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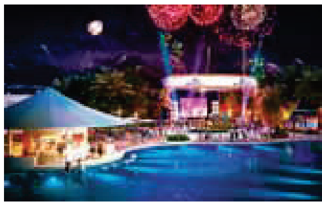
TANCO HOLDINGS BERHAD

(3326-K)

ANNUAL REPORT 2013





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BOARD OF DIRECTORS

Dato' Tan Jing Nam
Group Managing Director

Dato' Tan Lee Sing
Executive Director

Andrew Tan Jun Suan
Executive Director

Dato' Dr. Mohd. Aminuddin bin Mohd. Rouse
Independent Non-Executive Director

Dato' Dr. Mohd. Noordin bin Haji Keling
Independent Non-Executive Director

James Wong Kwong Yew
Independent Non-Executive Director

Chan Chee Meng
Executive Director

Koay Ghee Teong
Executive Director

AUDIT COMMITTEE
Dato' Dr. Mohd. Noordin bin Haji Keling (Chairman)
James Wong Kwong Yew
Dato' Dr. Mohd. Aminuddin bin Mohd. Rouse

NOMINATION COMMITTEE
Dato' Dr. Mohd. Aminuddin bin Mohd. Rouse (Chairman)
Dato' Dr. Mohd. Noordin bin Haji Keling
James Wong Kwong Yew

REMUNERATION COMMITTEE
Dato' Dr. Mohd. Aminuddin bin Mohd. Rouse (Chairman)
Dato' Dr. Mohd. Noordin bin Haji Keling
Dato' Tan Jing Nam

COMPANY SECRETARIES
Chan Keng Yew
Choi Siew Fun

REGISTERED OFFICE
No.1, Persiaran Ledang, Off Jalan Duta
50480 Kuala Lumpur
Tel: (603) 2093 6188 Fax: (603) 2095 8010
Website: http://www.tancoholdings.com
E-mail: thb@tancoresorts.com

SHARE REGISTRAR
Sectrars Services Sdn. Bhd.
No. 28-1, Jalan Tun Sambanthan 3
Brickfields, 50470 Kuala Lumpur
Tel: (603) 2274 6133 Fax: (603) 2274 1016

AUDITORS
Baker Tilly Monteiro Heng
Chartered Accountants

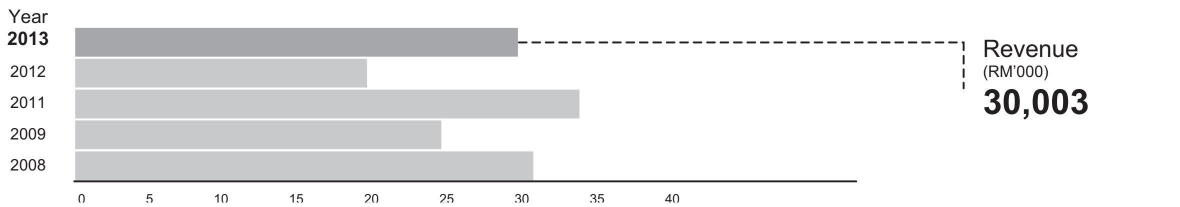
PRINCIPAL BANKER
Bank Kerjasama Rakyat Malaysia Berhad

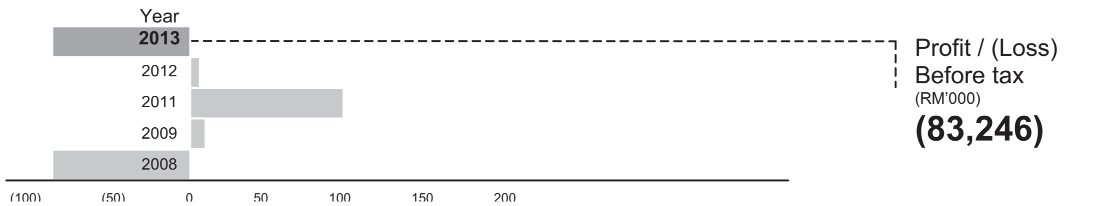
STOCK EXCHANGE LISTING
Main Market of Bursa Malaysia Securities
Berhad, Malaysia

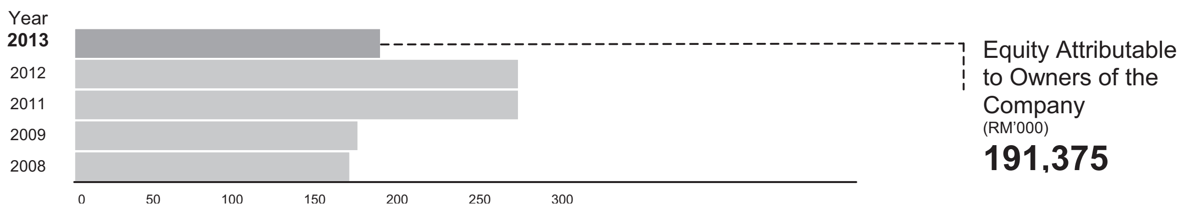
FINANCIAL SUMMARY

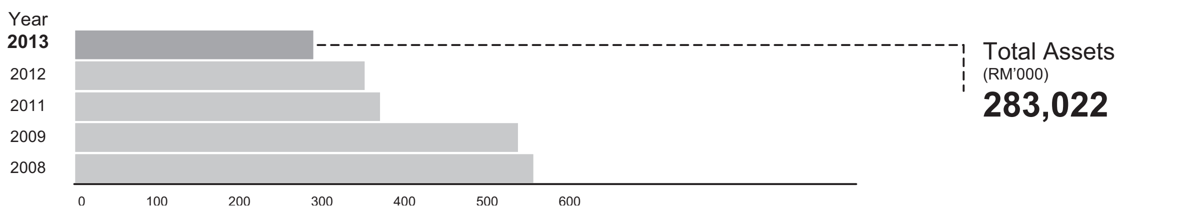
		2013	2012	2011*	2009	2008
GROUP						
Total Assets	RM'000	283,022	363,282	377,011	548,977	557,565
Total Liabilities	RM'000	91,551	88,599	102,831	374,410	386,675
Equity attributable to owners of the Company	RM'000	191,375	274,563	274,095	174,509	170,834
Revenue	RM'000	30,003	19,646	33,734	24,989	31,258
Profit / (Loss) before tax	RM'000	(83,246)	599	98,158	5,172	(82,610)
Profit / (Loss) after tax attributable to owners of the Company	RM'000	(83,188)	468	99,216	5,164	(81,752)
Earning / (Loss) per share	Sen	(24.84)	0.14	29.63	1.54	(24.41)
Return on Total Assets	%	29.4%	0.1%	26.3%	0.9%	-14.7%
Return on Shareholders' Equity	%	-43.5%	0.2%	36.2%	3%	-47.9%
Gearing Ratio	%	32%	24%	23%	67%	32%

Note:-
* The financial period are made up to eighteen (18) months from 1st January 2010 to 30th June 2011.









DIRECTORS' PROFILE

DATO' TAN JING NAM
Group Managing Director

Dato' Tan Jing Nam, a Malaysian aged 58, was appointed to the Board on 28 July 1995 and is the Group Managing Director since 23 October 1995. He is also a member of the Remuneration Committee of Tanco Holdings Berhad ("THB").

He has extensive experience in the property and construction sectors and is the driving force behind the successful development of Bandar Country Homes, a self-contained township in Rawang. Under his leadership, the Tanco Group had expanded its property development and construction businesses to include vacation clubs and resorts related activities.

He is the brother of Dato' Tan Lee Sing and the father of Andrew Tan Jun Suan. Save as aforesaid, he does not have any family relationship with any other directors and/or major shareholders of THB. He is deemed in conflict of interest with THB by virtue of his interest in certain privately-owned companies which are also involved in property development. However, these privately-owned companies are not in direct competition with the business of THB. He has not been convicted for offences within the past ten years.

He attended all the five Board Meetings held during the financial year ended 30 June 2013.

DATO' TAN LEE SING
Executive Director

Dato' Tan Lee Sing, a Malaysian aged 54, was appointed to the Board as Executive Director on 28 July 1995.

She graduated from the University of Melbourne, Australia with a degree in Commerce in 1980. She has extensive experience in the property and construction sectors.

She is the sister of Dato' Tan Jing Nam and the aunt of Andrew Tan Jun Suan. Save as aforesaid, she does not have any family relationship with any other directors and/or major shareholders of THB. She is deemed in conflict of interest with THB by virtue of her interest in certain privately-owned companies which are also involved in property development. However, these privately-owned companies are not in direct competition with the business of THB. She has not been convicted for offences within the past ten years.

She attended all the five Board Meetings held during the financial year ended 30 June 2013.

ANDREW TAN JUN SUAN
Executive Director

Andrew Tan Jun Suan, a Malaysian aged 33, was appointed to the Board as Executive Director on 22 November 2007.

He graduated from the University of Melbourne, Australia, with a degree in Commerce in 2002. Prior to joining THB, he was actively involved in private businesses of his own in industries such as loyalty programs, information technology, trading, construction and property development. He joined THB in year 2005.

He is the son of Dato' Tan Jing Nam and the nephew of Dato' Tan Lee Sing. Save as aforesaid, he does not have any family relationship with any other directors and/or major shareholders of THB. He is deemed in conflict of interest with THB by virtue of his interest in certain privately-owned companies which are also involved in property development. However, these privately-owned companies are not in direct competition with the business of THB. He has not been convicted for offences within the past ten years.

He attended four out of five Board Meetings held during the financial year ended 30 June 2013.

DIRECTORS' PROFILE (cont'd)

DATO' DR. MOHD. AMINUDDIN BIN MOHD. ROUSE
Independent Non-Executive Director

Dato' Dr. Mohd. Aminuddin bin Mohd. Rouse, a Malaysian aged 68, was appointed to the Board as an Independent Non-Executive Director on 20 October 1997. He is the Chairman of the Remuneration Committee, Chairman of the Nomination Committee and a member of the Audit Committee of THB.

He graduated with a B. Sc (Hons) in Biochemistry from University Malaya and holds a Ph.D in Agriculture Chemistry from University of Adelaide. Prior to venturing into the commercial sector, he was an academician for 14 years having started as a lecturer in University Putra Malaysia and served as a Professor in University Sains Malaysia. While in academia, he held numerous positions including Head of Biochemistry and Microbiology, Deputy Dean, Dean and Professor of Biochemistry.

He ventured into the corporate world in 1983. He also sits on the Board of several public listed company including Star Publications (Malaysia) Bhd, Ajiya Bhd, Karambunai Corp Bhd and ManagePay Systems Bhd.

He does not have any family relationship with any other directors and/or major shareholders of THB. He does not have any conflict of interest with THB. He has not been convicted for offences within the past ten years.

He attended all the five Board Meetings held during the financial year ended 30 June 2013.

DATO' DR. MOHD. NOORDIN BIN HAJI KELING
Independent Non-Executive Director

Dato' Dr. Mohd. Noordin bin Haji Keling, a Malaysian aged 87, was appointed to the Board as an Independent Non-Executive Director on 1 July 1994. He is the Chairman of the Audit Committee, a member of the Nomination Committee and a member of the Remuneration Committee of THB.

A veterinary surgeon by profession, he graduated from the Bengal Veterinary College, Calcutta in 1950 and in 1956 from the Royal Veterinary College, University of London as a Member of the Royal College of Veterinary Surgeons, England. While in Government service, he obtained post-graduate qualifications in tropical veterinary medicine at the University of Edinburgh in 1960 and in veterinary public health at the University of Toronto in 1966. He later obtained the Bachelor of Laws degree, LLB (Hons) from the University of London and the Certificate in Legal Practice (C.L.P) awarded by the Legal Profession Qualifying Board, Malaysia. He was admitted as an Advocate and Solicitor of the High Court, Malaya in December 1996. He had a distinguished career in the Veterinary Department, Malaysia, retiring in 1982 as the Director-General of the National Livestock Development Authority. On retirement he served for two years as Executive Vice-Chairman of MAX Agriculture Sdn Bhd, a company with principal activities in the manufacture and trading of fertilizers. Currently he also sits on the Board of several private limited companies.

He does not have any family relationship with any other directors and/or major shareholders of THB. He does not have any conflict of interest with THB. He has not been convicted for offences within the past ten years.

He attended all the five Board Meetings held during the financial year ended 30 June 2013.

DIRECTORS' PROFILE (cont'd)

MR. JAMES WONG KWONG YEW
Independent Non-Executive Director

Mr. James Wong Kwong Yew, a Malaysian aged 67, was appointed to the Board on 28 July 1995 and subsequently appointed as Group Executive Director on 23 October 1995. He was re-designated as Non-Independent Non-Executive Director on 30 April 2007. On 4 May 2009, he was re-designated as Independent Non-Executive Director. He is a member of the Audit Committee and Nomination Committee of THB.

He is a Chartered Accountant (England and Wales since 1971) and has extensive experiences in professional firms and the commercial sector. He is well versed in the field of accounting, corporate finance, banking and property development. Prior to joining THB, he was the Executive Vice President/Director of a listed financial services group.

