences should be compared with the entity's future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences when an entity evaluates whether it has sufficient future taxable profits. In addition, when an entity assesses whether taxable profits will be available, it should consider tax law restrictions with regards to the utilisation of the deduction.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**2. BASIS OF PREPARATION (CONT'D)****2.4 New MFRSs and amendments/improvements to MFRSs that have been issued, but yet to be effective (Cont'd)*****Amendments to MFRS 116 Property, Plant and Equipment***

Amendments to MFRS 116 prohibit 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 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability and the depth of the market for high quality corporate bonds should be assessed at a currency level.

Amendments to MFRS 127 Separate Financial Statements

Amendments to MFRS 127 allow a parent and investors to use the equity method in its separate financial statements to account for investments in subsidiaries, joint ventures and associates, in addition to the existing options.

Amendments to MFRS 138 Intangible Assets

Amendments to MFRS 138 introduce a rebuttable presumption that the revenue-based amortisation method is inappropriate. This presumption can be overcome only in the following limited circumstances:

- when the intangible asset is expressed as a measure of revenue, i.e. in the circumstance in which the predominant limiting factor that is inherent in an intangible asset is the achievement of a revenue threshold; or
- when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION (CONT'D)

2.4 New MFRSs and amendments/improvements to MFRSs that have been issued, but yet to be effective (Cont'd)

Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosures of Interests in Other Entities and MFRS 128 Investments in Associates and Joint Ventures

These amendments address the following issues that have arisen in the application of the consolidation exception for investment entities:

- Exemption from presenting consolidated financial statements: the amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
- Consolidation of intermediate investment entities: the amendments clarify that only a subsidiary is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.
- Policy choice for equity accounting for investments in associates and joint ventures: the amendments allow a non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interest in subsidiaries, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture.

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.

2.5 Functional and presentation currency

The financial statements of the Group and the Company entities are measured using the currency of the primary economic environment in which the Group and the Company entities operate (“the functional currency”). The financial statements of the Group and the Company are presented in Ringgit Malaysia (“RM”), which is also the Company’s functional currency, and has been rounded to the nearest RM, unless otherwise stated.

2.6 Use of estimate and judgement

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 Group and the Company’s accounting policies. Although these estimates and judgement are based on the directors’ 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 4.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries 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.

(a) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

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

Transaction costs, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of Consolidation (Cont'd)

(a) Subsidiaries and business combination (Cont'd)

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss 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 associate, a joint venture, an available-for-sale financial asset or a held for trading financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(b) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

(c) Transactions eliminated on consolidation

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.2 Property, Plant and Equipment and Depreciation****(a) Recognition and measurement**

Plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

(b) Subsequent costs

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

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

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 methods are reviewed at the end of each reporting period and adjusted as appropriate.

(d) Derecognition

An item of 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 recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 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.

3.4 Investment properties

Investment properties are properties which are held either to earn rental income or 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.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment properties 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.

3.5 Inventories

Inventories are measured at lower of cost and net realisable value.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- raw materials: purchase costs on a first-in first-out basis.
- finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.6 Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

(a) Lessee accounting

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, the Group does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Any upfront lease payments are classified as land use rights within intangible assets.

(b) Lessor accounting

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Income taxes

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(a) Current Tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(b) Deferred Tax

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

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches, associates and interests in joint ventures, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to 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 and tax laws that have been enacted or substantively enacted at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.7 Income taxes (Cont'd)****(b) Deferred Tax (Cont'd)**

Where investment properties are carried at fair value in accordance with the accounting policy as disclosed in Note 3.4, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within the business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

3.8 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 contract provisions of the financial instrument.

Financial instruments are recognised initially at fair value, except for financial instruments not measured at fair value through profit or loss, they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

(a) Subsequent measurement

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 financial assets at fair value through profit or loss when the financial assets are either held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or are designated into this category 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.

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 costs.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Financial Instruments (Cont'd)

(a) Subsequent measurement (Cont'd)

(i) Financial assets (Cont'd)

Loans and receivables

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

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. Gains and losses are recognised in profit or loss through the amortisation process.

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. Gains and losses are recognised in profit or loss through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets comprise investment in equity and debt securities that are designated as available-for-sale or are not classified in any of the three preceding categories.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair values hedges which 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. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.8 Financial Instruments (Cont'd)****(a) Subsequent measurement (Cont'd)****(ii) Financial liabilities****Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process.

(b) 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.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognized less cumulative amortisation.

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company themselves purchase or sell an asset). Trade date accounting refers to:

- (i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
- (ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Financial Instruments (Cont'd)

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.9 Impairment of assets

(a) Impairment and uncollectibility of financial assets

At each reporting date, all financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries, associates and joint ventures) are assessed 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 financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables and held-to-maturity investments

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group and the Company may include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.9 Impairment of assets (Cont'd)****(a) Impairment and uncollectibility of financial assets (Cont'd)****Loans and receivables and held-to-maturity investments (Cont'd)**

The amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account and the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment that was recognised, the previously recognised impairment loss is then reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If a write-off is later recovered, the recovery is credited to the profit or loss.

Available-for-sale financial assets

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment. The Group and the Company use their judgement to determine what is considered as significant or prolonged decline, evaluating past volatility experiences and current market conditions.

Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified from equity to profit or loss shall be the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss.

Impairment losses on available-for-sale equity investments are not reversed through profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss, is recognised in other comprehensive income.

For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to a loss event occurring after the recognition of the impairment loss in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Impairment of assets (Cont'd)

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories, amount due from customers for contract work, deferred tax assets, assets arising from employee benefits, investment properties measured at fair value, biological assets and non-current assets or disposal groups classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount. For goodwill and intangible assets that have indefinite useful life and are not yet available for use, the recoverable amount is estimated at each reporting date.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal 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 risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced 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.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.10 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 event(s) not wholly within the control of the Group and of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

- (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (b) the amount of the obligation cannot be measured with sufficient reliability.

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

3.11 Revenue and other income

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.

(a) 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.

(b) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Revenue and other income (Cont'd)

(b) Construction Contracts (Cont'd)

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 of 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.

(c) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(d) Interest income

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

(e) Management fee

Management fee is recognised when services are rendered.

(f) Rental income

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

3.12 Borrowing Costs

Borrowing costs are interests and other costs that the Group and the Company incur in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group and the Company begin capitalising borrowing costs when the Group and the Company have incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.13 Employee Benefits****(a) Short-term employee benefits**

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group.

(b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

3.14 Share capital**Ordinary shares**

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.15 Cash and Cash Equivalents

For the purpose of statements of cash flows, cash and cash equivalents comprise cash on 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.

3.16 Fair value measurements

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 a non-financial asset, the fair value measurement takes into account a market participant's 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.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is 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 and the Company can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant area of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:

(a) Depreciation and useful lives of plant and equipment

The Group and the Company review the residual values, useful lives and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the plant and equipment may differ from the estimates applied and therefore future depreciation charges could be revised.

(b) Impairment of financial assets

For impairment test of held-to-maturity investments, the Group and the Company use estimates of future cash flows of the held-to-maturity investments and discounts the future cash flows using the original effective interest rate of an instrument. As the projected cash flows are based on estimates, the actual cash flows may differ from those estimates and these may affect the carrying amounts of the held-to-maturity investments.

The Group and the Company recognise impairment losses for loans and receivables using the incurred loss model. At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that loans and receivables is impaired. Individually significant loans and receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All others are grouped into credit risk classes and tested for impairment collectively, using the Group's and the Company's past experience of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the impairment made and this may affect the Group's and the Company's financial position and results.

For available-for-sale unquoted equity investments, the Group uses estimates of future cash flows of the unquoted equity investments and discounts the future cash flows using a current market rate of return of similar risk-class instrument. For quoted available-for-sale equity investments, the Group and the Company recognise an impairment loss when there has been a significant or prolonged decline in the market price of a quoted equity investment. The Group and the Company use its judgement to decide when an impairment loss shall be recognised using past experience of similar investments, historical volatility of the share prices and current market conditions. The actual eventual losses may be different from the impairment made and this may affect the Group's and the Company's financial position and results.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)****(c) Impairment of non-financial assets**

The Group and the Company assess impairment of non-financial assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may 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 of disposal for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on the Group's and the Company's estimates, taking into consideration factors such as historical and industry trends, general market and economic conditions and other available information. Cash flows that are projected based on those inputs or assumptions and the discount rate applied in the measurement of value-in-use may have a significant effect on the Group's financial position and results if the actual cash flows are less than the expected.

(d) Write-down of obsolete or slow moving inventories

The Group and the Company write down their obsolete or slow moving inventories based on the assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write-down of obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories. The carrying amounts of the Group's and the Company's inventories are disclosed in Note 9.

(e) Measurement of income tax

The Group and the Company operate in various jurisdiction and are subject to income taxes in each jurisdiction. Significant judgement is required in determining the Group's and the Company's estimation for current and deferred taxes because the ultimate tax liability for the Group as a whole is uncertain. When the final outcome of the tax payable is determined with the tax authorities in each jurisdiction, the amounts might be different from the initial estimates of the taxes payables. Such differences may impact the current and deferred taxes in the period when such determination is made. The Group and the Company will make adjustments for current or deferred taxes in respect of prior year in the current period on those differences arise.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT

Group 2016	Freehold Land RM'000	Leasehold Land RM'000	Buildings 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 2015	830	3,348	13,055	17,992	3,446	2,705	41,376
Revaluation	-	-	174	-	-	-	174
Reclassification	-	-	(3,424)	-	-	-	(3,424)
Additions	-	-	524	-	835	415	1,774
Disposals/written off	-	-	-	(175)	(836)	(3)	(1,014)
At 30th September 2016	830	3,348	10,329	17,817	3,445	3,117	38,886
Accumulated Depreciation							
At 1st October 2015	-	144	750	13,830	3,339	1,772	19,835
Revaluation	-	-	69	-	-	-	69
Depreciation for the financial year	-	77	274	540	248	199	1,338
Disposals/written off	-	-	-	(173)	(833)	(1)	(1,007)
At 30th September 2016	-	221	1,093	14,197	2,754	1,970	20,235
Accumulated Impairment Loss							
At 1st October 2015	-	-	53	-	-	-	53
Additions	-	-	-	-	-	-	-
At 30th September 2016	-	-	53	-	-	-	53
Carrying Value							
At 30th September 2016	830	3,127	9,183	3,620	691	1,147	18,598
Representing:							
At cost	-	-	3,193	3,620	691	1,147	8,651
At valuation	830	3,127	5,990	-	-	-	9,947
At 30th September 2016	830	3,127	9,183	3,620	691	1,147	18,598

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group 2015	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 2014	715	3,088	13,119	1,313	17,990	3,446	2,533	42,204
Revaluation	115	260	(104)	-	-	-	-	271
Additions	-	-	40	-	2	-	273	315
Disposals/written off	-	-	-	(1,313)	-	-	(101)	(1,414)
At 30th September 2015	830	3,348	13,055	-	17,992	3,446	2,705	41,376
Accumulated Depreciation								
At 1st October 2014	-	102	478	713	13,245	3,194	1,630	19,362
Revaluation	-	(31)	-	-	-	-	-	(31)
Depreciation for the financial year	-	73	272	49	585	145	196	1,320
Disposals/written off	-	-	-	(762)	-	-	(54)	(816)
At 30th September 2015	-	144	750	-	13,830	3,339	1,772	19,835
Accumulated Impairment Loss								
At 1st October 2014	-	-	53	-	-	-	-	53
Additions	-	-	-	-	-	-	-	-
At 30th September 2015	-	-	53	-	-	-	-	53
Carrying Value								
At 30th September 2015	830	3,204	12,252	-	4,162	107	933	21,488
Representing:								
At cost	-	-	3,193	-	4,162	107	933	8,395
At valuation	830	3,204	9,059	-	-	-	-	13,093
At 30th September 2015	830	3,204	12,252	-	4,162	107	933	21,488

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Furniture Fittings and Equipment RM'000	Motor Vehicles RM'000	Total RM'000
Cost			
At 1st October 2014	54	–	54
Additions	136	–	136
Written off	(54)	–	(54)
At 30th September 2015	136	–	136
Additions	344	490	834
Written off	–	–	–
At 30th September 2016	480	490	970
Accumulated Depreciation			
At 1st October 2014	3	–	3
Depreciation for the financial year	22	–	22
Written off	(14)	–	(14)
At 30th September 2015	11	–	11
Depreciation for the financial year	29	57	86
Written off	–	–	–
At 30th September 2016	40	57	97
Carrying Value			
At 30th September 2015	125	–	125
At 30th September 2016	440	433	873

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

- (i) assets with carrying value of RM689,024/- (2015: RM82,250/-) acquired under hire purchase arrangements;
- (ii) assets with carrying value of RM13,141,750/- (2015: RM16,287,201/-) pledged to financial institution for banking facilities granted to the Group as disclosed in Note 15 to the financial statements;

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

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

	Group	
	2016	2015
	RM'000	RM'000
Motor vehicle	2,424	2,870
Furniture and fittings	811	106
Plant & machinery	6,238	1,957
	9,473	4,933

(iv) buildings under construction with an aggregate cost totalling to RM293,086/- (2015: RM3,192,717/-);

(v) **Lease period for leasehold land**

	Group	
	2016	2015
	RM'000	RM'000
Leasehold land with unexpired lease period of:		
- More than 50 years	1,320	1,340
- Less than 50 years	1,807	1,864
Total	3,127	3,204

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

During the financial year, the Group's freehold land, leasehold land and buildings have been revalued based on valuations performed by an independent professional qualified valuer using comparison method; and

(vii) **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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. INVESTMENT PROPERTIES

Group	Leasehold Land RM'000	Freehold Land RM'000	Buildings RM'000	Total RM'000
At fair value				
At 1st October 2014	125	2,550	1,300	3,975
Gain/(loss) on fair value changes	–	(245)	405	160
At 30th September 2015	125	2,305	1,705	4,135
Reclassification	–	–	3,424	3,424
Gain on fair value changes	–	–	176	176
At 30th September 2016	125	2,305	5,305	7,735

- (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 15 to the financial statements. Approval of the lender is required for any disposal of the investment property. The proceeds from disposal can only be remitted to the Group after full repayment of the banking facilities.
- (iii) The following are recognised in profit or loss in respect of investment properties:

	Group	
	2016 RM'000	2015 RM'000
Rental income	143	171

- (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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2016 RM'000	2015 RM'000
Unquoted shares - at cost	39,188	38,958
Less : Impairment loss	(34,302)	(34,072)
Carrying amount	4,886	4,886

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

Name of Company	Effective Equity Interest		Principal Activities
	2016 %	2015 %	
<u>Direct subsidiaries</u>			
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.
Stone Design House Sdn. Bhd. #	100	100	Specialise in the designing, creative, artistic, imaginative, inventive, inspired innovative, resourceful architectural, interior designing works, constructions designing and refurbishment works.
Stone Master Aluminium Sdn. Bhd. *	100	-	Merchandising of and trading in aluminium products and all kinds of related products and provision of contractor services.
SM Eco Wood Sdn. Bhd. *	100	-	Merchandising of and trading in furniture and all kinds of related products and provision of contractor services.
SM Wooden Products Sdn. Bhd. *	100	-	Merchandising of and trading in furniture and fixtures, and all kinds of related products and provision of contractor services.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**7. INVESTMENT IN SUBSIDIARIES (CONT'D)**

Name of Company	Effective Equity Interest		Principal Activities
	2016 %	2015 %	
Direct subsidiaries (Cont'd)			
Stone Master Tiling Sdn. Bhd. *	100	–	Merchandising of and trading in tiles and all kinds of related products and provision of contractor services.
SM Paint Products Sdn. Bhd. *	100	–	Merchandising of and trading in paint products and all kinds of related products and provision of contractor services.
SM Waterproofing Sdn. Bhd. *	100	–	Merchandising of and trading in waterproofing products and all kinds of related products and provision of contractor services.
SM Sanitary Ware Sdn. Bhd. *	100	–	Merchandising of and trading in sanitary wares and all kinds of related products and provision of contractor services.
SM Flooring Sdn. Bhd. *	100	–	Merchandising of and trading in flooring products and all kinds of related products and provision of contractor services.
SM Kitchenware Sdn. Bhd. *	100	–	Merchandising of and trading in kitchen wares and all kinds of related products and provision of contractor services.
SM Bathware & Accessories Sdn. Bhd. *	100	–	Merchandising of and trading in bath wares and all kinds of related products and provision of contractor services.
SM Wardrobes & Cabinets Sdn. Bhd. *	100	–	Merchandising of and trading in wardrobes and cabinets and all kinds of related products and provision of contractor services.
Stone Master Elevator Sdn. Bhd. *	100	–	Merchandising of and trading in elevators and all kinds of related products and provision of contractor services.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of Company	Effective Equity Interest		Principal Activities
	2016 %	2015 %	
Direct subsidiaries (Cont'd)			
SM Marble Art Sdn. Bhd. *	100	–	Merchandising of and trading in marble art designs and provision of contractor services.
SM Linens Sdn. Bhd. *	100	–	Merchandising of and trading in fabric and linen products and all kinds of related products provision of contractor services.
SM Airconditioning Sdn. Bhd. *	100	–	Merchandising of and trading in air conditioning products and provision of contractor services.
SM Marble & Granite Sdn. Bhd. *	100	–	Merchandising of and trading in marble and granite products, ceramic tiles and all kinds of stone products and provision of contractor services.
SM Furnishing Products Sdn. Bhd. *	100	–	Merchandising of and trading in furnishing products, and all kinds of related products and provision of contractor services.
SM Locks & Safes Sdn. Bhd. *	100	–	Merchandising of and trading in locks security and safe system products and all kinds of related products and provision of contractor services.
SM Switches & Sockets Sdn. Bhd. *	100	–	Merchandising of and trading in switches and sockets and all kinds of related products and provision of contractor services.
SM Seats & Chairs Sdn. Bhd. *	100	–	Merchandising of and trading in seats and chairs and provision of contractor services.
SM Smart Lamps Sdn. Bhd. *	100	–	Merchandising of and trading in electric light source products and all kinds of related products and provision of contractor services.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of Company	Effective Equity Interest		Principal Activities
	2016 %	2015 %	
Direct subsidiaries (Cont'd)			
SM Led Lightings Sdn. Bhd. *	100	–	Merchandising of and trading in lighting products and all kinds of related products and provision of contractor services.
SM Heat Pumps Sdn. Bhd. *	100	–	Merchandising of and trading in heat pump products and all kinds of related products and provision of contractor services.
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.

