

Tanco Holdings Berhad

Registration No. 195801000190 (3326-K)

Condensed Consolidated Statements of Financial Position as at 31 December 2019

	Current Year As At 31-Dec-19 (Unaudited) RM'000	Preceding Year As At 30-Jun-19 (Audited) RM'000
<u>ASSETS</u>		
<u>NON-CURRENT ASSETS</u>		
Property, Plant and Equipment	74,527	75,126
Investment Properties	26,460	27,036
Inventories	87,366	87,379
Other Investments	2	5
Deferred Tax Assets	837	837
TOTAL NON-CURRENT ASSETS	189,192	190,383
<u>CURRENT ASSETS</u>		
Inventories	77,548	77,525
Trade Receivables	2,036	1,045
Other Receivables, Deposits and Prepayments	917	1,711
Contract Costs	3,996	4,014
Cash, Bank Balances and Deposits	6,081	7,456
TOTAL CURRENT ASSETS	90,578	91,751
TOTAL ASSETS	279,770	282,134

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial statements.)

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Registration No. 195801000190 (3326-K)

Condensed Consolidated Statements of Financial Position as at 31 December 2019

	Current Year As At 31-Dec-19 (Unaudited) RM'000	Preceding Year As At 30-Jun-19 (Audited) RM'000
<u>EQUITY AND LIABILITIES</u>		
<u>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</u>		
Share Capital	56,827	51,877
Capital Reserves	50,233	50,233
RCN - Equity Component	528	95
Retained Profits	39,526	45,563
TOTAL EQUITY	147,114	147,768
<u>NON-CURRENT LIABILITIES</u>		
Borrowings	37,292	40,862
Long Term Payables	2,239	2,239
Deferred Tax Liabilities	-	9
TOTAL NON-CURRENT LIABILITIES	39,531	43,110
<u>CURRENT LIABILITIES</u>		
Trade Payables	13,093	13,404
Other Payables, Deposits and Accruals	31,944	32,979
Contract Liabilities	32,405	32,128
Provisions For Liabilities	153	153
Borrowings	7,286	4,160
Amount Owing To Directors	5,667	4,663
RCN - Liability Component	1,822	3,014
Tax Payable	755	755
TOTAL CURRENT LIABILITIES	93,125	91,256
TOTAL LIABILITIES	132,656	134,366
TOTAL EQUITY AND LIABILITIES	279,770	282,134
Net Asset Per Share (RM)	0.1772	0.2020

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial statements.)

Tanco Holdings Berhad

Registration No. 195801000190 (3326-K)

Condensed Consolidated Statements of Changes in Equity for the Six (6)-months financial period ended 31 December 2019

(The figures have not been audited)

31 December 2019

	Attributable To Owners Of The Company				Total Equity RM'000
	← <u>Non-distributable</u> →		→ <u>Distributable</u> ←		
	Share Capital RM'000	Capital Reserve RM'000	RCN - Equity Component RM'000	Retained Profits RM'000	
At 1 July 2019	51,877	50,233	95	45,563	147,768
Issuance of Redeemable Convertible Notes	-	-	1,427	-	1,427
Conversion of Redeemable Convertible Notes	2,750	-	(994)	-	1,756
Conversion of Warrants	2,200	-	-	-	2,200
Total comprehensive loss for the period	-	-	-	(6,037)	(6,037)
At 31 December 2019	56,827	50,233	528	39,526	147,114

31 December 2018

	Attributable To Owners Of The Company				Total Equity RM'000
	← <u>Non-distributable</u> →		→ <u>Distributable</u> ←		
	Share Capital RM'000	Capital Reserve RM'000	RCN - Equity Component RM'000	Retained Profits RM'000	
At 1 July 2018					
- As previously reported	48,877	50,233	10	61,127	160,247
- Effect of transition of MFRSs	-	-	-	(20)	(20)
Restated balance at 1 July 2018	48,877	50,233	10	61,107	160,227
Issuance of Redeemable Convertible Notes	-	-	2,000	-	2,000
Total comprehensive loss for the period	-	-	-	(6,799)	(6,799)
At 31 December 2018	48,877	50,233	2,010	54,308	155,428

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial statements.)

