

**Notes to the Interim Financial Statements
For the Second Quarter ended 31 December 2013**

A1. BASIS OF PREPARATION

The interim financial statements have not been audited and have been prepared in accordance with the requirements of Financial Reporting Standard (“FRS”) 134: “Interim Financial Reporting” and paragraph 9.22 Main Market Listing Requirements (“Listing Requirements”) of the Bursa Malaysia Securities Berhad (“Bursa Securities”) and should be read in conjunction with the audited financial statements of the Group 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 called “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:-

Effective for the financial periods beginning on or after 1 January 2013

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

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Amendments to FRS 116	Property, Plant and Equipment
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.

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6 months ended 31-Dec-13	Property development/ Management	Resorts and Club Operation/ Management	Construction	Investment holding	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
External sales	150	2,273	-	-	-	2,423
Inter-segment sales	-	151	4,887	31	(5,069)	-
Total revenue	150	2,424	4,887	31	(5,069)	2,423
Results						
Profit/(Loss) from operations	35,575	431	4,166	(40,472)	(4,249)	(4,549)
Finance costs						(1,200)
Loss before taxation						(5,749)
Taxation						95
Loss after taxation						(5,654)
Other comprehensive income						-
Total comprehensive loss						(5,654)
Other Information						
Depreciation and amortisation	131	249	-	9	-	389
Consolidated Statements of Financial Position						
Assets						
Segment assets	315,291	109,942	15,631	299,687	(456,376)	284,175
Liabilities						
Segment liabilities	(234,148)	(175,023)	(10,565)	(309,114)	630,492	(98,358)

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 known as "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 THB Group for a settlement sum of RM144,587,595/- ("Settlement Sum").

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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 20 February 2014, 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 31 December 2013, the Group has no other contingent assets and contingent liabilities save as disclosed below.

	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 banks for credit facilities granted to the subsidiaries	53,246
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Bursa Securities Listing Requirements (Part A of Appendix 9B)

B1. REVIEW OF PERFORMANCE

For the current quarter ended 31 December 2013, the Group had recorded a loss before taxation (“LBT”) of RM2.49 million as compared to a LBT of RM2.24 million in the preceding year’s corresponding quarter ended 31 December 2012. The increase in LBT was mainly attributable to lower other operating income from the resorts division. The administrative expenses and finance costs are substantially the same as in the preceding year corresponding quarter.

For the six (6) months financial period ended 31 December 2013, the Group has recorded a LBT of RM5.75 million as compared to LBT of RM3.03 million in the preceding year’s corresponding financial period 31 December 2012. The additional loss in the current year was primarily due to reduction of revenue in the property division as compared to the preceding year’s corresponding financial period.

B2. MATERIAL CHANGES IN THE QUARTERLY RESULTS COMPARED TO THE RESULTS OF THE PRECEDING QUARTER ENDED 30 SEPTEMBER 2013

For the current quarter ended 31 December 2013, the Group recorded revenue of RM1.47 million and a LBT of RM2.49 million as compared to RM0.96 million in revenue and a LBT of RM3.26 million for the preceding quarter ended 30 September 2013. The increase in revenue was mainly attributable to the higher income from resorts division, resulting in a lower loss as compared to the preceding quarter ended 30 September 2013.

B3. PROSPECTS

The Group recognises the need to bring on board a vision 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 its 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, located in Port Dickson, Negeri Sembilan Darul Khusus, the Board is cautiously optimistic that the prospects of the Group would be satisfactory for the financial year ended 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.

B5. TAXATION

	Current Quarter 31/12/2013 RM'000	Current Period to date 31/12/2013 RM'000
Taxation		
- Current year	-	-
- Prior year	-	95
	<u>-</u>	<u>95</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

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);

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- (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.

On 6 December 2013, the sealed order of the High Court of Malaya in Kuala Lumpur dated 4 December 2013 had been lodged with the Companies Commission of Malaysia. Pursuant to the completion of the Proposed Par Value Reduction, the par value of each existing ordinary share in the Company has been reduced from RM1.00 to RM0.20 each. In addition to the Proposed Par Value Reduction, the Proposed M&A Amendments was also completed on 6 December 2013.

The Trust Deed constituting the terms and conditions of the ICULS has been duly executed on 27 December 2013.

The issuance and listing of the ICULS was completed on 14 February 2014 following the admission of RM19,232,673.40 nominal value of the ICULS to the Official List and the listing of and quotation for the same on the Main Market of Bursa Securities.

Except as disclosed above, there are no other corporate proposals which have been announced but not completed as at 20 February 2014, 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 31 December 2013 are as follows: -

	As at 31/12/2013 RM'000
Short term borrowings	
Secured: -	
- Bank overdraft	2,486
- Hire purchase and lease liabilities	48
	<u>2,534</u>
Long Term Borrowings	
Secured: -	
- Hire purchase and lease liabilities	88
- Bridging loan	35,746
	<u>35,834</u>
Total	<u>38,368</u>

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

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

As at 20 February 2014, 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 20 February 2014, 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 for Case Management on 27 February 2014.
- 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

<u>Basic</u>		Current Period Quarter	Preceding Year Corresponding Quarter	Current Period To Date	Preceding Year Corresponding Period
		<u>31/12/2013</u>	<u>31/12/2012</u>	<u>31/12/2013</u>	<u>31/12/2012</u>
Net loss attributable to owners of the Company	(RM'000)	(2,477)	(2,247)	(5,639)	(3,027)
Weighted average number of ordinary shares	('000)	334,887	334,887	334,887	334,887
Basic loss per share	(Sen)	(0.74)	(0.67)	(1.68)	(0.90)

As at 31 December 2013, the Group has no potential dilutive 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 31/12/2013 (Unaudited) RM'000	As at 30/06/2013 (Audited) RM'000
Total retained profit/(accumulated losses) of the Group:-		
- Realised	120,076	(142,209)
- Unrealised	-	-
Total group retained profit/(accumulated losses) as per statements of financial position	<u>120,076</u>	<u>(142,209)</u>

By Order of the Board,

Choi Siew Fun
Company Secretary
Date: 26 February 2014