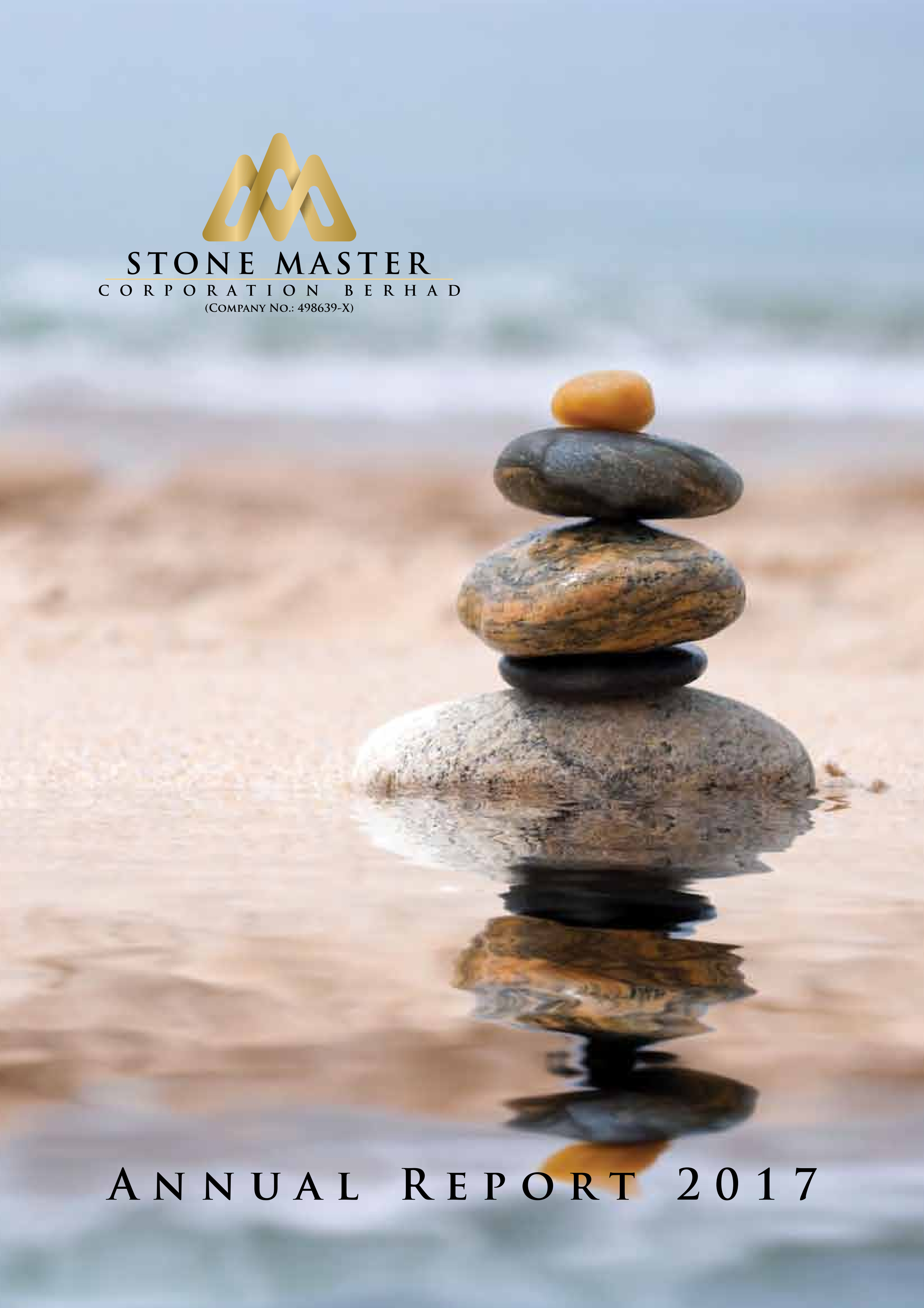

# STONE MASTER CORPORATION BERHAD

(Company No.: 498639-X)

# Annual Report 2017

# Contents

# Notice Of The Seventeenth Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Seventeenth 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 Wednesday, 21 March 2018 at 10:30 a.m. for the following purposes:-

**A G E N D A**

**As Ordinary Business**

1. To receive the Audited Financial Statements for the financial year ended 30 September 2017 together with the Reports of the Directors and Auditors thereon. ***(Please refer to Explanatory Note 1)***

2. To approve the payment of Directors' fees and benefits amounting to RM95,000.00 for the financial year ended 30 September 2017. ***(Resolution 1)***

3. To re-elect Dato' Haji Abdul Aziz Bin Mohamed, the Director who retires pursuant to Article 82 of the Company's Articles of Association. ***(Resolution 2)***

4. To re-elect En. Fathi Ridzuan Bin Ahmad Fauzi, the Director who retires pursuant to Article 82 of the Company's Articles of Association. ***(Resolution 3)***

5. To re-elect Ms. Foo Chooi Wai, the Director who retires pursuant to Article 82 of the Company's Articles of Association. ***(Resolution 4)***

6. To re-elect Dato' Eii Ching Siew @ Yii Ching Siew, the Director who retires pursuant to Article 79 of the Company's Articles of Association. ***(Resolution 5)***

7. To re-elect Mr. Low Eng Tack, the Director who retires pursuant to Article 82 of the Company's Articles of Association. ***(Resolution 6)***

8. To re-elect Dato' Ng Boon Siong, the Director who retires pursuant to Article 82 of the Company's Articles of Association. ***(Resolution 7)***

9. To re-appoint Messrs. PKF as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. ***(Resolution 8)***

**As Special Business**

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

    **ORDINARY RESOLUTION** ***(Resolution 9)***
    - **AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016**

    "THAT pursuant to Sections 75 and 76 of the Companies Act, 2016, 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 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."

11. 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)
Company Secretary

Kuala Lumpur
5 February 2018

*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, 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 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 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 14 March 2018 shall be eligible to attend the Annual General Meeting.*

**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 9

   The proposed adoption of the said Ordinary Resolution is for the purpose of seeking a new general mandate to empower the Directors of the Company pursuant to Sections 75 and 76 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.

# Corporate Information

## BOARD OF DIRECTORS

**Dato' Haji Abdul Aziz Bin Mohamed**
*Independent Non-Executive Chairman*

**Dato' Eii Ching Siew @ Yii Ching Siew**
*President / Executive Director*

**Dato' Lee Fong Yin @ Lee Vun Ya**
*Vice President / Executive Director*

**Fathi Ridzuan Bin Ahmad Fauzi**
*Executive Director/*
*Acting Chief Executive Officer*

**Low Eng Tack**
*Executive Director*

**Foo Chooi Wai**
*Independent Non-Executive Director*

**Dato' Ng Boon Siong**
*Independent Non-Executive Director*

## AUDIT COMMITTEE

**Foo Chooi Wai**
*Chairman*

**Dato' Haji Abdul Aziz Bin Mohamed**
*Member*

**Dato' Ng Boon Siong**
*Member*

## NOMINATION COMMITTEE

**Dato' Haji Abdul Aziz Bin Mohamed**
*Chairman*

**Foo Chooi Wai**
*Member*

**Dato' Ng Boon Siong**
*Member*

## REMUNERATION COMMITTEE

**Dato' Lee Fong Yin @ Lee Vun Ya**
*Chairman*

**Foo Chooi Wai**
*Member*

**Dato' Ng Boon Siong**
*Member*

## RISK MANAGEMENT COMMITTEE

**Dato' Ng Boon Siong**
*Chairman*

**Foo Chooi Wai**
*Member*

**Low Eng Tack**
*Member*

## COMPANY SECRETARY

**Marie Cho Yuen Kiew**
LS0009090

## REGISTERED AND HEAD OFFICE ADDRESS

Unit 2-03, Medan Klang Lama 28
No. 419, Jalan Klang Lama
58100 Kuala Lumpur

Tel : 603 2382 1777
Fax : 603 7772 1808

## PRINCIPAL BANKERS

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

## AUDITORS

Messrs PKF (Firm No. AF 0911)
Chartered Accountants
Level 33, Menara 1MK
Kompleks 1 Mont' Kiara
No. 1, Jalan Kiara, Mont' Kiara
50480 Kuala Lumpur

Tel : 603 6203 1888
Fax : 603 6201 8880

## 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

# Group Corporate Structure
as at 30 September 2017

STONE MASTER CORPORATION BERHAD

100%

- S.P. Granite Sdn Bhd
  - 100%
    - Stone Master (Malaysia) Sdn Bhd
    - Fastra Sdn Bhd
- Rainbow Marble & Tiling Sdn Bhd
- Stone Master Marketing Sdn Bhd
- Stone Design House Sdn Bhd
- Stone Master Aluminium Sdn Bhd
- SM Wooden Products Sdn Bhd
- SM Eco Wood Sdn Bhd
- Stone Master Tiling Sdn Bhd
- SM Paint Products Sdn Bhd
- SM Waterproofing Sdn Bhd
- SM Sanitary Ware Sdn Bhd
- SM Flooring Sdn Bhd
- SM Kitchenware Sdn Bhd
- SM Bathware & Accessories Sdn Bhd
- SM Wardrobes & Cabinets Sdn Bhd
- Stone Master Elevator Sdn Bhd
- SM Marble Art Sdn Bhd
- SM Linens Sdn Bhd
- SM Airconditioning Sdn Bhd
- SM Marble & Granite Sdn Bhd
- SM Furnishing Products Sdn Bhd
- SM Locks & Safes Sdn Bhd
- SM Switches & Sockets Sdn Bhd
- SM Seat & Chairs Sdn Bhd
- SM Smart Lamps Sdn Bhd
- SM LED Lightings Sdn Bhd
- SM Heat Pumps Sdn Bhd

**INTRODUCTION**

Stone Master Corporation Berhad ("the Company") was incorporated in Malaysia on 11 November 1999 under the Companies Act, 1965 as a public limited company under its present name. The Company was successfully listed on the Official List of the Second Board of the Kuala Lumpur Stock Exchange (now known as the Main Market of the Bursa Malaysia Securities Berhad) on 1 July 2002.

The Company is principally engaged in investment holding and provison of management services and our subsidiary companies are primarily engaged in the manufacturing and trading of marble and granite products, ceramic tiles, sanitary wares, stone design and contract works within the property development sector in Malaysia.

Further details on our subsidiary companies are as follows:

| Name of Company | Effective Interest (%) | Principal Activities |
|---|---|---|
| S.P. Granite Sdn Bhd ("**SPG**") | 100 | Manufacturing and merchandising of and trading in marble and granite products, ceramic tiles and all kinds of stone products and contract works. The Company has temporarily ceased its operation in June 2016 but had recommissioned in mid January 2018 |
| Rainbow Marble & Tiling Sdn Bhd | 100 | Trading in marble and granite, ceramic tiles, sanitary wares and all kinds and types of related products |
| Stone Master Marketing Sdn Bhd | 100 | Marble and granite merchant, contractor and trader of stone and marble products, ceramic tiles, sanitary wares and all kinds of related products. The Company has temporarily ceased its operation |
| Stone Design House Sdn Bhd | 100 | 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 | 100 | Intended to principally engage in the merchandising of and trading in aluminium products and all kinds of related products and provision of contractor services |
| SM Eco Wood Sdn Bhd | 100 | Intended to principally engage in the merchandising of and trading in furniture and all kinds of related products and provision of contractor services |
| SM Wooden Products Sdn Bhd | 100 | Intended to principally engage in the merchandising of and trading in furniture and fixtures, and all kinds of related products and provision of contractor services |
| Stone Master Tiling Sdn Bhd | 100 | Intended to principally engage in the merchandising of and trading in tiles and all kinds of related products and provision of contractor services |
| SM Paint Products Sdn Bhd | 100 | Intended to principally engage in the merchandising of and trading in paint products and all kinds of related products and provision of contractor services |
| SM Waterproofing Sdn Bhd | 100 | Intended to principally engage in the merchandising of and trading in waterproofing products and all kinds of related products and provision of contractor services |

| Name of Company | Effective Interest (%) | Principal Activities |
|---|---|---|
| SM Sanitary Ware Sdn Bhd | 100 | Intended to principally engage in the merchandising of and trading in sanitary wares and all kinds of related products and provision of contractor services |
| SM Flooring Sdn Bhd | 100 | Intended to principally engage in the merchandising of and trading in flooring products and all kinds of related products and provision of contractor services |
| SM Kitchenware Sdn Bhd | 100 | Intended to principally engage in the merchandising of and trading in kitchen wares and all kinds of related products and provision of contractor services |
| SM Bathware & Accessories Sdn Bhd | 100 | Intended to principally engage in the merchandising of and trading in bath wares and all kinds of related products and provision of contractor services |
| SM Wardrobes & Cabinets Sdn Bhd | 100 | Intended to principally engage in the 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 | Intended to principally engage in the merchandising of and trading in elevators and all kinds of related products and provision of contractor services |
| SM Marble Art Sdn Bhd | 100 | Intended to principally engage in the merchandising of and trading in marble art designs and provision of contractor services |
| SM Linens Sdn Bhd | 100 | Intended to principally engage in the merchandising of and trading in fabric and linen products and all kinds of related products provision of contractor services |
| SM Airconditioning Sdn Bhd | 100 | Intended to principally engage in the merchandising of and trading in air conditioning products and provision of contractor services |
| SM Marble & Granite Sdn Bhd | 100 | Intended to principally engage in the 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 | Intended to principally engage in the merchandising of and trading in furnishing products, and all kinds of related products and provision of contractor services |
| SM Locks & Safes Sdn Bhd | 100 | Intended to principally engage in the 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 | Intended to principally engage in the 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 | Intended to principally engage in the merchandising of and trading in seats and chairs and provision of contractor services |
| SM Smart Lamps Sdn Bhd | 100 | Intended to principally engage in the merchandising of and trading in electric light source products and all kinds of related products and provision of contractor services |

| Name of Company | Effective Interest (%) | Principal Activities |
|---|---|---|
| SM Led Lightings Sdn Bhd | 100 | Intended to principally engage in the merchandising of and trading in lighting products and all kinds of related products and provision of contractor services |
| SM Heat Pumps Sdn Bhd | 100 | Intended to principally engage in the merchandising of and trading in heat pump products and all kinds of related products and provision of contractor services |
| Stone Master (Malaysia) Sdn Bhd* | 100 | 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. The Company has temporarily ceased its operations |
| Fastra Sdn Bhd* | 100 | Dormant |

* *wholly-owned subsidiaries of SPG.*

**ANALYSIS OF FINANCIAL RESULTS**

| | Financial year ended 30 Sept 2017 RM' 000 | Financial year ended 30 Sept 2016 RM' 000 |
|---|---|---|
| Revenue | 54,056 | 72,303 |
| Cost of sales | (45,501) | (62,840) |
| **Gross profit** | 8,555 | 9,463 |
| Other income | 1,963 | 1,046 |
| Distribution costs | (4,017) | (5,327) |
| Administrative expenses | (9,858) | (12,865) |
| Other expenses | (125) | – |
| **Loss from operations** | (3,482) | (7,683) |
| Finance costs | (936) | (1,479) |
| **Loss before tax** | (4,418) | (9,162) |
| Tax expense | (237) | (422) |
| **Loss after tax** | (4,655) | (9,584) |

The Group's revenue for the financial year ended 30 September 2017 was RM54.06 million, representing a reduction of RM18.24 million or 25.23% compared to RM72.30 million in the corresponding preceding year.

Factors attributed to the decrease in the revenue for the financial year under review as compared to the corresponding year can be summarized as below:

(a) A decrease in revenue from the conventional trading of building materials resulted by the intensified price competitions and deferment of the projects due to the sluggish properties' market.

(b) The effect of the current sluggish economy and the tightening of credits' approval by the financial institutions have weakened the local market demand especially on the medium and luxury residences. Such market situation is expected to continue in the short run due to the current properties' prices which are general higher than the propensity income of the general income group.

(c) The weakening of the Ringgit against other major currencies did not inspire foreign investors to take opportunity to purchase properties in Malaysia and the effect of the sluggish economies activities on the regional and global basis. In addition, the recent capital control by the Chinese Government would have further negative impact on the properties market. The weaken Ringgit has caused the increase in the prices of the cost of materials, and the increase in the properties' prices would not then reduce in the short run.

Nevertheless, the consolidated loss before taxation of RM4.42 million as at 30 September 2017 is very much lower than the losses of the same period of RM9.16 million in the preceding year. This is partly due to the effort in the benefit derived from the cessation of the unprofitable operation of one of the Group's wholly owned subsidiary and other reason mentioned above.

## TRIGGER OF PN 17 OF THE MAIN MARKET LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD

On 6 December 2016, Bursa Malaysia Securities Berhad informed the Company 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 Regulation Plan within a stipulated timeframe.

The Company is in the midst of formulating an appropriate Regulation Plan to be uplifted from the PN17 status. The Company was granted an extension of time of up to 5 June 2018 for the submission of a Regularisation Plan to the regulatory authorities.

## PROSPECTUS AND OUTLOOK

The principal activities of the Company are that of investment holding and provision of management services, whereas the principal activities of its subsidiaries are manufacturing and trading in marble, granite, ceramic tiles and sanitary ware, stone design and contract works. Currently the Group's businesses are mainly derived from Malaysia from its wholly owned trading arm. The trading of marble, granite, ceramic tiles and sanitary ware industry in Malaysia are mainly categorized into two (2) segments, (i) direct supply to the new development projects, and (ii) retail sale via distribution channel to the replacement market for renovation and upgrading of residential, commercial and industrial properties.

Despite the recent government's decision to put a halt to the new development on luxury properties and shopping complexes, the Company is optimistic that the demand from the lower end affordable housing projects and the retail markets would be able to enhance reasonable growth within the construction sectors. The management is currently in discussions with a few property developers to secure contracts on new property projects.

The trading arm will be further strengthened by revising a currently dormant wholly owned subsidiary, Stone Design House Sdn Bhd. The subsidiary was initially setup with the intention to provide consultancy and to carry out the business of a creative, artistic, imaginative, innovative and resourceful designing house, specializing in all aspects of architectural and interior design works, construction designing, refurbishment works combining cost-effective solutions and quality project managements with interpersonal strategies in the new cutting edge of technology of style and trend in meeting customers' needs and expectations ("Stone Designing Business").

To complement the trading arm, the plant in Simpang Pulai, Ipoh which had ceased operation since June 2016 due to sustainable losses, has been recommissioned in mid January 2018. New and modern machinery with higher production capacity and efficiency would be acquired and installed. The plant would provide services such as cutting, sizing, polishing and sanding of granite and marble.

**KEY RISK FACTORS**

**1 Business Risks**

The Group is subject to general business risks that are inherent within the industries in which it operates. These risks include, amongst others, the changes in general economic conditions such as, but not limited to, government regulations, inflation, taxation and interest rates as well as competition from industry players, dependent major customers and/or contracts, fluctuation in raw material prices and selling price of granite, marble and onyx products, and other business and operational risks common to going concerns.

**2 Operational Risks**

The Group's revenue and financial performance are dependent on our business operations running smoothly and efficiently without any significant disruptions. The Group's business operations could be adversely affected by various factors such as changes in operating expenses, competition, shortages in human resources, machine downtime/failure and our inability to control unforeseen costs, such as fluctuations in raw material prices and the selling prices of granite, marble and onyx products and manage production capacity. The Management believes that such operational risks can be controlled and monitored by effective cost management, regular inspection of operational facilities and adequate workforce planning.

**3 Competition Risks**

The granite and marble industries are highly competitive of which the competitors include public listed and private companies. Some of these competitors possess greater resources or advantages in terms of market dominance, financial resources, technical knowledge and human resources.

The Group's main products are also facing keen competition from substitute products like ceramics. However, granite and marble, being natural products, are renowned for their aesthetic beauty and prestige. To be more competitive, the Group manufactures a wide range of local as well as imported granite and marble products. In addition, to complement its granite and marble range, the Group also distribute and trade in ceramic tiles.

Nevertheless, there can be no assurance by adopting the above measures. The Group believes that our business should be able to response to changing market conditions whatsoever or to maintain its competitiveness against current and future competitions.

**DIVIDEND**

No dividends have been paid by the Company for the current financial year. Payment of any future dividends is subject to the profitability, cashflow, indebtedness, capital commitment and other matter as the Board may deed relevant from time to time.

# Profile Of Directors

**DATO' HAJI ABDUL AZIZ BIN MOHAMED**
*Independent Non-Executive Chairman*
*Malaysian, Male, Aged 76*

**Qualification:**

Bachelor of Arts (Economics), University of Malaya

Postgraduate Degree in Management and Public Administration, University Malaya

Dato' Haji Abdul Aziz Bin Mohamed was appointed to the Board as an Independent Non-Executive Chairman on 30 May 2017. He is the Chairman of the Nomination Committee and a member of the Audit Committee.

After his graduation, he served in the Malaysian Administrative and Diplomatic Service before resigning in 1974 to join the private sector. His last post in the Civil Service was in the Ministry of Primary Industries as Assistant Director in the Commodities Division from where he was later seconded to Rubber Industry Smallholders Development Authority (RISDA) as Director of Management and Finance in 1972. In January 1975, he joined Harrisons & Crossfield (M) Sdn Bhd, as a Commodity Trader and rose to become the Joint Managing Director. Presently, he sits on the Board of various private limited companies.

**DATO' EII CHING SIEW @ YII CHING SIEW**
*Executive Director / President*
*Malaysian, Male, Aged 73*

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. Pursuant to Section 129 of the repealed Companies Act, 1965, Dato' Eii was appointed to office as Director at the 15th Annual General Meeting of the Company held on 31 March 2016. His term of appointment as Director had expired at the conclusion of the Sixteenth Annual General Meeting of the Company held on 30 March 2017. However, pursuant to the Kuala Lumpur High Court Order on 28 June 2017, Dato' Eii remains and continue to be a Director of the Company pursuant to his appointment on 31 March 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. 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' LEE FONG YIN @ LEE VUN YA**
*Executive Director / Vice President*
*Malaysian, Female, Aged 51*

**Qualification:**
Diploma in Interior Design, Osaka Institute of Japan

Dato' Lee Fong Yin @ Lee Vun 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. She is a member of the Remuneration Committee.

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.

**FATHI RIDZUAN BIN AHMAD FAUZI**
*Executive Director / Acting Chief Executive Officer*
*Malaysian, Male, Aged 53*

**Qualification:**
Bachelor of Science Degree in Accounting and Financial Analysis from the School of Industrial and Business Studies, University of Warwick, Coventry, United Kingdom

En. Fathi Ridzuan Bin Ahmad Fauzi was appointed to the Board as an Executive Director on 19 January 2018. He has also been appointed as the Acting Chief Executive Officer of the Company on 19 January 2018.

He has almost 30 years of experience in the corporate world, spent largely in the capital market. He was with the Kuala Lumpur Stock Exchange, MESDAQ and Bursa Malaysia in various senior positions for more than 15 years, with his last position as Head of Exchanges.

He also spent more than 3 years in the Business Process Outsourcing (BPO) industry with VADS Berhad and IX.com Sdn. Bhd. He is currently a Venture Capitalist through his ownership of FNW Capital Partners Sdn. Bhd., a Venture Capital Management Company registered with the Securities Commission.

En. Fathi Ridzuan also sits on the Board of two companies listed on Bursa Malaysia, namely, Jiankun International Berhad and Advancecon Holdings Berhad, as Independent Director. He is also the Audit Committee Chairman of Jiankun International Berhad. He also sits on the Board of Vascory AG, a company listed in Germany. He is also the Independent Director in Alloy Insurance Brokers Sdn. Bhd,. and numerous other private companies.

En. Fathi Ridzuan is well versed in turnaround strategies, capital management, risk management, business process improvements and information technology. He will be responsible for the turnaround plan of the Company and will oversee all corporate matters of the Company.

# Profile Of Directors (Cont'd)

**LOW ENG TACK**
*Executive Director*
*Malaysian, Male, Aged 42*

**Qualification:**

Master of Business (Professional in Accounting), Victoria University, Melbourne, Australia.

B.A (Hons) Accounting & Finance (3+0 Oxford Brookes University), Nilai University, Malaysia.

Associated Diploma of Business (Accounting) (Northern Territory University), Tafe College, Malaysia.

Mr. Low Eng Tack was appointed to the Board as an Independent Non-Executive Director on 30 May 2017. He was subsequently re-designated to an Executive Director on 31 May 2017. He is a member of the Risk Management Committee.

He is a member of the Association of International Accountants (AIA) UK and the Institute of Public Accountants (IPA) Australia. He is also a Licensed Tax Agent of Malaysia and a Licensed GST Tax Agent of Malaysia.

Mr. Low has more than 16 years of working experience in the Audit and Management firm. He worked as a Tax Accounts officer for Messrs. Jenny Foo & Co Pty Ltd in Melbourne, Australia for almost 4 years until August 2004. Presently, he is the Managing Partner of Messrs. ETL Advisory. He has been elected as the National President for 6 years from 2009 to 2015 in the United Movement of Malaysia (GBBM), a registered Malaysian youth NGO with more than 20,000 members.

