



KARAMBUNAI CORP BHD (6461-P)

**Condensed Statement of Profit or Loss and Other Comprehensive Income
For Financial Period Ended 31 December 2016**

(The figures have not been audited.)

	Current quarter ended <u>31/12/2016</u> RM'000	Preceding year corresponding quarter ended <u>31/12/2015</u> RM'000	Current year-to-date ended <u>31/12/2016</u> RM'000	Preceding year-to-date ended <u>31/12/2015</u> RM'000
Revenue	15,339	12,107	49,732	39,749
Cost of sales	(9,931)	(8,841)	(27,782)	(28,028)
Gross profit	5,408	3,266	21,950	11,721
Other income	15,767	134	16,752	1,696
Operating expenses	(12,237)	(10,793)	(29,915)	(31,716)
Profit/(Loss) from operations	8,938	(7,393)	8,787	(18,299)
Finance costs	(4)	(31)	(32)	(93)
Profit/(Loss) before tax	8,934	(7,424)	8,755	(18,392)
Income tax expense	(740)	(82)	(1,339)	(613)
Profit/(Loss) for the period	8,194	(7,506)	7,416	(19,005)
Other comprehensive income				
- Foreign currency translation differences	18	(13)	26	28
Total comprehensive income for the period	8,212	(7,519)	7,442	(18,977)
Profit/(Loss) for the period attributable to :-				
Owners of the parent	8,194	(7,506)	7,416	(19,005)
Non-controlling interest	-	-	-	-
	8,194	(7,506)	7,416	(19,005)
Total comprehensive income attributable to :-				
Owners of the parent	8,212	(7,519)	7,442	(18,977)
Non-controlling interest	-	-	-	-
	8,212	(7,519)	7,442	(18,977)
Earnings/(Loss) per share (sen)				
Basic	0.14	(0.13)	0.13	(0.33)
Diluted	N/A	N/A	N/A	N/A

(The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 March 2016 and the accompanying explanatory notes attached to the interim financial statements.)

KARAMBUNAI CORP BHD (6461-P)
Condensed Consolidated Statement of Financial Position
As at 31 December 2016

	(Unaudited) As at 31/12/2016 RM'000	(Audited) As at 31/3/2016 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	938,934	949,023
Land held for property development	434,712	435,237
Available-for-sale financial assets	60	60
Goodwill on consolidation	14,937	14,937
	<u>1,388,643</u>	<u>1,399,257</u>
Current Assets		
Property development costs	919	4,816
Inventories	6,648	6,062
Receivables, deposits and prepayments	7,667	15,273
Cash and bank balances	19,225	18,734
	<u>34,459</u>	<u>44,885</u>
TOTAL ASSETS	<u><u>1,423,102</u></u>	<u><u>1,444,142</u></u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	577,659	577,659
Reserves	256,189	248,747
TOTAL EQUITY	<u>833,848</u>	<u>826,406</u>
Non-Current Liabilities		
Finance lease liabilities	300	300
Bank borrowings	19,895	17,394
Deferred tax liabilities	227,946	227,946
	<u>248,141</u>	<u>245,640</u>
Current Liabilities		
Payables and accruals	141,681	185,330
Amount owing to a shareholder	192,939	137,394
Finance lease liabilities	111	661
Bank borrowings	1,811	1,583
Taxation	4,571	47,128
	<u>341,113</u>	<u>372,096</u>
TOTAL LIABILITIES	<u>589,254</u>	<u>617,736</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,423,102</u></u>	<u><u>1,444,142</u></u>
NET ASSETS PER SHARE (SEN)	<u>14.43</u>	<u>14.31</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 March 2016 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 31 December 2016
(The figures have not been audited.)

	← Attributable to owners of the parent →							Total	Non-controlling Interest	Total Equity
	← Non-distributable →				Asset	Foreign Currency	Accumulated			
	Share Capital	Share Premium	Capital Reserves	Warrant Reserves	Revaluation Reserves	Translation Reserves	Losses			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
As at 01/04/2016	577,659	77,959	269,918	69,529	199,023	(2,861)	(364,821)	826,406	-	826,406
Loss for the period	-	-	-	-	-	-	7,416	7,416	-	7,416
Foreign currency translation differences	-	-	-	-	-	26	-	26	-	26
As at 31/12/2016	<u>577,659</u>	<u>77,959</u>	<u>269,918</u>	<u>69,529</u>	<u>199,023</u>	<u>(2,835)</u>	<u>(357,405)</u>	<u>833,848</u>	<u>-</u>	<u>833,848</u>
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	-	-	-	-	-	-	(19,005)	(19,005)	-	(19,005)
Foreign currency translation differences	-	-	-	-	-	28	-	28	-	28
As at 31/12/2015	<u>577,659</u>	<u>77,959</u>	<u>269,918</u>	<u>69,529</u>	<u>207,629</u>	<u>(2,845)</u>	<u>(360,450)</u>	<u>839,399</u>	<u>-</u>	<u>839,399</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 2016 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 31 December 2016
(The figures have not been audited.)

