



[Registration No.197901003695 (47908-K)]

INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2020

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2020

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	30/06/2020	30/06/2019	30/06/2020	30/06/2019
	RM'000	RM'000	RM'000	RM'000
Revenue	335,667	299,454	478,395	509,223
Cost of sales	(151,856)	(174,305)	(206,569)	(287,306)
Gross profit	183,811	125,149	271,826	221,917
Other income	6,346	4,069	17,757	9,840
Selling and marketing expenses	(5,868)	(4,627)	(11,254)	(8,758)
Administrative expenses	(51,697)	(57,687)	(117,418)	(120,994)
Other expenses	(4,534)	(1,014)	(5,950)	(5,246)
Operating profit	128,058	65,890	154,961	96,759
Finance income	4,013	5,637	8,732	11,602
Finance costs	(35,042)	(17,035)	(63,902)	(34,046)
Share of results of joint ventures	812	1,777	4,445	2,744
Share of results of an associate	3,759	346	5,216	552
Profit before tax	101,600	56,615	109,452	77,611
Income tax	(53,651)	(18,776)	(56,144)	1,817
Profit for the period	47,949	37,839	53,308	79,428
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent period:				
Foreign currency translation	(21)	52	(14)	66
Total comprehensive income	47,928	37,891	53,294	79,494
Profit/(loss) attributable to:				
Owners of the parent	24,289	39,022	29,447	85,086
Holders of perpetual bond	4,328	-	8,609	-
Non-controlling interests	19,332	(1,183)	15,252	(5,658)
	47,949	37,839	53,308	79,428

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2020

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	<u>30/06/2020</u>	<u>30/06/2019</u>	<u>30/06/2020</u>	<u>30/06/2019</u>
	RM'000	RM'000	RM'000	RM'000
Total comprehensive income/(loss) attributable to:				
Owners of the parent	24,268	39,074	29,433	85,152
Holders of perpetual bond	4,328	-	8,609	-
Non-controlling interests	19,332	(1,183)	15,252	(5,658)
	<u>47,928</u>	<u>37,891</u>	<u>53,294</u>	<u>79,494</u>
Earnings per share attributable to owners of the parent: (sen per share)				
- Basic	B10 1.69	2.72	2.05	5.93
- Diluted	B10 1.01	2.72	1.22	5.93

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As At 30/06/2020 RM'000	As At 31/12/2019 RM'000
Assets			
Non-current assets			
Property, plant and equipment		783,564	764,954
Inventories		6,537,717	6,154,933
Investment properties		1,401,938	1,377,034
Right-of-use assets		136,380	138,952
Investment in an associate		95,055	90,565
Investments in joint ventures		272,006	264,985
Other investments		312	312
Intangible assets		3,249	1,037
Deferred tax assets		110,555	111,348
Trade and other receivables		10,474	10,294
Contract assets		19,227	18,675
		<u>9,370,477</u>	<u>8,933,089</u>
Current assets			
Inventories		703,730	749,513
Trade and other receivables		684,387	442,755
Contract cost assets		13,964	20,552
Contract assets		154,028	285,036
Tax recoverable		25,906	28,391
Cash and bank balances		1,074,513	754,949
		<u>2,656,528</u>	<u>2,281,196</u>
Assets classified as held for sale		<u>57,500</u>	<u>75,700</u>
Total assets		<u>12,084,505</u>	<u>11,289,985</u>

