

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

**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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12 months ended 30-Jun-14	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
<b>Revenue</b>						
External sales	4,695	4,120	-	-	-	8,815
Inter-segment sales	-	722	6,994	62	(7,778)	-
Total revenue	4,695	4,842	6,994	62	(7,778)	8,815
<b>Results</b>						
Profit/(Loss) from operations	33,487	(12,303)	(1,854)	(38,829)	(5,517)	(25,016)
Finance costs						(2,457)
Loss before taxation						(27,473)
Taxation						(50)
Loss after taxation						(27,523)
Other comprehensive income						-
Total comprehensive loss						(27,523)
<b>Other Information</b>						
Depreciation and amortisation	304	1,307	-	15	28	1,654
<b>Consolidated Statements of Financial Position</b>						
<b>Assets</b>						
Segment assets	314,726	107,810	11,480	306,657	(450,673)	290,000
<b>Liabilities</b>						
Segment liabilities	(237,557)	(185,634)	(11,760)	(301,279)	623,522	(112,708)

### A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There were no material 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

As at 20 August 2014, being the latest practicable date that is not earlier than 7 days from the date of issue of this quarterly report, the material events of the Group subsequent to the end of the interim period are as follows:

- i) 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

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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”).

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 August 2014, all of the Settlement Properties have been sold by Lehman's liquidator, with the release and discharge of the remaining securities back to the Group and the Group's final discharge on the above Settlement Agreement already in progress and expected to be completed within the 3rd quarter or early of the 4th quarter of calendar year 2014.

- ii) On 4 April 2014, the Board of Directors of the Group announced that Tanco Resorts Berhad (“TRB”), a wholly owned subsidiary of the Company, proposed to undertake the proposed payment in cash to the respective eligible Vacation SuperClub (“VSC”) members an entitlement sum calculated based on the remaining unutilized tenure of their respective VSC membership agreements as at 30 April 2014 (“cut-off date”) and proposed distribution and refund and thereafter the proposed termination and dissolution of the VSC (“Proposal”). The proposal was duly approved by the VSC Members at the Extraordinary General Meeting held on 26 April 2014 by a poll with a 86.17% majority. As at 20 August 2014, TRB is in the process of raising the requisite funds per the Proposal towards enabling the relevant court applications to be filed for the necessary court orders to ratify the Proposal.

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

On 4 May 2014, Tanco Resorts (Australia) Pty Ltd, indirect wholly-owned subsidiary of the Company, was deregistered from the Australian Securities & Investments Commission (“ASIC”) under section 601AA(4) of the Corporations Act 2001.

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 30 June 2014, the Group has no other contingent assets and contingent liabilities save as disclosed below.

	<b>RM'000</b>
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	54,358
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**Bursa Securities Listing Requirements (Part A of Appendix 9B)**

**B1. REVIEW OF PERFORMANCE**

For the current quarter ended 30 June 2014, the Group had recorded a loss before taxation ("LBT") of RM16.33 million as compared to a LBT of RM73.38 million in the preceding year's corresponding quarter ended 30 June 2013. The decrease in LBT was mainly attributable to lower administrative expenses from the property and resorts division compared to preceding year corresponding quarter.

For the twelve (12) months financial year ended 30 June 2014, the Group has recorded a LBT of RM27.47 million as compared to LBT of RM83.25 million in the preceding year's corresponding financial period 30 June 2013. The lower losses in the current year was primarily due to decrease in administrative expenses from the property and resorts as compared to the preceding year's corresponding financial year.

**B2. MATERIAL CHANGES IN THE QUARTERLY RESULTS COMPARED TO THE RESULTS OF THE PRECEDING QUARTER ENDED 31 MARCH 2014**

For the current quarter ended 30 June 2014, the Group recorded revenue of RM5.09 million and a LBT of RM16.33 million as compared to RM1.31 million in revenue and a LBT of RM5.40 million for the preceding quarter ended 31 March 2014. This was mainly attributable to the once off provision of RM 15 million for the proposed payment to the respective eligible Vacation Superclub ("VSC") members pursuant to the proposed distribution and refund and thereafter the proposed termination and dissolution of the VSC as explained under note A11 (ii) as compared to the preceding quarter ended 31 March 2014.

**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, the Group 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 June 2015. 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 30/06/2014 RM'000	Current Year to date 30/06/2014 RM'000
Taxation		
- Current year	-	-
- Prior year	(136)	(50)
	<u>(136)</u>	<u>(50)</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**

As at 20 August 2014, being the latest practicable date of this Report, there were no other corporate proposals announced by the Company and completion except below, which is not earlier than 7 days from the date of issue of this quarterly report.

(a) Rights Issue of ICULS

On 14 February 2014, the issuance and listing of the irredeemable convertible unsecured loan stock ("ICULS") was completed 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.

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As at the date of this report, the total proceeds of RM19,232,673.40 arising from the rights issue of ICULS were utilised as follows:-

Purposes	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation	Explanations
Part repayment of the amount owing to director	7,500	7,500	Within six (6) months	
Repayment of bank borrowings	2,490	2,490	Within twelve (12) months	
Working capital	8,443	7,323	Within twenty four (24) months	Note A
Estimated expenses relation to the said corporate exercise	800	800	Within six (6) months	
<b>Total</b>	<b>19,233</b>	<b>18,113</b>		

Note A: The utilisation of the proceeds from the rights issue of ICULS is within the estimated timeframe. The Group does not expect any material deviation as at the date of this quarterly report.

(b) Share Issuance Scheme ("SIS")

On 12 March 2014, the Board of Directors of the Group announced that the effective date for the implementation of the SIS was 12 March 2014, which was the date of full compliance of the provisions as set out in Paragraph 6.43(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

**B9. GROUP BORROWINGS AND DEBT SECURITIES**

Total Group's borrowings as at 30 June 2014 are as follows: -

	As at 30/06/2014 RM'000
Short term borrowings	
Secured: -	
- Bank overdraft	63
- Hire purchase and lease liabilities	98
- Term loan	955
	1,116
Long Term Borrowings	
Secured: -	
- Hire purchase and lease liabilities	136
- Bridging loan	36,858
- Term loan	1,306
	38,300
<b>Total</b>	<b>39,416</b>

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



**B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

As at 20 August 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 August 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 to be heard on 26 August 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.
- iii. An appeal by an appellant against a judgment of the High Court given in favor of a wholly owned subsidiary of the Company for inter alia the sum of RM20,590,152.87 to be paid to the subsidiary together with interest and costs of RM12,000/- pertaining to claims of breaches of terms and conditions of agreements between the appellant and the subsidiary. The appeal is set to be heard on 3 September 2014 and is being opposed by the subsidiary's solicitors.

**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>30/06/2014</u>	<u>30/06/2013</u>	<u>30/06/2014</u>	<u>30/06/2013</u>
Net loss attributable to owners of the Company	(RM'000)	(16,484)	(73,319)	(27,523)	(83,188)
Weighted average number of ordinary shares	('000)	334,887	334,887	334,887	334,887
Basic loss per share	(Sen)	(4.92)	(21.89)	(8.22)	(24.84)

As at 30 June 2014, 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 30/06/2014 (Unaudited) RM'000	As at 30/06/2013 (Audited) RM'000
Total retained profit/(accumulated losses) of the Group:-		
- Realised	98,178	(142,209)
- Unrealised	-	-
Total group retained profit/(accumulated losses) as per statements of financial position	<u>98,178</u>	<u>(142,209)</u>

By Order of the Board,

Choi Siew Fun  
Company Secretary  
Date: 26 August 2014