

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2018

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 before taking into consideration the effects of Addendum to FRSIC Consensus 17 - Clarification on the use of FRSIC Consensus 17 Development of Affordable Housing issued on 7 March 2018 (Addendum). This Addendum has rendered the FRSIC Consensus 17 no longer applicable upon the adoption of MFRS 15 – Revenue from Customers (“MFRS 15”) in conjunction with the adoption of the MFRS Framework as explained below, hence the upfront recognition of provision for foreseeable losses on the development of affordable housing on an involuntary basis may no longer be required. As it is understood that post-issuance of this Addendum, there would be further official clarification on the accounting for the development of affordable housing in the near future, the Group expects and intends to fully comply with the requirement of this Addendum when the clarification has been made.

The interim financial statements should be read in conjunction with the Group’s audited consolidated financial statements for the financial year ended 31 December 2017. 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 2017.

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 2017 except for the adoption of the following new amendments to MFRSs:

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

MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 15	Clarifications to MFRS 15
MFRS 9	Financial Instruments
Amendments to MFRS 1	First-Time Adoption of MFRS 1 (Annual Improvements to MFRSs 2014 - 2016 Cycle)
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Applying MFRS 9 – Financial Instruments with MFRS 4 – Insurance Contracts
Amendments to MFRS 128	Investments in Associates and Joint Ventures (Annual Improvements to MFRSs 2014-2016 Cycle)



TROPICANA

CORPORATION BERHAD

丽阳机构

(Company No. 47908-K)

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("MFRS") 134**

A2. Changes in accounting policies arising from adoption of new standards, amendments and interpretations (cont'd.)

The adoption of the above amendments to MFRSs did not result in material impact to the interim financial statements of the Group except for the adoption of MFRS 15 where the impact is shown below.

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A2. Changes in accounting policies arising from adoption of new standards, amendments and interpretations (cont’d.)

The financial impacts to the interim financial statements of the Group arising from the adoption of MFRS 15 are disclosed in the following tables:

Reconciliation of statements of comprehensive income

	Individual Quarter			Year to Date		
	As previously reported 30/09/2017 RM'000	Effect of MFRS15 30/09/2017 RM'000	Restated 30/09/2017 RM'000	As previously reported 30/09/2017 RM'000	Effect of MFRS15 30/09/2017 RM'000	Restated 30/09/2017 RM'000
Revenue	463,466	(5,434)	458,032	1,289,729	(18,953)	1,270,776
Cost of sales	(391,367)	(8,315)	(399,682)	(1,003,775)	(24,960)	(1,028,735)
Gross profit	72,099	(13,749)	58,350	285,954	(43,913)	242,041
Other income	10,699	-	10,699	50,129	-	50,129
Administrative expenses	(36,847)	9,502	(27,345)	(155,959)	29,928	(126,031)
Other expenses	(434)	-	(434)	(1,187)	-	(1,187)
Operating profit	45,517	(4,247)	41,270	178,937	(13,985)	164,952
Finance income	5,273	-	5,273	14,771	-	14,771
Finance costs	(6,527)	-	(6,527)	(34,444)	-	(34,444)
Share of results of joint ventures	4,843	(724)	4,119	18,328	(3,266)	15,062
Share of results of an associate	(66)	-	(66)	(65)	-	(65)
Profit before tax	49,040	(4,971)	44,069	177,527	(17,251)	160,276
Income tax expense	(13,146)	333	(12,813)	(52,302)	666	(51,636)
Profit for the period	35,894	(4,638)	31,256	125,225	(16,585)	108,640

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A2. Changes in accounting policies arising from adoption of new standards, amendments and interpretations (cont’d.)

The financial impacts to the interim financial statements of the Group arising from the adoption of MFRS 15 are disclosed in the following tables: (cont’d.)

Reconciliation of statements of comprehensive income (cont’d.)

