

**All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this Abridged Prospectus unless stated otherwise.**

**THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

If you have sold or transferred all your KCB Shares, you should at once hand this Abridged Prospectus, and the accompanying NPA and RSF to the agent through whom you effected the sale or transfer for onward transmission to the purchaser or transferee. All enquiries concerning the Rights Issue with Warrants should be addressed to our Share Registrar for the Rights Issue with Warrants, Bina Management (M) Sdn Bhd (50164-V) at Lot 10, The Highway Centre, Jalan 51/205, 46050 Petaling Jaya, Selangor Darul Ehsan.

A copy of this Abridged Prospectus has been registered with the SC. The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue with Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of this Abridged Prospectus, and the accompanying NPA and RSF have also been lodged with the Registrar of Companies who takes no responsibility for the contents of these documents.

The approval from our shareholders for the Rights Issue with Warrants was obtained at our EGM held on 27 June 2013. Approval from Bursa Securities has also been obtained on 10 May 2013 for the admission of the Warrants to the Official List and the listing of the Rights Shares and the Warrants as well as the new KCB Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities. However, this is not an indication that Bursa Securities recommends the Rights Issue with Warrants. The admission of the Warrants to the Official List and the listing of and quotation for all the new securities on the Main Market of Bursa Securities are in no way reflective of the merits of the Rights Issue with Warrants. Bursa Securities does not take any responsibility for the correctness of statements made or opinions expressed in this Abridged Prospectus. The admission of the Warrants to the Official List and the official listing of and quotation for all the new securities will commence after the receipt of confirmation from Bursa Depository that all the CDS Accounts of the successful Entitled Shareholders and/ or their renounee(s) (if applicable) have been duly credited and notices of allotment have been despatched to them.

Our Directors have seen and approved all the documentation relating to this Rights Issue with Warrants. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make the statements in these documents false or misleading.

This Abridged Prospectus, and the accompanying NPA and RSF are only despatched to our Entitled Shareholders whose names appear on our Record of Depositors and who have provided our Share Registrar for the Rights Issue with Warrants with an address in Malaysia not later than 5.00 p.m. on 26 September 2013. This Abridged Prospectus, and the accompanying NPA and RSF are not intended to be (and will not be) issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been or will be taken to ensure that the Rights Issue with Warrants complies with the laws of any countries or jurisdictions other than the laws of Malaysia. Entitled Shareholders and/ or their renounee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers and/ or other professional advisers as to whether the acceptance and/ or renunciation (as the case may be) of all or any part of their entitlements to the Rights Shares and the Warrants would result in a contravention of any laws of such countries or jurisdictions. Neither we, RHBIB nor any other professional advisers shall accept any responsibility or liability in the event that any acceptance and/ or renunciation (as the case may be) of the entitlements to the Rights Shares and the Warrants made by the Entitled Shareholders and/ or their renounee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in any such countries or jurisdictions.

RHBIB, being our Principal Adviser for the Rights Issue with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue with Warrants.

**FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH YOU SHOULD CONSIDER, PLEASE REFER TO SECTION 6 OF THIS ABRIDGED PROSPECTUS.**



**KARAMBUNAI CORP BHD**

(Company No.: 6461-P)

(Incorporated in Malaysia under the Companies Ordinances, 1940-1946)

**RENOUNCEABLE RIGHTS ISSUE OF UP TO 507,514,920 NEW ORDINARY SHARES OF RM0.10 EACH IN KARAMBUNAI CORP BHD ("KCB") ("KCB SHARE(S)") ("RIGHTS SHARE(S)") ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY FOUR (4) EXISTING KCB SHARES HELD AS AT 5.00 P.M. ON 26 SEPTEMBER 2013 TOGETHER WITH UP TO 1,015,029,840 FREE DETACHABLE WARRANTS ("WARRANT(S)") ON THE BASIS OF TWO (2) WARRANTS FOR EVERY ONE (1) RIGHTS SHARE SUBSCRIBED AT AN ISSUE PRICE OF RM0.10 PER RIGHTS SHARE**

*Principal Adviser*



**RHB Investment Bank Berhad**

(Company No. 19663-P)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

**IMPORTANT RELEVANT DATES AND TIME:-**

Entitlement Date	: Thursday, 26 September 2013 at 5.00 p.m.
Last date and time for sale of provisional allotment of rights	: Thursday, 3 October 2013 at 5.00 p.m.
Last date and time for transfer of provisional allotment of rights	: Tuesday, 8 October 2013 at 4.00 p.m.
Last date and time for acceptance and payment	: Friday, 11 October 2013 at 5.00 p.m.*
Last date and time for excess application and payment	: Friday, 11 October 2013 at 5.00 p.m.*

\* or such later date and time as our Board may determine and announce not less than two (2) Market Days before the stipulated date and time.

This Abridged Prospectus is dated 26 September 2013

*All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this Abridged Prospectus unless stated otherwise.*

THIS ABRIDGED PROSPECTUS HAS BEEN REGISTERED WITH THE SC. THE REGISTRATION OF THIS ABRIDGED PROSPECTUS SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE RIGHTS ISSUE WITH WARRANTS OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION OR REPORT EXPRESSED IN THIS ABRIDGED PROSPECTUS.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.

BURSA SECURITIES HAS APPROVED THE ADMISSION OF THE WARRANTS TO THE OFFICIAL LIST AND THE LISTING OF THE RIGHTS SHARES AND THE WARRANTS AS WELL AS THE NEW KCB SHARES TO BE ISSUED ARISING FROM THE EXERCISE OF THE WARRANTS ON THE MAIN MARKET OF BURSA SECURITIES. HOWEVER, THIS IS NOT AN INDICATION THAT BURSA SECURITIES RECOMMENDS THE RIGHTS ISSUE WITH WARRANTS.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT IN THE RIGHTS SHARES AND THE WARRANTS. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE WITH WARRANTS FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

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**DEFINITIONS**


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Except where the context otherwise requires, the following definitions shall apply throughout this Abridged Prospectus, the NPA and the RSF:-

"Act"	: The Companies Act, 1965
"Amendments"	: The amendments to the Memorandum and Articles of Association of KCB
"Board"	: The Board of Directors of KCB
"Bursa Depository" or "Depository"	: Bursa Malaysia Depository Sdn Bhd (165570-W)
"Bursa Securities"	: Bursa Malaysia Securities Berhad (635998-W)
"Capital Reconstruction"	: The capital reconstruction involving the cancellation of RM0.40 of the par value of every existing ordinary share of RM0.50 each in the issued and paid-up share capital of KCB pursuant to Section 64(1) of the Act and the credit arising therefrom to be offset against the accumulated losses of KCB
"Capitalisation to FACBII"	: The debt settlement of RM37,683,036 owing to FACBII via the issuance of 339,181,242 Settlement Shares at the issue price of RM0.1111 per Settlement Share
"Capitalisation to TSCLK"	: The debt settlement of RM322,171,319 owing to TSCLK via the issuance of 2,899,831,854 Settlement Shares at the issue price of RM0.1111 per Settlement Share
"CDS"	: Central Depository System
"CDS Account"	: A securities account established by Bursa Depository for a depositor pursuant to the Securities Industry (Central Depository) Act, 1991 and the Rules of Bursa Depository for the recording of deposits of securities and for dealings in such securities by the depositor
"CMSA"	: The Capital Markets and Services Act 2007
"Code"	: The Malaysian Code on Take-Overs and Mergers, 2010
"Corporate Exercises"	: The Capital Reconstruction, the Rights Issue with Warrants, the Capitalisation to TSCLK, the Capitalisation to FACBII, the Exemption and the Amendments, collectively
"Deed Poll"	: The deed poll dated 10 September 2013 constituting the Warrants
"DHSB"	: Dapan Holdings Sdn Bhd (106119-D), a wholly-owned subsidiary company of Karambunai Resorts Sdn Bhd, which is in turn a wholly-owned subsidiary company of KCB
"Director(s)"	: The director(s) of KCB and shall have the meaning given in Section 4 of the Act
"EGM"	: Extraordinary General Meeting
"Entitled Shareholder(s)"	: Our shareholders whose names appear in our Record of Depositors of the Company on the Entitlement Date

**DEFINITIONS (CONT'D)**

"Entitlement Date"	:	5.00 p.m. on 26 September 2013, being the date and time on which the names of our shareholders must appear in the Record of Depositors in order to participate in the Rights Issue with Warrants
"EPS"	:	Earnings per Share
"Excess Rights Shares with Warrants"	:	Rights Shares with Warrants which are not taken up or not validly taken up by the Entitled Shareholders and/ or their renounee(s) (if applicable) prior to excess application
"Exemption"	:	The exemption under Paragraph 16.1 of Practice Note 9 of the Code to TSCLK and the PACs with him from the obligation to undertake a mandatory take-over offer for all the remaining KCB Shares not already held by them pursuant to the Rights Issue with Warrants, the Capitalisation to TSCLK and the Capitalisation to FACBII
"FACBII"	:	FACB Industries Incorporated Berhad (48850-K)
"FPE"	:	Financial period ended/ ending
"FYE"	:	Financial year ended/ ending
"KCB" or the "Company"	:	Karambunai Corp Bhd (6461-P)
"KCB Group" or the "Group"	:	KCB and its subsidiary companies, collectively
"KCB Share(s)" or "Share(s)"	:	Ordinary share(s) of RM0.10 each in KCB
"KIRC"	:	Karambunai Integrated Resort City
"LAT"	:	Losses after taxation
"LBT"	:	Losses before taxation
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	29 August 2013, being the latest practicable date prior to the registration of this Abridged Prospectus with the SC
"LPS"	:	Losses per Share
"Market Day(s)"	:	Any day from Mondays to Fridays (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for the trading of securities
"Maximum Scenario"	:	Assuming the Rights Issue with Warrants is undertaken on a full subscription level basis
"Minimum Scenario"	:	Assuming the Rights Issue with Warrants is undertaken on the Minimum Subscription Level basis

**DEFINITIONS (CONT'D)**

"Minimum Subscription Level"	:	A minimum level of subscription of 222,780,629 Rights Shares together with 445,561,258 Warrants pursuant to the Rights Issue with Warrants, as determined by the Board. The aforesaid Minimum Subscription Level is based on the irrevocable written undertaking from TSCLK to subscribe for 222,780,629 Rights Shares, being his entitlement under the Rights Issue with Warrants
"NA"	:	Net assets
"NPA"	:	Notice of Provisional Allotment
"NRSK"	:	Nexus Resort & Spa Karambunai
"Official List"	:	A list specifying all securities which have been admitted for listing on the Main Market of Bursa Securities and not removed
"OSK"	:	OSK Investment Bank Berhad. For avoidance of doubt, OSK Investment Bank Berhad has officially merged with RHBIB to become RHBIB with effect from 13 April 2013
"PACs"	:	Person(s) acting in concert with TSCLK for the purpose of the Exemption, namely Puan Sri Lee Chou Sarn, Chen Yiy Fon, Chen Yiy Hwuan and FACBII, collectively
"PAT"	:	Profit after taxation
"PBT"	:	Profit before taxation
"Provisional Rights Shares with Warrants"	:	Rights Shares with Warrants provisionally allotted to the Entitled Shareholders
"Record of Depositors"	:	A record consisting of names of depositors established by Bursa Depository under the Rules of Depository
"RHBIB" or the "Principal Adviser"	:	RHB Investment Bank Berhad (19663-P)
"Rights Issue with Warrants"	:	The renounceable rights issue of up to 507,514,920 Rights Shares on the basis of one (1) Rights Share for every four (4) existing KCB Shares held on the Entitlement Date together with up to 1,015,029,840 Warrants on the basis of two (2) Warrants for every one (1) Rights Share subscribed
"Rights Share(s)"	:	Up to 507,514,920 new KCB Shares to be issued pursuant to the Rights Issue with Warrants
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"RSF"	:	Rights Subscription Form
"SC"	:	Securities Commission Malaysia
"Settlement Share(s)"	:	The new KCB Shares to be issued pursuant to the Capitalisation to TSCLK and the Capitalisation to FACBII, as the case may be
"TSCLK"	:	Tan Sri Dr Chen Lip Keong
"WAMP"	:	Weighted average market price

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**DEFINITIONS (CONT'D)**

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"Warrant(s)" : Up to 1,015,029,840 free detachable warrants to be issued pursuant to the Rights Issue with Warrants

All references to "our Company" and "KCB" in this Abridged Prospectus are made to Karambunai Corp Bhd (6461-P) and references to "our Group" are made to our Company and our subsidiary companies. All references to "we", "us", "our" and "ourselves" are made to the Company, or where the context requires, our Group or any of our subsidiary companies. All references to "you" in this Abridged Prospectus are made to our Entitled Shareholders.

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Abridged Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Abridged Prospectus shall be a reference to Malaysian time, unless otherwise specified.

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**CORPORATE DIRECTORY****BOARD OF DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Nationality</b>	<b>Occupation</b>
Datuk Wan Kassim bin Ahmed <i>(Chairman, Independent Non-Executive Director)</i>	8, Jalan SS 14/7B Subang Jaya 47500 Petaling Jaya Selangor Darul Ehsan	Malaysian	Company Director
Tan Sri Dr Chen Lip Keong <i>(President, Non-Independent Executive Director)</i>	18, Jalan Tengku Ampuan Taman Duta 50480 Kuala Lumpur	Malaysian	Company Director
Chen Yiy Fon <i>(Chief Executive Officer, Non-Independent Executive Director)</i>	18, Jalan Tengku Ampuan Taman Duta 50480 Kuala Lumpur	Malaysian	Company Director
Datuk Robin Loh Hoon Loi <i>(Non-Independent Executive Director)</i>	Lot 486, Lorong Pokok Resam 4 Taman BDC Likas, Phase 12B 88450 Kota Kinabalu Sabah	Malaysian	Company Director
Chen Yiy Hwuan <i>(Non-Independent Executive Director)</i>	18, Jalan Tengku Ampuan Taman Duta 50480 Kuala Lumpur	Malaysian	Company Director
Dato' Dr Mohd Aminuddin bin Mohd Rouse <i>(Independent Non-Executive Director)</i>	No. 35, Jalan Hillview 2 Taman Hillview Off Jalan Hulu Kelang 68000 Ampang Selangor Darul Ehsan	Malaysian	Company Director
Lim Mun Kee <i>(Independent Non-Executive Director)</i>	No. 9, Jalan Merak 6 Puchong Jaya 47100 Puchong Selangor Darul Ehsan	Malaysian	Company Director

**AUDIT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Datuk Wan Kassim bin Ahmed	Chairman	Chairman, Independent Non-Executive Director
Dato' Dr Mohd Aminuddin bin Mohd Rouse	Member	Independent Non-Executive Director
Lim Mun Kee	Member	Independent Non-Executive Director

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**CORPORATE DIRECTORY (CONT'D)**

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- COMPANY SECRETARIES** : Chang Yuet Mei (MAICSA 0781552)  
3, Lorong PJU 3/28 J  
Sunway Damansara  
47810 Petaling Jaya  
Selangor Darul Ehsan  
Tel: 03-7968 1222  
Fax: 03-7958 4775
- Yew Nyuk Kwei (MACS 01247)  
B-12-08, Level 12, Tower B  
1 Borneo, Jalan Sulaman  
88450 Kota Kinabalu  
Sabah  
Tel: 088-411 111  
Fax: 088-412 111
- REGISTERED OFFICE AND PRINCIPAL OFFICE** : No. 9020, Nexus Drive West  
Karambunai, Menggatal  
88450 Kota Kinabalu  
Sabah  
Tel: 088-411 111  
Fax: 088-412 111
- SHARE REGISTRAR FOR THE RIGHTS ISSUE WITH WARRANTS** : Bina Management (M) Sdn Bhd (50164-V)  
Lot 10, The Highway Centre  
Jalan 51/205  
46050 Petaling Jaya  
Selangor Darul Ehsan  
Tel: 03-7784 3922  
Fax: 03-7784 1988
- AUDITORS AND REPORTING ACCOUNTANTS** : Messrs UHY (AF 1411)  
Chartered Accountants  
Suite 11.05, Level 11  
The Gardens South Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
Tel: 03-2279 3088  
Fax: 03-2279 3099
- PRINCIPAL BANKER** : Malayan Banking Berhad (3813-K)  
No. 2, Jalan 6C/16, Section 16  
43650 Bandar Baru Bangi  
Selangor Darul Ehsan  
Tel: 03-8926 1533  
Fax: 03-8925 4919
- DUE DILIGENCE SOLICITORS** : Messrs Ben & Partners  
7-2, Level 2, Block D2  
Dataran Prima  
Jalan PJU 1/39  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Tel: 03-7805 2922  
Fax: 03-7805 3922

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**CORPORATE DIRECTORY (CONT'D)**

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**PRINCIPAL ADVISER** : RHB Investment Bank Berhad (19663-P)  
Level 10, Tower One  
RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur  
Tel: 03-9287 3888  
Fax: 03-9287 2233/ 3355

**STOCK EXCHANGE LISTED AND LISTING SOUGHT** : Main Market of Bursa Securities

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## KARAMBUNAI CORP BHD

(Company No.: 6461-P)

(Incorporated in Malaysia under the Companies Ordinances, 1940-1946)

### Registered Office

No. 9020, Nexus Drive West  
Karambunai, Menggatal  
88450 Kota Kinabalu  
Sabah

26 September 2013

### Board of Directors

Datuk Wan Kassim bin Ahmed (*Chairman, Independent Non-Executive Director*)  
Tan Sri Dr Chen Lip Keong (*President, Non-Independent Executive Director*)  
Chen Yiy Fon (*Chief Executive Officer, Non-Independent Executive Director*)  
Datuk Robin Loh Hoon Loi (*Non-Independent Executive Director*)  
Chen Yiy Hwuan (*Non-Independent Executive Director*)  
Dato' Dr Mohd Aminuddin bin Mohd Rouse (*Independent Non-Executive Director*)  
Lim Mun Kee (*Independent Non-Executive Director*)

### To: Our Entitled Shareholders

Dear Sir/ Madam,

**RENOUNCEABLE RIGHTS ISSUE OF UP TO 507,514,920 NEW KCB SHARES ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY FOUR (4) EXISTING KCB SHARES HELD AS AT 5.00 P.M. ON 26 SEPTEMBER 2013 TOGETHER WITH UP TO 1,015,029,840 WARRANTS ON THE BASIS OF TWO (2) WARRANTS FOR EVERY ONE (1) RIGHTS SHARE SUBSCRIBED AT AN ISSUE PRICE OF RM0.10 PER RIGHTS SHARE**

### 1. INTRODUCTION

On 6 December 2012, OSK had, on behalf of our Board, announced that we propose to undertake the Capital Reconstruction, the Rights Issue with Warrants, the Capitalisation to TSCLK, the Capitalisation to FACBII, the Exemption and the Amendments.

On 25 February 2013, OSK had, on behalf of our Board, announced that the Controller of Foreign Exchange (via Bank Negara Malaysia) had, vide its letter dated 18 February 2013, resolved to approve the issuance of the Warrants to our entitled non-resident shareholders.

On 13 May 2013, RHBIB had, on behalf of our Board, announced that Bursa Securities had, vide its letter dated 10 May 2013, resolved to approve the following:-

- i. Admission to the Official List, listing of and quotation for the Warrants on the Main Market of Bursa Securities;
- ii. Listing of the Rights Shares to be issued pursuant to the Rights Issue with Warrants;

- iii. Listing of the Settlement Shares to be issued pursuant to the Capitalisation to TSCLK and the Capitalisation to FACBII; and
- iv. Listing of the new KCB Shares to be issued arising from the exercise of the Warrants.

The aforementioned approval is subject to the following conditions:-

<b>Conditions</b>	<b>Status of compliance</b>
i. KCB and RHBIB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Corporate Exercises;	Noted
ii. KCB and RHBIB to inform Bursa Securities upon the completion of the Corporate Exercises;	To be complied
iii. KCB must comply with the public shareholding spread requirements pursuant to Paragraph 8.02 of the Listing Requirements upon completion of the Corporate Exercises;	The application to Bursa Securities for an extension of time to comply with this condition upon completion of the Corporate Exercises has been submitted to Bursa Securities vide a letter dated 11 September 2013 and is pending for approval
iv. KCB and RHBIB to furnish the following to Bursa Securities prior to the quotation of the Settlement Shares and the Rights Shares:-	To be complied
a) Confirmation from RHBIB that KCB complies with the public shareholding spread requirement pursuant to Paragraph 8.02(1) of the Listing Requirements and a certificate of distribution of the shares in the format contained in Part B(1)(d) of Annexure Practice Note 21-A of the Listing Requirements;	
b) A certified true copy of the resolutions passed by the shareholders approving the Corporate Exercises; and	
c) A copy of the approval letter from the Controller of Foreign Exchange for the allotment and issuance of the Warrants to the non-resident shareholders of the Company; and	
v. KCB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Corporate Exercises are completed.	To be complied

On 27 June 2013, our shareholders had approved the Corporate Exercises at our EGM. A certified true extract of the resolutions pertaining to the Corporate Exercises passed at the aforementioned EGM is set out in Appendix I of this Abridged Prospectus. The SC had subsequently, vide its letter dated 9 July 2013, approved the Exemption.

On 26 August 2013, RHBIB had, on behalf of our Board, announced that the High Court of Malaya in Kuala Lumpur had, on 23 August 2013, granted an order confirming the Capital Reconstruction pursuant to Section 64(1) of the Act.

On 29 August 2013, RHBIB had, on behalf of our Board, announced that the sealed order of the High Court of Malaya in Kuala Lumpur confirming the aforementioned Capital Reconstruction has been duly lodged with the Registrar of Companies on 28 August 2013, marking the completion of the Capital Reconstruction.

On 11 September 2013, RHBIB had, on behalf of our Board, announced that the Entitlement Date has been fixed on 26 September 2013 at 5.00 p.m., along with other relevant dates pertaining to the Rights Issue with Warrants.

No person is authorised to give any information or to make any representation not contained in this Abridged Prospectus in connection with the Rights Issue with Warrants and if given or made, such information or representation must not be relied upon as having been authorised by us or RHBIB.

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

## **2. DETAILS OF THE RIGHTS ISSUE WITH WARRANTS**

### **2.1 Details of the Rights Issue with Warrants**

In accordance with the terms of the Rights Issue with Warrants as approved by the relevant authorities and our shareholders at the EGM held on 27 June 2013 and subject to the terms of the Abridged Prospectus and the accompanying documents, we will provisionally allot up to 507,514,920 Rights Shares to our Entitled Shareholders on a renounceable basis of one (1) Rights Share for every four (4) existing KCB Shares held on the Entitlement Date together with up to 1,015,029,840 Warrants on the basis of two (2) Warrants for every one (1) Rights Share subscribed, at an issue price of RM0.10 per Rights Share.

In determining the entitlements of the Entitled Shareholders, fractional entitlements of the Rights Shares and the Warrants, if any, will be disregarded and shall be dealt with in such manner as our Board shall in their absolute discretion deem fit and expedient, and to be in the best interest of our Company.

The Warrants will be immediately detached from the Rights Shares upon allotment and issuance and will be traded separately. The Warrants will be issued in registered form and constituted by the Deed Poll.

The Rights Issue with Warrants is renounceable in full or in part. Accordingly, the Entitled Shareholders who renounce all or any part of their entitlements to the Rights Shares provisionally allotted to them under the Rights Issue with Warrants will simultaneously relinquish any accompanying entitlement to the Warrants. For avoidance of doubt, the Rights Shares and the Warrants are not separately renounceable.

Any unsubscribed Rights Shares together with the Warrants will be made available to other Entitled Shareholders and/ or their renounee(s) (if applicable) under the Excess Rights Shares with Warrants application. It is the intention of our Board to allocate the Excess Rights Shares with Warrants, if any, in a fair and equitable manner, and on the basis as set out in Section 10.8 of this Abridged Prospectus.

As the Rights Shares and the Warrants are prescribed securities, your CDS Account will be duly credited with the number of Provisional Rights Shares with Warrants which you are entitled to subscribe for in full or in part under the terms of the Rights Issue with Warrants. You will find enclosed in this Abridged Prospectus, a NPA notifying you of the crediting of such securities into your CDS Account and a RSF to enable you to subscribe for the Provisional Rights Shares with Warrants, as well as to apply for the Excess Rights Shares with Warrants if you choose to do so.

Any dealings in our securities will be subject to, inter-alia, the provisions of the Securities Industry (Central Depositories) Act, 1991, the Rules of Bursa Depository and any other relevant legislation. Accordingly, the Rights Shares, the Warrants and the new KCB Shares to be allotted and issued arising from the exercise of the Warrants will be credited directly into the respective CDS Accounts of the successful applicants and the shareholders who exercise the Warrants (as the case may be). No physical share or warrant certificates will be issued.

We will allot and issue the Rights Shares with Warrants, despatch notices of allotment to the successful applicants and make an application for the quotation for the Rights Shares and the Warrants within eight (8) Market Days from the last date for acceptance of and payment for the Rights Shares with Warrants or such other period as may be prescribed by Bursa Securities. The Rights Shares and the Warrants will then be quoted on the Main Market of Bursa Securities two (2) Market Days after the receipt of application for quotation is made to Bursa Securities.

## **2.2 Basis and justification of determining the issue price of the Rights Shares**

The issue price of the Rights Shares has been fixed by our Board at RM0.10 each, being the par value of KCB Shares upon completion of the Capital Reconstruction. This represents a discount of approximately 23.43% to the theoretical ex-rights price of KCB Shares of RM0.1306, calculated based on the five (5)-day WAMP of the ordinary share of RM0.50 each in KCB up to and including 5 December 2012 (being the last market day prior to the announcement of the Corporate Exercises), of RM0.1382.

The aforementioned discount was determined by our Board after taking into consideration the following factors:-

- i. The issue price of the Rights Shares shall be deemed sufficiently attractive to encourage the subscription of the Rights Shares by our Entitled Shareholders whilst taking into consideration the gross proceeds intended to be raised from the Rights Issue with Warrants, and such issue price shall not be lower than the par value of KCB Shares;
- ii. The past and current trading price of our shares; and
- iii. The historical and current financial performance of our Group.

## **2.3 Basis and justification of determining the exercise price of the Warrants**

The exercise price of the Warrants has been fixed by our Board at RM0.1306, being the theoretical ex-rights price of KCB Shares, calculated based on the five (5)-day WAMP of the ordinary share of RM0.50 each in KCB up to and including 5 December 2012 (being the last market day prior to the announcement of the Corporate Exercises), of RM0.1382.

For avoidance of doubt, the Warrants which are attached to the Rights Shares will be issued at no cost to our Entitled Shareholders who subscribe for the Rights Shares.

## **2.4 Ranking of the Rights Shares and new KCB Shares to be issued arising from the exercise of the Warrants**

The Rights Shares will, upon allotment and issuance, rank *pari passu* in all respects with the existing KCB Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid prior to the relevant date of allotment and issuance of the Rights Shares.

The new KCB Shares to be issued arising from the exercise of the Warrants will, upon allotment and issuance, rank *pari passu* in all respects with the existing KCB Shares, save and except that the new KCB Shares to be issued arising from the exercise of the Warrants will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid prior to the relevant date of allotment and issuance of the said new KCB Shares.

## 2.5 Principal terms of the Warrants

The principal terms of the Warrants are set out below:-

Issue size	:	Up to 1,015,029,840 Warrants to be issued in conjunction with the Rights Issue with Warrants to the Entitled Shareholders on the basis of two (2) Warrants for every one (1) Rights Share subscribed.
Form and denomination	:	The Warrants which are issued with the Rights Shares are immediately detachable upon allotment and issuance and will be separately traded. The Warrants will be issued in registered form and constituted by the Deed Poll.
Exercise rights	:	Each Warrant entitles the registered holder, at any time during the exercise period, to subscribe for one (1) new KCB Share at the exercise price, subject to adjustment in accordance with the provisions of the Deed Poll.
Exercise period	:	The Warrants may be exercised at any time within 10 years commencing on and including the date of issuance of the Warrants until 5.00 p.m. on the expiry date, but excluding the five (5) clear Market Days prior to a book closure date or entitlement date announced by the Company and those days during that period on which the Record of Depositors of the Company and/ or the Warrants register is closed. Any Warrants which have not been exercised during the exercise period will thereafter lapse and cease to be valid.
Exercise price	:	The exercise price of the Warrants has been fixed by the Board at RM0.1306.
Mode of exercise	:	The registered holder of a Warrant is required to lodge an exercise form, as set out in the Deed Poll, with the Company's registrar, duly completed, signed and stamped together with payment of the exercise price by bankers' draft or cashier's order drawn on a bank operating in Malaysia or a money order or postal order issued by a post office in Malaysia.
Board lot	:	For the purpose of trading on Bursa Securities, a board lot of Warrants shall comprise 100 Warrants carrying the right to subscribe for 100 new KCB Shares at any time during the exercise period, or such denomination as determined by Bursa Securities.
Rights of the Warrant holder	:	Warrant holders are not entitled to vote in any general meeting of KCB or to participate in any distribution and/ or offer of further securities in the Company unless and until the Warrant holder becomes a shareholder by exercising his/ her Warrants.



Rights in the event of winding up, liquidation, compromise and/ or arrangement : Where a resolution has been passed for a members' voluntary winding-up of the Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies, then every Warrant holder shall be entitled upon and subject to the provisions of the Deed Poll at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding-up of the Company or within six (6) weeks after the granting of the court order approving the compromise or arrangement, by the irrevocable surrender of his Warrants to the Company by submitting the duly completed exercise form together with the payment of the exercise price, to elect to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement, exercised the exercise rights represented by such Warrants to the extent specified in the exercise forms and be entitled to receive out of the assets of the Company which would be available in liquidation as if he had on such date been the holder of the new Shares to which he would have been entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly.

If the Company is wound up, all exercise rights which have not been exercised within six (6) weeks of the passing of such resolution, shall lapse and the Warrants shall cease to be valid for any purpose.

Adjustments in the exercise price and/ or number of warrants : The exercise price and/ or number of unexercised Warrants may be adjusted by the Board, in consultation with the auditor and/ or approved adviser and certified by the auditor in the event of any alteration to the share capital of the Company by reason of the consolidation or subdivision of shares, issuance of shares by way of capitalisation of profits or reserves, capital distribution or rights issue of shares or convertible securities or any other events in accordance with the provisions of the Deed Poll.

Modification : Save for modification which is not materially prejudicial to the interests of the warrant holders or to correct a manifest error or to comply with the mandatory provisions of the laws of Malaysia, any modifications, amendments, deletions or additions to the Deed Poll must be effected by a deed poll executed by the Company and expressed to be supplemental and comply with the relevant provisions of the Deed Poll.

Constitution : The Warrants are constituted by the Deed Poll.

Governing law : Laws and regulations of Malaysia.

## 2.6 Details of other corporate exercises

Save for the Rights Issue with Warrants, the Capitalisation to TSCLK, the Capitalisation to FACBII and as disclosed below, we do not have any other corporate exercises which have been approved by the regulatory authorities but not yet completed as at the LPD:-

i. Disposals by DHSB of the followings:-

- a) Approximately 33.11 acres of leasehold land in Bandar Sierra, KM 20, Jalan Tuaran, Kota Kinabalu, Sabah held under Country Lease 015414972 to Sinkong Construction Sdn Bhd for a cash consideration of RM15,866,000.00;

- b) Approximately 27.016 acres of leasehold land in Bandar Sierra, KM 20, Jalan Tuaran, Kota Kinabalu, Sabah held under Country Lease 015414972 to Yu Sin Kong, for a cash consideration of RM12,945,000.00; and
- c) 10 lots of leasehold land all in Bandar Sierra, KM 20, Jalan Tuaran, Kota Kinabalu, Sabah held under Country Lease 015414972 to Singkong Construction Sdn Bhd for an aggregate cash consideration of RM35,049,546.00.

### **3. RATIONALE AND JUSTIFICATION FOR THE RIGHTS ISSUE WITH WARRANTS**

After due consideration of the various funding options available to us, our Board is of the view that the Rights Issue with Warrants is the most appropriate avenue of fund raising after taking into consideration the following factors as the Rights Issue with Warrants will:-

- i. Enable us to raise equity capital without incurring interests expenses as compared to bank borrowings. This would allow us to preserve cash for reinvestment and/ or operational purposes;
- ii. Provide our Entitled Shareholders with an opportunity to further increase their equity participation in our Company via the issuance of new Shares without diluting the existing shareholders' equity interest, assuming that all Entitled Shareholders fully subscribe for their respective entitlements pursuant to the Rights Issue with Warrants; and
- iii. Improve liquidity and financial flexibility, as well as to optimise our Group's capital structure by strengthening the statement of financial position.

It is important to note that the Rights Issue with Warrants has been structured on the Minimum Subscription Level basis after taking into consideration the minimum level of funds that we wish to raise from the Rights Issue with Warrants.

In addition, the Warrants to be issued pursuant to the Rights Issue with Warrants will provide an incentive to our Entitled Shareholders and/ or their renounee(s) (if applicable) to subscribe for the Rights Shares. The Warrants will allow our Entitled Shareholders and/ or their renounee(s) (if applicable) to benefit from the potential capital appreciation arising thereof and increase their equity participation in our Company at a predetermined price over the tenure of the Warrants. Furthermore, we would also be able to raise further proceeds as and when the Warrants are exercised.

### **4. IRREVOCABLE UNDERTAKING AND UNDERWRITING ARRANGEMENT**

Our Board has determined to undertake the Rights Issue with Warrants on the Minimum Subscription Level basis after taking into consideration the minimum level of funds of approximately RM22.28 million that we wish to raise from the Rights Issue with Warrants, which will be channelled towards the proposed utilisation of proceeds as set out in Section 5 of this Abridged Prospectus.

In order to meet the Minimum Subscription Level, the controlling shareholder of our Company, namely TSCLK, had vide his letter dated 6 December 2012, provided his irrevocable undertaking to subscribe in full for his entitlement under the Rights Issue with Warrants based on his shareholding.

A summary of the irrevocable undertaking is set out below:-

Controlling shareholder	Shareholding as at the LPD		Entitlement and irrevocable undertaking		Funding required RM
	No. of Shares	%	No. of Shares	% <sup>*1</sup>	
TSCLK	891,122,516	43.90	222,780,629	43.90	22,278,063

**Note:-**

<sup>\*1</sup> Computed based on the 507,514,920 Rights Shares available for subscription under the Maximum Scenario

TSCLK had also, on 6 December 2012, provided his confirmation that he has sufficient financial resources to subscribe for his entitlement as set out above. The said confirmation has been verified by OSK, our principal adviser for the Corporate Exercises.

As the Rights Issue with Warrants will be undertaken on the Minimum Subscription Level basis, we will not be procuring any underwriting arrangement for the balance of up to 284,734,291 Rights Shares representing 56.10% of the total Rights Shares available for subscription under the Maximum Scenario.

## 5. UTILISATION OF PROCEEDS

Based on the issue price of RM0.10 per Rights Share, the Rights Issue with Warrants will raise gross proceeds of at least RM22.28 million and up to RM50.75 million.

The proceeds are expected to be utilised in the following manner:-

Details of utilisation	Timeframe for utilisation	Minimum Scenario RM'000	Maximum Scenario RM'000
Working capital <sup>*1</sup>	within 12 months	20,278	48,751
Estimated expenses in relation to the Corporate Exercises <sup>*2</sup>	upon completion	2,000	2,000
<b>Total</b>		<b>22,278</b>	<b>50,751</b>

**Notes:-**

<sup>\*1</sup> The proceeds for working capital will be utilised to finance the day-to-day operations of our Group and is estimated to be utilised in the following manner:-

	Minimum Scenario RM'000	Maximum Scenario RM'000
Refurbishment and modernisation of hotel	10,000	13,000
Payment to trade creditors and suppliers <sup>^</sup>	4,000	26,600
General working capital (which includes employees remuneration and related expenses, payment to other creditors, tax liabilities and other payables)	6,278	9,151
<b>Total</b>	<b>20,278</b>	<b>48,751</b>

<sup>^</sup> As at the LPD, the total bank borrowings of our Group is approximately RM16.91 million, whilst the amount owing to trade creditors and suppliers is approximately RM113.11 million. As the amount owing to trade creditors and suppliers is not interest bearing, the repayment to them does not give rise to any interest savings.

<sup>2</sup> The breakdown of the estimated expenses in relation to the Corporate Exercises are set out below:-

	<b>RM'000</b>
<i>Professional fees (including fees for Principal Adviser, reporting accountants, solicitors and independent adviser)</i>	1,600
<i>Regulatory fees</i>	280
<i>Miscellaneous expenses (including printing and advertising costs)</i>	120
<b>Total</b>	<b><u>2,000</u></b>

Any variation to the amount of proceeds to be raised which is dependent on the actual number of Rights Shares to be issued will be adjusted against the amount allocated for the working capital of our Group.

The gross proceeds to be raised from the exercise of the Warrants are dependent on the total number of Warrants exercised during the tenure of the Warrants. Such proceeds will be utilised as additional working capital for our Group.

Pending utilisation of the proceeds from the Rights Issue with Warrants for the above purposes, the proceeds will be placed in deposits with financial institutions or short-term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital of our Group.

## **6. RISK FACTORS**

You and/ or your renounee(s) (if applicable) should consider carefully, in addition to other information contained elsewhere in this Abridged Prospectus, the following risk factors (which may not be exhaustive) which may have an impact on the future performance of our Group before subscribing for or investing in the Rights Shares and the Warrants.

### **6.1 Risks relating to our operations and the industries we operate in**

#### **6.1.1 Business risks**

Our Group is principally involved in the businesses of leisure and tourism, and property development and construction. Hence, we are subject to certain risks inherent to the leisure and tourism, and property industries.

Risks inherent in the leisure and tourism industry include, inter-alia, changes in domestic and world economic conditions, potential disruptions due to civil strikes or disease epidemics and entry of new players. In addition, our government's efforts to promote the tourism industry in Malaysia and enhance accessibility to Malaysia, particularly Sabah, of where our leisure and tourism businesses are focused on are also important and will allow our Group to benefit from the overall growth in the tourism industry of Malaysia.

Risks inherent in the property industry include, inter-alia, changes in demand for housing, retail and/ or commercial units, shortage of suitable land bank, shortage of building materials and skilled workers, variation in costs of building materials and labour, availability of funding, labour disputes, natural disasters, accidents, failure or postponement of the issuance or grant of licenses, permits and approvals, non-compliance of designs to local standards and unforeseen engineering or environmental problems.

Although our Group seeks to limit these risks through, inter-alia, adopting prudent cost control strategies, development of marketing networks and distribution channels, expansion of customer segments and implementation of differentiation strategies for our leisure and tourism businesses, there can be no assurance that any changes to these risks will not have a material impact on our Group's businesses.

#### **6.1.2 Attractiveness of attractions for our leisure and tourism businesses**

The success of our leisure and tourism businesses will depend to a large degree on our ability to maintain the attractiveness of existing attractions and the successful introduction of new attractions as well our ability to provide quality services to our customers. This may require significant capital expenditure for refurbishments, renovations for asset enhancement and/ or the installation of new attractions as well as qualified personnel to ensure the reliability of our services in order for our Group to remain competitive.

Our ability to successfully undertake such refurbishments, renovations and/ or new installations will also depend on, inter-alia, our ability to obtain financing on favourable terms. If our Group fails to raise additional financing, we may need to delay the refurbishments or introduction of new attractions. In addition, we also consistently monitor and maintain our leisure and tourism assets to reduce the likelihood of major maintenance or rectification works which could interrupt our operations.

Nevertheless, there can be no assurance that our leisure and hospitality properties will be able to maintain their attractiveness as one of the preferred tourist destination.

#### **6.1.3 Competition risks**

The leisure and tourism industry is highly competitive with the entry of new players and upgrading of products and services provided by the existing industry players, which may erode our market position. In addition, quality of the services, attractiveness of the pricing and marketing strategies are amongst other crucial factors of determining the market position of a player in this industry. Presently, other comparable resorts within the vicinity of NRSK include Shangri-la's Rasa Ria Resort and Dalit Bay Golf & Country Club in Pantai Dalit, Tuaran, Sutera Harbour Resorts comprising Sutera Harbour Golf and Country Club, Pacific Sutera Hotel and Magellan Sutera Hotel & Spa in Sembulan and Shangri-la's Tanjung Aru Resort and Spa in Tanjung Aru. Our success to compete with these players will depend on our ability to compete in areas such as room rates, quality of accommodation, accessibility to our hotel and golf course, brand recognition, services and other amenities. Further, our Group has also successfully diversified into three (3) core strategic business divisions of travel, resort development and hotel management, which are synergistic and complementary to one another over the years.

Our property development and construction businesses face competition from other property developers. Competitive pressures may arise in terms of acquisition of strategically located and reasonably priced land banks, ability to employ skilled labour and to purchase building materials at reasonable price, quality of development, reputation and reliability of the property developer, pricing as well as sale and marketing of our properties.

Our Group will continue to undertake measures to mitigate these risks such as monitoring and adjusting operational and marketing strategies in response to changing economic conditions, and continuously enhance our services to meet the changing market demand from time to time. In addition, our Group is planning to undertake the refurbishment of NRSK to maintain its quality and competitive edge.

Nevertheless, there can be no assurance that competition within these industries will not have any material impact on our business and financial performance.

#### **6.1.4 Disruption in business operations of our hotel and golf clubs**

Our hotel and golf clubs businesses are subject to a variety of operating risks, including sustained disruption in the supply of utilities such as water and electricity, fire, explosion as well as environmental risks including unexpected adverse geological conditions, environmental hazards, natural disasters and natural phenomena. Any such calamities or other events beyond our control may lead to significant disruptions in the business operations of our hotel and golf clubs which may result in us having to incur large capital expenditures to restore our leisure and hospitality properties. In addition, our leisure and hospitality properties may require renovation or asset enhancement works from time to time to maintain our attractiveness and remain competitive in the leisure and tourism businesses.

Nevertheless, when such new installations, renovations and/ or asset enhancement works are carried out, our operation of these properties may be disrupted and certain attractions may be temporarily closed. Any disruption to the operations of our leisure and hospitality properties could therefore reduce occupancy rate or patronage and may have an adverse impact on our operating and financial performance. Further, the maintenance costs for these properties and the risk of unforeseen maintenance or repair may also increase over the age of these properties.

