

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2021

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 2020. 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 2020.

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 2020 except for the adoption of the following new amendments to MFRSs:

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

Amendments to MFRS 9, Interest Rate Benchmark Reform-Phase 2
MFRS 139, MFRS 7,
MFRS 4 and MFRS 16*

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

Amendments to MFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

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 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 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

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2021

PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134

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
Amendments to MFRS 101	Disclosure of Accounting Policies
Amendments to MFRS 108	Definition of Accounting Estimates

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 31 March 2021.

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 5,265,500 ordinary shares at an average price of RM0.86 per share. As at 31 March 2021, the number of treasury shares held was 13,643,743 ordinary shares.

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2021

PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134

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/Year To Date 31 March 2021				
Revenue	185,736	25,199	29,597	240,532
Results from operations	52,997	1,825	(828)	53,994
Net finance costs	(16,347)	(11,663)	(15,686)	(43,696)
Share of results of an associate	8,293	-	-	8,293
Share of results of joint ventures	751	-	-	751
Profit/(loss) before tax	45,694	(9,838)	(16,514)	19,342
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

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2021

PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134

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 25 January 2021, the Company had incorporated a wholly-owned subsidiary, Tropicana Landmark Education 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 2020, the Group’s contingent liabilities have changed due to the decrease of RM43.5 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.

A12. Capital commitments

The amount of commitments for capital expenditure as at 31 March 2021 is as follows:

	As at 31/03/2021 RM’000	As at 31/12/2020 RM’000
Capital expenditure:		
Approved and contracted for:		
- Property, plant and equipment	24,422	8,894
- Investment properties	10,796	14,190
	35,218	23,084
Approved and not contracted for:		
- Investment properties	19,472	19,747
	54,690	42,831

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2021

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

For the current quarter under review, the Group recorded revenue of RM240.5 million (Q1 2020: RM142.7 million) which was RM97.8 million or 68.5% higher when compared to the corresponding quarter in the preceding year. The Group's profit before tax ("PBT") was higher by RM11.5 million or 146.3% as compared to the corresponding quarter in the preceding year.

The increase in revenue and PBT in the current quarter is mainly contributed by higher sales and progress billings across key projects in the Klang Valley and Southern Region which have picked up in the current quarter as compared to the corresponding quarter in the preceding year which was affected by the Movement Control Order ("MCO").

B2. Variation of results against preceding quarter

The Group's revenue of RM240.5 million in the current quarter was RM116.2 million or 32.6% lower when compared to preceding quarter ended 31 December 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 consideration of RM157.4 million whereby comparatively there were no land disposals in the current quarter.

The Group's recorded profit before tax of RM19.3 million was RM104.2 million lower than the preceding quarter ended 31 December 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 RM98.1 million.

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2021

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

B3. Prospects

The resurgence in Covid-19 cases has subsequently led to the re-enforcement of the Conditional Movement Control Order in most of the states in Malaysia and Movement Control Order 2.0, in early 2021. The effects of the pandemic continue to affect the economy and impact the various business segments. However, consumer sentiment has been improving, with the rolling out of the mass vaccination programme in February 2021, on the expectations that the economy will improve after the mass vaccination programme. As a result, it is optimistic that the property market is expected to gradually recover which is driven by a better economic outlook.

With the re-introduction of the Home Ownership Campaign (“HOC”) 2020 under the Short-Term Economic Recovery Plan (“PENJANA”) in June 2020 which is a Government initiative designed to support residential home purchasers, together with the reduction of the Overnight Policy Rate (“OPR”) 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, to bring down home loan interest rates nationwide, the local property sector has been injected with some stimulus.

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. 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 Highlands and Southern Regions.

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, and Tropicana Danga Cove.

Despite the prevailing challenges, the Group remains positive and confident on the long term business prospects and will continue to actively pursue various opportunities to unlock the value of its strategic land bank which will subsequently improve its financial performance and deliver sustainable returns to the shareholders.

B4. Profit forecast or profit guarantee

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

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2021

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

B5. Income tax

	Individual Quarter		Year to Date	
	31/03/2021	31/03/2020	31/03/2021	31/03/2020
	RM'000	RM'000	RM'000	RM'000
Tax expense for the period	(31,277)	(9,440)	(31,277)	(9,440)
(Under)/overprovision of tax for previous financial period	(692)	869	(692)	869
Real property gain tax	(10)	-	(10)	-
Deferred tax transfers	21,012	6,078	21,012	6,078
Total Group's tax expense	(10,967)	(2,493)	(10,967)	(2,493)

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

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2021

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

B6. Corporate Proposals

Status of corporate proposals

The following corporate proposals announced by the Company has not been completed as at 12 May 2021, 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 19 sub-divided parcels. The acquisitions for 18 sub-divided parcels are completed and TASB is in the midst of completing the transfer process for 1 sub-divided parcel. There are remaining 10 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.

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2021

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 31/03/2021 RM'000	As at 31/12/2020 RM'000
Secured short term borrowings	622,782	518,729
Secured long term borrowings	3,060,804	3,078,042
	3,683,586	3,596,771

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.

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2021

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

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	
	31/03/2021	31/03/2020	31/03/2021	31/03/2020
Profit attributable to owners of the parent (RM'000)	2,344	5,158	2,344	5,158
Weighted average number of ordinary shares ('000)	1,457,575	1,448,002	1,457,575	1,448,002
Basic earnings per share (sen)	0.16	0.36	0.16	0.36

(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	
	31/03/2021	31/03/2020	31/03/2021	31/03/2020
Profit attributable to owners of the parent (RM'000)	2,344	5,158	2,344	5,158
Weighted average number of ordinary shares ('000) for the purpose of diluted earnings per share	1,457,575	1,448,002	1,457,575	1,448,002
Effect of conversion of ICPS to ordinary shares	982,386	982,386	982,386	982,386
Adjusted weighted average number of ordinary shares in issue ('000) for the purpose of diluted earnings per share	2,439,961	2,430,388	2,439,961	2,430,388
Diluted earnings per share (sen)	0.10	0.21	0.10	0.21

INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2021

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

B11. Notes to the statements of comprehensive income

	Individual Quarter 31/03/2021 RM'000	Year to Date 31/03/2021 RM'000
Profit for the period/year is arrived at after (crediting)/charging:-		
Finance income	(911)	(911)
Finance costs	44,607	44,607
Depreciation of property, plant and equipment	7,694	7,694
Depreciation of right-of-use assets	1,023	1,023
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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 2020 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 19 May 2021.