	Individual Quarter			Year to Date		
	As previously reported <u>30/09/2017</u> RM'000	Effect of MFRS15 <u>30/09/2017</u> RM'000	Restated <u>30/09/2017</u> RM'000	As previously reported <u>30/09/2017</u> RM'000	Effect of MFRS15 <u>30/09/2017</u> RM'000	Restated <u>30/09/2017</u> RM'000
Other comprehensive income to be reclassified to profit or loss in subsequent period:						
Foreign currency translation	2	-	2	-	-	-
Total comprehensive income	<u>35,896</u>	<u>(4,638)</u>	<u>31,258</u>	<u>125,225</u>	<u>(16,585)</u>	<u>108,640</u>
Profit attributable to:						
Owners of the Parent	35,492	(4,578)	30,914	120,858	(16,411)	104,447
Non-controlling interests	402	(60)	342	4,367	(174)	4,193
	<u>35,894</u>	<u>(4,638)</u>	<u>31,256</u>	<u>125,225</u>	<u>(16,585)</u>	<u>108,640</u>

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A2. Changes in accounting policies arising from adoption of new standards, amendments and interpretations (cont’d.)

The financial impacts to the interim financial statements of the Group arising from the adoption of MFRS 15 are disclosed in the following tables: (cont’d.)

Reconciliation of statements of comprehensive income (cont’d.)

	Individual Quarter			Year to Date		
	As previously reported	Effect of MFRS15	Restated	As previously reported	Effect of MFRS15	Restated
	<u>30/09/2017</u>	<u>30/09/2017</u>	<u>30/09/2017</u>	<u>30/09/2017</u>	<u>30/09/2017</u>	<u>30/09/2017</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Total comprehensive income attributable to:						
Owners of the Parent	35,494	(4,578)	30,916	120,858	(16,411)	104,447
Non-controlling interests	402	(60)	342	4,367	(174)	4,193
	<u>35,896</u>	<u>(4,638)</u>	<u>31,258</u>	<u>125,225</u>	<u>(16,585)</u>	<u>108,640</u>
Earnings per share attributable to owners of the Parent:						
(sen per share)						
- Basic	2.43	-	2.11	8.33	-	7.20
- Diluted	2.43	-	2.11	8.33	-	7.20

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A2. Changes in accounting policies arising from adoption of new standards, amendments and interpretations (cont’d.)

The financial impacts to the interim financial statements of the Group arising from the adoption of MFRS 15 are disclosed in the following tables:

Reconciliation of statements of financial position

	Audited as at <u>31/12/2017</u> RM'000	Effect of MFRS15 RM'000	Restated as at <u>31/12/2017</u> RM'000	Audited as at <u>01/01/2017</u> RM'000	Effect of MFRS15 RM'000	Restated as at <u>01/01/2017</u> RM'000
Assets						
Non-current assets						
Property, plant and equipment	820,193	-	820,193	741,864	-	741,864
Land held for property development	2,035,390	-	2,035,390	2,236,335	-	2,236,335
Investment properties	560,099	-	560,099	447,519	-	447,519
Investment in an associate	37,023	-	37,023	38,144	-	38,144
Investments in joint ventures	426,577	(4,693)	421,884	396,926	4,758	401,684
Other investments	312	-	312	312	-	312
Intangible assets	1,475	-	1,475	1,475	-	1,475
Deferred tax assets	52,783	(3,828)	48,955	26,468	(2,748)	23,720
Other receivables	27,941	-	27,941	39,138	-	39,138
	<u>3,961,793</u>	<u>(8,521)</u>	<u>3,953,272</u>	<u>3,928,181</u>	<u>2,010</u>	<u>3,930,191</u>

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A2. Changes in accounting policies arising from adoption of new standards, amendments and interpretations (cont’d.)

The financial impacts to the interim financial statements of the Group arising from the adoption of MFRS 15 are disclosed in the following tables: (cont’d.)

Reconciliation of statements of financial position (cont’d.)

	Audited as at <u>31/12/2017</u> RM'000	Effect of MFRS15 RM'000	Restated as at <u>31/12/2017</u> RM'000	Audited as at <u>01/01/2017</u> RM'000	Effect of MFRS15 RM'000	Restated as at <u>01/01/2017</u> RM'000
Current assets						
Property development costs	1,537,428	19,015	1,556,443	1,593,795	28,209	1,622,004
Inventories	31,893	-	31,893	34,931	-	34,931
Trade and other receivables	1,040,875	12,492	1,053,367	880,006	26,143	906,149
Tax recoverable	39,979	-	39,979	47,328	-	47,328
Cash and bank balances	941,410	-	941,410	841,265	-	841,265
	<u>3,591,585</u>	<u>31,507</u>	<u>3,623,092</u>	<u>3,397,325</u>	<u>54,352</u>	<u>3,451,677</u>
Total assets	<u>7,553,378</u>	<u>22,986</u>	<u>7,576,364</u>	<u>7,325,506</u>	<u>56,362</u>	<u>7,381,868</u>

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A2. Changes in accounting policies arising from adoption of new standards, amendments and interpretations (cont’d.)