**FOO CHOOI WAI**
*Independent Non-Executive Director*
*Malaysian, Female, Aged 47*

**Qualification:**

Bachelor of Accounting (Hons) (First Class), University of Malaya

Ms. Foo Chooi Wai was appointed to the Board as an Independent Non-Executive Director on 30 May 2017. She is the Chairman of the Audit Committee and a member of the Nomination, Remuneration and Risk Management Committees.

She has an overall 19 years of experience in banking and accounting sectors. The last position she held was Vice President in the Finance and Corporate Services Division in an established foreign bank until 2013. She has vast experience in the financial management, strategic, planning and performance management. She is currently a director of several private limited companies. She is also the Honorary Auditor for Negeri Sembilan and Melaka Wood Industries Association.

Ms. Foo is a Chartered Accountant and a member of the Malaysian Institute of Accountants.

**DATO' NG BOON SIONG**
*Independent Non-Executive Director*
*Malaysian, Male, Aged 33*

**Qualification:**

LL.B (Hons) (First Class), International Islamic University Malaysia

Master of Law (Corporate), University of Malaya

eMBA, Peking University, Beijing, China

Dato' Ng Boon Siong was appointed to the Board as an Independent Non-Executive Director on 30 May 2017. He is the Chairman of the Risk Management Committee and a member of the Audit, Nomination and Remuneration Committees.

He graduated from the International Islamic University Malaysia with a First-Class honors in law degree and Master of Laws (Corporate) in University of Malaya. A Rectors list student, he managed to rise to the top 1 overall ranking out of 513 students in the university law faculty. He was also bestowed with the award of Best Student in Company Law and Best Oralist in the University law mooting competition. Such excellent academic records and advocacy skills have propelled him into a fulfilling career path as Federal Counsel in the Attorney-Generals Chambers Malaysia, a Prosecuting Officer in the Securities Commission Malaysia till his present profession as a lawyer and Managing Partner of Messrs. Jason Ng & Partners. He is an Advocate & Solicitor of the High Court of Malaya.

***Notes:***

1. *None of the Directors have any family relationship with any Director and/or major shareholder of the Company.*
2. *None of the Directors has any conflict of interest with the Company.*
3. *None of the Directors has any conviction for any offences (excluding traffic offences, if any) within the past 5 years and there were no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.*

# Profile Of Key Senior Management

**DATO' LEE FONG YIN @ LEE VUN YA**
*Executive Director*
*Malaysian, Female, Aged 51*

**Qualification:**
Diploma in Interior Design, Osaka Institute of Japan

Dato' Lee Fong Yin @ Lee Vun Ya was appointed as Executive Director 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.

**FATHI RIDZUAN BIN AHMAD FAUZI**
*Executive Director / Acting Chief Executive Officer*
*Malaysian, Male, Aged 53*

**Qualification:**
Bachelor of Science Degree in Accounting and Financial Analysis from the School of Industrial and Business Studies, University of Warwick, Coventry, United Kingdom

En. Fathi Ridzuan Bin Ahmad Fauzi was appointed as an Executive Director/Acting Chief Executive Officer of the Company on 19 January 2018.

He has almost 30 years of experience in the corporate world, spent largely in the capital market. He was with the Kuala Lumpur Stock Exchange, MESDAQ and Bursa Malaysia in various senior positions for more than 15 years, with his last position as Head of Exchanges.

He also spent more than 3 years in the Business Process Outsourcing (BPO) industry with VADS Berhad and IX.com Sdn. Bhd. He is currently a Venture Capitalist through his ownership of FNW Capital Partners Sdn. Bhd., a Venture Capital Management Company registered with the Securities Commission.

En. Fathi Ridzuan also sits on the Board of two companies listed on Bursa Malaysia, namely, Jiankun International Berhad and Advancecon Holdings Berhad, as Independent Director. He is also the Audit Committee Chairman of Jiankun International Berhad. He also sits on the Board of Vascory AG, a company listed in Germany. He is also the Independent Director in Alloy Insurance Brokers Sdn. Bhd,. and numerous other private companies.

En. Fathi Ridzuan is well versed in turnaround strategies, capital management, risk management, business process improvements and information technology. He will be responsible for the turnaround plan of the Company and will oversee all corporate matters of the Company.

**LOW ENG TACK**
*Executive Director*
*Malaysian, Male, Aged 42*

**Qualification:**

Master of Business (Professional in Accounting), Victoria University, Melbourne, Australia.

B.A (Hons) Accounting & Finance (3+0 Oxford Brookes University), Nilai University, Malaysia.

Associated Diploma of Business (Accounting) (Northern Territory University), Tafe College, Malaysia.

Mr. Low Eng Tack was appointed as Executive Director on 31 May 2017.

He is a member of the Association of International Accountants (AIA) UK and the Institute of Public Accountants (IPA) Australia. He is also a Licensed Tax Agent of Malaysia and a Licensed GST Tax Agent of Malaysia.

Mr. Low has more than 16 years of working experience in the Audit and Management firm. He worked as a Tax Accounts officer for Messrs. Jenny Foo & Co Pty Ltd in Melbourne, Australia for almost 4 years until August 2004. Presently, he is the Managing Partner of Messrs. ETL Advisory. He has been elected as the National President for 6 years from 2009 to 2015 in the United Movement of Malaysia (GBBM), a registered Malaysian youth NGO with more than 20,000 members.

**LEONG KAM SOON**
*Financial Controller*
*Malaysian, Male, Aged 60*

**Qualification:**

Fellow of Association of Chartered Certified Accountants

Fellow of Chartered Institute of Management Accountants

Mr. Leong Kam Soon joined the Company in July 2017 as a Senior Finance Manager and was then promoted to Financial Controller on 1 February 2018.

Mr Leong served as the Deputy Director of Finance of Stamford College Berhad from 2001 before being promoted to be the Chief Financial Officer in October 2007. He held the position until September 2014 having served in Stamford College Berhad for well over 13 years before deciding to pursue a career as a freelance Financial Consultant. Prior to joining Stamford College Berhad, he worked as Finance Manager for a multi-national company specialising in the manufacture of packaging material for beverage and was posted to the People's Republic of China (RPC) for 7 years. He returned to Malaysia in July 2001 and joined Stamford College Berhad on 20 August 2001 as Deputy Director of Finance. Prior to the PRC employment, he was the accountant for a subsidiary of a listed plantation group for 3 years. He is currently a Director of MMAG Holdings Berhad.

***Notes:***

1. *None of the key senior management have any family relationship with any Director and/or major shareholder of the Company.*
2. *None of the key senior management has any conflict of interest with the Company.*
3. *None of the key senior management has any conviction for any offences (excluding traffic offences, if any) within the past 5 years and there were no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.*

# Audit Committee Report

**Composition of Audit Committee**

The Audit Committee comprises of the following Independent Non-Executive Directors:

| Name | Designation |
|---|---|
| Foo Chooi Wai | Chairman, Independent Non-Executive Director |
| Dato' Haji Abdul Aziz Bin Mohamed | Member, Independent Non-Executive Director |
| Dato' Ng Boon Siong | 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.

**Terms of Reference**

The terms of reference of the Audit Committee can be accessed from the Company's website at www.stonemaster.com.my.

**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 Company and its subsidiaries ("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.

The Board will disclose in an informative way, details of the activities of the Audit Committee, the number of Audit Meetings held in a year and details of attendance of each Director in respect of meetings. The term of office and performance of the Audit Committee and each of the members shall be reviewed by the Nomination Committee to determine whether the Audit Committee and its members have carried out their duties in accordance with their Terms of Reference.

**Procedures of the Audit Committee**

The Audit Committee may conform to its own procedures in:

- the calling of meetings;
- the notice to be given and circulated for such meetings;
- the voting and proceedings of such meetings;
- keeping of the minutes; and
- the custody, drafting and inspection of such minutes

**Minutes of the Audit Committee**

The Secretary shall minute the proceedings and resolutions of all Audit Committee meetings. A resolution in writing signed or approved by letter or via facsimile by all Audit Committee members shall be deemed to have been passed at a meeting held on the date on which it was signed by the last member. Any such resolution may consist of several documents in like form, each signed by one or more Audit Committee member. Minutes of Audit Committee meetings shall be kept and circulated to each member of the Committee and to the Chairman of the Board and made available on request to other members of the Board.

**Audit Committee Report**

The Company must ensure that its Board of Directors prepares an Audit Committee Report at the end of each financial year that complies with Paragraph 15.15 of the Main Market Listing Requirements ("MMLR") of the Bursa Malaysia Securities Berhad ("Bursa Securities").

**Reporting of Breaches to the Exchange**

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the MMLR of the Bursa Securities, the Committee has the responsibility to report such matter to the Bursa Securities.

**Attendance of Meetings**

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

| Name of Audit Committee members | Attendance |
|---|---|
| Foo Chooi Wai<br>*(appointed on 3 July 2017)* | 1/1 |
| Dato' Haji Abdul Aziz Bin Mohamed<br>*(appointed on 3 July 2017)* | 1/1 |
| Dato' Ng Boon Siong<br>*(appointed on 3 July 2017)* | 1/1 |
| Ananda Kumar a/l Ramayah<br>*(appointed on 3 July 2017 and resigned on 28 November 2017)* | 1/1 |
| Md Noor Bin Abd Rahim<br>*(Cessation of Office on 30 March 2017)* | 4/4 |
| Mohd Anuar bin Mohd Hanadzlah<br>*(Cessation of Office on 30 March 2017)* | 4/4 |
| Prof. Dato' Dr. Mohd Azmi Bin Mohd Lila<br>(Cessation of Office on 30 March 2017) | 3/4 |

**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 2017:

- **Financial Reporting**

  (a) Reviewed the unaudited quarterly financial results and annual audited financial statements prior to the recommendation to the Board for approval of announcements to Bursa Securities and Securities Commission Malaysia ("SC") focusing particularly on matters relating to changes in major accounting policies, significant and unusual events, compliance with accounting standards and other disclosure requirements;

  (b) Reviewed the Statement on Corporate Governance, the Audit Committee Report and the Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 30 September 2016 ("Annual Report 2016") to ensure the contents therein are accurate and in compliance with the MMLR of the Bursa Securities.

- **External Auditors**

  (a) Reviewed and recommended the appointment of Messrs. PKF as the new External Auditors of the Company in place of Messrs. Baker Tilly Monteiro Heng who had retired at the conclusion of the Sixteenth Annual General Meeting of the Company held on 30 March 2017;

  (b) Reviewed and discussed the significant audit findings in relation to the audited financial statements for the financial year ended 30 September 2016 as well as internal control areas that required improvement with the External Auditors. The Audit Committee had reviewed the findings highlighted in particular the going concern consideration affecting the Group and the External Auditors' impairment recommendations on several inter-company balances and long outstanding payables, 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 if there were any related party transactions or recurrent related party transactions undertaken by the Group to ensure that transactions were undertaken at arm's length basis and that the terms are not more favourable than those generally available to the public.

- **Internal Auditors**

  (a) Reviewed the internal audit plans and scope of works submitted by the outsourced Internal Auditors engaged by the Group.

  (b) Reviewed and discussed the Internal Audit Reports presented by the outsourced Internal Auditors, including the areas of concern identified and deliberated on the Management's responses thereto and evaluated the recommended corrective and/or improvement actions accordingly.

  (c) Reviewed the status of follow-up audits conducted by the outsourced Internal Auditors on the Management's implementation of audit recommendation.

The Audit Committee confirmed that it has unrestricted communication with both the External and Outsourced 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.

**Internal Audit Function**

The Group has outsourced its internal audit function to independent professional consulting firms, namely 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 deliberation:

<u>In respect of the Company</u>

- Corporate governance review on compliance status with Malaysian Code on Corporate Governance 2012
- Human Resource Management
- Agreement and administrative handling and payments

<u>In respect of Rainbow Marble & Tiling Sdn. Bhd.</u>

- Human Resource Management

The total internal audit fees incurred for the abovementioned reviews carried out during the financial year under review amounted to RM25,176.00.

In the course of auditing during the financial year under review, the internal auditors have identified some internal control weaknesses which have been or are being addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Annual Report.

Other than the aforementioned, the activities of the internal audit function during the financial year ended 30th September 2017 are summarized as follows:

- Developed the internal audit plan for the year
- Performed internal audit reviews to evaluate the adequacy of the internal control system
- Followed up on the implementation of audit recommendations and management action plans, and reports to the Audit Committee on the status of their implementation, if any
- Reviewed and advised on the present system and key risk areas covering certain processes to allow for proper internal controls being embedded in these processes.

**Investigative Audit**

As per the request of the Bursa Securities previously, the Company had also engaged an independent consulting firm, Ferrier Hodgson MH Sdn. Bhd. (“Ferrier Hodgson”) to conduct an investigative audit on a certain trade debtor of the Company. The Board was recommended by the Audit Committee to strongly consider taking legal action for the possible recovery of the long overdue outstanding amount of which a sealed copy of writ of summons and statement of claim were served against the trade debtor.

An internal investigative audit was also conducted on business dealings between a wholly-owned subsidiary of the Company and a creditor wherein the Audit Committee had informed the Management and the Board to negotiate the findings of the investigative audit.

Upon recommendation by the Audit Committee to the Board, Ferrier Hodgson was also engaged to conduct a review of the allegations by the Securities Commission Malaysia against the Company’s former Deputy Managing Director for allegedly causing wrongful loss to the Company.

Subsequent therefrom, upon the recommendation of the Chairman of the Risk Management Committee of the current Board, the Audit Committee had then recommended to the Board to engage PKF Covenant Sdn. Bhd., a firm of investigative accountants to carry out and conduct a thorough review and an independent detailed investigations on transactions and other affairs and/or dealings (as outlined below) that have occurred between the Company and certain identified entities as well as other possible related companies that appears to be devious during the period from the last financial year ended to the current financial year under review :

(i) to investigate and determine the transactions between the Company and the identified entities outlined, and other possible related companies that are irregular;
(ii) to investigate the relationships of the individuals which include the Company's Directors and management where appropriate, together with persons acting in concert involved in the transactions and identify linkages;
(iii) to quantify the impact of financial loss and amount of the transactions;
(iv) to gather all relevant evidences in the event of court proceedings;
(v) to identify possible breaches of laws and regulations including but not limited to the Capital Market Services Act 2007, Listing Requirements of the Bursa Malaysia Securities Berhad, the Companies Act, 1965/2016, and the Penal Code.

# Statement On Risk Management And Internal Control

The Board acknowledges that a sound risk management and internal control system 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 the Bursa Malaysia Securities Berhad.

It is important to note that the system of risk management and internal control is designed to manage, supervise and control risks appropriately within reasonable and practicable levels, 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 the system of risk management and internal control may vary over time due to the changing circumstances and condition of the Company and the Group. Nevertheless, the Board recognises that the system of risk management and internal control should be continuously maintained, monitored and improved with appropriate actions taken to address identified control deficiencies and emerging risks.

## RISK MANAGEMENT

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

## INTERNAL CONTROLS

The Board acknowledges its responsibility for the Company's and the Group's system of internal control and for reviewing its adequacy and integrity.

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

(a) An organisational structure adequate to meet the needs of the Group's business that regulates employee accountability and responsibility;

(b) Standard operating procedures and policies to govern the daily operations within the key subsidiaries of the Group in order to strengthen the internal control mechanism;

(c) Board and Management meetings are held from time to time, whenever necessary, to address 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.

The Internal Audit function of the Group is outsourced to external consultants. Internal audits were carried out on the holding company and a key subsidiary to provide reasonable assurance that corresponding systems as identified and scoped for the audit continue to operate satisfactorily and effectively. Audit findings are circulated to the auditees for feedback and suggested remedial actions. The final audit report together with the recommendations from the internal auditors and the feedback from the auditees are then submitted to the Audit Committee for review.

## ASSURANCE FROM MANAGEMENT

The Management is accountable to the Board for implementing and monitoring the system of risk management and internal control and for providing assurance to the Audit Committee and the Board that it has done so. The Management assures the Board of the implementation of the recommended corrective/improvement action plans in relation to the areas of concern identified by the Internal Auditors; and that the Group's system of risk management and internal control is operating satisfactorily in all material aspects.

## CONCLUSION

The Board has considered the adequacy and effectiveness of the Group's system of risk management and internal control for the financial year under review, and up to the date of this Statement. The Board is of the view that save for the circumstances that have contributed to the Disclaimer of Opinion by the Company's auditors in their auditors report for the financial year ended 30 September 2017, there were no other significant breakdowns or weaknesses in the system of internal control that may result in material losses incurred by the Group for the financial year under review.

The Board and the Management is committed to continuously enhance the system of risk management and internal control for the Group.

This Statement is made in accordance with a Board of Directors' resolution dated 26 January 2018.

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") despite being classified under Practice Note 17 ("PN17") of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). 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 endeavor 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 Listing Requirements of Bursa Securities for the financial year under review.

## PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

### 1.1 Principal Responsibilities of the Board

The Board currently consists of seven (7) members, comprising four (4) Executive Directors and three (3) Independent Non-Executive Directors, as follows:

| Name | Designation |
|---|---|
| Dato' Haji Abdul Aziz Bin Mohamed | Independent Non-Executive Chairman |
| Dato' Eii Ching Siew @ Yii Ching Siew | President, Executive Director |
| Dato' Lee Fong Yin @ Lee Vun Ya | Vice President, Executive Director |
| Fathi Ridzuan Bin Ahmad Fauzi | Executive Director / Acting Chief Executive Officer |
| Low Eng Tack | Executive Director |
| Foo Chooi Wai | Independent Non-Executive Director |
| Dato' Ng Boon Siong | Independent Non-Executive Director |

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 Directors.

Members of the Board are persons of high caliber 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 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, monitoring of financial performance, evaluation and management of principal risks faced by the Group, implementation and review of risk management and internal control system, as well as succession planning.

To ensure the effective discharge of its function and responsibilities, the Board delegates some of the authorities and discretions 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 duties and responsibilities reserved for the Board and those delegated to the Management.

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

### 1.1 Principal Responsibilities of the Board (Cont'd)

The roles and responsibilities of the Executive and Independent 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 and 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 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.

Furthermore, the Independent Non-Executive Directors exercise with professional competence and independence, provide 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.

Four (4) Board Committees have been established to assist the Board in discharging its duties and responsibilities to oversee the Group's affairs, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the 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. 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. The final decision on all matters remains the subject of the Board's collective approval. None of the members of the Board has unfettered powers of decision.

### 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 Charter is reviewed 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 as well as to be in line with changes to statutory and regulatory requirements.

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

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

### 1.3 Code of Conduct

The Board recognises the importance of a code of conduct which sets out the standard of conduct which the Directors 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 Directors' Code of Best Practice which forms part of the Board Charter is available for reference on the Company's corporate website at www.stonemaster.com.my.

In addition, a whistle blowing policy was formalised to provide an avenue for stakeholders of the Group to report any wrong doings or improper conduct in the Group at the earliest opportunity. The whistle blowing policy can be found on the Company's website at www.stonemaster.com.my.

### 1.4 Strategies Promoting Sustainability

The Board is aware of the importance of business sustainability and has taken into consideration the impact on the environmental, social and governance towards its long-term sustainability when formulating its short and long-term business strategies.

### 1.5 Access to Information and Advice

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 Secretaries 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. If such advice is considered necessary, it shall first be discussed with the Chairman before proceeding further.

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 meetings together with decisions made by way of circular resolutions passed which are duly recorded by the Company Secretaries are to be properly documented and filed in the Minutes Book maintained at the Registered Office of the Company.

### 1.6 Company Secretaries

Company Secretaries plays an important 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 Board is regularly updated and advised by the Company Secretaries on any new statutory and regulatory requirements in relation to their duties and responsibilities.

The Company Secretaries are also responsible to ensure that accurate and proper records of proceedings and resolutions are recorded and maintained accordingly. All Board members have unrestricted access to the advice and services of the Company Secretaries for the purpose of the Board's affairs and the Group's businesses.

## PRINCIPLE 2 – STRENGTHEN COMPOSITION

### 2.1 Nomination Committee

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

- Dato' Haji Abdul Aziz Bin Mohamed
  *(Chairman, Independent Non-Executive Chairman)*

- Foo Chooi Wai
  *(Member, Independent Non-Executive Director)*

- Dato' Ng Boon Siong
  *(Member, Independent Non-Executive Director)*

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

The Nomination Committee meets as and when deemed necessary. During the financial year under review, the Nomination Committee met twice and the activities undertaken by the Nomination Committee were as follows:

- Reviewed and assessed the profile of a new candidate for appointment as a member of the Board; and
- Reviewed and recommended to the Board, the re-election and re-appointment of the Directors who retire at the Sixteenth Annual General Meeting ("AGM") of the Company held on 30 March 2017.

The Nomination 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.

The Code recommends that the Chairman of the Nomination Committee should be a 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 appointed Dato' Haji Abdul Aziz bin Mohamed as the Chairman of the Nomination Committee but has yet to identify a Senior Independent Non-Executive Director.

### 2.2 Appointment and Re-Election of Directors

The Nomination 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 Nomination Committee; and
(v) Recommendation to the Board for approval.

## PRINCIPLE 2 – STRENGTHEN COMPOSITION (CONT'D)

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

In the selection process, the Board and the Nomination Committee endeavor to appoint member(s) that can improve the Board's overall compositional balance and enhance the Board's overall effectiveness in discharging its duties. Due consideration is given to the competencies, required mix of skills, expertise, experience and contribution that the candidate could bring to complement the Board.

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

Pursuant to the Company's Articles of Association, one-third (1/3) of the Directors are required to retire at each AGM 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 AGM held following their appointment.

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

The Nomination Committee has in its recent meeting conducted evaluation on the Directors to be re-appointed in the forthcoming AGM.

The Board is cognizant of the gender diversity promoted under the Code. The Board does not have any gender, ethnicity and age diversity policies and targets or set any 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.

The Company currently has two (2) female Directors and the Board's composition during the financial year under review is also diverse in terms of age and ethnicity. 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.

### 2.3 Remuneration Committee

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

- Dato' Lee Fong Yin @ Lee Vun Ya *(Chairman, Executive Director)*
- Dato' Ng Boon Siong *(Member, Independent Non-Executive Director)*
- Foo Chooi Wai *(Member, Independent Non-Executive Director)*

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

**PRINCIPLE 2 – STRENGTHEN COMPOSITION (CONT'D)**

**2.4 Directors' Remuneration**

The overriding principle of the Group's remuneration policy is to attract, retain and motivate Directors of the necessary caliber 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 Non-Executive Directors, the level of remuneration is based on the level of caliber, experience and responsibilities. The Board members collectively make decision on the remuneration package of the Non-Executive Directors. Directors are required to abstain from deliberations and voting on decisions concerning their own remuneration.

In view of the lackluster financial performance of the Group during the financial year under review and the present PN17 status of the Company, nominal directors' fees and allowances were proposed for the efforts and contributions made by the 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 2017 are as follows:

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | Executive Directors RM'000 | Non-Executive Directors RM'000 | Total RM'000 | Executive Directors RM'000 | Non-Executive Directors RM'000 | Total RM'000 |
| Fees | – | 95 | 95 | – | 95 | 95 |
| Meeting allowances | – | 6 | 6 | – | 6 | 6 |
| Salaries, EPF and other emoluments | 1,383 | – | 1,383 | 1,383 | – | 1,383 |
| Benefits in kind | – | – | – | – | – | – |
| | 1,383 | 101 | 1,484 | 1,383 | 101 | 1,484 |

None of the Directors received any remuneration or fees from any subsidiaries.

The number of Directors whose total remuneration fall within the following bands for the financial year ended 30 September 2017 is as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | Executive Director | Non-Executive | Executive Director | Non-Executive |
| Below RM50,000 | – | 8 | – | 8 |
| RM50,001 – RM100,000 | 3 | – | 3 | – |
| RM100,001 – RM150,000 | 1 | – | 1 | – |
| RM150,001 – RM200,000 | 1 | – | 1 | – |
| RM200,001 – RM250,000 | 1 | – | 1 | – |
| RM250,001 – RM300,000 | 2 | – | 2 | – |

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

## PRINCIPLE 3 – REINFORCE INDEPENDENCE

### 3.1 Annual Assessment of Independent Non-Executive Directors

The Board is satisfied that the current three (3) Independent Non-Executive Directors have 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.

The Nomination Committee shall on an annual basis assess the independence of the Independent Directors.

### 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 a Non-Independent Director; or

(ii) Remain as an Independent Non-Executive Director if deemed appropriate and suitable by the Board, subject to the annual 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 Executive Directors

The Board is chaired by an Independent Non-Executive Chairman. The Board recognises the importance of independence and objectivity in its decision-making process.

The roles of the Independent Non-Executive Chairman and the Executive Directors 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 is responsible in leading the Board in the oversight and supervision of the Group's management; whilst the Executive Directors are responsible for the day-to-day operations of the Group, making strategic business decision and implementing the Board's policies and decisions.

## PRINCIPLE 4 – FOSTER COMMITMENT

### 4.1 Time Commitment

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.

