

**Notes to the Interim Financial Statements  
For the First Quarter ended 30 September 2016**

**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 2016. 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 2016.

**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 2018. 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 2018.

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 2016.

**A3. AUDITORS’ REPORT**

The audit report of the Group’s audited financial statements for the financial year ended 30 June 2016 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. DIVIDEND PAID**

No dividend has been paid for the current financial period.

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### 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-Sept-16	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	1,268	561	-	-	-	1,829
Inter-segment sales	19	176	-	16	(211)	-
Total revenue	1,287	737	-	16	(211)	1,829
<b>Results</b>						
Loss from operations	(1,146)	(112)	-	(570)	13	(1,815)
Finance costs						(763)
Loss before taxation						(2,578)
Taxation						7
Loss after taxation						(2,571)
Other comprehensive income						-
Total comprehensive loss						(2,571)
<b>Other Information</b>						
Depreciation and amortisation	192	254	-	4	(13)	437
<b>Consolidated Statements of Financial Position</b>						
<b>Assets</b>						
Segment assets	318,338	91,014	9,816	281,186	(431,008)	269,346
<b>Liabilities</b>						
Segment liabilities	(228,608)	(92,662)	(9,814)	(140,535)	353,068	(118,551)

**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 25 November 2016, 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) 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.

The relevant Court Order ratifying the Proposal has been obtained by the VSC Trustee and the funds for the Pay-Out Sum have been deposited with the VSC Trustee, towards enabling the Trustee to effect the relevant pay-outs to the eligible VSC members. As at 25 November 2016, only the balance of the advance maintenance fees remain to be processed for payment to the Eligible VSC Members.

- (ii) On 15 October 2016, the Company via its wholly-owned subsidiary, Palm Springs Development Sdn Bhd has entered into a Memorandum of Understanding with Evergreen Offshore Inc. (“Evergreen”) to allow the various development phases in Dickson Bay to be introduced and considered as part of the Projects towards enabling the same to be developed accordingly in a strategic collaboration with Evergreen.
- (iii) On 25 November 2016, the Board of Directors of the Group announced that Tanco Resorts Berhad (“TRB”), a wholly owned subsidiary of the Company, will be convening an Extra-Ordinary General Meeting (“EGM”) of Interval Owners of the Duta Vista Vacation Ownership (“DVVO”) Scheme on 18 December, 2016 to seek the approval for a proposed Pay-Out in cash to the respective Eligible Interval Owners based on an ascribed value per interval type, which would be determined premised on a RM30 million valuation of the DVVO timeshare apartment units and tabulated in accordance with the formula prescribed in the DVVO Trust Deed, the proposed Distribution thereof, and thereafter the proposed Termination and Dissolution of the DVVO Scheme. The proposal is subject to the approval by a 75% majority of present and voting intervals at the EGM.

**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.

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**A13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

As at 30 September 2016, 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 banks for credit facilities granted to the subsidiaries	<u>45,674</u>

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

**B1. REVIEW OF PERFORMANCE**

For the financial period ended 30 September 2016, the Group had recorded a loss before taxation ("LBT") of RM2.58 million as compared to a LBT of RM3.19 million in the preceding year corresponding financial period ended 30 September 2015. The decrease in LBT was mainly attributed to higher property development revenue recognised during the financial period based on the stage of completion of the current development project, followed by lower operating and administrative expenses as compared to preceding year's corresponding financial period.

**B2. MATERIAL CHANGES IN THE QUARTERLY RESULTS COMPARED TO THE RESULTS OF THE PRECEDING QUARTER ENDED 30 JUNE 2016**

For the current quarter ended 30 September 2016, the Group recorded revenue of RM1.83 million and a LBT of RM2.58 million as compared to RM3.79 million in revenue and a LBT of RM1.58 million for the preceding quarter ended 30 June 2016. The decrease in revenue was mainly attributable to decrease in development activities of Splash Park Suites in the current quarter ended 30 September 2016. The losses in the current quarter is higher compared to preceding quarter mainly due to one-off non-recurring reversal of impairment loss no longer required in respect of receivables and reversal of accruals made in preceding quarter.

**B3. PROSPECTS**

With the current economic outlook, the overall sentiment is expected to remain challenging. However, with the ongoing focus and efforts by the government to support and enhance local tourism and tourism related developments and products, the Group's activities in the development of resort hotel projects should be well placed to benefit accordingly.

Attractive exchange rates for foreign currencies is also expected to weigh positively in attracting more foreign tourist arrivals whilst encouraging more domestic travels, and this will boost the demand and interest for tourism related developments and foreign investments in the same.

With this, coupled with the Group's ongoing endeavours for more strategic tie-ups and joint-ventures with branded local and foreign labels to provide the Group's projects with further enhanced branding, the Board is cautiously optimistic that the prospects of the Group will be satisfactory for the financial year ending 30 June 2017, and that it will be well positioned to prudently progress with its goals while constantly reviewing market conditions that more business opportunities may be developed, but at the same time remaining alert on the possible changes and policies in the property market.