* No audited financial statements are available as the companies are newly incorporated and not material.

The auditors' report on financial statements of these subsidiaries contain a modification in respect of the appropriateness of going concern assumption.

8. OTHER INVESTMENTS

	Group	
	2016 RM'000	2015 RM'000
Quoted shares in Malaysia At 1st October/30th September	28	28
Fair value	28	28

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9. INVENTORIES

	2016 RM'000	Group 2015 RM'000
At cost:		
Raw materials	–	53
Finished goods and goods for resale	4,745	5,190
	4,745	5,243
Recognised in profit or loss:		
Inventories recognised as costs of sales	57,505	63,040
Inventories written back	–	(230)
Inventories written down	1,024	136

10. TRADE RECEIVABLES

	2016 RM'000	Group 2015 RM'000
Trade receivables	19,329	24,689
Less: Allowance for impairment	(3,573)	(3,360)
	15,756	21,329

The Group's normal trade credit terms range from 30 to 180 days (2015: 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:-

	2016 RM'000	Group 2015 RM'000
Ringgit Malaysia	15,756	21,329
United States Dollar	–	–
	15,756	21,329

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. TRADE RECEIVABLES (CONT'D)

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	2016 RM'000	Group 2015 RM'000
Neither past due nor impaired	12,018	18,163
1 to 90 days past due but not impaired	1,224	2,360
More than 91 days past due but not impaired	2,514	806
	3,738	3,166
Impaired	3,573	3,360
	19,329	24,689

(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

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.

(iii) Receivables that are impaired

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

	2016 RM'000	Group 2015 RM'000
Collectively impaired		
Trade receivables - nominal amounts	3,573	3,360
Less: Allowance for impairment	(3,573)	(3,360)
	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**10. TRADE RECEIVABLES (CONT'D)**(iii) Receivables that are impaired (Cont'd)

Movement in allowance accounts:

	2016 RM'000	Group 2015 RM'000
At the beginning of the financial year	3,360	856
Impairment for the financial year	232	2,504
Reversal of impairment	(19)	-
At the end of the financial year	<u>3,573</u>	<u>3,360</u>

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other receivables	126	106	16	20
Deposits	12,111	246	11,873	71
Prepayments	124	129	10	20
Amount due from subsidiaries	-	-	12,561	10,405
	<u>12,361</u>	<u>481</u>	<u>24,460</u>	<u>10,516</u>
Less: Allowance for impairment	-	-	(12,187)	(10,253)
	<u>12,361</u>	<u>481</u>	<u>12,273</u>	<u>263</u>

CompanyDeposit

Included in the deposit is an amount of RM11,590,000/- paid pursuant to Exclusive Agency Agreements as detailed in Note 32.2.

Amount due from subsidiaries

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

12. DEPOSITS PLACED WITH LICENSED BANKS

Group and Company

The deposits placed with licensed banks amounting of RM10/- (2015: RM13,010,000/-) is pledged for overdraft facility granted to the Company as disclosed in Note 15(a).

The fixed deposit placed with a licensed bank has maturity of 1 year, which bear interest rate range at 3.45% (2015: 3.30% to 3.45%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. SHARE CAPITAL AND SHARE PREMIUM

(a) Share capital

	Company					
	2016			2015		
	Number of ordinary shares Unit'000	Par Value RM	RM'000	Number of ordinary shares Unit'000	Par Value RM	RM'000
Authorised						
Ordinary share:						
At 1st October	8,000,000	0.25	2,000,000	50,000	0.50	25,000
Share capital reduction	-	-	-	-	-	(12,500)
Creation during the financial year	-	-	-	7,950,000	0.25	1,987,500
At 30th September	8,000,000		2,000,000	8,000,000		2,000,000
Issued and fully paid						
Ordinary share:						
At 1st October	89,905	0.25	22,476	46,200	0.50	23,100
Share capital reduction	-	-	-	-	-	(11,550)
Issuance of shares	-	-	-	43,705	0.25	10,926
At 30th September	89,905		22,476	89,905		22,476

The holder of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

In previous financial year, the Company had:

- (i) completed its share capital reduction exercise via the cancellation of RM0.25 of the par value of every existing ordinary share of RM0.50 each pursuant to Section 64(1) of the Companies Act, 1965 in Malaysia;
- (ii) increased its authorised share capital from RM25,000,000/- comprising 50,000,000 ordinary shares of RM0.50/- each to RM2,000,000,000/- comprising of 8,000,000,000 ordinary shares of RM0.25/- each by creation of additional 7,950,000,000 ordinary share of RM0.25/- each;
- (iii) increased its issued and fully paid up share capital of 43,705,177 ordinary shares of RM0.25/- each from right issue at an issue price of RM0.30 per ordinary shares for a total cash consideration of RM13,111,553/- for repayment of a term loan of the Group and working capital purposes.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**13. SHARE CAPITAL AND SHARE PREMIUM (CONT'D)****(b) Share premium**

	Group and Company	
	2016	2015
	RM'000	RM'000
At 1st October	2,048	611
Issuance of share via rights issue	–	2,185
Less: shares issues expenses	–	(748)
	<hr/>	<hr/>
At 30th September	2,048	2,048

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. The share premium is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Company Act, 1965 in Malaysia.

(c) Warrants

On 22nd June 2015, the Company issued 21,852,588 warrants pursuant to the Company's Right Issue. The terms of the warrants are as follows:

(i) Exercise rights

Each warrant entitles the registered holder, at any time during the exercise period (as defined below), to subscribe for one new ordinary shares at the exercise price (as defined below), subject to adjustments in accordance with the provisions of the Deed Poll.

(ii) Exercise period

The warrants may be exercised at any time within five years commencing from and including the date of issue of the warrants and ending at 5.00pm on the expiry date.

(iii) Exercise price

The exercise price of the warrants is fixed at RM0.30/-, after taking into consideration the theoretical ex-rights price, subject to the exercise price not being less than par value.

(iv) Expiry date

The day falling immediately before the fifth anniversary of the date of issuance of the warrants or 21st June 2020 and if such date is not market day, then on the preceding market day. Any of the warrants which have not been exercised and delivered to the Company registrar by the expiry date will lapse and cease thereafter to be valid for any purpose.

(v) Transferability

The warrants are transferrable in the manner and according to the provisions of the Deed Poll, Securities industry (Central Depositories) Act 1991 and the rules of Bursa Depository.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. SHARE CAPITAL AND SHARE PREMIUM (CONT'D)

(c) Warrants (Cont'd)

(vi) Ranking

The 21,852,588 new ordinary shares to be issued pursuant to the exercise of the warrants, shall upon allotment and issue, rank pari passu in all respects with the existing ordinary shares, save and except that they will not be entitled to any dividend, right, allotment, and/or other distributions that may be declared, made or paid, the entitlement date of which is prior to the relevant allotment and issuance date of the new ordinary shares.

As at the end of the financial year, no exercise of warrants had taken place and the outstanding warrants in the Company remains at 21,852,588.

14. RESERVES

	← Non-distributable →			Total RM'000
	Revaluation reserve RM'000	Fair value reserve RM'000	Warrant reserve RM'000	
Group				
At 1st October 2014	4,160	13	–	4,173
Issuance of shares via right issues	–	–	2,622	2,622
Amortisation of revaluation reserve	(171)	–	–	(171)
Revaluation surplus	235	–	–	235
At 30th September 2015	4,224	13	2,622	6,859
Issuance of shares via right issues	–	–	–	–
Amortisation of revaluation reserve	(155)	–	–	(155)
Revaluation surplus	80	–	–	80
At 30th September 2016	4,149	13	2,622	6,784

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.

Warrant reserve

The warrant reserve represents the fair value allocated to the 21,852,588 free detachable warrants issued by the Company pursuant to the Rights Issue. The fair value allocated to each of the warrants is RM0.12 by using the Black-Scholes option pricing model.

The warrants carry the entitlement, at any time from the issue date on 29th June 2015 up to the close of business at 5.00 p.m. in Malaysia on the maturity date of 21st June 2020 ("Exercise Period"), to subscribe for one new ordinary share of RM0.25/- each in the Company at the exercise price of RM0.30/- which shall be satisfied in cash. Any warrant not exercised during the Exercise Period will lapse and thereafter cease to be valid for any purpose.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. BANK BORROWINGS – SECURED

	Notes	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current					
Bank overdraft	(a)	1,660	14,031	–	11,958
Trust receipt	(b)	3,080	3,620	–	–
Banker acceptance	(c)	5,393	5,844	–	–
Term loans	(d)	803	723	–	–
Hire purchase liabilities	(e)	126	38	46	–
		11,062	24,256	46	11,958
Non-current					
Term loans	(d)	3,776	5,096	–	–
Hire purchase liabilities	(e)	324	–	182	–
		4,100	5,096	182	–
		15,162	29,352	228	11,958

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

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Bank overdrafts	6.85 - 8.85	6.85 - 8.85	–	6.85
Banker acceptance	5.50 - 5.80	5.64 - 5.72	–	–
Trust receipts	8.60	8.60	–	–
Term loans	5.53 - 8.85	5.53 - 8.85	–	–
Hire purchase liabilities	2.83	5.43	2.83	–

(a) Bank overdraft

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

- (i) Negative pledge over all assets of the Subsidiaries;
- (ii) Corporate guarantee by the Company;
- (iii) Personal guarantee by a director of a subsidiary;
- (iv) First and second party legal charge over two pieces of vacant industrial land belong to two companies which a former director has interest;
- (v) Joint and several guarantees by former directors of the Group;
- (vi) First and second party legal charge over the Group's freehold land, leasehold land and buildings; and
- (vii) Deposits placed with licensed bank of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. BANK BORROWINGS – SECURED (CONT'D)

(b) Trust receipt

Trust receipt of the Group are secured by way of:

- (i) First party legal charge over a subsidiary's 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 a subsidiary's freehold land, leasehold land and buildings; and
- (ii) Corporate guarantee by the Company.

(d) Term loans

	2016 RM'000	2015 RM'000
Term loan 1	2,672	3,572
Term loan 2	31	75
Term loan 3	32	78
Term loan 4	1,844	2,094
	4,579	5,819

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

	2016 RM'000	Group 2015 RM'000
Repayable within one year	803	723
Repayable between one to two years	806	758
Repayable between two to five years	1,236	2,466
Repayable after five years	1,734	1,872
	3,776	5,096
	4,579	5,819

Group

Term loan 1

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. BANK BORROWINGS – SECURED (CONT'D)

(d) Term loans (Cont'd)

Group (Cont'd)

Term loan 2 and 3

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

Term loan 4

- (i) Personal guarantee by a Director of a subsidiary;
- (ii) An assignment over the rights, title and interest to the building under construction of a subsidiary; 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		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Minimum hire purchase payments:				
Not later than one year	148	39	57	–
Later than one year and not later than 5 years	348	–	200	–
	496	39	257	–
Less: Future finance charges	(46)	(1)	(29)	–
Present value of hire purchase liabilities	450	38	228	–
Present value of hire purchase liabilities:				
Not later than one year	126	38	46	–
Later than one year and not later than 5 years	324	–	182	–
	450	38	228	–
Representing hire purchase liabilities				
Current	126	38	46	–
Non-current	324	–	182	–
	450	38	228	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. DEFERRED TAX LIABILITIES

	Group	
	2016 RM'000	2015 RM'000
At the beginning of the financial year	2,052	1,966
Transfer (to)/from profit or loss (Note 22)	(23)	19
Transfer from revaluation reserve	25	67
At the end of the financial year	2,054	2,052

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

	Temporary differences between net book value and coresponding Tax written down value RM'000	Revaluation reserve RM'000	Others RM'000	Total RM'000
Deferred tax liabilities of the Group				
At 1st October 2014	130	1,867	(31)	1,966
Revaluation of property, plant and equipment Recognised in profit or loss	– 75	67 (56)	– –	67 19
At 30th September 2015	205	1,878	(31)	2,052
Revaluation of property, plant and equipment Recognised in profit or loss	– (23)	25 –	– –	25 (23)
At 30th September 2016	182	1,903	(31)	2,054

17. TRADE PAYABLES

	Group	
	2016 RM'000	2015 RM'000
Trade payables	8,324	12,649
Amount due to customers for contract work	537	537
	8,861	13,186

Credit terms for trade payables are 30 to 120 days (2015: 30 to 120 days).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**18. OTHER PAYABLES, DEPOSITS AND ACCRUALS**

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other payables	23,948	1,492	22,321	432
Deposits	140	109	–	–
Accruals	2,797	1,515	1,350	613
Amount due to a former director	290	291	63	63
Amount due to directors	2,022	1,857	1,444	1,787
	29,197	5,264	25,178	2,895

Group and CompanyOther payables

Included in other payable are:

- Amount owing to Starfield Capital Sdn. Bhd. amounting to RM18 million (2015: Nil) as detailed in Note 32.8.
- Amount owing to Antico Stone Sdn. Bhd. amounting to RM4 million (2015: Nil) as detailed in Note 32.9.
- Provision for termination benefit amounting to RM300,000/- (2015: Nil) as detailed in Note 32.10.

Amount due to a former director

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

Amount due to directors

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

Included herein is an amount owing to Dato' Eii Ching Siew @ Yii Ching Siew by the Group and of the Company amounting to RM 1.97 million (2015: RM1.73 million) and RM1.44 million (2015: RM1.66 million) respectively as detailed in Note 32.7.

19. REVENUE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sales of goods	72,303	76,330	–	–
Management fees	–	–	175	300
	72,303	76,330	175	300

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. OPERATING LOSS

Operating loss has been arrived at:-

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
After charging:-				
Audit fees:				
- statutory				
- current year	201	136	114	48
- under/(over) accrual in prior year	29	(2)	13	1
- non-statutory	59	-	59	-
Allowance for impairment of trade and other receivables	232	2,504	-	-
Allowance of impairment loss of amount owing by subsidiaries	-	-	1,934	10,253
Impairment loss of investment in subsidiaries	-	-	230	4,972
Bad debts written off	105	30	-	-
Deposits written off	-	6	-	6
Depreciation of property, plant and equipment	1,338	1,320	86	22
Directors' remuneration:				
- salaries and allowances	2,719	1,942	1,959	1,822
- Employees' Provident Fund and SOCSO"	255	162	158	162
- other emoluments	6	10	-	-
Inventories written down	1,024	136	-	-
Loss on disposal of property, plant and equipment	-	208	-	-
Property, plant and equipment written off	2	40	-	40
Professional fees	2,990	-	2,990	-
Rental of premises	566	548	247	145
Staff costs:				
- salary, wages, allowances and bonus	4,112	4,941	826	1,054
- Employees' Provident Fund and SOCSO"	517	587	98	120
- other staff related expenses	86	84	3	3

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**20. OPERATING LOSS (CONT'D)**

Operating loss has been arrived at:- (Cont'd)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
and crediting-				
Bad debts written back	(82)	(43)	-	-
Dividend income	(1)	(1)	-	-
Gain on disposal of property, plant and equipment	(82)	-	-	-
Gain on foreign exchange				
- Realised	(1)	(2)	-	-
- Unrealised	-	(7)	-	-
Gain on fair value change of investment properties	(176)	(160)	-	-
Interest income	(170)	(3)	(150)	(1)
Inventories written back	-	(230)	-	-
Rental income	(527)	(171)	-	-

21. FINANCE COSTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest expense				
- bank overdrafts	475	314	317	142
- hire purchase	12	5	7	-
- term loans	414	1,097	-	-
- other borrowings	578	596	-	-
	1,479	2,012	324	142

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22. INCOME TAX EXPENSE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income tax				
- current year	456	749	-	-
- prior year	(11)	61	-	-
Deferred tax liabilities (Note 16)				
- current year	(19)	18	-	-
- prior year	(4)	1	-	-
	422	829	-	-

Income tax is calculated at the Malaysian statutory income tax rate of 24% (2015: 25%) of the estimated assessable profit for the financial year.

A reconciliation of income tax expense applicable to loss before tax 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Loss before tax	(9,162)	(7,719)	(9,977)	(19,686)
Tax at the applicable tax rate of 24% (2015: 25%)	(2,199)	(1,930)	(2,395)	(4,922)
Tax effect arising from				
- non-deductible expenses	1,237	541	1,368	4,105
- non-taxable income	(42)	(42)	-	-
- deferred tax liabilities transferred from revaluation of investment properties	42	40	-	-
- deferred tax assets not recognised in the financial statements	1,455	1,939	1,027	817
- deferred tax assets recognised in different tax rate	-	275	-	-
- crystallisation of deferred tax on revaluation reserves	(56)	(56)	-	-
- (over)/ under accrual in prior years	(15)	62	-	-
Tax expense for the financial year	422	829	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**22. INCOME TAX EXPENSE (CONT'D)**

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Deductable temporary differences	4,511	4,389	8	1
Unutilised tax losses	40,577	34,638	9,498	5,226
	<u>45,088</u>	<u>39,027</u>	<u>9,506</u>	<u>5,227</u>
Potential deferred tax assets not recognised at 24% (2015: 24%)	10,821	9,366	2,281	1,254

23. LOSS PER SHARE**(a) Basic**

Basic loss per share is calculated by dividing the Group's loss for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2016	2015
Loss attributable to Owners of the Company (RM'000)	(9,584)	(8,548)
Weighted average number of ordinary shares issued ('000) *	89,905	57,456
Loss per share (sen)	(10.66)	(14.88)

* The weighted average number of shares takes into account the weighted average effect of changes in Rights Issues in previous financial year.

(b) Diluted

Warrants have no dilutive effect as the average market price of ordinary shares during the period is below the exercise price of the warrants.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. CAPITAL AND OTHER COMMITMENTS

(a) Capital Commitments

	2016 RM'000	Group 2015 RM'000
Capital expenditure approved and contracted for:		
- Building in construction	326	983

(b) Lease Commitments

The Group and the Company has lease number of premises under operating leases for average lease term between one to five years, with option to renew the lease at the end of the lease term.

Future minimum rental payable under the non-cancellable operating lease at the reporting date is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
- Not later than one year	535	485	366	282
- More than one year and not later than five years	842	317	552	-
- More than five years	101	101	-	-
	1,478	903	918	282

25. FINANCIAL GUARANTEE

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

	Company	
	2016 RM'000	2015 RM'000
Corporate guarantee given to subsidiaries:		
S.P. Granite Sdn. Bhd.	3,666	1,227
Rainbow Marble & Tiling Sdn. Bhd.	20,934	20,934
Stone Master (Malaysia) Sdn. Bhd.	306	475
	24,906	22,636

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. 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 Group's and the Company's 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.

