



INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2019

**TROPICANA**

CORPORATION BERHAD

丽阳机构

(Company No. 47908-K)

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2019**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Individual Quarter		Year to Date	
	Current Year	Preceding Year	Current Year to	Preceding Year
	Quarter	Corresponding	Date	Corresponding
Note	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Revenue	365,006	593,931	1,120,354	1,635,471
Cost of sales	(193,570)	(420,203)	(624,295)	(1,116,287)
Gross profit	171,436	173,728	496,059	519,184
Other income	383,715	50,396	419,516	103,943
Selling and marketing expenses	(8,293)	(6,632)	(27,879)	(20,731)
Administrative expenses	(76,808)	(62,075)	(271,608)	(228,617)
Other expenses	(182,459)	(14,567)	(187,938)	(15,450)
Operating profit	287,591	140,850	428,150	358,329
Finance income	4,428	6,758	18,468	27,792
Finance costs	(24,182)	(18,332)	(75,850)	(66,855)
Share of results of joint ventures	4,647	24	11,502	419
Share of results of an associate	166	1,896	819	546
Profit before tax	272,650	131,196	383,089	320,231
Income tax	(13,319)	(75,480)	(28,139)	(140,400)
Profit for the period	259,331	55,716	354,950	179,831
Other comprehensive income/(loss)				
to be reclassified to profit or				
loss in subsequent period:				
Foreign currency translation	7	(3)	65	(19)
Total comprehensive income	259,338	55,713	355,015	179,812
Profit attributable to:				
Owners of the parent	233,900	51,476	335,784	170,029
Holder of perpetual bond	4,376	-	4,661	-
Non-controlling interests	21,055	4,240	14,505	9,802
	259,331	55,716	354,950	179,831

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	Individual Quarter		Year to Date	
	Current Year	Preceding Year	Current Year to	Preceding Year
	Quarter	Corresponding	Date	Corresponding
Note	<u>31/12/2019</u>	<u>31/12/2018</u>	<u>31/12/2019</u>	<u>31/12/2018</u>
	RM'000	RM'000	RM'000	RM'000
Total comprehensive income				
attributable to:				
Owners of the parent	233,907	51,473	335,849	170,010
Holders of perpetual bond	4,376	-	4,661	-
Non-controlling interests	21,055	4,240	14,505	9,802
	<u>259,338</u>	<u>55,713</u>	<u>355,015</u>	<u>179,812</u>
Earnings per share attributable				
to owners of the parent:				
(sen per share)				
- Basic	B10 16.21	3.54	23.32	11.65
- Diluted	B10 16.21	3.54	23.32	11.65

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As At 31/12/2019 RM'000	As At 31/12/2018 RM'000
Assets			
Non-current assets			
Property, plant and equipment		980,910	887,009
Inventories		5,938,373	2,639,007
Investment properties		1,427,145	574,732
Right-of-use assets		6,882	-
Investment in an associate		53,388	52,569
Investments in joint ventures		249,044	240,343
Other investments		312	312
Intangible assets		1,037	27,130
Deferred tax assets		109,489	84,545
Trade and other receivables		10,294	14,676
Contract assets		18,675	17,618
		<u>8,795,549</u>	<u>4,537,941</u>
Current assets			
Inventories		747,852	1,667,036
Trade and other receivables		487,957	488,705
Contract cost assets		20,552	46,516
Contract assets		285,036	288,955
Tax recoverable		28,391	30,789
Cash and bank balances		752,909	975,774
		<u>2,322,697</u>	<u>3,497,775</u>
Assets classified as held for sale		<u>145,650</u>	<u>59,100</u>
Total assets		<u>11,263,896</u>	<u>8,094,816</u>

