

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2020

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.

The interim financial statements should be read in conjunction with the Group’s audited consolidated financial statements for the financial year ended 31 December 2019. 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 2019.

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 2019 except for the adoption of the following new amendments to MFRSs:

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 3	Definition of a Business
Amendments to MFRS 6	Exploration for and Evaluation of Mineral Resources
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 101 and MFRS 108	Definition of Material
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

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

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 2019 except for the adoption of the following new amendments to MFRSs: (cont’d.)

Effective for financial periods beginning on or after 1 January 2020: (cont’d.)

Amendment to IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendment to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to IC Interpretation 132	Intangible Assets - Web Site Costs

The adoption of the above amendments to MFRSs did not result in material impact to the interim financial statements of the Group.

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 2021:

MFRS 17	Insurance Contracts
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This standard is not relevant and applicable to the Group.

Effective for financial periods beginning on or after 1 January 2022:

Amendments to MFRS 101	Classification of Liabilities as Current or Non-current
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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
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TROPICANA

CORPORATION BERHAD

丽阳机构

(Company No. 47908-K)

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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.

A5. Material changes in estimates

There were no material changes in estimates for the financial period ended 31 March 2020.

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 except as follows:

- 1) The Company has repurchased its equity securities of 16,978,900 ordinary shares at an average price of RM0.85 per share. As at 31 March 2020, the number of treasury shares held was 32,470,641 ordinary shares.

A7. Dividends

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/ Year To Date 31 March 2020				
Revenue	99,407	28,674	14,647	142,728
Results from operations	33,794	(1,170)	(5,721)	26,903
Net finance costs	(755)	(12,041)	(11,345)	(24,141)
Share of results of an associate	1,457	-	-	1,457
Share of results of joint ventures	3,633	-	-	3,633
Profit/(loss) before tax	38,129	(13,211)	(17,066)	7,852
Individual Quarter/ Year To Date 31 March 2019				
Revenue	146,414	34,198	29,157	209,769
Results from operations	33,085	1,687	(3,903)	30,869
Net finance costs	(3,765)	(4,307)	(2,974)	(11,046)
Share of results of an associate	206	-	-	206
Share of results of joint ventures	967	-	-	967
Profit/(loss) before tax	30,493	(2,620)	(6,877)	20,996

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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.

A10. Changes in composition of the Group

- 1) On 10 January 2020, the Company had entered into two conditional Share Subscription Agreements with the following companies:
 - a) Cenang Laris Sdn. Bhd. ("CLSB"), to subscribe 297 new ordinary shares representing 99% of the enlarged total issued share capital of CLSB for a total subscription price of RM297.
 - b) Valley Talent Solutions Sdn. Bhd. ("VTS"), to subscribe 9,900 new ordinary shares representing 99% of the enlarged total issued share capital of VTS for a total subscription price of RM9,900.

The allotment of shares for both companies had been completed on 22 January 2020. CLSB and VTS have become 99% owned subsidiaries of the Company.

- 2) On 3 February 2020, the Company had incorporated a wholly-owned subsidiary, Tropicana Property Services Sdn. Bhd. with issued share capital of RM1.

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 2019, the Group's contingent liabilities have changed due to the decrease of RM25.1 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.

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A12. Capital commitments

The amount of commitments for capital expenditure as at 31 March 2020 is as follows:

	As at 31/03/2020 RM'000	As at 31/12/2019 RM'000
Capital expenditure:		
Approved and contracted for:		
- Property, plant and equipment	64,785	82,095
- Investment properties	3,331	3,367
	68,116	85,462

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B1. Performance review

For the current quarter under review, the Group recorded revenue of RM142.7 million (Q1 2019: RM209.8 million) and profit before tax ("PBT") of RM7.9 million (Q1 2019: RM21.0 million) which were lower when compared to the revenue and PBT of the corresponding quarter in the preceding year by 32.0% and 62.6% respectively.

The decrease in revenue and PBT in the current quarter reflected lower progress billings across some of the Group's key existing on-going projects and lower sales as a result of the Coronavirus Disease 2019 ("COVID-19") outbreak. The development activities were also lower as on-site construction activities were halted upon the enforcement of the Movement Control Order ("MCO") by the Malaysian Government on 18 March 2020. Besides that, there was the completion of the disposal of two pieces of development lands in District of Petaling, State of Selangor which contributed RM57.8 million to the revenue and RM44.7 million to the PBT in the corresponding quarter in the preceding year where comparatively there were no disposals of land in the current quarter and which lead to this quarter's results to be weaker than in Q1 2019.

B2. Variation of results against preceding quarter

The Group's revenue of RM142.7 million in the current quarter was RM222.3 million or 60.9% lower when compared to preceding quarter ended 31 December 2019 mainly due to the disposal of freehold development land in Johor Bahru for a cash consideration of RM97.4 million in the preceding quarter. Besides that, lower sales and progress billings across key projects in the Klang Valley and Southern Regions have also resulted in lower revenue in the current quarter due to the reasons mentioned in section B1 above.

The Group's PBT for the current quarter was recorded at RM7.9 million which was RM264.8 million lower than the preceding quarter ended 31 December 2019 and this was mainly due to the recognition of the negative goodwill which arose when the Company acquired development lands held by twelve (12) acquiree companies from a related party at a favourable price of an average discount of 13.4% to the market value of these lands and where the corporate exercise to acquire was completed in November 2019.

