

**Notes To The Interim Financial Statements
For the Second Quarter ended 31 December 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 Group's 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.

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A9. SEGMENTAL REPORTING (continue)

6 months ended	Property development/ Management	Resorts and Club Operation/ Management	Construction	Investment holding	Elimination	Consolidated
31-Dec-12	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
External sales	3,000	3,034	-	-	-	6,034
Inter-segment sales	-	151	947	31	(1,129)	-
Total revenue	3,000	3,185	947	31	(1,129)	6,034
Results						
Profit/(Loss) from operations	(1,235)	781	568	(789)	(948)	(1,623)
Finance costs						(1,404)
Loss before taxation						(3,027)
Taxation						-
Loss after taxation						(3,027)
Other comprehensive income						-
Total comprehensive loss						(3,027)
Other Information						
Depreciation and amortisation	56	238	-	8	-	302
Consolidated Statements of Financial Position						
Assets						
Segment assets	311,416	173,354	10,338	363,859	(500,159)	358,808
Liabilities						
Segment liabilities	(243,165)	(187,764)	(12,107)	(308,512)	664,396	(87,152)

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”).

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. Lehman 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.

A12. CHANGES IN THE COMPOSITION OF THE GROUP

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.

Save for the 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 31 December 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.

B1. REVIEW OF PERFORMANCE

For the current quarter ended 31 December 2012, the Group had recorded a loss before taxation of RM2.247 million as compared to the loss of RM2.071 million in the preceding year's corresponding quarter ended 31 December 2011, a variance of RM0.176 million. The variance is principally due to lower income from resorts division and increase of finance cost compared to preceding year corresponding quarter.

For the six (6) months financial period ended 31 December 2012, the Group has recorded a loss before taxation of RM3.027 million, an improvement from the loss before taxation of RM5.183 million in the preceding year corresponding financial period 31 December 2011. The improvement is primarily due to reduction of administrative expenses compared to preceding year corresponding financial period.

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

For the current quarter ended 31 December 2012, the Group recorded revenue of RM1.421 million and a loss before taxation of RM2.247 million compared to RM4.613 million in revenue and a loss before taxation of RM0.780 million for the preceding quarter ended 30 September 2012. This was mainly attributable to the lower income from resorts division while the operating costs for the resorts division remain 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 revive its property development activities and preparatory works in this sector are well underway.

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 31/12/2012 RM'000	Current Period to date 31/12/2012 RM'000
Current tax expenses	-	-
	<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>
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 31 December 2012 are as follows: -

	As at 31/12/2012 RM'000
Short term borrowings	
Secured: -	
- Bank overdraft	2,497
- Hire purchase and lease liabilities	56
	<u>2,553</u>

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Long Term Borrowings	
Secured: -	
- Hire purchase and lease liabilities	225
- Bridging loan	27,587
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	27,812
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Total	30,365
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The above borrowings are denominated in Ringgit Malaysia (RM).

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

As at 21 February 2013, 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 21 February 2013, 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. 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.
- 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. The court dismissed the monetary claims against the subsidiary on 8 February 2013.

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>31/12/2012</u>	<u>31/12/2011</u>	<u>31/12/2012</u>	<u>31/12/2011</u>
Net loss attributable to owners of the Company	(RM'000)	(2,247)	(2,071)	(3,027)	(5,183)
Weighted average number of ordinary shares	('000)	334,887	334,887	334,887	334,887
Basic loss per share	(Sen)	(0.67)	(0.62)	(0.90)	(1.55)

As at 31 December 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 31/12/2012	As at 30/06/2012 (Audited)
	RM'000	RM'000
Total accumulated losses of the Group:-		
- Realised	62,048	59,022
- Unrealised	-	(1)
	62,048	59,021
Less: Consolidation adjustment	-	-
Total group accumulated losses as per statements of financial position	62,048	59,021

By Order of the Board,

Choi Siew Fun
Company Secretary
Date: 28 February 2013