

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2017

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 financial year ended 31 December 2016. 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 2016.

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 financial year ended 31 December 2016 except for the adoption of the following new/revised FRSs and Interpretations:

Effective for financial periods beginning on or after 1 January 2017:

Amendment to FRS 12	Disclosure of Interests in Other Entities (Annual Improvement to FRS Standards 2014-2016 Cycle)
Amendments to FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses

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

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:

MFRS 2	Classification and Measurement of Share-based Payment Transactions
FRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
MFRS 15	Revenue from Contracts with Customers-Clarifications to MFRS 15
Amendments to FRS 2	Classification and Measurement of Share-based Payment Transactions
MFRS 128	Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)
MFRS 140	Transfers of Investment Property

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

MFRS 16 Leases
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. Subsequently on 28 October 2015, Transitioning Entities are allowed to defer adoption of MFRS Framework for an additional one year. Consequently, adoption of MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

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 financial year ending 31 December 2018. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. 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 financial year ended 31 December 2016 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 31 March 2017.



TROPICANA

CORPORATION BERHAD

丽阳机构

(Company No. 47908-K)

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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) On 24 February 2017, the Company issued and allotted 18,294,918 new ordinary shares arising from the Dividend Reinvestment Scheme for the first single-tier interim dividend of 2.5 sen per share of the Company in respect of the financial year ended 31 December 2016 of the Company at an issue price of RM1.00 per share. The new shares were listed and quoted on the Main Market of Bursa Securities with effect from 27 February 2017. With the listing of the new shares, the enlarged issued and paid-up share capital of the Company is 1,465,761,346 shares; and
- 2) The Company has repurchased its equity securities of 5,000 ordinary shares at an average price of RM1.00 per share. As at 31 March 2017, the number of treasury shares held were 20,101,035 ordinary shares of RM1.00 each.

A8. Dividends paid

On 24 November 2016, a first single-tier interim dividend of 2.5 sen per ordinary share of RM1.00 each of the Company (“Shares”) for the financial year ended 31 December 2016 was declared. The dividend consists of an electable portion of 2.5 sen which can be elected to be reinvested in new Shares in accordance with the Dividend Reinvestment Scheme (“DRS”). Following the completion of the DRS as mentioned in Note A.7(1), a total cash dividend of RM17,389,000 was paid on 24 February 2017.

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A9. Segmental information

Segmental information is presented in respect of the Group’s principal business segments - property development, property investment, recreation and resort, 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	Property investment, recreation and resort	Investment holding and others	Total
	RM'000	RM'000	RM'000	RM'000
Quarter / Year to-date ended 31 March 2017				
Revenue	339,114	16,900	25,854	381,868
Results from operations	50,318	4,050	(9,141)	45,227
Net finance costs	(199)	(1,437)	(4,514)	(6,150)
Share of results of an associate	14	-	-	14
Share of results of joint ventures	7,312	-	-	7,312
Profit/(Loss) before tax	57,445	2,613	(13,655)	46,403
Quarter / Year to-date ended 31 March 2016				
Revenue	261,067	19,596	6,262	286,925
Results from operations	28,595	6,350	(8,030)	26,915
Net finance costs	(1,216)	(621)	(1,248)	(3,085)
Share of results of joint ventures	6,001	-	-	6,001
Profit/(Loss) before tax	33,380	5,729	(9,278)	29,831

A10. Valuations of property, plant and equipment

Valuations of property, plant and equipment remain unchanged from the audited financial statements for the financial year ended 31 December 2016.

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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

During the quarter under review, Tropicana Metropark Sdn Bhd (“**TMSB**”), a wholly-owned subsidiary of the Company, had on 13 January 2017, acquired 2 ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of Tropicana Paisley Sdn Bhd (formerly known as Cherry Boulevard Sdn Bhd) (“**TPSB**”) for a total cash consideration of RM2.00. Upon the acquisition of the entire equity interest in TPSB by TMSB, TPSB has become a wholly-owned subsidiary of TMSB, which in turn is a wholly-owned subsidiary of the Company.

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

A13. Changes in contingent liabilities or contingent assets

Since the last annual audited position at 31 December 2016, the Group’s contingent liabilities have changed due to the decrease in corporate guarantees (unsecured) issued by the Company to licensed financial institutions for banking facilities granted to the subsidiaries of the Group amounting to RM94.9 million.

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 31 March 2017 is as follows:

	As at 31/03/17 RM’000	As at 31/12/16 RM’000
Capital expenditure:		
Approved and contracted for	831,400	346,200
Approved but not contracted for	35,220	557,800
Share of joint venture’s capital commitment in relation to land held for property development	84,464	84,464
	951,084	988,464

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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

For the current quarter under review, the Group recorded revenue of RM381.9 million which is RM94.9 million higher when compared to the preceding year corresponding quarter.

Profit before tax (“PBT”) was higher by RM16.6 million for the current quarter under review as compared to the preceding year corresponding quarter.

The increase in revenue and PBT in the current quarter was mainly contributed by the Group’s core property development operations. This reflects the strong sales achieved and the advanced progress of construction works on-site with many of the Group’s on-going projects which contributed positively towards revenue and profit recognition.

