

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2016

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

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134 Interim Financial Reporting 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 audited financial statements for the year ended 31 December 2015. 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 year ended 31 December 2015.

A2. Changes in accounting policies

The significant accounting policies and methods of computation adopted for the interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2015 except for the adoption of the following new/revised FRSs and Interpretations:

Effective for financial periods beginning on or after 1 January 2016:

Amendments to FRS 5	Non-current Assets held for sales and Discontinued Operations (<i>Annual Improvements to FRSs 2012-2014 Cycle</i>)
Amendments to FRS 7	Financial Instruments: Disclosure (<i>Annual Improvements to FRSs 2012-2014 Cycle</i>)
Amendment to FRS 10, FRS 12 and FRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to FRS 11	Accounting for Acquisitions of Interests in Joint Operations
FRS 14	Regulatory Deferral Accounts
Amendments to FRS 101	Disclosure Initiatives
Amendments to FRS 116 and FRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 119	Employee Benefits (<i>Annual Improvements to FRSs 2012-2014 Cycle</i>)
Amendments to FRS 127	Equity Method in Separate Financial Statements
Amendments to FRS 134	Annual Improvements to FRSs 2012-2014 Cycle

Adoption of the above standards and interpretations did not have any effect on the financial performance or position and policy of the Group.

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The following revised FRSs and Amendments to FRSs applicable to the Group have been issued by the MASB but not yet effective and have not been adopted by the Group:

Effective for financial periods beginning on or after 1 January 2018:

FRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRS Framework”).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called ‘Transitioning Entities’).

On 2 September 2014, MASB announced that Transitioning Entities shall be required to apply the MFRS Framework for annual periods beginning on or after 1 January 2017.

The Group falls within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2017. In presenting its first set of MFRS financial statements, the Group will quantify the financial effects of the differences between the currently applied FRS and MFRS. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

A3. Auditors' report on preceding annual financial statements

The auditors' report of the financial statements for the year ended 31 December 2015 was not subject to any qualification.

A4. Comments about seasonal or cyclical factors

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

A5. 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.

A6. Changes in estimates

There were no material changes in estimates for the financial period ended 30 June 2016.

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A7. Debt and equity securities

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

- 1) The Company has repurchased its equity securities of 7,573,600 ordinary shares at an average price of RM1.01 per share. As at 30 June 2016, the number of treasury shares held were 19,587,435 ordinary shares of RM1.00 each.

A8. Dividends paid

No dividend was paid during the current quarter under review.

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A9. Segmental information

Segmental information is presented in respect of the Group’s principal business segments - property development, property investment and resort operations and investment holding.

The geographical information is not presented as the Group’s activities are carried out predominantly in Malaysia.

Business segment analysis for the quarter and year ended:

Business Segments	<-----Continuing operations ----->				Discontinued Operations	TOTAL
	Property development	Property investment and resort operations	Investment holding and others	Total	Investment holding and others	
	RM'000	RM'000	RM'000	RM'000	RM'000	
INDIVIDUAL QUARTER						
30 June 2016						
Revenue	328,996	19,668	9,416	358,080	-	358,080
Results from operations	16,458	13,598	(4,957)	25,099	-	25,099
Net finance costs	(1,072)	(1,260)	382	(1,950)	-	(1,950)
Share of results of joint ventures	-	-	20,919	20,919	-	20,919
Profit/(loss) before tax	15,386	12,338	16,344	44,068	-	44,068
INDIVIDUAL QUARTER						
30 June 2015						
Revenue	264,282	33,136	14,918	312,336	52,524	364,860
Results from operations	28,000	18,570	(4,956)	41,614	8,908	50,522
Net finance costs	(2,011)	(9,375)	(6,503)	(17,889)	(173)	(18,062)
Share of results of associates	-	-	-	-	(497)	(497)
Share of results of joint ventures	-	-	2,242	2,242	588	2,830
Profit/(loss) before tax	25,989	9,195	(9,217)	25,967	8,826	34,793

