TROPICANA
CORPORATION BERHAD
丽阳机构
(Company No. 47908-K)

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 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 This Addendum has rendered the FRSIC Consensus 17 no longer applicable upon the adoption of MFRS 15 – Revenue from Customers ("MFRS 15") in conjunction with the adoption of the MFRS Framework as explained below, hence the upfront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)

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.

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 31/12/2017 RM'000	Effect of MFRS15 31/12/2017 RM'000	Restated 31/12/2017 RM'000	As previously reported 31/12/2017 RM'000	Effect of MFRS15 31/12/2017 RM'000	Restated 31/12/2017 RM'000
Revenue	619,039	(75,041)	543,998	1,908,768	(93,994)	1,814,774
Cost of sales	(392,051)	57,727	(334,324)	(1,395,826)	32,767	(1,363,059)
Gross profit	226,988	(17,314)	209,674	512,942	(61,227)	451,715
Other income	13,368	-	13,368	63,497	-	63,497
Administrative expenses	(104,764)	20,094	(84,670)	(260,723)	50,022	(210,701)
Other expenses	(12,445)	-	(12,445)	(13,632)	-	(13,632)
Operating profit	123,147	2,780	125,927	302,084	(11,205)	290,879
Finance income	5,860	5,559	11,419	20,631	5,559	26,190
Finance costs	(28,034)	-	(28,034)	(62,478)	-	(62,478)
Share of results of joint ventures	11,323	(1,427)	9,896	29,651	(4,693)	24,958
Share of results of an associate	(1,056)	-	(1,056)	(1,121)	-	(1,121)
Profit before tax	111,240	6,912	118,152	288,767	(10,339)	278,428
Income tax expense	(39,476)	2,408	(37,068)	(91,778)	3,074	(88,704)
Profit for the period	71,764	9,320	81,084	196,989	(7,265)	189,724

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 31/12/2017 RM'000	Effect of MFRS15 31/12/2017 RM'000	Restated 31/12/2017 RM'000	As previously reported 31/12/2017 RM'000	Effect of MFRS15 31/12/2017 RM'000	Restated 31/12/2017 RM'000
Other comprehensive loss to be reclassified to profit or loss in subsequent period:						
Foreign currency translation	(35)	-	(35)	(35)	-	(35)
Total comprehensive income	71,729	9,320	81,049	196,954	(7,265)	189,689
Profit attributable to:						
Owners of the parent	66,618	9,822	76,440	187,476	(6,589)	180,887
Non-controlling interests	5,146	(502)	4,644	9,513	(676)	8,837
	71,764	9,320	81,084	196,989	(7,265)	189,724

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
	31/12/2017	31/12/2017	31/12/2017	31/12/2017	31/12/2017	31/12/2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Total comprehensive income attributable to:						
Owners of the parent	66,583	9,822	76,405	187,441	(6,589)	180,852
Non-controlling interests	5,146	(502)	4,644	9,513	(676)	8,837
	71,729	9,320	81,049	196,954	(7,265)	189,689
Earnings per share attributable to owners of the Parent: (sen per share)						
- Basic	4.56	-	5.23	12.89	-	12.44
- Diluted	4.56	-	5.23	12.89	-	12.44

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 31/12/2017 RM'000	Effect of MFRS15 RM'000	Restated as at 31/12/2017 RM'000	Audited as at 1/1/2017 RM'000	Effect of MFRS15 RM'000	Restated as at 1/1/2017 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	82,026	2,117,416	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	65	426,642	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
Trade and other receivables	27,941	-	27,941	39,138	-	39,138
	3,961,793	78,263	4,040,056	3,928,181	2,010	3,930,191

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 31/12/2017 RM'000	Effect of MFRS15 RM'000	Restated as at 31/12/2017 RM'000	Audited as at 01/01/2017 RM'000	Effect of MFRS15 RM'000	Restated as at 01/01/2017 RM'000
Current assets						
Property development costs	1,537,428	19,015	1,556,443	1,593,795	28,208	1,622,003
Inventories	31,893	-	31,893	34,931	-	34,931
Trade and other receivables	1,040,875	(48,661)	992,214	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
	3,591,585	(29,646)	3,561,939	3,397,325	54,351	3,451,676
Total assets	7,553,378	48,617	7,601,995	7,325,506	56,361	7,381,867