Barring the uncontrollable external factors, we seek to mitigate these risks by undertaking all the necessary precautions including periodic maintenance and checks for our leisure and hospitality properties to ensure they are in optimal condition. Fire prevention procedures are in place to ensure that our operations work smoothly and uninterrupted. Further, we also plan our refurbishment and renovation works by ensuring minimal disruptions to our business operations and financial performance. There can be no assurance that any occurrence of emergence disaster will not have an adverse effect on the operations of our leisure and hospitality properties.

#### **6.1.5 Project completion risks**

Our Group is involved in the development of its 1,500 acres land which forms an integral part of the KIRC. The KIRC is one of the entry point projects, namely "Developing Eco-nature Integrated Resort" implemented under the tourism's National Economic Key Area of the Economic Transformation Programme and spearheaded by the government's Performance Management and Delivery Unit. In addition, we are also involved in the development of a mixed residential and township, namely Bandar Sierra, through our property development and construction arm.

Delays in completion of our projects could result from unforeseen circumstances such as natural disasters, major changes in government or local authorities' approval policies, delays in obtaining the necessary approvals from local authorities, acute shortage of construction materials, adverse weather conditions and unsatisfactory performance of the building contractors.

If any of the aforementioned circumstances happen or occur for a prolonged period, our Group may incur additional costs such as liquidated and ascertained damages payable to purchasers, rectification costs to repair defects, and higher material and labour costs, which may result in our financial performance being materially impacted.

As the timely completion of our projects is critical in ensuring costs are contained and our Group's reputation is maintained, we seek to mitigate such risks by constantly monitoring our projects milestones and working closely with all suppliers, contractors and relevant authorities to ensure that delays in completion of projects are minimised or avoided.

#### **6.1.6 Dependence on approvals and licenses from authorities**

The ability of our Group to continue with our business and operations in the property development and construction and to undertake the development of our land which forms part of the KIRC is highly reliant on our ability to obtain approvals and renewals of major licenses, such as development orders, building plans approvals, developer licenses and advertising permits issued by the respective local authorities. The revocation or non-renewal of these approvals or licenses and permits would adversely affect our ability to continue operation and hence will affect our operating results. Nevertheless, as at LPD, we have not experienced nor do we anticipate any major difficulty in obtaining approvals and renewals for the necessary licenses and permits needed to carry our business operations.

#### **6.1.7 Losses in excess of insurance coverage**

We maintain comprehensive insurance policies to ensure that our assets are adequately covered in accordance with standard practice. Nevertheless, market forces which are beyond our control may limit the scope of insurance coverage that we can obtain and our ability to obtain coverage at reasonable rates. In addition, certain types of losses, generally of a catastrophic nature, such as natural disasters, terrorist acts, epidemic or outbreak or any losses arising therefrom may be uninsurable. In the event of a substantial loss, our insurance coverage may not be sufficient to pay the full market value or replacement cost of our assets or any consequential losses arising thereof. Accordingly, we could lose some or all of the capital that we have invested while we would remain obligated for guarantees, debt or other financial obligations.

In addition, we are also exposed to potential third party claims or litigation made against us as the owner, manager or contractor of the properties by the purchasers, tenants or other persons due to personal injury or other damages resulting from contact with or use of our properties.

There can be no assurance that any material changes in the scope of insurance coverage and the insurance rates in the future will not affect our business, financial condition and result of operations.

### **6.1.8 Political, economic, market and regulatory risks and health outbreaks**

Political, economic market and regulatory conditions and developments and health outbreaks in Malaysia or elsewhere in the world could have a material effect on the financial performance of our Group. These uncertainties include changes in political leadership, natural disasters, risk of war and riots, expropriation, nationalisation, global economic downturn, unfavourable changes in government policies relating to interest rates, methods of taxation and exchange control policy and epidemics such as the recent avian influenza (H7N9) virus outbreaks.

In addition, the leisure and tourism industry is generally cyclical and sensitive to changes in the global, regional and domestic economy. Since the demand for the leisure and tourism in Malaysia is affected by the state of economy and the level of economic growth that is primarily reliant on the level of disposable income of consumers, any deterioration in global, regional and domestic economic conditions may have a material adverse impact on the leisure and tourism industry, which may in turn adversely affect our financial performance and position.

Meanwhile, the property and construction business will most likely be affected by, amongst others, consumer sentiment, regulation and taxation changes, interest rate movements and gradual tightening of credit conditions.

Our Group will continue to take measures to mitigate these risks including close monitoring of the government's plans in respect of long-term economic and development policies, hence we can stay ahead as well as capitalise on any incentives and regulatory changes in the industries where we operate in. Nevertheless, there can be no assurance that any changes to the political, economic, health outbreaks and regulatory factors will not have a material and adverse effect on our business and financial performance.

### **6.1.9 Dependence on key personnel**

We believe that, to a certain extent, our continued success is dependent on the abilities, skills, experience, competency and continued efforts of our existing Board and key management personnel. Our executive Directors and key management personnel have made contributions in formulating strategic business decisions, directing sales and marketing efforts and overseeing our daily operations. Our key management personnel are well equipped with the relevant industry experience which have been instrumental in the growth and expansion of our business.

The loss of any of these individuals could adversely affect our operations and ability to compete with other industry players. Taking this into consideration, we strive to retain qualified and experienced personnel which are essential to successfully support our operations. To avoid over dependence on any key personnel, we also strive to attract and groom the junior personnel to complement our management team. Further, our Group seeks to minimise this risk by offering competitive remuneration packages, training and conducive working environment. This will in turn help to ensure continuity and competency of our management team for succession planning and smooth transition in the management team should changes occur.



## **6.2 Risks relating to the Rights Issue with Warrants**

### **6.2.1 Public Shareholding Spread Risk**

As at the LPD, the public shareholding spread of KCB Shares is approximately 56.10%. On a proforma basis, the public shareholding spread of KCB Shares upon completion of the Corporate Exercises but prior to the exercise of the Warrants may fall to approximately 20.73% and 24.65% under the Minimum Scenario and Maximum Scenario, respectively, which is below the minimum requirement of shareholding spread of 25% pursuant to Paragraph 8.02(1) of the Listing Requirements.

In this respect, an application has been made to Bursa Securities vide a letter dated 11 September 2013 for an extension of time to rectify the shortfall pursuant to Paragraph 8.02(4) of the Listing Requirements, which is currently pending for approval. We will continue to monitor the level of public shareholding spread and to explore any viable options available in our effort to meet the minimum requirement of public shareholding spread of 25% pursuant to Paragraph 8.02(1) of the Listing Requirements upon completion of the Corporate Exercises. Further, we will make the requisite announcements in relation to the status of our efforts to comply with the public shareholding spread requirements in compliance with the Listing Requirements.

### **6.2.2 Market risks**

The market price of our Shares is influenced by, amongst others, the prevailing market sentiments, the liquidity of our Shares, the volatility of equity markets, the outlook of the industries which we operate in and our financial performance. In view of this, there can be no assurance that our Shares will trade at or above the issue price of the Rights Shares or the theoretical ex-rights price of our Shares upon or subsequent to the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities.

Shareholders should also consider carefully that each Warrant derives its value from giving its holder the right to subscribe for new KCB Shares at a predetermined exercise price over the exercise period. The Warrants have a finite lifespan during which time the holders can exercise the subscription rights comprised in the Warrant. If the sum of the price of the Warrants as quoted on Bursa Securities and the exercise price of the Warrants is higher than the market price of KCB Shares, the Warrants are deemed to be 'out-of-the-money'. The value of the Warrants is directly related to the market price of KCB Shares. The higher the market price of KCB Shares exceeds the exercise price of the Warrants, the higher the value of the Warrants will be. Shareholders are reminded, however, that other factors may also affect the market price of our Warrants or the market price of our Shares. Other than the fundamentals of our Group, the future price performance of the Warrants will also depend on various external factors as mentioned above.

As the Warrants are a new type of securities issued by our Company, there can also be no assurance that an active market for the Warrants will develop upon their listing on Bursa Securities or if developed, that it will be sustained.

Accordingly, there can be no assurance that the market price of our Rights Shares and Warrants will be at a level that meets the specific investment objectives or targets of any holders of the Rights Shares and the Warrants.

### **6.2.3 Delay in or abortion of the implementation of Rights Issue with Warrants**

The Rights Issue with Warrants is exposed to the risk that it may be delayed or aborted on the occurrence of any one (1) or more of the following events:-

- i. Material adverse change of events/ circumstances such as changes in inflation rates, interest rates, political leadership and unfavourable changes in the governments' policies such as taxation and licensing regulations as well as other force majeure events, which are beyond the control of our Company and RHBIB, arising prior to or during the implementation of the Rights Issue with Warrants;
- ii. TSCLK who has given his irrevocable undertaking to subscribe in full for his entitlement under the Rights Issue with Warrants based on his shareholding as set out in Section 4, may not fulfil or be able to fulfil his obligation; and
- iii. We are unable to meet the public shareholding spread requirement pursuant to Paragraph 8.02(1) of the Listing Requirements, i.e. at least 25% of our issued and paid-up capital must be held by public shareholders holding not less than 100 Shares each. Further details on the public shareholding spread risk are set out in Section 6.2.1 of the Abridged Prospectus.

Nevertheless, our Group will endeavour to ensure the successful listing of the Rights Shares and the Warrants. However, there can be no assurance that the abovementioned events will not occur or cause a delay in or abortion of the Rights Issue with Warrants being aborted. In the event the Rights Issue with Warrants is aborted, our Group will repay without interest all monies received in respect of the accepted application for the subscription of the Rights Shares and the Warrants pursuant to the Rights Issue with Warrants and if such monies are not repaid within 14 days after it becomes liable, we will repay such monies with interest at the rate of 10% per annum or at such other rate as may be prescribed by the SC in accordance with Section 243(2) of the CMSA.

### **6.3 Forward-looking statements**

Certain statements in this Abridged Prospectus are based on historical information which may not be reflective of the future results, whilst others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements contained in this Abridged Prospectus are based on forecasts and assumptions made by our Company, unless stated otherwise. Although our Board believes that these forward-looking statements are reasonable, the statements are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, inter-alia, the risk factors as set out in this section. In view of these uncertainties, the inclusion of any forward-looking statements in this Abridged Prospectus should not be regarded as a representation or warranty by our Company that the plans and objectives of our Group will be achieved.

## **7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS OF OUR GROUP**

### **7.1 Overview and outlook of the Malaysian economy**

The Malaysian economy is expected to strengthen further and projected to grow at a faster rate of 4.5-5.5% in 2013. Growth will be supported by improving exports and strong domestic demand on the assumption that global growth will pick up, especially during the second half of 2013. The growth projection is premised upon the expectation of an improvement in the resolution of the debt crisis in the euro area and stronger growth momentum in the economies of Malaysia's major trading partners.

On the supply side, growth in 2013 is expected to be broad-based supported by expansion in all sectors of the economy. Of significance, external trade-related industries are envisaged to benefit from stronger global growth, particularly during the second half of 2013. The services and manufacturing sectors are expected to contribute 4.2% to the gross domestic product growth. The services sector is expected to benefit from the recovery in external trade-related activities while strong domestic economic activities will provide further impetus for wholesale and retail trade and financial activities to grow.

Domestic demand, which is expected to grow 5.6%, will remain the main driver of growth in 2013 underpinned by strong private sector expenditure. Private consumption is projected to expand 5.7% on account of higher disposable income arising from better employment outlook, firm commodity prices and the wealth effect from the stable performance of the stock market following strong domestic economic activities.

Private investment is expected to post a strong growth of 13.3% in 2013 attributed to the ongoing implementation of the Economic Transformation Programme projects. Investment in the domestic-oriented industries is anticipated to be buoyant in line with strong domestic economic activities while investment in export-oriented industries is expected to pick up amid an improving global economic outlook.

Public investment will continue to support growth and is expected to expand 4.2% in 2013. Growth is anticipated to be driven by higher capital outlays by the Non-Financial Public Enterprises ("NFPEs") and development expenditure by the Federal Government. Capital expenditure of the NFPEs will focus on the upstream oil and gas, transport, communication and utility industries.

*(Source: Chapter 3: Economic Performance and Prospects, Economic Report 2012/ 2013, Ministry of Finance Malaysia)*

### **7.2 Overview and outlook of the tourism industry**

During the first half of 2012, the services sector grew 5.8% largely driven by sustained domestic demand and travel-related activities.

As at end June 2012, the total supply of hotel rooms increased 5.2% to 180,078, with Kuala Lumpur contributing the highest share of 17.7%. Meanwhile, the average hotel occupancy rate reached 55.2% with the highest level of 78.7% recorded in Pahang.

During the first six (6) months of 2012, total tourist receipts increased to RM26.8 billion, with the average per capita tourist expenditure at RM2,310. In addition, tourist arrivals rebounded 2.4% to 11.6 million with the Association of Southeast Asian Nations remaining the largest contributor, accounting for 73.8% of the total. In line with continuous efforts to promote Malaysia as a preferred tourist destination, various programmes have been held in 2012, including the International Shoe Festival, International Tourism Exchange, International Tourism Night Floral Parade and Contemporary Art Tourism. Furthermore, the opening of new tourist attractions in Johor, namely LEGOLAND Malaysia Theme Park and Puteri Harbour Family Theme Park in September and November 2012, respectively, are expected to attract more domestic and foreign tourists.

Initiatives continue to be undertaken to capture a higher market share of the Meetings, Incentives, Conventions and Exhibitions ("MICE") industry. In the first six (6) months of 2012, the Malaysia Convention and Exhibition Bureau organised 33 major events with a total of 50,770 participants, generating an estimated revenue of RM499 million. According to the 2011 International Congress and Convention Association Report, Malaysia was ranked as the seventh largest host of MICE events in Asia Pacific with a total of 126 meetings in 2011. The homestay and Malaysia My Second Home ("MM2H") programmes are among the important segments in the tourism industry. The homestay occupancy rate reached 37.2% supported by strong promotional activities through the Ministry of Tourism Malaysia endorsed portal [www.go2homestay.com](http://www.go2homestay.com). During the first six (6) months of 2012, the number of participants in the homestay programme totalled 155,933 comprising 80.4% domestic and 19.6% foreign tourists. The most visited homestay locations were in Pahang and Johor, accounting for 26.7% and 25.0%, respectively. In addition, during the first six (6) months of 2012, the MM2H programme attracted 1,667 participants mainly from Japan (389), China (326) and Bangladesh (235).

Net inflow in the travel account expanded moderately to RM11.2 billion on account of higher gross outflows to RM17.9 billion. The larger travel outflows were attributed to higher expenditure for business, holiday and education. Despite global economic uncertainties, tourism receipts remained the major contributor to total earnings in the services account and expanded to RM29.1 billion, in line with increased tourist arrivals at 2.4%. However, net inflow in the travel account is projected to increase to RM27.3 billion following the government's initiatives to promote Malaysia as a preferred tourist destination.

For 2013, the service sector is estimated to remain strong at 5.6% supported by domestic consumption, investment and travel-related activities. The services account is expected to improve with a lower deficit of RM8.2 billion driven by a large surplus in the travel account, following the expectations higher tourist arrivals.

*(Source: Chapter 3: Economic Performance and Prospects, Economic Report 2012/ 2013, Ministry of Finance Malaysia)*

The tourism industry is one of the key economic growth sectors, contributing almost 12% to gross domestic product. In conjunction with Visit Malaysia Year 2013/ 2014, the government has allocated RM358 million under development expenditure, an increase of 42%, to target 26.8 million tourist arrivals. In addition, for tour operators who bring in at least 750 foreign tourists or handle 1,500 local tourists a year, the government proposes that the income tax exemption be extended for three (3) years.

*(Source: Budget 2013, Ministry of Finance Malaysia)*

The vision for tourism is to make Sabah among the most liveable places in Asia by 2025. This will be achieved over a three (3)-phase period:-

- i. Phase 1 will focus on addressing the basics to support tourism development and laying the foundations for future growth. Tourism infrastructure and services will be put in place, including nurturing a vibrant arts and culture scene;
- ii. Phase 2 will focus on strengthening Sabah's position as a premier eco-adventure destination through conservation, research and sustainable development of new tourism products anchored by signature resorts;
- iii. Phase 3 will see Sabah being transformed into one of the most liveable places in Asia - a bustling metropolis within a tropical paradise.

In developing Sabah's tourism strategy, the focus is on attracting high-yield and long-stay visitors. The tourism strategy must also fulfil the goal of spreading the benefits of tourism to the people of Sabah. As such, a three (3)-zone concept is being adopted to ensure balanced development. Kota Kinabalu will remain as the state's primary gateway and central hub to both Eastern and Western Sub-Regions. Existing air linkages provide spokes from Kota Kinabalu to Sandakan, Lahad Datu and Tawau, all of which function as secondary hubs to the scattered Eastern tourism sites, which are home to most of Sabah's natural and marine treasures. The Western Sub-Region will be further enhanced with coastal developments along its Northern and Southern Circuits to accommodate integrated beach resorts, marina, and cruise terminal, among others. This will facilitate the growth of tourism and take pressure off key Western attractions such as Mount Kinabalu. The Central Sub-Region will be devoted to adventure tourism, which includes activities such as white-water rafting and jungle-trekking.

*(Source: Chapter 2: A Land of Diverse Natural Beauty, Sabah Development Corridor Socio-Economic Blueprint 2008-2025, Institute for Development Studies (Sabah))*

### **7.3 Overview and outlook of the property industry**

The construction sector consists of four (4) subsectors, namely residential, non-residential, civil engineering and special trade works. During a period of rapid economic expansion, the sector generally outperforms the gross domestic product ("GDP") growth. However, during an economic downturn, the sector tends to undergo a sharper correction. During the previous cycle of construction boom in Malaysia between 1989 and 1997, the construction sector recorded an average growth of 14.3% vis-a-vis economic growth of 9.2%. The implementation of several large-scale projects such as Kuala Lumpur International Airport, Petronas Twin Towers, Sepang International Circuit and the development of Putrajaya and Cyberjaya contributed to the construction boom during this period.

The construction sector posted a strong growth of 18.9% during the first half of 2012, the fastest pace since 1995. This impressive performance was underpinned by robust construction activity in the civil engineering and residential subsectors. Reflecting the buoyant construction activities, the total value of construction works rose 24.6% to RM38.1 billion. The private sector contributed 69.8% of the total value of construction works. The non-residential and civil engineering subsectors were the main contributors constituting 36.5% and 31.2% respectively, followed by the residential subsector (26.4%). For 2012, the sector is expected to grow 15.5%, contributing 0.5% to the overall GDP growth.

The residential subsector expanded significantly by 22.0% during the first half of 2012 supported by strong demand for housing and investment purposes arising from higher household disposable income. Additionally, improved accessibility following the development of infrastructure projects further stimulated the demand for houses, especially in the suburban areas.

The non-residential subsector grew 12.8% during the first half of 2012 largely driven by construction of industrial buildings, particularly in the Samalaju Industrial Park, Sarawak and shophouses. Industrial building starts increased 47.8% to 501 units. Meanwhile, construction starts for purpose-built office decreased substantially to 22,758 square metres due to higher supply following the completion of several office buildings and shopping malls in 2011.

For 2013, the construction sector is envisaged to expand strongly by 11.2%, with all subsectors registering steady growth. The sector is expected to benefit from the acceleration of ongoing construction activities, particularly from the Economic Transformation Programme and second rolling plan for construction-related projects under the Tenth Malaysian Plan. Of significance, exploration activities in oil and gas industries and major projects such as the electrified double-tracking between Ipoh-Padang Besar, Jabur-Kuala Terengganu of East Coast Expressway Phase 2, MY Rapid Transit and the River of Life are expected to drive the growth of the civil engineering subsector. The non-residential subsector is expected to expand spurred by the industrial building segment and the commencement of the construction of the Tun Razak Exchange. The residential subsector is also projected to expand, albeit at a moderate pace, after recording several years of strong growth. Key housing development projects, particularly in Sungai Buloh and Bandar Malaysia in Sungai Besi, which are expected to commence in 2013, will support residential construction activities.

*(Source: Economic Report 2012/ 2013, Ministry of Finance Malaysia)*

In the construction sector, growth remained strong at 9.9%, driven by the civil engineering and residential sub-sectors. Infrastructure and oil and gas projects, such as the MY Rapid Transit, Tanjung Bin and Janamanjung power plants, and Sabah-Sarawak Gas Pipeline, remained the key drivers of growth in the sub-sector. The construction of high-end residential properties in Klang Valley, Penang and Sabah supported growth in the residential sub-sector.

*(Source: Malaysian Economy Second Quarter 2013, Ministry of Finance Malaysia)*

Sabah is opening up larger tracts of land for real estate development especially for tourism. In order to realise maximum value of the land and to provide a sustainable income over the medium to long term, a trust fund, namely Tourism Property Development Trust, should be set up to lease these land from the rural population. The Tourism Property Development Trust will establish and implement plans for tourism cluster developments, as well as facilitate and support private sector investments in Sabah. The trust fund will ensure that affected rural landowners can enjoy receiving a recurring income from the development of their land. The land will be parceled out and leased to private sector investors who own or have partnerships with international hotel brands.

The seed capital for this real estate investment trust could come from a grant from the Federal or State Government. Additional state land may also be injected into the trust to enhance the immediate value of the trust. Eligible land owners can lease their land to the trust in exchange for units, and a mechanism would also be put into place to enable the poorer Bumiputera to own such units and hold on to them over the long term.

*(Source: Sabah Development Corridor Socio-Economic Blueprint 2008-2025, Institute for Development Studies (Sabah))*

#### 7.4 Future prospects of our Group

The businesses of our Group consist of three (3) segments as set out below:-

- i. leisure and tourism comprising travel and tours agency, golf and country club operation and management, and resort hotel operation and management;
- ii. property development and construction; and
- iii. management services and investment holdings.

One (1) of the flagship assets of our Group includes a piece of 1,500 acres land which has been identified as part of the development project of KIRC. Presently, our completed development projects located on the 1,500 acres land include NRSK and Nexus Golf Resort Karambunai which are held under our leisure and tourism segment, and Nexus Residences Karambunai comprising beachfront pool villas and Spa Suites held under our property and construction segment. These existing properties will serve as the catalyst for further development of the KIRC. Further, our Group will be involved in the development of the remaining portion of the 1,250 acres of the said land.

The total size of the KIRC is 3,335 acres encompassing almost the entire area of Karambunai Peninsula. Karambunai Peninsula is located in the Mukim of Menggatal, Kota Kinabalu, Sabah and is approximately 26 kilometres northeast of the town centre of Kota Kinabalu and 30 kilometres northeast of Kota Kinabalu International Airport. The KIRC is one of the entry point projects, namely "Developing Eco-nature Integrated Resort" implemented under the tourism's National Economic Key Area of the Economic Transformation Programme and spearheaded by the government's Performance Management and Delivery Unit. Leveraging on the strategic location of Karambunai as the meeting point of beach, lagoons, tidal river, mangrove swamp and well-preserved rainforest, KIRC is planned to comprise hotel accommodation, health resort, tourist, health and eco-nature edutainment recreation facilities, hospitality campus, retail centres and real estate featuring luxury residences to target both domestic and foreign buyers. Barring any unforeseen circumstances, the entire development of KIRC will span over a period of 10 years and is expected to be completed by 2020.

Under our leisure and tourism segment, our 15-year old NRSK is a beachfront resort hotel with 485 rooms overlooking the Nexus Golf Resort Karambunai, which is an 18-hole golf course located within walking distance from the NRSK. The NRSK commenced operations in June 1998 following the completion of its core building and Borneo and Garden Villas. Presently, the resort offers a wide range of facilities including recreational and health facilities, banquet and conference facilities, a business centre, a number of food and beverage outlets and retail centres. As the existing NRSK and the Nexus Golf Resort Karambunai are situated within the KIRC, they also serve as the foundation in attracting the flow of initial visitor crowd to the KIRC which will be crucial for the subsequent development phases of KIRC. In this regard, we are planning to refurbish and modernise the NRSK within the next 12 months to strengthen our competitive position in the market. The estimated refurbishment cost of approximately RM20.00 million will be funded partially by the proceeds from the Rights Issue with Warrants and the remaining balance will be from internally generated funds.

In addition, we will continue to focus on revenue management through a series of pricing strategy and refining the customer segments to achieve a balance between room occupancy percentage and average room rate. This may be achieved by, amongst others, shifting our focus from the tour and wholesale segments to free independent traveller and MICE segments which generally have higher average room rates. Hence, this may assist our resort to improve its revenue over the long term.

Overall, we have seen an improvement in our leisure and tourism segment. For the FYE 31 March 2013, our LBT for this segment has narrowed by RM14.96 million or approximately 46.05% to RM17.52 million as compared to the LBT of RM32.48 million for the previous financial year. Moving forward, the performance of our hotel and resort businesses hinges on the outlook of the tourism industry and our ability to attract more visitors. Our Board is of the view that the prospect of the tourism industry in Malaysia remains positive supported by the government's commitment in promoting Malaysia as a tourist destination. The Visit Malaysia Year 2013/ 2014 campaign is expected to boost tourist traffic and we are confident that our Group will stand to benefit from such campaign.

Further, our Board is of the view that the intrusion by Sulu militants in Lahad Datu, Sabah around March 2013 did not adversely affect on the tourism industry in Sabah, premised on the research statistics provided by Sabah Tourism Board that the tourist arrivals to Sabah has increased steadily from 0.24 million in January 2013 to 1.84 million in July 2013.

Under our property development and construction arm, we are involved in the development of a 415 acres mixed residential and commercial development township, namely Bandar Sierra, which is located in the northern part of Kota Kinabalu with close proximity to the Federal Administrative Centre, University Sabah of Malaysia, Kota Kinabalu Industrial Park and Sabah Medical Centre. Presently, the completed phases include Phases 1A and 1B comprising double storey link, semi-detached houses, bungalows and shop lots, and Phase 3A1 comprising apartment units. Phase 3A2 (which includes Phases 3A2-1 and 3A2-2) has been partly developed, of which Phase 3A2-1 has been completed and is comprised of apartment units. Meanwhile, the proposed development of Phase 3A2-2 will comprise four (4) blocks of apartment units. Barring any unforeseen circumstances, the proposed development for Phase 3A2-2 is expected to be completed in the fourth quarter of 2014 to cater for the increasing demand for properties in the northern part of Kota Kinabalu. Our Board is of the opinion that Bandar Sierra will continue to attract existing and new buyers in view of its strategic location and affordable properties.

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**8. FINANCIAL EFFECTS OF THE RIGHTS ISSUE WITH WARRANTS****8.1 Issued and paid-up share capital**

The proforma effects of the Rights Issue with Warrants on our issued and paid-up share capital as at the LPD are set out below:-

	Minimum Scenario		Maximum Scenario	
	No. of shares	RM	No. of shares	RM
Issued and paid-up share capital as at the LPD	2,030,059,680	203,005,968	2,030,059,680	203,005,968
Shares to be issued pursuant to the Rights Issue with Warrants	222,780,629	22,278,063	507,514,920	50,751,492
	2,252,840,309	225,284,031	2,537,574,600	253,757,460
Shares to be issued pursuant to the Capitalisation to TSCLK	2,899,831,854	289,983,185	2,899,831,854	289,983,185
	5,152,672,163	515,267,216	5,437,406,454	543,740,645
Shares to be issued pursuant to the Capitalisation to FACBII	339,181,242	33,918,124	339,181,242	33,918,124
	5,491,853,405	549,185,340	5,776,587,696	577,658,769
Shares to be issued assuming full exercise of the Warrants	445,561,258	44,556,126	1,015,029,840	101,502,984
<b>Enlarged issued and paid-up share capital</b>	<b>5,937,414,663</b>	<b>593,741,466</b>	<b>6,791,617,536</b>	<b>679,161,753</b>

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## 8.2 NA and gearing

Based on the audited consolidated financial statement of our Group as at 31 March 2013, the proforma effects of the Rights Issue with Warrants on the consolidated NA per Share and gearing of our Group are set out below:-

### Minimum Scenario

	I	II	III	IV	V	
	Audited as at 31 March 2013 RM'000	After the Capital Reconstruction <sup>1</sup> RM'000	After I and the Rights Issue with Warrants RM'000	After II and the Capitalisation to TSClK RM'000	After III and the Capitalisation to FACBlI RM'000	After IV and assuming full exercise of the Warrants RM'000
Share capital	1,015,030	203,006	225,284	515,267	549,185	593,741
Share premium	111,536	111,536	81,015 <sup>3</sup>	113,204 <sup>4</sup>	114,969 <sup>5</sup>	159,124 <sup>6</sup>
Accumulated losses	(786,374)	(310,028) <sup>2</sup>	(310,028)	(310,028)	(310,028)	(310,028)
Asset revaluation reserve	207,629	207,629	207,629	207,629	207,629	207,629
Foreign currency translation reserve	(149)	(149)	(149)	(149)	(149)	(149)
Warrants reserve	-	-	30,521 <sup>3</sup>	30,521	30,521	-
Non-distributable capital reserve	-	335,678	335,678	335,678	335,678	335,678
<b>Shareholders' equity/ NA</b>	<b>547,672</b>	<b>547,672</b>	<b>569,950</b>	<b>892,122</b>	<b>927,805</b>	<b>985,995</b>
No. of shares in issue ('000)	2,030,060	2,030,060	2,252,840	5,152,672	5,491,853	5,937,415
Par value (RM)	0.50	0.10	0.10	0.10	0.10	0.10
NA per share (RM)	0.27	0.27	0.25	0.17	0.17	0.17
Bank borrowings (RM'000)	16,155	16,155	16,155	16,155	16,155	16,155
Gearing (times)	0.03	0.03	0.03	0.02	0.02	0.02

## Notes:-

- <sup>1</sup> The Capital Reconstruction was completed on 28 August 2013
- <sup>2</sup> The accumulated losses of RM476.35 million at the Company level was eliminated upon completion of the Capital Reconstruction
- <sup>3</sup> After the recognition of 445,561,258 Warrants at the theoretical fair value of RM0.0685 per Warrant
- <sup>4</sup> After accounting for the issuance of 2,899,831,854 Settlement Shares to TSCLK at an issue price of RM0.1111 each
- <sup>5</sup> After accounting for the issuance of 339,181,242 Settlement Shares to FACBII at an issue price of RM0.1111 each and deducting the estimated expenses of RM2.00 million pursuant to the Corporate Exercises
- <sup>6</sup> After accounting for the exercise of all Warrants at an exercise price of RM0.1306 and reversal of the warrants reserve upon exercise of the Warrants

**Maximum Scenario**

	I	II	III	IV	V	
	Audited as at 31 March 2013	After the Capital Reconstruction <sup>1</sup>	After I and the Rights Issue with Warrants	After II and the Capitalisation to TSCLK	After III and the Capitalisation to FACBII	After IV and assuming full exercise of the Warrants
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	1,015,030	203,006	253,757	543,740	577,658	679,161
Share premium	111,536	111,536	42,006 <sup>3</sup>	74,195 <sup>4</sup>	75,960 <sup>5</sup>	176,550 <sup>6</sup>
Accumulated losses	(786,374)	(310,028) <sup>2</sup>	(310,028)	(310,028)	(310,028)	(310,028)
Asset revaluation reserve	207,629	207,629	207,629	207,629	207,629	207,629
Foreign currency translation reserve	(149)	(149)	(149)	(149)	(149)	(149)
Warrants reserve	-	-	69,530 <sup>3</sup>	69,530	69,530	-
Non-distributable capital reserve	-	335,678	335,678	335,678	335,678	335,678
<b>Shareholders' equity/ NA</b>	<b>547,672</b>	<b>547,672</b>	<b>598,423</b>	<b>920,595</b>	<b>956,278</b>	<b>1,088,841</b>

	I	II	III	IV	V
	Audited as at 31 March 2013 RM'000	After I and the Rights Issue with Warrants RM'000	After II and the Capitalisation to TSCLK RM'000	After III and the Capitalisation to FACBII RM'000	After IV and assuming full exercise of the Warrants RM'000
No. of shares in issue ('000)	2,030,060	2,537,575	5,437,406	5,776,588	6,791,618
Par value (RM)	0.50	0.10	0.10	0.10	0.10
NA per share (RM)	0.27	0.24	0.17	0.17	0.16
Bank Borrowings (RM'000)	16,155	16,155	16,155	16,155	16,155
Gearing (times)	0.03	0.03	0.02	0.02	0.01

**Notes:-**

<sup>\*1</sup> The Capital Reconstruction was completed on 28 August 2013

<sup>\*2</sup> The accumulated losses of RM476.35 million at the Company level was eliminated upon completion of the Capital Reconstruction

<sup>\*3</sup> After the recognition of 1,015,029,840 Warrants at the theoretical fair value of RM0.0685 per Warrant

<sup>\*4</sup> After accounting for the issuance of 2,899,831,854 Settlement Shares to TSCLK at an issue price of RM0.1111 each

<sup>\*5</sup> After accounting for the issuance of 339,181,242 Settlement Shares to FACBII at an issue price of RM0.1111 each and deducting the estimated expenses of RM2.00 million pursuant to the Corporate Exercises

<sup>\*6</sup> After accounting for the exercise of all Warrants at an exercise price of RM0.1306 and reversal of the warrants reserve upon exercise of the Warrants

In addition to the above, the effects of the disposal of lands as set out in Section 2.6 of this Abridged Prospectus on the NA per Share and gearing of our Group will be reflected in our financial statements upon completion of the said disposal of lands.

### 8.3 Earnings and EPS

The Rights Issue with Warrants is not expected to have a material effect on the earnings/ losses of our Group for the FYE 31 March 2014. However, the EPS/ LPS of our Group may be diluted as a result of the increase in the number of KCB Shares in issue upon completion of the Rights Issue with Warrants and as and when the Warrants are exercised into new KCB Shares. Notwithstanding the above, the proceeds from the Rights Issue with Warrants are expected to contribute positively to the earnings of our Group for the ensuing financial years, when the benefits of the utilisation of proceeds are realised.

In addition to the above, the disposal of lands as set out in Section 2.6 of this Abridged Prospectus may have an effect on the earnings/ losses and EPS/ LPS of our Group, and such effects will be reflected in our financial statements upon completion of the said disposal of lands.

## 9. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

### 9.1 Working capital

Our Board is of the opinion that, after taking into consideration our internal cash projections, current cash in hand and banking facilities available as well as proceeds to be received from the Rights Issue with Warrants, our Group will have sufficient working capital for the next 12 months from the date of this Abridged Prospectus.

### 9.2 Borrowings

As at the LPD, our Group has total outstanding borrowings of approximately RM16.91 million. All the borrowings are interest-bearing and comprise the following:-

	USD'000	RM'000
<b>Short term borrowings:-</b>		
Hire purchase payables	-	576
Term loan	4,838	16,031
	4,838	16,607
<b>Long term borrowings:-</b>		
Hire purchase payables	-	302
Term loan	-	-
<b>Total</b>	<b>4,838</b>	<b>16,909</b>

**Note:-**

\*  
Based on an exchange rate of RM3.3135/ USD1.00 as at LPD. The borrowings in foreign currency are translated into RM for illustrative purposes only. Such translations should not be construed as representations that the foreign currency amounts referred to could have been, or could be, converted into RM at that or any other rate at all.

After having made all reasonable enquiries and to the best knowledge and belief of our Board, there has been no default on payments of either interest and/ or principal sums in respect of any borrowings for the FYE 31 March 2013 and the subsequent financial period up to the LPD.

### 9.3 Contingent liabilities

After having made all reasonable enquiries and save as disclosed below, as at the LPD, our Board is not aware of any contingent liabilities incurred or known to be incurred by our Group which, upon becoming enforceable, may have a material impact on the financial results/ position of our Group:-

RM'000

Corporate guarantee given to financial institutions, contractors and suppliers for banking facilities and credit granted to the subsidiaries	78,366
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#### 9.4 Material commitments

After having made all reasonable enquiries and save as disclosed below, as at the LPD, our Board is not aware of any material commitments for capital expenditure incurred or known to be incurred by our Group that has not been provided for which, upon becoming enforceable, may have a material impact on the financial results/ position of our Group:-

RM'000

Rental yield commitments pursuant to various hotel sub-lease agreements	16,772
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## 10. INSTRUCTIONS FOR ACCEPTANCE, EXCESS APPLICATION AND PAYMENT

### 10.1 General

As an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Rights Shares with Warrants which you are entitled to subscribe for in full or in part, under the terms of the Rights Issue with Warrants. You will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such Provisional Rights Shares with Warrants into your CDS Account and the RSF to enable you to subscribe for such Provisional Rights Shares with Warrants, as well as to apply for the Excess Rights Shares with Warrants if you choose to do so.

### 10.2 NPA

The Provisional Rights Shares with Warrants are prescribed securities pursuant to Section 14(5) of the Securities Industry (Central Depositories) Act, 1991 and therefore, all dealings in the Provisional Rights Shares with Warrants will be by book entries through the CDS Accounts and will be governed by the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository. You and/ or your renounee(s) (if applicable) are required to have valid and subsisting CDS Accounts when making your applications.

### 10.3 Last date and time for acceptance and payment

The last date and time for acceptance of and payment for the Provisional Rights Shares with Warrants is **5.00 p.m. on 11 October 2013**, or such later date and time as our Board may in their absolute discretion determine and announce not less than two (2) Market Days before the stipulated date and time.

### 10.4 Procedures for acceptance and payment

Acceptance of and payment for the Provisional Rights Shares with Warrants must be made on the RSF enclosed with this Abridged Prospectus and must be completed in accordance with the notes and instructions contained in these documents. Acceptances which do not strictly conform to the terms of this Abridged Prospectus or the RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board.

**FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL RIGHTS SHARES WITH WARRANTS AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU WISH TO SELL OR TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF.**

**YOU AND/ OR YOUR RENOUNCEE(S) (IF APPLICABLE) ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS, THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN CAREFULLY.**

If you wish to accept all or part of your entitlement, please complete Parts I(a) and II of the RSF in accordance with the notes and instructions contained in the RSF. Each completed and signed RSF together with the relevant payment must be sent to our Share Registrar for the Rights Issue with Warrants in the envelope provided (at your own risk) by **ORDINARY POST, COURIER** or **DELIVERED BY HAND** at the following address:-

**Bina Management (M) Sdn Bhd**

Lot 10, The Highway Centre  
Jalan 51/205  
46050 Petaling Jaya  
Selangor Darul Ehsan  
Tel: 03-7784 3922  
Fax: 03-7784 1988

so as to arrive **not later than 5.00 p.m. on 11 October 2013**, being the last date and time for acceptance of and payment for the Provisional Rights Shares with Warrants, or such later date and time as may be determined and announced by our Board not less than two (2) Market Days before the stipulated date and time.

If you lose, misplace or for any other reasons require another copy of the RSF, you may obtain additional copies from your stockbroker, our Share Registrar for the Rights Issue with Warrants at the address stated above, our Registered Office or the website of Bursa Securities (<http://www.bursamalaysia.com>).

One (1) RSF can only be used for acceptance of Provisional Rights Shares with Warrants standing to the credit of one (1) CDS Account. Separate RSF(s) must be used for the acceptance of Provisional Rights Shares with Warrants standing to the credit of more than one (1) CDS Account(s). If successful, the Rights Shares with Warrants subscribed for will be credited into your CDS Account(s) as stated in the completed RSF(s).

A reply envelope is enclosed in this Abridged Prospectus. To facilitate the processing of the RSF(s) by our Share Registrar for the Rights Issue with Warrants, you are advised to use (1) one reply envelope for each completed RSF.

The minimum number of Rights Shares that can be subscribed for or accepted is one (1) Rights Share, which will be accompanied by two (2) Warrants. Successful applicants of the Rights Shares will be given Warrants on the basis of two (2) Warrants for every one (1) Rights Share successfully subscribed for. However, you and/ or your renounee(s) (if applicable) should take note that the a trading board lot for the Rights Shares and the Warrants comprises of 100 Rights Shares and 100 Warrants, respectively. Fractions of Rights Shares with Warrants will be disregarded and shall be dealt with in such manner as our Board shall in their absolute discretion deem fit and expedient, and to be in the best interest of our Company.

If acceptance of and payment for the Provisional Rights Shares with Warrants allotted to you are not received by our Share Registrar for the Rights Issue with Warrants by **5.00 p.m. on 11 October 2013**, being the last date and time for acceptance of and payment for the Provisional Rights Shares with Warrants or such later date and time as may be determined and announced by our Board not less than two (2) Market Days before the stipulated date and time, you and/ or your renounee(s) (if applicable) will be deemed to have declined the provisional entitlement made to you and it will be cancelled. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar for the Rights Issue with Warrants.

In the event that the Rights Shares with Warrants are not fully taken up by such applicants, our Board will then have the right to allot such Rights Shares with Warrants to the applicants who have applied for the Excess Rights Shares with Warrants in the manner as set out in Section 10.8 of this Abridged Prospectus. Our Board reserves the right to accept any application in full or in part only without assigning any reasons.

**EACH COMPLETED RSF MUST BE ACCOMPANIED BY THE APPROPRIATE REMITTANCE MADE IN RM FOR THE FULL AMOUNT PAYABLE FOR THE RIGHTS SHARES WITH WARRANTS ACCEPTED IN THE FORM OF BANKER'S DRAFT(S), CASHIER'S ORDER(S), MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY", MADE PAYABLE TO "KCB RIGHTS ISSUE ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME, CONTACT NUMBER, ADDRESS AND CDS ACCOUNT NUMBER IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR FOR THE RIGHTS ISSUE WITH WARRANTS.**

**APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.**

**NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES IN RESPECT OF THE RIGHTS ISSUE WITH WARRANTS WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR FOR THE RIGHTS ISSUE WITH WARRANTS. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN ON OUR RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES WITH WARRANTS OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.**

**APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.**

**APPLICANTS SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR FOR THE RIGHTS ISSUE WITH WARRANTS SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.**

**WHERE AN APPLICATION IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANT BY ORDINARY POST TO THE ADDRESS SHOWN ON OUR RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT YOUR OWN RISK WITHIN 15 MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES WITH WARRANTS.**

#### **10.5 Procedures for part acceptance by Entitled Shareholders**

You are entitled to accept part of your entitlement to the Provisional Rights Shares with Warrants provided always that the minimum of Rights Shares that can be subscribed for or accepted is one (1) Rights Share which will be accompanied by two (2) Warrants.