	Current year-to-date ended 31/12/2016 RM'000	Corresponding year-to-date ended 31/12/2015 RM'000
Profit/(Loss) before tax	8,755	(18,392)
Adjustment for non-cash items:-		
Depreciation of property, plant and equipment	10,970	11,479
Gain on disposal of property, plant and equipment	(35)	(48)
Finance lease interest	32	93
Interest income	(486)	(242)
Reversal of impairment loss on receivables, net	(44)	(44)
(Reversal)/Provision of tax penalties	(15,459)	3,935
Unrealised loss on foreign exchange	2,922	3,054
Write-off of:		
- bad debts	9	354
- development expenditure	236	825
- inventories	6	-
- property, plant and equipment	66	-
Operating profit before working capital changes	6,972	1,014
Changes in working capital :-		
Net change in current assets	7,147	1,762
Net change in current liabilities	(28,326)	(7,543)
Net change in development expenditure	4,186	4,937
Cash used in operations	(10,021)	170
Income tax paid	(44,020)	(5,696)
Interest paid	(32)	(93)
Interest received	486	242
Net cash used in operating activities	(53,587)	(5,377)
Investing activities		
Purchase of property, plant & equipment	(947)	(359)
Proceeds from disposal of property, plant and equipment	35	69
Net cash used in investing activities	(912)	(290)
Financing activities		
Advances from a shareholder, net	55,546	6,729
Repayment of finance lease liabilities	(582)	(704)
Net cash generated from financing activities	54,964	6,025
Net change in cash & cash equivalents	465	358
Cash & cash equivalents at beginning of the period	18,734	18,732
Foreign currency translation differences	26	28
Cash & cash equivalents at end of the period	<u>19,225</u>	<u>19,118</u>

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Annual Financial Report for the year ended 31 March 2016 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 Third Quarter Ended 31 December 2016

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 2016. 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 2016.

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").

Adoption of new and amended standards

During the financial year, the Group and the Company have adopted the following amendments to FRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

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 101	Disclosure Initiative	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
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

The adoption of the above amendments to FRSs did not have any significant impact on the financial statements of the Group and the Company.

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

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
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to FRS 107	Disclosure Initiative	1 January 2017
Amendments to FRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
FRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
Amendments to FRS 10 and FRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

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 2016 audited annual financial statements.

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 2018.

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 2018. As such, the Group will prepare its first financial statements using the MFRS Framework for the financial year ending 31 March 2019. 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 2016 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 on the reversal of provision for tax penalties amounting to RM14.36 million and RM15.46 million for the current quarter and nine months ended 31 December 2016, respectively, there were no items affecting assets, liabilities, equities, net income or cash flows that were unusual because of their nature, size or incidence.

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 nine months ended 31 December 2016.

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 nine months ended 31 December 2016.

A7. Dividend Paid

No dividend has been paid for the current quarter and nine months ended 31 December 2016.

A8. Segmental Information

	3 months ended			
	31/12/2016	31/12/2016	31/12/2015	31/12/2015
	Revenue	Operating (Loss)/Profit	Revenue	Operating (Loss)/Profit
	RM'000	RM'000	RM'000	RM'000
Property development and construction	1,877	11,707	3,633	(6,148)
Leisure and tourism	13,439	(238)	8,451	(1,338)
Management services	23	(2,535)	23	62
	15,339	8,934	12,107	(7,424)

A8. Segmental Information (Cont'd)

	9 months ended			
	31/12/2016	31/12/2016	31/12/2015	31/12/2015
	Revenue	Operating Profit / (Loss)	Revenue	Operating Profit / (Loss)
	RM'000	RM'000	RM'000	RM'000
Property development and construction	9,851	11,923	14,602	(9,193)
Leisure and tourism	39,812	2,545	25,079	(5,154)
Management services	69	(5,713)	68	(4,045)
	<u>49,732</u>	<u>8,755</u>	<u>39,749</u>	<u>(18,392)</u>

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 2016.

A10. Material Subsequent Events

There were no material subsequent events occurred between 1 January 2017 and 10 February 2017 (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 nine months ended 31 December 2016.

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 2016:

	<u>31/12/2016</u>	<u>31/3/2016</u>
	RM'000	RM'000
Unsecured:		
Corporate guarantee given to licensed banks to secure banking facilities granted to subsidiary companies	<u>21,706</u>	<u>18,977</u>

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's revenue increased by 26.7% to RM15.34 million for the three months ended 31 December 2016, from RM12.11 million recorded in the same period last year. The increase was attributed mainly to higher revenue generated by Nexus Resort & Spa Karambunai in the leisure and tourism segment, offset by a drop in the property development and construction segment due largely to the absence of land sale in the current period under review. There was a land sale amounted to RM2.48 million in the same period last year. On profitability, the Group's recorded RM8.93 million profit before tax for the three months ended 31 December 2016 as compared to a loss before tax of RM7.42 million a year ago. The profit recorded in the current quarter under review was contributed largely by the one-off reversal of net provision for tax penalties amounting to RM14.36 million following the full and final settlement of tax liabilities of a subsidiary company.

