

Notes In Compliance with FRS 134 2004

A1. Accounting Policies

The quarterly financial statement have been prepared in accordance with FRS 134²⁰⁰⁴ (formerly known as MASB 26) - Interim Financial Reporting and Paragraph 9.22 of the Bursa Malaysia Listing Requirements.

The same accounting policies and methods of computation are followed in the quarterly financial statements as compared with the annual financial statements for the year ended 31 March 2006 except for the adoption of the following new/revised Financial Reporting Standards (FRS) effective for financial statement of the Company for the financial year ended 31 March 2007.

FRS 2	Share-based payment
FRS 3	Business combinations
FRS 5	Non-current assets held for sale and discontinued operations
FRS 101	Presentation of financial statements
FRS 102	Inventories
FRS 108	Accounting policies, changes in accounting estimates and errors
FRS 110	Events after the balance sheet date
FRS 116	Property, plant and equipment
FRS 121	The effects of changes in foreign exchange rates
FRS 127	Consolidated and separate financial statements
FRS 128	Investments in associates
FRS 131	Interest in joint ventures
FRS 132	Financial instruments: disclosure and presentation
FRS 133	Earnings per share
FRS 136	Impairment of assets
FRS 138	Intangible assets
FRS 140	Investment property

The Group has elected for early adoption of the following FRSs which were in issue but effective for financial year beginning on or after 1 October 2006:-

FRS 117	Leases
FRS 124	Related party disclosures

The adoption of the FRSs does not have significant financial impact on the Group except for the following:

- (a) FRS 3 : Business Combination and FRS 138 : Intangible assets

The adoption of FRS 3 and FRS 138 has resulted in a change in the accounting policy relating to Goodwill and Negative Goodwill (“Reserve on Consolidation”).

The Group previously amortised Goodwill and Reserve on Consolidation arising from business combination on a straight line basis over 9 to 25 years or the expected useful life, whichever is the shorter.

A1. Accounting Policies (Cont'd)**(a) FRS 3 : Business Combination and FRS 138 : Intangible assets (Cont'd)**

The adoption of FRS 3 has resulted in discontinuation of amortisation of Goodwill arising from business combination and subject the Goodwill to impairment test annually. Accordingly, the Group has considered any impairment to the carrying value of Goodwill in accordance with FRS 136 and consequently found that, other than as disclosed in Note A4, impairment is not required at the reporting date.

The adoption of FRS 3 on the Reserve on Consolidation has resulted in a change in accounting policy to recognise Reserve on Consolidation in the Consolidated Income Statement immediately for business combination effected from 1 April 2006. The change in accounting policy for Reserve on Consolidation is applied prospectively.

Arising from the above, profit before taxation for the financial year-to-date increased by RM2.4 million. Furthermore, the balance of RM 3.6 million of Reserve on Consolidation as at 1 April 2006 was transferred to accumulated loss resulting in a corresponding reduction in accumulated loss.

(b) FRS 117 : Leases

- (i) The adoption of FRS 117 has resulted in a change in accounting policy relating to the classification of leasehold land. The carrying value of leasehold land represents prepaid lease payments and are amortised on a straight-line basis over the lease term. Prior to 31 March 2006, leasehold land was classified as property, plant and equipment and capital work-in-progress and was stated at cost or valuation less accumulated depreciation and impairment loss.

Upon the adoption of FRS 117, the unamortised cost and revalued amount of leasehold land are retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions of FRS 117.

- (ii) The reclassification of the amortised leasehold land as long term prepaid lease payments has been accounted for prospectively and disclosed in Balance Sheet. The amortisation of the prepaid lease payments for the current quarter and financial year-to-date amounted to RM 0.3 million and RM 1.3 million respectively.

As a result of the adoption of FRS 117, comparative amounts as at 31 March 2006 have been reclassified as follows:

	As previously stated RM'000	Effects of reclassification RM'000	As restated RM'000
Property, Plant and Equipment	352,399	(40,588)	311,811
Capital Work-in Progress	418,216	(368,442)	49,774
Long term Prepaid Leases (net of amortisation)	-	409,030	409,030

A1. Accounting Policies (Cont'd)

(c) FRS 101 : Presentation of financial statements

The current period's presentation of the Group's financial statements is based on the requirements of FRS 101 which affected the presentation of minority interest and certain disclosures in the Balance Sheet, Income Statement, Statement of Changes in Equity and other disclosures.

The adoption of FRS 101 has no financial impact to the Group save for changes in certain presentation and disclosures.

(d) All changes in the accounting policies have been made in accordance with the transitional provision of the standards, and are applied prospectively. No retrospective changes, except for the restatements above, have been made in connection with the adoption of the new/revised accounting standards.

A2. Audit report of previous annual financial report

The audit report of the immediate preceding annual financial statements for the year ended 31 March 2006 was not qualified.