The financial impacts to the interim financial statements of the Group arising from the adoption of MFRS 15 are disclosed in the following tables: (cont’d.)

Reconciliation of statements of financial position (cont’d.)

	Audited as at <u>31/12/2017</u> RM'000	Effect of MFRS15 RM'000	Restated as at <u>31/12/2017</u> RM'000	Audited as at <u>01/01/2017</u> RM'000	Effect of MFRS15 RM'000	Restated as at <u>01/01/2017</u> RM'000
Equity and liabilities						
Equity attributable to owners of the Parent						
Share capital	2,044,314	-	2,044,314	1,447,466	-	1,447,466
Treasury shares	(6,692)	-	(6,692)	(23,648)	-	(23,648)
Share premium	-	-	-	577,984	-	577,984
Other reserves	1,266,006	8,836	1,274,842	1,125,098	41,041	1,166,139
	<u>3,303,628</u>	<u>8,836</u>	<u>3,312,464</u>	<u>3,126,900</u>	<u>41,041</u>	<u>3,167,941</u>
Non-controlling interests	309,737	117	309,854	289,084	1,405	290,489
Total equity	<u>3,613,365</u>	<u>8,953</u>	<u>3,622,318</u>	<u>3,415,984</u>	<u>42,446</u>	<u>3,458,430</u>

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A2. Changes in accounting policies arising from adoption of new standards, amendments and interpretations (cont’d.)

The financial impacts to the interim financial statements of the Group arising from the adoption of MFRS 15 are disclosed in the following tables: (cont’d.)

Reconciliation of statements of financial position (cont’d.)

	Audited as at <u>31/12/2017</u> RM'000	Effect of MFRS15 RM'000	Restated as at <u>31/12/2017</u> RM'000	Audited as at <u>01/01/2017</u> RM'000	Effect of MFRS15 RM'000	Restated as at <u>01/01/2017</u> RM'000
Non-current liabilities						
Provision for liabilities	133,658	-	133,658	218,192	-	218,192
Deferred tax liabilities	55,935	989	56,924	54,491	5,143	59,634
Borrowings	1,166,038	-	1,166,038	1,261,505	-	1,261,505
Trade and other payables	923,015	1,007	924,022	987,442	-	987,442
	<u>2,278,646</u>	<u>1,996</u>	<u>2,280,642</u>	<u>2,521,630</u>	<u>5,143</u>	<u>2,526,773</u>
Current liabilities						
Borrowings	681,736	-	681,736	551,759	-	551,759
Trade and other payables	946,148	12,037	958,185	823,308	8,773	832,081
Tax payable	33,483	-	33,483	12,825	-	12,825
	<u>1,661,367</u>	<u>12,037</u>	<u>1,673,404</u>	<u>1,387,892</u>	<u>8,773</u>	<u>1,396,665</u>
Total liabilities	<u>3,940,013</u>	<u>14,033</u>	<u>3,954,046</u>	<u>3,909,522</u>	<u>13,916</u>	<u>3,923,438</u>
Total equity and liabilities	<u>7,553,378</u>	<u>22,986</u>	<u>7,576,364</u>	<u>7,325,506</u>	<u>56,362</u>	<u>7,381,868</u>

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A2. Changes in accounting policies arising from adoption of new standards, amendments and interpretations (cont’d.)

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 2019:

MFRS 16	Leases
IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendment to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Amendment to MFRS 3 and MFRS 11	Previously Held Interest in a Joint Arrangements (Annual Improvements to MFRSs 2015-2017 Cycle)
Amendment to MFRS 112	Income Taxes Consequences of Payments on Financial Instruments Classified as Equity (Annual Improvements to MFRSs 2015-2017 Cycle)
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendment to MFRS 123	Borrowing Costs Eligible for Capitalisation (Annual Improvements to MFRSs 2015-2017 Cycle)

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 6	Exploration for and Evaluation of Mineral Resources
Amendments to MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101	Presentation of Financial Statements
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
Amendments to IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to IC Interpretation 132	Intangible Assets - Web Site Costs

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A2. Changes in accounting policies arising from adoption of new standards, amendments and interpretations (cont'd.)