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As At 31/12/2019 RM'000	As At 31/12/2018 RM'000
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital		2,044,322	2,044,314
Irredeemable convertible preference shares		1,004,593	-
Treasury shares		(13,648)	(25,094)
Other reserves		1,634,200	1,384,450
		<u>4,669,467</u>	<u>3,403,670</u>
Perpetual bond		252,661	-
Non-controlling interests		715,569	409,205
Total equity		<u>5,637,697</u>	<u>3,812,875</u>
Non-current liabilities			
Deferred tax liabilities		501,772	192,434
Borrowings	B7	1,598,043	1,333,071
Trade and other payables		500,858	733,467
Irredeemable preference shares		211,355	-
Contract liabilities		135,524	137,621
Lease liabilities		3,650	-
		<u>2,951,202</u>	<u>2,396,593</u>
Current liabilities			
Borrowings	B7	921,507	623,114
Trade and other payables		1,523,817	1,168,523
Irredeemable preference shares		27,854	-
Contract liabilities		173,749	19,703
Tax payable		24,865	74,008
Lease liabilities		3,205	-
		<u>2,674,997</u>	<u>1,885,348</u>
Total liabilities		<u>5,626,199</u>	<u>4,281,941</u>
Total equity and liabilities		<u>11,263,896</u>	<u>8,094,816</u>
Net assets per share (RM)		<u>3.21</u>	<u>2.36</u>

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	-----> Attributable to owners of the parent <----->										
	<-----Non-distributable----->										
	Share Capital RM'000	Irredeemable Convertible Preference Shares RM'000	Treasury Shares RM'000	Translation Reserve RM'000	Warrants 2009/2019 Reserve RM'000	Retained Earnings RM'000	Total Reserves RM'000	Total RM'000	Perpetual Bond RM'000	Non-controlling Interests RM'000	Total Equity RM'000
As at 1 January 2018	2,044,314	-	(6,692)	(110)	45,960	1,192,010	1,237,860	3,275,482	-	311,996	3,587,478
Total comprehensive (loss)/income	-	-	-	(19)	-	170,029	170,010	170,010	-	9,802	179,812
Transactions with owners											
Issuance of preference shares to non-controlling interests	-	-	-	-	-	-	-	-	-	23,366	23,366
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	64,689	64,689
Purchase of treasury shares	-	-	(18,402)	-	-	-	-	(18,402)	-	-	(18,402)
Dividend paid via:											
- cash	-	-	-	-	-	(23,420)	(23,420)	(23,420)	-	(648)	(24,068)
Total transaction with owners	-	-	(18,402)	-	-	(23,420)	(23,420)	(41,822)	-	87,407	45,585
As at 31 December 2018	2,044,314	-	(25,094)	(129)	45,960	1,338,619	1,384,450	3,403,670	-	409,205	3,812,875
As at 1 January 2019	2,044,314	-	(25,094)	(129)	45,960	1,338,619	1,384,450	3,403,670	-	409,205	3,812,875
Total comprehensive income	-	-	-	65	-	335,784	335,849	335,849	-	14,505	350,354
Distribution for the period	-	-	-	-	-	-	-	-	4,661	-	4,661
Transactions with owners											
Issuance of preference shares to non-controlling interests	-	-	-	-	-	-	-	-	-	6,662	6,662
Issuance of perpetual bond	-	-	-	-	-	-	-	-	248,000	-	248,000
Ordinary shares issued pursuant to:											
- Warrant exercise	8	-	-	-	-	-	-	8	-	-	8
- Transfer of warrant reserve to retained earning upon expiry	-	-	-	-	(45,960)	45,960	-	-	-	-	-
Acquisition of subsidiaries	-	1,004,593	-	-	-	-	-	1,004,593	-	-	1,004,593
Acquisition of non-controlling interests	-	-	-	-	-	(7,965)	(7,965)	(7,965)	-	285,197	277,232
Purchase of treasury shares	-	-	(26,725)	-	-	-	-	(26,725)	-	-	(26,725)
Dividend paid via:											
- distribution of treasury shares	-	-	38,171	-	-	(38,171)	(38,171)	-	-	-	-
- cash	-	-	-	-	-	(39,963)	(39,963)	(39,963)	-	-	(39,963)
Total transaction with owners	8	1,004,593	11,446	-	(45,960)	(40,139)	(86,099)	929,948	248,000	291,859	1,469,807
As at 31 December 2019	2,044,322	1,004,593	(13,648)	(64)	-	1,634,264	1,634,200	4,669,467	252,661	715,569	5,637,697

