



KARAMBUNAI CORP BHD (6461-P)

**Condensed Statement of Comprehensive Income
For Financial Period Ended 30 September 2015**
(The figures have not been audited.)

| | Current quarter ended <u>30/9/2015</u> RM'000 | Preceding year corresponding quarter ended <u>30/9/2014</u> RM'000 | Current year-to-date ended <u>30/9/2015</u> RM'000 | Preceding year-to-date ended <u>30/9/2014</u> RM'000 |
|---|---|--|--|--|
| Revenue | 14,717 | 11,202 | 27,642 | 22,401 |
| Cost of sales | (8,789) | (9,036) | (19,187) | (19,659) |
| Gross profit | 5,928 | 2,166 | 8,455 | 2,742 |
| Other income | 585 | 1,832 | 1,562 | 2,410 |
| Operating expenses | (13,064) | (13,905) | (20,923) | (26,525) |
| Loss from operations | (6,551) | (9,907) | (10,906) | (21,373) |
| Finance costs | (31) | (51) | (62) | (108) |
| Loss before tax | (6,582) | (9,958) | (10,968) | (21,481) |
| Income tax expense | (307) | 3,659 | (531) | 3,653 |
| Loss for the period | (6,889) | (6,299) | (11,499) | (17,828) |
| Other comprehensive income | | | | |
| - Foreign currency translation differences | 35 | - | 41 | - |
| - Acquisition of non-controlling interest | - | (33) | - | (33) |
| Total comprehensive income for the period | (6,854) | (6,332) | (11,458) | (17,861) |
| Loss for the period attributable to :- | | | | |
| Owners of the parent | (6,889) | (6,299) | (11,499) | (17,828) |
| Non-controlling interest | - | - | - | - |
| | (6,889) | (6,299) | (11,499) | (17,828) |
| Total comprehensive income attributable to :- | | | | |
| Owners of the parent | (6,854) | (6,332) | (11,458) | (17,861) |
| Non-controlling interest | - | - | - | - |
| | (6,854) | (6,332) | (11,458) | (17,861) |
| Loss per share (sen) | | | | |
| Basic | (0.12) | (0.11) | (0.20) | (0.31) |
| 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 2015 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 September 2015

| | (Unaudited) As at 30/9/2015 RM'000 | (Audited) As at 31/3/2015 RM'000 |
|--|---|---|
| ASSETS | | |
| Non-Current Assets | | |
| Property, plant and equipment | 975,430 | 982,885 |
| Land held for property development | 436,138 | 435,805 |
| Available-for-sale financial assets | 60 | 60 |
| Deferred tax assets | - | 9 |
| Goodwill on consolidation | 14,937 | 14,937 |
| | <u>1,426,565</u> | <u>1,433,696</u> |
| Current Assets | | |
| Property development costs | 6,029 | 10,764 |
| Inventories | 5,989 | 6,126 |
| Receivables, deposits and prepayments | 9,379 | 10,396 |
| Cash and bank balances | 15,442 | 18,732 |
| | <u>36,839</u> | <u>46,018</u> |
| TOTAL ASSETS | <u><u>1,463,404</u></u> | <u><u>1,479,714</u></u> |
| EQUITY AND LIABILITIES | | |
| Equity attributable to owners of the parent | | |
| Share capital | 577,659 | 577,659 |
| Reserves | 269,259 | 280,717 |
| | <u>846,918</u> | <u>858,376</u> |
| Non-controlling interest | - | - |
| TOTAL EQUITY | <u>846,918</u> | <u>858,376</u> |
| Non-Current Liabilities | | |
| Finance lease liabilities | 815 | 815 |
| Bank borrowings | 21,510 | 17,947 |
| Deferred tax liabilities | 239,725 | 239,725 |
| | <u>262,050</u> | <u>258,487</u> |
| Current Liabilities | | |
| Payables and accruals | 305,584 | 309,498 |
| Finance lease liabilities | 590 | 1,033 |
| Taxation | 48,262 | 52,320 |
| | <u>354,436</u> | <u>362,851</u> |
| TOTAL LIABILITIES | <u>616,486</u> | <u>621,338</u> |
| TOTAL EQUITY AND LIABILITIES | <u><u>1,463,404</u></u> | <u><u>1,479,714</u></u> |
| NET ASSETS PER SHARE (SEN) | <u>14.66</u> | <u>14.86</u> |

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 March 2015 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 September 2015
(The figures have not been audited.)

