Unless otherwise stated, all abbreviations and defined names or expressions contained in this Abridged Prospectus ("**AP**") are defined in the Definitions section of this AP.

**THIS AP IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

If you have sold/transferred all your ordinary shares in Tanco, you should at once hand this AP together with the NPA and the RSF to the agent through whom you effected the sale/transfer for onward transmission to the purchaser/transferee. All enquiries concerning the Rights Issue of ICULS, which is the subject of this AP should be addressed to our ICULS Registrar, namely Boardroom Corporate Services (KL) Sdn Bhd, at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan.

These Documents are only despatched to our Entitled Shareholders who have a registered address in Malaysia in the records of Bursa Depository or who have provided our ICULS Registrar with a registered address in Malaysia in writing not later than 5.00 p.m. on 13 January 2014. The Documents are not intended to be (and will not be) issued, circulated or distributed, and the Rights Issue of ICULS will not be made or offered or deemed to be made or offered for purchase or subscription, in any countries or jurisdictions other than Malaysia or to persons who are or may be subject to the laws of any countries or jurisdictions other than the laws of Malaysia. The Rights Issue of ICULS to which this AP relates is only available to persons receiving the Documents electronically or otherwise within Malaysia. No action has been or will be taken to ensure that the Rights Issue of ICULS and the Documents comply with the laws of any countries or jurisdictions other than the laws of Malaysia. It shall be the sole responsibility of our Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) who are or may be subject to the laws of any countries or jurisdictions other than the laws of Malaysia to consult their legal or other professional advisers as to whether the acceptance or renunciation of all or any part of the Rights ICULS to be issued under the Rights Issue of ICULS would result in the contravention of any laws of such countries or jurisdictions. Such shareholders should note the additional terms and restrictions as set out in Section 11 of this AP. Neither Tanco, PIVB nor any other advisers to the Rights Issue of ICULS shall accept any responsibility or liability in the event that any acceptance or sale/transfer of the provisional allotment of the Rights ICULS made by our Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) shall become illegal, unenforceable, voidable or void in any countries or jurisdictions in which our Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) are residents.

A copy of this AP has been registered with the SC. The registration of this AP should not be taken to indicate that the SC recommends the Rights Issue of ICULS or assumes responsibility for the correctness of any statement made or opinion or report expressed in this AP. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of the Documents has also been lodged with the Registrar of Companies who takes no responsibility for its contents.

Our shareholders have approved, amongst others, the Rights Issue of ICULS at the Extraordinary General Meeting held on 8 November 2013. Bursa Securities has also granted its approval for, amongst others, the admission of the ICULS to the Official List of Main Market of Bursa Securities and the listing of and quotation for the ICULS and the new Tanco Shares to be issued arising from the full conversion of the ICULS on the Main Market of Bursa Securities on 4 October 2013. However, this is not an indication that Bursa Securities recommends the Rights Issue of ICULS. Admission of the ICULS to the Official List of Main Market of Bursa Securities and the listing of and quotation for the ICULS and the new Tanco Shares to be issued arising from the full conversion of the ICULS on the Main Market of Bursa Securities are in no way reflective of the merits of the Rights Issue of ICULS.

The official listing of and quotation for the said securities will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS accounts of our Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) have been duly credited and notices of allotment have been despatched to them.

Our Directors have seen and approved all the documentation relating to the Rights Issue of ICULS. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make the statements in the Documents false or misleading.

THERE ARE CERTAIN RISK FACTORS WHICH YOU SHOULD CONSIDER. PLEASE REFER TO THE "RISK FACTORS" AS SET OUT IN SECTION 7 OF THIS AP.

PIVB, being our Adviser for the Rights Issue of ICULS, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Rights Issue of ICULS.

登高集團

# TANCO HOLDINGS BERHAD

(Company No. 3326-K)
(Incorporated in Malaysia under the Companies Ordinances, 1940 - 1946)

**RENOUNCEABLE RIGHTS ISSUE OF UP TO RM33,488,672 NOMINAL VALUE OF THREE (3)-YEAR, 3%, IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCK ("ICULS") AT 100% OF ITS NOMINAL VALUE OF RM0.10 EACH ("RIGHTS ICULS") ON THE BASIS OF RM0.10 NOMINAL VALUE OF RIGHTS ICULS FOR EVERY ONE (1) EXISTING ORDINARY SHARE OF RM0.20 EACH HELD IN TANCO AT 5.00 P.M. ON 13 JANUARY 2014, BASED ON A MINIMUM SUBSCRIPTION LEVEL OF RM15,000,000 NOMINAL VALUE OF RIGHTS ICULS**

*Adviser*

**PUBLIC INVESTMENT BANK BERHAD** (20027-W)
*(A Participating Organisation of Bursa Malaysia Securities Berhad)*
*(Wholly-Owned Subsidiary of Public Bank Berhad)*

*Trustee*

TMF GROUP Global reach Local knowledge

TMF Trustees Malaysia Berhad (*610812-W*)

**IMPORTANT RELEVANT DATES AND TIMES**

| | | |
|---|---|---|
| Entitlement date | : | Monday, 13 January 2014 at 5.00 p.m. |
| **Last date and time for:** | | |
| Sale of provisional allotment of rights | : | Wednesday, 22 January 2014 at 5.00 p.m. |
| Transfer of provisional allotment of rights | : | Monday, 27 January 2014 at 4.00 p.m. |
| Acceptance and payment | : | Thursday, 30 January 2014 at 5.00 p.m.* |
| Excess application and payment | : | Thursday, 30 January 2014 at 5.00 p.m.* |

* *or such later date and time as our Board may decide and announce not less than two (2) Market Days before the stipulated date and time.*

This AP is dated 13 January 2014

**BURSA SECURITIES HAS APPROVED, AMONGST OTHERS, THE ADMISSION OF THE ICULS TO THE OFFICIAL LIST OF THE MAIN MARKET OF BURSA SECURITIES, THE LISTING OF AND QUOTATION FOR THE ICULS AND THE NEW SHARES TO BE ISSUED PURSUANT TO THE FULL CONVERSION OF THE ICULS ON THE MAIN MARKET OF BURSA SECURITIES AND THE APPROVAL SHALL NOT BE TAKEN TO INDICATE THAT BURSA SECURITIES RECOMMENDS THE RIGHTS ISSUE OF ICULS.**

**THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS AP, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS AP.**

**YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

**YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE AND MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS AP ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.**

**SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE ISSUES FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.**

## DEFINITIONS

Except where the context otherwise requires, the following words and abbreviations shall apply throughout this AP and shall have the following meanings:

| | | |
|---|---|---|
| 5-day VWAMP | : | Five (5)-day volume weighted average market price |
| Act | : | Companies Act, 1965, as amended from time to time including any re-enactment thereof |
| Adviser or PIVB | : | Public Investment Bank Berhad (*20027-W*) |
| Amount Owing | : | The amount owed by Tanco to Dato' Tan amounting to RM7,515,130.82 as at 30 June 2013 |
| Announcement | : | Announcement dated 9 September 2013 in relation to the Corporate Exercises |
| AP | : | This abridged prospectus dated 13 January 2014 |
| Board | : | Board of Directors of Tanco |
| Bursa Depository | : | Bursa Malaysia Depository Sdn Bhd (*165570-W*) |
| Bursa Securities | : | Bursa Malaysia Securities Berhad (*635998-W*) |
| CDS | : | A Central Depository System governed under the SICDA |
| CMSA | : | Capital Markets and Services Act, 2007 |
| Code | : | Malaysian Code on Take-Overs and Mergers, 2010 |
| Corporate Exercises | : | The Par Value Reduction, M&A Amendments, Rights Issue of ICULS and SIS, collectively |
| Dato' Tan | : | Dato' Tan Jing Nam, Group Managing Director and Major Shareholder of Tanco |
| Director(s) | : | Director(s) of Tanco and pursuant to Paragraph 10.02 of the Listing Requirements, director(s) shall have the meaning given in Section 2(1) of the CMSA and include any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon:<br><br>(i) a director of the listed corporation, its subsidiary or holding company; or<br><br>(ii) a chief executive of the listed corporation, its subsidiary or holding company |
| Documents | : | AP, NPA and RSF, collectively |
| EGM | : | Extraordinary General Meeting |
| Entitled Shareholder(s) | : | Shareholder(s) of Tanco whose names appear on the Record of Depositors on the Entitlement Date, who shall be entitled to participate in the Rights Issue of ICULS |
| Entitlement Date | : | 5.00 p.m. on 13 January 2014, being the date and time on which our shareholders must be registered on the Record of Depositors in order to participate in the Rights Issue of ICULS |
| EPS | : | Earnings per share |
| Excess Rights ICULS | : | Rights ICULS which are not taken up or not validly taken up by our Entitled Shareholders and/or their renouncee(s) and/or transferee(s) prior to excess application |

**DEFINITIONS** ***(Cont'd)***

| | | |
|---|---|---|
| FRS 2 | : | Financial Reporting Standard 2, *Share Based Payment*, issued by the Malaysian Accounting Standards Board |
| FPE | : | Financial period ended |
| FYE | : | Financial year ended/ending 30 June |
| Grantee(s) | : | Employee(s) or Director(s) of our Group who are eligible to participate in the SIS, who has accepted an offer (or any part thereof) in accordance with the provisions of the SIS by-laws |
| ICULS or Rights ICULS | : | Three (3)-year, 3%, irredeemable convertible unsecured loan stock at 100% of its nominal value of RM0.10 each to be issued pursuant to the Rights Issue of ICULS |
| LAT | : | Loss after taxation |
| LBT | : | Loss before taxation |
| Listing Requirements | : | Main Market Listing Requirements of Bursa Securities, as may be amended from time to time |
| LPD | : | 27 December 2013, being the latest practicable date prior to the despatch of this AP |
| LPS | : | Loss per share |
| M&A | : | Memorandum and Articles of Association |
| M&A Amendments | : | The amendments to the M&A of our Company to facilitate the Par Value Reduction and the SIS |
| Major Shareholder(s) | : | Any person who has an interest or interests in one or more voting shares in our Company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is:<br>(a) 10% or more of the aggregate of the nominal amounts of all the voting shares in our Company; or<br>(b) 5% or more of the aggregate of the nominal amounts of all the voting shares in our Company, where such person is the largest shareholder of our Company.<br>For the purpose of this definition, "interest in shares" shall have the meaning given in Section 6A of the Act |
| Market Day(s) | : | Any day(s) between Monday and Friday (inclusive) which is not a public holiday and on which Bursa Securities is open for trading in securities |
| Maturity Date | : | The last market day on the third ($3^{rd}$) anniversary of the date of issuance of the ICULS |
| Maximum Scenario | : | The scenario that assumes that the Rights Issue of ICULS is fully subscribed by the Entitled Shareholders and/or their renouncee(s)/transferee(s) |
| Minimum Scenario | : | The scenario that assumes that the Rights Issue of ICULS is only subscribed by Dato' Tan pursuant to his Undertaking |
| Minimum Subscription Level | : | The scenario that assumes that the Rights Issue of ICULS will be undertaken on a minimum subscription level basis via the issuance of RM15,000,000 nominal value of Rights ICULS |

**DEFINITIONS *(Cont'd)***

| | | |
|---|---|---|
| NA | : | Net assets attributable to the ordinary shareholders of Tanco |
| NPA | : | Notice of provisional allotment in relation to the Rights Issue of ICULS |
| Official List | : | A list specifying all securities which have been admitted for listing on Bursa Securities and not removed |
| Option(s) | : | The right of a Grantee to subscribe for new Shares at a pre-determined exercise price pursuant to the contract constituted by acceptance by the Grantee in the manner provided in the SIS by-laws of a written offer made to such Grantee by a committee comprising of Non-Executive Director(s) and/or senior management (including Executive Directors) appointed from time to time by our Board to administer the Scheme pursuant to the SIS by-laws |
| PACs | : | Persons acting in concert in accordance with Section 216 of the CMSA |
| Par Value Reduction | : | The reduction of the issued and paid-up share capital of our Company pursuant to Section 64(1) of the Act, involving the cancellation of RM0.80 of the par value of each ordinary share of RM1.00 each in Tanco which was completed on 6 December 2013 |
| PAT | : | Profit after taxation |
| PBT | : | Profit before taxation |
| PDS Guidelines | : | Private Debt Securities Guidelines issued by SC, as amended from time to time and any re-enactment thereof |
| PN | : | Practice Note |
| Provisional Rights ICULS | : | Rights ICULS provisionally allotted to the Entitled Shareholders pursuant to the Rights Issue of ICULS |
| Record of Depositors | : | A record of security holders established and maintained by Bursa Depository |
| Rights Issue of ICULS | : | The renounceable rights issue of up to RM33,488,672 nominal value of three (3)-year, 3%, Rights ICULS at 100% of its nominal value of RM0.10 each on the basis of RM0.10 nominal value of Rights ICULS for every one (1) Tanco Share held on the Entitlement Date, based on the Minimum Subscription Level |
| RM and sen | : | Ringgit Malaysia and sen, respectively |
| RSF | : | Rights subscription form in relation to the Rights Issue of ICULS |
| SC | : | Securities Commission Malaysia |
| SICDA | : | Securities Industries (Central Depositories) Act, 1991 |
| SIS or Scheme | : | The scheme for the granting of Options to eligible employees or Directors of our Group to subscribe for new Shares upon the terms as herein set out, such scheme to be known as the SIS |
| Substantial Shareholder(s) | : | Any person(s) who has an interest or interests in one or more voting shares in our Company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is not less than five percent (5%) of the aggregate of the nominal amounts of all the voting shares in our Company, as defined in Section 69D of the Act |
| Tanco or Company | : | Tanco Holdings Berhad *(3326-K)* |
| Tanco Group or Group | : | Tanco and its subsidiaries, collectively |

| | | |
|---|---|---|
| Tanco Share(s) or Share(s) | : | Ordinary shares of RM0.20 each in Tanco |
| TERP | : | Theoretical ex-rights price |
| Trust Deed | : | The document constituting the ICULS to be executed between our Company and the Trustee who acts for the benefit of the holders of the ICULS |
| Trustee or TMF Trustees | : | TMF Trustees Malaysia Berhad (*610812-W*) |
| Undertaking | : | The irrevocable written undertaking by Dato' Tan to subscribe for his Rights ICULS entitlement and the requisite number of Excess Rights ICULS not subscribed by the other Entitled Shareholders in order to achieve the Minimum Subscription Level |
| USD | : | United States Dollar |
| U.S. | : | United States of America |

Words incorporating the singular shall, where applicable, include the plural and *vice versa*. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this AP to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of a day in this AP shall be a reference to Malaysian time, unless otherwise specified.

All references to "our Company" or "the Company" in this AP are made to Tanco Holdings Berhad and references to "our Group", "the Tanco Group" or "the Group" are to our Company and our subsidiaries. References to "we", "us", "our" and "ourselves" are to our Company and, where the context otherwise requires, our subsidiaries. All references to "you" in this AP are made to our Entitled Shareholders.

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

## CONTENTS


| | | | PAGE |
|---|---|---|---|
| CORPORATE DIRECTORY | | | vii |
| LETTER TO OUR ENTITLED SHAREHOLDERS CONTAINING: | | | |
| 1. | INTRODUCTION | | 1 |
| 2. | DETAILS OF THE RIGHTS ISSUE OF ICULS | | 3 |
| | 2.1 | Introduction | 3 |
| | 2.2 | Basis of determining the issue price of the Rights ICULS and the conversion price of the ICULS | 4 |
| | 2.3 | Status of the ICULS and ranking of the new Shares arising from the full conversion of the ICULS | 5 |
| | 2.4 | Principal terms of the ICULS | 5 |
| 3. | OTHER CORPORATE EXERCISES | | 8 |
| 4. | SHAREHOLDERS' UNDERTAKING AND UNDERWRITING ARRANGEMENT | | 8 |
| | 4.1 | Shareholders' undertaking relating to the Rights Issue of ICULS | 8 |
| | 4.2 | Public shareholding spread | 9 |
| | 4.3 | Implication of the Code | 9 |
| 5. | UTILISATION OF PROCEEDS | | 10 |
| 6. | RATIONALE FOR THE RIGHTS ISSUE OF ICULS | | 11 |
| 7. | RISK FACTORS | | 12 |
| | 7.1 | Risks relating to the operations and business of our Group | 12 |
| | 7.2 | Risks relating to the property investment and development sector | 14 |
| | 7.3 | Risks relating to the Rights Issue of ICULS | 15 |
| 8. | EFFECTS OF THE CORPORATE EXERCISES | | 17 |
| | 8.1 | Share capital | 17 |
| | 8.2 | NA and gearing | 18 |
| | 8.3 | Earnings and EPS | 20 |
| 9. | INDUSTRY OVERVIEW, OUTLOOK AND FUTURE PROSPECTS OF OUR GROUP | | 21 |
| | 9.1 | Overview and outlook of the Malaysian economy | 21 |
| | 9.2 | Overview and outlook of the Malaysian property investment and development market | 22 |
| | 9.3 | Overview and outlook of the Malaysian accommodation and tourism market | 23 |
| | 9.4 | Prospects and outlook of our Group | 24 |

**CONTENTS** ***(Cont'd)***

10. WORKING CAPITAL, BORROWINGS, MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES 24

10.1 Working capital 24

10.2 Borrowings 24

10.3 Material commitments and contingent liabilities 25

11. PROCEDURES FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER AND EXCESS APPLICATION FOR THE RIGHTS ISSUE OF ICULS 25

11.1 Procedures for acceptance and payment 25

11.2 Procedures for sale/transfer of the Provisional Rights ICULS 27

11.3 Procedures for application for Excess Rights ICULS 27

11.4 Procedures to be followed by renouncee(s)/transferee(s) 28

11.5 Form of issuance 29

11.6 Laws of foreign jurisdictions 29

12. TERMS AND CONDITIONS 31

13. ADDITIONAL INFORMATION 31

**APPENDICES**

I. CERTIFIED TRUE EXTRACT OF THE RESOLUTION PERTAINING TO THE RIGHTS ISSUE OF ICULS PASSED AT OUR EGM ON 8 NOVEMBER 2013 32

II. INFORMATION ON OUR COMPANY 34

III. OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FYE 30 JUNE 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON 45

IV. OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 30 SEPTEMBER 2013 122

V. OUR PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON 136

VI. DIRECTORS' REPORT 163

VII. FURTHER INFORMATION 164

## CORPORATE DIRECTORY

登高集團

**TANCO HOLDINGS BERHAD**
(Company No. 3326-K)
(Incorporated in Malaysia under the Companies Ordinances, 1940 - 1946)

### BOARD OF DIRECTORS

| Name | Address | Designation | Profession | Nationality |
|---|---|---|---|---|
| Dato' Tan Jing Nam | 3, Jalan Setiamurni 12<br>Damansara Heights<br>50490 Kuala Lumpur<br>Wilayah Persekutuan | Group Managing Director | Managing Director | Malaysian |
| Dato' Tan Lee Sing | Unit 4A<br>Sri Mahkota Condominium<br>No.2, Jalan Ampang Tengah<br>55000 Kuala Lumpur<br>Wilayah Persekutuan | Executive Director | Company Director | Malaysian |
| Andrew Tan Jun Suan | 17, Jalan SS19/4<br>Subang Jaya<br>47500 Petaling Jaya<br>Selangor Darul Ehsan | Executive Director | Company Director | Malaysian |
| Dato' Dr. Mohd. Aminuddin Bin Mohd. Rouse | 35, Lorong Hillview 2B<br>Taman Hillview<br>Off Jalan Ulu Kelang<br>68000 Ampang<br>Selangor Darul Ehsan | Independent Non-Executive Director | Company Director | Malaysian |
| Dato' Dr. Mohd. Noordin Bin Haji Keling | 10, Lorong Taman Pantai 5<br>Bukit Pantai<br>59100 Kuala Lumpur<br>Wilayah Persekutuan | Independent Non-Executive Director | Company Director | Malaysian |
| James Wong Kwong Yew | 30-5-3 Jamnah View<br>Jalan Buluh Perindu<br>Damansara Heights<br>59000 Kuala Lumpur<br>Wilayah Persekutuan | Independent Non-Executive Director | Company Director | Malaysian |
| Chan Chee Meng | 2A, Jalan Putra Murni 3/3B<br>Putra Heights<br>47650 Petaling Jaya<br>Selangor Darul Ehsan | Executive Director | Company Director | Malaysian |
| Koay Ghee Teong | No.18, Jalan SS21/19<br>Damansara Utama<br>47300 Petaling Jaya<br>Selangor Darul Ehsan | Executive Director | Company Director | Malaysian |

## CORPORATE DIRECTORY *(Cont'd)*

### AUDIT COMMITTEE

| Name | Designation | Directorship |
|---|---|---|
| Dato' Dr. Mohd. Noordin Bin Haji Keling | Chairman | Independent Non-Executive Director |
| James Wong Kwong Yew | Member | Independent Non-Executive Director |
| Dato' Dr. Mohd. Aminuddin Bin Mohd. Rouse | Member | Independent Non-Executive Director |

| | | |
|---|---|---|
| COMPANY SECRETARIES | : | Chan Keng Yew (MACPA 1718)<br>5, Jalan 50/38A<br>Taman Indah Phase 2B<br>52100 Kuala Lumpur<br>Wilayah Persekutuan<br><br>Choi Siew Fun (MAICSA 0877848)<br>28, Jalan BU 11/6<br>Bandar Utama Damansara<br>47800 Petaling Jaya<br>Selangor Darul Ehsan |
| REGISTERED OFFICE | : | No.1, Persiaran Ledang<br>Off Jalan Duta<br>50480 Kuala Lumpur<br>Wilayah Persekutuan<br>Tel: 603-2093 6188<br>Fax: 603-2095 8010 |
| PRINCIPAL PLACE OF BUSINESS | : | No.1, Persiaran Ledang<br>Off Jalan Duta<br>50480 Kuala Lumpur<br>Wilayah Persekutuan<br>Tel: 603-2093 6188<br>Fax: 603-2095 8010<br>E-mail: thb@tancoresorts.com<br>Website: www.tancoholdings.com |
| AUDITORS/REPORTING ACCOUNTANTS | : | Baker Tilly Monteiro Heng (*AF 0117*)<br>Baker Tilly MH Tower<br>Level 10, Tower 1<br>Avenue 5, Bangsar South City<br>59200 Kuala Lumpur<br>Wilayah Persekutuan<br>Tel: 603-2297 1000<br>Fax: 603-2282 9980 |

## CORPORATE DIRECTORY *(Cont'd)*

| | | |
|---|---|---|
| DUE DILIGENCE SOLICITORS | : | Ben & Partners<br>7-2, Level 2, Block D2<br>Dataran Prima<br>Jalan PJU 1/39<br>47301 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel: 603-7805 2922<br>Fax: 603-7805 3922 |
| PRINCIPAL BANKER | : | Bank Kerjasama Rakyat Malaysia Berhad *(Cooperative Registration Number 2192)*<br>3rd Floor, Bangunan Bank Rakyat<br>Jalan Tangsi<br>50732 Kuala Lumpur<br>Wilayah Persekutuan<br>Tel: 603-2612 9600<br>Fax: 603-2612 9655 |
| ICULS REGISTRAR AND PAYING AGENT | : | Boardroom Corporate Services (KL) Sdn Bhd *(3775-X)*<br>Lot 6.05, Level 6, KPMG Tower<br>8 First Avenue, Bandar Utama<br>47800 Petaling Jaya<br>Selangor Darul Ehsan<br>Tel: 603-7720 1188<br>Fax: 603-7720 1111 |
| ADVISER | : | Public Investment Bank Berhad (*20027-W*)<br>25th Floor, Menara Public Bank<br>146, Jalan Ampang<br>50450 Kuala Lumpur<br>Wilayah Persekutuan<br>Tel: 603-2166 9382<br>Fax: 603-2166 9386 |
| TRUSTEE | : | TMF Trustees Malaysia Berhad *(610812-W)*<br>10th Floor, Menara Hap Seng<br>1 & 3, Jalan P. Ramlee<br>50250 Kuala Lumpur<br>Wilayah Persekutuan<br>Tel: 603-2382 4288<br>Fax: 603-2026 1451 |
| STOCK EXCHANGE LISTED AND LISTING SOUGHT | : | Main Market of Bursa Securities |

登高集團

**TANCO HOLDINGS BERHAD**
(Company No: 3326-K)
(Incorporated in Malaysia under the Companies Ordinances, 1940 - 1946)

**Registered Office:**
No.1, Persiaran Ledang
Off Jalan Duta
50480 Kuala Lumpur
Wilayah Persekutuan

13 January 2014

**Board of Directors**

Dato' Tan Jing Nam *(Group Managing Director)*
Dato' Tan Lee Sing *(Executive Director)*
Andrew Tan Jun Suan *(Executive Director)*
Dato' Dr. Mohd. Aminuddin Bin Mohd. Rouse *(Independent Non-Executive Director)*
Dato' Dr. Mohd. Noordin Bin Haji Keling *(Independent Non-Executive Director)*
James Wong Kwong Yew *(Independent Non-Executive Director)*
Chan Chee Meng *(Executive Director)*
Koay Ghee Teong *(Executive Director)*

**To: Our Entitled Shareholders**

Dear Sir/Madam,

**RENOUNCEABLE RIGHTS ISSUE OF UP TO RM33,488,672 NOMINAL VALUE OF THREE (3)-YEAR, 3%, ICULS AT 100% OF ITS NOMINAL VALUE OF RM0.10 EACH ON THE BASIS OF RM0.10 NOMINAL VALUE OF RIGHTS ICULS FOR EVERY ONE (1) EXISTING TANCO SHARE HELD AT 5.00 P.M. ON 13 JANUARY 2014, BASED ON A MINIMUM SUBSCRIPTION LEVEL OF RM15,000,000 NOMINAL VALUE OF RIGHTS ICULS**

---

## 1. INTRODUCTION

Our Board is pleased to inform you that our shareholders had approved, amongst others, the Rights Issue of ICULS at our Company's EGM held on 8 November 2013. At the same EGM, our shareholders had also approved the Par Value Reduction, M&A Amendments and SIS.

A certified true extract of the resolution pertaining to the Rights Issue of ICULS passed at the said EGM is attached in **Appendix I** of this AP.

On 7 October 2013, PIVB, had on our behalf, announced that Bursa Securities had vide its letter dated 4 October 2013, granted its approval for the following:

(a) admission of the Rights ICULS to the Official List of Bursa Securities; and

(b) the listing of and quotation for the Rights ICULS, the new shares to be issued pursuant to the full conversion of the ICULS and the new Shares to be issued arising from the exercise of the Options on the Main Market of Bursa Securities.

The approval granted by Bursa Securities is subject to the following conditions:

| | Conditions imposed | Status of compliance |
|---|---|---|
| (a) | Tanco and its advisers must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Corporate Exercises | Noted |
| (b) | Tanco and its adviser to inform Bursa Securities upon the completion of the Corporate Exercises | To be met |
| (c) | Tanco to furnish to Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Corporate Exercises are completed | To be met |
| (d) | Tanco is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of the ICULS and SIS, as at the end of each quarter together with a detailed computation of listing fees payable | To be met |
| (e) | To incorporate the comments made in the circular to shareholders provided in the attachment of the Bursa Securities' letter of approval | Met |
| (f) | Tanco to furnish Bursa Securities with a copy of the approval letter from the Securities Commission (Private Debt Securities) for the issuance of the ICULS | Met |
| (g) | The adviser is required to submit a confirmation to Bursa Securities of full compliance of the SIS pursuant to Paragraph 6.43(1) of the Listing Requirements and stating the effective date of implementation | To be met |

On 14 October 2013, PIVB, had on our behalf, announced that the SC had vide its letter dated 11 October 2013, granted its approval for the issuance of the ICULS pursuant to the Rights Issue of ICULS under subsection 214(1) of the CMSA.

The approval granted by the SC is subject to the following conditions:

| | Conditions imposed | Status of compliance |
|---|---|---|
| (a) | Prior to the issuance of the ICULS, PIVB is required to submit a checklist of compliance with the standard conditions and continuing obligations as stipulated in the PDS Guidelines and any other condition imposed in any other letter issued in connection with the Rights Issue of ICULS. | To be met |
| (b) | The provisions under the CMSA, guidelines, notices and circulars issued or administered by the SC are an integral part of the SC's approval and must be complied with. PIVB and Tanco are reminded that any contravention or non-compliance with any approval condition will be subject to enforcement actions by the SC as provided under the CMSA. | Noted |

The official listing of and quotation for the ICULS and the new Tanco Shares to be issued pursuant to the full conversion of the ICULS on the Main Market of Bursa Securities will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS accounts of our Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) have been duly credited and notices of allotment have been despatched to them.

On 6 December 2013, PIVB, had on our behalf, announced that the sealed order dated 4 December 2013 granted by the High Court of Malaya in Kuala Lumpur had been duly lodged with the Companies Commission of Malaysia pursuant to Section 64(1) of the Act. Consequently, the issued and paid-up share capital of our Company is reduced from RM334,886,726 comprising of 334,886,726 ordinary shares of RM1.00 each to RM66,977,345 comprising of 334,886,726 ordinary shares of RM0.20 each effective 6 December 2013.

Following the completion of the Par Value Reduction, our Company's authorised share capital had been adjusted from RM1,000,000,000 divided into 1,000,000,000 ordinary shares of RM1.00 each to RM1,000,000,000 divided into 5,000,000,000 ordinary shares of RM0.20 each. With this, the Par Value Reduction is deemed completed.

On 27 December 2013, PIVB, had on our behalf, announced that the Entitlement Date, whereby our shareholders must be registered on the Record of Depositors in order to participate in the Rights Issue of ICULS, has been fixed at 5.00 p.m. on 13 January 2014.

No person is authorised to give any information or to make any representation not contained herein in connection with the Rights Issue of ICULS, and if given or made, such information or representation must not be relied upon as having been authorised by us or PIVB.

**IF YOU ARE IN DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

## 2. DETAILS OF THE RIGHTS ISSUE OF ICULS

### 2.1 Introduction

In accordance with the terms of the Rights Issue of ICULS as approved by the relevant authorities and our shareholders at the EGM on 8 November 2013 and subject to the terms of the Documents, our Company will provisionally allot up to RM33,488,672 nominal value of ICULS at 100% of the nominal value of RM0.10 each on the basis of RM0.10 nominal value of Rights ICULS for every one (1) existing Share held on the Entitlement Date based on the Minimum Subscription Level to raise at least RM15,000,000.

The Rights Issue of ICULS will be undertaken on a Minimum Subscription Level basis which was determined by our Board after taking into consideration, amongst others, the historical market prices of our Shares, the immediate working capital requirements of our Group, the Amount Owing to Dato' Tan to be settled pursuant to his Undertaking and the quantum of bank borrowings to be repaid.

As an Entitled Shareholder, you will find enclosed with this AP:

(i) the NPA in respect of the number of Rights ICULS provisionally allotted to you for which you are entitled to subscribe under the terms of the Rights Issue of ICULS; and

(ii) the RSF which is to be used for the acceptance of the Rights ICULS provisionally allotted to you, and for the application(s) of any Rights ICULS pursuant to the Excess Rights ICULS applications, should you wish to do so.

You can fully or partially subscribe and/or renounce your entitlements for the Rights ICULS provisionally allotted to you. In addition to taking up your respective entitlements under the Rights Issue of ICULS, you may also apply for the Excess Rights ICULS under the Excess Rights ICULS application. It is the intention of our Board to allot the Excess Rights ICULS, if any, in a fair and equitable manner as further set out in Section 11.3 of this AP.

The Rights ICULS which are renounced, not validly taken up or are not allotted for any reason whatsoever, will first be made available for the Excess Rights ICULS applications by our Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable). After which, any remaining unsubscribed Rights ICULS will be subscribed by the shareholder who has provided his Undertaking to achieve the Minimum Subscription Level.

Any dealing in our Company's securities will be subjected to, amongst others, the provision of the SICDA, the Rules of Bursa Depository and any other relevant legislation. The Rights ICULS will be credited directly into your CDS accounts if you are successful in subscribing for such securities under the Rights Issue of ICULS as the case may be. No physical loan stock certificates will be issued.

Our Company shall despatch notices of allotment to the successful applicants within eight (8) Market Days from the last day for acceptance and payment of the Rights ICULS or such other period as may be prescribed by Bursa Securities.

**2.2 Basis of determining the issue price of the Rights ICULS and the conversion price of the ICULS**

The Rights ICULS shall be issued at 100% of the nominal value of RM0.10 each. The conversion price of the ICULS of RM0.20 for one (1) new Tanco Share was arrived at after taking into consideration, amongst others, the following:

(i) the five (5)-day VWAMP up to and including 6 September 2013, (being the last Market Day prior to the date of the Announcement), of the Tanco Shares of RM0.1458 each;

(ii) the minimum issue price allowable under the Act for the new Shares arising from the conversion of the ICULS, which is not less than the par value of Tanco Shares, being RM0.20 each; and

(iii) the quantum of the gross proceeds to be raised for the repayment of bank borrowings, working capital requirements of our Group and the estimated expenses relating to the Corporate Exercises.

For illustrative purposes, the conversion price of the ICULS of RM0.20 represents:

(i) a premium of approximately RM0.0361 or 22.03% over the TERP of the Shares of RM0.1639, which is computed based on the five (5)-day VWAMP of the Shares up to and including the last Market Day prior to the Announcement; and

(ii) a premium of approximately 15.74% to the TERP of the Shares of approximately RM0.1728, which is computed based on the five (5)-day VWAMP of the Shares up to and including the LPD of approximately RM0.1592 per Share.

The above premiums of the conversion price were set after taking into consideration the par value of the Shares of RM0.20 each.

Based on the conversion price of RM0.20, the ICULS may be converted into new Shares in the following manner:

(i) by surrendering RM0.20 nominal value of ICULS for one (1) new Tanco Share; or

(ii) by surrendering RM0.10 nominal value of ICULS together with cash such that in aggregate it amounts to RM0.20 for one (1) new Tanco Share.

The table below illustrates the Rights ICULS entitlement and number of new Tanco Shares to be received upon the full conversion of the ICULS by the two (2) available conversion modes as stated above for an Entitled Shareholder.

| | | | No. of new Tanco Shares to be received upon the full conversion of the ICULS | |
|---|---|---|---|---|
| | **Tanco Shares held as at the Entitlement Date** | **Rights ICULS entitlement** | **by surrendering RM100 nominal value of ICULS** | **by surrendering RM100 nominal value of ICULS together with cash of RM100** |
| Entitled Shareholder | 1,000 | RM100 | 500 | 1,000 |

Premised on the terms of the ICULS, the ICULS can be converted into new Tanco Shares anytime from the date of issuance of the ICULS up to its Maturity Date. Any ICULS which are not converted would be automatically converted into new Tanco Shares on the Maturity Date.

Fractions of a new Share arising from the automatic conversion of the ICULS on the Maturity Date, if any, will be disregarded and will be dealt with by our Board as it may deem fit and expedient in the best interest of our Company.

### 2.3 Status of the ICULS and ranking of the new Shares arising from the full conversion of the ICULS

The ICULS shall constitute direct, unsecured and unconditional obligation of our Company ranking *pari passu* amongst themselves and with all other subordinated and unsecured obligations of our Company, subject only to those preferred by law.

The new Shares to be issued arising from the full conversion of the ICULS shall, upon issuance and allotment, rank *pari passu* in all respects with the then existing Shares except that they will not be entitled to any dividends, rights, allotments and/or distributions, that may be declared, made or paid prior to the date of allotment of these new Shares.

