

**Notes to the Interim Financial Statements
For the First Quarter ended 30 September 2018**

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 Malaysian Financial Reporting Standard (“MFRS”) 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 2018.

The Group has not early adopted new or revised standards and amendments to standards that have been issued but not yet effective for the Group’s accounting period beginning 1 July 2018.

The financial statements of the Group for the quarter ended 30 September 2018 are the first set of interim financial report prepared in accordance with the MFRS Framework, hence MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards has been applied. The MFRS Framework is effective for the Group from 1 July 2018 and the date of transition to the MFRS Framework for the purpose of preparation of the MFRS compliant interim financial report is 1 July 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 2018, except as below:

Effective for financial period beginning on or after 1 January 2018

- MFRS 9 Financial Instruments
- MFRS 15 Revenue from Contracts with Customers

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

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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 2018 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. CHANGE IN ESTIMATES

There was no change 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 location is not presented.

3 months ended 30-Sep-18	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	904	171	-	-	-	1,075
Inter-segment sales	206	-	-	-	(206)	-
Total revenue	<u>1,110</u>	<u>171</u>	<u>-</u>	<u>-</u>	<u>(206)</u>	<u>1,075</u>
Results						
Loss from operations	(2,153)	(513)	(1)	(305)	17	(2,955)
Finance costs						(644)
Loss before taxation						<u>(3,599)</u>
Taxation						(104)
Loss after taxation						<u>(3,703)</u>
Other comprehensive loss						-
Total comprehensive loss						<u>(3,703)</u>
Other Information						
Depreciation and amortisation	186	445	-	4	(17)	618
Consolidated Statements of Financial Position						
Assets						
Segment assets	<u>331,279</u>	<u>100,336</u>	<u>10,305</u>	<u>236,442</u>	<u>(411,786)</u>	<u>266,576</u>
Liabilities						
Segment liabilities	<u>(258,085)</u>	<u>(103,290)</u>	<u>(10,945)</u>	<u>(96,996)</u>	<u>359,284</u>	<u>(110,032)</u>

A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There were no material change in the valuation on property, plant and equipment in the current quarter under review.

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A11. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

As at 22 November 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 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 direct to the eligible VSC members. Further and prior to 22 November 2018, the balance of the advance maintenance fees to be refunded to the Eligible VSC Members concerned had also been remitted to the VSC Trustee for the Trustee to effect the necessary refunds direct to the Eligible VSC Members concerned, thus completing TRB’s obligation per the said Dissolution.

- (ii) On 15 October 2016, Palm Springs Development Sdn. Bhd. (“PSD”), a wholly-owned subsidiary of the Company, had 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 Project 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. On September 2018, PSD received a letter from Evergreen dated 26 September 2018 informing that Evergreen needs to terminate the MOU with immediate effect due to some unexpected problems arising from its identified potential investors. The termination of MOU does not have a material financial effect to the Company.

- (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 3 October 2017, the requisite funds per the pay-outs under the DVVO Dissolution was forwarded to the DVVO Trustee, namely Pacific Trustees Berhad (“PTB”) for its direct distribution to the Eligible Interval Owners, thus completing TRB’s obligation per the said Dissolution.

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- (iv) On 21 September 2017, the Board of Directors of the Company announced that proposal 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 (“Tanco Shares”) held on an entitlement date to be determined later (“Proposed Free Warrants Issue”). The application in relation to the Proposed Free Warrants Issue was submitted to Bursa Securities on 17 October 2017.

On 13 June 2018, the Company has resolved to revised the exercise price of the Warrants from RM0.02 to RM0.05 (in which RM0.05 represents 50% discount to the 5-day volume weighted average market price of Tanco Shares up to and including 11 June 2018), and revise the exercise period from one (1) year to three (3) years. Subsequently, on 11 July 2018, Bursa Securities had, vide its letter approved the following:

- (i) admission to the Official List and listing of and quotation for up to 406,716,226 Warrants to be issued pursuant to the Proposed Free Warrants Issue; and
- (ii) listing of and quotation for up to 406,716,226 new Tanco Shares to be issued arising from the exercise of the Warrants.