Tanco Holdings Berhad

Registration No. 195801000190 (3326-K)

Condensed Consolidated Statements of Profit or Loss**For the Six (6)-months Financial Period Ended 31 December 2019**

(The figures have not been audited)

	INDIVIDUAL PERIOD		CUMULATIVE YEAR	
	Current Period Quarter 31-Dec-19 RM'000	Preceding Year Corresponding Quarter 31-Dec-18 RM'000	Current Period To Date 31-Dec-19 RM'000	Preceding Year Corresponding Period 31-Dec-18 RM'000
Revenue	1,958	1,797	2,126	2,872
Cost of sales	1	(976)	(7)	(1,632)
Gross profit	1,959	821	2,119	1,240
Other income	293	84	375	243
Administrative expenses	(3,037)	(3,325)	(6,673)	(6,858)
Operating loss	(785)	(2,420)	(4,179)	(5,375)
Finance costs	(946)	(676)	(1,858)	(1,320)
Loss before taxation	(1,731)	(3,096)	(6,037)	(6,695)
Taxation	-	-	-	(104)
Loss for the financial period	(1,731)	(3,096)	(6,037)	(6,799)
Loss attributable to : -				
Owners of the Company	(1,731)	(3,096)	(6,037)	(6,799)
(a) Basic (sen)	(0.21)	(0.46)	(0.75)	(1.01)
(b) Diluted (sen)	N/A	N/A	N/A	N/A

(The Condensed Consolidated Statements of Profit or Loss should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial statements.)

Tanco Holdings Berhad

Registration No. 195801000190 (3326-K)

Statements of Other Comprehensive Income**For the Six (6)-months Financial Period Ended 31 December 2019**

(The figures have not been audited)

	INDIVIDUAL PERIOD		CUMULATIVE YEAR	
	Current Period Quarter	Preceding Year Corresponding Quarter	Current Period To Date	Preceding Year Corresponding Period
	31-Dec-19 RM'000	31-Dec-18 RM'000	31-Dec-19 RM'000	31-Dec-18 RM'000
Loss for the financial period	(1,731)	(3,096)	(6,037)	(6,799)
Other comprehensive loss:				
Foreign currency reserve	-	-	-	-
Total comprehensive loss for the financial period	(1,731)	(3,096)	(6,037)	(6,799)
Total comprehensive loss attributable to:				
Owners of the Company	(1,731)	(3,096)	(6,037)	(6,799)

*Notes:**Other Income and (Expenses) highlights*

	INDIVIDUAL PERIOD		CUMULATIVE YEAR	
	Current Period Quarter		Current Period To Date	
	31/12/2019 RM'000		31/12/2019 RM'000	
Interest income	47		101	
Other income	46		74	
Reversal of impairment loss on other receivables no longer required	200		200	
Bad debts written off	(2)		(2)	
Depreciation and amortisation	(607)		(1,219)	
Interest expenses	(946)		(1,858)	
Property, plant and equipment written off	-		(2)	

(1) There were no provisions for receivables and inventories, gain or loss on disposal of quoted or unquoted investment (save as disclosed in note B6), impairment of assets and any exceptional items for the current quarter under review.

(2) Gain or loss on derivatives is not applicable as the Company does not have any derivative financial instrument.

(The Condensed Consolidated Statements of Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial statements.)

Tanco Holdings Berhad

Registration No. 195801000190 (3326-K)

Condensed Consolidated Statements of Cash Flows**For the Six (6)-months Financial Period Ended 31 December 2019**

(The figures have not been audited)

	6 Months Ended 31-Dec-19 RM'000	6 Months Ended 31-Dec-18 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(6,037)	(6,695)
Adjustment for :		
Non-operating items	2,981	2,589
Operating loss before working capital changes	<u>(3,056)</u>	<u>(4,106)</u>
Changes in Working Capital		
Net change in current assets	(204)	(4,482)
Net change in current liabilities	(1,069)	2,793
	<u>(4,329)</u>	<u>(5,795)</u>
Interest received	101	32
Interest paid	(1,875)	(1,320)
Tax paid	-	(104)
Net Operating Cash Flows	<u>(6,103)</u>	<u>(7,187)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
- Addition in property, plant and equipment	(44)	(147)
- Land held for property development	13	(25)
Net Investing Cash Flows	<u>(31)</u>	<u>(172)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
- Conversion of warrants	2,200	-
- Directors' accounts	1,004	632
- Net of repayments of borrowings	(425)	(899)
- Proceeds from issuance of RCN	2,000	2,000
Net Financing Cash Flows	<u>4,779</u>	<u>1,733</u>
NET CHANGES IN CASH & CASH EQUIVALENTS	(1,355)	(5,626)
CASH & CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	3,959	7,687
CASH & CASH EQUIVALENTS AT THE END OF PERIOD	<u>2,604</u>	<u>2,061</u>
Cash and cash equivalents comprise of the following:		
Cash, bank balances and deposits	6,081	5,490
Bank overdraft	(3,477)	(3,429)
	<u>2,604</u>	<u>2,061</u>

(The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial statements.)