He does not have any family relationship with any other directors and/or major shareholders of THB. He does not have any conflict of interest with THB. He has not been convicted for offences within the past ten years.

He attended four out of five Board Meetings held during the financial year ended 30 June 2013.

CHAN CHEE MENG
Executive Director

Chan Chee Meng, a Malaysian aged 53 was appointed to the Board as Executive Director on 3 September 2012.

He obtained his professional qualification in The Malaysian Institution of Certified Public Accountants in 1986 and Chartered Institute of Management Accountants in 1988. He is a chartered accountant and a member of the Malaysian Institute of Accountants and Malaysian Association of Certified Public Accountants. He has extensive experiences in professional firms and the commercial sectors. He is well versed in the field of accounting, corporate finance, information technology and property development.

He does not have any family relationship with any other directors and/or major shareholders of THB. He does not have any conflict of interest with THB. He has not been convicted for offences within the past ten years.

He attended all the (4) Board Meetings held during the financial year ended 30 June 2013 after his appointment on 3 September 2012.

KOAY GHEE TEONG
Executive Director

Koay Ghee Teong, a Malaysian aged 44 was appointed to the Board as Executive Director on 6 September 2012.

He graduated with an Honours Degree in Law from the University of Leicester, United Kingdom in 1991 and after a brief stint in the banking industry, he was called to the Malaysian Bar in 1994 and went into active legal practice as an advocate and solicitor before joining the Tanco group of companies ("Tanco Group" or "Group"). Within the Tanco Group, he holds positions as Head of Group Legal Affairs and as Chief Executive Officer of Tanco Resorts Berhad (TRB). He is also TRB's representative in the Malaysian Holiday Timeshare Developers Federation (MHTDF) and an elected member of the Executive Committee of the MHTDF. He has also been involved in the Group's restructuring and corporate planning exercises.

He does not have any family relationship with any other directors and/or major shareholders of THB. He does not have any conflict of interest with THB. He has not been convicted for offences within the past ten years.

He attended all the (4) Board Meetings held during the financial year ended 30 June 2013 after his appointment on 6 September 2012.

GROUP MANAGING DIRECTOR'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present you the annual report of Tanco Holdings Berhad ("Tanco Group or our Group") for the financial year ended 30 June 2013.

OPERATING ENVIRONMENT

During the financial year under review, Tanco Group continued to operate in a challenging business environment amidst weak global economic conditions and market uncertainties in the local front. Whilst our domestic economy charted improving GDP growths of 5.3% and 6.5% respectively in the third and fourth quarters of 2012, the domestic economy performed weaker in the first half of 2013, recorded a smaller growth of 4.1% in the first quarter of 2013 and 4.3% in the second quarter of 2013 (source: Malaysia Institute of Economic Research).

Despite the tough external factors which impacted on our Group's business operations, we remained focused on streamlining our Group's core businesses. Business strategies were laid in place to strengthen Tanco Group going forward.

REVIEW OF FINANCIAL PERFORMANCE

For the financial year ended 30 June 2013 ("FYE 30 June 2013"), Tanco Group reported an increase of 52.3% in revenue of RM30.0 million from RM19.7 million from the previous corresponding year. The increase in revenue was mainly attributable to the sale of a piece of freehold land in Pasir Panjang, Port Dickson to unlock the immediate value of the property. In the year under review, we also saw a weakening in revenue in our resorts and club operations from RM9.4 million previously to RM6.1 million in FYE 30 June 2013 as a result of a smaller base of membership from the timeshare business.

The Management has also decided to take a prudent stance to recognise the impact of impairment in asset value in this financial year. This has resulted in our Group recording a loss before tax of RM83.3 million for the financial year ended 30 June 2013 as compared to a profit before tax of RM0.6 million in the previous financial year. The impact of the one-off non-recurring impairments will reflect current market conditions/values and allow Tanco Group to set itself on a stronger footing to enable the Group to move forward in the FYE 30 June 2014.

After taking into account the impairment of receivables of RM22.2 million and impairment loss on properties, plant and equipment of RM53.0 million, fair value accounting effects had an unfavourable impact of RM75.2 million, thus resulting in a loss before tax of RM83.3 million. Management also took a prudent view to write off bad debts totalling RM6.7 million for the current financial year. After adjusting for the impact of fair value accounting and assets written-off, net operating loss before tax amounted to RM4.3 million.

GROUP'S PROSPECTS AND BUSINESS DEVELOPMENT PLANS

The Management recognises the need to put on board a roadmap of sustainable growth to build a steady flow of future operating income stream for our Group. For our current operations, we are continuously making efforts to implement further cost rationalisation exercises to improve profitability as well as the disposal of non-essential assets.

Our long term goals remained unchanged. We continue to explore business opportunities that can enable us to unlock the value of our core assets and propel Tanco Group to greater heights.

GROUP MANAGING DIRECTOR'S STATEMENT (cont'd)

GROUP'S PROSPECTS AND BUSINESS DEVELOPMENT PLANS (cont'd)

We have been working tirelessly to embark on our next project – Palm Springs Resort City ("PSRC"), a RM5.0 billion 400-acre integrated resort development in Port Dickson, Negeri Sembilan which will see Tanco Group shifting its business focus towards leisure and tourism as the growth impetus of the Group's future business. Nestled along the coastal shores of Port Dickson, PSRC will be the largest integrated self-contained seafront resort encompassing a water theme park and adjoining service suites called "Splash Park", a spa retreat, a retirement village, international hotels and a wellness zone.

Splash Park, which is spread over 23 acres of freehold land, will house an 8-acre water theme park featuring the largest ship play structure in Malaysia, accompanied by a lazy river, sand pool and swimming pools. This will make the Splash Park water theme amusement park, the largest theme park in Negeri Sembilan. The theme park, to be designed and built by an international specialist contractor, predominantly aims to capture young families with children up to 12 year old. There will be al fresco eateries and restaurants as well as facilities for private functions and indoor night entertainment to cater to visitors and tourists of all ages.

Apart from the water theme park, we will be developing the Splash Park serviced suites ("Splash Park Suites") which have a gross development value of RM600.0 million. On 29 August 2013, our Group signed a hospitality management agreement with Impiana Hotels and Resorts Management Sdn Bhd ("Impiana") to manage Splash Park Suites. We view our partnership with Impiana as a strategic move. Impiana is an award-winning four-star luxury hospitality brand and has vast experience and expertise to operate and manage resorts and hotels in the region. Our partnership with Impiana will be able to strengthen our position in the hospitality industry in Port Dickson. We expect to launch a total of 830 fully-furnished serviced suites in the last quarter of calendar year 2013. Splash Park Suites, with built-up sizes of 340 square feet to 685 square feet, will be offered to the market on a sale and leaseback model with an average selling price of RM810 per square feet. The investment scheme guarantees up to 72% rental returns over a period of 9 years and also offers investors a free 10 nights stay per annum.

The development of PSRC will spread over a timeframe of 10 years, starting with the construction of the "Splash Park" water theme park to create awareness and promote sales of the second phase – the Splash Park Suites towers. Phase 3 will be the construction of an international hotel and convention facilities. As of June 2013, earthworks have already begun for the water theme park and piling works are expected to commence by end of year 2013. Our Group expects to complete the Splash Park water theme park by 2014/2015.

The commercial potential of PSRC is well recognised under Port Dickson's Master Plan in the Negeri Sembilan State's efforts to grow its tourism industry. The State's economic development plans include introducing wellness and eco-tourism, coastal and marine tourism as well as agro tourism. As such, the State is committed to develop the infrastructure to improve accessibility to the coastal shores of Port Dickson to spur the leisure and hospitality industry. New roads are being built and highways are currently being extended which will have better accessibility to PSRC via the Seremban-Port Dickson Highway. With these improved infrastructure and accessibility to PSRC, the distance between Port Dickson and Kuala Lumpur will effectively only take a 45 minutes to 1 hour's drive, from KLIA 40 minutes, Malacca 45 minutes and Singapore 2 and a half hours, making Port Dickson an ideal weekend and holiday getaway for locals and Singaporeans. The State of Negeri Sembilan also has plans to further enhance accessibility into and around Port Dickson by introducing sea taxies, rail transport and streamlining buses and land transportation (Source: Rancangan Tempatan Daerah Port Dickson 2020).

In 2012, tourist arrivals to Malaysia grew by 1.3% to 25.03 million. In the first half of 2013, tourist arrivals recorded a total of 12.56 million, an increase of 7.9% from the previous corresponding period. Tourist arrivals in the first half of 2013 are largely contributed by tourists from China which saw a growth of 24.5%, followed by Taiwan (22.5%), Philippines (16.5%), Japan (15.9%), Indonesia (12.1%) and Singapore (7.9%) (Source: Tourism Malaysia). We are optimistic that more local and foreign tourists will visit Port Dickson with the development of PSRC and the State's efforts to grow and develop tourism to spur the state's economy.

GROUP MANAGING DIRECTOR'S STATEMENT (cont'd)

GROUP'S PROSPECTS AND BUSINESS DEVELOPMENT PLANS (cont'd)

We believe that upon completion of the Splash Park and the service suites, the future prospects of Tanco Group will be bright. The service suites are targeted at both local and international investors. For the latter, Malaysian properties are still relatively more affordable compared to our neighbouring countries and this should be encouraging.

The Malaysia Institute of Economic Research expects the Malaysian economy to grow at 4.8% in 2013. Growth outlook for 2014 is projected to be between 5.0% to 5.5%, on account of weak global economic outlook, generally tight fiscal and financial conditions and enhanced downside risks. The management of Tanco Group is cautiously optimistic in the immediate term. We will evaluate our business strategies carefully, contingent upon the take-up rates of our service suites and to ensure that our business risks are mitigated.

SIGNIFICANT CORPORATE DEVELOPMENTS

On 9 September 2013, the Board of Directors of Tanco Group announced that the company is proposing to undertake the following proposals:

(i) proposed reduction of the issued and paid-up share capital of the Company pursuant to Section 64(1) of the Companies Act, 1965, involving the cancellation of RM0.80 of the par value of each existing ordinary share of RM1.00 each in Tanco ("Tanco Share(s)" or "Share(s)") ("Proposed Par Value Reduction");

(ii) proposed amendments to the Memorandum and Articles of Association ("M&A") of the Company to facilitate the Proposed Par Value Reduction and the Proposed SIS (as defined herein);

(iii) proposed renounceable rights issue of up to RM33,488,672 nominal value of three (3)-year, 3%, irredeemable convertible unsecured loan stock ("ICULS") at 100% of its nominal value of RM0.10 each ("Rights ICULS") on the basis of RM0.10 nominal value of Rights ICULS for every one (1) Tanco Share held after the Proposed Par Value Reduction, based on a minimum subscription level of RM15,000,000 nominal value of Rights ICULS on an entitlement date to be determined and announced later ("Proposed Rights Issue of ICULS"); and

(iv) proposed establishment of a share issuance scheme of up to fifteen percent (15%) of the prevailing issued and paid-up share capital of the Company (excluding treasury shares) for the eligible employees and directors of Tanco Group, who fulfil the eligibility criteria.

The Proposed Par Value Reduction will see Tanco's par value of the ordinary shares reduce from RM1.00 each to RM0.20 each via the cancellation of RM0.80 from the par value. This will give rise to a credit amount of RM267.9 million which will be utilised to fully set-off and eliminate the accumulated losses to strengthen Tanco Group's financial position. The Proposed Rights Issue of ICULS will raise at least RM15 million for working capital needs and partial repayment of bank borrowings. The lower coupon rate of the ICULS will also help reduce interest costs for the Group.

Upon the full conversion of the ICULS, Tanco Group will be revitalised with a stronger capital base and financial position. The successful implementation of the corporate restructuring plan will put us on a stronger financial footing to take advantage of business opportunities. We will continue with efforts to strengthen our position and differentiate ourselves in the tourism industry. We believe our efforts will enable the Group to move forward to chart a new era of growth.

The details of the proposals can be obtained from our announcements to Bursa Malaysia. The proposals, which are subject to and conditional upon approvals being obtained, are expected to be completed by the first quarter of 2014.

GROUP MANAGING DIRECTOR'S STATEMENT (cont'd)

ACKNOWLEDGEMENTS AND APPRECIATION

On behalf of the Board of Directors, I wish to express our sincere gratitude and appreciation to our management and staff of the Group for their unabated contributions, dedication, commitment and loyalty in seeing us through another challenging year. In August 2013, Dato' Neo Say Yeow resigned from the Board to concentrate on his other commitments. The Board would like to record its appreciation for his invaluable advice and contribution over the course of his 5-year tenure with Tanco Group.

To our shareholders, I am grateful for your confidence in our Group. Our gratitude and sincere thanks are also extended to our valued customers, bankers, business partners and associates for their continued support. We are equally grateful to all Government Agencies and regulatory authorities for their guidance, advice and assistance.