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	31/12/2019	31/12/2018
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	383,089	320,231
Adjustments for:		
Depreciation of property, plant and equipment	37,053	24,258
Amortisation of intangible assets	-	106
Finance income	(18,468)	(27,792)
Finance costs	75,850	66,855
Share of results of an associate	(819)	(546)
Share of results of joint ventures	(11,502)	(419)
Net gain on disposal of assets classified as held for sale	(322)	-
Net gain on disposal of property, plant and equipment	(170)	(10,246)
Property, plant and equipment written off	2,691	48
Net fair value gain on investment property	(3,395)	(31,422)
Amortisation of deferred license fees	(4,466)	(4,402)
Amortisation of security retainers accumulation fund	11	11
Impairment loss on property, plant and equipment	50,767	-
Impairment loss of intangible assets	25,643	1,475
Impairment loss on trade and other receivables	1,436	10,255
Reversal of impairment loss on trade and other receivables	-	(3,028)
Bad debt written off	-	80
Unrealised returns on security retainers accumulation fund	(216)	(281)
Gain on disposal of a joint venture	-	(24,427)
Gain on a bargain purchase	(336,968)	(15,911)
Operating profit before working capital changes	200,214	304,845
Changes in working capital:		
Trade and other receivables	182,118	89,021
Contract assets	2,863	109,432
Inventories	(6,541)	17,921
Contract cost assets	29,001	103,727
Contract liabilities	4,193	4,721
Trade and other payables	(118,234)	(114,033)
Cash from operations	293,614	515,634
Finance costs paid	(120,044)	(104,395)
Net taxes paid	(117,455)	(128,825)
Net cash from operating activities	56,115	282,414

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	31/12/2019 RM'000	31/12/2018 RM'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(85,204)	(96,250)
Purchase of investment properties	(377,560)	(224,743)
Acquisition of intangible assets	-	(1,593)
Net cash outflow on acquisition of subsidiaries	-	(41,241)
Proceeds from disposal of property, plant and equipment	577	12,850
Proceeds from disposal of assets held for sale	59,422	-
Proceeds from issuance of warrants	8	-
Proceeds from disposal of a joint venture, net	-	178,442
Subscription of shares in joint venture	(3,325)	(5,378)
Advances to an associate	-	(15,000)
Finance cost paid	(22,934)	(16,769)
Finance income received	18,469	27,792
Net cash used in investing activities	(410,547)	(181,890)
Cash flows from financing activities		
Payment of borrowing costs	(11,397)	(10,841)
Drawdown from borrowings	884,088	1,001,281
Repayment of borrowings	(910,689)	(1,039,627)
Repayment of hire purchase	(6,907)	(1,456)
Uplift of debt service reserve, escrow accounts and deposits with licensed banks not available for use	82,846	129,262
Proceeds from issuance of perpetual bond	248,000	-
Proceeds from issuance of shares to non-controlling interests	-	23,366
Purchase of treasury shares	(26,725)	(18,402)
Dividends paid to non-controlling interest	-	(648)
Dividends paid to shareholders of the Company	(39,963)	(23,420)
Net cash from financing activities	219,253	59,515
Net (decrease)/increase in cash and cash equivalents	(135,179)	160,039
Effects of foreign exchange rate changes	65	(19)
Cash and cash equivalents at beginning of financial year	721,583	561,563
Cash and cash equivalents at end of financial year*	586,469	721,583

* Cash and cash equivalents at end of the financial period comprise the following:

	31/12/2019 RM'000	31/12/2018 RM'000
Cash and bank balances	752,909	975,774
Less: Bank overdrafts	-	(4,905)
Less: Cash and cash equivalents not available for use	(166,440)	(249,286)
Total cash and cash equivalents at end of financial year	586,469	721,583

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2019

PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134 Interim Financial Reporting and other MFRSs issued by the Malaysian Accounting Standard Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the Group’s audited consolidated financial statements for the financial year ended 31 December 2018. These explanatory notes attached to the interim 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 December 2018.