Name of Related Parties	Nature of Relationship
S.P. Granite Sdn. Bhd.	Direct subsidiary
Stone Master Marketing Sdn Bhd.	Direct subsidiary
Rainbow Marble & Tiling Sdn. Bhd.	Direct subsidiary
Dato' Eii Ching Siew @ Yii Ching Siew ("Dato' Eii")	Executive Director/President
Starfield Capital Sdn. Bhd.	A Company related to Deputy Managing Director, Datin Chan Chui Mei
Koh and Associates	Legal firm in which a director, Dato' Koh Mui Tee, has interest

(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 addition to 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.

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Subsidiaries				
S.P. Granite Sdn. Bhd.				
Management fees receivable	-	-	(75)	(100)
Stone Master Marketing Sdn. Bhd.				
Management fees receivable	-	-	-	(100)
Rainbow Marble & Tiling Sdn. Bhd.				
Management fees receivable	-	-	(100)	(100)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

(b) Significant Related Party Transactions (Cont'd)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Others				
Loan from Starfield Capital Sdn. Bhd.	18,000	–	18,000	–
Advance from Dato' Eii	3,330	–	2,874	–
Repayment to Dato' Eii	(1,675)	–	(1,430)	–
Rental of premises from Dato' Eii	141	141	141	141
Legal fees payable to Koh & Associates in relation to 23 separate and independent Heads of Agreements and Exclusive Agency Agreements on 23 principals and other matters	1,285	–	1,285	–

(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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors				
Salaries and allowances	2,719	1,942	1,959	1,822
Employees' Provident Fund and SOCSO	255	162	158	162
	2,974	2,104	2,117	1,984
Key management personnel				
Salaries and allowances	300	383	300	383
Employees' Provident Fund and SOCSO	37	46	37	46
	337	429	337	429

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**27. SEGMENTAL INFORMATION**

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

28. 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 2016	Loans and receivables RM'000	Available for sale RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
Financial assets				
Other investments	–	28	–	28
Trade receivables	15,756	–	–	15,756
Other receivables and deposits (exclude non-refundable deposits and prepayments)	647	–	–	647
Cash and bank balances	2,741	–	–	2,741
Deposits placed with licensed banks	1,025	–	–	1,025
<hr/>				
Financial liabilities				
Bank borrowings - secured	–	–	(15,162)	(15,162)
Trade payables	–	–	(8,324)	(8,324)
Other payables, deposits and accruals (exclude non-refundable deposits)	–	–	(26,885)	(26,885)
Amount due to a former director	–	–	(290)	(290)
Amount due to directors	–	–	(2,022)	(2,022)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. FINANCIAL INSTRUMENTS (CONT'D)

(a) Classification of Financial Instruments (Cont'd)

Group 2015	Loans and receivables RM'000	Available for sale RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
Financial assets				
Other investments	–	28	–	28
Trade receivables	21,329	–	–	21,329
Other receivables and deposits (exclude non-refundable deposits and prepayments)	352	–	–	352
Cash and bank balances	1,491	–	–	1,491
Deposits placed with licensed banks	13,460	–	–	13,460
Financial liabilities				
Bank borrowings - secured	–	–	(29,352)	(29,352)
Trade payables	–	–	(12,649)	(12,649)
Other payables, deposits and accruals (exclude non-refundable deposits)	–	–	(3,116)	(3,116)
Amount due to a former director	–	–	(291)	(291)
Amount due to directors	–	–	(1,857)	(1,857)
Company 2016				
Financial assets				
Other receivables and deposits (exclude non-refundable deposits)	299	–	–	299
Amount due from subsidiaries	374	–	–	374
Deposits placed with licensed banks	10	–	–	10
Cash and bank balances	824	–	–	824
Financial liabilities				
Other payables, deposits and accruals (exclude non-refundable deposits)	–	–	(23,671)	(23,671)
Amount due to a former director	–	–	(63)	(63)
Amount due to directors	–	–	(1,444)	(1,444)
Bank borrowings - secured	–	–	(228)	(228)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. FINANCIAL INSTRUMENTS (CONT'D)

(a) Classification of Financial Instruments (Cont'd)

Company 2015	Loans and receivables RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
Financial assets			
Other receivables and deposits (exclude non-refundable deposits)	91	–	91
Amount due from subsidiaries	152	–	152
Deposits placed with licensed banks	13,010	–	13,010
Cash and bank balances	6	–	6
Financial liabilities			
Other payables, deposits and accruals (exclude non-refundable deposits)	–	(1,045)	(1,045)
Amount due to a former director	–	(63)	(63)
Amount due to directors	–	(1,787)	(1,787)
Bank borrowings - secured	–	(11,958)	(11,958)

(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 2016 that are required to be disclosed.

The following table provides the fair value measurement hierarchy of the Group's and the Company's financial instruments:

	Carrying amount Total RM'000	Fair value of financial instruments not carried at fair value			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
Group					
30.9.2015					
Financial liabilities					
Term loans	4,579	–	–	4,263	4,263
Hire purchase liabilities	450	–	–	404	404
30.9.2015					
Financial liabilities					
Term loans	5,819	–	–	5,429	5,429
Hire purchase liabilities	38	–	–	36	36

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. FINANCIAL INSTRUMENTS (CONT'D)

(b) Fair value of financial instruments (Cont'd)

Level 3 Fair Value

Fair value of financial instruments carried at fair value

The fair value of trade receivables is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Fair value of financial instruments not carried at fair value

The fair value of the financial lease liabilities and term loans are determined using the discounted cash flows method based on the discount rates that reflects the issuer's borrowing rate as at the end of the reporting period.

29. 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 Group's and the Company's 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 Group's exposure to credit risk arises primarily from trade and other receivables. The Company's 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.

Exposure to credit risk

At the reporting date, the Group's and the Company's 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)****(i) Credit Risk (Cont'd)**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 maximum exposure to credit risks amount to RM 15,397,000/- (2015: RM11,750,390/-) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 15. As at the reporting date, there was no indication that the subsidiary would default on repayment.

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 Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's 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.

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 Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting date were:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Floating rate instruments				
Financial Liabilities				
Bank overdraft	1,660	14,031	-	11,958
Trust receipt	3,080	3,620	-	-
Banker acceptance	5,393	5,844	-	-
Term loans	4,579	5,819	-	-
<hr/>				
Fixed rate instruments				
Financial Liabilities				
Hire purchase liabilities	450	38	228	-
<hr/>				

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(ii) Interest Rate Risk (Cont'd)

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%	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Group				
<i>Floating rate instruments</i>				
Financial Liabilities	(133)	(293)	133	293
Company				
<i>Floating rate instruments</i>				
Financial Liabilities	–	(120)	–	120

(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 Group's and the Company's 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iii) Liquidity Risk (Cont'd)

Maturity analysis

The maturity profile of the Group's and the Company's financial liabilities based on undiscounted contractual repayment at the reporting date are as follows:

	Carrying Amount RM'000	Undiscounted cash flows			Total RM'000
		Within 1 Year RM'000	1 - 5 Years RM'000	> 5 Years RM'000	
2016					
Group					
Financial Liabilities					
Bank borrowings - secured	14,712	11,251	3,358	1,156	15,765
Hire purchase liabilities	450	148	348	—	496
Trade payables	8,861	8,861	—	—	8,861
Other payables, deposit and accruals	29,197	29,197	—	—	29,197
Company					
Bank borrowings - secured	228	57	200	—	257
Other payables, deposit and accruals	25,178	25,178	—	—	25,178
2015					
Group					
Financial Liabilities					
Bank borrowings - secured	29,314	24,218	3,224	1,872	29,314
Hire purchase liabilities	39	39	—	—	39
Trade payables	13,186	13,186	—	—	13,186
Other payables, deposit and accruals	5,264	5,264	—	—	5,264
Company					
Bank borrowings - secured	11,958	11,958	—	—	11,958
Other payables, deposit and accruals	2,895	2,895	—	—	2,895

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. CAPITAL MANGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base and safeguard the Group's 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade payables	8,861	13,186	–	–
Other payables, deposits and accruals	29,197	5,264	25,178	2,895
Borrowings	15,162	29,352	228	11,958
	53,220	47,802	25,406	14,853
Less : Cash and cash equivalents	(3,766)	(14,951)	(834)	(13,016)
Capital and net debts	49,454	32,851	24,572	1,837
Shareholders' funds	7,704	17,208	(6,540)	3,437
Total capital	57,158	50,059	18,032	5,274
Gearing ratio	86.52%	65.62%	136.27%	34.83%

There were no changes in the Group's and Company's approach to the capital management during the financial year.

31. MATERIAL LITIGATION

On 11th March 2015, the Company filed a lawsuit against a former director Dato' Tan Wei Lian ("Dato Tan") for anticipatory breach and repudiation of his irrevocable and unconditional letter of undertaking dated 28th April 2015. The Company seeks for an order for assessment of damages. The statement of Defence of Dato' Tan Wei Lian was received on 22nd April 2015. On 30th April 2015, the Company served its reply to statement of Defence.

As of to date, the Company's solicitor is in the view that the Company has a reasonable prospect of succeeding the claims against Dato Tan.

At the present moment, the Directors do not have the sufficient information to assess financial impact to the Company. Therefore, the Board of Directors are of the view that no contingent assets or contingent liabilities need to be recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR****32.1 Heads of Agreements**

In the previous financial year ended 30th September 2015, the Company entered into twelve (12) Heads of Agreements (“HOAs”, or “HOA” in singular) with the following companies for the respective exclusive agency rights to be granted by each of them on the respective date set out against their names:-

Party	Date of HOA
(i) Fujian Nan'an Guanhui Stone Ltd.	30th March 2015
(ii) Guangdong Be-Tech Security System Limited	7th August 2015
(iii) Lion Legend Holdings Limited	7th August 2015
(iv) Guangdong Shunde Masdar Door Co. Ltd.	14th September 2015
(v) Foshan Lagerung Technology Co. Ltd.	14th September 2015
(vi) Guangdong Golden Aluminum Co., Ltd.	14th September 2015
(vii) Foshan Shundequ Lixuan Textile Industrial Co., Ltd.	14th September 2015
(viii) Guangdong Hualong Coating Industry Co., Ltd.	14th September 2015
(ix) Guangzhou Deron Heat Source Facilities Co., Ltd.	14th September 2015
(x) Guangdong Zhongsheng Ceramics Co., Ltd.	14th September 2015
(xi) Foshan Shunde Weideli Lighting Co., Ltd.	14th September 2015
(xii) Fujian Nan'an Wonlife Co. Ltd.	14th September 2015

Together with the two (2) HOAs described in Note 32.1.1 and 32.1.2 below, all these twelve (12) HOAs were superseded by the corresponding Exclusive Agencies Agreements subsequently entered into by the Company as described in Note 32.2 below. The corresponding Exclusive Agencies Agreement represents the definitive agreement of the parties concerned pursuant to the respective HOAs.

Altogether, only fourteen (14) HOAs were entered into by the Company in the course of the last two financial years in respect of exclusive agency rights.

In respect of the nine (9) other cases under Note 32.2 below, no HOA was signed and the Company entered straight away into the respective Exclusive Agencies Agreements.

32.1.1 Foshan Korra Bath Ware Co., Ltd.

- (a) On 7th October 2015, the Company proposed a HOA to be executed between the Company and Foshan Korra Bath Ware Co., Ltd. (“Foshan Korra”) for the exclusive agency rights to be granted by Foshan Korra to the Company to undertake bath ware products design and installation contracts under the brand name of “KORRA” in relation to the products and services.
- (b) Pursuant to the HOA:-
- (i) The Company shall pay the sum of RM150,000,000/- as one time initial agency fee, which sum shall be satisfied by the allotment and issuance of shares at the agreed issuance price agreed by the parties with the approval of the Malaysian Securities Commission and Bursa Securities;
 - (ii) All shares issued shall be credited as fully paid-up and ranking pari passu in all respects with the existing issued shares provided that Foshan Korra shall not be entitled to any dividends or other form of distribution which may be declared prior to the date of allotment of the shares;
 - (iii) Foshan Korra shall provide the Company with a one-time initial kick-off package in the form of the products and services for the value of RM130,000,000/- and assured profit guarantee of 30% of the gross contract value.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

32.1 Heads of Agreements (Cont'd)

32.1.1 Foshan Korra Bath Ware Co., Ltd. (Cont'd)

- (c) On 12th October 2015, the Company announced a HOA has been executed between the Company and Foshan Korra for the exclusive agent rights to be granted by Foshan Korra to the Company to undertake bath ware design and installation contracts under the brand name of KORRA" in relation to the products and services.

32.1.2 Guangdong Longjiang Hong Ji Seating Co., Ltd.

- (a) On 12th October 2015, the Company announced a HOA has been executed between the Company and Guangdong Longjiang Hong Ji Seating Co., Ltd. ("Guangdong Longjiang Hong Ji") for the exclusive agent rights to be granted by Guangdong Longjiang Hong Ji to the Company to undertake public seating furniture and installation contracts under the brand name of "HONGJI" in relation to the products and services.
- (b) Pursuant to the HOA:-
- (i) The Company shall pay the sum of RM150,000,000/- as one time initial agency fee, which sum shall be satisfied by the allotment and issuance of shares at the agreed issuance price agreed by the parties with the approval of the Malaysian Securities Commission and Bursa Securities;
 - (ii) All shares issued shall be credited as fully paid-up and ranking pari passu in all respects with the existing issued shares provided that Guangdong Longjiang Hong Ji shall not be entitled to any dividends or other form of distribution which may be declared prior to the date of allotment of the shares;
 - (iii) Guangdong Longjiang Hong Ji shall provide the Company with a one-time initial kick-off package in the form of the products and services for the value of RM85,000,000/- and assured profit guarantee of 30% of the gross contract value.
- (b) On 12th October 2015, the Company announced a HOA has been executed between the Company and Guangdong Longjiang Hong Ji for the exclusive agent rights to be granted by Guangdong Longjiang Hong Ji to the Company to undertake public seating furniture and installation contracts under the brand name of "HONGJI" in relation to the products and services.

32.2 Exclusive Agency Agreements

On 4th February 2016, the Company made twenty-three (23) announcements to disclose that the Company had entered into twenty-three (23) separate and independent Exclusive Agency Agreements (collectively as "EAAs") with the respective parties described below (collectively "the Principals") for the grant of exclusive agent rights of their respective products and services to the Company upon the terms and conditions contained therein.

32.2.1 GH Premier Stone Design International Limited

On 4th February 2016, the Company announced that the Company entered into an Exclusive Agency Agreement ("EAA") with GH Premier Stone Design International Limited ("GH Premier") as Principal for the exclusive agency rights granted by GH Premier to the Company to undertake stone design and installation contracts under the brand name of "GH Premier Stone" in relation to the products and services following from a HOA that had been entered into by the Company and Fujian Nan'an Guanhui Stone Ltd in year 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)****32.2 Exclusive Agency Agreements (Cont'd)****32.2.1 GH Premier Stone Design International Limited (Cont'd)**

The Company shall pay the sum of RM150,000,000/- as one time initial agency fee shall be paid in two (2) instalments which a non-refundable deposit of RM570,000/- upon execution of the EAA and the balance ("Balance Agency Fee") of RM149,430,000/- shall be due and payable to its subsidiary incorporated in Malaysia named in the EAA (as its nominated sole beneficiary) within seven (7) days from the date of execution thereof.

GH Premier shall provide the Company with a one-time initial kick-off package in the form of the products and services for the value of RM130,000,000/- and assured profit margin of 30% of the gross contract value.

32.2.2 Weideli Lightings Design Solution International Ltd.

On 4th February 2016, the Company announced that the Company entered into an Exclusive Agency Agreement ("EAA") with Weideli Lightings Design Solution International Ltd. ("Weideli Lightings Design") as Principal for the exclusive agency rights granted by Weideli Lightings Design to the Company to undertake energy saving lighting design and installation contracts under the brand name of "Weideli" in relation to the products and services following from a HOA that had been entered into by the Company and Foshan Shunde Weideli Lighting Co., Ltd. in year 2015.

The Company shall pay the sum of RM100,000,000/- as one time initial agency fee shall be paid in two (2) instalments which a non-refundable deposit of RM380,000/- upon execution of the EAA and the balance ("Balance Agency Fee") of RM99,620,000/- shall be due and payable to its subsidiary incorporated in Malaysia named in the EAA (as its nominated sole beneficiary) within seven (7) days from the date of execution thereof.

Weideli Lightings Design shall provide the Company with a one-time initial kick-off package in the form of the products and services for the value of RM85,000,000/- and assured profit margin of 30% of the gross contract value.

32.2.3 Hualong Paints Design Solution International Ltd.

On 4th February 2016, the Company announced that the Company entered into an Exclusive Agency Agreement ("EAA") with Hualong Paints Design Solution International Ltd. ("Hualong Paints Design") as Principal for the exclusive agency rights granted by Hualong Paints Design to the Company to undertake paints and costing materials design and installation contracts under the brand name of "HUALONG" in relation to the products and services following from a HOA that had been entered into by the Company and Guangdong Hualong Coating Industry Co., Ltd. in year 2015.

The Company shall pay the sum of RM150,000,000/- as one time initial agency fee shall be paid in two (2) instalments which a non-refundable deposit of RM570,000/- upon execution of the EAA and the balance ("Balance Agency Fee") of RM149,430,000/- shall be due and payable to its subsidiary incorporated in Malaysia named in the EAA (as its nominated sole beneficiary) within seven (7) days from the date of execution thereof.

Hualong Paints Design shall provide the Company with a one-time initial kick-off package in the form of the products and services for the value of RM130,000,000/- and assured profit margin of 30% of the gross contract value.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

32.2 Exclusive Agency Agreements (Cont'd)

32.2.4 Golden Creative Design International Ltd.

On 4th February 2016, the Company announced that the Company entered into an Exclusive Agency Agreement (“EAA”) with Golden Creative Design International Ltd. (“Golden Creative Design”) as Principal for the exclusive agency rights granted by Golden Creative Design to the Company to undertake architectural aluminum doors and windows design and installation contracts under the brand name of “Golden” in relation to the products and services following from a HOA that had been entered into by the Company and Guangdong Golden Aluminum Co., Ltd. in year 2015.

The Company shall pay the sum of RM150,000,000/- as one time initial agency fee shall be paid in two (2) instalments which a non-refundable deposit of RM570,000/- upon execution of the EAA and the balance (“Balance Agency Fee”) of RM149,430,000/- shall be due and payable to its subsidiary incorporated in Malaysia named in the EAA (as its nominated sole beneficiary) within seven (7) days from the date of execution thereof.