DATO' TAN JING NAM
Group Managing Director

CORPORATE GOVERNANCE STATEMENT

The Board is committed to ensure that good corporate governance practices are applied throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and to improve its financial performance. This disclosure statement sets out the manner in which the Board has applied the Principles of Corporate Governance pursuant to the Malaysian Code on Corporate Governance 2012 ("the Code") throughout the financial year ended 30th June 2013.

BOARD OF DIRECTORS

Principal Responsibilities of the Board

The Group is led and controlled by an effective Board. The Board's principal activities amongst others include setting out strategic plans and policies and overseeing the investments and business of the Company. In fulfilling its fiduciary duties, the Board ensures that there are appropriate systems and procedures in place to identify the Company's significant risks and implementation of appropriate internal controls and mitigation measures to manage these risks. Key matters such as approval of annual and interim results, major acquisitions and disposals, major agreements as well as review of the adequacy and integrity of the internal controls system and risk management strategies of the Company are reserved for the Board. The Group has in place financial authorization limit for matters such as operating and capital expenditure.

The Board also recognizes the value and contributions of employees of the Group. In this respect, continuous effort is made to enhance the development of employees, which includes steps to ensure capable leaders are nurtured for the orderly succession of senior management.

The Board is guided by a charter which provides reference for directors in relation to the Boards' roles, powers, duties and functions. The Board Charter also outlines the processes and procedures to ensure the Board's and Board Committees' effectiveness and efficiency. The Board Charter comprises, amongst others, the well-defined terms of reference as well as authority limits for the Board and its Committees and the various relevant internal policies. This Charter will be periodically reviewed and updated by the Board.

Board Composition and Balance

The Directors are of the opinion that the current Board size and composition is appropriate for the scope and nature of the Group's business and operations and for facilitating effective discussions and decision making. No individual or group dominates the Board's decision making. The Board maintains an appropriate balance of expertise, skills and attributes among the Directors. This is reflected in the diversity backgrounds and competencies of the Directors. Such competencies include finance, accounting, legal and other relevant industry knowledge and management experience and familiarity with the regulatory requirements and risk management. A brief profile of each Director is presented in the Directors' Profile section of this Annual Report.

The Board currently has eight (8) members, comprising five (5) Executive Directors and three (3) Non-Executive Directors. All the Non-Executive Directors are Independent Non-Executive Directors within the meaning of Chapter 1.01 of the Listing Requirements. The Board therefore fulfilled the Listing Requirements under Paragraph 15.02, which states that at least two (2) or one third (⅓) of the Board members, whichever is higher, must be Independent Directors.

The presence of Independent Non-Executive Directors in the Board provides objectivity and they are of the caliber necessary to carry sufficient weight in Board decisions. Although all the Directors have an equal responsibility for the Group's operations, the role of the Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and examined, and take account of the long term interests, not only of the shareholders, but also of employees, customers, suppliers, and the many communities in which the Group conducts business.

CORPORATE GOVERNANCE STATEMENT (cont'd)

Dato' Dr. Mohd. Noordin bin Haji Keling is the Senior Independent Non-Executive Director, to whom all concerns may be conveyed.

The role and responsibilities of the Chairman and the Group Managing Director are distinct and separate; the Chairman being Non-Executive is not involved in the management and day-to-day operations of the Group. However, the Chairman position has been vacated since the resignation of the previous Chairman and the Board is seeking to appoint a new Chairman.

Board Meetings

The Board has at least four (4) scheduled quarterly meetings with additional meetings being convened as and when necessary. During the financial year ended 30th June 2013, five (5) Board Meetings were held and details of attendance of the Directors are as follows:

Name of Director	Date of Appointment	Attendance
Dato' Tan Jing Nam	28.07.1995	5/5
Dato' Tan Lee Sing	28.07.1995	5/5
James Wong Kwong Yew	28.07.1995	4/5
Dato' Dr. Mohd. Noordin bin Haji Keling	01.07.1994	5/5
Dato' Dr. Mohd. Aminuddin bin Mohd. Rouse	20.10.1997	5/5
Andrew Tan Jun Suan	22.11.2007	4/5
Dato' Neo Say Yeow (Resigned on 16.08.2013)	02.07.2008	5/5
Chan Chee Meng	03.09.2012	4/4
Koay Ghee Teong	06.09.2012	4/4

Supply of and Access to Information

All Directors are provided with an agenda and a set of Board papers, prior to every Board Meeting. The Board papers circulated include quarterly and annual financial statements, minutes of meetings, major operational and financial matters, and performance report of the Group. All matters requiring Board approvals are also circulated prior to the Board Meetings and during Board Meetings these matters are duly discussed and deliberated with senior management before decisions are made.

All Directors have direct access to all the information within the Group and to the advice and services of the qualified and competent Company Secretaries and where necessary, in the furtherance of their duties, seek independent professional advice at the Company's expense.

Code of Conduct

The Board is alert to the possibility of potential conflicts of interest involving the Directors and the Company and affirms its commitment to ensuring that such situations of conflict are avoided. Directors are required to disclose any actual or potential conflict, or any material personal interests, on appointment as a director and are required to keep these disclosures up to date.

In the event that there is, or may be, a conflict between the personal or other interests of a Director, then the Director with an actual or potential conflict of interest in relation to a matter before the Board shall abstain and take no part in the discussion or decision making process.

The Company's Codes of Ethics are set out in the Company's Employee Handbook, which covers all aspects of the company's business operations.

BOARD COMMITTEE

To assist the Board in the discharge of its oversight function, the Board has delegated specific responsibilities to three (3) Board Committees, namely the Audit Committee, Nomination Committee and Remuneration Committee, the details of which are set out below. These Committees have the authority to examine particular issues within their terms of reference and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

CORPORATE GOVERNANCE STATEMENT (cont'd)

AUDIT COMMITTEE

The Audit Committee comprises of three (3) Non-Executive Directors, all of whom, including the Chairman are Independent Non-Executive Directors. The composition of the Audit Committee together with the terms of reference and activities of the Audit Committee during the financial year ended 30th June 2013 is presented in the Audit Committee Report section of this Annual Report.

NOMINATION COMMITTEE

The Nomination Committee consists of wholly Independent Non-Executive Directors and its composition is as follows:-

		Designation
Dato' Dr. Mohd. Aminuddin bin Mohd. Rouse	-	Chairman of the Nomination Committee, Independent Non-Executive Director
Dato' Dr. Mohd. Noordin bin Haji Keling	-	Independent Non-Executive Director
James Wong Kwong Yew (Appointed on 19th August 2013)	-	Independent Non-Executive Director
Dato' Neo Say Yeow (Resigned as Director on 16th August 2013)	-	Independent Non-Executive Director

The responsibilities of the Nomination Committee are set out in the Terms of Reference. The Nomination Committee's main responsibility, among others, is to recommends new appointments to the Board for their approval. The other responsibilities of the Nomination Committee include making recommendations to the Board on the appointment of members of Board Committees, the review on an annual basis of the Board structure, size and composition, and assessment of the effectiveness of the Board, its Committees and the contribution of each Board.

The Nomination Committee held three (3) meetings during the financial year ended 30th June 2013.

Procedure

1. Appointment to the Board

Selection of candidates to be considered for the appointment as Directors is facilitated through recommendations from the Directors. In reviewing and recommending to the Board any new Director appointments, the Nomination Committee considers factors such as integrity, the ability to contribute to discussions, deliberations and activities of the Board and Committees and also look into the desired competencies to supplement the Board's existing attributes.

2. Gender Diversity

The Board has one female Director.

3. Annual Assessment

The Company conducts an annual review of the size and its required mix of skills and experiences and other qualities including core competencies which Non-Executive Directors should bring to the Board to ensure the continued effectiveness of the Board.

The Board has implemented a process to be carried out by the Nomination Committee annually, for assessing the effectiveness of the Board as a whole, the Board Committees, and for assessing the contribution of each individual Director. The Directors will complete a questionnaire regarding the effectiveness of the Board on self-assessment basis. The assessment will be summarized and discussed at the Nomination Committee meeting and also shared with the entire Board. All assessments and evaluations carried out by the Nomination Committee in the discharge of its functions are properly documented.

CORPORATE GOVERNANCE STATEMENT (cont'd)

4. Assessment of Independent Directors

The Board through the Nomination Committee determines the independence of each Director annually based on the definitions and guidelines of Bursa Securities Listing Requirements and also considers whether the independent director can continue to bring independent and objective judgment to board deliberations.

Per the Code's recommendation, the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the board subject to the director's re-designation as a non-independent director. The Board must justify and seek shareholders' approval and subject to the assessment of the Nomination Committee in the event it retains as an independent director, a person who has served in that capacity for more than nine (9) years.

5. Re-election and Re-appointment of Directors

The Nomination Committee also reviews the Directors' re-election and re-appointment to the Board on an annual basis. In accordance with the Company's Articles of Association, at least one third (⅓) of the Directors are required to retire by rotation at each Annual General Meeting and shall be eligible for re-election at the Annual General Meeting. Directors who are appointed by the Board to fill a casual vacancy or as an addition to the existing Board are subject to election by shareholders at the next Annual General Meeting following their appointment. The Directors also shall retire from office at least once in three years, but shall be eligible for re-election.

Directors over seventy (70) years of age are required to offer themselves for re-appointment to hold office until the conclusion of the next Annual General Meeting in accordance with Section 129 (6) of the Companies Act, 1965.

Summary of Activities

Below is a summary of activities carried out by the Nomination Committee during the year:-

i) Identify, evaluating and recommending candidates for appointment as Directors of the Company;
ii) reviewing the size and composition of the Board to ensure both aspects continue to meet the requirements of the Group.
iii) recommending to the Board for the re-election of Directors at Annual General Meetings (AGMs) in accordance with the Company's Articles of Association;
iv) recommending to the Board the Director over seventy (70) years of age for re-appointment in accordance with Section 129 (6) of the Companies Act, 1965 at AGM;
v) determining annually the independence of Directors and recommending the Directors who have served the Board for more than nine (9) years to continue to act as Independent Non-Executive Directors; and
vi) To assess on annual basis the effectiveness of the Board as a whole, the committee of the Board, and for assessing the contribution of each individual directors, including Independent Non-Executive Directors as well as the Executive Directors.

REMUNERATION COMMITTEE

The Remuneration Committee consists of three (3) members of which one (1) is Executive Director and two (2) Independent Non-Executive Directors and its composition is as follows:-

		Designation
Dato' Dr. Mohd. Aminuddin bin Mohd. Rouse	-	Chairman of the Remuneration Committee, Independent Non-Executive Director
Dato' Dr. Mohd. Noordin bin Haji Keling	-	Independent Non-Executive Director
Dato' Tan Jing Nam	-	Group Managing Director

CORPORATE GOVERNANCE STATEMENT (cont'd)

Remuneration Policy

The responsibilities of the Remuneration Committee are set out in the Terms of Reference. The Remuneration Committee's primary responsibility is to review and recommend to the Board annually, the remuneration for Directors, in all its forms. In framing the Group's remuneration policy, the Remuneration Committee, if deem necessary will seek to obtain advice and information from external source. Nevertheless, the determination of remuneration packages of Directors (including fees) is a matter for the Board as a whole and each individual will abstain from discussion when the matter concerns their own remuneration.

The Remuneration Committee held two (2) meetings during the financial year ended 30th June 2013.

Disclosure of Directors' Remuneration

A summary of the remuneration of the Directors as at 30th June 2013 paid or payable for the financial year ended 30th June 2013, distinguishing between Executive and Non-Executive Directors in aggregate, with categorization into appropriate components and the number of Directors whose remuneration falls within the following bands are as follows:

	Executive Directors	Non-Executive Directors	Total
Directors' Fees (RM)	-	96,000.00	96,000.00
Salaries (RM)	2,003,000.00	-	2,003,000.00
Meeting Allowances (RM)	-	5,500.00	5,500.00
Benefits-in-kind (RM)	154,285.00	17,743.00	172,028.00
Directors' Remuneration			
Below RM50,000*	-	4	4
RM150,001-RM200,000	1	-	1
RM200,001-RM250,000	1	-	1
RM250,001-RM300,000	1	-	1
RM400,001-RM450,000	1	-	1
RM1,000,001-RM1,050,000	1	-	1

* including a Director who had resigned on 16th August 2013.

The above disclosures format meets the requirements of the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

CORPORATE GOVERNANCE STATEMENT (cont'd)

DIRECTORS' TRAINING

All the Directors have attended and completed the Mandatory Accreditation Programme prescribed by Bursa Malaysia Securities Berhad. The Directors are regularly updated on new regulatory and statutory requirements and governance matters by the Company Secretary.

The Directors are encouraged to continually attend relevant training programmes and seminars to further enhance their skills and knowledge and to keep abreast with the relevant changes in law, listing requirements, regulations and changing business developments relevant to the Company's interests.