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As At 30/06/2020 RM'000	As At 31/12/2019 RM'000
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital		2,044,322	2,044,322
Irredeemable convertible preference shares		1,004,593	1,004,593
Treasury shares		(38,667)	(13,648)
Other reserves		1,656,148	1,626,715
		<u>4,666,396</u>	<u>4,661,982</u>
Perpetual bond		252,613	252,661
Non-controlling interests		770,008	734,045
Total equity		<u>5,689,017</u>	<u>5,648,688</u>
Non-current liabilities			
Deferred tax liabilities		532,926	505,055
Borrowings	B7	2,668,877	1,576,912
Trade and other payables		498,022	501,190
Irredeemable convertible preference shares		163,355	163,355
Contract liabilities		136,889	135,524
Tax payable		-	3,400
Lease liabilities		3,392	3,650
		<u>4,003,461</u>	<u>2,889,086</u>
Current liabilities			
Borrowings	B7	818,963	942,203
Trade and other payables		1,465,852	1,599,617
Irredeemable convertible preference shares		10,915	10,915
Contract liabilities		68,077	174,806
Tax payable		27,005	21,465
Lease liabilities		1,215	3,205
		<u>2,392,027</u>	<u>2,752,211</u>
Total liabilities		<u>6,395,488</u>	<u>5,641,297</u>
Total equity and liabilities		<u>12,084,505</u>	<u>11,289,985</u>
Net assets per share (RM)		<u>3.27</u>	<u>3.20</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 2019 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent										
	<-----Non-distributable----->										
	Share Capital	Irredeemable Convertible Preference Shares	Treasury Shares	Translation Reserve	Warrants 2009/2019 Reserve	Retained Earnings	Total Reserves	Total	Perpetual Bond	Non-controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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/(loss)	-	-	-	66	-	85,086	85,152	85,152	-	(5,658)	79,494
Transactions with owners											
Issuance of preference shares to non-controlling interests	-	-	-	-	-	-	-	-	-	5,849	5,849
Purchase of treasury shares	-	-	(10,573)	-	-	-	-	(10,573)	-	-	(10,573)
Dividend paid via:											
- cash	-	-	-	-	-	(39,963)	(39,963)	(39,963)	-	-	(39,963)
Total transaction with owners	-	-	(10,573)	-	-	(39,963)	(39,963)	(50,536)	-	5,849	(44,687)
As at 30 June 2019	2,044,314	-	(35,667)	(63)	45,960	1,383,742	1,429,639	3,438,286	-	409,396	3,847,682
As at 1 January 2020	2,044,322	1,004,593	(13,648)	(64)	-	1,626,779	1,626,715	4,661,982	252,661	734,045	5,648,688
Total comprehensive (loss)/income	-	-	-	(14)	-	29,447	29,433	29,433	-	15,252	44,685
Distribution for the period	-	-	-	-	-	-	-	-	8,609	-	8,609
Distribution paid for the period	-	-	-	-	-	-	-	-	(8,657)	-	(8,657)
Transactions with owners											
Issuance of ordinary shares to non-controlling interests	-	-	-	-	-	-	-	-	-	20,711	20,711
Purchase of treasury shares	-	-	(25,019)	-	-	-	-	(25,019)	-	-	(25,019)
Total transaction with owners	-	-	(25,019)	-	-	-	-	(25,019)	-	20,711	(4,308)
As at 30 June 2020	2,044,322	1,004,593	(38,667)	(78)	-	1,656,226	1,656,148	4,666,396	252,613	770,008	5,689,017

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 2019 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	30/06/2020	30/06/2019
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	109,452	77,611
Adjustments for:		
Depreciation of property, plant and equipment	12,859	17,101
Depreciation of right-of-use assets	3,314	-
Amortisation of intangible assets	141	-
Finance income	(8,732)	(11,602)
Finance costs	63,902	34,046
Net loss on disposal of investment property	-	522
Share of results of an associate	(5,216)	(552)
Share of results of joint ventures	(4,445)	(2,744)
Loss on disposal of assets held for sale	1,182	580
Net (gain)/loss on disposal of property, plant and equipment	(3)	86
Property, plant and equipment written off	266	17
Amortisation of deferred license fees	(2,260)	(2,212)
Amortisation of security retainers accumulation fund	6	6
Impairment loss on trade and other receivables	-	330
Unrealised returns on security retainers accumulation fund	(20)	(108)
Operating profit before working capital changes	170,446	113,081
Changes in working capital:		
Trade and other receivables	(239,179)	(37,164)
Contract assets	130,456	24,692
Inventories	(344,389)	(168,375)
Contract cost assets	24,205	23,003
Contract liabilities	(7,681)	9,816
Trade and other payables	(232,444)	(97,372)
Cash used in operations	(498,586)	(132,319)
Finance costs paid	(77,954)	(60,632)
Net taxes paid	(22,856)	(56,255)
Net cash used in operating activities	(599,396)	(249,206)

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	30/06/2020 RM'000	30/06/2019 RM'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(19,545)	(18,624)
Purchase of investment properties	(30,515)	(787)
Acquisition of intangible assets	(2,353)	-
Proceeds from disposal of property, plant and equipment	16	122
Proceeds from disposal of assets held for sale	18,200	22,800
Subscription of shares in joint venture	(2,300)	(2,700)
Advances to a joint venture	(275)	-
Finance income received	8,732	11,602
Net cash (used in)/generated from investing activities	(28,040)	12,413
Cash flows from financing activities		
Payment of borrowing costs	(11,956)	(2,144)
Drawdown from borrowings	655,855	252,607
Repayment of borrowings	(499,031)	(286,616)
Repayment of hire purchase	(862)	(709)
Repayment of principal portion of lease liabilities	(2,991)	-
(Placement)/Uplift of debt service reserve, escrow accounts and deposits with licensed banks not available for use	(224,825)	81,767
Proceeds from issuance of shares to non-controlling interests	20,711	5,847
Proceeds from issuance of Islamic Medium Term Notes	789,000	-
Purchase of treasury shares	(25,019)	(10,573)
Dividends paid to shareholders of the Company	-	(39,963)
Perpetual bond distribution paid	(8,657)	-
Net cash generated from financing activities	692,225	216
Net increase/(decrease) in cash and cash equivalents	64,789	(236,577)
Effects of foreign exchange rate changes	(14)	66
Cash and cash equivalents at beginning of financial period	591,338	721,583
Cash and cash equivalents at end of financial period*	656,113	485,072

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

	30/06/2020 RM'000	30/06/2019 RM'000
Cash and bank balances	1,074,513	657,308
Less: Bank overdrafts	(29,964)	(4,717)
Less: Cash and cash equivalents not available for use	(388,436)	(167,519)
Total cash and cash equivalents at end of financial period	656,113	485,072

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2020

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 2019. 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 2019.