You must complete both Part I(a) of the RSF by specifying the number of the Rights Shares with Warrants which you are accepting and Part II of the RSF and deliver the completed and signed RSF together with the relevant payment to our Share Registrar for the Rights Issue with Warrants in the manner set out in Section 10.4 of this Abridged Prospectus.

**YOU ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.**

The portion of the Provisional Rights Shares with Warrants that have not been accepted shall be allotted to any other persons allowed under the law, regulations or rules to accept the transfer of the Provisional Rights Shares with Warrants.

**10.6 Procedures for sale or transfer of Provisional Rights Shares with Warrants**

As the Provisional Rights Shares with Warrants are prescribed securities, you may sell or transfer all or part of your entitlement to the Provisional Rights Shares with Warrants to one (1) or more person(s) through your stockbroker for the period up to the last date and time for sale or transfer of such Provisional Rights Shares with Warrants, without first having to request for a split of the Provisional Rights Shares with Warrants standing to the credit of your CDS Account. To sell or transfer all or part of your entitlement to the Provisional Rights Shares with Warrants, you may sell such entitlement on the open market or transfer such entitlement to such persons as may be allowed under the Rules of Bursa Depository. If you have sold or transferred only part of the Provisional Rights Shares with Warrants, you may still accept the balance of the Provisional Rights Shares with Warrants by completing Parts I(a) and II of the RSF. Please refer to Section 10.4 of this Abridged Prospectus for the procedures of acceptance and payment.

In selling or transferring all or part of your Provisional Rights Shares with Warrants, you need not deliver any document including the RSF, to your stockbroker. However, you must ensure that there is sufficient Provisional Rights Shares with Warrants standing to the credit of your CDS Account that are available for settlement of the sale or transfer.

Purchaser(s) or transferee(s) of the Provisional Rights Shares with Warrants may obtain a copy of this Abridged Prospectus and the RSF from his/ her/ their stockbrokers, our Share Registrar for the Rights Issue with Warrants, our Registered Office or the website of Bursa Securities (<http://www.bursamalaysia.com>).

**10.7 Procedures for acceptance by renounees**

Renounees who wish to accept the Provisional Rights Shares with Warrants must obtain a copy of the RSF from their stockbrokers, our Share Registrar for the Rights Issue with Warrants, our Registered Office or the website of Bursa Securities (<http://www.bursamalaysia.com>), complete the RSF and submit the same together with the remittance to our Share Registrar for the Rights Issue with Warrants in accordance with the notes and instructions printed therein.

The procedure for acceptance and payment applicable to the Entitled Shareholders as set out in Section 10.4 of this Abridged Prospectus also applies to renounees who wish to accept the Provisional Rights Shares with Warrants.

**RENOONEES ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS ABRIDGED PROSPECTUS AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS ABRIDGED PROSPECTUS AND THE RSF.**

## 10.8 Procedures for application of Excess Rights Shares with Warrants

You and/ or your renounee(s) (if applicable) may apply for additional Rights Shares with Warrants in excess of your entitlement by completing Part I(b) of the RSF (in addition to Parts I(a) and II) and forwarding it with a **separate remittance made in RM** for the full amount payable for the Excess Rights Shares with Warrants applied for, to our Share Registrar for the Rights Issue with Warrants **not later than 5.00 p.m. on 11 October 2013**, being the last date and time for application of and payment for Excess Rights Shares with Warrants or such later date and time as may be determined and announced by our Board not less than two (2) Market Days before the stipulated date and time.

**PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS APPLIED FOR SHOULD BE MADE IN THE SAME MANNER AS DESCRIBED IN SECTION 10.4 OF THIS ABRIDGED PROSPECTUS, AND IN THE FORM OF BANKER'S DRAFT(S), CASHIER'S ORDER(S), MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY", MADE PAYABLE TO "KCB EXCESS RIGHTS ISSUE ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME, CONTACT NUMBER, ADDRESS AND CDS ACCOUNT NUMBER IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR FOR THE RIGHTS ISSUE WITH WARRANTS.**

It is the intention of our Board to allot the Excess Rights Shares with Warrants, if any, on a fair and equitable basis and in the following priority:-

- i. firstly, to minimise the incidence of odd lots;
- ii. secondly, for all allocation to Entitled Shareholders who have applied for Excess Rights Shares with Warrants, on a pro-rata basis and in board lot, calculated based on their respective shareholdings as at the Entitlement Date;
- iii. thirdly, for allocation to Entitled Shareholders who have applied for Excess Rights Shares with Warrants, on a pro-rata basis and in board lot, calculated based on the quantum of Excess Rights Shares with Warrants applied for; and
- iv. finally, for allocation to renounee(s) who have applied for Excess Rights Shares with Warrants, on a pro-rata basis and in board lot, calculated based on the quantum of their respective Excess Rights Shares with Warrants applied for.

Nevertheless, our Board reserves the right to allot any Excess Rights Shares with Warrants applied for under Part I(b) of the RSF in such manner as our Board deems fit and expedient in the best interest of our Company subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in (i)-(iv) above are achieved. Our Board also reserves the right to accept any application for Excess Rights Shares with Warrants in full or in part only without assigning any reason.

**NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES IN RESPECT OF THE EXCESS RIGHTS SHARES WITH WARRANTS WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR FOR THE RIGHTS ISSUE WITH WARRANTS. HOWEVER, IF YOU ARE SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN ON OUR RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR APPLICATION OF AND PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.**

**WHERE AN APPLICATION FOR THE EXCESS RIGHTS SHARES WITH WARRANTS IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANT BY ORDINARY POST TO THE ADDRESS SHOWN ON OUR RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT YOUR OWN RISK WITHIN 15 MARKET DAYS FROM THE LAST DATE FOR APPLICATION OF AND PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS.**

#### **10.9 Form of issuance**

Bursa Securities has prescribed our Shares listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares and the Warrants are prescribed securities and as such, all dealings in the Rights Shares and the Warrants will be subject to the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS Account number may result in the application being rejected. No physical share or warrant certificates will be issued to you under the Rights Issue with Warrants. A notice of allotment will be despatched to you and/ or your renounee(s) (if applicable) by ordinary post to the address shown on our Record of Depositors provided by Bursa Depository at your own risk within eight (8) Market Days from the last date for acceptance of and payment for the Rights Shares with Warrants.

Where the Rights Shares with Warrants are provisionally allotted to you as an Entitled Shareholder in respect of your existing KCB Shares standing to the credit to your CDS Account on the Entitlement Date, the acceptance by you of the Provisional Rights Shares with Warrants shall mean that you consent to receive such Provisional Rights Shares with Warrants as prescribed or deposited securities which will be credited directly into your CDS Account.

Any person who has purchased the Provisional Rights Shares with Warrants or to whom the Provisional Rights Shares with Warrants has been transferred and intends to subscribe for the Rights Shares with Warrants must state his/ her CDS Account number in the space provided in the RSF. The Rights Shares and the Warrants will be credited directly as prescribed or deposited securities into his/ her CDS Account upon allotment and issuance.

The Excess Rights Shares with Warrants, if allotted to the successful applicant who applies for the Excess Rights Shares with Warrants, will be credited directly as prescribed securities into the CDS Account of the successful applicant. The allocation of the Excess Rights Shares with Warrants will be made on a fair and equitable basis as disclosed in Section 10.8 of this Abridged Prospectus.

#### **10.10 Laws of foreign country or jurisdiction**

This Abridged Prospectus, and the accompanying NPA and RSF have not been (and will not be) made to comply with the laws of any foreign country or jurisdiction, and have not been (and will not be) lodged, registered or approved under any legislation (or with or by any regulatory authorities or other relevant bodies) of any foreign country or jurisdiction. The Rights Issue with Warrants will not be made or offered for subscription in any foreign country or jurisdiction.

Accordingly, this Abridged Prospectus, and the accompanying NPA and RSF will not be sent to the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) who do not have a registered address in Malaysia. However, the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) may collect this Abridged Prospectus, and the accompanying NPA and RSF from our Share Registrar for the Rights Issue With Warrants, in which event our Share Registrar for the Rights Issue With Warrants shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting these documents relating to the Rights Issue with Warrants.

The foreign Entitled Shareholders and/ or their renounee(s) (if applicable) may accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Rights Issue with Warrants only to the extent that it would be lawful to do so. RHBIB, our Company, our Directors and officers and other professional advisers would not, in connection with the Rights Issue with Warrants, be in breach of the laws of any country or jurisdiction to which the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) are or may be subject to. The foreign Entitled Shareholders and/ or their renounee(s) (if applicable) shall solely be responsible to seek advice from their legal advisers and/ or other professional advisers as to the laws of the countries or jurisdictions to which they are or may be subject to. RHBIB, our Company, our Directors and officers and other professional advisers shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any foreign Entitled Shareholders and/ or their renounee(s) (if applicable), is or shall become unlawful, unenforceable, voidable or void in any such country or jurisdiction.

The foreign Entitled Shareholders and/ or their renounee(s) (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such country or jurisdiction and we shall be entitled to be fully indemnified and held harmless by such foreign Entitled Shareholders and/ or their renounee(s) (if applicable) for any issue, transfer or other taxes or other requisite payments that such person may be required to pay in any country or jurisdiction. They will have no claims whatsoever against us and/ or RHBIB in respect of their rights and entitlements under the Rights Issue with Warrants. Such foreign Entitled Shareholders and/ or their renounee(s) (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights Issue with Warrants.

By signing the RSF, the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) RHBIB, our Company, our Directors and officers and other professional advisers that:-

- i. we would not, by acting on the acceptance or renunciation in connection with the Rights Issue with Warrants, be in breach of the laws of any jurisdiction to which the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) are or may be subject to;
- ii. the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation of the Provisional Rights Shares with Warrants;
- iii. the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) are not nominees or agents of a person in respect of whom we would, by acting on the acceptance or renunciation of the Provisional Rights Shares with Warrants, be in breach of the laws of any jurisdiction to which that person is or may be subject to;

- iv. the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) are aware that the Rights Shares and the Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;
- v. the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) have received a copy of this Abridged Prospectus, had access to such financial and other information and have been provided the opportunity to ask such questions to our representatives and receive answers thereto as they deem necessary in connection with their decision to subscribe for or purchase the Rights Shares and the Warrants; and
- vi. the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares and the Warrants, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares and the Warrants.

Persons receiving this Abridged Prospectus, and the accompanying NPA and RSF (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any country or jurisdiction, where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If this Abridged Prospectus, and the accompanying NPA and RSF are received by any persons in such country or jurisdiction, or by the agent or nominee of such a person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant country or jurisdiction in connection herewith.

Any person who does forward this Abridged Prospectus, and the accompanying NPA and RSF to any foreign country or jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and we reserve the right to reject a purported acceptance of the Rights Shares with Warrants from any such application by foreign Entitled Shareholders and/ or their renounee(s) (if applicable) in any foreign country or jurisdiction.

We reserve the right, in our absolute discretion, to treat any acceptance of the Rights Shares with Warrants as invalid if it believes that such acceptance may violate any applicable legal or regulatory requirements.

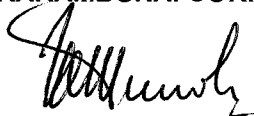
## 11. TERMS AND CONDITIONS

The issuance of the Rights Shares and the Warrants pursuant to the Rights Issue with Warrants is governed by the terms and conditions set out in this Abridged Prospectus, and the accompanying NPA and RSF.

## 12. FURTHER INFORMATION

You are advised to refer to the attached appendices for further information.

Yours faithfully,  
For and on behalf of the Board of  
**KARAMBUNAI CORP BHD**



**DATO' DR MOHD AMINUDDIN BIN MOHD ROUSE**  
Independent Non-Executive Director

**CERTIFIED TRUE EXTRACT OF THE RESOLUTIONS PERTAINING TO THE CORPORATE EXERCISES PASSED AT OUR EGM HELD ON 27 JUNE 2013**

**KARAMBUNAI CORP BHD**

(Company No. 6461-P)  
(Incorporated in Malaysia)

EXTRACT OF MINUTES OF THE EXTRAORDINARY GENERAL MEETING OF KARAMBUNAI CORP BHD DULY HELD ON 27 JUNE 2013.

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IT WAS UNANIMOUSLY RESOLVED:-

**SPECIAL RESOLUTION 1**

**PROPOSED CAPITAL RECONSTRUCTION INVOLVING THE CANCELLATION OF RM0.40 OF THE PAR VALUE OF EVERY EXISTING ORDINARY SHARE OF RM0.50 EACH IN THE ISSUED AND PAID-UP SHARE CAPITAL OF KARAMBUNAI CORP BHD ("KCB") PURSUANT TO SECTION 64(1) OF THE COMPANIES ACT, 1965 AND THE CREDIT ARISING THEREFROM TO BE OFFSET AGAINST THE ACCUMULATED LOSSES OF KCB ("PROPOSED CAPITAL RECONSTRUCTION")**

"THAT, subject to and conditional upon the passing of Special Resolution 2 and the approvals of all relevant regulatory authorities being obtained, where required, including but not limited to the confirmation by the High Court of Malaya ("Court") pursuant to Section 64(1) of the Companies Act, 1965 ("Act"), approval be and is hereby given to the Board of Directors of KCB ("Board") to effect the following:-

- a) the par value of every existing ordinary share of RM0.50 each in the issued and paid-up share capital of the Company be reduced to RM0.10 each; and
- b) the credit arising from the said capital reduction be utilised to offset against the accumulated losses of the Company;

AND THAT the credit arising therefrom that may be in excess of what is required towards offsetting the accumulated losses of the Company be and is hereby applied towards crediting into a capital reserve account which shall be applied as if it were share premium and/ or towards setting off future losses and save for the mentioned purposes, the capital reserve account shall not be distributable without leave of the Court;

AND THAT the Board be and is hereby authorised with full powers to take all such steps as they may deem necessary to:-

- i. assent to any conditions, modifications, variations as may be imposed or permitted by the relevant authorities and/ or the Court;
- ii. lodge an office copy of the order of the Court referred to in this Special Resolution 1 with the Companies Commission of Malaysia on such date the Directors may determine; and
- iii. do all such acts, deeds and/ or things incidental and/ or as may be required or as they consider necessary and expedient in the best interest of the Company, to give full effect to and complete the matters described in this Special Resolution 1."

IT WAS RESOLVED:-

**SPECIAL RESOLUTION 2**

**PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF KCB ("PROPOSED AMENDMENTS")**

"THAT subject to and conditional upon the passing of Special Resolution 1 and the approvals of all relevant regulatory authorities being obtained, where required, approval be and is hereby given to the Board to alter, modify, vary and delete the Memorandum and Articles of Association of KCB in the following manner:-

	Existing	Proposed amendment
<b>First Sentence of Clause 5 of the Memorandum of Association</b>	The capital of the company is RM2,000,000,000 divided into 4,000,000,000 shares of RM0.50 each.	The capital of the company is RM2,000,000,000 divided into 20,000,000,000 shares of RM0.10 each.
<b>Article 3(a) of the Articles of Association</b>	The authorised capital of the Company is RM2,000,000,000 divided into 4,000,000,000 Ordinary Shares of RM0.50 each with power for the Company in General Meeting to increase, sub-divide, consolidate or reduce such capital or to divide the shares forming the capital origin, increased or reduced into several classes.	The authorised capital of the Company is RM2,000,000,000 divided into 20,000,000,000 Ordinary Shares of RM0.10 each with power for the Company in General Meeting to increase, sub-divide, consolidate or reduce such capital or to divide the shares forming the capital origin, increased or reduced into several classes.

AND THAT the Board be and is hereby authorised to give effect to the Proposed Amendments and to take all such steps and do all acts and things in any manner as they may deem necessary to complete, finalise, implement and give full effect to the Proposed Amendments."

IT WAS RESOLVED:-

#### **ORDINARY RESOLUTION 1**

**PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 507,514,920 NEW ORDINARY SHARES OF RM0.10 EACH IN KCB ("KCB SHARE(S)" OR "SHARE(S)") ("RIGHTS SHARE(S)") ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY FOUR (4) EXISTING KCB SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER AFTER THE PROPOSED CAPITAL RECONSTRUCTION, TOGETHER WITH UP TO 1,015,029,840 FREE DETACHABLE WARRANTS ("WARRANTS") ON THE BASIS OF TWO (2) WARRANTS FOR EVERY ONE (1) RIGHTS SHARE SUBSCRIBED ("PROPOSED RIGHTS ISSUE WITH WARRANTS")**

"THAT subject to and conditional upon the passing of Special Resolutions 1 and 2, Ordinary Resolution 4 and the approvals of all relevant regulatory authorities being obtained, where required, approval be and is hereby given to the Board for the following:-

- i. to provisionally allot and issue by way of a renounceable rights issue of up to 507,514,920 Rights Shares on the basis of one (1) Rights Share for every four (4) existing KCB Shares held on an entitlement date to be determined and announced later by the Board ("Entitlement Date") together with up to 1,015,029,840 Warrants on the basis of two (2) Warrants for every one (1) Rights Share subscribed for by the shareholders of the Company whose name appear on the Record of Depositors of the Company at the close of business on the Entitlement Date;
- ii. wherein each of the Warrants will carry the right to subscribe, subject to any adjustment in accordance with a deed poll ("Deed Poll") to be executed, at any time during the exercise period, for one (1) new KCB Share at an exercise price of RM0.1306 per Warrant;
- iii. to allot and issue such number of new KCB Shares pursuant to the exercise of the Warrants from time to time during the tenure of the Warrants in accordance with the provisions of the Deed Poll;
- iv. to allot and issue such further Warrants and new KCB Shares arising from the subscription of further Warrants as a consequence of any adjustment in accordance with the provisions of the Deed Poll and/or as may be required by the relevant authorities; and
- v. to do all such acts and things including but not limited to the application to Bursa Malaysia Securities Berhad for the listing of and quotation for the new KCB Shares which may from time to time be allotted and issued upon exercise of the Warrants;

THAT any fractional entitlements of the Rights Shares and the Warrants arising from the Proposed Rights Issue with Warrants shall be dealt with in such manner as the Board shall in their absolute discretion deem fit and expedient, and to be in the best interest of the Company;

THAT the proceeds of the Proposed Rights Issue with Warrants be utilised for the purposes as set out in the circular to shareholders of the Company dated 31 May 2013 ("Circular"), and the Directors be authorised with full powers to vary the manner and/ or purpose of utilisation of such proceeds in such manner as the Directors may deem fit, necessary and/ or expedient, subject to the approval of the relevant authorities, where required;

THAT the Rights Shares and the new KCB Shares arising from the exercise of the Warrants will, upon allotment and issuance, rank pari passu in all respects with the then existing KCB Shares, save and except that the new KCB Shares to be issued arising from the exercise of the Warrants will not be entitled to any dividends, rights, allotments and/ or other forms of distribution that may be declared, made or paid prior to the relevant date of allotment and issuance of the said new KCB Shares.

AND THAT the Board be and is hereby authorised to sign and execute all documents, including but not limited to the Deed Poll, do all things and acts as may be required to give effect to the aforesaid Proposed Rights Issue with Warrants with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps to enter into all such agreement, arrangement, undertaking, indemnities, transfer, assignment and guarantee with any party or parties and to do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Rights Issue with Warrants."

IT WAS RESOLVED:-

**ORDINARY RESOLUTION 2**

**PROPOSED SETTLEMENT OF DEBT OWING TO TAN SRI DR CHEN LIP KEONG ("TSCLK") VIA THE ISSUANCE OF NEW KCB SHARES ("SETTLEMENT SHARE(S)") ("PROPOSED CAPITALISATION TO TSCLK")**

"THAT, subject to and conditional upon the passing of Special Resolutions 1 and 2, Ordinary Resolutions 1 and 4 and the approvals of all relevant regulatory authorities being obtained, where required, approval be and is hereby given to the Board to allot and issue such Settlement Shares to TSCLK on a date to be determined by the Board as they may deem fit and expedient, after the completion of the Proposed Capital Reconstruction and concurrently with the Proposed Rights Issue with Warrants and the Proposed Capitalisation to FACBII, at an issue price of RM0.1111 per Settlement Share;

AND THAT the Settlement Shares shall upon issue and allotment thereof, rank pari passu in all respects with the then existing KCB Shares, save and except that the Settlement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid prior to the relevant date of allotment and issuance of the Settlement Shares. The holder of the Settlement Shares is not entitled to the Rights Shares and the Warrants;

AND THAT the Directors be and are hereby authorised to do all acts and things as they may consider necessary or expedient in the best interest of the Company with full powers to assent to any conditions, variations, modifications and/ or amendments as may be required or permitted by any relevant authorities, and to take all steps and to enter into all such agreement, arrangement, undertaking, indemnities, transfer, assignment and guarantee with any party or persons and to carry out any other matters as may be required to implement, finalise and give full effect to the Proposed Capitalisation to TSCLK."

IT WAS UNANIMOUSLY RESOLVED:-

**ORDINARY RESOLUTION 3**

**PROPOSED SETTLEMENT OF DEBT OWING TO FACB INDUSTRIES INCORPORATED BERHAD ("FACBII") VIA THE ISSUANCE OF SETTLEMENT SHARES ("PROPOSED CAPITALISATION TO FACBII")**



PAGE 4

KARAMBUNAI CORP BHD

EXTRACT OF MINUTES OF THE EXTRAORDINARY GENERAL MEETING OF KARAMBUNAI CORP BHD DULY HELD ON 27 JUNE 2013.

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"THAT, subject to and conditional upon the passing of Special Resolutions 1 and 2, Ordinary Resolutions 1 and 4 and the approvals of all relevant regulatory authorities being obtained, where required, approval be and is hereby given to the Board to allot and issue such Settlement Shares to FACBII on a date to be determined by the Board as they may deem fit and expedient, after the completion of the Proposed Capital Reconstruction and concurrently with the Proposed Rights Issue with Warrants and the Proposed Capitalisation to TSCLK, at an issue price of RM0.1111 per Settlement Share;

AND THAT the Settlement Shares shall upon issue and allotment thereof, rank *pari passu* in all respects with the then existing KCB Shares, save and except that the Settlement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid prior to the relevant date of allotment and issuance of the Settlement Shares. The holder of the Settlement shares is not entitled to the Rights Shares and the Warrants;

AND THAT the Directors be and are hereby authorised to do all acts and things as they may consider necessary or expedient in the best interest of the Company with full powers to assent to any conditions, variations, modifications and/ or amendments as may be required, or permitted by any relevant authorities, and to take all steps and to enter into all such agreement, arrangement, undertaking, indemnities, transfer, assignment and guarantee with any party or persons and to carry out any other matters as may be required to implement, finalise and give full effect to the Proposed Capitalisation to FACBII."

IT WAS RESOLVED:-

**ORDINARY RESOLUTION 4**

**PROPOSED EXEMPTION UNDER PARAGRAPH 16.1 OF PRACTICE NOTE 9 OF THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS, 2010 TO TSCLK AND THE PARTIES ACTING IN CONCERT WITH HIM FROM THE OBLIGATION TO UNDERTAKE A MANDATORY TAKE-OVER OFFER FOR ALL THE REMAINING KCB SHARES NOT ALREADY HELD BY THEM PURSUANT TO THE PROPOSED RIGHTS ISSUE WITH WARRANTS, THE PROPOSED CAPITALISATION TO TSCLK AND THE PROPOSED CAPITALISATION TO FACBII ("PROPOSED EXEMPTION")**

"THAT subject to and conditional upon the passing of Special Resolutions 1 and 2, Ordinary Resolution 1 and the approvals of all relevant regulatory authorities being obtained, where required, including but not limited to compliance with such conditions as may be imposed by the Securities Commission Malaysia, approval be and is hereby given to exempt TSCLK and the parties acting in concert with him under Paragraph 16.1 of Practice Note 9 of the Malaysian Code on Take-overs and Mergers, 2010 from the obligation to undertake a mandatory take-over offer for all the remaining KCB Shares not already held by them pursuant to the Proposed Rights Issue with Warrants, the Proposed Capitalisation to TSCLK and the Proposed Capitalisation to FACBII;

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the aforesaid Proposed Exemption with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Exemption."

CERTIFIED TRUE COPY,



CHANG YUET MEI, MAICSA 0781552  
SECRETARY

Dated : 11 September 2013

**INFORMATION ON OUR COMPANY****1. HISTORY AND PRINCIPAL ACTIVITIES**

Our Company was incorporated in Malaysia on 30 December 1965 under the Companies Ordinances, 1940-1946 as a private limited company under the name of Electrical And Allied Industries Limited. On 6 June 1967, we were converted to a public limited company under the name of Electrical And Allied Industries Berhad. On 4 July 1967, we were listed on the former Main Board (now known as Main Market) of Bursa Securities. Our name was changed to First Allied Corporation Bhd on 1 November 1983 and subsequently to FACB Berhad on 13 September 1993 before changing to FACB Resorts Berhad on 30 September 1999. We assumed our present name of Karambunai Corp Bhd on 30 September 2004.

Our principal activities are investment holdings and provision of management services. Through our subsidiary companies, we are principally involved in the businesses of leisure and tourism comprising travel and tours agency, golf and country club as well as resort hotel operation and management, and property development and construction. Further details on our subsidiary companies are set out in Section 5 of this Appendix.

**2. SHARE CAPITAL**

As at the LPD, our authorised and issued and paid-up share capital are set out below:-

	No. of Shares	Par value RM	Total RM
Authorised	20,000,000,000	0.10	2,000,000,000
Issued and paid-up	2,030,059,680	0.10	203,005,968

The changes in our issued and paid-up share capital for the past three (3) years preceding the LPD are set out below:-

Date of change	No. of ordinary shares allotted	Par value RM	Consideration/ issue	Type of	Cumulative issued and paid-up share capital RM
28.08.2013	-	0.10	Capital reconstruction via the cancellation of RM0.40 of the par value of every existing ordinary share of RM0.50 each in the issued and paid-up share capital		203,005,968

### 3. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

The shareholdings of our substantial shareholders as at the LPD and after the Corporate Exercises are set out below:-

#### Minimum Scenario

Substantial shareholders	Shareholdings as at the LPD			After the Capital Reconstruction			After I and the Rights Issue with Warrants				
	Direct No. of Shares	Indirect No. of Shares	%	Direct No. of Shares	Indirect No. of Shares	%	Direct No. of Shares	Indirect No. of Shares	%		
TSCLK	891,122,516	43.90	-	891,122,516	43.90	-	1,113,903,145	49.44	-		
FACBII	-	-	-	-	-	-	-	-	-		
	III			IV			V				
	After II and the Capitalisation to TSCLK			After III and the Capitalisation to FACBII <sup>2</sup>			After IV and assuming full exercise of the Warrants				
	Direct No. of Shares	Indirect No. of Shares	%	Direct No. of Shares	Indirect No. of Shares	%	Direct No. of Shares	Indirect No. of Shares	%		
Substantial shareholders	4,013,734,999	77.90	-	4,013,734,999	73.09	339,181,242 <sup>*1</sup>	6.18	4,459,296,257	75.11	339,181,242 <sup>*1</sup>	5.71
TSCLK	4,013,734,999	77.90	-	4,013,734,999	73.09	339,181,242 <sup>*1</sup>	6.18	4,459,296,257	75.11	339,181,242 <sup>*1</sup>	5.71
FACBII	-	-	-	339,181,242	6.18	-	-	339,181,242	5.71	-	-

#### Notes:-

<sup>\*1</sup> Deemed interested by virtue of his direct shareholdings of 16,925,000 ordinary shares of RM1.00 each in FACBII representing 20.18% of the issued and paid-up share capital in FACBII (excluding all the existing treasury shares) as at the LPD pursuant to Section 6A of the Act

<sup>\*2</sup> As at the LPD, the public shareholding spread of KCB Shares is approximately 56.10%. On a proforma basis, the public shareholding spread of KCB Shares upon completion of the Corporate Exercises but prior to the exercise of the Warrants shall fall to approximately 20.73% under the Minimum Scenario, which is below the minimum requirement of shareholdings spread of 25% pursuant to Paragraph 8.02(1) of the Listing Requirements. In this respect, an application for the extension of time to rectify the shortfall pursuant to Paragraph 8.02(4) of the Listing Requirements has been sought from Bursa Securities vide a letter dated 11 September 2013

**Maximum Scenario**

Substantial shareholders	I Shareholdings as at the LPD			II After the Capital Reconstruction			III After I and the Rights Issue with Warrants		
	Direct No. of Shares	Indirect No. of Shares	%	Direct No. of Shares	Indirect No. of Shares	%	Direct No. of Shares	Indirect No. of Shares	%
TSQLK	891,122,516	43.90	-	891,122,516	43.90	-	1,113,903,145	43.90	-
FACBII	-	-	-	-	-	-	-	-	-
Substantial shareholders	IV After II and the Capitalisation to TSQLK			V After III and the Capitalisation to FACBII <sup>2</sup>			VI After IV and assuming full exercise of the Warrants		
	Direct No. of Shares	Indirect No. of Shares	%	Direct No. of Shares	Indirect No. of Shares	%	Direct No. of Shares	Indirect No. of Shares	%
TSQLK	4,013,734,999	73.82	-	4,013,734,999	69.48	339,181,242 <sup>1</sup>	4,459,296,257	65.66	339,181,242 <sup>1</sup>
FACBII	-	-	-	339,181,242	5.87	-	339,181,242	4.99	-

**Notes:-**

<sup>1</sup> Deemed interested by virtue of his direct shareholdings of 16,925,000 ordinary shares of RM1.00 each in FACBII representing 20.18% of the issued and paid-up share capital in FACBII (excluding all the existing treasury shares) as at the LPD pursuant to Section 6A of the Act

<sup>2</sup> As at the LPD, the public shareholding spread of KCB Shares is approximately 56.10%. On a proforma basis, the public shareholding spread of KCB Shares upon completion of the Corporate Exercises but prior to the exercise of the Warrants shall fall to approximately 24.65% under the Maximum Scenario, which is below the minimum requirement of shareholdings spread of 25% pursuant to Paragraph 8.02(1) of the Listing Requirements. In this respect, an application for the extension of time to rectify the shortfall pursuant to Paragraph 8.02(4) of the Listing Requirements has been sought from Bursa Securities vide a letter dated 11 September 2013

**4. DIRECTORS**

The particulars of our Directors as at the LPD are set out below:-

<b>Name</b>	<b>Address</b>	<b>Age</b>	<b>Nationality</b>	<b>Profession</b>	<b>Designation</b>
Datuk Wan Kassim bin Ahmed	8, Jalan SS 14/7B Subang Jaya 47500 Petaling Jaya Selangor Darul Ehsan	64	Malaysian	Company Director	Chairman, Independent Non- Executive Director
Tan Sri Dr Chen Lip Keong	18, Jalan Tengku Ampuan Taman Duta 50480 Kuala Lumpur	66	Malaysian	Company Director	President, Non- Independent Executive Director
Chen Yiy Fon	18, Jalan Tengku Ampuan Taman Duta 50480 Kuala Lumpur	32	Malaysian	Company Director	Chief Executive Officer, Non- Independent Executive Director
Datuk Robin Loh Hoon Loi	Lot 486, Lorong Pokok Resam 4 Taman BDC Likas, Phase 12B 88450 Kota Kinabalu Sabah	52	Malaysian	Company Director	Non- Independent Executive Director
Chen Yiy Hwuan	18, Jalan Tengku Ampuan Taman Duta 50480 Kuala Lumpur	34	Malaysian	Company Director	Non- Independent Executive Director
Dato' Dr Mohd Aminuddin bin Mohd Rouse	No. 35, Jalan Hillview 2 Taman Hillview Off Jalan Hulu Kelang 68000 Ampang Selangor Darul Ehsan	68	Malaysian	Company Director	Independent Non- Executive Director
Lim Mun Kee	No. 9, Jalan Merak 6 Puchong Jaya 47100 Puchong Selangor Darul Ehsan	46	Malaysian	Company Director	Independent Non- Executive Director

The shareholdings of our Directors as at the LPD and after the Corporate Exercises are set out below:-

**Minimum Scenario**

Directors	Shareholdings as at the LPD			I After the Capital Reconstruction			II After I and the Rights Issue with Warrants		
	Direct No. of Shares	Indirect No. of Shares	%	Direct No. of Shares	Indirect No. of Shares	%	Direct No. of Shares	Indirect No. of Shares	%
Datuk Wan Kassim bin Ahmed	-	-	-	-	-	-	-	-	-
TSCLK	891,122,516	43.90	-	891,122,516	43.90	-	1,113,903,145	49.44	-
Chen Yiy Fon	-	-	-	-	-	-	-	-	-
Datuk Robin Loh Hoon Loi	-	-	-	-	-	-	-	-	-
Chen Yiy Hwuan	-	-	-	-	-	-	-	-	-
Dato' Dr Mohd Aminuddin bin Mohd Rouse	-	-	-	-	-	-	-	-	-
Lim Mun Kee	-	-	-	-	-	-	-	-	-

Directors	III			IV			V				
	After II and the Capitalisation to TSCLK			After III and the Capitalisation to FACBII <sup>2</sup>			After IV and assuming full exercise of the Warrants				
	Direct	Indirect	%	Direct	Indirect	%	Direct	Indirect	%		
No. of Shares	No. of Shares	%	No. of Shares	No. of Shares	%	No. of Shares	No. of Shares	%			
Datuk Wan Kassim bin Ahmed	-	-	-	-	-	-	-	-	-		
TSCLK	4,013,734,999	77.90	-	4,013,734,999	73.09	339,181,242 <sup>1</sup>	6.18	4,459,296,257	75.11	339,181,242 <sup>1</sup>	5.71
Chen Yiy Fon	-	-	-	-	-	-	-	-	-	-	-
Datuk Robin Loh Hoon Loi	-	-	-	-	-	-	-	-	-	-	-
Chen Yiy Hwuan	-	-	-	-	-	-	-	-	-	-	-
Dato' Dr Mohd Aminuddin bin Mohd Rouse	-	-	-	-	-	-	-	-	-	-	-
Lim Mun Kee	-	-	-	-	-	-	-	-	-	-	-

**Notes:-**

<sup>1</sup> Deemed interested by virtue of his direct shareholdings of 16,925,000 ordinary shares of RM1.00 each in FACBII representing 20.18% of the issued and paid-up share capital in FACBII (excluding all the existing treasury shares) as at the LPD pursuant to Section 6A of the Act

<sup>2</sup> As at the LPD, the public shareholding spread of KCB Shares is approximately 56.10%. On a proforma basis, the public shareholding spread of KCB Shares upon completion of the Corporate Exercises but prior to the exercise of the Warrants shall fall to approximately 20.73% under the Minimum Scenario, which is below the minimum requirement of shareholdings spread of 25% pursuant to Paragraph 8.02(1) of the Listing Requirements. In this respect, an application for the extension of time to rectify the shortfall pursuant to Paragraph 8.02(4) of the Listing Requirements has been sought from Bursa Securities vide a letter dated 11 September 2013

**Maximum Scenario**

Directors	Shareholdings as at the LPD			I After the Capital Reconstruction			II After I and the Rights Issue with Warrants		
	Direct	Indirect	%	Direct	Indirect	%	Direct	Indirect	%
	No. of shares	No. of shares		No. of Shares	No. of Shares		No. of Shares	No. of Shares	
Datuk Wan Kassim bin Ahmed	-	-	-	-	-	-	-	-	-
TSCLK	891,122,516	43.90	-	891,122,516	43.90	-	1,113,903,145	43.90	-
Chen Yiy Fon	-	-	-	-	-	-	-	-	-
Datuk Robin Loh Hoon Loi	-	-	-	-	-	-	-	-	-
Chen Yiy Hwuan	-	-	-	-	-	-	-	-	-
Dato' Dr Mohd Aminuddin bin Mohd Rouse	-	-	-	-	-	-	-	-	-
Lim Mun Kee	-	-	-	-	-	-	-	-	-



Directors	III			IV			V				
	After II and the Capitalisation to TSCCLK			After III and the Capitalisation to FACBII <sup>*2</sup>			After IV and assuming full exercise of the Warrants				
	Direct	Indirect	%	Direct	Indirect	%	Direct	Indirect	%		
No. of Shares	No. of Shares	%	No. of Shares	No. of Shares	%	No. of Shares	No. of Shares	%			
Datuk Wan Kassim bin Ahmed	-	-	-	-	-	-	-	-	-		
TSCCLK	4,013,734,999	73.82	-	4,013,734,999	69.48	339,181,242 <sup>*1</sup>	5.87	4,459,296,257	65.66	339,181,242 <sup>*1</sup>	4.99
Chen Yiy Fon	-	-	-	-	-	-	-	-	-	-	-
Datuk Robin Loh Hoon Loi	-	-	-	-	-	-	-	-	-	-	-
Chen Yiy Hwuan	-	-	-	-	-	-	-	-	-	-	-
Dato' Dr Mohd Aminuddin bin Mohd Rouse	-	-	-	-	-	-	-	-	-	-	-
Lim Mun Kee	-	-	-	-	-	-	-	-	-	-	-

**Notes:-**

<sup>\*1</sup> Deemed interested by virtue of his direct shareholdings of 16,925,000 ordinary shares of RM1.00 each in FACBII representing 20.18% of the issued and paid-up share capital in FACBII (excluding all the existing treasury shares) as at the LPD pursuant to Section 6A of the Act

<sup>\*2</sup> As at the LPD, the public shareholding spread of KCB Shares is approximately 56.10%. On a proforma basis, the public shareholding spread of KCB Shares upon completion of the Corporate Exercises but prior to the exercise of the Warrants shall fall to approximately 24.65% under the Maximum Scenario, which is below the minimum requirement of shareholdings spread of 25%, pursuant to Paragraph 8.02(1) of the Listing Requirements. In this respect, an application for the extension of time to rectify the shortfall pursuant to Paragraph 8.02(4) of the Listing Requirements has been sought from Bursa Securities vide a letter dated 11 September 2013

## 5. SUBSIDIARY AND ASSOCIATE COMPANIES

As at the LPD, our subsidiary companies are set out below:-

Name of company	Date and place of incorporation	Issued and paid-up share capital	Effective equity interest %	Principal activities
Bukit Unggul Golf and Country Resort Sdn Bhd <sup>*1</sup>	12.07.1982 Malaysia	RM10,000,000	100	Golf club owner and investment holdings
FACB Capital Sdn Bhd	05.05.1983 Malaysia	RM5,000,000	100	Investment holdings, consultancy and money lending
FACB Construction Sdn Bhd	11.11.1986 Malaysia	RM3,000,000	100	General construction and building works
FACB Charter Sdn Bhd	05.03.1987 Malaysia	RM4,500,000	100	Dormant
FACB Land Sdn Bhd	07.01.1978 Malaysia	RM3,000,000	100	Property development
FACBNET Sdn Bhd	07.03.1994 Malaysia	RM100,000	100	Dormant
First Holdings Sdn Bhd	08.12.1977 Malaysia	RM7,800,000	100	Investment holdings
First Travel and Tours (M) Sdn Bhd	31.07.1979 Malaysia	RM2,090,000	96	Travel and tours agency
Greagawarni Sdn Bhd	11.03.1996 Malaysia	RM100,000	100	Horticulturist
Ikhlas Perdana Sdn Bhd	06.03.1992 Malaysia	RM53,000	90	Dormant
Karambunai Residence (MM2H) Sdn Bhd	17.02.1994 Malaysia	RM50,000	100	Dormant
Bukit Unggul Tele-Suburb Sdn Bhd	17.07.2001 Malaysia	RM2	100	Property development
Beribu Ukiran Sdn Bhd	07.01.1997 Malaysia	RM1,000,000	100	Property development
Hartamas Group Berhad <sup>2</sup>	09.07.2001 Malaysia	RM660,000,052	100	Hotel resort ownership and operations, and investment holdings
CTRM-FACB Consortium Sdn Bhd	15.01.1987 Malaysia	RM750,000	100	Dormant
Karambunai Corp International Ltd	05.07.2006 Hong Kong	HKD2	100	Dormant
Nexus First Company Ltd	03.05.2010 Labuan	USD100	100	Investment holdings

Name of company	Date and place of incorporation	Issued and paid-up share capital	Effective equity interest %	Principal activities
Nexus Hotels and Resorts Limited	10.09.1991 Hong Kong	HKD2	100	Dormant
Norasia Investments Ltd	19.05.1981 Hong Kong	HKD100	100	Investment holdings
Sunnyland Industries Ltd	04.12.1981 Hong Kong	HKD2	100	Dormant
One Travel & Tours Ltd	21.12.2007 British Virgin Islands	USD2	100	Travel and tours agency
<b>Subsidiary companies of FACB Land Sdn Bhd</b>				
Arosa Builders Sdn Bhd	28.05.1997 Malaysia	RM750,000	100	General construction and building works
Bukit Unggul Golf and Country Resort Sdn Bhd <sup>1</sup>	12.07.1982 Malaysia	RM10,000,000	25	Golf club owner and investment holdings
Hartamas Group Berhad <sup>2</sup>	09.07.2001 Malaysia	RM660,000,052	4.06	Hotel resort operations, management and investment holdings
<b>Subsidiary companies of First Holdings Sdn Bhd</b>				
Karambunai Resorts Sdn Bhd	12.11.1981 Malaysia	RM30,000,000	100	Property development and investment holdings
Hartamas Group Berhad <sup>2</sup>	09.07.2001 Malaysia	RM660,000,052	53.03	Hotel resort operations, management and investment holdings
<b>Subsidiary company of Hartamas Group Berhad</b>				
FACB Marketing and Sales Services Sdn Bhd	07.03.1994 Malaysia	RM1,531,299 (Ordinary Shares) RM107,292 (Preference shares)	100	Property development
<b>Subsidiary company of Bukit Unggul Golf and Country Resort Sdn Bhd</b>				
Bukit Unggul Country Club Bhd	26.02.1987 Malaysia	RM5,000,000	100	Golf and country club operation and management
<b>Subsidiary companies of Karambunai Resorts Sdn Bhd</b>				
Dapan Construction Sdn Bhd	16.01.2001 Malaysia	RM750,000	100	Construction and project contractor
Dapan Holdings Sdn Bhd	01.09.1983 Malaysia	RM7,000,000	100	Property development

Name of company	Date and place of incorporation	Issued and paid-up share capital	Effective equity interest %	Principal activities
Karambunai Golf Management Bhd	12.02.1985 Malaysia	RM5,000,000	100	Management and operation of golf club
Nexus Vacation Club Bhd	28.03.1997 Malaysia	RM1,000,000	100	Dormant
Nexus Bay Resort Karambunai Sdn Bhd	16.10.1986 Malaysia	RM3,000,000	100	Property development, sale and leaseback of properties and to provide hotel and lodging facilities
Nexus Resort Karambunai Sdn Bhd	12.11.1984 Malaysia	RM2,000,000	100	Resort hotel operation and management
Nexus Resorts and Hotels International Sdn Bhd	17.03.1997 Malaysia	RM250,000	100	Property development
Nexus Naga S.A	27.02.1997 Panama	USD2	100	Dormant
<b>Subsidiary company of Nexus Hotels and Resorts Limited</b>				
Nexus Hotel Phnom Penh Limited	08.05.2007 British Virgin Islands	USD2	100	Dormant
<b>Subsidiary company of Norasia Investments Ltd</b>				
Scanply International Wood Products (Singapore) Pte Ltd	31.12.1981 Singapore	SGD200,000	100	Dormant
<b>Subsidiary company of Scanply International Wood Products (Singapore) Pte Ltd</b>				
Scanply Wood Products (Malaysia) Sdn Bhd	30.10.1986 Malaysia	RM250,000	100	Dormant

**Notes:-**

<sup>1</sup> *Bukit Unggul Golf and Country Resort Sdn Bhd is a 75.00%-owned subsidiary company of our Group, whilst FACB Land Sdn Bhd owns the remaining 25.00% in Bukit Unggul Golf and Country Resort Sdn Bhd*

<sup>2</sup> *Hartamas Group Berhad is a 42.91%-owned subsidiary company of our Group, whilst FACB Land Sdn Bhd and First Holdings Sdn Bhd own the remaining 4.06% and 53.03%, respectively*

As at the LPD, we do not have any associate company.

