

**Notes to the Interim Financial Statements  
For the First Quarter ended 30 September 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 2014. 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 2014.

**A2. CHANGES IN ACCOUNTING POLICIES**

In conjunction with the planned convergence of FRSs with International Financial Reporting Standards as issued by the International Accounting Standards Board on 1st January 2012, the MASB had on 19th November 2011 issue a new MASB approved accounting standards, MFRSs (“MFRSs Framework”) for application in the annual periods beginning on or after 1st January 2012.

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1st January 2012, with the exception of entities subject to the application of MFRS 141 Agriculture and/or IC Int 15 Agreements for the Construction of Real Estate (“Transitioning Entities”). The Transitioning Entities shall apply the MFRSs framework for annual periods beginning on or after 1st January 2017. Transitioning Entities also includes those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply the FRSs framework for annual periods beginning on or after 1st January 2012.

Accordingly, the Group which are Transitioning Entities have chosen to defer the adoption of the MFRSs framework. The Group will prepare their first MFRSs financial statements using the MFRSs framework for annual periods beginning on 1st July 2017.

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 2014, except for the changes arising from the adoption of new Financial Reporting Standards (“FRSs”), amendments/improvements to FRSs and IC Interpretations (“IC Int”) issued by MASB:-

Effective for the financial periods beginning on or after 1 January 2014

Amendments/Improvements to FRSs

FRS 10	Consolidated Financial Statements
FRS 12	Disclosure of Interests in Other Entities
FRS 127	Separate Financial Statements
FRS 132	Financial Instruments: Presentation
FRS 136	Impairment of Assets
FRS 139	Financial Instruments: Recognition and Measurement

New IC Int

IC Int 21	Levies
-----------	--------

Effective for the financial periods beginning on or after 1 July 2014

Amendments/Improvements to FRSs

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 8	Operating Segments
FRS 13	Fair Value Measurement
FRS 116	Property, Plant and Equipment
FRS 119	Employee Benefits
FRS 124	Related Party Disclosures
FRS 138	Intangible Assets
FRS 140	Investment Property

**A3. AUDITORS' REPORT**

The audit report of the Group's audited financial statements for the financial year ended 30 June 2014 was not subject to any audit 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.

## TANCO HOLDINGS BERHAD (3326-K)

### 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.

3 months ended 30-Sep-14	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
<b>Revenue</b>						
External sales	459	153	-	-	-	612
Inter-segment sales	-	180	-	16	(196)	-
Total revenue	459	333	-	16	(196)	612
<b>Results</b>						
Loss from operations	(3,509)	(672)	(2)	(110)	13	(4,280)
Finance costs						(586)
Loss before taxation						(4,866)
Taxation						-
Loss after taxation						(4,866)
Other comprehensive income						-
Total comprehensive loss						(4,866)
<b>Other Information</b>						
Depreciation and amortisation	75	221	-	-	(13)	283
<b>Consolidated Statements of Financial Position</b>						
<b>Assets</b>						
Segment assets	314,974	107,503	11,480	305,842	(450,947)	288,852
<b>Liabilities</b>						
Segment liabilities	(237,323)	(183,315)	(11,760)	(301,909)	617,560	(116,747)

### 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 14 November 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 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 has fully paid the cash settlement sum of RM44 million and has secured the requisite consents from the relevant State Authorities for the transfer of the Settlement Properties, and all of the Settlement Properties have been successfully disposed by Lehman's liquidator. All save for one of the securities on the THB Group have been released with the final discharge of the THB Group presently underway and expected to be completed within the 1st quarter of calendar year 2015.

- 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. On 29 August 2014, the Group has secured a loan facility of RM15,000,000.00 from HSBC Bank Malaysia Berhad to fund the Pay-Out Sum.

As at 14 November 2014, the relevant Court Order ratifying the Proposal has been obtained by the VSC Trustee, with the HSBC funding on the Pay-Out Sum expected to be disbursed to the VSC Trustee by end of November 2014, whereupon the Trustee shall proceed to effect the relevant pay-outs to the eligible VSC members.