A2. Changes in accounting policies arising from adoption of new standards, amendments and interpretations

The accounting policies adopted for the interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2018 except for the adoption of the following new amendments to MFRSs:

Effective for financial periods beginning on or after 1 January 2019:

MFRS 16	Leases
IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Amendments to MFRS 3 and MFRS 11	Previously Held Interest in a Joint Operation (Annual Improvements to MFRSs 2015-2017 Cycle)
Amendments to MFRS 112	Income Taxes Consequences of Payments on Financial Instruments Classified as Equity (Annual Improvements to MFRSs 2015-2017 Cycle)
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 123	Borrowing Costs Eligible for Capitalisation (Annual Improvements to MFRSs 2015-2017 Cycle)

The adoption of the above amendments to MFRSs did not result in material impact to the interim financial statements of the Group.

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2019

PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134

A2. Changes in accounting policies arising from adoption of new standards, amendments and interpretations (cont’d.)

The followings are new standards, amendments and interpretations that have been issued by the MASB but have not been early adopted by the Group:

Effective for financial periods beginning on or after 1 January 2020:

Amendments to MFRS 2	Share-based Payment
Amendments to MFRS 3	Business Combinations
Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 6	Exploration for and Evaluation of Mineral Resources
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to MFRS 134	Interim Financial Reporting
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendments to MFRS 138	Intangible Assets
Amendments to IC Interpretation 12	Service Concession Arrangements
Amendments to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to IC Interpretation 132	Intangible Assets - Web Site Costs

Effective for financial periods beginning on or after 1 January 2021:

MFRS 17 Insurance Contracts
This standard is not relevant and applicable to the Group.

Effective date deferred to a date to be determined by MASB:

Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2019

**PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD
("MFRS") 134**

A3. Comments about seasonal or cyclical factors

The business operations of the Group were not significantly affected by any seasonal or cyclical factors.

A4. Nature and amount of items affecting assets, liabilities, equity, net income or cash flows that is unusual because of their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period under review.

A5. Material changes in estimates

There were no material changes in estimates for the financial period ended 31 December 2019.

A6. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the financial period under review except as follows:

- 1) The Company has repurchased its equity securities of 30,512,400 ordinary shares at an average price of RM0.88 per share. As at 31 December 2019, the number of treasury shares held was 15,491,741 ordinary shares;
- 2) Issuance of 8,389 new ordinary shares at an exercise price of RM1.00 each arising from the exercise of 8,389 Warrants 2009/2019 of the Company which expired on 6 December 2019; and
- 3) Issuance of 982,386,093 new Irredeemable Convertible Preference Shares ("ICPS") of RM1.20 each for settlement of 90% of the purchase consideration for the Proposed Acquisition of RM169.4 million and 80% for the Proposed Debt Settlement of RM1,283.0 million.

A7. Dividends

On 3 September 2019, the Company had declared the second interim single-tier share dividend for the financial year ended 31 December 2019 on the basis of 3 treasury shares for every 100 existing ordinary shares held in the Company. The share dividend was subsequently credited into the entitled depositors' securities accounts on 4 October 2019.

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2019

PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134

A8. Segmental information

Segmental information is presented in respect of the Group's principal business segments - property development, property management, property investment, recreation and resort and investment holding and others. The geographical information is not presented as the Group's activities are carried out predominantly in Malaysia.