## 6. PROFIT AND DIVIDEND RECORDS

The following table sets out a summary of our audited consolidated financial statements for the past three (3) financial years up to the FYE 31 March 2013 and the latest unaudited consolidated financial statements for the three (3)-month FPE 30 June 2013:-

	<-----Audited-----> <-----FYE 31 March----->			Unaudited Three (3)- month FPE 30 June 2013
	2011 RM'000	2012 RM'000	2013 RM'000	RM'000
Revenue	125,288	149,158	95,599	14,764
Direct costs	(113,065)	(120,586)	(84,141)	(17,541)
<b>Gross profit/ (loss)</b>	<b>12,223</b>	<b>28,572</b>	<b>11,458</b>	<b>(2,777)</b>
Other income	10,029	3,174	81,789	1,743
Selling and distribution costs	(2,821)	(2,898)	(954)	(279)
Administrative costs	(19,934)	(27,588)	(31,030)	(6,971)
Other costs	(334,950)	(21,974)	(53,381)	(196)
<b>Profit/ (loss) from operations</b>	<b>(335,453)</b>	<b>(20,714)</b>	<b>7,882</b>	<b>(8,480)</b>
Finance costs	(37,287)	(32,791)	(17,883)	(675)
<b>Loss before tax</b>	<b>(372,740)</b>	<b>(53,505)</b>	<b>(10,001)</b>	<b>(9,155)</b>
Income tax expense	(3,631)	10,894	(9,352)	(136)
<b>Loss for the year/ period</b>	<b>(376,371)</b>	<b>(42,611)</b>	<b>(19,353)</b>	<b>(9,291)</b>
<b>Loss attributable to:</b>				
Owners of the parent	(376,371)	(42,597)	(19,349)	(9,291)
Non-controlling interest	-	(14)	(4)	-
<b>Loss for the year/ period</b>	<b>(376,371)</b>	<b>(42,611)</b>	<b>(19,353)</b>	<b>(9,291)</b>
Earnings/ (losses) before interests, taxes, depreciation and amortisation	(323,663)	1,664	21,723	(4,836)
Weighted average number of shares in issue (excluding treasury shares) ('000)	2,030,060	2,030,060	2,030,060	2,030,060
Gross profit/ (loss) margin (%)	9.76	19.16	11.99	(18.81)
LAT margin (%)	(300.40)	(28.57)	(20.24)	(62.93)
LPS (sen)				
- Basic	(18.54)	(2.10)	(0.95)	(0.46)
- Diluted	-	-	-	-

**Commentary on past performance:-****FYE 31 March 2011**

For the FYE 31 March 2011, our Group recorded revenue of RM125.29 million representing a decrease of RM14.39 million or 10.30% as compared to the revenue of the previous financial year mainly due to the cessation of operations of our trading segment. Our trading segment had contributed approximately 5.98% to the revenue of our Group for the previous financial year. In addition, property and construction segment recorded slightly lower revenue by RM2.68 million or 4.73% as compared to the previous financial year following the completion of Phase 3A1 of Bandar Sierra. Nevertheless, leisure and tourism segment remained as the dominant contributor accounting for 56.50% of our Group's revenue, with its turnover of RM70.79 million.

During the financial year under review, our Group incurred a LAT attributable to equity holders of RM376.37 million as compared to the LAT attributable to equity holders of RM35.76 million for the previous financial year. The significant increase was mainly due to the write-down of RM306.99 million for the valuation of the 1,363 acres development land in Bukit Unggul. In addition, the higher losses were also attributable to an impairment loss on goodwill and receivables at RM2.49 million and RM5.84 million respectively.

**FYE 31 March 2012**

For the FYE 31 March 2012, our Group recorded revenue of RM149.16 million representing an increase of RM23.87 million or 19.05% as compared to the revenue of the previous financial year. The higher revenue was driven mainly by the increase in revenue generated from property and construction segment as a result of the higher sales recognition following the completion of Nexus Residences Karambunai.

Our Group recorded a significantly lower LAT attributable to equity holders of RM42.60 million as compared to the previous financial year. The variance was mainly attributable to the write-down of RM306.99 million for the valuation of the 1,363 acres development land recorded during the previous financial year. Meanwhile, our Group had recognised a gain of RM13.83 million arising from the disposal of two (2) pieces of land during the financial year under review. Further, we have also recorded a tax credit of RM10.89 million mainly arising from the over provision of deferred tax from prior years.

**FYE 31 March 2013**

For the FYE 31 March 2013, our Group recorded revenue of RM95.60 million representing a decrease of RM53.56 million or approximately 35.91% as compared to the revenue of the previous financial year. The decrease was mainly attributable to the lower revenue contribution from property and construction segment following the completion of the development of Nexus Residences Karambunai in the previous financial year while the development of Phase 3A2-2 of Bandar Sierra has yet to commence. Revenue generated from leisure and tourism segment decreased slightly by RM3.44 million or 5.44%. Nevertheless, the leisure and tourism segment was a dominant contributor accounting for 62.58% to the total revenue of our Group for the financial year under review.

During the financial year under review, our Group has incurred some one-off expenses such as the gratitude sum of RM26.69 million paid pursuant to the advances owing to a director and an impairment loss on receivables of RM2.12 million. Nevertheless, these were offset by a gain arising from the debt waiver of RM56.92 million pursuant to the settlement of the net outstanding balance of RM156.92 as at August 2012 of a promissory note of RM130.00 million issued by us to Abrar Discounts Berhad which was completed on 2 October 2012.

Other factors that contributed to the improvement in the LAT attributable to equity holders included the reversal of impairment loss of RM23.67 million mainly on lands held for property development. Besides, the bank borrowings of our Group were mostly due and settled during the financial year under review which led to a lower finance cost borrowings by RM14.91 million or approximately 45.47% as compared to the previous financial year. Consequently, our Group recorded a LAT attributable to equity holders of RM19.35 million representing an improvement of RM23.25 million or approximately 54.58% as compared to the LAT attributable to equity holders of RM42.60 million as compared to previous financial year.

On the back of the significant decrease in bank borrowings, our Group's gearing ratio has decreased to 0.03 times as compared to 0.68 times in the previous financial year.

### Unaudited three (3)-month FPE 30 June 2013

For the three (3)-month FPE 30 June 2013, our Group recorded revenue of RM14.76 million representing a slight decrease of RM2.62 million or approximately 15.07% as compared to the revenue for the corresponding quarter in the previous financial year. The lower revenue was mainly attributable to the lower revenue contribution from property development and construction segment as the development of Phase 3A2-2 of Bandar Sierra has yet to commence. Nevertheless, the revenue generated from leisure and tourism segment has improved by 2.46 million or 24.07% as compared to the corresponding quarter in the previous financial year mainly due to our Group's effort in marketing and promotional activities.

Our Group recorded a LAT attributable to equity holders of RM9.29 million representing an improvement of RM2.70 million or approximately 22.54% as compared to the corresponding quarter in previous financial year. The significant improvement was mainly attributable to the substantial reduction in finance costs as a result of the repayment of bank borrowings.

## 7. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of our Shares as traded on Bursa Securities for the past 12 months from October 2012 to August 2013 are set out below:-

	High RM	Low RM
<b>2012</b>		
October	0.130	0.115
November	0.175	0.115
December	0.140	0.110
<b>2013</b>		
January	0.135	0.110
February	0.120	0.110
March	0.120	0.105
April	0.115	0.105
May	0.145	0.100
June	0.140	0.115
July	0.135	0.115
August	0.125	0.100

Last transacted market price on 5 December 2012  
(being the date prior to the announcement on Corporate Exercises) 0.130

Last transacted market price on 23 September 2013  
(being the date prior to the ex-date for the Rights Issue with Warrants and the latest practicable date prior to the issuance of this Abridged Prospectus ) 0.115

(Source: Bloomberg)

**REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 MARCH 2013 TOGETHER WITH THE NOTES**



12 September 2013

The Board of Directors  
Karambunai Corp Bhd  
No. 9020, Nexus Drive West  
Karambunai, Menggatal  
88450 Kota Kinabalu  
Sabah

**UHY** (AF1411)  
**Chartered Accountants**  
Suite 11.05, Level 11  
The Gardens South Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
  
Phone +60 3 2279 3088  
Fax +60 3 2279 3099  
Email uhykl@uhy.com.my  
Web www.uhy.com.my

Dear Sirs,

**KARAMBUNAI CORP BHD (“KCB”)  
PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31  
MARCH 2013**

We have reviewed the proforma consolidated statements of financial position of KCB and its subsidiaries (collectively referred to as “KCB Group”) as at 31 March 2013 together with the accompanying notes thereto, for which the Board of Directors of KCB (“Board”) is solely responsible, as set out in the accompanying statements (which we have stamped for the purpose of identification) prepared for inclusion in the Abridged Prospectus of KCB (“Abridged Prospectus”) dated 26 September 2013 in relation to the following corporate exercises approved by the shareholders of KCB in the Extraordinary General Meeting held on 27 June 2013:-

- (i) Capital reconstruction involving the cancellation of RM0.40 of the par value of every existing ordinary share of RM0.50 each in the issued and paid-up share capital of KCB pursuant to Section 64(1) of the Companies Act, 1965 and the credit arising therefrom to be offset against the accumulated losses of KCB (“Capital Reconstruction”);
- (ii) Renounceable rights issue of up to 507,514,920 new ordinary shares of RM0.10 each in KCB (“KCB Share(s)” or “Share(s)”) (“Rights Share(s)”) on the basis of one (1) Rights Share for every four (4) existing KCB Shares held together with up to 1,015,029,840 free detachable warrants (“Warrant(s)”) on the basis of two (2) Warrants for every one (1) Rights Share subscribed at an issue price of RM0.10 per Rights Share (“Rights Issue with Warrants”);
- (iii) Settlement of debt owing to Tan Sri Dr Chen Lip Keong (“TSCLK”) via the issuance of new KCB Shares (“Settlement Share(s)”) (“Capitalisation to TSCLK”);
- (iv) Settlement of debt owing to FACB Industries Incorporated Berhad (“FACBII”) via the issuance of Settlement Shares (“Capitalisation to FACBII”);
- (v) Exemption under Paragraph 16.1 of Practice Note 9 of the Malaysian Code on Take-overs and Mergers, 2010 to TSCLK and the parties acting in concert with him from the obligation to undertake a mandatory take-over offer for all the remaining KCB Shares not already held by them pursuant to the Rights Issue with Warrants, the Capitalisation to TSCLK and the Capitalisation to FACBII (“Exemption”); and
- (vi) Amendments to the Memorandum and Articles of Association (“M&A”) of KCB (“Amendments”).

(Collectively referred to as “Corporate Exercises”)





## **Responsibilities**

It is the responsibility of the Board to prepare the proforma consolidated statements of financial position to reflect the effects of the Corporate Exercises, in accordance with Appendix 4, Division 5 of Part 1 of the Prospectus Guidelines issued by the Securities Commission Malaysia.

It is our responsibility to form an opinion, as to the proper compilation of the proforma consolidated statements of financial position and to report that opinion to you.

In providing this opinion, we are not responsible in updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the proforma consolidated statements of financial position, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

## **Basis of opinion**

We conducted our work in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3000: Assurance Engagement Other Than Audits or Review of Historical Financial Information. The work that we performed for the purpose of making this letter, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information to the source documents, considering the evidence supporting the adjustments and discussing the proforma consolidated statements of financial position with the Board and responsible officers of KCB.

We planned and performed our work so as to obtain the information and explanation we considered necessary in order to provide us with reasonable assurance that the proforma consolidated statements of financial position have been properly compiled on the basis stated in the accompanying notes using financial statements prepared in accordance with Financial Reporting Standards in Malaysia, and in a manner consistent with both the format of the consolidated statement of financial position and the accounting policies of KCB. Our work also involves assessing whether the adjustments made to the information used in the preparation of the proforma consolidated statements of financial position are appropriate for the purposes of preparing the proforma consolidated statements of financial position.

## **Opinion**

In our opinion, the proforma consolidated statements of financial position of KCB Group as at 31 March 2013, which have been prepared by the directors of KCB for illustrative purposes only:

- (i) have been properly prepared on the bases set out in the accompanying notes to the proforma consolidated statements of financial position and the accounting policies adopted by KCB Group in the preparation of its audited financial statements for the financial year ended 31 March 2013;
- (ii) the proforma consolidated statements of financial position have been properly prepared using financial statements prepared in accordance with applicable Financial Reporting Standards in Malaysia and in a manner consistent with both the format of the financial statements and the accounting policies adopted by KCB Group; and
- (iii) each material adjustment made to the information used in the preparation of the proforma consolidated statements of financial position is appropriate for the purposes of preparing the proforma consolidated statements of financial position.



This report has been prepared for the information of the Board for the purpose of inclusion in the Abridged Prospectus. As such, this report is not to be reproduced, referred to in any other document or used for any other purpose without our prior written consent.

Yours faithfully,

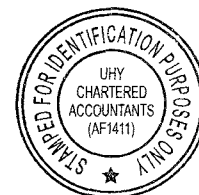
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**UHY**

Firm Number: AF 1411

Chartered Accountants

Kuala Lumpur, Malaysia

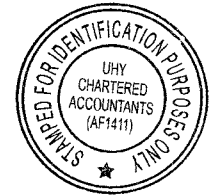


**Karambunai Corp Bhd**  
**Proforma Consolidated Statements of Financial Position as at 31 March 2013**

The proforma consolidated statements of financial position as set out below have been prepared for illustrative purposes only to show the effect on the consolidated statements of financial position of KCB Group as at 31 March 2013 and is also based on the assumptions that the following events had been effected on that date.

**Scenario I: Minimum Scenario**

	Note	Audited as at 31 March 2013 RM'000	Proforma I After the Capital Reconstruction RM'000	Proforma II After Proforma I and the Rights Issue with Warrants RM'000	Proforma III After Proforma II and the Capitalisation to TSCLK RM'000	Proforma IV After Proforma III and the Capitalisation to FACBII RM'000	Proforma V After Proforma IV and assuming full exercise of the Warrants RM'000
<b>NON-CURRENT ASSETS</b>							
Property, plant and equipment		1,007,206	1,007,206	1,007,206	1,007,206	1,007,206	1,007,206
Land held for property development		447,729	447,729	447,729	447,729	447,729	447,729
Available-for-sale financial assets		130	130	130	130	130	130
Deferred tax assets		892	892	892	892	892	892
Goodwill		14,937	14,937	14,937	14,937	14,937	14,937
		<u>1,470,894</u>	<u>1,470,894</u>	<u>1,470,894</u>	<u>1,470,894</u>	<u>1,470,894</u>	<u>1,470,894</u>
<b>CURRENT ASSETS</b>							
Property development costs		7,159	7,159	7,159	7,159	7,159	7,159
Inventories		10,066	10,066	10,066	10,066	10,066	10,066
Trade receivables		19,997	19,997	19,997	19,997	19,997	19,997
Other receivables		6,883	6,883	6,883	6,883	6,883	6,883
Fixed deposits with licensed banks		1,808	1,808	1,808	1,808	1,808	1,808
Cash and bank balances	3	13,458	13,458	35,736	35,736	33,736	91,926
		59,371	59,371	81,649	81,649	79,649	137,839
Non-current assets classified as held for sale		65,650	65,650	65,650	65,650	65,650	65,650
		<u>125,021</u>	<u>125,021</u>	<u>147,299</u>	<u>147,299</u>	<u>145,299</u>	<u>203,489</u>
<b>TOTAL ASSETS</b>		<u>1,595,915</u>	<u>1,595,915</u>	<u>1,618,193</u>	<u>1,618,193</u>	<u>1,616,193</u>	<u>1,674,383</u>
<b>EQUITY</b>							
Share capital	6	1,015,030	203,006	225,284	515,267	549,185	593,741
Share premium	6	111,536	111,536	81,015	113,204	114,969	159,124
Accumulated losses	6	(786,374)	(310,028)	(310,028)	(310,028)	(310,028)	(310,028)
Asset revaluation reserve		207,629	207,629	207,629	207,629	207,629	207,629
Foreign currency translation reserve		(149)	(149)	(149)	(149)	(149)	(149)
Warrants reserve	6	-	-	30,521	30,521	30,521	-
Non-distributable capital reserve	6	-	335,678	335,678	335,678	335,678	335,678
		547,672	547,672	569,950	892,122	927,805	985,995
Non-controlling interest		(18)	(18)	(18)	(18)	(18)	(18)
<b>Total Equity</b>		<u>547,654</u>	<u>547,654</u>	<u>569,932</u>	<u>892,104</u>	<u>927,787</u>	<u>985,977</u>
<b>NON-CURRENT LIABILITIES</b>							
Hire purchase payables		392	392	392	392	392	392
Deferred tax liabilities		238,700	238,700	238,700	238,700	238,700	238,700
		<u>239,092</u>	<u>239,092</u>	<u>239,092</u>	<u>239,092</u>	<u>239,092</u>	<u>239,092</u>
<b>CURRENT LIABILITIES</b>							
Trade payables		109,281	109,281	109,281	109,281	109,281	109,281
Other payables	4	177,400	177,400	177,400	177,400	139,717	139,717
Amount owing to a director	5	422,619	422,619	422,619	100,447	100,447	100,447
Hire purchase payables		864	864	864	864	864	864
Bank borrowings		14,899	14,899	14,899	14,899	14,899	14,899
Provisions		6,484	6,484	6,484	6,484	6,484	6,484
Tax payable		77,622	77,622	77,622	77,622	77,622	77,622
		809,169	809,169	809,169	486,997	449,314	449,314
<b>Total Liabilities</b>		<u>1,048,261</u>	<u>1,048,261</u>	<u>1,048,261</u>	<u>726,089</u>	<u>688,406</u>	<u>688,406</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,595,915</u>	<u>1,595,915</u>	<u>1,618,193</u>	<u>1,618,193</u>	<u>1,616,193</u>	<u>1,674,383</u>
Number of shares ('000)		2,030,060	2,030,060	2,252,840	5,152,672	5,491,853	5,937,415
Par value per ordinary share (RM)		0.50	0.10	0.10	0.10	0.10	0.10
Net assets per share (RM)		0.27	0.27	0.25	0.17	0.17	0.17
Bank borrowings (interest-bearing) (RM'000)		16,155	16,155	16,155	16,155	16,155	16,155
Gearing (times)		0.03	0.03	0.03	0.02	0.02	0.02

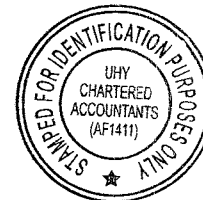


**Karambunai Corp Bhd**  
**Proforma Consolidated Statements of Financial Position as at 31 March 2013**

The proforma consolidated statements of financial position as set out below have been prepared for illustrative purposes only to show the effect on the consolidated statements of financial position of KCB Group as at 31 March 2013 and is also based on the assumptions that the following events had been effected on that date.

**Scenario 2: Maximum Scenario**

	Note	Audited as at 31 March 2013 RM'000	Proforma I After the Capital Reconstruction RM'000	Proforma II After Proforma I and the Rights Issue with Warrants RM'000	Proforma III After Proforma II Capitalisation to TSCLK RM'000	Proforma IV After Proforma III and the Capitalisation to FACBII RM'000	Proforma V After Proforma IV and assuming full exercise of the Warrants RM'000
<b>NON-CURRENT ASSETS</b>							
Property, plant and equipment		1,007,206	1,007,206	1,007,206	1,007,206	1,007,206	1,007,206
Land held for property development		447,729	447,729	447,729	447,729	447,729	447,729
Available-for-sale financial assets		130	130	130	130	130	130
Deferred tax assets		892	892	892	892	892	892
Goodwill		14,937	14,937	14,937	14,937	14,937	14,937
		<u>1,470,894</u>	<u>1,470,894</u>	<u>1,470,894</u>	<u>1,470,894</u>	<u>1,470,894</u>	<u>1,470,894</u>
<b>CURRENT ASSETS</b>							
Property development costs		7,159	7,159	7,159	7,159	7,159	7,159
Inventories		10,066	10,066	10,066	10,066	10,066	10,066
Trade receivables		19,997	19,997	19,997	19,997	19,997	19,997
Other receivables		6,883	6,883	6,883	6,883	6,883	6,883
Fixed deposits with licensed banks		1,808	1,808	1,808	1,808	1,808	1,808
Cash and bank balances	3	13,458	13,458	64,209	64,209	62,209	194,772
		<u>59,371</u>	<u>59,371</u>	<u>110,122</u>	<u>110,122</u>	<u>108,122</u>	<u>240,685</u>
Non-current assets classified as held for sale		65,650	65,650	65,650	65,650	65,650	65,650
		<u>125,021</u>	<u>125,021</u>	<u>175,772</u>	<u>175,772</u>	<u>173,772</u>	<u>306,335</u>
<b>TOTAL ASSETS</b>		<u>1,595,915</u>	<u>1,595,915</u>	<u>1,646,666</u>	<u>1,646,666</u>	<u>1,644,666</u>	<u>1,777,229</u>
<b>EQUITY</b>							
Share capital	6	1,015,030	203,006	253,757	543,740	577,658	679,161
Share premium	6	111,536	111,536	42,006	74,195	75,960	176,550
Accumulated losses	6	(786,374)	(310,028)	(310,028)	(310,028)	(310,028)	(310,028)
Asset revaluation reserve		207,629	207,629	207,629	207,629	207,629	207,629
Foreign currency translation reserve		(149)	(149)	(149)	(149)	(149)	(149)
Warrants reserve	6	-	-	69,530	69,530	69,530	-
Non-distributable capital reserve	6	-	335,678	335,678	335,678	335,678	335,678
		<u>547,672</u>	<u>547,672</u>	<u>598,423</u>	<u>920,595</u>	<u>956,278</u>	<u>1,088,841</u>
Non-controlling interest		(18)	(18)	(18)	(18)	(18)	(18)
<b>Total Equity</b>		<u>547,654</u>	<u>547,654</u>	<u>598,405</u>	<u>920,577</u>	<u>956,260</u>	<u>1,088,823</u>
<b>NON-CURRENT LIABILITIES</b>							
Hire purchase payables		392	392	392	392	392	392
Deferred tax liabilities		238,700	238,700	238,700	238,700	238,700	238,700
		<u>239,092</u>	<u>239,092</u>	<u>239,092</u>	<u>239,092</u>	<u>239,092</u>	<u>239,092</u>
<b>CURRENT LIABILITIES</b>							
Trade payables		109,281	109,281	109,281	109,281	109,281	109,281
Other payables	4	177,400	177,400	177,400	177,400	139,717	139,717
Amount owing to a director	5	422,619	422,619	422,619	100,447	100,447	100,447
Hire purchase payables		864	864	864	864	864	864
Bank borrowings		14,899	14,899	14,899	14,899	14,899	14,899
Provisions		6,484	6,484	6,484	6,484	6,484	6,484
Tax payable		77,622	77,622	77,622	77,622	77,622	77,622
		<u>809,169</u>	<u>809,169</u>	<u>809,169</u>	<u>486,997</u>	<u>449,314</u>	<u>449,314</u>
<b>Total Liabilities</b>		<u>1,048,261</u>	<u>1,048,261</u>	<u>1,048,261</u>	<u>726,089</u>	<u>688,406</u>	<u>688,406</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,595,915</u>	<u>1,595,915</u>	<u>1,646,666</u>	<u>1,646,666</u>	<u>1,644,666</u>	<u>1,777,229</u>
Number of shares ('000)		2,030,060	2,030,060	2,537,575	5,437,406	5,776,588	6,791,618
Par value per ordinary share (RM)		0.50	0.10	0.10	0.10	0.10	0.10
Net assets per share (RM)		0.27	0.27	0.24	0.17	0.17	0.16
Bank borrowings (interest-bearing) (RM'000)		16,155	16,155	16,155	16,155	16,155	16,155
Gearing (times)		0.03	0.03	0.03	0.02	0.02	0.01



**KARAMBUNAI CORP BHD**  
**(Incorporated in Malaysia)**

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2013**

**1. Corporate Exercises**

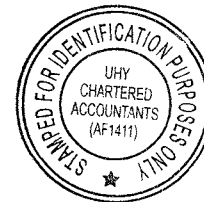
The Corporate Exercises undertaken by Karambunai Corp Bhd (“KCB”) that was approved by the shareholders of KCB in the Extraordinary General Meeting held on 27 June 2013 are as follows:-

- (i) Capital reconstruction involving the cancellation of RM0.40 of the par value of every existing ordinary share of RM0.50 each in the issued and paid-up share capital of KCB pursuant to Section 64(1) of the Companies Act, 1965 and the credit arising therefrom to be offset against the accumulated losses of KCB (“Capital Reconstruction”);
- (ii) Renounceable rights issue of up to 507,514,920 new ordinary shares of RM0.10 each in KCB (“KCB Share(s)” or “Share(s)”) (“Rights Share(s)”) on the basis of one (1) Rights Share for every four (4) existing KCB Shares held together with up to 1,015,029,840 free detachable warrants (“Warrant(s)”) on the basis of two (2) Warrants for every one (1) Rights Share subscribed at an issue price of RM0.10 per Rights Share (“Rights Issue with Warrants”);
- (iii) Settlement of debt owing to Tan Sri Dr Chen Lip Keong (“TSCLK”) via the issuance of new KCB Shares (“Settlement Share(s)”) (“Capitalisation to TSCLK”);
- (iv) Settlement of debt owing to FACB Industries Incorporated Berhad (“FACBII”) via the issuance of Settlement Shares (“Capitalisation to FACBII”);
- (v) Exemption under Paragraph 16.1 of Practice Note 9 of the Malaysian Code on Takeovers and Mergers, 2010 to TSCLK and the parties acting in concert with him from the obligation to undertake a mandatory take-over offer for all the remaining KCB Shares not already held by them pursuant to the Rights Issue with Warrants, the Capitalisation to TSCLK and the Capitalisation to FACBII (“Exemption”); and
- (vi) Amendments to the Memorandum and Articles of Association of KCB (“Amendments”).

**2. Basis of Preparation**

The proforma consolidated statements of financial position of which the directors of KCB are solely responsible have been prepared for illustrative purposes only, for the inclusion in the Abridged Prospectus, on the accounting policies and bases which are consistent with those adopted in the preparation of the audited financial statements of KCB Group as at 31 March 2013 on the assumption that the Corporate Exercises had taken place on 31 March 2013, except for the adoption of the following new accounting policy.

The financial statements used in preparing the proforma consolidated statements of financial position were in accordance with the applicable Financial Reporting Standards in Malaysia.



**KARAMBUNAI CORP BHD**  
**(Incorporated in Malaysia)**

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2013**

**2. Basis of Preparation (cont'd)**

The proforma consolidated statements of financial position of KCB Group have been prepared in a manner consistent with both format of the financial statements.

**Warrants reserve**

Amount allocated in relation to the issuance of free warrants are credited to a warrant reserve which is non-distributable. Warrants reserve is transferred to the share premium account upon the exercise of warrants and the warrants reserve in relation to the unexercised warrants at the expiry of the warrants period will be transferred to retained earnings.

KCB will apply the above new accounting policy prospectively and hence there is no financial impact on the audited consolidated statement of financial position as at 31 March 2013.

For the purpose of the proforma consolidated statements of financial position, the following two (2) scenarios are illustrated:

**2.1 Scenario 1: Minimum Scenario**

The minimum scenario assumes that the Rights Issue with Warrants is undertaken on a minimum subscription level basis. The minimum scenario is based on the issuance of 222,780,629 Rights Shares together with 445,561,258 Warrants.

**Proforma I**

Proforma I is arrived at after incorporating the Capital Reconstruction on the audited consolidated statement of financial position of KCB Group as at 31 March 2013.

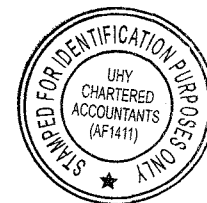
The accumulated losses of RM476.35 million at the company level shall be eliminated upon completion of the Capital Reconstruction.

**Proforma II**

Proforma II is arrived at after Proforma I and the Rights Issue with Warrants.

The subscription of 222,780,629 Rights Shares would give rise to an increase of RM22,278,063 in the issued and paid-up share capital account.

The subscription and issuance of 222,780,629 Rights Shares together with 445,561,258 Warrants at an issue price of RM0.10 per Rights Share will raise gross proceeds of RM22,278,063 on the basis of one (1) Rights Share together with two (2) Warrants for every four (4) existing KCB Shares held.



**KARAMBUNAI CORP BHD**  
(Incorporated in Malaysia)

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 MARCH 2013**

**2. Basis of Preparation (cont'd)**

**2.1 Scenario 1: Minimum Scenario (cont'd)**

**Proforma II (cont'd)**

The fair value assigned to the Warrants of RM0.0685 each is determined using the Black-Scholes pricing model based on the following input date as at 5 December 2012:

- |                                  |   |
|----------------------------------|---|
| (a) the theoretical ex-all price | :RM0.1306   |
| (b) Warrants exercise price      | :RM0.1306   |
| (c) Tenure of Warrants           | :10 years from the date of issuance of Warrants             |
| (d) Volatility                   | :Historically volatility extracted from Bloomberg of 34.16% |

For the purpose of illustrating Proforma II, the Rights Shares and Warrants are recorded at the par value of RM0.10 and the fair value of RM0.0685 per Warrant respectively.

Upon completion of the Rights Issue with Warrants, the issued and paid-up share capital of KCB will be increased by approximately RM22,278,063 and the share premium will be decreased by approximately RM30,520,946. Correspondingly, there will be a creation of a warrant reserve of RM30,520,946 based on the fair value of RM0.0685 per Warrant.

The proceeds arising from the Rights Issue with Warrants are proposed to be utilised as follows:

	RM'000
Working capital <sup>(1)</sup>	20,278
Estimated expenses in relation to the Corporate Exercises <sup>(2)</sup>	2,000
	22,278

Notes:

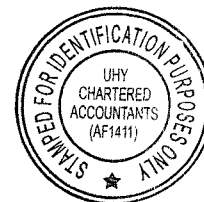
- (1) The proceeds for working capital will be utilised to finance day-to-day operations of KCB Group. These expenses include, amongst others, refurbishment and modernisation of hotel, payment to trade creditors and suppliers, and general working capital.
- (2) The estimated expenses in relation to the Corporate Exercises will be debited from share premium account.

**Proforma III**

Proforma III incorporated the effect of Proforma II and the Capitalisation to TSCLK via the issuance of 2,899,831,854 Settlement Shares at an issue price of RM0.1111 per Settlement Share.

**Proforma IV**

Proforma IV incorporated the effect of Proforma III and the Capitalisation to FACBII via the issuance of 339,181,242 Settlement Shares at an issue price of RM0.1111 per Settlement Share.



**KARAMBUNAI CORP BHD**  
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**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 MARCH 2013**

**2. Basis of Preparation (cont'd)**

**2.1 Scenario 1: Minimum Scenario (cont'd)**

**Proforma V**

Proforma V is arrived at after Proforma IV and assuming full exercise of Warrants.

The exercise of 445,561,258 Warrants based on an exercise price of RM0.1306 per Warrant will generate total gross cash proceeds of RM58,190,300. Pursuant to the exercise of the 445,561,258 Warrants, 445,461,258 new KCB Shares will be issued and this will increase the issued and paid-up share capital and share premium account by RM44,556,126 and RM44,155,120 respectively with no additional expenses incurred after accounting for the reversal of warrants reserve of RM30,520,946 to the share premium account.

**2.2 Scenario 2: Maximum Scenario**

Conversely, the maximum scenario assumes that the Rights Issue with Warrants is undertaken on a full subscription level basis. The maximum scenario is based on the issuance of 507,514,920 Rights Shares together with 1,015,029,840 Warrants.

**Proforma I**

Proforma I is arrived at after incorporating the Capital Reconstruction on the audited consolidated statement of financial position of KCB Group as at 31 March 2013.

The accumulated losses of RM476.35 million at the company level shall be eliminated upon completion of the Capital Reconstruction.

**Proforma II**

Proforma II is arrived at after Proforma I and the Rights Issue with Warrants.

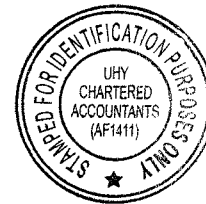
The subscription of 507,514,920 Rights Shares would give rise to an increase of RM50,751,492 in the issued and paid-up share capital account.

The subscription and issuance of 507,514,920 Rights Shares with 1,015,029,840 Warrants at an issue price of RM0.10 per Rights Share will raise gross proceeds of RM50,751,492 on the basis of one (1) Rights Share together with two (2) Warrants for every four (4) existing KCB Shares held.

The fair value assigned to the Warrants of RM0.0685 each is determined using the Black-Scholes pricing model based on the following input data as at 5 December 2012:

- |                                  |   |
|----------------------------------|---|
| (a) the theoretical ex-all price | :RM0.1306   |
| (b) Warrants exercise price      | :RM0.1306   |
| (c) Tenure of Warrants           | :10 years from the date of issuance of Warrants             |
| (d) Volatility                   | :Historically volatility extracted from Bloomberg of 34.16% |





**KARAMBUNAI CORP BHD**  
(Incorporated in Malaysia)

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 MARCH 2013**

**2. Basis of Preparation** (cont'd)

**2.2 Scenario 2: Maximum Scenario** (cont'd)

For the purpose of illustrating Proforma II, the Rights Shares and Warrants are recorded at the par value of RM0.10 and the fair value of RM0.0685 per Warrant respectively.

Upon completion of the Rights Issue with Warrants, the issued and paid-up share capital of KCB will be increased by approximately RM50,751,492 and the share premium will be decreased by approximately RM69,529,544. Correspondingly, there will be a creation of a warrants reserve of RM69,529,544 based on the fair value of RM0.0685 per Warrant.

The proceeds arising from the Rights Issue with Warrants are proposed to be utilised as follows:

	RM'000
Working capital <sup>(1)</sup>	48,751
Estimated expenses in relation to the Corporate Exercises <sup>(2)</sup>	2,000
	<u>50,751</u>

*Notes:*

(1) *The proceeds for working capital will be utilised to finance day-to-day operations of KCB Group. These expenses include, amongst others, refurbishment and modernisation of hotel, payment to trade creditors and suppliers, and general working capital.*

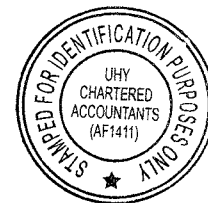
(2) *The estimated expenses in relation to the Corporate Exercises will be debited from share premium account.*

**Proforma III**

Proforma III incorporated the effect of Proforma II and the Capitalisation to TSCLK via the issuance of 2,899,831,854 Settlement Shares at an issue price of RM0.1111 per Settlement Share.

**Proforma IV**

Proforma IV incorporated the effect of Proforma III and the Capitalisation to FACBII via the issuance of 339,181,242 Settlement Shares at an issue price of RM0.1111 per Settlement Share.



**KARAMBUNAI CORP BHD**  
(Incorporated in Malaysia)

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 MARCH 2013**

**2. Basis of Preparation (cont'd)**

**2.2 Scenario 2: Maximum Scenario (cont'd)**

**Proforma V**

Proforma V is arrived at after Proforma IV and assuming full exercise of Warrants.

The exercise of 1,015,029,840 Warrants based on an exercise price of RM0.1306 per Warrant will generate total gross cash proceeds of RM132,562,897. Pursuant to the exercise of the 1,015,029,840 Warrants, 1,015,029,840 new KCB Shares will be issued and this will increase the issued and paid-up share capital and share premium account by RM101,502,984 and RM100,589,457 respectively with no additional expenses incurred after accounting for the reversal of warrant reserve of RM69,529,544 to the share premium account.

**3. Cash and bank balances**

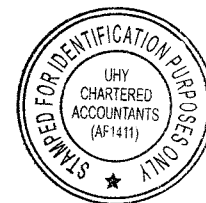
The movements in the cash and bank balances of KCB Group are as follows:

	Minimum Scenario RM'000	Maximum Scenario RM'000
As per Audited as at 31 March 2013 and Proforma I	13,458	13,458
Proceeds from the Rights Issue with Warrants	22,278	50,751
As per Proforma II and III	35,736	64,209
Estimated expenses in relation to the Corporate Exercises	(2,000)	(2,000)
As per Proforma IV	33,736	62,209
Proceeds from full exercise of the Warrants	58,190	132,563
As per Proforma V	<u>91,926</u>	<u>194,772</u>

**4. Other payables**

The movements in the other payables of KCB Group are as follows:

As per Audited as at 31 March 2013 and Proforma I, II & III	RM'000 177,400
Capitalisation to FACBII	(37,683)
As per Proforma IV & V	<u>139,717</u>



**KARAMBUNAI CORP BHD**  
(Incorporated in Malaysia)

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2013**

**5. Amount owing to a director**

The movements in the amount owing to a director are as follows:

	RM'000
As per Audited as at 31 March 2013 and Proforma I & II	422,619
Capitalisation to TSCLK	(322,172)
As per Proforma III, IV & V	<u>100,447</u>

**6. Share capital, share premium, accumulated losses, warrants reserve and non-distributable capital reserve**

The movements of the share capital, share premium, accumulated losses, warrants reserve and non-distributable capital reserve of KCB are as follows:

**Scenario 1: Minimum Scenario**

	Share capital RM'000	Share premium RM'000	Accumulated losses RM'000	Warrants reserve RM'000	Non- distributable capital reserve RM'000
<b>Audited as at 31 March 2013</b>	1,015,030	111,536	(786,374)	-	-
Capital Reconstruction	(812,024)	-	476,346	-	335,678
<b>Proforma I</b>	203,006	111,536	(310,028)	-	335,678
Rights Issue with Warrants	22,278	(30,521)	-	30,521	-
<b>Proforma II</b>	225,284	81,015	(310,028)	30,521	335,678
Capitalisation to TSCLK	289,983	32,189	-	-	-
<b>Proforma III</b>	515,267	113,204	(310,028)	30,521	335,678
Capitalisation to FACBII	33,918	3,765	-	-	-
Estimated expenses in relation to the Rights Issue with Warrants	-	(2,000)	-	-	-
<b>Proforma IV</b>	549,185	114,969	(310,028)	30,521	335,678
Assumed full exercise of the Warrants	44,556	44,155	-	(30,521)	-
<b>Proforma V</b>	593,741	159,124	(310,028)	-	335,678



**KARAMBUNAI CORP BHD**  
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**NOTES TO PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2013**

**6. Share capital, share premium, accumulated losses, warrants reserve and non-distributable capital reserve (cont'd)**

**Scenario 2: Maximum Scenario**

	Share capital RM'000	Share premium RM'000	Accumulated losses RM'000	Warrants reserve RM'000	Non- distributable capital reserve RM'000
<b>Audited as at 31 March 2013</b>	1,015,030	111,536	(786,374)	-	-
Capital					
Reconstruction	(812,024)	-	476,346	-	335,678
<b>Proforma I</b>	203,006	111,536	(310,028)	-	335,678
Rights Issue with Warrants	50,751	(69,530)	-	69,530	-
<b>Proforma II</b>	253,757	42,006	(310,028)	69,530	335,678
Capitalisation to TSCLK	289,983	32,189	-	-	-
<b>Proforma III</b>	543,740	74,195	(310,028)	69,530	335,678
Capitalisation to FACBII	33,918	3,765	-	-	-
Estimated expenses in relation to the Rights Issue with Warrants	-	(2,000)	-	-	-
<b>Proforma IV</b>	577,658	75,960	(310,028)	69,530	335,678
Assumed full exercise of the Warrants	101,503	100,590	-	(69,530)	-
<b>Proforma V</b>	679,161	176,550	(310,028)	-	335,678

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 MARCH 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON**

**KARAMBUNAI CORP BHD.**  
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS**

**31 MARCH 2013**

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**KARAMBUNAI CORP BHD.**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**

The Directors hereby present their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2013.

