

**Notes To The Interim Financial Statements  
For the First Quarter ended 30 September 2012**

**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 and should be read in conjunction with the Group's Audited Financial Statement for the financial year ended 30 June 2012. 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 2012.

**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 IC Interpretation 15 Agreements for Construction of Real Estate, including its parents, significant investor and venturer (herein call 'Transitioning Entities').

On 30 June 2012, MASB announced that the Transitioning Entities are allowed to extend their deferment on the adoption of MFRS Framework for another year. As such, entities that elected for this option were required to apply the MFRS Framework for annual period beginning on or after 1 January 2013.

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 2014.

The accounting policies adopted are consistent with those as applied in the preparation of the audited financial statements for the financial year ended 30 June 2012, except for the adoption of the following new Financial Reporting Standards (FRSs) and Amendments to FRSs issued by MASB:-

Effective for the financial periods beginning on or after 1 January 2012

Amendments to FRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 7	Disclosures – Transfers of Financial Assets
Amendments to FRS 112	Deferred Tax: Recovery of Underlying Assets
FRS 124	Related Party Disclosures

Effective for the financial periods beginning on or after 1 July 2012

Amendments to FRS 101	Presentation of Items of Other Comprehensive Income
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The adoption of the above FRSs and Amendments to FRSs do not have any significant impact on the interim financial report of the Group.

**A3. AUDITORS' REPORT**

There was an 'emphasis of matters' paragraph in the auditors' opinion on the audited financial statements of the Group and the Company for the financial year ended 30 June 2012. Such emphasis concerned the ability of the Group and the Company to continue as going concerns. The directors are optimistic that with the planned development projects in the near future, cash flows of the Group will improve. The Group had also embarked on certain assets disposal program and cost rationalisation exercise to improve the Group's cash flow position. The directors are of the opinion that with all these actions, the Group is in a good position to meet all its existing obligations as and when they fall due.

**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 period.

**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)

### A9. SEGMENTAL REPORTING (continue)

Current quarter 30-Sep-12	Property development/ Management	Resorts and Club Operation/ Management	Construction RM'000	Investment holding	Elimination RM'000	Consolidated RM'000
	RM'000	RM'000		RM'000		
<b>Revenue</b>						
External sales	3,000	1,613	-	-	-	4,613
Inter-segment sales	-	75	500	16	(591)	-
Total revenue	3,000	1,688	500	16	(591)	4,613
<b>Results</b>						
Profit/(Loss) from operations	1,010	(741)	429	(461)	(500)	(263)
Finance costs						(517)
Loss before taxation						(780)
Taxation						-
Loss after taxation						(780)
Other comprehensive income						-
Total comprehensive loss						(780)
<b>Other Information</b>						
Depreciation and amortisation	27	122	-	4	-	153
<b>Consolidated Statements of Financial Position</b>						
<b>Assets</b>						
Segment assets	320,351	179,032	11,132	363,890	(516,175)	358,230
<b>Liabilities</b>						
Segment liabilities	(248,689)	(180,648)	(13,039)	(308,114)	666,163	(84,327)

### 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

- a) 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").

**A11. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD (continue)**

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 Scheme.

As at the date of this announcement, 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 have 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.

- b) On 16 October 2012, the entire issued and paid-up share capital of TIVR Sdn. Bhd. (wholly-owned subsidiary of Tanco Resorts Berhad (“TRB”)) comprising two (2) ordinary shares of RM 1.00 each, had been disposed by TRB, a wholly-owned subsidiary of the Company for a cash sale consideration of RM2.00 and assumption of certain liabilities of TIVR Sdn. Bhd. as at 30 June 2012 by the purchasers.

**A12. CHANGES IN THE COMPOSITION OF THE GROUP**

Save for the disposal of TIVR Sdn. Bhd. (as disclosed in note A11(b) above), 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 2012, the Group has no contingent assets and contingent liabilities.

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 Scheme described in note A11 in accordance to the terms prescribed therein.

**Bursa Malaysia Listing Requirements (Part A of Appendix 9B)**

**B1. REVIEW OF PERFORMANCE**

For the financial period ended 30 September 2012, the Group had recorded a loss before taxation of RM0.780 million as compare to the loss of RM3.108 million in the preceding year's corresponding quarter ended 30 September 2011, a variance of RM2.329 million. The improvement in the Group's overall performance in current quarter was mainly attributed to sale of properties and reduction of administrative expenses compared to preceding year corresponding quarter.

