

**Notes to the Interim Financial Statements
For the Second Quarter ended 31 December 2017**

A1. BASIS OF PREPARATION

The interim financial report is prepared in accordance with the requirements of paragraph 9.22 Main Market Listing Requirements (“Listing Requirements”) of the Bursa Malaysia Securities Berhad (“Bursa Securities”) and complies with the requirements of Financial Reporting Standard (“FRS”) 134: “Interim Financial Reporting”. The interim financial report is unaudited and should be read in conjunction with the Group’s audited annual financial statements for the financial year ended 30 June 2017.

A2. CHANGES IN ACCOUNTING POLICIES

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted for the audited annual financial statements for the financial year ended 30 June 2017, except as below:

Effective for financial period beginning on or after 1 January 2017

- Amendments to FRS 12 *Disclosure of Interests in Other Entities*
- Amendments to FRS 107 *Disclosure Initiative*
- Amendments to FRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*

The adoption of these new FRSs and amendments to FRSs do not have any significant financial impact on the financial statements of the Group for the current quarter.

Effective for financial period beginning on or after 1 January 2018

- Amendments to FRS 1: First-time Adoption of Financial Reporting Standards
- Amendments to FRS 2: Classification and Measurement of Share-based Payment Transactions
- Amendments to FRS 4: Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts
- FRS 9: Financial Instruments
- Amendments to FRS 128: Investments in Associates and Joint Ventures
- Amendments to FRS 140: Transfers of Investment Property
- IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

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A3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the Group's audited financial statements for the financial year ended 30 June 2017 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 was no other 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.

6 months ended 31-Dec-17	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
Revenue						
External sales	3,938	9,130	-	-	-	13,068
Inter-segment sales	36	210	-	2	(248)	-
Total revenue	3,974	9,340	-	2	(248)	13,068
Results						
(Loss)/Profit from operations	(3,370)	7,227	(38)	1,963	(3,335)	2,447
Finance costs						(1,180)
Profit before taxation						1,267
Taxation						-
Profit after taxation						1,267
Other comprehensive income						-
Total comprehensive income						1,267
Other Information						
Depreciation and amortisation	313	1,020	-	7	781	2,121
Consolidated Statements of Financial Position						
Assets						
Segment assets	352,532	114,775	8,646	272,092	(443,165)	304,880
Liabilities						
Segment liabilities	(271,520)	(114,447)	(9,285)	(132,765)	382,705	(145,312)

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 7 February 2018, 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 7 February 2018, the balance of the advance maintenance fees to be refunded to the Eligible VSC Members concerned has been remitted to the VSC Trustee to effect the necessary payments.

- (ii) On 15 October 2016, the Company via its wholly-owned subsidiary, Palm Springs Development Sdn Bhd (“PSD”) has entered into a Memorandum of Understanding (“MOU”) with Evergreen Offshore Inc. (“Evergreen”) to allow 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. Vide an announcement made on 23 December 2016, the Company further updated that Evergreen has confirmed their intention and interest to engage the Asia Pacific One Belt One Road Tourism Industry Fund in the following projects of PSD: (1) Doubletree Hilton, (2) Theme Park, (3) Spa Village, and (4) Service Suites and Convention Hall. As at 7 February 2018, there is no new major development on the said MOU.
- (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. The proposal was duly approved by the DVVO Members at the EGM held on 18 December 2016 with a 97.71% majority from the 612 votes present and voting thereat. On 18 April 2017, the High Court of Malaya approved the application by TRB and Pacific Trustees Berhad (“PTB”) for the ratification of the Proposal and subsequently on 8 May 2017, the said Court Order has been duly extracted and filed with the Companies Commission of Malaysia. On

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3 October 2017, TRB has secured the requisite funds for the Pay-Outs and has forwarded the same to PTB for its distribution of the same to the Eligible Interval Owners.