**Principal Activities**

The principal activities of the Company are investment holdings and provision of management services. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

**Financial Results**

	<b>Group RM</b>	<b>Company RM</b>
Loss for the financial year	<u>19,353,196</u>	<u>1,041,875</u>
Loss attributable to:-		
Owners of the parent	19,348,992	
Non-controlling interest	<u>4,204</u>	
	<u>19,353,196</u>	

**Dividends**

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year. The Company is not in a position to pay or declare dividends for the current financial year.

**Reserves and Provisions**

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

### Issue of Shares and Debentures

There was no issuance of shares or debentures during the financial year.

### Options Granted Over Unissued Shares

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

### Directors

The Directors in office since the date of last report are:

Datuk Wan Kassim Bin Ahmed  
 Tan Sri Dr Chen Lip Keong  
 Chen Yiy Fon  
 Datuk Robin Loh Hoon Loi  
 Dato' Dr Mohd Aminuddin Bin Mohd Rouse  
 Chen Yiy Hwuan  
 Lim Mun Kee  
 Tan Sri Datuk Seri Panglima Abdul Kadir  
 Bin Haji Sheikh Fadzir

(Resigned on 26 September 2012)

### Directors' Interests

The interests of the Directors in office as at the end of the financial year in the ordinary shares of the Company during the financial year according to the registers required to be kept under Section 134 of the Companies Act, 1965 are as follows:-

	Number of Ordinary Shares of RM0.50 Each		
	At 1.4.12	Purchased/ (Sold)	At 31.3.13
<b>The Company, Direct Interest</b>			
Tan Sri Dr. Chen Lip Keong	891,122,516	-	891,122,516

**Directors' Interests (cont'd)**

Tan Sri Dr Chen Lip Keong by virtue of his substantial interest in shares of the Company, Chen Yiy Hwuan and Chen Yiy Fon by virtue of shares held by their father, Tan Sri Dr Chen Lip Keong, are also deemed interested in the shares of the subsidiaries disclosed in Note 6 to the financial statements, to the extent the Company has an interest.

None of the other Directors held any share whether direct or indirect, in the Company during the financial year.

**Directors' Benefits**

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

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

**Other Statutory Information**

- (a) Before the statements of comprehensive income and statements of financial position of the Group and the Company were made out, the Directors took reasonable steps:
  - (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.



**Other Statutory Information (Cont'd)**

- (b) At the date of this report, the Directors are not aware of any circumstances :
- (i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
  - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; and
  - (iv) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and
  - (ii) any contingent liability in respect of the Group and the Company which has arisen since the end of the financial year.
- (d) In the opinion of the Directors:
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due; and
  - (ii) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
  - (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made except for the proposed corporate exercise as disclosed in Note 36(e) to the financial statements.

### **Significant Events**

Details of significant events arising during the financial year are disclosed in Note 36 to the financial statements.

### **Subsequent Events**

Details of subsequent events arising after the financial year are disclosed in Note 41 to the financial statements.

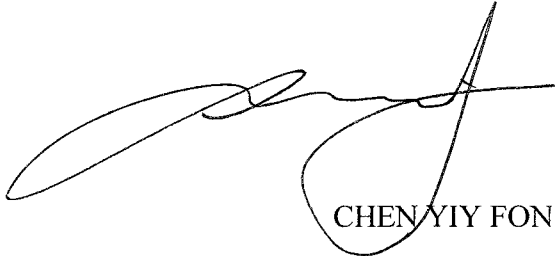
### **Auditors**

The auditors, Messrs UHY, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 29 July 2013.



DATUK WAN KASSIM BIN AHMED



CHEN YIY FON

**KARAMBUNAI CORP BHD.**  
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**

Pursuant to Section 169(15) of the Companies Act, 1965

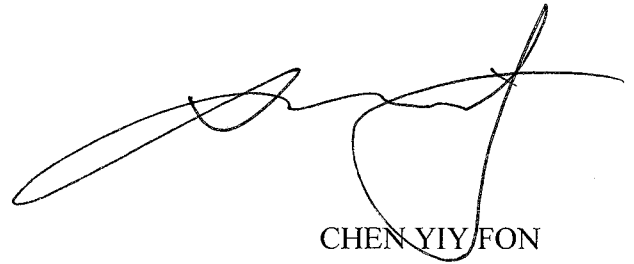
We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 12 to 125 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 March 2013 and of their financial performance and the cash flows for the financial year then ended.

The supplementary information set out in page 126 have been compiled 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 and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 29 July 2013.



DATUK WAN KASSIM BIN AHMED



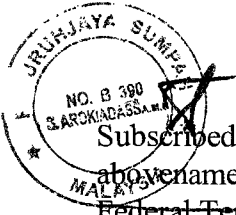
CHEN YIY FON

**KARAMBUNAI CORP BHD.**  
(Incorporated in Malaysia)

**STATUTORY DECLARATION**

Pursuant to Section 169(16) of the Companies Act, 1965

I, LIM KAM CHOY, being the officer primarily responsible for the financial management of KARAMBUNAI CORP BHD., do solemnly and sincerely declare that the financial statements and supplementary information set out on pages 12 to 126 are to the best of my knowledge and belief, 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 the )  
Federal Territory on 29 July 2013. PETALING ) JAYA  
SELANGOR DARUL EHSAN )

  
LIM KAM CHOY

Before me,



COMMISSIONER FOR OATHS  
No. 34A (Tkt 1), Jalan SS2/67  
47300 Petaling Jaya  
Selangor Darul Ehsan



**UHY** (AF1411)  
**Chartered Accountants**  
Suite 11.05, Level 11  
The Gardens South Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur

Phone +60 3 2279 3088  
Fax +60 3 2279 3099  
Email [uhykl@uhy.com.my](mailto:uhykl@uhy.com.my)  
Web [www.uhy.com.my](http://www.uhy.com.my)

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
KARAMBUNAI CORP BHD.**

(Company No.: 6461-P)  
(Incorporated in Malaysia)

**Report on the Financial Statements**

We have audited the financial statements of Karambunai Corp Bhd., which comprise the statements of financial position as at 31 March 2013 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 12 to 125.

*Directors' Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

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

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

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



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
KARAMBUNAI CORP BHD. (CONT'D)**

(Company No.: 6461-P)  
(Incorporated in Malaysia)

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 March 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 2(d) to the financial statements which discloses the premise upon which the Group and the Company have prepared their financial statements by applying the going concern assumption, notwithstanding that the Group and the Company incurred net losses of RM19,353,196 and RM1,041,875 respectively for the financial year ended 31 March 2013, and as at that date, the Group's and Company's current liabilities exceeded its current assets by RM684,149,204 and RM164,816,986 respectively.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group and the Company to continue as going concern. The financial statements have been prepared on the going concern basis which assumes that the Group will continue in operational existence for the foreseeable future having adequate funds to repay their obligations. The validity of this assumption depends upon the Group's operations to generate positive cash flow, the successful disposal of the non-current assets classified as held for sale and the successful implementation of future corporate restructuring and fund raising exercise to be undertaken by the Group in order to generate sufficient cash flow to repay their bank borrowings and creditors, and receiving continued support from their bankers, creditors and major shareholder.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
KARAMBUNAI CORP BHD. (CONT'D)**

(Company No.: 6461-P)

(Incorporated in Malaysia)

**Report on Other Legal and Regulatory Requirements**

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

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the financial statements and the auditors' report of all the subsidiary of which we have not acted as auditors which is indicated in Note 6 to the financial statements.
- c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company is in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

**Other Reporting Responsibilities**

The supplementary information set out on page 126 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 the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.



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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
KARAMBUNAI CORP BHD. (CONT'D)**

(Company No.: 6461-P)  
(Incorporated in Malaysia)

**Other Matters**

- (i) This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.
- (ii) The financial statements of the Group and of the Company for the financial year ended 31 March 2012 was audited by another auditor who expressed an unmodified opinion on those financial statements on 31 July 2012.

A handwritten signature in black ink, appearing to be 'UHY'.

UHY  
Firm Number: AF 1411  
Chartered Accountants

A handwritten signature in black ink, appearing to be 'LO KUAN CHE'.

LO KUAN CHE  
Approved Number: 3016/11/14 (J)  
Chartered Accountant

KUALA LUMPUR  
29 July 2013



**KARAMBUNAI CORP BHD.**  
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2013**

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	1,007,206,354	1,001,043,712	141,898	178,219
Land held for property development	5	447,729,229	317,184,135	-	-
Subsidiaries	6	-	-	814,834,646	825,818,656
Available-for-sale financial assets	7	130,000	130,000	60,000	60,000
Capital work-in-progress	8	-	2,412,862	-	-
Deferred tax assets	9	892,192	892,192	-	-
Goodwill	10	14,937,416	14,937,416	-	-
		<u>1,470,895,191</u>	<u>1,336,600,317</u>	<u>815,036,544</u>	<u>826,056,875</u>
<b>Current assets</b>					
Property development costs	11	7,158,841	12,935,857	-	-
Inventories	12	10,065,780	12,662,758	-	-
Trade receivables	13	19,996,871	19,004,984	-	-
Other receivables	14	6,882,660	10,028,627	116,109	488,963
Amounts owing by subsidiaries	15	-	-	322,083,939	69,814,426
Fixed deposits with licensed banks	16	1,807,558	3,013,528	-	-
Cash and bank balances		13,458,422	5,712,531	7,412,300	756,890
		<u>59,370,132</u>	<u>63,358,285</u>	<u>329,612,348</u>	<u>71,060,279</u>
Non-current assets classified as held for sale	17	65,649,977	189,476,232	-	-
		<u>125,020,109</u>	<u>252,834,517</u>	<u>329,612,348</u>	<u>71,060,279</u>
<b>TOTAL ASSETS</b>		<u>1,595,915,300</u>	<u>1,589,434,834</u>	<u>1,144,648,892</u>	<u>897,117,154</u>

**KARAMBUNAI CORP BHD.**  
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2013 (CONT'D)**

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	18	1,015,029,840	1,015,029,840	1,015,029,840	1,015,029,840
Share premium		111,535,799	111,535,799	111,535,799	111,535,799
Reserves	19	(578,894,345)	(555,264,372)	(476,346,081)	(475,304,206)
Equity attributable to owners of the parent		547,671,294	571,301,267	650,219,558	651,261,433
Non-controlling interest		(17,806)	(13,602)	-	-
<b>Total Equity</b>		<b>547,653,488</b>	<b>571,287,665</b>	<b>650,219,558</b>	<b>651,261,433</b>
<b>Non-current liabilities</b>					
Hire purchase payables	20	391,584	780,594	-	-
Bank borrowings	21	-	7,297,038	-	-
Deferred tax liabilities	22	238,700,915	179,123,400	-	-
		239,092,499	187,201,032	-	-

**KARAMBUNAI CORP BHD.**  
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2013 (CONT'D)**

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
<b>Current liabilities</b>					
Liabilities directly associated with non-current assets classified as held for sale	23	-	154,191,781	-	154,191,781
Trade payables	24	109,281,140	87,327,648	-	-
Other payables	25	177,400,314	159,047,005	14,977,569	20,038,023
Amount owing to a director	26	422,618,768	73,293,607	422,618,768	15,749,201
Amounts owing to subsidiaries	15	-	-	56,537,672	55,540,339
Hire purchase payables	20	864,495	1,561,645	-	-
Bank borrowings	21	14,898,763	224,929,951	-	-
Provisions	27	6,484,060	6,536,208	94,919	135,971
Taxation		77,621,773	124,058,292	200,406	200,406
		<u>809,169,313</u>	<u>830,946,137</u>	<u>494,429,334</u>	<u>245,855,721</u>
<b>Total Liabilities</b>		<u>1,048,261,812</u>	<u>1,018,147,169</u>	<u>494,429,334</u>	<u>245,855,721</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,595,915,300</u>	<u>1,589,434,834</u>	<u>1,144,648,892</u>	<u>897,117,154</u>

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

**KARAMBUNAI CORP BHD.**  
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2013**

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Revenue	28	95,599,365	149,157,818	-	-
Direct costs	29	(84,140,861)	(120,585,663)	-	-
<b>Gross profit</b>		<u>11,458,504</u>	<u>28,572,155</u>	-	-
Other income		81,789,004	3,174,360	57,347,055	-
Selling and distribution costs		(954,012)	(2,898,418)	-	-
Administrative costs		(31,030,643)	(27,587,928)	(6,701,493)	(9,471,585)
Other costs		(53,381,038)	(21,974,203)	(49,258,993)	(26,861,920)
		<u>(85,365,693)</u>	<u>(52,460,549)</u>	<u>(55,960,486)</u>	<u>(36,333,505)</u>
<b>Profit/ (loss) from operations</b>		7,881,815	(20,714,034)	1,386,569	(36,333,505)
Finance costs		(17,882,664)	(32,791,151)	(2,428,444)	(6,517,808)
<b>Loss before tax</b>	30	<u>(10,000,849)</u>	<u>(53,505,185)</u>	<u>(1,041,875)</u>	<u>(42,851,313)</u>
Income tax expense	31	(9,352,347)	10,894,611	-	-
<b>Loss for the year</b>		<u>(19,353,196)</u>	<u>(42,610,574)</u>	<u>(1,041,875)</u>	<u>(42,851,313)</u>
<b>Other comprehensive income:</b>					
Impairment loss of land and buildings		-	(118,336,666)	-	-
Foreign currency translation		(98,721)	(310,582)	-	-
Income tax relating to components of other comprehensive income	31	(4,182,260)	33,766,427	-	-
Other comprehensive income, net of tax		<u>(4,280,981)</u>	<u>(84,880,821)</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>(23,634,177)</u>	<u>(127,491,395)</u>	<u>(1,041,875)</u>	<u>(42,851,313)</u>

**KARAMBUNAI CORP BHD.**  
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2013 (CONT'D)**

		Group	
	Note	2013 RM	2012 RM
<b>Loss attributable to:-</b>			
Owners of the parent		(19,348,992)	(42,596,972)
Non-controlling interest		(4,204)	(13,602)
		<u>(19,353,196)</u>	<u>(42,610,574)</u>
<b>Total comprehensive income attributable to:-</b>			
Owners of the parent		(23,629,973)	(127,477,793)
Non-controlling interest		(4,204)	(13,602)
		<u>(23,634,177)</u>	<u>(127,491,395)</u>
Loss per ordinary share attributable to owners of the parent (sen)	32	<u>(0.95)</u>	<u>(2.10)</u>

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

**KARAMBUNAI CORP BHD.**  
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2013**

	Attributable to Owners of the Parent		Non-distributable		Foreign Currency Translation Reserve RM	Total Equity Attributable to Owners of the Parent RM	Non- controlling Interest RM	Total Equity RM
	Share Premium RM	Accumulated Losses RM	Asset Revaluation Reserve RM	Non-distributable				
<b>At 1.4.2011</b>	1,015,029,840	111,535,799	(733,893,857)	296,381,131	9,726,147	698,779,060	-	698,779,060
<b>Comprehensive income</b>	-	-	(42,596,972)	-	-	(42,596,972)	(13,602)	(42,610,574)
Loss for the year	-	-	-	-	(310,582)	(310,582)	-	(310,582)
<b>Other comprehensive income</b>	-	-	-	-	-	(84,570,239)	-	(84,570,239)
Foreign currency translation differences	-	-	-	-	(310,582)	(310,582)	-	(310,582)
Impairment loss of land and building	-	-	-	(84,570,239)	-	(84,570,239)	-	(84,570,239)
Total other comprehensive income for the year	-	-	-	(84,570,239)	(310,582)	(84,880,821)	-	(84,880,821)
<b>Total comprehensive income for the year</b>	-	-	(42,596,972)	(84,570,239)	(310,582)	(127,477,793)	(13,602)	(127,491,395)
<b>At 31.3.12</b>	1,015,029,840	111,535,799	(776,490,829)	211,810,892	9,415,565	571,301,267	(13,602)	571,287,665

**KARAMBUNAI CORP BHD.**  
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2013**

	←← Non-distributable →→		← Non-distributable →		← Non-distributable →				
	Attributable to Owners of the Parent		Attributable to Owners of the Parent		Attributable to Owners of the Parent		Total Equity	Total Equity	
	Share Capital	Share Premium	Accumulated Losses	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Total Equity	Attributable to Owners of the Parent	Non-controlling Interest	Total Equity
	RM	RM	RM	RM	RM	RM	RM	RM	RM
<b>At 1.4.2012</b>	1,015,029,840	111,535,799	(776,490,829)	211,810,892	9,415,565	571,301,267	571,301,267	(13,602)	571,287,665
<b>Comprehensive income</b>									
Loss for the year	-	-	(19,348,992)	-	-	(19,348,992)	(19,348,992)	(4,204)	(19,353,196)
<b>Other comprehensive income</b>									
Foreign currency translation differences	-	-	9,465,513	-	(9,564,234)	(98,721)	(98,721)	-	(98,721)
Adjustment on deferred tax on asset revaluation reserve	-	-	-	(4,182,260)	-	(4,182,260)	(4,182,260)	-	(4,182,260)
Total other comprehensive income for the year	-	-	9,465,513	(4,182,260)	(9,564,234)	(4,280,981)	(4,280,981)	-	(4,280,981)
<b>Total comprehensive income for the year</b>	-	-	(9,883,479)	(4,182,260)	(9,564,234)	(23,629,973)	(23,629,973)	(4,204)	(23,634,177)
<b>At 31.3.13</b>	1,015,029,840	111,535,799	(786,374,308)	207,628,632	(148,669)	547,671,294	547,671,294	(17,806)	547,653,488

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

**KARAMBUNAI CORP BHD.**  
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2013**

	<b>Non-distributable</b>			
	<b>Share Capital RM</b>	<b>Share Premium RM</b>	<b>Accumulated Losses RM</b>	<b>Total Equity RM</b>
<b>At 1.4.11</b>	1,015,029,840	111,535,799	(432,452,893)	694,112,746
Loss for the year, representing total comprehensive income for the year	-	-	(42,851,313)	(42,851,313)
<b>At 31.3.12</b>	1,015,029,840	111,535,799	(475,304,206)	651,261,433
Loss for the year, representing total comprehensive income for the year	-	-	(1,041,875)	(1,041,875)
<b>At 31.3.13</b>	1,015,029,840	111,535,799	(476,346,081)	650,219,558

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



**KARAMBUNAI CORP BHD.**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2013**

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
<b>Cash Flows from Operating Activities</b>				
Loss before tax	(10,000,849)	(53,505,185)	(1,041,875)	(42,851,313)
Adjustments for:-				
Amortisation of upfront fee for a banking facility	885,870	1,474,645	-	-
Depreciation of property, plant and equipment	13,841,083	22,378,102	36,321	49,151
Gain on disposal of property, plant and equipment	-	(5,499)	-	-
Gain on disposal of non-current assets classified as held for sale	-	(13,832,478)	-	-
Gratitude sum payable to a Director	26,694,674	-	26,694,674	-
Impairment loss on:				
- amounts owing by subsidiaries	-	-	20,450,161	2,946,941
- investment in subsidiaries	-	-	-	23,054,617
- property, plant and equipment	-	174,309	-	-
- receivables	2,116,300	1,447,926	-	-
Interest expenses	11,769,592	23,285,963	2,428,444	6,517,808
Interest income	(78,951)	(86,948)	-	-
(Utilisation of)/provision of employee benefits, net	(52,148)	149,223	(41,052)	-
Provision for legal claim	-	6,129,556	-	-
Reversal of impairment loss on:				
- amount owing by a subsidiary	-	-	(430,617)	-
- land held for property development	(21,368,794)	-	-	-
- property, plant and equipment	(2,305,450)	-	-	-
- receivables	(64,255)	(1,133)	-	-
Write back of:				
- payables	-	(16,632)	-	-
- liabilities directly associated with non- current assets classified as held for sale	(56,916,438)	-	(56,916,438)	-
Written-off of:				
- available-for-sale financial assets	-	70,000	-	-
- amounts due from subsidiaries	-	-	2,113,362	-
- bad debts	190,263	8,366,869	-	-
- deposits	-	104,027	-	-
- inventories	3,606	28,368	-	-
- property, plant and equipment	1	349,616	-	548
Unrealised loss on foreign exchange	50,056	517,570	-	-
Operating loss before working capital changes carried down	(35,235,440)	(2,971,701)	(6,707,020)	(10,282,248)

**KARAMBUNAI CORP BHD.**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2013 (CONT'D)**

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
<b>Cash Flows from Operating Activities (cont'd)</b>					
Operating loss before working capital changes brought down		(35,235,440)	(2,971,701)	(6,707,020)	(10,282,248)
<b>Changes in working capital:</b>					
Property development costs and land held for property development		8,606,416	13,049,280	-	-
Capital work-in-progress		-	(2,412,862)	-	-
Inventories		2,593,372	2,405,339	-	-
Trade and other receivables		(88,228)	44,657,257	372,854	(622,859)
Trade and other payables		39,370,875	1,098,196	(5,060,454)	15,794,525
Cash generated from/(used in) operations		15,246,995	55,825,509	(11,394,620)	4,889,418
Income tax paid		(393,611)	(1,442,204)	-	-
Interest paid		(11,769,592)	(21,768,155)	(2,428,444)	(5,000,000)
Interest received		78,951	86,948	-	-
Net cash from/(used in) operating activities		3,162,743	32,702,098	(13,823,064)	(110,582)
<b>Cash Flows from Investing Activities</b>					
Advances to subsidiaries		-	-	(263,849,026)	-
Additions to land held for property development		(577,352)	(14,688,667)	-	-
Withdrawal of pledged fixed deposits		978,064	60,449,589	-	-
Proceeds from disposal of property, plant and equipment		-	5,500	-	-
Proceeds from disposal of non-current assets classified as held for sale		-	34,600,000	-	-
Purchase of property, plant and equipment	4	(2,585,996)	(29,452,288)	-	(24,191)
Net cash (used in)/from investing activities		(2,185,284)	50,914,134	(263,849,026)	(24,191)
Balance carried down		977,459	83,616,232	(277,672,090)	(134,773)

**KARAMBUNAI CORP BHD.**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2013 (CONT'D)**

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Balance brought down		977,459	83,616,232	(277,672,090)	(134,773)
<b>Cash Flows from Financing Activities</b>					
Advances from a director		322,630,487	27,909,313	380,174,893	-
Repayment to subsidiaries		-	-	1,427,950	-
Payments to hire purchase payables		(1,387,671)	(1,648,950)	-	-
Settlement of liabilities directly associated with non-current assets classified as held for sale		(97,275,343)	-	(97,275,343)	-
Repayment of term loans		(217,328,226)	(111,512,270)	-	-
Net cash from/(used in) financing activities		6,639,247	(85,251,907)	284,327,500	-
Foreign currency translation differences		7,616,706	(1,635,675)	6,655,410	(134,773)
		(98,721)	(310,582)	-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		7,517,985	(1,946,257)	6,655,410	(134,773)
Cash and cash equivalents at beginning of the year		5,948,984	7,895,241	756,890	891,663
<b>Cash and cash equivalents at end of the year</b>	33	<u>13,466,969</u>	<u>5,948,984</u>	<u>7,412,300</u>	<u>756,890</u>

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

**KARAMBUNAI CORP BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS**

**1. Corporate Information**

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

The registered office and principal place of business of the Company are located at No. 9020, Nexus Drive West, Karambunai, Menggatal, 88450 Kota Kinabalu, Sabah, Malaysia.

The Company is principally engaged in the business of investment holdings and provision of management services. The principal activities of the subsidiaries are set out in Note 6. There have been no significant changes in the nature of these activities during the financial year.

**2. Basis of Preparation**

(a) Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (“FRSs”) and the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

**FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012**

- Amendments to FRS 101, *Presentation of Financial Statements*  
*Presentation of Items of Other Comprehensive Income*

## 2. Basis of Preparation (Cont'd)

### (a) Statement of Compliance (cont'd)

#### **FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013**

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosures of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits (2011)*
- FRS 127, *Separate Financial Statements (2011)*
- FRS 128, *Investments in Associates and Joint Ventures (2011)*
- IC Interpretations 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7, *Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Government Loans*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards (Annual Improvements 2009 – 2011 Cycle)*
- Amendments to FRS 101, *Presentation of Financial Statements (Annual Improvements 2009 – 2011 Cycle)*
- Amendments to FRS 116, *Property, Plant and Equipment (Annual Improvements 2009 – 2011 Cycle)*
- Amendments to FRS 132, *Financial Instruments: Presentation (Annual Improvements 2009 – 2011 Cycle)*
- Amendments to FRS 134, *Interim Financial Reporting (Annual Improvements 2009 – 2011 Cycle)*
- Amendments to FRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to FRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to FRS 12, *Disclosures of Interests in Other Entities: Transition Guidance*

#### **FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014**

- Amendments to FRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to FRS 12, *Disclosures of Interests in Other Entities: Investment Entities*
- Amendments to FRS 127, *Separate Financial Statements (2011): Investment Entities*

## 2. Basis of Preparation (Cont'd)

### (a) Statement of Compliance (cont'd)

#### **FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014 (cont'd)**

- Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

#### **FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015**

- FRS 9, *Financial Instruments (2010)*
- FRS 9, *Financial Instruments (2011)*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of FRS 9 and Transition Disclosures*

The Group and the Company plan to apply the above standards, amendments or interpretations from the annual period beginning on 1 April 2013 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2012 and 1 January 2013.

Material impacts of initial application of a standard, an amendment or an interpretation, which will be applied retrospectively, are discussed below:

#### *FRS 10 Consolidated Financial Statements*

FRS 10 replaces consolidation part of the former FRS 127 *Consolidated and Separate Financial Statements* and IC Interpretation 112 *Consolidation - Special Purpose Entities* and introduces a new single control model to determine which investee should be consolidated. FRS 10 sets out the following three elements of control:

- (i) Power by investor over an investee;
- (ii) Exposure, or rights, to variable returns from investor's involvement with the investee; and
- (iii) The ability to use power over the investee to affect the amount of the investor's returns.

FRS 10 includes detailed guidance to explain when an investor has control over the investee. FRS 10 requires the investor to take into account all relevant facts and circumstances.

## 2. Basis of Preparation (Cont'd)

### (a) Statement of Compliance (cont'd)

#### FRS 12 Disclosures of Interests in Other Entities

FRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

#### FRS 13 Fair Value Measurement

FRS 13 establishes a single source of guidance under FRS for all fair value measurements. FRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under FRS when fair value is required or permitted. Upon adoption of FRS 13, the Group will take into consideration the highest and best use of certain properties in measuring the fair value of such properties.

#### FRS 119 Employee Benefits (2011)

The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. It requires the recognition of changes in defined benefit obligations and changes in fair value of plan assets when they occur, and hence eliminate the 'corridor method' permitted under the previous version of FRS 119 and accelerate the recognition of past service costs. The revised FRS 119 requires all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. This revised accounting standard requires retrospective applications with certain exceptions.

#### FRS 127 Separate Financial Statements (2011)

As a consequence of the new FRS 10 and FRS 12, FRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

#### Amendments to FRS116, Property, Plant and Equipment (Annual Improvements 2009 – 2011 Cycle)

The amendments to FRS 116 clarify that items such as spare parts, stand-by equipment and servicing equipment shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

## 2. Basis of Preparation (Cont'd)

### (a) Statement of Compliance (cont'd)

#### *Amendments to FRS 101 Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income*

The amendments to FRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position and performance.

The initial application of the other standards, amendments and interpretations are not expected to have any material financial impacts on the financial statements of the Group and of the Company.

#### **Malaysian Financial Reporting Standards ("MFRS Framework")**

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the MFRS framework in conjunction with its planned convergence of FRSs with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board on 1 January 2012.

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture ("MFRS 141") and IC Interpretations 15 Agreements for Construction of Real Estate ("IC 15"), including its parent, significant investor and venture (herein called "Transitioning Entities").

On 4 July 2012, the MASB has allowed Transitioning Entities to defer the adoption of the MFRS Framework to annual period beginning on or after 1 January 2014.



**2. Basis of Preparation (Cont'd)****(a) Statement of Compliance (cont'd)****Malaysian Financial Reporting Standards (“MFRS Framework”)(cont'd)**

The Group falls within the scope of definition of Transitioning Entities and have opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 March 2015. In presenting its first MFRS financial statements, the Group is required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group is currently in the process of determining the impact from the initial application of MFRS Framework.

**(b) Functional and presentation currency**

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

**(c) Significant accounting estimates and judgements**

The summary of accounting policies as described in Note 3 are essential to understand the Group's and the Company's results of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Directors exercise their judgement in the process of applying the Group's accounting policies.

## 2. Basis of Preparation (Cont'd)

### (c) Significant accounting estimates and judgements (cont'd)

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

#### Construction contracts / property development

Significant judgement is used in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue (for contracts other than fixed price contracts) and contract costs, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making the judgment, the Group relied on past experience and work of specialists. Where the total actual revenue and cost incurred are different from the total estimated revenue and costs incurred, such differences will impact the contract profit or loss recognised.

#### Useful lives of property, plant and equipment

Management estimates the useful lives of the property, plant and equipment to be within 3 to 50 years and reviews the useful lives of depreciable assets at end of each reporting period. At 31 March 2013, management assesses that the useful lives represent the expected utilisation of the assets to the Group. Actual results, however, may vary due to change in the business plan and strategies, expected level of usage and technological developments, resulting in the adjustment to the Group's assets. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

**2. Basis of Preparation (Cont'd)****(c) Significant accounting estimates and judgements (cont'd)**Income taxes

There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is involved especially in determining tax base allowances and deductibility of certain expense in determining the Group wide provision for income taxes. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the financial year in which such determination is made.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Amounts owing by subsidiaries

The Company determines the recoverability of the amounts owing by certain subsidiaries when these debts exceeded their capital investments. The Directors are of the opinion that adequate allowance for impairment has been made for the debts due from these subsidiaries to the extent the Company is able to realise these debts through internal group restructuring including possible offsets against debts owed by the Company to certain other subsidiaries, should such need arises.

**2. Basis of Preparation (Cont'd)****(c) Significant accounting estimates and judgements (cont'd)**Impairment of property, plant and equipment

The Group assesses impairment of assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on the Group's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

Annual testing for impairment of goodwill

The measurement of the recoverable amount of cash-generating units are determined based on the fair value less cost to sell, which is based on observable market price for similar assets.

Impairment of loans and receivables

The Group assesses at the end of the reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of significant financial difficulties of the debtor and default or significant delay in payments.

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.

Material litigations

The Group determines whether a present obligation in relation to a material litigation exists at the reporting date by taking into account all available evidence, including the opinion of its solicitors and subsequent events after the reporting date. On the basis of such evidence, the Group evaluates if a provision needs to be recognised in the financial statements.

## 2. Basis of Preparation (Cont'd)

### (c) Significant accounting estimates and judgements (cont'd)

#### Estimation of fair values of property, plant and equipment

The Group adopts revaluation policy for its land and buildings. The Group engaged independent valuation specialists to determine the fair values as at 30 May 2012 and 10 September 2012. The fair values were determined primarily using the following valuation method:

- (i) Hotel property – on 30 May 2012, the fair value was determined by adopting the historical profit and yield analysis as the primary method of the valuation and adopts the cost and direct comparison methods to cross check. The principal assumptions are based upon the current and historical performance of the hotel property with an estimated capitalisation rate of 7%.
- (ii) Leasehold land at Karambunai, Sabah – on 30 May 2012, the fair values were determined using the Discounted Cash Flows method and the Residual method. Comparison method has not been adopted to determine the fair values since there is limited comparable land sales recently transacted in the area where the land are located. In applying the Residual and Discounted Cash Flows method, the independent valuation specialist has made several assumptions and applied suitable market conventions and appropriate valuation parameters.
- (iii) Leasehold land at Bukit Unggul, Dengkil – on 10 September 2012, the fair values was determined using the Comparison Method which compares the subject property with similar type of potential development lands and entails the analysis of recent sales of similar properties in the locality. In applying the Comparison Method, the independent valuation specialist has made several adjustments for differences in location, shape, size, terrain, surrounding areas, development potential or status and other relevant factors.

### (d) Going Concern

The Group and the Company have incurred a net loss of RM19,353,196 (2012: RM42,610,574) and RM1,041,875 (2012: RM42,851,313) respectively for the financial year ended 31 March 2013. As of that date, the Group and the Company's current liabilities exceeded their current assets by RM684,149,204 (2012: RM578,111,620) and RM164,816,986 (2012: RM174,795,442). These conditions indicate the existence of material uncertainties which may cast significant doubt on the ability of the Group and of the Company to continue as going concerns and therefore they may be unable to realise their assets and discharge their liabilities in the normal course of business.

## 2. Basis of Preparation (Cont'd)

### (d) Going Concern (cont'd)

The financial statements have been prepared on the going concern basis which assumes that the Group and the Company will continue in operational existence for the foreseeable future having adequate funds to repay their obligations. The validity of this assumption depends upon the Group's and the Company's operations to generate positive cash flow, the successful disposal of the non-current assets classified as held for sale and the successful implementation of future corporate restructuring and fund raising exercise to be undertaken by the Group in order to generate sufficient cash flow to repay their bank borrowings and creditors, and receiving continued support from their bankers, creditors and major shareholder.

The Directors are of the opinion that the Group and the Company will continue as going concerns and accordingly, the financial statements have been prepared on a going concern basis and do not include any adjustments relating to the amounts and classification of assets and liabilities that might be necessary should the going concern basis of preparation of the financial statements be inappropriate.

## 3. Significant Accounting Policies

### (a) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries, its associates through equity accounting, and its jointly controlled entities through proportionate consolidation, which have been prepared in accordance with the Group's accounting policies, and are all drawn up to the same reporting period.

In the Company's separate financial statements, investment in subsidiaries is stated at cost less impairment losses in accordance with Note 6. On disposal of these investments, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

#### (i) Subsidiaries

Subsidiaries are those companies in which the Group has long term equity interest and has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights.

Investment in subsidiaries is stated at cost less any impairment losses in the Company's statement of financial position, unless the investment is held for sale or distribution. The cost of investments includes transaction costs.

### 3. Significant Accounting Policies (Cont'd)

#### (a) Basis of Consolidation (cont'd)

##### (i) Subsidiaries (cont'd)

Upon the disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

##### (ii) Consolidation

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

The acquisition method of accounting is used to account for the purchase of subsidiaries. The consideration transferred for acquisition of a subsidiary is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, as well as any contingent consideration given. Acquisition related costs are expensed off in the profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition

In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

### 3. Significant Accounting Policies (Cont'd)

#### (a) Basis of Consolidation (cont'd)

##### (ii) Consolidation (cont'd)

If the Group loses control of a subsidiary, the assets and liabilities of the subsidiary, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in the consolidated statements of comprehensive income.

##### (iii) Goodwill on Consolidation

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired, in accordance with Note 10.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.



### 3. Significant Accounting Policies (Cont'd)

#### (a) Basis of Consolidation (cont'd)

##### (iv) Non-controlling Interests

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to the Group. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

#### (b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(i).

##### (i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

### 3. Significant Accounting Policies (Cont'd)

#### (b) Property, plant and equipment (cont'd)

##### (i) Recognition and measurement (cont'd)

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

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss. On disposal of a revalued asset, the amounts in revaluation reserve relating to those assets are transferred to retained profits.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the land and buildings at the end of the reporting period.

As at the date of revaluation, accumulated depreciation, if any, is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus arising upon appraisal of land is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of land are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to other comprehensive income.

##### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statements of comprehensive income as incurred.

### 3. Significant Accounting Policies (Cont'd)

#### (b) Property, plant and equipment (cont'd)

##### (iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost of each asset to its residual value over its estimated useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Long term leasehold land	Over remaining leasehold period of 99 to 999 years
Hotel property	50 years
Golf course and its related building	10 years
Office buildings, shoplots, and jetty	10 – 50 years
Plant and machinery	4 – 10 years
Furniture and fittings, partition and renovation, computer and other equipment	3 – 10 years
Motor vehicles	4 – 6 years

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in property, plant and equipment.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

#### (c) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

Land held for property development are reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

### 3. Significant Accounting Policies (Cont'd)

#### (d) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in profit or loss is classified as progress billings within trade payables.

#### (e) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted for as follows:

- Raw materials, consumables: Costs of dry goods are determined on weighted average basis. Costs of wet goods are determined on first-in-first-out basis.
- Trading merchandise: Costs are determined on first-in-first-out basis.
- Completed development properties: Cost of unsold completed properties is determined on specific identification basis and comprises attributable land and development expenditure incurred up to completion of the properties.

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

### 3. Significant Accounting Policies (Cont'd)

#### (f) Financial Assets

Financial assets 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.

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.

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

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group and the Company classify their financial assets depending on the purpose for which it was acquired at initial recognition, into the following categories:

##### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the end of the reporting period which are presented as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

##### (ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the end of the reporting period.

### 3. Significant Accounting Policies (Cont'd)

#### (f) Financial Assets (cont'd)

##### (ii) Available-for-sale financial assets (cont'd)

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 asset 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.

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss.

##### *Regular way purchase or sale of financial assets*

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.

##### *Derecognition*

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in the profit or loss.

#### (g) Financial Liabilities

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.

### 3. Significant Accounting Policies (Cont'd)

#### (g) Financial Liabilities (cont'd)

All financial liabilities are initially recognised at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method, other than those categorised as fair value through profit or loss. Changes in the carrying value of these liabilities are recognised in the profit or loss.

The Group and the Company classify their financial liabilities at initial recognition, into the following category:

##### Other liabilities measured at amortised cost

Other financial liabilities are non-derivatives financial liabilities. The Group's and the Company's other financial liabilities comprise trade and other payables and borrowings. Other financial liabilities are classified as current liabilities, except for maturities more than 12 months after the end of the reporting period, in which case they are classified as non-current liabilities.

Other liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

##### *Derecognition*

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

##### *Offsetting of Financial Instruments*

A financial asset and financial liability are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 3. Significant Accounting Policies (Cont'd)

#### (h) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and short term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

#### (i) Impairment of Assets

##### (i) Non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets with indefinite useful lives, these are tested for impairment annually as at the end of each reporting period, either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

The recoverable amount of an asset or cash-generating units is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Previously recognised impairment losses are assessed at the end of each reporting period whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.



### 3. Significant Accounting Policies (Cont'd)

#### (i) Impairment of Assets (cont'd)

##### (i) Non-financial assets (cont'd)

###### Impairment of goodwill

Goodwill is tested for impairment annually as at the end of each reporting period, and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised in profit or loss. Impairment loss relating to goodwill is not reversed.

##### (ii) Financial assets

All financial assets, other than those at fair value through profit or loss, investment in subsidiary company and investment on associate company, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

###### 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 considers factors such as the probability of insolvency or significant financial difficulties of the receivable 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 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 defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in the profit or loss.

### 3. Significant Accounting Policies (Cont'd)

(i) Impairment of Assets (cont'd)

(ii) Financial assets (cont'd)

Financial assets carried at amortised cost (cont'd)

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.

Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, the amount of impairment loss is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously. When a decline of fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss is reclassified from equity to profit or loss.

Impairment losses on available-for-sale equity investment that is carried at cost are not reversed in profit or loss in the subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss, if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

(j) Share Capital

Ordinary shares

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

Dividends on ordinary shares are accounted for in equity as appropriation of retained earnings and recognised as a liability in the period in which they are declared.

### 3. Significant Accounting Policies (Cont'd)

#### (k) Provisions

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

Provisions are reviewed at each end of the reporting period 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. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The relating expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

#### (l) Foreign Currency Translation

##### (i) Foreign Currency Transactions and Balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date.

### 3. Significant Accounting Policies (Cont'd)

#### (l) Foreign Currency Translation (cont'd)

##### (i) Foreign Currency Transactions and Balances (cont'd)

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the rate at the date of transaction.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

##### (ii) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- (i) Assets and liabilities for each reporting date presented are translated at the closing rate prevailing at the reporting date;
- (ii) Income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- (iii) All resulting exchange differences are taken to other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rate prevailing at the date of acquisition.

### 3. Significant Accounting Policies (Cont'd)

#### (l) Foreign Currency Translation (cont'd)

##### (ii) Foreign Operations (cont'd)

Upon disposal of a foreign subsidiary company, the cumulative amount of translation differences at the date of disposal of the subsidiary company is taken to the consolidated profit or loss.

#### (m) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

##### (i) Finance Lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

##### (ii) Operating Lease

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

### 3. Significant Accounting Policies (Cont'd)

#### (m) Leases (cont'd)

##### (ii) Operating Lease (cont'd)

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

#### (n) Revenue Recognition

##### (i) Development properties/construction contracts

Revenue from sales of properties under development and from contract works undertaken are recognised in profit or loss on the percentage of completion basis where the outcome of the developments and contracts can be reliably estimated. The percentage of completion basis is computed based on proportion of which the development costs and the contract costs incurred for work performed to date bear to the estimated total development and contract costs respectively.

##### (ii) Hotel and golf operations

Revenue from the provision of rooms, food and beverage, other department sales, landing services fees and golf related income and recognised when services are rendered.

##### (iii) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised upon delivery of goods 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 estimated reliably, and there is no continuing management involvement with the goods.

##### (iv) Subscription fees

Subscription fees received from club members are recognised on an accrual basis. When members account become inactive, subscription fee is suspended until it is realised on a cash basis. Members' accounts are deemed to be inactive where subscriptions are in arrears for more than 6 months.

### 3. Significant Accounting Policies (Cont'd)

#### (n) Revenue Recognition (cont'd)

##### (v) Rendering of services

Revenue from services rendered is recognised in the profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by surveys of work performed.

##### (vi) Rental income

Rental income is recognised in profit or loss on accrual basis.

##### (vii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

##### (viii) Land sold

Revenue from sale of land and completed landed properties is measured at the fair value of the consideration receivable and is recognised in profit or loss when the significant risk and reward of ownership have been transferred to the buyer.

#### (o) Employee benefits

##### (i) Short term Employee Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. 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. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

### 3. Significant Accounting Policies (Cont'd)

#### (o) Employee benefits (cont'd)

##### (ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund (“EPF”). Some of the Group’s foreign subsidiaries also make contributions to their respective countries’ statutory pension schemes. Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

#### (p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

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.