| | ← Attributable to owners of the parent → | | | | | | | Total | Non-controlling Interest | Total Equity |
|--|--|---------------|------------------|------------------|----------------------------|---------------------------------------|--------------------|----------------|--------------------------|----------------|
| | ← Non-distributable → | | | | | | | | | |
| | Share Capital | Share Premium | Capital Reserves | Warrant Reserves | Asset Revaluation Reserves | Foreign Currency Translation Reserves | Accumulated Losses | | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| As at 01/04/2015 | 577,659 | 77,959 | 269,918 | 69,529 | 207,629 | (2,873) | (341,445) | 858,376 | - | 858,376 |
| Loss for the period | - | - | - | - | - | - | (11,499) | (11,499) | - | (11,499) |
| Foreign currency translation differences | - | - | - | - | - | 41 | - | 41 | - | 41 |
| As at 30/9/2015 | <u>577,659</u> | <u>77,959</u> | <u>269,918</u> | <u>69,529</u> | <u>207,629</u> | <u>(2,832)</u> | <u>(352,944)</u> | <u>846,918</u> | <u>-</u> | <u>846,918</u> |
| As at 01/04/2014 | 577,659 | 77,959 | 269,918 | 69,529 | 207,629 | (2,872) | (300,154) | 899,668 | (33) | 899,635 |
| Loss for the period | - | - | - | - | - | - | (17,861) | (17,861) | 33 | (17,828) |
| As at 30/9/2014 | <u>577,659</u> | <u>77,959</u> | <u>269,918</u> | <u>69,529</u> | <u>207,629</u> | <u>(2,872)</u> | <u>(318,015)</u> | <u>881,807</u> | <u>-</u> | <u>881,807</u> |

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 March 2015 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 September 2015
(The figures have not been audited.)

| | Current period-to-date ended 30/9/2015 RM'000 | Corresponding period-to-date ended 30/9/2014 RM'000 |
|--|---|---|
| Loss before tax | (10,968) | (21,481) |
| Adjustment for non-cash items:- | | |
| Bad debts written-off | 294 | - |
| Depreciation of property, plant and equipment | 7,807 | 8,731 |
| Gain on disposal of property, plant and equipment | (18) | - |
| Interest expenses | 62 | 108 |
| Interest income | (210) | (415) |
| Reversal of impairment loss on receivables | (94) | - |
| Unrealised loss / (gain) on foreign exchange | 3,889 | (40) |
| Write-off of property development cost | - | 176 |
| Write-off of available-for-sale financial assets | - | 70 |
| Operating profit/(loss) before working capital changes | <u>762</u> | <u>(12,851)</u> |
| Changes in working capital :- | | |
| Net change in current assets | 954 | 13,480 |
| Net change in current liabilities | (8,267) | (15,704) |
| Net change in development expenditure | 4,402 | (1,343) |
| Cash used in operations | <u>(2,149)</u> | <u>(16,418)</u> |
| Income tax paid | (4,612) | (2,758) |
| Interest paid | (62) | (108) |
| Interest received | 210 | 415 |
| Net cash used in operating activities | <u>(6,613)</u> | <u>(18,869)</u> |
| Investing activities | | |
| Purchase of property, plant & equipment | (352) | (809) |
| Proceed from disposal of property, plant & equipment | 18 | - |
| Net cash used in investing activities | <u>(334)</u> | <u>(809)</u> |
| Financing activities | | |
| Advances from a director | 4,121 | 32,250 |
| Repayment of finance lease liabilities | (505) | (723) |
| Net cash generated from financing activities | <u>3,616</u> | <u>31,527</u> |
| Net change in cash & cash equivalents | (3,331) | 11,849 |
| Cash & cash equivalents at beginning of the period | 18,732 | 39,970 |
| Foreign currency translation differences | 41 | - |
| Cash & cash equivalents at end of the period | <u><u>15,442</u></u> | <u><u>51,819</u></u> |

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Annual Financial Report for the year ended 31 March 2015 and the accompanying explanatory notes attached to the interim financial statements.)

Part A - Notes In Compliance with FRS 134**A1. Basis of Preparation and Accounting Policies**

The quarterly consolidated financial statements should be read in conjunction with the Group's audited financial statements for the financial year ended 31 March 2015. 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 2015.

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 Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB").

Standards issued but not yet effective

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.

| | | Effective for financial periods beginning on or after |
|---|---|--|
| FRS 14 | Regulatory Deferral Accounts | 1 January 2016 |
| Amendments to FRS 11 | Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |
| Amendments to FRS 116 and FRS 138 | Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendments to FRS 127 | Equity Method in Separate Financial Statements | 1 January 2016 |
| Amendments to FRS 10 and FRS 128 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | 1 January 2016 |
| Annual Improvements to FRSs 2012–2014 Cycle | | 1 January 2016 |
| Amendments to FRS 10, FRS 12 and FRS 128 | Investment Entities: Applying the Consolidation Exception | 1 January 2016 |
| FRS 9 | Financial Instruments (IFRS 9 issued by IASB in July 2014) | 1 January 2018 |

The adoption of the above applicable standards and amendments to published standards are not expected to have a material impact on the financial statements of the Group except for FRS 9 as explained in the Group's 2015 audited annual financial statements.