During the financial year under review, six (6) Board meetings have been called. The attendance of the individual Directors at the Board meetings are as follows:

| Name of Directors | Attendance |
|---|---|
| Dato' Haji Abdul Aziz Bin Mohamed<br>*(appointed on 30 May 2017)* | 1/1 |
| Dato' Eii Ching Siew @ Yii Ching Siew<br>*(vacated office on 30 March 2017 and deemed re-appointed on 30 March 2017 pursuant to the Kuala Lumpur High Court Order on 28 June 2017)* | 3/6 |
| Dato' Lee Fong Yin @ Lee Vun Ya | 4/6 |
| Low Eng Tack<br>*(appointed on 30 May 2017)* | 1/1 |
| Foo Chooi Wai<br>*(appointed on 30 May 2017)* | 1/1 |
| Dato' Ng Boon Siong<br>*(appointed on 30 May 2017)* | 1/1 |
| Fathi Ridzuan Bin Ahmad Fauzi<br>*(appointed on 19 January 2018)* | N/A |
| Tan Wee Hock<br>*(appointed on 30 May 2017 and resigned on 28 November 2017)* | 0/1 |
| Ananda Kumar a/l Ramayah<br>*(appointed on 30 May 2017 and resigned on 28 November 2017)* | 1/1 |
| Ma Jee Choong<br>*(appointed on 30 May 2017 and resigned on 1 November 2017)* | 1/1 |
| Dato' Koh Mui Tee<br>*(Removed on 30 May 2017)* | 5/5 |
| Datuk Lee Hwa Cheng<br>*(Removed on 30 May 2017)* | 5/5 |
| Mohd Anuar bin Mohd Hanadzlah<br>*(Retired on 30 March 2017)* | 3/3 |
| Datin Chan Chui Mei<br>*(Retired on 30 March 2017)* | 0/3 |
| Md Noor Bin Abd Rahim<br>*(Retired on 30 March 2017)* | 3/3 |

## PRINCIPLE 4 – FOSTER COMMITMENT (CONT'D)

### 4.1 Time Commitment (Cont'd)

During the financial year under review, six (6) Board meetings have been called. The attendance of the individual Directors at the Board meetings are as follows: (Cont'd)

| Name of Directors | Attendance |
|---|---|
| Prof. Dato' Dr. Mohd Azmi Bin Mohd Lila<br>*(Retired on 30 March 2017)* | 3/3 |
| Tan Sri (Datuk) Dr. Henry Chin Poy Wu<br>*(Demised on 23 October 2016)* | 0/0 |

It is also the Board's policy for Directors to notify the Chairman before accepting any new directorship and to indicate the time expected to be spent on the new appointment.

Annual meetings timetable is prepared and circulated to the Board to provide the proposed scheduled date of meetings of the Board and Board Committees to enable the Directors to plan ahead.

### 4.2 Continuing Education Programme for Directors

The Board takes cognizance 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.

Since their appointment, all the newly appointed Directors have attended and completed the Mandatory Accreditation Programme (MAP) during the financial year under review. In addition to that, the Directors are briefed and updated at the quarterly meetings by the External Auditors, Internal Auditors and/or the Company Secretaries on relevant amendments to the Listing Requirements of Bursa Securities, 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 Board will, via its Nomination 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.

During the financial year under review, the Directors have attended the following training programmes:

| Name of Directors | Training/Seminar attended |
|---|---|
| Dato' Haji Abdul Aziz Bin Mohamed | Workshop on Driving Financial Integrity and Performance<br>- Enhancing Financial Literacy for Audit Committee |
| Low Eng Tack | Workshop on Driving Financial Integrity and Performance<br>- Enhancing Financial Literacy for Audit Committee<br><br>SSM National Conference 2017 |
| Foo Chooi Wai | Bursa Fraud Risk Management Workshop |
| Dato' Ng Boon Siong | Workshop on Driving Financial Integrity and Performance<br>- Enhancing Financial Literacy for Audit Committee |
| Dato' Lee Fong Yin @ Lee Vun Ya | MAP |

## PRINCIPLE 4 – FOSTER COMMITMENT (CONT'D)

### 4.2 Continuing Education Programme for Directors (Cont'd)

Dato' Eii Ching Siew @ Yii Ching Siew was not able to attend any seminars and/or training programmes during the financial year due to his busy work schedule and time constraint. Dato' Lee Fong Yin @ Lee Vun Ya even though has previously attended the MAP, has again attended the MAP during the financial year under review.

However, the Directors, on their own efforts have kept abreast and 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 business seminars, dialogues/talks and briefings.

## PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING

### 5.1 Compliance with Applicable Financial Reporting Standards

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 2017 are prepared in accordance with the Malaysian Financial Reporting Standards, Listing Requirements of Bursa Securities and the Companies Act, 2016. 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 "Statement of Directors' Responsibility" 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 meetings 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 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 composition of the Risk Management Committee consists of the following members, majority of whom are Independent Non-Executive Directors:

- Dato' Ng Boon Siong *(Chairman, Independent Non-Executive Director)*
- Foo Chooi Wai *(Member, Independent Non-Executive Director)*
- Low Eng Tack *(Member, Executive Director)*

### 6.3 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.

## 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 of Bursa Securities 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. As such, the Board has adopted a Corporate Disclosure Policy setting out the policies and procedures for disclosure of material information of the Group.

### 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 of the Bursa Securities through the website of the Bursa Securities. In addition to that, the Company also maintains 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 Meetings

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

A summary of the key matters discussed at the AGM, if any, will be published on the Company's website for shareholders information.

### 8.2 Poll Voting

The Board is mindful of the poll voting requirements under Paragraph 8.29A of the Listing Requirements of Bursa Securities. The Company shall appoint at least one (1) scrutineer, who is independent of the Group and the person undertaking the polling process, to validate the votes cast at the general meetings.

The Company will consider and introduce electronic voting when appropriate.

### 8.3 Effective Communication and Proactive Engagements with shareholders

The Board acknowledges the importance of the shareholders and stakeholders to be updated of the Group's activities and performance in an accurate and timely manner so as to enable them to make informed evaluation and investment decision.

To this end, the Group relies on the following channels, available via Bursa Securities' website or via the Company's website at www.stonemaster.com.my, for effective communication with the shareholders and stakeholders:

- Interim financial reports to provide updates on the Group's operations and business development 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 of Bursa Securities; and
- AGMs.

This statement was made in accordance with a Board of Directors' resolution dated 26 January 2018.

**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, 2016 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 2017.

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

- applied the appropriate and relevant accounting policies on a 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, 1965/2016 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 enquiries and/or 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 26 January 2018.

# Statement On Other Compliance Information

**Utilisation of proceeds from corporate exercises**

No corporate exercise involving fund rising was carried out during the financial year ended 30 September 2017 ("FYE 2017").

**Audit and Non-Audit Fees**

The amount of audit and non-audit fees paid/payable by the Company and the Group to the External Auditors and/or its affiliated company for the FYE 2017 are as follows:-

| | Group<br>RM | Company<br>RM |
|---|---|---|
| Audit Fee | 202,000 | 115,000 |
| Non-Audit Fee | 60,000 | 60,000 |

**Material Contracts Involving Directors' and Major Shareholders' Interests**

The material contracts which had been entered into by the Company and/or its subsidiaries involving the interests of the Directors and/or major shareholders, either still subsisting at the end of the FYE 2017 or entered into since the end of the previous financial year are as follows:

a. Loan Agreements dated 14 January 2016 and 19 January 2016 respectively entered into by the Company with Starfield Capital Sdn. Bhd.

b. Settlement Agreement dated 10 February 2016 entered into by the Company with Starfield Capital Sdn. Bhd.

Details on the above transactions are as disclosed in the notes to the Audited Financial Statements as "Significant Events" in this Annual Report.

The Agreements entered into with Starfield Capital Sdn. Bhd. are now under court proceedings.

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

Details on the RRPTs entered by the Group during the FYE 2017 are as disclosed in the Audited Financial Statements in this Annual Report.

**Corporate Social Responsibility ("CSR")**

With the classification of the Company under Practice Note 17 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company did not undertake any CSR activities during the FYE 2017 as the Company was focused on formulating a regularisation plan whilst undertaking extensive efforts in managing the Company's cashflow with limited resources.

# Financial Statements

# Directors' Report

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 September 2017.

**Principal activities**

The Company is principally engaged in investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 9 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

**Results**

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Loss for the financial year | (4,655) | (5,826) |
| Other comprehensive loss | (9) | – |
| | (4,664) | (5,826) |
| **Attributable to:** | | |
| Owners of the parent | (4,664) | (5,826) |

**Reserves and provisions**

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

**Dividends**

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend any dividend for the financial year ended 30 September 2017.

**Directors**

The directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

| | |
|---|---|
| Dato' Eii Ching Siew @ Yii Ching Siew | |
| Dato' Lee Fong Yin @ Lee Vun Ya | |
| Low Eng Tack | - Appointed on 30 May 2017 |
| Dato' Haji Abdul Aziz Bin Mohamed | - Appointed on 30 May 2017 |
| Foo Chooi Wai | - Appointed on 30 May 2017 |
| Dato' Ng Boon Siong | - Appointed on 30 May 2017 |
| Fathi Ridzuan Bin Ahmad Fauzi | - Appointed on 19 January 2018 |
| Ananda Kumar A/L Ramayah | - Appointed on 30 May 2017, resigned on 28 November 2017 |

**Directors (continued)**

The directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are: (continued)

| | |
|---|---|
| Tan Wee Hock | - Appointed on 30 May 2017, resigned on 28 November 2017 |
| Ma Jee Choong | - Appointed on 30 May 2017, resigned on 1 November 2017 |
| Datuk Lee Hwa Cheng | - Removed on 30 May 2017 |
| Dato' Koh Mui Tee | - Removed on 30 May 2017 |
| Datin Chan Chui Mei | - Retired on 30 March 2017 |
| Md. Noor Bin Abd Rahim | - Retired on 30 March 2017 |
| Mohd Anuar Bin Mohd Hanadzlah | - Retired on 30 March 2017 |
| Prof. Dato' Dr. Mohd Azmi Bin Mohd Lila | - Retired on 30 March 2017 |
| Tan Sri (Datuk) Dr. Henry Chin Poy Wu | - Demised on 23 October 2016 |

The directors of the Company's subsidiaries at the date of this report were:

Dato' Eii Ching Siew @ Yii Ching Siew
Dato' Lee Fong Yin @ Lee Vun Ya
Low Eng Tack
Lim Chong Kwee
Oh Boon Chin

**Directors' interests in shares**

According to the Register of Directors' Shareholdings, the interest of directors in office at the end of the financial year in shares in the Company and its related incorporations during the financial year were as follows:

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | **Balance as at 1.10.2016 Date of appointment** | **Bought** | **Sold** | **Balance as at 30.9.2017** |
| **In the Company** | | | | |
| Direct interests: | | | | |
| 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 |
| Low Eng Tack | 95,000 | – | – | 95,000 |
| Foo Chooi Wai | 1,000 | – | – | 1,000 |
| Indirect interests: | | | | |
| Foo Chooi Wai[(1)] | 5,064,200 | – | (600,000) | 4,464,200 |

By virtue of Dato' Lee Fong Yin @ Lee Vun Ya's interest in shares of the Company, she is deemed to have interest in the shares of the subsidiaries to the extent of the Company's interest, in accordance with Section 8 of the Companies Act, 2016 in Malaysia.

The other directors in office at the end of the financial year, did not hold any interest in the ordinary shares of the Company and related corporations during the financial year, according to the register required to be kept under Section 59 of the Companies Act, 2016 in Malaysia.

**Directors' benefits**

Since the end of the previous financial year, no director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors or the fixed salaries of full time employees of the Company as disclosed in Note 5 to 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.

There were no arrangements during or at the end of the financial year, which had the object of enabling the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

**Director remuneration**

Directors' remuneration is disclosed in Note 5 to the financial statements.

**Indemnity and insurance for directors and officers**

There was no indemnity given to or insurance effected for any directors, officers and auditor of the Group and of the Company.

**Issue of shares and debentures**

There were no changes in the share capital of the Company during the financial year.

On 31 January 2017, the Companies Act, 2016 in Malaysia became effective and rendered the par value regime no longer applicable. This has resulted in the Company's share capital no longer having par value and the authorised share capital no longer relevant at the date of the report. The Company's share premium account has also therefore been reclassified to share capital as at the financial year end.

There were no debentures issued during the financial year.

**Options granted over unissued shares**

No options were granted by the Company to any parties during the financial year to take up unissued shares of the Company.

**Other statutory information**

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

(i) proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

**Other statutory information (continued)**

At the date of this report, the Directors are not aware of any circumstances:

(i) which would render the amount written off for bad debts or the making of provision for doubtful debts inadequate to any material extent; or

(ii) which would render the value attributed to current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 30 September 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

**Significant events**

Details of significant events are disclosed in Note 33 to the financial statements.

**Auditors**

The auditors, Messrs PKF, have indicated their willingness to continue in office.

The remuneration of the auditors' is disclosed in Note 4 to the financial statements.

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

DATO' LEE FONG YIN @ LEE VUN YA

LOW ENG TACK

Kuala Lumpur
26 January 2018

# Statement By Directors

Pursuant To Section 251(2) Of The Companies Act, 2016 In Malaysia

In the opinion of the Directors, the accompanying financial statements as set out on pages 51 to 143 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2017 and of their financial performance and their cash flows for the financial year ended on that date.

The supplementary information as set out in Note 35 to the financial statements 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 Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with MIA Guidance and directive of Bursa Malaysia Securities Berhad.

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

DATO' LEE FONG YIN @ LEE VUN YA

LOW ENG TACK

Kuala Lumpur
26 January 2018

# Statutory Declaration

Pursuant To Section 251(1)(b) Of The Companies Act, 2016 In Malaysia

I, LEONG KAM SOON, 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 accompanying financial statements as set out on pages 51 to 143 are in my opinion 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.

Subscribed and solemnly declared by the )
above named at Kuala Lumpur in Wilayah )
Persekutuan on 26 January 2018 )

LEONG KAM SOON

Before me,

COMMISSIONER FOR OATHS

## Report on the Audit of the Financial Statements

### *Disclaimer of Opinion*

We were engaged to audit the financial statements of STONE MASTER CORPORATION BERHAD, which comprise the statements of financial position as at 30 September 2017 of the Group and of the Company, and the statements of profit or loss and other 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 51 to 143.

We do not express an opinion on the accompanying financial statements of the Group and of the Company as at 30 September 2017. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### *Basis for Disclaimer of Opinion*

*(1) Assertions concerning opening balances*

The financial statements of the Group and of the Company for the financial year ended 30 September 2016 were audited by another firm of auditors. In accordance with International Auditing Standards 510 Initial Audit Engagements – Opening Balances, we are required to determine whether the opening balances contain misstatements that materially affect the current period's financial statements. We were, however, unable to satisfy ourselves in respect of the following assertions and obtain sufficient appropriate audit evidence that the opening balances i.e. balances as of 1 October 2016 for the following do not contain material misstatement:

(i) The accuracy and existence of the following balances as at 1 October 2016:
  (a) Trade payables of the Group amounting to RM651,986;
  (b) Amount due to contract customer of the Group amounting to RM536,508;
  (c) Non-trade payables and accrual of the Group and of the Company amounting to RM2,112,285 and RM612,822 respectively:

(ii) The accuracy of the Group's revaluation reserves and its corresponding deferred tax liability amounting to RM4,149,000 and RM1,903,000 respectively.

(iii) The nature and classification of certain consolidation adjustments amounting to RM1,529,047 in relation to accumulated losses and revaluation reserves respectively.

In view of the above, we were unable to satisfy ourselves that the opening balances do not contain misstatements that may materially affect the financial performance, cash flows and financial position of the Group and of the Company for the financial year ended 30 September 2017. Accordingly, we were unable to determine whether any adjustments might have been necessary in respect of the financial performance, cash flows and financial position of the Company for the financial year ended 30 September 2017.

***Basis for Disclaimer of Opinion (Continued)***

*(2) Current year unresolved matters*

As we were unable to satisfy ourselves that the opening balances do not contain misstatements that may materially affect the current year's financial statements, we have, as a result, been unable to determine that the following balances included in the Group and the Company's statement of financial position as at 30 September 2017 do not contain any material misstatement:

(i) The accuracy and existence of the following balances:
  (a) Trade payables of the Group amounting to RM616,986;
  (b) Amount due to contract customer of the Group amounting to RM536,508;
  (c) Non-trade payables and accrual of the Group and of the Company amounting to RM1,818,525 and RM612,822 respectively:

(ii) The accuracy of the Group's revaluation reserves and the corresponding deferred tax liability amounting to RM4,140,000 and RM1,909,000 respectively.

(iii) The nature and classification of certain consolidation adjustments amounting to RM1,529,047 in relation to accumulated losses and revaluation reserves respectively.

Any adjustment or additional disclosures found to be necessary in respect of the above matters, including any related tax impact, will have a consequential significant effect on the financial position of the Group and of the Company as at 30 September 2017 and the financial performance and cash flows of the Group and of the Company for the financial year ended and may have resulted in additional information being disclosed in the financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant subsequent events related to the Group and the Company.

*(3) Disclosure of contingent liabilities*

*(a) Legal suit with Quantum March Sdn. Bhd.*

As disclosed in Notes 32(b) and 33.7 to the financial statements, a Sale and Purchase Agreement ("SPA") was entered between the Company and Quantum March Sdn. Bhd. ("Quantum March") on 6 December 2016 in respect of the Company's right to complete procurement of exclusive agencies arising from the Exclusive Agency Agreements ("EAA") with certain parties for the grant of exclusive agency rights of their products and services to the Company, whereby the Company agreed to sell and Quantum March agreed to purchase the Company's rights subject to the terms and conditions of SPA.

With the completion of the SPA, the Directors are of the view that there is no potential liability in relation to the original EAA.

On 10 April 2017, the Company was however served with a Writ of Summons dated 28 March 2017, Statement of Claim dated 27 March 2017, Notice of Application dated 29 March 2017, Affidavit in Support dated 8 March 2017 and Sealed Order of the Ex-Parte Injunction dated 4 April 2017 from Quantum March, which instituted legal action against the Company for conspiracy to commit the torts of defaming, inducing breach of contract and causing economic injury to Quantum March (collectively "the Claims"), together with Dato' Eii Ching Siew @ Yii Ching Siew, Dato' Lee Fong Yin @ Lee Vun Ya and Leong Wei Ping, as co-defendants, in their joint role as co-conspirators to commit the Claims. The Claims are for a sum of RM20 million for loss of reputation and a sum of general damages to be assessed by the Court. Quantum March has also sought for declarations and permanent injunction orders against all the Company and the co-defendants.

The potential financial impact of the Claims to the Company is RM20 million together with a yet to be ascertained sum that may be potentially assessed by the Court.

***Basis for Disclaimer of Opinion (Continued)***

*(3) Disclosure of contingent liabilities (continued)*

*(b) Legal suit with Starfield Capital Sdn. Bhd.*

As disclosed in Notes 32(d) and 33.5 to the financial statements, on 24 January 2017, the Company received a written demand from Starfield Capital Sdn. Bhd. ("Starfield Capital") for repayment of loans in default amounting to RM18 million together with interest.

A Consent Judgement was entered on 30 May 2017 by the Company, however the Company claims that the Consent Judgement was entered, among others, without proper authority.

On 19 June 2017, the Company filed a Writ and Statement of Claim at the Kuala Lumpur High Court to pursue legal actions against Dato' Koh Mui Tee, Datuk Lee Hwa Cheng, Datin Chan Chui Mei, and Starfield Capital seeking the following:

(i) That the Consent Judgement entered into between Starfield Capital Sdn Bhd and the Company be set aside;
(ii) In the alternative, that Dato' Koh Mui Tee and Datuk Lee Hwa Cheng, jointly and severally indemnify the Company in the sum of RM18 million together with interest thereon as per the Consent Judgement and an order that the same be paid forthwith by Dato' Koh Mui Tee and Datuk Lee Hwa Cheng, jointly and severally to Starfield Capital;
(iii) Exemplary damages against Dato' Koh Mui Tee and Datuk Lee Hwa Cheng for breaches of fiduciary duties to the Company in causing the Company to enter into the Consent Judgement;
(iv) The cost of the action on a full indemnity basis;
(v) Interest on damages; and
(vi) Such further and other reliefs that the Court deems fit.

The Directors have not determined the legal suits with Quantum March and Starfield Capital to be contingent liabilities as the suits are ongoing and there is no present indication of a probable outflow of resources arising from the outcome of the suits. The Directors are also of the view that there is no material impact to the financial statements of the Group and of the Company as at the financial year end.

As there is material uncertainty on the outcome of the legal suit and there is presently insufficient information to assess the possibility of an obligation to the Company and the probability of an outflow of resources arising from the outcome of the suites, we have been unable to determine whether the legal suits constitute contingent liabilities under MFRS 137 Provisions, Contingent Liabilities and Contingent Assets that require the appropriate and prescribed disclosure in the financial statements.

*(4) Material uncertainty relating to the going concern basis*

i. During the financial year, the Group and the Company incurred a net loss of approximately of RM4,655,000 and RM5,826,000 respectively for the financial year ended 30 September 2017. As at 30 September 2017, the current liabilities of the Group and of the Company exceeded current assets by approximately RM17,304,000 and RM17,557,000 respectively and the Group and the Company also recorded accumulated losses of approximately RM27,911,000 and RM39,294,000 respectively.

***Basis for Disclaimer of Opinion (Continued)***

*(4) Material uncertainty relating to the going concern basis (continued)*

ii. Additionally, as discussed in the preceding paragraphs, there exists material uncertainty on the outcome of the Company's legal suits with;

(a) Quantum March that carries a potential financial impact to the Company of up to RM20 million together with a yet to be ascertained sum that may be potentially assessed by the Court; and
(b) Starfield Capital for a demand for repayment of loans in default amounting to RM18 million together with interest.

The financial effects of the legal suit by Starfield Capital would however be potentially mitigated by the outcome of recovery by the Securities Commission of Malaysia ("SC") of monies held in the bank account of the former Deputy Managing Director, Datin Chan Chui Mei ("Datin Chan") amounting to RM11.54 million arising from the legal suit by the SC against Datin Chan for causing wrongful loss to the Company as disclosed in Notes 33.6 and 34 to the financial statements. In the suit, the SC has applied for an injunction to restrain Datin Chan from dealing with these monies and to surrender to the regulator the sum of RM11.54 million which is to be held in trust for the Company.

Should the Company be unable to secure judgment in its favour in relation to the legal suits, the consequences of the financial claims, net of any potential recovery of monies from Datin Chan, may potentially render the Company insolvent.

iii. On 6 December 2016, the Company announced that it was classified as an affected listed issuer pursuant to Paragraph 2.1 (e) of Practice Note 17 ("PN 17") under the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities. The Company is required to submit a proposed regularisation plan for the Group and the Company ("the Regularisation Plan") to the relevant authorities and to implement the Regularisation Plan within the stipulated timeframe. On 5 December 2017, the Company submitted an application for an extension of time seeking approval for an extension of time of up to 30 June 2018 for the Company to comply with Paragraph 5.0 of PN17 of the MMLR as the Company had yet to finalise the Regularisation Plan for submission to the relevant authorities for approval. On 12 January 2018, Bursa Malaysia Securities granted the Company an extension of time up to 5 June 2018 for the submission of the Regularisation Plan.

As at the date of this report, as the Company is currently in the midst of formalising the Regularisation Plan, we are unable to determine whether the Regularisation Plan will be approved by the relevant authorities and whether it will be successfully implemented for the Group and the Company to achieve sustainable and viable operations.

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

(i) The outcome of the legal suits adjudged in favour of the Company;
(ii) The timing and successful formulation and implementation of the Regularisation Plan; and
(iii) The Group and the Company achieving sustainable and viable operations.

As disclosed in Note 1 to the financial statements, the financial statements of the Group and of 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 premised on the assumption that the Group and the Company will be able to realise its assets and meet its liabilities in the normal course of business. If the factors upon which the Group's and the Company's ability to operate as a going concern 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 value, classify all long-term assets and liabilities as current and to provide for any further costs which may arise.

***Responsibilities of the Directors for the Financial Statements***

The Directors are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine are necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and Company's ability to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our responsibility is to conduct an audit of the Group's and of the Company's financial statements in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

***Independence and Other Ethical Responsibilities***

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

***Report on Other Legal and Regulatory Requirements***

In accordance with the requirements of the Companies Act, 2016 in Malaysia (the "Act") we also report the following:

(a) In our opinion, the accounting and other records for the matters as described in the Basis for Disclaimer of Opinion section have not been properly kept by the Company in accordance with the provisions of the Act.

(b) Because of the significance of the matters as described in the Basis for Disclaimer of Opinion paragraph:

    (i) We have not obtained all the information and explanations that we require; and

    (ii) 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 explanation required by us for those purposes.

As disclosed in Note 9 to the financial statements, the auditors' reports on the financial statements of certain subsidiaries contain modification.

Independent Auditors' Report
To The Members Of Stone Master Corporation Berhad
(Co. No.498639-X) (Incorporated in Malaysia)
and its subsidiaries (Cont'd)

***Other Reporting Responsibilities***

The supplementary information as set out in Note 35 to the financial statements 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 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 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

The comparative figures were audited by another firm of auditors who expressed a Disclaimer of Opinion on those statements on 7 February 2017.