### 2.4 Principal terms of the ICULS

The principal terms of the ICULS are set out below:

| | | |
|---|---|---|
| Issuer | : | Tanco |
| Issue Size | : | Up to RM33,488,672 nominal value of ICULS of RM0.10 each to be issued pursuant to the Rights Issue of ICULS |
| Issue Price | : | 100% of the nominal value of RM0.10 each |
| Form and Denomination | : | The ICULS will be issued in denominations of RM0.10 and multiples thereof, and constituted by the Trust Deed |
| Basis of Allotment | : | RM0.10 nominal value of Rights ICULS for every one (1) existing Share held by our Entitled Shareholders on the Entitlement Date |
| Tenure | : | Three (3) years commencing on and including the date of issue of the ICULS |
| Maturity Date | : | The date on which the ICULS are to be compulsorily or automatically be converted into new Shares which date shall fall on the third ($3^{rd}$) anniversary from the date of issue of the ICULS |
| Coupon Rate and Payment | : | Three per cent (3%) per annum on the nominal value of ICULS payable on an annual basis in arrears |
| Conversion Rights | : | Each registered holder of the ICULS shall have the right at any time during the Conversion Period to convert such amount of ICULS held into fully paid-up new Shares at the Conversion Price. Any outstanding ICULS not converted at the end of the Conversion Period shall be automatically converted into new Shares at the Conversion Price on the Maturity Date. |
| Conversion Price | : | The conversion price for the ICULS is RM0.20 for every one (1) new Share |
| Conversion Period | : | The ICULS shall be convertible into new Shares on any Market Day from and including the date of the issue of the ICULS up to and including the Maturity Date |
| Conversion Mode | : | The ICULS may be converted into new Shares in the following manner:<br>(i) by surrendering RM0.20 nominal value of ICULS for one (1) new Tanco Share; or |

| | |
|---|---|
| | (ii) by surrendering RM0.10 nominal value of ICULS together with cash such that in aggregate it amounts to RM0.20 for one (1) new Tanco Share |
| Conversion Price Adjustment | : Our Company shall make the necessary adjustment to the Conversion Price in the event of any alteration to the share capital of our Company on or before the Maturity Date, whether by way of rights issues, bonus issues, consolidation of shares, sub-division of shares or capital distribution whether in a reduction in capital or otherwise, in accordance with the provisions of the Trust Deed |
| Redeemability | : The ICULS will not be redeemable for cash save otherwise in the Events of Default (as defined herein). All outstanding ICULS will be automatically converted into new Shares on the Maturity Date provided always that no declaration of Events of Default by the Trustee pursuant to the provision in the Trust Deed |
| Purchase or Cancellation | : Notwithstanding that the ICULS are irredeemable, our Company and/or its subsidiaries and/or the agent of our Company may at any time purchase the ICULS or any part thereof on the Bursa Securities on which the ICULS are listed and quoted at the prevailing market price<br><br>The ICULS so purchased shall be cancelled forthwith subject to the regulatory procedures and shall not be available for resale or converting into the new Tanco Shares |
| Status of ICULS | : The ICULS shall constitute direct, unconditional and unsecured obligations of our Company and subject to the provisions contained in the Trust Deed, must at all times rank *pari passu*, without discrimination, preference or priority between themselves and must rank at least *pari passu* with all present and future direct, unconditional, unsecured and unsubordinated debts and obligations of our Company except those which are preferred by law |
| ICULS holders' rights to participate in any distribution and/or offer of further securities in our Company | : The ICULS holders are not entitled to participate in any distribution and/or offer of securities in our Company until and unless such ICULS holders convert the ICULS into new Shares |
| Rights of the ICULS holders on liquidation | : In the event the ICULS becoming payable upon the occurrence of an Event of Default, the amount which is immediately due and payable by our Company to the holders of the ICULS or which the holders of the ICULS may prove for in the liquidation shall be the nominal value of the outstanding ICULS<br><br>Save as aforementioned, the ICULS are not redeemable for cash but only by conversion into fully paid new Shares in accordance with the provisions of the Trust Deed |
| Maximum number of new Shares to be issued arising from the conversion of the ICULS | : Based on the Conversion Price of RM0.20 for one (1) new Share, the maximum number of new Shares to be issued on conversion of all the ICULS is 334,886,726 new Shares |

| | | |
|---|---|---|
| Ranking of new Shares arising from the full conversion of the ICULS | : | The new Shares to be allotted and issued upon the full conversion of the ICULS shall, rank pari passu in all respects with the then existing Shares except such new Shares will not be entitled to any dividends, rights, allotments and/or distributions, that may be declared, made or paid prior to the date of allotment and issuance of such new Shares |
| Listing | : | On 4 October 2013, Bursa Securities had approved the admission of the ICULS to the Official List of Bursa Securities and for the listing of and quotation for the ICULS and the new Shares to be issued pursuant to the full conversion of the ICULS on the Main Market of Bursa Securities |
| Board Lot | : | The ICULS are tradable in board lots of RM10.00 nominal value of ICULS, or such denomination as may be determined by Bursa Securities upon listing |
| Events of default | : | Any event of default as listed in the Trust Deed which includes amongst others, the following (**"Events of Default"**):<br><br>(i) Non-payment: if our Company fails to pay interest on the ICULS on the due dates thereof or if so payable, on demand;<br><br>(ii) Appointment of receiver: an encumbrancer takes possession of, or a trustee or administrative or other receiver or similar officer is appointed in respect of, all or any part of the business or assets of our Company and such having a material adverse effect;<br><br>(iii) Composition, winding up or bankruptcy:<br><br>(1) our Company convenes a meeting of its creditors or proposes or makes any arrangement or composition with, or any assignment for the benefit of, its creditors or a petition is presented (and is not stayed or discharged within thirty (30) days) or a meeting is convened for the purpose of considering a resolution for the winding up of, or for making an administration order against, our Company (other than for the purposes of and followed by a reconstruction previously approved by the Trustee, unless during or following such reconstruction our Company becomes or is declared to be insolvent); or<br><br>(2) any step is taken by our Company for the winding up, dissolution or liquidation or bankruptcy (voluntary or otherwise) of our Company; and<br><br>(iv) Section 176 of the Act: if a scheme of arrangement under Section 176 of the Act has been instituted against or undertaken by our Company (other than for the purpose of restructuring and such not having a material adverse effect) |
| Rating | : | The ICULS will not be rated |

| | | |
|---|---|---|
| Trust Deed | : | The ICULS are constituted by the Trust Deed executed between our Company and the Trustee on 27 December 2013 |
| Governing Law | : | Laws and regulations of Malaysia |

## 3. OTHER CORPORATE EXERCISES

Save for the Rights Issue of ICULS and the SIS, there are no other corporate exercises that have been approved by the relevant regulatory authorities but not yet implemented as at the LPD.

## 4. SHAREHOLDERS' UNDERTAKING AND UNDERWRITING ARRANGEMENT

### 4.1 Shareholders' undertaking relating to the Rights Issue of ICULS

Dato' Tan had on 3 September 2013 provided his irrevocable written undertaking to subscribe for his Rights ICULS entitlement and the requisite number of Excess Rights ICULS not subscribed by the other Entitled Shareholders in order to achieve the Minimum Subscription Level.

Details of Dato' Tan's direct shareholdings and his Rights ICULS entitlement as well as his Rights ICULS Undertaking are set out in the table below:

| | **Tanco Shares held directly as at the LPD** | | **Rights ICULS entitlement** | | **Undertaking** | |
|---|---|---|---|---|---|---|
| **Major shareholder** | **No. of Tanco shares** | **%** | **Nominal value of Rights ICULS RM** | **%^** | **Nominal value of Rights ICULS RM** | **%^** |
| Dato' Tan | 88,903,669 | 26.55 | 8,890,367 | 26.55 | 15,000,000 | 44.79 |

*Note:*

^ *Percentage of RM33,488,672, being the nominal value of the Rights ICULS to be issued pursuant to the Rights Issue of ICULS.*

Arising from his obligations pursuant to the Undertaking, Dato' Tan has confirmed via his letter dated 3 September 2013 that he has sufficient financial resources to subscribe for the Rights ICULS pursuant to his Undertaking.

In addition, PIVB has verified that Dato' Tan has the financial resources to fulfil his commitments pursuant to the Undertaking. In view of Dato' Tan's Undertaking, the Rights Issue of ICULS will not be underwritten.

For illustrative purposes, assuming the Rights Issue of ICULS is fully subscribed under the Maximum Scenario, the amount of monies required to be paid by Dato' Tan is RM1,390,367 pursuant to his Undertaking to subscribe for his entitlement of RM8,890,367 nominal value of Rights ICULS, and after deducting the Amount Owing.

In the event that the Minimum Subscription Level is not achieved, our Company will not proceed with the implementation of the Rights Issue of ICULS.

As at the LPD, our Company does not have any other alternative fund raising plan in the event that the Minimum Subscription Level is not achieved.

### 4.2 Public shareholding spread

The Rights Issue of ICULS will have no immediate impact on the public shareholding spread of our Company until such time as when the ICULS are converted into new Tanco Shares.

On a proforma basis, assuming that the Rights Issue of ICULS are completed on the LPD and the Rights ICULS are only subscribed by Dato' Tan pursuant to his Undertaking and immediately converted into new Tanco Shares, the public shareholding spread would fall from 67.92% to approximately 55.49% (under the Minimum Scenario), and increase to 67.93% (under the Maximum Scenario).

Our Company would still be in compliance with the public shareholding spread requirement pursuant to Paragraph 8.02 of the Listing Requirements, whereby at least 25.00% of a listed corporation's total listed shares (excluding treasury shares) or such lesser percentage as may be approved by Bursa Securities is required to be held by public shareholders.

### 4.3 Implication of the Code

As at the LPD, Dato' Tan and his PACs holds an aggregate of 88,908,669 Tanco Shares, representing approximately 26.55% of the issued and paid-up share capital of our Company.

Based on the assumption that the Rights Issue of ICULS is undertaken on the Minimum Subscription Level by Dato' Tan and no other Entitled Shareholders or their renouncees/transferees subscribe for the Rights ICULS, Dato' Tan will be issued RM15,000,000 nominal value of Rights ICULS. Upon the full conversion of the ICULS (assuming by surrendering RM0.10 nominal value of ICULS together with cash such that in aggregate it amounts to RM0.20 for one (1) new Tanco Share), the shareholdings of Dato' Tan and his PACs could potentially increase from 26.55% to 49.27%.

However, the actual shareholdings of Dato' Tan in our Company would depend on amongst others, the timing and actual holdings of his ICULS converted into new Tanco Shares and the mode of conversion (on the assumption that Dato' Tan does not dispose any of his existing or acquire any new Tanco Shares and/or ICULS).

The conversion of the ICULS held by Dato' Tan may result in the shareholdings of Dato' Tan and his PACs direct or indirect shareholdings to collectively exceed 33% of the voting shares in our Company at any point in time. Pursuant to the Code, Dato' Tan and his PACs would be obliged to extend a mandatory take-over offer for all the remaining Tanco Shares and convertible securities not already owned by them.

In relation to the above, Dato' Tan and his PACs may make an application to the SC to seek an exemption for him and his PACs under Paragraph 16.1 of PN 9 of the Code from the obligation to extend a mandatory take-over offer for the remaining Shares and convertible securities not already owned by him prior to him converting the ICULS for new Shares which could trigger the obligation to undertake the mandatory take-over offer.

However, in the event that Dato' Tan and/or his PACs acquire additional Shares other than as a result from acquiring the Shares from the conversion of the ICULS for new Shares if their collective shareholdings in our Company is above 33% but below 50% and has exceeded two percent (2%) in any six (6)-month period, Dato' Tan and/or his PACs will be obliged to undertake the mandatory take-over offer.

Our Board has advised Dato' Tan and his PACs of the implications of the Code if his shareholdings in our Company exceed the two percent (2%) threshold in any six (6)-month period. Dato' Tan and his PACs have been informed to observe and comply at all times with the provisions of the Code.

## 5. UTILISATION OF PROCEEDS

The Rights Issue of ICULS is expected to raise gross proceeds of up to approximately RM33.49 million (excluding proceeds from any conversion of the ICULS by way of the cash option, if any).

The proceeds are expected to be utilised by our Group in the following manner:

| Proposed utilisation | Minimum Scenario RM'000 | Maximum Scenario RM'000 | Estimated timeframe for utilisation from date of receipt |
|---|---|---|---|
| Repayment of Amount Owing* | 7,500 | 7,500 | Within six (6) months |
| Repayment of bank borrowings^ | 2,490 | 16,490 | Within twelve (12) months |
| Working capital requirements@ | 4,210 | 8,698 | Within twenty four (24) months |
| Defray estimated expenses for the Corporate Exercises# | 800 | 800 | Within six (6) months |
| **Total** | **15,000** | **33,488** | |

*Notes:*

* *As at 30 June 2013, the Amount Owing to Dato' Tan amounting to approximately RM7.52 million of which RM7.50 million will be set-off against Dato' Tan's obligations pursuant to his Undertaking. The Amount Owing is subject to the following terms and conditions:*

*(i) The Amount Owing is non-trade in nature, unsecured, interest free, is repayable on demand and is mainly arising from Dato' Tan's remuneration; and*

*(ii) Dato' Tan has, via his letter dated 6 September 2013, irrevocably undertaken to authorise our Company to utilise the outstanding Amount Owing to partially set-off against his subscription monies for the Rights ICULS pursuant to his Undertaking to subscribe for RM15,000,000 nominal value of ICULS.*

^ *As at 30 June 2013, our Group's audited borrowings amount to approximately RM33.80 million. Based on the net average interest saving of 5.31% per annum being the difference between the average interest rate of our Group's borrowings of 8.31% per annum and the coupon rate of the ICULS of 3.00% per annum, assuming approximately RM16.49 million of the proceeds is used to repay our Group's bank borrowings (under Maximum Scenario), it is expected to contribute to net interest savings of approximately RM0.88 million per annum. Assuming approximately RM2.49 million of the proceeds is used to repay our Group's borrowings (under Minimum Scenario), it is expected to contribute to net interest savings of approximately RM0.13 million per annum.*

*The proceeds of up to RM16.49 million shall be utilised for our Group's bank borrowings, the details of which are set out below:*

| ***Proposed utilisation*** | ***Minimum Scenario RM'000*** | ***Maximum Scenario RM'000*** |
|---|---|---|
| *Overdraft facility* | *2,490* | *2,490* |
| *Bridging loan* | *-* | *14,000* |
| ***Total*** | ***2,490*** | ***16,490*** |

*The details of the bank borrowings to be repaid from the proceeds of the Rights Issue of ICULS are set out below:*

| ***Facility*** | ***Financial institutions*** | ***Facility amount RM'000*** | ***Outstanding amount RM'000*** | ***Date granted*** | ***Purpose*** |
|---|---|---|---|---|---|
| *Overdraft facility* | *United Overseas Bank (Malaysia) Bhd* | *2,500* | *2,491* | *November, 2011* | *Working capital requirements* |
| *Bridging loan* | *Bank Kerjasama Rakyat Malaysia Bhd* | *77,000* | *31,151* | *May, 2012* | *To fund the development of our Splash Park resort and Spa Village retreat in Palm Springs Resort City in Port Dickson, Negeri Sembilan Darul Khusus* |

@ *The proceeds of up to RM8.70 million shall be utilised for our Group's working capital requirements, the details of which are set out below:*

| ***Proposed utilisation*** | ***Minimum Scenario RM'000*** | ***Maximum Scenario RM'000*** |
|---|---|---|
| *Personnel cost*[(a)] | *3,240* | *5,405* |
| *Statutory related expenses*[(b)] | *970* | *1,940* |
| *Payment of creditors* | - | *1,353* |
| ***Total*** | ***4,210*** | ***8,698*** |

*Notes:*

*(a) The personnel cost includes Employees Provident Fund, Social Security Organisation (SOCSO) and other statutory payments.*

*(b) Statutory related expenses include audit fees, tax fees and assessment fees.*

# *The estimated expenses of approximately RM800,000 include the estimated professional fees and fees payable to the relevant authorities. Any surplus or shortfall of funds allocated for the payment of the estimated expenses will be adjusted accordingly from the working capital as the case may be.*

The maximum quantum of proceeds to be received by our Company pursuant to the full conversion of the ICULS (assuming by surrendering RM0.10 nominal value of ICULS together with cash such that in aggregate it amounts to RM0.20 for one (1) new Tanco Share) is RM33,488,672.

Notwithstanding the above, the actual quantum of proceeds to be received by our Company pursuant to the conversion of all the ICULS is dependent on the mode of conversion of the ICULS into new Tanco Shares. Nevertheless, our Group intends to use such proceeds, if any, for our working capital requirements and future business expansion, the details of which has yet to be determined as at the LPD.

## 6. RATIONALE FOR THE RIGHTS ISSUE OF ICULS

The rationale and justification for the Rights Issue of ICULS are as follows:

(i) to enable our Company to raise funds for its working capital requirement, to settle the Amount Owing and to partially repay bank borrowings which may result in net interest savings of up to approximately RM0.88 million per annum based on our Group's borrowings at an average interest rate of 8.31% per annum as compared to the coupon rate of 3.00% per annum of the ICULS;

(ii) to enable our Company to strengthen its eventual capital base upon full conversion of the ICULS;

(iii) to ensure no dilution of the shareholdings of our existing shareholders of our Company, assuming that all our Entitled Shareholders fully subscribe for their respective entitlements and thereafter fully convert the ICULS;

(iv) to avoid immediate dilutive effect on the EPS of our Company as opposed to the issuance of new Tanco Shares; and

(v) to provide our Entitled Shareholders with an option to further participate in the equity of our Company at a predetermined conversion price during the tenure of the ICULS. Proceeds to be received from the conversion of the ICULS, if any, will provide an additional source of funds to be used for future working capital requirements and business expansion of our Company.

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

The Rights Issue of ICULS is expected to create value for our Company and our securities holders through the following:

(i) Interest savings for our Group

Our Group's audited borrowings as at 30 June 2013 amount to approximately RM33.80 million. Based on the net average interest saving of 5.31% per annum and the planned utilisation of proceeds as disclosed in Section 5 of this AP, the repayment of our Group's bank borrowings are expected to contribute interest savings of the following:

(a) Minimum Scenario = RM0.13 million

(b) Maximum Scenario = RM0.88 million

(ii) Additional capital for better allocation of resources of our Group

The Rights Issue of ICULS would allow our Group to raise fresh capital to pare down our borrowings and financial commitments and also would assist in financing the working capital requirements of our Group. With the funds raised, our Group will be less reliant on the use of the overdraft facility (which generally entails a higher cost of funding) to finance the obligations which are current.

In addition, the Rights Issue of ICULS will not result in any immediate dilution to the shareholdings of our existing shareholders until such time as the ICULS are converted into new Tanco Shares.

## 7. RISK FACTORS

In addition to the other information contained herein, you should carefully consider the following risk factors (which may not be exhaustive) before making your decision on whether to subscribe for your entitlements to the Rights ICULS:

### 7.1 Risks relating to the operations and business of our Group

#### 7.1.1 Business risks

Our Group is principally involved in property development and management, contracting and building works, management and operation of resorts, golf club and management and operation of vacation ownership interval and point-based schemes, more commonly known as timeshare schemes. Hence, our Group is subject to certain risks inherent in the property investment and property development. Such risks include, *inter-alia*, the cyclical nature of the property market, the ability to obtain the necessary approvals from authorities for our ordinary business operations, potential labour and/or construction material shortages, suitable insurance coverage for our assets, under-utilisation of existing assets, and non-performance or unsatisfactory performance of sub-contractors.

The management seeks to limit these risk by practising prudent management policies, staying abreast with new development trends and market directions, careful planning upon undertaking new development projects, ensuring all authorities' approvals and insurance for development projects are properly acquired, maintaining strict contractual terms and ensuring continuous review of our business operations. Notwithstanding that, there is no assurance that any future changes to these factors will not have an adverse effect on the operations of our Group.

#### 7.1.2 Dependence on key management and skilled personnel

The success of our Group is to a certain extent dependent on the abilities and continued efforts of our existing Directors and senior management. The loss of any key members of our Board may adversely affect our Group ability to remain competitive in the property development and tourism market.

In addition, our Group had, at the EGM held on 8 November 2013, obtained the approval of our shareholders to implement a SIS for the benefit of our Group's eligible employees and Directors in view of retaining their services and encouraging them to improve their performance. The SIS will be implemented after the completion of the Rights Issue of ICULS as an incentive to retain key operational staff. Other incentives implemented include offering them competitive compensation packages, conducting training programs and promoting career growth opportunities.

Although our Group seeks to retain its key staff and members of our Board through the efforts taken above, no assurance can be given that any changes in the management team structure will not have a material adverse effect on our Group's future performance.

### 7.1.3 Interest rate risks

Banking facilities and borrowing could be one of the main sources of financing for our business operations and expansion moving forward. Hence, an increase in interest rates could lead to higher borrowing costs and in turn, affect the profitability of our Group. The management of our Group has taken and will continue to take measures to mitigate our Group's exposure to adverse movements in interest rate but such measures may not fully eliminate interest rate risks faced by our Group.

Our Group's audited bank borrowings as at 30 June 2013 amounts to approximately RM33.80 million. The partial repayment of our Group's bank repayments of up to RM16.49 million (based on the Maximum Scenario) pursuant to the Rights Issue of ICULS is expected to contribute annual interest savings of approximately 5.31% (based on the average interest rate of our Group of 8.31% per annum).

However, there is no assurance that any adverse movement in the interest rate on the remaining bank borrowings would not impact on the cash flows, financial and operational performance of our Group.

### 7.1.4 Credit risks

Our Group's exposure to credit risk principally arises from our receivables. We have undertaken measures to minimise the credit risk by dealing only with counterparties of high credit rating and reputation. Our Group trades only with recognised and creditworthy third parties such as building contractors and material suppliers with a stable track record. It is our Group's policy that all suppliers who wish to trade on credit terms are subject to credit verification procedures. In addition, our Group monitors receivable balances on an ongoing basis to ensure there is no significant exposure to bad debt.

There is no assurance that despite such measures undertaken by our Group, the risk of non-payment by our customers would still exist and should any debts become non-recoverable, it would have an adverse impact on our financial performance.

### 7.1.5 Liquidity and cash flow risks

Our Group's exposure to liquidity risk arises principally from various payables, loans and borrowings where financial obligations may not be met when they are due. In order to minimise this risk, our Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by our management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due. Notwithstanding that, no assurance can be given that adverse changes in such factors will not have an impact on the financial performance of our Group.

## 7.2 Risks relating to the property investment and development sector

### 7.2.1 Political, economic and regulatory considerations

Our operations and financial performance may be adversely affected by unfavourable political, economic and regulatory developments. These factors include, but are not limited to risks of war, global economic downturn, changes in level of inflation, availability of capital from the capital market or banking system, fluctuation of foreign exchange rates and unfavourable changes in government policies such as changes in government's fiscal, monetary and regulatory policies, taxation and labour laws.

Whilst we strive to take measures such as prudent financial management and efficient operating procedures, there is no assurance that adverse political, economic and regulatory factors would not adversely affect our business and financial performance in the future.

### 7.2.2 Competition

The property development sector is highly competitive with offerings from both private and public-listed property developers. As a result, any oversupply of property due to a mismatch in the supply and demand could ultimately affect the sale price of our properties. This may have an impact on our Group's growth opportunity or ability to improve our existing market share as a result of, *inter-alia*, other market players within the market.

Our Group is currently developing a proposed mixed commercial development in Port Dickson, Negeri Sembilan Darul Khusus known as Splash Park. Phase 1 of Splash Park has a projected gross development value of RM283.80 million and a projected development surplus of RM77.00 million. The twenty-three (23)-acre development will comprise of an eight (8)-acre water park, serviced suites, and an international-class 250-room hotel with convention facilities. Splash Park is located approximately eighty (80) minutes away from Kuala Lumpur and forty-five (45) minutes away from the Kuala Lumpur International Airport and is due for completion by 2018. However, no assurance can be given that our Group will be able to resist the increasing competition arising from existing competitors, substitutes and/or potential new entrants to the industry.

### 7.2.3 Dependence on licensing/approval from authorities

Regulatory approvals are one of the core risks inherent in the property development sector, particularly in respect of approvals for development orders, building plans and conversion of land usage. There is no assurance that any delay in obtaining these approvals may not have an adverse impact on the timing of launching our development projects and thereby affecting our future profitability.

Our management has always worked to ensure that the entire regulatory framework is complied with. To ensure smooth implementation of our development projects, we conduct thorough studies on the nature and background of land to be acquired and ensure that we comply with procedural and documentation requirements in relation to the applications for necessary approvals. In addition, we will monitor the progress of such applications by progressively liaising with the relevant authorities.

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

### 7.2.4 Dependence on contractors

The property development sector is highly dependent on the performance of the main/sub-contractors to ensure timely completion of the respective building and infrastructure works as per their contractual timeline. The performance and profitability of our development projects will also depend on the quality, pricing, performance and reliability of the main/sub-contractors appointed to carry out the development projects. There is no assurance that any unanticipated delay due to unforeseen circumstances, shortage of supplies of construction materials or labour and unsatisfactory performance of the appointed main/sub-contractors may not have an adverse effect on the operations and profitability of our Group.

Nevertheless, in order to mitigate the risks, we are stringent in the selection of contractors such that only contractors with proven track record and adequate financial resources are engaged to undertake construction works in our development projects. We also appointed contractors based on the quality of work done in the past. Moreover, we are not dependent on any single contractor as we engage the services of a few contractors for the development of our projects.

## 7.3 Risks relating to the Rights Issue of ICULS

### 7.3.1 Investment risks

The market price of the ICULS to be issued pursuant to the Rights Issue of ICULS will be influenced by, amongst others, prevailing market sentiments, volatility of the stock market, the prospects and operating results of our Group and the future outlook of the property development industry. Therefore, the future liquidity and trading volume of our ICULS and other securities is unknown at this juncture.

The issue price and the conversion price of the ICULS were derived at after taking into consideration the par value of the Shares of RM0.20 each and the TERP of RM0.1639 computed based on the five (5)-day VWAMP of the Shares up to and including 6 September 2013 (being the last Market Day prior to the Announcement).

The market price of the ICULS, like all listed securities traded on Bursa Securities, being new securities to be issued by our Company, is subject to, *inter-alia*, price discovery by investors, fluctuations in tandem with the overall outlook of the stock market in Malaysia and globally, and will be influenced by, amongst others, the market price, future prospects of our Group, potential payments of dividends/interest and volatility of the Tanco Shares and the remaining conversion period of the ICULS.

In view of this, there is no assurance that the market price of the Rights ICULS, upon or subsequent to their listing, will remain at or above the issue price, or that the Rights ICULS can be sold at or above the issue price. Also, there is no assurance that the conversion price of the ICULS will be in-the-money during the tenure of the conversion period of the ICULS.

### 7.3.2 Factors affecting the ICULS

There is no prior market for the ICULS, and as such there is no assurance that an active market for the ICULS will develop upon their listing on the Main Market of Bursa Securities, or if developed, that such a market may not be sustained or be adequately liquid during the tenure of the ICULS.

Our Board believes that a variety of factors could cause the price of the ICULS to fluctuate, perhaps substantially, including but not limited to trades of substantial amounts of ICULS in the public market, fluctuations in the price of the underlying Shares, announcements of developments relating to our business and the future financial performance of our Group.

The future price performance of the ICULS will also depend on various external factors, such as prospects of the property development and tourism industries in which our Group operates, the economic, monetary and political conditions of the country and globally, outlook of interest rates, the sentiments and liquidity in the local stock market as well as the performance of regional and world bourses and other external environment affecting the economies.

Notwithstanding the above, it should be noted that our Group's financial performance is not dependent on the market price performance of the ICULS.

### 7.3.3 Unsecured obligations/repayment risks of the ICULS

The ICULS shall constitute direct, unsecured and unconditional obligation of our Company ranking *pari passu* amongst themselves and with all other subordinated and unsecured obligations of our Company, subject only to those preferred by mandatory provisions of law. Moving forward, there is no assurance that the financial performance of our Group would be profitable to sustain the financial condition of our Group at a satisfactory level to support the value of the ICULS and generate sufficient cash flows to service the coupon when due.

In the event of the ICULS becoming payable upon the occurrence of an event of default pursuant to the Trust Deed, the amount which is immediately due and payable by our Company to the holders of the ICULS shall be the nominal value of the outstanding ICULS.

Our Company will endeavour to ensure that we will maintain prudent cash flow management and monitor our cash flow position regularly to minimise the event of default. However, there is no assurance that our Company will generate sufficient cash flow to mitigate the payment risk of the coupon of the ICULS.

### 7.3.4 Delay in or abortion of the listing of and quotation for the Rights ICULS

There may be a delay in or abortion of the listing of and quotation for the Rights ICULS on the occurrence of *force majeure* events or events/circumstances which are beyond the control of our Group prior to the full implementation of the Rights Issue of ICULS.

Although our Company will exercise our best endeavour to ensure the successful listing of and quotation for the Rights ICULS, there can be no assurance that the above events will not occur and cause a delay in or even abortion of the listing of and quotation for the Rights ICULS.

In the event the listing of and quotation for the Rights ICULS are aborted, all subscription monies received pursuant to the Rights Issue of ICULS will be refunded to our Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable), who have subscribed for the Rights ICULS, as the case may be.

### 7.3.5 Undertaking for the Rights Issue of ICULS

As disclosed in Section 4.1 of this AP, Dato' Tan has provided his irrevocable written undertaking to subscribe for an aggregate amount of RM15,000,000 nominal value of the Rights ICULS to achieve the Minimum Subscription Level.

As the Rights Issue of ICULS are being undertaken on a non-underwritten basis, in the event that the Rights ICULS are undersubscribed, the successful implementation of the Rights Issue of ICULS is dependent upon Dato' Tan fulfilling his obligations pursuant to the Rights ICULS Undertaking.

Although PIVB has verified and has procured confirmation that Dato' Tan has sufficient financial resources to honour his irrevocable written undertaking, there can be no assurance that the abovementioned factor will not cause a delay or failure in implementing the Rights Issue of ICULS.

In the event that the Minimum Subscription Level is not achieved, our Company will not proceed with the implementation of the Rights Issue of ICULS. All subscription monies received pursuant to the Rights Issue of ICULS will be refunded without interest within fifteen (15) Market Days from the last date for acceptance and payment to our Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable), who have subscribed for the Rights ICULS as the case may be.

## 8. EFFECTS OF THE CORPORATE EXERCISES

For illustration purposes, the following sets out the proforma effects of the Corporate Exercises on the share capital, gearing, NA, Substantial Shareholders' shareholdings, earnings and EPS of our Company, based on the Minimum Scenario and Maximum Scenario.

### 8.1 Share capital

The proforma effects of the Corporate Exercises on the issued and paid-up share capital of our Company are as follows:

| | Par value RM | Minimum Scenario(1) | | Maximum Scenario(2) | |
|---|---|---|---|---|---|
| | | **No. of Shares** | **RM** | **No. of Shares** | **RM** |
| Authorised share capital | 0.20 | 5,000,000,000 | 1,000,000,000 | 5,000,000,000 | 1,000,000,000 |
| As at the LPD | 0.20 | 334,886,726 | 66,977,345 | 334,886,726 | 66,977,345 |
| To be issued pursuant to the full conversion of the ICULS | 0.20 | 75,000,000 | 15,000,000 | 334,886,726 | 66,977,345 |
| Arising from the full conversion of the ICULS | 0.20 | 409,886,726 | 81,977,345 | 669,773,452 | 133,954,690 |
| To be issued pursuant to the full exercise of the Options(3) | 0.20 | 50,233,008 | 10,046,602 | 50,233,008 | 10,046,602 |
| **Enlarged issued and paid-up share capital** | **0.20** | **460,119,734** | **92,023,947** | **720,006,460** | **144,001,292** |

*Notes:*

*(1) The RM15,000,000 nominal value of the ICULS issued pursuant to the Rights Issue of ICULS are fully converted into 75,000,000 new Tanco Shares by surrendering RM0.20 nominal value of ICULS for one (1) new Tanco Share.*

*(2) The RM33,488,672 nominal value of the ICULS issued pursuant to the Rights Issue of ICULS are fully converted into 334,886,726 new Tanco Shares by surrendering RM0.10 nominal value of ICULS together with cash such that in aggregate it amounts to RM0.20 for one (1) new Tanco Share.*

*(3) Assuming the new Tanco Shares to be allotted and issued pursuant to the SIS after the full conversion of the ICULS.*

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

## 8.2 NA and gearing

The Proposed SIS is not expected to have an immediate impact on the NA per Share and gearing of our Group until such time when the Options are granted and exercised by the Grantees. However, the potential effect on the NA and gearing in the future would depend on factors such as the number of Options granted and exercised at any point in time, the subscription price, the utilisation of the proceeds arising from the exercise of Options and the potential effect on the future earnings of our Group arising from the adoption of FRS 2.

The proforma effects of the Par Value Reduction, Rights Issue of ICULS and SIS on the NA and gearing of our Group, based on the audited consolidated statement of financial position of our Company as at 30 June 2013, are as follows:

**<u>Minimum Scenario</u>**

| | | (I) | (II) | (III) | (IV) | (V) |
|---|---|---|---|---|---|---|
| | **Audited as at 30 June 2013 RM'000** | **After the Par Value Reduction[a] RM'000** | **After (I) and the Rights Issue of ICULS RM'000** | **After (II) and the SIS RM'000** | **After (III) and assuming the full conversion of ICULS[b] RM'000** | **After (IV) and assuming the full exercise of Options RM'000** |
| Share capital | 334,887 | 66,977 | 66,977 | 66,977 | 81,977 | 92,024 |
| Share premium | - | - | - | - | - | 2,512 |
| ICULS - equity component | - | - | 10,407 | 10,407 | - | - |
| Foreign currency reserve | (1,303) | (1,303) | (1,303) | (1,303) | (1,303) | (1,303) |
| Share options reserve | - | - | - | 2,512 | 2,512 | - |
| (Accumulated losses)/Retained earnings | (142,209) | 125,701 | 124,901[c] | 122,389 | 122,389 | 122,389 |
| **Shareholders' fund/NA** | **191,375** | **191,375** | **200,982** | **200,982** | **205,575** | **215,622** |
| Par value per Share (RM) | 1.00 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 |
| Number of Shares ('000) | 334,887 | 334,887 | 334,887 | 334,887 | 409,887 | 460,120 |
| NA per Share (RM) | 0.57 | 0.57 | 0.60 | 0.60 | 0.50 | 0.47 |
| Total borrowings (RM'000) | 33,801 | 33,801 | 32,435[d] | 32,435 | 31,311[e] | 31,311 |
| Gearing (times) | 0.18 | 0.18 | 0.16 | 0.16 | 0.15 | 0.15 |

*Notes:*

*(a)* *The Par Value Reduction was completed on 6 December 2013.*

*(b)* *Assuming that all the outstanding ICULS are all converted into 75,000,000 new Tanco Shares by surrendering RM0.20 nominal value of ICULS for one (1) new Tanco Share.*

*(c)* *After deducting the estimated expenses for the Corporate Exercises of RM800,000.*

*(d)* *After deducting the repayment of borrowings amounting to approximately RM2.49 million and including the liability component of the ICULS amounting to approximately RM1.12 million.*

*(e)* *After deducting the liability component of the ICULS amounting to approximately RM1.12 million.*

**Maximum Scenario**

| | | (I) | (II) | (III) | (IV) | (V) |
|---|---|---|---|---|---|---|
| | Audited as at 30 June 2013 RM'000 | After the Par Value Reduction[(a)] RM'000 | After (I) and the Rights Issue of ICULS RM'000 | After (II) and the SIS RM'000 | After (III) and assuming the full conversion of ICULS[(b)] RM'000 | After (IV) and assuming the full exercise of Options RM'000 |
| Share capital | 334,887 | 66,977 | 66,977 | 66,977 | 133,954 | 144,001 |
| Share premium | - | - | - | - | - | 2,512 |
| ICULS - equity component | - | - | 23,234 | 23,234 | - | - |
| Foreign currency reserve | (1,303) | (1,303) | (1,303) | (1,303) | (1,303) | (1,303) |
| Share options reserve | - | - | - | 2,512 | 2,512 | - |
| (Accumulated losses)/Retained earnings | (142,209) | 125,701 | 124,901[(c)] | 122,389 | 122,389 | 122,389 |
| **Shareholders' fund/NA** | **191,375** | **191,375** | **213,809** | **213,809** | **257,552** | **267,599** |
| | | | | | | |
| Par value per Share (RM) | 1.00 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 |
| Number of Shares ('000) | 334,887 | 334,887 | 334,887 | 334,887 | 669,773 | 720,006 |
| NA per Share (RM) | 0.57 | 0.57 | 0.64 | 0.64 | 0.38 | 0.37 |
| Total borrowings (RM'000) | 33,801 | 33,801 | 19,820[(d)] | 19,820 | 17,311[(e)] | 17,311 |
| Gearing (times) | 0.18 | 0.18 | 0.09 | 0.09 | 0.07 | 0.06 |

*Notes:*

*(a)* *The Par Value Reduction was completed on 6 December 2013.*

*(b)* *Assuming that all the outstanding ICULS are converted into new Shares by by surrendering RM0.10 nominal value of ICULS together with cash such that in aggregate it amounts to RM0.20 for one (1) new Tanco Share.*

*(c)* *After deducting the estimated expenses for the Corporate Exercises of RM800,000.*

*(d)* *After deducting the repayment of borrowings amounting to approximately RM16.49 million and including the liability component of the ICULS amounting to approximately RM2.51 million.*

*(e)* *After deducting the liability component of the ICULS amounting to approximately RM2.51 million.*

Upon the completion of the Corporate Exercises, the NA per Share of our Company is expected to increase from RM0.57 to RM0.60 (under the Minimum Scenario) and RM0.64 (under the Maximum Scenario). The Corporate Exercises are also expected to decrease the gearing ratio of our Group.

However, in the event that existing shareholders of our Company do not subscribe for their allocated number of ICULS, upon the conversion of the ICULS and the exercise of the Options, the shareholdings of the existing shareholders of our Company would be diluted.

### 8.3 Earnings and EPS

The Corporate Exercises are expected to be completed by the first ($1^{st}$) quarter of 2014 and will not have any impact on the earnings and EPS of our Group for the FYE 2013.

Our Board expects the Rights Issue of ICULS to contribute positively to the future earnings of our Group based on the proposed utilisation of proceeds mainly for the repayment of bank borrowings and our Group's working capital purposes.

The utilisation of proceeds from the Rights Issue of ICULS to partially repay our Group's borrowings is expected to result in net interest savings of up to approximately RM0.13 million per annum (based on the Minimum Scenario) and up to approximately RM0.88 million per annum (based on the Maximum Scenario), after taking into account the coupon rate of the ICULS of 3.00% per annum and the average interest rate of 8.31% per annum. The interest savings is earnings accretive and also improves the interest cover of our Group.

On a standalone basis, the EPS of our Group may be diluted as a result of the increase in the number of Tanco Shares arising from the full conversion of the ICULS into new Tanco Shares in the event the earnings of our Group does not increase in tandem with the increase in the number of Tanco Shares in issue. However, the extent of dilution to the EPS is dependent on, amongst others, the actual number of the Tanco Shares to be converted and the future earnings of our Group.

For illustrative purposes, based on the audited financial statements of our Group for the FYE 2013, the proforma effects on the consolidated LPS assuming that the Par Value Reduction and Rights Issue of ICULS had been completed at the beginning of the said financial period are as follows:

| | | **(I)** | **(II)** | **(III)** |
|---|---|---|---|---|
| | **Audited as at 30 June 2013** | **After the Par Value Reduction**[(a)] | **After (I) and the Rights Issue of ICULS** | **After (II) and assuming the full conversion of ICULS** |
| **Minimum Scenario** | | | | |
| LAT (RM'000) | (83,188) | (83,188) | (83,056)[(b)] | (83,056) |
| No. of ordinary shares in issue ('000) | 334,887 | 334,887 | 334,887 | 409,887[(d)] |
| LPS (sen) | (0.25) | (0.25) | (0.25) | (0.20) |
| **Maximum Scenario** | | | | |
| LAT (RM'000) | (83,188) | (83,188) | (82,312)[(c)] | (82,312) |
| No. of ordinary shares in issue ('000) | 334,887 | 334,887 | 334,887 | 669,773[(e)] |
| LPS (sen) | (0.25) | (0.25) | (0.25) | (0.12) |

*Notes:*

*(a)* *The Par Value Reduction was completed on 6 December 2013.*

*(b)* *Including interest savings of RM0.13 million.*

*(c)* *Including interest savings of RM0.88 million.*

*(d)* *Assuming that all the outstanding ICULS are all converted into 75,000,000 new Tanco Shares by surrendering RM0.20 nominal value of ICULS for one (1) new Tanco Share.*

*(e)* *Assuming that all the outstanding ICULS are converted into new Shares by surrendering RM0.10 nominal value of ICULS together with cash such that in aggregate it amounts to RM0.20 for one (1) new Tanco Share.*

# 9. INDUSTRY OVERVIEW, OUTLOOK AND FUTURE PROSPECTS OF OUR GROUP

## 9.1 Overview and outlook of the Malaysian economy

The Malaysian economy has been making commendable progress since the launch of the national transformation agenda in 2010 and is on track to become a high-income and developed nation by 2020. Gross domestic product growth has been strong with low unemployment and manageable inflation. Meanwhile, the export structure has become diversified with higher intra-regional trade. Given the resilience of the domestic economy and better growth prospects in the US, Japan and China during the second half of the year, the Malaysian economy is expected to expand at a firmer pace in the second half and to achieve 4.5% to 5% in 2013.

The 2013 Budget has further strengthened the transformation agenda through various programmes and projects. To ensure public finances remain sound over the longer term, the Government set up the Fiscal Policy Committee in June 2013. In 2013, domestic investment activity was boosted by launch of the Refinery and Petrochemical Integrated Development (RAPID) project in Pengerang, Johor under the Economic Transformation Programme.

