



KARAMBUNAI CORP BHD (6461-P)

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For Financial Period Ended 31 December 2017**

(The figures have not been audited.)

	Current quarter ended <u>31/12/2017</u> RM'000	Preceding year corresponding quarter ended <u>31/12/2016</u> RM'000	Current year-to-date ended <u>31/12/2017</u> RM'000	Preceding year-to-date ended <u>31/12/2016</u> RM'000
Revenue	19,306	15,339	58,298	49,732
Cost of sales	(8,572)	(9,931)	(25,349)	(27,782)
Gross profit	10,734	5,408	32,949	21,950
Other income	10,258	15,767	12,864	16,752
Operating expenses	(6,993)	(12,237)	(21,286)	(29,915)
Profit from operations	13,999	8,938	24,527	8,787
Finance costs	(3)	(4)	(14)	(32)
Profit before tax	13,996	8,934	24,513	8,755
Income tax	589	(740)	554	(1,339)
Profit for the period	14,585	8,194	25,067	7,416
Other comprehensive income Items that may be reclassified subsequently to profit or loss				
- Foreign currency translation differences	(3)	18	(1)	26
Other comprehensive income for the period	(3)	18	(1)	26
Total comprehensive income for the period	14,582	8,212	25,066	7,442
Profit for the period attributable to :-				
Owners of the parent	14,585	8,194	25,067	7,416
Non-controlling interest	-	-	-	-
	14,585	8,194	25,067	7,416
Total comprehensive income attributable to :-				
Owners of the parent	14,582	8,212	25,066	7,442
Non-controlling interest	-	-	-	-
	14,582	8,212	25,066	7,442
Earnings per share (sen)				
Basic	0.25	0.14	0.43	0.13
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 31 December 2017

	(Unaudited) As at 31/12/2017 RM'000	(Audited) As at 31/3/2017 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	924,176	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
	1,378,926	1,389,302
Current Assets		
Inventories	5,334	4,759
Trade receivables	1,531	8,874
Other receivables	4,361	6,203
Fixed deposits with licensed banks	13,534	9,364
Cash and bank balances	23,367	13,777
	48,127	42,977
TOTAL ASSETS	1,427,053	1,432,279
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	577,659	577,659
Reserves	297,459	272,393
TOTAL EQUITY	875,118	850,052
Non-Current Liabilities		
Finance lease liabilities	340	307
Bank borrowings	4,099	4,466
Amount owing to a shareholder	242,536	194,981
Other payables	9,650	10,679
Deferred tax liabilities	230,516	230,516
	487,141	440,949
Current Liabilities		
Trade payables	34,649	49,931
Other payables	23,002	81,408
Deferred income	1,227	1,247
Finance lease liabilities	80	251
Bank borrowings	2,459	2,680
Taxation	3,377	5,761
	64,794	141,278
TOTAL LIABILITIES	551,935	582,227
TOTAL EQUITY AND LIABILITIES	1,427,053	1,432,279
NET ASSETS PER SHARE (SEN)	15.15	14.72

(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 31 December 2017
(The figures have not been audited.)

	← Atributable 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	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	-	-	-	-	-	-	25,067	25,067	-	25,067	
Other comprehensive income:											
Foreign currency translation differences	-	-	-	-	-	(1)	-	(1)	-	(1)	
As at 31/12/2017	577,659	77,959	269,918	69,529	203,766	(2,853)	(320,860)	875,118	-	875,118	
As at 01/04/2016	577,659	77,959	269,918	69,529	199,023	(2,861)	(364,821)	826,406	-	826,406	
Profit for the period	-	-	-	-	-	-	7,416	7,416	-	7,416	
Other comprehensive income:											
Foreign currency translation differences	-	-	-	-	-	26	-	26	-	26	
As at 31/12/2016	577,659	77,959	269,918	69,529	199,023	(2,835)	(357,405)	833,848	-	833,848	

(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 31 December 2017
(The figures have not been audited.)