A1. Basis of Preparation and Accounting Policies (Cont'd)

New Malaysian Financial Reporting Standards (“MFRS Framework”) issued but not yet effective

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 the Construction of Real Estate, including its parent, significant investor and venturer (herein called “Transitioning Entities”).

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework and continue to use the existing Financial Reporting Standards (“FRS Framework”). The adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2017.

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 2017. As such, the Group will prepare its first financial statements using the MFRS Framework for the financial year ending 31 March 2018. 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.

A2. Audit Report of Previous Annual Financial Report

The audit report of the immediate preceding annual financial statements for the year ended 31 March 2015 was not qualified.

A3. Seasonal or Cyclical Factors

The Group’s leisure and tourism business segment are subject to seasonal fluctuations, generally performs better with higher sales during festive seasons and holidays.

A4. Unusual Items

Save as disclosed in note B10, 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 current quarter and six months ended 30 September 2015.

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 current quarter and six months ended 30 September 2015.

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 current quarter and six months ended 30 September 2015.

A7. Dividend Paid

No dividend has been paid for the current quarter and six months ended 30 September 2015.

A8. Segmental Information

| | 3 months ended | | | |
|--|----------------|---------------|-----------|---------------|
| | 30/9/2015 | 30/9/2015 | 30/9/2014 | 30/9/2014 |
| | Revenue | Operating | Revenue | Operating |
| | RM'000 | (Loss)/Profit | RM'000 | (Loss)/Profit |
| | | RM'000 | | RM'000 |
| Property development and construction | 4,826 | (1,554) | 2,410 | (891) |
| Leisure and tourism | 9,868 | (848) | 8,754 | (5,548) |
| Management services, venture capital and investment holdings | 23 | (4,180) | 38 | (3,519) |
| | 14,717 | (6,582) | 11,202 | (9,958) |

| | 6 months ended | | | |
|--|----------------|-----------------|------------|-----------------|
| | 30/09/2015 | 30/09/2015 | 30/09/2014 | 30/09/2014 |
| | Revenue | Operating | Revenue | Operating |
| | RM'000 | Profit / (Loss) | RM'000 | Profit / (Loss) |
| | | RM'000 | | RM'000 |
| Property development and construction | 10,969 | (3,045) | 5,084 | (5,171) |
| Leisure and tourism | 16,628 | (3,816) | 17,257 | (10,921) |
| Management services, venture capital and investment holdings | 45 | (4,107) | 60 | (5,389) |
| | 27,642 | (10,968) | 22,401 | (21,481) |

A9. Valuation of Property, Plant and Equipment

There were no changes to the valuation of property, plant and equipment brought forward from the last audited financial statements for the financial year ended 31 March 2015.

A10. Material Subsequent Events

There were no material subsequent events occurred between 1 October 2015 and 21 November 2015 (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.

A11. Changes in the Composition of the Group

There were no material changes in the composition of the Group for the six months ended 30 September 2015.

A12. 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 2015:

- a) Corporate guarantee given by the Company to financial institutions, contractors and suppliers for banking facilities and credit granted to subsidiaries amounted to RM22.92 million as at 30 September 2015 (31 March 2015: RM19.80 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 registered RM14.72 million revenue for the three months ended 30 September 2015, as compared to RM11.20 million recorded in the same period last year. The increase was attributed mainly to the higher revenue generated by the property development and construction segment from its Bandar Sierra Project. In line with higher sales, the loss before tax of the Group for the three months ended 30 September 2015 narrowed to RM6.58 million from RM9.96 million loss a year ago.

The Group's revenue for the six months ended 30 September 2015 stands at RM27.64 million, as compared to RM22.40 million revenue recorded in the preceding year corresponding period. The increase came mainly from the property development and construction segment which recorded an increase of RM5.89 million in revenue, attributed to the higher recognition of attributable revenue from its Bandar Sierra project. Loss before taxation for the six months ended 30 September 2015 narrowed to RM10.97 million from RM21.48 million loss a year ago, attributed mainly to better performance in both the leisure and tourism segment as a result of better management of operating cost, and higher sales in the property development and construction segment.

B2. Material Changes in the Quarterly Results Compared to the Results of the Preceding Quarter

The Group's current quarter loss before tax was at RM6.58 million, as compared to RM4.38 million loss reported in the preceding quarter, an increase of RM2.20 million loss attributed mainly to a RM3.46 million foreign currency translation loss of a US Dollar denominated bank loan, mitigated by the lower loss in the leisure and tourism segment as a result of higher sales.

