



KARAMBUNAI CORP BHD (6461-P)

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For Financial Period Ended 30 June 2017**

(The figures have not been audited.)

	Current quarter ended <u>30/6/2017</u> RM'000	Preceding year corresponding quarter ended <u>30/6/2016</u> RM'000	Current year-to-date ended <u>30/6/2017</u> RM'000	Preceding year-to-date ended <u>30/6/2016</u> RM'000
Revenue	17,110	14,006	17,110	14,006
Cost of sales	(7,653)	(9,381)	(7,653)	(9,381)
Gross profit	9,457	4,625	9,457	4,625
Other income	1,482	614	1,482	614
Operating expenses	(7,900)	(10,231)	(7,900)	(10,231)
Profit/(Loss) from operations	3,039	(4,992)	3,039	(4,992)
Finance costs	(5)	(23)	(5)	(23)
Profit/(Loss) before tax	3,034	(5,015)	3,034	(5,015)
Income tax	(18)	123	(18)	123
Profit/(Loss) for the period	3,016	(4,892)	3,016	(4,892)
Other comprehensive income Items that may be reclassified subsequently to profit or loss				
- Foreign currency translation differences	(2)	2	(2)	2
Other comprehensive income for the period	(2)	2	(2)	2
Total comprehensive income for the period	3,014	(4,890)	3,014	(4,890)
Profit/(Loss) for the period attributable to :-				
Owners of the parent	3,016	(4,892)	3,016	(4,892)
Non-controlling interest	-	-	-	-
	3,016	(4,892)	3,016	(4,892)
Total comprehensive income attributable to :-				
Owners of the parent	3,014	(4,890)	3,014	(4,890)
Non-controlling interest	-	-	-	-
	3,014	(4,890)	3,014	(4,890)
Earnings/(Loss) per share (sen)				
Basic	0.05	(0.08)	0.05	(0.08)
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 2017 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 2017

	(Unaudited) As at 30/6/2017 RM'000	(Audited) As at 31/3/2017 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	931,241	934,552
Land held for property development	439,753	439,753
Available-for-sale financial assets	60	60
Goodwill on consolidation	14,937	14,937
	<u>1,385,991</u>	<u>1,389,302</u>
Current Assets		
Inventories	5,039	4,759
Trade receivables	2,527	8,874
Other receivables	4,309	6,203
Fixed deposits with licensed banks	13,154	9,364
Cash and bank balances	52,045	13,777
	<u>77,074</u>	<u>42,977</u>
TOTAL ASSETS	<u><u>1,463,065</u></u>	<u><u>1,432,279</u></u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	577,659	577,659
Reserves	275,407	272,393
TOTAL EQUITY	<u>853,066</u>	<u>850,052</u>
Non-Current Liabilities		
Finance lease liabilities	307	307
Bank borrowings	4,333	4,466
Amount owing to a shareholder	229,520	194,981
Other payables	10,304	10,679
Deferred tax liabilities	230,516	230,516
	<u>474,980</u>	<u>440,949</u>
Current Liabilities		
Trade payables	49,214	49,931
Other payables	76,772	81,408
Deferred income	1,241	1,247
Finance lease liabilities	189	251
Bank borrowings	2,600	2,680
Taxation	5,003	5,761
	<u>135,019</u>	<u>141,278</u>
TOTAL LIABILITIES	<u>609,999</u>	<u>582,227</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,463,065</u></u>	<u><u>1,432,279</u></u>
NET ASSETS PER SHARE (SEN)	<u>14.77</u>	<u>14.72</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 March 2017 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 2017

(The figures have not been audited.)

	← Attributable to owners of the parent →									
	← Non-distributable →									
	Share Capital	Share Premium	Capital Reserves	Warrant Reserves	Asset Revaluation Reserves	Foreign Currency Translation Reserves	Accumulated Losses	Total	Non-controlling Interest	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 01/04/2017	577,659	77,959	269,918	69,529	203,766	(2,852)	(345,927)	850,052	-	850,052
Profit for the period	-	-	-	-	-	-	3,016	3,016	-	3,016
Other comprehensive income:										
Foreign currency translation differences	-	-	-	-	-	(2)	-	(2)	-	(2)
As at 30/6/2017	<u>577,659</u>	<u>77,959</u>	<u>269,918</u>	<u>69,529</u>	<u>203,766</u>	<u>(2,854)</u>	<u>(342,911)</u>	<u>853,066</u>	<u>-</u>	<u>853,066</u>
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	-	-	-	-	-	-	(4,892)	(4,892)	-	(4,892)
Other comprehensive income:										
Foreign currency translation differences	-	-	-	-	-	2	-	2	-	2
As at 30/6/2016	<u>577,659</u>	<u>77,959</u>	<u>269,918</u>	<u>69,529</u>	<u>199,023</u>	<u>(2,859)</u>	<u>(369,713)</u>	<u>821,516</u>	<u>-</u>	<u>821,516</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 2017 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 2017

(The figures have not been audited.)