Meanwhile, private consumption will be supported by stable employment conditions, higher wage growth, especially in the domestic-oriented sectors and cash transfers to targeted households. Public consumption is expected to increase following the civil servants' recent salary increment in July 2013.

On the supply side, growth is expected to be supported by expansion in all economic sectors. In tandem with strong domestic demand, the services and manufacturing sectors are expected to drive growth. Growth in the construction sector will continue to expand, supported by higher activity in the residential segment and key public infrastructure projects during the second half of 2013.

Malaysia's external position is expected to remain resilient despite affected by the weak external demand during the first half of 2013. In the financial account, inflows of foreign direct investment are expected to increase, encouraged by renewed investors' confidence on the Malaysian economy after the 13th General Election and better prospects of the global economy during the second half of the year. However, short-term capital inflows are likely to be volatile amid concerns on the tapering of the third round of quantitative easing by the Federal Reserve of the United States.

Headline inflation is expected to increase an average 2% - 2.5% in 2013 (2012: 1.6%). The higher inflation is mainly driven by the 20 sen subsidy reduction in domestic fuel prices on 3 September 2013. Inflation is, however expected to be mitigated by moderating energy and global food prices.

The Malaysian economy is expected to expand further by 5% - 5.5% in 2014 (2013: 4.5% - 5%), supported by favourable domestic demand and an improving external environment. Growth will be private-led, supported by strong capital spending while private consumption continues to remain resilient.

*(Source: Economic Report 2013/2014, Ministry of Finance)*

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

## 9.2 Overview and outlook of the Malaysian property investment and development market

The Malaysian property market softened in the first half of 2013. A total of 185,709 transactions worth RM67.06 billion were recorded. Compared to H1 and H2 2012, the volume of transaction decreased by 14.4% and 11.8% respectively. (H1 2012: 217,067 transactions; H2 2012: 210,453 transactions). Correspondingly, the value of transactions decreased by 2.8% and 9.2% respectively against H1 2012 (RM69.00 billion) and H2 2012 (RM73.85 billion).

Property market movements were on the downturn compared to the corresponding half year of 2012. In terms of transactions volume, the highest decrease was recorded by commercial sub-sector at 23.6%, followed by agricultural 16.8%, industrial 14.3%, residential 12.6%, and development land 10.8%. Likewise, transactions volume was also lower against the preceding half of 2012 which saw industrial sub-sector led a drop of 23.0%; commercial 19.0%, residential 13.0%, development land 8.3% and agricultural 2.6%.

In terms of value, residential sub-sector contributed the highest to the overall transactions value at 49.1%. Followed suit was commercial sub-sector 20.4%; development land sub-sector 12.0%, agricultural subsector 9.5% and industrial sub-sector 9.0%. Against the corresponding year all sub-sectors recorded a negative downturn except for residential and commercial sub-sector which recorded a marginal increase of 1.0% and 0.4% respectively.

The purpose-built office and shopping complex sub-sectors saw an improved performance. The national average occupancy rate for purpose-built office firmed up to 83.3% from 83.0% in H1 2012 and 82.0% in H2 2012, the take-up space contracted substantially to record 242,051 square meters (**"s.m."**) against H1 2012 (275,274 s.m.) but increased against H2 2012 (117,408 s.m.). In spite of this, total vacant space available in the country grew slightly to 3.07 million s.m. (H1 2012: 3.06 million s.m.; H2 2012: 3.30 million s.m.). The improved occupancy was on account of lesser new space completed, which led to a smaller growth in total space available for occupation.

*(Source: Property Market Report First Half 2013, Valuation and Property Services Department, Ministry of Finance)*

The real estate and business services subsector grew 6.6% during the first six months of 2013 (January – June 2012: 7.3%) mainly driven by increased professional services in engineering for the oil and gas and construction industries; computer services related to hardware and software; and accounting services. Meanwhile, growth in real estate segment was mainly contributed by the high-end property market. This was reflected by a slight increase in value of residential property transactions at 1% (January – June 2012: 8%), despite a 12.6% decline in transaction volume (January – June 2012: 1.5%). In 2013, the subsector is projected to increase 6.8% (2012: 7.2%).

The residential subsector expanded 15.7% (January – June 2012: 22%) supported by strong demand and reflected in higher construction activities with housing start rising 20.3% to 73,804 units (January – June 2012: 13.8%; 61,351 units. During the first six months of the year, the Klang Valley continued to dominate the supply, accounting for 31% of housing starts followed by Johor (23.1%), spurred by ongoing infrastructure development (January – June 2012: 39.1%; 15.3%). To expand the supply of affordable houses, the Government has introduced the 1Malaysia Housing Programme (PR1MA), which is expected to provide 80,000 houses as announced in the 2013 Budget.

Following Government initiative to curb speculative activity, the volume of residential property transactions contracted 12.6% (January – June 2012: 1.5%), while the value increased marginally by 1% to RM32.9 billion (January – June 2012: 8%; RM32.6 billion). In addition, the Malaysia My Second Home (MM2H) programme attracted 1,200 foreign buyers, mostly from Japan, China, the United Kingdom and Iran. According to Malaysia Property Incorporated, only 3% of property investors in Malaysia are foreigners and concentrated in the high-end property market. However, recent property purchase by foreigners in prime areas, such as Johor and Pulau Pinang have increased significantly and raised concerns of excessive speculation activity and rising property prices. To address these issues, the Government has responded with measures such as increasing the Real Property Gains Tax (RPGT) rates, lowering the loan-to-value ratio, increasing the supply of affordable homes and tightening bank lending regulations.

In the non-residential subsector, construction activity was subdued and declined 1% (January – June 2012: 12.8%) as reflected in the lower incoming supply, particularly in the purpose-built office ("**PBO**") and shopping complex segments. The completion of PBO space slowed down during the last six months, with a decline to 16,198 metres (sm) (January – June 2012: 120,234 sm). The moderating construction activity in the non-residential subsector was also due to the near completion of large industrial development projects such as the Samalaju Industrial Park in Sarawak. However, demand for commercial buildings remained stable with the average occupancy rate of office and retail space at 84.2% and 79.7%, respectively, reflecting sustained demand, particularly for commercial space located in prime areas.

*(Source: Economic Report 2013/2014, Ministry of Finance)*

**9.3 Overview and outlook of the Malaysian accommodation and tourism market**

The accommodation and restaurant subsector grew 5.6% during the first half of 2013 (January – June 2012: 6.5%) benefiting from higher tourism activities and increased patronage of restaurant outlets. The value-added of accommodation activity rose 1.8% (January – June 2012: 4.2%), particularly driven by aggressive online promotion of hotel packages. As at end-June 2013, the total supply of hotel rooms increased 5.4% to 189,843 (end-June 2012: 5.2%; 180,078), with Kuala Lumpur continuing to contribute the highest share at 17.1% (end-June 2012: Kuala Lumpur; 17.7%).

The tourism industry is expected to gain from higher tourism arrivals which grew 7.9% to 12.6 million during the first six months of 2013 (January – June 2012: 2.4%; 11.6 million). The top three tourist-generating markets were Singapore (50.2%), Indonesia (9.9%) and China (7.5%). Other markets that offer high-growth opportunities for the tourism industry are Thailand, India, Europe and West Asia. In 2013, tourist arrivals are projected to reach 26.8 million and spending of RM65 billion (2012: 25 million; RM60.6 billion), benefitting from promotional campaigns ahead of Visit Malaysia Year (VMY) 2014.

*(Source: Economic Report 2013/2014, Ministry of Finance)*

The accommodation and restaurant subsector grew at a stronger pace of 6.2% (Q4 2012: 4.8%) supported by higher consumption during the festive season and school holidays as well as events such as Le Tour de Langkawi, Langkawi International Maritime and Air Exhibition 2013 and Formula One Malaysia 2013. Total passenger traffic at airports nationwide increased 9.1% to 17.8 million (Q4 2012: 8.6%; 18.4 million) supported by increased tourist arrivals. Nevertheless, the travel account, which comprised 54.1% of total receipts in the services account, recorded a surplus of RM6.9 billion.

*(Source: Malaysian Economy, First Quarter 2013, Ministry of Finance)*

In the air transport segment, total passenger traffic at airports nationwide recorded a double-digit growth of 18.9% to 20 million (Q1 2013: 9.1%; 17.8 million passengers) supported by increased connectivity and frequency as well as continuous promotion and offering of attractive travel packages. The travel account recorded a higher surplus of RM7.3 billion, reflecting higher tourist expenditure.

*(Source: Malaysian Economy, Second Quarter 2013, Ministry of Finance)*

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

### 9.4 Prospects and outlook of our Group

In 2013, our Group recommenced the development of its Palm Springs Resort City ("**PSRC**") in Port Dickson, Negeri Sembilan Darul Khusus. The whole development is expected to be completed by the year 2023 and will have a gross development value of RM5.00 billion. At present, PSRC contains amongst others, the eighteen (18)-hole Kelab Golf DiRaja Palm Springs, 408 units of townhouses and an extreme park.

In 2013, our Group started developing a proposed mixed commercial development known as Splash Park, located within the PSRC. Phase 1 of Splash Park has a projected gross development value of RM283.80 million and a projected development surplus of RM77.00 million. The twenty-three (23)-acre development will comprise of an eight (8)-acre water park, serviced suites, and an international-class 250-room hotel with convention facilities. The project costs for the subsequent phases of the development have not been determined at this juncture. Splash Park is located approximately eighty (80) minutes away from Kuala Lumpur and forty-five (45) minutes away from the Kuala Lumpur International Airport and is due for completion by 2018.

Our Group has appointed Impiana Hotels & Resorts Management Sdn Bhd, a company with extensive experience and expertise in managing resort hotels in Malaysia and the region, to manage and operate Splash Park Suites, the resort component of Splash Park, comprising of 830 fully-furnished serviced units.

Port Dickson is a beach and holiday destination frequented by many tourists both local and from around the world. With some of the best beach resorts which have been developed along the coastal line such as Avillion Port Dickson and the Thistle Hotel, our Board is of the opinion that Port Dickson is a suitable location for the development of our Group's latest flagship development.

Premised on the outlook of the Malaysian accommodation and tourism market, as well as the ongoing project of our Group above, our Board is cautiously optimistic that the prospects of our Group would be satisfactory for the FYE 2014 and FYE 2015.

## 10. WORKING CAPITAL, BORROWINGS, MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

### 10.1 Working capital

Our Board is of the opinion that after taking into account our Group's cash in hand, banking facilities available, the proceeds to be raised from the Rights Issue of ICULS, our Group will have sufficient working capital for a period of twelve (12) months from the date of issue of this AP.

### 10.2 Borrowings

As at the LPD, our Group's total borrowings are as follows:

| | **Short-term RM'000** | **Long-term RM'000** | **Total RM'000** |
|---|---|---|---|
| Fixed rate interest-bearing borrowings* | 2,555 | 35,718 | 38,273 |
| Floating rate interest-bearing borrowings | - | - | - |
| **Total** | 2,555 | 35,718 | 38,273 |

*Note:*

* *Interest rates ranging from 2.76% to 8.35% per annum.*

All outstanding borrowings are interest-bearing and are denominated in RM. As at the LPD, our Group does not have any foreign currency borrowings.

There has been no default on payments of either interest and/or principal sums in respect of any borrowings throughout the past one (1) FYE and the subsequent financial period thereof, immediately preceding the LPD.

### 10.3 Material commitments and contingent liabilities

There are no material commitments for capital expenditure contracted or known to be contracted by our Group which may have a substantial impact on the results or financial position of our Group.

Save as disclosed below, there are no contingent liabilities which, upon becoming enforceable, may have a material impact on the results or the financial position of our Group:

| | **Company RM'000** |
|---|---|
| Corporate guarantees given by our Company to Lehman Brothers Commercial Corporation Asia Limited (In liquidation) for credit facilities granted to the subsidiaries | 1,091 |
| Corporate guarantees given by our Company to a bank for credit facilities granted to the subsidiaries | 50,718 |

## 11. PROCEDURES FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER AND EXCESS APPLICATION FOR THE RIGHTS ISSUE OF ICULS

As an Entitled Shareholder, your CDS account(s) will be duly credited with the number of Provisional Rights ICULS which you are entitled to subscribe for under the terms and conditions of the Rights Issue of ICULS. You will find enclosed with this AP, the NPA notifying you of the crediting of the number of such Provisional Rights ICULS into your CDS account(s) and the RSF to enable you to subscribe for such Rights ICULS that you have been provisionally allotted, as well as apply for the Excess Rights ICULS if you wish to do so.

**FULL PROCEDURES FOR THE ACCEPTANCE, PAYMENT, SALE/TRANSFER AND THE EXCESS RIGHTS ICULS APPLICATION ARE SET OUT IN THIS SECTION AND THE ACCOMPANYING RSF. YOU ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS AP, THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN CAREFULLY. THE RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THIS AP.**

The Provisional Rights ICULS are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in the Provisional Rights ICULS will be by book entries through CDS accounts and will be governed by the SICDA and the Rules of Bursa Depository. As an Entitled Shareholder, you and/or your renouncee(s)/transferee(s) (if applicable) are required to have valid and subsisting CDS accounts when making the applications.

### 11.1 Procedures for acceptance and payment

Acceptance of and payment for the Provisional Rights ICULS must be made on the RSF issued with this AP and completed in accordance with the notes and instructions printed in the RSF. At the absolute discretion of our Board, we may not accept acceptances which do not strictly conform to the terms of this AP or the RSF or the notes and instructions printed in these documents.

If you wish to accept all or part of your entitlement to the Provisional Rights ICULS, please complete Part I (A) and Part II of the RSF in accordance with the notes and instructions contained in the RSF. You must despatch by ORDINARY POST or DELIVERED BY HAND the completed and signed RSF together with the relevant payment in the official envelope provided (at your own risk) to our ICULS Registrar at the following address:

Boardroom Corporate Services (KL) Sdn Bhd (3775-X)
Lot 6.05, Level 6, KPMG Tower,
8 First Avenue, Bandar Utama,
47800 Petaling Jaya, Selangor Darul Ehsan
Tel: +603-7720 1188
Fax: +603-7720 1111

and should reach our ICULS Registrar not later than 5.00 p.m. on Thursday, 30 January 2014, being the last date and time for acceptance and payment, or such later date and time as our Board may decide and announce not less than two (2) Market Days before the stipulated date and time.

If you lose, misplace or for any reason require another copy of the RSF, you and/or your renouncee(s)/transferee(s) (if applicable) may obtain additional copies from your stockbrokers, our ICULS Registrar, our Registered Office or Bursa Securities' website (http://www.bursamalaysia.com).

One (1) RSF can only be used for the acceptance of the Provisional Rights ICULS standing to the credit of one (1) CDS account. Separate RSF must be used for the acceptance of the Provisional Rights ICULS standing to the credit of more than one (1) CDS account. If successful, the Rights ICULS accepted by you will be credited into the respective CDS accounts where the Provisional Rights ICULS are standing to the credit.

A reply envelope is enclosed with this AP. To facilitate the processing of the RSFs by our ICULS Registrar, you are advised to use one (1) reply envelope for each completed RSF.

If you do not wish to accept the Provisional Rights ICULS in full, you are entitled to accept part of your entitlement to the Provisional Rights ICULS. The minimum number of the Provisional Rights ICULS that can be accepted is one (1) Rights ICULS. You should take note that a trading board lot comprises one hundred (100) Rights ICULS.

Each completed RSF must be accompanied by remittance in RM for the full amount payable in the form of banker's draft(s) or cashier's order(s) or money order(s) or postal order(s) drawn on a bank or post office in Malaysia and should be made payable to "**TANCO RIGHTS ICULS ACCOUNT**", crossed "**ACCOUNT PAYEE ONLY**" and endorsed on the reverse side(s) with your name, contact number and address in block letters together with your CDS account number. The payment must be made in the exact amount. Any application accompanied by excess or insufficient payment or payment in the manner other than stated in this AP may be rejected at the absolute discretion of our Board. Cheques or any other modes of payment herein are not acceptable. Details of remittance must be filled in the appropriate boxes provided in the RSF.

**NO ACKNOWLEDGEMENT WILL BE ISSUED FOR RECEIPT OF THE RSF OR APPLICATION MONIES IN RESPECT OF THE ACCEPTANCE OF THE PROVISIONAL RIGHTS ICULS. NOTICES OF ALLOTMENT WILL BE DESPATCHED TO THE SUCCESSFUL APPLICANTS BY ORDINARY POST AT THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS OF BURSA DEPOSITORY AT THEIR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE PROVISIONAL RIGHTS ICULS, OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES. PROOF OF TIME OF POSTAGE SHALL NOT CONSTITUTE PROOF OF TIME OF RECEIPT BY OUR ICULS REGISTRAR OR OUR COMPANY.**

**YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES LODGED WITH OUR ICULS REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.**

**APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY APPLICATION OR TO ACCEPT ANY APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON THEREOF.**

**IN RESPECT OF UNSUCCESSFUL OR PARTIALLY ACCEPTED APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES (AS THE CASE MAY BE) WILL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO YOU WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE PROVISIONAL RIGHTS ICULS BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS OF BURSA DEPOSITORY AT YOUR OWN RISK.**

If the acceptance of and payment for the Provisional Rights ICULS is not received by our ICULS Registrar by 5.00 p.m. on Thursday, 30 January 2014 or such later date and time as may be determined and announced by our Board, your and/or your renouncee(s)'/transferee(s)' (if applicable) provisional entitlement under the Rights Issue of ICULS will be deemed to have been declined and will be cancelled.

Such Provisional Rights ICULS not taken up will be allotted to applicants for the Excess Rights ICULS in the manner as set out in Section 11.3 of this AP.

### 11.2 Procedures for sale/transfer of the Provisional Rights ICULS

The Provisional Rights ICULS are renounceable. If you wish to sell or transfer all or part of your Provisional Rights ICULS to one (1) or more persons, you may do so through your stockbroker without first having to request for a split of the Provisional Rights ICULS standing to the credit of your CDS account(s). To sell or transfer all or part of your entitlement to the Provisional Rights ICULS, you may sell such entitlement in the open market or transfer such provisional allotments to such person(s) as may be allowed pursuant to the Rules of Bursa Depository for the period up to the last date and time for the sale/transfer of the Provisional Rights ICULS.

In selling or transferring all or part of your Provisional Rights ICULS, you need not deliver the RSF or any document to the stockbroker. **You are however advised to read and adhere to the RSF and the notes and instructions contained in the RSF as well as ensure that there is sufficient Provisional Rights ICULS standing to the credit of your CDS account(s) before selling or transferring.**

Renouncee(s)/transferee(s) of the Provisional Rights ICULS may obtain a copy of this AP and the RSF from their stockbrokers, our ICULS Registrar, our Registered Office or Bursa Securities' website (http://www.bursamalaysia.com).

If you have sold or transferred only part of the Provisional Rights ICULS, you may still accept the balance of the Provisional Rights ICULS by using the procedures described in Section 11.1 of this AP.

If you sell or transfer all or part of your entitlement to the Provisional Rights ICULS, you will automatically be selling or transferring your entitlement to all or part of the Rights ICULS.

**YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES LODGED WITH OUR ICULS REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.**

### 11.3 Procedures for application for Excess Rights ICULS

If you wish to apply for Excess Rights ICULS in excess of your entitlement, you should complete Part I (B) of the RSF (in addition to Part I (A) and Part II) and forward it together with a **separate remittance** for the full amount payable in respect of the Excess Rights ICULS applied for, to our ICULS Registrar not later than 5.00 p.m. on Thursday, 30 January 2014, being the last date and time for acceptance and payment or such later date and time as our Board may decide and announce not less than two (2) Market Days before the stipulated date and time.

Payment for the Excess Rights ICULS applied for should be made in the same manner as described in Section 11.1 of this AP, with remittance in the form of banker's draft(s) or cashier's order(s) or money order(s) or postal order(s) drawn on a bank or post office in Malaysia and crossed "**ACCOUNT PAYEE ONLY**" and made payable to "**TANCO EXCESS RIGHTS ICULS ACCOUNT**" for the Excess Rights ICULS and endorsed on the reverse side(s) with your name, contact number and address in block letters together with your CDS account number. The payment must be made in the exact amount. Any application accompanied by excess or insufficient payment or payment in the manner other than stated in this AP may be rejected at the absolute discretion of our Board. Cheques or any other mode(s) of payment not prescribed herein are not acceptable. Details of remittance must be filled in the appropriate boxes provided in the RSF.

Our Board reserves the right to allot the Excess Rights ICULS, if any, applied for under Part I (B) of the RSF on a fair and equitable basis as they deem fit and expedient in the best interest of our Company. Our Board reserves the right to accept any Excess Rights ICULS application, in full or in part, without assigning any reason thereto. The basis of allotment of the Excess Rights ICULS is as follows:

(i) firstly, to minimise the incidence of odd lots;

(ii) secondly, after the occurrence of (i) above, for allocation to our Entitled Shareholders who have applied for the Excess Rights ICULS on a pro-rata basis and in board lot, calculated based on their respective shareholdings as at the Entitlement Date;

(iii) thirdly, after the occurrence of (i) and (ii) above, for allocation to our Entitled Shareholders who have applied for the Excess Rights ICULS on a pro-rata basis and in board lot, calculated based on the quantum of their respective Excess Rights ICULS application; and

(iv) lastly, after the occurrence of (i), (ii) and (iii) above, for allocation to the renouncee(s)/transferee(s) who have applied for the Excess Rights ICULS on a pro-rata basis and in board lot, calculated based on the quantum of their respective Excess Rights ICULS application.

In the event of an under subscription by our Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable), even after all Excess Rights ICULS applications have been taken into consideration, the remaining unsubscribed Rights ICULS will be subscribed by certain shareholders as set out in Section 4 of this AP.

**NO ACKNOWLEDGEMENT WILL BE ISSUED FOR RECEIPT OF THE RSF OR SUBSCRIPTION MONIES IN RESPECT OF THE EXCESS RIGHTS ICULS. NOTICES OF ALLOTMENT WILL BE DESPATCHED TO THE SUCCESSFUL APPLICANTS BY ORDINARY POST AT THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS OF BURSA DEPOSITORY AT THEIR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE EXCESS RIGHTS ICULS, OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.**

**YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES LODGED WITH OUR ICULS REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.**

**IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS RIGHTS ICULS APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS MONIES (AS THE CASE MAY BE) WILL BE REFUNDED WITHOUT INTEREST WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE EXCESS RIGHTS ICULS BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS OF BURSA DEPOSITORY AT YOUR OWN RISK.**

### 11.4 Procedures to be followed by renouncee(s)/transferee(s)

A renouncee/transferee who wishes to apply for the Provisional Rights ICULS or the Excess Rights ICULS may obtain a copy of this AP and the RSF from their stockbrokers, our ICULS Registrar for the Corporate Exercises, our Registered Office or Bursa Securities' website (http://www.bursamalaysia.com).

The procedures for the acceptance, selling/transferring of the Provisional Rights ICULS, applying for the Excess Rights ICULS and/or payment by the renouncee(s)/transferee(s) are the same as those applicable to you as described in Sections 11.1 to 11.3, respectively, of this AP.

**RENOUNCEES/TRANSFEREES ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.**

### 11.5 Form of issuance

Bursa Securities has already prescribed our Shares listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Provisional Rights ICULS are prescribed securities and as such, all dealings in the Provisional Rights ICULS will be by book entries through CDS accounts and will be governed by the SICDA and the Rules of Bursa Depository. You must have a valid and subsisting CDS account in order to subscribe for the Rights ICULS.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS account number may result in the application being rejected.

If you have multiple CDS accounts into which the Provisional Rights ICULS have been credited, you cannot use a single RSF for acceptance of all these Provisional Rights ICULS. Separate RSF must be used for separate CDS accounts. If successful, the Rights ICULS accepted by you will be credited into the respective CDS accounts where the Provisional Rights ICULS are standing to the credit.

#### 11.5.1 Acceptance of the Rights ICULS by an Entitled Shareholder

Your acceptance of the Provisional Rights ICULS shall mean that you consent to receive such Rights ICULS as prescribed securities which will be credited directly into your CDS account(s). Hence, the Rights ICULS will be credited directly into your CDS account(s) upon allotment and issue.

#### 11.5.2 Acceptance of the Rights ICULS by renouncee(s)/transferee(s)

If you intend to accept the Provisional Rights ICULS, you must state your CDS account number in the RSF whereupon the Rights ICULS will be credited directly as prescribed securities into your CDS account(s) upon allotment and issue.

#### 11.5.3 Application for the Excess Rights ICULS by an Entitled Shareholder and/or his renouncee(s)/transferee(s) (if applicable)

If you are successful in applying for the Excess Rights ICULS, such Rights ICULS will be credited directly as prescribed securities into your CDS account(s) upon allotment and issuance. The allocation of the Excess Rights ICULS will be made on a fair and equitable basis as set out in Section 11.3 of this AP.

### 11.6 Laws of foreign jurisdictions

The Documents have not been (and will not be) made to comply with the laws of any foreign jurisdiction, and have not been (and will not be) lodged, registered or approved under any legislation of (or with or by any regulatory authorities or other relevant bodies of) any foreign jurisdiction, and the Rights Issue of ICULS will not be made or offered in any foreign jurisdiction. The Documents will not be sent to shareholders without an address in Malaysia.

Foreign Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) may accept or renounce (as the case may be) all or part of their entitlements and exercise any other rights in respect of the Rights Issue of ICULS only to the extent that it would be lawful to do so. Foreign Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable), shall be solely responsible to seek advice as to the laws of the jurisdictions to which they are or may be subjected to.

PIVB, our Company, our Board and our officers and other experts shall not accept any responsibility or liability in the event that any acceptance and/or renunciation made by any foreign Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable), is or shall become illegal, unenforceable, voidable or void in any such foreign jurisdiction.

Further, foreign Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in the foreign jurisdictions and we shall be entitled to be fully indemnified and held harmless by such foreign Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) for any issue, transfer or any other taxes or other requisite payments as such person may be required to pay. They will have no claims whatsoever against PIVB, our Company, our Board and our officers and other experts in respect of their rights or entitlements under the Rights Issue of ICULS.

Such foreign Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights Issue of ICULS.

Persons receiving the Documents (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any foreign jurisdiction. If the Documents are received by any persons in such jurisdiction, or by the agent or nominee of such a person, he or she must not seek to accept the offer unless he or she has complied with and observed the laws of the relevant jurisdiction in connection therewith.

Any person who does forward the Documents to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and our Company reserves the right to reject a purported acceptance of the Rights ICULS from any such application by foreign Entitled Shareholder and/or his renouncee(s)/transferee(s) (if applicable) in any jurisdiction other than Malaysia.

Our Company reserves the right, in our absolute discretion, to treat any acceptance of the Rights ICULS as invalid if we believe that such acceptance may violate any applicable legal or regulatory requirements in Malaysia or other jurisdictions.

By signing any of the forms accompanying this AP, the foreign Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) PIVB, our Company, our Board and our officers and other experts that:

(i) we would not, by acting on the acceptance and/or renunciation in connection with the Rights Issue of ICULS, be in breach of the laws of any jurisdiction to which that foreign Entitled Shareholder and/or his renouncee(s)/transferee(s) (if applicable) is or may be subjected to;

(ii) the foreign Entitled Shareholder and/or his renouncee(s)/transferee(s) (if applicable) has complied with the laws to which the foreign Entitled Shareholder and/or his renouncee(s)/transferee(s) (if applicable) is or may be subjected to in connection with the acceptance and/or renunciation;

(iii) the foreign Entitled Shareholder and/or his renouncee(s)/transferee(s) (if applicable) is not a nominee or agent of a person in respect of whom we would, by acting on the acceptance and/or renunciation, be in breach of the laws of any jurisdiction to which that person is or may be subjected to;

(iv) the foreign Entitled Shareholder and/or his renouncee(s)/transferee(s) (if applicable) is aware that the Rights ICULS can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;

(v) the foreign Entitled Shareholder and/or his renouncee(s)/transferee(s) (if applicable) has received a copy of this AP and has had access to such financial and other information and has been afforded the opportunity to ask such questions to the representatives of our Company and receive answers thereto as the foreign Entitled Shareholder and/or his renouncee(s)/transferee(s) (if applicable) deems necessary in connection with the foreign Entitled Shareholder's and/or his renouncee's/ transferee's (if applicable) decision to subscribe for or purchase the Rights ICULS; and

(vi) the foreign Entitled Shareholder and/or his renouncee(s)/transferee(s) (if applicable) has sufficient knowledge and experience in financial business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights ICULS, and is and will be able, and is prepared to bear the economic and financial risks of investing in and holding the Rights ICULS.

## 12. TERMS AND CONDITIONS

The issuance of the Rights ICULS under the Rights Issue of ICULS is governed by the terms and conditions as set out in the Documents.

## 13. ADDITIONAL INFORMATION

You are requested to refer to the attached appendices for additional information.

Yours faithfully,
for and on behalf of the Board of Directors of
**TANCO HOLDINGS BERHAD**

**Dato' Tan Lee Sing**
**Executive Director**

**CERTIFIED TRUE EXTRACT OF THE RESOLUTION PERTAINING TO THE RIGHTS ISSUE OF ICULS PASSED AT OUR EGM ON 8 NOVEMBER 2013**

# TANCO HOLDINGS BERHAD (3326-K)
(Incorporated in Malaysia)

## CERTIFIED EXTRACT OF THE MINUTES OF EXTRAORDINARY GENERAL MEETING HELD ON 8TH NOVEMBER 2013

**ORDINARY RESOLUTION 1**

**PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO RM33,488,672 NOMINAL VALUE OF THREE (3)-YEAR, 3%, IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCK ("ICULS") AT 100% OF ITS NOMINAL VALUE OF RM0.10 EACH ("RIGHTS ICULS") ON THE BASIS OF RM0.10 NOMINAL VALUE OF RIGHTS ICULS FOR EVERY ONE (1) TANCO SHARE HELD AFTER THE PROPOSED PAR VALUE REDUCTION, BASED ON A MINIMUM SUBSCRIPTION LEVEL OF RM15,000,000 NOMINAL VALUE OF RIGHTS ICULS, ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER ("ENTITLEMENT DATE") ("PROPOSED RIGHTS ISSUE OF ICULS")**

**RESOLVED: -**

"**THAT**, subject to the passing of Special Resolution 1 and Special Resolution 2 and the approvals of all relevant authorities, approval be and is hereby given to the Directors of the Company to:

(i) provisionally allot and issue by way of renounceable rights issue of up to RM33,488,672 nominal value of Rights ICULS at 100% of its nominal value of RM0.10 each on the basis of RM0.10 nominal value of Rights ICULS for every one (1) Tanco Share held after the Proposed Par Value Reduction on the Entitlement Date, to disregard fractional entitlements under the Proposed Rights Issue of ICULS and to deal with the aggregate of such fractions as the Directors of the Company may at their sole discretion deem fit and expedient and in the best interest of the Company and to deal with the excess Rights ICULS not subscribed by the other entitled shareholders in the manner as detailed in Section 2.3.1 of the Circular, **AND THAT** the Rights ICULS so allotted and issued to the shareholders shall rank *pari passu* in all respects with the then all other unsubordinated and unsecured obligations of the Company subject only to those preferred by mandatory provisions of law;

(ii) utilise the proceeds to be derived from the Proposed Rights Issue of ICULS in the manner as set out in Section 2.3.9 of the Circular and the Directors of the Company be and are hereby authorised to revise the manner and purpose of utilisation of proceeds as they may deem fit and expedient in the best interest of the Company subject (where required) to the approval of the relevant authorities;

**CERTIFIED TRUE EXTRACT OF THE RESOLUTION PERTAINING TO THE RIGHTS ISSUE OF ICULS PASSED AT OUR EGM ON 8 NOVEMBER 2013 *(Cont'd)***

**TANCO HOLDINGS BERHAD (3326-K)**
**CERTIFIED EXTRACT OF THE MINUTES OF EXTRAORDINARY GENERAL MEETING HELD ON 8TH NOVEMBER 2013**
**- PROPOSED RIGHTS ISSUE OF ICULS**

(iii) create and issue the ICULS at the conversion price of RM0.20 for every one (1) new Share, (or such price adjusted in accordance with the trust deed to be executed by the Company constituting the ICULS ("**Trust Deed**") based on the indicative principal terms as set out in Appendix I of the Circular and the terms and conditions of the Trust Deed;

(iv) allot and issue new Shares pursuant to the conversion of the ICULS (including further ICULS arising from any adjustments under the provisions of the Trust Deed); and

(v) enter into and execute the Trust Deed constituting the ICULS and to do all acts, deed and things as Directors of the Company may deem fit or expedient in order to implement, finalise and give effect to the Trust Deed.

**AND THAT** such new Shares to be issued pursuant to the full conversion of the ICULS shall, upon issuance and allotment, rank *pari passu* in all respects with the then existing Shares except that they will not be entitled to any dividends, rights, allotments and/or distributions, that may be declared, made or paid prior to the date of allotment of these new Shares.

**AND THAT** authority be and is hereby given to the Directors of the Company to do all such deeds, acts and things and execute, sign and deliver all documents for and on behalf of the Company as they may consider necessary or expedient to give effect to and implement the Proposed Rights Issue of ICULS with full power to assent to any condition, modification, variation and/or amendment as may be imposed or permitted by the relevant authorities as the Directors may in their discretion deem fit or expedient in the best interest of the Company."

**CERTIFIED AS TRUE EXTRACT COPY,**

| | |
|---|---|
| **Director** | **Secretary** |
| **DATO' TAN LEE SING** | **CHOI SIEW FUN** |
| | **(MAICSA 0877848)** |

## INFORMATION ON OUR COMPANY

### 1. HISTORY AND BUSINESS

Our Company was incorporated in Malaysia under the Companies Ordinances, 1940 - 1946 on 8 December 1958 as a company limited by shares under the name Jeram Kuantan (Malaya) Limited. Our Company was converted into a public company known as Jeram Kuantan (Malaya) Berhad on 15 April 1966 and assumed the present name on 21 June 1997. Our Company was listed on the Main Board of the Kuala Lumpur Stock Exchange (now known as the Main Market of Bursa Securities) on 31 May 1961.

### 2. PRINCIPAL ACTIVITIES

The principal activities of our Company consist of investment holding and the provision of management services. The principal activities of our subsidiaries and associated companies are broadly categorised as follows:

(i) property development and management;

(ii) contracting and building works;

(iii) management and operation of resorts, golf club; and

(iv) management and operation of vacation ownership interval and point-based schemes.

### 3. SHARE CAPITAL

The authorised and issued and paid-up share capital of our Company as at the LPD are as follows:

| Type | No. of Shares | Par value (RM) | Amount (RM) |
|---|---|---|---|
| Authorised | 5,000,000,000 | 0.20 | 1,000,000,000 |
| Issued and paid-up | 334,886,726 | 0.20 | 66,977,345 |

The changes in the issued and paid-up share capital of our Company for the past three (3) years up to the LPD are as follows:

| Date of allotment | No. of Tanco Shares allotted | Par value (RM) | Type of issue/Consideration | Cumulative issued and paid-up share capital (RM) |
|---|---|---|---|---|
| As at 5 December 2013 | - | 1.00 | - | 334,886,726 |
| 6 December 2013 | - | 0.20 | Par Value Reduction via the cancellation of RM0.80 from the par value of each existing ordinary share of RM1.00 each in the issued and paid-up share capital | 66,977,345 |

## 4. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

Based on the Register of Substantial Shareholders of our Company, the shareholdings of the substantial shareholders (holding 5% or more) of our Company as at the LPD and after the full conversion of the ICULS into new Shares are set out below.

**Minimum Scenario**

| | As at the LPD | | | | After the full conversion of the ICULS into new Shares* | | | |
|---|---|---|---|---|---|---|---|---|
| | Direct | | Indirect | | Direct | | Indirect | |
| | No. of shares ('000) | % | No. of shares ('000) | % | No. of shares ('000) | % | No. of shares ('000) | % |
| Dato' Tan | 88,904 | 26.55 | - | - | 163,904 | 39.99 | - | - |
| Dato' Neo Say Yeow | 18,417 | 5.50 | - | - | 18,417 | 4.49 | - | - |

*Note:*

* *Assuming that all the outstanding ICULS are all converted into 75,000,000 new Tanco Shares by surrendering RM0.20 nominal value of ICULS for one (1) new Tanco Share.*

**Maximum Scenario**

| | As at the LPD | | | | After the full conversion of the ICULS into new Shares* | | | |
|---|---|---|---|---|---|---|---|---|
| | Direct | | Indirect | | Direct | | Indirect | |
| | No. of shares ('000) | % | No. of shares ('000) | % | No. of shares ('000) | % | No. of shares ('000) | % |
| Dato' Tan | 88,904 | 26.55 | - | - | 177,807 | 26.55 | - | - |
| Dato' Neo Say Yeow | 18,417 | 5.50 | - | - | 36,834 | 5.50 | - | - |

*Note:*

* *Assuming that all the outstanding ICULS are converted into new Shares by surrendering RM0.10 nominal value of ICULS together with cash such that in aggregate it amounts to RM0.20 for one (1) new Tanco Share.*

## 5. PARTICULARS OF DIRECTORS

### 5.1 Details of Directors

The particulars of our Directors as at the LPD are as follows:

| Name | Age | Profession | Designation | Nationality | Address |
|---|---|---|---|---|---|
| Dato' Tan Jing Nam | 58 | Managing Director | Group Managing Director | Malaysian | 3, Jalan Setiamurni 12<br>Damansara Heights<br>50490 Kuala Lumpur<br>Wilayah Persekutuan |
| Dato' Tan Lee Sing | 54 | Company Director | Executive Director | Malaysian | Unit 4A Sri Mahkota Condominium<br>No.2, Jalan Ampang Tengah<br>55000 Kuala Lumpur<br>Wilayah Persekutuan |

## INFORMATION ON OUR COMPANY *(Cont'd)*

| Name | Age | Profession | Designation | Nationality | Address |
|---|---|---|---|---|---|
| Andrew Tan Jun Suan | 33 | Company Director | Executive Director | Malaysian | 17, Jalan SS19/4<br>Subang Jaya<br>47500 Petaling Jaya<br>Selangor Darul Ehsan |
| Dato' Dr. Mohd. Aminuddin Bin Mohd. Rouse | 68 | Company Director | Independent Non-Executive Director | Malaysian | 35, Lorong Hillview 2B<br>Taman Hillview<br>Off Jalan Ulu Kelang<br>68000 Ampang<br>Selangor Darul Ehsan |
| Dato' Dr. Mohd. Noordin Bin Haji Keling | 87 | Company Director | Independent Non-Executive Director | Malaysian | 10, Lorong Taman Pantai 5<br>Bukit Pantai<br>59100 Kuala Lumpur<br>Wilayah Persekutuan |
| James Wong Kwong Yew | 67 | Company Director | Independent Non-Executive Director | Malaysian | 30-5-3 Jamnah View<br>Jalan Buluh Perindu<br>Damansara Heights<br>59000 Kuala Lumpur<br>Wilayah Persekutuan |
| Chan Chee Meng | 53 | Company Director | Executive Director | Malaysian | 2A, Jalan Putra Murni 3/3B<br>Putra Heights<br>47650 Petaling Jaya<br>Selangor Darul Ehsan |
| Koay Ghee Teong | 44 | Company Director | Executive Director | Malaysian | No.18, Jalan SS21/19<br>Damansara Utama<br>47300 Petaling Jaya<br>Selangor Darul Ehsan |

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

### 5.2 Details of Directors' shareholdings

Our Directors' shareholdings as at the LPD and after the full conversion of the ICULS into new Shares are set out below.