Golden Creative Design shall provide the Company with a one-time initial kick-off package in the form of the products and services for the value of RM130,000,000/- and assured profit margin of 30% of the gross contract value.

32.2.5 Rui Bei Exclusive Design International Ltd.

On 4th February 2016, the Company announced that the Company entered into an Exclusive Agency Agreement (“EAA”) with Rui Bei Exclusive Design International Ltd. (“Rui Bei Exclusive Design”) as Principal for the exclusive agency rights granted by Weideli Lightings Design to the Company to undertake hospitality linens, curtains and textiles design and installation contracts under the brand name of “RUI BEI” in relation to the products and services following from a HOA that had been entered into by the Company and Foshan Shundequ Lixuan Textile Industrial Co., Ltd. in year 2015.

The Company shall pay the sum of RM150,000,000/- as one time initial agency fee shall be paid in two (2) instalments which a non-refundable deposit of RM570,000/- upon execution of the EAA and the balance (“Balance Agency Fee”) of RM149,430,000/- shall be due and payable to its subsidiary incorporated in Malaysia named in the EAA (as its nominated sole beneficiary) within seven (7) days from the date of execution thereof.

Rui Bei Exclusive Design shall provide the Company with a one-time initial kick-off package in the form of the products and services for the value of RM130,000,000/- and assured profit margin of 30% of the gross contract value.

32.2.6 Wonlife Stone Art Design International Ltd.

On 4th February 2016, the Company announced that the Company entered into an Exclusive Agency Agreement (“EAA”) with Wonlife Stone Art Design International Ltd. (“Wonlife Stone Art Design”) as Principal for the exclusive agency rights granted by Weideli Lightings Design to the Company to undertake super slim natural stone products design and installation contracts under the brand name of “WONLIFE” in relation to the products and services following from a HOA that had been entered into by the Company and Fujian Nan’an Wonlife Co. Ltd. in year 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)****32.2 Exclusive Agency Agreements (Cont'd)****32.2.6 Wonlife Stone Art Design International Ltd. (Cont'd)**

The Company shall pay the sum of RM150,000,000/- as one time initial agency fee shall be paid in two (2) instalments which a non-refundable deposit of RM570,000/- upon execution of the EAA and the balance ("Balance Agency Fee") of RM149,430,000/- shall be due and payable to its subsidiary incorporated in Malaysia named in the EAA (as its nominated sole beneficiary) within seven (7) days from the date of execution thereof.

Wonlife Stone Art Design shall provide the Company with a one-time initial kick-off package in the form of the products and services for the value of RM130,000,000/- and assured profit margin of 30% of the gross contract value.

32.2.7 Roy Lifestyle Design International Ltd.

On 4th February 2016, the Company announced that the Company entered into an Exclusive Agency Agreement ("EAA") with Roy Lifestyle International Ltd. ("Roy Lifestyle Design") as Principal for the exclusive agency rights granted by Roy Lifestyle Design to undertake ceramics sanitary ware and bathroom accessories design and installation contracts under the brand name of "ROY" in relation to the products and services following from a HOA that had been entered into by the Company and Lion Legend Holdings Limited in year 2015.

The Company shall pay the sum of RM150,000,000/- as one time initial agency fee shall be paid in two (2) instalments which a non-refundable deposit of RM570,000/- upon execution of the EAA and the balance ("Balance Agency Fee") of RM149,430,000/- shall be due and payable to its subsidiary incorporated in Malaysia named in the EAA (as its nominated sole beneficiary) within seven (7) days from the date of execution thereof.

Roy Lifestyle Design shall provide the Company with a one-time initial kick-off package in the form of the products and services for the value of RM130,000,000/- and assured profit margin of 30% of the gross contract value.

32.2.8 Masdar Masterpiece Design International Ltd.

On 4th February 2016, the Company announced that the Company entered into an Exclusive Agency Agreement ("EAA") with Masdar Masterpiece Design International Ltd ("Masdar Masterpiece Design") as Principal for the exclusive agency rights granted by Masdar Masterpiece Design to the Company to undertake wooden solid door design and installation contracts under the brand name of "Masdar" in relation to the products and services following from a HOA that had been entered into by the Company and Guangdong Shunde Masdar Door Co., Ltd. in year 2015.

The Company shall pay the sum of RM100,000,000/- as one time initial agency fee shall be paid in two (2) instalments which a non-refundable deposit of RM380,000/- upon execution of the EAA and the balance ("Balance Agency Fee") of RM99,620,000/- shall be due and payable to its subsidiary incorporated in Malaysia named in the EAA (as its nominated sole beneficiary) within seven (7) days from the date of execution thereof.

Masdar Masterpiece Design shall provide the Company with a one-time initial kick-off package in the form of the products and services for the value of RM85,000,000/- and assured profit margin of 30% of the gross contract value.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

32.2 Exclusive Agency Agreements (Cont'd)

32.2.9 Zhongsheng Creative Design International Ltd.

On 4th February 2016, the Company announced that the Company entered into an Exclusive Agency Agreement (“EAA”) with Zhongsheng Creative Design International Ltd. (“Zhongsheng Creative Design”) as Principal for the exclusive agency rights granted by Zhongsheng Creative Design to the Company to undertake ceramic tiles design and installation contracts under the brand name of “ZHONGSHENG” in relation to the products and services following from a HOA that had been entered into by the Company and Guangdong Zhongsheng Ceramics Co., Ltd. in year 2015.

The Company shall pay the sum of RM150,000,000/- as one time initial agency fee shall be paid in two (2) instalments which a non-refundable deposit of RM570,000/- upon execution of the EAA and the balance (“Balance Agency Fee”) of RM149,430,000/- shall be due and payable to its subsidiary incorporated in Malaysia named in the EAA (as its nominated sole beneficiary) within seven (7) days from the date of execution thereof.

Zhongsheng Creative Design shall provide the Company with a one-time initial kick-off package in the form of the products and services for the value of RM130,000,000/- and assured profit margin of 30% of the gross contract value.

32.2.10 Deron Energy Savings Solution International Ltd.

On 4th February 2016, the Company announced that the Company entered into an Exclusive Agency Agreement (“EAA”) with Deron Energy Savings Solution International Ltd. (“Deron Energy Saving Solution”) as Principal for the exclusive agency rights granted by Deron Energy Saving Solution to the Company to undertake air energy saving heat pump systems design and installation contracts under the brand name of “DERON” in relation to the products and services following from a HOA that had been entered into by the Company and Guangzhou Deron Heat Source Facilities Co., Ltd. in year 2015.

The Company shall pay the sum of RM150,000,000/- as one time initial agency fee shall be paid in two (2) instalments which a non-refundable deposit of RM570,000/- upon execution of the EAA and the balance (“Balance Agency Fee”) of RM149,430,000/- shall be due and payable to its subsidiary incorporated in Malaysia named in the EAA (as its nominated sole beneficiary) within seven (7) days from the date of execution thereof.

Deron Energy Saving Solution shall provide the Company with a one-time initial kick-off package in the form of the products and services for the value of RM130,000,000/- and assured profit margin of 30% of the gross contract value.

32.2.11 Nature Creative Lifestyle Design International Ltd.

On 4th February 2016, the Company announced that the Company entered into an Exclusive Agency Agreement (“EAA”) with Nature Creative Lifestyle Design International Ltd (“Nature Creative Lifestyle Design”) as Principal for the exclusive agency rights granted by Nature Creative Lifestyle Design to the Company to undertake timber flooring design and installation contracts under the brand name of “NATURE” in relation to the products and services.

The Company shall pay the sum of RM150,000,000/- as one time initial agency fee shall be paid in two (2) instalments which a non-refundable deposit of RM570,000/- upon execution of the EAA and the balance (“Balance Agency Fee”) of RM149,430,000/- shall be due and payable to its subsidiary incorporated in Malaysia named in the EAA (as its nominated sole beneficiary) within seven (7) days from the date of execution thereof.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)****32.2 Exclusive Agency Agreements (Cont'd)****32.2.11 Nature Creative Lifestyle Design International Ltd. (Cont'd)**

Nature Creative Lifestyle Design shall provide the Company with a one-time initial kick-off package in the form of the products and services for the value of RM130,000,000/- and assured profit margin of 30% of the gross contract value.

32.2.12 CKS Waterproofing Solution International Ltd.

On 4th February 2016, the Company announced that the Company entered into an Exclusive Agency Agreement (“EAA”) with CKS Waterproofing Solution International Ltd. (“CKS Waterproofing Solution”) as Principal for the exclusive agency rights granted by CKS Waterproofing to the Company to undertake waterproofing coating material design and installation contacts under the brand name of “CKS” in relation to the products and services.

The Company shall pay the sum of RM150,000,000/- as one time initial agency fee shall be paid in two (2) instalments which a non-refundable deposit of RM570,000/- upon execution of the EAA and the balance (“Balance Agency Fee”) of RM149,430,000/- shall be due and payable to its subsidiary incorporated in Malaysia named in the EAA (as its nominated sole beneficiary) within seven (7) days from the date of execution thereof.

CKS Waterproofing Solution shall provide the Company with a one-time initial kick-off package in the form of the products and services for the value of RM130,000,000/- and assured profit margin of 30% of the gross contract value.

32.2.13 Meihua Hospitality Furnishing Design International Ltd.

On 4th February 2016, the Company announced that the Company entered into an Exclusive Agency Agreement (“EAA”) with Meihua Hospitality Furnishing Design International Ltd. (“Meihua Hospitality Furnishing Design”) as Principal for the exclusive agency rights granted by Meihua Hospitality Furnishing Design to the Company to undertake hospitality furnishings and installation contacts under the brand name of “MEIHUA” in relation to the products and services.

The Company shall pay the sum of RM150,000,000/- as one time initial agency fee shall be paid in two (2) instalments which a non-refundable deposit of RM570,000/- upon execution of the EAA and the balance (“Balance Agency Fee”) of RM149,430,000/- shall be due and payable to its subsidiary incorporated in Malaysia named in the EAA (as its nominated sole beneficiary) within seven (7) days from the date of execution thereof.

Meihua Hospitality Furshing Design shall provide the Company with a one-time initial kick-off package in the form of the products and services for the value of RM130,000,000/- and assured profit margin of 30% of the gross contract value.

32.2.14 Lagerung Lifestyle Design International Ltd.

On 4th February 2016, the Company announced that the Company entered into an Exclusive Agency Agreement (“EAA”) with Lagerung Lifestyle Design International Ltd. (“Lagerung Lifestyle Design”) as Principal for the exclusive agency rights granted by Lagerung Lifestyle Design to the Company to undertake environmental friendly custom made furniture design and installation contacts under the brand name of “LAGERUNG” in relation to the products and services following from a HOA that had been entered into by the Company and Foshan Lagerung Technology Co., Ltd, in year 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

32.2 Exclusive Agency Agreements (Cont'd)

32.2.14 Lagerung Lifestyle Design International Ltd. (Cont'd)

The Company shall pay the sum of RM100,000,000/- as one time initial agency fee shall be paid in two (2) instalments which a non-refundable deposit of RM380,000/- upon execution of the EAA and the balance ("Balance Agency Fee") of RM99,620,000/- shall be due and payable to its subsidiary incorporated in Malaysia named in the EAA (as its nominated sole beneficiary) within seven (7) days from the date of execution thereof.

Lagerung Lifestyle Design shall provide the Company with a one-time initial kick-off package in the form of the products and services for the value of RM85,000,000/- and assured profit margin of 30% of the gross contract value.

32.2.15 Futina Switches and Sockets International Ltd.

On 4th February 2016, the Company announced that the Company entered into an Exclusive Agency Agreement ("EAA") with Futine Switches and Sockets International Ltd. ("Futina Switches and Sockets") as Principal for the exclusive agency rights granted by Futina Switches and Sockets to the Company to undertake wiring device and electrical products design and installation contacts under the brand name of "FUTINA" in relation to the products and services.

The Company shall pay the sum of RM100,000,000/- as one time initial agency fee shall be paid in two (2) instalments which a non-refundable deposit of RM380,000/- upon execution of the EAA and the balance ("Balance Agency Fee") of RM99,620,000/- shall be due and payable to its subsidiary incorporated in Malaysia named in the EAA (as its nominated sole beneficiary) within seven (7) days from the date of execution thereof.

Futina Switches and Sockets shall provide the Company with a one-time initial kick-off package in the form of the products and services for the value of RM85,000,000/- and assured profit margin of 30% of the gross contract value.

32.2.16 Korra Exclusive Design International Ltd.

On 4th February 2016, the Company announced that the Company entered into an Exclusive Agency Agreement ("EAA") with Korra Exclusive Design International Ltd. ("Korra Exclusive Design") as Principal for the exclusive agency rights granted by Korra Exclusive Design to the Company to undertake bath wares design and installation contacts under the brand name of "KORRA" in relation to the products and services following from a HOA that had been entered into by the Company and Foshan Korra Bath Ware Co., Ltd in year 2015.

The Company shall pay the sum of RM150,000,000/- as one time initial agency fee shall be paid in two (2) instalments which a non-refundable deposit of RM570,000/- upon execution of the EAA and the balance ("Balance Agency Fee") of RM149,430,000/- shall be due and payable to its subsidiary incorporated in Malaysia named in the EAA (as its nominated sole beneficiary) within seven (7) days from the date of execution thereof.

Korra Exclusive Design shall provide the Company with a one-time initial kick-off package in the form of the products and services for the value of RM130,000,000/- and assured profit margin of 30% of the gross contract value

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)****32.2 Exclusive Agency Agreements (Cont'd)****32.2.17 Canbo Kitchen Ware Appliance Design International Ltd.**

On 4th February 2016, the Company announced that the Company entered into an Exclusive Agency Agreement (“EAA”) with Canbo Kitchen Ware Appliance Design International Ltd. (“Canbo Kitchen Ware Appliance Design”) as Principal for the exclusive agency rights granted by Canbo Kitchen Ware Appliance Design to the Company to undertake kitchen ware appliances design and installation contacts under the brand name of “CANBO” in relation to the products and services.

The Company shall pay the sum of RM150,000,000/- as one time initial agency fee shall be paid in two (2) instalments which a non-refundable deposit of RM570,000/- upon execution of the EAA and the balance of RM149,430,000/- shall be due and payable to its subsidiary incorporated in Malaysia named in the EAA (as its nominated sole beneficiary) within seven (7) days from the date of execution thereof.

Canbo Kitchen Ware Appliance Design shall provide the Company with a one-time initial kick-off package in the form of the products and services for the value of RM130,000,000/- and assured profit margin of 30% of the gross contract value.

32.2.18 Winone Elevator International Ltd.

On 4th February 2016, the Company announced that the Company entered into an Exclusive Agency Agreement (“EAA”) with Winone Elevator International Ltd. (“Winone Elevator”) as Principal for the exclusive agency rights granted by Winone Elevator to the Company to undertake elevators design and installation contacts under the brand name of “WINONE” in relation to the products and services.

The Company shall pay the sum of RM150,000,000/- as one time initial agency fee shall be paid in two (2) instalments which a non-refundable deposit of RM570,000/- upon execution of the EAA and the balance (“Balance Agency Fee”) of RM149,430,000/- shall be due and payable to its subsidiary incorporated in Malaysia named in the EAA (as its nominated sole beneficiary) within seven (7) days from the date of execution thereof.

Winone Elevator shall provide the Company with a one-time initial kick-off package in the form of the products and services for the value of RM130,000,000/- and assured profit margin of 30% of the gross contract value.

32.2.19 Corso Intelligent Lightings International Ltd.

On 4th February 2016, the Company announced that the Company entered into an Exclusive Agency Agreement (“EAA”) with Corso Intelligent Lightings International Ltd. (“Corso Intelligent Lightings”) as Principal for the exclusive agency rights granted by Corso Intelligent Lightings to the Company to undertake intelligent lightings design and installation contacts under the brand name of “CORSO” in relation to the products and services.

The Company shall pay the sum of RM100,000,000/- as one time initial agency fee shall be paid in two (2) instalments which a non-refundable deposit of RM380,000/- upon execution of the EAA and the balance (“Balance Agency Fee”) of RM99,620,000/- shall be due and payable to its subsidiary incorporated in Malaysia named in the EAA (as its nominated sole beneficiary) within seven (7) days from the date of execution thereof.

Corso Intelligent Lightings shall provide the Company with a one-time initial kick-off package in the form of the products and services for the value of RM85,000,000/- and assured profit margin of 30% of the gross contract value.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

32.2 Exclusive Agency Agreements (Cont'd)

32.2.20 BE-Tech Smart Concept International Ltd.

On 4th February 2016, the Company announced that the Company entered into an Exclusive Agency Agreement (“EAA”) with BE-Tech Smart Concept International Ltd. (“BE-Tech Smart Concept”) as Principal for the exclusive agency rights granted by BE-Tech Smart Concept to the Company to undertake electronic security products design and installation contacts under the brand name of “BE-TECH” in relation to the products and services following from a HOA that had been entered into by the Company and Guangdong Be-Tech Security System Limited in year 2015.

The Company shall pay the sum of RM100,000,000/- as one time initial agency fee shall be paid in two (2) instalments which a non-refundable deposit of RM380,000/- upon execution of the EAA and the balance (“Balance Agency Fee”) of RM99,620,000/- shall be due and payable to its subsidiary incorporated in Malaysia named in the EAA (as its nominated sole beneficiary) within seven (7) days from the date of execution thereof.

BE-Tech Smart Concept shall provide the Company with a one-time initial kick-off package in the form of the products and services for the value of RM85,000,000/- and assured profit margin of 30% of the gross contract value.

32.2.21 Greenzone Exclusive Design International Ltd.

On 4th February 2016, the Company announced that the Company entered into an Exclusive Agency Agreement (“EAA”) with Greenzone Exclusive Design International Ltd. (“Greenzone Exclusive Design”) as Principal for the exclusive agency rights granted by Greenzone Exclusive Design to the Company to undertake architectural fashion environmentally friendly building materials design and installation contacts under the brand name of “GREENZONE” in relation to the products and services.

The Company shall pay the sum of RM100,000,000/- as one time initial agency fee shall be paid in two (2) instalments which a non-refundable deposit of RM380,000/- upon execution of the EAA and the balance (“Balance Agency Fee”) of RM99,620,000/- shall be due and payable to its subsidiary incorporated in Malaysia named in the EAA (as its nominated sole beneficiary) within seven (7) days from the date of execution thereof.

Greenzone Exclusive Design shall provide the Company with a one-time initial kick-off package in the form of the products and services for the value of RM85,000,000/- and assured profit margin of 30% of the gross contract value.