The followings are new standards, amendments and interpretations that have been issued by the MASB but have not been early adopted by the Group: (cont'd.)

Effective for financial periods beginning on or after 1 January 2021:

MFRS 17 Insurance Contracts

This standard is not relevant and applicable to the Group.

Effective date deferred to a date to be determined by MASB:

Amendments to MFRS 10 Sale or Contribution of Assets between an Investor and its Associate
and MFRS 128 or Joint Venture

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the 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. Comments about seasonal or cyclical factors

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

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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 September 2018.

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 save and except as follows:

- 1) The Company has repurchased its equity securities of 7,549,300 ordinary shares at an average price of RM0.87 per share. As at 30 September 2018, the number of treasury shares held were 14,195,242 ordinary shares.

A7. Dividends paid

No dividend was paid during the current quarter under review.

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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 September 2018				
Revenue	259,520	23,603	23,984	307,107
Results from operations	50,289	9,390	(11,813)	47,866
Net finance costs	(1,900)	(4,225)	(2,976)	(9,101)
Share of results of an associate	(983)	-	-	(983)
Share of results of joint ventures	846	-	-	846
Profit/(Loss) before tax	48,252	5,165	(14,789)	38,628
Individual Quarter Restated 30 September 2017				
Revenue	416,658	17,913	23,461	458,032
Results from operations	40,318	8,020	(7,068)	41,270
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	4,119	-	-	4,119
Profit/(Loss) before tax	43,328	6,769	(6,028)	44,069

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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 September 2018				
Revenue	910,630	63,429	67,481	1,041,540
Results from operations	189,005	50,302	(21,828)	217,479
Net finance cost	(7,034)	(12,712)	(7,743)	(27,489)
Share of results of an associate	(1,350)	-	-	(1,350)
Share of results of joint ventures	395	-	-	395
Profit/(Loss) before tax	181,016	37,590	(29,571)	189,035
Year To Date				
Restated				
30 September 2017				
Revenue	1,144,914	53,674	72,188	1,270,776
Results from operations	136,758	46,645	(18,451)	164,952
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	15,062	-	-	15,062
Profit/(Loss) before tax	146,199	41,886	(27,809)	160,276

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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 except for the disposal of entire 55% equity interest in Tropicana Ivory Sdn Bhd ("TISB") for a total cash consideration of RM70,700,000 on 26 October 2018 by Tropicana Development (Penang) Sdn Bhd ("TDP"), which is a wholly-owned subsidiary of the Company. The disposal had been completed on 13 November 2018. Following the completion of the disposal, TDP no longer has equity interest in TISB and accordingly TISB ceased as a joint venture company of TDP.

A10. Changes in composition of the Group

- 1) On 17 July 2018, the Company set up a wholly-owned subsidiary, namely Tropicana Business Consulting (Shenzhen) Pte Ltd in Shenzhen, the People's Republic of China with a registered capital of RMB36,000,000, which will be injected over an investment period of ten years.
- 2) On 14 September 2018, the Company entered into a conditional Shares Sale Agreement ("SSA") to acquire 501,000 ordinary shares representing 50.1% of the total paid-up capital in Peluang Duta Sdn Bhd ("PDSB") for a purchase consideration of approximately RM49.05 million ("Proposed Acquisition"). PDSB has a 70% owned subsidiary, namely T Sanctuary Development Sdn Bhd. The SSA became unconditional on 1 October 2018. The Proposed Acquisition was completed on 12 October 2018 with an adjusted final purchase consideration reduction of RM15,950. Upon completion of the Proposed Acquisition, PDSB has become a 50.1% subsidiary of the Company.
- 3) On 26 September 2018, Tropicana Harapan Sdn Bhd ("THSB"), a wholly-owned subsidiary of the Company acquired 1 ordinary share of Vivascape Sdn Bhd ("Vivascape") representing 100% of the paid-up share capital for a total cash consideration of RM1.00.