Business segment analysis for the quarter and financial period ended:

Business Segments	Property development and property management RM'000	Property investment, recreation and resort RM'000	Investment holding and others RM'000	Total RM'000
Individual Quarter 31 December 2019				
Revenue	303,772	38,749	22,485	365,006
Results from operations	36,769	(50,142)	300,964	287,591
Net finance costs	(7,161)	(7,407)	(5,186)	(19,754)
Share of results of an associate	166	-	-	166
Share of results of joint ventures	4,647	-	-	4,647
Profit/(loss) before tax	34,421	(57,549)	295,778	272,650
Individual Quarter 31 December 2018				
Revenue	527,278	34,888	31,765	593,931
Results from operations	112,170	11,188	17,492	140,850
Net finance costs	(3,655)	(4,495)	(3,424)	(11,574)
Share of results of an associate	1,896	-	-	1,896
Share of results of joint ventures	24	-	-	24
Profit before tax	110,435	6,693	14,068	131,196

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2019

PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134

A8. Segmental information (cont’d.)

Business segment analysis for the quarter and financial period ended (cont’d):

Business Segments	Property development and property management RM'000	Property investment, recreation and resort RM'000	Investment holding and others RM'000	Total RM'000
Year To Date 31 December 2019				
Revenue	875,205	146,210	98,939	1,120,354
Results from operations	191,323	(38,168)	274,995	428,150
Net finance cost	(14,971)	(25,873)	(16,538)	(57,382)
Share of results of an associate	819	-	-	819
Share of results of joint ventures	11,502	-	-	11,502
Profit/(loss) before tax	188,673	(64,041)	258,457	383,089
Year To Date 31 December 2018				
Revenue	1,437,907	98,317	99,247	1,635,471
Results from operations	301,175	61,491	(4,337)	358,329
Net finance cost	(10,688)	(17,208)	(11,167)	(39,063)
Share of results of an associate	546	-	-	546
Share of results of joint ventures	419	-	-	419
Profit/(loss) before tax	291,452	44,283	(15,504)	320,231

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2019

PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134

A9. Material events subsequent to the end of interim period

There were no material events subsequent to the end of the current quarter up to the date of this report that have not been reflected in the interim financial statements under review.

A10. Changes in composition of the Group

1) The Company had incorporated the following wholly-owned subsidiaries during the current quarter:-

No.	Name of Company	Date of Incorporation	Issued Share Capital (RM)
(i)	Suci Padu Resources Sdn. Bhd.	22 November 2019	1
(ii)	Sparkling Realty Sdn. Bhd.	28 November 2019	1
(iii)	Stardust Realty Sdn. Bhd.	28 November 2019	1
(iv)	Skytree Realty Sdn. Bhd.	28 November 2019	1
(v)	Starling Realty Sdn. Bhd.	28 November 2019	1
(vi)	Raindust Realty Sdn. Bhd.	28 November 2019	1
(vii)	Capricorn Realty Sdn. Bhd.	28 November 2019	1
(viii)	Moonlight Realty Sdn. Bhd.	28 November 2019	1
(ix)	Comets Realty Sdn. Bhd.	28 November 2019	1
(x)	Limestone Realty Sdn. Bhd.	28 November 2019	1
(xi)	Twinkle Realty Sdn. Bhd.	28 November 2019	1
(xii)	Lavender Realty Sdn. Bhd.	28 November 2019	1
(xiii)	Misty Realty Sdn. Bhd.	28 November 2019	1
(xiv)	Rainforest Realty Sdn. Bhd.	28 November 2019	1
(xv)	Pluto Realty Sdn. Bhd.	29 November 2019	1
(xvi)	Waves Realty Sdn. Bhd.	29 November 2019	1

2) Following our announcement on Bursa Malaysia Securities Berhad on 29 November 2019 in relation to the completion of our corporate exercise, the following took place:

(a) Following the fulfilment of all conditions precedent as stipulated in the Shares Sale Agreement (“SSA”) dated 28 June 2019, the disposal of the Company’s entire 501,000 ordinary shares representing 50.1% equity interest in Tropicana Sanctuary Holdings Sdn. Bhd. (“TSanc Holdings”) for a disposal consideration of RM49.0 million was completed on 28 November 2019.

