KARAMBUNAI CORP BHD (6461-P)

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

	Current quarter ended 30/9/2018 RM'000	Preceding year corresponding quarter ended 30/9/2017 RM'000	Current year-to-date ended 30/9/2018 RM'000	Preceding year-to-date ended 30/9/2017 RM'000
Revenue	20,264	21,882	33,912	38,992
Cost of sales	(5,400)	(9,124)	(11,574)	(16,777)
Gross profit	14,864	12,758	22,338	22,215
Other income	2,615	1,124	10,194	2,606
Operating expenses	(13,487)	(6,393)	(27,848)	(14,293)
Profit from operations	3,992	7,489	4,684	10,528
Finance costs	(3)	(6)	(6)	(11)
Profit before taxation	3,989	7,483	4,678	10,517
Taxation	(27)	(17)	261	(35)
Profit for the period	3,962	7,466	4,939	10,482
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
- Foreign currency translation differences	(359)	4	(359)	2
Other comprehensive income for the period	(359)	4	(359)	2
Total comprehensive income for the period	3,603	7,470	4,580	10,484
Profit for the period attributable to :-				
Owners of the parent	3,962	7,466	4,939	10,482
Non-controlling interest	-	-	-	-
	3,962	7,466	4,939	10,482
Total comprehensive income attributable to :-				
Owners of the parent	3,603	7,470	4,580	10,484
Non-controlling interest	-	-	-	-
	3,603	7,470	4,580	10,484
Earnings per share (sen)				
Basic	0.07	0.13	0.09	0.18
Diluted	0.07	0.13	0.09	0.18

(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 September 2018

	(Unaudited) As at 30/9/2018	(Audited) As at 31/3/2018
	RM'000	RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	886,047	892,965
Land held for property development	439,753	439,753
Financial asset at fair value through other comprehensive income	60	60
Goodwill on consolidation	14,937	14,937
	1,340,797	1,347,715
Current Assets		
Inventories	4,154	4,344
Trade receivables	1,867	1,574
Other receivables	3,891	4,547
Fixed deposits with licensed banks	6,200	15,498
Cash and bank balances	20,289	22,421
Short term investment funds	11,906	-
	48,307	48,384
TOTAL ASSETS	1,389,104	1,396,099
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	655,618	655,618
Reserves	222,375	217,795
TOTAL EQUITY	877,993	873,413
Non-Current Liabilities		
Finance lease liabilities	113	113
Deferred income	1,193	1,193
Amount owing to a shareholder	241,745	242,622
Other payables	9,086	9,086
Deferred tax liabilities	211,671	211,671
	463,808	464,685
Current Liabilities		
Trade payables	26,304	30,012
Other payables	15,642	20,844
Deferred income	13	27
Finance lease liabilities	112	236
Bank borrowings	4,178	3,897
Taxation	1,054	2,985
	47,303	58,001
TOTAL LIABILITIES	511,111	522,686
TOTAL EQUITY AND LIABILITIES	1,389,104	1,396,099
NET ASSETS PER SHARE (SEN)	15.20	15.12

(The Condensed Consolidated Statement of Financial Position 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 Changes in Equity
For Financial Period Ended 30 September 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	-	-	-	-	-	-	4,939	4,939
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	(359)	-	(359)
As at 30/9/2018	655,618	-	269,918	69,529	182,203	(3,210)	(296,065)	877,993
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	-	-	-	-	-	-	10,482	10,482
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	2	-	2
As at 30/9/2017	577,659	77,959	269,918	69,529	203,766	(2,850)	(335,445)	860,536

(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 September 2018
(The figures have not been audited.)

	Current year-to-date ended 30/9/2018 RM'000	Corresponding year-to-date ended 30/9/2017 RM'000
Profit before tax	4,678	10,517
Adjustment for non-cash items:-		
Depreciation of property, plant and equipment	7,171	7,304
Finance costs	6	11
Gain on disposal of property, plant and equipment	(3)	(42)
Interest income	(511)	(486)
Impairment loss on receivables	-	13
Reversal of impairment loss on receivables	(81)	-
Unrealised gain on foreign exchange	-	(967)
Write-off of:		
- bad debts	-	8
- inventories	6	1
Operating profit before working capital changes	11,266	16,359
Changes in working capital :-		
Net change in current assets	627	8,280
Net change in current liabilities	(8,643)	(59,321)
Cash generated from/(used in) operations	3,250	(34,682)
Income tax paid	(1,670)	(976)
Interest paid	(6)	(11)
Interest received	511	486
Net cash generated from/(used in) operating activities	2,085	(35,183)
Investing activities		
Addition of pledged fixed deposits	(60)	-
Purchase of property, plant & equipment	(252)	(413)
Proceeds from disposal of property, plant and equipment	3	42
Net cash used in investing activities	(309)	(371)
Financing activities		
(Repayment to)/advances from a shareholder, net	(877)	47,555
Repayment of finance lease liabilities	(124)	(124)
Net cash (used in)/generated from financing activities	(1,001)	47,431
Net change in cash and cash equivalents	775	11,877
Cash and cash equivalents at beginning of the period	33,658	18,327
Foreign currency translation differences	(359)	2
Cash and cash equivalents at end of the period	34,074	30,206
Cash and cash equivalents at end of the period consist of:		
Fixed deposits with licensed banks	6,200	15,532
Cash and bank balances	20,289	19,488
Short term investment funds	11,906	-
	38,395	35,020
Less : fixed deposits pledged	(4,321)	(4,814)
	34,074	30,206

(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.