All the Directors have attended trainings during the financial year ended 30th June 2013 as part of their continuous training in compliance with Bursa Malaysia Securities Berhad Main Market Listing Requirements. The training programmes, seminars and/or forum which were attended by the Directors are as follows:-

Name of Director	Training Programmes/Seminars/forums
Dato' Tan Jing Nam	Corporate Governance and Risk Management
Dato' Tan Lee Sing	Corporate Governance and Risk Management
	2013 Budget & Tax Seminar
	Effective Media Communications and Spokesperson Training
Mr. Andrew Tan Jun Suan	Corporate Governance and Risk Management
	Effective Media Communications and Spokesperson Training
Dato' Dr. Mohd. Aminuddin bin Mohd Rouse	Malaysian Budget 2013 – Tax Changes and The Impact on Businesses
	How the Competition Act & Data Protection Act changes the way we do business
	Related Party Transaction – Doing It Right for Results
Mr. James Wong Kwong Yew	2013 Budget & Tax Seminar
Dato' Dr. Mohd. Noordin bin Haji Keling	Bursa Malaysia's Half Day Governance Programme – "The key components of establishing and maintaining world-class audit committee reporting capabilities" & "What keeps an audit committee up at night?"
	Advocacy Session on Corporate Disclosure for Directors of Listed Issuers
Dato' Neo Say Yeow	Related Party Transaction – Doing It Right for Results
Chan Chee Meng	Mandatory Accreditation Programme for Directors of Public Listed Companies
	Effective Media Communications and Spokesperson Training
Koay Ghee Teong	Mandatory Accreditation Programme for Directors of Public Listed Companies
	2013 Budget & Tax Seminar
	Effective Media Communications and Spokesperson Training

CORPORATE GOVERNANCE STATEMENT (cont'd)

SHAREHOLDERS

Dialogue between the Company and Investors

The Board recognizes the importance of communication and proper dissemination of information to its shareholders, stakeholders and the public generally. However, any information that may be regarded as undisclosed material information about the Group will not be given. The following are the channels of communication of the Company to its shareholders, stakeholders, analysts and the public: -

1) the distribution of annual reports and circulars to shareholders;
2) timely quarterly results announcements and various disclosures and announcements made to the Bursa Malaysia Securities Berhad;
3) company's website at http://www.tancoholdings.com.

Annual General Meeting

At each Annual General Meeting, the Board presents the progress and performance report of the Group and encourages shareholders to participate and pose questions to the Board in the Question and Answer session. Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly announcement to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. This also applies to other price-sensitive public reports and reports to regulators.

Directors' Responsibility Statement for preparing the Financial Statements

The Directors are required by the Companies Act, 1965 to prepare financial statements that give a true and fair view of the state of affairs, the results and cash flows of the Group and of the Company.

In preparing the financial statements, the directors have ensured that appropriate accounting policies have been used and applied consistently and supported by reasonable and prudent judgments and estimates. The Directors have also ensured that all applicable approved accounting standards in Malaysia have been followed.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

Relationship with the Auditors

The Company has established transparent and appropriate relationships with the Company's auditors through the Audit Committee. The auditors have continued to report to shareholders of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. From time to time, the auditors would highlight to the Audit Committee matters that require their attention.

CORPORATE GOVERNANCE STATEMENT (cont'd)

INTERNAL CONTROLS

Risk Management

The Board recognizes that an effective risk management framework will allow the Group to identify, evaluate and manage risks that affect the achievement of the Group's business objectives within defined risk parameters in a timely and effective manner.

Details of the risk management framework are set out in the Statement on Risk Management and Internal Control section of this Annual Report.

Internal Audit Function

The Board acknowledges its responsibility for establishing an efficient and effective system of internal control covering not only financial controls but also controls relating to operational, compliance and risk management to safeguard shareholders' investment and the Group's assets. Such system can, however, only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

Details of the internal audit function, together with the state of the Group' internal controls are set out in the Audit Committee Report section and the Statement on Risk Management and Internal Control section of this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY

The company acknowledges the importance of corporate social responsibility and is committed to ensuring its actions benefit not only its shareholders, but also its employees, society and the environment.

The company has long maintained safe and conducive working conditions for its employees.

The Group constantly upgrades the employees' skill, knowledge and experiences which would enhance the individual employee's competency. Monthly contributions are made to Human Resource Development Fund to support the Government effort to encourage corporate bodies to invest in training and skills upgrading for employees.

This Statement is made in accordance with the Board of Directors' resolution dated 3rd October 2013.

ADDITIONAL COMPLIANCE INFORMATION

To comply with Bursa Malaysia Securities Berhad Main Market Listing Requirements, the following additional information has been provided:-

i) **Material Contracts**

Save as disclosed in Note 36 of the Financial Statements for the financial year ended 30th June 2013, there is no other material contracts entered into by the Company and its subsidiary companies, involving Directors and major shareholders up to the date of this report.

ii) **Utilisation of Proceeds**

No proceed was raised by the Company from any corporate proposal during the financial year.

iii) **Share buybacks**

During the financial year, there was no share buyback by the Company.

iv) **Options, warrants or convertible securities**

During the financial year, there was no options, warrant or convertible securities exercised.

v) **American Depository Receipt (ADR) or Global Depository Receipt (GDR) programme**

During the financial year, the Company did not sponsor any ADR or GDR programme.

vi) **Imposition of sanctions/penalties**

There were no material sanctions or penalties imposed to the Company and its subsidiaries, directors and management by the relevant regulatory bodies during the financial year.

vii) **Non-audit fees**

During the financial year, there was no non-audit fee paid or payable to the external auditors by the Company and its subsidiaries

viii) **Profit estimate, forecast or projection**

There was no material variance between the results for the financial year and the unaudited results previously announced by the Company. The Company did not issue any profit estimate, forecast or projection during the financial year.

ix) **Profit guarantee**

During the financial year, the Company had not provided any profit guarantees nor is there any profit guarantee given to the Company.

x) **Recurrent related party transactions statement**

There was no recurrent related party transaction of a revenue nature, which requires shareholders' mandate during the financial year.

AUDIT COMMITTEE REPORT

Members		**Designation**
Dato' Dr. Mohd. Noordin bin Haji Keling	-	Chairman of the Audit Committee Independent Non-Executive Director
Dato' Dr. Mohd. Aminuddin bin Mohd. Rouse	-	Independent Non-Executive Director
James Wong Kwong Yew	-	Independent Non-Executive Director

Composition of Audit Committee

1. The Audit Committee shall be appointed by the Board of Directors from among its members and all the members must be non-executive directors, with a majority of them, being independent directors.
2. The Audit Committee shall include at least one (1) Director who is a member of the Malaysian Institute of Accountants or alternatively, a person who must have at least three (3) years working experience and have passed the examination specified in Part 1 of the 1st Schedule of the Accountants Act, 1967 or is a member of one of the associations specified in Part II of the 1st Schedule of the Accountants Act 1967 or a person who fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad.
3. No alternate Director shall be appointed as a member of the Audit Committee.
4. The members of the Audit Committee shall elect a chairman from among their number and that person so elected need to be an Independent Non-Executive Director.
5. If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

Terms of Memberships

The Board should review the term of office of Audit Committee members once every three (3) years.

Authority

The Audit Committee is authorised by the Board to investigate any activity of the Company and its subsidiaries within its terms of reference, and shall be given the resources and full access to information, which it needs to do.

The Audit Committee is also authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

The Audit Committee shall have direct communication channels with the external auditors and person(s) carrying out the internal audit function and activity and be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

Duties

The duties of the Audit Committee should include the following:-

(i) To consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal;

(ii) To review with the external auditors before the audit commences, the nature and scope of the audit and their audit plan;

(iii) To review the assistance given by the Company's officers to the internal and external auditors;

(iv) To review the quarterly and year-end financial statements of the Company, prior to the approval of the Board of Directors, focusing particularly on:-
- any changes in accounting policies and practices;
- significant and unusual events;
- significant adjustments arising from the audit;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements;

AUDIT COMMITTEE REPORT (cont'd)

Duties (cont'd)

The duties of the Audit Committee should include the following:- (cont'd)

(v) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);

(vi) To review the external auditors' management letter (if any) and management's response;

(vii) To do the following in relation to the internal audit function :-
- review the adequacy of the scope, functions, competency and resources of the internal audit functions, and that it has the necessary authority to carry out its work;
- review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit findings;
- review any appraisal or assessment of the performance of members of the internal audit function;
- approve any appointment and the audit fees thereof and termination of internal auditor;
- take cognizance of the resignation of the internal auditor and to provide the resigning internal auditor an opportunity to submit his reason(s) for resigning.

(viii) To consider any related party transactions or conflict of interests that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;

(ix) To consider the major finding of internal audit investigations and management's response;

(x) To report promptly to the Bursa Malaysia Securities Berhad ("Bursa Securities") matters reported by the Audit Committee to the Board which have not been satisfactorily resolved resulting in a breach of Listing Requirements of Bursa Securities; and

(xi) To consider other topics as defined by the Board.

Attendance at Meetings

The Group Financial Controller or General Manager, Finance, internal auditors and a representative of the external auditors shall attend meetings upon the invitation of the Audit Committee. Other Board members and employees may attend meetings upon the invitation of the Audit Committee. However, the Audit Committee shall meet with the external auditors without Executive Board members present at least twice a year.

The Company Secretary shall be the secretary of the Audit Committee. The secretary shall be responsible for keeping the minutes of the meeting of the Audit Committee, circulating them to Audit Committee members and to the other members of the Board of Directors.

Quorum

The quorum of the Audit Committee Meetings shall consist of a majority of members of whom is independent.

Frequency of Meetings

The Audit Committee shall meet not less than four (4) times a year. In addition, the Chairman may call a meeting of the Audit Committee if requested to do so by any Audit Committee member or by the external auditors if they consider it necessary.

Number of Meetings & Details of Attendance

During the financial year ended 30th June 2013, the Audit Committee held a total of five (5) meetings. The details of attendance of the Audit Committee members are as follows:-

Name of Audit Committee	Attendance
Dato' Dr. Mohd. Noordin bin Haji Keling	5/5
Dato' Dr. Mohd. Aminuddin bin Mohd. Rouse	5/5
James Wong Kwong Yew	4/5

AUDIT COMMITTEE REPORT (cont'd)

Summary of Activities of the Audit Committee

The Audit Committee performed the following activities during the financial year ended 30th June 2013:-

(a) Reviewed the audit plans for the year prepared by the internal auditors and external auditors on the Company and the Group for adequacy and relevance of the scope of works as stipulated in the plan;
(b) Reviewed the audit reports prepared by the external auditors on the Company and the Group and considered all major findings, if any by the auditors and the adequacy of the management's responses to these findings;
(c) Reviewed the quarterly and annual results of the Company and the Group prior to submission to the Board of Directors for consideration and approval;
(d) Reviewed the audited financial statements of the Company and the Group prior to submission to the Board of Directors for consideration and approval;
(e) Reviewed related party transactions entered into by the Company and the Group;
(f) Reviewed the disclosure statements on compliance of the Malaysian Code on Corporate Governance, Board's responsibility on the Annual Financial Statements and the state of internal control and other relevant documents for publication in the Company's Annual Report.

Internal Audit Function

(a) The internal audit function and its role

To assist the Audit Committee in monitoring the adequacy and integrity of the Group's system of internal controls, the Company outsourced its internal audit function to S F Chang Corporate Services Sdn Bhd, an independent professional firm, which reports directly to the Audit Committee.

The principal role of the internal audit function is to undertake, on a prioritized approach, an independent and systematic assessment of the Group's system of internal controls as established by Management in addressing the principal business risks faced by the Group. Weaknesses and areas that required improvement, including the recommendations thereof and action plans agreed to be deployed by Management to address the issues raised, were highlighted by the independent internal audit function by way of internal audit reports issued to the Audit Committee.

(b) Internal audit activities

The internal audit function conducted its work based on an annual internal audit plan which was tabled before, and approved by, the Audit Committee. The activities carried out by the internal audit function are set out below:

(i) Conduct of internal audit

The internal audit function adopted a risk-based approach in identifying specific areas and processes to be covered. Issues relating to control deficiencies and areas for improvements including the relevant recommendations to address the issues noted, were highlighted in an internal audit report furnished to the Audit Committee; and

(ii) Follow-up Internal Audit Report

The internal audit function also performed a follow-up on the status of Management agreed action plans on recommendations raised in previous cycles of internal audits. A follow-up report was issued to highlight those issues that had yet to be fully addressed by Management, including specific timelines for those outstanding matters to be resolved.

Reports issued by the internal audit function for the financial year under review were tabled at Audit Committee meetings. Management was present at such meetings to provide pertinent clarification or additional information to address questions raised by Audit Committee members pertaining to matters raised by the internal audit function.

(c) Cost of internal audit

The total cost incurred for the outsourced internal audit function of the Group for the financial year ended 30th June 2013 was RM36,000.00.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements requires Directors of listed companies to include a Statement on Risk Management and Internal Control in their annual reports. Set out below is the statement:-

The Board of Directors of Tanco Holdings Berhad affirms its overall responsibility for the Group's system of internal control, risk management, and for reviewing the adequacy and integrity of the system. Due to the limitations that are inherent in any system of internal control, such systems are designed to manage, rather than eliminate the risk of failure to achieve business objectives. Accordingly such systems can only provide reasonable but not absolute assurances against material misstatement or loss.