**TROPICANA**

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	<-----Continuing operations ----->				Discontinued Operations	TOTAL
	Property development	Property investment and resort operations	Investment holding and others	Total	Investment holding and others	
	RM'000	RM'000	RM'000	RM'000	RM'000	
YEAR TO DATE						
30 June 2016						
Revenue	590,064	39,264	15,677	645,005	-	645,005
Results from operations	45,053	19,946	(12,986)	52,013	-	52,013
Net finance cost	(2,288)	(1,881)	(866)	(5,035)	-	(5,035)
Share of results of associates	-	-	-	-	-	-
Share of results of joint ventures	-	-	26,921	26,921	-	26,921
Profit/ (loss) before tax	42,765	18,065	13,069	73,899	-	73,899
YEAR TO DATE						
30 June 2015						
Revenue	601,710	68,906	32,640	703,256	98,990	802,246
Results from operations	76,452	19,738	(3,427)	92,763	14,389	107,152
Net finance cost	(1,605)	(16,691)	(12,408)	(30,704)	(303)	(31,007)
Share of results of associates	-	-	-	-	(17)	(17)
Share of results of joint ventures	-	-	4,976	4,976	1,672	6,648
Profit/ (loss) before tax	74,847	3,047	(10,859)	67,035	15,741	82,776

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A10. Valuations of property, plant and equipment

Valuations of property, plant and equipment remain unchanged from the audited financial statements for the year ended 31 December 2015.

A11. 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.

A12. Changes in composition of the Group

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

A13. Changes in contingent liabilities or contingent assets

Since the last annual audited position at 31 December 2015, the Group’s contingent liabilities have changed due to the increase in corporate guarantees (unsecured) issued by the Company to licensed financial institutions for banking facilities granted to the subsidiaries of the Group amounting to RM181.1million.

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

A14. Capital commitments

The amount of commitments for capital expenditures as at 30 June 2016 is as follows:

	As at 30/06/16 RM'000	As at 31/12/15 RM'000
Capital expenditure:		
Approved and contracted for	503,400	742,814
Approved but not contracted for	565,300	539,844
Share of joint venture’s capital commitment in relation to land held for development	221,500	221,500
	1,290,200	1,504,158

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PART B – EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BHD

B1. Performance review

Quarterly Results

For the current quarter under review, the Group recorded revenue of RM358.1million which is higher by RM45.7million in comparison to the corresponding quarter last year. The higher revenue arose from higher revenue across key projects in the Klang Valley and Northern Region.

Profit before tax (“PBT”) was higher by RM18.1million for the current quarter under review as compared to the corresponding quarter last year. The higher PBT in the current quarter arose from higher contributions from key projects as mentioned above, as well as the reduced finance charges from de-gearing initiatives.

Year-to-date Results

For the period ended 30 June 2016, the Group recorded revenue of RM645.0million, which was RM58.2million lower in comparison to the corresponding period of last year. Included in the revenue in the corresponding period of last year was revenue from a land sale of RM106.8million.

Notwithstanding the decrease in revenue, the Group PBT increased by RM6.9million to RM73.9million against the corresponding period of last year. The increase in PBT arose mainly from the aforesaid higher contributions from key projects.

B2. Variation of results against preceding quarter

The Group’s revenue of RM358.1million in the current quarter is 24.8% or RM71.2million higher compared to the preceding quarter ended 31 March 2016. The higher revenue in the current quarter was contributed by higher revenue across key projects in Klang Valley and Northern Region.

The Group’s PBT for the current quarter under review increased by RM14.3million against RM29.8million achieved in the preceding quarter ended 31 March 2016, mainly due to higher contributions from development projects as mentioned above.

B3. Prospects

While prospects in 2016 are expected to remain challenging, the Group believes that there still will be demand for landed properties and integrated developments in prime locations with accessibility to good amenities and attractive pricing.