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2019

PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134

A10. Changes in composition of the Group (cont’d.)

- 2) Following our announcement on Bursa Malaysia Securities Berhad on 29 November 2019 in relation to the completion of our corporate exercise, the following took place: (cont’d.)
- (b) Subsequent to the disposal of TSanc Holdings, the acquisition of 1,540,000 ordinary shares in Tropicana Sanctuary Development Sdn. Bhd. (“TSanc Development”) by the Company for a purchase consideration of RM237.0 million was completed on 29 November 2019. Following the completion of the acquisition, TSanc Development had become a 70% owned subsidiary of the Company.
- (c) On 29 November 2019, the proposed acquisition of the following companies for a total purchase consideration of RM217.4 million were completed:-

No	Name of Company	Effective interest (%)	Purchase Consideration (RM)
(i)	GP Views Development Sdn. Bhd.	100	19,566,451
(ii)	Tropicana Scenic Development Sdn. Bhd.	100	984,380
(iii)	Firstwide Plus Sdn. Bhd.	100	43,230,958
(iv)	Rhythm Crest Sdn. Bhd.	100	2,825,475
(v)	Lingkar Utama Sdn. Bhd. and its wholly-owned subsidiary, Southern Gallery Sdn. Bhd.	100	961,649
(vi)	Danga Lagoon Development Sdn. Bhd. and its wholly-owned subsidiaries, Danga Lagoon Land Sdn. Bhd. and Danga Lapanbelas Sdn. Bhd.	100	6,712,024
(vii)	Danga Lagoon Garden Sdn. Bhd.	100	302,761
(viii)	Acehub Fortune Sdn. Bhd. and its 65% owned subsidiary, Lido Waterfront Boulevard Sdn. Bhd.	100	97,632,518
(ix)	T Kiara Lestari Development Sdn. Bhd.	100	24,987,490
(x)	T Kiara Lestari Land Sdn. Bhd.	100	19,990,253
(xi)	Suasana Metro Sdn. Bhd.	70	196,706
Total purchase consideration			217,390,665

- 3) On 6 December 2019, Companies Commission of Malaysia (“CCM”) had published at its website that Tropicana Jalan Selangor Development Sdn. Bhd. had been struck off from the register of CCM and dissolved on 13 September 2019.
- 4) On 3 February 2020, the Company had incorporated a wholly-owned subsidiary, Tropicana Property Services Sdn. Bhd. with issued share capital of RM1.

Save as disclosed above, there were no other changes in the composition of the Group.

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A11. Changes in contingent liabilities or contingent assets

Since the last annual audited position as at 31 December 2018, the Group’s contingent liabilities have changed due to the decrease of RM125.34 million in corporate guarantees (unsecured) issued by the Company to licensed financial institutions for banking facilities granted to the subsidiaries of the Group.

Save as disclosed above, there were no other changes in contingent liabilities of the Group.

A12. Capital commitments

The amount of commitments for capital expenditure as at 31 December 2019 is as follows:

	As at 31/12/2019 RM'000	As at 31/12/2018 RM'000
Capital expenditure:		
Approved and contracted for:		
- Property, plant and equipment	37,705	5,126
- Investment properties	100,444	401,743
	<u>138,149</u>	<u>406,869</u>
Approved and not contracted for:		
- Investment properties	20,109	41,850
	<u>158,258</u>	<u>448,719</u>

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B1. Performance review

Quarterly Results

For the current quarter under review, the Group recorded revenue of RM365.0 million (Q4 2018: RM593.9 million) which was RM228.9 million or 38.5% lower when compared to the corresponding quarter in the preceding year. The decrease in revenue in the current quarter reflected lower progress billings across some of the Group's key existing on-going projects and lower sales due to weak real estate conditions. However, a disposal of freehold development lands for RM143.0 million in the corresponding quarter in the preceding year also caused this quarter's result to be weaker than Q4 2018.