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 31/12/2017 RM'000	Effect of MFRS15 RM'000	Restated as at 31/12/2017 RM'000	Audited as at 01/01/2017 RM'000	Effect of MFRS15 RM'000	Restated as at 01/01/2017 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	(28,146)	1,237,860	1,125,098	(21,557)	1,103,541
	3,303,628	(28,146)	3,275,482	3,126,900	(21,557)	3,105,343
Non-controlling interests	309,737	2,259	311,996	289,084	2,935	292,019
Total equity	3,613,365	(25,887)	3,587,478	3,415,984	(18,622)	3,397,362

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 31/12/2017 RM'000	Effect of MFRS15 RM'000	Restated as at 31/12/2017 RM'000	Audited as at 01/01/2017 RM'000	Effect of MFRS15 RM'000	Restated as at 01/01/2017 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	59,700	982,715	987,442	59,322	1,046,764
	2,278,646	60,689	2,339,335	2,521,630	64,465	2,586,095
Current liabilities						
Borrowings	681,736	-	681,736	551,759	-	551,759
Trade and other payables	946,148	13,815	959,963	823,308	10,518	833,826
Tax payable	33,483	-	33,483	12,825	-	12,825
	1,661,367	13,815	1,675,182	1,387,892	10,518	1,398,410
Total liabilities	3,940,013	74,504	4,014,517	3,909,522	74,983	3,984,505
Total equity and liabilities	7,553,378	48,617	7,601,995	7,325,506	56,361	7,381,867

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

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 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate 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.

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 save and except as follows:

1) On 14 August 2018, the Inland Revenue Board of Malaysia ("IRB") had served Tropicana Aman Sdn Bhd ("TASB"), a wholly-owned subsidiary of the Company, with additional tax assessments for the year of assessment 2014. Subsequently, the Company had engaged with IRB on the said additional taxes, where finally additional income taxes of RM30,908,680 and a penalty of RM3,091,320 totalling RM34,000,000 was assessed.

   The above mentioned income tax and penalty were imposed by the IRB pursuant to the disposal of parcels of land where the IRB took a different view on timing of deductions on the variable consideration payable to the Vendor, Menteri Besar Selangor (Pemerbadanan) ("MBI"). IRB sought to disallow the GDV entitlement and profit entitlement which is the cost of the land disposed on the basis that it is provisional in nature and that:

   - the amount is contingent; and

   - MBI's entitlement on the minimum sum of the GDV entitlement should not be taken as a tax deduction as the minimum GDV entitlement is no longer applicable upon entering into a second supplemental agreement on 12 March 2015.

   Upon settlement with the IRB, the IRB has only allowed deductions on:

   - the cost of land;

   - the 9% GDV entitlement on the sales proceeds of the parcels of land disposed of;

   - the incremental cost of the GDV entitlement of 5% to 9% incurred due to the land disposal; and

   - the GDV entitlement from 5% to 9% for four ongoing development phases up to YA 2016.

   The IRB only allowed other deductions when the company is obliged to pay.

A5. Material changes in estimates

There were no material changes in estimates for the financial period ended 31 December 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 21,120,900 ordinary shares at an average price of RM0.87 per share. As at 31 December 2018, the number of treasury shares held were 27,766,842 ordinary shares.

A7. Dividends paid

No dividend was paid during the current quarter under review.

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				
31 December 2018				
Revenue	**527,278**	**34,888**	**31,765**	**593,931**
Results from operations	**112,170**	**11,188**	**17,492**	**140,850**
Net finance costs	**(3,655)**	**(4,495)**	**(3,424)**	**(11,574)**
Share of results of an associate	**1,896**	**-**	**-**	**1,896**
Share of results of joint ventures	**23**	**-**	**-**	**23**
Profit before tax	**110,434**	**6,693**	**14,068**	**131,195**
Individual Quarter				
Restated				
31 December 2017				
Revenue	499,866	20,026	24,106	543,998
Results from operations	128,008	11,681	(13,762)	125,927
Net finance costs	(6,916)	(10,831)	1,132	(16,615)
Share of results of an associate	(1,056)	-	-	(1,056)
Share of results of joint ventures	9,896	-	-	9,896
Profit/(Loss) before tax	129,932	850	(12,630)	118,152

A8. Segmental information (cont'd.)