**Minimum Scenario**

| | As at the LPD | | | | After the full conversion of the ICULS into new Shares* | | | |
|---|---|---|---|---|---|---|---|---|
| | Direct | | Indirect | | Direct | | Indirect | |
| | No. of shares | % | No. of shares | % | No. of shares | % | No. of shares | % |
| Dato' Tan | 88,903,669 | 26.55 | - | - | 163,903,669 | 39.99 | - | - |
| Dato' Dr. Mohd. Noordin bin Haji Keling | 62,510 | 0.02 | - | - | 62,510 | 0.02 | - | - |
| Dato' Tan Lee Sing | 5,000 | # | - | - | 5,000 | # | - | - |
| James Wong Kwong Yew | 2,000 | # | - | - | 2,000 | # | - | - |
| Andrew Tan Jun Suan | - | - | - | - | - | - | - | - |
| Dato' Dr. Mohd. Aminuddin bin Mohd. Rouse | - | - | - | - | - | - | - | - |
| Chan Chee Meng | - | - | - | - | - | - | - | - |
| Koay Ghee Teong | - | - | - | - | - | - | - | - |

*Notes:*

* *Assuming that all the outstanding ICULS are all converted into 75,000,000 new Tanco Shares by surrendering RM0.20 nominal value of ICULS for one (1) new Tanco Share.*

\# *Less than 0.01%.*

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

**Maximum Scenario**

| | As at the LPD | | | | After the full conversion of the ICULS into new Shares* | | | |
|---|---|---|---|---|---|---|---|---|
| | Direct | | Indirect | | Direct | | Indirect | |
| | No. of shares | % | No. of shares | % | No. of shares | % | No. of shares | % |
| Dato' Tan | 88,903,669 | 26.55 | - | - | 177,807,338 | 26.55 | - | - |
| Dato' Dr. Mohd. Noordin bin Haji Keling | 62,510 | 0.02 | - | - | 125,020 | 0.02 | - | - |
| Dato' Tan Lee Sing | 5,000 | # | - | - | 10,000 | # | - | - |
| James Wong Kwong Yew | 2,000 | # | - | - | 4,000 | # | - | - |
| Andrew Tan Jun Suan | - | - | - | - | - | - | - | - |
| Dato' Dr. Mohd. Aminuddin bin Mohd. Rouse | - | - | - | - | - | - | - | - |
| Chan Chee Meng | - | - | - | - | - | - | - | - |
| Koay Ghee Teong | - | - | - | - | - | - | - | - |

*Notes:*

* *Assuming that all the outstanding ICULS are converted into new Shares by surrendering RM0.10 nominal value of ICULS together with cash such that in aggregate it amounts to RM0.20 for one (1) new Tanco Share.*

\# *Less than 0.01%.*

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

## 6. SUBSIDIARIES AND ASSOCIATED COMPANIES

The details of our Company's subsidiaries as at the LPD are as follows:

| Name of company | Date/place of incorporation | Issued and paid-up share capital (RM) | Effective ownership interest % | Principal activities |
|---|---|---|---|---|
| Palm Springs Resort Management Berhad | 01.04.1996 Malaysia | 3,000,000 | 100 | Hotel operator |
| Pentapeak Properties Sdn Bhd | 27.06.1992 Malaysia | 2,600,002 | 100 | Investment holding |
| Point Resort Club Sdn Bhd | 05.02.1996 Malaysia | 4 | 100 | Investment holding |
| Popular Elegance (M) Sdn Bhd | 07.09.1995 Malaysia | 1,000,000 | 100 | Investment holding |
| Splash Park Sdn Bhd (formerly known as Tanco Properties Management Services Sdn Bhd) | 24.05.1995 Malaysia | 1,200,000 | 100 | Property management services |
| Tanco Development Sdn Bhd | 02.01.1992 Malaysia | 23,700,048 | 100 | Property development |
| Wheels, Sails & Wings SuperClub Berhad | 28.04.2000 Malaysia | 3 | 100 | Dormant |
| World Vacation Ownership Sdn Bhd | 01.08.1995 Malaysia | 4 | 100 | Provision of consultancy services and investment holding |
| Medan Melati Sdn Bhd | 06.01.1994 Malaysia | 2,000 | 70 | Investment holding |
| Cool-Wheels SuperClub Berhad | 05.02.1996 Malaysia | 4 | 100 | Dormant |
| Platinum Residence Sdn Bhd | 04.06.2008 Malaysia | 2 | 100 | Dormant |
| **<u>Interest held by Tanco Development Sdn Bhd</u>** | | | | |
| Tanco Builders Sdn Bhd | 09.09.1997 Malaysia | 3,500,000 | 100 | Contracting and building works |
| Tanco Dot Com Sdn Bhd | 30.08.1999 Malaysia | 100,000 | 100 | Dormant |
| **<u>Interest held by Medan Melati Sdn Bhd</u>** | | | | |
| Gerak Gaya Land Sdn Bhd | 29.08.1995 Malaysia | 2,000 | 60 | Dormant |
| **<u>Interest held by World Vacation Ownership Sdn Bhd</u>** | | | | |
| Tanco Resorts Berhad | 17.04.1992 Malaysia | 65,000,000 | 100 | Investment holding, and the management and operation of resorts and of vacation ownership interval and point based schemes. |

## INFORMATION ON OUR COMPANY *(Cont'd)*

| Name of company | Date/place of incorporation | Issued and paid-up share capital (RM) | Effective ownership interest % | Principal activities |
|---|---|---|---|---|
| **Interest held by World Vacation Ownership Sdn Bhd** | | | | |
| BizCredit Sdn Bhd | 03.08.1995 Malaysia | 500,000 | 100 | Money lending business |
| JKMB Development Sdn Bhd | 20.12.1993 Malaysia | 21,000,000 | 100 | Property development and construction |
| Palm Springs Development Sdn Bhd | 25.06.1981 Malaysia | 110,000,000 | 100 | Property development |
| Palm Springs Resort (MM2H) Sdn Bhd | 15.07.1994 Malaysia | 500,000 | 100 | Provides services in relation to Malaysia My Second Home Programme |
| Tanco Properties Sdn Bhd | 21.09.1981 Malaysia | 21,000,004 | 100 | Property development |
| Genium Corporation Sdn Bhd | 14.08.1995 Malaysia | 50,000 | 100 | General agent |
| **Interest held by Palm Springs Development Sdn Bhd** | | | | |
| Palm Springs Club Sdn Bhd | 03.01.1994 Malaysia | 2,000 | 100 | Investment holding |
| Regal Resort Sdn Bhd | 11.08.1993 Malaysia | 9,000,000 | 100 | Dormant |
| **Interest held by Tanco Properties Sdn Bhd** | | | | |
| Tanco Land Sdn Bhd | 31.10.1992 Malaysia | 2,300,002 | 100 | Property investment |
| **Intest held by Palm Springs Club Sdn Bhd** | | | | |
| Palm Springs Resort Bhd | 30.12.1993 Malaysia | 5,748,000 | 100 | Operator of golf and marina clubs |
| **Interest held by Tanco Resorts Berhad** | | | | |
| Palm Springs Leisure Sdn Bhd | 16.08.1995 Malaysia | 4,000,000 | 97.50 | Property management and resort management |
| Tanco Enterprise Sdn Bhd | 21.12.1994 Malaysia | 310,000 | 90.32 | General trading |
| Tanco Club Berhad | 17.06.1991 Malaysia | 1,000,000 | 100 | Club operator |
| Tanco Holidays Sdn Bhd | 31.07.1991 Malaysia | 300,000 | 100 | Travel and tour agent |
| Tanco Lake Resorts Sdn Bhd | 26.07.1991 Malaysia | 500,000 | 100 | Resort operator |
| Tanco Recreational Holdings Sdn Bhd | 15.07.1994 Malaysia | 4 | 100 | Property management |
| Tanco Resorts (Australia) Pty Ltd | 10.12.1997 Australia | Australian Dollar 12 | 100 | Dormant |
| Burnham Global Inc | 16.05.1997 British Virgin Islands | USD 1 | 100 | Investment holding |

## INFORMATION ON OUR COMPANY *(Cont'd)*

| Name of company | Date/place of incorporation | Issued and paid-up share capital (RM) | Effective ownership interest % | Principal activities |
|---|---|---|---|---|
| **Interest held indirectly by Palm Springs Resort (MM2H) Sdn Bhd** | | | | |
| Palm Springs Centre of Excellence Sdn Bhd | 25.08.2003 Malaysia | 200,000 | 40 | Educational institution |
| **Interest held by Burnham Global Inc** | | | | |
| Noreast Co Ltd | 16.05.1997 British Virgin Islands | USD 1 | 100 | Property holding |
| TRB Leisure (Mauritius) Pte Ltd | 03.11.1997 Mauritius | USD 2 | 100 | Property investment |
| TRB Vacation (Mauritius) Pte Ltd | 03.11.1997 Mauritius | USD 2 | 100 | Property investment |

The details of our Company's associated companies as at the LPD are as follows:

| Name of company | Date/Place of incorporation | Issued and paid-up share capital (RM) | Effective equity interest % | Principal activities |
|---|---|---|---|---|
| Sunshine Genius Sdn Bhd (In liquidation)* | 22.04.2000 Malaysia | 1,000,000 | 50 | Provision of timeshare exchange activities |
| Benua Produktif Sdn Bhd | 18.10.2002 Malaysia | 10 | 40 | Dormant |

*Note:*

* *Under creditors winding-up*

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

## 7. PROFIT AND DIVIDEND RECORD

The following table outlines the historical statement of cash flows of our Group based on its audited consolidated financial statements for the eighteen (18)-month FPE 30 June 2011 and the past two (2) FYE 2012 and FYE 2013 and the unaudited consolidated financial statements for FPE 30 September 2012 and FPE 30 September 2013:

| | <------------- Audited -------------> | | | <---- Unaudited ----> | |
|---|---|---|---|---|---|
| | Eighteen (18)-month FPE 30 June 2011 RM'000 | FYE 2012 RM'000 | FYE 2013 RM'000 | FPE 30 September 2012 RM'000 | FPE 30 September 2013 RM'000 |
| **Revenue** | **33,734** | **19,646** | **30,003** | **4,613** | **955** |
| **Gross profit** | **11,223** | **11,140** | **8,892** | **3,067** | **879** |
| **Other operating income** | **179,722** | **15,890** | **8,690** | **572** | **213** |
| **Earnings/(Loss) before interest, taxation, depreciation and amortisation** | **102,556** | **4,213** | **(79,328)** | **(110)** | **(2,581)** |
| Depreciation and amortisation | (4,469) | (2,427) | (1,420) | (153) | (125) |
| Finance costs | 71 | (1,187) | (2,498) | (517) | (556) |
| **PBT/(LBT)** | **98,158** | **599** | **(83,246)** | **(780)** | **(3,262)** |
| Taxation | 1,085 | (96) | 34 | - | 95 |
| **PAT/(LAT)** | **99,243** | **503** | **(83,212)** | **(780)** | **(3,167)** |
| Less: Non-controlling interests | (27) | (35) | 24 | - | 5 |
| **Profit/(Loss) attributable to equity holders of our Company** | **99,216** | **468** | **(83,188)** | **(780)** | **(3,162)** |
| Gross profit margin (%) | 33.27 | 56.70 | 29.64 | 66.49 | 92.04 |
| PBT/(LBT) margin (%) | 290.98 | 3.05 | (277.46) | (16.91) | (341.57) |
| PAT/(LAT) margin (%) | 294.19 | 2.56 | (277.35) | (16.91) | (331.62) |
| Weighted average number of ordinary shares in issue ('000) | 334,887 | 334,887 | 334,887 | 334,887 | 334,887 |
| Basic EPS/(LPS) (sen)* | 29.63 | 0.14 | (24.84) | (0.23) | (0.94) |
| Diluted EPS/(LPS) (sen) | - | - | - | - | - |
| Gross dividend per Share (sen) | - | - | - | - | - |

*Note:*

* *Computed by dividing the profit/(loss) attributable to equity holders of our Company by the weighted average number of ordinary shares in issue.*

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

**Commentaries on the financial performance in respect of each of the eighteen (18)-month FPE 30 June 2011 and the two (2) FYEs 2012 and 2013 and the three (3) months unaudited consolidated financial statements for FPE 30 September 2012 and the three (3) months unaudited FPE 30 September 2013 are summarised below:**

**Eighteen (18)-month FPE 30 June 2011**

For the eighteen (18)-month FPE 30 June 2011, our Group recorded revenue of RM33.73 million and a PAT of RM99.22 million. The revenue increased by approximately RM6.87 million as compared to the financial year ended 31 December 2010 mainly due to an increase in the sales of our Group's development properties.

The high PAT generated by our Group was mainly due to the net effect of the gain from the settlement of the term loan facility with Lehman Brothers Commercial Corporation Asia Limited amounting to RM169.47 million which was partially offset by the loss on disposal of land held for development as part of the loan settlement above amounting to RM62.39 million and impairments amounting to RM21.81 million.

**FYE 2012**

For the FYE 2012, our Group recorded revenue of RM19.65 million representing a decrease of RM14.09 million or approximately 41.76% as compared to the revenue generated in the FPE 30 June 2011. The lower revenue recorded was due to the difference in operating profits of the 18 months FPE June 2011 to the 12 months FYE 2012. Nevertheless, in retrospect, the decrease was mainly due to a decrease in income from club operations and property management fees due to the challenging operating environment. Our Group had also recorded a PAT of only RM0.47 million as compared to the PAT of RM99.22 million for the FPE 30 June 2011 which was mainly due to the reduction in other operating income which was significantly higher in the FPE 30 June 2011 pursuant to the exceptional gain of RM169.47 million arising from the settlement with Lehman Brothers Commercial Corporation Asia Limited in the previous period.

As at the FYE 2012, our Group recorded a higher borrowing of RM26.83 million which is an increase of RM26.53 million as compared to the FPE 30 June 2011 which resulted in higher interest expense of RM1.20 million as compared to the interest expense of RM0.20 million incurred in the previous financial period. The increased borrowings were due to the partial funding of our Group's settlement with Lehman Brothers Commercial Corporation Asia Limited in the previous financial period as well as for a development project in Palm Springs Resorts City, Port Dickson.

**FYE 2013**

For the FYE 2013, our Group recorded revenue of approximately RM30.00 million which represented an increase of RM10.36 million or approximately 52.72% as compared to the FYE 2012, which was due to the increase in the sale of properties.

Notwithstanding the increase in revenue, our Group's recorded a LAT of RM83.19 million in the FYE 2013 as compared to a PAT of RM0.47 million for the FYE 2012. This was mainly due to the impairment losses of receivables and on property, plant and equipment amounting to RM22.16 million and RM53.04 million, respectively and bad debts written off amounting to RM6.67 million.

**Unaudited three (3)-month FPE 30 September 2013**

The revenues for the unaudited three (3)-month FPE 30 September 2013 declined by RM3.66 million compared to the preceding year's corresponding quarter due mainly to the reduction in the property development and management revenue recorded in the quarter.

Our Group had also recorded a LAT of RM3.17 million due to the reduction in revenue mentioned above, while administrative expenses remained high.

## 8. SHARE PRICES

The following table sets out the monthly highest and lowest market prices of our Shares as transacted on the Main Market of Bursa Securities for the twelve (12) months preceding the LPD:

| Months | High (RM) | Low (RM) |
|---|---|---|
| **2012** | | |
| December | 0.195 | 0.175 |
| **2013** | | |
| January | 0.195 | 0.160 |
| February | 0.165 | 0.150 |
| March | 0.175 | 0.145 |
| April | 0.190 | 0.155 |
| May | 0.220 | 0.150 |
| June | 0.215 | 0.175 |
| July | 0.195 | 0.175 |
| August | 0.195 | 0.140 |
| September | 0.160 | 0.120 |
| October | 0.145 | 0.130 |
| November | 0.190 | 0.135 |

*(Source: Bloomberg)*

The last transacted price on 6 September 2013 (being the last Market Day prior to the Announcement) is RM0.145.

The last transacted price on 26 December 2013 (being the last Market Day prior to the LPD, in which the Shares traded prior to the printing of this AP) is RM0.160.

The last transacted market price on 8 January 2014 (being the last Market Day prior to the ex-date for the Rights Issue of ICULS) is RM0.160.

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

# TANCO HOLDINGS BERHAD

(Incorporated in Malaysia)

## STATEMENTS OF FINANCIAL POSITION AS AT 30TH JUNE 2013

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 5 | 107,093 | 161,373 | 599 | 616 |
| Land held for property development | 6(a) | 76,898 | 99,031 | - | - |
| Prepaid lease payments | 7 | 20,116 | 20,410 | - | - |
| Investment in subsidiaries | 8 | - | - | 53,158 | 52,494 |
| Other investments | 10 | 5,340 | 5,412 | 2 | 2 |
| | | 209,447 | 286,226 | 53,759 | 53,112 |
| **Current assets** | | | | | |
| Property development costs | 6(b) | 26,728 | 12,873 | - | - |
| Assets classified as held for sale | 12 | - | 1,341 | - | - |
| Inventories | 13 | 21,139 | 21,166 | - | - |
| Trade receivables | 14 | 21,509 | 25,125 | - | - |
| Other receivables, sundry deposits and prepayments | 15 | 1,834 | 14,091 | 2 | 21 |
| Amount owing by subsidiaries | 16 | - | - | 202,669 | 225,153 |
| Cash, bank balances and deposits | 18 | 2,365 | 2,460 | - | 238 |
| | | 73,575 | 77,056 | 202,671 | 225,412 |
| **Total Assets** | | 283,022 | 363,282 | 256,430 | 278,524 |

The accompanying notes form an integral part of these financial statements.

**TANCO HOLDINGS BERHAD**
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION AS AT 30TH JUNE 2013 (CONTINUED)**

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to Owners of the Company** | | | | | |
| Share capital | 19 | 334,887 | 334,887 | 334,887 | 334,887 |
| Accumulated losses | | (142,209) | (59,021) | (147,215) | (123,420) |
| Foreign currency reserve | 20 | (1,303) | (1,303) | - | - |
| Shareholders' funds | | 191,375 | 274,563 | 187,672 | 211,467 |
| Non-controlling interest | | 96 | 120 | - | - |
| **Total Equity** | | 191,471 | 274,683 | 187,672 | 211,467 |
| **Non-current liabilities** | | | | | |
| Borrowings | 21 | 31,261 | 24,248 | - | - |
| Other long term payables (unsecured) | 22 | 748 | 748 | - | - |
| | | 32,009 | 24,996 | - | - |
| **Current liabilities** | | | | | |
| Trade payables | 24 | 12,111 | 17,696 | - | - |
| Other payables, sundry deposits and accruals | 25 | 23,591 | 32,975 | 3,896 | 4,061 |
| Provisions | 26 | 9,801 | 771 | - | - |
| Borrowings | 21 | 2,540 | 2,577 | 2,492 | 2,497 |
| Amount owing to subsidiaries | 27 | - | - | 55,922 | 55,748 |
| Amount owing to directors | 28 | 10,839 | 8,756 | 6,416 | 4,625 |
| Tax payable | | 660 | 828 | 32 | 126 |
| | | 59,542 | 63,603 | 68,758 | 67,057 |
| **Total Liabilities** | | 91,551 | 88,599 | 68,758 | 67,057 |
| TOTAL EQUITY AND LIABILITIES | | 283,022 | 363,282 | 256,430 | 278,524 |

The accompanying notes form an integral part of these financial statements.

**TANCO HOLDINGS BERHAD**
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2013**

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 29 | 30,003 | 19,646 | - | - |
| Cost of sales | | (21,111) | (8,506) | - | - |
| GROSS PROFIT | | 8,892 | 11,140 | - | - |
| Other operating income | 30 | 8,690 | 15,890 | 1,368 | 87 |
| Other operating and administrative expenses | | (98,330) | (25,244) | (24,961) | (2,384) |
| OPERATING (LOSS)/PROFIT | 31 | (80,748) | 1,786 | (23,593) | (2,297) |
| Finance costs (net) | 32 | (2,498) | (1,187) | (202) | (894) |
| (LOSS)/PROFIT BEFORE TAXATION | | (83,246) | 599 | (23,795) | (3,191) |
| Taxation | 33 | 34 | (96) | - | - |
| (LOSS)/PROFIT FOR THE FINANCIAL YEAR | | (83,212) | 503 | (23,795) | (3,191) |
| Other comprehensive income | | | | | |
| Foreign currency translation reserve | | - | - | - | - |
| TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE FINANCIAL YEAR | | (83,212) | 503 | (23,795) | (3,191) |
| (Loss)/Profit attributable to: | | | | | |
| Owners of the Company | | (83,188) | 468 | (23,795) | (3,191) |
| Non-controlling interests | | (24) | 35 | - | - |
| | | (83,212) | 503 | (23,795) | (3,191) |
| Total comprehensive (loss)/income attributable to: | | | | | |
| Owners of the Company | | (83,188) | 468 | (23,795) | (3,191) |
| Non-controlling interests | | (24) | 35 | - | - |
| | | (83,212) | 503 | (23,795) | (3,191) |
| Earnings per ordinary share (sen) | 34 | | | | |
| - Basic | | (24.84) | 0.14 | | |
| - Diluted | | (24.84) | 0.14 | | |

The accompanying notes form an integral part of these financial statements

TANCO HOLDINGS BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY**
**FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2013**

| | Attributable to Owners of the Company | | | | | |
|---|---|---|---|---|---|---|
| | | Distributable | Non-Distributable | | | |
| Group | Share Capital RM'000 | Accumulated Losses RM'000 | Foreign Currency Reserve RM'000 | Total RM'000 | Non-Controlling Interest RM'000 | Total Equity RM'000 |
| At 1st July 2011 | 334,887 | (59,489) | (1,303) | 274,095 | 85 | 274,180 |
| Total comprehensive income for the financial year | - | 468 | - | 468 | 35 | 503 |
| At 30th June 2012 | 334,887 | (59,021) | (1,303) | 274,563 | 120 | 274,683 |
| Total comprehensive loss for the financial year | - | (83,188) | - | (83,188) | (24) | (83,212) |
| At 30th June 2013 | 334,887 | (142,209) | (1,303) | 191,375 | 96 | 191,471 |

The accompanying notes form an integral part of these financial statements

**TANCO HOLDINGS BERHAD**
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY**
**FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2013 (CONTINUED)**

| Company | Share Capital RM'000 | Distributable Accumulated Losses RM'000 | Total Equity RM'000 |
|---|---|---|---|
| At 1st July 2011 | 334,887 | (120,229) | 214,658 |
| Total comprehensive loss for the financial year | - | (3,191) | (3,191) |
| At 30th June 2012 | 334,887 | (123,420) | 211,467 |
| Total comprehensive loss for the financial year | - | (23,795) | (23,795) |
| At 30th June 2013 | 334,887 | (147,215) | 187,672 |

The accompanying notes form an integral part of these financial statements

## TANCO HOLDINGS BERHAD
(Incorporated in Malaysia)

### STATEMENTS OF CASH FLOWS
### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2013

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| (Loss)/profit before taxation | (83,246) | 599 | (23,795) | (3,191) |
| Adjustments for: | | | | |
| Amortisation of other investments | 72 | 72 | - | - |
| Amortisation of prepaid lease payments | 294 | 210 | - | - |
| Bad debts written off | 6,674 | 644 | 19 | - |
| Creditors written back | (5,523) | (6,304) | (25) | - |
| Deposits written back | (172) | - | - | - |
| Deposits written off | 286 | 224 | - | - |
| Depreciation | 1,054 | 2,145 | 17 | 15 |
| Gain on disposal of property, plant and equipment | (6) | (44) | - | - |
| Gain on disposal of subsidiary | (443) | - | - | - |
| Impairment of amount owing by subsidiaries | - | - | 23,561 | - |
| Impairment of investments | - | 1 | - | - |
| Impairment of investments in subsidiaries | - | - | 536 | - |
| Impairment of property, plant and equipment | 53,044 | 1,956 | - | - |
| Impairment of receivables | 22,155 | 425 | - | - |
| Interest expenses | 2,498 | 1,200 | 202 | 906 |
| Interest income | - | (13) | - | (12) |
| Inventories written off | 4 | 37 | - | - |
| Property, plant and equipment written off | 228 | 12 | 5 | - |
| Reversal of impairment of amount owing by subsidiaries | - | - | (1,343) | - |
| Reversal of impairment of receivables | - | (197) | - | - |
| Reversal of provision for liabilities | (320) | (7,026) | - | - |
| Waiver of debt | - | (890) | - | - |
| Operating Loss Before Working Capital Changes | (3,401) | (6,949) | (823) | (2,282) |
| Changes In Working Capital: | | | | |
| Property development costs | 9,619 | - | - | - |
| Receivables | (13,252) | (5,820) | - | - |
| Inventories | 23 | 7,011 | - | - |
| Provisions | 9,350 | - | - | - |
| Payables | (8,843) | 8,652 | (140) | (2,142) |
| | (6,504) | 2,894 | (963) | (4,424) |
| Interest paid | (2,498) | (1,187) | (202) | (894) |
| Tax paid | (134) | - | (93) | - |
| Net Operating Cash Flows | (9,136) | 1,707 | (1,258) | (5,318) |

The accompanying notes form an integral part of these financial statements.

## TANCO HOLDINGS BERHAD
(Incorporated in Malaysia)

### STATEMENTS OF CASH FLOWS
### FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2013 (CONTINUED)

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Investment in subsidiary | - | - | (1,200) | - |
| Net advance to subsidiaries | - | - | 440 | 33,307 |
| Purchase of property, plant and equipment (Note A) | (161) | (145) | (5) | - |
| Proceeds from disposal of property, plant and equipment | 11 | 44 | - | - |
| Proceeds from disposal of subsidiary (Note B) | 2 | - | - | - |
| Fixed deposit held as security value | - | 74 | - | 74 |
| Net Investing Cash Flows | (148) | (27) | (765) | 33,381 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | |
| Bridging loan drawn down | 7,151 | 24,000 | - | - |
| Changes in amount owing to directors | 2,108 | 7,820 | 1,791 | 3,829 |
| Payments to hire purchase and lease liabilities | (64) | (52) | - | - |
| Repayment of term loan | - | (44,000) | - | (44,000) |
| Withdrawal of fixed deposit | - | 8,670 | - | 8,670 |
| Net Financing Cash Flows | 9,195 | (3,562) | 1,791 | (31,501) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (89) | (1,882) | (232) | (3,438) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR | (37) | 1,845 | (2,259) | 1,179 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR | (126) | (37) | (2,491) | (2,259) |
| Cash and cash equivalents comprise of the following:- | | | | |
| Cash and bank balances | 2,326 | 2,421 | - | 238 |
| Deposits placed with licensed banks and finance companies | 10 | 10 | - | - |
| Cash held under Housing Development Account | 29 | 29 | - | - |
| Bank overdraft | (2,491) | (2,497) | (2,491) | (2,497) |
| | (126) | (37) | (2,491) | (2,259) |

A. During the financial year, the Group acquired property, plant and equipment amounting to RM161,000/- (2012: RM230,000/-) of which RM Nil (2012: RM85,000/-) was acquired under hire purchase arrangements. Cash payments amounting to RM161,000/- (2012: RM145,000/-) were made during the financial year.

The accompanying notes form an integral part of these financial statements.

**TANCO HOLDINGS BERHAD**
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**
**FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2013 (CONTINUED)**

B. On 16th October 2012, the Company had disposed off its wholly owned subsidiary, TIVR Sdn. Bhd., for a cash consideration of RM2/-. The effects of disposal of the subsidiary on the financial position of the Group as follows:-

| | Group<br>2013<br>RM'000 |
|---|---|
| Property, plant and equipment | 5 |
| Deposit | 10 |
| Other payables and accrual | (425) |
| Amount owing to a director | (25) |
| Net asset disposed | (435) |
| Gain on disposal of subsidiary | 443 |
| Bad debts written off:- | |
| Amount owing to a former related company | (1) |
| Amount owing to former immediate holding company | (5) |
| Total sales consideration | 2 |
| Less: Cash and cash equivalents | - |
| Net cash inflow on disposal of a subsidiary | 2 |

The accompanying notes form an integral part of these financial statements.

TANCO HOLDINGS BERHAD
(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The principal activities of the Company consist of investment holding and the provision of management services. The principal activities of its subsidiaries and associates are disclosed in Notes 8 and 9 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of the Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company are both located at No. 1, Persiaran Ledang, Off Jalan Duta, 50480 Kuala Lumpur.

The financial statements are expressed in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 6th September 2013.

### 2. FUNDAMENTAL ACCOUNTING CONCEPT

The financial statements of the Group have been prepared on the assumption that the Group will continue as a going concern. The application of the going concern basis is based on the assumption that the Group will be able to realise its assets and liquidate its liabilities in the normal course of business.

During the financial year, the Group incurred a net loss of RM83,212,000/-, and recorded a deficit in operating cash flows of RM9,136,000/-. Although this indicates the existence of an uncertainty which may cast doubt about the Group's ability to continue as a going concern, it is noted that a significant portion of the loss arose out of a substantial provision made on debts and assets of the Group. If these substantial provisions are excluded, the operational loss incurred by the Group is manageable. The shareholders' funds of the Group remains positive even after the substantial provision.

The ability of the Group to continue as a going concern will be dependent on the Group's ability to generate adequate cash flows from its operating activities and operate profitably in the future.

The directors are reasonably optimistic that the cash flows of the Group will improve in the foreseeable future with the sales of the planned development projects. In addition to the further cost rationalisation and the disposal of non-essential assets, the Group will explore the options of raising funds through the capital market to improve the Group's cash flow and financial position. The directors are confident that with all these actions, the Group will be in a good position to meet all its existing financial obligations in the foreseeable future.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with the Financial Reporting Standards ("FRSs") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost basis, except as disclosed in the significant accounting policies in Note 3.3.

The preparation of financial statements in conformity with FRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported year. It also requires directors to exercise their judgment in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgment are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 to the financial statements.

### 3.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs")

**(a) Adoption of Revised FRS, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int**

The Group and the Company had adopted the following revised FRS, amendments/improvements to FRSs, new IC Int and amendments to IC Int that are mandatory for the current financial year:-

Revised FRS

| | |
|---|---|
| FRS 124 | Related Party Disclosures |

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

**(a) Adoption of Revised FRS, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int (Continued)**

Amendments/Improvements to FRSs

| | |
|---|---|
| FRS 1 | First-time Adoption of Financial Reporting Standards |
| FRS 7 | Financial Instruments: Disclosures |
| FRS 101 | Presentation of Financial Statements |
| FRS 112 | Income Taxes |

New IC Int

| | |
|---|---|
| IC Int 19 | Extinguishing Financial Liabilities with Equity Instruments |

Amendments to IC Int

| | |
|---|---|
| IC Int 14 | FRS 119-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |

The adoption of the above revised FRS, amendments/improvements to FRSs, new IC Int and amendments to IC Int do not have any effect on the financial statements of the Group and of the Company except for those as discussed below:-

***Revised FRS 124 Related Party Disclosures***

The revised FRS 124 simplifies and clarifies the definition of related party and eliminates inconsistencies from the definition. The revised FRS 124 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduced a partial exemption from disclosures for government-related entities. Prior to this, no disclosure of transactions is required in financial statements of state-controlled entities of transactions with other state-controlled entities. The additional disclosures are intended to draw attention to users that such related party transactions have occurred and to give an indication of their extent. It requires disclosure of related party transactions between government-related entities only if the transactions are individually or collectively significant.

The Group and the Company have adopted the revised FRS 124 retrospectively. As this is a disclosure standard, the standard has no impact on the financial position and performance of the Group and the Company.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

#### (a) Adoption of Revised FRS, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int (Continued)

*Amendments to FRS 7 Financial Instruments: Disclosures*

These amendments to FRS 7 requires disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. The additional disclosures will help users of financial statements to evaluate the risk of exposures relating to transfer of financial assets and the effect of those risks on an entity's financial position.

*Amendments to FRS 112 Income Taxes*

This amendment to FRS 112 addresses the measurement approach for deferred tax assets and liabilities in respect of investment properties which are measured at fair value. The amendment introduces a rebuttable presumption that the investment property is recovered entirely through sale. In such cases, deferred tax assets or liabilities are provided at tax rates applicable when recovering the property entirely through sale. If this presumption is rebutted, deferred tax assets or liabilities are provided based on tax rates applicable when consuming substantially the economic benefits embodied in the property over a period of time (for example via rental income).

*IC Int 19 Extinguishing Financial Liabilities with Equity Instruments*

This Interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. It does not address the accounting by the creditor.

IC Int 19 will standardise practice among debtors applying FRSs to a debt for equity swap. This interpretation clarifies that the equity instruments issued shall be measured at their fair value. If the fair value cannot be reliably measured, the equity instruments shall be measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability (or part of a financial liability) extinguished, and the consideration paid, shall be recognised in profit or loss. When only part of the financial liability is extinguished and if part of the consideration paid does relate to a modification of the terms of the remaining part of the liability, the entity shall allocate the consideration paid between the part of the liability extinguished and the part of the liability that remains outstanding. A substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

**(a) Adoption of Revised FRS, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int (Continued)**

***Amendments to IC Int 14 FRS119-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction***

The amendments to IC Int 14 apply in the limited circumstances when an entity is subject to minimum funding requirement and makes an early payment of contributions to cover those requirements. The amendments permit the entity to treat the benefit of such early payment as an asset.

**(b) New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, but not yet effective and have not been early adopted**

The Group and the Company have not adopted the following new and revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:-

| | | Effective for financial year beginning on or after |
|---|---|---|
| <u>New FRSs</u> | | |
| FRS 9 | Financial Instruments | 1 January 2015 |
| FRS 10 | Consolidated Financial Statements | 1 January 2013 |
| FRS 11 | Joint Arrangements | 1 January 2013 |
| FRS 12 | Disclosure of Interests in Other Entities | 1 January 2013 |
| FRS 13 | Fair Value Measurement | 1 January 2013 |
| <u>Revised FRSs</u> | | |
| FRS 119 | Employee Benefits | 1 January 2013 |
| FRS 127 | Separate Financial Statements | 1 January 2013 |
| FRS 128 | Investments in Associates and Joint Ventures | 1 January 2013 |

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

**(b) New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, but not yet effective and have not been early adopted (Continued)**

| | | Effective for financial year beginning on or after |
|---|---|---|
| Amendments/Improvements to FRSs | | |
| FRS 1 | First-time Adoption of Financial Reporting Standards | 1 January 2013 |
| FRS 7 | Financial Instruments: Disclosures | 1 January 2013 |
| FRS 10 | Consolidated Financial Statements | 1 January 2013 and 1 January 2014 |
| FRS 11 | Joint Arrangements | 1 January 2013 |
| FRS 12 | Disclosure of Interests in Other Entities | 1 January 2013 and 1 January 2014 |
| FRS 101 | Presentation of Financial Statements | 1 January 2013 |
| FRS 116 | Property, Plant and Equipment | 1 January 2013 |
| FRS 127 | Separate Financial Statements | 1 January 2013 and 1 January 2014 |
| FRS 132 | Financial Instruments: Presentation | 1 January 2013 |
| FRS 134 | Interim Financial Reporting | 1 January 2013 |
| FRS 136 | Impairment of Assets | 1 January 2014 |
| FRS 139 | Financial Instruments: Recognition and Measurement | 1 January 2014 |
| New IC Int | | |
| IC Int 20 | Stripping Costs in the Production Phase of a Surface Mine | 1 January 2013 |
| Amendments to IC Int | | |
| IC Int 2 | Members' Shares in Co-operative Entities & Similar Instruments | 1 January 2013 |

A brief discussion on the above significant new and revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int are summarised below. Due to the complexity of these new standards, the financial effects of their adoption are currently still being assessed by the Group and the Company.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

**(b) New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, but not yet effective and have not been early adopted (Continued)**

*FRS 9 Financial Instruments*

FRS 9 specifies how an entity should classify and measure financial assets and financial liabilities.

This standard requires all financial assets to be classified based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial asset. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, they will be measured at either fair value or at amortised cost.

In respect of the financial liabilities, the requirements are generally similar to the former FRS 139. However, this standard requires that for financial liabilities designated as at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the profit or loss.

*FRS 10 Consolidated Financial Statements and FRS 127 Separate Financial Statements (Revised)*

FRS 10 replaces the consolidation part of the former FRS 127 Consolidated and Separate Financial Statements. The revised FRS 127 will deal only with accounting for investment in subsidiaries, joint ventures and associates in the separate financial statements of an investor and require the entity to account for such investments either at cost, or in accordance with FRS 9.

FRS 10 brings about convergence between FRS 127 and IC Int 12 Consolidation-Special Purpose Entities, which interprets the requirements of FRS 10 in relation to special purpose entities. FRS 10 introduces a new single control model to identify a parent-subsidiary relationship by specifying that "an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". It provides guidance on situations when control is difficult to assess such as those involving potential voting rights, or in circumstances involving agency relationships, or where the investor has control over specific assets of the entity, or where the investee entity is designed in such a manner where voting rights are not the dominant factor in determining control.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

**(b) New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, but not yet effective and have not been early adopted (Continued)**

***FRS 12 Disclosures of Interests in Other Entities***

FRS 12 is a single disclosure standard for interests in subsidiary companies, joint ventures, associated companies and unconsolidated structured entities. The disclosure requirements in this FRS are aimed at providing standardised and comparable information that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows.