The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Group. This includes examining principal business risks in critical areas and identifying measures to mitigate, avoid and eliminate these risks. The Audit Committee and the Board reviews this process with guidance from "Statement on Risk Management and Internal Control: Guidelines For Directors of Listed Issuers".

The joint venture and associated companies are not material to the Group and therefore have not been dealt with as part of the Group for the purpose of applying the guidance from "Statement on Risk Management and Internal Control : Guidelines For Directors of Listed Issuers".

The Group engaged an external independent party to provide internal audit services. The outsourced internal audit service provider whose primary responsibility is to assure the Board, via the Audit Committee, by determine the Group’s internal audit plan for the year and reports its finding and recommendations on quarterly basis.

The Board recognizes that an effective risk management framework will allow the Group to identify, evaluate and manage risks that affect the achievement of the Group’s business objectives within defined risk parameters in a timely and effective manner. The Board with the assistance of the Audit Committee and the Internal Auditors, continuously review existing risks and identify new risks that the Group faces and management action plans to manage the risks. To further enhance the risk management process within the culture of the Group, review of existing risks and identification of new risks is also conducted periodically with involvement of selected management and staff. In addition, nominated key management in each business unit have prepared action plans or/and exit plans to address key risks and control issues highlighted by the Internal Auditors.

The key elements of the Group's system of internal control include the following:-

- An organization structure, which formally defines lines of responsibility and delegation of authority.
- Key functions such as corporate affairs, finance, tax, treasury and human resources are controlled centrally.
- Incompatible responsibilities are properly segregated to ensure that no staff is in total control of whole transactions.
- The Group has a policy on financial limits and approving authority for its operating and capital expenditure.
- There is effective reporting system in place to ensure timely generation of financial information for management review.
- The internal audit function adopts a risk-based approach in identifying areas of priority and carries out its works in accordance with an annual audit plan approved by the Audit Committee and the Board. The Audit Committee holds regular meetings and reviews internal audit reports covering such matters. Major findings and concerns of the internal auditors are documented in the audit reports, which are tabled and discussed at the Audit Committee meetings together with appropriate corrective measures, and necessary action shall be taken by the management. Significant issues are brought to the attention of the Board.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

In order to achieve the above objectives, the Group has the following procedures/processes in place:-

- The Audit Committee and the Board review financial results quarterly.
- Operating units' meetings are conducted regularly to review financial performance, business development and deliberate on management issues.
- There are regular meetings between the senior management (Managing Director and Executive Directors) and Heads of Department to discuss business, operational and key management issues; and to review the financial performance of all the companies in the Group.
- The Audit Committee has access to internal auditors' reports and meets them to discuss their findings and reports.

The board has received assurance from the Executive Director and General Manager, Finance that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group.

During the year, the internal audit function performed various internal audit activities in accordance to the plan to ascertain the adequacy of the internal control systems and make recommendations for improvement where weaknesses exist. The Audit Committee and the Board shall work closely with internal and external auditors to continuously improve the internal controls of the Group in terms of its integrity and adequacy. The Groups' system of internal controls will continue to be reviewed, added to or updated in line with the changes in the operating environment to ensure its continuing effectiveness.

The statement is made in accordance with the Board of Directors' resolution dated 3rd October 2013.

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30th June 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of investment holding and the provision of management services. The principal activities of its subsidiaries and associates are disclosed in Notes 8 and 9 to the financial statements.

There have been no significant changes to the nature of these principal activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Total comprehensive loss for the financial year	(83,212)	(23,795)
Attributable to:		
Owners of the Company	(83,188)	(23,795)
Non-controlling interest	(24)	-
	(83,212)	(23,795)

DIVIDENDS

No dividend was paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 30th June 2013.

RESERVES AND PROVISIONS

All material transfers to and from reserves and provisions during the financial year have been disclosed in the financial statements.

DIRECTORS' REPORT (cont'd)

BAD AND DOUBTFUL DEBTS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would render the amount written off for bad debts, or the amount of the allowance for doubtful debts, in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount that they might be expected to be realised.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or

(ii) any contingent liabilities in respect of the Group and of the Company that has arisen since the end of the financial year.

No contingent liabilities or other liabilities of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet its obligations as and when they fall due.

DIRECTORS' REPORT (cont'd)

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company that would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company did not issue any shares or debentures.

DIRECTORS

The directors in office since the date of the last report are:-

Dato' Tan Jing Nam
Dato' Tan Lee Sing
Dato' Dr. Mohd. Aminuddin Bin Mohd. Rouse
Dato' Dr. Mohd. Noordin Bin Haji Keling
James Wong Kwong Yew
Andrew Tan Jun Suan
Chan Chee Meng
Koay Ghee Teong
Dato' Neo Say Yeow - Resigned on 16th August 2013

In accordance with Article 101 of the Company's Articles of Association, Dato' Tan Jing Nam and Dato' Dr. Mohd. Aminuddin Bin Mohd. Rouse, retire by rotation at the forthcoming Annual General Meeting and being, eligible, offer themselves for re-election.

In accordance with Section 129 of the Companies Act, 1965 in Malaysia, Dato' Dr. Mohd. Noordin Bin Haji Keling retires and being eligible, offers himself for re-election.

DIRECTORS' REPORT (cont'd)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia, the interests of those directors who held office at the end of the financial year in shares in the Company and its related corporations during the financial year ended 30th June 2013 are as follows:-

	Number of ordinary shares of RM1/- each			
	At 1.7.2012	**Bought**	**Sold**	**At 30.6.2013**
The Company				
Tanco Holdings Berhad				
Dato' Tan Jing Nam				
- direct	88,903,669	-	-	88,903,669
Dato' Neo Say Yeow				
- direct	17,816,796	600,000	-	18,416,796
Dato' Dr. Mohd. Noordin Bin Haji Keling				
- direct	62,510	-	-	62,510
James Wong Kwong Yew				
- direct	2,000	-	-	2,000
Dato' Tan Lee Sing				
- direct	5,000	-	-	5,000
The subsidiaries				
Tanco Enterprise Sdn. Bhd.				
Dato' Tan Jing Nam				
- direct	30,004	-	-	30,004
Medan Melati Sdn. Bhd.				
Dato' Dr. Mohd. Aminuddin Bin Mohd. Rouse				
- direct	200	-	-	200

By virtue of their interests in the Company, the directors are also deemed interested in the shares of all the subsidiaries to the extent the Company has an interest.

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in shares of the Company and its related corporations during the financial year.

DIRECTORS' REPORT (cont'd)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company or any of its related corporations a party to any arrangement, whose object was to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

On behalf of the Board,

DATO' TAN JING NAM
Director

DATO' TAN LEE SING
Director

Kuala Lumpur

Date: 6th September 2013

STATEMENTS OF FINANCIAL POSITION
AS AT 30TH JUNE 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	107,093	161,373	599	616
Land held for property development	6(a)	76,898	99,031	-	-
Prepaid lease payments	7	20,116	20,410	-	-
Investment in subsidiaries	8	-	-	53,158	52,494
Other investments	10	5,340	5,412	2	2
		209,447	286,226	53,759	53,112
Current assets					
Property development costs	6(b)	26,728	12,873	-	-
Assets classified as held for sale	12	-	1,341	-	-
Inventories	13	21,139	21,166	-	-
Trade receivables	14	21,509	25,125	-	-
Other receivables, sundry deposits and prepayments	15	1,834	14,091	2	21
Amount owing by subsidiaries	16	-	-	202,669	225,153
Cash, bank balances and deposits	18	2,365	2,460	-	238
		73,575	77,056	202,671	225,412
Total Assets		283,022	363,282	256,430	278,524

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 30TH JUNE 2013 (cont'd)

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
EQUITY AND LIABILITIES					
Equity attributable to Owners of the Company					
Share capital	19	334,887	334,887	334,887	334,887
Accumulated losses		(142,209)	(59,021)	(147,215)	(123,420)
Foreign currency reserve	20	(1,303)	(1,303)	-	-
Shareholders' funds		191,375	274,563	187,672	211,467
Non-controlling interest		96	120	-	-
Total Equity		191,471	274,683	187,672	211,467
Non-current liabilities					
Borrowings	21	31,261	24,248	-	-
Other long term payables (unsecured)	22	748	748	-	-
		32,009	24,996	-	-
Current liabilities					
Trade payables	24	12,111	17,696	-	-
Other payables, sundry deposits and accruals	25	23,591	32,975	3,896	4,061
Provisions	26	9,801	771	-	-
Borrowings	21	2,540	2,577	2,492	2,497
Amount owing to subsidiaries	27	-	-	55,922	55,748
Amount owing to directors	28	10,839	8,756	6,416	4,625
Tax payable		660	828	32	126
		59,542	63,603	68,758	67,057
Total Liabilities		91,551	88,599	68,758	67,057
TOTAL EQUITY AND LIABILITIES		283,022	363,282	256,430	278,524

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Revenue	29	30,003	19,646	-	-
Cost of sales		(21,111)	(8,506)	-	-
GROSS PROFIT		8,892	11,140	-	-
Other operating income	30	8,690	15,890	1,368	87
Other operating and administrative expenses		(98,330)	(25,244)	(24,961)	(2,384)
OPERATING (LOSS)/PROFIT	31	(80,748)	1,786	(23,593)	(2,297)
Finance costs (net)	32	(2,498)	(1,187)	(202)	(894)
(LOSS)/PROFIT BEFORE TAXATION		(83,246)	599	(23,795)	(3,191)
Taxation	33	34	(96)	-	-
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(83,212)	503	(23,795)	(3,191)
Other comprehensive income					
Foreign currency translation reserve		-	-	-	-
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE FINANCIAL YEAR		(83,212)	503	(23,795)	(3,191)
(Loss)/Profit attributable to:					
Owners of the Company		(83,188)	468	(23,795)	(3,191)
Non-controlling interests		(24)	35	-	-
		(83,212)	503	(23,795)	(3,191)
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(83,188)	468	(23,795)	(3,191)
Non-controlling interests		(24)	35	-	-
		(83,212)	503	(23,795)	(3,191)
Earnings per ordinary share (sen)	34				
- Basic		(24.84)	0.14		
- Diluted		(24.84)	0.14		

The accompanying notes form an integral part of these financial statements

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2013

Group	← Attributable to Owners of the Company →					
		Distributable	Non-Distributable			
	Share Capital RM'000	Accumulated Losses RM'000	Foreign Currency Reserve RM'000	Total RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
At 1st July 2011	334,887	(59,489)	(1,303)	274,095	85	274,180
Total comprehensive income for the financial year	-	468	-	468	35	503
At 30th June 2012	334,887	(59,021)	(1,303)	274,563	120	274,683
Total comprehensive loss for the financial year	-	(83,188)	-	(83,188)	(24)	(83,212)
At 30th June 2013	334,887	(142,209)	(1,303)	191,375	96	191,471

Company		Distributable	
	Share Capital RM'000	Accumulated Losses RM'000	Total Equity RM'000
At 1st July 2011	334,887	(120,229)	214,658
Total comprehensive loss for the financial year	-	(3,191)	(3,191)
At 30th June 2012	334,887	(123,420)	211,467
Total comprehensive loss for the financial year	-	(23,795)	(23,795)
At 30th June 2013	334,887	(147,215)	187,672

The accompanying notes form an integral part of these financial statements

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2013

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES:				
(Loss)/profit before taxation	(83,246)	599	(23,795)	(3,191)
Adjustments for:				
Amortisation of other investments	72	72	-	-
Amortisation of prepaid lease payments	294	210	-	-
Bad debts written off	6,674	644	19	-
Creditors written back	(5,523)	(6,304)	(25)	-
Deposits written back	(172)	-	-	-
Deposits written off	286	224	-	-
Depreciation	1,054	2,145	17	15
Gain on disposal of property, plant and equipment	(6)	(44)	-	-
Gain on disposal of subsidiary	(443)	-	-	-
Impairment of amount owing by subsidiaries	-	-	23,561	-
Impairment of investments	-	1	-	-
Impairment of investments in subsidiaries	-	-	536	-
Impairment of property, plant and equipment	53,044	1,956	-	-
Impairment of receivables	22,155	425	-	-
Interest expenses	2,498	1,200	202	906
Interest income	-	(13)	-	(12)
Inventories written off	4	37	-	-
Property, plant and equipment written off	228	12	5	-
Reversal of impairment of amount owing by subsidiaries	-	-	(1,343)	-
Reversal of impairment of receivables	-	(197)	-	-
Reversal of provision for liabilities	(320)	(7,026)	-	-
Waiver of debt	-	(890)	-	-
Operating Loss Before Working Capital Changes	(3,401)	(6,949)	(823)	(2,282)
Changes In Working Capital:				
Property development costs	9,619	-	-	-
Receivables	(13,252)	(5,820)	-	-
Inventories	23	7,011	-	-
Provisions	9,350	-	-	-
Payables	(8,843)	8,652	(140)	(2,142)
	(6,504)	2,894	(963)	(4,424)
Interest paid	(2,498)	(1,187)	(202)	(894)
Tax paid	(134)	-	(93)	-
Net Operating Cash Flows	(9,136)	1,707	(1,258)	(5,318)