These interim financial statements for the financial period ended 30 September 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 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 that are mandatory for annual financial periods beginning on or after 1 January 2018.

Description	Effective for annual periods beginning on or after
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*	1 January 2018
Amendments to MFRS 15 *Clarifications to MFRS 15 Revenue from Contracts with Customers*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018

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

Adoption of new and amended standards

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 except as follows:

MFRS 9 *Financial Instruments*

MFRS 9, which replaces MFRS 139 Financial Instruments: Recognition and Measurement, sets out the requirements for recognising and measuring financial instruments. The major changes introduced by MFRS 9 (that are relevant to the Group) relate to the classification and measurement of financial asset. Under MFRS 9:-

- Financial assets are classifies as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis the business model within which they are held and their contractual cash flow characteristics. The adoption of the new guidance did not significantly affect the existing classification and measurement of financial assets of the Group.

- Impairment loss on financial assets is recognised using the new "expected credit loss" model as opposed to "incurred credit loss" model currently used in MFRS 139. Under the new model, expected credit losses are recognised for financial assets using reasonable and supportable historical and forward-looking information even before a loss event occurs. The additional impairment losses using the new impairment model were not material to the Group

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15, which replaces MFRS 111 *Construction Contracts*, MFRS 118 *Revenue* and other related interpretations, establishes a single comprehensive model for revenue recognition. Under MFRS 15, revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. As asset is transferred when (or as) the customer obtains control of that asset. Revenue is recognised either over time or at the point in time depending on the timing of transfer of control. The adoption of the new revenue recognising model did not significantly affect the previous practice of recognising revenue from the sale of goods or rendering of services based on the transfer of risks and rewards which generally coincides with the transfer of control at a point in time.

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 16 *Leases*	1 January 2019
MFRS 17 *Insurance Contracts*	1 January 2021
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

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

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:

<u>MFRS 16, Leases</u>

MFRS 16, which replaces MFRS 117 *Leases* and other relates interpretations, eliminates the distinction between finance and operating lease for lessees. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The Group will apply the new requirements of MFRS 16 from 1 April 2019 with any cumulative effect of initial application recognised at that date without restating the comparative information presented under MFRS 117.

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 and six months ended 30 September 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 and six months ended 30 September 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 and six months ended 30 September 2018.

A7. Dividend Paid

No dividend has been paid for the current quarter and six months ended 30 September 2018.

A8. Segmental Information

	3 months ended			
	30/9/2018 Revenue	30/9/2018 Operating Profit / (Loss)	30/9/2017 Revenue	30/9/2017 Operating Profit / (Loss)
	RM'000	RM'000	RM'000	RM'000
Leisure and tourism	19,840	3,276	21,660	8,757
Property development and construction	423	993	222	(1,037)
Management services	1	(280)	-	(237)
	20,264	3,989	21,882	7,483

	6 months ended			
	30/09/2018 Revenue	30/09/2018 Operating Profit / (Loss)	30/09/2017 Revenue	30/09/2017 Operating Profit / (Loss)
	RM'000	RM'000	RM'000	RM'000
Leisure and tourism	33,346	960	38,578	13,895
Property development and construction	564	4,633	414	(3,209)
Management services	2	(915)	-	(169)
	33,912	4,678	38,992	10,517

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 October 2018 and 16 November 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 and six months ended 30 September 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 Group and the Company since the financial year ended 31 March 2018:

	As at 30/9/2018	As at 31/3/2018
	RM'000	RM'000
Contingent liabilities		
Unsecured:		
Corporate guarantee given to licensed banks to secure banking facilities granted to a subsidiary company	4,178	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

3 months ended 30 September 2018

Revenue for the three months ended 30 September 2018 declined 7.4% to RM20.26 million from RM21.88 million a year ago, attributed largely to the drop in Leisure and Tourism segment revenue. The Leisure and Tourism segment recorded a 8.4% drop in revenue from RM21.66 million to RM19.84 million, on closure of rooms for refurbishment and a softer market which saw a decline in the tourist arrivals from China and Korea.

The room occupancy rate has dropped a few percentage points but remained healthy with a steady rise in the average room rate. The current quarter under review saw Nexus Resort & Spa Karambunai completed the refurbishment of 81 rooms at its Ocean Wing block. The Group is encouraged by the positive feedbacks on these newly refurbished rooms and it is now working on a plan to refurbish another 51 rooms.

On profitability, the Group recorded a profit before taxation of RM3.99 million for the three months ended 30 September 2018 from RM7.48 million a year earlier, a decline of RM3.49 million on lower than expected performance by the Leisure and Tourism segment, offset by an increase from the Property Development and Construction segment.