Following the acquisition of the entire equity interest in Vivascape by THSB, Vivascape has become a wholly-owned subsidiary of THSB, which in turn is a wholly-owned subsidiary of the Company.

On 27 September 2018, THSB entered into a joint venture arrangement with Matrimont Development Sdn Bhd ("MDSB") and Vivascape, via a subscription and shareholders' agreement ("SHA") to jointly develop the residential development on the lands under Vivascape. Pursuant to the SHA, the shareholding structure of Vivascape has been changed to 51% held by THSB and 49% held by MDSB.

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

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A11. Changes in contingent liabilities or contingent assets

Since the last annual audited position as at 31 December 2017, the Group’s contingent liabilities have changed due to the decrease of RM78.97 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.

A12. Capital commitments

The amount of commitments for capital expenditure as at 30 September 2018 is as follows:

	As at 30/09/2018 RM’000	As at 31/12/2017 RM’000
Capital expenditure:		
Approved and contracted for:		
- Land held for property development	-	10,200
- Property, plant and equipment	479,632	654,900
	479,632	665,100
Approved and not contracted for:		
- Property, plant and equipment	41,847	75,200
Share of joint venture’s capital commitment:		
- Land held for property development	-	84,464
	521,479	824,764

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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 RM307.1 million which was RM150.9 million or 33.0% lower when compared to the corresponding quarter in the preceding year. The decrease in revenue in the current quarter reflected lower sales and progress billings from stages of construction work for the Group's existing on-going projects where projects are scheduled to be completed in late 2018 and 2019.

Profit before tax ("PBT") was lower by RM5.4 million or 12.3% for the current quarter under review as compared to the corresponding quarter in the preceding year. This was mainly due to increase in general and administrative expenses which do not reduce commensurate to the decrease in revenue. The Group has also recruited additional staff since second quarter 2018 to ensure there is sufficient manpower for the commencement of operations of W KL.

Year to date Results

For the period ended 30 September 2018, the Group recorded revenue of RM1,041.5 million, which was RM229.2 million or 18.0% 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 and Northern Regions.

Notwithstanding the decrease in revenue, the Group's PBT increased by RM28.8 million or 17.9% to RM189.0 million against the corresponding period in the preceding year, mainly due to improved gross profit margins resulting from cost savings from projects.

B2. Variation of results against preceding quarter

The Group's revenue of RM307.1 million in the current quarter was RM25.7 million or 9.1% higher when compared to the preceding quarter ended 30 June 2018. 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 RM26.3 million or 40.5% lower than the preceding quarter ended 30 June 2018 mainly attributed to the recognition of a one-off fair value gain on one of the Group's investment properties in the second quarter.

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B3. Prospects

Whilst 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 attractive pricing. The Group will continue to focus on being market-driven in its products offerings whilst continuing to unlock the value of its landbank, at strategic locations across the Klang Valley, Genting and Southern Regions.

With this in mind, Tropicana will continue to focus on the introduction of new phases across its signature developments, namely at Tropicana Heights, Tropicana Aman, Tropicana Metropark and Tropicana Danga Cove, which are expected to continue to contribute positively to the Group's earnings.

B4. Profit forecast or profit guarantee

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

B5. Income tax expense

	Individual Quarter		Year to Date	
	30/09/2018	Restated 30/09/2017	30/09/2018	Restated 30/09/2017
	RM'000	RM'000	RM'000	RM'000
Tax expense for the period	13,114	29,012	75,205	72,148
Over provision of tax for previous financial period/year	(2,802)	(1,614)	(3,300)	(1,583)
Real property gain tax	-	(126)	34	(2,555)
Deferred tax transfers	(1,103)	(14,459)	(7,019)	(16,374)
Total Group's tax expense	9,209	12,813	64,920	51,636

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 proposals

The following corporate proposals announced by the Company have not been completed as at 19 November 2018, 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 (“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 six sub-divided parcels and the acquisitions for 3 of these sub-divided parcels are completed. There are remaining 20 parcels of land to be paid.

- 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. (“TIARN”) for the disposal of freehold lands in the Mukim of Pulai, District of Johor Bahru, State of Johor (“Land”) with developable area measuring in aggregate of approximately 251.5855 acres in area for a cash consideration of RM569,871,328 (“Disposal”).

