

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 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 4	Extension of the Temporary Exemption from Applying MFRS 9
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

Effective for financial periods beginning on or after 1 June 2020:

Amendments to MFRS 16	Covid-19-Related Rent Concessions
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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:

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16*	Interest Rate Benchmark Reform-Phase 2
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Effective for financial periods beginning on or after 1 January 2022:

Amendments to MFRS 1	First-time Adoption of MFRS-Subsidiary as a First-time Adopter
Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 9	Financial Instruments-Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities
Amendments to MFRS 16	Lease Incentives
Amendments to MFRS 116	Property, Plant and Equipment-Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts-Cost of Fulfilling a Contract
Amendments to MFRS 141	Agriculture-Taxation in Fair Value Measurements

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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 2023:

MFRS 17*	Insurance Contracts
Amendments to MFRS 17*	Insurance Contracts
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current

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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*These standards are not relevant and applicable to the Group.

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 30 September 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 45,779,800 ordinary shares at an average price of RM0.84 per share. As at 30 September 2020, the number of treasury shares held was 61,271,541 ordinary shares.

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A7. Dividends

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 30 September 2020				
Revenue	185,281	25,049	13,643	223,973
Results from operations	30,828	(273)	634	31,189
Net finance costs	(8,065)	(11,356)	(11,115)	(30,536)
Share of results of an associate	1,101	-	-	1,101
Share of results of joint ventures	3,932	-	-	3,932
Profit/(loss) before tax	27,796	(11,629)	(10,481)	5,686
Individual Quarter 30 September 2019				
Revenue	185,517	36,479	24,129	246,125
Results from operations	55,654	7,385	(19,239)	43,800
Net finance costs	(3,595)	(6,408)	(5,181)	(15,184)
Share of results of an associate	101	-	-	101
Share of results of joint ventures	4,111	-	-	4,111
Profit/(loss) before tax	56,271	977	(24,420)	32,828

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A8. Segmental information (cont’d)

Business segment analysis for the quarter and financial period ended (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				
30 September 2020				
Revenue	587,197	68,672	46,499	702,368
Results from operations	193,743	(6,067)	(1,526)	186,150
Net finance cost	(12,218)	(34,592)	(38,896)	(85,706)
Share of results of an associate	6,317	-	-	6,317
Share of results of joint ventures	8,377	-	-	8,377
Profit/(loss) before tax	196,219	(40,659)	(40,422)	115,138
Year To Date				
30 September 2019				
Revenue	571,432	107,462	76,454	755,348
Results from operations	154,554	11,974	(25,969)	140,559
Net finance cost	(7,810)	(18,466)	(11,352)	(37,628)
Share of results of an associate	653	-	-	653
Share of results of joint ventures	6,855	-	-	6,855
Profit/(loss) before tax	154,252	(6,492)	(37,321)	110,439

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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 21 September 2020, the Company acquired 1 ordinary share of Purple Pumkie Organic Farm Sdn Bhd ("Purple Pumkie") representing 100% of the total paid-up share capital for a total cash consideration of RM1. Upon completion, Purple Pumkie has become a wholly-owned subsidiary of the Company.
- 2) On 30 September 2020, Sumber Saujana Sdn Bhd ("SSSB"), a wholly-owned subsidiary of the Company, acquired 1 ordinary share each of Elkwood Realty Sdn Bhd ("Elkwood Realty") and Snowflakes Realty Sdn Bhd ("Snowflakes Realty") representing 100% of the total paid-up share capital for a total cash consideration of RM1 each. Upon completion, Elkwood Realty and Snowflakes Realty have become wholly-owned subsidiaries of SSSB, which in turn, are indirect wholly-owned subsidiaries 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 2019, the Group's contingent liabilities have changed due to the decrease of RM122.5 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 30 September 2020 is as follows:

	As at 30/09/2020 RM'000	As at 31/12/2019 RM'000
Capital expenditure:		
Approved and contracted for:		
- Property, plant and equipment	26,413	82,095
- Investment properties	3,233	3,367
	29,646	85,462

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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 RM224.0 million (Q3 2019: RM246.1 million) which was RM22.1 million or 9.0% lower when compared to the corresponding quarter in the preceding year whilst the profit before tax decreased by RM27.1 million or 82.7% as compared to the corresponding quarter in the preceding year.

The decrease in revenue and profit 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. Development activities were halted temporarily upon the enforcement of the Movement Control Order ("MCO") and Conditional Movement Control Order ("CMCO") rulings by the Malaysian Government from 18 March 2020 onwards. The performance of the Group's property investment, recreation and resort operations were also negatively impacted due to the Covid-19 outbreaks resulting in a loss for the quarter for that particular segment of RM11.6 million.

Year to date Results

For the financial period ended 30 September 2020, the Group recorded revenue of RM702.4 million, which was RM53.0 million or 7.0% lower when compared to the corresponding period in the preceding year. This was mainly due to lower sales and progress billings across projects in the Klang Valley as well as the Southern Regions which were affected by the MCO and CMCO rulings. The performance of the Group's property investment, recreation and resort operations were also negatively impacted due to the Covid-19 outbreaks resulting in a year to date loss for that particular segment of RM40.7 million.

The Group's profit before tax was recorded at RM115.1 million, which was RM4.7 million or 4.3% higher when compared to the corresponding period in the preceding year. This was mainly due to the gains arising from the sale of the two parcels of development lands as well as cost savings declared from a few projects.