	Current year-to-date ended 31/12/2017 RM'000	Corresponding year-to-date ended 31/12/2016 RM'000
Profit before tax	24,513	8,755
Adjustment for non-cash items:-		
Depreciation of property, plant and equipment	10,851	10,970
Gain on disposal of property, plant and equipment	(51)	(35)
Interest expenses	14	32
Interest income	(758)	(486)
Reversal of impairment loss on receivables, net	(9)	(63)
Provision for/(Reversal of) tax penalties	80	(14,356)
Unrealised (gain)/loss on foreign exchange	(1,745)	2,976
Write-off of:		
- bad debts	8	9
- development expenditure	-	236
- inventories	4	6
- property, plant and equipment	8	66
Operating profit before working capital changes	32,915	8,110
Changes in working capital :-		
Net change in inventories	(579)	(592)
Net change in receivables	9,186	7,758
Net change in payables	(73,593)	(29,483)
Net change in development expenditure	-	4,186
Cash used in operations	(32,071)	(10,021)
Income tax paid	(1,897)	(44,020)
Interest paid	(14)	(32)
Interest received	758	486
Net cash used in operating activities	(33,224)	(53,587)
Investing activities		
Purchase of property, plant & equipment	(432)	(947)
Proceeds from disposal of property, plant and equipment	51	35
Net cash used in investing activities	(381)	(912)
Financing activities		
Advances from a shareholder, net	47,555	55,546
Repayment of finance lease liabilities	(189)	(582)
Net cash generated from financing activities	47,366	54,964
Net change in cash & cash equivalents	13,761	465
Cash & cash equivalents at beginning of the period	23,141	18,734
Foreign currency translation differences	(1)	26
Cash & cash equivalents at end of the period	36,901	19,225
Cash & cash equivalents at end of the period consist of:		
Fixed deposits with licensed banks	13,534	6,723
Cash and bank balances	23,367	12,502
	36,901	19,225

(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 FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual improvements to FRSs 2014-2016 Cycle – Amendments to FRS 12	Disclosure of Interests in Other Entities

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
Annual Improvements to FRSs 2014-2016 Cycle		
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2018
Amendments to FRS 128	Investments in Associates and Joint Ventures	1 January 2018
Amendments to FRS 2	Classification and Measurement of Share-based Payment	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 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
IC Interpretations 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretations 23	Uncertainty over Income Tax Treatments	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 2017 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 31 December 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 current quarter and nine months ended 31 December 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 current quarter and nine months ended 31 December 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 current quarter and nine months ended 31 December 2017.

A7. Dividend Paid

No dividend has been paid for the current quarter and nine months ended 31 December 2017.

A8. Segmental Information

	3 months ended			
	31/12/2017	31/12/2017	31/12/2016	31/12/2016
	Revenue	Operating Profit / (Loss)	Revenue	Operating Profit / (Loss)
	RM'000	RM'000	RM'000	RM'000
Property development and construction	611	7,619	1,877	11,707
Leisure and tourism	18,695	6,611	13,439	(238)
Management services	-	(234)	23	(2,535)
	19,306	13,996	15,339	8,934

	9 months ended			
	31/12/2017	31/12/2017	31/12/2016	31/12/2016
	Revenue	Operating Profit / (Loss)	Revenue	Operating Profit / (Loss)
	RM'000	RM'000	RM'000	RM'000
Property development and construction	1,025	4,410	9,851	11,923
Leisure and tourism	57,273	19,688	39,812	2,545
Management services	-	415	69	(5,713)
	58,298	24,513	49,732	8,755

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 January 2018 and 18 February 2018 (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

On 28 September 2017, FACB Charter Sdn Bhd, a wholly-owned dormant subsidiary of the Company, was struck off from the Registry of Companies Commission of Malaysia pursuant to Section 308(4) of the Companies Act 1965 (now superseded by the Companies Act 2016).

Save as disclosed above, there were no material changes in the composition of the Group for the nine months ended 31 December 2017.

A12. Changes in Contingent Liabilities or Contingent Assets

Save as disclosed below, there were no material changes in contingent liabilities or contingent assets of the Company since the financial year ended 31 March 2017:

	As at 31/12/2017 RM'000	As at 31/3/2017 RM'000
Unsecured:		
Corporate guarantee given to licensed banks to secure banking facilities granted to subsidiary companies	6,558	7,146

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

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

3 months ended 31 December 2017

Revenue for the three months ended 31 December 2017 increased 25.9% to RM19.31 million from RM15.34 million a year ago, on higher revenue recorded by the leisure and tourism segment, offset by an expected drop in revenue from the property development and construction segment.

Revenue from the leisure and tourism upped RM5.26 million (39.1%) on increased contribution from Nexus Resort & Spa Karambunai as it continues to show encouraging results with higher room occupancy and average room rate, while revenue from property development and construction declined RM1.27 million (67.6%) as the Group does not have any active on-going development following the completion of Bandar Sierra projects in the last financial year.

On profitability, the Group recorded a profit before taxation of RM14.00 million for the three months ended 31 December 2017, an increase of 56.8% from RM8.93 million a year ago, attributed largely to the leisure and tourism segment which recorded an increase of RM6.85 million (>100%) on better financial performance by Nexus Resort & Spa Karambunai. Property development and construction segment posted a profit of RM7.62 million mainly due to the reversals of provisions no longer required while the management service segment recorded a lower loss on favourable foreign exchange translation between Ringgit and USD.

9 months ended 31 December 2017

The Group achieved RM58.30 million revenue for the nine months ended 31 December 2017 from RM49.73 million a year ago, an increase of 17.2% attributed largely to Nexus Resort & Spa Karambunai in the leisure and tourism segment, offset by an expected drop in property development and construction segment revenue.