B3. Prospects

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. Currently, the Group is refurbishing its resort and hotel in stages. 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 business outlook for the leisure and tourism remains challenging as the travel sentiment remains negative following the three unfortunate airline tragedies in year 2014 and the kidnapping tourist incidents in Sabah. The future performance of the Group's hotel and resort hinges on its ability to attract more visitors.

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 and the six months ended 30 September 2015 are as follows:

| | 3 months ended | | 6 months ended | |
|------------------------------|----------------|-----------|----------------|-----------|
| | 30/9/2015 | 30/9/2014 | 30/9/2015 | 30/9/2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current taxation | (307) | (411) | (629) | (575) |
| Deferred taxation | - | - | (9) | - |
| | (307) | (411) | (638) | (575) |
| Overprovision in prior years | - | 4,070 | 107 | 4,228 |
| | (307) | 3,659 | (531) | 3,653 |

The effective tax rate of the Group for the current quarter and six months ended 30 September 2015 was higher than the statutory tax rate mainly due to the taxable profits in certain subsidiaries cannot be set-off against the tax losses incurred by the Company and other subsidiaries. However, the effect was mitigated by the overprovision of taxation in prior years.

B6. Status of Corporate Proposals Announced But Not Completed as at 21 November 2015 (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.

B7. Bank Borrowings

The details of the Group's bank borrowings are as set out below:

| | 30/9/2015 | 31/3/2015 |
|-------------------------|-----------|-----------|
| | RM'000 | RM'000 |
| <u>Long Term</u> | | |
| Secured: | | |
| Syndicated Term Loan | 21,510 | 17,947 |

The Syndicated Term Loan is a US Dollar loan with an outstanding sum of USD4,838,631.

B8. Material Litigation

As at 21 November 2015 (being the latest practicable date which is not more than 7 days from the date of this Quarterly Report), there are no significant developments and changes in material litigations since the last audited financial statements for the financial year ended 31 March 2015.

B9. Dividend

No dividend has been proposed or declared for the current quarter and six months ended 30 September 2015.

B10. Loss for the year

| | 3 months ended | | 6 months ended | |
|---|----------------|-----------|----------------|-----------|
| | 30/9/2015 | 30/9/2014 | 30/9/2015 | 30/9/2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Loss before taxation is arrived at after charging / (crediting):- | | | | |
| Bad debts written-off | 216 | - | 294 | - |
| Depreciation of property, plant and equipment | 4,297 | 3,978 | 7,807 | 8,731 |
| Gain on disposal of property, plant and equipment | (18) | - | (18) | - |
| Interest expenses | 31 | 51 | 62 | 108 |
| Interest income | (17) | (171) | (210) | (415) |
| Reversal of impairment loss on receivables | - | - | (94) | - |
| Write-off of property development cost | - | 176 | - | 176 |
| Write-off of available-for-sale financial assets | - | 70 | - | 70 |
| Unrealised loss / (gain) on foreign exchange | 3,489 | (4) | 3,889 | (40) |

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:

| | 30/9/2015 | 31/03/2015 |
|---|------------------|------------------|
| | RM'000 | RM'000 |
| Total accumulated losses of the Group:- | | |
| - Realised | (163,136) | (152,265) |
| - Unrealised | <u>(65,474)</u> | <u>(64,846)</u> |
| | (228,610) | (217,111) |
| Less : Consolidation adjustments | <u>(124,334)</u> | <u>(124,334)</u> |
| | <u>(352,944)</u> | <u>(341,445)</u> |

B12. Outstanding Derivatives

There are no outstanding derivatives (including instruments designated as hedging instruments) as at 30 September 2015.

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 September 2015.

B14. Loss per share

| | 3 months ended | | 6 months ended | |
|---|----------------|---------------|----------------|---------------|
| | 30/9/2015 | 30/9/2014 | 30/9/2015 | 30/9/2014 |
| <u>Basic loss per share</u> | | | | |
| Loss after taxation attributable to owners of parent (RM'000) | (6,889) | (6,299) | (11,499) | (17,828) |
| Weighted average number of ordinary shares in issue | 5,776,587,696 | 5,776,587,696 | 5,776,587,696 | 5,776,587,696 |
| Basic loss per share (sen) | (0.12) | (0.11) | (0.20) | (0.31) |

Diluted earnings per share

The Group has no dilution in its earnings per share as there is no dilutive potential on ordinary shares.

By order of the Board

Yew Nyuk Kwei (MACS 01247)
Company Secretary

Kota Kinabalu
27 November 2015