PKF
AF 0911
CHARTERED ACCOUNTANTS

NGU SIOW PING
03033/11/2019 J
CHARTERED ACCOUNTANT

Kuala Lumpur
26 January 2018

# Statements Of Profit Or Loss And Other Comprehensive Income

For The Financial Year Ended 30 September 2017

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 3 | 54,056 | 72,303 | 100 | 175 |
| Cost of sales | | (45,501) | (62,840) | – | – |
| **Gross profit** | | 8,555 | 9,463 | 100 | 175 |
| Other income | | 1,963 | 1,046 | 1,134 | 150 |
| Distribution costs | | (4,017) | (5,327) | – | – |
| Administrative expenses | | (9,858) | (12,865) | (5,088) | (7,814) |
| Other expenses | | (125) | – | (1,963) | (2,164) |
| **Loss from operations** | 4 | (3,482) | (7,683) | (5,817) | (9,653) |
| Finance costs | 6 | (936) | (1,479) | (9) | (324) |
| **Loss before tax** | | (4,418) | (9,162) | (5,826) | (9,977) |
| Tax expense | 7 | (237) | (422) | – | – |
| **Loss for the financial year** | | (4,655) | (9,584) | (5,826) | (9,977) |
| **Other comprehensive loss, net of tax:** | | | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | | | |
| Amortisation of revaluation reserve | | (130) | (155) | – | – |
| Revaluation of property, plant and equipment | | 121 | 80 | – | – |
| | | (9) | (75) | – | – |
| **Total comprehensive loss for the financial year** | | (4,664) | (9,659) | (5,826) | (9,977) |
| **Loss attributable to owners of the Company** | | (4,655) | (9,584) | (5,826) | (9,977) |
| **Total comprehensive loss attributable to owners of the Company** | | (4,664) | (9,659) | (5,826) | (9,977) |
| **Basic loss per share (sen):** | | | | | |
| - Basic | 8 | (5.18) | (10.66) | | |

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

# Statements Of Financial Position
As At 30 September 2017

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Investment in subsidiaries | 9 | – | – | 4,886 | 4,886 |
| Property, plant and equipment | 10 | 17,519 | 18,598 | 439 | 873 |
| Investment properties | 11 | 7,975 | 7,735 | – | – |
| Other investment | 12 | 28 | 28 | – | – |
| | | 25,522 | 26,361 | 5,325 | 5,759 |
| **Current assets** | | | | | |
| Inventories | 13 | 4,729 | 4,745 | – | – |
| Trade receivables | 14 | 13,135 | 15,814 | – | – |
| Non-trade receivables, deposits and prepayments | 15 | 862 | 12,303 | 336 | 11,899 |
| Amount due from a subsidiary | 16 | – | – | 333 | 374 |
| Tax recoverable | | 294 | 66 | – | – |
| Fixed deposits with licensed banks | 17 | 1,697 | 1,025 | – | 10 |
| Cash and bank balances | | 3,396 | 2,741 | 1,594 | 824 |
| | | 24,113 | 36,694 | 2,263 | 13,107 |
| **TOTAL ASSETS** | | 49,635 | 63,055 | 7,588 | 18,866 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 18 | 24,524 | 22,476 | 24,524 | 22,476 |
| Share premium | 18 | – | 2,048 | – | 2,048 |
| Reserve | 19 | 6,557 | 6,784 | 2,404 | 2,622 |
| Accumulated losses | | (27,911) | (23,604) | (39,294) | (33,686) |
| **Total equity** | | 3,170 | 7,704 | (12,366) | (6,540) |

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

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2017<br>RM'000 | 2016<br>RM'000 | 2017<br>RM'000 | 2016<br>RM'000 |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Borrowings | 20 | 3,004 | 4,100 | 134 | 182 |
| Deferred tax liabilities | 21 | 2,044 | 2,054 | – | – |
| | | 5,048 | 6,154 | 134 | 182 |
| **Current liabilities** | | | | | |
| Trade payables | 22 | 8,557 | 8,861 | – | – |
| Non-trade payables, deposits received and accruals | 23 | 23,136 | 29,197 | 19,755 | 25,178 |
| Borrowings | 20 | 9,720 | 11,062 | 65 | 46 |
| Tax payables | | 4 | 77 | – | – |
| | | 41,417 | 49,197 | 19,820 | 25,224 |
| **TOTAL LIABILITIES** | | 46,465 | 55,351 | 19,954 | 25,406 |
| **TOTAL EQUITY AND LIABILITIES** | | 49,635 | 63,055 | 7,588 | 18,866 |
| **Net asset per share (sen)** | 24 | 3.53 | 8.57 | | |

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

# Statements Of Changes In Equity
For The Financial Year Ended 30 September 2017

| | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Non-distributable | | | | | Distributable | |
| | Share capital RM'000 | Share premium RM'000 | Revaluation Reserve RM'000 | Warrant reserve RM'000 | Fair value reserve RM'000 | Accumulated losses RM'000 | Total RM'000 |
| **Group** | | | | | | | |
| At 1 October 2015 | 22,476 | 2,048 | 4,224 | 2,622 | 13 | (14,175) | 17,208 |
| Loss for the financial year | – | – | – | – | – | (9,584) | (9,584) |
| Revaluation surplus | – | – | 105 | – | – | – | 105 |
| Transferred to deferred tax liabilities (Note 21) | – | – | (25) | – | – | – | (25) |
| Amortisation of revaluation reserve | – | – | (155) | – | – | 155 | – |
| Total comprehensive loss | – | – | (75) | – | – | (9,429) | (9,504) |
| At 30 September 2016 | 22,476 | 2,048 | 4,149 | 2,622 | 13 | (23,604) | 7,704 |
| At 1 October 2016 | 22,476 | 2,048 | 4,149 | 2,622 | 13 | (23,604) | 7,704 |
| Transfer in accordance with Section 74 of the Companies Act, 2016 in Malaysia (Note 18) | 2,048 | (2,048) | – | – | – | – | – |
| Fair value adjustment on warrant (Note 19) | – | – | – | (218) | – | 218 | – |
| Revaluation surplus | – | – | 154 | – | – | – | 154 |
| Loss for the financial year | – | – | – | – | – | (4,655) | (4,655) |
| Transferred to deferred tax liabilities (Note 21) | – | – | (33) | – | – | – | (33) |
| Amortisation of revaluation reserve | – | – | (130) | – | – | 130 | – |
| Total comprehensive loss | – | – | (9) | – | – | (4,525) | (4,534) |
| At 30 September 2017 | 24,524 | – | 4,140 | 2,404 | 13 | (27,911) | 3,170 |

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

| | <-------------- Attributable to owners of the Company -------------- | | | | -------------> |
|---|---|---|---|---|---|
| | <--------- Non-distributable | | ---------> | Distributable | |
| | **Share capital RM'000** | **Share premium RM'000** | **Warrant reserve RM'000** | **Accumulated losses RM'000** | **Total RM'000** |
| **Company** | | | | | |
| At 1 October 2015 | 22,476 | 2,048 | 2,622 | (23,709) | 3,437 |
| Total comprehensive loss for the financial year | – | – | – | (9,977) | (9,977) |
| At 30 September 2016 | 22,476 | 2,048 | 2,622 | (33,686) | (6,540) |
| Transfer in accordance to Section 74 of the Companies Act, 2016 in Malaysia (Note 18) | 2,048 | (2,048) | – | – | – |
| Total comprehensive loss for the financial year | – | – | – | (5,826) | (5,826) |
| Fair value adjustment on warrant (Note 19) | – | – | (218) | 218 | – |
| At 30 September 2017 | 24,524 | – | 2,404 | (39,294) | (12,366) |

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

# Statements Of Cash Flows

For The Financial Year Ended 30 September 2017

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| **Cash flows from operating activities** | | | | | |
| Loss before tax: | | (4,418) | (9,162) | (5,826) | (9,977) |
| Adjustments for: | | | | | |
| Bad debts written off | | 93 | 105 | – | – |
| Bad debts recovered | | 29 | (82) | – | – |
| Depreciation of property, plant and equipment: | | 1,243 | 1,338 | 175 | 86 |
| Deposits written off | | 5 | – | 5 | – |
| Property, plant and equipment written off | | 2 | 2 | – | – |
| Reversal of inventories written down | | (561) | – | – | – |
| Impairment loss on trade receivables | | 20 | 232 | – | – |
| Impairment loss on amounts due from subsidiaries | | – | – | 1,838 | 1,934 |
| Impairment loss on investment in subsidiaries | | – | – | – | 230 |
| Impairment of property, plant and equipment | | 397 | – | 397 | – |
| Gain on disposal of property, plant and equipment | | (20) | (82) | – | – |
| Gain on fair value changes in investment properties | | (240) | (176) | – | – |
| Interest income | | (148) | (170) | (101) | (150) |
| Interest expense | | 936 | 1,479 | 9 | 324 |
| Dividend income | | (1) | (1) | – | – |
| **Operating loss before working capital changes** | | (2,663) | (6,517) | (3,503) | (7,553) |
| Decrease in inventories | | 577 | 498 | – | – |
| Decrease/(Increase) in receivables | | 13,933 | (6,562) | (1,866) | (13,944) |
| (Decrease)/Increase in payables | | (6,365) | 19,608 | 6,205 | 22,283 |
| **Cash generated from operations** | | 5,482 | 7,027 | 836 | 786 |
| Interest paid | | (121) | (475) | – | (317) |
| Interest received | | 148 | 170 | 100 | 150 |
| Income tax refunded | | 8 | – | – | – |
| Income tax paid | | (550) | (1,027) | – | – |
| **Net cash from operating activities** | | 4,967 | 5,695 | 936 | 619 |

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

| | Note | Group 2017 RM'000 | Group 2016 RM'000 | Company 2017 RM'000 | Company 2016 RM'000 |
|---|---|---|---|---|---|
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | (i) | (408) | (1,274) | (138) | (584) |
| Net cash outflow from acquisition of subsidiaries | | – | – | – | (1) |
| Additional investment in subsidiaries companies | | – | – | – | (229) |
| Proceeds from disposal of property, plant and equipment | | 20 | 87 | – | – |
| Dividend income | | 1 | 1 | – | – |
| Net cash used in investing activities | | (387) | (1,186) | (138) | (814) |
| **Cash flows from financing activities** | | | | | |
| (Placement)/Withdrawal of fixed deposit with a licensed bank | | (662) | 11,975 | 10 | 13,000 |
| Interest paid | | (815) | (1,004) | (9) | (7) |
| Repayment of other borrowings | | (1,045) | (991) | – | – |
| Repayment of hire purchase liabilities | | (110) | (88) | (29) | (22) |
| Repayment of term loans | | (953) | (1,240) | – | – |
| **Net cash (used in)/from financing activities** | | (3,585) | 8,652 | (28) | 12,971 |
| **Net (decrease)/increase in cash and cash equivalents** | | 995 | 13,161 | 770 | 12,776 |
| **Cash and cash equivalents at 1 October** | | 1,071 | (12,090) | 824 | (11,952) |
| **Cash and cash equivalents at 30 September** | (ii) | 2,066 | 1,071 | 1,594 | 824 |

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

Statements Of Cash Flows
For The Financial Year Ended 30 September 2017
(Cont'd)

**Note:**

**(i) Acquisition of property plant and equipment**

During the financial year/period, the Group and the Company made the following cash payments to acquire property, plant and equipment:

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| Acquisition of plant and equipment | 408 | 1,774 | 138 | 834 |
| Less: financed through hire purchase | – | (500) | – | (250) |
| Cash payment on acquisition of plant and equipment | 408 | 1,274 | 138 | 584 |

**(ii) Cash and cash equivalents**

Cash and cash equivalents comprise the following:

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| Cash and bank balances | 3,396 | 2,741 | 1,594 | 824 |
| Fixed deposits with licensed banks | 1,697 | 1,025 | – | 10 |
| Bank overdraft | (1,330) | (1,660) | – | – |
| | 3,763 | 2,106 | 1,594 | 834 |
| Deposit held as security | (1,697) | (1,035) | – | (10) |
| | 2,066 | 1,071 | 1,594 | 824 |

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

**1. Basis of preparation**

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

The accompanying financial statements have been prepared assuming that the Group and the Company will continue as a going concern which contemplates the realisation of assets and settlement of liabilities in the normal course of business.

During the financial year, the Group and the Company incurred a net loss of approximately RM4,656,000 and RM5,550,000 respectively for the financial year ended 30 September 2017. As at 30 September 2017, the current liabilities of the Group and of the Company exceeded its current assets by approximately RM17,700,000 and RM17,678,000 respectively and the Group and the Company also recorded accumulated losses of approximately RM27,912,000 and RM39,078,000 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.

Additionally, as disclosed in Note 32(b), 32(d), 33.5 and Note 33.8 to the financial statements, there exists material uncertainty on the outcome of the Company's legal suits with;

(a) Quantum March that carries a potential financial impact to the Company of up to RM20 million together with a yet to be ascertained sum that may be potentially assessed by the Court; and
(b) Starfield Capital for a demand for repayment of loans in default amounting to RM18 million together with interest.

The financial effects of the legal suit by Starfield Capital would however be potentially mitigated by the outcome of recovery by the Securities Commission of Malaysia ("SC") of monies held in the bank account of the former Deputy Managing Director, Datin Chan Chui Mei ("Datin Chan") amounting to RM11.54 million arising from the legal suit by the SC against Datin Chan for causing wrongful loss to the Company as disclosed in Note 33.6 and 34 to the financial statements. In the suit, the SC has applied for an injunction to restrain Datin Chan from dealing with these monies and to surrender to the regulator the sum of RM11.54 million which is to be held in trust for the Company.

Should the Company be unable to secure judgment in its favour in relation to the legal suits, the consequences of the financial claims, net of any potential recovery of monies from Datin Chan, may potentially render the Company insolvent.

On 6 December 2016, the Company announced that it was an affected listed issuer pursuant to paragraph 2.1 (e) of Practice Note 17 ("PN 17") under the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities. 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.

On 5 December 2017, the Company submitted an application for an extension of time of up to 30 June 2018 for the Company to comply with Paragraph 5.0 of PN17 of the MMLR as the Company has yet to finalise a Regularisation Plan for submission to the relevant authorities for approval. On 12 January 2018, Bursa Malaysia Securities granted the extension of time of up to 5 June 2018 for the submission of the proposed Regularisation Plan. As at the date of this report, the Company is currently in the midst of formalising the Regularisation Plan.

**1. Basis of preparation (continued)**

The ability of the Group and the Company to operate as a going concern is dependent upon:
(i) The outcome of the legal suits adjudged in favour of the Company;
(ii) The timing and successful formulation and implementation of the Regularisation Plan; and
(iii) The Group and the Company 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 of assets to their realisable values, reclassify all long term assets and liabilities as current and to provide for any further costs which may arise.

These financial statements are presented in the Ringgit Malaysia ("RM"), which is the Group's and the Company's functional and presentation currency.

**(a) Standards issued and effective**

On 1 October 2016, the Group and the Company have also adopted the following new and amended MFRS which are mandatory for annual financial periods beginning on or after 1 October 2016.

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| • Annual improvements to MFRSs 2012 - 2014 cycle | |
| - Amendments to MRFS 5, Non-Current Assets Held for Sales and Discontinued Operations | 1 January 2016 |
| - Amendments to MFRS 7, Financial Instruments: Disclosures | 1 January 2016 |
| - Amendments to MFRS 119, Employee Benefits1 January 2016 | |
| - Amendments to MFRS 134, Interim Financial Reporting | 1 January 2016 |
| • MFRS 14, Regulator Deferral Accounts | 1 January 2016 |
| • Amendments to MFRS 11, Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |
| • Amendments to MRFS 101, Presentation of Financial Statements: Disclosure Initiative | 1 January 2016 |
| • Amendments to MFRS 116, Property, Plant and Equipment and MFRS 138, Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| • Amendments to MFRS 116, Property, Plant and Equipment and MFRS 141, Agriculture: Bearer plants | 1 January 2016 |
| • Amendments to MFRS 127, Separate Financial Statements: Equity Method in Separate Financial Statements | 1 January 2016 |
| • Amendments to MFRS 10, Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint ventures: Investments Entities-Applying the Consolidation Exception | 1 January 2016 |
| • Amendments to MFRS 138, Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |

The Directors expect that the adoption of the new and amended MFRS above will have no impact on the financial statements of the Group and the Company.

## 1. Basis of preparation (continued)

### (b) Standards issued but not yet effective

The Group and the Company have not adopted the following standards and interpretations that have been issued but not yet effective:

| Description | Effective for annual periods beginning on or after |
|---|---|
| • Annual improvements to MFRSs 2014 - 2016 cycle | |
| - Amendments to MRFS 1, First-time Adoptions of Malaysian Financial ReportingStandards | 1 January 2018 |
| - Amendments to MFRS 12, Disclosure of Interests in Other Entities | 1 January 2017 |
| - Amendments to MFRS 128, Investments in Associates and Joint Ventures | 1 January 2018 |
| • Amendments to MFRS 2, Share-based Payment: Classification and Measurement of Share-based Payment Transactions | 1 January 2018 |
| • Amendments to MFRS 4, Insurance Contracts: Applying MFRS 9 Financial Instrument with MFRS 4 Insurance Contracts | 1 January 2018 |
| • MFRS 9, Financial Instruments | 1 January 2018 |
| • MFRS 15, Revenue from Contracts with Customers | 1 January 2018 |
| • Clarifications to MFRS 15, Revenue from Contracts with Customers | 1 January 2018 |
| • MFRS 16, Leases | 1 January 2019 |
| • Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures: Sales or Contribution of Assets Between an Investor and its Associates or Joint Ventures | Deferred |
| • Amendments to MFRS 107, Statement of Cash Flows: Disclosure Initiative | 1 January 2017 |
| • Amendments to MFRS 112, Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses | 1 January 2017 |
| • Amendments to MFRS 140, Investment Property: Transfer of Investment Property | 1 January 2018 |
| • IC Interpretation 22, Foreign Currency Transactions and Advance Consideration | 1 January 2018 |

The initial application of the above mentioned accounting standards, amendments or interpretations are not expected to have any material impact to the financial statements of the Group and of the Company except as mentioned below:

***MFRS 9 Financial Instruments***

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

**1. Basis of preparation (continued)**

**(b) Standards issued but not yet effective (continued)**

***MFRS 15 Revenue from Contracts with Customers***

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue – Barter Transactions Involving Advertising Services.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

***MFRS 16 Leases***

MFRS 16 replaces existing guidance in MFRS 117 Leases, IC Interpretation 4 Determining Whether an Arrangement Contains a Lease, IC Interpretation 115 Operating Leases – Incentives, and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

**(c) Basis of measurement**

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2 to the financial statements.

**(d) Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's and of the Company's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:

*(i) Depreciation of property, plant and equipment*

The estimates for the residual values, useful lives and related depreciation charges for property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

**1. Basis of preparation (continued)**

**(d) Critical accounting estimates and judgements (continued)**

*(ii) Impairment of trade and non-trade receivables*

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

*(iii) Impairment of available-for-sale financial assets*

The Group reviews its available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group also records impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

*(iv) Income taxes*

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group and the Company recognise tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

*(v) Written down for inventories*

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

*(vi) Impairment of non-financial assets*

When the recoverable amount of an asset is determined based on the estimate of the value in use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

**1. Basis of preparation (continued)**

**(d) Critical accounting estimates and judgements (continued)**

*(vii) Revaluation of properties*

Freehold land and buildings of the Group are reported at valuation which is based on valuation performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining discount rates, estimates of future cash flows, capitalisation rate, terminal year value, market freehold rental and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and expected correlations can also materially affect these estimates and the resulting valuation estimates.

*(viii) Classification between investment properties and owner occupied properties*

The Group determines whether a property qualifies as an investment property, and have developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

*(ix) Fair value estimates for certain financial assets and liabilities*

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

*(x) Deferred tax assets and liabilities*

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the statements of financial position date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the statements of financial position date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the profit or loss in the period in which actual realisation and settlement occurs.

1. **Basis of preparation (continued)**

(d) **Critical accounting estimates and judgements (continued)**

*(xi) Provision for liabilities*

Provision for liabilities are based on management's judgement on the likelihood of liabilities crystallising and best estimates on the amounts required to settle the liabilities arising from legal and constructive obligations. A change in circumstances which could cause estimates to change include changes in market trends and conditions, regulatory environment, employees' behaviours and other factors that may change the amount of provisions in the statement of financial position. The difference between the actual amount and the estimated amount would be recognised in the profit or loss in the period in which the change occurs.

*(xii) Classification of finance and operating lease*

The Group classifies a lease as a finance lease or an operating lease based on the criterion of the extent to which significant risk and rewards incident to ownership of the underlying asset lie. As a lessee, the Group recognises a lease as a finance lease if it is exposed to significant risks and rewards incident to ownership of the underlying asset. In applying judgements, the Group considers whether there is significant economic incentive to exercise a purchase option and any optional renewal periods. A lease is classified as a finance lease if the lease term is for at least 75% the remaining economic life of the underlying asset, or the identified asset in the lease is a specialised asset which can only be used by the lessee without major modifications. All other leases that do not result in a significant transfer of risks and rewards are classified as operating leases.

2. **Summary of significant accounting policies**

(a) **Basis of consolidation**

The consolidated financial statements include the financial statement as the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities, including structured entities, controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

**2. Summary of significant accounting policies (continued)**

**(a) Basis of consolidation (continued)**

*(i) Business combinations*

Acquisitions of business are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured at fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquire may be initially measured either at fair value or at the non-controlling interests' proportionate shares of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

*(ii) Non-controlling interests*

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from equity attributable to the owners of the Company. Transactions with non-controlling interests are accounted for as transactions with owners and are recognised directly in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

At the end of each reporting period, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' shares of subsequent changes in equity.

*(iii) Loss of control*

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:

(i) The aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) The previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFR 139 or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

## 2. Summary of significant accounting policies (continued)

### (a) Basis of consolidation (continued)

*(iv) Transactions eliminated on consolidation*

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

Unrealised gains arising from transactions with equity accounted associates are eliminated against the investment to the extent of the Group's interest in the associates and jointly controlled entities. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### (b) Revenue

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

*(i) Sale 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 management 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.

*(ii) Construction contracts*

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

When 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.

*(iii) Dividend income*

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

*(iv) Interest income*

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

## 2. Summary of significant accounting policies (continued)

### (b) Revenue (continued)

*(v) Rental income*

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

*(vi) Management fee*

Management fee is recognised when services are rendered.

### (c) Employee benefits expense

*(i) Short term benefits*

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

*(ii) Defined contribution plans*

The Group's and the Company's contribution to defined contribution plans are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further liability in respect of the defined contribution plans.

### (d) Borrowing costs

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

Borrowings 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 of 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 resale.

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.

## 2. Summary of significant accounting policies (continued)

### (e) Tax expense

*(i) Current tax*

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

*(ii) Deferred tax*

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are 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 the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

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 transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

**2. Summary of significant accounting policies (continued)**

**(f) Impairment**

(i) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and non-trade receivables and other financial assets carried at amortised cost.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's effective interest rate. The impairment loss is recognised in profit or loss

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

*(ii) Impairment of non-financial assets*

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

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

## 2. Summary of significant accounting policies (continued)

### (f) Impairment (continued)

*(ii) Impairment of non-financial assets (continued)*

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss 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. Impairment loss on goodwill is not reversed in a subsequent period.

### (g) Investment in subsidiaries

Investment in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying amounts may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

### (h) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

## 2. Summary of significant accounting policies (continued)

### (h) Property, plant and equipment (continued)

Freehold land is stated at revalued amount less impairment losses recognised after the date of the revaluation. Freehold land has an indefinite useful life and therefore is not depreciated. Freehold buildings are stated at revalued amount less accumulated depreciation and impairment losses recognised after the date of the revaluation.

Freehold land and buildings are revalued periodically, at least once in every 5 years. Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

Depreciation of other property, plant and equipment is provided for on a straight line basis, at the following annual rates:

| | |
|---|---|
| Leasehold land | over the remaining lease period, 43 to 70 years |
| Buildings | 2% to 15% |
| Plant and machinery | 5%- 33.3% |
| Motor vehicles | 10% - 25% |
| Furniture, fittings and equipment | 5% - 33.3% |

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying amouts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

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

### (i) Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes), are measured initially at its cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured using fair value model.

Investment properties are derecognised when either 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 of loss in the year of retirement or disposal.

**2. Summary of significant accounting policies (continued)**

**(i) Investment properties (continued)**

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, 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 and subsequent accounting purposes. If owner occupied property becomes an investment property, its fair value at the date of reclassification becomes its costs for subsequent accounting.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value reverses a previous property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

**(j) Financial assets**

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include loans and receivables and available-for-sale financial assets.

*(i) Loans and receivables*

Financial assets that are non-derivative 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. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

*(ii) Available-for-sale financial assets ("AFS")*

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

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

## 2. Summary of significant accounting policies (continued)

### (j) Financial assets (continued)

*(ii) Available-for-sale financial assets ("AFS") (continued)*

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

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

### (k) Inventories

Inventories, comprising of raw materials and finished goods, are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis, and comprises the purchase price, production or conversion costs and incidentals incurred in bringing the inventories to their present location and condition.

Net reliasable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

### (l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, deposits with financial institution with original maturities of less than 3 months, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

### (m) Financial liabilities

Financial liabilities are classified according to the substance of the contractual agreements entered into and the definitions of a financial liability.