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 2019 except for the adoption of the following new amendments to MFRSs:

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 16	Covid-19-Related Rent Concessions
	Annual Improvements to MFRS Standards 2018-2020
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

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2020

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 accounting policies adopted for the interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2019 except for the adoption of the following new amendments to MFRSs: (cont’d.)

Effective for financial periods beginning on or after 1 January 2020: (cont’d.)

Amendment to IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendment to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to IC Interpretation 132	Intangible Assets - Web Site Costs

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

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 2021:

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

Effective for financial periods beginning on or after 1 January 2022:

Amendments to MFRS 1	Annual Improvements to MFRS Standards 2018-2020
Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 9	Annual Improvements to MFRS Standards 2018-2020
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current
Amendments to MFRS 116	Property, Plant and Equipment-Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts-Cost of Fulfilling a Contract
Amendments to MFRS 141	Annual Improvements to MFRS Standards 2018-2020

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
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INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2020

**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 30 June 2020.

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 29,840,400 ordinary shares at an average price of RM0.84 per share. As at 30 June 2020, the number of treasury shares held was 45,332,142 ordinary shares.

A7. Dividends

No dividend was paid during the current quarter under review.

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2020

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 30 June 2020				
Revenue	302,508	14,949	18,210	335,667
Results from operations	129,123	(4,626)	3,561	128,058
Net finance costs	(3,399)	(11,195)	(16,435)	(31,029)
Share of results of an associate	3,759	-	-	3,759
Share of results of joint ventures	812	-	-	812
Profit/(loss) before tax	130,295	(15,821)	(12,874)	101,600
Individual Quarter 30 June 2019				
Revenue	239,501	36,785	23,168	299,454
Results from operations	65,815	2,903	(2,828)	65,890
Net finance costs	(451)	(7,750)	(3,197)	(11,398)
Share of results of an associate	346	-	-	346
Share of results of joint ventures	1,777	-	-	1,777
Profit/(loss) before tax	67,487	(4,847)	(6,025)	56,615

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2020

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				
30 June 2020				
Revenue	401,915	43,623	32,857	478,395
Results from operations	162,917	(5,796)	(2,160)	154,961
Net finance cost	(4,154)	(23,236)	(27,780)	(55,170)
Share of results of an associate	5,216	-	-	5,216
Share of results of joint ventures	4,445	-	-	4,445
Profit/(loss) before tax	168,424	(29,032)	(29,940)	109,452
Year To Date				
30 June 2019				
Revenue	385,915	70,983	52,325	509,223
Results from operations	98,900	4,589	(6,730)	96,759
Net finance cost	(4,215)	(12,058)	(6,171)	(22,444)
Share of results of an associate	552	-	-	552
Share of results of joint ventures	2,744	-	-	2,744
Profit/(loss) before tax	97,981	(7,469)	(12,901)	77,611

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2020

**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

There were no changes in the composition of the Group during the current quarter under review.

A11. Changes in contingent liabilities or contingent assets

Since the last annual audited position as at 31 December 2019, the Group's contingent liabilities have changed due to the decrease of RM34.3 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.

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2020

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

A12. Capital commitments

The amount of commitments for capital expenditure as at 30 June 2020 is as follows:

	As at 30/06/2020 RM'000	As at 31/12/2019 RM'000
Capital expenditure:		
Approved and contracted for:		
- Property, plant and equipment	35,482	82,095
- Investment properties	3,233	3,367
	38,715	85,462

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2020

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

B1. Performance review

Quarterly Results

For the current quarter under review, the Group recorded revenue of RM335.7 million (Q2 2019: RM299.5 million) which was RM36.2 million or 12.1% higher when compared to the corresponding quarter in the preceding year. The increase in revenue in the current quarter reflected the completion of the disposals of two parcels of freehold development lands in Johor Bahru, for a total cash consideration of RM241.8 million. Notwithstanding these disposals, revenue was lower by RM205.6 million or 68.6% compared to the corresponding quarter in preceding year. The decrease in revenue in the current quarter reflected lower sales and progress billings across some of the Group's key existing on-going projects as a results of the Coronavirus Disease 2019 ("COVID-19") outbreak. The development activities were halted temporarily upon the enforcement of the Movement Control Order ("MCO") by the Malaysian Government on 18 March 2020.