The Proposed Free Warrants Issue was approved by the shareholders at the EGM held on 2 August 2018.

The Free Warrants Issue have been completed on 3 September 2018 following the listing of and quotation for 335,684,240 Warrants on 3 September 2018 on the Main Market of Bursa Securities.

- (v) On 20 November 2017, Palm Springs Development Sdn. Bhd., an indirectly wholly-owned subsidiary of the 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 RM12.8 million to the Company 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”. The Conditions Precedent prescribed in the FFA were fulfilled on 17 August 2018.

A12. CHANGE IN THE COMPOSITION OF THE GROUP

There was no material changes to the composition of the Group during the current financial quarter under review.

A13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

As at 30 September 2018, 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>42,163</u>

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

B1. REVIEW OF PERFORMANCE

For the current quarter ended 30 September 2018, the Group had recorded a loss before taxation (“LBT”) of RM3.6 million as compared to a profit before taxation (“PBT”) of RM3.8 million in the preceding year corresponding quarter ended 30 September 2017. The significant drop is primarily due to the prior year billings of management charges totalling to about RM6.9 million which was recognized in September 2017.

B2. MATERIAL CHANGE IN THE QUARTERLY RESULTS COMPARED TO THE RESULTS OF THE PRECEDING QUARTER ENDED 30 JUNE 2018

	Current Period Quarter 30/09/2018 RM'000	Immediate Preceding Quarter 30/06/2018 RM'000
Revenue	1,075	1,465
(Loss)/Profit after tax	(3,703)	847

The Group recorded a revenue of RM 1.1 million in the current quarter ended 30 September 2018 as compared to a revenue of RM1.5 million in the preceding quarter ended 30 June 2018. The drop in revenue during the current quarter under review is mainly due to lower revenue generated from property development segment as well as the club and resort segment.

The Group recorded a loss after taxation (“LAT”) of RM3.7 million in current quarter ended 30 September 2018 as compared to a profit after taxation (“PAT”) of RM0.84 million in preceding quarter ended 30 June 2018. This is mainly due to the gain on disposal of all the unit parcel in Duta Vista as well as the reversal of impairment no longer required in the immediate preceding quarter ending 30 June 2018.

B3. PROSPECTS

With the current economic outlook, the overall sentiment is expected to remain challenging for Financial Year 2018/2019. However, with the ongoing focus and efforts especially by the new 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 and with the other resort development phases in Dickson Bay attracting 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 reasonably optimistic of the prospects of the Group following the financial period ending 30 September 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 Period Quarter 30/09/2018 RM'000	Current Period To Date 30/06/2018 RM'000
Income Tax		
- Current year	-	-
Real Property Gains Tax		
- Current year	(104)	-
	<u>(104)</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

Quoted shares in Malaysia, at fair value

RM'000

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The market value of quoted shares in Malaysia, is approximately RM2,950.

B8. STATUS OF CORPORATE PROPOSALS

Save for the following, there are no other corporate proposals announced by the Company but not completed as at 22 November 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 22 November 2018, the Company has issued thirty (30) Sub-Tranches under Tranche 1 of the RCNs amounting to RM15.0 million of which RM2 million was issued from September to December 2016; RM9.0 million was issued from January to March 2017; RM2.0 million was issued in April 2017 and RM2.0 million was issued in October 2018. Following the aforesaid issuance, RCNs of RM12.9 million were converted into a total of 240,382,364 new ordinary shares of the Company.

As at the date of this report, the status of the utilisation of the gross proceeds of RM15.0 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	8,563	Within thirty six (36) months	
Acquisition of land	5,500	1,350	Within twelve (12) months	
Repayment of bank borrowings	1,000	-	Within twelve (12) months	
Working capital	6,400	3,273	Within thirty six (36) months	Note A
Estimated expenses in relation to the Proposals	7,500	1,814	Within thirty six (36) months	
Total	100,000	15,000		

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) 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 and the disposal was completed in June 2018.