**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 30 September 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
	<hr/>

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

**B1. REVIEW OF PERFORMANCE**

For the current quarter ended 30 September 2014, the Group had recorded a loss before taxation (“LBT”) of RM4.87 million as compared to a LBT of RM3.26 million in the preceding year’s corresponding quarter ended 30 September 2013. The variance was mainly attributable to lower revenue from the resorts division following the proposed distribution and refund, and thereafter the proposed termination and dissolution of the Vacation Superclub (“VSC”) as explained under Note A11 (ii) as compared to preceding year corresponding quarter. In addition, the Group also incurred higher operating and administrative expenses in the current quarter compared to preceding year corresponding quarter. The higher operating and administrative expenses were mainly due to sales and marketing expenses from property division in efforts to promote sales of the Splash Park Suites.

**B2. MATERIAL CHANGES IN THE QUARTERLY RESULTS COMPARED TO THE RESULTS OF THE PRECEDING QUARTER ENDED 30 JUNE 2014**

For the current quarter ended 30 September 2014, the Group recorded revenue of RM0.61 million and a LBT of RM4.87 million as compared to RM5.09 million in revenue and a LBT of RM16.33 million for the preceding quarter ended 30 June 2014. The decrease in revenue was mainly attributable to the lower of sale on property in quarter ended 30 September 2014. The losses in the current quarter is lower compared to preceding quarter mainly due to the once off provision of RM 15 million for termination and dissolution of the VSC incurred in preceding quarter.

**B3. PROSPECTS**

A more challenging environment is anticipated in Year 2014/2015. The increase in pricing threshold for foreign ownership and the property cooling measures have, without a doubt, weighed on market sentiments. The sales of the Splash Park Suites has been quite encouraging to date and the Group is actively responding to the market conditions and has stepped up on our marketing strategies and efforts to garner higher sales of the Splash Park Suites.

The Board is cautiously optimistic that the prospects of the Group would be satisfactory for the financial year ended 30 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 30/09/2014 RM'000	Current Period to date 30/09/2014 RM'000
Income Tax	-	-
- Current year	<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**

As at 14 November 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.

**TANCO HOLDINGS BERHAD (3326-K)**

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	7,362	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>18,152</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 September 2014 are as follows: -

	As at 30/09/2014 RM'000
Short term borrowings	
Secured: -	
- Bank overdraft	87
- Hire purchase and lease liabilities	221
- Term loan	748
	1,056
Long Term Borrowings	
Secured: -	
- Hire purchase and lease liabilities	103
- Bridging loan	36,858
- Term loan	1,306
	38,267
<b>Total</b>	<b>39,323</b>

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



**B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

As at 14 November 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 14 November 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 31 December 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. Solicitors of the subsidiary are in the process of submitting an application to strike out the counterclaim against the subsidiary.
- 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 was heard and dismissed on 3 September 2014 with costs of RM15,000/- awarded in favor 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 Period To Date	Preceding Year Corresponding Period
		<u>30/09/2014</u>	<u>30/09/2013</u>	<u>30/09/2014</u>	<u>30/09/2013</u>
Net loss attributable to owners of the Company	(RM'000)	(4,859)	(3,162)	(4,859)	(3,162)
Weighted average number of ordinary shares	('000)	334,887	334,887	334,887	334,887
Basic loss per share	(Sen)	(1.45)	(0.94)	(1.45)	(0.94)

As at 30 September 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 30/09/2014 (Unaudited) RM'000	As at 30/06/2014 (Audited) RM'000
Total retained profits of the Group:-		
- Realised	91,634	96,493
- Unrealised	-	-
Total group retained profits as per statements of financial position	91,634	96,493

By Order of the Board,

Choi Siew Fun  
Company Secretary  
Date: 20 November 2014