Financial liabilities are recognised on the statements of financial position when, and only, when the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities of the Group and the Company are classified as other financial liabilities measured at amortised cost.

**2. Summary of significant accounting policies (continued)**

**(m) Financial liabilities (continued)**

*Other financial liabilities measured at amortised cost*

The Group's and the Company's other financial liabilities include trade and non-trade payables, accruals and borrowings.

Trade and non-trade payables, accruals and borrowings are recognised initially at fair value plus directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

**(n) 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 higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

**(o) Hire purchase arrangements**

Plant and equipment acquired under hire purchase arrangements are capitalised in the financial statements and the corresponding obligations are taken up as hire purchase creditors.

The interest element is charged to profit or loss over the year of respective hire purchase arrangements.

**(p) Provisions**

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability and the present value of the expenditure expected to be required to settle the obligation.

**2. Summary of significant accounting policies (continued)**

**(q) Contingencies**

*(i) Contingent liabilities*

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

*(ii) Contingent assets*

Where an inflow of economic benefits of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is disclosed as a contingent asset. When the inflow of benefit is virtually certain, then the related asset is recognised.

**(r) Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

**(s) Equity instruments**

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

**(t) 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 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.

**2. Summary of significant accounting policies (continued)**

**(t) Fair value measurements (continued)**

When measuring the fair value of an asset or a liability, the Group 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 Groupcan 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 recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfer.

**(u) Earnings per ordinary share**

The Group presents basic and diluted earnings per share date for its ordinary shares ("EPS").

Basic EPS is calculated by diving the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

**3. Revenue**

The revenue of the Group and of the Company consists of the following:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| Sale of goods | 54,056 | 72,303 | – | – |
| Management fee | – | – | 100 | 175 |
| | 54,056 | 72,303 | 100 | 175 |

## 4. Loss from operations

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| **Loss from operations is arrived at after charging/(crediting):** | | | | |
| Auditors' remuneration: | | | | |
| - current year | 202 | 201 | 115 | 114 |
| - underprovision in prior year | 4 | 29 | 1 | 13 |
| Non-audit fee | 60 | 59 | 60 | 59 |
| Bad debts written off | 93 | 105 | – | – |
| Bad debts recovered | (29) | (82) | – | – |
| Depreciation of property, plant and equipment | 1,243 | 1,338 | 175 | 86 |
| Deposits written off | 5 | – | 5 | – |
| Dividend income | (1) | (1) | – | – |
| Directors' fee | 95 | – | 95 | – |
| Employee benefits expense (Note 5) | 6,606 | 7,695 | 2,485 | 3,044 |
| Property, plant and equipment written off | 2 | 2 | – | – |
| Inventories written down | – | 1,024 | – | – |
| Gain on disposal of property, plant and equipment | (20) | (82) | – | – |
| Impairment loss on trade and non-trade receivables | 20 | 232 | – | – |
| Impairment loss on amounts due from subsidiaries | – | – | 1,838 | 1,934 |
| Impairment loss on investment in subsidiaries | – | – | – | 230 |
| Impairment on property, plant and equipment | 397 | – | 397 | – |
| Realised gain on foreign exchange | – | (1) | – | – |
| Reversal of inventories written down | (561) | – | – | – |
| Gain on fair value changes in investment properties | (240) | (176) | – | – |
| Rental of premises | 478 | 566 | – | 247 |
| Interest income | (148) | (170) | (101) | (150) |
| Rental income | (416) | (527) | – | – |

## 5. Employee benefits expense

| | Group 2017 RM'000 | Group 2016 RM'000 | Company 2017 RM'000 | Company 2016 RM'000 |
|---|---|---|---|---|
| (a) Staff costs: | | | | |
| Salaries, wages, allowances, bonus and overtime | 3,668 | 4,112 | 758 | 826 |
| Contributions to defined contribution plan and SOCSO | 486 | 517 | 93 | 98 |
| Other benefits | 69 | 86 | – | 3 |
| | 4,223 | 4,715 | 851 | 927 |
| (b) Directors' remunerations: | | | | |
| Executive: | | | | |
| Salaries and other emoluments | 2,055 | 2,719 | 1,383 | 1,959 |
| Contributions to defined contribution plan and SOCSO | 221 | 255 | 133 | 158 |
| Other benefits | 11 | 6 | – | – |
| Total directors' remunerations | 2,287 | 2,980 | 1,516 | 2,117 |
| Total employee benefits expense | 6,510 | 7,695 | 2,367 | 3,044 |

The number of directors of the Group and Company whose total remunerations during the year fall within the following bands are as follows:

| | Group Number of Directors 2017 | Group Number of Directors 2016 | Company Number of Directors 2017 | Company Number of Directors 2016 |
|---|---|---|---|---|
| **Executive Directors:** | | | | |
| – Below RM50,000 | – | 2 | – | – |
| – RM50,001 – RM100,000 | *3 | – | *3 | – |
| – RM100,001 – RM150,000 | *3 | – | *1 | – |
| – RM150,001 – RM200,000 | *1 | – | *1 | – |
| – RM200,001 – RM250,000 | *1 | 3 | *1 | 1 |
| – RM250,001 – RM300,000 | 2 | | 2 | |
| – RM300,001 – RM350,000 | – | 2 | – | 2 |
| – RM400,001 – RM450,000 | – | 1 | – | 1 |
| – RM450,001– RM500,000 | – | 1 | – | 1 |
| | 10 | 9 | 8 | 5 |
| **Non-executive Directors:** | | | | |
| – Below RM50,000 | *8 | 3 | *8 | 3 |
| – RM50,001 – RM100,000 | – | 1 | – | 1 |
| | 8 | 4 | 8 | 4 |
| | 18 | 13 | 16 | 9 |

* The directors who resigned/removed/demised during the financial year were included in the number of directors as shown above.

## 6. Finance costs

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Interest expense: | | | | |
| – bank overdraft | 121 | 475 | – | 317 |
| – hire purchase | 19 | 12 | 9 | 7 |
| – term loans | 311 | 414 | – | – |
| – other borrowings | 485 | 578 | – | – |
| | 936 | 1,479 | 9 | 324 |

## 7. Tax expense

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Tax expense: | | | | |
| – real property gain tax | 4 | – | – | – |
| – current year | 246 | 456 | – | – |
| – under/(over)provision in prior year | 30 | (11) | – | – |
| | 280 | 445 | – | – |
| Deferred tax (Note 21): | | | | |
| – current year | 13 | 37 | – | – |
| – under/(over)provision in prior year | 4 | (4) | – | – |
| – crystallisation of deferred tax liability arising from revaluation reserve | (60) | (56) | – | – |
| | (43) | (23) | – | – |
| | 237 | 422 | – | – |

## 7. Tax expense (continued)

***Reconciliation of effective tax expense***

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| Loss before tax | (4,418) | (9,162) | (5,826) | (9,977) |
| Tax calculated at statutory tax rate of 24% | (1,061) | (2,199) | (1,398) | (2,395) |
| Non-deductible expenses | 862 | 1,237 | 884 | 1,368 |
| Non-taxable income | (76) | (42) | – | – |
| Deferred tax liabilities transferred from fair value of investment properties | 20 | 42 | – | – |
| Deferred tax assets not recognised during the financial year | 514 | 1,455 | 514 | 1,027 |
| | 259 | 493 | – | – |
| Real property gain tax | 4 | – | – | – |
| Under/(Over)provision of tax expense in prior year | 30 | (11) | – | – |
| Under/(Over)provision of deferred tax in prior year | 4 | (4) | – | – |
| Crystallisation of deferred tax liability arising from revaluation reserve | (60) | (56) | – | – |
| | 237 | 422 | – | – |

The Group and the Company has unutilised tax losses and unabsorbed capital allowances and amounting to RM41,541,727 and RM10,793,981 (2016: RM39,436,899 and RM8,689,153) and RM4,837,327 and RM103,339 (2016: RM4,773,329 and RM39,341) respectively available for offset against future taxable business income, for which no deferred tax assets are recognised due to uncertainty of its recoverability.

## 8. Basic loss per share

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 or ordinary shares in issue during the financial year.

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| Loss attributable to Owners of the Company (RM'000) | (4,655) | (9,584) |
| Weighted average number of ordinary shares in issued ('000) | 89, 905 | 89,905 |
| Loss per share (sen) | (5.18) | (10.66) |

Fully diluted earnings per share on the basis of the assumed conversion of warrants has not been disclosed as the effect is anti-dilutive.

## 9. Investment in subsidiaries

| | Company | |
|---|---|---|
| | **2017** | **2016** |
| | **RM'000** | **RM'000** |
| Unquoted shares, at cost | 39,188 | 39,188 |
| Less: Impairment loss | (34,302) | (34,302) |
| | 4,886 | 4,886 |

**9. Investment in subsidiaries (continued)**

The details of the subsidiaries are as follows:

| Name of subsidiaries | Country of incorporation | Percentage of equity held Company 2017 % | 2016 % | Principal activities |
|---|---|---|---|---|
| S.P Granite Sdn. Bhd.* | Malaysia | 100 | 100 | Manufacturing and trading in marble, granite and ceramic tiles. The Company has temporarily ceased its operations. |
| Rainbow Marble & Tiling Sdn. Bhd. | Malaysia | 100 | 100 | Trading in marble, granite, ceramic tiles and sanitary ware. |
| Stone Master Marketing Sdn. Bhd.* | Malaysia | 100 | 100 | Trading in marble, granite, sanitary ware and all other related products. The Company temporarily ceased its business operations during the financial year. |
| Stone Design House Sdn. Bhd.* | Malaysia | 100 | 100 | Specialise in the designing, creative, artistic, imaginative, inventive, inspired innovative, resourceful architectural, interior design works, constructions designing and refurbishment works. The Company temporarily ceased its business operations during the financial year. |
| Stone Master Aluminium Sdn. Bhd.# | Malaysia | 100 | 100 | Intended to principally engage in the merchandising of and trading in aluminium products and all kinds of related products and provision of contractor services. |
| SM Eco wood Sdn. Bhd. # | Malaysia | 100 | 100 | Intended to principally engage in the merchandising of and trading in furniture products and all kinds of related products and provision of contractor services. |
| SM Wooden Products Sdn. Bhd. # | Malaysia | 100 | 100 | Intended to principally engage in the merchandising of and trading in furniture and fixtures, and all kinds of related products and provision of contractor services. |
| Stone Master Tiling Sdn. Bhd. # | Malaysia | 100 | 100 | Intended to principally engage in the merchandising of and trading in tiles and all kinds of related products and provision of contractor services. |

**9. Investment in subsidiaries (continued)**

The details of the subsidiaries are as follows: (Continued)

| Name of subsidiaries | Country of incorporation | Percentage of equity held Company 2017 % | 2016 % | Principal activities |
|---|---|---|---|---|
| SM Paint Products Sdn. Bhd. # | Malaysia | 100 | 100 | Intended to principally engage in the merchandising of and trading in paint products and all kinds of related products and provision of contractor services. |
| SM Waterproofing Sdn. Bhd. # | Malaysia | 100 | 100 | Intended to principally engage in the merchandising of and trading in waterproofing products and all kinds of related products and provision of contractor services. |
| SM Sanitary Ware Sdn. Bhd. # | Malaysia | 100 | 100 | Intended to principally engage in the merchandising of and trading in sanitary ware and all kinds of related products and provision of contractor services. |
| SM Flooring Sdn. Bhd. # | Malaysia | 100 | 100 | Intended to principally engage in the merchandising of and trading in flooring products and all kinds of related products and provision of contractor services. |
| SM Kitchenware Sdn. Bhd. # | Malaysia | 100 | 100 | Intended to principally engage in the merchandising of and trading in kitchen wares and all kinds of related products and provision of contractor services. |
| SM Wardrobes & Cabinets Sdn. Bhd. # | Malaysia | 100 | 100 | Intended to principally engage in the merchandising of and trading in wardrobes and cabinets and all kinds of related products and provision of contractor services. |
| Stone Master Elevator Sdn. Bhd. # | Malaysia | 100 | 100 | Intended to principally engage in the merchandising of and trading in elevators and all kinds of related products and provision of contractor services. |
| SM Marble Art Sdn. Bhd. # | Malaysia | 100 | 100 | Intended to principally engage in the merchandising of and trading in marble art design and provision of contractor services. |

## 9. Investment in subsidiaries (continued)

The details of the subsidiaries are as follows: (Continued)

| Name of subsidiaries | Country of incorporation | Percentage of equity held Company 2017 % | 2016 % | Principal activities |
|---|---|---|---|---|
| SM Linens Sdn. Bhd. # | Malaysia | 100 | 100 | Intended to principally engage in the merchandising of and trading in fabric and linen products and all kinds of related products and provision of contractor services. |
| SM Airconditioning Sdn. Bhd. # | Malaysia | 100 | 100 | Intended to principally engage in the merchandising of and trading in air conditioning products and provision of contractor services. |
| SM Marble & Granite Sdn. Bhd. # | Malaysia | 100 | 100 | Intended to principally engage in the merchandising of and trading in marble and granite products, ceramic tiles and all kinds of related products and provision of contractor services. |
| SM Furnishing Products Sdn. Bhd. # | Malaysia | 100 | 100 | Intended to principally engage in the merchandising of and trading in furnishing products, and all kinds of related products and provision of contractor services. |
| SM Seats & Chairs Sdn. Bhd. # | Malaysia | 100 | 100 | Intended to principally engage in the merchandising of and trading in seats and chairs and provision of contractor services. |
| SM Smart Lamps Sdn. Bhd. # | Malaysia | 100 | 100 | Intended to principally engage in the 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. # | Malaysia | 100 | 100 | Intended to principally engage in the merchandising of and trading in electric lighting products and all kinds of related products and provision of contractor services. |

**9. Investment in subsidiaries (continued)**

The details of the subsidiaries are as follows: (Continued)

| Name of subsidiaries | Country of incorporation | Percentage of equity held Company 2017 % | 2016 % | Principal activities |
|---|---|---|---|---|
| SM Heat Pumps Sdn. Bhd. # | Malaysia | 100 | 100 | Intended to principally engage in the merchandising of and trading in heat pump products and all kinds of related products and provision of contractor services. |
| **Subsidiary of S.P. Granite Sdn. Bhd.** | | | | |
| Stone Master (Malaysia) Sdn. Bhd.* | Malaysia | 100 | 100 | Trading in marble, granite, ceramic tiles and sanitary ware and contract work. The Company temporarily ceased its business operations during the financial year. |
| Fastra Sdn. Bhd.* | Malaysia | 100 | 100 | Dormant. |

* The auditors' report on financial statements of these subsidiaries contain a Disclaimer of Opinion in respect of the appropriateness of the going concerns assumption.

# The management intends to strike off the company.

## 10. Property, plant and equipment

| Group | 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 |
|---|---|---|---|---|---|---|---|
| **2017** | | | | | | | |
| **Cost/Valuation** | | | | | | | |
| At 1 October | 830 | 3,348 | 10,329 | 17,817 | 3,445 | 3,117 | 38,886 |
| Reclassification | – | – | – | – | (55) | 42 | (13) |
| Revaluation | 20 | 40 | 94 | – | – | – | 154 |
| Additions | – | – | 145 | – | 12 | 251 | 408 |
| Disposals/Written off | – | – | – | – | (79) | (5) | (84) |
| At 30 September | 850 | 3,388 | 10,568 | 17,817 | 3,323 | 3,405 | 39,351 |
| **Representing:** | | | | | | | |
| At cost | – | – | – | 17,817 | 3,323 | 3,405 | 24,545 |
| At valuation | 850 | 3,388 | 10,568 | – | – | – | 14,806 |
| | 850 | 3,388 | 10,568 | 17,817 | 3,323 | 3,405 | 39,351 |

## 10. Property, plant and equipment (continued)

| Group | 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 |
|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | |
| **Accumulated depreciation** | | | | | | | |
| At 1 October | – | 221 | 1,093 | 14,197 | 2,754 | 1,970 | 20,235 |
| Reclassification | – | – | – | – | (58) | 45 | (13) |
| Charge for the financial year | – | 77 | 275 | 474 | 189 | 228 | 1,243 |
| Disposals/Written off | – | – | – | – | (79) | (4) | (83) |
| At 30 September | – | 298 | 1,368 | 14,671 | 2,806 | 2,239 | 21,382 |
| **Impairment loss** | | | | | | | |
| At 1 October | – | – | 53 | – | – | – | 53 |
| Additions | – | – | – | – | – | 397 | 397 |
| At 30 September | – | – | 53 | – | – | 397 | 450 |
| **Carrying amount** | 850 | 3,090 | 9,147 | 3,146 | 517 | 769 | 17,519 |
| **Representing:** | | | | | | | |
| At cost | – | – | – | 3,146 | 517 | 769 | 4,432 |
| At valuation | 850 | 3,090 | 9,147 | – | – | – | 13,087 |
| | 850 | 3,090 | 9,147 | 3,146 | 517 | 769 | 17,519 |

## 10. Property, plant and equipment (continued)

| Group | 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 |
|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | |
| **Cost/Valuation** | | | | | | | |
| At 1 October | 830 | 3,348 | 13,055 | 17,992 | 3,446 | 2,705 | 41,376 |
| Revaluation | – | – | 174 | – | – | – | 174 |
| Transferred to investment properties | – | – | (3,424) | – | – | – | (3,424) |
| Additions | – | – | 524 | – | 835 | 415 | 1,774 |
| Disposals/Written off | – | – | – | (175) | (836) | (3) | (1,014) |
| At 30 September | 830 | 3,348 | 10,329 | 17,817 | 3,445 | 3,117 | 38,886 |
| **Representing:** | | | | | | | |
| At cost | – | – | – | 17,817 | 3,445 | 3,117 | 24,379 |
| At valuation | 830 | 3,348 | 10,329 | – | – | – | 14,507 |
| | 830 | 3,348 | 10,329 | 17,817 | 3,445 | 3,117 | 38,886 |

## 10. Property, plant and equipment (continued)

| Group | 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 |
|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | |
| **Accumulated depreciation** | | | | | | | |
| At 1 October | – | 144 | 750 | 13,830 | 3,339 | 1,772 | 19,835 |
| Revaluation | – | – | 69 | – | – | – | 69 |
| Charge for the financial year | – | 77 | 274 | 540 | 248 | 199 | 1,338 |
| Disposals/written off | – | – | – | (173) | (833) | (1) | (1,007) |
| At 30 September | – | 221 | 1,093 | 14,197 | 2,754 | 1,970 | 20,235 |
| **Impairment loss** | | | | | | | |
| At 1 October/30 September | – | – | 53 | – | – | – | 53 |
| **Carrying amount** | 830 | 3,127 | 9,183 | 3,620 | 691 | 1,147 | 18,598 |
| **Representing:** | | | | | | | |
| At cost | – | – | – | 3,620 | 691 | 1,147 | 5,458 |
| At valuation | 830 | 3,127 | 9,183 | – | – | – | 13,140 |
| | 830 | 3,127 | 9,183 | 3,620 | 691 | 1,147 | 18,598 |

**10. Property, plant and equipment (continued)**

| | Furniture, fittings and equipment RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|
| **Company** | | | |
| **2017** | | | |
| **Cost** | | | |
| At 1 October | 480 | 490 | 970 |
| Additions | 138 | – | 138 |
| At 30 September | 618 | 490 | 1,108 |
| **Accumulated depreciation** | | | |
| At 1 October | 40 | 57 | 97 |
| Charge for the financial year | 77 | 98 | 175 |
| At 30 September | 117 | 155 | 272 |
| **Impairment loss** | | | |
| At 1 October | – | – | – |
| Additions | 397 | – | 397 |
| At 30 September | 397 | – | 397 |
| **Carrying amount** | | | |
| At 30 September | 104 | 335 | 439 |
| **2016** | | | |
| **Cost** | | | |
| At 1 October | 136 | – | 136 |
| Additions | 344 | 490 | 834 |
| At 30 September | 480 | 490 | 970 |
| **Accumulated depreciation** | | | |
| At 1 October | 11 | – | 11 |
| Charge for the financial year | 29 | 57 | 86 |
| At 30 September | 40 | 57 | 97 |
| **Carrying amount** | | | |
| At 30 September | 440 | 433 | 873 |

**10. Property, plant and equipment (continued)**

(a) Included in property, plant and equipment of the Group are the following fully depreciated property, plant and equipment which are still in use:

| | 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| Motor vehicles | 2,480 | 2,424 |
| Plant and machinery | 8,814 | 6,238 |
| Furniture, fittings and equipment | 1,446 | 811 |
| | 12,740 | 9,473 |

(b) Included in the property, plant and equipment at the end of the reporting period were motor vehicles with a total carrying amount of RM515,096 (2016: RM689,024), which were acquired under hire purchase arrangements.

(c) The freehold land, leasehold land and buildings with a total carrying value amounting to RM13,088,636 (2016: RM13,141,750) have been charged to a licensed bank for banking facilities granted to the subsidiary.

(d) Included in building was building under construction with an aggregate cost totalling to RM437,819 (2016: RM293,086).

(e) Leasehold period for leasehold land

| | Group | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| Leasehold land with unexpired lease period of: | | |
| - More than 50 years | 1,340 | 1,320 |
| - Less than 50 years | 1,750 | 1,807 |
| | 3,090 | 3,127 |

(f) On 30 September 2017, freehold land, leasehold land and buildings have been revalued based on valuations performed by an independent professional qualified valuer using the sales comparison method.

(g) Fair value of the freehold land, leasehold land and buildings are categorised under level 2 of fair value. Level 2 of 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.

## 11. Investment properties

| | Leasehold land RM'000 | Freehold land RM'000 | Buildings RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **2017** | | | | |
| **At fair value** | | | | |
| At 1 October | 125 | 2,305 | 5,305 | 7,735 |
| Gain on fair value changes | – | – | 240 | 240 |
| At 30 September | 125 | 2,305 | 5,545 | 7,975 |
| **2016** | | | | |
| At 1 October | 125 | 2,305 | 1,705 | 4,135 |
| Transferred from property, plant and equipment | – | – | 3,424 | 3,424 |
| Gain on fair value changes | – | – | 176 | 176 |
| At 30 September | 125 | 2,305 | 5,305 | 7,735 |

(a) Investment properties comprise a number of commercial properties that are leased to third parties. Each lease contains an initial non-cancellable period of 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 rentals are charged.

(b) All of the investment properties have been pledged as collateral for banking facilities granted to the Group as disclosed in Note 20 to the financial statements. Approval of the lender is required for any disposal of an investment property. The proceeds from disposal can only be remitted to the Group after full repayment of the banking facilities.

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

| | 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| Rental income | 124 | 143 |

(d) On 30 September 2017, freehold land, leasehold land and buildings have been revalued based on valuations performed by an independent professional qualified valuer using the sales comparison method.

(e) Fair value of the investment properties are categorised under level 2 fair value. Level 2 fair value is determined using the sales comparison approach where the selling price of comparable properties in close proximity are adjusted for differences in key attributes such as property size.

## 12. Other investment

| | Group 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| **Available for sale financial asset:** | | |
| Quoted shares in Malaysia at fair value | | |
| At 1 October/30 September | 28 | 28 |

## 13. Inventories

| | Group 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| **At cost:** | | |
| Finished goods and goods for resale | 4,729 | 4,745 |
| Recognised in profit or loss: | | |
| Inventories recognised as costs of sales | 41,447 | 57,505 |
| Inventories written down | – | 1,024 |
| Reversal of inventories written down | (561) | (925) |

## 14. Trade receivables

| | Group 2017 RM'000 | 2016 RM'000 |
|---|---|---|
| Trade receivables | 16,670 | 19,329 |
| Less: Impairment loss | | |
| At 1 October | (3,515) | (3,302) |
| Addition | (20) | (232) |
| Reversal | – | 19 |
| At 30 September | (3,535) | (3,515) |
| | 13,135 | 15,814 |

The Group's normal trade credit terms range from 30 to 180 days (2016: 30 to 180 days). Other credit terms are assessed and approved on a case-by-case basis.

**15. Non-trade receivables, deposits and prepayments**

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| Non-trade receivables | 141 | 126 | 47 | 16 |
| Deposits | 710 | 12,111 | 279 | 11,873 |
| Prepayments | 69 | 124 | 10 | 10 |
| | 920 | 12,361 | 336 | 11,899 |
| Less: Impairment loss | | | | |
| At 1 October | (58) | (58) | – | – |
| Addition | – | – | – | – |
| At 30 September | (58) | (58) | – | – |
| Total | 862 | 12,303 | 336 | 11,899 |

In the previous financial year end, included in deposits was non-refundable deposits of RM11,590,000 paid by the Company pursuant to the Exclusive Agency Agreements ("EAA") as detailed in Note 33.2 to the financial statements. During the financial year, the deposits have been set-off against the purchase consideration received from Quantum March Sdn. Bhd. pursuant to the Sale and Purchase Agreement in respect of the Company's right to complete procurement of exclusive agencies arising from the EAA as detailed in Note 33.7 to the financial statements.

**16. Amount due from a subsidiary**

The amount due from a subsidiary is non-trade in nature, unsecured, interest-free and repayable on demand.

**17. Fixed deposits with licensed banks**

The fixed deposits placed with licensed banks have maturity of 1 year and earn interest ranging from 2.55% to 3.00% (2016: 3.45%) per annum.