TANCO HOLDINGS BERHAD

Registration No. 195801000190 (3326-K)

Notes to the Interim Financial Statements For the Second Quarter ended 31 December 2019

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 issued by the Malaysian Accounting Standards Board (MASB).

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 2019.

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 year beginning 1 July 2019.

The financial statements of the Group for the quarter ended 31 December 2019 are prepared in accordance with the MFRS Framework.

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 2019, except as disclosed below:

Effective for financial year beginning on or after 1 January 2019

- | | |
|------------------------|--|
| • MFRS 3 | Business Combinations |
| • MFRS 9 | Financial Instruments |
| • MFRS 11 | Joint Arrangements |
| • MFRS 16 | Leases |
| • MFRS 112 | Income Taxes |
| • MFRS 119 | Employee Benefits |
| • MFRS 123 | Borrowing Costs |
| • MFRS 128 | Investments in Associates and Joint Ventures |
| • IC Interpretation 23 | Uncertainty over Income Tax Treatments |

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

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 2019 was not subject to any audit qualification.

A4. SEASONAL OR CYCLICAL FACTORS

The operation of the Group was not affected by any material significant seasonal or cyclical factors during the current financial 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 current financial quarter under review.

A6. CHANGE IN ESTIMATES

There were no change in the estimates of amounts reported which have material effect in the current financial 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 financial quarter under review, save as disclosed below: -

- (i) The issuance of 20,000,000 new ordinary shares resulting from the exercise of warrants at an exercise price of RM0.05 per share on 8 October 2019.
- (ii) The issuance of 45,000,000 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 11 October 2019.
- (iii) 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 17 October 2019.
- (iv) The issuance of 14,000,000 new ordinary shares resulting from the exercise of warrants at an exercise price of RM0.05 per share on 24 October 2019.

A8. DIVIDEND PAID

No dividend has been paid for the current financial quarter under review.

TANCO HOLDINGS BERHAD

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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.

6 months ended 31-Dec-19	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	1,830	296	-	-	-	2,126
Inter-segment sales	412	-	-	-	(412)	-
Total revenue	<u>2,242</u>	<u>296</u>	<u>-</u>	<u>-</u>	<u>(412)</u>	<u>2,126</u>
Results						
Loss from operations	(2,021)	(120)	(5)	(566)	(1,467)	(4,179)
Finance costs						<u>(1,858)</u>
Loss before taxation						(6,037)
Taxation						<u>-</u>
Loss after taxation						(6,037)
Other comprehensive loss						<u>-</u>
Total comprehensive loss						<u>(6,037)</u>
Other Information						
Depreciation and amortisation	392	854	-	7	(34)	<u>1,219</u>
Consolidated Statements of Financial Position						
Assets						
Segment assets	<u>303,547</u>	<u>62,385</u>	<u>-</u>	<u>225,475</u>	<u>(312,474)</u>	<u>278,933</u>
Liabilities						
Segment liabilities	<u>(229,834)</u>	<u>(65,567)</u>	<u>(1,532)</u>	<u>(52,752)</u>	<u>217,784</u>	<u>(131,901)</u>

A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

TANCO HOLDINGS BERHAD

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A11. MATERIAL EVENTS DURING THE QUARTER

There were no material events during the quarter under review that have not been reflected.

A12. 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.

A13. CHANGE IN THE COMPOSITION OF THE GROUP

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

A14. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2019, the Group has no other contingent assets and contingent liabilities save as disclosed below.

	RM'000
Corporate guarantees given by the Company to banks for credit facilities granted to the subsidiaries	<u>41,527</u>

A15. CAPITAL COMMITMENT

There were no capital commitment for the current financial quarter under review.

Bursa Securities Listing Requirements (Part A of Appendix 9B)**B1. REVIEW OF PERFORMANCE**

For the current quarter ended 31 December 2019, the Group had recorded a loss before taxation (“LBT”) of RM1.7 million as compared to LBT of RM3.0 million in the preceding year corresponding quarter ended 31 December 2018. The decrease in LBT was mainly due to higher revenue generated and lower cost of sales in the current quarter.