The Group achieved RM49.73 million revenue for the nine months ended 31 December 2016 as compared to RM39.75 million recorded in the preceding year corresponding period, a 25.1% increase contributed mainly by the leisure and tourism segment which recorded an increase of RM14.73 million in revenue. Nexus Resort & Spa Karambunai continues to show encouraging result, recording higher occupancy as well as average room rate. On profitability, the Group registered a profit before taxation of RM8.76 million for the nine months ended 31 December 2016, as compared to a loss before taxation of RM18.39 million a year ago. Similar to the three months ended 31 December 2016, the better performance was attributed largely to the one-off reversal of net provision for tax penalties amounting to RM15.46 million.

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

The Group recorded a profit before tax of RM8.93 million for the current quarter ended 31 December 2016 as compared to RM4.84 million recorded in the second quarter. The improvement in the financial result was attributed mainly to the one-off reversal of net provision for tax penalties amounting to RM14.36 million, offset by the seasonality nature of Nexus Resort and Spa Karambunai business where the resort enjoyed good occupancy in the second quarter for the summer holiday season.

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 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 current quarter and the nine months ended 31 December 2016 are as follows:

	3 months ended		9 months ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RM'000	RM'000	RM'000	RM'000
Current taxation	17	(82)	(817)	(711)
Deferred taxation	-	-	-	(9)
	17	(82)	(817)	(720)
(Under)/Overprovision in prior years	(757)	-	(522)	107
	(740)	(82)	(1,339)	(613)

The effective tax rate of the Group for the current quarter and nine months ended 31 December 2016 was lower than the statutory tax rate mainly due to the availability of unutilised tax losses and unabsorbed capital allowances for set-off against the taxable profit in certain subsidiaries.

B6. Status of Corporate Proposals Announced But Not Completed as at 10 February 2017 (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:

	31/12/2016	31/3/2016
	RM'000	RM'000
<u>Non-current</u>		
Secured:		
Syndicated Term Loan	19,895	17,394
<u>Current</u>		
Secured:		
Syndicated Term Loan	1,811	1,583

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

B8. Material Litigation

As at 10 February 2017 (being the latest practicable date which is not more than 7 days from the date of this Quarterly Report), save as disclosed below, there are no significant developments and changes in material litigations:

- i) As disclosed in the last audited financial statements for the financial year ended 31 March 2016, a group of 122 purchasers and owners of units (“Claimants”) of a development known as Precinct Dillenia has on 10 December 2012 initiated an arbitration claim against Clear Sky Development Sdn Bhd (the “Respondent”), an indirect wholly-owned subsidiary of the Company, for an alleged outstanding lease rental of RM18,550,801 and overdue interest of RM8,571,605 pursuant to the hotel sub-lease agreements entered into between the respective Claimants and the Respondent. Hearings were held on 9 March 2015, 10 March 2015 and 25 May 2015. The Respondent has submitted its written reply submissions to the Arbitrator on 17 January 2017 and oral submissions is fixed on 31 March 2017. As at 31 December 2016, there were 10 units owners left in the arbitration proceedings which represents a potential liability of approximately RM5.3 million.

B9. Dividend

No dividend has been proposed or declared for current quarter and nine months ended 31 December 2016.

B10. Profit/(Loss) before taxation

	3 months ended		9 months ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before taxation is arrived at after charging / (crediting):-				
Depreciation of property, plant and equipment	3,622	3,672	10,970	11,479
Gain on disposal of property, plant and equipment	(25)	(30)	(35)	(48)
Finance lease interest	4	31	32	93
Interest income	(130)	(32)	(486)	(242)
(Reversal of) /Provision for impairment loss on receivables, net	(1)	50	(44)	(44)
(Reversal of)/Provision for tax penalties	(14,356)	2,813	(15,459)	3,935
Unrealised loss/(gain) on foreign exchange	1,762	(835)	2,922	3,054
Write-off of:				
- bad debts	-	60	9	354
- development expenditure	236	825	236	825
- inventories	5	-	6	-
- property, plant and equipment	32	-	66	-

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:

	31/12/2016	31/3/2016
	RM'000	RM'000
Total accumulated losses of the Group:-		
- Realised	(170,329)	(176,768)
- Unrealised	(64,257)	(65,234)
	(234,586)	(242,002)
Less : Consolidation adjustments	(122,819)	(122,819)
	(357,405)	(364,821)

B12. Outstanding Derivatives

There are no outstanding derivatives (including instruments designated as hedging instruments) as at 31 December 2016.

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 31 December 2016.

B14. Earnings/(Loss) per share

	3 months ended		9 months ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
<u>Basic earnings/(loss) per share</u>				
Profit/(Loss) after taxation attributable to owners of parent (RM'000)	8,194	(7,506)	7,416	(19,005)
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 earnings/(loss) per share (sen)	0.14	(0.13)	0.13	(0.33)

Diluted earnings/(loss) per share

The Group has no dilution in its earnings/(loss) 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
16 February 2017