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B3. Prospects

With the advent of the Movement Control Order restrictions imposed by the Malaysian government, to address the Covid-19 pandemic, property development operating conditions for 2020 is expected to be challenging with expected softer consumer confidence. Although the industry remains challenging in the short term, the Group believes that there will still be demand for properties in prime locations in Tropicana’s established, matured and developing townships, with attractive pricing and innovative ownership packages and offerings, especially first time house buyers. Therefore, the Group will continue to focus on being market-driven in its product offerings whilst continuing to unlock the value of its land bank, at strategic locations across the Klang Valley, Genting and Southern Regions.

Tropicana will continue to focus on the introduction of new phases across its signature established developments, namely at Tropicana Heights, Tropicana Aman, Tropicana Metropark, Tropicana Danga Cove and Tropicana Gardens.

B4. Profit forecast or profit guarantee

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

B5. Income tax

	Individual Quarter		Year to Date	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	RM'000	RM'000	RM'000	RM'000
Tax expense for the period	(9,440)	(10,566)	(9,440)	(10,566)
Overprovision of tax for previous financial period	869	9,930	869	9,930
Deferred tax transfers	6,078	21,229	6,078	21,229
Total Group’s tax (expense)/ benefit	(2,493)	20,593	(2,493)	20,593

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 23 June 2020, 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 18 sub-divided parcels. The acquisitions for 6 sub-divided parcels are completed and TASB is in the midst of completing the acquisition process for 12 sub-divided parcels. There are remaining 17 parcels of land to be paid.

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B6. Corporate Proposals (cont'd.)

Status of corporate proposals

- 2) On 16 April 2020, the Company had lodged the proposed establishment of a rated Islamic Medium Term Notes Programme of up to RM1.5 billion in nominal value based on the Shariah principles of Wakalah Bi Al-Istithmar and Murabahah (via Tawarruq arrangement) ("Sukuk Wakalah Programme") with the Securities Commissions Malaysia ("SC") pursuant to the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework (issued by the SC on 9 March 2015 and revised on 26 November 2019, as amended from time to time).

The Sukuk Wakalah Programme allows for the issuance of rated and senior ranking sukuk ("Sukuk Wakalah") from time to time, with flexibility for the Company to issue secured and/or unsecured Sukuk Wakalah subject to the aggregate outstanding nominal amount of the Sukuk Wakalah not exceeding RM1.5 billion at any point in time.

The proceeds raised from the Sukuk Wakalah Programme are intended to be utilised by the Company for the following Shariah compliant purposes in the following order of priority:

- (i) repayment of existing financing/borrowings to unencumber the secured properties; and
- (ii) defraying fees, costs and expenses in relation to the issuance of the Sukuk Wakalah and Sukuk Wakalah Programme.

The remaining proceeds shall be utilised for the following Shariah compliant purpose:

- (a) capital expenditure and/or investments (including but not limited to the purchase of land(s), building(s), shares, property and/or payment into joint ventures);
- (b) working capital;
- (c) refinancing of existing financing/borrowing; and/or
- (d) general corporate purposes

of the Company and/or its group of companies.

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B7. Borrowings

	As at 31/03/2020 RM'000	As at 31/12/2019 RM'000
Secured short term borrowings	871,129	942,203
Secured long term borrowings	1,991,645	1,576,912
	<u>2,862,774</u>	<u>2,519,115</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 parent by the weighted average number of ordinary shares outstanding during the financial year.

	Individual Quarter		Year to Date	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
Profit attributable to owners of the parent (RM'000)	5,158	46,064	5,158	46,064
Weighted average number of ordinary shares ('000)	1,448,002	1,436,891	1,448,002	1,436,891
Basic earnings per share (sen)	0.36	3.21	0.36	3.21

(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 parent and the weighted average number of ordinary shares outstanding during the period have been adjusted for the dilutive effects of all potential ordinary shares from the exercise of the Warrants.

	Individual Quarter		Year to Date	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
Profit attributable to owners of the parent (RM'000)	5,158	46,064	5,158	46,064
Weighted average number of ordinary shares ('000) for the purpose of diluted earnings per share	1,448,002	1,436,891	1,448,002	1,436,891
Effect of conversion of ICPS to ordinary shares	982,386	-	982,386	-
Adjusted weighted average number of ordinary shares in issue ('000) for the purpose of diluted earnings per share	2,430,388	1,436,891	2,430,388	1,436,891
Diluted earnings per share (sen)	0.21	3.21	0.21	3.21

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B11. Notes to the statements of comprehensive income

	Individual Quarter 31/03/2020 RM’000	Year to Date 31/03/2020 RM’000
Profit for the period/year is arrived at after (crediting)/charging:-		
Finance income	(4,719)	(4,719)
Finance costs	28,860	28,860
Depreciation of property, plant and equipment	7,440	7,440
Depreciation of right-of-use assets	1,802	1,802
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B12. Auditors' report on preceding annual financial statements

The auditors' report of the financial statements for the financial year ended 31 December 2019 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 30 June 2020.