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				
31 December 2018				
Revenue	**1,437,907**	**98,317**	**99,247**	**1,635,471**
Results from operations	**301,175**	**61,491**	**(4,337)**	**358,329**
Net finance cost	**(10,688)**	**(17,208)**	**(11,167)**	**(39,063)**
Share of results of an associate	**546**	**-**	**-**	**546**
Share of results of joint ventures	**419**	**-**	**-**	**419**
Profit/(Loss) before tax	**291,452**	**44,283**	**(15,504)**	**320,231**
Year To Date				
Restated				
31 December 2017				
Revenue	1,644,780	73,700	96,294	1,814,774
Results from operations	264,766	43,713	(17,600)	290,879
Net finance cost	(12,472)	(15,590)	(8,226)	(36,288)
Share of results of an associate	(1,121)	-	-	(1,121)
Share of results of joint ventures	24,958	-	-	24,958
Profit/(Loss) before tax	276,131	28,123	(25,826)	278,428

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.

A10. Changes in composition of the Group

1) On 26 October 2018, Tropicana Development (Penang) Sdn Bhd ("TDP"), which is a wholly-owned subsidiary of the Company, has disposed its entire 55% equity interest in Tropicana Ivory Sdn Bhd ("TISB") for a total cash consideration of RM70,700,000. 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.

2) On 13 November 2018, the Company acquired 1 ordinary share of Faircube Sdn Bhd ("Faircube") representing 100% of the paid-up share capital for a total cash consideration of RM1.00. Following the completion of the acquisition, Faircube has become a wholly-owned subsidiary of the Company.

3) On 13 November 2018, Faircube, a wholly-owned subsidiary of the Company, acquired 1 ordinary share representing 100% of the total paid-up capital in Allstar Chorus Sdn Bhd ("Allstar") for a total cash consideration of RM1.00. Following the completion of the acquisition, Allstar has become a wholly-owned subsidiary of Faircube, 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.

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 RM406.81 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 31 December 2018 is as follows:

	As at 31/12/2018 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	**406,869**	654,900
	406,869	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
	448,716	824,764

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 RM593.9 million which was RM49.9 million or 9.2% higher when compared to the corresponding quarter in the preceding year. The increase in revenue in the current quarter reflected the completion of the disposal of freehold development lands in Pekan Country Height, for a cash consideration of RM143.0 million. Notwithstanding this disposal, revenue was lower by RM93.1 million or 17.1% compared to the corresponding quarter in preceding year. The decrease in revenue in the current quarter reflected lower sales and progress billings across some of the Group's existing on-going projects.

Profit before tax ("PBT") was higher by RM13.0 million or 11.0% for the current quarter under review as compared to the corresponding quarter in the preceding year. This was mainly due to the gains arising from the sale of the development lands amounting to RM30.1 million. Besides that, the Group's profits have improved from cost savings and advanced progress of projects.

Year to date Results

For the period ended 31 December 2018, the Group recorded revenue of RM1,635.5 million, which was RM179.3 million or 9.9% 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 RM41.8 million or 15.0% to RM320.2 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 RM593.9 million in the current quarter was RM286.8 million or 93.4% higher when compared to the preceding quarter ended 30 September 2018. The higher revenue in the current quarter was mainly contributed by the disposal of the development land as mentioned above as well as the completion of several key projects in the Klang Valley which led to higher revenue being recognised.

The current quarter PBT was RM92.6 million or 239.6% higher than the preceding quarter ended 30 September 2018 which was mainly attributed to the cost savings from projects as well as the disposal mentioned above.