32.2.22 Hong Ji Seating Design International Ltd.

On 4th February 2016, the Company announced that the Company entered into an Exclusive Agency Agreement (“EAA”) with Hong Ji Seating Design International Ltd. (“Hong Ji Seating Design”) as Principal for the exclusive agency rights granted by Hong Ji Seating Design to the Company to undertake seating furniture design and installation contacts under the brand name of “HONG JI” in relation to the products and services following from a HOA that had been entered into by the Company and Guangdong Longjiang Hong Ji Seating Co., Ltd. in year 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)****32.2 Exclusive Agency Agreements (Cont'd)****32.2.22 Hong Ji Seating Design International Ltd. (Cont'd)**

The Company shall pay the sum of RM100,000,000/- as one time initial agency fee shall be paid in two (2) instalments which a non-refundable deposit of RM380,000/- upon execution of the EAA and the balance ("Balance Agency Fee") of RM99,620,000/- shall be due and payable to its subsidiary incorporated in Malaysia named in the EAA (as its nominated sole beneficiary) within seven (7) days from the date of execution thereof.

Hong Ji Seating Design shall provide the Company with a one-time initial kick-off package in the form of the products and services for the value of RM85,000,000/- and assured profit margin of 30% of the gross contract value.

32.2.23 Chigo AC Solution International Ltd.

On 4th February 2016, the Company announced that the Company entered into an Exclusive Agency Agreement ("EAA") with Chigo AC Solution International Ltd ("Chigo AC Solution") as Principal for the exclusive agency rights granted by Chigo AC Solution to the Company to undertake air-conditioners design and installation contacts under the brand name of "Weideli" in relation to the products and services.

The Company shall pay the sum of RM150,000,000/- as one time initial agency fee shall be paid in two (2) instalments which a non-refundable deposit of RM570,000/- upon execution of the EAA and the balance ("Balance Agency Fee") of RM149,430,000/- shall be due and payable to its subsidiary incorporated in Malaysia named in the EAA (as its nominated sole beneficiary) within seven (7) days from the date of execution thereof.

Chigo AC Solution shall provide the Company with a one-time initial kick-off package in the form of the products and services for the value of RM130,000,000/- and assured profit margin of 30% of the gross contract value.

32.3 Settlement Agreements

On 10th February 2016, the Company announced that the Company had entered into twenty-three (23) separate and independent Settlement Agreements ("SAs") with the various parties described below ("the Creditors", who were the same entities as the Principals in the EAAs) for proposed settlement of Balance Agency Fee under the EAA concerned ("the Agency Debt") by way of allotment and issuances ("Special Issuance") of respective number of new ordinary shares of RM0.40 each in the Company ("Settlement Shares") in favour of the respective subsidiaries incorporated in Malaysia named in each of the EAAs (as their respective nominated sole beneficiary) towards full and final settlement of the Agency Debt upon the terms and conditions contained therein.

All Settlement Shares issued shall be credited as fully paid-up and ranking pari passu in all respects with the existing issued shares provided that every one of the Creditors or any person claiming under them shall not be entitled to any dividends or other form of distribution which may be declared prior to the date of allotment of thereof.

The signing of SAs do not need the approval of the shareholders. However, each of the SAs is subject to the condition precedent that approval of the shareholders in an Extraordinary General Meeting of the Company having been obtained for the Special Issuance exercise within two (2) months of the date of thereof, or within such extension(s) as may be granted.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

32.3 Settlement Agreements (Cont'd)

Extensions were granted from 11th April 2016 to 10th June 2016, and 11th June 2016 to 10th August 2016 and 11th August 2016 to 10th October 2016 and most recently from 11th October 2016 to 10th April 2017.

Relevant announcements have been made to Bursa Securities on 10th February 2016, 15th February 2016, and 21st June 2016 and 10th October 2016 (the last of these announcements was not released by Bursa).

The twenty-three (23) separate and independent SAs entered into with the respective Creditors are as follows:-

32.3.1 GH Premier Stone Design International Limited

Settlement Agreement ("SA") dated 10th February 2016 entered into with GH Premier Stone Design International Limited for the proposed settlement of the Agency Debt in the sum of RM149,430,000/- as specified in the SA by way of Special Issuance of 373,575,000 new ordinary shares of RM0.40 each in the Company.

32.3.2 Weideli Lightings Design Solution International Ltd.

Settlement Agreement ("SA") dated 10th February 2016 entered into with Weideli Lightings Design Solution International Ltd. for the proposed settlement of the Agency Debt in the sum of RM99,620,000/- as specified in the SA by way of Special Issuance of 249,050,000 new ordinary shares of RM0.40 each in the Company.

32.3.3 Hualong Paints Design Solution International Ltd.

Settlement Agreement ("SA") dated 10th February 2016 entered into with Hualong Paints Design Solution International Ltd. for the proposed settlement of the Agency Debt in the sum of RM149,430,000/- as specified in the SA by way of Special Issuance of 373,575,000 new ordinary shares of RM0.40 each in the Company.

32.3.4 Golden Creative Design International Ltd

Settlement Agreement ("SA") dated 10th February 2016 entered into with Golden Creative Design International Ltd for the proposed settlement of the Agency Debt in the sum of RM149,430,000/- as specified in the SA by way of Special Issuance of 373,575,000 new ordinary shares of RM0.40 each in the Company.

32.3.5 Rui Bei Exclusive Design International Ltd.

Settlement Agreement ("SA") dated 10th February 2016 entered into with Rui Bei Exclusive Design International Ltd. for the proposed settlement of the Agency Debt in the sum of RM149,430,000/- as specified in the SA by way of Special Issuance of 373,575,000 new ordinary shares of RM0.40 each in the Company.

32.3.6 Wonlife Stone Art Design International Ltd

Settlement Agreement ("SA") dated 10th February 2016 entered into with Wonlife Stone Art Design International Ltd for the proposed settlement of the Agency Debt in the sum as specified in the SA by way of Special Issuance of 373,575,000 new ordinary shares of RM0.40 each in the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)****32.3 Settlement Agreements (Cont'd)****32.3.7 Roy Lifestyle Design International Ltd.**

Settlement Agreement ("SA") dated 10th February 2016 entered into with Roy Lifestyle Design International Ltd. for the proposed settlement of the Agency Debt in the sum of RM149,430,000/- as specified in the SA by way of Special Issuance of 373,575,000 new ordinary shares of RM0.40 each in the Company.

32.3.8 Masdar Masterpiece Design International Ltd

Settlement Agreement ("SA") dated 10th February 2016 entered into with Masdar Masterpiece Design International Ltd for the proposed settlement of the Agency Debt in the sum of RM99,620,000/- as specified in the SA by way of Special Issuance of 249,050,000 new ordinary shares of RM0.40 each in the Company.

32.3.9 Zhongsheng Creative Design International Ltd.

Settlement Agreement ("SA") dated 10th February 2016 entered into with Zhongsheng Creative Design International Ltd. for the proposed settlement of the Agency Debt in the sum of RM149,430,000/- as specified in the SA by way of Special Issuance of 373,575,000 new ordinary shares of RM0.40 each in the Company.

32.3.10 Deron Energy Savings Solution International Ltd.

Settlement Agreement ("SA") dated 10th February 2016 entered into with Deron Energy Savings Solution International Ltd. for the proposed settlement of the Agency Debt in the sum of RM149,430,000/- as specified in the SA by way of Special Issuance of 373,575,000 new ordinary shares of RM0.40 each in the Company.

32.3.11 Nature Creative Lifestyle Design International Ltd.

Settlement Agreement ("SA") dated 10th February 2016 entered into with Nature Creative Lifestyle Design International Ltd. for the proposed settlement of the Agency Debt in the sum of RM149,430,000/- as specified in the SA by way of Special Issuance of 373,575,000 new ordinary shares of RM0.40 each in the Company.

32.3.12 CKS Waterproofing Solution International Ltd.

Settlement Agreement ("SA") dated 10th February 2016 entered into with CKS Waterproofing Solution International Ltd. for the proposed settlement of the Agency Debt in the sum of RM149,430,000/- as specified in the SA by way of Special Issuance of 373,575,000 new ordinary shares of RM0.40 each in the Company.

32.3.13 Meihua Hospitality Furnishing Design International Ltd.

Settlement Agreement ("SA") dated 10th February 2016 entered into with Meihua Hospitality Furnishing Design International Ltd. for the proposed settlement of the Agency Debt in the sum of RM149,430,000/- as specified in the SA by way of Special Issuance of 373,575,000 new ordinary shares of RM0.40 each in the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)****32.3 Settlement Agreements (Cont'd)****32.3.14 Lagerung Lifestyle Design International Ltd.**

Settlement Agreement ("SA") dated 10th February 2016 entered into with Lagerung Lifestyle Design International Ltd. for the proposed settlement of the Agency Debt in the sum of RM99,620,000/- as specified in the SA by way of Special Issuance of 249,050,000 new ordinary shares of RM0.40 each in the Company.

32.3.15 Futina Switches and Sockets International Ltd.

Settlement Agreement ("SA") dated 10th February 2016 entered into with Futina Switches and Sockets International Ltd. for the proposed settlement of the Agency Debt in the sum of RM99,620,000/- as specified in the SA by way of Special Issuance of 249,050,000 new ordinary shares of RM0.40 each in the Company.

32.3.16 Korra Exclusive Design International Ltd.

Settlement Agreement ("SA") dated 10th February 2016 entered into with Korra Exclusive Design International Ltd. for the proposed settlement of the Agency Debt in the sum of RM149,430,000/- as specified in the SA by way of Special Issuance 373,575,000 new ordinary shares of RM0.40 each in the Company.

32.3.17 Greenzone Exclusive Design International Ltd.

Settlement Agreement ("SA") dated 10th February 2016 entered into with Greenzone Exclusive Design International Ltd. for the proposed settlement of the Agency Debt in the sum as specified in the SA by way of Special Issuance of 249,050,000 new ordinary shares of RM0.40 each in the Company.

32.3.18 Be-Tech Smart Concept International Ltd.

Settlement Agreement ("SA") dated 10th February 2016 entered into with Be-Tech Smart Concept International Ltd. for the proposed settlement of the Agency Debt in the sum of RM99,620,000/- as specified in the SA by way of Special Issuance of 249,050,000 new ordinary shares of RM0.40 each in the Company.

32.3.19 CORSO Intelligent Lightings International Ltd.

Settlement Agreement ("SA") dated 10th February 2016 entered into with CORSO Intelligent Lightings International Ltd. for the proposed settlement of the Agency Debt in the sum of RM99,620,000/- as specified in the SA by way of Special Issuance of 249,050,000 new ordinary shares of RM0.40 each in the Company.

32.3.20 Hong Ji Seating Design International Ltd.

Settlement Agreement ("SA") dated 10th February 2016 entered into with Hong Ji Seating Design International Ltd. for the proposed settlement of the Agency Debt in the sum of RM99,620,000/- as specified in the SA by way of Special Issuance of 249,050,000 new ordinary shares of RM0.40 each in the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)****32.3 Settlement Agreements (Cont'd)****32.3.21 Canbo Kitchen Ware Appliance Design International Ltd.**

Settlement Agreement ("SA") dated 10th February 2016 entered into with Canbo Kitchen Ware Appliance Design International Ltd. for the proposed settlement of the Agency Debt in the sum of RM149,430,000/- as specified in the SA by way of Special Issuance of 373,575,000 new ordinary shares of RM0.40 each in the Company.

32.3.22 Winone Elevator International Ltd.

Settlement Agreement ("SA") dated 10th February 2016 entered into with Winone Elevator International Ltd. for the proposed settlement of the Agency Debt in the sum of RM149,430,000/- as specified in the SA by way of Special Issuance of 373,575,000 new ordinary shares of RM0.40 each in the Company.

32.3.23 Chigo AC Solution International Ltd.

Settlement Agreement ("SA") dated 10th February 2016 entered into with Chigo AC Solution International Ltd. for the proposed settlement of the Agency Debt in the sum of RM149,430,000/- as specified in the SA by way of Special Issuance of 373,575,000 new ordinary shares of RM0.40 each in the Company.

32.4 Framework Agreements

The Company had in the month of November 2015 launched a pre-marketing exercise for sale of the products and services to be provided by the Principals with whom the Company entered into the Exclusive Agency Agreements (coupled with Vendor Financing Services) to the targeted development companies ("Property Developers").

Towards securing the sale of the said products and services, as of 23rd June 2016, the Company had entered into nineteen (19) Framework Agreements ("FAs") with various the Property Developers who are listed in the Bursa Securities (with the exception of one which is a private limited company) for the provision of the Vendor Financing Services totaling RM4,600,000,000/- in terms of the credit limits granted under the FAs.

32.4.1 LBS Bina Group Berhad

On 12th November 2015, the Company announced that the Company had entered into a FA dated 12th November 2015 with LBS Bina Group Berhad ("LBS") to offer the products and service coupled with interest free vendor financing services to LBS over the span of 18 months from the date thereof and LBS agrees to accept the dual offers subject to all the salient terms and conditions as stated therein the FA. Pursuant to the FA, the Company had allocated for the application by LBS a credit limit of up to RM300,000,000/- for the selected development projects over the 18 months.

32.4.2 Meda Inc. Berhad

On 17th November 2015, the Company announced that the Company had entered into a FA dated 16th November 2015 with Meda Inc. Berhad ("MIB") to offer the products and service coupled with interest free vendor financing services to MIB over the span of 18 months from the date thereof and MIB agrees to accept the dual offers subject to all the salient terms and conditions as stated therein the FA. Pursuant to the FA, the Company had allocated for the application by MIB a credit limit of up to RM150,000,000/- for the selected development projects over the 18 months.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

32.4 Framework Agreements (Cont'd)

32.4.3 Mah Sing Trading Sdn. Bhd.

On 17th November 2015, the Company announced that the Company had entered into a FA dated 17th November 2015 with Mah Sing Trading Sdn. Bhd. ("MSTSB"), a wholly-owned subsidiary of Mah Sing Group Berhad to offer the products and service coupled with interest free vendor financing services to MSTSB over the span of 18 months from the date thereof and MSTSB agrees to accept the dual offers subject to all the salient terms and conditions as stated therein the FA. Pursuant to the FA, the Company had allocated for the application by MSTSB a credit limit of up to RM500,000,000/- for the selected development projects over the 18 months.

32.4.4 Tanco Holdings Berhad

On 17th November 2015, the Company announced that the Company had entered into a FA dated 17th November 2015 with Tanco Holdings Berhad ("THB") to offer the products and service coupled with interest free vendor financing services to THB over the span of 18 months from the date thereof and THB agrees to accept the dual offers subject to all the salient terms and conditions as stated therein the FA. Pursuant to the FA, the Company had allocated for the application by THB a credit limit of up to RM100,000,000/- for the selected development projects over the 18 months.

32.4.5 Ecofirst Consolidated Berhad

On 17th November 2015, the Company announced that the Company had entered into a FA dated 17th November 2015 with Ecofirst Consolidated Berhad ("ECB") to offer the products and service coupled with interest free vendor financing services to ECB over the span of 18 months from the date thereof and ECB agrees to accept the dual offers subject to all the salient terms and conditions as stated therein the FA. Pursuant to the FA, the Company had allocated for the application by ECB a credit limit of up to RM150,000,000/- for the selected development projects over the 18 months.

32.4.6 Country Heights Holdings Berhad

On 18th November 2015, the Company announced that the Company had entered into a FA dated 18th November 2015 with Country Heights Holdings Berhad ("CHHB") to offer the products and service coupled with interest free vendor financing services to CHHB over the span of 18 months from the date thereof and CHHB agrees to accept the dual offers subject to all the salient terms and conditions as stated therein the FA. Pursuant to the FA, the Company had allocated the application by CHHB a credit limit of up to RM150,000,000/- for the selected development projects over the 18 months.

32.4.7 Bina Puri Properties Sdn. Bhd.

On 27th November 2015, the Company announced that the Company had entered into a FA dated 26th November 2015 with Bina Puri Properties Sdn. Bhd. ("BPPSB"), a wholly-owned subsidiary of Bina Puri Holdings Berhad to offer the products and service coupled with interest free vendor financing services to BPPSB over the span of 18 months from the date thereof and BPPSB agrees to accept the dual offers subject to all the salient terms and conditions as stated therein the FA. Pursuant to the FA, the Company had allocated for the application by BPPSB a credit limit of up to RM300,000,000/- for the selected development projects over the 18 months.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)****32.4 Framework Agreements (Cont'd)****32.4.8 Eco World Trading Sdn. Bhd.**

On 30th November 2015, the Company announced that the Company had entered into a FA dated 30th November 2015 with Eco World Trading Sdn. Bhd. ("EWTSB"), a wholly-owned subsidiary of Eco World Development Group Berhad to offer the products and service coupled with interest free vendor financing services to EWTSB over the span of 18 months from the date thereof and EWTSB agrees to accept the dual offers subject to all the salient terms and conditions as stated therein the FA. Pursuant to the FA, the Company had allocated for the application by EWTSB a credit limit of up to RM100,000,000/- for the selected development projects over the 18 months.

32.4.9 Gabungan AQRS Berhad

On 1st December 2015, the Company announced that the Company had entered into a FA dated 1st December 2015 with Gabungan AQRS Berhad ("GAQRS") to offer the products and service coupled with interest free vendor financing services to GAQRS over the span of 18 months from the date thereof and GAQRS agrees to accept the dual offers subject to all the salient terms and conditions as stated therein the FA. Pursuant to the FA, the Company had allocated for the application by GAQRS a credit limit of up to RM100,000,000/- for the selected development projects over the 18 months.

32.4.10 BCB Berhad

On 2nd December 2015, the Company announced that the Company had entered into a FA dated 2nd December 2015 with BCB Berhad ("BCBB") to offer the products and service coupled with interest free vendor financing services to BCBB over the span of 18 months from the date thereof and BCBB agrees to accept the dual offers subject to all the salient terms and conditions as stated therein the FA. Pursuant to the FA, the Company had allocated for the application by BCBB a credit limit of up to RM200,000,000/- for the selected development projects over the 18 months.

32.4.11 Titijaya Land Berhad

On 2nd December 2015, the Company announced that the Company had entered into a FA dated 2nd December 2015 with Titijaya Land Berhad ("TLB") to offer the products and service coupled with interest free vendor financing services to TLB over the span of 18 months from the date thereof and TLB agrees to accept the dual offers subject to all the salient terms and conditions as stated therein the FA. Pursuant to the FA, the Company had allocated for the application by TLB a credit limit of up to RM250,000,000/- for the selected development projects over the 18 months.