The Group's profit before tax ("PBT") was higher by RM141.5 million or 107.9% for the current quarter under review as compared to the corresponding quarter in the preceding year. This was mainly due to the recognition of negative goodwill which arose when the Company acquired development lands held by twelve (12) acquiree companies from a related party at a favourable price of an average discount of 13.4% to the market value of these lands and where the corporate exercise to acquire was completed in November 2019.

Year to date Results

For the financial year ended 31 December 2019, the Group recorded revenue of RM1,120.4 million, which was RM515.1 million or 31.5% lower when compared to the preceding year. This was due to lower sales resulting from weak real estate conditions and lower progress billings across projects in the Klang Valley as well as the Southern Regions.

The Group's PBT was recorded at RM383.1 million, which was RM62.9 million or 19.6% higher when compared to the corresponding period in the preceding year. This was mainly due to the recognition of the negative goodwill mentioned above which was recognised in November 2019.

B2. Variation of results against preceding quarter

The Group's revenue of RM365.0 million in the current quarter was RM118.9 million or 48.3% higher when compared to preceding quarter ended 30 September 2019 where the latter was mainly due to the disposal of freehold development land in Johor Bahru for a cash consideration of RM97.4 million in the current quarter.

The current quarter Group's PBT was recorded at RM272.7 million which was RM239.9 million higher than the preceding quarter ended 30 September 2019 mainly due to the recognition of the negative goodwill mentioned above which was recognised in November 2019.

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B3. Prospects

Whilst the overall prospects for the industry remain challenging in the short term, the Group believes that there will still be demand for properties in prime locations with attractive pricing, particularly in Tropicana's established developed townships. Although the Malaysian property market is currently very challenging, we believed the Government will provide continued support towards home ownership, especially first time house buyers. The pace of growth is expected to be sustained and stay resilient going into 2020. Therefore, the Group will continue to focus on being market-driven in its product offerings whilst continuing to unlock the value of its land bank, at strategic locations across the Klang Valley, Genting and Southern Regions.

Tropicana will continue to focus on the introduction of new phases across its signature established developments, namely at Tropicana Heights, Tropicana Aman, Tropicana Metropark, Tropicana Danga Cove and Tropicana Gardens.

The completion of the assets injection exercise in 29 November 2019, which saw the injection of 1,121 acres with a potential GDV of RM23.8 billion along with collaboration agreements on another 1,235 acres with a potential GDV of RM4.8 billion into Tropicana, will further strengthen the Group's project developments offerings, thus contributing positively to its future earnings, particularly with Tropicana's track record in developing townships.

B4. Profit forecast or profit guarantee

No profit forecast or profit guarantee was issued for the financial period.

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B5. Income tax

	Individual Quarter		Year to Date	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Tax expense for the period	(10,931)	(70,815)	(55,962)	(146,020)
Over/(under) provision of tax for previous financial period	242	(31,717)	2,884	(28,417)
Real property gain tax	(1,887)	(4,070)	(2,130)	(4,104)
Deferred tax transfers	(743)	31,122	27,069	38,141
Total Group's tax expense	(13,319)	(75,480)	(28,139)	(140,400)

The Group's effective tax rate was higher than the statutory tax rate mainly due to non-allowable expenses for tax deduction.

B6. Corporate Proposals

Status of corporate proposals

The following corporate proposals announced by the Company have not been completed as at 20 February 2020, being the latest practicable date which is not earlier than 7 days from the date of issuance of this interim financial report:

- 1) On 15 April 2013, Tropicana Aman Sdn Bhd (“TASB”), a wholly-owned subsidiary of the Company, entered into a sale and purchase cum development agreement with Menteri Besar Selangor (Pemerbadanan) (“MBI”) and Permodalan Negeri Selangor Berhad (“PNSB”) for the proposed acquisition cum development of 11 parcels of leasehold land, all in Mukim Tanjong Duabelas, District of Kuala Langat, State of Selangor measuring approximately 4,743,986.21 square metres (51,063,794 square feet) for a total cash consideration of RM1,297,259,264 (“Proposed Acquisition”).