#### (q) Income tax

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

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



### 3. Significant Accounting Policies (Cont'd)

#### (q) Income tax (cont'd)

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period, except for investment properties carried at fair value model. Where investment properties measured using fair value model, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying amounts at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Deferred tax assets and liabilities are not discounted.

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

### 3. Significant Accounting Policies (Cont'd)

#### (r) Non-Current Assets Classified As Held For Sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sales rather than continuing use are classified as held for sale.

Immediately before classification as held for sale, the assets (or components of a disposal group) are premeasured in accordance with the Group's accounting policies. Thereafter, generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell.

#### (s) Construction Contracts

Construction contracts are measured at contract cost plus profit recognised to date less progress billing and recognised losses. Contract cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

When the cost incurred on construction contract plus profit recognised to date less recognised losses exceeds progress billings, the balance is classified as amounts owing by customers on contracts. When progress billings exceed cost incurred plus recognised profits to date less recognised losses, the balance is classified as amounts owing to customers on contracts.

#### (t) Al-Bai Bithaman Ajil ("ABBA") Facility

Cost of landed properties acquired under the ABBA facility are capitalised in accordance with the Company's policy on land held for property development. The ABBA facility obligations are included in borrowings and the related financing charges are allocated to profit or loss on a systematic basis over the period of financing.

### 3. Significant Accounting Policies (Cont'd)

#### (u) 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.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimated of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

#### (v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

#### (w) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or 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 assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

#### 4. Property, Plant and Equipment

Group	At valuation ----->		Golf-course, Shoplots, Office Buildings & Jetty RM		Plant & Machinery RM		Furniture & Fittings, Partition & Renovation, Computer & Other Equipment RM		Motor Vehicles RM		Total RM
	<-----	<-----	<-----	<-----	<-----	<-----	<-----	<-----	<-----	<-----	
<b>2013</b>											
<b>Cost or valuation</b>											
At 1.4.12	657,286,769	300,000,000	24,616,196	14,791,551	46,565,556	7,421,973	1,050,682,045				
Additions	-	-	1,893,720	547,656	144,620	301,511	2,887,507				
Written-off	-	-	(72,894)	-	(499)	-	(73,393)				
Transfer from non-current assets classified as held for sale (Note 17)	32,461,518	-	-	-	-	-	32,461,518				
Transfer from capital work-in-progress (Note 8)	-	-	2,412,862	-	-	-	2,412,862				
At 31.3.13	689,748,287	300,000,000	28,849,884	15,339,207	46,709,677	7,723,484	1,088,370,539				

## 4. Property, Plant and Equipment (Cont'd)

Group (cont'd) 2013 (cont'd)	Long term Leasehold		Hotel Property		Golf-course, Shoplots, Office Buildings & Jetty		Plant & Machinery		Furniture & Fittings, Partition & Renovation, Computer & Other Equipment		Motor Vehicles		Total RM
	Land RM	Property RM	Hotel Property RM	Buildings & Jetty RM	Plant & Machinery RM	Equipment RM	Motor Vehicles RM	Equipment RM	Motor Vehicles RM	Equipment RM	Motor Vehicles RM	Motor Vehicles RM	
	At valuation		At cost										
At 1.4.12	-	-	-	5,577,897	5,560,366	32,679,001	5,646,760	-	-	-	-	-	49,464,024
Charge for the year	4,130,804	5,357,600	5,357,600	779,995	925,732	2,402,197	244,755	-	-	-	-	-	13,841,083
Written-off	-	-	-	(72,894)	-	(498)	-	-	-	-	-	-	(73,392)
Transfer from non-current assets classified as held for sale (Note 17)	1,506,530	-	-	-	-	-	-	-	-	-	-	-	1,506,530
At 31.3.13	5,637,334	5,357,600	5,357,600	6,284,998	6,486,098	35,080,700	5,891,515	64,738,245	-	-	-	-	64,738,245
<b>Accumulated Impairment Loss</b>													
At 1.4.12	-	-	-	174,309	-	-	-	-	-	-	-	-	174,309
Transfer from non-current assets classified as held for sale (Note 17)	18,557,081	-	-	-	-	-	-	-	-	-	-	-	18,557,081
Reversal	(2,305,450)	-	-	-	-	-	-	-	-	-	-	-	(2,305,450)
At 31.3.13	16,251,631	-	-	174,309	-	-	-	-	-	-	-	-	16,425,940
<b>Net Carrying Amount</b>													
At 31.3.13	667,859,322	294,642,400	294,642,400	22,390,577	8,853,109	11,628,977	1,831,969	1,007,206,354	-	-	-	-	1,007,206,354

## 4. Property, Plant and Equipment (Cont'd)

Group	At valuation ----->		Hotel		Golf-course, Shoplots, Office Buildings & Jetty		Plant & Machinery		Furniture & Fittings, Partition & Renovation, Computer & Other Equipment		Motor Vehicles		Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
<b>2012</b>													
<b>Cost or valuation</b>													
At 1.4.11	666,695,170	452,400,000	3,842,724	14,892,001	46,395,280	7,831,240	1,192,056,415						
Additions	-	-	20,858,932	6,711,470	1,881,878	139,180	29,591,460						
Disposals	-	-	-	-	-	(76,000)	(76,000)						
Elimination of accumulated depreciation on revaluation	(3,341,405)	(9,792,768)	-	-	-	-	-						(13,134,173)
Written-off	-	-	(85,460)	(6,811,920)	(1,711,602)	(472,447)	(9,081,429)						
Revaluation surplus/(decrease) in revaluation surplus	24,270,566	(142,607,232)	-	-	-	-	-						(118,336,666)
Transfer from land held for property development (Note 5)	4,662,438	-	-	-	-	-	-						4,662,438
Transfer to non-current assets classified as held for sale (Note 17)	(35,000,000)	-	-	-	-	-	-						(35,000,000)
At 31.3.12	657,286,769	300,000,000	24,616,196	14,791,551	46,565,556	7,421,973	1,050,682,045						

## 4. Property, Plant and Equipment (Cont'd)

Group (cont'd) 2012 (cont'd)	At valuation		At cost					Total RM
	Long term Leasehold Land RM	Hotel Property RM	Golf-course, Shoplots, Office Buildings & Jetty RM	Plant & Machinery RM	Furniture & Fittings, Partition & Renovation, Computer & Other Equipment RM	Motor Vehicles RM		
Accumulated Depreciation								
At 1.4.11	1,372,550	-	353,743	10,346,855	32,644,596	5,816,693	50,534,437	
Charge for the year	3,475,385	9,792,768	5,283,435	444,706	3,003,299	378,509	22,378,102	
Disposals	-	-	-	-	-	(75,999)	(75,999)	
Elimination of accumulated depreciation on revaluation	(3,341,405)	(9,792,768)	-	-	-	-	(13,134,173)	
Written-off	-	-	(59,281)	(5,231,195)	(2,968,894)	(472,443)	(8,731,813)	
Transfer to non-current assets classified as held for sale (Note 17)	(1,506,530)	-	-	-	-	-	(1,506,530)	
At 31.3.12	-	-	5,577,897	5,560,366	32,679,001	5,646,760	49,464,024	
Accumulated Impairment Loss								
At 1.4.11	22,507,133	-	-	-	-	-	22,507,133	
Charge for the year	-	-	174,309	-	-	-	174,309	
Transfer to non-current assets classified as held for sale (Note 17)	(22,507,133)	-	-	-	-	-	(22,507,133)	
At 31.3.12	-	-	174,309	-	-	-	174,309	
Net Carrying Amount								
At 31.3.12	657,286,769	300,000,000	18,863,990	9,231,185	13,886,555	1,775,213	1,001,043,712	

**4. Property, Plant and Equipment (Cont'd)**

The long term leasehold land of the Group has an unexpired lease period of more than 50 years.

<b>Company</b>	<b>Furniture &amp; Fittings, Partition &amp; Renovation, Computer &amp; Other Equipment RM</b>	<b>Motor Vehicles RM</b>	<b>Total RM</b>
<b>2013</b>			
<b>Cost</b>			
At 1.4.12 / 31.3.13	434,928	533,609	968,537
<b>Accumulated Depreciation</b>			
At 1.4.12	257,371	532,947	790,318
Charge for the year	35,664	657	36,321
At 31.3.13	293,035	533,604	826,639
<b>Net Carrying Amount</b>			
At 31.3.13	141,893	5	141,898
<b>2012</b>			
<b>Cost</b>			
At 1.4.11	1,248,250	1,006,056	2,254,306
Additions	24,191	-	24,191
Written-off	(837,513)	(472,447)	(1,309,960)
At 31.3.12	434,928	533,609	968,537
<b>Accumulated Depreciation</b>			
At 1.4.11	1,048,379	1,002,200	2,050,579
Charge for the year	45,961	3,190	49,151
Written-off	(836,969)	(472,443)	(1,309,412)
At 31.3.12	257,371	532,947	790,318
<b>Net Carrying Amount</b>			
At 31.3.12	177,557	662	178,219



#### 4. Property, Plant and Equipment (Cont'd)

##### Assets held under hire purchase payables

During the financial year, the Group and the Company acquired motor vehicles with an aggregate cost of RM301,511 (2012: RM139,172) and RM Nil (2012: RM Nil) respectively by means of hire purchase arrangement. The cash outflow of the Group and the Company on acquisition of property, plant and equipment amounted to RM2,585,996 (2012: RM29,452,288) and RM Nil (2012: RM24,191) respectively.

Included in the property, plant and equipment of the Group are assets acquired under hire purchase arrangements at the reporting date as follows:-

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
<b>Cost</b>		
Motor vehicles	1,437,605	1,665,554
Plant & machinery	-	1,608,696
Furniture & fittings, partition & renovation, computer & other equipment	1,723,000	5,056,161
	<u>3,160,605</u>	<u>8,330,411</u>
<b>Net carrying amount</b>		
Motor vehicles	640,528	554,434
Plant & machinery	-	904,651
Furniture & fittings, partition & renovation, computer & other equipment	1,089,975	4,023,912
	<u>1,730,503</u>	<u>5,482,997</u>

#### 4. Property, Plant and Equipment (Cont'd)

##### Assets pledged as security

In addition to assets held under hire purchase arrangements, the Group's property, plant and equipment which were previously pledged as securities for term loans facilities granted to subsidiaries as disclosed in Note 21 are as follows:-

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
<b>Net carrying amount</b>		
Long term leasehold land	-	657,286,769
Hotel property	-	300,000,000
Motor vehicles	-	193,719
Furniture & fittings, partition & renovation, computer & other equipment	-	8,302,824
	-	965,783,312
	-	965,783,312

The term loans granted to subsidiaries were fully settled during the financial year as disclosed in Note 21.

The property, plant and equipment of the Group and of the Company which were previously pledged for Promissory Note issued by the Company as disclosed in Note 23 are as follows:-

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Net carrying amount</b>				
Motor vehicles	-	673	-	662
Furniture & fittings, partition & renovation, computer & other equipment	-	177,602	-	177,556
	-	177,602	-	177,556
	-	178,275	-	178,218

The Promissory Note issued by the Company was fully settled during the financial year as disclosed in Note 23.

#### 4. Property, Plant and Equipment (Cont'd)

##### Revaluation of leasehold land and buildings

The Group's leasehold land and buildings have been revalued at the reporting date based on valuations performed by accredited independent valuers.

Details of the independent professional valuations are as follows:-

Description of Properties	Valuation method	Valuation amount RM
<b>2013</b>		
Leasehold land at Bukit Unggul	Comparison method	<u>14,703,357</u>
<b>2012</b>		
Hotel property	Historical profit and yield analysis	300,000,000
Leasehold land at Karambunai	Discounted cash flow analysis and residual method	<u>657,286,769</u>
		<u>957,286,769</u>

If the Group's leasehold land and buildings were measured using the cost model, the net carrying amounts would be as follows:-

	<b>Group</b>	
	<b>Net carrying amount</b>	
	<b>At valuation RM</b>	<b>At historical cost RM</b>
<b>2013</b>		
Hotel property	294,642,400	269,694,805
Leasehold land at Karambunai	653,155,965	356,194,397
Leasehold land at Bukit Unggul	<u>14,703,357</u>	<u>39,489,863</u>
	<u>962,501,722</u>	<u>665,379,065</u>
<b>2012</b>		
Hotel property	300,000,000	272,364,388
Leasehold land at Karambunai	<u>657,286,769</u>	<u>360,325,202</u>
	<u>957,286,769</u>	<u>632,689,590</u>

## 5. Land Held for Property Development

	Group	
	2013 RM	2012 RM
<b>Leasehold land</b>		
<b>Cost</b>		
At beginning of the year	245,692,486	375,157,470
Less: Disposals	(35,853)	(1,327,176)
Less: Transfer to property development costs (Note 11)	(1,702,788)	(4,360,955)
Less: Transfer to non-current assets classified as held for sale (Note 17)	(16,120,554)	(123,776,853)
Add: Transfer from non-current assets classified as held for sale (Note 17)	321,625,559	-
	549,458,850	245,692,486
Leased land	47,218,375	47,218,375
Total land, at cost at end of the year	<u>596,677,225</u>	<u>292,910,861</u>
<b>Accumulated impairment loss</b>		
At beginning of the year	-	58,813,214
Add: Transfer from non-current assets classified as held for sale (Note 17)	195,363,114	-
Less: Reversal of impairment loss	(22,936,354)	-
Less: Transfer to non-current assets classified as held for sale (Note 17)	-	(58,813,214)
At end of the year	<u>172,426,760</u>	-
Total land, at carrying amount at end of the year	<u>424,250,465</u>	<u>292,910,861</u>

**5. Land Held for Property Development (Cont'd)**

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
<b>Development costs</b>		
At beginning of the year	24,273,274	33,849,332
Add: Additions	577,352	14,688,667
Add: Transfer from non-current assets classified as held for sale (Note 17)	7,640,077	-
Less: Disposals	(1,034)	(7,503,659)
Less: Transfer to property, plant and equipment (Note 4)	-	(4,662,438)
Less: Transfer to property development cost (Note 11)	(1,089,725)	(2,697,700)
Less: Transfer to non-current assets classified as held for sale (Note 17)	(478,947)	(9,400,928)
At end of the year	30,920,997	24,273,274
<b>Accumulated impairment loss</b>		
At beginning of the year	-	5,874,673
Impairment loss for the year	1,567,560	-
Add: Transfer from non-current assets classified as held for sale (Note 17)	5,874,673	-
Less: Transfer to non-current assets classified as held for sale (Note 17)	-	(5,874,673)
At end of the year	7,442,233	-
Total development cost, at carrying amount at end of the year	<u>23,478,764</u>	<u>24,273,274</u>
Total carrying amount at end of the year	<u>447,729,229</u>	<u>317,184,135</u>

**Land pledged as securities**

Land held for property development were previously pledged as securities for Promissory Note issued by the Company as disclosed in Note 23 and were also previously pledged as securities for term loan facilities granted to the subsidiaries as disclosed in Note 21 and for other credit facilities of the Group and of the Company.

The term loans granted to subsidiaries and Promissory Note issued by the Company were fully settled during the financial year as disclosed in Notes 21 and 23 respectively.

## 5. Land Held for Property Development (Cont'd)

### Transfer from / (to) non-current assets classified as held for sale

During the financial year, the Group transferred its land held for property development with the total carrying amount of RM128,027,849 from non-current assets classified as held for sale upon settlement of the Promissory Note issued by the Company as further disclosed in Note 23 as a result of the Group's subsequent decision not to dispose these land.

In the previous financial year, the Group transferred its land held for property development with the total carrying amount of RM68,489,894 to non-current assets classified as held for sale following the Group's intention to dispose those land as disclosed in Note 17.

## 6. Subsidiaries

	Company	
	2013 RM	2012 RM
<b>Unquoted shares, at cost</b>		
At beginning/end of the year	334,900,785	334,900,785
Less: Accumulated impairment losses		
At beginning of the year	122,718,934	99,664,317
Add: Additions	-	23,054,617
At end of the year	<u>(122,718,934)</u>	<u>(122,718,934)</u>
	<u>212,181,851</u>	<u>212,181,851</u>
Amounts owing by subsidiaries (non-trade)	613,636,805	613,636,805
Less: Accumulated impairment losses		
At beginning of the year	-	-
Add: Additions	10,984,010	-
At end of the year	<u>10,984,010</u>	<u>-</u>
	<u>602,652,795</u>	<u>613,636,805</u>
	<u>814,834,646</u>	<u>825,818,656</u>

Amounts owing by subsidiaries are non-trade in nature, unsecured, and interest free. The settlement of the amounts is neither planned nor likely to occur in the foreseeable future. As these amounts are, in substance, a part of the entity's net investment in the subsidiaries, it is stated at cost less accumulated impairment.

## 6. Subsidiaries (Cont'd)

Details of the subsidiaries are as follows:-

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest			
			Direct		Indirect	
			2013	2012	2013	2012
<b>Held By The Company</b>						
* ^ Alpha Terrace Sdn. Bhd.	Malaysia	Dormant	100%	100%	-	-
Beribu Ukiran Sdn. Bhd. ("BUSB")	Malaysia	Property development	100%	100%	-	-
Bukit Unggul Golf and Country Resort Sdn. Bhd. ("BUGCR")	Malaysia	Golf club owner and investment holdings	75%	75%	25%	25%
© Bukit Unggul Tele-Suburb Sdn. Bhd.	Malaysia	Property development	100%	100%	-	-
* ^^ CTRM-FACB Consortium Sdn. Bhd.	Malaysia	Dormant	100%	100%	-	-
© FACB Capital Sdn. Bhd.	Malaysia	Investment holdings, consultancy and money lending	100%	100%	-	-
FACB Charter Sdn. Bhd.	Malaysia	Dormant	100%	100%	-	-
© FACB Construction Sdn. Bhd.	Malaysia	General construction and building works	100%	100%	-	-
© FACB Land Sdn. Bhd. ("FACB Land")	Malaysia	Property development	100%	100%	-	-

## 6. Subsidiaries (Cont'd)

Details of the subsidiaries are as follows (cont'd):-

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest			
			Direct		Indirect	
			2013	2012	2013	2012
<b>Held By The Company (cont'd)</b>						
* FACB ^ Management Sdn. Bhd.	Malaysia	Dormant	100%	100%	-	-
* FACB ^ Aerospace Sdn. Bhd.	Malaysia	Dormant	100%	100%	-	-
© FACBNET Sdn. Bhd.	Malaysia	Dormant	100%	100%	-	-
© First Holdings Sdn. Bhd. ("FHSB")	Malaysia	Investment holdings	100%	100%	-	-
* First ^ Multimedia Corporation Sdn. Bhd.	Malaysia	Dormant	100%	100%	-	-
* First Network ^ (M) Sdn. Bhd.	Malaysia	Dormant	100%	100%	-	-
© First Travel and Tours (M) Sdn. Bhd.	Malaysia	Travel & tours agency	95.69%	95.69%	-	-
Greagawarni Sdn. Bhd.	Malaysia	Horticulturist	100%	100%	-	-
Hartamas Group Berhad ("HGB")	Malaysia	Hotel resort ownership & operations and investment holdings	#42.91%	#42.91%	57.09%	57.09%
Ikhlas Perdana Sdn. Bhd. ("IPSB")	Malaysia	Dormant	90%	90%	-	-



## 6. Subsidiaries (Cont'd)

Details of the subsidiaries are as follows (cont'd):-

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest			
			Direct		Indirect	
			2013	2012	2013	2012
<b>Held By The Company (cont'd)</b>						
* ^^ Karambunai Corp International Ltd.	Hong Kong	Dormant	100%	100%	-	-
© Karambunai Residence (MM2H) Sdn. Bhd.	Malaysia	Dormant	100%	100%	-	-
* ^^ Nexus First Company Ltd.	Labuan	Investment holdings	100%	100%	-	-
* Nexus Hotels and Resorts Limited	Hong Kong	Dormant	100%	100%	-	-
* Norasia Investments Ltd.	Hong Kong	Investment holdings	100%	100%	-	-
* ^ Sunnyland Corporation Ltd.	Hong Kong	Dormant	100%	100%	-	-
* Sunnyland Industries Ltd.	Hong Kong	Dormant	100%	100%	-	-
@ One Travel & Tours Ltd.	British Virgin Islands	Travel & tours agency	100%	100%	-	-
<b>Held through FACB Land</b>						
© Arosa Builders Sdn. Bhd.	Malaysia	General construction and building works	-	-	100%	100%

## 6. Subsidiaries (Cont'd)

Details of the subsidiaries are as follows (cont'd):-

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest			
			Direct		Indirect	
			2013	2012	2013	2012
<b>Held through FACB Land (cont'd)</b>						
BUGCR	Malaysia	Golf club owner and investment holdings	25%	25%	-	-
HGB	Malaysia	Hotel resort ownership & operations and investment holdings	# 4.06%	# 4.06%	-	-
<b>Held through Norasia Investment Ltd.</b>						
* Scanply ^^ International Wood Products (Singapore) Pte. Ltd.	Singapore	Dormant	-	-	100%	100%
<b>Held through FHSB</b>						
© Karambunai Resorts Sdn. Bhd. ("KRSB")	Malaysia	Property development	-	-	100%	100%
HGB	Malaysia	Hotel resort operations, management and investment holdings	#53.03%	#53.03%	-	-
<b>Held through HGB</b>						
© FACB Marketing and Sales Services Sdn. Bhd. ("FMSS")	Malaysia	Property development	-	-	100%	100%

## 6. Subsidiaries (Cont'd)

Details of the subsidiaries are as follows (cont'd):-

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest			
			Direct		Indirect	
			2013	2012	2013	2012
<b>Held through BUGCR</b>						
* Karambunai	Malaysia	Dormant	-	-	100%	100%
^ Two Golf & Country Club Sdn. Bhd.						
© Bukit Unggul Country Club Bhd.	Malaysia	Golf and country club operation and management	-	-	100%	100%
<b>Held through KRSB</b>						
Dapan Construction Sdn. Bhd.	Malaysia	Construction and project contractor	-	-	100%	100%
Dapan Holdings Sdn. Bhd. ("DHSB")	Malaysia	Property development	-	-	100%	100%
© Karambunai Golf Management Bhd.	Malaysia	Management and operation of golf club	-	-	100%	100%
© Nexus Bay Resort Karambunai Sdn. Bhd.	Malaysia	Property development, sale and leaseback of properties and to provide hotel and lodging facilities	-	-	100%	100%
* Nexus Naga S.A.	Panama	Dormant	-	-	100%	100%

## 6. Subsidiaries (Cont'd)

Details of the subsidiaries are as follows (cont'd):-

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest			
			Direct		Indirect	
			2013	2012	2013	2012
<b>Held through KRSB (Cont'd)</b>						
© Nexus Resorts and Hotels International Sdn. Bhd.	Malaysia	Property development	-	-	100%	100%
© Nexus Resort Karambunai Sdn. Bhd.	Malaysia	Resort hotel operation and management	-	-	100%	100%
* ^^ Nexus Vacation Club Bhd.	Malaysia	Dormant	-	-	100%	100%
* ^ Sahara Red Incorporated	British Virgin Islands	Dormant	-	-	100%	100%
<b>Held through Scanply International Wood Products (Singapore)Pte. Ltd.</b>						
* ^^ Scanply Wood Products (Malaysia) Sdn. Bhd.	Malaysia	Dormant	-	-	100%	100%
<b>Held through Nexus Hotels and Resorts Limited</b>						
* Nexus Hotel Phnom Penh Limited	British Virgin Islands	Dormant	-	-	100%	100%
* <i>The financial statements of these subsidiaries are audited for consolidation purposes by the Company's auditors.</i>						
^ <i>These subsidiaries were struck off from the respective Registrar of Companies subsequent to the financial year end.</i>						
^^ <i>These subsidiaries are in the midst of being strike off from the respective Registrar of Companies</i>						

**6. Subsidiaries (Cont'd)**

# *The equity interests held through the Company, FHSB and FACB Land are 42.91% (2012: 42.91%), 53.03% (2012: 53.03%) and 4.06% (2012: 4.06%) respectively.*

@ *Subsidiary audited by firm of auditors other than member firms of UHY.*

© *The auditors' reports of these subsidiaries contain the audit emphasis of matter on the appropriateness of going concern basis of accounting due to doubts as to the subsidiaries' ability to operate as a going concern as these subsidiaries suffered significant losses during the financial year, had net current liabilities or deficit in shareholders' equity. The ability of the subsidiaries to continue as a going concern is dependent on the continued financial support of the Company.*

The investment in subsidiaries relating to the investment in Sunnyland Industries Ltd. by the Company amounting to net carrying amount of RM 1 (2012: RM 1) is pledged for a term loan facility ("Term Loan I") as disclosed in Note 21.

In prior years, the investment in subsidiaries relating to the investment in BUGCR by the Company and FMSS which was held through HGB amounting to RM7,500,000 and RM310,000,000 respectively were pledged for Promissory Note issued by the Company as disclosed in Note 23.

In prior years, the investment in subsidiaries relating to the investment in FMSS which was held through HGB amounting RM310,000,000 was further pledged for a term loan facility granted to a subsidiary as disclosed in Note 21.

The Term Loan II and Promissory Note were fully settled during the financial year as disclosed in Notes 21 and 23 respectively.

**7. Available-For-Sale Financial Assets**

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Equity instruments (unquoted shares in Malaysia)</b>	60,000	60,000	60,000	60,000
<b>Transferable contribution rights</b>	70,000	140,000	-	-
Less: Written-off	-	(70,000)	-	-
	70,000	70,000	-	-
	<u>130,000</u>	<u>130,000</u>	<u>60,000</u>	<u>60,000</u>

**7. Available-For-Sale Financial Assets (Cont'd)**

The fair value of the unquoted investment has not been disclosed as its fair value cannot be measured reliably due to the lack of quoted market price in an active market. The assumptions required for valuing these financial instruments using valuation techniques by management would result in the range of fair value estimates to be significant and the probability of the various estimates cannot be reasonably assessed. Accordingly the carrying amount of the investment continues to be stated at cost.

At the reporting date, the transferable contribution rights are in respect of rights to memberships of a golf club which are registered in the name of a Director of the Company and a former Director of a subsidiary and are held in trust by them.

**8. Capital Work-In-Progress**

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
At cost,		
At beginning of the year	2,412,862	-
Additions	-	2,412,862
Transfer to property, plant and equipment (Note 4)	<u>(2,412,862)</u>	<u>-</u>
At end of the year	<u>-</u>	<u>2,412,862</u>

Capital work-in-progress refers to costs incurred for the construction of a building for restaurant, which was previously pledged as security for a term loan facility granted to a subsidiary as disclosed in Note 21. The term loan facility granted to the subsidiary was fully settled during the financial year as disclosed in Note 21.

**9. Deferred Tax Assets**

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
At beginning of the year	892,192	9,000
Recognised in profit or loss (Note 31)	-	883,192
At end of the year	<u>892,192</u>	<u>892,192</u>

This is in respect of deductible temporary differences in respect of expenses. The deferred tax assets of the Group are recognised on the basis of one of the subsidiary's previous history of recording profits and to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

**10. Goodwill**

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
<b>Cost</b>		
At beginning/end of the year	19,820,764	19,820,764
<b>Accumulated impairment losses</b>		
At beginning/end of the year	4,883,348	4,883,348
<b>Net carrying amount</b>	14,937,416	14,937,416

Goodwill represents the excess of cost of acquisition over the fair value of the net assets of subsidiaries acquired in prior years. Goodwill has been allocated to the Group's cash-generating unit ("CGU") identified that is expected to benefit from the synergies of the acquisitions, which is in respect of the property development segment.

**Impairment testing of goodwill**

The carrying amounts of goodwill arising from acquisition of subsidiaries are as follows:

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
<b>Property development segment:</b>		
Karambunai land	14,937,416	14,937,416

The recoverable amount of this CGU is determined based on the fair value less costs to sell. The fair value less costs to sell is based on observable market prices for similar assets. The fair values of the development properties are estimated based on market values of comparable properties for Karambunai land.

The Board of Directors is of the opinion that no impairment of goodwill allocated to Karambunai land has occurred as the fair value exceeded the carrying amount.

**11. Property Development Costs**

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
<b>Leasehold land, at cost</b>		
At beginning of the year	6,070,093	28,765,665
Add: Transfer from land held for property development (Note 5)	1,702,788	4,360,955
Less: Reversal of completed projects	(6,070,093)	(27,056,527)
At end of the year	1,702,788	6,070,093
<b>Property development costs</b>		
At beginning of the year	15,033,488	53,549,241
Add: Additions	3,407,251	13,365,780
Add: Transfer from land held for property development (Note 5)	1,089,725	2,697,700
Less: Transfer to inventories	(2,403,391)	(5,079,108)
Less: Reversal of completed projects	(11,671,020)	(49,500,125)
At end of the year	<u>5,456,053</u>	<u>15,033,488</u>
<b>Cumulative costs recognised in profit or loss</b>		
At beginning of the year	(8,167,724)	(58,309,316)
Recognised during the year	(11,130,674)	(13,830,047)
Reversal of completed projects	19,298,398	63,971,639
At end of the year	<u>-</u>	<u>(8,167,724)</u>
Total property development costs at end of the year	<u>7,158,841</u>	<u>12,935,857</u>

Property development costs with carrying amount of RM Nil (2012: RM12,935,857) were previously pledged as securities for term loan facilities granted to subsidiaries as disclosed in Note 21 of which the said term loan facilities were fully settled during the financial year.



**12. Inventories**

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
<b>At cost:</b>		
Completed development properties	7,595,089	10,714,353
Consumables	564,592	346,972
Trading merchandise	1,906,099	1,601,433
	<u>10,065,780</u>	<u>12,662,758</u>

Inventories with carrying amount of RM Nil (2012: RM12,324,506) was previously pledged as securities for term loan facilities granted to subsidiaries as disclosed in Note 21 of which the said term loan facilities were fully settled during the financial year.

**13. Trade Receivables**

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
Trade receivables	37,930,996	36,672,220
Less: Allowance for impairment	<u>(17,934,125)</u>	<u>(17,667,236)</u>
	<u>19,996,871</u>	<u>19,004,984</u>

Included in trade receivables of the Group are:-

- (i) amounts of RM13,458 (2012: RM15,382) owing by related parties in which certain Directors of the Company are also Directors and have substantial financial interest and RM52,000 (2012: RM52,000) owing by related parties in which a Director of the Company is also a Director and has substantial financial interest; and
- (ii) amount of RM Nil (2012: RM10,968,767) which was previously pledged as security for term loan facility granted to a subsidiary as disclosed in Note 21 of which the said term loan facility was fully settled during the financial year.

**(a) Credit terms of trade receivables**

The Group's normal trade credit term is 14 to 90 days (2012: 14 to 90 days). Other credit terms are assessed and approved on a case by case basis.

**13. Trade Receivables (Cont'd)****(b) Ageing analysis of trade receivables**

Analysis of the trade receivables ageing as at the end of the financial year is as follows:

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
Neither past due nor impaired	8,495,682	7,748,306
<i>Past due but not impaired:</i>		
1 to 30 days	1,152,595	405,141
31 to 60 days	444,323	100,893
61 to 90 days	608,868	595,001
91 to 120 days	4,026,856	685,278
More than 121 days	5,268,547	9,470,365
	11,501,189	11,256,678
Impaired	17,934,125	17,667,236
	<u>37,930,996</u>	<u>36,672,220</u>

**Receivables that are neither past due nor impaired**

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

**Receivables that are past due but not impaired**

Trade receivables that are past due but not impaired are unsecured in nature. However, the Directors are of the opinion that these debts should be realisable in full without material losses in the ordinary course of business.

**13. Trade Receivables (Cont'd)**Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date is as follows:-

	<b>Group</b>	
	<b>Individually Impaired</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
Trade receivables (nominal amounts)	17,934,125	17,667,236
Less: Allowance for impairment	<u>(17,934,125)</u>	<u>(17,667,236)</u>
	<u>-</u>	<u>-</u>

Movement in impairment on trade receivables (individually impaired) is as follows:

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
At beginning of the year	17,667,236	16,681,475
Charge for the year	346,644	1,441,446
Written-off	(15,500)	(454,552)
Reversal	(64,255)	(1,133)
At end of the year	<u>17,934,125</u>	<u>17,667,236</u>

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments or under legal case. These receivables are not secured by any collateral or credit enhancements.

**14. Other Receivables**

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Third parties	5,950,785	5,679,460	443,871	524,172
Less: Allowance for impairment	<u>(2,188,630)</u>	<u>(418,974)</u>	<u>(407,756)</u>	<u>(407,756)</u>
	3,762,155	5,260,486	36,115	116,416
Deposits	<u>1,430,789</u>	<u>1,541,239</u>	<u>79,994</u>	<u>79,994</u>
Prepayments	<u>1,689,716</u>	<u>3,226,902</u>	<u>-</u>	<u>292,553</u>
	<u>3,120,505</u>	<u>4,768,141</u>	<u>79,994</u>	<u>372,547</u>
	<u>6,882,660</u>	<u>10,028,627</u>	<u>116,109</u>	<u>488,963</u>

Included in other receivables of the Group are:

- an amount of RM Nil (2012: RM2,011,063) which was previously pledged as securities for term loan facility granted to a subsidiary as disclosed in Note 21 of which the said term loan facility was fully settled during the financial year;
- prepayments of upfront fee and bank commission of RM Nil (2012: RM885,870) and RM Nil (2012: RM604,110) respectively for a banking facility granted to a subsidiary.

Movement in impairment on other receivables (individually impaired) is as follows:

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
At beginning of the year	418,974	846,481
Charge for the year	1,769,656	6,480
Written-off	-	(433,987)
At end of the year	<u>2,188,630</u>	<u>418,974</u>

**15. Amounts Owning By/(To) Subsidiaries**

	<b>Company</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
Amounts owing by subsidiaries	603,548,726	342,243,679
Less: Allowance for impairment	<u>(281,464,787)</u>	<u>(272,429,253)</u>
	<u>322,083,939</u>	<u>69,814,426</u>
 Amounts owing to subsidiaries	 <u>(56,537,672)</u>	 <u>(55,540,339)</u>

Movement in impairment on amounts owing by subsidiaries (individually impaired) is as follows:

	<b>Company</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
At beginning of the year	272,429,253	269,482,312
Charge for the year	9,466,151	2,946,941
Reversal	<u>(430,617)</u>	-
At end of the year	<u>281,464,787</u>	<u>272,429,253</u>

These amounts are non-trade in nature, unsecured, interest free and repayable on demand by cash.

**16. Fixed Deposits with Licensed Banks**

Included in fixed deposits with licensed banks of the Group is an amount of RM Nil (2012: RM236,453) which was previously pledged as security for term loan facility granted to a subsidiary as disclosed in Note 21 of which the said term loan facility was fully settled during the financial year.

The fixed deposits of the Group carry interest at rates ranging from 2.95% to 3.15% (2012: 2.85% to 3.95%) per annum and mature within one year.

**17. Non-Current Assets Classified as Held for Sale**

Leasehold land that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
<b>At carrying value:</b>		
At beginning of the year	409,271,100	341,731,556
Transfer (to)/ from land held for property development (Note 5)	(312,666,135)	68,489,894
Transfer (to)/ from property, plant and equipment (Note 4)	(30,954,988)	10,986,337
Less: Disposal	-	(11,936,687)
	<u>65,649,977</u>	<u>409,271,100</u>
<b>Accumulated impairment loss:</b>		
At beginning of the year	(219,794,868)	(219,794,868)
Transfer to land held for property development (Note 5)	201,237,787	-
Transfer to property, plant and equipment (Note 4)	18,557,081	-
	-	(219,794,868)
At end of the year	<u>65,649,977</u>	<u>189,476,232</u>

The leasehold land of the Group was previously charged as securities for Promissory Note issued by the Company as disclosed in Note 23 of which the said Promissory Note was fully settled during the financial year. Upon the full settlement of the Promissory Note, the said leasehold land with the carrying values of RM128,027,849 and RM12,397,907 were reclassified to land held for property development and property, plant and equipment respectively as a result of the Group's subsequent decision not to dispose these land.

**17. Non-Current Assets Classified as Held for Sale (Cont'd)**

At the reporting date, the carrying amount of RM65,649,977 refers to the pending completion of the land sale as follows:-

- (i) The Group entered into sale and purchase agreements to dispose ten lots of vacant leasehold land for a total cash consideration of RM35,049,546. As such, these land were transferred from land held for property development to non-current assets classified as held for sale as at the end of the financial year. Details of the proposed disposal of these vacant leasehold land are disclosed in Note 41(a); and
- (ii) In the previous financial year, the Group entered into sale and purchase agreements to dispose a few lots of vacant leasehold land for a total cash consideration of RM44,967,408. As such, these land were transferred from land held for property development to non-current assets classified as held for sale in the previous financial year. The completion of the land sale is pending the fulfilment of certain terms and conditions of the sale and purchase agreements.

These land were previously pledged for a term loan facility granted to a subsidiary as disclosed in Note 21. The pledge was discharged as the said term loan facility was fully settled during the financial year.

**18. Share Capital**

	<b>Group/Company</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
Authorised:		
4,000,000,000 ordinary shares of RM0.50 each	<u>2,000,000,000</u>	<u>2,000,000,000</u>
Issued and fully paid:		
2,030,059,680 ordinary shares of RM0.50 each	<u>1,015,029,840</u>	<u>1,015,029,840</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

**19. Reserves**

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Accumulated losses	(786,374,308)	(776,490,829)	(476,346,081)	(475,304,206)
<b>Non-distributable</b>				
Asset revaluation reserve	207,628,632	211,810,892	-	-
Foreign currency translation reserve	(148,669)	9,415,565	-	-
	207,479,963	221,226,457	-	-
	<u>(578,894,345)</u>	<u>(555,264,372)</u>	<u>(476,346,081)</u>	<u>(475,304,206)</u>

The nature and purpose of each category of reserves are as follows:

**(a) Asset revaluation reserve**

The asset revaluation reserve represents increases in fair value of leased land, leasehold land and hotel property, net of tax.

**(b) Foreign currency translation reserve**

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operations.



**20. Hire Purchase Payables**

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
Total instalment payments	1,328,765	2,468,424
Less: Future finance charges	<u>(72,686)</u>	<u>(126,185)</u>
Present value of hire purchase payables	<u>1,256,079</u>	<u>2,342,239</u>
 <i>Payable within 1 year</i>		
Total instalment payments	900,106	1,654,189
Less: Future finance charges	(35,611)	(92,544)
Present value of hire purchase payables	864,495	1,561,645
 <i>Payable after 1 year but not later than 5 years</i>		
Total instalment payments	428,659	814,235
Less: Future finance charges	(37,075)	(33,641)
Present value of hire purchase payables	<u>391,584</u>	<u>780,594</u>
	<u>1,256,079</u>	<u>2,342,239</u>

The hire purchase payables of the Group bear interest at rates ranging from 2.19% to 10.97% (2012: 4.17% to 10.97%).

**21. Bank Borrowings**

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
<b>Secured</b>		
<b>Term Loan I</b>		
7.75% to 8.40% (2012: 7.75% to 8.40%) per annum	14,898,763	14,898,763
<b>Term Loan II</b>		
Base lending rate ("BLR") + 0.325% per annum financing charges repayable in December 2012	-	210,031,188
<b>Term Loan III</b>		
Under Al Bai' Bithaman Ajil arrangement BLR + 4.0% financing charges repayable in July 2014	-	3,951,736
<b>Term Loan IV</b>		
Under Al Bai' Bithaman Ajil arrangement Internal rate of return of 9% (2011: 9%) per annum financing charges repayable in February 2015	-	3,345,302
	<u>14,898,763</u>	<u>232,226,989</u>
Repayment due within twelve months	<u>(14,898,763)</u>	<u>(224,929,951)</u>
Repayment due after twelve months	<u>-</u>	<u>7,297,038</u>

Term Loan I is secured by the following:-

- (a) corporate guarantee of the Company and
- (b) charge over shares (and all rights thereto) issued by a subsidiary as disclosed in Note 6.

Term Loans II, III and IV were fully settled during the financial year.

**21. Bank Borrowings (Cont'd)**

Term Loans II, III and IV were previously secured by the following:

**Term Loan II**

- (a) fixed and floating charge over the assets and undertaking of the subsidiary;
- (b) debenture comprising fixed and floating charges over all present and future assets of certain subsidiaries, as disclosed in Notes 4, 8, 11, 12, 13 and 16 respectively;
- (c) charge over shares (and all rights thereto) issued by the subsidiary, but excluding shares currently charged to Malaysian Assurance Alliance and Term Loan I as disclosed in Note 6;
- (d) first ranking, fixed charge and registered mortgage by the subsidiary over the Nexus Resort Karambunai Hotel as disclosed in Note 4;
- (e) first ranking, third party fixed charge and registered mortgage by a subsidiary over its land bank in Karambunai as disclosed in Notes 4 and 5;
- (f) assignment of the rights and benefits of sales proceeds under the Sale and Purchase Agreements entered into between the subsidiaries with purchasers of the Nexus Residences project;
- (g) assignment of all project insurance and proceeds thereof;
- (h) assignment of the designated accounts (subsidiary's revenue and operating account, Nexus Residences project account, Debts Service Reserve accounts);
- (i) assignment of the rights, title, interest and benefit of the subsidiaries over the joint venture agreement;
- (j) corporate guarantee of the Company; and
- (k) corporate guarantee of certain subsidiaries.

**Term Loans III and IV**

- (a) fixed charges on certain development properties of certain subsidiaries, as disclosed in Note 11;
- (b) deed of assignment on all rights, interest and benefits of project revenue accounts, finance service reserve account and project operating account of a subsidiary opened and maintained with the bank; and
- (c) corporate guarantee of the Company

The foreign currency exposure profile of secured term loans is as follows:-

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
United States Dollar	14,898,763	14,898,763

Term Loan I was granted to a subsidiary by a licensed bank and syndicated lenders ("Lenders"). In September 2011, the Lenders have agreed to restructure the outstanding principal amount. The new settlement agreement is now in the midst of finalisation.