32.4.12 Kinsaresorts Berhad

On 3rd December 2015, the Company announced that the Company had entered into a FA dated 3rd December 2015 with Kinsaresorts Berhad ("KRB") to offer the products and service coupled with interest free vendor financing services to KRB over the span of 18 months from the date thereof Agreement and KRB agrees to accept the dual offers subject to all the salient terms and conditions as stated therein the FA. Pursuant to the FA, the Company had allocated for the application by KRB a credit limit of up to RM500,000,000/- for the selected development projects over the 18 months.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)****32.4 Framework Agreements (Cont'd)****32.4.13 Thriven Global Berhad**

On 4th December 2015, the Company announced that the Company had entered into a FA dated 4th December 2015 with Thriven Global Berhad ("TGB") to offer the products and service coupled with interest free vendor financing services to TGB over the span of 18 months from the date thereof and TGB agrees to accept the dual offers subject to all the salient terms and conditions as stated therein the FA. Pursuant to the FA, the Company had allocated for the application by TGB a credit limit of up to RM300,000,000/- for the selected development projects over the 18 months.

32.4.14 Active Edge Sdn. Bhd.

On 18th March 2016, the Company announced that the Company had entered into a FA dated 18th March 2016 with Active Edge Sdn. Bhd. ("AESB"), a wholly-owned subsidiary of Fiamma Holdings Berhad to offer the products and service coupled with interest free vendor financing services to AESB over the span of 18 months from the date thereof and AESB agrees to accept the dual offers subject to all the salient terms and conditions as stated therein the FA. Pursuant to the FA, the Company had allocated for the application by AESB a credit limit of up to RM100,000,000/- for the selected development projects over the 18 months.

32.4.15 KSL Holdings Berhad.

On 6th April 2016, the Company announced that the Company had entered into a FA dated 6th April 2016 with KSL Holdings Berhad. ("KSL") to offer the products and service coupled with interest free vendor financing services to KSL over the span of 18 months from the date thereof and KSL agrees to accept the dual offers subject to all the salient terms and conditions as stated therein the FA. Pursuant to the FA, the Company had allocated for the application by KSL a credit limit of up to RM500,000,000/- for the selected development projects over the 18 months.

32.4.16 LKD Trading Sdn. Bhd.

On 22nd April 2016, the Company announced that the Company had entered into a FA dated 22nd April 2016 with LKD Trading Sdn. Bhd. ("LKD"), a wholly-owned subsidiary of Prinsiptek Corporation Berhad to offer the products and service coupled with interest free vendor financing services to LKD over the span of 18 months from the date thereof and AESB agrees to accept the dual offers subject to all the salient terms and conditions as stated therein the FA. Pursuant to the FA, the Company had allocated for the application by LKD a credit limit of up to RM200,000,000/- for the selected development projects over the 18 months.

32.4.17 Protasco Trading Sdn. Bhd.

On 25th April 2016, the Company announced that the Company had entered into a FA dated 25th April 2016 with Protasco Trading Sdn. Bhd. ("PTSB"), a wholly-owned subsidiary of Protasco Berhad to offer the products and service coupled with interest free vendor financing services to PTSB over the span of 18 months from the date thereof and PTSB agrees to accept the dual offers subject to all the salient terms and conditions as stated therein the FA. Pursuant to the FA, the Company had allocated for the application by PTSB a credit limit of up to RM300,000,000/- for the selected development projects over the 18 months.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)****32.4 Framework Agreements (Cont'd)****32.4.18 MKH Building Materials Sdn. Bhd.**

On 20th May 2016, the Company announced that the Company had entered into a FA dated 20th May 2016 with MKH Building Materials Sdn. Bhd. ("MKH"), a wholly-owned subsidiary of MKH Berhad to offer the products and service coupled with interest free vendor financing services to MKH over the span of 18 months from the date thereof and MKH agrees to accept the dual offers subject to all the salient terms and conditions as stated therein the FA. Pursuant to the FA, the Company had allocated for the application by MKH a credit limit of up to RM100,000,000/- for the selected development projects over the 18 months.

32.4.19 Acoustech Berhad

On 23rd June 2016, the Company announced that the Company had entered into a FA dated 22nd June 2016 with Acoustech Berhad ("AB") to offer the products and service coupled with interest free vendor financing services to AB over the span of 18 months from the date thereof and AB agrees to accept the dual offers subject to all the salient terms and conditions as stated therein the FA. Pursuant to the FA, the Company had allocated for the application by AB a credit limit of up to RM300,000,000/- for the selected development projects over the 18 months.

32.5 Proposed Acquisition of YNL Properties Sdn. Bhd.

- (a) On 22nd October 2015, the Company announced that the Company had entered into a HOA dated 22nd October 2015 with three (3) identified individuals ("the Vendors") for the proposed acquisition of all the 500,000 units of ordinary issued and fully paid-up shares in the share capital of YNL Properties Sdn. Bhd. comprising of 100% of its total issued and fully paid-up shares at a purchase consideration of RM15,000,000/- upon the following salient terms and conditions:-
 - (i) The purchase consideration shall be satisfied by the allotment and issuance of shares at the agreed issuance price agreed by the parties with the approval of the Malaysian Securities Commission and Bursa Securities;
 - (ii) All shares issued shall be credited as fully paid-up and ranking pari passu in all respects with the existing issued shares provided that the vendors shall not be entitled to any dividends or other form of distribution which may be declared prior to the date of allotment of the shares.
- (b) On 20th November 2015, the Company announced that the parties were still in the midst of negotiating and finalising the details of the definitive agreement, and that more time is needed to finalise the same, and had therefore mutually agree to extend the deadline by a further extension to on or before 21st December 2015.
- (c) On 18th December 2015, the Company announced that the parties are still in the midst of negotiating and finalising the details of the definitive agreement, and that more time is needed to finalise the same, and had therefore mutually agree to extend the deadline by a further extension to on or before 21st January 2016.
- (d) On 21st January 2016, the Company announced to extend the deadline by a further extension of thirty (30) days to on or before 21st February 2016 to execute the Definitive Agreement.
- (e) On 22nd February 2016, the Company announced that the deadline to enter into the Definitive Agreement had lapsed and the Company did not intend to proceed with the execution of the same.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

32.6 Amendments to Second Quarterly Report

On 26th May 2016, the Company announced its Second Quarterly Report on consolidated results for the financial period ended 31st March 2016 and presented a sum of RM3.05 billion as intangible assets in respect of the cumulative value of the agency rights granted pursuant to all the Exclusive Agency Agreements set out in Note 32.2 above.

Subsequently on 29th August 2016, the Company announced the amendments to the said Quarterly Report on consolidated results for the financial period ended 31st March 2016 to reverse out the above entry.

32.7 Advances from a Director (Dato' Eii Ching Siew @ Yii Ching Siew)

On 10th February 2016, the Company announced that the Company had entered into a Settlement Agreement ("SA") dated 10th February 2016 with its director Dato' Eii Ching Siew @ Yii Ching Siew ("Dato' Eii"), whereby Dato' Eii agreed to the settlement of the debts ("Dato' Eii Debt") amounting RM2.8 million owing to him by the Company and its subsidiaries by way of special issuance ("Special Issuance") of new ordinary shares of the Company at an issue price of RM0.40 per settlement share ("Settlement Shares").

The Dato' Eii Debt was incurred due to several advances made to the Company and its subsidiaries for working capital purposes. Dato' Eii had made a total advance of RM 2.605 million to the Company from 4th February 2015 to 4th January 2016. He had also made a total advance of RM0.195 million to the subsidiaries, namely S.P. Granite Sdn. Bhd. and Stone Master (Malaysia) Sdn. Bhd. from 26th March 2015 to 4th February 2016.

Pursuant to the Special Issuance, Dato' Eii's Debt would be expected to be repaid by way of Special Issuance of seven (7) million Settlement Shares, which were to be credited as fully paid-up and ranking pari passu in all respects with the existing issued shares provided that Dato' Eii should not be entitled to any dividends or other form of distribution which may be declared prior to the date of allotment of thereof.

On 21st June 2016, the Company announced that the Company had made a partial repayment of RM0.8 million to Dato' Eii and simultaneously entered into Supplementary Settlement Agreement ("SSA") dated 21st June 2016 with him, which SSA would supersede the SA. As such, the reduced Dato' Eii Debt of RM2 million would be expected to be repaid by way of Special Issuance of five (5) million Settlement Shares.

The signing of SA and SSA did not require the approval of the shareholders. However, the SA followed by the subsequent SSA were both subject to the condition precedent that approval of the shareholders in an Extraordinary General Meeting of the Company should be obtained for the Special Issuance exercise within two (2) months of the date thereof, or within such extension(s) as may be granted.

Extensions were granted from 11th April 2016 to 10th June 2016, and 11th June 2016 to 10th August 2016 and 11th August 2016 to 10th October 2016. However, no further extension was given thereafter. The SSA is therefore deemed terminated and thereafter shall be of no further effect, and the Dato' Eii Debt of RM2 million had since 11th October 2016 become payable. So far no demand for repayment has been received by the Company from Dato' Eii.

Relevant announcements have been made to Bursa Securities on 10th February 2016, 15th February 2016, and 21st June 2016 and 10th October 2016.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)****32.8 Loans from Starfield Capital Sdn. Bhd.**

On 10th February 2016, the Company announced that the Company had entered into a Settlement Agreement ("SA") dated 10th February 2016 with Starfield Capital Sdn. Bhd. ("Starfield Capital"), of which the Company's Deputy Managing Director Datin Chan Chui Mei is a 50% shareholder, whereby Starfield Capital agreed to the settlement of the debts ("the Starfield Debt") amounting RM18.0 million owing by the Company by way of special issuance ("Special Issuance") of new ordinary shares of the Company at an issue price of RM0.40 per settlement share (Settlement Shares").

The Starfield Debt was incurred due to two cash loans of RM2.5 million and RM15.5 million granted by Starfield Capital to the Company by way of two interest free Loan Agreements dated 14th January 2016 and 19th January 2016 respectively for the payment of the non-refundable deposits and other incidental costs and expenses in relation to the twenty-three (23) Exclusive Agency Agreements alluded to Note 32.2 above, as well as to pay for the Company's essential operating expenditure.

Pursuant to the Special Issuance, the Starfield Debt would be expected to be repaid by way of Special Issuance of forty-five (45) million Settlement Shares, which were to be credited as fully paid-up and ranking pari passu in all respects with the existing issued shares provided that Starfield Capital should not be entitled to any dividends or other form of distribution which may be declared prior to the date of allotment of thereof.

The signing of SA would not require the approval of the shareholders. However, the aforesaid SA was subject to the condition precedent that approval of the shareholders in an Extraordinary General Meeting of the Company having been obtained for the Special Issuance exercise within two (2) months of the date of thereof, or within such extension(s) as may be granted.

Extensions were granted from 11th April 2016 to 10th June 2016, and 11th June 2016 to 10th August 2016 and 11th August 2016 to 10th October 2016. However no further extension was given thereafter. The SA is therefore deemed terminated and thereafter shall be no further effect, and the debt of RM18 million had since 11th October 2016 become repayable.

There is no interest payable on the Starfield Debt. However, in the event that the Starfield Debt would not be settled before the repayment date of 11th October 2016, a default interest of two (2) per cent per annum above the base lending rate will be charged.

Relevant announcements have been made to Bursa Securities on 10th February 2016, 15th February 2016, and 21st June 2016 and 10th October 2016.

On 24th January 2017, the Company received written demand for repayment of the Starfield Debt and default interest thereon. The Company is currently negotiating with Starfield Capital for further extension of time to repay.

32.9 Loan from Antico Stone Sdn. Bhd.

On 13th June 2016, the Company announced that the Company had entered into a Settlement Agreement ("SA") dated 13th June 2016 with Antico Stone Sdn. Bhd. ("Antico Stone"), whereby Antico Stone agreed to the settlement of the debts ("the Antico Debt") amounting RM4.0 million owing by the Company by way of special issuance ("Special Issuance") of new ordinary shares of the Company at an issue price of RM0.40 per settlement share (Settlement Shares").

The Antico Debt was incurred due to a cash loan of RM4.0 million granted by Antico Stone to the Company by way of an interest free Loan Agreement dated 20th May 2016 for the payment of all the business and mobilization expenses in relation to the twenty-three (23) Exclusive Agency Agreements alluded to Note 32.2 above, as well as to pay for the Company's essential operating expenditure.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

32.9 Loan from Antico Stone Sdn. Bhd. (Cont'd)

Pursuant to the Special Issuance, the Antico Debt would be expected to be repaid by way of Special Issuance of ten (10) million Settlement Shares, which were to be credited as fully paid-up and ranking pari passu in all respects with the existing issued shares provided that Antico Stone should not be entitled to any dividends or other form of distribution which may be declared prior to the date of allotment of thereof.

The signing of SA would not require the approval of the shareholders. However, the aforesaid SA was subject to the condition precedent that approval of the shareholders in an Extraordinary General Meeting of the Company having been obtained for the Special Issuance exercise within two (2) months of the date of thereof, or within such extension(s) as may be granted.

An extension was granted from 14th August 2016 to 10th October 2016. However no further extension was given thereafter. The SA is therefore deemed terminated and thereafter shall be no further effect, and the debt of RM4 million had since 11th October 2016 become repayable.

There is no interest payable on the Antico Debt. However, in the event that the Antico Debt would not be settled before the repayment date of 11th October 2016, a default interest of two (2) per cent per annum above the base lending rate will be charged.

Relevant announcements have been made to Bursa Securities on 10th February 2016, 15th February 2016, and 21st June 2016 and 10th October 2016.

On 15th November 2016, the Company received written demand for repayment of the Antico Debt and default interest thereon. The Company had since been negotiating with Antico Stone to settle the matter amicably, and had so far made a partial repayment of RM2.0 million.

32.10 Cessation of Factory Operation for S.P. Granite Sdn. Bhd.

- (a) On 4th July 2016, the Company announced that S.P. Granite Sdn. Bhd. ("SPG"), a wholly-owned subsidiary of the Company had on 30th June 2016 ceased its present factory operation based at its parcel of factory premises ("Factory Premises") located at Lot PT. 399, 2.5 k.m., Off Jalan Pengkalan, Mukim Sungai Raia, 31300 Simpang Pulai, Perak Darul Ridzuan and leased the factory premises to Antico Stone Sdn. Bhd. ("Antico Stone") by way of the Lease agreement ("Lease Agreement") dated 3rd May 2016.
- (b) Prior to the cessation of operation, SPG had sustained losses for the past over years since 2008 consecutively cumulated to the extent of RM19,044,565/-, and would be anticipated to continue incurring losses if the operation was to continue, these facts being in stark contrast with an annual rental receivable by SPG in the sum of RM500,000/- pursuant to the Lease Agreement.
- (c) The marble and granite manufacturing operations are not expected to be able to turnaround in the near future as the current operations have been hampered by high manufacturing cost primarily due to the economies of scale as a result of the high cost of the purchase and importing of special marble blocks from outside the country, which was also not a viable option due to the limited volume of import, high logistic costs and the weakening of the Ringgit Malaysia.
- (d) The Company and SPG believed that it is in the best interest of SPG and the Group to cease its factory operation and to focus on the restructuring of its business as well as that of the Group's and to look into sourcing for new profitable business ventures to turnaround the Group's weak financial position.
- (e) The Group had, in the light of the cessation of the factory operation of SPG, made provisions of RM300,000/- in the accounts of SPG as lay-off employment benefits for anticipated claims by the former employees.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)****32.11 Acquisition of Twenty-Three (23) Private Limited Companies**

On 24th August 2016, the Company announced that the Company acquired two (2) ordinary shares of RM1.00 each in twenty-three (23) private companies limited by shares ("23 New Companies") representing one hundred (100%) percent of the issued and paid-up share capital each of the said 23 New Companies for cash consideration of RM2.00 each from the respective two shareholders as named therein the 23 New Companies, namely, Dato' Koh Mui Tee and Mr. Yong Tiong Fatt, who were earlier authorised by the Board of the Company to subscribe for and on its behalf one (1) ordinary share of RM1.00 each in each of the said 23 New Companies pursuant to the Companies Act, 1965.

The Acquisitions are to facilitate the Group and the Company to further promote, develop, support, expand and increase its current business and sales activities besides broadening and widening the marketing bases for its marble and granite products, ceramic tiles, sanitary wares and all its other many related products. The Acquisitions are expected to contribute positively to improving the overall future profitability and cash flow position of the Group and the Company as well as to further augment the stability of its future income stream.

The said 23 new companies are as the followings:

- (a) Stone Master Aluminium Sdn. Bhd.
- (b) SM Eco Wood Sdn. Bhd.
- (c) SM Wooden Products Sdn. Bhd.
- (d) Stone Master Tiling Sdn. Bhd.
- (e) SM Paint Products Sdn. Bhd.
- (f) SM Waterproofing Sdn. Bhd.
- (g) SM Sanitary Ware Sdn. Bhd.
- (h) SM Flooring Sdn. Bhd.
- (i) SM Kitchenware Sdn. Bhd.
- (j) SM Bathware & Accessories Sdn. Bhd.
- (k) SM Wardrobes & Cabinets Sdn. Bhd.
- (l) Stone Master Elevator Sdn. Bhd.
- (m) SM Marble Art Sdn. Bhd.
- (n) SM Linens Sdn. Bhd.
- (o) SM Airconditioning Sdn. Bhd.
- (p) SM Marble & Granite Sdn. Bhd.
- (q) SM Furnishing Products Sdn. Bhd.
- (r) SM Locks & Safes Sdn. Bhd.
- (s) SM Switches & Sockets Sdn. Bhd.
- (t) SM Seats & Chairs Sdn. Bhd.
- (u) SM Smart Lamps Sdn. Bhd.
- (v) SM Led Lightings Sdn. Bhd.
- (w) SM Heat Pumps Sdn. Bhd.

32.12 Securities Commission sue Deputy Managing Director in person

On 13th October 2016, Securities Commission Malaysia ("SC") by way of its press release announced that it had filed a personal suit ("the Suit") against the Company's Deputy Managing Director for allegedly causing wrongful loss to the Company.