MBI, PNSB and TASB had entered into supplementary agreements in respect of the Proposed Acquisition on 7 August 2014 and 12 March 2015 respectively. As at the date of this report, TASB has paid for 18 sub-divided parcels. The acquisitions for 6 sub-divided parcels are completed and TASB is in the midst of completing the acquisition process for 12 sub-divided parcels. There are remaining 17 parcels of land to be paid.

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B7. Borrowings

	As at 31/12/2019 RM'000	As at 31/12/2018 RM'000
Secured short term borrowings	921,507	623,114
Secured long term borrowings	1,598,043	1,333,071
	<u>2,519,550</u>	<u>1,956,185</u>

B8. Material litigation

On 26 August 2013, the Company received an order from the Arbitral Tribunal to add the Company as a party to the arbitration proceedings between Dijaya-Malind JV (Mauritius) Limited (“DMML”), Dijaya-Malind Properties (India) Private Limited (“DMPPL”) and Starlite Global Enterprise (India) Limited (“SGEIL”) (“Order”).

The arbitration proceedings were previously instituted by DMML and DMPPL against SGEIL to seek the return of the deposit sum and damages arising from termination of the Deed of Novation cum Joint Development Agreement.

The Company appealed to the City Civil Court of Hyderabad against the Order which was dismissed on 2 June 2014. As our legal counsel is in the opinion that the Order is erroneous and wrong in law, the Company has filed a further appeal to the High Court of Judicature of Andhra Pradesh and is pending a hearing date to be set.

B9. Dividend payable

There was no dividend proposed for the quarter under review.

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B10. Earnings per share

a) Basic earnings per share

Basic earnings per ordinary share were calculated by dividing profit for the period attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	Individual Quarter		Year to Date	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Profit attributable to owners of the parent (RM'000)	233,900	51,476	335,784	170,029
Weighted average number of ordinary shares ('000)	1,442,937	1,451,445	1,439,689	1,459,079
Basic earnings per share (sen)	16.21	3.54	23.32	11.65

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to owners of the parent and the weighted average number of ordinary shares outstanding during the period have been adjusted for the dilutive effects of all potential ordinary shares from the exercise of the Warrants.

	Individual Quarter		Year to Date	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Profit attributable to owners of the parent (RM'000)	233,900	51,476	335,784	170,029
Weighted average number of ordinary shares ('000) for the purpose of diluted earnings per share	1,442,937	1,451,445	1,439,689	1,459,079
Diluted earnings per share (sen)	16.21	3.54	23.32	11.65

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B11. Notes to the statements of comprehensive income

	Individual Quarter 31/12/2019 RM’000	Year to Date 31/12/2019 RM’000
Profit for the period/year is arrived at after (crediting)/charging:-		
Finance income	(4,428)	(18,468)
Other income	(14,818)	(49,611)
Gain on a bargain purchase	(336,968)	(336,968)
Finance costs	24,182	75,850
Depreciation of property, plant and equipment	12,804	37,053
Impairment loss on trade and other receivables	586	1,436
Net gain on disposal of assets classified as held for sale	-	(322)
Net gain on disposal of property, plant and equipment	(281)	(170)
Net foreign exchange loss (realised and unrealised)	37	133

B12. Auditors' report on preceding annual financial statements

The auditors' report of the financial statements for the financial year ended 31 December 2018 was not subject to any qualification.

B13. Authorisation for issue

The interim financial statements were authorised for issuance by the Board of Directors in accordance with the Directors' resolution dated 27 February 2020.