The Group’s strategy for 2016 will continue to be market driven and to adapt to market demand while focusing in unlocking value of its land bank in Klang Valley, as well as in the Northern Region. The Group possesses a sizeable land bank across Malaysia which provides the Group with the potential of unlocking the gross development value of more than RM50.0 billion. The Group’s unbilled sales stood at RM2.8 billion as at 30 June 2016, which is expected to continue to contribute positively to the earnings in the near future.

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B4. Profit forecast or profit guarantee

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

B5. Taxation

	Individual quarter		Year to date	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
	RM'000	RM'000	RM'000	RM'000
Tax expense for the period	17,755	11,210	28,267	48,762
Real property gain tax	2,161	-	2,161	1,528
Deferred tax transfers	(7,617)	(7,870)	(5,099)	(25,937)
Total Group's tax expense	12,299	3,340	25,329	24,353
Represented by:				
Continuing operations	12,299	987	25,329	20,758
Discontinued operations	-	2,353	-	3,595
	12,299	3,340	25,329	24,353

The Group's effective tax rate was higher than the statutory tax rate principally due to recognition of deferred tax assets and liabilities, as well as 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 18 August 2016, 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, Sapphire Index Sdn. Bhd. ("SISB"), 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").

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MBI, PNSB and SISB 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, SISB has paid for two sub-divided parcels measuring 41.11 acres and 34.42 acres respectively and the acquisitions of these sub-divided parcels are considered completed. The remaining 28 sub-divided parcels are pending completion.

- 2) On 12 January 2016, Advent Nexus Sdn Bhd (“ANSB”), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (“SPA”) with Pinnacle Supreme Sdn Bhd (“PSSB”) for the disposal of a piece of land held under Geran 5826, Lot 474 Seksyen 19, Bandar Kuala Lumpur, Daerah Kuala Lumpur measuring approximately 1,106 square meters, erected upon which is a 10-storey building known as “Sky Express Hotel, Kuala Lumpur” for a total cash consideration of RM55.0million (“Proposed Disposal”).

On 9 May 2016, all the conditions precedents in the SPA have been satisfied and the SPA has become unconditional.

On 8 August 2016, ANSB had received a sum of RM2,000,000 from PSSB and both parties have agreed to a further extension of fifty (50) days from 9 August 2016 to 27 September 2016 for PSSB to settle the unpaid portion of the balance purchase price.

- 3) On 28 January 2016, Tropicana Plaza Sdn Bhd (“TPSB”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (“SPA”) with Kenanga Investment Bank Berhad, a wholly-owned subsidiary of K & N Kenanga Holdings Berhad for the disposal of property comprising a piece of freehold land measuring approximately 3,674 square meters held under Geran 74958, Lot 11672, Seksyen 67, Bandar Kuala Lumpur, Daerah Kuala Lumpur together with a 19-storey office building known as “Dijaya Plaza” bearing the postal address of No. 237, Jalan Tun Razak, 50400 Kuala Lumpur for a cash consideration of RM140.0 million (“Proposed Disposal”).

On 11 April 2016, the SPA became unconditional and the Proposed Disposal was completed on 31 May 2016.

- 4) On 30 May 2016, Tropicana Desa Mentari Sdn Bhd (“TDMSB”), a wholly-owned subsidiary of Tropicana Golf & Country Resort Berhad, which in turn is a wholly-owned subsidiary of the Company, entered into a Heads of Agreement (“HOA”) with Terran Property Sdn Bhd (“TPSB”) for the proposed disposal of and/or granting of development rights on the freehold land measuring in aggregate approximately 131.964 hectares in gross area in the Mukim of Pulai, District of Johor Bahru, Negeri Johor (“Land”) to TPSB and/or its nominees(s), subject to adjustment for :-

- a) the existing water tank/reservoir on the Land;
- b) the existing transmission tower and electricity pylons erected on the Land;
- c) any acquisitions of land designated for highway use by the relevant authorities; and
- d) such other deductible areas as mutually agreed by the relevant parties and stipulated in the Definitive Agreement (where applicable);

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to be agreed by all parties prior to the signing of a Definitive Agreement (“Proposed Disposal”).