A3. Seasonal or Cyclical Factors

The Group's operations for the current quarter and the financial year-to-date were not affected significantly by any seasonal or cyclical factors.

A4. Unusual items

There were no unusual or material items affecting the Group during the financial year-to-date except as disclosed below:

	Current Quarter RM'000	Current Year-to-date RM'000
Discount on redemption of Bonds	-	94,333
Impairment of goodwill on consolidation in two subsidiary companies	-	(8,343)

A5. Nature and Amount of Changes in Estimates

There were no changes in the estimates of amounts reported in prior interim periods of the current financial year or changes in the estimates of amounts reported in previous financial years which have a material effect in the current quarter and the financial year-to-date except as stated in Note A1.

A6. Issuance and Repayment of Debt and Equity Securities

There is 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 current quarter and the financial year-to-date.

A7. Dividend Paid

There were no dividends paid during the current quarter and the financial year-to-date.

A8. Segmental Information

Segmental information is presented in respect of the Group's business and geographical segments.

Segment revenue and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The main business segments of the Group comprise the following:

- a) Property development - Property development and construction of properties.
- b) Leisure & tourism - Resorts, golf club and travel agency services.
- c) Trading - Trading of wood products.
- d) Investment holdings - Investment holding, venture capital and management services.
- e) Others - Not of a sufficient size to be disclosed separately.

Segment by activity

Current Financial year-to-date 31/03/2007

	<u>Property Development</u> RM'000	<u>Leisure & Tourism</u> RM'000	<u>Trading</u> RM'000	<u>Investment Holdings and Others</u> RM'000	<u>Consolidated</u> RM'000
Revenue					
External sales	26,484	82,901	18,657	1,129	129,171
Results					
Segment (loss) / profit	(6,119)	23,313	(646)	72,171	88,719
Depreciation/Amortisation	(2,254)	(10,847)	(93)	(346)	(13,540)
Segment result	(8,373)	12,466	(739)	71,825	75,179
Interest expenses					(26,691)
Share of associated companies results					(162)
Taxation					4,946
Profit after taxation					53,272

Segment by geographical

Current Financial year-to date 31/03/2007

	<u>Malaysia</u> RM'000	<u>Singapore</u> RM'000	<u>Others</u> RM'000	<u>Consolidated</u> RM'000
Revenue				
External sales	110,514	18,657	-	129,171

A9. Valuations of property, plant and equipment

The valuations of property, plant and equipment have been brought forward without amendment from the previous annual financial statements.

A10. Material subsequent events

There were no material subsequent events from 31 March 2007 to 25 May 2007 (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 the financial statements for the current quarter and the financial year-to-date.

A11. Changes in the Composition of the Group

There were no material changes in the composition of the Group during the current quarter and the financial year-to-date except on 18 January 2007, the Company has acquired 100% of the issued and paid-up share capital which represent 2 ordinary shares of HK\$1.00 each of Karambunai Corp International Limited (formerly known as Citix Limited), a dormant company incorporated in Hong Kong for a total consideration of HK\$2.00.

The acquisition has no material effect on the financial position and results of the Group for the current quarter and financial year-to-date.

A12. Changes in contingent liabilities or contingent assets

Other than corporate guarantees extended by the Company in support of banking facilities of its subsidiaries, there were no contingent liabilities or contingent assets as at 31 March 2007 (31 March 2006: nil).

Notes in compliance with BMSB Listing Requirements

B1. Review of the Performance of the Company and Its Principal Subsidiaries

The Group registered revenue of RM 129.2 million for the financial year-to-date ended 31 March 2007 as compared to RM 196.3 million for the preceding year corresponding period ended 31 March 2006, representing a decrease of 34%. The contrasting revenue was mainly attributed to the higher revenue recognised from completion of property development phases in the preceding year corresponding period.

For the current financial year-to-date ended 31 March 2007, the Group registered a pre-tax profit of RM 48.3 million as compared to the pre-tax loss of RM 3.9 million in last financial year. The turnaround was due to strong operating performance of the leisure & tourism segment and the discount from the redemption of Bonds by the Company amounting to RM94.3 million less impairment of goodwill amounting to RM8.3 million during the financial year as mentioned in Note A4.

In the opinion of the Directors, the results for the current quarter and financial year-to-date have not been affected by any transaction or event of a material and unusual nature which has arisen between 31 March 2007 and 25 May 2007 (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

For the current financial quarter, the Group registered a pre-tax loss of RM 8.4 million as compared to pre-tax profit of RM 66.5 million in the immediate preceding quarter, representing a decrease of RM 74.9 million. This was mainly due to the discount from the redemption of Bonds by the Company less impairment of goodwill during the immediate preceding quarter.

B3. Next Year's Prospects

The Group continues to experience growth in the leisure & tourism and property development segments. Hence for the next financial year, the Group is optimistic that barring any unforeseen circumstances, the Group would continue to benefit from the performance of these two segments.