***FRS 13 Fair Value Measurements***

FRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

***FRS 128 Investments in Associates and Joint Ventures (Revised)***

This revised FRS 128 incorporates the requirements for accounting for joint ventures into the same accounting standard as that for accounting for investments in associated companies, as the equity method was applicable for both investments in joint ventures and associated companies. However, the revised FRS 128 exempts the investor from applying equity accounting where the investment in the associated company or joint venture is held indirectly via venture capital organisations or mutual funds and similar entities. In such cases, the entity shall measure the investment at fair value through profit or loss, in accordance with FRS 9.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

#### (c) MASB Approved Accounting Standards, MFRSs

In conjunction with the planned convergence of FRSs with International Financial Reporting Standards as issued by the International Accounting Standards Board on 1st January 2012, the MASB had on 19th November 2011 issue a new MASB approved accounting standards, MFRSs ("MFRSs Framework") for application in the annual periods beginning on or after 1st January 2012.

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1st January 2012, with the exception of entities subject to the application of MFRS 141 *Agriculture* and/or IC Int 15 *Agreements for the Construction of Real Estate* ("Transitioning Entities"). The Transitioning Entities are given an option to defer adoption of the MFRSs framework to financial periods beginning on or after 1st January 2015. Transitioning Entities also includes those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply the FRSs framework for annual periods beginning on or after 1 January 2012.

Accordingly, the Group and the Company which are Transitioning Entities have chosen to defer the adoption of the MFRSs framework to financial year beginning on 1st July 2015. The Group and the Company will prepare their first MFRSs financial statements using the MFRSs framework for the financial year ending 30th June 2016.

As at 30th June 2013, all FRSs issued under the existing FRSs framework are equivalent to the MFRSs issued under MFRSs framework except for differences in relation to the transitional provisions, the adoption of MFRS 141 *Agriculture* and IC Int 15 *Agreements for the Construction of Real Estate* as well as differences in effective dates contained in certain of the existing FRSs. As such, other than those as discussed below, the main effects arising from the transition to the MFRSs Framework has been discussed in Note 3.2(b). The effect is based on the Group's and the Company's best estimates at the reporting date. The financial effect may change or additional effects may be identified, prior to the completion of the Group's and the Company's first MFRSs based financial statements.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)

#### (c) MASB Approved Accounting Standards, MFRSs (Continued)

**Application of MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards ("MFRS 1")**

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs effective for annual periods beginning on or after 1 January 2014 have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRSs. The Group and the Company are currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adoption of MFRS 1 cannot be determined and estimated reliably until the process is completed.

**MFRS 141 Agriculture**

MFRS 141 requires a biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except where the fair value cannot be measured reliably. MFRS 141 also requires agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Gains or losses arising on initial recognition of a biological asset and the agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in the profit or loss for the period in which it arises. The Group is currently assessing the impact of the adoption of this standard.

**IC Int 15 Agreements for the Construction of Real Estate**

IC Int 15 establishes that the developer will have to evaluate whether control and significant risks and rewards of the ownership of work in progress, can be transferred to the buyer as construction progresses before revenue can be recognised. The Group is currently assessing the impact of the adoption of this Interpretation.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.3 Significant Accounting Policies

#### (a) Basis of Consolidation and Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. The financial statements of the parent and its subsidiaries are all drawn up to the same reporting date.

Subsidiaries are entities in which the Group has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

An investment in subsidiary, which is eliminated on consolidation, is stated in the Company's separate financial statements at cost less impairment losses, if any. On disposal of such an investment, the difference between the net disposal proceeds and its carrying amount is recognised in the profit or loss.

The financial statements of the subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Under the purchase method of accounting, the cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The accounting policy on goodwill is set out in Note 3.3(d) to the financial statements.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.3 Significant Accounting Policies (Continued)

#### (a) Basis of Consolidation and Subsidiaries (Continued)

Any excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Intra-group transactions, balances and resulting unrealised gains on transactions within the Group are eliminated in full on consolidation. Unrealised losses resulting from intra-group transactions are also eliminated on consolidation unless costs cannot be recovered. When necessary, adjustments are made to the financial statements of the subsidiaries to ensure consistency of accounting policies with those adopted by the Group.

Non-controlling interest represents that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Company, directly or indirectly through subsidiary. It is measured at the non-controlling interest holders' share of the fair values of the subsidiary's identifiable assets and liabilities at the acquisition date and the non-controlling interest holders' share of changes in the subsidiary's equity since that date.

Where losses applicable to the minority exceed the non-controlling interest in the equity of a subsidiary, the excess and any further losses applicable to the non-controlling interest are charged against the Group's interest except to the extent that the non-controlling interest has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequent reports profits, the Group's interest is allocated all such profit until the non-controlling interest's share of losses previously absorbed by the Group has been recovered.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences and carrying amount of goodwill that relate to the subsidiary and is recognised in the consolidated statement of comprehensive income.

In accordance with FRS 127, Consolidated and Separate Financial Statements (revised), upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Any loss applicable to the non-controlling interest in a subsidiary are allocated to the non-controlling interest even if doing so causes the non-controlling interest to have a deficit balance.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.3 Significant Accounting Policies (Continued)

#### (b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investment in associates is accounted for in the consolidated financial statements using the equity method of accounting based on the latest management accounts of the associates. Under the equity method, the investment in associate is carried in the consolidated statements of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transaction between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interest that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

On disposal of such investment, the difference between the net disposal proceeds and its carrying amount is included in the profit or loss as gain or loss on disposal of investment in associate.

#### (c) Investments

Investment in subsidiaries, associates, jointly controlled entities and other investments are stated at cost less any accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.3(n).

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is charged or credited to the profit or loss.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.3 Significant Accounting Policies (Continued)

#### (d) Goodwill on consolidation

**(i) Acquisition before 1st January 2011**

Goodwill arising on acquisition represents the excess of cost of business combination over the Group's share of the net fair values of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is stated at cost less impairment losses, if any.

Goodwill is not amortised but is reviewed for impairment, annually or more frequently for impairment in value and is written down where it is considered necessary. Gain or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arise.

Negative goodwill represents the excess of the fair value of the Group's share of net assets acquired over the cost of acquisition. Negative goodwill is recognised directly in the profit or loss.

**(ii) Acquisition on or after 1st January 2011**

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquire; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.3 Significant Accounting Policies (Continued)

#### (d) Goodwill on consolidation (Continued)

##### (ii) Acquisition on or after 1st January 2011 (Continued)

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and related to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and or future service.

#### (e) Property, Plant and Equipment and Depreciation

All property, plant and equipment were initially stated at cost less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.3(n). Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

Freehold lands are not depreciated. All other property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets concerned. The principal annual rates used for this purpose are as follows:-

| | |
|---|---|
| Golf course and club village | over 97 years |
| Furniture and fittings | 5% - 20% |
| Motor vehicles | 10% - 20% |
| Office Equipment | 10% - 20% |
| Resort Properties | 1% |
| Maintenance Equipment | 10% - 20% |
| Buildings | 2% - 4% |

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.3 Significant Accounting Policies (Continued)

#### (e) Property, Plant and Equipment and Depreciation (Continued)

Construction in progress will be depreciated when the property is ready for its intended use.

The residual values, useful life and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit or loss in the period the asset is derecognised.

#### (f) Property Development Activities

**(i) Land held for property development**

Land held for property development consists of land on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at cost less any impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.3(n).

Cost comprises the cost of land and all related costs incurred on activities necessary to prepare the land for its intended use. Where the Group had previously recorded the land at a revalued amount, it continues to retain this amount as its surrogate cost as allowed by FRS 201 Property Development Activities.

Land held for property development is transferred to property development costs and included under current assets when development activities have commenced and is expected to be completed within the normal operating cycle.

**(ii) Property Development Costs**

Property development costs comprise costs associated with the acquisition of land and costs that are directly attributable to development activities or costs that can be allocated on a reasonable basis to these activities.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.3 Significant Accounting Policies (Continued)

#### (f) Property Development Activities (Continued)

##### (ii) Property Development Costs (Continued)

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the profit or loss by using the stage of completion method. Under this method, profits are recognised as property development activity progresses. The stage of completion is determined by the proportion that property development costs incurred for the work performed to the reporting date over the estimated total property development costs to completion.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any foreseeable loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately in the profit or loss.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value. Upon the completion of development, the unsold completed development properties are transferred to inventories.

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the profit or loss is classified as progress billings.

#### (g) Inventories

Inventories have been valued at the lower of cost or net realisable value.

Cost of completed properties comprises all direct construction cost, land cost and direct development expenditure which is determined on specific identifiable basis.

Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale.

Where necessary, due allowance is made for all damaged, obsolete and slow-moving items. The Group writes down its obsolete or slow moving inventories based on assessment of the condition and the future demand for the inventories. These inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recovered.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.3 Significant Accounting Policies (Continued)

#### (h) Assets Classified as Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to the terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in the profit or loss.

#### (i) Leases

**(i) Finance Lease**

Assets financed by hire purchase arrangements which transfer substantially all the risks and rewards of ownership to the Group are capitalised as property, plant and equipment, and the corresponding obligations are treated as liabilities. The assets so capitalised are depreciated in accordance with the accounting policy on property, plant and equipment. Finance charges are charged to the profit or loss over the periods of the respective agreements to give a constant periodic rate of change on the remaining hire purchase and lease liabilities.

**(ii) Operating Lease**

Lease payments for assets under operating lease where substantially all the risks and benefits remain with the lessor, are recognised as an expense in the profit or loss on a straight line basis over the lease term.

Leasehold land held for own use is now classified as operating lease. The up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and is amortised on a straight line basis over the remaining lease term.

#### (j) Borrowing Costs

Borrowing costs are charged to the profit or loss as an expense in the period in which they are incurred.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.3 Significant Accounting Policies (Continued)

#### (k) Provisions for Liabilities

Provisions for liabilities are recognised when the Group and the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

#### (l) Foreign Currency Translation

**(i) Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia, which are the Group and the Company's functional currency and presentation currency.

**(ii) Translation and balances**

Transactions in foreign currencies are translated to Ringgit Malaysia at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Ringgit Malaysia at the rate of exchange ruling on that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rates at the date the fair value was determined. Exchange differences arising from the settlement of foreign currency transactions and from the retranslation of foreign currency monetary assets and liabilities are included in the profit or loss.

**(iii) Foreign entity**

The Group's foreign entities are those operations that are not an integral part of the operations of the Group. Profit or loss of foreign entities is translated into Ringgit Malaysia at average exchange rates for the financial year and the statements of financial positions are translated at exchange rates ruling at the reporting date. Exchange differences arising from the retranslation of the net investment in foreign entities are taken up in Exchange Translation Reserve in shareholders' equity. On disposal of the foreign entity, such translation differences are recognised in the profit or loss as part of the gain or loss on disposal.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.3 Significant Accounting Policies (Continued)

#### (m) Financial Assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

##### (i) Financial Assets at Fair Value through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near future.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains and losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

##### (ii) Loans and Receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.3 Significant Accounting Policies (Continued)

#### (m) Financial Assets (Continued)

**(ii) Loans and Receivables (Continued)**

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loan and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

**(iii) Held-to-Maturity Investments**

Financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group and the Company has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

**(iv) Available-for-Sale Financial Assets**

Available-for-sale are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.3 Significant Accounting Policies (Continued)

#### (m) Financial Assets (Continued)

##### (iv) Available-for-Sale Financial Assets (Continued)

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

#### (n) Impairment of Assets

##### (i) Impairment of Financial Assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.3 Significant Accounting Policies (Continued)

#### (n) Impairment of Assets (Continued)

##### (i) Impairment of Financial Assets (Continued)

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through the profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

##### (ii) Impairment of Non-Financial Assets

The Group and the Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or Cash Generating Unit ("CGU")'s fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Where the carrying amounts of an asset exceed its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed its carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the profit or loss.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.3 Significant Accounting Policies (Continued)

#### (o) Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

**(i) Financial Liabilities at Fair Value Through Profit or Loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resulted gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

**(ii) Other Financial Liabilities**

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company has an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in the profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in the profit or loss.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (p) Income Tax

The tax expense in the profit or loss represents the aggregate amount of current tax and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credit can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

### (q) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's and the Company's activities. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. The full specific recognition criteria must also be met before revenue is recognised.

#### (i) Property Development

Revenue from sale of property development projects is recognised progressively based on the stage of completion method.

Interest income from late payments by house buyers and forfeiture income are recognised on receipt basis.

#### (ii) Revenue from annual subscription fee

Revenue from annual fee is recognised on an accrual basis.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.3 Significant Accounting Policies (Continued)

#### (q) Revenue Recognition (Continued)

**(iii) Revenue from club and resort operations**

Revenue from sales of club memberships is recognised upon admission of the applicants as members. Revenue from club subscription fees is recognised on an accrual basis. Revenue from club operations is recognised when services are rendered.

Revenue from rental of rooms, sale of food and beverage and other related income is recognised upon delivery of goods and accepted by customers.

**(iv) Revenue from services**

Revenue from services rendered is recognised net of service taxes and discounts upon performance of services.

**(v) Interest income and dividend income**

Interest income on instalment repayment scheme granted to the members is recognised on time proportion basis that reflect the effective yield on the assets. Default interest and dividend income are recognised in the profit or loss when the Group's and the Company's right to receive payment is established.

**(vi) Interest income from money lending business**

Interest income earned from money lending business is recognised on an accrual basis.

#### (r) Employee benefits

**(i) Short term employee benefits**

Wages, salaries, social security contribution, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensation absences. Short term non-accumulating compensated absences sick leave, maternity and paternity leave are recognised when absences occur.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.3 Significant Accounting Policies (Continued)

**(r) Employee benefits (Continued)**

**(ii) Post-employment benefits**

The Group and the Company contributes to the Employees' Provident Fund, the national defined contribution plan. The contributions are charged to the profit or loss in the year to which they are related. Once the contributions have been paid, the Group and the Company has no further payment obligations.

**(s) Cash and Cash Equivalents**

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash in hand, deposits, bank balances and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value. Cash and cash equivalents are stated net of bank overdrafts which are repayable on demand.

**(t) Share Capital**

**Ordinary shares**

Ordinary shares are recorded at the nominal value and the consideration in excess of nominal value of shares issued, if any, is accounted for as share premium. Both ordinary shares and share premium are classified as equity.

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the reporting date. A dividend proposed or declared after the reporting date, but before the financial statements are authorised for issue, is not recognised as a liability at the reporting date.

Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, if any, otherwise it is charged to the profit or loss. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

**(u) Operating Segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### (i) Critical judgements made in applying the Group's accounting policies

There were no significant judgements made by management in the process of applying the accounting policies of the Group and of the Company which may have significant effect on the amount recognised in the financial statements.

### (ii) Key sources of estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as stated below:-

#### (a) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on the straight line basis over their estimated useful lives. Management estimates the useful lives of the property, plant and equipment to be within 5 to 100 years. Changes in expected level of usage and technological developments could impact the economic useful lives and residual values of the property, plant and equipment, therefore the future depreciation charges could be revised.

#### (b) Impairment of property, plant and equipment

The Group and the Company assesses impairment of assets whenever the events and changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on Group's and the Company's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

During the financial year, the Group made an impairment of property, plant and equipment amounting to RM53,044,000/- (2012: RM1,956,000/-).

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### (ii) Key sources of estimation uncertainty (Continued)

#### (c) Property development projects

The Group recognises property development revenue and costs in the profit or loss by using the percentage of completion method. The percentage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs of work performed. Significant judgement is required in determining the percentage of completion, the extent of the property development costs incurred the estimated total property development revenue and costs, as well as the recoverability of the development projects.

#### (d) Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses and deductible temporary difference to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total unrecognised deferred tax assets of the Group and of the Company were RM39,096,000/- and RM1,222,000/- respectively (2012: RM35,183,000/- and RM1,103,000/- respectively).

#### (e) Allowance for inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuations of inventories.

#### (f) Recoverability of receivables

The Group and the Company makes impairment of receivables based on an assessment of the recoverability of receivables. Impairments are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the impairment of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

During the financial year the Group made an impairment of receivables amounting to RM22,155,000/- (RM425,000/-).

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(ii) **Key sources of estimation uncertainty (Continued)**

(g) **Impairment of investment in subsidiaries**

The Company tests investments in subsidiaries for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary. The assessment of the net tangible assets of the subsidiaries affects the results of the impairment test. Cost of investments in subsidiaries which have ceased operations were impaired up to net assets of the subsidiaries. The impairment made on investments in subsidiaries entails an impairment of receivables to be made to the amount owing by these subsidiaries.

(h) **Income taxes**

The Group and the Company is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the estimation of the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

## 5. PROPERTY, PLANT AND EQUIPMENT

### Group

| | | | | | | | Resort Operations | | | | | Construction -in-Progress | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2013 | Freehold Land RM'000 | Leasehold Building RM'000 | Freehold Land and Buildings RM'000 | Furniture and Fittings RM'000 | Office Equipment RM'000 | Maintenance Equipment RM'000 | Golf Course and Club Village RM'000 | Rights in Resort Properties RM'000 | Resort Properties RM'000 | Furniture and Fittings RM'000 | Boat and Motor Vehicles RM'000 | Marina Club RM'000 | Others RM'000 | Total RM'000 |
| **Cost** | | | | | | | | | | | | | | |
| At 1st July 2012 | 11,562 | 2,364 | 40,179 | 7,748 | 8,320 | 9,365 | 22,927 | 13,653 | 76,595 | 3,448 | 5,749 | 40,429 | 425 | 242,764 |
| Additions | - | - | - | 13 | 32 | 105 | - | - | - | 11 | - | - | - | 161 |
| Reclassification | - | - | - | - | - | - | - | - | - | (5) | - | 5 | - | - |
| Disposals/write off | - | (328) | - | (7,709) | (7,937) | (8,673) | - | - | - | (3,327) | (3,043) | - | (425) | (31,442) |
| At 30th June 2013 | 11,562 | 2,036 | 40,179 | 52 | 415 | 797 | 22,927 | 13,653 | 76,595 | 127 | 2,706 | 40,434 | - | 211,483 |
| **Accumulated Depreciation and Impairment Losses** | | | | | | | | | | | | | | |
| At 1st July 2012 | - | 959 | 14,502 | 7,545 | 8,032 | 9,055 | 3,568 | 13,653 | 15,340 | 3,363 | 5,374 | - | - | 81,391 |
| Depreciation for the financial year | - | 200 | 211 | 5 | 45 | 68 | 229 | | 201 | 15 | 80 | - | - | 1,054 |
| Impairment for the financial year | - | - | 5,445 | - | - | - | - | - | 7,165 | - | - | 40,434 | - | 53,044 |
| Reclassification | - | - | - | 10 | - | - | - | - | - | (10) | - | - | - | - |
| Disposal/write off | - | (107) | - | (8,019) | (8,172) | (8,590) | - | - | - | (3,277) | (2,934) | - | - | (31,099) |
| At 30th June 2013 | - | 1,052 | 20,158 | (459) | (95) | 533 | 3,797 | 13,653 | 22,706 | 91 | 2,520 | 40,434 | - | 104,390 |
| **Net Book Value at 30th June 2013** | 11,562 | 984 | 20,021 | 511 | 510 | 264 | 19,130 | - | 53,889 | 36 | 186 | - | - | 107,093 |

## 5. PROPERTY, PLANT AND EQUIPMENT (Continued)

### Group

| 2012 | Freehold Land RM'000 | Leasehold Building RM'000 | Freehold Land and Buildings RM'000 | Furniture and Fittings RM'000 | Office Equipment RM'000 | Maintenance Equipment RM'000 | Resort Operations: Golf Course and Club Village RM'000 | Resort Operations: Rights in Resort Properties RM'000 | Resort Operations: Resort Properties RM'000 | Resort Operations: Furniture and Fittings RM'000 | Resort Operations: Boat and Motor Vehicles RM'000 | Resort Operations: Construction-in-Progress: Marina Club RM'000 | Resort Operations: Construction-in-Progress: Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | | | | | |
| At 1st July 2011 | 11,839 | 779 | 25,494 | 10,935 | 8,298 | 4,522 | 22,927 | 13,653 | 81,644 | 7,885 | 6,603 | 37,624 | 16,714 | 248,917 |
| Additions | - | - | - | - | - | 85 | - | - | - | - | 145 | - | - | 230 |
| Reclassification | (277) | 1,585 | 16,131 | (1,967) | 491 | 6,426 | - | - | 2,642 | (3,792) | 197 | 2,805 | (16,289) | 7,952 |
| Transfer | - | - | (1,446) | - | - | (1,529) | - | - | (7,691) | - | - | - | - | (10,666) |
| Disposals/write off | - | - | - | (1,220) | (469) | (139) | - | - | - | (645) | (1,196) | - | - | (3,669) |
| At 30th June 2012 | 11,562 | 2,364 | 40,179 | 7,748 | 8,320 | 9,365 | 22,927 | 13,653 | 76,595 | 3,448 | 5,749 | 40,429 | 425 | 242,764 |
| **Accumulated Depreciation and Impairment Losses** | | | | | | | | | | | | | | |
| At 1st July 2011 | - | 591 | 8,108 | 7,036 | 8,262 | 4,153 | 3,340 | 13,653 | 8,277 | 7,424 | 6,335 | - | 6,310 | 73,489 |
| Depreciation for the financial year | - | 215 | 143 | 486 | 51 | 498 | 229 | - | 358 | 72 | 93 | - | - | 2,145 |
| Impairment for the financial year | - | - | - | - | - | - | - | - | 1,956 | - | - | - | - | 1,956 |
| Reclassification | - | 153 | 6,251 | 1,241 | 188 | 5,027 | (1) | - | 4,749 | (3,488) | 142 | - | (6,310) | 7,952 |
| Transfer | - | - | - | - | - | (495) | - | - | - | - | - | - | - | (495) |
| Disposal/write off | - | - | - | (1,218) | (469) | (128) | - | - | - | (645) | (1,196) | - | - | (3,656) |
| At 30th June 2012 | - | 959 | 14,502 | 7,545 | 8,032 | 9,055 | 3,568 | 13,653 | 15,340 | 3,363 | 5,374 | - | - | 81,391 |
| **Net Book Value at 30th June 2012** | 11,562 | 1,405 | 25,677 | 203 | 288 | 310 | 19,359 | - | 61,255 | 85 | 375 | 40,429 | 425 | 161,373 |

## 5. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

| 2013 | Buildings RM'000 | Furniture and Fittings RM'000 | Office Equipment RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1st July 2012 | 722 | 487 | 95 | 1,304 |
| Additions | - | - | 5 | 5 |
| Disposals | - | (487) | (100) | (587) |
| At 30th June 2013 | 722 | - | - | 722 |
| **Accumulated Depreciation** | | | | |
| At 1st July 2012 | 107 | 487 | 94 | 688 |
| Depreciation for the financial year | 16 | - | 1 | 17 |
| Disposals | - | (487) | (95) | (582) |
| At 30th June 2013 | 123 | - | - | 123 |
| **Net Book Value at 30th June 2013** | 599 | - | - | 599 |

| 2012 | Buildings RM'000 | Furniture and Fittings RM'000 | Office Equipment RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1st July 2011 | 722 | 487 | 95 | 1,304 |
| Additions | - | - | - | - |
| Disposals | - | - | - | - |
| At 30th June 2012 | 722 | 487 | 95 | 1,304 |
| **Accumulated Depreciation** | | | | |
| At 1st July 2011 | 93 | 487 | 93 | 673 |
| Depreciation for the financial year | 14 | - | 1 | 15 |
| Disposals | - | - | - | - |
| At 30th June 2012 | 107 | 487 | 94 | 688 |
| **Net Book Value at 30th June 2012** | 615 | - | 1 | 616 |

## 5. PROPERTY, PLANT AND EQUIPMENT (Continued)

The net book value of property, plant and equipment of the Group includes the following property, plant and equipment acquired under hire purchase and finance lease agreements:-

| | At Net Book Value | |
|---|---|---|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Motor vehicles | 133 | 242 |

## 6. PROPERTY DEVELOPMENT ACTIVITIES

### (a) Land held for property development

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| At the beginning of the financial year | | |
| - land, at cost | 104,765 | 105,820 |
| - development costs | 75,992 | 66,585 |
| - accumulated costs charged to profit or loss | (81,726) | (81,726) |
| | 99,031 | 90,679 |
| Less: Disposal | (10,008) | - |
| Reclassification | (12,125) | 9,693 |
| Transfer to assets classified as held for sale (Note 12) | - | (1,341) |
| | 76,898 | 99,031 |
| At the end of the financial year | | |
| - land, at cost | 88,394 | 104,765 |
| - development costs | 70,230 | 75,992 |
| - accumulated cost charged to profit or loss | (81,726) | (81,726) |
| | 76,898 | 99,031 |

## 6. PROPERTY DEVELOPMENT ACTIVITIES (Continued)

### (b) Property development costs

| | Group 2013 RM'000 | Group 2012 RM'000 |
|---|---|---|
| At the beginning of the financial year | | |
| - land, at cost | 6,574 | 6,574 |
| - development costs | 29,637 | 39,330 |
| - accumulated costs charged to profit or loss | (23,338) | (23,338) |
| | 12,873 | 22,566 |
| Add: Costs incurred during the financial year | | |
| - development costs | 1,926 | - |
| - reclassification | 12,125 | (9,693) |
| | 14,051 | (9,693) |
| Less: | | |
| - reversal of foreseeable loss no longer required | (196) | - |
| | 26,728 | 12,873 |
| At the end of the financial year | | |
| - land, at cost | 15,561 | 6,574 |
| - development costs | 34,505 | 29,637 |
| - accumulated costs charged to profit or loss | (23,338) | (23,338) |
| | 26,728 | 12,873 |

## 7. PREPAID LEASE PAYMENTS

| | Group 2013 RM'000 | Group 2012 RM'000 |
|---|---|---|
| Leasehold land, at cost | 21,621 | 18,253 |
| Add : Transfer | - | 3,368 |
| Less : Accumulated amortisation | (1,505) | (1,211) |
| | 20,116 | 20,410 |

## 8. INVESTMENT IN SUBSIDIARIES

| | Company 2013 RM'000 | Company 2012 RM'000 |
|---|---|---|
| Unquoted shares - at cost | 120,259 | 119,059 |
| Less: Impairment losses | (67,101) | (66,565) |
| | 53,158 | 52,494 |

The following information relates to the subsidiaries:-

| Name of Company | Country of Incorporation | Group Effective Equity Interest 2013 % | Group Effective Equity Interest 2012 % | Principal Activities |
|---|---|---|---|---|
| **Held directly:-** | | | | |
| Palm Springs Resort Management Berhad | Malaysia | 100 | 100 | Hotel operator. |
| Pentapeak Properties Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding. |
| Point Resort Club Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding. |
| Popular Elegance (M) Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding. |
| Splash Park Sdn. Bhd. (formerly (known as Tanco Properties Management Services Sdn. Bhd.) | Malaysia | 100 | 100 | Property management services. |
| Tanco Development Sdn. Bhd. | Malaysia | 100 | 100 | Property development. |
| Wheels, Sails & Wings SuperClub Bhd. | Malaysia | 100 | 100 | Dormant. |
| World Vacation Ownership Sdn. Bhd. | Malaysia | 100 | 100 | Provision of consultancy services and investment holding. |
| Medan Melati Sdn. Bhd. | Malaysia | 70 | 70 | Investment holding . |
| Cool-Wheels SuperClub Bhd. | Malaysia | 100 | 100 | Dormant. |
| Platinum Residence Sdn. Bhd. | Malaysia | 100 | 100 | Dormant. |
| **Subsidiaries of Tanco Development Sdn. Bhd.:-** | | | | |
| Tanco Builders Sdn. Bhd. | Malaysia | 100 | 100 | Contracting and building works. |
| Tanco Dot Com Sdn. Bhd. | Malaysia | 100 | 100 | Dormant. |
| **Subsidiary of Medan Melati Sdn. Bhd.:-** | | | | |
| Gerak Gaya Land Sdn. Bhd. | Malaysia | 42 | 42 | Dormant. |

## 8. INVESTMENT IN SUBSIDIARIES (Continued)

| Name of Company | Country of Incorporation | Group Effective Equity Interest 2013 % | Group Effective Equity Interest 2012 % | Principal Activities |
|---|---|---|---|---|
| **Subsidiaries of World Vacation Ownership Sdn. Bhd.:-** | | | | |
| Tanco Resorts Berhad | Malaysia | 100 | 100 | Investment holding, and the management and operation of resorts and of vacation ownership interval and point based schemes. |
| BizCredit Sdn. Bhd. | Malaysia | 100 | 100 | Money lending business. |
| JKMB Development Sdn. Bhd. | Malaysia | 100 | 100 | Property development and construction |
| Palm Springs Development Sdn. Bhd. | Malaysia | 100 | 100 | Property development. |
| Palm Springs Resort (MM2H) Sdn. Bhd. | Malaysia | 100 | 100 | Provide services in relation to Malaysia My Second Home Programme. |
| Tanco Properties Sdn. Bhd. | Malaysia | 100 | 100 | Property development. |
| Genium Corporation Sdn. Bhd. | Malaysia | 100 | 100 | General agent. |
| **Subsidiaries of Palm Springs Development Sdn. Bhd.:-** | | | | |
| Palm Springs Club Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding. |
| Regal Resort Sdn. Bhd. | Malaysia | 100 | 100 | Dormant. |
| **Subsidiary of Tanco Properties Sdn. Bhd.:-** | | | | |
| Tanco Land Sdn. Bhd. | Malaysia | 100 | 100 | Property investment. |
| **Subsidiary of Palm Springs Club Sdn. Bhd.:-** | | | | |
| Palm Springs Resort Bhd. | Malaysia | 100 | 100 | Operator of golf and marina clubs. |
| **Subsidiaries of Tanco Resorts Berhad:-** | | | | |
| Palm Springs Leisure Sdn. Bhd. | Malaysia | 100 | 100 | Property management and resort management |
| Tanco Enterprise Sdn. Bhd. | Malaysia | 90.32 | 90.32 | General trading. |
| Tanco Club Berhad | Malaysia | 100 | 100 | Club operator. |
| Tanco Holidays Sdn. Bhd. | Malaysia | 100 | 100 | Travel and tour agent. |
| Tanco Lake Resorts Sdn. Bhd. | Malaysia | 100 | 100 | Resort operator. |
| Tanco Recreational Holdings Sdn. Bhd. | Malaysia | 100 | 100 | Property management. |
| TIVR Sdn. Bhd. | Malaysia | - | 100 | General trading. |
| * Tanco Resorts (Australia) Pty. Ltd. | Australia | 100 | 100 | Dormant. |
| * Burnham Global Inc. | British Virgin | 100 | 100 | Investment holding. |

8. INVESTMENT IN SUBSIDIARIES (Continued)

| Name of Company | Country of Incorporation | Group Effective Equity Interest 2013 % | 2012 % | Principal Activities |
|---|---|---|---|---|
| Subsidiaries of Burnham Global Inc:- | | | | |
| * Noreast Co. Ltd. | British Virgin Islands | 100 | 100 | Property holding. |
| * TRB Leisure (Mauritius) Pte. Ltd. | Mauritius | 100 | 100 | Property investment. |
| * TRB Vacation (Mauritius) Pte. Ltd. | Mauritius | 100 | 100 | Property investment. |

* *Subsidiaries not audited by Baker Tilly Monteiro Heng. The audited financial statements and auditors reports of these subsidiaries were not available for consolidation. These subsidiaries are currently dormant. The financial statements of these subsidiaries were reviewed for consolidation purposes.*

9. INVESTMENT IN ASSOCIATES

| | Group 2013 RM'000 | 2012 RM'000 |
|---|---|---|
| Unquoted shares, at cost | 500 | 500 |
| Group's share of post-acquisition results | (500) | (500) |
| | - | - |

The following information relates to the associates:-

| **Name of Company** | **Country of Incorporation** | **Group Effective Equity Interest** 2013 % | 2012 % | **Principal Activities** |
|---|---|---|---|---|
| ^# Sunshine Genius Sdn. Bhd. | Malaysia | 50 | 50 | Provision of timeshare exchange activities. |
| ^ Sunshine Genius Co. Ltd. | United States of America | 50 | 50 | Provision of timeshare exchange activities. |
| Benua Produktif Sdn. Bhd. | Malaysia | 40 | 40 | Dormant. |

^ *Held directly via World Vacation Ownership Sdn. Bhd.*

\# *Under creditors winding-up.*

## 10. OTHER INVESTMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Quoted shares in Malaysia, at cost | 23 | 23 | 23 | 23 |
| Less: Allowance for diminution in value | (21) | (21) | (21) | (21) |
| | 2 | 2 | 2 | 2 |
| Vacation ownership intervals, at cost | 5,885 | 5,885 | - | - |
| Less: Accumulated amortisation | (1,802) | (1,746) | - | - |
| | 4,083 | 4,139 | - | - |
| Golf club membership | 1,500 | 1,500 | - | - |
| Less: Accumulated amortisation | (245) | (229) | - | - |
| | 1,255 | 1,271 | - | - |
| | 5,340 | 5,412 | 2 | 2 |
| Market value of quoted shares | 2 | 2 | 2 | 2 |

## 11. INVESTMENT IN JOINTLY CONTROLLED ENTITY

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Unquoted shares, at cost | 80 | 80 |
| Group's share of post acquisition results | (80) | (80) |
| | - | - |

Details of jointly controlled entity are as follows:-

| Name of Company | Country of Incorporation | Group Effective Equity Interest 2013 % | Group Effective Equity Interest 2012 % | Principal activity |
|---|---|---|---|---|
| α Palm Springs Centre of Excellence Sdn. Bhd. | Malaysia | 40 | 40 | Educational institution |

α *Held indirectly via Palm Springs Resort (MM2H) Sdn. Bhd.*

## 12. ASSETS CLASSIFIED AS HELD FOR SALE

| | Group 2013 RM'000 | Group 2012 RM'000 |
|---|---|---|
| At the beginning of the financial year | 1,341 | - |
| Transfer from property development activities (Note 6a) | - | 1,341 |
| Disposal | (1,341) | - |
| At the end of the financial year | - | 1,341 |

## 13. INVENTORIES

| | Group 2013 RM'000 | Group 2012 RM'000 |
|---|---|---|
| At cost, | | |
| Developed properties | 25,675 | 25,675 |
| Less : Accumulated impairment | (4,536) | (4,536) |
| | 21,139 | 21,139 |
| Food and beverages | - | 27 |
| | 21,139 | 21,166 |

## 14. TRADE RECEIVABLES

| | Group 2013 RM'000 | Group 2012 RM'000 |
|---|---|---|
| Trade receivables | 40,593 | 29,992 |
| Less: Accumulated impairment | (19,084) | (4,867) |
| | 21,509 | 25,125 |

The Group's normal trade credit terms range from 30 to 90 days (2012: 30 to 90 days). Other credit terms are assessed and approved on a case by case basis.

Also included in trade receivables of the Group is an amount of RM108,000/- (2012: RM98,000/-) representing amount owing from an associate of the Group.

In determining the extent of impairment of receivables, the directors have given due consideration to all information available to assess the likelihood of bad debts arising. Although uncertainty generally exists with regard to the recovery of debts, the directors are of the opinion that sufficient impairment has been made and the amount receivable net of the impairment of receivables are expected to be substantially recovered.

## 14. TRADE RECEIVABLES (Continued)

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:-

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Neither past due nor impaired | 21,305 | 8,000 |
| 1 to 30 days past due not impaired | 28 | 150 |
| 31 to 60 days past due not impaired | 22 | 120 |
| 61 to 90 days past due not impaired | 25 | 139 |
| 91 to 120 days past due not impaired | 19 | 340 |
| More than 121 days past due not impaired | 110 | 16,376 |
| | 21,509 | 25,125 |
| Impaired | 19,084 | 4,867 |
| | 40,593 | 29,992 |

Receivables that are neither past due nor impaired

None of the Group's receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The directors of the Company are of the opinion that no impairment is required based on previous years experiences and the minimal probability that these receivables will default in payments.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| **Individually impaired** | | |
| Trade receivables | 19,084 | 4,867 |
| Less: Accumulated impairment | (19,084) | (4,867) |
| | - | - |

Movement in impairment account:

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| At the beginning of the financial year | 4,867 | 4,648 |
| Impairment made during the financial year | 14,217 | 219 |
| At the end of the financial year | 19,084 | 4,867 |

## 14. TRADE RECEIVABLES (Continued)

Receivables that are impaired (Continued)

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

## 15. OTHER RECEIVABLES, SUNDRY DEPOSITS AND PREPAYMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Other receivables | 10,042 | 14,098 | - | 19 |
| Less: Accumulated impairment | (9,003) | (1,065) | - | - |
| | 1,039 | 13,033 | - | 19 |
| Sundry deposits | 730 | 1,034 | 2 | 2 |
| Prepayments | 65 | 24 | - | - |
| | 1,834 | 14,091 | 2 | 21 |

## 16. AMOUNT OWING BY SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Amount owing by subsidiaries | 374,252 | 374,518 |
| Less: Accumulated impairment | (171,583) | (149,365) |
| | 202,669 | 225,153 |

## 17. AMOUNT OWING BY ASSOCIATES

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Amount owing by associates | 3 | 3 | 2 | 2 |
| Less: Accumulated impairment | (3) | (3) | (2) | (2) |
| | - | - | - | - |

The amount owing by the associates is unsecured, interest free and is repayable on demand.

## 18. CASH, BANK BALANCES AND DEPOSITS

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash and bank balances | 2,326 | 2,421 | - | 238 |
| Cash held under Housing Development Account | 29 | 29 | - | - |
| Deposits placed with licensed banks | 10 | 10 | - | - |
| | 2,365 | 2,460 | - | 238 |

**Group**

Cash held under Housing Development Account represents receipts from purchasers of residential properties less payments or withdrawals provided under the Housing Developers (Control and Licensing) Act, 1966.

## 19. SHARE CAPITAL

| | Group and Company | | | |
|---|---|---|---|---|
| | Number of Shares | | | |
| | 2013 | 2012 | 2013 | 2012 |
| | Unit '000 | Unit '000 | RM'000 | RM'000 |
| Authorised: | | | | |
| 1,000,000,000 ordinary shares of RM1/- each | | | | |
| At the beginning/end of the financial year | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Issued and fully paid: | | | | |
| 334,886,726 ordinary shares of RM1/- each | | | | |
| At the beginning/end of the financial year | 334,887 | 334,887 | 334,887 | 334,887 |

## 20. FOREIGN CURRENCY RESERVE

Foreign currency reserve comprises of all foreign currency differences arising from the translation of the financial statements of foreign operations.

