

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 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 SEPTEMBER 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 September 2017.

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 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 3,043,900 ordinary shares at an average price of RM0.95 per share. As at 30 September 2017, the number of treasury shares held were 5,796,142 ordinary shares.

A8. Dividends paid

No dividend was paid during the current quarter under review.

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 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 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
INDIVIDUAL QUARTER				
30 September 2017				
Revenue	422,092	17,913	23,461	463,466
Results from operations	44,565	8,020	(7,068)	45,517
Net finance costs	(1,043)	(1,251)	1,040	(1,254)
Share of results of an associate	(66)	-	-	(66)
Share of results of joint ventures	4,843	-	-	4,843
Profit/(Loss) before tax	48,299	6,769	(6,028)	49,040
INDIVIDUAL QUARTER				
30 September 2016				
Revenue	320,070	17,478	19,528	357,076
Results from operations	47,899	7,526	(16,271)	39,154
Net finance costs	(1,096)	(100)	5,316	4,120
Share of results of associate	-	-	(752)	(752)
Share of results of joint ventures	-	-	10,874	10,874
Profit/(Loss) before tax	46,803	7,426	(833)	53,396

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 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 September 2017				
Revenue	1,163,867	53,674	72,188	1,289,729
Results from operations	150,743	46,645	(18,451)	178,937
Net finance cost	(5,556)	(4,759)	(9,358)	(19,673)
Share of results of an associate	(65)	-	-	(65)
Share of results of joint ventures	18,328	-	-	18,328
Profit/(Loss) before tax	163,450	41,886	(27,809)	177,527
YEAR TO DATE				
30 September 2016				
Revenue	910,134	56,742	35,204	1,002,080
Results from operations	92,952	27,471	(29,257)	91,166
Net finance cost	(3,384)	(1,981)	4,450	(915)
Share of results of associates	-	-	(752)	(752)
Share of results of joint ventures	-	-	37,795	37,795
Profit before tax	89,568	25,490	12,236	127,294

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 SEPTEMBER 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 of RM165.1 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.

A14. Capital commitments

The amount of commitments for capital expenditure as at 30 September 2017 is as follows:

	As at 30/09/17 RM'000	As at 31/12/16 RM'000
Capital expenditure:		
Approved and contracted for	703,691	346,200
Approved but not contracted for	93,100	557,800
Share of joint venture’s capital commitment in relation to land held for property development	84,464	84,464
	881,255	988,464

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 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 RM463.5 million which is RM106.4 million or 29.8% higher when compared to the corresponding quarter in the preceding year. The increase in revenue in the current quarter reflects higher progress billings from advanced stages of construction work for many of the Group's on-going projects.

Profit before tax ("PBT") was lower by RM4.4 million for the current quarter under review as compared to the corresponding quarter in the preceding year. The Group's operational profits have improved by RM30.3 million which is 56.9% higher, mainly due to cost savings and advanced progress of projects as mentioned above. However, this was offset by a RM34.7 million loss arising from the sale of a piece of development land.

Year-to-date Results

For the period ended 30 September 2017, the Group recorded revenue of RM1,289.7 million, which is RM287.6 million or 28.7% higher when compared to the corresponding period in the preceding year. This was also due to more advanced progress of projects resulting in higher progress billings across projects in the Klang Valley and Northern Region.

Consequently, the Group's PBT increased by RM50.2 million to RM177.5 million which is 39.4% higher when compared against the corresponding period in the preceding year.

B2. Variation of results against preceding quarter

The Group's revenue of RM463.5 million in the current quarter is RM19.1 million or 4.3% higher when compared to the preceding quarter ended 30 June 2017. The higher revenue in the current quarter was mainly contributed by higher revenue across key projects in the Klang Valley and Northern Region.

The current quarter PBT was RM33.0 million lower than the preceding quarter ending 30 June 2017 mainly attributed to the loss arising from the sale of a piece of development land as mentioned above.

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 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 overall short term prospects for the industry 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 allows us to target a wider pool of customers and progressively grow our customer base.

The Group’s unbilled sales stood at RM1.87 billion as at 30 September 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	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	RM'000	RM'000	RM'000	RM'000
Tax expense for the period	29,345	16,424	72,813	44,691
(Over)/Under provision of tax for previous financial period	(1,614)	7,367	(1,582)	7,368
Real property gain tax	(126)	73	(2,555)	2,234
Deferred tax transfers	(14,459)	(7,421)	(16,374)	(12,520)
Total Group’s tax expense	13,146	16,443	52,302	41,773

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 SEPTEMBER 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 23 November 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 30/09/17 RM'000	As at 31/12/16 RM'000
Secured short term borrowings	615,573	551,759
Secured long term borrowings	1,204,812	1,261,505
	<u>1,820,385</u>	<u>1,813,264</u>

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 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 issue price for each new share to be issued under the DRS has been fixed at RM0.83 per share.

The book closure date for the Interim Dividend in relation to the DRS was fixed on 16 October 2017 and the Interim Dividend was paid on 10 November 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	
	30/09/17	30/09/16	30/09/17	30/09/16
Profit attributable to the equity holders of the Company (RM'000)	35,492	34,797	120,858	83,282
Weighted average number of ordinary shares ('000)	1,461,817	1,427,873	1,451,218	1,429,757
Basic earnings per share (sen)	2.43	2.44	8.33	5.82

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 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	
	30/09/17	30/09/16	30/09/17	30/09/16
Profit attributable to the equity holder of the Company (RM'000)	35,492	34,797	120,858	83,282
Weighted average number of ordinary shares in issue ('000) for the purpose of basic earnings per share	1,461,817	1,427,873	1,451,218	1,429,757
Add: Effects of dilution of Warrants ('000)	-	7,103	-	7,103
Adjusted weighted average number of ordinary shares ('000) for the purpose of diluted earnings per share	1,461,817	1,434,976	1,451,218	1,436,860
Diluted earnings per share (sen)	2.43	2.42	8.33	5.80

B11. Realised/Unrealised Retained Profits

	Current quarter RM'000	Immediate preceding quarter RM'000
Total retained profits of the Group:		
- Realised	1,244,322	1,226,863
- Unrealised	63,306	59,134
	<u>1,307,628</u>	<u>1,285,997</u>
Total share of retained profits from joint ventures		
- Realised	165,654	160,811
Total share of accumulated loss from an associate		
- Realised	(2,249)	(2,183)
Consolidation adjustments	<u>(317,495)</u>	<u>(297,390)</u>
Total retained profits carried forward	<u>1,153,538</u>	<u>1,147,235</u>

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 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 30/09/17 RM'000	Year to date 30/09/17 RM'000
Profit for the period/year is arrived at after crediting/(charging):-		
Interest income	5,273	14,771
Other income	10,699	26,254
Interest expense	(6,527)	(34,444)
Depreciation of property, plant and equipment	(6,645)	(20,332)
Net fair value gain of investment properties	-	23,875
Foreign exchange gain/(loss)	119	(5)
	<u>119</u>	<u>(5)</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 30 November 2017.