B4. Profit Forecast / Profit Guarantee

Not applicable in this Quarterly Report.

B5. Taxation

The breakdown of tax charge for the current quarter and financial year-to-date ended 31 March 2007 are as follows:

Tax Charge	Current Quarter RM'000	Current Year-to-date RM'000
Current quarter / year provision	(37)	(38)
Transfer to deferred tax	4,984	4,984
Total	4,947	4,946

The disproportionate effective tax rate of the Group for the current financial year was mainly due to the deferred tax adjustments made arising from the reduction in the statutory tax rate.

B6. Profit/ (Loss) on Sale of Unquoted Investments and/or Properties

There was no sale of unquoted investments and properties for the current quarter and the financial year-to-date.

B7. Quoted Securities

There were no purchases or sales of quoted securities for the current quarter and the financial year-to-date and there were no investments in quoted securities at the end of the current quarter.

B8. Status of Corporate Proposals Announced But Not Completed as at 25 May 2007 (being the latest practicable date which is not earlier than 7 days from the date of issue of this Quarterly Report)

There were no corporate proposals announced but not completed as at the date of this announcement.

B9. Borrowings and Debt Securities**(a) Short Term Borrowings**

	<u>RM'000</u>
Secured	
Term Loan I (USD5.42Million)	18,133
Term Loan II	38,411
Term Loan III	30,000
Revolving Credits	12,000
Unsecured	
Hire Purchase Creditors	3,157
Total	<u>101,701</u>

(b) Long Term Borrowings

	<u>RM'000</u>
Secured	
Term Loan III	270,000
Promissory Note	130,000
Unsecured	
Hire Purchase Creditors	1,860
Total	<u>401,860</u>

B10. Off Balance Sheet Financial Instruments

As at 25 May 2007 (being the latest practicable date which is not earlier than 7 days from the date of issue of this Quarterly Report), the Group did not enter into any contract involving financial instruments with off balance sheet risk.

B11. Material Litigation

The Group is engaged in the following material litigations as at the date of this report.

- (a) A minority shareholder of First Travel and Tours (M) Sdn. Bhd. ("FTT"), a subsidiary of the Company, has presented a legal petition against FTT, the Company and a director of the Company ("Respondents") to wind-up FTT pursuant to Section 181 of the Companies Act, 1965, on allegation that the affairs of FTT were conducted in a manner oppressive to him and in disregard of his interests as a shareholder. No provision has been made for possible losses arising from the above legal proceedings as the legal proceedings are still pending.

B11. Material Litigation

- (b) The PT Bank Mandiri. (Persero) Tbk, Singapore branch, has presented a winding up petition (“the Petition”) against Karambunai Corp Bhd (“the Company”) whereby the Company is a corporate guarantor for the loan granted to Sunnyland Industries Ltd, a wholly-owned subsidiary company of the Company. The subject amount being claimed is USD5.4 million inclusive of interest.

The Company disputed the debts and commenced proceedings against the Petitioner in the High Court of Kota Kinabalu (“the Suit”), however, the Suit was set aside on the ground that the jurisdiction to try the Suit lies more properly with the Singapore Court, however, the Company had filed an appeal to the Court of Appeal against the decision to set aside the service on the Petitioner of the Writ of Summons for the Suit. Currently, the Company’s solicitors are seeking a postponement of the hearing of the Petition until after the appeal to the Court of Appeal had been disposed of. The Company is also opposing the Petition and have filed an Affidavit in Opposition. Concurrently the Company also intends to negotiate with the Petitioner to resolve the above dispute and to withdraw the Petition.

The Petition has no financial or operational impact on the Group and there is no expected loss arising from the claim as the amount has been fully accounted for in the Group’s financial statements, although the amount is being disputed.

B12. Dividend

No dividend is recommended for the current quarter and the current financial year.

B13. (Loss) / Earnings per Share

Basic (Loss) / Earnings per share

	Current Quarter Ended <u>31/03/2007</u> RM’000	Comparative Quarter Ended <u>31/03/2006</u> RM’000	Current Financial Year-to-date Ended <u>31/03/2007</u> RM’000	Preceding Financial Year-to-date Ended <u>31/03/2006</u> RM’000
(Loss) / Profit after taxation attributable to the equity holders of the parent used as numerator in the calculation of basic EPS	(3,494)	(5,126)	53,272	(12,846)
Weighted average number of shares used as denominator in the calculation of basic EPS (‘000)	2,030,060	2,030,060	2,030,060	2,030,060

KARAMBUNAI CORP BHD (6461-P)

Unaudited Quarterly Report on the Consolidated Results for the Financial Year Ended 31 March 2007

By order of the Board

Lim Tiong Jin

Director of Finance

Kota Kinabalu, Sabah

25 May 2007