



KARAMBUNAI CORP BHD (6461-P)

**Condensed Consolidated Statement of Comprehensive Income
For Financial Period Ended 30 June 2018**
(The figures have not been audited.)

	Current quarter ended <u>30/6/2018</u> RM'000	Preceding year corresponding quarter ended <u>30/6/2017</u> RM'000	Current year-to-date ended <u>30/6/2018</u> RM'000	Preceding year-to-date ended <u>30/6/2017</u> RM'000
Revenue	13,648	17,110	13,648	17,110
Cost of sales	<u>(6,174)</u>	<u>(6,480)</u>	<u>(6,174)</u>	<u>(6,480)</u>
Gross profit	7,474	10,630	7,474	10,630
Other income	7,579	1,482	7,579	1,482
Operating expenses	<u>(14,361)</u>	<u>(9,073)</u>	<u>(14,361)</u>	<u>(9,073)</u>
Profit from operations	692	3,039	692	3,039
Finance costs	(3)	(5)	(3)	(5)
Profit before taxation	<u>689</u>	<u>3,034</u>	<u>689</u>	<u>3,034</u>
Taxation	288	(18)	288	(18)
Profit for the period	<u>977</u>	<u>3,016</u>	<u>977</u>	<u>3,016</u>
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
- Foreign currency translation differences	-	(2)	-	(2)
Other comprehensive income for the period	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>(2)</u>
Total comprehensive income for the period	<u><u>977</u></u>	<u><u>3,014</u></u>	<u><u>977</u></u>	<u><u>3,014</u></u>
Profit for the period attributable to :-				
Owners of the parent	977	3,016	977	3,016
Non-controlling interest	-	-	-	-
	<u>977</u>	<u>3,016</u>	<u>977</u>	<u>3,016</u>
Total comprehensive income attributable to :-				
Owners of the parent	977	3,014	977	3,014
Non-controlling interest	-	-	-	-
	<u>977</u>	<u>3,014</u>	<u>977</u>	<u>3,014</u>
Earnings per share (sen)				
Basic	0.02	0.05	0.02	0.05
Diluted	0.02	0.05	0.02	0.05

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 March 2018 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 2018

	(Unaudited) As at 30/6/2018 RM'000	(Audited) As at 31/3/2018 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	889,448	892,965
Land held for property development	439,753	439,753
Available-for-sale financial assets	60	60
Goodwill on consolidation	14,937	14,937
	<u>1,344,198</u>	<u>1,347,715</u>
Current Assets		
Inventories	4,328	4,344
Trade receivables	1,182	1,574
Other receivables	9,765	4,547
Fixed deposits with licensed banks	12,252	15,498
Cash and bank balances	19,535	22,421
Short term investment funds	6,016	-
	<u>53,078</u>	<u>48,384</u>
TOTAL ASSETS	<u><u>1,397,276</u></u>	<u><u>1,396,099</u></u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	655,618	655,618
Reserves	218,772	217,795
TOTAL EQUITY	<u>874,390</u>	<u>873,413</u>
Non-Current Liabilities		
Finance lease liabilities	113	113
Deferred income	1,186	1,193
Amount owing to a shareholder	245,622	242,622
Other payables	9,086	9,086
Deferred tax liabilities	211,671	211,671
	<u>467,678</u>	<u>464,685</u>
Current Liabilities		
Trade payables	32,054	30,012
Other payables	17,824	20,844
Deferred income	27	27
Finance lease liabilities	175	236
Bank borrowings	4,075	3,897
Taxation	1,053	2,985
	<u>55,208</u>	<u>58,001</u>
TOTAL LIABILITIES	<u>522,886</u>	<u>522,686</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,397,276</u></u>	<u><u>1,396,099</u></u>
NET ASSETS PER SHARE (SEN)	<u>15.14</u>	<u>15.12</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 2018**

(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 Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 01/04/2018	655,618	-	269,918	69,529	182,203	(2,851)	(301,004)	873,413
Profit for the period, representing total comprehensive income for the period	-	-	-	-	-	-	977	977
As at 30/6/2018	<u>655,618</u>	<u>-</u>	<u>269,918</u>	<u>69,529</u>	<u>182,203</u>	<u>(2,851)</u>	<u>(300,027)</u>	<u>874,390</u>
As at 01/04/2017	577,659	77,959	269,918	69,529	203,766	(2,852)	(345,927)	850,052
Profit for the period	-	-	-	-	-	-	3,016	3,016
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	(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>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 March 2018 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 2018
(The figures have not been audited.)

