



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.

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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 |
| | <hr/> | <hr/> |

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.