

## TANCO HOLDINGS BERHAD (3326-K)

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

- Amendments to MFRS 2 Classification and Measurement of Shares-based Payment Transactions
- Amendments to MFRS 4 Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- MFRS 9 Financial Instruments
- MFRS 15 Revenue from Contracts with Customers
- MFRS 15 Clarification to MFRS 15
- Amendments to MFRS 140 Transfer of Investment Property
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Annual Improvements to MFRS Standards 2014-2016 Cycle.

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

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

### **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, save as disclosed as below: -

- (i) The issuance of 10,000,000 new ordinary shares resulting from the exercise of warrants at an exercise price of RM0.05 per share on 29 January 2019.
- (ii) The issuance of 10,000,000 new ordinary shares resulting from the exercise of warrants at an exercise price of RM0.05 per share on 12 February 2019.
- (iii) The issuance of 10,000,000 new ordinary shares resulting from the conversion of the principal amount of Redeemable Convertible Notes ("RCN") at a conversion price of RM0.05 per share on 18 February 2019.
- (iv) The issuance of 10,000,000 new ordinary shares resulting from the conversion of the principal amount of Redeemable Convertible Notes ("RCN") at a conversion price of RM0.05 per share on 25 February 2019.

### **A8. DIVIDEND PAID**

No dividend has been paid for the current financial period.

## 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 location is not presented.

6 months ended 31-Dec-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
<b>Revenue</b>						
External Sales	2,530	342	-	-	-	2,872
Inter-segment sales	412	-	-	-	(412)	-
Total revenue	<u>2,942</u>	<u>342</u>	<u>-</u>	<u>-</u>	<u>(412)</u>	<u>2,872</u>
<b>Results</b>						
Loss from operations	(3,611)	(1,086)	(5)	(699)	26	(5,375)
Finance costs						<u>(1,320)</u>
Loss before taxation						(6,695)
Taxation						<u>(104)</u>
Loss after taxation						(6,799)
Other comprehensive loss						-
Total comprehensive loss						<u>(6,799)</u>
<b>Other Information</b>						
Depreciation and amortisation	375	915	-	7	(34)	1,263
<b>Consolidated Statements of Financial Position</b>						
<b>Assets</b>						
Segment assets	<u>276,622</u>	<u>69,042</u>	<u>8,038</u>	<u>229,439</u>	<u>(316,578)</u>	<u>266,563</u>
<b>Liabilities</b>						
Segment liabilities	<u>(201,291)</u>	<u>(71,681)</u>	<u>(9,316)</u>	<u>(57,792)</u>	<u>228,965</u>	<u>(111,115)</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.

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

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

There were no material events subsequent to the end of the interim period under review that have not been reflected.

**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 31 December 2018, the Group has no other contingent assets and contingent liabilities save as disclosed below.

Corporate guarantees given by our Company  
to banks for credit facilities granted to the subsidiaries

**RM'000**

41,801

## TANCO HOLDINGS BERHAD (3326-K)

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

#### B1. REVIEW OF PERFORMANCE

For the current quarter ended 31 December 2018, the Group had recorded a loss before taxation ("LBT") of RM3.1 million as compared to LBT of RM2.5 million in the preceding year corresponding quarter ended 31 December 2017. 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 2018, the Group has recorded LBT of RM6.7 million as compared to profit before taxation ("PBT") of RM1.3 million in the preceding year's corresponding financial period 31 December 2017. The significant drop is primarily due to the prior year billings of management charges totalling to about RM6.9 million which was recognised in September 2017.

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

	<b>Current Period Quarter 31/12/2018 RM'000</b>	<b>Immediate Preceding Quarter 30/09/2018 RM'000</b>
Revenue	<u>1,797</u>	<u>1,075</u>
Loss after tax	<u>(3,096)</u>	<u>(3,703)</u>

The Group recorded a revenue of RM 1.8 million in the current quarter ended 31 December 2018 as compared to a revenue of RM1.1 million in the preceding quarter ended 30 September 2018. The increase in revenue during the current quarter under review is mainly due to higher revenue generated from property development segment as well as the club and resort segment.

The Group recorded a loss after taxation ("LAT") of RM3.1 million in current quarter ended 31 December 2018 as compared to LAT of RM3.7 million in preceding quarter ended 30 September 2018 mainly resulted from the higher revenue generated in the current quarter.

#### B3. PROSPECTS

With the current economic outlook, the overall sentiment is expected to remain challenging for Financial Year 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.

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.

## TANCO HOLDINGS BERHAD (3326-K)

With this, the Board is reasonably optimistic of the prospects of the Group following the financial period ending 31 December 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.

### B4. PROFIT FORECAST

The Company did not announce any profit forecast nor profit guarantee for the current financial period under review.

### B5. TAXATION

	<b>Current Period Quarter 31/12/2018 RM'000</b>	<b>Current Period To Date 31/12/2018 RM'000</b>
Income Tax		
- Current year	-	-
Real Property Gains Tax		
- Current year	-	(104)
	<u>-</u>	<u>(104)</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

	<b>RM'000</b>
Quoted shares in Malaysia, at fair value	<u>4</u>

The market value of quoted shares in Malaysia, is approximately RM3,510.

## TANCO HOLDINGS BERHAD (3326-K)

### B8. CORPORATE PROPOSALS

Save for the following, there are no other corporate proposals announced by the Company but not completed as at 20 February 2019, 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 20 February 2019, the Company has issued thirty two (32) Sub-Tranches under Tranche 1 of the RCNs amounting to RM16.0 million of which RM2.0 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, RM2.0 million was issued in October 2018, RM0.5 million was issued in January 2019 and RM0.5 million was issued in February 2019. Following the aforesaid issuance, RCNs of RM13.4 million were converted into a total of 250,382,364 new ordinary shares of the Company.

As at the date of this report, the status of the utilisation of the gross proceeds of RM16.0 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	9,038	Within thirty six (36) months	Note A
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	3,626	Within thirty six (36) months	
Estimated expenses in relation to the Proposals	7,500	1,986	Within thirty six (36) months	
<b>Total</b>	<b>100,000</b>	<b>16,000</b>		

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

## TANCO HOLDINGS BERHAD (3326-K)

### B9. GROUP BORROWINGS AND DEBT SECURITIES

Total Group's borrowings as at 31 December 2018 are as follows: -

	<b>As at 31/12/2018 RM'000</b>
Short term borrowings	
Secured: -	
- Bank overdraft	3,429
- Hire purchase and lease liabilities	108
- Term loan	136
	<hr/>
	3,673
Long Term Borrowings	
Secured: -	
- Hire purchase and lease liabilities	485
- Bridging loan	34,687
- Term loan	6,045
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	41,217
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<b>Total</b>	<b>44,890</b>

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

### B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

As at 20 February 2019, 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 February 2019, 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.



**TANCO HOLDINGS BERHAD (3326-K)****B12. DIVIDEND**

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

**B13. (LOSS)/EARNINGS PER SHARE**

<u>Basic</u>		<b>Current Period Quarter <u>31/12/2018</u></b>	<b>Preceding Year Corresponding Quarter <u>31/12/2017</u></b>	<b>Current Period To Date <u>31/12/2018</u></b>	<b>Preceding Year Corresponding Period <u>31/12/2017</u></b>
Net (loss)/profit attributable to owners of the Company	(RM'000)	(3,096)	(2,529)	(6,799)	1,270
Weighted average number of ordinary shares	('000)	671,433	661,650	671,433	661,650
Basic (loss)/earnings per share	(Sen)	(0.46)	(0.38)	(1.01)	0.19

As at 31 December 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: 27 February 2019