B3. Prospects

Whilst the overall prospects for the industry continue to remain challenging in the short term, the Group believes that there will still be demand for properties in prime locations with attractive price points and designs as evidenced by continuing launches by the major developers. 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. Tropicana will also launch its maiden development at Genting towards the fourth quarter of 2019. These 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**	
		Restated		Restated
	31/12/2018	31/12/2017	**31/12/2018**	31/12/2017
	RM'000	RM'000	**RM'000**	RM'000
Tax expense for the period	**70,815**	29,108	**146,020**	101,256
Under provision of tax for previous financial period/year	**31,717**	17,679	**28,417**	16,096
Real property gain tax	**4,070**	(1,449)	**4,104**	(4,004)
Deferred tax transfers	**(31,122)**	(8,270)	**(38,141)**	(24,644)
Total Group's tax expense	**75,480**	37,068	**140,400**	88,704

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

The high underprovision of tax in the current quarter was mainly due to the Inland Revenue Board of Malaysia ("IRB") serving Tropicana Aman Sdn Bhd ("TASB"), a wholly-owned subsidiary of the Company, with additional tax assessments for the year of assessment 2014. Subsequently, the Company had engaged with IRB on the said additional income taxes, where finally additional income taxes of RM30,908,680 and a penalty of RM3,091,320 totalling RM34,000,000 was assessed as disclosed in Note A4.

B6. Corporate Proposals

Status of corporate proposals

The following corporate proposals announced by the Company have not been completed as at 19 February 2019, 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 6 sub-divided parcels and the acquisitions for 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.

   On 7 February 2019, TDMSB and Tiarn have mutually agreed not to extend the conditions precedent period and accordingly the timeframe to fulfil such conditions have lapsed. As such, the SPA has lapsed on 1 February 2019.

B6. Corporate Proposals (cont'd.)

3) 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.

4) On 24 January 2019, Tropicana had entered into the following agreements in relation to the proposed acquisitions of twelve (12) real estate holding companies:

   (a) conditional share purchase agreement ("**SPA**") with Tan Sri Dato' Tan Chee Sing ("**TSDT**"), Dato' Dickson Tan Yong Loong ("**DDT**"), Dillon Tan Yong Chin ("**Dillon Tan**"), Diana Tan Sheik Ni ("**Diana Tan**") and Dion Tan Yong Chien ("**Dion Tan**") for the proposed acquisition of 100% equity interest in GP Views Development Sdn Bhd ("**GP Views**") which is the registered owner of land located in the District of Pontian, Mukim Jeram Batu, State of Johor measuring approximately 304.44 acres ("**Proposed Acquisition of GP Views**");

   (b) conditional SPA with TSDT, DDT, Dillon Tan, Diana Tan and Dion Tan for the proposed acquisition of 100% equity interest in Tropicana Scenic Development Sdn Bhd (*formerly known as Renown Empire Sdn Bhd)* ("**TS Development**") which is the registered owner of land located in the District of Pontian, Mukim Jeram Batu, State of Johor measuring approximately 5.63 acres ("**Proposed Acquisition of TS Development**");

   (c) conditional SPA with TSDT, DDT, Dillon Tan and Diana Tan for the proposed acquisition of 100% equity interest in Firstwide Plus Sdn Bhd ("**Firstwide Plus**") which is the registered owner of land located in the District of Johor Bahru, Mukim Pulai, State of Johor measuring approximately 294.4 acres ("**Proposed Acquisition of Firstwide Plus**");

B6. Corporate Proposals (cont'd.)

(d) conditional SPA with TSDT, DDT, Dillon Tan and Diana Tan for the proposed acquisition of 100% equity interest in Rhythm Crest Sdn Bhd ("**Rhythm Crest**") which is the registered owner of land located at the District of Johor Bahru, Mukim Pulai, State of Johor measuring approximately 25.0 acres ("**Proposed Acquisition of Rhythm Crest**");

(e) conditional SPA with TSDT, DDT, Dillon Tan and Diana Tan for the proposed acquisition of 100% equity interest in Lingkaran Utama Sdn Bhd ("Lingkaran Utama") which has 100% beneficial interest in land located in the District of Pontian, Mukim Jeram Batu, State of Johor measuring approximately 40.02 acres ("Proposed Acquisition of Lingkaran Utama");

(f) conditional SPA with TSDT, DDT, Dillon Tan and Diana Tan for the proposed acquisition of 100% equity interest in Danga Lagoon Development Sdn Bhd ("**DL Development**") which has 100% beneficial interest in land located in the District of Johor Bahru, Mukim Pulai, State of Johor measuring approximately 7.61 acres ("**Proposed Acquisition of DL Development**");