The Leisure and Tourism segment reported a lower profit before taxation at RM3.28 million from RM8.76 million a year ago, on lower revenue and room refurbishment cost of RM3.55 million.

Property Development and Construction segment, however, posted a profit before taxation of RM1.0 million from a loss before taxation of RM1.03 million a year ago, attributed largely to the reversal of provisions no longer required.

Management Services segment posted a higher loss before taxation of RM0.28 million from RM0.24 million due largely to the unrealised foreign currency translation loss between US dollar and Malaysian Ringgit.

B1. Review of the Performance of the Company and Its Principal Subsidiaries (Cont'd)

6 months ended 30 September 2018

The Group achieved RM33.91 million revenues for the six months ended 30 September 2018 from RM38.99 million a year ago, a drop of 13.0% (RM5.08 million) attributed largely to the drop in contribution from Nexus Resort & Spa Karambunai in the Leisure and Tourism segment.

Revenue from the Leisure & Tourism segment declined RM5.23 million (13.6%) due to the closure of rooms for refurbishment which has resulted in a 15.2% drop in room available for sale, and a softer market which saw a decline in the tourist arrivals from China and Korea.

Revenue from Property Development and Construction segment was negligible as the Group does not have any on-going development amidst the current soft property market environment.

On profitability, the Group registered a profit before taxation of RM4.68 million for the six months ended 30 September 2018, from a profit of RM10.52 million a year ago, a drop of RM5.84 million on lower than expected profit in the Leisure and Tourism segment, offset by an increase in the Property Development and Construction segment.

Leisure and Tourism segment reported a lower profit at RM0.96 million from RM13.89 million a year ago, on lower revenue and room refurbishment cost of RM7.65 million.

Property Development and Construction segment posted a profit before taxation of RM4.63 million from a loss before taxation of RM3.21 million a year ago, mainly on compensation received from granting of wayleave in one of the Group's property development land to the authority, and on reversal of provisions no longer required.

Management services segment recorded a higher loss at RM0.92 million from RM0.17 million a year earlier, largely on unfavourable fluctuation in currency movement between US dollar and Malaysian Ringgit.

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

	Current quarter ended 30/9/2018 RM'000	Immediate preceding quarter ended 30/6/2018 RM'000	Changes RM'000
Revenue	20,264	13,648	6,616
Cost of sales	(5,400)	(6,174)	774
Gross profit	14,864	7,474	7,390
Other income	2,615	7,579	(4,964)
Operating expenses	(13,487)	(14,361)	874
Profit from operations	3,992	692	3,300
Finance costs	(3)	(3)	-
Profit before tax	3,989	689	3,300

B2. Material Changes in the Quarterly Results Compared to the Results of the Preceding Quarter (Cont'd)

The increase in revenue was attributed largely to the higher revenue achieved by the Leisure and Tourism segment. Nexus Resort & Spa Karambunai recorded an increase of RM5.82 million in revenue on higher room occupancy and average room rate.

Gross profit margin increased from 54.8% to 73.4% on improved revenue in Leisure and Tourism segment.

Other income dropped by RM4.96 million mainly due to the one-off compensation recognised in the immediate preceding quarter from granting of wayleave in one of the Group's property development land to the authority.

Overall, profit before tax upped RM3.30 million largely on improved financial performance of Nexus Resort & Spa Karambunai.

B3. Prospects

On the prospects for the remaining period to the end of the financial year ending 31 March 2019, the Group expects a softer outlook for the tourism industry and will therefore step up marketing efforts and pricing strategies to attract tourists arrivals. Nexus Resort Spa & Karambunai will continue the 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 and six months ended 30 September 2018 are as follows:

	3 months ended		6 months ended	
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	RM'000	RM'000	RM'000	RM'000
Current taxation	(27)	(17)	(43)	(35)
Overprovision in prior years	-	-	304	-
	(27)	(17)	261	(35)

The effective tax rate of the Group for the current quarter and six months ended 30 September 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 16 November 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 30/9/2018	As at 31/3/2018
	RM'000	RM'000
Secured:		
Syndicated Term Loan		
Current	**4,178**	**3,897**

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 16 November 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 six months ended 30 September 2018.

B10. Profit Before Taxation

	3 months ended		6 months ended	
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging / (crediting):-				
Depreciation of property, plant and equipment	3,557	3,598	7,171	7,304
Finance costs	3	6	6	11
Gain on disposal of property, plant and equipment	(2)	(7)	(3)	(42)
Gain on foreign exchange				
- realised	(33)	(25)	(51)	(41)
- unrealised	(226)	(318)	-	(967)
Impairment loss on receivables	-	13	-	13
Interest income	(264)	(322)	(511)	(486)
Reversal of impairment loss on receivables	(60)	-	(81)	-
Write-off of:				
- bad debts	-	8	-	8
- inventories	4	1	6	1

B11. Outstanding Derivatives

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

B13. Earnings per Share

	3 months ended		6 months ended	
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
Basic earnings per share				
Profit after taxation attributable to owners of parent (RM'000)	3,962	7,466	4,939	10,482
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)	0.07	0.13	0.09	0.18

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
22 November 2018