As at the previous financial year end, fixed deposits placed with licensed banks amounting to RM10,000 were pledged for an overdraft facility granted to the Company.

## 18. Share capital

### (a) Ordinary shares

| | Company | | | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | Number of Ordinary Shares'000 | | RM'000 | RM'000 |
| Authorised: | | | | |
| At 1 October/30 September | n/a | 8,000,000* | n/a | 2,000,000 |
| Issued and fully paid: | | | | |
| At 1 October | 89,905 | 89,905* | 22,476 | 22,476 |
| Reclassified from share premium | – | – | 2,048 | – |
| At 30 September | 89,905 | 89,905* | 24,524 | 22,476 |

* Par value of RM0.25 each

On 31 January 2017, the Companies Act, 2016 in Malaysia became effective and rendered the par value regime no longer applicable. This has resulted in the Company's shares capital no longer having par value and the authorised share capital no longer relevant at the date of the report.

### (b) Share premium

| | Group and Company | |
|---|---|---|
| | 2017 | 2016 |
| | RM'000 | RM'000 |
| At 1 October | 2,048 | 2,048 |
| Reclassified to share capital | (2,048) | – |
| At 30 September | – | 2,048 |

In accordance with Section 74 of the Companies Act, 2016 in Malaysia which became effective 31 January 2017, all shares issued by a company shall have no par or nominal value. Therefore, the share premium account now effectively forms part of the Company's share capital effective on 31 January 2017 and at the end of the financial year end.

The Company has adopted the transitional provision under the Company Act, 2016 in Malaysia where the sum standing to the credit of the share premium and capital reserve account may be utilised within 24 months from the commencement date of 31 January 2017 in the manner as allowed for under the Act. Any remaining amount standing to the credit of the Company's shall be reclassified and become part of the share capital.

## 18. Share capital (continued)

### (c) Warrants

On 22 June 2015, the Company issued 21,852,588 warrants pursuant to the Company's Right Issue. The terms of the warrants were 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 5.00p.m. 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 21 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.

(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.

## 19. Reserve

| | Non-distributable | | | |
|---|---|---|---|---|
| | Revaluation reserve RM'000 | Fair value reserve RM'000 | Warrant reserve RM'000 | Total RM'000 |
| **Group** | | | | |
| At 1 October 2015 | 4,224 | 13 | 2,622 | 6,859 |
| Amortisation of revaluation reserve | (155) | – | – | (155) |
| Revaluation surplus | 80 | – | – | 80 |
| At 30 September 2016 | 4,149 | 13 | 2,622 | 6,784 |
| Revaluation surplus | 121 | – | – | 121 |
| Amortisation of revaluation reserve | (130) | – | – | (130) |
| Fair value adjustment | – | – | (218) | (218) |
| At 30 September 2017 | 4,140 | 13 | 2,404 | 6,557 |

**Revaluation reserve**

The revaluation reserve represents the surplus arising from the revaluation of land and buildings of the Group (net of deferred tax, where applicable).

**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 Right Issue. The fair value allocated to each of the warrants is RM0.11 by using the Black-Scholes Option Pricing model.

The warrants carry the entitlement, at any time from the issue dated 29 June 2015 up to the close of business at 5.00p.m. in Malaysia on the maturity date of 21 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.

## 20. Borrowings

| | Note | Group 2017 RM'000 | Group 2016 RM'000 | Company 2017 RM'000 | Company 2016 RM'000 |
|---|---|---|---|---|---|
| **Secured** | | | | | |
| **Current** | | | | | |
| Bank overdraft | (a) | 1,330 | 1,660 | – | – |
| Trust receipts | (b) | 3,023 | 3,080 | – | – |
| Banker acceptance | (c) | 4,389 | 5,393 | – | – |
| Term loans | (d) | 828 | 803 | – | – |
| Hire purchase liabilities | (e) | 150 | 126 | 65 | 46 |
| | | 9,720 | 11,062 | 65 | 46 |
| **Non-current** | | | | | |
| Term loans | (d) | 2,814 | 3,776 | | |
| Hire purchase liabilities | (e) | 190 | 324 | 134 | 182 |
| | | 3,004 | 4,100 | 134 | 182 |
| | | 12,724 | 15,162 | 199 | 228 |

### (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) First and second party legal charge over the Group's freehold land, leasehold land and buildings;and
(vi) Fixed deposits placed with licensed banks of the Company.

The bank overdraft bears weighted average effective interest rate at 8.85% (2016: 8.85%) per annum.

### (b) Trust receipts

Trust receipts of the Group are secured by way of:

(i) First and second party legal charge over a subsidiary's freehold land and building; and
(ii) Corporate guarantee by the Company.

The trust receipts bear interest rate at 8.40% (2016: 8.60%).

### (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.

The banker acceptance bears interest rate range from 5.34% to 5.44% (2016: 5.50% to 5.80%).

## 20. Borrowings (continued)

### (d) Term loans

| | Group 2017 RM | Group 2016 RM |
|---|---|---|
| Term loan 1 | 1,810 | 2,672 |
| Term loan 2 | – | 31 |
| Term loan 3 | – | 32 |
| Term loan 4 | 1,600 | 1,844 |
| Term loan 5 | 232 | – |
| | 3,642 | 4,579 |

The maturity structure of the term loan is as follows:

| | Group 2017 RM | Group 2016 RM |
|---|---|---|
| Repayable within one year | 828 | 803 |
| Repayable between one to two years | 297 | 806 |
| Repayable between two to five years | 2,076 | 1,236 |
| Repayable more than five years | 441 | 1,734 |
| | 2,814 | 3,776 |
| | 3,642 | 4,579 |

Term loan 1

This term loan is secured by way of:

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

Term loan 2

The term loan is repayable in 120 monthly instalments of RM3,925 per instalment.

The term loan bears interest at 5.35% per annum and is secured by way of:

(i) Personal guarantee by a director of the subsidiaries; and
(ii) First fixed legal charge to secure all monies due and payable where required by the bank.

**20. Borrowings (continued)**

**(d) Term loans (continued)**

Term loan 3

The term loan is repayable in 120 monthly instalments of RM4,066 per instalment.

The term loan bears interest at 5.35% per annum and is secured by way of:

(i) Personal guarantee by a director of the subsidiaries; and
(ii) First fixed legal charge to secure all monies due and payable where required by the bank.

Term loan 4

The term loan is repayable in 120 monthly instalments of RM20,835 per instalment.

The term loan bears interest at 8.75% per annum and is secured by way of:

(i) Personal guarantee by a director of the subsidiaries;
(ii) An assignment over the rights, title and interest to the building under construction as disclosed in Note 10 to the financial statements; and
(iii) First fixed legal charge to secure all monies due and payable where required by the bank.

Term loan 5

The term loan is repayable in 120 monthly instalments of RM4,561 per instalment.

The term loan bears interest at 4.85% per annum and is secured by way of:

(i) Personal guarantee by a director of the subsidiaries;
(ii) An assignment over the rights, title and interest to the building under construction as disclosed in Note 10 to the financial statements; and
(iii) First fixed legal charge to secure all monies due and payable where required by the bank.

**(e) Hire purchase liabilities**

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| Minimum hire purchase payments: | | | | |
| Repayable within one year | 176 | 148 | 85 | 57 |
| Repayable between two to five years | 191 | 348 | 134 | 200 |
| | 367 | 496 | 219 | 257 |
| Less: Future finance charges | (27) | (46) | (20) | (29) |
| Present value of hire purchase liabilities | 340 | 450 | 199 | 228 |

## 20. Borrowings (continued)

### (e) Hire purchase liabilities (continued)

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| Present value of hire purchase liabilities: | | | | |
| Repayable within one year | 150 | 126 | 65 | 46 |
| Repayable between one to five years | 190 | 324 | 134 | 182 |
| | 340 | 450 | 199 | 228 |
| Representing hire purchase liabilities: | | | | |
| Current | 150 | 126 | 65 | 46 |
| Non-current | 190 | 324 | 134 | 182 |
| | 340 | 450 | 199 | 228 |

The hire purchase liabilities bear weighted average effective interest rates ranging from 5.31% to 5.98% (2016: 5.31% to 5.98%) per annum.

## 21. Deferred tax liabilities

| | Group | |
|---|---|---|
| | **2017 RM'000** | **2016 RM'000** |
| At 1 October | 2,054 | 2,052 |
| Transfer from revaluation reserve | 33 | 25 |
| Recognised in profit or loss (Note 7) | (43) | (23) |
| At 30 September | 2,044 | 2,054 |

## 21. Deferred tax liabilities (continued)

The components and movements of deferred tax liabilities and assets during the financial year/period prior to offsetting are as follows:

| | Property, plant and equipment RM'000 | Revaluation reserve RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|
| At 1 October | 205 | 1,878 | (31) | 2,052 |
| Revaluation of property, plant and equipment | – | 25 | – | 25 |
| Recognised in profit or loss (Note 7) | (23) | – | – | (23) |
| At 30 September | 182 | 1,903 | (31) | 2,054 |
| Revaluation of property, plant and equipment | – | 33 | – | 33 |
| Recognised in profit or loss (Note 7) | (34) | (29) | 20 | (43) |
| At 30 September | 148 | 1,909 | (11) | 2,044 |

The Group has the following items available for offset against future taxable business income, for which no deferred tax assets are recognised due to uncertainty of its recoverability.

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Property, plant and equipment | – | 25 | – | 25 |
| Unabsorbed capital allowances | 100 | 39 | 100 | 39 |
| Unutilised tax losses | 10,794 | 8,689 | 10,794 | 8,689 |
| | 10,894 | 8,753 | 10,894 | 8,753 |

## 22. Trade payables

| | Group | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| Trade payables | 8,020 | 8,324 |
| Amount due to customer for contract work | 537 | 537 |
| | 8,557 | 8,861 |

The normal trade credit terms granted to the Group range from 30 to 120 days (2016: 30 to 120 days).

**23. Non-trade payables, deposits received and accruals**

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2017<br>RM'000 | 2016<br>RM'000 | 2017<br>RM'000 | 2016<br>RM'000 |
| Non-trade payables | (a) | 19,886 | 23,948 | 18,400 | 22,321 |
| Deposits | | 150 | 140 | – | – |
| Accruals | | 2,038 | 2,797 | 1,092 | 1,350 |
| Amount due to a former director | (b) | 284 | 290 | 63 | 63 |
| Amounts due to directors | (c) | 778 | 2,022 | 200 | 1,444 |
| | | 23,136 | 29,197 | 19,755 | 25,178 |

(a) Non-trade payables

Included in non-trade payables are:

(i) Amount due to Starfield Capital Sdn. Bhd. amounting to RM18 million (2016: RM18 million) as detailed in Note 33 to the financial statements.
(ii) Amount due to Antico Stone Sdn. Bhd. amounting to Nil (2016: RM4 million).
(iii) Provision for termination benefits amounting to RM300,000 (2016: RM300,000).

(b) Amount due to a former director

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

(c) Amounts due to directors

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

Included herein is an amount due to Dato' Eii Ching Siew @ Yii Ching Siew by the Group and the Company amounting to RM0.78 million (2016: RM2.02 million) and RM0.20 million (2016: RM1.44 million) respectively.

**24. Net assets per ordinary share**

Net asset per share is calculated based on the net asset value at the end of the financial year divided by the number of ordinary shares in issue at the end of the financial year, calculated as follows:

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| Net assets (RM'000) | 3,170 | 7,704 |
| Number of ordinary shares in issue ('000) | 89,905 | 89,905 |
| Net asset per share (sen) | 3.53 | 8.57 |

**25. Significant related party transactions**

(a) Identities 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 have 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 (Retired on 30 March 2017) |
| Koh and Associates | Legal firm in which a director, Dato' Koh Mui Tee, has interest (Removed on 30 May 2017) |

(b) Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following transactions with its related parties during the financial year:-

| | **Group** | |
|---|---|---|
| | **2017** | **2016** |
| | **RM'000** | **RM'000** |
| Management fees charged to subsidiaries: | | |
| - S.P. Granite Sdn. Bhd. | – | (75) |
| - Rainbow Marble & Tiling Sdn. Bhd. | (100) | (100) |

| | **Group** | |
|---|---|---|
| | **2017** | **2016** |
| | **RM'000** | **RM'000** |
| Others: | | |
| Loan from Starfield Capital Sdn. Bhd. | – | 18,000 |
| Advance from Dato' Eii | 200 | 3,330 |
| Repayment to Dato' Eii | (1,444) | (1,675) |
| Rental of premises from Dato' Eii | 92 | 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 |

**25. Significant related party transactions (continued)**

(c) Compensation of Key Management Personnel

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.

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| **Directors** | | | | |
| Salaries and allowances | 2,055 | 2,719 | 1,383 | 1,959 |
| Employees' Provident Fund and SOCSO | 221 | 255 | 133 | 158 |
| Other benefits | 11 | 6 | – | – |
| | 2,287 | 2,980 | 1,516 | 2,117 |
| **Key management personnel** | | | | |
| Salaries and allowances | 466 | 300 | 466 | 300 |
| Employees' Provident Fund and SOCSO | 58 | 37 | 58 | 37 |
| | 524 | 337 | 524 | 337 |
| Director fees | 95 | – | 95 | – |
| Total | 2,906 | 3,317 | 2,135 | 2,454 |

**26. Capital commitments**

Capital commitments as at reporting date are as follows:

| | Group | |
|---|---|---|
| | **2017 RM'000** | **2016 RM'000** |
| **Contracted but not provided for:** | | |
| - Building in construction | 286 | 326 |

## 27. Operating lease arrangements

The Group and the Company has entered into operating lease agreements for average lease term between one to five years, with option to renew the lease at the end of the lease term.

The future aggregate minimum lease payments under operating leases contracted for as of the reporting date but not recognised as liabilities are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Not later than one year | 256 | 535 | 92 | 366 |
| Later than one year and not later than five years | 478 | 842 | 62 | 552 |
| More than five years | 43 | 101 | – | – |
| | 777 | 1,478 | 154 | 918 |

## 28. Financial guarantee

| | Company | |
|---|---|---|
| | 2017 RM'000 | 2016 RM'000 |
| Corporate guarantees given to subsidiaries for borrowings: | | |
| - S.P. Granite Sdn. Bhd. | 2,650 | 3,666 |
| - Rainbow Marble & Tiling Sdn. Bhd. | 20,934 | 20,934 |
| - Stone Master (Malaysia) Sdn. Bhd. | 101 | 306 |
| | 23,685 | 24,906 |

## 29. Operating segments

The Company is principally engaged in the trading of marble, granite, ceramic tiles, sanitary wares and other related products in Malaysia. There is no other business component that is an operating segment with a distinct allocation of resources. As such, there are no separate reportable segments and segmental reporting.

**Major customers**

Revenue from one (2016: one) major customer arising from the sale of tiles amounting to RM6,834,880 (2016: RM8,036,578).

**30. Financial instruments**

**Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables;
(b) Available-for-sale financial assets; and
(c) Other financial liabilities measured at amortised cost.

| **Group** | **Carrying amount RM'000** | **Loans and receivables RM'000** | **Available-for-sale financial assets RM'000** | **Other financial liabilities measured at amortised cost RM'000** |
|---|---|---|---|---|
| **2017** | | | | |
| **Financial assets** | | | | |
| Other investment | 28 | – | 28 | – |
| Trade receivables | 13,135 | 13,135 | – | – |
| Non-trade receivables and deposits (excluding prepayments) | 793 | 793 | – | – |
| Fixed deposits with licensed banks | 1,697 | 1,697 | – | – |
| Cash and bank balances | 3,396 | 3,396 | – | – |
| | 19,049 | 19,021 | 28 | – |
| **Financial liabilities** | | | | |
| Trade payables | 8,557 | – | – | 8,557 |
| Non-trade payables and accruals | 23,137 | – | – | 23,137 |
| Borrowings | 12,724 | – | – | 12,724 |
| | 44,418 | – | – | 44,418 |

**30. Financial instruments (continued)**

**Categories of financial instruments (continued)**

| Group | Carrying amount RM'000 | Loans and receivables RM'000 | Available-for-sale financial assets RM'000 | Other financial liabilities measured at amortised cost RM'000 |
|---|---|---|---|---|
| **2016** | | | | |
| **Financial assets** | | | | |
| Other investment | 28 | – | 28 | – |
| Trade receivables | 15,814 | 15,814 | – | – |
| Non-trade receivables and deposits (excluding prepayments and non-refundable deposits) | 589 | 589 | – | – |
| Fixed deposit with licensed banks | 1,025 | 1,025 | – | – |
| Cash and bank balances | 2,741 | 2,741 | – | – |
| | 20,197 | 20,169 | 28 | – |
| **Financial liabilities** | | | | |
| Trade payables | 8,861 | – | – | 8,861 |
| Non-trade payables and accruals | 29,197 | – | – | 29,197 |
| Borrowings | 15,162 | – | – | 15,162 |
| | 53,220 | – | – | 53,220 |

**30. Financial instruments (continued)**

**Categories of financial instruments (continued)**

| | Carrying amount RM'000 | Loans and receivables RM'000 | Other financial liabilities measured at amortised cost RM'000 |
|---|---|---|---|
| **Company** | | | |
| **2017** | | | |
| **Financial assets** | | | |
| Non-trade receivables and deposits (excluding prepayments) | 326 | 326 | – |
| Amount due from a subsidiary | 333 | 333 | – |
| Cash and bank balances | 1,594 | 1,594 | – |
| | 2,253 | 2,253 | – |
| **Financial liabilities** | | | |
| Non–trade payables and accruals | 19,756 | – | 19,756 |
| Borrowings | 199 | – | 199 |
| | 19,955 | – | 19,955 |
| **2016** | | | |
| **Financial assets** | | | |
| Non-trade receivables and deposits (excluding prepayments and non-refundable deposits) | 299 | 299 | – |
| Amount due from a subsidiary | 374 | 374 | – |
| Fixed deposit with a licensed bank | 10 | 10 | – |
| Cash and bank balances | 824 | 824 | – |
| | 1,507 | 1,507 | – |
| **Financial liabilities** | | | |
| Non-trade payables and accruals | 25,178 | – | 25,178 |
| Borrowings | 228 | – | 228 |
| | 25,406 | – | 25,406 |

**30. Financial instruments (continued)**

**Financial risk management objectives and policies**

The Group is exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, interest rate risk, market risk, foreign currency risk and liquidity risk.

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its credit risk, interest rate risk, market risk, foreign currency risk and liquidity risk.

The following sections provide details regarding the Group's exposure to the above mentioned financial risks and the objectives, policies and processes for the management of these risks.

**Credit risk**

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and non-trade receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and non-trade receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that might have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty as at the end of the reporting period.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

**30. Financial instruments (continued)**

**Financial risk management objectives and policies (continued)**

**Credit risk (continued)**

Ageing analysis

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

| | Gross Amount RM'000 | Individual Impairment RM'000 | Carrying Value RM'000 |
|---|---|---|---|
| **2017** | | | |
| Not past due: | 5,160 | – | 5,160 |
| Past due: | | | |
| - less than 3 months | 3,518 | – | 3,518 |
| - 3 to 6 months | 7,992 | (3,535) | 4,457 |
| | 16,670 | (3,535) | 13,135 |
| **2016** | | | |
| Not past due: | 12,018 | – | 12,018 |
| Past due: | | | |
| - less than 3 months | 1,224 | – | 1,224 |
| - 3 to 6 months | 6,087 | (3,515) | 2,572 |
| | 19,329 | (3,515) | 15,814 |

At the end of reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The Group deems collective impairment not necessary.

**30. Financial instruments (continued)**

**Financial risk management objectives and policies (continued)**

**Credit risk (continued)**

Trade receivables that are neither past due nor impaired

A significant portion of trade receivables that are neither past due nor impaired are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 60 days, which are deemed to have higher credit risk, are monitored individually.

Trade 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 director of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there have not been a significant change in the credit quality and the balances still considered fully recoverable.

Intercompany balances

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

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

Financial guarantee

The Company provides unsecured financial guarantees to financial institution in respect of bank facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. The maximum exposure to credit risks amount to RM 23,685,000 (2016: RM24,906,000) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 28. As at the reporting date, there was no indication that the subsidiaries would default on repayment.

The fair value of financial guarantees have not been recognised since the Directors are of the opinion that there are no material differences in the borrowing rates.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Company's policy is to obtain the most favourable interest rates available.

**30. Financial instruments (continued)**

**Financial risk management objectives and policies (continued)**

**Interest rate risk (continued)**

Information relating to the Group's exposure to the interest rate risk of the financial liabilities is disclosed in the notes to the financial statements.

| | Effective interest rate per annum % | Less than one year RM'000 | Between one and five years RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2017** | | | | |
| **Financial liabilities** | | | | |
| Bank overdraft | 8.85 | 1,330 | – | 1,330 |
| Trust receipts | 8.40 | 3,023 | – | 3,023 |
| Banker acceptance | 5.34 - 5.44 | 4,389 | – | 4,389 |
| Term loans | 4.85 - 8.75 | 828 | 2,814 | 3,642 |
| Hire purchase liabilities | 5.31 - 5.98 | 150 | 190 | 340 |
| | | 9,720 | 3,004 | 12,724 |
| **2016** | | | | |
| **Financial liabilities** | | | | |
| Bank overdraft | 8.85 | 1,660 | – | 1,660 |
| Trust receipts | 8.60 | 3,080 | – | 3,080 |
| Banker acceptance | 5.50 - 5.80 | 5,393 | – | 5,393 |
| Term loans | 5.53 - 8.85 | 803 | 3,776 | 4,579 |
| Hire purchase liabilities | 5.31 - 5.98 | 126 | 324 | 450 |
| | | 11,062 | 4,100 | 15,162 |

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:

| | 2017 (Decrease) / Increase RM'000 | 2016 (Decrease) / Increase RM'000 |
|---|---|---|
| **Effects on profit after taxation** | | |
| Increase of 100 basis points | (97) | (115) |
| Decrease of 100 basis points | 97 | 115 |

**Liquidity risk**

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

**30. Financial instruments (continued)**

**Financial risk management objectives and policies (continued)**

**Maturity analysis**

The table below summarises the maturity profile of the Group's financial liabilities as at the reporting period based on undiscounted contractual payments:

| | Carrying amount RM'000 | Contractual Interest rate % | Contractual cash flows RM'000 | Within 1 year RM'000 | More than 1 year RM'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **2017** | | | | | |
| Trade payables | 8,557 | – | 8,557 | 8,557 | – |
| Non-trade payables and accruals | 23,136 | – | 23,135 | 23,135 | – |
| Bank overdraft | 1,330 | 8.85 | 1,330 | 1,330 | – |
| Trust receipts | 3,023 | 8.40 | 3,023 | 3,023 | – |
| Banker acceptance | 4,389 | 5.34 - 5.44 | 4,389 | 4,389 | – |
| Hire purchase liabilities | 340 | 5.31 - 5.98 | 367 | 176 | 191 |
| Term loans | 3,642 | 4.85 - 8.75 | 3,671 | 929 | 2,742 |
| | 44,416 | | 44,472 | 41,539 | 2,933 |
| **2016** | | | | | |
| Trade payables | 8,861 | – | 8,861 | 8,861 | – |
| Non-trade payables and accruals | 29,197 | – | 29,197 | 29,197 | – |
| Bank overdraft | 1,660 | 8.85 | 1,660 | 1,660 | – |
| Trust receipt | 3,080 | 8.60 | 3,080 | 3,080 | – |
| Banker acceptance | 5,393 | 5.50 - 5.80 | 5,393 | 5,393 | – |
| Hire purchase liabilities | 450 | 5.31 - 5.98 | 496 | 148 | 348 |
| Term loans | 4,579 | 5.53 - 8.85 | 5,632 | 1,118 | 4,514 |
| | 53,220 | | 54,319 | 49,457 | 4,862 |
| **Company** | | | | | |
| **2017** | | | | | |
| Non-trade payables and accruals | 19,756 | – | 19,756 | 19,756 | – |
| Hire purchase liabilities | 199 | 5.34 | 219 | 85 | 134 |
| | 19,955 | | 19,975 | 19,841 | 134 |
| **2016** | | | | | |
| Non-trade payables and accruals | 25,178 | – | 25,178 | 25,178 | – |
| Hire purchase liabilities | 228 | 5.34 | 257 | 57 | 200 |
| | 25,406 | | 25,435 | 25,235 | 200 |

**30. Financial instruments (continued)**

**Financial risk management objectives and policies (continued)**

**Fair values**

The following summarises the methods used to determine the fair values of the financial instruments:

(i) The financial assets and financial liabilities maturing within the next twelve (12) months approximated their fair values due to the relatively short term maturity of the financial instruments.

(ii) The fair value of other investments is equivalent to the carrying value as at the end of the reporting period.

(iii) The fair value of hire purchase liabilities is determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period.

(iv) The fair value of term loans is determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period.