(g) conditional SPA with TSDT, DDT, Dillon Tan and Diana Tan for the proposed acquisition of 100% equity interest in Danga Lagoon Garden Sdn Bhd ("**DL Garden**") which is the registered owner of land located in the District of Johor Bahru, Mukim Pulai, State of Johor measuring approximately 1.39 acres ("**Proposed Acquisition of DL Garden**");

(h) conditional SPA with TSDT, DDT, Dillon Tan and Diana Tan for the proposed acquisition of 70% equity interest in Suasana Metro Sdn Bhd ("**Suasana Metro**") which is the registered owner of land located in the District of Johor Bahru, Mukim Pulai, State of Johor measuring approximately 5.04 acres ("**Proposed Acquisition of Suasana Metro**");

(i) conditional SPA with TSDT, DDT, Dillon Tan and Diana Tan for the proposed acquisition of 100% equity interest in Acehub Fortune Sdn Bhd ("**Acehub**"), which holds 65% equity interest in Lido Waterfront Boulevard Sdn Bhd ("**Lido WB**") which is the registered owner of land located in the District of Johor Bahru, Bandar Johor Bahru, State of Johor measuring approximately 95.19 acres ("**Proposed Acquisition of Acehub**");

(j) conditional SPA with TSDT for the proposed acquisition of the remaining 49.9% equity interest in Peluang Duta Sdn Bhd ("**Peluang Duta**"), a 50.1%-owned subsidiary of TCB, which holds 70% equity interest in T Sanctuary Development Sdn Bhd ("**T Sanctuary**"), the registered owner of land located in the District of Johor Bahru, Mukim Jelutong, State of Johor measuring approximately 329.15 acres ("**Proposed Acquisition of Peluang Duta**"),

(k) conditional SPA with TSDT and DDT for the proposed acquisition of 100% equity interest in T Kiara Lestari Development Sdn Bhd ("**TKLD**") which is the registered owner of land located in the District of Kuala Lumpur, Wilayah Persekutuan measuring approximately 8.28 acres ("**Proposed Acquisition of TKLD**"); and

B6. Corporate Proposals (cont'd.)

(l) conditional SPA with TSDT and DDT for the proposed acquisition of 100% equity interest in T Kiara Lestari Land Sdn Bhd ("**TKLL**") which is the registered owner of land located in the District of Kuala Lumpur, Wilayah Persekutuan measuring approximately 5.72 acres ("**Proposed Acquisition of TKLL**"),

for a total purchase consideration of approximately RM343.7 million, subject to adjustments, to be satisfied via the issuance of 286.5 million new redeemable convertible preference shares in the Company ("**TCB RCPS**") at an issue price of RM1.20 per TCB RCPS.

Proposed Acquisition of GP Views, Proposed Acquisition of TS Development, Proposed Acquisition of Firstwide Plus, Proposed Acquisition of Rhythm Crest, Proposed Acquisition of Lingkaran Utama, Proposed Acquisition of DL Development, Proposed Acquisition of DL Garden, Proposed Acquisition of Suasana Metro, Proposed Acquisition of Acehub, Proposed Acquisition of Peluang Duta, Proposed Acquisition of TKLD and Proposed Acquisition of TKLL are collectively referred to as "**Proposed Acquisitions**".

GP Views, TS Development, Firstwide Plus, Rhythm Crest, Lingkaran Utama, DL Development, DL Garden, Suasana Metro, Acehub and Peluang Duta, TKLD and TKLL are collectively referred to as "**Acquiree Companies**".

As part of the Proposed Acquisitions, the Company had on the same date, entered into a deed of accord and satisfaction ("**DAS**") and a mutual agreement ("**MA**") with TSDT for the proposed settlement of all amounts owing by the Acquiree Companies to TSDT upon the completion of Proposed Acquisitions ("**Proposed Debt Settlement**").

In conjunction with the Proposed Acquisitions and the Proposed Debt Settlement, the Company proposes to amend the Constitution of the Company ("**Constitution**") to facilitate the issuance of the TCB RCPS for the implementation of the Proposed Acquisitions and Proposed Debt Settlement ("**Proposed Amendments**").