**21. Bank Borrowings (Cont'd)**

The maturity profile of term loans for the Group is as follows:-

Group	Current				Non-current					Total RM
	Within 1 Year	Within 1 - 2 Years	Within 2 - 3 Years	Within 3 - 4 Years	Within 4 - 5 Years	Within 5 Years	After 5 Years	Sub Total	RM	
	RM	RM	RM	RM	RM	RM	RM	RM	RM	
<b>2013</b>										
Term loan										
I	14,898,763	-	-	-	-	-	-	-	-	14,898,763
<b>2012</b>										
Term loan										
I	14,898,763	-	-	-	-	-	-	-	-	14,898,763
II	210,031,188	-	-	-	-	-	-	-	-	210,031,188
III	-	-	3,951,736	-	-	-	-	3,951,736	3,951,736	3,951,736
IV	-	-	-	3,345,302	-	-	-	3,345,302	3,345,302	3,345,302
	224,929,951	-	3,951,736	3,345,302	-	-	-	7,297,038	232,226,989	

**22. Deferred Tax Liabilities**

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
At beginning of the year	179,123,400	225,761,508
Recognised in profit or loss (Note 31)	55,395,255	(12,871,681)
Recognised in other comprehensive income	4,182,260	(33,766,427)
At end of the year	<u>238,700,915</u>	<u>179,123,400</u>

This is in respect of estimated deferred tax liabilities/(assets) arising from temporary differences as follows:-

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Difference between the carrying amount of property, plant and equipment and their tax base	11,580,465	11,354,874	35,473	36,013
Fair value adjustment in respect of acquisition of subsidiaries	105,041,221	104,789,190	-	-
Deductible temporary differences in respect of expenses	(250,478)	(59,107)	(23,730)	(33,993)
Revaluation surplus	69,209,544	63,038,443	-	-
Temporary difference due to tax remission	55,888,078	-	-	-
Unabsorbed capital allowances	(2,767,915)	-	(11,743)	(2,020)
	<u>238,700,915</u>	<u>179,123,400</u>	<u>-</u>	<u>-</u>

**22. Deferred Tax Liabilities (Cont'd)**

The estimated temporary differences for which no deferred tax assets have been recognised in the financial statements are as follows:-

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Unutilised tax losses	257,657,800	230,096,799	655,600	655,600
Unabsorbed capital allowances	15,600,757	13,646,094	2,352,900	2,391,800
Deductible temporary differences in respect of expenses and others	186,012,343	210,028,174	-	-
	<u>459,270,900</u>	<u>453,771,067</u>	<u>3,008,500</u>	<u>3,047,400</u>

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiaries that have a recent history of losses.

**23. Liabilities Directly Associated with Non-Current Assets Classified as Held for Sale**

	<b>Group/Company</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
Promissory Note	-	130,000,000
Interest accrual	-	24,191,781
	<u>-</u>	<u>154,191,781</u>

The Promissory Note was issued as partial settlement sum for the redemption of Bonds 2001/2005.

The Promissory Note which previously bore interest at a rate of 5% per annum, matured on 29 December 2009 and was previously secured and supported as follows:-

- (a) third party first legal charge over the leasehold land and land held for property development of certain subsidiaries of the Company as disclosed in Notes 4 and 5 respectively;

**23. Liabilities Directly Associated with Non-Current Assets Classified as Held for Sale**  
(Cont'd)

- (b) debenture comprising fixed and floating charges on all assets of the Company and of certain subsidiaries of the Company as disclosed in Notes 4 and 5 respectively;
- (c) memorandum of deposit and charge over the entire issued and paid-up share capital of certain subsidiaries of the Company as disclosed in Note 6; and
- (d) Purchase Guarantee Agreement of a Director of the Company in accordance to the settlement agreement on the settlement of the Bonds 2001/2005.

Upon the maturity of Promissory Note on 29 December 2009, the Company was granted with the rectification and purchase guarantee periods until 28 December 2010 to repay the Promissory Note. The Board of Directors intend to dispose the charged land to settle the Promissory Note. The Board of Directors was of the view that the disposal will take place either by procuring third party purchasers or disposal to a Director of the Company, who is the major shareholder of the Company. On 26 May 2011, Abrar Discounts Berhad ("ADB") agreed to accept RM10 million as full and final settlement of the Promissory Note which has to be paid on or before 30 September 2011. The Group was granted an extension of time to settle the Promissory Note by 30 September 2012.

The Promissory Note was fully paid and settled during the financial year on 2 October 2012. Upon the full settlement of the Promissory Note, the Group has subsequently decided not to dispose the said land as disclosed in Note 17.

**24. Trade Payables**

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
Third parties	<u>109,281,140</u>	<u>87,327,648</u>

The normal trade credit term granted to the Group ranges from 30 to 90 days (2012: 30 to 90 days).

Included in trade payables of the Group are:

- (i) retention sum amounting to RM4,803,015 (2012: RM4,803,015); and
- (ii) an amount of RM19,654,225 owing to a creditor pursuant to a court judgement.

**25. Other Payables**

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Other payables	83,087,327	64,485,638	4,975,495	4,516,344
Refundable deposits	6,788,295	7,884,790	6,708,907	6,708,907
Tax penalty and interest payable to Inland Revenue				
Board	69,652,487	62,442,044	167,772	167,772
Accruals	17,872,205	24,234,533	3,125,395	8,645,000
	<u>177,400,314</u>	<u>159,047,005</u>	<u>14,977,569</u>	<u>20,038,023</u>

Included in other payables of the Group are:

- (a) An amount of RM36,527,710 (2012: RM33,846,032) owing to a related party, FACB Industries Incorporated Bhd ("FACBII"), in which certain Directors of the Company are also Directors and have substantial financial interest. The amount owing is subject to an interest rate of 8.25% per annum (2012: 8.25%). The amount will be fully settled via the Proposed Capitalisation to FACBII as disclosed in Note 36(e)(iv).
- (b) An amount of RM16,942,500 (2012: RM2,881,100) being deposits received from the purchasers for the disposal of land which are currently classified as non-current assets classified as held for sale as disclosed in Note 17.

In addition, included in other payables of the Group and the Company are amount of RM1,438,541 (2012: RM1,412,901) and RM 1,378,541 (2012: RM1,351,639) owing to related parties in which certain Directors of the Company are also Directors and have substantial financial interest. These amounts are unsecured, interest free and are repayable on demand by cash.

Included in refundable deposits of the Company are rental deposits received from:-

- (a) subsidiaries amounting to RM37,500 (2012: RM37,500); and
- (b) related parties in which certain Directors of the Company are also Directors and have substantial financial interest amounting to RM71,500 (2012: RM71,500).



**26. Amount Owing to a Director**

This amount owing to a Director is non-trade in nature, unsecured, interest free and is repayable on demand by cash.

Included in the amount owing to the Director is an amount of RM26,694,674 (2012: RM Nil) being gratitude sum payable to the Director pursuant to the three separate shareholders' advances agreements entered into between the Director and the Company on 6 December 2012 as disclosed in Note 36(b).

An amount of RM322,171,319, comprising the gratitude sum of RM26,694,674 and advances of RM295,476,645, out of the total outstanding amount would be settled through the Proposed Capitalisation to TSCLK as disclosed in Note 36(e)(iii).

**27. Provisions**

	<----- Group ----->			Company Employee benefits RM
	Employee benefits RM	Legal claim RM	Total RM	
At 1.4.2012	406,652	6,129,556	6,536,208	135,971
Add: Additional provision	153,190	-	153,190	-
Less: Utilisation	(205,338)	-	(205,338)	(41,052)
At 31.3.2013	<u>354,504</u>	<u>6,129,556</u>	<u>6,484,060</u>	<u>94,919</u>
At 1.4.2011	257,429	-	257,429	135,971
Add: Additional provision	642,996	6,129,556	6,772,552	-
Less: Utilisation	(493,773)	-	(493,773)	-
At 31.3.2012	<u>406,652</u>	<u>6,129,556</u>	<u>6,536,208</u>	<u>135,971</u>

**Employee benefits**

Employee benefits are in respect of short term accumulating compensated absences.

**Legal claim**

This is in respect of a legal claim by Danaharta Managers Sdn Bhd ("Danaharta") of which the court ruled in favour of Danaharta. At the reporting date, the Company is in the process of negotiating with Danaharta for an amicable settlement.

**28. Revenue**

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
Attributable revenue from construction contracts and property development	20,018,102	40,018,078
Sales of completed units	7,694,620	2,105,734
Hotel and golfing revenue	65,073,868	72,375,255
Sales of goods and services	513,979	58,751
Sales of vacant land	2,298,796	34,600,000
	<u>95,599,365</u>	<u>149,157,818</u>

**29. Direct Costs**

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
Attributable construction contracts and property development costs	12,107,379	13,830,047
Cost of completed units	5,522,655	2,026,198
Cost of sales and services	66,420,305	83,961,896
Cost of vacant land and incidental costs	90,522	20,767,522
	<u>84,140,861</u>	<u>120,585,663</u>

**30. Loss Before Tax**

(a) Loss before tax is arrived at after charging/(crediting):-

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Amortisation of upfront fee for a banking facility	885,870	1,474,645	-	-
Auditors' remuneration				
- current year	275,612	344,459	50,000	50,000
- other services	10,000	48,100	-	-
Depreciation of property, plant and equipment	13,841,083	22,378,102	36,321	49,151

**30. Loss Before Tax (Cont'd)**

(a) Loss before tax is arrived at after charging/(crediting)(cont'd):-

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
(Gain)/Loss on foreign exchange:				
- realised	(32,938)	(93,909)	-	-
- unrealised	50,056	517,570	-	-
Gain on disposal of				
- non-current assets classified as held for sale	-	(13,832,478)	-	-
- property, plant and equipment	-	(5,499)	-	-
Gratitude sum payable to a Director (Note 26)	26,694,674	-	26,694,674	-
Impairment loss on:				
- amounts owing by subsidiaries	-	-	20,450,161	2,946,941
- investment in subsidiaries	-	-	-	23,054,617
- property, plant and equipment	-	174,309	-	-
- receivables	2,116,300	1,447,926	-	-
Interest expenses	11,769,592	23,285,963	2,428,444	6,517,808
Interest income	(78,951)	(86,948)	-	-
Leaseback rental	18,426,599	16,382,037	-	-
(Utilisation of)/Provision of employee benefits, net	(52,148)	149,223	(41,052)	-
Provision for legal claim	-	6,129,556	-	-
Rental of:				
- equipment	119,831	124,470	-	-
- premises	343,872	343,428	236,380	194,981
- premises revenue	(67,840)	(25,076)	-	-
Staff costs				
- contribution to defined plan	1,729,449	1,905,185	216,214	156,916
- salaries and others	18,448,721	22,314,831	2,405,720	1,698,332

**30. Loss Before Tax (Cont'd)**

(a) Loss before tax is arrived at after charging/(crediting)(cont'd):-

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Reversal of impairment loss on:				
- amount owing by a subsidiary	-	-	(430,617)	-
- receivables	(64,255)	(1,133)	-	-
- property, plant and equipment	(2,305,450)	-	-	-
- land held for property development	(21,368,794)	-	-	-
Write back of:				
- payables	-	(16,632)	-	-
- liabilities directly associated with non-current assets classified as held for sale	(56,916,438)	-	(56,916,438)	-
Written-off of:				
- available-for-sale financial assets	-	70,000	-	-
- amounts due from subsidiaries	-	-	2,113,362	-
- bad debts	190,263	8,366,869	-	-
- deposits	-	104,027	-	-
- inventories	3,606	28,368	-	-
- property, plant and equipment	1	349,616	-	548

**30. Loss Before Tax (Cont'd)****(b) Directors' remuneration**

Included in staff costs were aggregate amount of remuneration (excluding benefit-in-kind) received and receivable by the Directors during the financial year as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Directors of the Company</b>				
<b>Executive Directors</b>				
- fees	36,000	36,000	-	-
- other emoluments	1,186,997	1,073,779	300,000	300,000
	<u>1,222,997</u>	<u>1,109,779</u>	<u>300,000</u>	<u>300,000</u>
<b>Non-Executive Directors</b>				
- fees	114,000	219,000	114,000	219,000
	<u>114,000</u>	<u>219,000</u>	<u>114,000</u>	<u>219,000</u>
	<u>1,336,997</u>	<u>1,328,779</u>	<u>414,000</u>	<u>519,000</u>

The number of Directors of the Group and the Company whose total remuneration during the financial year fell within the following bands is analysed below:-

	<b>Number of Directors</b>	
	<b>2013</b>	<b>2012</b>
<b>Executive Directors:</b>		
Below RM50,000	1	1
RM50,001 - RM100,000	-	-
RM100,001 - RM150,000	-	-
RM150,001 - RM200,000	-	-
RM200,001 - RM250,000	-	1
RM250,001 - RM300,000	2	1
RM300,001 - RM350,000	-	-
RM350,001 - RM400,000	-	-
RM400,001 - RM450,000	-	-
RM450,001 - RM500,000	1	-
RM500,001 - RM550,000	-	1
<b>Non-Executive Directors:</b>		
Below RM50,000	4	3
RM50,0001 - RM100,000	-	-
RM100,001 - RM150,000	-	1

**31. Income Tax Expense**

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Statement of comprehensive income:</b>				
Current tax:				
Based on result for the year	2,000,534	2,876,531	-	-
Overprovision in prior year	(48,043,442)	(16,269)	-	-
	<u>(46,042,908)</u>	<u>2,860,262</u>	<u>-</u>	<u>-</u>
Deferred tax (Note 22):				
Origination and reversal of temporary differences	232,500	1,639,410	-	-
Under/(Over)provision in prior year	55,162,755	(15,394,283)	-	-
	<u>55,395,255</u>	<u>(13,754,873)</u>	<u>-</u>	<u>-</u>
Income tax recognised in profit or loss	<u>9,352,347</u>	<u>(10,894,611)</u>	<u>-</u>	<u>-</u>
<b>Deferred income tax related to other comprehensive income</b>				
Net decrease on revaluation of land and buildings	-	(29,584,179)	-	-
Under/(overprovision) in prior year	4,182,260	(4,182,248)	-	-
	<u>4,182,260</u>	<u>(33,766,427)</u>	<u>-</u>	<u>-</u>

Malaysian income tax is calculated at the statutory tax rate of 25% (2012: 25%) of the estimated assessable profits for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

**31. Income Tax Expense (Cont'd)**

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

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Loss before tax	<u>(10,000,849)</u>	<u>(53,505,185)</u>	<u>(1,041,875)</u>	<u>(42,851,313)</u>
Tax at the Malaysian statutory income tax rate of 25% (2012: 25%)	(2,500,200)	(13,376,300)	(260,500)	(10,712,800)
Tax effect on non-deductible expenses	17,708,034	13,558,210	14,607,000	10,707,700
Tax effect on non-taxable income	(14,349,700)	(610)	(14,336,800)	-
Deferred tax assets not recognised during the year	7,378,900	6,584,500	-	5,100
Utilisation of deferred tax assets not recognised in previous year	(6,004,000)	(2,249,859)	(9,700)	-
(Over)/Underprovision in prior year				
- current tax	(48,043,442)	(16,269)	-	-
- deferred tax	55,162,755	(15,394,283)	-	-
Income tax recognised in profit or loss	<u>9,352,347</u>	<u>(10,894,611)</u>	<u>-</u>	<u>-</u>

The Group and the Company have the following estimated unutilised tax losses and unabsorbed capital allowances available for set-off against future taxable profits:-

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Unutilised tax losses	257,657,800	230,096,800	655,600	655,600
Unabsorbed capital allowances	26,672,500	13,646,100	2,399,900	2,399,900
	<u>284,330,300</u>	<u>243,742,900</u>	<u>3,055,500</u>	<u>3,055,500</u>

### 32. Loss Per Ordinary Share

The basic loss per ordinary share has been calculated based on the Group's loss attributable to owners of the parent of RM19,348,992 (2012: RM42,596,972) divided by the number of ordinary shares in issue during the financial year of 2,030,059,680 (2012: 2,030,059,680) ordinary shares of RM0.50 each.

### 33. Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:-

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Cash held under housing development accounts	916,015	639,556	-	-
Cash and bank balances	<u>12,542,407</u>	<u>5,072,975</u>	<u>7,412,300</u>	<u>756,890</u>
	13,458,422	5,712,531	7,412,300	756,890
Fixed deposits with licensed banks (Note 16)	<u>1,807,558</u>	<u>3,013,528</u>	<u>-</u>	<u>-</u>
	15,265,980	8,726,059	7,412,300	756,890
Less: Cash deposits pledged [(b) and (c)]	<u>(1,799,011)</u>	<u>(2,777,075)</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents	<u>13,466,969</u>	<u>5,948,984</u>	<u>7,412,300</u>	<u>756,890</u>

Cash and cash equivalents of the Group which are not freely available for the Group's use are as follows:-

- cash held under housing development accounts are maintained pursuant to the requirements of the Housing Developers (Housing Development Account) Regulations, 1991, therefore these monies are for the purpose of payment of expenses incurred on the housing development and are restricted from use in other operations;
- cash deposits amounting to RM1,414,826 (2012: RM2,395,593) are pledged for bank guarantee facilities granted by banks for the purpose of issuing bank guarantee in favour of Ministry of Local Government and Housing in respect of the developer's license granted to certain subsidiaries; and
- cash deposits amounting to RM384,185 (2012: RM381,482) are pledged for bank guarantee facility granted to certain subsidiaries.



**34. Related Party Disclosures****(a) Identifying related parties**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group.

The Group and the Company have related party relationship with its subsidiaries, key management personnel and Directors' related companies.

**(b) Inter-company transactions are as follows:**

	<b>Company</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
Impairment loss on amounts owing by subsidiaries	20,450,161	2,946,941
Reversal of impairment loss on amount owing by a subsidiary	(430,617)	-
Purchase of air tickets and tour from a subsidiary	376,995	368,323
Employee benefits expenses allocated to subsidiaries	351,576	419,339
Meals and accommodation charges paid and payable to subsidiaries	247,691	356,686
Write off of amounts owing by subsidiaries	<u>2,113,362</u>	<u>-</u>

**34. Related Party Disclosures (Cont'd)**

(c) Related party transactions are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Paid and payable to/(Received and receivable from) related parties in which certain Directors of the Company have substantial financial interests and are also Directors:				
- Rental of premises	236,380	259,974	236,380	259,974
- Ticketing and tour revenue	-	(31,835)	-	-
- Interest payable	2,681,678	2,401,555	-	-
Received and receivable from related party in which a Director of the Company has substantial financial interest and is also a Director:				
- Ticketing and tour revenue	(219,466)	(599,726)	-	-
Gratitude sum payable to a Director	26,694,674	-	26,694,674	-
Advances from a Director	322,630,487	27,909,313	322,630,487	-

Information regarding outstanding balances arising from related party transactions as at 31 March 2013 is disclosed in Notes 13, 15, 25 and 26 respectively

(d) Compensation of key management personnel

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Short-term employee benefits expenses	1,228,800	1,247,760	414,000	519,000
Post employment benefits expenses	108,197	81,019	-	-

**34. Related Party Disclosures (Cont'd)**

## (d) Compensation of key management personnel (cont'd)

Included in the total compensation of key management personnel is:-

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Directors' remuneration	<u>1,336,997</u>	<u>1,328,779</u>	<u>414,000</u>	<u>519,000</u>

Information regarding transactions with the key management personnel as at 31 March 2013 is disclosed in Note 30(b).

**35. Operating Lease Commitments**

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows: -

	Group	
	2013 RM	2012 RM
Payable within one year	16,394,339	16,394,339
Payable after one year but not more than 5 years	<u>5,666,564</u>	<u>22,060,903</u>
	<u>22,060,903</u>	<u>38,455,242</u>

Minimum lease payments recognised in profit or loss for the financial year ended 31 March 2013 amounted to RM18,426,599 (2012: RM16,382,037).

**36. Significant Events**

- (a) On 13 August 2012, a settlement agreement was entered into between the Company, Bukit Unggul Golf and Country Resort Sdn Bhd which is a wholly-owned subsidiary of the Company, Tan Sri Dr Chen Lip Keong ("TSCLK") and Abrar Discounts Berhad ("ADB") in respect of the settlement of outstanding sum of RM157,082,575 as at 25 May 2011 comprising the principal sum for a promissory note of RM130,000,000 ("Promissory Note"), interest, costs and other charges under the Promissory Note and security documents due and payable to ADB for a settlement sum of RM110,000,000 as full and final settlement subject to the terms and conditions therein. The Promissory Note was fully paid and settled on 2 October 2012.

**36. Significant Events (Cont'd)**

- (b) On 6 December 2012, the Company entered into three separate shareholder's advances agreements with TSCLK in respect of the following:-
- i. A total of RM98,426,645, being the amount as at 30 November 2012 advanced by TSCLK to the Company for various purposes and in consideration of the advances made by TSCLK, the Company agreed to compensate TSCLK with a gratitude sum of RM6,643,799 subject to the terms and conditions contained therein;
  - ii. A total of RM100,000,000, being the amount advanced by TSCLK to the Company for the settlement of the Promissory Note vide a settlement agreement dated 13 August 2012 [Note 36(a)]. In consideration of the advances made by TSCLK, the Company agreed to compensate TSCLK with a gratitude sum of RM6,750,000 subject to the terms and conditions contained therein; and
  - iii. A total of RM197,050,000, being the amount advanced by TSCLK to the Company for the repayment of a syndicated standby letter of credit facilities (Term Loan II)(Note 21) obtained by Hartamas Group Berhad, which is a wholly-owned subsidiary of the Company. In consideration of the advances made by TSCLK, the Company agreed to compensate TSCLK with a gratitude sum of RM13,300,875 subject to the terms and conditions contained therein.
- (c) On 6 December 2012, the Company entered into a settlement agreement with TSCLK in relation to the debt settlement of RM322,171,139 owing to TSCLK via the issuance of 2,899,831,854 new ordinary shares of the Company at the issue price of RM0.1111 per share ("Proposed Capitalisation to TSCLK").
- (d) On 6 December 2012, the Company entered into a settlement agreement with FACBII and Dapan Holdings Sdn Bhd, which is an indirect wholly-owned subsidiary of the Company, in relation to the settlement of debt owing to FACBII via the issuance of new ordinary shares of the Company at the issue price of RM0.1111 per share ("Proposed Capitalisation to FACBII").
- (e) On 6 December 2012, the Company announced that it will undertake the following proposals ("Proposed Corporate Exercise"):
- i. Proposed capital reconstruction involving the cancellation of RM0.40 of the par value of every existing ordinary shares of RM0.50 each in the issued and paid-up share capital of the Company pursuant to Section 64(1) of the Companies Act, 1965 and the credit arising therefrom to be offset against the accumulated losses of the Company ("Proposed Capital Reconstruction");

**36. Significant Events (Cont'd)**

- (e) On 6 December 2012, the Company announced that it will undertake the following proposals ("Proposed Corporate Exercise")(cont'd):
- ii. Proposed renounceable rights issue of up to 507,514,920 new ordinary shares of RM0.10 each in the Company ("KCB share(s)" or "share(s)") ("Rights Share(s)") on the basis of one (1) rights share for every four (4) existing KCB shares held, together with up to 1,015,029,840 free detachable warrants ("Warrants") on the basis of two (2) Warrants for every one (1) Right Share subscribed for, based on an entitlement date to be determined later after the Proposed Capital Reconstruction ("Proposed Rights Issue with Warrants");
  - iii. Proposed Capitalisation to TSCLK;
  - iv. Proposed Capitalisation to FACBII;
  - v. Proposed exemption under Paragraph 16.1 of Practice Note 9 of the Malaysian Code on Take-Overs and Mergers, 2010 to TSCLK and the parties acting in concert with him from the obligation to undertake a mandatory take-over offer for all the remaining KCB shares not already held by them pursuant to the Proposed Rights Issue with Warrants, the Proposed Capitalisation to TSCLK and the Proposed Capitalisation to FACBII ("Proposed Exemption"); and
  - vi. Proposed amendments to the memorandum and articles of association of KCB ("Proposed Amendments")

Approvals for the Proposed Corporate Exercise have been obtained from:-

- 1) The Controller of Foreign Exchange (via Bank Negara Malaysia) had on 18 February 2013 approved the issuance of the warrants to the entitled non-resident shareholders of the Company pursuant to the Proposed Rights Issue with Warrants;
- 2) Bursa Malaysia Securities Berhad had on 10 May 2013 approved the listing application submitted on 6 February 2013;
- 3) The shareholders of the Company via an extraordinary general meeting held on 27 June 2013; and
- 4) The Securities Commission for the Proposed Exemption on 9 July 2013.

The implementation of the Proposed Corporate Exercise is now subject to approval being obtained from the High Court of Malaya, pursuant to Section 64(1) of the Companies Act, 1965.

### 37. Segment Information

For management purposes, the Group is organised into business segments based on their services and has four reportable operating segments as follows:-

Leisure and tourism	Travel and tours agency, golf and country club operation and management, resort hotel operation and management.
Property development and construction	Property development, construction and project contractor.
Management services, venture capital and investment holdings	Investment holdings, provision of management services, consultancy and money lending.
Trading	Trading of goods

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

**37. Segment Information (cont'd)**

Segment assets and liabilities information are neither included in the internal management reports nor provided regularly to the management. Hence no disclosures are made on segment assets and liabilities.

**(a) Operating Segments**

	Leisure & Tourism RM	Property Development & Construction RM	Management Services, Venture Capital & Investment Holdings RM	Trading RM	Adjustment and Eliminations RM	Note	Consolidated RM
<b>2013</b>							
<b>Revenue</b>							
External revenue	61,044,851	36,444,089	1,367,895	-	(3,257,470)		95,599,365
Inter-segment revenue	(1,217,621)	(1,246,490)	(793,359)	-	3,257,470	a(i)	-
Total revenue	59,827,230	35,197,599	574,536	-	-		95,599,365
<b>Result</b>							
Interest expenses	4,673,728	4,664,173	2,431,691	-	-		11,769,592
Interest income	-	(78,670)	(281)	-	-		(78,951)
Other non-cash expenses/(income)	9,302,622	(17,151,143)	(29,109,652)	3	-	a(ii)	(36,958,170)
Segment (loss)/profit before tax	(17,524,244)	(20,381,933)	21,148,252	471,468	6,285,608	a(ii)	(10,000,849)

## 37. Segment Information (Cont'd)

## (a) Operating Segments (cont'd)

2012	Management Services, Venture Capital & Investment Holdings						Note	Consolidated
	Leisure & Tourism RM	Property Development & Construction RM	Trading RM	Adjustment and Eliminations RM	RM	RM		
<b>Revenue</b>								
External revenue	66,502,401	93,706,016	154,785	(12,779,627)			149,157,818	
Inter-segment revenue	(3,230,837)	(8,033,298)	-	12,779,627	a(i)		-	
Total revenue	63,271,564	85,672,718	154,785	-			149,157,818	
<b>Result</b>								
Interest expenses	7,198,765	8,808,389	-	-			23,285,963	
Interest income	(35,486)	(51,288)	-	-			(86,948)	
Other non-cash expenses/(income)	28,188,833	(1,623,189)	133,038	-	a(ii)		27,240,560	
Segment loss before tax	(32,482,755)	(2,336,179)	(394,088)	627,994	a(ii)		(53,505,185)	



**37. Segment Information (Cont'd)****(a) Operating Segments (cont'd)**

- (i) Inter-segment revenues are eliminated on consolidation.
- (ii) Other non-cash expenses/(income) consist of the following items as presented in the respective notes to the financial statements:

	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
Amortisation of upfront fee for a banking facility	885,870	1,474,645
Depreciation of property, plant and equipment	13,841,083	22,378,102
(Gain)/Loss on foreign exchange:		
- realised	(32,938)	(93,909)
- unrealised	50,056	517,570
Gratitude sum payable to a Director	26,694,674	-
Gain on disposal of:		
- non-current assets classified as held for sale	-	(13,832,478)
- property, plant and equipment	-	(5,499)
Impairment loss on:		
- property, plant and equipment	-	174,309
- receivables	2,116,300	1,447,926
(Utilisation of)/provision for employee benefits, net	(52,148)	149,223
Provision for legal claim	-	6,129,556
Reversal of impairment loss on:		
- receivables	(64,255)	(1,133)
- property, plant and equipment	(2,305,450)	-
- land held for property development	(21,368,794)	-
Write back of:		
- payables	-	(16,632)
- liabilities directly associated with non-current assets classified as held for sale	(56,916,438)	-
Written off of:		
- available-for-sale financial assets	-	70,000
- bad debts	190,263	8,366,869
- deposits	-	104,027
- inventories	3,606	28,368
- property, plant and equipment	1	349,616
	<u>(36,958,170)</u>	<u>27,240,560</u>

**37. Segment Information (Cont'd)****(b) Geographical Information**

Revenue information based on the geographical location of customers is as follows:

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
Malaysia	<u>95,599,365</u>	<u>149,157,818</u>

There is no single customer with revenue equal or more than 10% of the Group revenue.

**38. Material Litigations****Group**

- (i) On 10 December 2012, a group of purchasers and owners of units ("Claimants") of a development known as Precinct Dillenia, Nexus Residences Karambunai ("Project") has initiated an arbitration claim against Nexus Bay Resort Karambunai Sdn Bhd ("Respondent"), an indirect wholly-owned subsidiary of the Company who is also the developer for the Project, for amongst others, the outstanding rental of RM18,550,801.05 and overdue interest of RM8,571,605.36 pursuant to the hotel sub-lease agreements entered into between the respective Claimants and the Respondent. The Respondent had filed an application to strike out the Claimants' Statement of Claim on 4 April 2013 in respect of which the Claimants had filed an Affidavit in Opposition and the Respondent had filed Respondent's Affidavit in Reply and Reply Submissions. The Respondent is currently awaiting Arbitrator's ruling. The Respondent's solicitors are of the view that the Respondent has a fair chance of striking out the Claimants' Statement of Claim and in the event the Respondent does not succeed, directions for trial will be given.
- (ii) In 1998, Ho See Sin ("the Petitioner"), a minority shareholder of First Travel and Tours (M) Sdn Bhd ("FTT") which is a 95.69%-owned subsidiary company of the Company, had presented a legal petition against FTT, the Company and a Director of the Company (collectively the "Respondents") to wind up FTT pursuant to Section 181 of the Companies Act, 1965, on allegation that the affairs of FTT were being conducted in a manner oppressive to the Petitioner and in disregard of his interest as a shareholder of FTT. The last hearings for this matter were on 29 April 2009 and 30 April 2009. Subsequently, there has been no new hearing date fixed. The solicitors for FTT are of the view that the petition ought to be dismissed against the Respondents if the case proceeds further. The Respondents intend to file an application to strike out the case for want of prosecution.

**39. Financial Instruments**

## (a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of the financial instruments are measured and how income and expenses including fair values gain or loss are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis:

	Available for sale RM	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
<b>Group</b>				
<b>2013</b>				
<b>Financial Assets</b>				
Available for sale financial assets	130,000	-	-	130,000
Trade receivables	-	19,996,871	-	19,996,871
Other receivables	-	6,882,660	-	6,882,660
Cash deposits with licensed banks	-	1,807,558	-	1,807,558
Cash and bank balances	-	13,458,422	-	13,458,422
<b>Total financial assets</b>	<b>130,000</b>	<b>42,145,511</b>	<b>-</b>	<b>42,275,511</b>
<b>Financial Liabilities</b>				
Trade payables	-	-	109,281,140	109,281,140
Other payables	-	-	177,400,314	177,400,314
Amount owing to a Director	-	-	422,618,768	422,618,768
Hire purchase payables	-	-	1,256,079	1,256,079
Bank borrowings	-	-	14,898,763	14,898,763
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>725,455,064</b>	<b>725,455,064</b>

**39. Financial Instruments (Cont'd)**

## (a) Classification of financial instruments (cont'd)

	Available for sale RM	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
<b>Group</b>				
<b>2012</b>				
<b>Financial Assets</b>				
Available for sale financial assets	130,000	-	-	130,000
Trade receivables	-	19,004,984	-	19,004,984
Other receivables	-	10,028,627	-	10,028,627
Cash deposits with licensed banks	-	3,013,528	-	3,013,528
Cash and bank balances	-	5,712,531	-	5,712,531
<b>Total financial assets</b>	<b>130,000</b>	<b>37,759,670</b>	<b>-</b>	<b>37,889,670</b>
<b>Financial Liabilities</b>				
Trade payables	-	-	87,327,648	87,327,648
Other payables	-	-	159,047,005	159,047,005
Amount owing to a Director	-	-	73,293,607	73,293,607
Hire purchase payables	-	-	2,342,239	2,342,239
Promissory Note - secured	-	-	154,191,781	154,191,781
Bank borrowings	-	-	232,226,989	232,226,989
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>708,429,269</b>	<b>708,429,269</b>
<b>Company</b>				
<b>2013</b>				
<b>Financial Assets</b>				
Available for sale financial assets	60,000	-	-	60,000
Other receivables	-	116,109	-	116,109
Amounts owing by subsidiaries	-	322,083,939	-	322,083,939
Cash and bank balances	-	7,412,300	-	7,412,300
<b>Total financial assets</b>	<b>60,000</b>	<b>329,612,348</b>	<b>-</b>	<b>329,672,348</b>

**39. Financial Instruments (Cont'd)**

## (a) Classification of financial instruments (cont'd)

	Available for sale RM	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
<b>Company (Cont'd)</b>				
<b>2013 (Cont'd)</b>				
<b>Financial Liabilities</b>				
Other payables	-	-	14,977,569	14,977,569
Amount owing to a Director	-	-	422,618,768	422,618,768
Amounts owing to subsidiaries	-	-	56,537,672	56,537,672
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>494,134,009</b>	<b>494,134,009</b>
<b>2012</b>				
<b>Financial Assets</b>				
Available for sale financial assets	60,000	-	-	60,000
Other receivables	-	488,963	-	488,963
Amounts owing by subsidiaries	-	69,814,426	-	69,814,426
Cash and bank balances	-	756,890	-	756,890
<b>Total financial assets</b>	<b>60,000</b>	<b>71,060,279</b>	<b>-</b>	<b>71,120,279</b>
<b>Financial Liabilities</b>				
Other payables	-	-	20,038,023	20,038,023
Amount owing to a Director	-	-	15,749,201	15,749,201
Amounts owing to subsidiaries	-	-	55,540,339	55,540,339
Promissory Note - secured	-	-	154,191,781	154,191,781
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>245,519,344</b>	<b>245,519,344</b>

## (b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its financial risks, including credit risk, interest rate risk, liquidity risk, foreign currency risk and cash flows risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

**39. Financial Instruments (Cont'd)****(b) Financial risk management objectives and policies**

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

**(i) Credit risk**Receivables

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the inability of its customers to make payments when due. Cash and bank balances and fixed deposits with licensed banks are placed with credit worthy financial institutions.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group does not have any significant exposure to any individual customer at the reporting date.

Inter Company Balances

The Company provides advances to subsidiaries. The maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position as at the end of the financial year.

As at the end of the financial year, there was no indication that the advances to subsidiaries are not recoverable after than those which had been impaired. The Company does not specifically monitor the ageing of the advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

**39. Financial Instruments (Cont'd)****(b) Financial risk management objectives and policies (cont'd)****(i) Credit risk (Cont'd)**Financial Guarantees

The Company provides secured corporate guarantees amounting to RM77,210,254 (2012: RM266,073,021) to banks in respect of banking facilities granted to certain subsidiaries and to suppliers for granting of credit term to the subsidiaries.

As at reporting date, the fair value of the financial guarantees is negligible as the probability of the financial guarantees being called upon is remote at the initial recognition to the outstanding loans in the subsidiaries are adequately secured by assets as disclosed in Note 21. Should the subsidiaries default any loan repayments, the proceeds from the realisation of assets will be able to satisfy the outstanding debts.

At the end of the reporting date, there was no indication that the subsidiary which was granted with the Term Loan I (Note 21) would default on repayment. Hence, the financial guarantee granted by the Company has not been recognised since the fair value on initial recognition was not material.

**(ii) Interest rate risk**

The Group is exposed to interest rate risk arising primarily from financing through interest bearing financial assets and financial liabilities. The Group's policy is to obtain the financing with the most favourable interest rates in the market.

Interest bearing financial assets includes cash deposits with licensed banks and other corporation which are placed for better yield returns than cash at banks and to satisfy conditions for bank guarantee and borrowing facilities granted to the Group.

Borrowings at floating rate amounting to RM14,898,763 (2012: RM14,898,763) expose the Group to cash flow interest rate risk whilst borrowings at fixed rate amounting to RM1,256,079 (2012: RM219,670,465) expose the Group to fixed interest rate risk.

The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

**39. Financial Instruments (Cont'd)****(b) Financial risk management objectives and policies (cont'd)****(ii) Interest rate risk (cont'd)**

The carrying amounts of the Group's financial instruments that are exposed to interest rate risk are as follows:

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>
<b>Financial Asset</b>		
Fixed deposits with licensed banks	<u>1,807,558</u>	<u>3,013,528</u>
<b>Financial Liability</b>		
Bank borrowings - secured	<u>14,898,763</u>	<u>232,226,989</u>

Interest rate sensitivity analysis

An increase in market interest rates by 1% on financial assets and liabilities of the Group which have variable interest rates at the end of the reporting period would increase the loss before tax by RM130,900 (2012: RM2,292,100). This analysis assumes that all other variables remain unchanged.

A decrease in market interest rates by 1% on financial assets and liabilities of the Group which have variable interest rates at the end of the reporting period would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain unchanged.

**(iii) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulties in meeting financial obligations due to shortage of funds. The Group's exposures to liquidity risk arise primarily from mismatches of financial assets and liabilities. The Group's financial liabilities comprise of trade payable and other payables which are due within one year or payable on demand and term loans / hire purchase payables which have fixed terms of repayment.



**39. Financial Instruments (Cont'd)**

- (b) Financial risk management objectives and policies (cont'd)
  - (iii) Liquidity risk (cont'd)

As disclosed in Note 2(d), the Directors of the Company are of the opinion that the going concern assumption of the Group and the Company is appropriate as the Group is currently undertaking certain initiatives, which include the implementation of corporate restructuring and fund raising exercise to meet their obligations in the immediate term as disclosed in Note 36(e). In addition, the Group has entered into sale and purchase agreement for the disposal of land (Note 17) and has obtained continuing support from creditors, major shareholder and bankers and will continue to streamline the operations of the Group and the Company to generate positive cash flows and future profits.

**39. Financial Instruments (Cont'd)****(b) Financial risk management objectives and policies (cont'd)****(iii) Liquidity risk (cont'd)**

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the financial year based on contractual undiscounted repayment obligations:

	-----2013----->				
	Carrying amount RM	Contractual cash flows RM	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM
<b>Group</b>					
Trade payables	109,281,140	109,281,140	109,281,140	-	-
Other payables	177,400,314	177,400,314	177,400,314	-	-
Hire purchase payables	1,256,079	1,328,765	900,106	142,170	286,489
Amount owing to a Director	422,618,768	422,618,768	422,618,768	-	-
Bank borrowings - secured	14,898,763	14,898,763	14,898,763	-	-
	<u>725,455,064</u>	<u>725,527,750</u>	<u>725,099,091</u>	<u>142,170</u>	<u>286,489</u>
<b>Company</b>					
Other payables	14,977,569	14,977,569	14,977,569	-	-
Amount owing to a Director	422,618,768	422,618,768	422,618,768	-	-
Amounts owing to subsidiaries	56,537,672	56,537,672	56,537,672	-	-
	<u>494,134,009</u>	<u>494,134,009</u>	<u>494,134,009</u>	<u>-</u>	<u>-</u>

**39. Financial Instruments (Cont'd)****(b) Financial risk management objectives and policies (cont'd)****(iii) Liquidity risk (cont'd)**

	2012				
	Carrying amount RM	Contractual cash flows RM	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM
<b>Group</b>					
Trade payables	87,327,648	87,327,648	87,327,648	-	-
Other payables	159,047,005	159,047,005	159,047,005	-	-
Hire purchase payables	2,342,239	2,468,424	1,654,189	645,993	168,242
Amount owing to a Director	73,293,607	73,293,607	73,293,607	-	-
Promissory Note -secured	154,191,781	154,191,781	154,191,781	-	-
Bank borrowings - secured	232,226,989	239,129,030	230,321,505	-	8,807,525
	<u>708,429,269</u>	<u>715,457,495</u>	<u>705,835,735</u>	<u>645,993</u>	<u>8,975,767</u>
<b>Company</b>					
Other payables	20,038,023	20,038,023	20,038,023	-	-
Amount owing to a Director	15,749,201	15,749,201	15,749,201	-	-
Amounts owing to subsidiaries	55,540,339	55,540,339	55,540,339	-	-
Promissory Note -secured	154,191,781	154,191,781	154,191,781	-	-
	<u>245,519,344</u>	<u>245,519,344</u>	<u>245,519,344</u>	<u>-</u>	<u>-</u>

**39. Financial Instruments (Cont'd)****(b) Financial risk management objectives and policies (cont'd)****(iv) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on transactions that are denominated in foreign currencies, primarily United States Dollar (USD), Singapore Dollar (SGD) and Chinese Renminbi (RMB).

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss net of tax to a reasonably possible change in the USD, SGD and RMB exchange rates against the respective functional currency of the Group entities, with all other variables held constant.