Revenue from the leisure & tourism segment expanded RM17.46 million (43.9%) on higher room occupancy and average room rate recorded by Nexus Resort & Spa Karambunai. Revenue from property development and construction segment was down RM8.82 million (89.5%) to RM1.03 million as its development activities are at tail-end.

On profitability, the Group registered a profit before taxation of RM24.51 million for the nine months ended 31 December 2017, from RM8.76 million a year ago. Leisure and tourism segment contributed an increase of RM17.14 million on better performance by Nexus Resort & Spa Karambunai, while the property development and construction segment recorded a profit of RM4.41 million on reversals of provisions no longer required during the period under review. Management services segment recorded a nominal profit of RM0.42 million on favourable foreign exchange translation between Ringgit and USD.

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

	Current quarter ended <u>31/12/2017</u> RM'000	Immediate preceding quarter ended <u>30/9/2017</u> RM'000	Changes RM'000
Revenue	19,306	21,882	(2,576)
Cost of sales	(8,572)	(9,124)	552
Gross profit	10,734	12,758	(2,024)
Other income	10,258	1,124	9,134
Operating expenses	(6,993)	(6,393)	(600)
Profit from operations	13,999	7,489	6,510
Finance costs	(3)	(6)	3
Profit before tax	13,996	7,483	6,513

The drop in revenue was attributed largely to the seasonally lower revenue in the leisure and tourism segment. Nexus Resort & Spa Karambunai recorded a drop of RM2.96 million in revenue, on lower room occupancy and average room rate when compared to the immediate preceding quarter.

The profit before taxation increased RM6.51 million on higher contribution from property development and construction segment attributable largely to the reversals of provisions no longer required, offset by a drop in leisure and tourism profit of RM2.15 million.

B3. Prospects

On the prospects for the remaining period to the end of the financial year ending 31 March 2018, the Group will strive 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 travelers and business meetings. 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 leisure and tourism business 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 and the nine months ended 31 December 2017 are as follows:

	3 months ended		9 months ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
Current taxation	(8)	17	(43)	(817)
Over/(under)provision in prior years	597	(757)	597	(522)
	589	(740)	554	(1,339)

The effective tax rate of the Group for the current quarter and nine months ended 31 December 2017 was lower than the statutory tax rate mainly due to certain income is non-taxable, the availability of unabsorbed losses and capital allowances for set-off against the taxable profit in certain subsidiaries and the overprovision of taxation in prior years.

B6. Status of Corporate Proposals Announced But Not Completed as at 18 February 2018 (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 set out below:

	As at	As at
	31/12/2017	31/3/2017
	RM'000	RM'000
Secured:		
Syndicated Term Loan		
Non-current	4,099	4,466
Current	2,459	2,680
Total	6,558	7,146

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

B8. Material Litigation

There were no unresolved material litigations as at 18 February 2018 (being the latest practicable date which is not more than 7 days from the date of this Quarterly Report).

B9. Dividend

No dividend has been proposed or declared for the current quarter and nine months ended 31 December 2017.

B10. Profit before taxation

	3 months ended		9 months ended	
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
Profit before taxation is arrived at after charging / (crediting):-				
Depreciation of property, plant and equipment	3,547	3,622	10,851	10,970
Gain on disposal of property, plant and equipment	(9)	(25)	(51)	(35)
Interest expenses	3	4	14	32
Interest income	(272)	(130)	(758)	(486)
(Gain)/loss on foreign exchange				
- realised	(16)	(9)	(57)	(54)
- unrealised	(778)	1,816	(1,745)	2,976
Reversal of impairment loss on receivables	(9)	(19)	(9)	(63)
(Reversal of)/provision for tax penalties	(50)	(14,356)	80	(14,356)
Write-off of:				
- bad debts	-	-	8	9
- development expenditure	-	236	-	236
- inventories	3	5	4	6
- property, plant and equipment	8	32	8	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:

	As at 31/12/2017 RM'000	As at 31/3/2017 RM'000
Total accumulated losses of the Group:-		
- Realised	(162,598)	(150,505)
- Unrealised	(67,069)	(67,069)
	(229,667)	(217,574)
Less : Consolidation adjustments	(91,193)	(128,353)
	(320,860)	(345,927)

B12. Outstanding Derivatives

There are no outstanding derivatives (including instruments designated as hedging instruments) as at 31 December 2017.

B13. Fair Value Changes of Financial Liabilities

The Group does not have any material financial liabilities measured at fair value through profit or loss as at 31 December 2017.

B14. Earnings per share

	3 months ended		9 months ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
<u>Basic earnings per share</u>				
Profit after taxation attributable to owners of parent (RM'000)	14,585	8,194	25,067	7,416
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 per share (sen)	0.25	0.14	0.43	0.13

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
24 February 2018