	Current year-to-date ended 30/6/2017 RM'000	Corresponding year-to-date ended 30/6/2016 RM'000
Profit/(Loss) before tax	3,034	(5,015)
Adjustment for non-cash items:-		
Depreciation of property, plant and equipment	3,706	3,690
Gain on disposal of property, plant and equipment	(35)	(7)
Finance lease interest	5	23
Interest income	(164)	(74)
Unrealised (gain)/loss on foreign exchange	(649)	522
Write-off of:		
- inventories	-	1
- property, plant and equipment	-	29
Operating profit/(loss) before working capital changes	5,897	(831)
Changes in working capital :-		
Net change in current assets	7,944	9,638
Net change in current liabilities	(5,282)	(10,168)
Net change in development expenditure	-	2,657
Cash generated from operations	8,559	1,296
Income tax paid	(770)	(383)
Interest paid	(5)	(23)
Interest received	164	74
Net cash generated from operating activities	7,948	964
Investing activities		
Purchase of property, plant & equipment	(395)	(101)
Proceeds from disposal of property, plant and equipment	35	7
Net cash used in investing activities	(360)	(94)
Financing activities		
Advances from a shareholder, net	34,539	11,035
Repayment of finance lease liabilities	(67)	(344)
Net cash generated from financing activities	34,472	10,691
Net change in cash & cash equivalents	42,060	11,561
Cash & cash equivalents at beginning of the period	23,141	18,734
Foreign currency translation differences	(2)	2
Cash & cash equivalents at end of the period	<u>65,199</u>	<u>30,297</u>
Cash & cash equivalents at end of the period consist of:		
Fixed deposits with licensed banks	13,154	5,176
Cash and bank balances	52,045	25,121
	<u>65,199</u>	<u>30,297</u>

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Annual Financial Report for the year ended 31 March 2017 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 2017. 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 2017.

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 period, 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:

Amendments to Disclosure Initiative
FRS 107

Amendments to Recognition of Deferred Tax Assets for
FRS 112 Unrealised Losses

Amendments to FRS 12 Disclosure of Interests in Other
Entities (*Annual Improvements to FRSs 2014-2016 Cycle*)

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

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 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 4	Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts	1 January 2018
Amendments to FRS 140	Transfers of Investment Property	1 January 2018

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

Standards issued but not yet effective (Cont'd)

	Effective for financial periods beginning on or after	
Amendments to FRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards (<i>Annual Improvements to FRSs 2014-2016 Cycle</i>)	1 January 2018
Amendments to FRS 128	Investments in Associates and Joint Ventures (<i>Annual Improvements to FRSs 2014-2016 Cycle</i>)	1 January 2018
IC Interpretations 22	Foreign Currency Transactions and Advance Consideration	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 2017 was not qualified but has included an emphasise of matter to draw attention to the material uncertainty related to going concern, as follows:

“We draw attention to Note 2 (d) in the financial statements, which indicates that the Group recorded negative cash flows from operating activities of RM53,416,245, current liabilities exceeded its current assets by RM98,300,739 despite having a profit of RM18,893,258 during the financial year ended 31 March 2017. As stated in Note 2(d), these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter”

The Directors of the Company were of the opinion that the preparation of the financial statements of the Group on a going concern basis remained appropriate given the following measures being taken and would be taken by the Group to address the material uncertainty related to going concern:

- (i) The financial performance of the principal operating unit of the Group, Nexus Resort & Spa Karambunai, has started showing positive results and generating positive operating cash flow. The better financial performance was as a result of our continuous efforts to update the resort with a phased refurbishment exercise to drive revenue; and
- (ii) The Group will also exploring fund raising options such as financing to address the net current liabilities position.

Barring unforeseen circumstances, the Group expects a timeline of 24 months from 31 July 2017, being the date of the announcement of the material uncertainty related to going concern via Bursa Malaysia, to address the matter.

Accordingly, this interim financial report for the period ended 30 June 2017 do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary if the Group is unable to continue as a going concern.

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

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 2017.

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 2017.

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 2017.

A7. Dividend Paid

No dividend has been paid for the three months ended 30 June 2017.

A8. Segmental Information

	3 months ended			
	30/6/2017	30/6/2017	30/6/2016	30/6/2016
	Revenue	Operating (Loss)/Profit	Revenue	Operating (Loss)/Profit
	RM'000	RM'000	RM'000	RM'000
Property development and construction	193	(2,172)	4,168	(2,156)
Leisure and tourism	16,917	5,138	9,815	(1,120)
Management services	-	68	23	(1,739)
	17,110	3,034	14,006	(5,015)

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 2017.

A10. Material Subsequent Events

There were no material subsequent events occurred between 1 July 2017 and 23 August 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 three months ended 30 June 2017.

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 2017:

	<u>30/6/2017</u>	<u>31/3/2017</u>
	RM'000	RM'000
Unsecured:		
Corporate guarantee given to licensed banks to secure banking facilities granted to subsidiary companies	<u>6,933</u>	<u>7,146</u>

Part B - Notes in compliance with BMSB Main Market Listing Requirements

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

Revenue for the three months ended 30 June 2017 increased 22% to RM17.11 million from RM14.01 million a year ago. The increase was attributed mainly to higher revenue generated by the Leisure and Tourism segment, offset by a substantial drop in Property Development and Construction segment revenue.