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2013 (cont'd)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment in subsidiary	-	-	(1,200)	-
Net advance to subsidiaries	-	-	440	33,307
Purchase of property, plant and equipment (Note A)	(161)	(145)	(5)	-
Proceeds from disposal of property, plant and equipment	11	44	-	-
Proceeds from disposal of subsidiary (Note B)	2	-	-	-
Fixed deposit held as security value	-	74	-	74
Net Investing Cash Flows	(148)	(27)	(765)	33,381
CASH FLOWS FROM FINANCING ACTIVITIES:				
Bridging loan drawn down	7,151	24,000	-	-
Changes in amount owing to directors	2,108	7,820	1,791	3,829
Payments to hire purchase and lease liabilities	(64)	(52)	-	-
Repayment of term loan	-	(44,000)	-	(44,000)
Withdrawal of fixed deposit	-	8,670	-	8,670
Net Financing Cash Flows	9,195	(3,562)	1,791	(31,501)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(89)	(1,882)	(232)	(3,438)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	(37)	1,845	(2,259)	1,179
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	(126)	(37)	(2,491)	(2,259)
Cash and cash equivalents comprise of the following:-				
Cash and bank balances	2,326	2,421	-	238
Deposits placed with licensed banks and finance companies	10	10	-	-
Cash held under Housing Development Account	29	29	-	-
Bank overdraft	(2,491)	(2,497)	(2,491)	(2,497)
	(126)	(37)	(2,491)	(2,259)

A. During the financial year, the Group acquired property, plant and equipment amounting to RM161,000/- (2012: RM230,000/-) of which RM Nil (2012: RM85,000/-) was acquired under hire purchase arrangements. Cash payments amounting to RM161,000/- (2012: RM145,000/-) were made during the financial year.

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2013 (cont'd)

B. On 16th October 2012, the Company had disposed off its wholly owned subsidiary, TIVR Sdn. Bhd., for a cash consideration of RM2/-. The effects of disposal of the subsidiary on the financial position of the Group as follows:-

	Group 2013 RM'000
Property, plant and equipment	5
Deposit	10
Other payables and accrual	(425)
Amount owing to a director	(25)
Net asset disposed	(435)
Gain on disposal of subsidiary	443
Bad debts written off:-	
Amount owing to a former related company	(1)
Amount owing to former immediate holding company	(5)
Total sales consideration	2
Less: Cash and cash equivalents	-
Net cash inflow on disposal of a subsidiary	2

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The principal activities of the Company consist of investment holding and the provision of management services. The principal activities of its subsidiaries and associates are disclosed in Notes 8 and 9 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of the Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company are both located at No. 1, Persiaran Ledang, Off Jalan Duta, 50480 Kuala Lumpur.

The financial statements are expressed in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 6th September 2013.

2. FUNDAMENTAL ACCOUNTING CONCEPT

The financial statements of the Group have been prepared on the assumption that the Group will continue as a going concern. The application of the going concern basis is based on the assumption that the Group will be able to realise its assets and liquidate its liabilities in the normal course of business.

During the financial year, the Group incurred a net loss of RM83,212,000/-, and recorded a deficit in operating cash flows of RM9,136,000/-. Although this indicates the existence of an uncertainty which may cast doubt about the Group's ability to continue as a going concern, it is noted that a significant portion of the loss arose out of a substantial provision made on debts and assets of the Group. If these substantial provisions are excluded, the operational loss incurred by the Group is manageable. The shareholders' funds of the Group remains positive even after the substantial provision.

The ability of the Group to continue as a going concern will be dependent on the Group's ability to generate adequate cash flows from its operating activities and operate profitably in the future.

The directors are reasonably optimistic that the cash flows of the Group will improve in the foreseeable future with the sales of the planned development projects. In addition to the further cost rationalisation and the disposal of non-essential assets, the Group will explore the options of raising funds through the capital market to improve the Group's cash flow and financial position. The directors are confident that with all these actions, the Group will be in a good position to meet all its existing financial obligations in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with the Financial Reporting Standards ("FRSs") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost basis, except as disclosed in the significant accounting policies in Note 3.3.

The preparation of financial statements in conformity with FRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported year. It also requires directors to exercise their judgment in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgment are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 to the financial statements.

3.2 New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs")

(a) Adoption of Revised FRS, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int

The Group and the Company had adopted the following revised FRS, amendments/improvements to FRSs, new IC Int and amendments to IC Int that are mandatory for the current financial year:-

<u>Revised FRS</u>

FRS 124	Related Party Disclosures

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.2 **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)**

(a) **Adoption of Revised FRS, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int (Continued)**

Amendments/Improvements to FRSs

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements
FRS 112	Income Taxes

New IC Int

IC Int 19	Extinguishing Financial Liabilities with Equity Instruments

Amendments to IC Int

IC Int 14	FRS 119-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above revised FRS, amendments/improvements to FRSs, new IC Int and amendments to IC Int do not have any effect on the financial statements of the Group and of the Company except for those as discussed below:-

Revised FRS 124 Related Party Disclosures

The revised FRS 124 simplifies and clarifies the definition of related party and eliminates inconsistencies from the definition. The revised FRS 124 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduced a partial exemption from disclosures for government-related entities. Prior to this, no disclosure of transactions is required in financial statements of state-controlled entities of transactions with other state-controlled entities. The additional disclosures are intended to draw attention to users that such related party transactions have occurred and to give an indication of their extent. It requires disclosure of related party transactions between government-related entities only if the transactions are individually or collectively significant.

The Group and the Company have adopted the revised FRS 124 retrospectively. As this is a disclosure standard, the standard has no impact on the financial position and performance of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.2 **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)**

(a) Adoption of Revised FRS, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int (Continued)

Amendments to FRS 7 Financial Instruments: Disclosures

These amendments to FRS 7 requires disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. The additional disclosures will help users of financial statements to evaluate the risk of exposures relating to transfer of financial assets and the effect of those risks on an entity's financial position.

Amendments to FRS 112 Income Taxes

This amendment to FRS 112 addresses the measurement approach for deferred tax assets and liabilities in respect of investment properties which are measured at fair value. The amendment introduces a rebuttable presumption that the investment property is recovered entirely through sale. In such cases, deferred tax assets or liabilities are provided at tax rates applicable when recovering the property entirely through sale. If this presumption is rebutted, deferred tax assets or liabilities are provided based on tax rates applicable when consuming substantially the economic benefits embodied in the property over a period of time (for example via rental income).

IC Int 19 Extinguishing Financial Liabilities with Equity Instruments

This Interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. It does not address the accounting by the creditor.

IC Int 19 will standardise practice among debtors applying FRSs to a debt for equity swap. This interpretation clarifies that the equity instruments issued shall be measured at their fair value. If the fair value cannot be reliably measured, the equity instruments shall be measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability (or part of a financial liability) extinguished, and the consideration paid, shall be recognised in profit or loss. When only part of the financial liability is extinguished and if part of the consideration paid does relate to a modification of the terms of the remaining part of the liability, the entity shall allocate the consideration paid between the part of the liability extinguished and the part of the liability that remains outstanding. A substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.2 **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)**

(a) **Adoption of Revised FRS, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int (Continued)**

Amendments to IC Int 14 FRS119-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The amendments to IC Int 14 apply in the limited circumstances when an entity is subject to minimum funding requirement and makes an early payment of contributions to cover those requirements. The amendments permit the entity to treat the benefit of such early payment as an asset.

(b) **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, but not yet effective and have not been early adopted**

The Group and the Company have not adopted the following new and revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int that have been issued as at the date of authorisation of these financial statements but are not yet effective for the Group and the Company:-

		Effective for financial year beginning on or after
New FRSs		
FRS 9	Financial Instruments	1 January 2015
FRS 10	Consolidated Financial Statements	1 January 2013
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosure of Interests in Other Entities	1 January 2013
FRS 13	Fair Value Measurement	1 January 2013
Revised FRSs		
FRS 119	Employee Benefits	1 January 2013
FRS 127	Separate Financial Statements	1 January 2013
FRS 128	Investments in Associates and Joint Ventures	1 January 2013

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.2 **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)**

(b) New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, but not yet effective and have not been early adopted (Continued)

		Effective for financial year beginning on or after
Amendments/Improvements to FRSs		
FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2013
FRS 7	Financial Instruments: Disclosures	1 January 2013
FRS 10	Consolidated Financial Statements	1 January 2013 and 1 January 2014
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosure of Interests in Other Entities	1 January 2013 and 1 January 2014
FRS 101	Presentation of Financial Statements	1 January 2013
FRS 116	Property, Plant and Equipment	1 January 2013
FRS 127	Separate Financial Statements	1 January 2013 and 1 January 2014
FRS 132	Financial Instruments: Presentation	1 January 2013
FRS 134	Interim Financial Reporting	1 January 2013
FRS 136	Impairment of Assets	1 January 2014
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2014
New IC Int		
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to IC Int		
IC Int 2	Members' Shares in Co-operative Entities & Similar Instruments	1 January 2013

A brief discussion on the above significant new and revised FRSs, amendments/improvements to FRSs, new IC Int and amendments to IC Int are summarised below. Due to the complexity of these new standards, the financial effects of their adoption are currently still being assessed by the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.2 **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)**

(b) New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, but not yet effective and have not been early adopted (Continued)

FRS 9 Financial Instruments

FRS 9 specifies how an entity should classify and measure financial assets and financial liabilities.

This standard requires all financial assets to be classified based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial asset. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, they will be measured at either fair value or at amortised cost.

In respect of the financial liabilities, the requirements are generally similar to the former FRS 139. However, this standard requires that for financial liabilities designated as at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the profit or loss.

FRS 10 Consolidated Financial Statements and FRS 127 Separate Financial Statements (Revised)

FRS 10 replaces the consolidation part of the former FRS 127 Consolidated and Separate Financial Statements. The revised FRS 127 will deal only with accounting for investment in subsidiaries, joint ventures and associates in the separate financial statements of an investor and require the entity to account for such investments either at cost, or in accordance with FRS 9.

FRS 10 brings about convergence between FRS 127 and IC Int 12 Consolidation-Special Purpose Entities, which interprets the requirements of FRS 10 in relation to special purpose entities. FRS 10 introduces a new single control model to identify a parent-subsidiary relationship by specifying that "an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". It provides guidance on situations when control is difficult to assess such as those involving potential voting rights, or in circumstances involving agency relationships, or where the investor has control over specific assets of the entity, or where the investee entity is designed in such a manner where voting rights are not the dominant factor in determining control.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.2 **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)**

(b) New and Revised FRSs, Amendments/Improvements to FRSs, New IC Int and Amendments to IC Int that are issued, but not yet effective and have not been early adopted (Continued)

FRS 12 Disclosures of Interests in Other Entities

FRS 12 is a single disclosure standard for interests in subsidiary companies, joint ventures, associated companies and unconsolidated structured entities. The disclosure requirements in this FRS are aimed at providing standardised and comparable information that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows.

FRS 13 Fair Value Measurements

FRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FRS 128 Investments in Associates and Joint Ventures (Revised)

This revised FRS 128 incorporates the requirements for accounting for joint ventures into the same accounting standard as that for accounting for investments in associated companies, as the equity method was applicable for both investments in joint ventures and associated companies. However, the revised FRS 128 exempts the investor from applying equity accounting where the investment in the associated company or joint venture is held indirectly via venture capital organisations or mutual funds and similar entities. In such cases, the entity shall measure the investment at fair value through profit or loss, in accordance with FRS 9.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.2 **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)**

(c) MASB Approved Accounting Standards, MFRSs

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 are given an option to defer adoption of the MFRSs framework to financial periods beginning on or after 1st January 2015. 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 1 January 2012.

Accordingly, the Group and the Company which are Transitioning Entities have chosen to defer the adoption of the MFRSs framework to financial year beginning on 1st July 2015. The Group and the Company will prepare their first MFRSs financial statements using the MFRSs framework for the financial year ending 30th June 2016.

As at 30th June 2013, all FRSs issued under the existing FRSs framework are equivalent to the MFRSs issued under MFRSs framework except for differences in relation to the transitional provisions, the adoption of MFRS 141 *Agriculture* and IC Int 15 *Agreements for the Construction of Real Estate* as well as differences in effective dates contained in certain of the existing FRSs. As such, other than those as discussed below, the main effects arising from the transition to the MFRSs Framework has been discussed in Note 3.2(b). The effect is based on the Group's and the Company's best estimates at the reporting date. The financial effect may change or additional effects may be identified, prior to the completion of the Group's and the Company's first MFRSs based financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.2 **New and Revised FRSs, Amendments/Improvements to FRSs, New IC Interpretations ("IC Int"), Amendments to IC Int and New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards, Malaysian Financial Reporting Standards ("MFRSs") (Continued)**

(c) **MASB Approved Accounting Standards, MFRSs (Continued)**

Application of MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards ("MFRS 1")

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs effective for annual periods beginning on or after 1 January 2014 have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRSs. The Group and the Company are currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adoption of MFRS 1 cannot be determined and estimated reliably until the process is completed.