	<b>Denominated in</b>			<b>Total RM</b>
	<b>USD RM</b>	<b>SGD RM</b>	<b>RMB RM</b>	
<b>Group</b>				
<b>2013</b>				
<b>Financial liabilities</b>				
Trade payables	-	155,802	1,246,828	1,402,630
Bank borrowing				
- secured	14,898,763	-	-	14,898,763
	<u>14,898,763</u>	<u>155,802</u>	<u>1,246,828</u>	<u>16,301,393</u>
<b>2012</b>				
<b>Financial liabilities</b>				
Trade payables	-	1,596	2,609,782	2,611,378
Bank borrowing				
- secured	14,898,763	-	-	14,898,763
	<u>14,898,763</u>	<u>1,596</u>	<u>2,609,782</u>	<u>17,510,141</u>

**39. Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (cont'd)

(iv) Foreign currency risk (cont'd)

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the Group's loss for the financial year to a reasonably possible change in the USD, SGD and RMB exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	<b>2013</b>	<b>2012</b>
	<b>Increase/ (Decrease)</b>	<b>Increase/ (Decrease)</b>
<u>Effects on loss for the financial year:</u>		
<b>USD</b>		
- Strengthen by 5% (2012: 5%)	744,938	744,938
- Weaken by 5% (2012: 5%)	(744,938)	(744,938)
<b>SGD</b>		
- Strengthen by 5% (2012: 5%)	7,790	80
- Weaken by 5% (2012: 5%)	(7,790)	(80)
<b>RMB</b>		
- Strengthen by 5% (2012: 5%)	62,341	130,489
- Weaken by 5% (2012: 5%)	<u>(62,341)</u>	<u>(130,489)</u>

(c) Fair value of financial instruments

Financial instrument at fair value

The fair value measurement hierarchies used to measure financial instruments at fair value in the statements of financial position are 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 the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

**39. Financial Instruments (Cont'd)**

## (c) Fair value of financial instruments (cont'd)

Financial instrument at fair value (cont'd)

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>Group</b>				
<b>2013</b>				
<b>Financial Asset</b>				
Available for sale financial asset	-	-	130,000	130,000
<hr/>				
<b>2012</b>				
<b>Financial Asset</b>				
Available for sale financial asset	-	-	130,000	130,000
<hr/>				
<b>Company</b>				
<b>2013</b>				
<b>Financial Asset</b>				
Available for sale financial asset	-	-	60,000	60,000
<hr/>				
<b>2012</b>				
<b>Financial Asset</b>				
Available for sale financial asset	-	-	60,000	60,000
<hr/>				

There were no transfers between Level 1 and Level 2 during the current and previous financial years.

**39. Financial Instruments (Cont'd)**

## (c) Fair value of financial instruments (cont'd)

Financial instrument other than those carried at fair value

*Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value*

The carrying amounts of short term receivables and payable, cash and cash equivalents and short term borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

The carrying amount of long term floating rate loans approximates their fair value as the loans will be re-priced to market interest rate on or near reporting date.

*Financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value*

The carrying amounts of the financial assets and liabilities of the Group and the Company at the reporting date reasonably approximate their fair values except as follows:

	Group		Company	
	Carrying Amount RM	Fair Values RM	Carrying Amount RM	Fair Values RM
<b>2013</b>				
<b>Financial Asset</b>				
Available-for-sale financial assets (Note 7)	130,000	*	60,000	*
<b>Financial Liability</b>				
Hire purchase payables (non-current)	<u>391,584</u>	<u>371,147</u>	<u>-</u>	<u>-</u>

**39. Financial Instruments (Cont'd)**

## (c) Fair value of financial instruments (cont'd)

Financial instrument other than those carried at fair value (cont'd)

*Financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value (cont'd)*

	Group		Company	
	Carrying Amount RM	Fair Values RM	Carrying Amount RM	Fair Values RM
<b>2012</b>				
<b>Financial Asset</b>				
Available-for-sale financial assets (Note 7)	130,000	*	60,000	*
<b>Financial Liability</b>				
Hire purchase payables (non-current)	<u>780,594</u>	<u>785,326</u>	<u>-</u>	<u>-</u>

\* Information regarding fair value of unquoted equity instruments is disclosed in Note 7.

The fair value of hire purchase payables and fixed rate loan is estimated using discounted cash flow analysis, based on current lending rate for similar types of borrowing arrangements.

**40. Capital Management**

The Group's management manage its capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern and maintains an optimal capital structure, so as to maximise shareholders value. The management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings (exclude trade and other payables, amount owing to a Director, less cash and cash equivalents). Capital includes equity attributable to owners of the parent.



**40. Capital Management (Cont'd)**

The gearing ratio is as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Total interest-bearing borrowings (RM)	16,154,842	388,761,009	-	154,191,781
Less: Cash and cash equivalents (RM)	<u>13,466,969</u>	<u>5,948,984</u>	<u>7,412,300</u>	<u>756,890</u>
Total net debts (RM)	<u>2,687,873</u>	<u>382,812,025</u>	<u>(7,412,300)</u>	<u>153,434,891</u>
Total equity attributable to the owners of the parent (RM)	<u>547,671,294</u>	<u>571,301,267</u>	<u>650,219,558</u>	<u>651,261,433</u>
Debt-to-equity ratio (%)	<u>0.5%</u>	<u>67.0%</u>	<u>*</u>	<u>23.6%</u>

\* *Not meaningful*

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

The Group is not subject to any externally imposed capital requirements.

**41. Subsequent Events**

- (a) On 3 April 2013, Dapan Holdings Sdn Bhd, an indirect wholly-owned subsidiary of the Company, entered into ten separate sale and purchase agreements to dispose ten lots of vacant leasehold land in Bandar Sierra, KM 20, Jalan Tuaran, Kota Kinabalu, Sabah held under country lease 015414972 to Sinkong Construction Sdn Bhd for an aggregate cash consideration of RM35,049,546.

**41. Subsequent Events (Cont'd)**

(b) Subsequent to the financial year end, the following dormant wholly-owned subsidiaries of the Company have been struck off from the respective Registrars of Companies:

- i. Sunnyland Corporation Limited;
- ii. Sahara Red Incorporated;
- iii. Alpha Terrace Sdn Bhd;
- iv. FACBAerospace Sdn Bhd;
- v. FACB Management Sdn Bhd;
- vi. First Multimedia Corporation Sdn Bhd;
- vii. First Network (M) Sdn Bhd; and
- viii. Karambunai Two Golf & Country Club Sdn Bhd

**42. Comparative figures**

The comparative figures have been audited by a firm of chartered accountant other than UHY.

**43. Date of Authorisation For Issue**

The financial statements of the Group and of the Company for the financial year ended 31 March 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 29 July 2013.

### Supplementary Information on the Disclosure of Realised and Unrealised Profits or Losses

The following analysis of realised and unrealised retained profits/ (accumulated losses) of the Group and of the Company as at 31 March 2013 is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad (“Bursa Securities”) dated 25 March 2010 and prepared 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.

The accumulated losses of the Group and of the Company as at 31 March 2013 is analysed as follows:


	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Total accumulated losses of the Company and its subsidiaries				
- realised	(1,323,671,636)	(1,238,978,452)	(476,346,081)	(475,304,206)
- unrealised	(63,557,958)	(10,403,575)	-	-
	<u>(1,387,229,594)</u>	<u>(1,249,382,027)</u>	<u>(476,346,081)</u>	<u>(475,304,206)</u>
Less: Consolidation adjustments	600,855,286	472,891,198	-	-
Total accumulated losses	<u><u>(786,374,308)</u></u>	<u><u>(776,490,829)</u></u>	<u><u>(476,346,081)</u></u>	<u><u>(475,304,206)</u></u>

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

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE THREE  
(3)-MONTH FPE 30 JUNE 2013

CERTIFIED TRUE COPY

**KARAMBUNAI CORP BHD (6461-P)**  
**Condensed Statement of Comprehensive Income**  
**For Financial Period Ended 30 June 2013**  
(The figures have not been audited.)

  
Chang Yuet Mei  
MAICSA 0781552  
Secretary  
09 SEP 2013

	Current quarter ended <u>30/06/2013</u> RM'000	Preceding year corresponding quarter ended <u>30/06/2012</u> RM'000	Current year-to-date ended <u>30/06/2013</u> RM'000	Preceding year-to-date ended <u>30/06/2012</u> RM'000
Revenue	14,764	17,383	14,764	17,383
Operating expenses	(24,987)	(25,269)	(24,987)	(25,269)
Other income	1,743	2,259	1,743	2,259
Loss from operations	(8,480)	(5,627)	(8,480)	(5,627)
Finance costs	(675)	(6,767)	(675)	(6,767)
Loss before tax	(9,155)	(12,394)	(9,155)	(12,394)
Income tax expense	(136)	399	(136)	399
Loss for the period	(9,291)	(11,995)	(9,291)	(11,995)
Attributable to :-				
Owners of the parent	(9,291)	(11,994)	(9,291)	(11,994)
Non-controlling interest	-	(1)	-	(1)
Loss for the period	(9,291)	(11,995)	(9,291)	(11,995)
Loss per share (sen)				
Basic	(0.46)	(0.59)	(0.46)	(0.59)
Diluted	N/A	N/A	N/A	N/A

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 March 2013 and the accompanying explanatory notes attached to the interim financial statements.)

**KARAMBUNAI CORP BHD (6461-P)**  
**Condensed Statement of Comprehensive Income (Cont'd)**  
**For Financial Period Ended 30 June 2013**  
(The figures have not been audited.)

	Current quarter ended <u>30/06/2013</u> RM'000	Preceding year corresponding quarter ended <u>30/06/2012</u> RM'000	Current year-to-date ended <u>30/06/2013</u> RM'000	Preceding year-to-date ended <u>30/06/2012</u> RM'000
Loss for the period	(9,291)	(11,995)	(9,291)	(11,995)
Other comprehensive income				
- Foreign currency translation differences	37	(4)	37	(4)
Total comprehensive income for the period	<u>(9,254)</u>	<u>(11,999)</u>	<u>(9,254)</u>	<u>(11,999)</u>
Attributable to :-				
Owners of the parent	(9,254)	(11,998)	(9,254)	(11,998)
Non-controlling interest	-	(1)	-	(1)
	<u>(9,254)</u>	<u>(11,999)</u>	<u>(9,254)</u>	<u>(11,999)</u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 March 2013 and the accompanying explanatory notes attached to the interim financial statements.)

**KARAMBUNAI CORP BHD (6461-P)**  
**Condensed Consolidated Statement of Financial Position**  
**As at 30 June 2013**

	(Unaudited) As at 30/06/2013 RM'000	(Audited) As at 31/03/2013 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	1,003,597	1,007,207
Land held for property development	448,125	447,729
Available-for-sale financial assets	130	130
Deferred tax assets	892	892
Goodwill on consolidation	14,937	14,937
	<u>1,467,681</u>	<u>1,470,895</u>
<b>Current Assets</b>		
Property development costs	8,412	7,159
Inventories	9,350	10,066
Receivables, deposits and prepayments	31,978	26,879
Cash and bank balances	17,830	15,266
	<u>67,570</u>	<u>59,370</u>
<b>Non-current assets classified as held for sale</b>	65,650	65,650
	<u>1,600,901</u>	<u>1,595,915</u>
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	1,015,030	1,015,030
Reserves	(476,613)	(467,359)
	<u>538,417</u>	<u>547,671</u>
<b>Non-controlling interests</b>	(18)	(18)
<b>TOTAL EQUITY</b>	<u>538,399</u>	<u>547,653</u>
<b>Non-Current Liabilities</b>		
Bank borrowings	302	392
Other deferred liabilities	238,701	238,701
	<u>239,003</u>	<u>239,093</u>
<b>Current Liabilities</b>		
Payables and accruals	730,105	715,784
Bank borrowings	15,637	15,763
Taxation	77,757	77,622
	<u>823,499</u>	<u>809,169</u>
<b>TOTAL LIABILITIES</b>	<u>1,062,502</u>	<u>1,048,262</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>1,600,901</u>	<u>1,595,915</u>
<b>NET ASSETS PER SHARE (SEN)</b>	<u>26.52</u>	<u>26.98</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 March 2013 and the accompanying explanatory notes attached to the interim financial statements.)

**KARAMBUNAI CORP BHD (6461-P)**  
**Condensed Consolidated Statement of Changes in Equity**  
**For Financial Period Ended 30 June 2013**  
(The figures have not been audited.)

	Attributable to owners of the parent					Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Accumulated Losses RM'000	Non-controlling Interest RM'000	
As at 01/04/2013	1,015,030	111,536	207,479	(786,374)	(18)	547,653
Total comprehensive income for the period	-	-	37	(9,291)	-	(9,254)
As at 30/06/2013	1,015,030	111,536	207,516	(795,665)	(18)	538,399
As at 01/04/2012	1,015,030	111,536	221,226	(776,491)	(14)	571,287
Total comprehensive income for the period	-	-	(4)	(11,994)	(1)	(11,999)
As at 30/06/2012	1,015,030	111,536	221,222	(788,485)	(15)	559,288

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 March 2013 and the accompanying explanatory notes attached to the interim financial statements.)

**KARAMBUNAI CORP BHD (6461-P)**  
**Condensed Consolidated Statement of Cash Flows**  
**For Financial Period Ended 30 June 2013**  
(The figures have not been audited.)

	Current period-to-date ended 30/06/2013 RM'000	Corresponding period-to-date ended 30/06/2012 RM'000
Loss before tax	(9,155)	(12,394)
Adjustment for non-cash items:-		
Amortisation of upfront fee for a banking facility	-	544
Interest expenses	6	6,425
Depreciation of property, plant and equipment	3,644	3,248
Unrealised loss on foreign exchange	-	6
Others	(10)	(6)
Operating loss before working capital changes	(5,515)	(2,177)
Changes in working capital :-		
Net change in current assets	(4,382)	4,716
Net change in current liabilities	13,316	(3,275)
Net change in development expenditure	(1,650)	904
Cash generated from operations	1,769	168
Income tax paid	-	(19)
Interest paid	(6)	(2,341)
Interest received	10	5
<b>Net cash from / (used in ) operating activities</b>	<b>1,773</b>	<b>(2,187)</b>
Investing activities		
Purchase of property, plant & equipment	(35)	(573)
<b>Net cash used in investing activities</b>	<b>(35)</b>	<b>(573)</b>
Financing activities		
Advances from a director	1,004	18,374
Repayment of bank borrowings	(215)	(17,102)
<b>Net cash from financing activities</b>	<b>789</b>	<b>1,272</b>
Net change in cash & cash equivalents	2,527	(1,488)
Cash & cash equivalents at beginning of the period	15,266	8,726
Foreign currency translation differences	37	(4)
Cash & cash equivalents at end of the period	<u>17,830</u>	<u>7,234</u>

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Annual Financial Report for the year ended 31 March 2013 and the accompanying explanatory notes attached to the interim financial statements.)



**KARAMBUNAI CORP BHD (6461-P)****Unaudited Quarterly Report on the Consolidated Results for the First Quarter Ended 30 June 2013****Part A - Notes In Compliance with MFRS 134****A1. Basis of Preparation and Accounting Policies**

The quarterly consolidated financial statements have been prepared by applying accounting policies and methods of computation consistent with those used in the preparation of the most recent audited financial statements of the Group and are in accordance with FRS 134, Interim Financial Reporting and Appendix 9B part A of the Listing Requirements of Bursa Malaysia Securities Berhad.

The quarterly consolidated financial statements should be read in conjunction with the Group's audited financial statements for the financial year ended 31 March 2013. The explanatory notes attached to the quarterly consolidated financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 March 2013.

The significant accounting policies and methods of computation adopted for the quarterly consolidated financial statements are consistent with those adopted for the audited financial statements for the financial year ended 31 March 2013 other than as disclosed below:

**FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012**

- Amendments to FRS 101, *Presentation of Financial Statements Presentation of Items of Other Comprehensive Income*

**FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013**

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosures of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits (2011)*
- FRS 127, *Separate Financial Statements (2011)*
- FRS 128, *Investments in Associates and Joint Ventures (2011)*
- IC Interpretations 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7, *Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Government Loans*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards (Annual Improvements 2009 – 2011 Cycle)*
- Amendments to FRS 101, *Presentation of Financial Statements (Annual Improvements 2009 – 2011 Cycle)*
- Amendments to FRS 116, *Property, Plant and Equipment (Annual Improvements 2009 – 2011 Cycle)*
- Amendments to FRS 132, *Financial Instruments: Presentation (Annual Improvements 2009 – 2011 Cycle)*
- Amendments to FRS 134, *Interim Financial Reporting (Annual Improvements 2009 – 2011 Cycle)*
- Amendments to FRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to FRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to FRS 12, *Disclosures of Interests in Other Entities: Transition Guidance*

The adoption of the above standards and amendments do not have any material impact on the financial statements of the Group.

On 19 November 2011, the Malaysian Accounting Standards Board (“MASB”) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRS Framework”). The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venture (herein called “Transitioning Entities”).

On 7 August 2013, MASB announced that the Transitioning Entities will be allowed to defer the adoption of the new MFRS Framework from the previous adoption date of 1 January 2014 to 1 January 2015. Consequently, the adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2015.

The Group is a transitioning entity, elected to continue preparing its financial statements in accordance with the FRS framework for annual financial periods beginning before 1 January 2015. As such, the Group will prepare its first financial statements using the MFRS framework for the financial year ending 31 March 2016. In presenting its first MFRS financial statements, the Group may be required to restate the comparative financial statements to amounts reflecting the application of the MFRS Framework.

The Group is currently in the process of determining the financial impact arising from the adoption of the MFRS Framework.

Financial reporting standards under the existing FRS Framework that have yet to be adopted in presenting this quarterly consolidated financial statements are disclosed below. These adoptions will not result in any significant changes to the Group’s accounting policies, results and financial position.

- (i) Amendments effective for annual periods beginning on or after 1 January 2014:
  - Amendments to FRS 10, *Consolidated Financial Statements: Investment Entities*
  - Amendments to FRS 12, *Disclosures of Interests in Other Entities: Investment Entities*
  - Amendments to FRS 127, *Separate Financial Statements (2011): Investment Entities*
  - Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- (ii) FRSs and amendments effective for annual periods beginning on or after 1 January 2015:
  - FRS 9, *Financial Instruments (2010)*
  - FRS 9, *Financial Instruments (2011)*
  - Amendments to FRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of FRS 9 and Transition Disclosures*

## **A2. Audit Report of Previous Annual Financial Report**

The audit report of the immediate preceding annual financial statements for the year ended 31 March 2013 was not qualified.

## **A3. Seasonal or Cyclical Factors**

The Group’s leisure and tourism business segment are generally subject to seasonal fluctuations. The results are affected by major festive seasons and holidays.

## **A4. Unusual Items**

There were no items affecting assets, liabilities, equities, net income or cash flows that were unusual because of their nature, size or incidence for the three months ended 30 June 2013.

**A5. Nature and Amount of Changes in Estimates**

There were no material changes in estimates of amounts reported in previous financial years which have a material effect for the three months ended 30 June 2013.

**A6. Issuance and Repayment of Debt and Equity Securities**

There were no issuance and repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the three months ended 30 June 2013.

**A7. Dividend Paid**

No dividend has been paid for the three months ended 30 June 2013.

**A8. Segmental Information**

	3 months ended			
	30/06/2013	30/06/2013	30/06/2012	30/06/2012
	Revenue RM'000	Operating Profit / (Loss) RM'000	Revenue RM'000	Operating Profit / (Loss) RM'000
Property development and construction	2,067	(1,632)	7,132	(3,623)
Leisure and tourism	12,680	(6,029)	10,220	(5,939)
Management services, venture capital and investment holdings	17	(1,494)	31	(2,832)
	14,764	(9,155)	17,383	(12,394)

**A9. Material Subsequent Events**

There were no material subsequent events occurred between 30 June 2013 and 23 August 2013 (being the latest practicable date which is not earlier than 7 days from the date of issue of this Quarterly Report) that have not been reflected in this interim financial report.

**A10. Changes in the Composition of the Group**

Save as disclosed below, there were no material changes in the composition of the Group for the three months ended 30 June 2013:

- a) The following wholly-owned subsidiaries, all of which are dormant, have been struck off from the respective jurisdiction's registrar of companies:
- 1) Sunnyland Corporation Limited;
  - 2) Sahara Red Incorporated;
  - 3) Alpha Terrace Sdn Bhd;
  - 4) FACBAerospace Sdn Bhd;
  - 5) FACB Management Sdn Bhd;
  - 6) First Multimedia Corporation Sdn Bhd; and
  - 7) First Network (M) Sdn Bhd

**A11. Changes in Contingent Liabilities or Contingent Assets**

Save as disclosed below, there were no material changes in contingent liabilities or contingent assets since the financial year ended 31 March 2013:

- a) Corporate guarantee given by the Company to financial institutions, contractors and suppliers for banking facilities and credit granted to subsidiaries amounted to RM53.18 million (31 March 2013: RM67.89 million).

**Part B - Notes in compliance with BMSB Main Market Listing Requirements****B1. Review of the Performance of the Company and Its Principal Subsidiaries**

The Group narrowed its net loss for the first quarter ended 30 June 2013 to RM9.29 million from RM11.99 million net loss a year earlier. Revenue was at RM14.76 million, a drop of 15.1% from RM17.38 million registered in the corresponding quarter a year ago. Lower loss for the quarter was attributed largely to the substantial reduction in finance cost as a result of the repayment of bank borrowings in December 2012. Finance cost for the quarter was at RM0.675 million as compared to RM6.77 million a year ago.

On segmental performance, property development and construction segment narrowed its loss by 54.9% from RM3.62 million loss to RM1.6 million loss. This segment, however, recorded lower revenue as there was no new launching during the three months ended 30 June 2013. On the leisure & tourism segment, the investment in marketing and promotional activities saw revenue improved 24.1% to RM12.68 million from RM10.22 million a year earlier. This segment, however, still suffered a loss at RM6.02 million against RM5.94 million loss a year earlier, attributed mainly to the guaranteed yield rental commitment.

In the opinion of the Directors, the results for the current quarter under review have not been affected by any transaction or event of a material and unusual nature which has arisen between 30 June 2013 and 23 August 2013 (being the latest practicable date which is not more than 7 days from the date of this Quarterly Report).

**B2. Material Changes in the Quarterly Results Compared to the Results of the Preceding Quarter**

The Group's loss before taxation for the current quarter was at RM9.15 million as compared to RM36.1 million loss before taxation registered in the preceding quarter ended 31 March 2013. The higher loss in the preceding quarter was caused by some one-off expenses.

**B3. Current Year Prospects**

Going forward, the Group will continue to maintain its competitive position as the leading tourism player in Sabah Malaysia with its world-class resorts known as Nexus Resort & Spa Karambunai. The Group plans a refurbishment exercise to update the Nexus Resort & Spa Karambunai product within the next 12 months using part of the proposed rights issue proceeds. The refurbishment exercise will enable the Group to enhance the quality and appeal of Nexus Resort & Spa Karambunai to a broader range of international leisure travellers. The Group will focus on yield and cost management so as to improve its financial performance and to stay competitive. The future performance of the Group's hotel and resort hinges on its ability to attract more visitors. The outlook for the tourism industry is expected to be positive, supported by the Government's strong commitment in making Malaysia the world's top tourists destination. The Visit Malaysia Year 2014 campaign is expected to significantly boost tourist arrivals and the Group is confident that it will stand to benefit from such campaign.

On Karambunai Peninsula, the Group plans for the development of an eco-nature integrated resort. Karambunai Peninsula lies within 3,835 acres of eco-sanctuary, nestled by South China Sea on one end, rolling hills in the center and a natural cove on the other end. It is a natural perfection of the white sandy beach, wetland, crystal blue cove, flatland, highland, rainforest and river. This development will continue to strengthen the competitive advantage of the Group as a leading tourism player in Sabah as well as contributing to tourist arrivals and receipts.

#### B4. Profit Forecast / Profit Guarantee

The Group did not issue any profit forecast or profit guarantee.

#### B5. Taxation

The taxation charges for the current quarter ended 30 June 2013 are as follows:

	3 months ended	
	30/6/2013	30/6/2012
	RM'000	RM'000
Current taxation charge:		
- Malaysian income tax	136	264
- Deferred taxation	-	(663)
Income tax expense /(credit)	<u>136</u>	<u>(399)</u>

The effective tax rate of the Group for the current quarter ended 30 June 2013 is higher than the statutory tax rate because taxable profits in certain subsidiaries cannot be set-off against the tax losses incurred by the Company and other subsidiaries.

#### B6. Status of Corporate Proposals Announced But Not Completed as at 23 August 2013 (being the latest practicable date which is not earlier than 7 days from the date of issue of this Quarterly Report)

Save as disclosed below, there were no corporate proposals announced but not completed as at the date of this announcement.

On 6 December 2012, the Company ("KCB") proposes to undertake the following proposals:

- i. Proposed capital reconstruction involving the cancellation of RM0.40 of the par value of every existing ordinary share of RM0.50 each in the issued and paid-up share capital of the Company pursuant to Section 64(1) of the Companies Act, 1965 and the credit arising therefrom to be offset against the accumulated losses of the Company ("Proposed Capital Reconstruction");
- ii. Proposed renounceable rights issue of up to 507,514,920 new ordinary shares of RM0.10 each in the Company ("KCB share(s)" or "Share(s)" ("Rights Share(s)")) on the basis of one (1) Rights Share for every four (4) existing KCB shares held on an entitlement date to be determined later after the Proposed Capital Reconstruction, together with up to 1,015,029,840 free detachable warrants ("Warrants") on the basis of two (2) Warrants for every one (1) Rights Share subscribed ("Proposed Rights Issue with Warrants");
- iii. Proposed settlement of debt owing to Tan Sri Dr Chen Lip Keong ("TSCLK") via the issuance of new KCB shares ("Settlement Share(s)") ("Proposed Capitalisation to TSCLK");
- iv. Proposed settlement of debt owing to FACB Industries Incorporated Berhad ("FACBII") via the issuance of Settlement Shares ("Proposed Capitalisation to FACBII");

- v. Proposed exemption under paragraph 16.1 of Practice Note 9 of the Malaysian Code on Take-Overs and Mergers, 2010 to TSCLK and the parties acting in concert with him from the obligation to undertake a mandatory take-over offer for all the remaining KCB shares not already held by them pursuant to the Proposed Rights Issue with Warrants, the Proposed Capitalisation to TSCLK and the Proposed Capitalisation to FACBII (“Proposed Exemption”); and
- vi. Proposed amendments to the Memorandum and Articles of Association of KCB.

Items (i) to (vi) above are collectively hereinafter referred to as the “Proposals”.

As at the date of this quarterly report, approvals for the Proposals have been obtained from:-

- i. The Controller of Foreign Exchange (via Bank Negara Malaysia) vide its letter dated 18 February 2013, for the issuance of the Warrants to the entitled non-resident shareholders of KCB;
- ii. Bursa Malaysia Securities Berhad (“Bursa Securities”) vide its letter dated 10 May 2013, for the following:-
  - a) Admission to the Official List, listing of and quotation for the Warrants on the Main Market of Bursa Securities;
  - b) Listing of the Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants;
  - c) Listing of the Settlement Shares to be issued pursuant to the Proposed Capitalisation to TSCLK and the Proposed Capitalisation to FACBII; and
  - d) Listing of the new KCB Shares to be issued arising from the exercise of the Warrants
- iii. The shareholders of the Company on 27 June 2013;
- iv. The Securities Commission for the Proposed Exemption on 9 July 2013; and
- v. The High Court of Malaya, pursuant to Section 64(1) of the Act for the Proposed Capital Reconstruction on 23 August 2013.

The Company expects the Proposals to be completed in the fourth quarter of 2013.

## B7. Bank Borrowings

The details of the Group’s bank borrowings are as set out below:

	30/6/2013 RM’000	31/3/2013 RM’000
<b><u>Short Term</u></b>		
<b>Secured:</b>		
Term Loan I	14,899	14,899
Hire Purchase Creditors	738	864
<b>Total</b>	<b>15,637</b>	<b>15,763</b>
<b><u>Long Term</u></b>		
<b>Secured:</b>		
Hire Purchase Creditors	302	392
<b>Total</b>	<b>302</b>	<b>392</b>

Save for the Term Loan I which is denominated in US Dollars, the borrowings of the Group are denominated in Ringgit Malaysia.

#### B8. Material Litigation

As at 23 August 2013 (being the latest practicable date which is not more than 7 days from the date of this Quarterly Report), there are no significant changes in material litigations since the last audited financial statements for the year ended 31 March 2013.

#### B9. Dividend

No dividend has been proposed or declared for the current quarter ended 30 June 2013.

#### B10. Loss for the period

	3 months ended	
	30/6/2013	30/6/2012
	RM'000	RM'000
Loss before taxation is arrived at after charging / (crediting):-		
Amortisation of upfront fee for a banking facility	-	544
Depreciation of property, plant and equipment	3,644	3,248
Interest expenses	6	6,425
Unrealised loss on foreign exchange	-	6
Interest income	(10)	(5)

#### B11. Realised and Unrealised Losses

The breakdown of accumulated losses of the Group at the reporting date, into realised and unrealised losses is as follows:

	30/06/2012	31/03/2013
	RM'000	RM'000
Total accumulated losses of the Group:-		
Realised	(1,330,661)	(1,323,671)
Unrealised	(63,558)	(63,558)
	<u>(1,394,219)</u>	<u>(1,387,229)</u>
Less : Consolidation adjustments	598,554	600,855
	<u>(795,665)</u>	<u>(786,374)</u>

#### B12. Outstanding Derivatives

There are no outstanding derivatives (including instruments designated as hedging instruments) as at 30 June 2013.

#### B13. Fair Value Changes of Financial Liabilities

The Group does not have any financial liabilities measured at fair value through profit or loss as at 30 June 2013.

**B14. Loss per Share**

	3 months ended	
	30/6/2013	30/6/2012
Loss after taxation attributable to owners of parent (RM'000)	(9,291)	(11,994)
Weighted average number of ordinary shares in issue	2,030,059,680	2,030,059,680
Loss per share (sen)	(0.46)	(0.59)

**By order of the Board**

**Chang Yuet Mei**  
**Yew Nyuk Kwei**  
**Company Secretaries**

Kota Kinabalu  
30 August 2013



DIRECTORS' REPORT



**KARAMBUNAI CORP BHD**  
Company No. 6461-P

No. 9020, Nexus Drive West, Karambunai,  
Menggatal, 88450 Kota Kinabalu, Sabah  
PPM 200, 88450 Menggatal, Sabah.  
Tel: 6088 411111 Fax: 6088 412111

**Registered Office:**

No. 9020, Nexus Drive West  
Karambunai, Menggatal  
88450 Kota Kinabalu  
Sabah

Date : **13 SEP 2013**

To : The Shareholders of Karambunai Corp Bhd ("KCB" or the "Company")

On behalf of the Board of Directors of KCB ("Board"), I wish to report that after making due enquiries in relation to KCB and its subsidiaries ("Group") during the period between 31 March 2013, being the date to which the latest audited financial statements have been made up, and the date of this letter, being a date not earlier than 14 days before the date of this Abridged Prospectus:-

- i. In the opinion of the Board, the business of our Group has been satisfactorily maintained;
- ii. In the opinion of the Board, no circumstances have arisen since the latest audited financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;
- iii. The current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- iv. Save as disclosed in this Abridged Prospectus, there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by our Group;
- v. There has been no default or any known event that could give rise to a default situation, in respect of payment of either interest and/ or principal sums in relation to any borrowings in our Group since the latest audited financial statements of our Group; and
- vi. Save as disclosed in this Abridged Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of our Group since the latest audited financial statements.

Yours faithfully  
For and on behalf of the Board of  
**KARAMBUNAI CORP BHD**

**DATO' DR MOHD AMINUDDIN BIN MOHD ROUSE**  
Independent Non-Executive Director

**ADDITIONAL INFORMATION****1. SHARE CAPITAL**

- i. No securities will be allotted or issued on the basis of this Abridged Prospectus later than 12 months after the date of this Abridged Prospectus.
- ii. As at the date of this Abridged Prospectus, there is no founder, management, deferred shares or preference shares in the share capital of our Company. There is only one (1) class of shares in our Company, namely the ordinary shares of RM0.10 each, all of which rank *pari passu* with one another.
- iii. All the Rights Shares, the Settlement Shares and the new KCB Shares to be issued arising from the exercise of the Warrants shall, upon allotment and issuance, rank *pari passu* in all respects with the existing KCB Shares, save and except that such Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distributions that may be declared, made or paid prior to the relevant date of allotment and issuance of such Shares.
- iv. Save for the Entitled Shareholders who will be allotted the Provisional Rights Shares with Warrants, no person has been or is entitled to be granted an option to subscribe for any of our securities as at the LPD.
- v. Save for the Rights Shares, the Settlement Shares, the Warrants and the new KCB Shares to be issued arising from the exercise of the Warrants, as at the LPD, no securities of our Group have been issued or are proposed or intended to be issued either as fully or partly paid-up in cash or otherwise than in cash within the two (2) years immediately preceding the date of this Abridged Prospectus.

**2. DIRECTORS' REMUNERATION**

The provisions in our Articles of Association in relation to the remuneration of our Directors are set out below:-

**Article 78 (a)**

Subject to these Articles, the Directors will be paid such fee as is from time to time determined by Ordinary Resolution of the Company and that fee will be divided among the Directors in such proportions and manner as the Directors may determine and, in default of such determination, equally, except that any Directors who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office.

**Article 78 (b)**

The fee will accrue from day to day.

**Article 78 (c)**

The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or General Meetings of the Company or otherwise in connection with the business of the Company.

**Article 78 (d)**

Subject to these Articles, if any Directors being willing renders or is called upon to perform extra services or to make any special exertions in going or residing abroad or otherwise for any business or purposes of the Company, the Directors may arrange with that Director for a special remuneration by the payment of a stated sum of money and that special remuneration may be way of salary percentage of profits or otherwise as the Directors may determine but not a commission on or percentage of turnover.

**Article 78 (e)**

Fees payable to non-Executive Directors must be a fixed sum and not by way of a commission based on, or percentage of, profits or turnover.

**Article 78 (f)**

Salaries payable to Executive Directors must not include a commission based on, or percentage of, turnover.

**Article 78 (g)**

Fees payable to Directors shall not be increased except pursuant to a resolution passed in General Meeting and where notice of the proposed increase has been given in the notice convening the meeting.

**Article 78 (h)**

The Directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to or to any person in respect of any Director or ex-Director who may hold or have held any executive office or any office of profit under the Company or any subsidiary Company and for the purpose of providing any such pensions or other benefits to contribute to any scheme of fund or to pay premiums.

**3. MATERIAL CONTRACTS**

Save as disclosed below, as at the LPD, our Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the two (2) years preceding the date of this Abridged Prospectus:-

- i. A settlement agreement dated 13 August 2012 entered into between our Company, TSCLK, Bukit Unggul Golf and Country Resort Sdn Bhd which is a wholly-owned subsidiary of our Company, and Abrar Discounts Berhad in respect of the settlement of outstanding sum of RM157,082,575.34 as at 25 May 2011 comprising the principal sum for a promissory note of RM130,000,000 ("Promissory Note"), interest, costs and other charges under the Promissory Note and security documents due and payable to Abrar Discounts Berhad for a settlement sum of RM110,000,000 as full and final settlement subject to the terms and conditions contained therein. The Promissory Note was fully paid and settled on 2 October 2012;
- ii. Three (3) separate shareholder's advances agreements dated 6 December 2012 entered into between our Company and TSCLK in respect of the following:-
  - a) a total of RM98,426,645, being the amount as at 30 November 2012 advanced by TSCLK to our Company for various purposes and in consideration of the advances made by TSCLK, our Company agrees to compensate TSCLK with a sum of money which is compensatory in nature payable to TSCLK pursuant to the advances owing by our Company to TSCLK ("Gratitude Sum") of RM6,643,799 subject to the terms and conditions contained therein;

- b) a total of RM100,000,000, being the amount advanced by TSCLK to our Company for the settlement of the Promissory Note vide a settlement agreement dated 13 August 2012. In consideration of the advances made by TSCLK, our Company agrees to compensate TSCLK with a Gratitude Sum of RM6,750,000 subject to the terms and conditions contained therein; and
- c) a total of RM197,050,000, being the amount advanced by TSCLK to our Company for the repayment of the syndicated standby letter of credit facilities obtained by Hartamas Group Berhad, which is a wholly-owned subsidiary company of our Company. In consideration of the advances made by TSCLK, our Company agrees to compensate TSCLK with a Gratitude Sum of RM13,300,875 subject to the terms and conditions contained therein. The repayment of credit facilities was fully settled on 27 December 2012;
- iii. A settlement agreement dated 6 December 2012 entered into between our Company and TSCLK in relation to the Capitalisation to TSCLK, and a letter of extension dated 30 July 2013 from our Company to TSCLK and accepted by TSCLK in relation to the extension of the cut-off date up to 31 January 2014 for the parties to fulfil the conditions precedent as set out in the aforementioned settlement agreement;
- iv. A settlement agreement dated 6 December 2012 entered into between our Company, FACBII and DHSB in relation to the Capitalisation to FACBII, and a letter of extension dated 30 July 2013 from our Company to FACBII and DHSB and accepted by FACBII and DHSB in relation to the extension of the cut-off date up to 31 January 2014 for the parties to fulfil the conditions precedent as set out in the aforementioned settlement agreement; and
- v. The Deed Poll.

#### 4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below, as at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and after having made all reasonable enquiries, our Board is not aware and does not have any knowledge of any proceedings pending or threatened against our Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of our Group:-

- i. In 1998, Ho See Sin ("the Petitioner"), a minority shareholder of First Travel and Tours (M) Sdn Bhd ("FTT") which is a 95.69%-owned subsidiary of our Company, had presented a legal petition against our Company, FTT and a Director of our Company (collectively the "Respondents") to wind up FTT pursuant to Section 181 of the Act, on allegation that the affairs of FTT were being conducted in a manner oppressive to the Petitioner and in disregard of his interest as a shareholder of FTT.

The last hearings for this matter were on 29 April 2009 and 30 April 2009. Subsequently, there is no new hearing date has been fixed.

The solicitors for FTT are of the view that the petition ought to be dismissed against the Respondents if the case proceeds further. The Respondents intend to file an application to strike out the case for want of prosecution and once the Kuala Lumpur High Court has located the file; and

- ii. On 10 December 2012, a group of purchasers and owners of units ("Claimants") of a development known as Precinct Dillenia, Nexus Residences Karambunai ("Project") has initiated an arbitration claim against Nexus Bay Resort Karambunai Sdn Bhd ("Respondent"), an indirectly and wholly-owned subsidiary of our Company who is also the developer for the Project, for amongst others, the outstanding rental of RM18,550,801.05 and overdue interest of RM8,571,605.36 pursuant to the hotel sub-lease agreements entered into between the respective Claimants and the Respondent.

The Respondent had filed an application to strike out the Claimants' Statement of Claim on 4 April 2013, in respect of which the Claimants had filed an Affidavit in Opposition and the Respondent had filed a Respondent's Affidavit in Reply and Reply Submissions. The Respondent is currently awaiting the Arbitrator's ruling.

The Respondent's solicitors are of the view that the Respondent has a fair chance of striking out the Claimants' Statement of Claim and in the event the Respondent does not succeed, directions for trial will be given.

## 5. GENERAL

- i. There is no existing or proposed service contract entered into by our Group with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one (1) year from the date of this Abridged Prospectus.
- ii. Save as disclosed in this Abridged Prospectus, after having made all reasonable enquiries and to the best knowledge of our Board, the financial conditions and operations of our Group are not affected by any of the following:-
  - a) known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease the liquidity of our Group;
  - b) material commitments for capital expenditure of our Group, the purpose of such commitments and the source of fundings;
  - c) unusual, infrequent events or transactions or significant economic changes which materially affected the amount of reported income from operations and the extent to which income was so affected;
  - d) known trends or uncertainties which have had, or will have, a material favourable or unfavourable impact on our Group's revenue or operating income;
  - e) details on fluctuation in revenues; and
  - f) material information, including special trade factors or risks, which are unlikely to be known or anticipated by the general public and which could materially affect our profits.

## 6. CONSENTS

Our Principal Adviser, Company Secretaries, Share Registrar for the Rights Issue with Warrants, Principal Bankers, the Solicitors for the Rights Issue with Warrants and Bloomberg LP have given and have not subsequently withdrawn their written consents to the inclusion in this Abridged Prospectus of their names and all references thereto in the form and context in which they appear in this Abridged Prospectus.

Our Auditors and Reporting Accountants has given and has not subsequently withdrawn its written consent to the inclusion in this Abridged Prospectus of its name, the letter on the proforma consolidated statements of financial position of our Group as at 31 March 2013, the audited consolidated financial statements of our Group for the FYE 31 March 2013, and all references thereto in the form and context in which they appear in this Abridged Prospectus.

## **7. DECLARATIONS OF CONFLICT OF INTEREST**

RHBIB confirms that as at the date of this Abridged Prospectus, there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Principal Adviser to our Company for the Rights Issue with Warrants.

Messrs Ben & Partners confirms that as at the date of this Abridged Prospectus, there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Due Diligence Solicitors to our Company for the Rights Issue with Warrants.

Messrs UHY confirms that as at the date of this Abridged Prospectus, there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Reporting Accountants to our Company for the Rights Issue with Warrants.

## **8. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection at our Registered Office at No. 9020, Nexus Drive West, Karambunai, Menggatal, 88450 Kota Kinabalu, Sabah, during normal business hours (except public holidays) for a period of 12 months from the date of this Abridged Prospectus:-

- i. Our Memorandum and Articles of Association;
- ii. The Reporting Accountants' letter on the proforma consolidated statements of financial position of our Group as at 31 March 2013 together with the notes prepared by Messrs UHY, as set out in Appendix III of this Abridged Prospectus;
- iii. Our audited consolidated financial statements for the past two (2) financial years up to the FYE 31 March 2013;
- iv. Our latest unaudited consolidated financial statements for the three (3)-month FPE 30 June 2013, as set out in Appendix V of this Abridged Prospectus;
- v. The Directors' Report, as set out in Appendix VI of this Abridged Prospectus;
- vi. The letters of consent referred to in Section 6 of this Appendix;
- vii. The irrevocable undertaking letter from TSCLK referred to in Section 4 of this Abridged Prospectus;
- viii. The material contracts referred to in Section 3 of this Appendix;
- ix. The relevant cause papers in respect of the material litigations referred to in Section 4 of this Appendix; and
- x. The Deed Poll.

**9. RESPONSIBILITY STATEMENT**

This Abridged Prospectus together with the accompanying NPA and RSF have been seen and approved by our Board. They collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make any statement herein false or misleading.

RHBIB, being our Principal Adviser for the Rights Issue with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning this Rights Issue with Warrants.

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