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	Deviation		Explanations
				RM'000	%	
Repayment of bank borrowings / Redemption Sum	5,000	5,000	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	17,420	Within twenty-four (24) months			
Real Property Gain Tax under the SPA	150	103	Within six (6) months	47	31%	Note A
Future development and/or investments	5,500	5,500	Within twelve (12) months			
Defray estimated expenses in relation to the Proposed Disposal	500	500	Within one (1) month			
Total	50,000	49,953				

Note A: Pursuant to the letter received from Lembaga Hasil Dalam Negeri Malaysia on 17 August 2018, the Real Property Gains Tax from the disposal of Duta Vista is RM103,527.

The remaining RM46,473 will be utilised for working capital purpose.

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(c) Proposed Free Warrants Issue

On 13 June 2018, the Board of Directors of the Company announced that the Company has resolved to revise the exercise price of the Warrants from RM0.02 to RM0.05, and revised the exercise period from one (1) year to three (3) years. Subsequently, on 11 July 2018, Bursa Securities had approved the admission to the Official List and listing of and quotation for up to 406,716,226 Warrants to be issued pursuant to the Proposed Free Warrants Issue and listing of and quotation for up to 406,716,226 new Tanco Shares to be issued arising from the exercise of the Warrants.

The Free Warrants Issue have been completed on 3 September 2018 following the listing of and quotation for 335,684,240 Warrants on 3 September 2018 on the Main Market of Bursa Securities.

The Free Warrants Issue will not raise any funds upon its issuance as the Warrants were issued at no cost to the entitled shareholders.

There were no any proceeds raised from the exercise as at the date of this report.

B9. GROUP BORROWINGS AND DEBT SECURITIES

Total Group's borrowings as at 30 September 2018 are as follows: -

	As at 30/09/2018 RM'000
Short term borrowings	
Secured: -	
- Bank overdraft	3,380
- Hire purchase and lease liabilities	412
- Term loan	201
	<hr/> 3,993
Long Term Borrowings	
Secured: -	
- Hire purchase and lease liabilities	240
- Bridging loan	35,027
- Term loan	6,054
	<hr/> 41,321
Total	<hr/> 45,314 <hr/>

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

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

As at 22 November 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 22 November 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 via Originating Summons were 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 Dissolution Fee and the RM900,000 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. On 18 May 2018, the Court directed that the court proceedings be refiled via a Writ action, which the Subsidiary has done, and that the next case management date for the Writ action is now set for 25 February 2019 with the Trial dates set for 18, 19 and 26 July 2019.

No provisions has been made for the disputed amounts as the solicitors acting for the subsidiary in the above matter are of the view that the subsidiary has a strong case against PTB.

B12. DIVIDEND

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

B13. (LOSS)/EARNINGS PER SHARE

<u>Basic</u>	<u>Current Period Quarter</u> <u>30/09/2018</u>	<u>Preceding Year Corresponding Quarter</u> <u>30/09/2017</u>	<u>Current Period To Date</u> <u>30/09/2018</u>	<u>Preceding Year Corresponding Year</u> <u>30/09/2017</u>
Net (loss)/profit attributable to owners of the Company (RM'000)	(3,703)	3,798	(3,703)	3,798
Weighted average number of ordinary shares ('000)	671,433	661,650	671,433	661,650
Basic (loss)/earnings per share (Sen)	(0.55)	0.57	(0.55)	0.57

As at 30 September 2018, the Group has no potential dilutive ordinary shares. As such, there is no dilutive effect on the net (loss)/earnings per share of the Group for the current quarter under review.

By Order of the Board,

Choi Siew Fun
Company Secretary
Date: 29 November 2018