MFRS 141 Agriculture

MFRS 141 requires a biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except where the fair value cannot be measured reliably. MFRS 141 also requires agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Gains or losses arising on initial recognition of a biological asset and the agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in the profit or loss for the period in which it arises. The Group is currently assessing the impact of the adoption of this standard.

IC Int 15 Agreements for the Construction of Real Estate

IC Int 15 establishes that the developer will have to evaluate whether control and significant risks and rewards of the ownership of work in progress, can be transferred to the buyer as construction progresses before revenue can be recognised. The Group is currently assessing the impact of the adoption of this Interpretation.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant Accounting Policies

(a) Basis of Consolidation and Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. The financial statements of the parent and its subsidiaries are all drawn up to the same reporting date.

Subsidiaries are entities in which the Group has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

An investment in subsidiary, which is eliminated on consolidation, is stated in the Company's separate financial statements at cost less impairment losses, if any. On disposal of such an investment, the difference between the net disposal proceeds and its carrying amount is recognised in the profit or loss.

The financial statements of the subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Under the purchase method of accounting, the cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The accounting policy on goodwill is set out in Note 3.3(d) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant Accounting Policies (Continued)

(a) Basis of Consolidation and Subsidiaries (Continued)

Any excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Intra-group transactions, balances and resulting unrealised gains on transactions within the Group are eliminated in full on consolidation. Unrealised losses resulting from intra-group transactions are also eliminated on consolidation unless costs cannot be recovered. When necessary, adjustments are made to the financial statements of the subsidiaries to ensure consistency of accounting policies with those adopted by the Group.

Non-controlling interest represents that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Company, directly or indirectly through subsidiary. It is measured at the non-controlling interest holders' share of the fair values of the subsidiary's identifiable assets and liabilities at the acquisition date and the non-controlling interest holders' share of changes in the subsidiary's equity since that date.

Where losses applicable to the minority exceed the non-controlling interest in the equity of a subsidiary, the excess and any further losses applicable to the non-controlling interest are charged against the Group's interest except to the extent that the non-controlling interest has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequent reports profits, the Group's interest is allocated all such profit until the non-controlling interest's share of losses previously absorbed by the Group has been recovered.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences and carrying amount of goodwill that relate to the subsidiary and is recognised in the consolidated statement of comprehensive income.

In accordance with FRS 127, Consolidated and Separate Financial Statements (revised), upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Any loss applicable to the non-controlling interest in a subsidiary are allocated to the non-controlling interest even if doing so causes the non-controlling interest to have a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.3 **Significant Accounting Policies (Continued)**

(b) **Associates**

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investment in associates is accounted for in the consolidated financial statements using the equity method of accounting based on the latest management accounts of the associates. Under the equity method, the investment in associate is carried in the consolidated statements of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transaction between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interest that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

On disposal of such investment, the difference between the net disposal proceeds and its carrying amount is included in the profit or loss as gain or loss on disposal of investment in associate.

(c) **Investments**

Investment in subsidiaries, associates, jointly controlled entities and other investments are stated at cost less any accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.3(n).

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is charged or credited to the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.3 **Significant Accounting Policies (Continued)**

(d) **Goodwill on consolidation**

(i) **Acquisition before 1st January 2011**

Goodwill arising on acquisition represents the excess of cost of business combination over the Group's share of the net fair values of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is stated at cost less impairment losses, if any.

Goodwill is not amortised but is reviewed for impairment, annually or more frequently for impairment in value and is written down where it is considered necessary. Gain or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arise.

Negative goodwill represents the excess of the fair value of the Group's share of net assets acquired over the cost of acquisition. Negative goodwill is recognised directly in the profit or loss.

(ii) **Acquisition on or after 1st January 2011**

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquire; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.3 **Significant Accounting Policies (Continued)**

(d) **Goodwill on consolidation (Continued)**

(ii) **Acquisition on or after 1st January 2011 (Continued)**

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and related to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and or future service.

(e) **Property, Plant and Equipment and Depreciation**

All property, plant and equipment were initially stated at cost less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.3(n). Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

Freehold lands are not depreciated. All other property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets concerned. The principal annual rates used for this purpose are as follows:-

Golf course and club village	over 97 years
Furniture and fittings	5% - 20%
Motor vehicles	10% - 20%
Office Equipment	10% - 20%
Resort Properties	1%
Maintenance Equipment	10% - 20%
Buildings	2% - 4%

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.3 **Significant Accounting Policies (Continued)**

(e) **Property, Plant and Equipment and Depreciation (Continued)**

Construction in progress will be depreciated when the property is ready for its intended use.

The residual values, useful life and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit or loss in the period the asset is derecognised.

(f) **Property Development Activities**

(i) **Land held for property development**

Land held for property development consists of land on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at cost less any impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.3(n).

Cost comprises the cost of land and all related costs incurred on activities necessary to prepare the land for its intended use. Where the Group had previously recorded the land at a revalued amount, it continues to retain this amount as its surrogate cost as allowed by FRS 201 Property Development Activities.

Land held for property development is transferred to property development costs and included under current assets when development activities have commenced and is expected to be completed within the normal operating cycle.

(ii) **Property Development Costs**

Property development costs comprise costs associated with the acquisition of land and costs that are directly attributable to development activities or costs that can be allocated on a reasonable basis to these activities.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.3 **Significant Accounting Policies (Continued)**

(f) **Property Development Activities (Continued)**

(ii) **Property Development Costs (Continued)**

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the profit or loss by using the stage of completion method. Under this method, profits are recognised as property development activity progresses. The stage of completion is determined by the proportion that property development costs incurred for the work performed to the reporting date over the estimated total property development costs to completion.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any foreseeable loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately in the profit or loss.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value. Upon the completion of development, the unsold completed development properties are transferred to inventories.

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the profit or loss is classified as progress billings.

(g) **Inventories**

Inventories have been valued at the lower of cost or net realisable value.

Cost of completed properties comprises all direct construction cost, land cost and direct development expenditure which is determined on specific identifiable basis.

Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale.

Where necessary, due allowance is made for all damaged, obsolete and slow-moving items. The Group writes down its obsolete or slow moving inventories based on assessment of the condition and the future demand for the inventories. These inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recovered.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.3 **Significant Accounting Policies (Continued)**

(h) **Assets Classified as Held for Sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to the terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in the profit or loss.

(i) **Leases**

(i) **Finance Lease**

Assets financed by hire purchase arrangements which transfer substantially all the risks and rewards of ownership to the Group are capitalised as property, plant and equipment, and the corresponding obligations are treated as liabilities. The assets so capitalised are depreciated in accordance with the accounting policy on property, plant and equipment. Finance charges are charged to the profit or loss over the periods of the respective agreements to give a constant periodic rate of change on the remaining hire purchase and lease liabilities.

(ii) **Operating Lease**

Lease payments for assets under operating lease where substantially all the risks and benefits remain with the lessor, are recognised as an expense in the profit or loss on a straight line basis over the lease term.

Leasehold land held for own use is now classified as operating lease. The up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and is amortised on a straight line basis over the remaining lease term.

(j) **Borrowing Costs**

Borrowing costs are charged to the profit or loss as an expense in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.3 **Significant Accounting Policies (Continued)**

(k) **Provisions for Liabilities**

Provisions for liabilities are recognised when the Group and the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(l) **Foreign Currency Translation**

(i) **Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia, which are the Group and the Company's functional currency and presentation currency.

(ii) **Translation and balances**

Transactions in foreign currencies are translated to Ringgit Malaysia at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Ringgit Malaysia at the rate of exchange ruling on that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rates at the date the fair value was determined. Exchange differences arising from the settlement of foreign currency transactions and from the retranslation of foreign currency monetary assets and liabilities are included in the profit or loss.

(iii) **Foreign entity**

The Group's foreign entities are those operations that are not an integral part of the operations of the Group. Profit or loss of foreign entities is translated into Ringgit Malaysia at average exchange rates for the financial year and the statements of financial positions are translated at exchange rates ruling at the reporting date. Exchange differences arising from the retranslation of the net investment in foreign entities are taken up in Exchange Translation Reserve in shareholders' equity. On disposal of the foreign entity, such translation differences are recognised in the profit or loss as part of the gain or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant Accounting Policies (Continued)

(m) Financial Assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(i) Financial Assets at Fair Value through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near future.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains and losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(ii) Loans and Receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.3 **Significant Accounting Policies (Continued)**

(m) **Financial Assets (Continued)**

(ii) **Loans and Receivables (Continued)**

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loan and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(iii) **Held-to-Maturity Investments**

Financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group and the Company has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

(iv) **Available-for-Sale Financial Assets**

Available-for-sale are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.3 **Significant Accounting Policies (Continued)**

(m) **Financial Assets (Continued)**

(iv) **Available-for-Sale Financial Assets (Continued)**

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(n) **Impairment of Assets**

(i) **Impairment of Financial Assets**

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Significant Accounting Policies (Continued)

(n) Impairment of Assets (Continued)

(i) Impairment of Financial Assets (Continued)

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through the profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

(ii) Impairment of Non-Financial Assets

The Group and the Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or Cash Generating Unit ("CGU")'s fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Where the carrying amounts of an asset exceed its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed its carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.3 **Significant Accounting Policies (Continued)**

(o) **Financial Liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(i) **Financial Liabilities at Fair Value Through Profit or Loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resulted gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(ii) **Other Financial Liabilities**

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company has an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in the profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(p) **Income Tax**

The tax expense in the profit or loss represents the aggregate amount of current tax and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credit can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

(q) **Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's and the Company's activities. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. The full specific recognition criteria must also be met before revenue is recognised.

(i) **Property Development**

Revenue from sale of property development projects is recognised progressively based on the stage of completion method.

Interest income from late payments by house buyers and forfeiture income are recognised on receipt basis.

(ii) **Revenue from annual subscription fee**

Revenue from annual fee is recognised on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.3 **Significant Accounting Policies (Continued)**

(q) **Revenue Recognition (Continued)**

(iii) **Revenue from club and resort operations**

Revenue from sales of club memberships is recognised upon admission of the applicants as members. Revenue from club subscription fees is recognised on an accrual basis. Revenue from club operations is recognised when services are rendered.

Revenue from rental of rooms, sale of food and beverage and other related income is recognised upon delivery of goods and accepted by customers.

(iv) **Revenue from services**

Revenue from services rendered is recognised net of service taxes and discounts upon performance of services.

(v) **Interest income and dividend income**

Interest income on instalment repayment scheme granted to the members is recognised on time proportion basis that reflect the effective yield on the assets. Default interest and dividend income are recognised in the profit or loss when the Group's and the Company's right to receive payment is established.

(vi) **Interest income from money lending business**

Interest income earned from money lending business is recognised on an accrual basis.

(r) **Employee benefits**

(i) **Short term employee benefits**

Wages, salaries, social security contribution, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensation absences. Short term non-accumulating compensated absences sick leave, maternity and paternity leave are recognised when absences occur.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3.3 **Significant Accounting Policies (Continued)**

(r) **Employee benefits (Continued)**

(ii) **Post-employment benefits**

The Group and the Company contributes to the Employees' Provident Fund, the national defined contribution plan. The contributions are charged to the profit or loss in the year to which they are related. Once the contributions have been paid, the Group and the Company has no further payment obligations.

(s) **Cash and Cash Equivalents**

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash in hand, deposits, bank balances and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value. Cash and cash equivalents are stated net of bank overdrafts which are repayable on demand.

(t) **Share Capital**

Ordinary shares

Ordinary shares are recorded at the nominal value and the consideration in excess of nominal value of shares issued, if any, is accounted for as share premium. Both ordinary shares and share premium are classified as equity.

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the reporting date. A dividend proposed or declared after the reporting date, but before the financial statements are authorised for issue, is not recognised as a liability at the reporting date.

Cost incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, if any, otherwise it is charged to the profit or loss. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(u) **Operating Segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) **Critical judgements made in applying the Group's accounting policies**

There were no significant judgements made by management in the process of applying the accounting policies of the Group and of the Company which may have significant effect on the amount recognised in the financial statements.

(ii) **Key sources of estimation uncertainty**

The key assumption concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as stated below:-

(a) **Depreciation of property, plant and equipment**

Property, plant and equipment are depreciated on the straight line basis over their estimated useful lives. Management estimates the useful lives of the property, plant and equipment to be within 5 to 100 years. Changes in expected level of usage and technological developments could impact the economic useful lives and residual values of the property, plant and equipment, therefore the future depreciation charges could be revised.