**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 30/09/2016 RM'000	Current Period to date 30/09/2016 RM'000
Income Tax		
- Current period	<u>7</u>	<u>7</u>
	<u>7</u>	<u>7</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**

On 2 March 2016, the Board of Directors of the Group announced that the Company is proposing to undertake the following proposals:-

- (i) Reduction of its issued and paid-up share capital via cancellation of RM0.15 of the par value of each existing ordinary share of RM0.20 each in Tanco ("Existing Share") pursuant to Section 64(1) of the Companies Act, 1965 ("Act") ("Proposed PVR"); and
- (ii) Issuance of Redeemable Convertible Commercial Papers and/or Redeemable Convertible Medium Term Notes with an aggregate principal amount of up to RM100.0 million under a Redeemable Convertible Notes program ("RCN Program") after the Proposed PVR. (Collectively "the Proposals")

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The Proposals were approved by the shareholders at the Extraordinary General Meeting held on 27 July 2016.

On 13 September 2016, an office copy of the sealed order of the High Court of Malaya confirming the par value reduction has been lodged with the Companies Commission of Malaysia. Pursuant to the completion of the Proposed PVR, the par value of each existing ordinary share in the Company has been reduced from RM0.20 to RM0.05 each.

On 19 September 2016, the relevant information and documents in relation to the Notes had been lodged in accordance with the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework with the Securities Commission Malaysia.

On 29 September 2016, all the conditions precedent in relation to Proposed Notes Issue has been fulfilled. The Company has subsequently issued four (4) Sub-Tranches under Tranche 1 of the RCNs amounting to RM2.0 million of which RM1.5 million was issued in September 2016 and RM0.5 million was issued in October 2016. Following the aforesaid issuance, and as at the date of this quarterly report, RCNs of RM1.0 million were converted into a total of 19,380,863 new ordinary shares of the Company.

As at the date of this report, the status of the utilisation of the gross proceeds of RM2 million arising from the RCN issuance is as follows:-

Purposes	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation	Explanations
Splash Park project	79,600	722	Within thirty six (36) months	
Acquisition of land	5,500	-	Within twelve (12) months	
Repayment of bank borrowings	1,000	-	Within twelve (12) months	
Working capital	6,400	475	Within thirty six (36) months	Note A
Estimated expenses in relation to the Proposals	7,500	803	Within thirty six (36) months	
<b>Total</b>	<b>100,000</b>	<b>2,000</b>		

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

Save as disclosed above, there are no other corporate proposals which have been announced but not completed as at 25 November 2016, 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 30 September 2016 are as follows: -

	As at 30/09/2016 RM'000
Short term borrowings	
Secured: -	
- Bank overdraft	2,494
- Hire purchase and lease liabilities	326
- Term loan	2,253
Unsecured: -	
- Term loan	3,323
	<u>8,396</u>
Long Term Borrowings	
Secured: -	
- Hire purchase and lease liabilities	868
- Bridging loan	38,947
- Term loan	4,474
	<u>44,289</u>
<b>Total</b>	<b><u>52,685</u></b>

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

**B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

As at 25 November 2016, 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 25 November 2016, 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 2 sets of 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. Following hearings for the assessment of damages, the Court awarded the purchasers the sums of RM75,054.00 (with an allocatur of RM3,002.15) and RM78,056.11 (with an allocatur of RM3,112.20) respectively. The Purchasers filed an appeal on this award with 29 June 2016 set for hearing of the appeal. Pursuant to the hearing of both the purchasers' appeals on the issue of assessment for damages, the High Court on 27 July 2016 had ordered the subsidiary to pay RM165,054.00 and RM168,056.00 plus interest and cost of RM20,000.00 respectively to each of the purchasers. The subsidiary is appealing the said decision to the Court of Appeal. The hearing date for the subsidiary's application in relation to the said Appeal has been fixed for 8 December 2016.

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- 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 any 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 checking court records on whether the claimants counterclaim was struck off when judgment was entered against the claimants in 2007 before filing an application to strike out the same for want of prosecution, and on the current status of the claimants as some may have already been wound-up and/ or made bankrupts.

**B12. DIVIDEND**

There was no dividend declared during the current quarter under review.

**B13. LOSS PER SHARE**

<u>Basic</u>		Current Period Quarter	Preceding Year Corresponding Quarter	Current Period To Date	Preceding Year Corresponding Period
		<u>30/09/2016</u>	<u>30/09/2015</u>	<u>30/09/2016</u>	<u>30/09/2015</u>
Net loss attributable to owners of the Company	(RM'000)	(2,570)	(3,193)	(2,570)	(3,193)
Weighted average number of ordinary shares	('000)	334,887	334,887	334,887	334,887
Basic loss per share	(Sen)	(0.77)	(0.95)	(0.77)	(0.95)

As at 30 September 2016, 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 30/09/2016 (Unaudited) RM'000	As at 30/06/2016 (Audited) RM'000
Total retained profits of the Group:-		
- Realised	70,327	72,897
- Unrealised	-	-
Total group retained profits as per statements of financial position	<u>70,327</u>	<u>72,897</u>

By Order of the Board,

Chan Keng Yew  
Choi Siew Fun  
Company Secretaries  
Date: 30<sup>th</sup> November 2016