	Current year-to-date ended 30/6/2018 <u>RM'000</u>	Corresponding year-to-date ended 30/6/2017 <u>RM'000</u>
Profit before tax	689	3,034
Adjustment for non-cash items:-		
Depreciation of property, plant and equipment	3,614	3,706
Finance costs	3	5
Gain on disposal of property, plant and equipment	(1)	(35)
Interest income	(247)	(164)
Reversal of impairment loss on receivables	(21)	-
Unrealised loss/(gain) on foreign exchange	226	(649)
Write-off of inventories	2	-
	<u>4,265</u>	<u>5,897</u>
Operating profit before working capital changes	4,265	5,897
Changes in working capital :-		
Net change in current assets	(4,791)	7,944
Net change in current liabilities	(1,034)	(5,282)
Cash (used in)/generated from operations	(1,560)	8,559
Income tax paid	(1,644)	(770)
Interest paid	(3)	(5)
Interest received	247	164
Net cash (used in)/generated from operating activities	<u>(2,960)</u>	<u>7,948</u>
Investing activities		
Addition of pledged fixed deposits	(30)	(13)
Purchase of property, plant & equipment	(97)	(395)
Proceeds from disposal of property, plant and equipment	1	35
Net cash used in investing activities	<u>(126)</u>	<u>(373)</u>
Financing activities		
Advances from a shareholder, net	3,000	34,539
Repayment of finance lease liabilities	(61)	(67)
Net cash generated from financing activities	<u>2,939</u>	<u>34,472</u>
Net change in cash and cash equivalents	(147)	42,047
Cash and cash equivalents at beginning of the period	33,658	18,367
Foreign currency translation differences	-	(2)
Cash and cash equivalents at end of the period	<u>33,511</u>	<u>60,412</u>
Cash and cash equivalents at end of the period consist of:		
Fixed deposits with licensed banks	12,252	13,154
Cash and bank balances	19,535	52,045
Short term investment funds	6,016	-
	<u>37,803</u>	<u>65,199</u>
Less : fixed deposits pledged	(4,292)	(4,787)
	<u>33,511</u>	<u>60,412</u>

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Annual Financial Report for the year ended 31 March 2018 and the accompanying explanatory notes attached to the interim financial statements.)

Part A - Notes In Compliance with MFRS 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 2018. 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 2018.

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 MFRS 134, Interim Financial Reporting and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB").

These interim financial statements for the financial period ended 30 June 2018 are the first set of financial statements prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), including *MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards*. The Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 April 2018, being the transition date, and throughout the period presented. As the requirements under the previous Financial Reporting Standards ("FRS") Framework were equivalent to the MFRS Framework, there is no significant impact of the transition to MFRS on the Group reported financial position, performance and cash flows.

Adoption of new and amended standards

The Group and the Company have adopted the following amendments to MFRSs and IC Interpretations ("IC") issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for annual financial periods beginning on or after 1 January 2018.

Description	Effective for annual periods beginning on or after
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

The adoption of the above standards and interpretation did not have any material effect on the financial performance or position of the Group and the Company.

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

Adoption of new and amended standards

Standards and Amendments in Issue but Not Yet Effective

At the date of authorisation for issue of these financial statements, the new and revised Standards and Amendments, which were in issue but not yet effective and not early adopted by the Group are as listed below.

Description	Effective for annual periods beginning on or after
MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16 Leases	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Directors anticipate that the abovementioned Standards and Amendments will be adopted in the annual financial statements of the Group when they become effective and that the adoption of these Standards and Amendments will have no material impact on the financial statements of the Group in the period of initial application except as discussed below:

MFRS 16, Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

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

Adoption of new and amended standards (Cont'd)

Standards and Amendments in Issue but Not Yet Effective (Cont'd)

MFRS 16, Leases (continued)

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

For finance leases where the Group is a lessee, the Group has already recognised an asset and a related finance lease liability for such lease arrangements. Accordingly, for such lease arrangements, the Group does not anticipate the application of MFRS 16 to have a significant impact on the Group's financial statements.

A2. Audit Report of Previous Financial Statements

The audit report of previous financial statements for the year ended 31 March 2018 was not subject to any qualification.

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 ended 30 June 2018.

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 ended 30 June 2018.

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 ended 30 June 2018.

A7. Dividend Paid

No dividend has been paid for the current quarter ended 30 June 2018.

A8. Segmental Information

	3 months ended			
	30/6/2018	30/6/2018	30/6/2017	30/6/2017
	Revenue	Operating Profit / (Loss)	Revenue	Operating Profit / (Loss)
	RM'000	RM'000	RM'000	RM'000
Leisure and tourism	13,506	(2,316)	16,917	5,138
Property development and construction	141	3,640	193	(2,172)
Management services	1	(635)	-	68
	13,648	689	17,110	3,034

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 2018.

A10. Material Subsequent Events

There were no material subsequent events occurred between 1 July 2018 and 22 August 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

There were no changes in the composition of the Group for the current quarter ended 30 June 2018.