Upon expiry of the Extended CP Period on 29 December 2017, TDMSB and Tiarn agreed to a further extension of one month from 30 December 2017 until 30 January 2018. On 30 January 2018, TDMSB and Tiarn had entered into a supplemental agreement (“Supplemental Agreement”) to amend, vary and replace some provisions of the SPA. On 30 July 2018, parties had agreed to an extension until 1 February 2019 for the fulfillment of conditions precedent. As at the date of this report, the Disposal is pending fulfillment of the conditions precedent in accordance with the terms of the Supplemental Agreement.

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B6. Corporate Proposals (cont'd.)

- 3) On 13 April 2018, Tropicana Metropark Sdn. Bhd. (“TMSB”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (“SPA”) with Next Delta Sdn. Bhd. (“NDSB”), a wholly-owned subsidiary of MCT Berhad, for the disposal of freehold land with an area measuring in aggregate approximately 9.12 acres in Pekan Country Height, District of Petaling, State of Selangor (“Land”) for a cash consideration of RM143,000,000.

As at the date of this report, NDSB has fully paid the purchase price and the sale and purchase transaction is completed in accordance with the provision of the SPA.

- 4) On 21 August 2018, Tropicana Golf & Country Resort Berhad (“TGCRB”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (“SPA”) with One Residence Sdn. Bhd. (“ORSB”), an indirect wholly-owned subsidiary of MCT Berhad, for the disposal of a leasehold land with an area measuring approximately 7,143 square meters in Bandar Damansara, District of Petaling, State of Selangor (“Land”) for a cash consideration of RM42,287,000 (“Proposed Disposal”).

The Proposed Disposal is conditional upon the following conditions precedent being fulfilled/obtained within three months from the date of the SPA or such extended period as the parties may mutually agree in writing:

- i) the relevant state authority’s consent for ORSB’s acquisition of the Land pursuant to Section 433B of the National Land Code, 1965; and
- ii) the relevant state authority’s consent for the transfer of the Land from TGCRB to ORSB pursuant to the restriction-in-interest endorsed on the title of the Land, (“Conditions Precedent”).

As at the date of this report, the Conditions Precedent have been fulfilled and the SPA became unconditional. The Proposed Disposal is pending settlement of the purchase consideration by the Purchaser and completion in accordance with the terms of the SPA.

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B7. Borrowings

	As at 30/09/2018 RM'000	As at 31/12/2017 RM'000
Secured short term borrowings	648,112	681,736
Secured long term borrowings	1,347,333	1,166,038
	<u>1,995,445</u>	<u>1,847,774</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

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 Company by the weighted average number of ordinary shares outstanding during the financial year.

	Individual Quarter		Year to Date	
	Restated	Restated	Restated	Restated
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
Profit attributable to owners of the Parent (RM'000)	34,150	30,914	118,553	104,447
Weighted average number of ordinary shares ('000)	1,458,386	1,461,817	1,461,652	1,451,218
Basic earnings per share (sen)	2.34	2.11	8.11	7.20

(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 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	
	Restated	Restated	Restated	Restated
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
Profit attributable to owners of the Parent (RM'000)	34,150	30,914	118,553	104,447
Weighted average number of ordinary shares ('000) for the purpose of diluted earnings per share	1,458,386	1,461,817	1,461,652	1,451,218
Diluted earnings per share (sen)	2.34	2.11	8.11	7.20

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B11. Notes to the statements of comprehensive income

	Individual Quarter 30/09/2018 RM'000	Year to Date 30/09/2018 RM'000
Profit for the period/year is arrived at after (crediting)/charging:-		
Finance income	(7,502)	(21,034)
Other income	(11,337)	(22,183)
Finance costs	16,603	48,523
Depreciation of property, plant and equipment	5,248	16,275
Impairment loss on trade and other receivables	238	599
Reversal of impairment loss on trade and other receivables	(214)	(539)
Fair value gain on investment property	(275)	(30,464)
Net gain on disposal of investment property	-	(14)
Net gain on disposal of property, plant and equipment	(105)	(323)
Net foreign exchange gain (realised/unrealised)	39	149
	<hr/>	<hr/>

B12. Auditors' report on preceding annual financial statements

The auditors' report of the financial statements for the financial year ended 31 December 2017 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 26 November 2018.