B2. Variation of results against preceding quarter

The Group's revenue of RM224.0 million in the current quarter was RM111.7 million or 33.3% lower when compared to preceding quarter ended 30 June 2020. Higher revenue in the previous quarter reflected the completion of the disposals of two parcels of freehold development lands in Johor Bahru, for a total cash consideration of RM241.8 million whereby there were no land disposals in the current quarter.

The Group's recorded profit before tax of RM5.7 million was RM95.9 million lower than the preceding quarter ended 30 June 2020. This was mainly due to the gains arising from the sale of the two parcels of freehold development lands in the preceding quarter mentioned above amounting to RM108.7 million.

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B3. Prospects

Given the softened economic conditions and market headwinds due to the Covid-19 pandemic followed by the Movement Control Order, the Home Ownership Campaign (“HOC”) 2020 was re-introduced under the Short-Term Economic Recovery Plan (“PENJANA”) in June 2020 which is a Government initiative designed to support residential home purchasers. Also, the Overnight Policy Rate (“OPR”) has been reduced by four times from 3.00 % to 1.75% in 2020 as an effort by Bank Negara Malaysia to cushion the negative impact on the economy arising from the Covid-19 pandemic, bringing down home loan interest rates nationwide. With these initiatives of re-introducing of HOC 2020 and coupled with the OPR cut, the local property sector has been injected with some stimulus.

However, despite the above, the property market is expected to remain soft for the remainder of 2020 in light of the economic uncertainties brought by the Covid-19 pandemic. 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 has launched Tropicana Miyu, a freehold condominium project on Jalan Harapan, Petaling Jaya in September 2020. Tropicana will also continue to focus on the introduction of new phases across its signature and 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.

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B5. Income tax

	Individual Quarter		Year to Date	
	30/09/2020	30/09/2019	30/09/2020	30/09/2019
	RM'000	RM'000	RM'000	RM'000
Tax expense for the period	(4,146)	(3,426)	(32,017)	(45,031)
(Under)/Overprovision of tax for previous financial period	(274)	1,857	656	2,642
Real property gain tax	(737)	(347)	(1,277)	(243)
Deferred tax transfers	8,017	(14,721)	(20,646)	27,812
Total Group's tax benefit/ (expense)	2,860	(16,637)	(53,284)	(14,820)

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 proposal

The following corporate proposal announced by the Company has not been completed as at 13 November 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 17 sub-divided parcels are completed and TASB is in the midst of completing the transfer process for 1 sub-divided parcel. There are remaining 11 parcels of land to be paid.

- 2) On 10 November 2020, Elkwood Realty Sdn Bhd (“Elkwood Realty”) and Snowflakes Realty Sdn Bhd (“Snowflakes Realty”), both indirect subsidiaries of the Company, have on 10 November 2020 entered into the following agreements:
 - (i) a sale and purchase agreement between Elkwood Realty and Satria Sewira Sdn Bhd (“Satria Sewira”), for the proposed acquisition of freehold land measuring approximately 102 acres held under H.S.(D) 2097, Lot No. PT 2134/118, Mukim of Bentong, District of Bentong, State of Pahang Darul Makmur from Satria Sewira for a total cash consideration of RM178,160,400; and
 - (ii) a sale and purchase agreement between Snowflakes Realty and Emerald Hectares Sdn Bhd (“Emerald Hectares”), for the proposed acquisition of freehold land measuring approximately 206 acres held under H.S.(D) 2099, Lot No. PT 2136/120, Mukim of Bentong, District of Bentong, State of Pahang Darul Makmur from Emerald Hectares for a total cash consideration of RM224,334,000.

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B7. Borrowings

	As at 30/09/2020 RM'000	As at 31/12/2019 RM'000
Secured short term borrowings	528,713	942,203
Secured long term borrowings	2,822,034	1,576,912
	<u>3,350,747</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

On 13 October 2020, the Board of Directors had declared an interim single-tier dividend for the financial year ending 31 December 2020 via distribution of treasury shares on the basis of 4.5 treasury shares for every 100 existing ordinary shares held in the Company (“Share Dividend”). Any fractional entitlement arising from the distribution of Share Dividend was disregarded.

The entitlement date for the Share Dividend was 30 October 2020 and 63,104,998 treasury shares distributed under the Share Dividend were credited into the entitled securities accounts maintained with Bursa Malaysia Depository Sdn Bhd on 12 November 2020.

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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	
	30/09/2020	30/09/2019	30/09/2020	30/09/2019
Profit attributable to owners of the parent (RM'000)	14,507	16,798	43,954	101,884
Weighted average number of ordinary shares ('000)	1,419,891	1,428,004	1,432,877	1,432,514
Basic earnings per share (sen)	1.02	1.18	3.07	7.11

(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 and ICPS outstanding during the period have been adjusted for the dilutive effects of all potential ordinary shares.

	Individual Quarter		Year to Date	
	30/09/2020	30/09/2019	30/09/2020	30/09/2019
Profit attributable to owners of the parent (RM'000)	14,507	16,798	43,954	101,884
Weighted average number of ordinary shares ('000) for the purpose of diluted earnings per share	1,419,891	1,428,004	1,432,877	1,432,514
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	2,402,277	1,428,004	2,415,263	1,432,514
Diluted earnings per share (sen)	0.60	1.18	1.82	7.11

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B11. Notes to the statements of comprehensive income

	Individual Quarter 30/09/2020 RM'000	Year to Date 30/09/2020 RM'000
Profit for the period/year is arrived at after (crediting)/charging:-		
Finance income	(7,861)	(16,593)
Finance costs	38,397	102,299
Depreciation of property, plant and equipment	7,853	20,712
Depreciation of right-of-use assets	2,806	6,120

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 20 November 2020.