Revenue from the Leisure and Tourism segment increased by RM7.10 million (72.3%), attributed largely to the continuous improvement in Nexus Resort & Spa Karambunai on higher room occupancy and average room rate. Property Development and Construction segment revenue dropped RM3.97 million (95.4%) which is within the Group's expectation as the Group does not have any active on-going projects following the completion of Bandar Sierra project.

On profitability, the Group recorded a profit before tax of RM3.03 million for the three months ended 30 June 2017 from a loss of RM5.02 million a year ago, largely on contribution from Nexus Resort & Spa Karambunai which recorded a profit before tax of RM5.0 million, and on non-cash foreign currency translation gain of RM0.6 million.

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

	Current quarter ended <u>30/6/2017</u> RM'000	Immediate preceding quarter ended <u>31/3/2017</u> RM'000	Changes RM'000
Revenue	17,110	31,314	(14,204)
Cost of sales	(7,653)	(10,435)	2,782
Gross profit	9,457	20,879	(11,422)
Other income	1,482	14,701	(13,219)
Operating expenses	(7,900)	(14,461)	6,561
Profit from operations	3,039	21,119	(18,080)
Finance costs	(5)	(1)	(4)
Profit before tax	3,034	21,118	(18,084)

Revenue for the current quarter dropped RM14.2 million (45.4%), attributed largely to the reduction in revenue from the Property Development and Construction segment, mitigated by an increase in revenue contribution from the Leisure and Tourism segment. The lower revenue contribution from the Property Development and Construction segment, as explained in note B1 above, is within the Group's expectation as the Group does not have any active on-going projects following the completion of Bandar Sierra project.

On profitability, profit before tax decreased RM18.08 million attributed largely to the absence of profit contribution from Property Development and Construction segment which contributed RM10.77 million to the immediate preceding quarter result and to the reversal of impairment loss on land held for property development and property plant and equipment of RM5.48 million in the immediate preceding quarter result.

B3. Prospects

On the prospects for the remaining period to the end of the financial year ending 31 March 2018, 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.

B4. Profit Forecast / Profit Guarantee

The Group did not issue any profit forecast or profit guarantee.

B5. Taxation

The taxation charges for current quarter ended 30 June 2017 are as follows:

	3 months ended	
	30/6/2017	30/6/2016
	RM'000	RM'000
Current taxation	(18)	(113)
Overprovision in prior years	-	236
	<u>(18)</u>	<u>123</u>

The effective tax rate of the Group for the three months ended 30 June 2017 was lower than the statutory tax rate mainly due to the availability of unabsorbed losses and capital allowances for set-off against the taxable profit in certain subsidiaries.

B6. Status of Corporate Proposals Announced But Not Completed as at 23 August 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:

	30/6/2017	31/3/2017
	RM'000	RM'000
Secured:		
Syndicated Term Loan		
Non-current	4,333	4,466
Current	<u>2,600</u>	<u>2,680</u>
Total	<u>6,933</u>	<u>7,146</u>

The Syndicated Term Loan is a US Dollar loan with an outstanding sum of USD1,614,484.

B8. Material Litigation

As at 23 August 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 since the date of the last annual statement of financial position:

- i) As disclosed in the last audited financial statements for the financial year ended 31 March 2017, 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 RM18.55 million and overdue interest of RM8.57 million 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 and 30 June 2017. While waiting for further hearings to be held, the Respondent continues its discussion to seek an amicable settlement with the Claimants and as at the date of this interim financial report, the matter has been fully resolved amicably.

B9. Dividend

No dividend has been proposed or declared for the current quarter ended 30 June 2017.

B10. Profit/(Loss) before taxation

	3 months ended	
	30/6/2017	30/6/2016
	RM'000	RM'000
Profit/(Loss) before taxation is arrived at after charging / (crediting):-		
Depreciation of property, plant and equipment	3,706	3,690
Gain on disposal of property, plant and equipment	(35)	(7)
Finance lease interest	5	23
Interest income	(164)	(74)
(Gain)/loss on foreign exchange:		
- realised	(16)	(22)
- unrealised	(649)	522
Write-off of:		
- inventories	-	1
- property, plant and equipment	-	29

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:

	30/6/2017	31/3/2017
	RM'000	RM'000
Total accumulated losses of the Group:-		
- Realised	(147,489)	(150,505)
- Unrealised	(67,069)	(67,069)
	(214,558)	(217,574)
Less : Consolidation adjustments	(128,353)	(128,353)
	(342,911)	(345,927)

B12. Outstanding Derivatives

There are no outstanding derivatives (including instruments designated as hedging instruments) as at 30 June 2017.

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 2017.

B14. Earnings/(Loss) per share

	3 months ended	
	30/6/2017	30/6/2016
<u>Basic earnings/(loss) per share</u>		
Profit/(Loss) after taxation attributable to owners of parent (RM'000)	3,016	(4,892)
Weighted average number of ordinary shares in issue	5,776,587,696	5,776,587,696
Basic earnings/(loss) per share (sen)	0.05	(0.08)

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
29 August 2017