

**Notes to the Interim Financial Statements  
For the Fourth Quarter ended 30 June 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 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 2014.

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 2015.

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. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified where necessary to conform with the current year's presentation.

The effects arising from the Group's reclassifications are as follows:

	As previously reported	Reclassification	As Restated
	RM'000	RM'000	RM'000
<b>Liabilities</b>			
Other payables, sundry deposits and accruals	40,443	(6,299)	34,144
Amount owing to directors	1,288	6,299	7,587

**A4. AUDITORS' REPORT**

The audit report of the Group's audited financial statements for the financial year ended 30 June 2012 was not subject to any qualification.

**A5. 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.

**A6. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE**

Save for the event explained under note A12, there were no unusual items for the quarter under review.

**A7. CHANGES IN ESTIMATES**

There were no changes in the estimates of amounts reported which have material effect in the current quarter under review.

**A8. DEBT AND EQUITY SECURITIES**

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities in the current quarter under review.

**A9. DIVIDENDS PAID**

No dividend has been paid for the current financial year.

## TANCO HOLDINGS BERHAD (3326-K)

### A10. 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.

<b>12 months ended</b>	<b>Property</b>	<b>Resorts and</b>				<b>Investment</b>	<b>Consolidated</b>
<b>30-Jun-13</b>	<b>development/ Management</b>	<b>Club Operation/ Management</b>	<b>Construction</b>	<b>holding</b>	<b>Elimination</b>	<b>RM'000</b>	<b>RM'000</b>
	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000
<b>Revenue</b>							
External sales	23,900	6,103	-	-	-		30,003
Inter-segment sales	-	302	9,581	62	(9,945)		-
<b>Total revenue</b>	<b>23,900</b>	<b>6,405</b>	<b>9,581</b>	<b>62</b>	<b>(9,945)</b>		<b>30,003</b>
<b>Results</b>							
Profit/(Loss) from operations	(24,499)	(49,912)	2,283	(888)	(9,913)		(82,929)
Finance costs							(2,498)
<b>Loss before taxation</b>							<b>(85,427)</b>
Taxation							60
<b>Loss after taxation</b>							<b>(85,367)</b>
Other comprehensive income							-
<b>Total comprehensive loss</b>							<b>(85,367)</b>
<b>Other Information</b>							
Depreciation and amortisation	329	1,038	-	21	29		1,417
<b>Consolidated Statements of Financial Position</b>							
<b>Assets</b>							
Segment assets	308,799	109,172	13,892	364,381	(511,379)		284,865
<b>Liabilities</b>							
Segment liabilities	(261,050)	(174,340)	(13,624)	(309,233)	662,698		(95,549)

### A11. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There were no changes in the valuation on property, plant and equipment in the current quarter under review.

**A12. 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”).

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.

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 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 21 August 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 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 RM617,000.00 is still ongoing.

**A13. 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.

**A14. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

As at 30 June 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.

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

**B1. REVIEW OF PERFORMANCE**

For the current quarter ended 30 June 2013, the Group had recorded a loss before taxation (“LBT”) of RM75.56 million as compared to the profit of RM8.08 million in the preceding year’s corresponding quarter ended 30 June 2012. The fall in profit was mainly attributed to the impairment of receivables of approximately RM22.54 million and impairment loss on properties of approximately RM53.04 million.

For the twelve (12) months financial year ended 30 June 2013, the Group has recorded a loss before taxation of RM85.43 million as compared to the profit of RM0.59 million in the preceding year corresponding financial year ended 30 June 2012. The losses was primarily due to the impairment of receivables and impairment loss on properties, and the higher operational costs incurred on preliminary works in relation to the Group’s upcoming development projects, followed by higher administrative expenses compared to preceding year’s corresponding financial year.

**B2. MATERIAL CHANGES IN THE QUARTERLY RESULTS COMPARED TO THE RESULTS OF THE PRECEDING QUARTER ENDED 31 MARCH 2013**

For the current quarter ended 30 June 2013, the Group recorded revenue of RM22.41 million and a loss before taxation of RM75.56 million as compared to RM1.56 million in revenue and a loss before taxation of RM6.84 million for the preceding quarter ended 31 March 2013. The increase in revenue was mainly attributable to the sale of property. However, the additional losses was primarily due to higher cost of property sold and the impairment of receivables and impairment loss on properties in the current quarter 30 June 2013.

**B3. PROSPECTS**

A more challenging environment is anticipated in 2013. 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 30/06/2013 RM'000	Current Year to date 30/06/2013 RM'000
Taxation		
- Current year	(80)	(80)
- Prior year	140	140
	<u>60</u>	<u>60</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 30 June 2013 are as follows: -

	As at 30/06/2013 RM'000
Short term borrowings	
Secured: -	
- Bank overdraft	2,492
- Hire purchase and lease liabilities	48
	<u>2,540</u>

Long Term Borrowings	
Secured: -	
- Hire purchase and lease liabilities	110
- Bridging loan	30,740
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	30,850
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Total	33,390
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The above borrowings are denominated in Ringgit Malaysia (RM).

**B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

As at 21 August 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.

**B11. MATERIAL LITIGATION**

As at 21 August 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/ or 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 11 September 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.

**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 Year To Date	Preceding Year Corresponding Period
		<u>30/06/2013</u>	<u>30/06/2012</u>	<u>30/06/2013</u>	<u>30/06/2012</u>
Net loss attributable to owners of the Company	(RM'000)	(75,474)	7,941	(85,343)	468
Weighted average number of ordinary shares	('000)	334,887	334,887	334,887	334,887
Basic (loss)/earnings per share	(Sen)	(22.54)	2.37	(25.48)	0.14

As at 30 June 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.

**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 30/06/2013 (Unaudited)	As at 30/06/2012 (Audited)
	RM'000	RM'000
Total accumulated losses of the Group:-		
- Realised	144,364	59,022
- Unrealised	-	(1)
Total group accumulated losses as per statements of financial position	144,364	59,021

By Order of the Board,

Choi Siew Fun  
Company Secretary  
Date: 28 August 2013