Fair value hierarchy

The table below analyses financial instrument carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Input for the assets or liabilities that are not based on observable market data (unobservable inputs).

| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2017** | | | | |
| **Group** | | | | |
| **Financial asset** | | | | |
| Other investment | – | 28 | – | 28 |
| **Financial liabilities** | | | | |
| Hire purchase liabilities | – | – | 345 | 345 |
| Term loans | – | – | 3,642 | 3,642 |
| **2016** | | | | |
| **Financial asset** | | | | |
| Other investment | – | 28 | – | 28 |
| **Financial liabilities** | | | | |
| Hire purchase liabilities | – | – | 404 | 404 |
| Term loans | – | – | 4,579 | 4,579 |

## 31. Capital management

The Group manages its capital by maintaining an optimal capital structure so as to support its business and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group's strategies were unchanged from the previous financial year. The Group monitors its capital based on the debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt divided by total equity, and where net debt is calculated as borrowings less cash and cash equivalents. The debt-to-equity ratio of the Company as at the end of the reporting period was as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM'000 | 2016 RM'000 | 2017 RM'000 | 2016 RM'000 |
| Trade payables | 8,557 | 8,861 | – | – |
| Non-trade payables and accruals | 23,136 | 29,197 | 19,755 | 25,178 |
| Borrowings | 12,724 | 15,162 | 199 | 228 |
| | 44,417 | 53,220 | 19,954 | 25,406 |
| Less: Cash and bank balances, and fixed deposits with licensed banks | (5,093) | (3,766) | (1,594) | (834) |
| Net debt | 39,324 | 49,454 | 18,360 | 24,572 |
| Total equity | 3,170 | 7,704 | (12,366) | (6,540) |
| Total capital | 42,494 | 57,158 | 5,994 | 18,032 |
| Gearing ratio | 92.54% | 86.52% | 306.31% | 136.27% |

Under the requirements of Practice Note 17 ("PN17") of the Main Market Listing Requirements of Bursa Malaysia, the Group is required to maintain a shareholders' equity equal to or not less than the 25% of its issued and paid up capital. As at 30 September 2017, as the Group shareholders' equity was approximately 13% of its issued and paid up capital, the requirements of PN17 have not been fulfilled. The Directors have announced that the Company is an affected listed issuer pursuant to Paragraph 2.1(e) of PN17 on 6 December 2016 and is required to submit a Regularisation Plan to the relevant authorities and to implement the Regularisation Plan within the stipulated time frame. This matter is further disclosed in Note 33.8 to the financial statements.

## 32. Material litigation

### (a) Litigation with Dato' Tan Wei Lian

On 11 March 2015, the Company filed a legal suit against a former director, Dato' Tan Wei Lian, for anticipatory breach and repudiation of his irrevocable and unconditional Letter of Undertaking dated 28 April 2014. The Company sought for an order for assessment of damages. The Statement of Defence of Dato' Tan Wei Lian was received on 22 April 2015. On 30 April 2015, the Company served its reply to the Statement of Defence.

The trial for this suit took place sometime in August 2017, however the parties sought for mediation and the High Court directed the parties to mediate on 30 August 2017. The parties have subsequently come to a consensus to resolve the matter amicably, wherein a Consent Judgement was entered on 21 September 2017. Under the Consent Judgement, the Company agreed to withdraw the action against Dato' Tan Wei Lian with no order as to costs.

The Directors are of the view that there is no material impact to the financial statements of the Group and the Company.

### (b) Litigation with Quantum March Sdn. Bhd.

On 10 April 2017, the Company received a Writ of Summons and a Statement of Claim from Quantum March Sdn. Bhd. ("Quantum March") for conspiracy to commit the torts of defaming, including breach of contract and causing economic injury together with three (3) other directors of the Company ("Main Suit").

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

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

Case management in relation to the Writ of Summons and Statement of Claim of the Main Suit was set for 8 September 2017 and the Application fixed for hearing on 12 October 2017.

However, following an application by Quantum March to amend the Statement of Claim of the Main Suit, the Company together with the other defendants, did not object provided costs be awarded to each of the defendants, and all striking out applications filed earlier withdrawn with no order as to cost. The next case management date has been fixed for 12 February 2018.

The Directors are of the view that there is no material impact to the financial statements of the Group and of the Company.

**32. Material litigation (continued)**

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

On 19 April 2017, the Company was served with a sealed copy of the Originating Summons dated 17 April 2017 from Dato' Eii Ching Siew @ Yii Ching Siew against the Company pertaining to his directorship in the Company. The Kuala Lumpur High Court had on 28 June 2017 granted, amongst others, that;

(i) Dato' Eii Ching Siew @ Yii Ching Siew ("Dato' Eii") remains a director of the Company pursuant to his appointment on 31 March 2016, and to continue until such time as Dato' Eii vacates office as a director under one of the circumstances as prescribed in Section 208(1) of the Companies Act, 2016 in Malaysia ("Lawful Events");

(ii) Until one of the Lawful Events takes place, Dato' Eii is entitled to enjoy and exercise all privileges and rights as accorded to directors of the Company under the Company's Articles of Association, the Companies Act, 2016 in Malaysia and at common law, unimpeded howsoever and by whatever means by the Company and its officers, servants and/or agents;

(iii) Any purported meetings of the Company's Board of Directors and all resolutions purportedly passed by the Company's Board of Directors whether expressly or otherwise and whether at a physical meeting or by circular resolution or otherwise, from 30 March 2017 onwards when Dato' Eii was excluded whether constructively or otherwise from participation as a Director of the Company, are invalid, null and void;

(iv) The Company and its officers, servants and/or agents, be restrained from giving effect to any resolution passed by the Company's Board of Directors whether expressly or otherwise and whether at a physical or by circular resolution or otherwise, from 30 March 2017 onwards when Dato' Eii was excluded whether constructively or otherwise from participation as a Director of the Company;

(v) The Company and its officers, servants and/or agents, cause the reversal of any action taken to give effect to any purported resolution passed by the Board of Directors of the Company whether expressly or otherwise and whether at a physical meeting or by circular resolution or otherwise, from 30 March 2017 onwards when Dato' Eii was excluded whether constructively or otherwise from participation as a Director of the Company; and

(vi) Costs of RM15,000 to be borne and paid by the Company.

A Notice of Appeal dated 28 July 2017 was filed by Messrs. Koh & Associates purportedly acting for the Company. Messrs. Koh & Associates have since filed a Notice of Discontinuance dated 10 January 2018. The matter has been withdrawn with no order as to costs.

**(d) Litigation with Starfield Capital Sdn. Bhd.**

Starfield Capital Sdn. Bhd. ("Starfield Capital") filed a Writ of Summons and Statement of Claim against the Company claiming, among others, for RM18,000,000 and an Impugned Consent Judgement entered on 30 May 2017 by the Company. The Company claims that the Impugned Consent Judgement was entered, among others, without proper authority. The Company had on 21 June 2017 filed an application at the Kuala Lumpur High Court to obtain an order to, among others, stay the Impugned Consent Judgement ("Application") pending disposal of a suit filed by the Company ("New Action") to set aside the Impugned Consent Judgement.

**32. Material litigation (continued)**

**(d) Litigation with Starfield Capital Sdn. Bhd. (continued)**

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

Starfield Capital subsequently filed a Notice of Appeal dated 20 September 2017 to appeal against the order granted by the Kuala Lumpur H igh Court. Case management for this appeal was fixed on 8 December 2017 and the hearing has been fixed for 4 April 2018.

The Directors are of the view that there is no material impact to the financial statements of the Group and the Company.

**(e) Litigation with Starfield Capital Sdn. Bhd., Dato' Koh Mui Tee, Datin Chan Chui Mei and Datuk Lee Hwa Cheng**

On 19 June 2017, the Company filed a Writ and Statement of Claim at the High Court Kuala Lumpur to pursue legal actions against Dato' Koh Mui Tee, Datuk Lee Hwa Cheng, Datin Chan Chui Mei, and Starfield Capital Sdn. Bhd. ("Starfield Capital").

The Company in the New Action is seeking:

1. That the Consent Judgement entered into between Starfield Capital and the Company on 30 May 2017 be set aside;

2. In the alternative, that Dato' Koh Mui Tee and Datuk Lee Hwa Cheng, jointly and severally indemnify the Company in the sum of RM18 million together with interest thereon as per the Consent Judgement and an order that the same be paid by Dato' Koh Mui Tee and Datuk Lee Hwa Cheng, jointly and severally, to Starfield Capital;

3. Exemplary damages against Dato' Koh Mui Tee and Datuk Lee Hwa Cheng for breaches of fiduciary duties to the Company in causing the Company to enter into the Consent Judgement;

4. The cost of the action on a full indemnity basis;

5. Interests on damages; and

6. Such further and other reliefs that the Court deems fit.

The Kuala Lumpur High Court fixed 4 September 2017 for case management, and later on 12 December 2017 for the parties to comply with all pre-trial case management directions by the Kuala Lumpur High Court. The Kuala Lumpur High Court has subsequently fixed 6 March 2018, 7 March 2018, 8 March 2018, 13 March 2018 and 14 March 2018 to be the trial dates.

On 13 December 2017, the Plaintiff (the Company) was served with an application filed by the 3rd and 4th Defendants (Datin Chan and Starfield Capital Sdn. Bhd.) to recuse the Judge from hearing the trial and the 1st and 2nd defendants (Dato' Koh and Datuk Lee) have filed application to stay the proceedings pending disposal of a suit filed by the Securities Commission of Malaysia.

The next case management has been fixed for 23 January 2018 and hearing on 14 February 2018.

## 33. Significant events

### 33.1 Heads of Agreements

The Company had previously entered into fourteen (14) Heads of Agreements ("HOAs", "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. | 30 March 2015 |
| (ii) | Guangdong Be-Tech Security Systems Limited | 7 August 2015 |
| (iii) | Lion Legend Holdings Limited | 7 August 2015 |
| (iv) | Guangdong Shunde Masdar Door Co., Ltd. | 14 September 2015 |
| (v) | Foshan Lagerung Technology Co., Ltd . | 14 September 2015 |
| (vi) | Guangdong Golden Aluminium Co., Ltd. | 14 September 2015 |
| (vii) | Foshan Shundequ Lixuan Textile Industrial Co., Ltd. | 14 September 2015 |
| (viii) | Guangdong Hualong Coating Industry Co., Ltd. | 14 September 2015 |
| (ix) | Guangzhou Deron Heat Source Facilities Co., Ltd. | 14 September 2015 |
| (x) | Guangdong Zhongsheng Ceramics Co., Ltd. | 14 September 2015 |
| (xi) | Foshan Shunde Weideli Lighting Co., Ltd. | 14 September 2015 |
| (xii) | Fujian Nan'an Wonlife Co., Ltd. | 14 September 2015 |
| (xiii) | Foshan Korra Bath Wave Co., Ltd. | 9 October 2015 |
| (xiv) | Guangdong Longjiang Hong Ji Seating Co., Ltd. | 9 October 2015 |

These fourteen (14) HOAs were superseded by the corresponding Exclusive Agencies Agreements subsequently entered into by the company as described in Note 33.2 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 respect of exclusive agency rights.

In respect of the nine (9) other cases under Note 33.2 below, no HOA was signed and the Company immediately entered into the respective Exclusive Agency Agreements.

### 33.2 Exclusive Agency Agreements

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

#### 33.2.1 GH Premier Stone Design International Limited

On 4 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 the Company and Fujian Nan'an Guanhui Stone 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) installments which a non-refundable deposits 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 in the EAA (as its nominated sole beneficiary) within seven (7) days from the date of execution thereof.

**33. Significant events (continued)**

**33.2 Exclusive Agency Agreements (continued)**

**33.2.1 GH Premier Stone Design International Limited (continued)**

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 30% of the gross contract value.

**33.2.2 Weideli Lightings Design Solution International Ltd.**

On 4 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) installments 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 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 30% of the gross contract value.

**33.2.3 Hualong Paints Design Solution International Ltd.**

On 4 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) installments 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 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 30% of the gross contract value.

**33. Significant events (continued)**

**33.2 Exclusive Agency Agreements (continued)**

**33.2.4 Golden Creative Design International Ltd.**

On 4 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) installments 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 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 30% of the gross contract value.

**33.2.5 Rui Bei Exclusive Design International Ltd.**

On 4 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 Rui Bei Exclusive 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 Textiles 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) installments 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 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 30% of the gross contract value.

**33. Significant events (continued)**

**33.2 Exclusive Agency Agreements (continued)**

**33.2.6 Wonlife Stone Art Design International Ltd.**

On 4 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 Wonlife Stone Art 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.

The Company shall pay the sum of RM150,000,000 as one time initial agency fee shall be paid in two (2) installments 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 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 30% of the gross contract value.

**33.2.7 Roy Lifestyle Design International Ltd.**

On 4 February 2016, the Company announced that the Company entered into an Exclusive Agency Agreement ('EAA") with Roy Lifestyle Design International Ltd. ("Roy Lifestyle Design") as Principal for the exclusive agency rights granted by Roy Lifestyle Design to the Company 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) installments 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 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 30% of the gross contract value.

## 33. Significant events (continued)

### 33.2 Exclusive Agency Agreements (continued)

#### 33.2.8 Masdar Masterpiece Design International Ltd.

On 4 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 Guandong 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) installments which a non-refundable deposit of RM380,0000 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 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 30% of the gross contract value.

#### 33.2.9 Zhongsheng Creative Design International Ltd.

On 4 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 ceramics 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) installments 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 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 30% of the gross contract value.

#### 33.2.10 Deron Energy Savings Solution International Ltd.

On 4 February 2016, the Company announced that the Company entered into an Exclusive Agency Agreement ('EAA") with Deron Energy Savings Solution International Ltd. ("Deron Energy Savings Solution") as principal for the exclusive agency rights granted by Deron Energy Savings Solution to the Company to 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.

**33. Significant events (continued)**

**33.2 Exclusive Agency Agreements (continued)**

**33.2.10 Deron Energy Savings Solution International Ltd. (continued)**

The Company shall pay the sum of RM150,000,000 as one time initial agency fee shall be paid in two (2) installments 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 Savings 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 30% of the gross contract value.

**33.2.11 Nature Creative Lifestyle Design International Ltd.**

On 4 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) installments 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.

Nature Creative Lifestyle Design sign 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 30% of the gross contract value.

**33.2.12 CKS Waterproofing Solution International Ltd.**

On 4 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 Solution to the company to undertake waterproofing coating material design and installation contracts under the brand name of "CKS" 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) installments 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.

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 RM85,000,000 and assured profit margin 30% of the gross contract value.

**33. Significant events (continued)**

**33.2 Exclusive Agency Agreements (continued)**

**33.2.13 Meihua Hospitality Furnishing Design International Ltd.**

On 4 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 contracts 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) installments 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 Furnishing 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 30% of the gross contract value.

**33.2.14 Lagerung Lifestyle Design International Ltd.**

On 4 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 contracts 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.

The Company shall pay the sum of RM100,000,000 as one time initial agency fee shall be paid in two (2) installments 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 30% of the gross contract value.

**33.2.15 Futina Switches and Sockets International Ltd.**

On 4 February 2016, the Company announced that the Company entered into an Exclusive Agency Agreement ('EAA") with Futina 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 contracts under the brand name of "FUTINA" in relation to the products and services.

**33. Significant events (continued)**

**33.2 Exclusive Agency Agreements (continued)**

**33.2.15 Futina Switches and Sockets International Ltd. (continued)**

The Company shall pay the sum of RM100,000,000 as one time initial agency fee shall be paid in two (2) installments 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 30% of the gross contract value.

**33.2.16 Korra Exclusive Design International Ltd.**

On 4 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 contracts 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) installments 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 30% of the gross contract value.

**33.2.17 Canbo Kitchen Ware Appliance Design International Ltd.**

On 4 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 contracts 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) installments 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..

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 30% of the gross contract value.

**33. Significant events (continued)**

**33.2 Exclusive Agency Agreements (continued)**

**33.2.18 Winone Elevator International Ltd.**

On 4 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 contracts 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) installments 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 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 30% of the gross contract value.

**33.2.19 Corso Intelligent Lightings International Ltd.**

On 4 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 contracts 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) installments 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 30% of the gross contract value.

**33. Significant events (continued)**

**33.2 Exclusive Agency Agreements (continued)**

**33.2.20 BE-Tech Smart Concept International Ltd.**

On 4 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 design and installation contracts 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) installments 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 30% of the gross contract value.

**33.2.21 Greenzone Exclusive Design International Ltd.**

On 4 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 contracts 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) installments 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 30% of the gross contract value.

**33. Significant events (continued)**

**33.2 Exclusive Agency Agreements (continued)**

**33.2.22 Hong Ji Seating Design International Ltd.**

On 4 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 contracts 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 Seating 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) installments 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 30% of the gross contract value.

**33.2.23 Chigo AC Solution International Ltd.**

On 4 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 contracts under the brand name of "Chigo" 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) installments 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 30% of the gross contract value.

**33.3 Settlement Agreements**

On 10 February 2016, the Company announced that it had entered into twenty-three (23) separate and independent Settlement Agreements ("SAs") with the various parties described below ("the Creditors") and 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 aspects 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 may be declared prior to the date of allotment of thereof.

**33. Significant events (continued)**

**33.3 Settlement Agreements (continued)**

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.

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

Relevant announcements have been made to Bursa Securities on 10 February 2016, 15 February 2016 and 21 June 2016 and 10 October 2016.

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

**33.3.1 GH Premier Stone Design International Limited**

Settlement Agreement ("SA") dated 10 February 2016 entered into with GH Premier Stone Design International Limited for the proposed settlement of the Agency Debt in 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.

**33.3.2 Weideli Lightings Design Solution International Ltd.**

Settlement Agreement ("SA") dated 10 February 2016 entered into with Weideli Lightings Design Solution International Ltd for the proposed settlement of the Agency Debt in 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.

**33.3.3 Hualong Paints Design Solution International Ltd.**

Settlement Agreement ("SA") dated 10 February 2016 entered into with Hualong Paints Design Solution International Ltd. for the proposed settlement of the Agency Debt in 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.

**33.3.4 Golden Creative Design International Ltd.**

Settlement Agreement ("SA") dated 10 February 2016 entered into with Golden Creative Design International Ltd. for the proposed settlement of the Agency Debt in 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.

**33.3.5 Rui Bei Exclusive Design International Ltd.**

Settlement Agreement ("SA") dated 10 February 2016 entered into with Rui Bei Exclusive Design International Ltd. for the proposed settlement of the Agency Debt in 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.

**33.3.6 Wonlife Stone Art Design International Ltd.**

Settlement Agreement ("SA") dated 10 February 2016 entered into with Wonlife Stone Art Design International Ltd. for the proposed settlement of the Agency Debt in 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.

**33. Significant events (continued)**

**33.3 Settlement Agreements (continued)**

**33.3.7 Roy Lifestyle Design International Ltd.**

Settlement Agreement ("SA") dated 10 February 2016 entered into with Roy Lifestyle Design International Ltd. for the proposed settlement of the Agency Debt in 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.

**33.3.8 Masdar Masterpiece Design International Ltd.**

Settlement Agreement ("SA") dated 10 February 2016 entered into with Masdar Masterpiece Design International Ltd. for the proposed settlement of the Agency Debt in 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.

**33.3.9 Zhongsheng Creative Design International Ltd.**

Settlement Agreement ("SA") dated 10 February 2016 entered into with Zhongsheng Creative Design International Ltd. for the proposed settlement of the Agency Debt in 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.

**33.3.10 Deron Energy Savings Solution International Ltd.**

Settlement Agreement ("SA") dated 10 February 2016 entered into with Deron Energy Savings Solution International Ltd. for the proposed settlement of the Agency Debt in 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.

**33.3.11 Nature Creative Lifestyle Design International Ltd.**

Settlement Agreement ("SA") dated 10 February 2016 entered into with Nature Creative Lifestyle Design International Ltd. for the proposed settlement of the Agency Debt in 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.

**33.3.12 CKS Waterproofing Solution International Ltd.**

Settlement Agreement ("SA") dated 10 February 2016 entered into with CKS Waterproofing Solution International Ltd. for the proposed settlement of the Agency Debt in 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.

**33.3.13 Meihua Hospitality Furnishing Design International Ltd.**

Settlement Agreement ("SA") dated 10 February 2016 entered into with Meihua Hospitality Furnishing Design International Ltd. for the proposed settlement of the Agency Debt in 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.

**33. Significant events (continued)**

**33.3 Settlement Agreements (continued)**

**33.3.14 Lagerung Lifestyle Design International Ltd.**

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

**33.3.15 Futina Switches and Sockets International Ltd.**

Settlement Agreement ("SA") dated 10 February 2016 entered into with Futina Switches and Sockets International Ltd. for the proposed settlement of the Agency Debt in 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.

**33.3.16 Korra Exclusive Design International Ltd.**

Settlement Agreement ("SA") dated 10 February 2016 entered into with Korra Exclusive Design International Ltd. for the proposed settlement of the Agency Debt in 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.

**33.3.17 Greenzone Exclusive Design International Ltd.**

Settlement Agreement ("SA") dated 10 February 2016 entered into with Greenzone Exclusive Design International Ltd. for the proposed settlement of the Agency Debt in 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.

**33.3.18 BE-Tech Smart Concept International Ltd.**

Settlement Agreement ("SA") dated 10 February 2016 entered into with BE-Tech Smart Concept International Ltd. for the proposed settlement of the Agency Debt in 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.

**33.3.19 Corso Intelligent Lightings International Ltd.**

Settlement Agreement ("SA") dated 10 February 2016 entered into with Corso Intelligent Lightings International Ltd. for the proposed settlement of the Agency Debt in 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.

**33.3.20 Hong Ji Seating Design International Ltd.**

Settlement Agreement ("SA") dated 10 February 2016 entered into with Hong Ji Seating Design International Ltd. for the proposed settlement of the Agency Debt in 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.

**33. Significant events (continued)**

**33.3 Settlement Agreements (continued)**

**33.3.21 Canbo Kitchen Ware Appliance Design International Ltd.**

Settlement Agreement ("SA") dated 10 February 2016 entered into with Canbo Kitchen Ware Appliance Design International Ltd. for the proposed settlement of the Agency Debt in 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.

**33.3.22 Winone Elevator International Ltd.**

Settlement Agreement ("SA") dated 10 February 2016 entered into with Winone Elevator International Ltd. for the proposed settlement of the Agency Debt in 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.

**33.3.23 Chicago AC Solution International Ltd.**

Settlement Agreement ("SA") dated 10 February 2016 entered into with Chicago AC Solution International Ltd. for the proposed settlement of the Agency Debt in 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.

**33.4 Framework Agreements**

The Company had in 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 23 June 2016, the Company entered into nineteen (19) Frameworks Agreements ('FAs") with various the Property Developers listed on Bursa Securities (with the exception of one which is a private limited company) for the provision of the Vendor Financing Services totalling RM4,600,000,000 in terms of the credits limits granted under the FAs.

**33.4.1 LBS Bina Group Berhad**

On 12 November 2015, the Company announced that Company had entered into a FA dated 12 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 up to RM300,000,000 for the selected development projects over the 18 months.

**33.4.2 Meda Inc. Berhad**

On 17 November 2015, the Company announced that Company had entered into a FA dated 16 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 up to RM150,000,000 for the selected development projects over the 18 months.

**33. Significant events (continued)**

**33.4 Framework Agreements (continued)**

**33.4.3 Mah Sing Trading Sdn. Bhd.**

On 17 November 2015, the Company announced that Company had entered into a FA dated 17 November 2015, with Mah Sing Trading Sdn. Bhd. ("MSTSB") 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 up to RM500,000,000 for the selected development projects over the 18 months.

**33.4.4 Tanco Holdings Berhad**

On 17 November 2015, the Company announced that Company had entered into a FA dated 17 November 2015, with Tanco Holdingd 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 up to RM100,000,000 for the selected development projects over the 18 months.

**33.4.5 Ecofirst Consolidated Berhad**

On 17 November 2015, the Company announced that Company had entered into a FA dated 17 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 up to RM150,000,000 for the selected development projects over the 18 months.

**33.4.6 Country Heights Holdings Berhad**

On18 November 2015, the Company announced that Company had entered into a FA dated 18 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 for the application by CHHB a credit limit up to RM150,000,000 for the selected development projects over the 18 months.

**33.4.7 Bina Puri Properties Sdn. Bhd.**

On 27 November 2015, the Company announced that Company had entered into a FA dated 26 November 2015, with Bina Puri Properties Sdn.Bhd. ("BPPSB") 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 up to RM300,000,000 for the selected development projects over the 18 months.

**33. Significant events (continued)**

**33.4 Framework Agreements (continued)**

**33.4.8 Eco World Trading Sdn.Bhd.**

On 30 November 2015, the Company announced that Company had entered into a FA dated 30 November 2015, with Eco World Trading Sdn.Bhd. ("EWTSB") 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 up to RM100,000,000 for the selected development projects over the 18 months.

**33.4.9 Gabungan AQRS Berhad**

On 1 December 2015, the Company announced that Company had entered into a FA dated 1 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 up to RM100,000,000 for the selected development projects over the 18 months.

**33.4.10 BCB Berhad**

On 2 December 2015, the Company announced that Company had entered into a FA dated 2 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 up to RM200,000,000 for the selected development projects over the 18 months.

**33.4.11 Titijaya Land Berhad**

On 2 December 2015, the Company announced that Company had entered into a FA dated 2 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 up to RM250,000,000 for the selected development projects over the 18 months.

**33.4.12 Kinsaresorts Berhad**

On 3 December 2015, the Company announced that Company had entered into a FA dated 3 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 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 up to RM500,000,000 for the selected development projects over the 18 months.