B2. Variation of results against preceding quarter

The Group’s revenue of RM381.9 million in the current quarter is RM75.4 million lower when compared to the preceding quarter ended 31 December 2016. The higher revenue in the preceding quarter was mainly contributed from land sale of RM33.4 million.

Excluding the one off expenses on write off of capital assets that were no longer in use and impairment of intangible assets amounting to RM12.0 million recorded in the preceding quarter, the current quarter PBT is RM6.3 million lower than the preceding quarter ended 31 December 2016.

B3. Prospects

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

The Group’s strategy continues to be market driven and is focused at unlocking value of its land bank in Klang Valley, in the Northern Region, as well as in the Southern Region.

The Group’s current land bank across Malaysia provides the potential of unlocking the gross development value of more than RM50.0 billion. The Group’s unbilled sales stood at RM2.30 billion as at 31 March 2017, which is expected to continue to contribute positively to the earnings in the near future.

B4. Profit forecast or profit guarantee

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

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B5. Taxation

	Individual quarter		Year to date	
	31/03/2017	31/03/2016	31/03/2017	31/03/2016
	RM'000	RM'000	RM'000	RM'000
Tax expense for the period	13,212	10,512	13,212	10,512
Over provision of tax for previous financial period	(34)	-	(34)	-
Real property gain tax	(2,651)	-	(2,651)	-
Deferred tax transfers	1,902	2,519	1,902	2,519
Total Group's tax expense	12,429	13,031	12,429	13,031

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 19 May 2017, 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 (formerly known as Sapphire Index 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 two sub-divided parcels measuring 41.11 acres and 34.42 acres respectively and the acquisitions of these sub-divided parcels are completed. The remaining 24 sub-divided parcels are pending completion.

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- 2) On 1 July 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 sale and purchase agreement (“SPA”) with Tiarn Oversea Group Sdn. Bhd. for the disposal of freehold lands in the Mukim of Pulai, District of Johor Bahru, Negeri Johor (“Land”) with developable area measuring in aggregate of approximately 251.5855 acres in area for a cash consideration of RM569,871,328 (“Disposal”).

As at the date of this report, the Disposal is pending fulfillment of the conditions precedent in accordance with the terms of the SPA.

B7. Interest-bearing loans and borrowings

	As at 31/03/17 RM'000	As at 31/12/16 RM'000
Secured short term borrowings	637,958	551,759
Secured long term borrowings	1,216,821	1,261,505
	<u>1,854,779</u>	<u>1,813,264</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

The Board of Directors had declared a second interim single tier share dividend via a distribution of treasury shares on the basis of 1.2 treasury shares for every 100 existing ordinary shares held in the Company, in respect of the financial year ended 31 December 2016. Any fractions arising from the distribution of share dividend was disregarded.

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The entitlement date for the share dividend was 12 April 2017 and 17,343,793 treasury shares distributed under the share dividend was credited into the entitled depositors' securities accounts maintained with Bursa Malaysia Depository Sdn Bhd on 28 April 2017.

B10. Earnings per share

a) Basic earnings per share

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

	Individual quarter		Year to date	
	31/03/17	31/03/16	31/03/17	31/03/16
Profit attributable to the equity holders of the Company (RM'000)	32,517	15,170	32,517	15,170
Weighted average number of ordinary shares ('000)	1,433,874	1,447,466	1,433,874	1,447,466
Basic earnings per share (sen)	2.27	1.05	2.27	1.05

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to the equity holders of the Company 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	
	31/03/17	31/03/16	31/03/17	31/03/16
Profit attributable to the equity holder of the Company (RM'000)	32,517	15,170	32,517	15,170
Weighted average number of ordinary shares in issue ('000) for the purpose of basic earnings per share	1,433,874	1,447,466	1,433,874	1,447,466
Add: Effects of dilution of Warrants ('000)	-	10,099	-	10,099
Adjusted weighted average number of ordinary shares ('000) for the purpose of diluted earnings per share	1,433,874	1,457,565	1,433,874	1,457,565
Diluted earnings per share (sen)	2.27	1.04	2.27	1.04

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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	1,197,617	1,247,297
- Unrealised	55,796	62,177
	<u>1,253,413</u>	<u>1,309,474</u>
Total share of retained profits from joint ventures		
- Realised	154,648	147,326
Total share of accumulated loss from an associate		
- Realised	(2,170)	(2,184)
Consolidation adjustments	<u>(294,161)</u>	<u>(375,403)</u>
Total retained profits carried forward	<u>1,111,730</u>	<u>1,079,213</u>

B12. Notes to the Statement of Comprehensive Income

	Individual quarter 31/03/17 RM'000	Year to date 31/03/17 RM'000
Profit for the period/year is arrived at after crediting/(charging):-		
Interest income	5,402	5,402
Other income	3,840	3,840
Interest expense	(11,552)	(11,552)
Depreciation of property, plant and equipment	(6,866)	(6,866)
Foreign exchange gain/(loss)	50	50
	<u>50</u>	<u>50</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 26 May 2017.