## 21. BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Non-current** | | | | |
| Hire purchase and liabilities (Note a) | 110 | 248 | - | - |
| Bridging loan (Note b) | 31,151 | 24,000 | - | - |
| | 31,261 | 24,248 | - | - |
| **Current** | | | | |
| Bank overdraft (Note c) | 2,491 | 2,497 | 2,492 | 2,497 |
| Hire purchase liabilities (Note a) | 49 | 80 | - | - |
| | 2,540 | 2,577 | 2,492 | 2,497 |
| Total borrowings | 33,801 | 26,825 | 2,492 | 2,497 |

(a) **Hire purchase liabilities**

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Minimum hire purchase payments: | | |
| - not later than one year | 55 | 94 |
| - later than one year and not later than five years | 118 | 227 |
| - later than five years | - | 54 |
| | 173 | 375 |
| Less: Future finance charges | (14) | (47) |
| Present value of hire purchase liabilities | 159 | 328 |
| Represented by: | | |
| Non-current | 110 | 248 |
| Current | 49 | 80 |
| | 159 | 328 |

Interest rates on hire purchase liabilities for the financial year range from 2.76% to 2.84% (2012: 2.76% to 4.28%) per annum.

(b) **Bridging loan**

The bridging loan of the Group at the end of the financial year bear interest at a rate of 8.35% (2012: 8.35%) per annum and secured by way of:-

(i) Fixed legal charge over certain portion of the subsidiaries' project land at Mukim Pasir Panjang, Daerah Port Dickson, Negeri Sembilan.
(ii) Deed of assignment of proceed from new sales of the development project.
(iii) Legal benefit over the customer rights, interest, benefits and titles in insurance policies for the project land.
(iv) Debenture with fixed and floating legal charges.
(v) Legal assignment over the designated monies and account to the credit of the designated account.
(vi) Corporate guarantee by the Company.

## 21. BORROWINGS (Continued)

### (c) Bank overdraft

The bank overdraft of the Group and of the Company at the end of the financial year bear interest at a rate of 8.10% (2012: 8.10%) per annum and secured by way of a charge on a director's fixed deposit of not less than RM2,565,000/-.

## 22. OTHER LONG TERM PAYABLES (Unsecured)

**Group**

The amount of RM748,000/- (2012: RM748,000/-) represents redeemable sums due to the preference shareholders of a subsidiary upon expiry of the golf memberships on 22nd October 2093.

## 23. DEFERRED TAX LIABILITIES

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| At the beginning of the financial year | - | 1 |
| Transfer to profit or loss (Note 33) | - | (1) |
| At the end of the financial year | - | - |
| Representing deferred tax effect of: | | |
| Temporary differences between net book value and corresponding tax written down value | - | - |

## 24. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 90 days (2012: 30 to 90 days).

Included in trade payables of the Group is an amount of RM2,256,000/- (2012: RM7,256,000/-) owing to Renown Projects Sdn. Bhd., a company in which certain directors have financial interests. The amount is unsecured, interest free and repayable on demand.

## 25. OTHER PAYABLES, SUNDRY DEPOSITS AND ACCRUALS

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Other payables | 13,533 | 21,143 | 1,109 | 1,049 |
| Sundry deposits | 843 | 880 | - | - |
| Accruals | 9,215 | 10,952 | 2,787 | 3,012 |
| | 23,591 | 32,975 | 3,896 | 4,061 |

Included in other payables of the Group is an amount of RM510,000/- (2012: RM691,000/-) owing to Millennium Land Sdn. Bhd., a company in which certain directors has interests. The amount payable is unsecured, interest free and is repayable on demand.

## 26. PROVISIONS

| | Group | |
|---|---|---|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| At the beginning of the financial year | 771 | 7,797 |
| Addition | 9,350 | - |
| Reversal | (320) | (7,026) |
| At the end of the financial year | 9,801 | 771 |

As at 30th June 2013, provision of RM9,350,000/- represents provision for additional cost required to be incurred pursuant to a sales and purchase agreement of a land. The Group has an obligation to permit and facilitate the requisite connection of sewerage piping to the sewerage treatment plant, permit and facilitate access to the land and provide the utilities (electricity and water) supply connection up to the boundary of the land.

As at 30th June 2012, provision of RM771,000/- represents provision for liquidated and ascertained damages. Provision for liquidated and ascertained damages ("LAD") is in respect of projects undertaken by the Group. LAD is recognised for expected LAD claims based on the contract agreements. Provision for liquidated and ascertained damages is made when a delay in the handing over of vacant possession of developed properties is anticipated. These damages are accrued from the handover date as stated in the sale and purchase agreements to the expected handover date of vacant possession to purchasers. Of this amount, legal claims have been initiated by various purchasers against a subsidiary for damages and for refunds due to terminated sale and purchase agreements, amounting to approximately RM451,000/- (2012 : RM451,000/-).

## 26. PROVISIONS (Continued)

Based on the Group's solicitor's advice, it is the opinion of the directors that any claims by purchasers against the Group for these LAD provisions would now be time barred by virtue of the provisions of the Limitation Act 1953, and accordingly, it is highly unlikely that any legal action against the Company on such claims would be successful. As a result, a reversal of provisions for LAD of RM320,000/- (2012: RM7,026,000/-) was made during the financial year.

## 27. AMOUNT OWING TO SUBSIDIARIES

**Company**

The amount owing to subsidiaries is non-trade in nature, unsecured, interest free and is repayable on demand.

## 28. AMOUNT OWING TO DIRECTORS

**Group and Company**

The amount owing to directors is non-trade in nature, unsecured, interest free and is repayable on demand.

## 29. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Sales of properties | 23,900 | 10,250 | - | - |
| Income from clubs operations | 6,076 | 9,320 | - | - |
| Interest income from money lending business | 27 | 76 | - | - |
| | 30,003 | 19,646 | - | - |

## 30. OTHER OPERATING INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Creditors written back | 5,523 | 6,304 | 25 | - |
| Deposit written back | 172 | - | - | - |
| Gain on disposal of property, plant and equipment | 6 | 44 | - | - |
| Gain on disposal of subsidiary | 443 | - | - | - |
| Insurance claim | 1,480 | - | - | - |
| Management fees | - | 636 | - | - |
| Rental income | 328 | 486 | - | - |
| Reversal of impairment of amount owing by subsidiaries | - | - | 1,343 | - |
| Reversal of impairment of receivables | - | 197 | - | - |
| Reversal of provision for liabilities | 320 | 7,026 | - | - |
| Waiver of debt | - | 890 | - | - |
| Others | 418 | 307 | - | 87 |
| | 8,690 | 15,890 | 1,368 | 87 |

## 31. OPERATING (LOSS)/PROFIT

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Operating (loss)/profit has been arrived at after charging:- | | | | |
| Auditors' remuneration: | | | | |
| - current year | 244 | 229 | 35 | 35 |
| - (over)/under accrual in prior year | (12) | 163 | 15 | 11 |
| Amortisation of prepaid lease payments | 294 | 210 | - | - |
| Amortisation of other investments | 72 | 72 | - | - |
| Bad debts written off | 6,674 | 644 | 19 | - |
| Deposits written off | 286 | 224 | - | - |
| Depreciation | 1,054 | 2,145 | 17 | 15 |
| Directors' fees | | | | |
| - current year | 96 | 72 | 96 | 72 |
| - prior year | 24 | 132 | 24 | 132 |
| Directors' remuneration | | | | |
| - salaries | 2,146 | 1,898 | - | 1,011 |
| - other emoluments | 122 | 123 | - | 89 |

## 31. OPERATING (LOSS)/PROFIT (Continued)

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Impairment of amount owing by subsidiaries | - | - | 23,561 | - |
| Impairment of receivables | 22,155 | 425 | - | - |
| Impairment of investments | - | 1 | - | - |
| Impairment of investments in subsidiary | - | - | 202 | - |
| Impairment of property, plant and equipment | 53,044 | 1,956 | - | - |
| Inventories written off | 4 | 37 | - | - |
| Lease rental | 199 | 240 | - | - |
| Property, plant and equipment written off | 228 | 12 | 5 | - |
| Rental of premises | 49 | 14 | - | - |
| Rental of equipment and boats | - | 154 | - | - |
| Staff costs | | | | |
| - Employees' Provident Fund | 596 | 260 | - | 12 |
| - SOCSO | 21 | 30 | - | - |
| - salaries, overtime and allowances | 2,550 | 3,094 | - | 96 |
| - other staff related expenses | - | 63 | - | - |
| - welfare | 16 | 2 | - | - |

The estimated monetary value of directors' benefit-in-kind is RM122,000/- (2012 : RM123,000/-).

## 32. FINANCE COSTS (Net)

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income | | | | |
| - licensed banks | - | 13 | - | 12 |
| Interest expenses | | | | |
| - loan interest | (2,286) | (1,063) | - | (786) |
| - overdraft interest | (202) | (120) | (202) | (120) |
| - hire purchase and lease liabilities | (10) | (17) | - | - |
| | (2,498) | (1,200) | (202) | (906) |
| | (2,498) | (1,187) | (202) | (894) |

## 33. TAXATION

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income tax | | | | |
| - current financial year | (70) | (97) | - | - |
| - overaccrual in prior year | 104 | - | - | - |
| Deferred tax liabilities (Note 23) | | | | |
| - current financial year | - | - | - | - |
| - overaccrual in prior year | - | 1 | - | - |
| | - | 1 | - | - |
| | 34 | (96) | - | - |

The income tax is calculated at statutory rate of 25% of the estimated assessable (loss)/profit for the year.

A reconciliation of income tax expense applicable to (loss)/profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| (Loss)/profit before taxation | (83,246) | 599 | (23,795) | (3,191) |
| Taxation at applicable tax rate of 25% | 20,812 | (150) | 5,949 | 798 |
| Tax effects arising from | | | | |
| - non-taxable income | 1,640 | 2,441 | 336 | 22 |
| - non-deductible expenses | (18,609) | (1,314) | (6,166) | (180) |
| - overaccrual in prior years | 104 | 1 | - | - |
| - deferred tax assets not recognised in the financial statements | (3,913) | (1,074) | (119) | (640) |
| Tax income/(expenses) for the financial year | 34 | (96) | - | - |

## 33. TAXATION (Continued)

Deferred tax assets have not been recognised for the following items:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Unabsorbed capital allowances | (2,585) | (2,259) | (159) | (158) |
| Unutilised tax losses | (153,800) | (138,471) | (4,727) | (4,253) |
| | (156,385) | (140,730) | (4,886) | (4,411) |
| Potential deferred tax assets not recognised at 25% | (39,096) | (35,183) | (1,222) | (1,103) |

## 34. EARNINGS PER ORDINARY SHARE

**Basic earnings per share**

The basic earnings per share is calculated based on the Group's (loss)/profit for the financial year after taxation and non-controlling interest of RM83,188,000/- (2012: RM468,000/-) and on the weighted number of ordinary shares on issue of 334,886,726 (2012 : 334,886,726/-).

**Diluted earnings per share**

As at 30th June 2013, the Group has no dilutive potential ordinary shares. As such, there is no dilutive effect on the earnings per share of the Group for the current financial year.

## 35. CONTINGENT LIABILITIES

(a) The contingent liabilities are as follows:-

| | Company | |
|---|---|---|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Corporate guarantees given by the Company to Lehman for credit facilities granted to the subsidiaries | 85,680 | 129,000 |
| Corporate guarantees given by the Company to a bank for credit facilities granted to the subsidiaries | 31,151 | 24,000 |

## 35. CONTINGENT LIABILITIES (Continued)

(b) A claim against a wholly owned subsidiary of the Company by a group of claimants for damages, the sum of RM4,679,261/- together with interest at the rate of 8.9% per annum from 24th October 2003 until realisation, late payment interest and such further relief as the court may allow. This claim was initiated by way of a counterclaim against the subsidiary from an initial suit filed against the said group by a financial institution allegedly for breach of certain terms and conditions of a facilities agreement by the said group. The claim against the subsidiary is disputed and is being defended by the subsidiary's solicitors. No provision for losses has been made as the directors, based on the Company's solicitor's advice, are confident that the subsidiary will succeed in its defence. The claimants have also not pursued any further action on their counterclaim against the subsidiary since judgement was taken against the claimants by the financial institution in October 2007. An application will be made to strike out the counterclaim against the subsidiary once the necessary verifications have been conducted on the court file.

(c) Claims by 2 purchasers against a wholly owned subsidiary of the Company for specific performance and damages on units purchased claiming approximately RM758,149/-. Following hearings and appeal on the matters, the claims for specific performance were dismissed and only the issue of damages remains to be assessed by the court, which is set to be heard on 9th October 2013.

## 36. RELATED PARTIES

### (a) Identification of related parties

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with the Company or that has an interest in the Company that gives it significant influence over the Company's financial operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in the Company resides with, directly or indirectly.

The Group and the Company has related party relationship with its holding companies, significant investor, subsidiaries and associates, directors and key management personnel.

## 36. RELATED PARTIES (Continued)

### (b) Significant Related Parties Transactions

In the normal course of business, the Company undertakes transactions with some of its related parties listed above. Set out below are the significant related party transactions for the financial year (in addition to related party disclosures mentioned elsewhere in the financial statements). The related party transactions described below were carried out on terms and conditions mutually agreed between the respective parties.

Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Related parties** | | | | |
| Benua Produktif Sdn. Bhd. | | | | |
| Interest income | 10 | 9 | - | - |

### (c) Key Management Personnel Compensation

Key management personnel are defined as those persons other than the directors of the Company having the authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly.

The remuneration of the key management personnel during the financial year is as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| *Directors* | | | | |
| Fees | | | | |
| - current year | 96 | 72 | 96 | 72 |
| - prior year | 24 | 132 | 24 | 132 |
| Remuneration | 2,146 | 1,898 | - | 1,011 |
| Benefit-in-kind | 122 | 123 | - | 89 |
| *Other key management personnel* | | | | |
| Salaries and allowances | 480 | 633 | - | - |

## 37. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR

In 2007, the Company and its affected subsidiaries (collectively "the THB Group") had obtained a loan from Lehman Brothers Commercial Corporation Asia Limited (in liquidation) ("Lehman"). THB Group had on 21st February 2011 executed a conditional Settlement Agreement with Lehman and other related parties on the amicable settlement of all claims on the term loan facility with Lehman, the writ against Lehman and other related parties and the Defence and Counterclaim by Lehman against the THB Group for a settlement sum of RM144,587,595/- ("Settlement Sum"). The Settlement Sum comprises of a cash settlement sum of RM44 million, and the transfer and vesting of Settlement Properties at the agreed value of RM100,587,595/- to Malaysian Trustees Bhd ("MTB") for the benefit of Lehman or such other person nominated by Lehman, on the terms and conditions set out in the Proposed Settlement Scheme.

During the previous financial year, the Group had fully repaid the cash settlement sum of RM44 million. The requisite consents from the relevant State Authorities for the transfer of the Settlement Properties has also been obtained.

The release and discharge of the remaining securities to the Group will take place on completion of the transfer and vesting of the Settlement Properties to MTB or upon the successful disposal of the same by Lehman's liquidator. Lehman's liquidator has been undertaking various exercises to dispose the Settlement Properties, which would in turn effectively save the Group from the costs of transfer of such Properties. As at to date, Lehman's liquidator has sold the bulk of the Settlement Properties and this sale is expected to be completed by the 3rd quarter or early in the 4th quarter of calendar year 2013. Efforts to dispose the remaining units of the Settlement Properties priced at approximately RM617,000/- is still ongoing.

## 38. SEGMENTAL ANALYSIS

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based upon the industry of the underlying investments.

The activities of the Group are carried out mainly in Malaysia and as such, segmental reporting by geographical locations is not presented.

**Business Segments**

For management purposes, the Group is organised into the following operating divisions:-

- Property development/Management
- Resorts and Club Operation/Management
- Construction
- Investment holding

Inter-segment sales have been transacted at arm's length basis between the companies in the relevant business segments.

## 38. SEGMENTAL ANALYSIS (Continued)

| Group<br>2013 | Property Development/ Management<br>RM'000 | Resorts and Club Operation/ Management<br>RM'000 | Construction<br>RM'000 | Investment Holding<br>RM'000 | Elimination<br>RM'000 | Consolidated<br>RM'000 |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| External sales | 23,900 | 6,103 | - | - | - | 30,003 |
| Inter-segment sales | - | 302 | 9,581 | 62 | (9,945) | - |
| Total revenue | 23,900 | 6,405 | 9,581 | 62 | (9,945) | 30,003 |
| **Results** | | | | | | |
| (Loss)/profit from operations | (24,950) | (50,232) | 2,283 | (24,981) | 17,132 | (80,748) |
| Finance costs | | | | | | (2,498) |
| Loss before taxation | | | | | | (83,246) |
| Taxation | | | | | | 34 |
| Loss after taxation | | | | | | (83,212) |
| Other comprehensive income | | | | | | - |
| Total comprehensive loss | | | | | | (83,212) |
| **Other Information** | | | | | | |
| Depreciation and amortisation | 328 | 1,042 | - | 21 | 29 | 1,420 |
| **Consolidated Statement of Financial Position** | | | | | | |
| **Assets** | | | | | | |
| Segment assets | 293,735 | 108,901 | 29,428 | 340,284 | (489,326) | 283,022 |
| **Liabilities** | | | | | | |
| Segment liabilities | (256,850) | (173,569) | (18,746) | (309,233) | 666,847 | (91,551) |
| **2012** | | | | | | |
| **Revenue** | | | | | | |
| External sales | 10,250 | 9,396 | - | - | - | 19,646 |
| Inter-segment sales | - | 302 | - | 140 | (442) | - |
| Total revenue | 10,250 | 9,698 | - | 140 | (442) | 19,646 |
| **Results** | | | | | | |
| Profit/(Loss) from operations | 11,336 | 5,484 | (13) | (1,712) | (13,309) | 1,786 |
| Finance costs | | | | | | (1,187) |
| Profit before taxation | | | | | | 599 |
| Taxation | | | | | | (96) |
| Profit after taxation | | | | | | 503 |
| Other comprehensive income | | | | | | - |
| Total comprehensive income | | | | | | 503 |
| **Other Information** | | | | | | |
| Depreciation and amortisation | 330 | 2,067 | - | 30 | - | 2,427 |
| **Consolidated Statement of Financial Position** | | | | | | |
| **Assets** | | | | | | |
| Segment assets | 308,832 | 172,691 | 3,039 | 362,262 | (483,542) | 363,282 |
| **Liabilities** | | | | | | |
| Segment liabilities | (264,954) | (178,411) | (15,717) | (307,484) | 677,967 | (88,599) |

## 39. FINANCIAL INSTRUMENTS

### (a) Classification of Financial Instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The significant accounting policies in Note 3.3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

| Group<br>2013 | Loans and receivables<br>RM'000 | Available-for-sale<br>RM'000 | Others financial liabilities<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Trade receivables | 21,509 | - | - | 21,509 |
| Other receivables and sundry deposits | 1,769 | - | - | 1,769 |
| Cash, bank balances and deposits | 2,365 | - | - | 2,365 |
| Other investments | - | 5,340 | - | 5,340 |
| | 25,643 | 5,340 | - | 30,983 |
| **Financial liabilities** | | | | |
| Trade payables | - | - | 12,111 | 12,111 |
| Other payables and sundry deposits | - | - | 14,376 | 14,376 |
| Amount owing to directors | - | - | 10,839 | 10,839 |
| Borrowings | - | - | 33,801 | 33,801 |
| Other long term payables (unsecured) | - | - | 748 | 748 |
| | - | - | 71,875 | 71,875 |
| **2012** | | | | |
| **Financial assets** | | | | |
| Trade receivables | 25,125 | - | - | 25,125 |
| Other receivables and sundry deposits | 14,067 | - | - | 14,067 |
| Cash, bank balances and deposits | 2,460 | - | - | 2,460 |
| Other investments | - | 5,412 | - | 5,412 |
| | 41,652 | 5,412 | - | 47,064 |
| **Financial liabilities** | | | | |
| Trade payables | - | - | 17,696 | 17,696 |
| Other payables and sundry deposits | - | - | 22,023 | 22,023 |
| Amount owing to directors | - | - | 8,756 | 8,756 |
| Borrowings | - | - | 26,825 | 26,825 |
| Other long term payables (unsecured) | - | - | 748 | 748 |
| | - | - | 76,048 | 76,048 |

## 39. FINANCIAL INSTRUMENTS (Continued)

### (a) Classification of Financial Instruments (Continued)

| Company 2013 | Loans and receivables RM'000 | Available-for-sale RM'000 | Other financial liabilities RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Other receivables and sundry deposits | 2 | - | - | 2 |
| Amount owing by subsidiaries | 202,669 | - | - | 202,669 |
| Other investments | - | 2 | - | 2 |
| | 202,671 | 2 | - | 202,673 |
| **Financial liabilities** | | | | |
| Other payables | - | - | 1,109 | 1,109 |
| Borrowings | - | - | 2,492 | 2,492 |
| Amount owing to directors | - | - | 6,416 | 6,416 |
| Amount owing to subsidiaries | - | - | 55,922 | 55,922 |
| | - | - | 65,939 | 65,939 |
| **2012** | | | | |
| **Financial assets** | | | | |
| Other receivables and sundry deposits | 21 | - | - | 21 |
| Amount owing by subsidiaries | 225,153 | - | - | 225,153 |
| Cash, bank balances and deposits | 238 | - | - | 238 |
| Other investments | - | 2 | - | 2 |
| | 225,412 | 2 | - | 225,414 |
| **Financial liabilities** | | | | |
| Other payables | - | - | 1,049 | 1,049 |
| Borrowings | - | - | 2,497 | 2,497 |
| Amount owing to directors | - | - | 4,625 | 4,625 |
| Amount owing to subsidiaries | - | - | 55,748 | 55,748 |
| | - | - | 63,919 | 63,919 |

### (b) Financial Risk Management and Objectives

The Group seeks to manage effectively the various risks namely interest rate, liquidity and credit risks, to which the Group is exposed to in its daily operations.

#### (i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from its obligations under hire purchase liabilities and lease payables. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

## 39. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial Risk Management and Objectives (Continued)

#### (i) Interest Rate Risk (Continued)

The following table details the interest rate profile of the Group and of the Company's borrowings at the reporting date.

| Group | Effective interest rate | Within 1 year | 1 - 5 years | > 5 years | Total |
|---|---|---|---|---|---|
| 2013 | % | RM'000 | RM'000 | RM'000 | RM'000 |
| **Financial Liabilities** | | | | | |
| Bank overdraft | 8.10 | 2,491 | - | - | 2,491 |
| Hire purchase liabilities | 2.76 - 2.84 | 49 | 110 | - | 159 |
| Bridging loan | 8.35 | - | - | 31,151 | 31,151 |
| **2012** | | | | | |
| **Financial Liabilities** | | | | | |
| Bank overdraft | 8.10 | 2,497 | - | - | 2,497 |
| Hire purchase liabilities | 2.76 - 4.28 | 80 | 248 | - | 328 |
| Bridging loan | 8.35 | - | - | 24,000 | 24,000 |
| **Company** | | | | | |
| **2013** | | | | | |
| **Financial Liabilities** | | | | | |
| Bank overdraft | 8.10 | 2,492 | - | - | 2,492 |
| **2012** | | | | | |
| **Financial Liabilities** | | | | | |
| Bank overdraft | 8.10 | 2,497 | - | - | 2,497 |

Sensitivity analysis for fixed rate instruments

The Group and the Company does not account for any fixed rate financial assets and financial liabilities and therefore change in interest rate at the end of the reporting period would not affect the Group and the Company's net gain and equity.

Sensitivity analysis for fixed rate instruments

A change in 1% in interest rate at the end of the reporting period would have increased/(decreased) the Group's and the Company's loss before tax and equity by the amounts shown below. This analysis assumes that all other variables remained unchanged.

| | Group and Company | | | |
|---|---|---|---|---|
| | 2013 | | 2012 | |
| | Interest rate Increase 1% | Interest rate Decrease 1% | Interest rate Increase 1% | Interest rate Decrease 1% |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Loss before tax and equity | 25 | (25) | 25 | (25) |

## 39. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial Risk Management and Objectives (Continued)

#### (ii) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

*Maturity analysis*

The maturity profile of the Group's and the Company's financial liabilities based on undiscounted contractual repayment at the reporting date are as follows:

| | On demand or within 1 year RM'000 | 1 - 5 years RM'000 | > 5 years RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **Financial liabilities** | | | | |
| **2013** | | | | |
| Trade payables | 12,111 | - | - | 12,111 |
| Other payables and sundry deposits | 14,376 | - | - | 14,376 |
| Borrowings | 2,540 | 110 | 31,151 | 33,801 |
| Amount owing to directors | 10,839 | - | - | 10,839 |
| Other long term payables (unsecured) | 748 | - | - | 748 |
| | 40,614 | 110 | 31,151 | 71,875 |
| **2012** | | | | |
| Trade payables | 17,696 | - | - | 17,696 |
| Other payables and sundry deposits | 22,023 | - | - | 22,023 |
| Borrowings | 2,577 | 248 | 24,000 | 26,825 |
| Amount owing to directors | 8,756 | - | - | 8,756 |
| Other long term payables (unsecured) | 748 | - | - | 748 |
| | 51,800 | 248 | 24,000 | 76,048 |

## 39. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial Risk Management and Objectives (Continued)

#### (ii) Liquidity Risk (Continued)

| | On demand or within 1 year RM'000 | 1 - 5 years RM'000 | > 5 years RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Company** | | | | |
| **Financial liabilities** | | | | |
| **2013** | | | | |
| Other payables and sundry deposits | 1,109 | - | - | 1,109 |
| Amount owing to directors | 6,416 | - | - | 6,416 |
| Borrowings | 2,492 | - | - | 2,492 |
| Amount owing to subsidiaries | 55,922 | - | - | 55,922 |
| | 65,939 | - | - | 65,939 |
| **2012** | | | | |
| Other payables and sundry deposits | 1,049 | - | - | 1,049 |
| Amount owing to directors | 4,625 | - | - | 4,625 |
| Borrowings | 2,497 | - | - | 2,497 |
| Amount owing to subsidiaries | 55,748 | - | - | 55,748 |
| | 63,919 | - | - | 63,919 |

#### (iii) Credit Risk

The Group and the Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group and the Company trades only with recognised and creditworthy third parties. It is the Group and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

The exposure to credit risk is monitored by the management on an ongoing basis and the management do not expect any counterparty to fail to meet its obligations.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the reporting period represent the Group and the Company's maximum exposure to credit risk in relation to financial assets. No financial assets carry a significant exposure to credit risk other than those disclosed in the notes to the financial statements.

The Group and the Company have no significant concentration of credit risk that may arise from exposure to a single debtor or to group of debtors.

## 39. FINANCIAL INSTRUMENTS (Continued)

### (c) Fair Values

The fair values of financial assets and financial liabilities of the Group and of the Company approximate their carrying amounts on the statements of financial position.

There were no unrecognised financial instruments as at 30th June 2013.

The nominal/notional amount and net fair value of corporate guarantee given (as disclosed in Note 35 to the financial statements) are not recognised in the statements of financial position as at 30th June 2013 as it is not practicable to make a reliable estimate due to uncertainties of timing, costs and eventual outcome.

**Fair Values Hierarchy**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:-

Level 1 - Quoted prices in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability.
Level 3 - Inputs for the asset or liability that are not based on observable market data.

| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **2013** | | | | |
| **Financial assets** | | | | |
| Investment in quoted shares | 2 | - | - | 2 |
| Other investments | - | - | 5,338 | 5,338 |
| | 2 | - | 5,338 | 5,340 |
| **2012** | | | | |
| **Financial assets** | | | | |
| Investment in quoted shares | 2 | - | - | 2 |
| Other investments | - | - | 5,410 | 5,410 |
| | 2 | - | 5,410 | 5,412 |
| **Company** | | | | |
| **2013** | | | | |
| **Financial assets** | | | | |
| Investment in quoted shares | 2 | - | - | 2 |
| **2012** | | | | |
| **Financial assets** | | | | |
| Investment in quoted shares | 2 | - | - | 2 |

## 40. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital structure by monitoring the capital and net debt on an ongoing basis. To maintain the capital structure, the Group may adjust the dividend payment to shareholders.

There were no changes in the Group's approach to capital management during the financial year.

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Total borrowings | 33,801 | 26,825 | 2,492 | 2,497 |
| Trade and other payables | 36,450 | 51,419 | 3,896 | 4,061 |
| Provisions | 9,801 | 771 | - | - |
| Amount owing to subsidiaries | - | - | 55,922 | 55,748 |
| Amount owing to directors | 10,839 | 8,756 | 6,416 | 4,625 |
| Less: Cash, bank balances and deposits | (2,365) | (2,460) | - | (238) |
| Net debt | 88,526 | 85,311 | 68,726 | 66,693 |
| Total equity attibutable to the Owners of the Company | 191,375 | 274,563 | 187,672 | 211,467 |
| Capital and net debts | 279,901 | 359,874 | 256,398 | 278,160 |
| Gearing ratio | 32% | 24% | 27% | 24% |

The Group is also required to comply with the disclosure and necessary capital requirements as prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

## 41. COMPARATIVE FIGURES

During the financial year, the Group has reclassified certain comparative figure to conform to the current year presentation.

| **Statements of Financial Position** | **As previously reported** RM'000 | **Reclassification** RM'000 | **As restated** RM'000 |
|---|---|---|---|
| **Group** | | | |
| **Current liabilities** | | | |
| Other payables, sundry deposits and accruals | 40,443 | (7,468) | 32,975 |
| Amount owing to directors | 1,288 | 7,468 | 8,756 |
| **Company** | | | |
| **Current liabilities** | | | |
| Other payables, sundry deposits and accruals | 7,843 | (3,782) | 4,061 |
| Amount owing to directors | 843 | 3,782 | 4,625 |

TANCO HOLDINGS BERHAD
(Incorporated in Malaysia)

**SUPPLEMENTARY INFORMATION - DISCLOSURE OF REALISED AND UNREALISED PROFITS**

On 25th March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

The breakdown of the accumulated losses of the Group and of the Company as at 30th June 2013, into realised and unrealised losses, pursuant to the directive, is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Total accumulated losses of Tanco Holdings Berhad and its subsidiaries | | | | |
| - Realised | 142,209 | 59,022 | 147,215 | 123,420 |
| - Unrealised | - | (1) | - | - |
| | 142,209 | 59,021 | 147,215 | 123,420 |
| Total share of retained profits from associate | | | | |
| - Realised | - | - | - | - |
| - Unrealised | - | - | - | - |
| | - | - | - | - |
| Total accumulated losses as per statements of financial position | 142,209 | 59,021 | 147,215 | 123,420 |

The determination of realised and unrealised losses is complied based on Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits and Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants on 20th December 2010.

The disclosure of realised and unrealised losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

**TANCO HOLDINGS BERHAD**
(Incorporated in Malaysia)

## STATEMENT BY DIRECTORS

We, **DATO' TAN JING NAM** and **DATO' TAN LEE SING**, being two of the directors of Tanco Holdings Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements are properly drawn up in accordance with the Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 30th June 2013 and of the results and cash flows of the Group and of the Company for the financial year ended on that date.

The supplementary information set out on page 77 has been prepared in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants.

On behalf of the Board,

..................................................

DATO' TAN JING NAM
Director

..................................................

DATO' TAN LEE SING
Director

Kuala Lumpur

Date: 6th September 2013

**TANCO HOLDINGS BERHAD**
(Incorporated in Malaysia)

**STATUTORY DECLARATION**

I, **DATO' TAN LEE SING,** being the director primarily responsible for the financial management of TANCO HOLDINGS BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements and the supplementary information are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

...............................................................
DATO' TAN LEE SING

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 6th September 2013.

Before me,

PESURUHJAYA SUMPAH
ARSHAD ABDULLAH
W 550
MALAYSIA

...............................................
Commissioner for Oaths

NO. 102 & 104 1st FLOOR BANGUNAN
PERSATUAN YAP SELANGOR
JALAN TUN HS LEE
50000 KUALA LUMPUR

BAKER TILLY

Baker Tilly Monteiro Heng
Chartered Accountants (AF0117)
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Malaysia

T : +603 2297 1000
F : +603 2282 9980

info@bakertillymh.com.my
www.bakertillymh.com.my

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TANCO HOLDINGS BERHAD

(Incorporated in Malaysia)

### Report on the Financial Statements

We have audited the financial statements of Tanco Holdings Berhad, which comprise the statements of financial position as at 30th June 2013 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 76.

*Directors' Responsibility for the Financial Statements*

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with the Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BAKER TILLY

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TANCO HOLDINGS BERHAD** (Continued)
(Incorporated in Malaysia)

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial positions of the Group and of the Company as at 30th June 2013 and of their financial performance and cash flows for the financial year then ended in accordance with the Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 2 to the financial statements which disclose that during the financial year, the Group incurred a net loss of RM83,212,000/- and recorded a deficit in operating cash flows of RM9,136,000/-, thereby indicating the existence of an uncertainty which may cast doubt about the Group's ability to continue as a going concern.

The appropriateness of the going concern assumption is dependent on the Group's ability to generate adequate cash flows from its operating activities and operate profitably in the future.

The directors are reasonably optimistic that the cash flows of the Group will improve in the foreseeable future with the sales of the planned development projects. In addition to the further cost rationalisation and the disposal of non-essential assets, the Group will explore the options of raising funds through the capital market to improve the Group's cash flow and financial position. The directors are confident that with all these actions, the Group will be in a good position to meet all its existing financial obligations in the foreseeable future.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:-

(a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.

(b) We have considered the financial statements of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 8 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

BAKER TILLY

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TANCO HOLDINGS BERHAD (Continued)**
(Incorporated in Malaysia)

**Report on Other Legal and Regulatory Requirements (Continued)**

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

**Other Reporting Responsibilities**

The supplementary information set out in page 77 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purposes. We do not assume responsibility to any other person for the content of this report.

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Ng Boon Hiang
No.2916/03/14(J)
Chartered Accountant

Kuala Lumpur

Date: 6th September 2013

**OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 30 SEPTEMBER 2013**

CERTIFIED TRUE COPY

Secretary
CHOI SIEW FUN
(MAICSA 0877848)

**Tanco Holdings Berhad (3326-K)**

**Condensed Consolidated Statements of Financial Position as at 30 September 2013**

| | Current Period As At 30/09/2013 (Unaudited) RM'000 | Preceding Year As At 30/06/2013 (Audited) RM'000 |
|---|---|---|
| **ASSETS** | | |
| **NON-CURRENT ASSETS** | | |
| Property, Plant and Equipment | 107,053 | 107,093 |
| Land held for Property Development | 76,898 | 76,898 |
| Prepaid Lease Payments | 20,116 | 20,116 |
| Other Investments | 5,340 | 5,340 |
| | 209,407 | 209,447 |
| **CURRENT ASSETS** | | |
| Property Development Costs | 26,396 | 26,728 |
| Inventories | 21,139 | 21,139 |
| Trade Receivables | 23,445 | 21,509 |
| Other Receivables, Sundry Deposits and Prepayments | 1,893 | 1,834 |
| Cash, Bank Balances and Deposits | 2,057 | 2,365 |
| | 74,930 | 73,575 |
| **TOTAL ASSETS** | 284,337 | 283,022 |

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.)

## Tanco Holdings Berhad (3326-K)
## Condensed Consolidated Statements of Financial Position as at 30 September 2013

| | Current Period As At 30/09/2013 (Unaudited) RM'000 | Preceding Year As At 30/06/2013 (Audited) RM'000 |
|---|---|---|
| **EQUITY AND LIABILITIES** | | |
| **EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | |
| Share Capital | 334,887 | 334,887 |
| Accumulated Losses | (145,371) | (142,209) |
| Foreign Currency Reserve | (1,303) | (1,303) |
| | 188,213 | 191,375 |
| Non-controlling interests | 91 | 96 |
| **TOTAL EQUITY** | 188,304 | 191,471 |
| **NON-CURRENT LIABILITIES** | | |
| Borrowings | 33,394 | 31,261 |
| Other Long Term Payables (Unsecured) | 748 | 748 |
| | 34,142 | 32,009 |
| **CURRENT LIABILITIES** | | |
| Trade Payables | 11,824 | 12,111 |
| Other Payables, Sundry Deposits and Accruals | 25,399 | 23,591 |
| Provisions | 9,801 | 9,801 |
| Borrowings | 2,555 | 2,540 |
| Amount Owing To Directors | 11,652 | 10,839 |
| Tax Payable | 660 | 660 |
| | 61,891 | 59,542 |
| **TOTAL LIABILITIES** | 96,033 | 91,551 |
| **TOTAL EQUITY AND LIABILITIES** | 284,337 | 283,022 |
| **Net Asset Per Share (RM)** | 0.5620 | 0.5715 |

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.)

## OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 30 SEPTEMBER 2013 *(Cont'd)*

**Tanco Holdings Berhad (3326-K)**
**Condensed Consolidated Statements of Changes in Equity for the Three (3)-months financial period ended 30 September 2013**
(These figures have not been audited)

**30 September 2013**

| | ← Attributable To Owners Of The Company → | | | | | |
|---|---|---|---|---|---|---|
| | | Non-distributable | Distributable | | | |
| | Share Capital RM'000 | Foreign Currency Reserve RM'000 | Accumulated Losses RM'000 | Total RM'000 | Non-Controlling Interest RM'000 | Total Equity RM'000 |
| At 1 July 2013 | 334,887 | (1,303) | (142,209) | 191,375 | 96 | 191,471 |
| Total comprehensive loss for the year | - | - | (3,162) | (3,162) | (5) | (3,167) |
| At 30 September 2013 | 334,887 | (1,303) | (145,371) | 188,213 | 91 | 188,304 |

**30 September 2012**

| | ← Attributable To Owners Of The Company → | | | | | |
|---|---|---|---|---|---|---|
| | | Non-distributable | Distributable | | | |
| | Share Capital RM'000 | Foreign Currency Reserve RM'000 | Accumulated Losses RM'000 | Total RM'000 | Non-Controlling Interest RM'000 | Total Equity RM'000 |
| At 1 July 2012 | 334,887 | (1,303) | (59,021) | 274,563 | 120 | 274,683 |
| Total comprehensive loss for the year | - | - | (780) | (780) | - | (780) |
| At 30 September 2012 | 334,887 | (1,303) | (59,801) | 273,783 | 120 | 273,903 |

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.)

## OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 30 SEPTEMBER 2013 *(Cont'd)*

**Tanco Holdings Berhad (3326-K)**
**Condensed Consolidated Statements of Comprehensive Income for the Three (3)-months financial period ended 30 September 2013**
(These figures have not been audited)

| | INDIVIDUAL PERIOD | | CUMMULATIVE PERIOD | |
|---|---|---|---|---|
| | Current Period Quarter 30/09/2013 RM'000 | Preceding Year Corresponding Quarter 30/09/2012 RM'000 | Current Period To Date 30/09/2013 RM'000 | Preceding Year Corresponding Period 30/09/2012 RM'000 |
| **Continuing Operations** | | | | |
| Revenue | 955 | 4,613 | 955 | 4,613 |
| Cost of sales | (76) | (1,546) | (76) | (1,546) |
| **Gross profit** | 879 | 3,067 | 879 | 3,067 |
| Other operating income | 213 | 572 | 213 | 572 |
| Administrative expenses | (3,798) | (3,902) | (3,798) | (3,902) |
| **Operating loss** | (2,706) | (263) | (2,706) | (263) |
| Finance costs | (556) | (517) | (556) | (517) |
| **Loss before taxation** | (3,262) | (780) | (3,262) | (780) |
| Taxation | 95 | - | 95 | - |
| **Loss for the financial period** | (3,167) | (780) | (3,167) | (780) |
| Other comprehensive income : - | | | | |
| Foreign currency translation reserve | - | - | - | - |
| **Total comprehensive loss for the financial period** | (3,167) | (780) | (3,167) | (780) |
| Net loss attributable to : - | | | | |
| Owners of the Company | (3,162) | (780) | (3,162) | (780) |
| Non-controlling interests | (5) | - | (5) | - |
| | (3,167) | (780) | (3,167) | (780) |
| Total comprehensive loss attributable to : - | | | | |
| Owners of the Company | (3,162) | (780) | (3,162) | (780) |
| Non-controlling interests | (5) | - | (5) | - |
| | (3,167) | (780) | (3,167) | (780) |
| **Loss per share attributable to owners of the Company: -** | | | | |
| (a) Basic (sen) | (0.94) | (0.23) | (0.94) | (0.23) |
| (b) Diluted (sen) | N/A | N/A | N/A | N/A |

*Notes:*
*Other Income and (Expenses) highlights*

| | INDIVIDUAL PERIOD | CUMULATIVE PERIOD |
|---|---|---|
| | Current Period Quarter 30/09/2013 RM'000 | Current Period To Date 30/09/2013 RM'000 |
| Other income | 5 | 5 |
| Rental income | 209 | 209 |
| Interest expenses | (556) | (556) |
| Depreciation and amortisation | (125) | (125) |
| Bad debts written off | (59) | (59) |

(1) There were no provisions for and write-off of receivables and inventories, gain or loss on disposal of quoted or unquoted investment or properties (save as disclosed in note B6), impairment of assets and any exceptional items for the current quarter under review.

(2) Gain or loss on derivatives is not applicable as the Company does not have any derivative financial instrument.

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.)

## OUR UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 30 SEPTEMBER 2013 *(Cont'd)*

**Tanco Holdings Berhad (3326-K)**
**Condensed Consolidated Statements of Cash Flows for the Three (3)-months financial period ended 30 September 2013**
(These figures have not been audited)

| | 30/09/2013 RM'000 | 30/09/2012 RM'000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Loss before taxation | (3,262) | (780) |
| Adjustment for : | | |
| Non-operating items | 620 | 410 |
| Operating loss before working capital changes | (2,642) | (370) |
| Changes in Working Capital | | |
| Net change in current assets | (1,602) | 5,028 |
| Net change in current liabilities | 1,641 | (4,605) |
| | (2,603) | 53 |
| Interest paid | (556) | - |
| Tax refund | 95 | - |
| Net cash (used in)/generated from operating activities | (3,064) | 53 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| - Property, Plant and Equipment | (85) | - |
| Net cash used in investing activities | (85) | - |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| - Directors' accounts | 693 | (154) |
| - Bridging loan drawn down | 2,161 | - |
| - Hire purchase and lease liabilities | (4) | (97) |
| - Repayment of bank borrowing | (25) | - |
| Net cash generated from/(used in) financing activities | 2,825 | (251) |
| **NET CHANGE IN CASH & CASH EQUIVALENTS** | (324) | (198) |
| **CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR** | (126) | (37) |
| **CASH & CASH EQUIVALENTS AT END OF YEAR** | (450) | (235) |
| Cash and cash equivalents comprise of the following: | | |
| Cash, bank balances and deposits | 2,057 | 2,262 |
| Bank overdraft | (2,507) | (2,497) |
| | (450) | (235) |

(The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.)

TANCO HOLDINGS BERHAD (3326-K)

CERTIFIED TRUE COPY

Secretary
CHOI SIEW FUN
(MAICSA 0877848)

**Notes to the Interim Financial Statements**
**For the First Quarter ended 30 September 2013**

**A1. BASIS OF PREPARATION**

The interim financial statements have not been audited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and should be read in conjunction with the Group's Audited Financial Statement for the financial year ended 30 June 2013. 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 30 June 2013.

**A2. CHANGES IN ACCOUNTING POLICIES**

On 19 November 2011, the Malaysian Accounting Standards Board (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 exception of entities that are within the scope of MFRS 141 Agriculture and/or IC Interpretation 15 Agreements for the Construction of Real Estate, including its parents, significant investor and venturer (herein call ' Transitioning Entities').

The Transitioning Entities are given an option to defer the adoption of MFRS Framework to financial periods beginning on or after 1 January 2015.

The Group falls within the scope definition of Transitioning Entities and have opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 30 June 2016.

The accounting policies adopted are consistent with those as applied in the preparation of the Group's audited financial statements for the financial year ended 30 June 2013, except for the adoption of the following new Financial Reporting Standards (FRSs) and Amendments to FRSs issued by MASB:-

<u>Effective for the financial periods beginning on or after 1 January 2013</u>

| | |
|---|---|
| FRS 10 | Consolidated Financial Statements |
| FRS 11 | Joint Arrangements |
| FRS 12 | Disclosures of Interests in Other Entities |
| FRS 13 | Fair Value Measurement |
| FRS 119(Revised) | Employee Benefits |
| FRS 127(Revised) | Separate Financial Statements |
| FRS 128(Revised) | Investments in Associates and Joint Ventures |
| Amendments to FRS 1 | First-time Adoption of Financial Reporting Standards |
| Amendments to FRS 7 | Disclosures – Offsetting Financial Assets and Financial Liabilities |
| Amendments to FRS 10 | Consolidated Financial Statements |
| Amendments to FRS 11 | Joint Arrangements |
| Amendments to FRS 12 | Disclosures of Interests in Other Entities |
| Amendments to FRS 101 | Presentation of Financial Statements |
| Amendments to FRS 116 | Property, Plant and Equipment |

**TANCO HOLDINGS BERHAD (3326-K)**

| | |
|---|---|
| Amendments to FRS 132 | Financial Instruments: Presentation |
| Amendments to FRS 134 | Interim Financial Reporting |

**A3. AUDITORS' REPORT**

The audit report of the Group's audited financial statements for the financial year ended 30 June 2013 was not subject to any qualification.

**A4. SEASONAL OR CYCLICAL FACTORS**

Other than the hospitality sector, the operation of the Group was not affected by any significant seasonal or cyclical factors during the quarter under review.

**A5. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE**

Save for the event explained under note A11, there were no unusual items for the quarter under review.

**A6. CHANGES IN ESTIMATES**

There were no changes in the estimates of amounts reported which have material effect in the current quarter under review.

**A7. DEBT AND EQUITY SECURITIES**

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities in the current quarter under review.

**A8. DIVIDENDS PAID**

No dividend has been paid for the current financial year.

**A9. SEGMENTAL REPORTING**

Segmental information is presented in respect of the Group's business segments. The primary format, business segments, is based upon the industry of the underlying investment.

The activities of the Group are carried out mainly in Malaysia and as such, segmental reporting by geographical locations is not presented.

## TANCO HOLDINGS BERHAD (3326-K)

| **3 months ended 30-Sep-13** | **Property development/ Management** RM'000 | **Resorts and Club Operation/ Management** RM'000 | **Construction** RM'000 | **Investment holding** RM'000 | **Elimination** RM'000 | **Consolidated** RM'000 |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| External sales | 50 | 905 | - | - | - | 955 |
| Inter-segment sales | - | 75 | 3,568 | 16 | (3,659) | - |
| Total revenue | 50 | 980 | 3,568 | 16 | (3,659) | 955 |
| **Results** | | | | | | |
| Profit/(Loss) from operations | (2,287) | (141) | 3,289 | (189) | (3,378) | (2,706) |
| Finance costs | | | | | | (556) |
| Loss before taxation | | | | | | (3,262) |
| Taxation | | | | | | 95 |
| Loss after taxation | | | | | | (3,167) |
| Other comprehensive income | | | | | | - |
| Total comprehensive loss | | | | | | (3,167) |
| **Other Information** | | | | | | |
| Depreciation and amortisation | 70 | 51 | - | 4 | - | 125 |
| **Consolidated Statements of Financial Position** | | | | | | |
| **Assets** | | | | | | |
| Segment assets | 227,663 | 108,969 | 16,219 | 464,512 | (533,026) | 284,337 |
| **Liabilities** | | | | | | |
| Segment liabilities | (143,348) | (174,621) | (12,472) | (433,605) | 668,013 | (96,033) |

### A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There were no changes in the valuation on property, plant and equipment in the current quarter under review.

### A11. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

In 2007, the Company and its affected subsidiaries (collectively "the THB Group") had obtained a loan from Lehman Brothers Commercial Corporation Asia Limited (in liquidation) ("Lehman"). THB Group had on 21 February 2011 executed a conditional Settlement Agreement with Lehman and other related parties on the amicable settlement of all claims on the term loan facility with Lehman, the writ against Lehman and other related parties and the Defence and Counterclaim by Lehman against the THB Group for a settlement sum of RM144,587,595/- ("Settlement Sum").

**TANCO HOLDINGS BERHAD (3326-K)**

The Settlement Sum comprises of a cash settlement sum of RM44 million, and the transfer and vesting of Settlement Properties at the agreed value of RM100,587,595/- to Malaysian Trustees Bhd ("MTB") for the benefit of Lehman or such other person nominated by Lehman, on the terms and conditions set out in the Settlement Agreement.

The THB Group had fully paid the cash settlement sum of RM44 million and the requisite consents from the relevant State Authorities for the transfer of the Settlement Properties has also been obtained.

The release and discharge of the remaining securities to the Group will take place on completion of the transfer and vesting of the Settlement Properties to MTB or upon the successful disposal of the same by Lehman's liquidator. Lehman's liquidator has been undertaking various exercises to dispose the Settlement Properties, which would in turn effectively save the Group from the costs of transfer of such Properties. As at 19 November 2013, being the latest practicable date that is not earlier than seven (7) days from the date of the issue of this quarterly report, Lehman's liquidator has sold all of the Settlement Properties and this sales is expected to be completed by the 1st quarter of calendar year 2014.

**A12. CHANGES IN THE COMPOSITION OF THE GROUP**

There was no material change to the composition of the Group during the current financial quarter under review.

**A13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

As at 30 September 2013, the Group has no other contingent assets and contingent liabilities save as disclosed below.

The Company has provided a corporate guarantee amounting to RM129.162 million to secure banking facilities given to its subsidiaries. The corporate guarantee shall be discharged upon full completion of the Settlement Agreement described in note A11 in accordance to the terms prescribed therein.

## TANCO HOLDINGS BERHAD (3326-K)

**Bursa Securities Listing Requirements (Part A of Appendix 9B)**

### B1. REVIEW OF PERFORMANCE

For the current quarter ended 30 September 2013, the Group had recorded a loss before taxation ("**LBT**") of RM3.26 million as compared to the LBT of RM0.78 million in the preceding year's corresponding quarter ended 30 September 2012. The variance was mainly attributed to a decrease in revenue and the administrative expenses remain high compared to preceding year corresponding quarter.

### B2. MATERIAL CHANGES IN THE QUARTERLY RESULTS COMPARED TO THE RESULTS OF THE PRECEDING QUARTER ENDED 30 JUNE 2013

For the current quarter ended 30 September 2013, the Group recorded revenue of RM0.96 million and a LBT of RM3.26 million as compared to RM22.41 million in revenue and a LBT of RM75.56 million for the preceding quarter ended 30 June 2013. The decrease in revenue was mainly attributable to the dropped of sale on property in quarter ended 30 September 2013. The losses in current quarter is lower compared to preceding quarter mainly due to the impairment of receivables and impairment loss on properties, followed by higher administrative expenses in the preceding quarter ended 30 June 2013.

### B3. PROSPECTS

The Group recognises the need to put on board a road map of sustainable growth to build a steady flow of future operating income stream for the Group. For the current operations of the Group, the Board is continuously making efforts to implement further cost rationalisation exercises to improve financial performance as well as the disposal of non-essential assets.

Premised on the outlook of the Malaysian tourism and accommodation market, and in tandem with the ongoing project of the Group, a proposed mixed commercial development known as Splash Park, Port Dickson, Negeri Sembilan Darul Khusus, the Board is cautiously optimistic that the prospects of the Group would be satisfactory for the FYE 2014. The Group will continue to explore business opportunities that can enable the Group to unlock the value of the Group's core assets and propel the Group to greater heights.

### B4. PROFIT FORECAST

The Company did not announce any profit forecast nor profit guarantee for the current financial period under review.

## TANCO HOLDINGS BERHAD (3326-K)

### B5. TAXATION

| | Current Quarter 30/09/2013 RM'000 | Current Period to date 30/09/2013 RM'000 |
|---|---|---|
| Taxation | | |
| - Current year | - | - |
| - Prior year | 95 | 95 |
| | 95 | 95 |

The Group's tax rate is disproportionate to the statutory tax rate due to unabsorbed tax loss and unutilised tax allowances and deferred tax benefits of certain companies within the Group.

### B6. PROFIT ON SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There was no other sale of unquoted investments or properties other than those exercised in the ordinary course of business of the Group for the quarter.

### B7. QUOTED SECURITIES

a) There were no purchases or disposal of quoted securities made in this quarter.

b) Investments in Quoted Securities

| | RM'000 |
|---|---|
| Quoted shares in Malaysia, at cost | 23 |
| Provision for diminution in value | (21) |
| | 2 |
| Market value of quoted shares | 2 |

### B8. STATUS OF CORPORATE PROPOSALS

On 9 September 2013, the Board of Directors of the Group announced that the Company is proposing to undertake the following proposals:-

(i) Proposed reduction of the issued and paid-up share capital of the Company pursuant to Section 64(1) of the Companies Act, 1965, involving the cancellation of RM0.80 of the par value of each existing ordinary share of RM1.00 each in the Company ("Tanco Share") ("Proposed Par Value Reduction");

(ii) Proposed amendments to the Memorandum and Articles of Association of the Company to facilitate the Proposed Par Value Reduction and the Proposed SIS (as defined herein);

(iii) Proposed renounceable rights issue of up to RM33,488,672 nominal value of three (3)-year, 3%, irredeemable convertible unsecured loan stock ("ICULS") at 100% of its nominal value of RM0.10 each ("Rights ICULS") on the basis of RM0.10 nominal value of Rights ICULS for every one (1) Tanco Share held after the Proposed Par Value Reduction, based on a minimum subscription level of RM15,000,000 nominal value of Rights ICULS, on an entitlement date to be determined and announced later; and

(iv) Proposed establishment of a share issuance scheme of up to fifteen percent (15%) of the prevailing issued and paid-up share capital of the Company (excluding treasury shares) for the eligible employees and Directors of the Company, and its subsidiaries, who fulfil the eligibility criteria ("Proposed SIS").

The above mentioned proposals were approved by the shareholders on 8 November 2013 and is currently pending the sanction of the High Court of Malaya for the Proposed Par Value Reduction.

Except as disclosed above, there are no other corporate proposals which have been announced but not completed as at 19 November 2013, being the latest practicable date, which is not earlier than 7 days from the date of issue of this quarterly report.

## B9. GROUP BORROWINGS AND DEBT SECURITIES

Total Group's borrowings as at 30 September 2013 are as follows: -

| | As at 30/09/2013 RM'000 |
|---|---|
| Short term borrowings | |
| Secured: - | |
| - Bank overdraft | 2,507 |
| - Hire purchase and lease liabilities | 48 |
| | 2,555 |
| Long Term Borrowings | |
| Secured: - | |
| - Hire purchase and lease liabilities | 106 |
| - Bridging loan | 33,288 |
| | 33,394 |
| Total | 35,949 |

The above borrowings are denominated in Ringgit Malaysia (RM).

## B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

As at 19 November 2013, being the latest practicable date, which is not earlier than 7 days from the date of issue of this quarterly report, the Group does not have any off balance sheet financial instruments.

## TANCO HOLDINGS BERHAD (3326-K)

### B11. MATERIAL LITIGATION

As at 19 November 2013, being the latest practicable date that is not earlier than 7 days from the date of issue of this quarterly report, the Group is not engaged in any material litigation except for:

i. Claims by purchasers against a wholly-owned subsidiary of the Company for specific performance and damages on units purchased totalling approximately RM758,148.97. Following hearings and appeals on the matter, the claims for specific performance have been dismissed and only the issue of damages remains to be re-assessed by the court, which is set to be heard on 17 December 2013.

ii. A claim against a wholly-owned subsidiary of the Company by a group of claimants for damages, the sum of RM4,679,261/- together with interest at the rate of 8.9% per annum from 24 October 2003 until realisation, late payment interest and such further relief as the court may allow. This claim was initiated by way of a counterclaim against the subsidiary from an initial suit filed against the said group by a financial institution allegedly for breach of certain terms and conditions of a facilities agreement by the said group. The claim against the subsidiary is disputed and is being defended by the subsidiary's solicitors. No provision for losses has been made as the directors, based on the Company's solicitor's advice, are confident that the subsidiary will succeed in its defence. The claimants have also not pursued further action on their counterclaim against the subsidiary since judgment was taken against the claimants by the financial institution in October 2007. An application will be made to strike out the counterclaim against the subsidiary once the necessary verifications have been conducted on the court file.

### B12. DIVIDEND

There was no dividend declared during the current quarter under review.

### B13. EARNINGS PER SHARE

| Basic | | Current Period Quarter 30/09/2013 | Preceding Year Corresponding Quarter 30/09/2012 | Current Period To Date 30/09/2013 | Preceding Year Corresponding Period 30/09/2012 |
|---|---|---|---|---|---|
| Net loss attributable to owners of the Company | (RM'000) | (3,162) | (780) | (3,162) | (780) |
| Weighted average number of ordinary shares | ('000) | 334,887 | 334,887 | 334,887 | 334,887 |
| Basic (loss)/earnings per share | (Sen) | (0.94) | (0.23) | (0.94) | (0.23) |

As at 30 September 2013, the Group has no dilutive potential ordinary shares. As such, there is no dilutive effect on the net loss per share of the Group for the current quarter under review.

**TANCO HOLDINGS BERHAD (3326-K)**

**B14. DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES**

The following analysis of realised and unrealised profits or losses at the legal entity level is prepared in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Securities Listing Requirements*, as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by Bursa Securities:-

| | As at 30/09/2013 (Unaudited) | As at 30/06/2013 (Audited) |
|---|---|---|
| | RM'000 | RM'000 |
| Total accumulated losses of the Group:- | | |
| - Realised | 145,371 | 142,209 |
| - Unrealised | - | - |
| Total group accumulated losses as per statements of financial position | 145,371 | 142,209 |

By Order of the Board,

Choi Siew Fun
Company Secretary
Date: 26 November 2013

**OUR PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON**

BAKER TILLY

Baker Tilly Monteiro Heng
Chartered Accountants (AF0117)
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Malaysia

T : +603 2297 1000
F : +603 2282 9980

info@bakertillymh.com.my
www.bakertillymh.com.my

2 6 DEC 2013

The Board of Directors
**Tanco Holdings Berhad**
No. 1 Persiaran Ledang
Off Jalan Duta
50480 Kuala Lumpur

Dear Sirs,

**STRICTLY CONFIDENTIAL**

**TANCO HOLDINGS BERHAD AND ITS SUBSIDIARIES**
**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013**

We have reviewed the Proforma Consolidated Statements of Financial Position of Tanco Holdings Berhad ("Tanco" or "the Company") and its subsidiaries ("the Group") as at 30 June 2013 together with the accompanying notes which have been prepared by the Directors of Tanco for illustrative purposes only (which we have stamped for the purpose of identification), for which the Directors of Tanco are solely responsible, as set out in the accompanying statements for inclusion in the Abridged Prospectus of Tanco in relation to the renounceable rights issue of up to RM33,488,672 nominal value of three (3)-year, 3%, irredeemable convertible unsecured loan stock ("ICULS") at 100% of its nominal value of RM0.10 each ("Rights ICULS") on the basis of RM0.10 nominal value of Rights ICULS for every one (1) existing ordinary share of RM0.20 each held in Tanco at 5.00 p.m. on 13 January 2014, based on a minimum subscription level of RM15,000,000 nominal value of Rights ICULS ("Rights Issue of ICULS").

We conducted our work in accordance with the approved standard for assurance engagements in Malaysia, *ISAE 3000 - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. Our work consisted primarily of comparing the audited consolidated statement of financial position of the Group as at 30 June 2013 and the Proforma Consolidated Statements of Financial Position with the responsible officers of the Group. Our work involved no independent examination of the underlying financial information.

We plan and perform our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Proforma Consolidated Statements of Financial Position of the Group have been properly prepared on the basis set out in the accompanying notes to the Proforma Consolidated Statements of Financial Position based on the audited consolidated financial statements of the Group for the financial year ended 30 June 2013, which have been prepared in accordance with the Financial Reporting Standards in Malaysia, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by Tanco in the preparation of its audited consolidated financial statements for the financial year ended 30 June 2013 and the adoption of new accounting policy as detailed in Note 1.2 of the Proforma Consolidated Statements of Financial Position.

BAKER TILLY

## TANCO HOLDINGS BERHAD AND ITS SUBSIDIARIES
**Proforma Consolidated Statements of Financial Position as at 30 June 2013**

The audited financial statements of Tanco for the financial year ended 30 June 2013 were reported by us to the members of Tanco on 6 September 2013, without any modification and contained the following emphasis of matter paragraphs:-

*"Emphasis of Matter*

*Without qualifying our opinion, we draw attention to Note 2 to the financial statements which disclose that during the financial year, the Group incurred a net loss of RM83,212,000/- and recorded a deficit in operating cash flows of RM9,136,000/-, thereby indicating the existence of an uncertainty which may cast doubt about the Group's ability to continue as a going concern.*

*The appropriateness of the going concern assumption is dependent on the Group's ability to generate adequate cash flows from its operating activities and operate profitably in the future.*

*The directors are reasonably optimistic that the cash flows of the Group will improve in the foreseeable future with the sales of the planned development projects. In addition to the further cost rationalisation and the disposal of non-essential assets, the Group will explore the options of raising funds through the capital market to improve the Group's cash flow and financial position. The directors are confident that with all these actions, the Group will be in a good position to meet all its existing financial obligations in the foreseeable future."*

As the Proforma Consolidated Statements of Financial Position are prepared for illustrative purposes only, and such information, because of its nature, may not give a true picture of the effects on the financial position of the Group had the transactions and events occurred at the reporting date. Further, such information does not purport to predict the Group's future financial position.

In our opinion:-

(i) the Proforma Consolidated Statements of Financial Position of the Group have been properly compiled on the basis as set out in the accompanying notes to the Proforma Consolidated Statements of Financial Position based on the audited consolidated financial statements of the Group for the financial year ended 30 June 2013, (which have been prepared by the Directors of Tanco in accordance with the Financial Reporting Standards in Malaysia) and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its audited consolidated financial statements for the financial year ended 30 June 2013 and the adoption of new accounting policy as detailed in Note 1.2 of the Proforma Consolidated Statements of Financial Position; and

(ii) the adjustments made to the information used in the preparation of the Proforma Consolidated Statements of Financial Position are appropriate for the purposes of preparing the Proforma Consolidated Statements of Financial Position of the Group as at 30 June 2013.

BAKER TILLY

## TANCO HOLDINGS BERHAD AND ITS SUBSIDIARIES
**Proforma Consolidated Statements of Financial Position as at 30 June 2013**

This letter has been prepared for inclusion in the Abridged Prospectus of Tanco in connection with the Rights Issue of ICULS and is not to be used, circulated, quoted or otherwise referenced to in any document or used for any other purpose without the prior written consent from us. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully,

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Heng Ji Keng
No. 578/05/14 (J/PH)
Chartered Accountant

Kuala Lumpur

## TANCO HOLDINGS BERHAD AND ITS SUBSIDIARIES

### PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013

The Proforma Consolidated Statements of Financial Position of Tanco Holdings Berhad ("Tanco" or "the Company") and its subsidiaries ("the Group") as at 30 June 2013 as set out below for which the Directors of Tanco are solely responsible, have been prepared for illustrative purposes only to show the effects on the audited consolidated statement of financial position of the Group as at 30 June 2013 had the transaction as described in Note 2 and the Rights Issue of ICULS as described in Note 3 been effected on that date, and should be read in conjunction with the notes accompanying to the Proforma Consolidated Statements of Financial Position.

**Minimum Scenario**

| | Audited Consolidated Statement of Financial Position as at 30 June 2013 RM'000 | Adjusted Consolidated Statement of Financial Position as at 30 June 2013 RM'000 | Proforma I After I and the Rights Issue of ICULS RM'000 | Proforma II After II and and the SIS RM'000 | Proforma III After III and assuming Full Conversion of ICULS RM'000 | Proforma IV After IV and assuming Full Exercise of Options RM'000 |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | 107,093 | 107,093 | 107,093 | 107,093 | 107,093 | 107,093 |
| Land held for property development | 76,898 | 76,898 | 76,898 | 76,898 | 76,898 | 76,898 |
| Prepaid lease payments | 20,116 | 20,116 | 20,116 | 20,116 | 20,116 | 20,116 |
| Other investments | 5,340 | 5,340 | 5,340 | 5,340 | 5,340 | 5,340 |
| **Total non-current assets** | 209,447 | 209,447 | 209,447 | 209,447 | 209,447 | 209,447 |
| **Current assets** | | | | | | |
| Property development costs | 26,728 | 26,728 | 26,728 | 26,728 | 26,728 | 26,728 |
| Inventories | 21,139 | 21,139 | 21,139 | 21,139 | 21,139 | 21,139 |
| Trade receivables | 21,509 | 21,509 | 21,509 | 21,509 | 21,509 | 21,509 |
| Other receivables, sundry deposits and prepayments | 1,834 | 1,834 | 1,834 | 1,834 | 1,834 | 1,834 |
| Cash, bank balances and deposits | 2,365 | 2,365 | 6,575 | 6,575 | 6,575 | 16,622 |
| **Total current assets** | 73,575 | 73,575 | 77,785 | 77,785 | 77,785 | 87,832 |

BAKER TILLY MONTEIRO HENG • For Identification Purposes Only

**TANCO HOLDINGS BERHAD AND ITS SUBSIDIARIES**

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013 (Continued)**

**Minimum Scenario (Continued)**

| | Audited Consolidated Statement of Financial Position as at 30 June 2013 RM'000 | Adjusted Consolidated Statement of Financial Position as at 30 June 2013 RM'000 | Proforma I<br>After I and the Rights Issue of ICULS RM'000 | Proforma II<br>After II and and the SIS RM'000 | Proforma III<br>After III and assuming Full Conversion of ICULS RM'000 | Proforma IV<br>After IV and assuming Full Exercise of Options RM'000 |
|---|---|---|---|---|---|---|
| **TOTAL ASSETS** | 283,022 | 283,022 | 287,232 | 287,232 | 287,232 | 297,279 |
| **EQUITY AND LIABILITIES** | | | | | | |
| **Equity attributable to the owners of Tanco** | | | | | | |
| Share capital | 334,887 | 66,977 | 66,977 | 66,977 | 81,977 | 92,024 |
| Share premium | - | - | - | - | - | 2,512 |
| ICULS - equity component | - | - | 10,407 | 10,407 | - | - |
| Foreign currency reserve | (1,303) | (1,303) | (1,303) | (1,303) | (1,303) | (1,303) |
| Share options reserve | - | - | - | 2,512 | 2,512 | - |
| (Accumulated losses)/ Retained earnings | (142,209) | 125,701 | 124,901 | 122,389 | 122,389 | 122,389 |
| **Shareholders' fund** | 191,375 | 191,375 | 200,982 | 200,982 | 205,575 | 215,622 |
| Non-controlling interests | 96 | 96 | 96 | 96 | 96 | 96 |
| **Total equity** | 191,471 | 191,471 | 201,078 | 201,078 | 205,671 | 215,718 |

BAKER TILLY MONTEIRO HENG • For Identification Purposes Only •

**TANCO HOLDINGS BERHAD AND ITS SUBSIDIARIES**

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013 (Continued)**

**Minimum Scenario (Continued)**

| | | | Proforma I | Proforma II | Proforma III | Proforma IV |
|---|---|---|---|---|---|---|
| | Audited Consolidated Statement of Financial Position as at 30 June 2013 RM'000 | Adjusted Consolidated Statement of Financial Position as at 30 June 2013 RM'000 | After I and the Rights Issue of ICULS RM'000 | After II and and the SIS RM'000 | After III and assuming Full Conversion of ICULS RM'000 | After IV and assuming Full Exercise of Options RM'000 |
| **Non-current liabilities** | | | | | | |
| Borrowings | 31,261 | 31,261 | 31,261 | 31,261 | 31,261 | 31,261 |
| Other long term payables | 748 | 748 | 748 | 748 | 748 | 748 |
| ICULS - liability component | - | - | 1,124 | 1,124 | - | - |
| Deferred tax liabilities | - | - | 3,469 | 3,469 | - | - |
| | 32,009 | 32,009 | 36,602 | 36,602 | 32,009 | 32,009 |
| **Current liabilities** | | | | | | |
| Trade payables | 12,111 | 12,111 | 12,111 | 12,111 | 12,111 | 12,111 |
| Other payables, sundry deposits and accruals | 23,591 | 23,591 | 23,591 | 23,591 | 23,591 | 23,591 |
| Provisions | 9,801 | 9,801 | 9,801 | 9,801 | 9,801 | 9,801 |
| Borrowings | 2,540 | 2,540 | 50 | 50 | 50 | 50 |
| Amount owing to directors | 10,839 | 10,839 | 3,339 | 3,339 | 3,339 | 3,339 |
| Tax payables | 660 | 660 | 660 | 660 | 660 | 660 |
| **Total current liabilities** | 59,542 | 59,542 | 49,552 | 49,552 | 49,552 | 49,552 |
| **Total liabilities** | 91,551 | 91,551 | 86,154 | 86,154 | 81,561 | 81,561 |
| **TOTAL EQUITY AND LIABILITIES** | 283,022 | 283,022 | 287,232 | 287,232 | 287,232 | 297,279 |



BAKER TILLY MONTEIRO HENG • For Identification Purposes Only •

## TANCO HOLDINGS BERHAD AND ITS SUBSIDIARIES

### PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013 (Continued)

**Minimum Scenario (Continued)**

| | | | Proforma I | Proforma II | Proforma III | Proforma IV |
|---|---|---|---|---|---|---|
| | Audited Consolidated Statement of Financial Position as at 30 June 2013 RM'000 | Adjusted Consolidated Statement of Financial Position as at 30 June 2013 RM'000 | After I and the Rights Issue of ICULS RM'000 | After II and and the SIS RM'000 | After III and assuming Full Conversion of ICULS RM'000 | After IV and assuming Full Exercise of Options RM'000 |
| Number of ordinary shares in issued | | | | | | |
| - RM1.00 each ('000) | 334,887 | - | - | - | - | - |
| - RM0.20 each ('000) | - | 334,887 | 334,887 | 334,887 | 409,887 | 460,120 |
| Net assets ("NA") (RM'000) * | 191,375 | 191,375 | 200,982 | 200,982 | 205,575 | 215,622 |
| NA per ordinary share (RM) * | 0.57 | 0.57 | 0.60 | 0.60 | 0.50 | 0.47 |

* *Attributable to the owners of Tanco.*



BAKER TILLY MONTEIRO HENG • For Identification Purposes Only

**TANCO HOLDINGS BERHAD AND ITS SUBSIDIARIES**

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013 (Continued)**

**Maximum Scenario**

| | | | Proforma I | Proforma II | Proforma III | Proforma IV |
|---|---|---|---|---|---|---|
| | Audited Consolidated Statement of Financial Position as at 30 June 2013 RM'000 | Adjusted Consolidated Statement of Financial Position as at 30 June 2013 RM'000 | After I and the Rights Issue of ICULS RM'000 | After II and and the SIS RM'000 | After III and assuming Full Conversion of ICULS RM'000 | After IV and assuming Full Exercise of Options RM'000 |
| **ASSETS** | | | | | | |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | 107,093 | 107,093 | 107,093 | 107,093 | 107,093 | 107,093 |
| Land held for property development | 76,898 | 76,898 | 76,898 | 76,898 | 76,898 | 76,898 |
| Prepaid lease payments | 20,116 | 20,116 | 20,116 | 20,116 | 20,116 | 20,116 |
| Other investments | 5,340 | 5,340 | 5,340 | 5,340 | 5,340 | 5,340 |
| **Total non-current assets** | 209,447 | 209,447 | 209,447 | 209,447 | 209,447 | 209,447 |
| **Current assets** | | | | | | |
| Property development costs | 26,728 | 26,728 | 26,728 | 26,728 | 26,728 | 26,728 |
| Inventories | 21,139 | 21,139 | 21,139 | 21,139 | 21,139 | 21,139 |
| Trade receivables | 21,509 | 21,509 | 21,509 | 21,509 | 21,509 | 21,509 |
| Other receivables, sundry deposits and prepayments | 1,834 | 1,834 | 1,834 | 1,834 | 1,834 | 1,834 |
| Cash, bank balances and deposits | 2,365 | 2,365 | 11,063 | 11,063 | 44,552 | 54,599 |
| **Total current assets** | 73,575 | 73,575 | 82,273 | 82,273 | 115,762 | 125,809 |
| **TOTAL ASSETS** | 283,022 | 283,022 | 291,720 | 291,720 | 325,209 | 335,256 |



BAKER TILLY MONTEIRO HENG • For Identification Purposes Only

## OUR PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON *(Cont'd)*

TANCO HOLDINGS BERHAD AND ITS SUBSIDIARIES

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013 (Continued)

Maximum Scenario (Continued)

| | Audited Consolidated Statement of Financial Position as at 30 June 2013 RM'000 | Adjusted Consolidated Statement of Financial Position as at 30 June 2013 RM'000 | Proforma I After I and the Rights Issue of ICULS RM'000 | Proforma II After II and and the SIS RM'000 | Proforma III After III and assuming Full Conversion of ICULS RM'000 | Proforma IV After IV and assuming Full Exercise of Options RM'000 |
|---|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | | |
| **Equity attributable to the owners of Tanco** | | | | | | |
| Share capital | 334,887 | 66,977 | 66,977 | 66,977 | 133,954 | 144,001 |
| Share premium | - | - | - | - | - | 2,512 |
| ICULS - equity component | - | - | 23,234 | 23,234 | - | - |
| Foreign currency reserve | (1,303) | (1,303) | (1,303) | (1,303) | (1,303) | (1,303) |
| Share options reserve | - | - | - | 2,512 | 2,512 | - |
| (Accumulated losses)/ Retained earnings | (142,209) | 125,701 | 124,901 | 122,389 | 122,389 | 122,389 |
| **Shareholders' fund** | 191,375 | 191,375 | 213,809 | 213,809 | 257,552 | 267,599 |
| Non-controlling interests | 96 | 96 | 96 | 96 | 96 | 96 |
| **Total equity** | 191,471 | 191,471 | 213,905 | 213,905 | 257,648 | 267,695 |
| **Non-current liabilities** | | | | | | |
| Borrowings | 31,261 | 31,261 | 17,311 | 17,311 | 17,311 | 17,311 |
| Other long term payables | 748 | 748 | 748 | 748 | 748 | 748 |
| ICULS - liability component | - | - | 2,509 | 2,509 | - | - |
| Deferred tax liabilities | - | - | 7,745 | 7,745 | - | - |
| | 32,009 | 32,009 | 28,313 | 28,313 | 18,059 | 18,059 |



BAKER TILLY MONTEIRO HENG • For Identification Purposes Only •

## OUR PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON *(Cont'd)*

### TANCO HOLDINGS BERHAD AND ITS SUBSIDIARIES

### PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013 (Continued)

**Maximum Scenario (Continued)**

| | | | Proforma I | Proforma II | Proforma III | Proforma IV |
|---|---|---|---|---|---|---|
| | Audited Consolidated Statement of Financial Position as at 30 June 2013 RM'000 | Adjusted Consolidated Statement of Financial Position as at 30 June 2013 RM'000 | After I and the Rights Issue of ICULS RM'000 | After II and the SIS RM'000 | After III and assuming Full Conversion of ICULS RM'000 | After IV and assuming Full Exercise of Options RM'000 |
| **Current liabilities** | | | | | | |
| Trade payables | 12,111 | 12,111 | 12,111 | 12,111 | 12,111 | 12,111 |
| Other payables, sundry deposits and accruals | 23,591 | 23,591 | 23,591 | 23,591 | 23,591 | 23,591 |
| Provisions | 9,801 | 9,801 | 9,801 | 9,801 | 9,801 | 9,801 |
| Borrowings | 2,540 | 2,540 | - | - | - | - |
| Amount owing to directors | 10,839 | 10,839 | 3,339 | 3,339 | 3,339 | 3,339 |
| Tax payables | 660 | 660 | 660 | 660 | 660 | 660 |
| **Total current liabilities** | 59,542 | 59,542 | 49,502 | 49,502 | 49,502 | 49,502 |
| **Total liabilities** | 91,551 | 91,551 | 77,815 | 77,815 | 67,561 | 67,561 |
| **TOTAL EQUITY AND LIABILITIES** | 283,022 | 283,022 | 291,720 | 291,720 | 325,209 | 335,256 |
| Number of ordinary shares in issued | | | | | | |
| - RM1.00 each ('000) | 334,887 | - | - | - | - | - |
| - RM0.20 each ('000) | - | 334,887 | 334,887 | 334,887 | 669,773 | 720,006 |

BAKER TILLY MONTEIRO HENG • For Identification Purposes Only

**OUR PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON *(Cont'd)***

**TANCO HOLDINGS BERHAD AND ITS SUBSIDIARIES**

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013 (Continued)**

**Maximum Scenario (Continued)**

| | | | Proforma I | Proforma II | Proforma III | Proforma IV |
|---|---|---|---|---|---|---|
| | Audited Consolidated Statement of Financial Position as at 30 June 2013 RM'000 | Adjusted Consolidated Statement of Financial Position as at 30 June 2013 RM'000 | After I and the Rights Issue of ICULS RM'000 | After II and and the SIS RM'000 | After III and assuming Full Conversion of ICULS RM'000 | After IV and assuming Full Exercise of Options RM'000 |
| NA (RM'000) * | 191,375 | 191,375 | 213,809 | 213,809 | 257,552 | 267,599 |
| NA per ordinary share (RM) * | 0.57 | 0.57 | 0.64 | 0.64 | 0.38 | 0.37 |

* *Attributable to the owners of Tanco*

BAKER TILLY MONTEIRO HENG • For Identification Purposes Only

TANCO HOLDINGS BERHAD AND ITS SUBSIDIARIES

## NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013

1. **Basis of Preparation**

1.1 The Proforma Consolidated Statements of Financial Position of the Group, for which the Directors of Tanco are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited consolidated statement of financial position of the Group as at 30 June 2013 had the transaction as described in Note 2 and the Rights Issue of ICULS as described in Note 3 been effected on that date, and should be read in conjunction with the notes accompanying the Proforma Consolidated Statements of Financial Position.