- (iv) On 2 October 2017, the Board of Directors of the Group announced that Tanco Properties Sdn. Bhd., an indirect wholly-owned subsidiary of the Company, had entered into a Sale and Purchase Agreement (“SPA”) with Wawasan Indera Sdn. Bhd. to acquire a four-storey building together with all its existing fittings and fixtures and with a gross floor area of approximately 16,355 sq. ft., erected on all that piece of freehold land measuring approximately 435 square metres held under an individual title Geran 71214, Lot 53489, Pekan Kinrara, Daerah Petaling, Negeri Selangor bearing postal address at No. 1, Jalan Bandar Satu, Pusat Bandar Puchong, 47160 Puchong, Selangor Darul Ehsan (“the Property”) for a total cash consideration of Ringgit Malaysia Eight Million (RM8,000,000.00), subject to the terms and conditions as stipulated in the SPA. The completion period of the SPA has been extended to 22 February 2018 pending the drawdown from the financing bank of the loan sum and the reconciliation/confirmation of the extension interest charges with the Vendor.
- (v) On 20 November 2017, the Board of Directors of the Group announced that Palm Spring Development Sdn Bhd (“PSD”), an indirect wholly owned subsidiary of Company had executed a Facilitation Fund Agreement (“FFA”) with the Government of Malaysia as represented by the Public Private Partnership Unit, Prime Minister’s Department (“the Government”) and Bank Pembangunan Malaysia Berhad wherein subject to the terms and conditions of the FFA, the Government has agreed to provide a grant up to Ringgit Malaysia Twelve Million and Eight Hundred Thousand (RM12,800,000.00) only to PSD to facilitate the planning, designing, financing, development, construction, equipping, installation, completion, testing and commissioning of a theme park and hotel to be known as “Splash Park” consisting of the following project on Lot PT 2764 and PT 2765, Mukim Pasir Panjang, Port Dickson, Negeri Sembilan together the necessary facilities and infrastructures (“the Project”): (a) a water theme park, (b) 1 block of 18 storey hotel and convention hall, (c) 1 block of 24 storey service apartment and (d) 1 block of 20 storey service apartment.
- (vi) On 16 January 2018, the Company has incorporated a wholly-owned subsidiary, namely ACREZ33 Sdn Bhd (“Acrez33”) with the issued and paid up share capital of RM2,000 comprising 2,000 ordinary shares. The intended principal activity of Acrez33 is to carry on the business of an estate agent.

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 2017, the Group has no other contingent assets and contingent liabilities save as disclosed below.

	RM’000
Corporate guarantees given by our Company to banks for credit facilities granted to the subsidiaries	<u>36,326</u>

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

B1. REVIEW OF PERFORMANCE

For the current quarter ended 31 December 2017, the Group had recorded a loss before taxation ("LBT") of RM2.53 million as compared to a loss before taxation ("LBT") of RM2.41 million in the preceding year corresponding quarter ended 31 December 2016. The increase in LBT was mainly due to higher operating and administrative expenses incurred in the current quarter.

For the six (6) months financial period ended 31 December 2017, the Group has recorded a profit before taxation ("PBT") PBT of RM1.27 million as compared to LBT of RM4.99 million in the preceding year's corresponding financial period 31 December 2016. The profit was mainly attributed to higher revenue generated from property development and resort division.

B2. MATERIAL CHANGES IN THE QUARTERLY RESULTS COMPARED TO THE RESULTS OF THE PRECEDING QUARTER ENDED 30 SEPTEMBER 2017

For the current quarter ended 31 December 2017, the Group recorded revenue of RM2.39 million and a LBT of RM2.53 million as compared to RM10.68 million in revenue and a PBT of RM3.80 million for the preceding quarter ended 30 September 2017. This was mainly attributable to lower income from resort division while the Group's operating and administrative expenses remained high in the current quarter.

B3. PROSPECTS

With the current economic outlook, the overall sentiment is expected to remain challenging for Financial Year 2017/2018. 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 the development of the Splash Park project progressing well and with the other resort development phases in Dickson Bay attracting keen interest both from prospective investors and operators, 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 following the financial year ending 30 June 2018, 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 in the trends and policies in the property market.

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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 31/12/2017 RM'000	Current Period to date 31/12/2017 RM'000
Income Tax		
- Current period	-	-
	<hr/>	<hr/>
	-	-
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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)
	<hr/>
	2
	<hr/>
Market value of quoted shares	3.5
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B8. STATUS OF CORPORATE PROPOSALS

Save for the following, there are no other corporate proposals announced by the Company but not completed as at 7 February 2018, being the latest practicable date, which is not earlier than 7 days from the date of issue of this quarterly report.

(a) Redeemable Convertible Notes program ("RCN")

As at 7 February 2018, the Company has issued twenty-six (26) Sub-Tranches under Tranche 1 of the RCNs amounting to RM13.0 million of which RM2 million was issued from September to December 2016; RM9.0 million was issued from January to March 2017 and RM2.0 million was issued in April 2017. Following the aforesaid issuance, RCNs of RM12.0 million were converted into a total of 230,599,756 new ordinary shares of the Company.

As at the date of this report, the status of the utilisation of the gross proceeds of RM13.0 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	7,613	Within thirty six (36) months	
Acquisition of land	5,500	550	Within twelve (12) months	
Repayment of bank borrowings	1,000	-	Within twelve (12) months	
Working capital	6,400	3,250	Within thirty six (36) months	Note A
Estimated expenses in relation to the Proposals	7,500	1,587	Within thirty six (36) months	
Total	100,000	13,000		

Note A: The Group does not expect any material deviation as at the date of this quarterly report.