B2. MATERIAL CHANGE IN THE QUARTERLY RESULTS COMPARED TO THE RESULTS OF THE PRECEDING QUARTER ENDED 30 SEPTEMBER 2019

	Current Period Quarter 31/12/2019	Immediate Preceding Quarter 30/09/2019
	RM’000	RM’000
Revenue	<u>1,958</u>	<u>168</u>
Loss after tax	<u>(1,731)</u>	<u>(4,306)</u>

The Group recorded a revenue of RM2.0 million in the current quarter ended 31 December 2019 as compared to a revenue of RM0.2 million in the preceding quarter ended 30 September 2019. The increase in revenue during the current quarter under review is mainly due to higher revenue generated from property development and management segment.

The Group recorded a loss after taxation (“LAT”) of RM1.7 million in current quarter ended 31 December 2019 as compared to LAT of RM4.3 million in preceding quarter ended 30 September 2019 mainly resulting from a higher revenue generated and lower cost of sales in the current quarter.

B3. PROSPECTS

With the recent ongoing uncertainties of coronavirus: COVID-19 outbreak continues to rattle global economy and vulnerable global supply chain and logistic, the overall sentiment is expected to remain challenging for financial year 2020.

However, with the ongoing focus and efforts especially 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.

The development of the Splash Park project is progressing satisfactorily 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 cautiously optimistic of the prospects of the Group for the financial year 2020, 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 challenges and 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 31/12/2019 RM'000	Current Period To Date 31/12/2019 RM'000
Income Tax		
- Current year	-	-
Deferred Tax		
- Current year	-	-
	<hr/>	<hr/>
	<hr/>	<hr/>

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 fair value	<hr/> <u>4</u>

B8. CORPORATE PROPOSALS

Save for the following, there are no other corporate proposals announced by the Company but not completed as at 18 February 2020, being the latest practicable date, which is not earlier than 7 days from the date of issue of this quarterly report.

RCN program

As at 18 February 2020, the Company has issued forty (40) Sub-Tranches under Tranche 1 of the RCNs amounting to RM20.0 million.

Following the aforesaid issuance, RCNs of RM17.65 million were converted into a total of 335,382,364 new ordinary shares of the Company.

As at the date of this report, the status of the utilisation of the gross proceeds of RM20.0 million arising from the RCN issuance is as follow:-

Purposes	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation ^
Splash Park project	79,600	9,987	Within thirty-six (36) months
Acquisition of land	5,500	4,017	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	2,370	Within thirty-six (36) months
Total	100,000	20,000	

Note:

^ The proceeds raised were utilised from the date of issuance of the respective sub-tranches of the Notes and within the estimated timeframe stated above.

B9. GROUP BORROWINGS AND DEBT SECURITIES

Total Group's borrowings as at 31 December 2019 are as follow: -

	As at 31/12/2019 RM'000
Short term borrowings	
Secured: -	
- Bank overdraft	3,477
- Hire purchase and lease liabilities	194
- Bridging loan	3,326
- Term loan	289
	<u>7,286</u>
Long Term Borrowings	
Secured: -	
- Hire purchase and lease liabilities	367
- Bridging loan	31,340
- Term loan	5,585
	<u>37,292</u>
Total	<u>44,578</u>

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

B10. OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

As at 18 February 2020, 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 18 February 2020, 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 new trial dates for the Writ action is now set for 27 to 29 April 2020 after being adjourned during the 18 July 2019 trial date.

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.

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B12. DIVIDEND

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

B13. LOSS PER SHARE

<u>Basic</u>		Current Period Quarter <u>31/12/2019</u>	Preceding Year Corresponding Quarter <u>31/12/2018</u>	Current Period To Date <u>31/12/2019</u>	Preceding Period To Date <u>31/12/2018</u>
Net loss attributable to owners of the Company	(RM'000)	(1,731)	(3,096)	(6,037)	(6,799)
Weighted average number of ordinary shares	('000)	805,669	671,433	805,669	671,433
Basic loss per share	(Sen)	(0.21)	(0.46)	(0.75)	(1.01)

As at 31 December 2019, 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 financial quarter under review.

By Order of the Board,

Choi Siew Fun
Company Secretary
Date: 25 February 2020