1.2 The Proforma Consolidated Statements of Financial Position of the Group have been prepared in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its audited consolidated financial statements for the financial year ended 30 June 2013, which have been prepared in accordance with the Financial Reporting Standards in Malaysia, and the adoption of the following new accounting policy:-

**Employee Share Issuance Scheme**

Employees of the Group received remuneration in the form of share options ("Options") as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss with a corresponding increase in the employee share option reserve over the vesting period. The cumulative expenses recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expenses recognised at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share premium if new shares are issued, or to treasury shares if the options are satisfied by the issuance of treasury shares.

BAKER TILLY MONTEIRO HENG • For Identification Purposes Only •

**TANCO HOLDINGS BERHAD AND ITS SUBSIDIARIES**

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013 (Continued)**

1. **Basis of Preparation (Continued)**

1.3 The audited financial statements of Tanco for the financial year ended 30 June 2013 were reported by the auditors to the members of Tanco on 6 September 2013, without any modifications and contained the following emphasis of matter paragraphs:-

*"Emphasis of Matter*

*Without qualifying our opinion, we draw attention to Note 2 to the financial statements which disclose that during the financial year, the Group incurred a net loss of RM83,212,000/- and recorded a deficit in operating cash flows of RM9,136,000/-, thereby indicating the existence of an uncertainty which may cast doubt about the Group's ability to continue as a going concern.*

*The appropriateness of the going concern assumption is dependent on the Group's ability to generate adequate cash flows from its operating activities and operate profitably in the future.*

*The directors are reasonably optimistic that the cash flows of the Group will improve in the foreseeable future with the sales of the planned development projects. In addition to the further cost rationalisation and the disposal of non-essential assets, the Group will explore the options of raising funds through the capital market to improve the Group's cash flow and financial position. The directors are confident that with all these actions, the Group will be in a good position to meet all its existing financial obligations in the foreseeable future.*

*<u>Extractions from Note 2 to the financial statements</u>*

*The financial statements of the Group have been prepared on the assumption that the Group will continue as a going concern. The application of the going concern basis is based on the assumption that the Group will be able to realise its assets and liquidate its liabilities in the normal course of business.*

*During the financial year, the Group incurred a net loss of RM83,212,000/-, and recorded a deficit in operating cash flows of RM9,136,000/-. Although this indicates the existence of an uncertainty which may cast doubt about the Group's ability to continue as a going concern, it is noted that a significant portion of the loss arose out of a substantial provision made on debts and assets of the Group. If these substantial provisions are excluded, the operational loss incurred by the Group is manageable. The shareholders' funds of the Group remains positive even after the substantial provision.*

*The ability of the Group to continue as a going concern will be dependent on the Group's ability to generate adequate cash flows from its operating activities and operate profitably in the future.*

*The directors are reasonably optimistic that the cash flows of the Group will improve in the foreseeable future with the sales of the planned development projects. In addition to the further cost rationalisation and the disposal of non-essential assets, the Group will explore the options of raising funds through the capital market to improve the Group's cash flow and financial position. The directors are confident that with all these actions, the Group will be in a good position to meet all its existing financial obligations in the foreseeable future."*

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013 (Continued)**

2. **Adjustments to the Audited Consolidated Statement of Financial Position**

Subsequent to 30 June 2013, the Board of Directors of Tanco had undertaken the following transactions:-

2.1 **Par Value Reduction**

On 6 December 2013, the sealed order dated 4 December 2013 granted by the High Court of Malaya in Kuala Lumpur had been duly lodged with the Companies Commission of Malaysia pursuant to Section 64(1) of the Companies Act, 1965, involving the cancellation of RM0.80 of the par value of each existing ordinary share of RM1.00 each in Tanco ("Par Value Reduction"). With the completion of the Par Value Reduction on the even date, the par value of each existing ordinary shares of Tanco was reduced from RM1.00 to RM0.20 each ("Tanco Share(s)") effective on 6 December 2013.

The reduction of the issued and paid-up share capital of Tanco amounting to RM267,909,381 arising from the Par Value Reduction was credited to the (Accumulated Losses)/Retained Earnings Account.

The Par Value Reduction had the following impact on the audited consolidated statement of financial position of the Group:-

| | **Increase / (Decrease) Effects on Total Equity RM'000** |
|---|---|
| Share capital | (267,910) |
| (Accumulated losses)/Retained earnings | 267,910 |
| | - |

3. **Rights Issue of Irredeemable Convertible Unsecured Loan Stock ("ICULS")**

Tanco will undertake the renounceable rights issue of up to RM33,488,672 nominal value of three (3)-year, 3%, irredeemable convertible unsecured loan stock ("ICULS") at 100% of its nominal value of RM0.10 each ("Rights ICULS") on the basis of RM0.10 nominal value of Rights ICULS for every one (1) Tanco Share held at 5.00 p.m. on 13 January 2014, based on a minimum subscription level of RM15,000,000 nominal value of Rights ICULS ("Rights Issue of ICULS").

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013 (Continued)**

3. **Rights Issue of ICULS (Continued)**

**Utilisation of the Proceeds from the Rights Issue of ICULS**

The proceeds from the Rights Issue of ICULS will be utilised in the following manner:-

| | Minimum Scenario RM'000 | Maximum Scenario RM'000 |
|---|---|---|
| Repayment of amount owing to Dato' Tan Jing Nam | 7,500 | 7,500 |
| Repayment of bank borrowings | 2,490 | 16,490 |
| Working capital | 4,210 | 8,698 |
| Defrayment of estimated expenses | 800 | 800 |
| | 15,000 | 33,488 |

4. **Proforma Consolidated Statements of Financial Position**

4.1 **Minimum Scenario**

The minimum scenario assumes that:-

(i) The Rights Issue of ICULS will raise a gross proceed of RM15 million based on the minimum subscription level. Dato' Tan Jing Nam has provided his irrevocable undertaking to subscribe for his Rights ICULS entitlement and the requisite number of excess Rights ICULS not subscribed by the other entitled shareholders to achieve the minimum subscription level under the Rights Issue of ICULS.

The details on the allocation of the components of ICULS are as follows:-

| | RM'000 |
|---|---|
| ICULS (equity component) | 10,407 |
| ICULS (liability component) * | 1,124 |
| Deferred tax liabilities ** | 3,469 |

* The liability portion of the ICULS is arrived at by discounting the interest payments over the tenure of three (3) years at the weighted average cost of capital of 9.76%

** The deferred tax liabilities are computed based on the statutory tax rate of 25% on the equity portion

BAKER TILLY MONTEIRO HENG • For Identification Purposes Only •

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013 (Continued)**

4. **Proforma Consolidated Statements of Financial Position (Continued)**

4.1 **Minimum Scenario (Continued)**

(ii) The maximum number of new Tanco Shares to be allotted and issued under the establishment of a share issuance scheme for the eligible employees and directors of Tanco Group ("SIS") shall not exceed fifteen percent (15%) of the prevailing issued and paid-up share capital of the Company (excluding treasury shares), after the completion of the Rights Issue of ICULS and assuming none of the ICULS has been converted into Tanco Shares prior to the granting of the Options under the SIS.

(iii) For the preparation of the Proforma Consolidated Statements of Financial Position, with the granting of 50,233,008 Options pursuant to the SIS and for illustrative purposes, Tanco has recognised the fair value of the Options granted of RM2,511,650 based on the fair value of RM0.05 per Option based on the fair value of the Options extracted from Bloomberg as at 27 December 2013, being the latest practicable date prior to the issuance of Tanco's Abridged Prospectus. The fair value of the options was computed by reference to the following information extracted from Bloomberg:-

| | | |
|---|---|---|
| Valuation model | : | Black Scholes |
| Share price | : | RM0.157 |
| Indicative exercise price | : | RM0.20 (assumed exercise price) |
| Expiry date | : | 26 December 2016 (3 years) |
| Volatility | : | 50.685% |
| Dividend | : | No dividend |
| Interest rate | : | 3.682% per annum |

As the above variables are subject to change upon the implementation of the SIS as described in Note 4.1(ii), the actual quantum of the share options reserve will only be determined upon granting of the share options. As such, the actual quantum may differ from the amount computed above.

(iv) For the purpose of the preparation of the Proforma Consolidated Statements of Financial Position and for illustrative purposes, the 50,233,008 Options to be granted issued pursuant to the SIS are assumed to be fully exercised at an assumed exercise price of RM0.20 each.

(v) The RM15,000,000 nominal value of ICULS issued pursuant to the Rights Issue of ICULS are assumed fully converted into 75,000,000 new Tanco Shares by surrendering RM0.20 nominal value of ICULS for one (1) new Tanco Share.

BAKER TILLY MONTEIRO HENG • For Identification Purposes Only •

TANCO HOLDINGS BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013 (Continued)

4. **Proforma Consolidated Statements of Financial Position (Continued)**

4.1 **Minimum Scenario (Continued)**

4.1.1 **Proforma I**

Proforma I incorporates the cumulative effects of the adjusted consolidated statement of financial position of the Group and the Rights Issue of ICULS as described in Notes 3 and 4.1(i) and the utilisation of the proceeds from the Rights Issue of ICULS.

The estimated expenses of RM800,000 will be debited to the (Accumulated Losses)/Retained Earnings Account.

The proceeds arising from the Rights Issue of ICULS earmarked for working capital of RM4.210 million will be included in the Cash and Bank Balances Account.

The Rights Issue of ICULS has the following impact on the Proforma Consolidated Statements of Financial Position of the Group:-

| | Increase / (Decrease) | |
|---|---|---|
| | Effects on Total Assets RM'000 | Effects on Total Equity and Liabilities RM'000 |
| Cash, bank balances and deposits | 4,210 | - |
| Amount owing to directors | - | (7,500) |
| Bank borrowings | - | (2,490) |
| Deferred tax liabilities | - | 3,469 |
| ICULS - liability component | - | 1,124 |
| ICULS - equity component | - | 10,407 |
| (Accumulated losses)/Retained eamings | - | (800) |
| | 4,210 | 4,210 |

4.1.2 **Proforma II**

Proforma II incorporates the cumulative effects of Proforma I and the SIS as described in Notes 4.1(ii) and .1(iii).

The fair value of the 50,233,008 Options granted of RM2,511,650 will be credited to the Share Options Reserve Account.

BAKER TILLY MONTEIRO HENG • For Identification Purposes Only •

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013 (Continued)**

**4. Proforma Consolidated Statements of Financial Position (Continued)**

**4.1 Minimum Scenario (Continued)**

**4.1.2 Proforma II (Continued)**

The granting of 50,233,008 Options pursuant to the SIS has the following impact on the Proforma Consolidated Statements of Financial Position of the Group:-

| | Increase / (Decrease) Effects on Total Equity RM'000 |
|---|---|
| Share options reserve | 2,512 |
| (Accumulated losses)/Retained earnings | (2,512) |
| | - |

**4.1.3 Proforma III**

Proforma III incorporates the cumulative effects of Proforma II and the full conversion of the ICULS issued pursuant to the Rights Issue of ICULS as described in Note 4.1(v).

The full conversion of RM15,000,000 nominal value of ICULS has the following impact on the Proforma Consolidated Statements of Financial Position of the Group:-

| | Increase / (Decrease) Effects on Total Equity and Liabilities RM'000 |
|---|---|
| ICULS - liability component | (1,124) |
| Deferred tax liabilities | (3,469) |
| Share capital | 15,000 |
| ICULS - equity component | (10,407) |
| | - |

BAKER TILLY MONTEIRO HENG • For Identification Purposes Only •

## NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013 (Continued)

### 4. Proforma Consolidated Statements of Financial Position (Continued)

### 4.1 Minimum Scenario (Continued)

### 4.1.4 Proforma IV

Proforma IV incorporates the cumulative effects of Proforma III and the full exercise of 50,233,008 Options as described in Note 4.1(iv).

The full exercise of 50,233,008 Options has the following impact on the Proforma Consolidated Statements of Financial Position of the Group:-

| | Increase / (Decrease) Effects on Total Assets RM'000 | Effects on Total Equity RM'000 |
|---|---|---|
| Cash, bank balances and deposits | 10,047 | - |
| Share capital | - | 10,047 |
| Share premium | - | 2,512 |
| Share options reserve | - | (2,512) |
| | 10,047 | 10,047 |

### 4.2 Maximum Scenario

The maximum scenario assumes that:-

(i) The Rights Issue of ICULS will raise a gross proceed of RM33.489 million based on a renounceable rights issue of up to RM33,488,672 nominal value of ICULS.

The details on the allocation of the components of ICULS are as follows:-

| | RM'000 |
|---|---|
| ICULS (equity component) | 23,234 |
| ICULS (liability component) * | 2,509 |
| Deferred tax liabilities ** | 7,745 |

* The liability portion of the ICULS is arrived at by discounting the interest payments over the tenure of three (3) years at the weighted average cost of capital of 9.76%

** The deferred tax liabilities are computed based on the statutory tax rate of 25% on the equity portion

BAKER TILLY MONTEIRO HENG • For Identification Purposes Only •

TANCO HOLDINGS BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013 (Continued)

4. **Proforma Consolidated Statements of Financial Position (Continued)**

4.2 **Maximum Scenario (Continued)**

(ii) The maximum number of new Tanco Shares to be allotted and issued under SIS shall not exceed fifteen percent (15%) of the prevailing issued and paid-up share capital of the Company (excluding treasury shares), after the completion of the Rights Issue of ICULS and assuming none of the ICULS has been converted into Tanco Shares prior to the granting of the Options under the SIS.

(iii) For the preparation of the Proforma Consolidated Statements of Financial Position, with the granting of 50,233,008 Options pursuant to the SIS and for illustrative purposes, Tanco has recognised the fair value of the Options granted of RM2,511,650 based on the fair value of RM0.05 per Option based on the fair value of the Options extracted from Bloomberg as at 27 December 2013, being the latest practicable date prior to the issuance of Tanco's Abridged Prospectus]. The fair value of the options was computed by reference to the following information extracted from Bloomberg:-

| | | |
|---|---|---|
| Valuation model | : | Black Scholes |
| Share price | : | RM0.157 |
| Indicative exercise price | : | RM0.20 (assumed exercise price) |
| Expiry date | : | 26 December 2016 (3 years) |
| Volatility | : | 50.685% |
| Dividend | : | No dividend |
| Interest rate | : | 3.682% per annum |

As the above variables are subject to change upon the implementation of the SIS as described in Note 4.2(ii), the actual quantum of the share options reserve will only be determined upon granting of the share options. As such, the actual quantum may differ from the amount computed above.

(iv) For the purpose of the preparation of the Proforma Consolidated Statements of Financial Position and for illustrative purposes, the 50,233,008 Options to be granted issued pursuant to the SIS are assumed to be fully exercised at an assumed exercise price of RM0.20 each.

(v) The RM33,488,672 nominal value of ICULS issued pursuant to the Rights Issue of ICULS are fully converted into 334,886,726 new Tanco Shares by surrendering RM0.10 nominal value of ICULS together with cash such that in aggregate it amounts to RM0.20 for one (1) new Tanco Share.

4.2.1 **Proforma I**

Proforma I incorporates the cumulative effects of the adjusted consolidated statement of financial position of the Group and the Rights Issue of ICULS as described in Notes 3 and 4.2(i) and the utilisation of the proceeds from the Rights Issue of ICULS.

The estimated expenses of RM800,000 will be debited to the (Accumulated Losses)/Retained Earnings Account.

BAKER TILLY MONTEIRO HENG • For Identification Purposes Only •

## TANCO HOLDINGS BERHAD AND ITS SUBSIDIARIES

## NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013 (Continued)

**4. Proforma Consolidated Statements of Financial Position (Continued)**

**4.2 Maximum Scenario (Continued)**

**4.2.1 Proforma I (Continued)**

The proceeds arising from the Rights Issue of ICULS earmarked for working capital of RM8.698 million will be included in the Cash and Bank Balances Account.

The Rights Issue of ICULS has the following impact on the Proforma Consolidated Statements of Financial Position of the Group:-

| | Increase / (Decrease) | |
|---|---|---|
| | Effects on Total Assets RM'000 | Effects on Total Equity and Liabilities RM'000 |
| Cash, bank balances and deposits | 8,698 | - |
| Other payables, deposits and accruals | - | (7,500) |
| Bank borrowings | - | (16,490) |
| Deferred tax liabilities | - | 7,745 |
| ICULS - liability component | - | 2,509 |
| ICULS - equity component | - | 23,234 |
| (Accumulated losses)/Retained earnings | - | (800) |
| | 8,698 | 8,698 |

**4.2.2 Proforma II**

Proforma II incorporates the cumulative effects of Proforma I and the SIS as described in Notes 4.2(ii) and 4.2(iii).

The fair value of the 50,233,008 Options granted of RM2,511,650 will be credited to the Share Options Reserve Account.

The granting of 50,233,008 Options has the following impact on the Proforma Consolidated Statements of Financial Position of the Group:-

| | Increase / (Decrease) Effects on Total Equity RM'000 |
|---|---|
| Share options reserve | 2,512 |
| (Accumulated losses)/Retained earnings | (2,512) |
| | - |

BAKER TILLY MONTEIRO HENG • For Identification Purposes Only

**TANCO HOLDINGS BERHAD AND ITS SUBSIDIARIES**

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013 (Continued)**

**4. Proforma Consolidated Statements of Financial Position (Continued)**

**4.2 Maximum Scenario (Continued)**

**4.2.3 Proforma III**

Proforma III incorporates the cumulative effects of Proforma II and the full conversion of the ICULS issued pursuant to the Rights Issue of ICULS as described in Note 4.2(v).

The full conversion of RM33,488,672 nominal value of ICULS has the following impact on the Proforma Consolidated Statements of Financial Position of the Group:-

| | Increase / (Decrease) | |
|---|---|---|
| | Effects on Total Assets RM'000 | Effects on Total Equity and Liabilities RM'000 |
| Cash, bank balances and deposits | 33,489 | - |
| ICULS - liability component | - | (2,509) |
| Deferred tax liabilities | - | (7,745) |
| Share capital | - | 66,977 |
| ICULS - equity component | - | (23,234) |
| | 33,489 | 33,489 |

**4.2.4 Proforma IV**

Proforma IV incorporates the cumulative effects of Proforma III and the full exercise of 50,233,008 Options as described in Note 4.2(iv).

The full exercise of 50,233,008 Options has the following impact on the Proforma Consolidated Statements of Financial Position of the Group:-

| | Increase / (Decrease) | |
|---|---|---|
| | Effects on Total Assets RM'000 | Effects on Total Equity RM'000 |
| Cash, bank balances and deposits | 10,047 | - |
| Share capital | - | 10,047 |
| Share premium | - | 2,512 |
| Share options reserve | - | (2,512) |
| | 10,047 | 10,047 |

BAKER TILLY MONTEIRO HENG • For Identification Purposes Only •

**TANCO HOLDINGS BERHAD AND ITS SUBSIDIARIES**

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013 (Continued)**

5. **Movements in Share Capital and Reserves**

5.1 **Minimum Scenario**

| | Share capital Number of Shares '000 | Amount RM'000 | Share Premium RM'000 | ICULS - equity component RM'000 | Foreign Currency Reserve RM'000 | Share Options Reserve RM'000 | (Accumulated Losses)/ Retained Earnings RM'000 |
|---|---|---|---|---|---|---|---|
| Audited consolidated statement of financial position as at 30 June 2013 | 334,887 | 334,887 | - | - | (1,303) | - | (142,209) |
| Arising from the Par Value Reduction | - | (267,910) | - | - | - | - | 267,910 |
| Adjusted consolidated statement of financial position as at 30 June 2013 | 334,887 | 66,977 | - | - | (1,303) | - | 125,701 |
| Arising from the Rights Issue of ICULS | - | - | - | 10,407 | - | - | - |
| - defrayment of estimated expenses | - | - | - | - | - | - | (800) |
| Per Proforma I | 334,887 | 66,977 | - | 10,407 | (1,303) | - | 124,901 |
| Arising from the SIS | - | - | - | - | - | 2,512 | (2,512) |
| Per Proforma II | 334,887 | 66,977 | - | 10,407 | (1,303) | 2,512 | 122,389 |
| Assuming full conversion of ICULS | 75,000 | 15,000 | - | (10,407) | - | - | - |
| Per Proforma III | 409,887 | 81,977 | - | - | (1,303) | 2,512 | 122,389 |
| Arising from the assuming full exercise of Options | 50,233 | 10,047 | 2,512 | - | - | (2,512) | - |
| Per Proforma IV | 460,120 | 92,024 | 2,512 | - | (1,303) | - | 122,389 |

BAKER TILLY MONTEIRO HENG • For Identification Purposes Only

**OUR PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON *(Cont'd)***

**TANCO HOLDINGS BERHAD AND ITS SUBSIDIARIES**

**NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013 (Continued)**

5. **Movements in Share Capital and Reserves (Continued)**

5.2 **Maximum Scenario**

| | Share capital | | | | | | |
|---|---|---|---|---|---|---|---|
| | Number of Shares '000 | Amount RM'000 | Share Premium RM'000 | ICULS - equity component RM'000 | Foreign Currency Reserve RM'000 | Share Options Reserve RM'000 | (Accumulated Losses)/ Retained Earnings RM'000 |
| Audited consolidated statement of financial position as at 30 June 2013 | 334,887 | 334,887 | - | - | (1,303) | - | (142,209) |
| Arising from the Par Value Reduction | - | (267,910) | - | - | - | - | 267,910 |
| Adjusted consolidated statement of financial position as at 30 June 2013 | 334,887 | 66,977 | - | - | (1,303) | - | 125,701 |
| Arising from the Rights Issue of ICULS | - | - | - | 23,234 | - | - | - |
| - defrayment of estimated expenses | - | - | - | - | - | - | (800) |
| Per Proforma I | 334,887 | 66,977 | - | 23,234 | (1,303) | - | 124,901 |
| Arising from the SIS | - | - | - | - | - | 2,512 | (2,512) |
| Per Proforma II | 334,887 | 66,977 | - | 23,234 | (1,303) | 2,512 | 122,389 |
| Assuming full conversion of ICULS | 334,886 | 66,977 | - | (23,234) | - | - | - |
| Per Proforma III | 669,773 | 133,954 | - | - | (1,303) | 2,512 | 122,389 |
| Arising from the assuming full exercise of Options | 50,233 | 10,047 | 2,512 | - | - | (2,512) | - |
| Per Proforma IV | 720,006 | 144,001 | 2,512 | - | (1,303) | - | 122,389 |

## NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013 (Continued)

### 6. Movements in Cash and Bank Balances

### 6.1 Minimum Scenario

| | RM'000 |
|---|---|
| Audited consolidated statement of financial position as at 30 June 2013 | 2,365 |
| Arising from the Par Value Reduction | - |
| Adjusted consolidated statement of financial position as at 30 June 2013 | 2,365 |
| Arising from the Rights Issue of ICULS | 7,500 |
| - repayment of bank borrowings | (2,490) |
| - defrayment of estimated expenses | (800) |
| Per Proforma I | 6,575 |
| Arising from the SIS | - |
| Per Proforma II | 6,575 |
| Assuming full conversion of ICULS | - |
| Per Proforma III | 6,575 |
| Arising from the assuming full exercise of Options | 10,047 |
| Per Proforma IV | 16,622 |

* *Included in the cash and bank balances is an amount of approximately RM4.21 million resulting from the Rights Issue of ICULS earmarked for working capital purposes.*

BAKER TILLY MONTEIRO HENG • For Identification Purposes Only •

## NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013 (Continued)

### 6. Movements in Cash and Bank Balances (Continued)

### 6.2 Maximum Scenario

| | RM'000 |
|---|---|
| Audited consolidated statement of financial position as at 30 June 2013 | 2,365 |
| Arising from the Par Value Reduction | - |
| Adjusted consolidated statement of financial position as at 30 June 2013 | 2,365 |
| Arising from the Rights Issue of ICULS | 25,988 |
| - repayment of bank borrowings | (16,490) |
| - defrayment of estimated expenses | (800) |
| Per Proforma I | 11,063 |
| Arising from the SIS | - |
| Per Proforma II | 11,063 |
| Assuming full conversion of ICULS | 33,489 |
| Per Proforma III | 44,552 |
| Arising from the assuming full exercise of Options | 10,047 |
| Per Proforma IV | 54,599 |

* *Included in the cash and bank balances is an amount of approximately RM8.698 million resulting from the Rights Issue of ICULS earmarked for working capital purposes.*

BAKER TILLY MONTEIRO HENG • For Identification Purposes Only •

**TANCO HOLDINGS BERHAD AND ITS SUBSIDIARIES**

## APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Tanco Holdings Berhad in accordance with a resolution dated 26 December 2013.

| | |
|---|---|
| ............................................. | ............................................. |
| **Dato' Tan Lee Sing** | **Koay Ghee Teong** |
| **Director** | **Director** |

BAKER TILLY MONTEIRO HENG • For Identification Purposes Only •

DIRECTORS' REPORT

# TANCO HOLDINGS BERHAD (3326-K)

登高集團

Date: 31 December 2013

**To: The Shareholders of Tanco Holdings Berhad ("Tanco")**

Dear Sir/Madam,

On behalf of the Board of Directors of Tanco, I wish to report that, after making due enquiries in relation to the interval between 30 June 2013 (being the date on which the last audited consolidated financial statements of Tanco and its subsidiaries ("**Group**") have been made up) to the date hereof, being a date not earlier than fourteen (14) days before the date of issue of this Abridged Prospectus ("**AP**"):

(a) the business of our Group has, in the opinion of our Directors, been satisfactorily maintained;

(b) in the opinion of our Directors, no circumstances have arisen since the last audited consolidated financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;

(c) the current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) save as disclosed in Section 10.3 of this AP, there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by our Group;

(e) save as disclosed in Section 10.2 of this AP, there has been no default or any known event that could give rise to a default situation in respect of payments of either interest and/or principal sums in relation to any borrowings since the last audited consolidated financial statements of our Group;

(f) save as disclosed in Section 8.2 of this AP, the risk factors discussed in Section 7 of this AP and Appendix IV of this AP, there have been no material changes in the published reserves and no unusual factors affecting the losses of our Group since the last audited consolidated financial statements of our Group; and

(g) as disclosed above and up to the date of this letter, no other reports are required in relation to items (a) to (f) above.

Yours faithfully
For and on behalf of our Board of Directors of
**TANCO HOLDINGS BERHAD**

**DATO' TAN LEE SING**
Executive Director

CORPORATE OFFICE: No.1, Persiaran Ledang, Off Jalan Duta, 50480 Kuala Lumpur, Malaysia. Tel: (603) 2093 6188 Fax: (603) 20958010

## FURTHER INFORMATION

### 1. SHARE CAPITAL

(i) Save for the Rights ICULS and, if any, the new Tanco Shares to be issued arising from the conversion of the ICULS and the new Shares to be issued arising from the exercise of the Options on the Main Market of Bursa Securities, if any, no other securities will be allotted or issued on the basis of this AP later than twelve (12) months after the date of issue of this AP.

(ii) We have only one (1) class of shares, namely ordinary shares of RM0.20 each, all of which rank *pari passu* with one another as at the date of this AP.

(iii) Save for up to 334,886,726 new Tanco Shares to be issued arising from the full conversion of the ICULS, no securities in our Company have been issued or agreed to be issued, as partly or fully paid-up for a consideration in cash or otherwise than in cash, within two (2) years preceding the date of this AP.

(iv) As at the date of this AP, save for our Entitled Shareholders who will be provisionally allotted the Rights ICULS to be issued pursuant to the Rights Issue of ICULS, no other person has been or is entitled to be given an option to subscribe for any securities of our Company.

### 2. REMUNERATION OF DIRECTORS

The following provisions are reproduced from our Company's Articles of Association. Terms defined in our Articles of Association shall have the same meanings when used herein unless they are otherwise defined herein or the context otherwise requires.

***Article 82***

*(1) The remuneration of the Directors, who hold no executive office with the Company, for their services as Directors shall be determined by the Company by ordinary resolution at a general meeting. If the remuneration of each such non-executive Director is not specifically fixed by the Company in general meeting, then the quantum of remuneration to be paid to each non-executive Director, within the overall limits fixed by the Company in general meeting, shall be decided by resolution of the full Board of Directors. In default of any decision being made in this respect by the full Board of Directors, the remuneration payable to the non-executive Directors shall be divided equally amongst them and such a Director holding office for part only of a year shall be entitled to a proportionate part of a full year's remuneration. The non-executive Directors shall be paid a fixed sum and not by a commission on or percentage of profits or turnover.*

*(2) Fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.*

*(3) Executive Directors of the Company shall be remunerated in the manner referred to in Article 99 but such remuneration shall not include a commission on or percentage of turnover.*

***Article 83***

*Any Director who by request of the Board serves on any committee or performs special services for any purposes of the Company may be paid such extra remuneration by way of salary or otherwise (subject to any other provisions of These Presents) as the Board may determine. Any extra remuneration payable to a non-executive director shall not include a commission on or percentage of profits or turnover whilst the extra remuneration to an executive director shall not include a commission on or percentage of turnover. All the Directors shall also be entitled to be repaid by the Company all such reasonable travelling (including hotel and incidental) expenses as they may incur in attending meetings of the Board or of committees of the Board or general meetings or otherwise in or about the business of the Company.*

*Article 99*

*Subject to any other provisions of These Presents, the remuneration of any Managing Director or Executive Director for his services as such shall be determined by the Directors and may be of any description.*

## 3. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD and save as disclosed below, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Directors have no knowledge of any proceedings pending or threatened against our Group or of any fact likely to give rise to any proceedings which might adversely and materially affect the financial position or business of our Group.

(a) In 2002, claims were made by three (3) individual purchasers ("**Plaintiffs**") against Palm Springs Development Sdn Bhd ("**PSD**"), a wholly owned subsidiary of World Vacation Ownership Sdn Bhd, which in turn is a wholly-owned subsidiary of Tanco, as the defendant, for specific performance and damages on the two (2) units purchased by the Plaintiffs, wherein a sum of approximately RM758,148.97 comprising the principal sum and interest was claimed. Following hearings and appeals on the matter, the claims for specific performance were dismissed and only the issue of damages remains to be re-assessed by the Court. The case is fixed for case management on 27 February 2014.

The Plaintiffs have filed two (2) affidavits claiming a total of RM579,213.70 (RM291,946.52 and RM287,267.18 respectively) wherein PSD's solicitors will be challenging the validity of certain items of damages sought and the basis of valuation and tabulation of the sums claimed and PDS's solicitors are of the view that PSD will have strong and credible challenges to the claims made by the Plaintiffs.

(b) In 2004, a claim (which is initiated by way of a counterclaim) was made by a group of claimants ("**Claimants**"), against a financial institution ("**1st Defendant**") and Tanco Resorts Berhad, a wholly owned subsidiary of World Vacation Ownership Sdn Bhd, which in turn is a wholly-owned subsidiary of Tanco ("**TRB**") (collectively, the "**Defendants**") for the sum of RM4,679,262 together with interest at the rate of 8.9% per annum from 24 October 2003 until full settlement including the late payment interest and such further relief as the Court may deems fit, alleging amongst others, a breach of TRB's obligations under the joint venture agreement dated 13 September 1998 entered into by TRB.

The above counterclaim was initiated from an original suits filed by the 1st Defendant against the Claimants for the alleged breach of certain terms and conditions of a facilities agreement entered into between 1st Defendant and the Claimants. The claim against TRB is being disputed and defended by TRB's solicitors.

No provision for losses has been made for the case above as the Directors, based on their solicitors' advice, are confident that TRB will succeed in its defence. Further, an application will be made to strike out the counterclaim made against TRB as the Claimants have not pursued any action on their counterclaim against TRB since October 2007 when the 1st Defendant entered judgment against the Claimants.

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

## 4. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by our Group within two (2) years immediately preceding the LPD:

(a) A deed of settlement agreement dated 16 May 2012 made between Tanco Builders Sdn Bhd ("**TBSB**") and Cabaran Wangsa Sdn Bhd ("**CWSB**") in respect of the settlement of debt amounting to RM827,907.91 ("**Debt**") owing by TBSB to CWSB being the professional fees, service tax and disbursement in respect of the services rendered by CWSB to TBSB by way of contra of three (3) units of apartments in housing development known as Vista Millennium Condominium located at Puchong, Selangor for a total value of RM691,400 and balance of the said Debt of RM136,507.91 to be paid to CWSB of which repayment mode shall be agreed between the parties. As at the LPD, TBSB has settled the balance of the Debt amounting to RM136,507.91 to CWSB.

(b) Letter dated 16 August 2012 from TBSB to Sun Hup Hing Construction Sdn Bhd ("**SHHC**") and accepted by SHHC in respect of the settlement of the outstanding sum of RM982,100 owing by TBSB to SHHC being the construction fees payable to SHHC, by way of contra of two (2) units of bungalows lots at Palm Springs Resort City, Port Dickson, Negeri Sembilan for a total value of RM882,100 and the balance of the debt shall be settled via five (5) equal monthly instalments of RM20,000 per payment commencing 31 October 2012. As at the LPD, TBSB has settled the outstanding amount to SHHC and is currently pending the preparation and execution of the sales agreements for the two (2) units of bungalow lots.

(c) On 28 June 2013, our Company announced that PSD, had entered into a sale and purchase agreement ("**SPA**") with CWH Marketing Sdn Bhd ("**CWH**") for the proposed disposal by PSD of one (1) piece of freehold and vacant land identified as HS(D) 13103 PT 2790, Mukim Pasir Panjang, Daerah Port Dickson, Negeri Sembilan Darul Khusus (measuring in an area of approximately 32,405 square meters) for a cash consideration of RM20,900,000 only subject to the terms and conditions as stipulated in the SPA. As at the LPD, the proposed disposal has yet to be completed.

(d) The Trust Deed dated 27 December 2013 entered into between Tanco and TMF Trustees whereby TMF Trustees has agreed to act as the trustee for the benefit of the holders of the ICULS.

## 5. GENERAL

(i) The nature of our Group's business is described in Sections 2 and 6 of Appendix II of this AP. There are no corporations which are deemed related to us by virtue of Section 6 of the Act, except as disclosed in Section 6 of Appendix II of this AP.

(ii) The estimated expenses in relation to the Corporate Exercises (including the Rights Issue of ICULS) of RM800,000 will be borne by our Company.

(iii) There are no existing or proposed service contracts between our Directors and our Company or our subsidiaries excluding contracts expiring or determinable by the employing company without payment or compensation (other than statutory compensation) within one (1) year from the date of this AP.

(iv) Our Directors are not aware of any material information, including special trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group, except as disclosed in Sections 7 and 9 of this AP.

(v) Save as disclosed in Section 9 and the risk factors mentioned in Section 7 of this AP, the financial conditions and operations of our Group are not affected by any of the following:

(a) known trends or known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the liquidity of our Group increasing or decreasing in any material way;

(b) material commitments for capital expenditure of our Group;

(c) unusual or infrequent events or transactions or any significant economic changes that materially affect the amount of reported income from our operations; and

(d) known trends or uncertainties that have had, or that our Group reasonably expects will have, a material favourable or unfavourable impact on our revenues or operating income.

## 6. CONSENTS

Our Adviser, Due Diligence Solicitors, ICULS Registrar and Paying Agent, Company Secretaries, Principal Banker, Trustee, and Bloomberg Finance L.P. have given and have not subsequently withdrawn their respective written consents to the inclusion in this AP of their names in the form and context in which such names appear in this AP.

Messrs. Baker Tilly Monteiro Heng, our Reporting Accountants, have given and have not subsequently withdrawn their written consent to the inclusion in this AP of its name and the proforma consolidated statements of financial position of our Company as at 30 June 2013 together with the Reporting Accountants' letter thereon, and all references thereto, in the form and context in which they appear in this AP.

Messrs. Baker Tilly Monteiro Heng, our Auditors, have given and have not subsequently withdrawn their written consent to the inclusion in this AP of its name and the audited consolidated financial statements for the FYE 30 June 2013 together with the auditors' report of our Company, and all references thereto, in the form and context in which they appear in this AP.

## 7. CONFLICT OF INTEREST

PIVB, Messrs. Ben & Partners and Messrs. Baker Tilly Monteiro Heng have given their respective confirmations that they have no directorship with our Group nor any equity and/or financial relationship with our Group, our Directors and/or our substantial shareholders that may give rise to a situation of conflict of interest in their capacity as the Adviser, Due Diligence Solicitors and Reporting Accountants, respectively, in connection with the Rights Issue of ICULS.

TMF Trustees has given its confirmation that it has no directorship with our Group nor any equity and/or financial relationship with our Group, our Directors and/or our substantial shareholders that may give rise to a situation of conflict of interest in its capacity as the Trustee for the holders of the ICULS to be issued under the Rights Issue of ICULS.

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

## 8. DOCUMENTS FOR INSPECTION

Copies of the following documents will be made available for inspection at our Registered Office from Mondays to Fridays (excluding public holidays) during business hours for a period of twelve (12) months from the date of this AP:

(i) our M&A;

(ii) the Trust Deed constituting the ICULS;

(iii) our audited consolidated financial statements for the past two (2) FYE 2012 and 2013;

(iv) our unaudited consolidated financial statements for the three (3) months FPE 30 September 2013;

(v) our proforma consolidated statements of financial position as at 30 June 2013 together with the Reporting Accountants' letter thereon as set out in Appendix V of this AP;

(vi) the letters of undertaking by Dato' Tan dated 3 September 2013 as referred to in Section 4 of this AP;

(vii) our Directors' Report as set out in Appendix VI of this AP;

(viii) the relevant cause papers in relation to the material litigations as referred to in Section 3 of this Appendix;

(ix) the material contracts as referred to in Section 4 of this Appendix; and

(x) the letters of consent as referred to in Section 6 of this Appendix.

## 9. RESPONSIBILITY STATEMENTS

(i) Our Directors have seen and approved this AP together with the NPA and RSF and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable inquires and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein false or misleading; and

(ii) PIVB, being our Adviser, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Rights Issue of ICULS.

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**