

Type : **Announcement**

Subject : **PROPOSED JOINT-VENTURE (“JV”) BETWEEN KARAMBUNAI RESORTS SDN BHD AND CHINA CENTRAL ASIA GROUP CO. LTD**

1. INTRODUCTION

17 March 2011: The Board of Directors of Karambunai Corp Bhd (“KCB” or “Company”) is pleased to announce that on 17 March 2011, its wholly-owned subsidiary, Karambunai Resorts Sdn Bhd (“KRSB”) has signed a Joint Venture Agreement (“JVA”) with China Central Asia Group Co. Ltd (“CCAG”) to undertake the proposed development known as “Karambunai Beachfront Mixed Development” (“KBMD” or “Project”) which is the first phase of the Karambunai Integrated Resort City (“KIRC”) development. The KBMD measures approximately 75.0 acres of land (“the Land”) being a portion of the land held under Country Lease No. 045091174 measuring approximately 1,500 acres situated at Menggatal, District of Kota Kinabalu, Sabah, Malaysia (“Karambunai Land”). The development of KBMD is part of the Integrated Resort City project in which the details are set out in this announcement. CCAG is the shareholder of Prism Crystal Enterprises Ltd (“PCEL”) which together with the controlling shareholder of KCB is the initial promoter (“Promoter”) of KIRC. CCAG shall be a pilot catalyst investor for the KIRC development.

Under the JVA, KRSB and CCAG have agreed to enter into an unincorporated joint venture for the proposed development of KBMD, which will be undertaken by their respective subsidiary companies to be incorporated in Malaysia upon the terms and subject to the conditions in the JVA.

Karambunai Integrated Resort City (KIRC)

The 3,335-acre private sector-owned Karambunai Peninsula, in particular KIRC, has been identified by the Government of Malaysia (“Government”) as a private sector led initiative in the development of an eco-nature integrated resort in Sabah. This is part of the Economic Transformation Programme spearheaded by the Performance Management and Delivery Unit (“PEMANDU”). Aptly, the project is tasked as Entry Point Project 5 under the Tourism National Key Economic Areas.

KIRC is intended as a sustainable development and shall encompass development of tourism, health and eco-nature edutainment recreation facilities (such as water theme park, water spectacles and fountain, cable car, mangrove center, harbor cruise, aqua and spa village); hotel accommodation; retail; health resort; MICE facilities; hospitality campus; and real estate featuring luxury residences. KIRC is a large integrated resort development project which development is planned to span over a period of 8 years commencing from 2012 to 2019.

First Phase – Karambunai Beachfront Mixed Development

In order to manage the overall risks associated with the size of the KIRC development, the project phasing is critical in ensuring cohesion of development and financial feasibility. Developments such as the real estate property cluster, that can assist in augmenting the cash flow at the beginning shall be intended to be front loaded and shall help in funding the overall integrated resort development whilst the tourism recreation components that are envisaged to take a longer gestation period, shall be timed and spread over a longer period of development.

It is with this strategy of implementation in mind that KIRC topmost priority is to build communities. KBMD is intended as a low-carbon, high-energy, mixed-use beachfront community development. It shall consist of about

3,000 units of low and medium high rise residential buildings and a low rise commercial beachfront centre. The gross development cost is about RM1 billion. The Project shall be implemented over various phases and shall target the local and international community.

Joint Venture (JV)

From the marketing perspective, KIRC is positioned as the Caribbean for the Asia Pacific Countries especially North Asia.

Under the joint venture agreement with CCAG, KRSB shall play the role of landowner and shall contribute 75.0 acres of land (“the Land”) where the KBMD footprint sits. The Land has been valued by Colliers International Hong Kong in November 2010 at approximately RM270 million. KRSB shall do all such acts as required and execute all such documents and instruments, including subdivision etc. and render all such assistance as may be reasonably necessary for the implementation of the Project. KRSB shall also be carrying out the advertising, promotion, marketing and sales and collection of sale proceeds of the Project at the cost and expense of the Joint Venture partners.

CCAG shall play the role of investor, contractor and Joint Developer and shall inject and provide a seed capital (“Seed Capital”) of USD\$100 million (approximately RM310 million) as a revolving fund to carry out and undertake at its own costs and expenses, the development and all the building and construction works in accordance with the approved plans of KBMD.

Implementation strategy of KIRC

The Promoter is cautious of over gearing of the Project and hence adopts the strategy of teaming up with strategic partners and investors who shall co-invest in the KIRC and bring value in terms of expertise and international

branding which is pertinent to attracting tourist arrivals and real estate investors.

Hence, CCAG shall be the pilot catalyst JV partner and it is anticipated that the JV shall spearhead subsequent JVs with other international investors.

2. INFORMATION ON THE JOINT VENTURE

2.1. Joint Venture Agreement (“JVA”)

Under the JVA signed, KRSB and CCAG have agreed to enter into an unincorporated joint venture to undertake the development of KBMD, which shall be undertaken by their respective subsidiary companies to be incorporated in Malaysia.

KRSB shall provide a small portion of its landbank of 1,500 acres in Karambunai, the portion of which measure approximately 75.0 acres to its subsidiary company to be incorporated in Malaysia (“Landowner’s Subsidiary”).

CCAG shall incorporate a subsidiary company in Malaysia to undertake the construction and development of the Project as Joint Developer of KBMD (“Joint Developer”).