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(b) Proposed En-Bloc Sale Of All The Unit Parcels In Duta Vista Executive Suites

On 8 February 2017, the Board of Directors of the Company announced that Tanco Properties Sdn. Bhd. (“TPSB”) and Tanco Resorts Bhd (“TRB”), both indirect wholly-owned subsidiaries of Tanco, had on 8 February 2017 entered into a conditional Sale and Purchase Agreement (“SPA”) with Eternal Village Sdn. Bhd. (“ETERNAL”) to dispose of all the unit parcels in Duta Vista Executive Suites (“DVES”) bearing address at No. 1, Persiaran Ledang, Off Jalan Tuanku Abdul Halim, 50480 Kuala Lumpur and sited on Master Title GRN 26990 Lot 131 Seksyen 97, Bandar Kuala Lumpur, Daerah Kuala Lumpur for a total cash consideration of Ringgit Malaysia Fifty Million (RM50,000,000.00) only (“Purchase Price”), subject to the terms and conditions as stipulated in the SPA (“the Proposed Disposal”).

The Proposed Disposal was approved by the shareholders at the Extraordinary General Meeting held on 6 July 2017.

As at the date of this report, the status of the utilisation of the proceeds raised from the Proposed Disposal is as follows:-

Purposes	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation	Explanations
Repayment of bank borrowings / Redemption Sum	5,000	4,556	Within six (6) months	
To settle TRB’s commitment on the DVVO Scheme / timeshare’s dissolution	21,430	21,430	Within six (6) months	
Working capital	17,420	17,356	Within twenty-four (24) months	Note A
Real Property Gain Tax under the SPA	150	-	Within six (6) months	
Future development and/or investments	5,500	3,500	Within twelve (12) months	
Defray estimated expenses in relation to the Proposed Disposal	500	103	Within one (1) month	
Total	50,000	46,944		

Note A: The Group does not expect any material deviation as at the date of this quarterly report.

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(c) Proposed Free Warrants Issue

On 21 September 2017, the Board of Directors of the Company announced that the company proposed to undertake a proposed issue of up to 410,824,922 free warrants ("Warrants") on the basis of 1 Warrant for every 2 existing ordinary shares in Tanco held on an entitlement date to be determined later ("Proposed Free Warrants Issue").

The application in relation to the Proposed Free Warrants Issue has been submitted to Bursa Securities on 17 October 2017.

B9. GROUP BORROWINGS AND DEBT SECURITIES

Total Group's borrowings as at 31 December 2017 are as follows: -

	As at 31/12/2017 RM'000
Short term borrowings	
Secured: -	
- Bank overdraft	2,449
- Hire purchase and lease liabilities	304
	<u>2,753</u>
Long Term Borrowings	
Secured: -	
- Hire purchase and lease liabilities	555
- Bridging loan	36,326
	<u>36,881</u>
Total	<u>39,634</u>

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

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

As at 7 February 2018, 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.

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B11. MATERIAL LITIGATION

As at 7 February 2018, 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:

Court proceedings filed by a wholly owned subsidiary of the Company via its solicitors against Pacific Trustees Bhd ("PTB") for declaratory relief to inter alia, dispute and challenge the validity and legality of the RM120,000.00 Dissolution Fee and the RM900,000.00 Disposal Fee being unilaterally imposed by PTB respectively for its fee per the dissolution of the Duta Vista Vacation Ownership ("DVVO") Scheme undertaken by the Subsidiary, and for its fee per the subsidiary's disposal of the 41 DVVO units in Duta Vista Executive Suites, with an alternate prayer for the Court to assess a fair and reasonable sum for the Dissolution Fees should the Court decide that a fee is due for PTB's works per the dissolution of the DVVO Scheme. The matter is fixed for case management on 23 February 2018.

B12. DIVIDEND

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

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B13. (LOSS)/PROFIT PER SHARE

<u>Basic</u>		Current Period Quarter	Preceding Year Corresponding Quarter	Current Period To Date	Preceding Year Corresponding Period
		<u>31/12/2017</u>	<u>31/12/2016</u>	<u>31/12/2017</u>	<u>31/12/2016</u>
Net (loss)/income attributable to owners of the Company	(RM'000)	(2,529)	(2,412)	1,270	(4,982)
Weighted average number of ordinary shares	('000)	661,650	364,267	661,650	364,267
Basic (loss)/earnings per share	(Sen)	(0.38)	(0.66)	0.19	(1.37)

As at 31 December 2017, the Group has no potential dilutive ordinary shares. As such, there is no dilutive effect on the net (loss)/profit 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 31/12/2017 (Unaudited) RM'000	As at 30/06/2017 (Audited) RM'000
Total retained profits of the Group:-		
- Realised	62,483	61,213
- Unrealised	-	-
Total group retained profits as per statements of financial position	<u>62,483</u>	<u>61,213</u>

By Order of the Board,

Choi Siew Fun
Chan Keng Yew
Company Secretaries
Date: 13 February 2018