In the claim, SC alleged that the Company had entered into several agency agreements with 23 foreign companies for the exclusive rights to market and promote, in Malaysia and Singapore, products belonging to the foreign companies. In consideration of the exclusive rights granted to it, the Company paid several local representatives of the 23 foreign companies a sum amounting to RM11.59 million in the form of a non-refundable deposit. SC alleged that of the RM11.59 million, a sum of RM11.54 million was subsequently paid by the local representatives to the Company's Deputy Managing Director's personal account, in breach of sections 179 and 317A(1) of the *Capital Markets and Services Act 2007* (CMSA).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

32.12 Securities Commission sue Deputy Managing Director in person (Cont'd)

On 14th October 2016, the Company responded to Bursa Securities's query and clarified that, as the Company is not a party to the Suit, it is in no position to know what are the details thereof and that the Company would endeavour to apply to the relevant authorities for court papers, and that until the Company has clearer knowledge of the said details, the Company is in no position to decide what steps to be taken. By way of the said response to Bursa Securities's query, the Company further clarified that the Exclusive Agency Agreements as well as the Settlement Agreements (alluded to respectively in Notes 32.2 and 32.3 above) were still valid and in force as extension of time up to 10th April 2017 had earlier been granted by all 23 Principals. The said Principals had been briefed about the Suit and have reaffirmed in writing the validity of the said agreements.

On 27th October 2016, the external auditors have written to the Company to seek the assistance to provide the following information:

- (i) the information that may potentially affect the Company's financial statements;
- (ii) the assessment of any consequential impact to the Company's financial statements; and
- (iii) the action plan and response of the Company in the assessment of any consequential impact to the Company's financial statements.

In view of the significance of the matter, the external auditors recommended that an investigative audit be commissioned in order to obtain explanations, complete information on all matters and ascertain the veracity of all the transactions that may have potentially affected the Company.

The Company had on 14th December 2016 engaged Ferrier Hodgson MH Sdn. Bhd. to conduct a review of the allegations by SC against the Company's Deputy Managing Director of the RM 11.54 million which was subsequently paid by local subsidiaries of the 23 foreign companies (with whom the Company had entered into the respective agency agreements) to the Company's Deputy Managing Director's personal account. As at date of this report, the investigation is still ongoing.

As detailed further in Note 32.13, on 6th December 2016, the Company announced that the Company had entered into a sale and purchase agreement ("S&P Agreement") dated 6th December 2016 in respect of all the Company's right to complete procurement of exclusive agencies arising from the Exclusive Agency Agreements ("EAAs") described in Note 32.2 above (hereinafter referred to as "the Company's Rights") with Quantum March Sdn. Bhd. ("the Purchaser"), whereby the Company agreed to sell and the Purchaser agreed to purchase the Company's Rights subject to all the salient terms and conditions as stated therein the S&P. With the completion of the S&P Agreement, the Company is of the view that there will be no potential liability in relations to EAAs.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)****32.13 Signing of Sale and Purchase Agreement of Right to Complete Procurement of Exclusive Agencies**

- (a) On 6th December 2016, the Company announced that the Company had entered into a sale and purchase agreement ("S&P Agreement") dated 6th December 2016 in respect of all the Company's right to complete procurement of exclusive agencies arising from the EAAs described in Note 32.2 above (hereinafter referred to as "the Company's Rights") with Quantum March Sdn. Bhd. ("the Purchaser"), whereby the Company agreed to sell and the Purchaser agreed to purchase the Company's Rights subject to all the salient terms and conditions as stated therein the S&P (as summarised below):-
- (i) The purchase consideration of Ringgit Malaysia One Million and Ten Thousand (RM1,010,000/) only was paid directly to the Company in one lump sum upon the execution of the S&P Agreement;
 - (ii) Upon execution of the S&P Agreement, the Purchaser paid the Company the sum of Ringgit Malaysia Eleven Million Five Hundred and Ninety Thousand (RM11,590,000/-) only which represents SMCB's costs towards partial and incomplete acquisition of the exclusive agencies under the Exclusive Agency Agreements ("EAAs") as described in Note 32.2 above;
 - (iii) Immediately prior to execution of the S&P Agreement, the Company and all the Principals referred to in Note 32.2 above had mutually agreed in writing that the Company may sell the Company's Rights to the Purchaser;
 - (iv) The Company did not give any warranty or representation to the effect that the Company shall in any way be responsible for honouring all and any outstanding terms and conditions of the EAAs, Settlement Agreements ("SAs") (refer to Note 32.3) and FAs ("FAs") (refer to Note 32.4);
 - (v) The Purchaser shall be solely responsible for the fulfilment of all outstanding terms and conditions of the EAAs, SAs, and the FAs and had to engage into further arrangements with the Principals-cum-Creditors (under the EAAs and SAs) and/or the Property Developers referred to in Note 32.4 above (under the FAs).
- (b) The following are the rationale for the signing of the S&P Agreement:-
- (i) The Company had encountered several setbacks which to a substantial extent frustrated the procurement of the Exclusive Agencies ("the Agencies Procurement") and rendered the originally viable business model to near impossibility. There had been considerable and tangible objection from substantial shareholders who might vote against the proposed special issuance of settlement shares towards payment of the balance agency fees. Further, the worsening world and domestic economy situation had seriously affected the Company share price, which had dropped to RM0.20 as of the date of the S&P Agreement. The settlement share proposal which was pegged at RM0.40 had become unfeasible to be accepted by the Principals-cum-Creditors. This scenario had posed huge challenge for the Company to proceed any further with the proposed Agencies Procurement.
 - (ii) The current total cash and bank balances of the Company as of the date of the S&P Agreement was insufficient to make payments to several trade creditors and banking institutions arising from earlier commitments entered into, and so it had become imperative that the Company must sell off the said Rights.
 - (iii) The Company would be able to utilise the proceeds of disposal received from the S&P Agreement to settle these payments, as well as reducing the Company's depleting shareholders' funds standing at RM6,920,000/- as at 30th September 2016, which is approximately 30.8% of the total shareholders' equity of RM22,476,000/-.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

32.13 Signing of Sale and Purchase Agreement of Right to Complete Procurement of Exclusive Agencies (Cont'd)

- (c) Immediately upon the execution of S&P Agreement, the Company has received a cheque of RM 12,600,000/- from a solicitor.
- (d) (d)With the completion of the S&P Agreement, the Company is of the view that there will be no potential liability in relations to EAAs.

32.14 PN17 Status

On 6th December 2016, the Board announced that the Company had triggered the prescribed criteria pursuant to Paragraph 2.1(e) of PN17 and Paragraph 8.04 of the Main Market Listing Requirements of Bursa Securities. Hence, as of the date of the Announcement, the Company is considered as a PN17 company.

The PN17 criteria was triggered as a result of the Auditors having expressed an emphasis of matter on the Company's ability to continue as a going concern in the Company's audited financial statements for the financial year ended 30th September 2015 (that was announced on 29th February 2016) stating that emphasis of matter on the Company ability to continue as a going concern, and based on the Company's fourth quarterly results for the period ended 30th September 2016 announced on 30th November 2016, the Company's shareholders' equity on a consolidated basis is 50% or less of the issued and paid-up capital of the Company.

The Company has to take necessary steps to comply with its obligations to:-

- (a) within twelve (12) months from the date (namely 6th December 2016) of the announcement that the Company is a PN17 company:
 - (i) to submit a Regularisation Plan to the Securities Commission ("SC") if the plan will result in a significant change in the business direction or policy of the Company; or
 - (ii) to submit a Regularisation Plan to Bursa Securities if the plan will not result in a significant change in the business direction or policy of the Company, and obtain Bursa Securities's approval to implement the plan;
- (b) implement the Regularisation Plan within the time frame stipulated by the SC or Bursa Securities, as the case may be;
- (c) announce within three (3) months from this First Announcement, on whether the Regularisation Plan will result in a significant change in the business direction or policy of the Company;
- (d) announce the status of its Regularisation Plan and the number of months to the end of the relevant time frames referred to in Paragraphs 5.1 and 5.2 of PN17, as may be applicable, on a monthly basis until further notice from Bursa Securities;
- (e) announce its compliance or noncompliance with a particular obligation imposed pursuant to PN17, on an immediate basis;
- (f) announce the details of the Regularisation Plan ("Requisite Announcement") and sufficient information to demonstrate that the Company is able to comply with all the requirements set out in Paragraph 5.4 of PN17 after implementation of the Regularisation Plan, which shall include a timetable for the complete implementation of the Regularisation Plan. The Requisite Announcement must be made by the Company's Principal Adviser.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)

32.15 Delay in Issuing Annual Report

The Company has failed to submit its Annual Report that includes the annual audited financial statements together with the auditors' and directors' reports in respect of the financial year ended 30th September 2016 ("AR 2016") to Bursa Securities for public release by 31st January 2017.

32.16 The Companies Act 2016

The Minister of Domestic Trade, Co-operatives and Consumerism has appointed 31st January 2017 as the date on which Companies Act 2016 comes into operation except Section 241 and Division 8 of Part III.

Pursuant to the circular issued by Malaysian Institute of Accountants on 2nd February 2017, the Companies Commission of Malaysia has clarified that the Companies Act 2016 should be complied with for the preparation of financial statements and the directors' report and the auditors' report thereon commencing from the financial year/period ended 31st January 2017.

Accordingly, the Company shall prepare its financial statements for the financial year ending 30th September 2017 in accordance with the requirements of Companies Act 2016.

The financial statements disclosure requirements under the Companies Act 2016 are different from those requirements set out in the Companies Act 1965. Consequently, the items to be disclosed in the Company's financial statements for the financial year ending 30th September 2017 may be different from those disclosed in the financial statements for current financial year.

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

On 25th March 2010, Bursa Malaysia Securities Berhad 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.

The following analysis of realised and unrealised profits or losses included in the accumulated losses of the Group and the Company as at 30th September 2016 and 30th September 2015 is presented in accordance with the directive of Bursa Malaysia Securities Berhad and prepared 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.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total accumulated losses of the Company and its subsidiaries:				
- Realised	(51,384)	(39,593)	(33,686)	(23,709)
- Unrealised	3,303	3,105	-	-
	(48,081)	(36,488)	(33,686)	(23,709)
Less: Consolidation adjustment	24,477	22,313	-	-
Total accumulated losses	(23,604)	(14,175)	(33,686)	(23,709)

STATEMENT BY DIRECTORS

We, **DATO' EII CHING SIEW @ YII CHING SIEW** and **DATO' KOH MUI TEE**, being two of the directors of Stone Master Corporation Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 47 to 142 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 2016 and of their financial performance and cash flows for the financial year ended.

The supplementary information set out on page 143 has 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*, as issued by the Malaysian Institute of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

DATO' KOH MUI TEE

DATO' EII CHING SIEW @ YII CHING SIEW

Kuala Lumpur

Date: 7th February 2017

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 pages 47 to 142 and the supplementary information set out on page 143 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 in Malaysia.

YONG TIONG FATT

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 7th February 2017.

Before me,

Commissioner for Oaths
Name: KUMAR A/L THANGARAJU
No: W652

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF STONE MASTER CORPORATION BERHAD

(Incorporated in Malaysia)

Report on the Financial Statements

We were engaged to audit the financial statements of Stone Master Corporation Berhad, which comprise the statements of financial position as at 30th September 2016 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 of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 47 to 142.

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 conducting the audit in accordance with approved standards on auditing in Malaysia. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

- As disclosed in Note 2.2, during the financial year, the Group and the Company incurred a net loss of RM9,584,000/- and RM9,977,000/- respectively for the financial year ended 30th September 2016. As at 30th September 2016, the current liabilities of the Group and the Company exceeded its current assets by RM12,503,000/- and RM12,117,000/- respectively and the Group and the Company also recorded accumulated losses of RM23,604,000/- and RM33,686,000/- respectively thereby indicating the existence of a material uncertainty which may cast significant doubt about the Group and the Company's ability to continue as a going concern.

On 6th December 2016, the Company announced that it had been classified as an affected listed issuer pursuant to Paragraph 2.1 (e) of Practice Note 17 ("PN17") under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. As a result, the Company is required to submit a Regularisation Plan to the relevant authorities and to implement the Regularisation Plan within the stipulated timeframe. The Company is currently in the midst of formalising a Regularisation Plan.

As disclosed in Note 32.7, 32.8 and 32.9, the Company had obtained loans from Dato' Eii Ching Siew @ Yii Ching Siew ("Dato' Eii"), Starfield Capital Sdn. Bhd. ("Starfield") and Antico Stone Sdn. Bhd. ("Antico"). The Company has defaulted in the repayment of the loan by the stipulated time given by Dato' Eii, Starfield and Antico. Subsequent to the financial year, the Company received written demands from Starfield and Antico for repayment of the debt and default interest thereon.

The ability of the Group and the Company to operate as going concerns is dependent upon:

- the timely and successful formulation and implementation of a Regularisation Plan;
- the continuing support from its lenders; and
- achieving sustainable and viable operations.

If these are not forthcoming, the application of the going concern accounting concept may be inappropriate and adjustments may be required to, inter alia, write down assets to their realisable values, reclassify all long term assets and liabilities as current and to provide for any further costs which may arise.

We were unable to obtain sufficient appropriate audit evidence regarding the ability of the Group and the Company to achieve sustainable and viable operations. The timely formulation and implementation of a Regularisation Plan, including obtaining the support from lenders remain uncertain at this stage.

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

Report on the Financial Statements (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

2. As disclosed in Note 32.12, on 13th October 2016, Securities Commission Malaysia ("SC") by way of its press release announced that it had filed a personal suit ("the Suit") against the Company's Deputy Managing Director for allegedly causing wrongful loss to the Company.

In the claim, SC alleged that the Company had entered into several agency agreements with 23 foreign companies for the exclusive rights to market and promote, in Malaysia and Singapore, products belonging to the foreign companies. In consideration of the exclusive rights granted to it, the Company paid several local representatives of the 23 foreign companies a sum amounting to RM11.59 million in the form of a non-refundable deposit. The SC alleged that of the RM11.59 million, a sum of RM11.54 million was subsequently paid by the local representatives to the Company's Deputy Managing Director's personal account, in breach of sections 179 and 317A(1) of the Capital Markets and Services Act 2007 (CMSA).

On 14th October 2016, the Company responded to Bursa Securities's query and clarified that, as the Company is not a party to the Suit, it is in no position to know what are the details thereof and that the Company would endeavour to apply to the relevant authorities for court papers, and that until the Company has clearer knowledge of the said details, the Company is in no position to decide what steps to be taken. By way of the said response to Bursa Securities's query, the Company further clarified that the Exclusive Agency Agreements as well as the Settlement Agreements (alluded to respectively in Notes 32.2 and 32.3 above) were still valid and in force as extension of time up to 10th April 2017 had earlier been granted by all 23 Principals. The said Principals had been briefed about the Suit and have reaffirmed in writing the validity of the said agreements.

On 27th October 2016, the external auditors have written to the Company to seek the assistance to provide the following information:

- (i) the information that may potentially affect the Company's financial statements;
- (ii) the assessment of any consequential impact to the Company's financial statements; and
- (iii) the action plan and response of the Company in the assessment of any consequential impact to the Company's financial statements.

In view of the significance of the matter, the external auditors recommended that an investigative audit be commissioned in order to obtain explanations, complete information on all matters and ascertain the veracity of all the transactions that may have potentially affected the Company.

The Company had on 14th December 2016 engaged Ferrier Hodgson MH Sdn. Bhd. to conduct a review of the allegations by SC against the Company's Deputy Managing Director of the RM11.54 million which was subsequently paid by local subsidiaries of the 23 foreign companies (with whom the Company had entered into the respective agency agreements) to the Company's Deputy Managing Director's personal account. As at date of this report, the investigation is still ongoing.

As detailed further in Note 32.13, on 6th December 2016, the Company announced that the Company had entered into a sale and purchase agreement ("S&P Agreement") dated 6th December 2016 in respect of all the Company's right to complete procurement of exclusive agencies arising from the Exclusive Agency Agreements ("EAAs") described in Note 32.2 above (hereinafter referred to as "the Company's Rights") with Quantum March Sdn. Bhd. ("the Purchaser"), whereby the Company agreed to sell and the Purchaser agreed to purchase the Company's Rights subject to all the salient terms and conditions as stated therein the S&P. With the completion of the S&P Agreement, the Company is of the view that there will be no potential liability in relations to EAAs.

Pending the completion of an investigation and other appropriate audit procedures, we were unable to obtain sufficient appropriate audit evidence on the financial statements of the Group and the Company. Therefore, we could not determine the effect of adjustment, if any, on the financial statements of the Group and the Company.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

INDEPENDENT AUDITORS' REPORT (CONT'D)
TO THE MEMBERS OF STONE MASTER CORPORATION BERHAD
(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) Because of the significance of the matters as described in the Basis for Disclaimer of Opinion paragraph, we are unable to report whether the accounting and other records 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. However, in our opinion, 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 have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 7 to the financial statements.
- (c) Because of the significance of the matters as described in the Basis for Disclaimer of Opinion paragraph, we are unable to report whether we are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and whether we have received satisfactory information and explanations required by us for those purposes.
- (d) As disclosed in Note 7 to the financial statements, the auditors' reports on the financial statements of the subsidiaries contain modification.

Other Reporting Responsibilities

The supplementary information set out on page 143 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.