2.2. Information on KRSB

KRSB was incorporated in Malaysia on 12 November 1981 as a private limited company. KRSB is involved in the business of property development and investment holding. The authorised share capital of KRSB is RM30,001,000.00 comprising 30,000,000 ordinary shares of RM1.00 each and 1,000 preference shares of RM1.00 each. The issued and paid-up capital of KRSB is RM30,000,000.00 comprising 30,000,000 ordinary shares of RM1.00 each.

2.3. Information on CCAG

CCAG was incorporated in Kingdom of Cambodia on 21 June 1996 as a private limited company. CCAG is involved in the business of infrastructural development, real estate development, engineering, construction. The authorized share capital of CCAG is USD\$32,000,000.00 comprising 32,000,000 ordinary shares of USD\$1.00 each. The issued and paid-up capital of CCAG is USD\$32,000,000.00 comprising 32,000,000 ordinary shares of USD\$1.00 each.

3. SALIENT TERMS OF THE JOINT VENTURE AGREEMENT

Pursuant to the terms of the JVA:

- Under the joint venture agreement, KRSB shall play the role of landowner and shall contribute 75.0 acres of land (“the Land”) where the KBMD footprint sits;
- The Land has been valued by Colliers International Hong Kong in November 2010 at approximately RM270 million;
- The Landowner’s Subsidiary do all such acts and things and execute all such documents and instruments, including subdivision etc. and render all such assistance as may be reasonably necessary for the implementation and carrying out of the Project;
- The Landowner’s Subsidiary shall allow the Land to be developed and dealt with in accordance with the terms of this Agreement for the purpose of the development of KBMD;
- The Landowner’s Subsidiary shall apply and obtain the approvals from the relevant authorities for change of express conditions and restrictions in interest in the title, amalgamation, sub-division or conversion of category of land use required for the development of KBMD at the cost and expense of the Joint Venture partners;

- The Landowner's Subsidiary shall apply and obtain the approvals of the Land and other authorities as may be required for the launch of the development of KBMD including but not limited to the Building Plan, Layout Plan, Development Plan, planning permission, developer's license and advertising permits (if required) at the cost and expense of the Joint Venture partners;
- The Landowner's Subsidiary shall be carrying out the advertising, promotion, marketing and sales and collection of sale proceeds of the Project at the cost and expense of the Joint Venture partners;
- The Landowner's Subsidiary shall be carrying out the development of KBMD in accordance with the Approved Plans, bylaws, guidelines, directives, approvals and conditions attached applicable thereto;
- CCAG shall play the role of investor, contractor and Joint Developer and shall inject and provide a seed capital ("Seed Capital") of USD\$100 million (approximately RM310 million) as revolving fund to construct, develop and complete KBMD or such other mutually agreed components or phases of KBMD at its own costs and expenses in accordance with the approved plans of KBMD; and
- The Landowner's Subsidiary and the Joint Developer has mutually agreed that the net profit for the development of the Project, after deducting all cost (excluding the cost of the Land), Development Cost and other agreed costs, shall be shared between the Landowner's Subsidiary and the Joint Developer in the following proportions:
 - (i) Landowner's Subsidiary Entitlement: 50%
 - (ii) Developer Entitlement: 50%

4. RATIONALE FOR THE JOINT VENTURE

The JV is in line with the strategic implementation plan of KIRC, i.e. that KCB shall provide the land and its strategic partners, in this case, CCAG shall provide the necessary funds to unlock the value of KIRC. This strategy shall also allow KCB to achieve its corporate objective of minimizing debt in developing KIRC and the vision of creating a win-win venture with strategic partners who bring in capital and expertise.

5. RISK FACTORS

The Board is not aware of any other risk factors arising from the JV, other than the normal market and global economic risks.

6. SOURCE OF FUNDING

Most of the funding in the unincorporated joint venture is from CCAG and KCB portion of the funding shall come from its internally generated funds.

7. FINANCIAL EFFECTS OF THE JOINT VENTURE

7.1. Share capital and substantial shareholders' shareholding

The Joint Venture will not have any effect on the share capital and substantial shareholders' shareholding in KCB as the unincorporated JV does not involve any allotment or issuance of new shares by KCB.

7.2. Earnings, Net Assets and Gearing

The JV is not expected to have any immediate material effect on the earnings per share, net assets per share and gearing for KCB for the current financial year ending 31 March 2011 but is expected to contribute to the future earnings of KCB Group.

8. APPROVALS REQUIRED

The Board of Directors is of the opinion that the JV is in the ordinary course of business of KCB and hence the JV is not subject to the approval of its shareholders.

9. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the Directors and/or major shareholders of the Company and/or persons connected with them have any interest, whether direct and indirect, in the JV.

10. STATEMENT BY THE BOARD OF DIRECTORS

The Board had seen and approved this announcement and collectively and individually accept full responsibility for the accuracy of the information contained in this announcement and confirm that after having made due and careful inquiry, there are no false or misleading statements or any omission of facts that would make any statement in this announcement false or misleading and/or in breach of disclosure requirements of the Listing Requirements of Bursa Malaysia Securities Berhad.

In the opinion of the Board, the JV is in the best interest of KCB Group.

11. DEPARTURE FROM THE EQUITY GUIDELINES ISSUED BY THE SECURITIES COMMISSION ("SC") ("SC'S GUIDELINES")

To the best of their knowledge and belief, the Board is not aware of any departure from SC's Guidelines in undertaking the JV.

12. DOCUMENTS AVAILABLE FOR INSPECTION

The JVA is available for inspection at the registered office of No. 9020, Nexus Drive West, Karambunai, Menggatal, 88450 Kota Kinabalu, Sabah during normal business hours for a period of three (3) months from the date of this announcement.

This announcement is dated 17 March 2011.