**B2. MATERIAL CHANGES IN THE QUARTERLY RESULTS COMPARED TO THE RESULTS OF THE PRECEDING QUARTER ENDED 30 JUNE 2012**

For the current quarter ended 30 September 2012, the Group recorded revenue of RM4.613 million and a loss before taxation of RM0.780 million compared to RM10.834 million in revenue and a profit before taxation of RM8.147 million for the preceding quarter ended 30 June 2012. This was mainly attributable to the lower sale of properties and the operating costs in resort division remains high in the current quarter.

**B3. PROSPECTS**

A more challenging operation environment is anticipated in 2013 amidst the external challenges of anticipated global economic slowdown. On the domestic front, the move by Bank Negara Malaysia to curb speculation in the property market by implementing a maximum loan-to-value ratio of 70% on third and subsequent housing loans has affected property sales. Nevertheless, the Group is committed to bring its property development activities on stream and has commenced preparatory works to revive its operations in this sector.

**B4. PROFIT FORECAST**

The Company has not provided any profit forecast nor profit guarantee for the current financial period under review.

**B5. TAXATION**

	Current Quarter 30/09/2012 RM'000	Current Period to date 30/09/2012 RM'000
Current tax expenses	-	-
	<u>                    </u>	<u>                    </u>
	<u>                    </u>	<u>                    </u>

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)
	<u>2</u>
	<u>2</u>
Market value of quoted shares	<u>2</u>

**B8. STATUS OF CORPORATE PROPOSALS**

There is none currently being worked on by the Group and the Company.

**B9. GROUP BORROWINGS AND DEBT SECURITIES**

Total Group's borrowings as at 30 September 2012 are as follows: -

	As at 30/09/2012 RM'000
Short term borrowings	
Secured: -	
- Bank overdraft	2,497
- Hire purchase and lease liabilities	59
	<u>2,556</u>
Long Term Borrowings	
Secured: -	
- Hire purchase and lease liabilities	139
- Bridging loan	25,063
	<u>25,202</u>
Total	<u>27,758</u>

The above borrowings are denominated in Ringgit Malaysia (RM).

**B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

As at 23 November 2012, 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.

**B11. MATERIAL LITIGATION**

As at 23 November 2012, 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/ or damages on units purchased. The purchasers have obtained judgments on their respective claims and are now claiming damages totalling approximately RM758,148.97. Appeals to review the judgments have been filed and heard. The orders for specific performance have been set aside and the issue of damages is to be re-assessed by the court.
- 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.
- iii. Claims by a party related to the claimants in paragraph (ii) above against a wholly-owned subsidiary of the Company for inter alia the sum of RM2,489,858/- and RM39,590,400/- together with interest at the rate of 14% per annum from date of the Statement of Claim until realisation and damages allegedly for breach of certain terms and conditions of agreements that the claimant has entered into with the subsidiary. The claims are disputed and are being defended by the subsidiary's solicitors. The directors, based on the Company's solicitor's advice, are confident that the subsidiary will succeed in its defence.
- iv. A claim by 2 related Claimants against a wholly-owned subsidiary of the Company for the sum of RM1,100,000.00 and RM400,000.00 respectively (together with interest at 8% per annum from the date of the demand till full realisation, costs and other relief as may be granted by the Court), being the refund of moneys paid by the Claimants on the sale and purchase transaction(s) for the said subsidiary's properties, which have been terminated by the said subsidiary. The Claimants subsequently withdrew these claims which were duly recorded by the parties' solicitors in Court.

**B12. DIVIDEND**

There was no dividend declared during the current quarter under review.

**B13. EARNINGS PER SHARE**

<u>Basic</u>		Current Period Quarter	Preceding Year Corresponding Quarter	Current Period To Date	Preceding Year Corresponding Period
		<u>30/09/2012</u>	<u>30/09/2011</u>	<u>30/09/2012</u>	<u>30/09/2011</u>
Net loss attributable to owners of the Company	(RM'000)	(780)	(3,109)	(780)	(3,109)
Weighted average number of ordinary shares	('000)	334,887	334,887	334,887	334,887
Basic loss per share	(Sen)	(0.23)	(0.93)	(0.23)	(0.93)

As at 30 September 2012, 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.

**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 Malaysia Securities Berhad 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 30/09/2012	As at 30/06/2012 (Audited)
	RM'000	RM'000
Total accumulated losses of the Group:-		
- Realised	59,801	59,022
- Unrealised	-	(1)
	59,801	59,021
Less: Consolidation adjustment	-	-
Total group accumulated losses as per statements of financial position	59,801	59,021

By Order of the Board,

Choi Siew Fun  
Company Secretary  
Date: 30 November 2012