

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 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

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2017

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

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 30 June 2017.

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2017

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

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 interim single-tier 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 Malaysia Securities Berhad 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 144,700 ordinary shares at an average price of RM0.97 per share. As at 30 June 2017, the number of treasury shares held were 2,896,942 ordinary shares.

A8. Dividends paid

On 28 March 2017, the Board of Directors had declared a second interim single-tier 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 (“Share Dividend”), in respect of the financial year ended 31 December 2016. Any fractions arising from the distribution of the Share Dividend were disregarded.

The entitlement date of the Share Dividend was on 12 April 2017, the 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.

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2017

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

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 geographically 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
INDIVIDUAL QUARTER				
30 June 2017				
Revenue	402,661	18,861	22,873	444,395
Results from operations	55,859	34,576	(2,242)	88,193
Net finance costs	(4,313)	(2,072)	(5,884)	(12,269)
Share of results of an associate	(13)	-	-	(13)
Share of results of joint ventures	6,173	-	-	6,173
Profit/(Loss) before tax	57,706	32,504	(8,126)	82,084
INDIVIDUAL QUARTER				
30 June 2016				
Revenue	328,996	19,668	9,416	358,080
Results from operations	16,458	13,598	(4,957)	25,099
Net finance costs	(1,072)	(1,260)	382	(1,950)
Share of results of joint ventures	20,919	-	-	20,919
Profit/(Loss) before tax	36,305	12,338	(4,575)	44,068

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2017

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

Business Segments	Property development	Property investment, recreation and resort	Investment holding and others	TOTAL
	RM'000	RM'000	RM'000	RM'000
YEAR TO DATE				
30 June 2017				
Revenue	741,775	35,761	48,727	826,263
Results from operations	106,177	38,625	(11,383)	133,419
Net finance cost	(4,512)	(3,508)	(10,399)	(18,419)
Share of results of an associate	1	-	-	1
Share of results of joint ventures	13,485	-	-	13,485
Profit before tax	115,151	35,117	(21,782)	128,486
YEAR TO DATE				
30 June 2016				
Revenue	590,064	39,264	15,677	645,005
Results from operations	45,053	19,946	(12,986)	52,013
Net finance cost	(2,288)	(1,881)	(866)	(5,035)
Share of results of associates	-	-	-	-
Share of results of joint ventures	26,921	-	-	26,921
Profit before tax	69,686	18,065	(13,852)	73,899

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.

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.

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2017

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

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 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 RM130.8 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 30 June 2017 is as follows:

	As at 30/06/17 RM’000	As at 31/12/16 RM’000
Capital expenditure:		
Approved and contracted for	812,306	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
	931,990	988,464

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2017

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 RM444.4 million which is RM86.3 million higher when compared to the preceding year corresponding quarter.

Profit before tax (“PBT”) was higher by RM38.0 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 advanced progress of construction works on-site with many of the Group’s on-going projects which contributed positively towards revenue and profit recognition.

Year-to-date Results

For the period ended 30 June 2017, the Group recorded revenue of RM826.3 million, which is RM181.2 million higher when compared to the preceding year corresponding period due to higher work in progress across projects in the Klang Valley and Northern Region.

The Group PBT increased by RM54.6 million to RM128.5 million against the preceding year corresponding period, mainly due to higher work in progress across projects as mentioned above.

B2. Variation of results against preceding quarter

The Group’s revenue of RM444.4 million in the current quarter is RM62.5 million higher when compared to the preceding quarter ended 31 March 2017. The higher revenue in the current quarter was mainly contributed by higher revenue across key projects in Klang Valley and Northern Region.

The current quarter PBT was RM35.7 million higher than the preceding quarter ended 31 March 2017, due to the stronger operations performance as discussed above.

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2017

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

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 has recently unveiled “Tropicana Urban Homes” to address underlying needs of the middle income community, and this new product line will create a new revenue stream to the Group.

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 unbilled sales stood at RM2.11 billion as at 30 June 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.

B5. Taxation

	Individual quarter		Year to date	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	RM'000	RM'000	RM'000	RM'000
Tax expense for the period	30,257	17,755	43,469	28,267
Under provision of tax for previous financial period	65	-	31	-
Real property gain tax	222	2,161	(2,429)	2,161
Deferred tax transfers	(3,817)	(7,617)	(1,916)	(5,099)
Total Group’s tax expense	26,727	12,299	39,155	25,329

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

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2017

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

B6. Corporate Proposals

Status of corporate proposals

The following corporate proposals announced by the Company have not been completed as at 22 August 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.

- 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 30/06/17 RM'000	As at 31/12/16 RM'000
Secured short term borrowings	634,588	551,759
Secured long term borrowings	1,182,135	1,261,505
	<u>1,816,723</u>	<u>1,813,264</u>

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2017

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

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

On 21 August 2017, a first interim single-tier dividend of 2 sen per ordinary share of the Company (“Shares”) for the financial year ending 31 December 2017 (“Interim Dividend”) was declared. The existing Dividend Reinvestment Scheme (“DRS”) of the Company shall apply to the entire portion of the Interim Dividend.

The book closure date for the Interim Dividend in relation to the DRS will be announced after obtaining the approval from Bursa Malaysia Securities Berhad on the Company’s additional listing application.

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	
	30/06/17	30/06/16	30/06/17	30/06/16
Profit attributable to the equity holders of the Company (RM'000)	52,849	33,316	85,366	48,487
Weighted average number of ordinary shares ('000)	1,457,655	1,447,466	1,445,830	1,447,466
Basic earnings per share (sen)	3.63	2.30	5.90	3.35

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2017

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

(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	
	30/06/17	30/06/16	30/06/17	30/06/16
Profit attributable to the equity holder of the Company (RM'000)	52,849	33,316	85,366	48,487
Weighted average number of ordinary shares in issue ('000) for the purpose of basic earnings per share	1,457,655	1,447,466	1,445,830	1,447,466
Add: Effects of dilution of Warrants ('000)	-	7,382	-	7,382
Adjusted weighted average number of ordinary shares ('000) for the purpose of diluted earnings per share	1,457,655	1,454,848	1,445,830	1,454,848
Diluted earnings per share (sen)	3.63	2.29	5.90	3.33

B11. Realised/Unrealised Retained Profits

	Current quarter RM'000	Immediate preceding quarter RM'000
Total retained profits of the Group:		
- Realised	1,226,863	1,197,617
- Unrealised	59,134	55,796
	<u>1,285,997</u>	<u>1,253,413</u>
Total share of retained profits from joint ventures		
- Realised	160,811	154,648
Total share of accumulated loss from an associate		
- Realised	(2,183)	(2,170)
Consolidation adjustments	<u>(297,390)</u>	<u>(294,161)</u>
Total retained profits carried forward	<u>1,147,235</u>	<u>1,111,730</u>

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2017

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

B12. Notes to the Statement of Comprehensive Income

	Individual quarter 30/06/17 RM'000	Year to date 30/06/17 RM'000
Profit for the period/year is arrived at after crediting/(charging):-		
Interest income	4,096	9,498
Other income	11,715	15,555
Interest expense	(16,365)	(27,917)
Depreciation of property, plant and equipment	(6,821)	(13,687)
Net fair value gain of investment properties	23,875	23,875
Foreign exchange gain/(loss)	74	125
	<u>74</u>	<u>125</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 29 August 2017.