In addition, the Company had on the same date entered into five (5) memorandum of understanding ("**MOUs**") to negotiate the terms of the proposed collaborations with the following parties:

a) Pantai Kok Resort Development Sdn Bhd ("**Pantai Kok**"), to develop the land identified as Lot 60249 and Lot 60250, Section 2, Town of Padang Mat Sirat, District of Langkawi, Kedah ("**Pantai Kok Land**") measuring approximately 44.61 acres ("**Proposed Pantai Kok Collaboration**");

B6. Corporate Proposals (cont'd.)

b) Cenang Resort Sdn Bhd ("**Cenang Resort**"), to develop the land identified as Lot PT 375, Lot PT 535, Lot PT 536, Section 4, Town of Padang Mat Sirat, District of Langkawi, Kedah ("**Pantai Cenang Land**") measuring approximately 6.46 acres ("**Proposed Cenang Resort Collaboration** ");

c) Sinaran Ramah Sdn Bhd ("**Sinaran Ramah**"), to develop the land identified as Lot 1471, Mukim Kedawang, District of Langkawi, Kedah ("**Pulau Rebak Kechik Land**") measuring approximately 2.476 acres ("**Proposed Sinaran Ramah Collaboration**");

d) Suci Padu Sdn Bhd ("**Suci Padu**"), to develop the land identified as HSD 13678 to HSD 13692, Mukim of Jeram Batu, District of Pontian, Johor ("**Pekan Nenas Land 1**") measuring approximately 1,230.21 acres ("**Proposed Suci Padu Collaboration**"); and

e) Ibarat Indah Sdn Bhd ("**Ibarat Indah**"), to develop the land identified as HSD 13676 and HSD 13677, Mukim of Jeram Batu, District of Pontian, Johor ("**Pekan Nenas Land 2**") measuring approximately 45.00 acres ("**Proposed Ibarat Indah Collaboration**").

Proposed Cenang Collaboration, Proposed Sinaran Ramah Collaboration, Proposed Pantai Kok Collaboration, Proposed Suci Padu Collaboration and Proposed Ibarat Indah Collaboration are collectively referred to as "**Proposed Collaborations**".

The Proposed Acquisitions, Proposed Debt Settlement, Proposed Amendments and Proposed Collaborations to be collectively referred to as "**Proposals**".

As at the date of this report, the Proposals are expected to be completed by the third quarter of 2019.

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

B7. Borrowings

	As at 31/12/2018 RM'000	As at 31/12/2017 RM'000
Secured short term borrowings	**623,114**	681,736
Secured long term borrowings	**1,333,070**	1,166,038
	1,956,184	1,847,774

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 15 January 2019, the Board of Directors declared a first interim single-tier dividend of 2.78 sen per ordinary share in respect of the financial year ending 31 December 2019. The dividend was paid on 20 February 2019 to the shareholders and will be accounted as distributions to owners in the financial year ending 31 December 2019.

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
	31/12/2018	31/12/2017	**31/12/2018**	31/12/2017
Profit attributable to owners of the Parent (RM'000)	**51,475**	76,440	**170,029**	180,887
Weighted average number of ordinary shares ('000)	**1,451,445**	1,460,769	**1,459,079**	1,453,987
Basic earnings per share (sen)	**3.55**	5.23	**11.65**	12.44

(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
	31/12/2018	31/12/2017	**31/12/2018**	31/12/2017
Profit attributable to owners of the Parent (RM'000)	**51,475**	76,440	**170,029**	180,887
Weighted average number of ordinary shares ('000) for the purpose of diluted earnings per share	**1,451,445**	1,460,769	**1,459,079**	1,453,987
Diluted earnings per share (sen)	**3.55**	5.23	**11.65**	12.44

B11. Notes to the statements of comprehensive income

	Individual Quarter 31/12/2018 RM'000	Year to Date 31/12/2018 RM'000
Profit for the period/year is arrived at after (crediting)/charging:-		
Finance income	(6,758)	(27,792)
Other income	(22,777)	(44,960)
Finance costs	18,332	66,855
Depreciation of property, plant and equipment	7,635	23,910
Impairment loss on trade and other receivables	-	361
Reversal of impairment loss on trade and other receivables	-	(325)
Fair value gain on investment property	(1,288)	(31,752)
Net gain on disposal of investment property	(15,279)	(15,293)
Net gain on disposal of property, plant and equipment	(9,912)	(10,235)
Net foreign exchange loss (realised/unrealised)	79	228

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 February 2019.