The Group's profit before tax ("PBT") was higher by RM45.0 million or 79.5% for the current quarter under review as compared to the corresponding quarter in the preceding year. This was mainly due to the gains arising from the sale of the two parcels of freehold development lands mentioned above amounting to RM108.7 million.

Year to date Results

For the financial period ended 30 June 2020, the Group recorded revenue of RM478.4 million, which was RM30.8 million or 6.1% lower when compared to the corresponding period in the preceding year. This was due to lower sales and progress billings across projects in the Klang Valley as well as the Southern Regions which were affected by the MCO.

The Group's PBT was recorded at RM109.5 million, which was RM31.8 million or 41.0% higher when compared to the corresponding period in the preceding year, mainly due to the gains arising from the sale of the two parcels of development lands.

B2. Variation of results against preceding quarter

The Group's revenue of RM335.7 million in the current quarter was RM192.9 million or 135.2% higher when compared to preceding quarter ended 31 March 2020, mainly due to the disposal of the two parcels of freehold development lands mentioned in section B1 above.

The Group's PBT for the current quarter was recorded at RM101.6 million which was RM93.7 million higher than the preceding quarter ended 31 March 2020 and this was mainly due to the disposal of two parcels of freehold development lands mentioned in section B1 above.

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2020

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

B3. Prospects

With the advent of the Movement Control Order restrictions imposed by the Malaysian government, to address the Covid-19 pandemic, property development operating conditions for 2020 is expected to be challenging with expected softer consumer confidence. Although the industry remains challenging in the short term, the Group believes that there will still be demand for properties in prime locations in Tropicana’s established, matured and developing townships, with attractive pricing and innovative ownership packages and offerings, especially first time house buyers. 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 and Tropicana Danga Cove.

B4. Profit forecast or profit guarantee

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

B5. Income tax

	Individual Quarter		Year to Date	
	30/06/2020	30/06/2019	30/06/2020	30/06/2019
	RM'000	RM'000	RM'000	RM'000
Tax expense for the period	(18,431)	(31,039)	(27,871)	(41,605)
Overprovision/(under) of tax for previous financial period	61	(9,145)	930	785
Real property gain tax	(540)	104	(540)	104
Deferred tax transfers	(34,741)	21,304	(28,663)	42,533
Total Group’s tax (expense)/benefit	(53,651)	(18,776)	(56,144)	1,817

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

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B6. Corporate Proposals

Status of corporate proposal

The following corporate proposal announced by the Company has not been completed as at 12 August 2020, being the latest practicable date which is not earlier than 7 days from the date of issuance of this interim financial report:

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 transfer process for 12 sub-divided parcels. There are remaining 11 parcels of land to be paid.

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B7. Borrowings

	As at 30/06/2020 RM'000	As at 31/12/2019 RM'000
Secured short term borrowings	818,963	942,203
Secured long term borrowings	2,668,877	1,576,912
	3,487,840	2,519,115

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	
	30/06/2020	30/06/2019	30/06/2020	30/06/2019
Profit attributable to owners of the parent (RM'000)	24,289	39,022	29,447	85,086
Weighted average number of ordinary shares ('000)	1,430,881	1,432,745	1,439,442	1,434,806
Basic earnings per share (sen)	1.69	2.72	2.05	5.93

(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 and ICPS outstanding during the period have been adjusted for the dilutive effects of all potential ordinary.

	Individual Quarter		Year to Date	
	30/06/2020	30/06/2019	30/06/2020	30/06/2019
Profit attributable to owners of the parent (RM'000)	24,289	39,022	29,447	85,086
Weighted average number of ordinary shares ('000) for the purpose of diluted earnings per share	1,430,881	1,432,745	1,439,442	1,434,806
Effect of conversion of ICPS to ordinary shares	982,386	-	982,386	-
Adjusted weighted average number of ordinary shares in issue ('000) for the purpose of diluted earnings per share	2,413,267	1,432,745	2,421,828	1,434,806
Diluted earnings per share (sen)	1.01	2.72	1.22	5.93

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B11. Notes to the statements of comprehensive income

	Individual Quarter 30/06/2020 RM’000	Year to Date 30/06/2020 RM’000
Profit for the period/year is arrived at after (crediting)/charging:-		
Finance income	(4,013)	(8,732)
Finance costs	35,042	63,902
Depreciation of property, plant and equipment	5,419	12,859
Depreciation of right-of-use assets	1,512	3,314

B12. Auditors' report on preceding annual financial statements

The auditors' report of the financial statements for the financial year ended 31 December 2019 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 19 August 2020.