Because of the significance of the matters as described in the Basis for Disclaimer of Opinion paragraph, we are unable to report whether the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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. 2916/03/18(J)
Chartered Accountant

Kuala Lumpur

Date: 7th February 2017

ANALYSIS OF SHAREHOLDINGS

AS AT 13 JANUARY 2017

Authorised Share Capital	-	RM2,000,000,000 ordinary shares of RM0.25 each
Issued & Fully Paid-Up Capital	-	RM22,476,294.25
Number and Type of Share	-	89,905,177 ordinary shares of RM0.25 each
Voting Rights	-	One vote per share (on a poll)

ANALYSIS OF SHAREHOLDINGS AS AT 13 JANUARY 2017

Size of Holdings	No. of Holders	%	No. of Holdings	%
1 – 99	28	2.94	815	0.00
100 – 1,000	211	22.19	184,682	0.21
1,001 – 10,000	285	29.97	1,646,430	1.83
10,001 – 100,000	322	33.86	12,590,450	14.00
100,001 – 4,495,257 *	101	10.62	42,087,000	46.81
4,495,258 and above **	4	0.42	33,395,800	37.15
Total	951	100.00	89,905,177	100.00

Notes

* - less than 5% of issued and paid-up capital

** - 5% and above of issued and paid-up capital

SUBSTANTIAL SHAREHOLDERS AS AT 13 JANUARY 2017

Name	Direct/Indirect No. of shares held	%
Dato' Lee Fong Yin @ Lee Vun Ya	20,039,600 (Direct)	22.29
Dato' Eii Ching Siew @ Yii Ching Siew	8,500,000 (Direct)	9.45
Datin Chan Chui Mei (via Starfield Capital Sdn Bhd)	4,856,200 (Indirect)	5.40

DIRECTORS' SHAREHOLDINGS AS AT 13 JANUARY 2017

Name	Direct/Indirect No. of shares held	%
Mohd Anuar Bin Mohd Hanadzlah	-	-
Dato' Koh Mui Tee	-	-
Datin Chan Chui Mei ^	4,856,200 (Indirect)	5.40
Dato' Eii Ching Siew @ Yii Ching Siew	8,500,000 (Direct)	9.45
Dato' Lee Fong Yin @ Lee Vun Ya	20,039,600 (Direct)	22.29
Datuk Lee Hwa Cheng	-	-
Md Noor Bin Abd Rahim	-	-
Prof. Dato' Dr. Mohd Azmi Bin Mohd Lila	-	-

Note:

^ Deemed interest pursuant to Section 8(4) of the Companies Act, 2016 by virtue of her interests in Starfield Capital Sdn Bhd

ANALYSIS OF SHAREHOLDINGS (CONT'D)

LIST OF THIRTY LARGEST SHAREHOLDERS AS AT 13 JANUARY 2017

Name of shareholders	Shareholdings	%
1. RHB Nominees (Tempatan) Sdn Bhd <i>[pledged securities account for Dato' Lee Fong Yin @ Lee Vun Ya]</i>	11,939,600	13.28
2. Dato' Eii Ching Siew @ Yii Ching Siew	8,500,000	9.45
3. RHB Nominees (Tempatan) Sdn Bhd <i>[pledged securities account for Dato' Lee Fong Yin @ Lee Vun Ya]</i>	8,100,000	9.01
4. Starfield Capital Sdn Bhd	4,856,200	5.40
5. Alliancegroup Nominees (Tempatan) Sdn Bhd <i>[pledged securities account for Ng Siau Men (8080599)]</i>	3,940,000	4.38
6. Wong Wai Lum	1,567,800	1.74
7. Public Nominees (Tempatan) Sdn Bhd <i>[pledged securities account for See Teck Cheng (E-BPT)]</i>	1,400,000	1.56
8. Lean Pik Sum	1,271,800	1.41
9. Lee Kwee Foong	1,190,700	1.32
10. Public Nominees (Tempatan) Sdn Bhd <i>[pledged securities account for Koh Ah Hai (E-TSA)]</i>	1,145,600	1.27
11. Alice Tan Khiam Chow	1,100,000	1.22
12. Leong Kit Neng	1,100,000	1.22
13. Maybank Nominees (Tempatan) Sdn Bhd <i>[pledged securities account for Chua Eng Ho Wa'a @ Chua Eng Wah]</i>	1,092,300	1.21
14. Tee Chong Yen @ Bah Chong Yen	1,040,000	1.16
15. Gan Wee Kien	1,005,200	1.12
16. CIMSEC Nominees (Tempatan) Sdn Bhd <i>[CIMB Bank for Chan Ah Hing @ Chan Eng Chaw (MY1490)]</i>	950,000	1.06
17. Ong Kow Ee @ Ong Chiow Chuen	866,800	0.96
18. See Ming Sze	836,200	0.93
19. Ng Sheau Mien	816,500	0.91
20. Koperasi Permodalan Felda Malaysia Berhad	800,000	0.89
21. Kenanga Nominees (Tempatan) Sdn Bhd <i>[pledged securities account for Liew Choon Hoe (033)]</i>	722,200	0.80
22. Ho Chee Keong @ Hoh Chee Keong	700,000	0.78
23. Ding Hong Tem	650,000	0.72
24. RHB Capital Nominees (Tempatan) Sdn Bhd <i>[pledged securities account for Foo Chooi Wai (CEB)]</i>	650,000	0.72
25. Tor Kee Lam	646,000	0.72
26. Kenanga Nominees (Tempatan) Sdn Bhd <i>[pledged securities account for Tan Li Li (027)]</i>	605,000	0.67
27. Ling Lee Ding	602,800	0.67
28. Lim Poh Fong	601,800	0.67
29. Ho Hong Thai	570,000	0.63
30. RHB Nominees (Tempatan) Sdn Bhd <i>[pledged securities account for Lim Chin Khoon]</i>	559,000	0.62

ANALYSIS OF WARRANT HOLDINGS

AS AT 13 JANUARY 2017

Number of Warrants Issued - 21,852,588

ANALYSIS OF WARRANT HOLDINGS AS AT 13 JANUARY 2017

Size of Holdings	No. of Holders	%	No. of Holdings	%
1 – 99	1	0.42	24	0.00
100 – 1,000	5	2.07	1,200	0.01
1,001 – 10,000	55	22.82	318,502	1.45
10,001 – 100,000	128	53.11	5,569,862	25.49
100,001 – 1,092,628 *	51	21.16	14,740,000	67.45
1,092,629 and above **	1	0.42	1,223,000	5.60
Total	241	100.00	21,852,588	100.00

Notes

* - less than 5% of issued warrants

** - 5% and above of issued warrants

DIRECTORS' WARRANT HOLDINGS AS AT 13 JANUARY 2017

Name	Direct/Indirect No. of warrants held	%
Mohd Anuar Bin Mohd Hanadzlah	–	–
Dato' Koh Mui Tee	–	–
Datin Chan Chui Mei	–	–
Dato' Eii Ching Siew @ Yii Ching Siew	–	–
Dato' Lee Fong Yin @ Lee Vun Ya	–	–
Datuk Lee Hwa Cheng	–	–
Md Noor Bin Abd Rahim	–	–
Prof. Dato' Dr. Mohd Azmi Bin Mohd Lila	–	–

ANALYSIS OF WARRANT HOLDINGS (CONT'D)

LIST OF THIRTY LARGEST WARRANT HOLDERS AS AT 13 JANUARY 2017

Name of Warrant Holders	Holdings	%
1. CIMSEC Nominees (Tempatan) Sdn Bhd <i>[CIMB Bank for Chan Ah Hing @ Chan Eng Chaw (MY1490)]</i>	1,223,000	5.60
2. CIMSEC Nominees (Tempatan) Sdn Bhd <i>[CIMB Bank for Chan Ah Hing @ Chan Eng Chaw (PB)]</i>	1,069,100	4.89
3. Chau Kin Cheng	1,013,600	4.64
4. Wong Wai Lum	662,300	3.03
5. Chiam Kok Soon	620,000	2.84
6. Gan Wee Kien	550,000	2.52
7. Yeong Sin Cheng	480,000	2.20
8. Cha Weay Chia	450,000	2.06
9. Ding Hong Tem	450,000	2.06
10. Tee Chong Yen @ Bah Chong Yen	442,000	2.02
11. Koh Ing Kiong	400,000	1.83
12. Ting Lee Kiang	398,700	1.82
13. Lyvia Whaung Pei Hwee	360,200	1.65
14. Alliancegroup Nominees (Tempatan) Sdn Bhd <i>[pledged securities account for Ling Siun Tien (8047935)]</i>	350,000	1.60
15. Chong Ah See @ Chong Tih Boon	330,000	1.51
16. Ng Sheau Mien	326,600	1.49
17. Heng Swee Siong	315,000	1.44
18. Liew Poh Seh	310,000	1.42
19. Adrian Choo Chee Teem	300,000	1.37
20. Amsec Nominees (Tempatan) Sdn Bhd <i>[pledged securities account for Chew (Chiu) Shing Tee]</i>	300,000	1.37
21. Koh Lian Sim	300,000	1.37
22. Liew Pov Lan	300,000	1.37
23. Maybank Securities Nominees (Tempatan) Sdn Bhd <i>[pledged securities account for Vincent Phua Chee Ee]</i>	300,000	1.37
24. Tang Kah Kiong	300,000	1.37
25. Chua Lee Guan	250,000	1.14
26. Han Soon Fatt	220,000	1.01
27. Public Nominees (Tempatan) Sdn Bhd <i>[pledged securities account for Lim Lee Foon (E-SS2)]</i>	209,400	0.96
28. Cheah Kuan Beng	200,000	0.92
29. Ling Siun Tien	200,000	0.92
30. Ng Chee Chi	200,000	0.92

LIST OF PROPERTIES

A summary of the information on landed properties owned by the Group as at 30 September 2016

Title/ Location	Registered/ Beneficial owner/ Postal address (if applicable)	Existing use/ Description of property	Land area/ Built-up area	Tenure (years)	Approximate age of building (years)	Net book value as at 30.09.2016 (RM)	Date of Revaluation/ Acquisition
Properties held for owner occupation							
Lot P.T. 399, Title No. H.S. (D) 54475, Mukim of Sungai Raya, District of Kinta, Perak Darul Ridzuan;	SPG Lot PT 399, 2.5km, Off Jalan Pengkalan, Mukim Sg. Raya, Simpang Pulai, 31300 Kg. Kepayang, Perak	Industrial/ Granite & Marble processing factory complex	23,008 sq.m./ 13,617 sq.m	P.T. 399 : 60 years lease expiring 23 June 2046	16-22	9,015,000	20.09.2016
And							
Lot No. 202190, Pajakan Negeri 123433, Mukim of Sungai Raya, District of Kinta, Perak Darul Ridzuan	SPG Lot PT 399, 2.5km, Off Jalan Pengkalan, Mukim Sg. Raya, Simpang Pulai, 31300 Kg. Kepayang, Perak	Industrial/ Granite & Marble processing factory complex		Lot 202190: 60 years lease expiring 26 February 2053			
Lot No. PTD 4421, Title No. HS(D) 19589, in the Mukim of Tebrau, District of Johor Bahru, Johor Darul Takzim	RMT No. 41, Batu 7, Jalan Kota Tinggi, 81100 Pandan, Johor Bahru, Johor	Industrial/ Single storey workshop building	191.9 sq.m./ 365 sq.m.	Freehold	36	795,610	02.09.2016
Lot No. PTD 38552, Title No. HS(D) 23176, in the Mukim and District of Kluang, Johor Darul Takzim	RMT No. 1, Jalan Desa 3, Taman Desa, 86000 Kluang, Johor	Commercial/ Double storey shophouse used as a store	254.0815 sq.m./ 438.6 sq.m.	Freehold	25	393,171	02.09.2016
Lot No. PTD 38553, Title No. HS(D) 23177, in the Mukim and District of Kluang, Johor Darul Takzim	RMT No. 2, Jalan Desa 3, Taman Desa, 86000 Kluang, Johor	Commercial/ Double storey shophouse used as a store	143.066 sq.m./ 249.3 sq.m.	Freehold	25	246,098	02.09.2016

LIST OF PROPERTIES (CONT'D)

Title/ Location	Registered/ Beneficial owner/ Postal address (if applicable)	Existing use/ Description of property	Land area/ Built-up area	Tenure (years)	Approximate age of building (years)	Net book value as at 30.09.2016 (RM)	Date of Revaluation/ Acquisition
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Properties held for owner occupation (Cont'd)

Title No. HS(D) 126848 No. PTD 33728, Mukim Tebrau, Daerah Johor Bahru , Johor Darul Takzim	RMT No. 16, Jalan Waja 2, Kawasan Perindustrian Pandan, 81100 Johor Bahru, Johor	Single-storey workshop	679.2848 sq.m/ 398.3 sq.m	99 years lease expiring 6 October 2084	31	640,441	02.09.2016
Title No. HS(D) 126849 No. PTD 33729, Mukim Tebrau, Daerah Johor Bahru , Johor Darul Takzim	RMT No. 4, Jalan Waja , Kawasan Perindustrian Pandan, 81100 Johor Bahru, Johor	Single-storey workshop	1,145 sq.m/ 813.4 sq.m	99 years lease expiring 6 October 2084	31	1,133,088	02.09.2016

Properties which are surplus to operational requirements

Lot No. P.T. 28626, H.S. (D) 94700, Mukim of Sungai Buluh, District of Petaling, State of Selangor Darul Ehsan	SM(M)SB No. 33B, Jalan BRP 6/10, Bukit Rahman Putra, 47000 Sungai Buluh, Selangor	Building/First floor of a 4½ storey shop office building	126.35 sq.m.	Freehold	15	224,000	02.09.2016
Unit No. 128A/3-3A (Developer's Unit No. M-03-3A), Seremban 2, erected on PT No. 8392A, Mukim of Rasah, District of Seremban, Negeri Sembilan Darul Khusus	SM(M)SB No. 128A/3-3A, Jalan 52B5, Seremban 2, 70300 Seremban, Negeri Sembilan Darul Khusus	Building/ Office lot	72.93 sq.m.	Freehold	15	70,000	02.09.2016

LIST OF PROPERTIES (CONT'D)

Title/ Location	Registered/ Beneficial owner/ Postal address (if applicable)	Existing use/ Description of property	Land area/ Built-up area	Tenure (years)	Approximate age of building (years)	Net book value as at 30.09.2016 (RM)	Date of Revaluation/ Acquisition
Properties held for investment purpose							
HSD 546415 PTD 175436 Mukim of Tebrau, Daerah Johor Bahru , Johor Darul Takzim	No. 8, Jalan Tiong Emas 3, Tiong Nam Industrial Park Terbaru III, 81100 Johor Bahru, Johor	Building/ 2 ^{1/2} -storey Detached Building	1,481 sq. m./ 1,152.3 sq. m	Freehold	1	3,600,000	22.09.2016
HSD 498858 PTD 155958 Mukim of Tebrau, Daerah Johor Bahru , Johor Darul Takzim	RMT 43 , Jalan Mutiara Emas 10/2, Austin Square, 81100 Johor Bahru, Johor	Building/ Three-storey Detached Building	194 sq. m./ 585 sq. m	Freehold	6	1,700,000	02.09.2016
HSD 498842 PTD 155942 Mukim of Tebrau, Daerah Johor Bahru , Johor Darul Takzim	RMT 75, Jalan Mutiara Emas 10/2, Austin Square, 81100 Johor Bahru , Johor	Building/ Three-storey Detached Building	156 sq. m/ 468 sq.m.	Freehold	6	1,350,000	02.10.2016
Lot No. PTB 3352, Title No. HS(D) 5832, in the township and District of Kluang, Johor Darul Takzim	RMT No. 5, Jalan Bulan, 86000 Kluang, Johor	Residential/ Vacant land	581.736 sq.m./ NA	99 years lease expiring 23 November 2078	N/A	125,000	02.09.2016
HS(D) 183506 PTD 60354 Mukim of Pulau, District of Johor Bahru, Johor Darul Takzim	RMT 51,Jalan Pulau 23, Taman Pulai Utama, 81110 Johor Bahru, Johor.	Double Storey Shop Office	143.07 sqm/ 286 sq. m	Freehold	9	480,000	02.09.2016
No. 183508 Lot 60355 Mukim of Pulau, District of Johor Bahru, Johor Darul Takzim	RMT 49,Jalan Pulau 23, Taman Pulai Utama, 81110 Johor Bahru, Johor.	Double Storey Shop Office	143.07 sqm/ 286 sq. m	Freehold	9	480,000	02.09.2016

Notes

Sqm : square metre

N/A : not applicable



STONE MASTER
CORPORATION BERHAD

STONE MASTER CORPORATION BERHAD

(Company No. 498639-X)

(Incorporated in Malaysia)

Number of Shares Held

CDS Account No.

I/We I.C.No
(Full Name in Block Letters)

(Full Address)

being a member of **Stone Master Corporation Berhad** hereby appoints

NRIC No

(Full Name in Block Letters)

of

(Full Address)

or failing him/her NRIC No

(Full Name in Block Letters)

of

(Full Address)

or failing him/ her, the CHAIRMAN OF THE MEETING as my/our proxy to attend and vote for me/us on my/our behalf at the Sixteenth Annual General Meeting of the Company to be held at the Cherry Klubb Conference Room, No. 28, 5.5 Miles, Jalan Tuaran, 88300 Kota Kinabalu, Sabah on Thursday, 30 March 2017 at 10:30 a.m. or at any adjournment thereof, in the manner as indicated below:-

	Resolutions	For	Against
Resolution 1	To re-elect Datin Chan Chui Mei who is retiring in accordance with Article 79 of the Company's Articles of Association.		
Resolution 2	To re-elect Encik Md Noor Bin Abd Rahim who is retiring in accordance with Article 79 of the Company's Articles of Association.		
Resolution 3	To re-elect Encik Mohd Anuar Bin Mohd Hanadzlah who is retiring in accordance with Article 82 of the Company's Articles of Association.		
Resolution 4	To re-elect Prof. Dato' Dr. Mohd Azmi Bin Mohd Lila who is retiring in accordance with Article 82 of the Company's Articles of Association.		
Resolution 5	To re-appoint Messrs. Baker Tilly Monteiro Heng as the Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.		
Resolution 6	As Special Business <u>Ordinary Resolution</u> Authority to allot shares pursuant to Section 75 of the Companies Act, 2016.		

(Please indicate with an "X" in the appropriate boxes above how you wish your vote to be cast. If you do not do so, your proxy shall vote as he thinks fit, or at his/their discretion.)

Dated this _____ day of _____ 2017.

Signature of Shareholder

NOTES:

1. A member of the Company entitled to attend and vote at the above Meeting is entitled to appoint a proxy or proxies and, in the case of a corporation, a duly authorised representative to attend and vote in its stead. A proxy may but need not be a member of the Company.
2. Where a member appoints more than one proxy (but not more than two), the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. Where a member is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991, at least one (1) proxy is allowed to be appointed in respect of each securities account it holds with the ordinary shares of the Company standing to the credit of the said securities account.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, the instrument appointing a proxy or proxies must be either under seal or under the hand of an officer or attorney duly authorised.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. Each appointment of proxy by an exempt authorised nominee shall be by a separate instrument of proxy which shall specify the proportion of shareholding to be represented by each proxy.
5. All forms of proxy must be deposited at the Registered Office of the Company situated at Unit 2-03, Medan Klang Lama 28, No. 419, Jalan Klang Lama, 58100 Kuala Lumpur, Wilayah Persekutuan, not less than forty-eight (48) hours before the time approved for holding the Meeting or adjournment thereof.
6. Only members whose name appears on the General Meeting Record of Depositors of the Company as at 20 March 2017 shall be eligible to attend the AGM.



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AFFIX
STAMP

The Company Secretary
STONE MASTER CORPORATION BERHAD
(498639-X)
Unit 2-03, Medan Klang Lama 28,
No. 419, Jalan Klang Lama,
58100 Kuala Lumpur,
Wilayah Persekutuan,
MALAYSIA

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STONE MASTER CORPORATION BERHAD (498639-X)

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