On 1 July 2016, TDMSB entered into a sales and purchase agreement with Tiarn Oversea Group Sdn Bhd for the disposal of the Land with developable area measuring in aggregate of approximately 251.5855 acres in area for a cash consideration of RM569,871,328 (“Proposed Disposal”).

As at the date of this report, the Proposed Disposal is pending fulfillment of the conditions precedent in accordance with the terms of the sale and purchase agreement.

B7. Interest-bearing loans and borrowings

	As at 30/06/16 RM'000	As at 31/12/15 RM'000
Secured short term borrowings	561,131	488,350
Secured long term borrowings	1,263,187	1,265,092
	1,824,318	1,753,442

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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Basic earnings per share were calculated by dividing profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Individual quarter		Year to date	
	30/06/16	30/06/15	30/06/16	30/06/15
Profit attributable to ordinary equity holders of the Company (RM'000):				
- continuing operation	33,316	20,449	48,487	35,231
- discontinued operation	-	2,716	-	7,210
Total	33,316	23,165	48,487	42,441
Weighted average number of ordinary shares in issue ('000)	1,447,466	1,447,453	1,447,466	1,427,976
Basic earnings per share (sen)				
- continuing operations	2.30	1.41	3.35	2.47
- discontinued operations	-	0.19	-	0.50
Total	2.30	1.60	3.35	2.97

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(b) Diluted earnings per ordinary share

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the period have been adjusted for the dilutive effects of all potential ordinary shares from the exercise of share options under the ESOS and the Warrants.

	Individual quarter		Year to date	
	30/06/16	30/06/15	30/06/16	30/06/15
Profit attributable to ordinary equity holder of the Company (RM'000)				
- continuing operations	33,316	20,449	48,487	35,231
- discontinued operations	-	2,716	-	7,210
Profit attributable to ordinary equity holders of the Company including assumed conversion (RM'000)	33,316	23,165	48,487	42,441
Weighted average number of ordinary shares in issue ('000) for the purpose of basic earnings per share	1,447,466	1,447,453	1,447,466	1,427,976
Add: Effects of dilution :				
- ESOS ('000)	-	635	-	1,106
- Warrants ('000)	7,382	16,279	7,382	18,111
Adjusted weighted average number of ordinary shares in issue ('000) for the purpose of diluted earnings per share	1,454,848	1,464,367	1,454,848	1,447,193
Diluted earnings per share (sen)				
- continuing operations	2.29	1.40	3.33	2.43
- discontinued operations	-	0.18	-	0.50
Total	2.29	1.58	3.33	2.93

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B11. Realised/Unrealised Retained Profits

	Current quarter RM'000	Immediate preceding quarter RM'000
Total retained profits of the Group:		
- Realised	1,223,481	1,177,807
- Unrealised	51,935	86,696
	<u>1,275,416</u>	<u>1,264,503</u>
Total share of retained earnings from joint ventures		
- Realised	130,436	109,567
Consolidation adjustments	<u>(355,003)</u>	<u>(356,538)</u>
Total retained profits carried forward	<u>1,050,849</u>	<u>1,017,532</u>

B12. Notes to the Statement of Comprehensive Income

	Individual quarter 30/06/16 RM'000	Year to date 30/06/16 RM'000
Profit for the period/year is arrived at after crediting/(charging):-		
Interest income	5,691	10,398
Other income	10,170	15,335
Interest expense	(7,641)	(15,433)
Depreciation of property, plant and equipment	(6,273)	(12,587)
Provision for and write off of receivables	-	-
Provision for and write off of inventories	(32,868)	(32,868)
Gain/(loss) on disposal of a subsidiary	-	-
Gain/(loss) on disposal of investment properties	6,814	6,814
Impairment of assets	-	-
Foreign exchange gain/(loss)	(336)	(283)
Gain/(Loss) on derivatives	-	-
Exceptional items	<u>-</u>	<u>-</u>

B13. Authorisation for issue

The interim financial statements were authorised for issuance by the Board of Directors in accordance with the Directors' resolution dated 25 August 2016.