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 2018:

	As at 30/6/2018	As at 31/3/2018
	RM'000	RM'000
<u>Contingent liabilities</u>		
Unsecured:		
Corporate guarantee given to licensed banks to secure banking facilities granted to a subsidiary company	4,075	3,897

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 2018 declined 20.2% to RM13.65 million from RM17.11 million a year ago, attributed largely to the 20.1 % drop in Leisure and Tourism segment revenue. The quarter on quarter income growth at Nexus Resort & Spa Karambunai was interrupted by the refurbishment of 90 rooms at Ocean Wing during the current quarter which saw the total number of available rooms for sale decreased 21.7 %. Room occupancy rate remained healthy with a steady increase in average room rate.

On profitability, the Group recorded a profit before taxation of RM0.69 million for the three months ended 30 June 2018 from RM3.03 million a year earlier, attributed mostly to the decline in Leisure and Tourism segment profitability offset by an increase in profit contribution from the Property Development and Construction segment.

The Leisure and Tourism segment, as a result of the refurbishment of Ocean Wing rooms, reported a loss before taxation of RM2.32 million after accounting for a room refurbishment cost of RM4.10 million. The Leisure and Tourism segment would have posted a profit if we were to exclude the refurbishment cost. The Property Development and Construction segment posted a profit before taxation of RM3.64 million from a loss before taxation of RM2.17 million a year ago, attributed largely to the compensation received on granting of way leave in one of the Group's property development land to the authority. Management Services segment posted a loss before taxation of RM0.64 million from a profit of RM68,000 due largely to the unrealised foreign currency translation loss between US dollar and Malaysian Ringgit.

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

	Current quarter ended 30/6/2018 RM'000	Immediate preceding quarter ended 31/3/2018 RM'000	Changes RM'000
Revenue	13,648	20,642	(6,994)
Cost of sales	(6,174)	(8,926)	2,752
Gross profit	7,474	11,716	(4,242)
Other income	7,579	6,796	783
Operating expenses	(14,361)	(11,467)	(2,894)
Profit from operations	692	7,045	(6,353)
Finance costs	(3)	(4)	1
Profit before tax	689	7,041	(6,352)

The decline in revenue was attributed largely to the lower revenue achieved by Leisure and Tourism segment. Nexus Resort & Spa Karambunai reported a drop of RM5.94 million in revenue due mainly to the refurbishment of Ocean Wing as mentioned in Note B1 above, and a slightly lower than expected room occupancy and average room rate.

Operating expenses increased by RM2.89 million due largely to the cost incurred for the refurbishment of Ocean Wing rooms.

B3. Prospects

On the prospects for the remaining period to the end of the financial year ending 31 March 2019, the Group expects a positive outlook for the tourism industry and will therefore continue to step up marketing efforts and pricing strategies to tap into the increased tourists arrivals. Nexus Resort Spa & Karambunai will continue a refurbishment plan to refresh its product offerings and continue its focus on revenue enhancement and cost management. 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 ended 30 June 2018 are as follows:

	3 months ended	
	30/6/2018	30/6/2017
	RM'000	RM'000
Current taxation	(16)	(18)
Overprovision in prior years	304	-
	<u>288</u>	<u>(18)</u>

The effective tax rate of the Group for the three months ended 30 June 2018 was lower than the statutory tax rate mainly due to the overprovision of taxation in prior years, certain income which is non-taxable and the availability of unutilised losses and unabsorbed capital allowances for set-off against the taxable profits in certain subsidiaries.

B6. Status of Corporate Proposals Announced But Not Completed as at 22 August 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
	30/6/2018	31/3/2018
	RM'000	RM'000
Secured:		
Syndicated Term Loan		
Current	<u>4,075</u>	<u>3,897</u>

The Syndicated Term Loan is a US Dollar loan with an outstanding sum of USD1,009,053.

B8. Material Litigation

There were no unresolved material litigations as at 22 August 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 ended 30 June 2018.

B10. Profit Before Taxation

	3 months ended	
	30/6/2018	30/6/2017
	RM'000	RM'000
Profit before taxation is arrived at after charging / (crediting):-		
Depreciation of property, plant and equipment	3,614	3,706
Finance costs	3	5
Gain on disposal of property, plant and equipment	(1)	(35)
(Gain)/loss on foreign exchange		
- realised	(18)	(16)
- unrealised	226	(649)
Interest income	(247)	(164)
Reversal of impairment loss on receivables	(21)	-
Write-off of inventories	2	-

B11. Outstanding Derivatives

There are no outstanding derivatives (including instruments designated as hedging instruments) as at 30 June 2018.

B12. 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 30 June 2018.

B13. Earnings per Share

	3 months ended	
	30/6/2018	30/6/2017
<u>Basic earnings per share</u>		
Profit after taxation attributable to owners of parent (RM'000)	977	3,016
Weighted average number of ordinary shares in issue	5,776,587,696	5,776,587,696
Basic earnings per share (sen)	0.02	0.05

Diluted earnings per share

Diluted earnings per share is the same as basic 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
28 August 2018