## 33. Significant events (continued)

### 33.4 Framework Agreements (continued)

#### 33.4.13 Thriven Global Berhad

On 4 December 2015, the Company announced that Company had entered into a FA dated 4 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 up to RM300,000,000 for the selected development projects over the 18 months.

#### 33.4.14 Active Edge Sdn.Bhd.

On 18 March 2016, the Company announced that Company had entered into a FA dated 18 March 2016, with Active Edge Sdn. Bhd. ("AESB") 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 up to RM100,000,000 for the selected development projects over the 18 months.

#### 33.4.15 KSL Holdings Berhad

On 6 April 2016, the Company announced that Company had entered into a FA dated 6 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 up to RM500,000,000 for the selected development projects over the 18 months.

#### 33.4.16 LKD Trading Sdn. Bhd.

On 22 April 2016, the Company announced that Company had entered into a FA dated 22 April 2016, with LKD Trading Sdn. Bhd. ("LKD") 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 LKD 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 up to RM200,000,000 for the selected development projects over the 18 months.

#### 33.4.17 Prostasco Trading Sdn. Bhd.

On 25 April 2016, the Company announced that Company had entered into a FA dated 25 April 2016, with Prostasco Trading Sdn. Bhd. ("PTSB") 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 up to RM300,000,000 for the selected development projects over the 18 months.

**33. Significant events (continued)**

**33.4 Framework Agreements (continued)**

**33.4.18 MKH Building Material Sdn. Bhd.**

On 20 May 2016, the Company announced that Company had entered into a FA dated 20 May 2016, with MKH Building Material Sdn. Bhd. ("MKH") 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 up to RM100,000,000 for the selected development projects over the 18 months.

**33.4.19 Acoustech Berhad**

On 23 June 2016, the Company announced that Company had entered into a FA dated 23 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 up to RM300,000,000 for the selected development projects over the 18 months.

**33.5 Loans from Starfield Capital Sdn. Bhd.**

On 10 February 2016, the Company announced it had entered into a Settlement Agreement ("SA") dated 10 February 2016 with Starfield Capital Sdn.Bhd ("Starfield Capital"), of which the Company's previous deputy managing director Datin Chan Chui Mei is a 50% shareholder, whereby Starfield Capital agreed to the settlement of the debt ("the Starfield Debt") amounting to RM18 million by way of 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 arising from 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 14 January 2016 and 19 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 agreement alluded to Note 33.2 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 paasu 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 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 11 April 2016 to 10 June 2016, and 11 June 2016 to 10 August 2016 and 11 August to 10 October 2016. However no further extension was given thereafter. The SA is thereof deemed terminated and thereafter shall be no further effect, and the debt of RM18 million had since 11 October 2016 become repayable.

**33. Significant events (continued)**

**33.5 Loans from Starfield Capital Sdn. Bhd. (continued)**

There is no interest payable on the Starfield Debt. However, in the event that the Starfield Debt is not settled before 11 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 10 February 2016, 15 January 2016, and 21 June 2016 and 10 October 2016.

On 24 January 2017, the Company received a written demand from Starfield Capital for repayment for the Starfield Debt and default interest thereon. Starfield Capital has filed a Writ and Statement of Claim against the Company, amongst others, for RM18 million and an Impugned Consent Judgement. Refer to Note 32(d) for details of the litigation.

**33.6 The Securities Commission suit against the Company's previous Deputy Managing Director in person**

On 13 October 2016, Securities Commission Malaysia ("SC") announced that it had filed a personal suit ("the Suit") against Datin Chan Chui Mei, the Company's previous Deputy Managing Director, for causing wrongful loss to the Company.

The SC has claimed that the Company 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 deposits. The SC has claimed that of the RM11.59 million, a sum of RM11.54 million was subsequently paid by the local representatives to Datin Chan Chui Mei's personal account, in breach of sections 179 and 317A of the Capital Markets and Services Act 2007.

On 14 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 no position to know the details thereof and that the Company would endeavor 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 steps to be taken. By way of the said response to the query by Bursa Securities, the Company further clarified that the Exclusive Agency Agreements as well as the Settlements Agreements (alluded to respectively in Notes 33.2 and 33.3) were still valid and in force as extension of time up to 10 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 27 October 2016, the previous 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 previous 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 potentially affect the Company.

**33. Significant events (continued)**

**33.6 The Securities Commission suit against the Company's previous Deputy Managing Director in person (continued)**

The Company had on 14 September 2016 engaged Ferrier Hodgson MH Sdn. Bhd. to conduct a review of the claims by the SC against the Datin Chan Chui Mei 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 Datin Chan Chui Mei's personal account. As at date of this report, there is no update on the investigation.

On 7 September 2017, the Directors appointed PKF Covenant Sdn. Bhd. as Investigative Accountant to carry out an investigation to review and report on these transactions together with other transactions that the Directors suspect as irregular.

**33.7 Signing of the Sale and Purchase Agreement of Right to Complete Procurement of Exclusive Agencies**

a) On 6 December 2016, the Company announced that the Company had entered into a Sale and Purchase agreement ("SPA") dated 6 December 2016 in respect of the Company's right to complete procurement of exclusive agencies arising from the EAAs described in Note 33.2 to the financial statements (hereinafter referred to as "the Company's Rights") with Quantum March Sdn. Bhd. ("Quantum March"), whereby the Company agreed to sell and Quantum March agreed to purchase the Company's Rights subject to the terms and conditions of the SPA as summarised below:

   i) The purchase consideration of RM1,010,000 paid directly to the Company in one lump sum upon the execution of the SPA;

   ii) Upon execution of the SPA, Quantum March to pay the Company the sum of RM11,590,000 which represents the Company's costs towards partial and incomplete acquisition of the exclusive agencies under the Exclusive Agency Agreements ("EAAs") as described in Note 33.2 to the financial statements;

   iii) Immediately prior to execution of the SPA, the Company and all Principals referred to in Note 33.2 to the financial statements to mutually agree 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 outstanding terms and conditions of the EAAs, Settlement Agreements ("SAs") ( refer to Note 33.3) and Framework Agreements ("FAs") (refer to Note 33.4);

   v) Quantum March shall be solely responsible for the fulfillment of all outstanding terms and conditions of the EAAs, SAs, and the FAs and to engage into further arrangements with the Principals-cum-Creditors (under the EAAs and FAs) and/or the Property Developers referred to in Note 33.4 to the financial statements (under the FAs).

b) With the completion of the SPA, the Company is of the view that there is be no potential liability in relation to the EAAs.

## 33. Significant events (continued)

### 33.8 Practice Note 17 ("PN17") Status

On 6 December 2016, the Company announced that it 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 and was hence an affected issuer under PN17.

The PN17 criteria was triggered as a result of the Company's auditors having expressed an emphasis of matter on the Company's ability to continue as a going concern in relation to the Company's financial statements for the financial year ended 30 September 2015 (that was announced on 29 February 2016), and based on the Company's fourth quarterly results for the period ended 30 September 2016 (that was announced on 30 November 2016) indicating the Company's shareholders' equity on a consolidated basis was 50% or less than its issued and paid up capital.

The Company is required to take necessary steps to comply with the following obligations:

(a) Within twelve (12) months from the date of the announcement that the Company is an affected issuer under PN17 on 6 December 2016, to submit a Regularisation Plan to the Securities Commission of Malaysia and Bursa Securities; and

(b) Implement the Regularisation Plan within the time frame stipulated by the SC and/or Bursa Securities, as the case may be;

(c) Announce within three (3) months from the First Announcement, whether the Regularisation Plan will result in a significant change in the business direction or policy of the Company;

(d) Announce the status of the 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 non-compliance with any 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 5.0 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 appointed Principal Adviser.

On 12 January 2018, Bursa Securities granted the Company an extension of time of up to 5 June 2018 for the submission of the proposed Regularisation Plan to Bursa Securities.

## 34. Contingent Asset

As disclosed in Note 33.6 to the financial statements, the Securities Commission of Malaysia ("the SC") has filed a legal suit against Datin Chan Chui Mei ("Datin Chan"), the Company's previous Deputy Managing Director, for causing wrongful loss to the Company. The SC has applied for an injunction to restrain Datin Chan from dealing with monies amounting to RM11.54 million in her bank account and to surrender to the regulator these monies which are to be held in trust for the Company.

## 35. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company as at 30 September into realised and unrealised, pursuant to paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Listing Requirements, are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2017 RM'000** | **2016 RM'000** | **2017 RM'000** | **2016 RM'000** |
| Total accumulated losses | | | | |
| - Realised | (56,402) | (51,384) | (39,294) | (33,686) |
| - Unrealised | 2,044 | 3,303 | – | – |
| | (54,358) | (48,081) | (39,294) | (33,686) |
| Less: Consolidation adjustments | 26,447 | 24,477 | – | – |
| Accumulated losses as per financial statements | (27,911) | (23,604) | (39,294) | (33,686) |

The determination of realised and unrealised profits is based on 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.

## 36. General information

The Company is a public company limited by shares that is incorporated and domiciled in Malaysia.

The Company is principally engaged in investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 9 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

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.

The financial statements were approved and authorised for issue by the Board of Directors on 26 January 2018.

# Analysis Of Shareholdings

**AS AT 29 DECEMBER 2017**

| | | |
|---|---|---|
| Total number of issued shares | - | 89,905,177 |
| Class of shares | - | Ordinary shares |
| Voting Rights | - | One vote per ordinary share (on a poll)<br>One vote per member (on show of hands) |

**ANALYSIS OF SHAREHOLDINGS**

| Size of Holdings | No. of Holders | % | No. of Holdings | % |
|---|---|---|---|---|
| 1 – 99 | 29 | 3.54 | 820 | 0.00 |
| 100 – 1,000 | 206 | 25.12 | 178,882 | 0.20 |
| 1,001 – 10,000 | 241 | 29.39 | 1,337,425 | 1.49 |
| 10,001 – 100,000 | 257 | 31.34 | 9,991,850 | 11.11 |
| 100,001 to less than 5% of issued shares | 84 | 10.24 | 45,000,400 | 50.05 |
| 5% and above of issued shares | 3 | 0.37 | 33,395,800 | 37.15 |
| Total | 820 | 100.00 | 89,905,177 | 100.00 |

**SUBSTANTIAL SHAREHOLDERS** (Based on the Register of Substantial Shareholders)

| | Direct interest | | Indirect interest | |
|---|---|---|---|---|
| Name | No. of shares held | % | No. of shares held | % |
| Dato' Eii Ching Siew @ Yii Ching Siew | 8,500,000 | 9.45 | – | – |
| Dato' Lee Fong Yin @ Lee Vun Ya | 20,039,600 | 22.29 | – | – |
| Starfield Capital Sdn. Bhd. | 4,856,200 | 5.40 | – | – |
| Datin Chan Chui Mei | – | – | * 4,856,200 | 5.40 |

***Note:***
* *Deemed interested pursuant to Section 8(4) of the Companies Act, 2016 by virtue of her interest in Starfield Capital Sdn. Bhd.*

**DIRECTORS' SHAREHOLDINGS** (Based on the Register of Directors' Shareholdings)

| | Direct interest | | Indirect interest | |
|---|---|---|---|---|
| Name | No. of shares held | % | No. of shares held | % |
| Dato' Haji Abdul Aziz Bin Mohamed | – | – | – | – |
| Dato' Eii Ching Siew @ Yii Ching Siew | 8,500,000 | 9.45 | – | – |
| Dato' Lee Fong Yin @ Lee Vun Ya | 20,039,600 | 22.29 | – | – |
| Low Eng Tack | 95,000 | 0.11 | – | – |
| Fathi Ridzuan Bin Ahmad Fauzi | 1,000 | * | – | – |
| Foo Chooi Wai | 1,000 | * | ^ 4,464,200 | 4.97 |
| Dato' Ng Boon Siong | – | – | – | – |

***Note:***
* *Negligible*
^ *Deemed interested pursuant to Section 8(4) of the Companies Act, 2016 by virtue of her interest in HR Land Sdn. Bhd.*

**LIST OF THIRTY LARGEST SHAREHOLDERS**
(without aggregating securities from different securities accounts belonging to the same person)

| | Name of shareholders | No. of shares | % |
|---|---|---|---|
| 1. | Dato' Lee Fong Yin @ Lee Vun Ya | 20,039,600 | 22.29 |
| 2. | Dato' Eii Ching Siew @ Yii Ching Siew | 8,500,000 | 9.45 |
| 3. | Starfield Capital Sdn. Bhd. | 4,856,200 | 5.40 |
| 4. | HR Land Sdn. Bhd. | 4,464,200 | 4.97 |
| 5. | Ong Kow Ee @ Ong Chiow Chuen | 4,443,800 | 4.94 |
| 6. | Evergreen Square Sdn. Bhd. | 3,803,500 | 4.23 |
| 7. | Ng Siau Men | 2,946,000 | 3.28 |
| 8. | Liew Choon Hoe | 2,712,600 | 3.02 |
| 9. | Public Nominees (Tempatan) Sdn. Bhd.<br>*(Pledged securities account for See Teck Cheng)* | 1,482,300 | 1.65 |
| 10. | Heng Swee Siong | 1,300,000 | 1.45 |
| 11. | Public Nominees (Tempatan) Sdn. Bhd.<br>*(Pledged securities account for Koh Ah Hai)* | 1,156,000 | 1.29 |
| 12. | Chan Bon Nge @ Chan Woon Chan | 1,135,000 | 1.26 |
| 13. | Gan Wee Kien | 1,005,200 | 1.12 |
| 14. | Chan Bon Nge @ Chan Woon Chan | 900,000 | 1.00 |
| 15. | Pong Yeang Kong | 896,100 | 1.00 |
| 16. | Ng Chong Keong | 862,300 | 0.96 |
| 17. | See Ming Sze | 836,200 | 0.93 |
| 18. | Ng Sheau Mien | 816,500 | 0.91 |
| 19. | Ling Lee Ding | 795,900 | 0.89 |
| 20. | Maybank Nominees (Tempatan) Sdn. Bhd.<br>*(Pledged securities account for Hoo Yeek Foo)* | 647,000 | 0.72 |
| 21. | CimSec Nominees (Tempatan) Sdn. Bhd.<br>*(Pledged securities account for Tan Siew Lee)* | 576,100 | 0.64 |
| 22. | Tee Chong Yen @ Bah Chong Yen | 545,000 | 0.61 |
| 23. | Tor Kee Lam | 498,300 | 0.55 |
| 24. | Ding Hong Tem | 429,100 | 0.48 |
| 25. | Ling Lee Ding | 426,700 | 0.47 |
| 26. | Leow Chooi Peng | 420,000 | 0.47 |
| 27. | Public Nominees (Tempatan) Sdn. Bhd.<br>*(Pledged securities account for Lim Lee Foon)* | 398,000 | 0.44 |
| 28. | Lim Bee Hong | 385,000 | 0.43 |
| 29. | JF Apex Nominees (Tempatan) Sdn. Bhd.<br>*(Pledged securities account for Ooi Siew Looi)* | 381,000 | 0.42 |
| 30. | Tan Kee Hock | 350,000 | 0.39 |

# Analysis Of Warrant Holdings

**AS AT 29 DECEMBER 2017**

| | | |
|---|---|---|
| Number of Warrants Issued | - | 21,852,588 |
| Exercise Price | - | RM0.30 per warrant |
| Exercise Period | - | 22 June 2015 to 21 June 2020 |

**ANALYSIS OF WARRANT HOLDINGS**

| Size of Holdings | No. of Holders | % | No. of Holdings | % |
|---|---|---|---|---|
| 1 – 99 | 2 | 0.90 | 86 | 0.00 |
| 100 – 1,000 | 6 | 2.70 | 1,400 | 0.01 |
| 1,001 – 10,000 | 51 | 22.97 | 286,102 | 1.31 |
| 10,001 – 100,000 | 111 | 50.00 | 4,530,300 | 20.73 |
| 100,001 – less than 5% of issued warrants | 52 | 23.42 | 17,034,700 | 77.95 |
| 5% and above of issued warrants | 0 | 0.00 | 0 | 0.00 |
| Total | 222 | 100.00 | 21,852,588 | 100.00 |

**DIRECTORS' WARRANT HOLDINGS** (Based on the Register of Directors' Warrant holdings)

| | Direct interest | | Indirect interest | |
|---|---|---|---|---|
| Name | No. of warrants held | % | No. of warrants held | % |
| Dato' Haji Abdul Aziz Bin Mohamed | – | – | – | – |
| Dato' Eii Ching Siew @ Yii Ching Siew | – | – | – | – |
| Dato' Lee Fong Yin @ Lee Vun Ya | – | – | – | – |
| Low Eng Tack | – | – | – | – |
| Fathi Ridzuan Bin Ahmad Fauzi | – | – | – | – |
| Foo Chooi Wai | – | – | – | – |
| Dato' Ng Boon Siong | – | – | – | – |

**LIST OF THIRTY LARGEST WARRANT HOLDERS**
(without aggregating securities from different securities accounts belonging to the same person)

| | Name of Warrant Holders | No. of warrants | % |
|---|---|---|---|
| 1. | CimSec Nominees (Tempatan) Sdn. Bhd.<br>*(CIMB for Chan Ah Hing @ Chan Eng Chaw)* | 1,069,100 | 4.89 |
| 2. | Cha Weay Chia | 1,040,300 | 4.76 |
| 3. | CimSec Nominees (Tempatan) Sdn. Bhd.<br>*(CIMB Bank for Chan Ah Hing @ Chan Eng Chaw)* | 1,006,000 | 4.60 |
| 4. | Heng Swee Siong | 900,000 | 4.12 |
| 5. | Tan Guo Rui | 610,000 | 2.79 |
| 6. | Chiam Kok Soon | 550,000 | 2.52 |
| 7. | Gan Wee Kien | 550,000 | 2.52 |
| 8. | Ling Siiun Tien | 546,500 | 2.50 |
| 9. | Lui Yuen Qiu | 490,000 | 2.24 |
| 10. | Chua Lee Guan | 460,000 | 2.11 |
| 11. | Ding Hong Tem | 450,000 | 2.06 |
| 12. | Tee Chong Yen @ Bah Chong Yen | 442,000 | 2.02 |
| 13. | Chau Kin Cheng | 407,500 | 1.86 |
| 14. | Koh Ing Kiong | 400,000 | 1.83 |
| 15. | Liew Pov Lan | 397,000 | 1.82 |
| 16. | Lyvia Whaung Pei Hwee | 370,000 | 1.69 |
| 17. | Ting Lee Kiang | 358,700 | 1.64 |
| 18. | Koh Lian Sim | 351,800 | 1.61 |
| 19. | AllianceGroup Nominees (Tempatan) Sdn. Bhd.<br>*(Pledged securities account for Ling Siiun Tien)* | 350,000 | 1.60 |
| 20. | Ng Sheau Mien | 326,600 | 1.49 |
| 21. | Yeong Sin Cheng | 319,500 | 1.46 |
| 22. | Liew Poh Seh | 310,000 | 1.42 |
| 23. | Han Soon Fatt | 301,000 | 1.38 |
| 24. | Wong Wai Lum | 300,900 | 1.38 |
| 25. | Adrian Choo Chee Teem | 300,000 | 1.37 |
| 26. | AmSec Nominees (Tempatan) Sdn. Bhd.<br>*(Pledged securities account for Chew (Chiu) Shing Tee)* | 300,000 | 1.37 |
| 27. | Tang Kah Kiong | 300,000 | 1.37 |
| 28. | Ting Heng Bing | 225,500 | 1.03 |
| 29. | Public Nominees (Tempatan) Sdn. Bhd.<br>*(Pledged securities account for Lim Lee Foon)* | 209,400 | 0.96 |
| 30. | Cheah Kuan Beng | 200,000 | 0.92 |

# List Of Properties

A summary of the information on landed properties owned by the Group as at 30 September 2017

| 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 30.09.2017 (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 Darul Ridzuan | 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 Darul Takzim | Industrial/ Single storey workshop building | 191.9 sq.m./ 383.6 sq.m. | Freehold | 41 | 800,000 | 30.09.2017 |
| 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 Darul Takzim | Commercial/ Double storey shophouse used as a store | 254.0815 sq.m./ 446.1 sq.m. | Freehold | 29 | 450,000 | 30.09.2017 |
| 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 Darul Takzim | Commercial/ Double storey shophouse used as a store | 143.066 sq.m./ 247.3 sq.m. | Freehold | 29 | 270,000 | 30.09.2017 |

| 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 30.09.2017 (RM) | Date of Revaluation/ Acquisition |
|---|---|---|---|---|---|---|---|
| **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 Darul Takzim | Single-storey workshop | 679.2848 sq.m/ 345.6 sq.m | 99 years lease expiring 6 October 2084 | 32 | 650,000 | 30.09.2017 |
| 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 Darul Takzim | Single-storey workshop | 1,147 sq.m/ 813.4 sq.m | 99 years lease expiring 6 October 2084 | 32 | 1,150,000 | 30.09.2017 |
| **Properties which are surplus to operational requirements** | | | | | | | |
| Lot No. P.T. 28626, H.S. (D) 94700, Mukim of Sungai Buloh, District of Petaling, State of Selangor Darul Ehsan | SM(M)SB No. 33B, Jalan BRP 6/10, Bukit Rahman Putra, 47000 Sungai Buloh, Selangor Darul Ehsan | 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 30.09.2017 (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 Darul Takzim | Building/ $2^{1}/_{2}$-storey Detached Building | 1,481 sq. m./ 1,152.3 sq. m | Freehold | 3 | 3,600,000 | 30.09.2017 |
| 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 Darul Takzim | Building/ Three-storey Detached Building | 195 sq. m./ 585 sq. m | Freehold | 6 | 1,800,000 | 30.09.2017 |
| 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 Darul Takzim | Building/ Three-storey Detached Building | 156 sq. m/ 468 sq.m. | Freehold | 6 | 1,450,000 | 30.09.2017 |
| 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 Darul Takzim | Residential/ Vacant land | 581.736 sq.m./ NA | 99 years lease expiring 23 November 2078 | N/A | 125,000 | 30.09.2017 |
| HS(D) 183506 PTD 60354 Mukim of Pulai, District of Johor Bahru, Johor Darul Takzim | RMT 51,Jalan Pulai 23, Taman Pulai Utama, 81110 Johor Bahru, Johor. Darul Takzim | Double Storey Shop Office | 143.07 sqm/ 286 sq. m | Freehold | 9 | 500,000 | 30.09.2017 |
| No. 183508 Lot 60355 Mukim of Pulai, District of Johor Bahru, Johor Darul Takzim | RMT 49,Jalan Pulai 23, Taman Pulai Utama, 81110 Johor Bahru, Johor. Darul Takzim | Double Storey Shop Office | 143.07 sqm/ 286 sq. m | Freehold | 9 | 500,000 | 30.09.2017 |

***Notes***

*SPG : S.P. Granite Sdn. Bhd.*
*RMT : Rainbow Marble & Granite Sdn. Bhd.*
*SM(M)SB : Stone Master (Malaysia) Sdn. Bhd.*
*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. | |

**PROXY FORM** *(Please refer to the notes below before completing this form)*

I/We…………………………………………………………………………........................…… NRIC.No ………………...……...............................
(Full Name In Block Letters)

of…………...………………………......................………………………………………………………………………………..........................………
(Full Address)

being a member of **Stone Master Corporation Berhad** hereby appoint the following person(s):-

| Name | NRIC No. | Address | No. of Shares or % shares to be presented |
|---|---|---|---|
| | | | |

and/or

| Name | NRIC No. | Address | No. of Shares or % shares to be presented |
|---|---|---|---|
| | | | |

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 Seventeenth 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 Wednesday, 21 March 2018 at 10:30 a.m. or at any adjournment thereof, in the manner as indicated below:-

| | Resolutions | For | Against |
|---|---|---|---|
| Resolution 1 | To approve the payment of Directors' Fees and Benefits amounting to RM95,000.00 for the financial year ended 30 September 2017. | | |
| Resolution 2 | To re-elect Dato' Haji Abdul Aziz Bin Mohamed who retires pursuant to Article 82 of the Company's Articles of Association | | |
| Resolution 3 | To re-elect Fathi Ridzuan Bin Ahmad Fauzi who retires pursuant to Article 82 of the Company's Articles of Association | | |
| Resolution 4 | To re-elect Foo Chooi Wai who retires pursuant to Article 82 of the Company's Articles of Association | | |
| Resolution 5 | To re-elect Dato' Eii Ching Siew @ Yii Ching Siew, the Director who retires pursuant to Article 79 Of The Company's Articles Of Association. | | |
| Resolution 6 | To re-elect Low Eng Tack who retires pursuant to Article 82 of the Company's Articles of Association | | |
| Resolution 7 | To re-elect Dato' Ng Boon Siong who retires pursuant to Article 82 of the Company's Articles of Association | | |
| Resolution 8 | To re-appoint Messrs. PKF as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. | | |
| Resolution 9 | To approve the authority to allot shares pursuant to Sections 75 and 76 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 …………………. 2018

……………………………………………………..
Signature of Shareholder/common seal

***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, 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 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 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 14 March 2018 shall be eligible to attend the Annual General Meeting.*

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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

*Please fold here*

**STONE MASTER CORPORATION BERHAD** (498639-X)
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