(b) **Impairment of property, plant and equipment**

The Group and the Company assesses impairment of assets whenever the events and changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate. Projected future cash flows are based on Group's and the Company's estimates calculated based on historical, sector and industry trends, general market and economic conditions, changes in technology and other available information.

During the financial year, the Group made an impairment of property, plant and equipment amounting to RM53,044,000/- (2012: RM1,956,000/-).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**

(ii) **Key sources of estimation uncertainty (Continued)**

(c) **Property development projects**

The Group recognises property development revenue and costs in the profit or loss by using the percentage of completion method. The percentage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs of work performed. Significant judgement is required in determining the percentage of completion, the extent of the property development costs incurred the estimated total property development revenue and costs, as well as the recoverability of the development projects.

(d) **Deferred tax assets**

Deferred tax assets are recognised for all unutilised tax losses and deductible temporary difference to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total unrecognised deferred tax assets of the Group and of the Company were RM39,096,000/- and RM1,222,000/- respectively (2012: RM35,183,000/- and RM1,103,000/- respectively).

(e) **Allowance for inventories**

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuations of inventories.

(f) **Recoverability of receivables**

The Group and the Company makes impairment of receivables based on an assessment of the recoverability of receivables. Impairments are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the impairment of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

During the financial year the Group made an impairment of receivables amounting to RM22,155,000/- (RM425,000/-).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**

(ii) **Key sources of estimation uncertainty (Continued)**

(g) **Impairment of investment in subsidiaries**

The Company tests investments in subsidiaries for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary. The assessment of the net tangible assets of the subsidiaries affects the results of the impairment test. Cost of investments in subsidiaries which have ceased operations were impaired up to net assets of the subsidiaries. The impairment made on investments in subsidiaries entails an impairment of receivables to be made to the amount owing by these subsidiaries.

(h) **Income taxes**

The Group and the Company is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the estimation of the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. PROPERTY, PLANT AND EQUIPMENT

Group

2013	Freehold Land RM'000	Leasehold Building RM'000	Freehold Land and Buildings RM'000	Furniture and Fittings RM'000	Office Equipment RM'000	Maintenance Equipment RM'000	Resort Operations: Golf Course and Club Village RM'000	Resort Operations: Rights in Resort Properties RM'000	Resort Operations: Resort Properties RM'000	Resort Operations: Furniture and Fittings RM'000	Resort Operations: Boat and Motor Vehicles RM'000	Resort Operations: Construction-in-Progress: Marina Club RM'000	Resort Operations: Construction-in-Progress: Others RM'000	Total RM'000
Cost														
At 1st July 2012	11,562	2,364	40,179	7,748	8,320	9,365	22,927	13,653	76,595	3,448	5,749	40,429	425	242,764
Additions	-	-	-	13	32	105	-	-	-	11	-	-	-	161
Reclassification	-	-	-	-	-	-	-	-	-	(5)	-	5	-	-
Disposals/write off	-	(328)	-	(7,709)	(7,937)	(8,673)	-	-	-	(3,327)	(3,043)	-	(425)	(31,442)
At 30th June 2013	11,562	2,036	40,179	52	415	797	22,927	13,653	76,595	127	2,706	40,434	-	211,483
Accumulated Depreciation and Impairment Losses														
At 1st July 2012	-	959	14,502	7,545	8,032	9,055	3,568	13,653	15,340	3,363	5,374	-	-	81,391
Depreciation for the financial year	-	200	211	5	45	68	229		201	15	80	-	-	1,054
Impairment for the financial year	-	-	5,445	-	-	-	-	-	7,165	-	-	40,434	-	53,044
Reclassification	-	-	-	10	-	-	-	-	-	(10)	-	-	-	-
Disposal/write off	-	(107)	-	(8,019)	(8,172)	(8,590)	-	-	-	(3,277)	(2,934)	-	-	(31,099)
At 30th June 2013	-	1,052	20,158	(459)	(95)	533	3,797	13,653	22,706	91	2,520	40,434	-	104,390
Net Book Value at 30th June 2013	11,562	984	20,021	511	510	264	19,130	-	53,889	36	186	-	-	107,093

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. **PROPERTY, PLANT AND EQUIPMENT (Continued)**

Group

							Resort Operations							
												Construction -in-Progress		
2012	**Freehold Land** RM'000	**Leasehold Building** RM'000	**Freehold Land and Buildings** RM'000	**Furniture and Fittings** RM'000	**Office Equipment** RM'000	**Maintenance Equipment** RM'000	**Golf Course and Club Village** RM'000	**Rights in Resort Properties** RM'000	**Resort Properties** RM'000	**Furniture and Fittings** RM'000	**Boat and Motor Vehicles** RM'000	**Marina Club** RM'000	**Others** RM'000	**Total** RM'000
Cost														
At 1st July 2011	11,839	779	25,494	10,935	8,298	4,522	22,927	13,653	81,644	7,885	6,603	37,624	16,714	248,917
Additions	-	-	-	-	-	85	-	-	-	-	145	-	-	230
Reclassification	(277)	1,585	16,131	(1,967)	491	6,426	-	-	2,642	(3,792)	197	2,805	(16,289)	7,952
Transfer	-	-	(1,446)	-	-	(1,529)	-	-	(7,691)	-	-	-	-	(10,666)
Disposals/write off	-	-	-	(1,220)	(469)	(139)	-	-	-	(645)	(1,196)	-	-	(3,669)
At 30th June 2012	11,562	2,364	40,179	7,748	8,320	9,365	22,927	13,653	76,595	3,448	5,749	40,429	425	242,764
Accumulated Depreciation and Impairment Losses														
At 1st July 2011	-	591	8,108	7,036	8,262	4,153	3,340	13,653	8,277	7,424	6,335	-	6,310	73,489
Depreciation for the financial year	-	215	143	486	51	498	229	-	358	72	93	-	-	2,145
Impairment for the financial year	-	-	-	-	-	-	-	-	1,956	-	-	-	-	1,956
Reclassification	-	153	6,251	1,241	188	5,027	(1)	-	4,749	(3,488)	142	-	(6,310)	7,952
Transfer	-	-	-	-	-	(495)	-	-	-	-	-	-	-	(495)
Disposal/write off	-	-	-	(1,218)	(469)	(128)	-	-	-	(645)	(1,196)	-	-	(3,656)
At 30th June 2012	-	959	14,502	7,545	8,032	9,055	3,568	13,653	15,340	3,363	5,374	-	-	81,391
Net Book Value at 30th June 2012	11,562	1,405	25,677	203	288	310	19,359	-	61,255	85	375	40,429	425	161,373

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

2013	**Buildings** RM'000	**Furniture and Fittings** RM'000	**Office Equipment** RM'000	**Total** RM'000
Cost				
At 1st July 2012	722	487	95	1,304
Additions	-	-	5	5
Disposals	-	(487)	(100)	(587)
At 30th June 2013	722	-	-	722
Accumulated Depreciation				
At 1st July 2012	107	487	94	688
Depreciation for the financial year	16	-	1	17
Disposals	-	(487)	(95)	(582)
At 30th June 2013	123	-	-	123
Net Book Value at 30th June 2013	599	-	-	599
2012				
Cost				
At 1st July 2011	722	487	95	1,304
Additions	-	-	-	-
Disposals	-	-	-	-
At 30th June 2012	722	487	95	1,304
Accumulated Depreciation				
At 1st July 2011	93	487	93	673
Depreciation for the financial year	14	-	1	15
Disposals	-	-	-	-
At 30th June 2012	107	487	94	688
Net Book Value at 30th June 2012	615	-	1	616

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. **PROPERTY, PLANT AND EQUIPMENT (Continued)**

The net book value of property, plant and equipment of the Group includes the following property, plant and equipment acquired under hire purchase and finance lease agreements:-

	At Net Book Value	
	2013 RM'000	2012 RM'000
Motor vehicles	133	242

6. **PROPERTY DEVELOPMENT ACTIVITIES**

(a) **Land held for property development**

	Group	
	2013 RM'000	2012 RM'000
At the beginning of the financial year		
- land, at cost	104,765	105,820
- development costs	75,992	66,585
- accumulated costs charged to profit or loss	(81,726)	(81,726)
	99,031	90,679
Less: Disposal	(10,008)	-
Reclassification	(12,125)	9,693
Transfer to assets classified as held for sale (Note 12)	-	(1,341)
	76,898	99,031
At the end of the financial year		
- land, at cost	88,394	104,765
- development costs	70,230	75,992
- accumulated cost charged to profit or loss	(81,726)	(81,726)
	76,898	99,031

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

6. PROPERTY DEVELOPMENT ACTIVITIES (Continued)

(b) Property development costs

	Group 2013 RM'000	Group 2012 RM'000
At the beginning of the financial year		
- land, at cost	6,574	6,574
- development costs	29,637	39,330
- accumulated costs charged to profit or loss	(23,338)	(23,338)
	12,873	22,566
Add: Costs incurred during the financial year		
- development costs	1,926	-
- reclassification	12,125	(9,693)
	14,051	(9,693)
Less:		
- reversal of foreseeable loss no longer required	(196)	-
	26,728	12,873
At the end of the financial year		
- land, at cost	15,561	6,574
- development costs	34,505	29,637
- accumulated costs charged to profit or loss	(23,338)	(23,338)
	26,728	12,873

7. PREPAID LEASE PAYMENTS

	Group 2013 RM'000	Group 2012 RM'000
Leasehold land, at cost	21,621	18,253
Add : Transfer	-	3,368
Less : Accumulated amortisation	(1,505)	(1,211)
	20,116	20,410

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

8. INVESTMENT IN SUBSIDIARIES

	Company 2013 RM'000	Company 2012 RM'000
Unquoted shares - at cost	120,259	119,059
Less: Impairment losses	(67,101)	(66,565)
	53,158	52,494

The following information relates to the subsidiaries:-

Name of Company	Country of Incorporation	Group Effective Equity Interest 2013 %	Group Effective Equity Interest 2012 %	Principal Activities
Held directly:-				
Palm Springs Resort Management Berhad	Malaysia	100	100	Hotel operator.
Pentapeak Properties Sdn. Bhd.	Malaysia	100	100	Investment holding.
Point Resort Club Sdn. Bhd.	Malaysia	100	100	Investment holding.
Popular Elegance (M) Sdn. Bhd.	Malaysia	100	100	Investment holding.
Splash Park Sdn. Bhd. (formerly (known as Tanco Properties Management Services Sdn. Bhd.)	Malaysia	100	100	Property management services.
Tanco Development Sdn. Bhd.	Malaysia	100	100	Property development.
Wheels, Sails & Wings SuperClub Bhd.	Malaysia	100	100	Dormant.
World Vacation Ownership Sdn. Bhd.	Malaysia	100	100	Provision of consultancy services and investment holding.
Medan Melati Sdn. Bhd.	Malaysia	70	70	Investment holding.
Cool-Wheels SuperClub Bhd.	Malaysia	100	100	Dormant.
Platinum Residence Sdn. Bhd.	Malaysia	100	100	Dormant.
Subsidiaries of Tanco Development Sdn. Bhd.:-				
Tanco Builders Sdn. Bhd.	Malaysia	100	100	Contracting and building works.
Tanco Dot Com Sdn. Bhd.	Malaysia	100	100	Dormant.
Subsidiary of Medan Melati Sdn. Bhd.:-				
Gerak Gaya Land Sdn. Bhd.	Malaysia	42	42	Dormant.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

8. **INVESTMENT IN SUBSIDIARIES (Continued)**

Name of Company	Country of Incorporation	Group Effective Equity Interest 2013 %	Group Effective Equity Interest 2012 %	Principal Activities
Subsidiaries of World Vacation Ownership Sdn. Bhd.:-				
Tanco Resorts Berhad	Malaysia	100	100	Investment holding, and the management and operation of resorts and of vacation ownership interval and point based schemes.
BizCredit Sdn. Bhd.	Malaysia	100	100	Money lending business.
JKMB Development Sdn. Bhd.	Malaysia	100	100	Property development and construction
Palm Springs Development Sdn. Bhd.	Malaysia	100	100	Property development.
Palm Springs Resort (MM2H) Sdn. Bhd.	Malaysia	100	100	Provide services in relation to Malaysia My Second Home Programme.
Tanco Properties Sdn. Bhd.	Malaysia	100	100	Property development.
Genium Corporation Sdn. Bhd.	Malaysia	100	100	General agent.
Subsidiaries of Palm Springs Development Sdn. Bhd.:-				
Palm Springs Club Sdn. Bhd.	Malaysia	100	100	Investment holding.
Regal Resort Sdn. Bhd.	Malaysia	100	100	Dormant.
Subsidiary of Tanco Properties Sdn. Bhd.:-				
Tanco Land Sdn. Bhd.	Malaysia	100	100	Property investment.
Subsidiary of Palm Springs Club Sdn. Bhd.:-				
Palm Springs Resort Bhd.	Malaysia	100	100	Operator of golf and marina clubs.
Subsidiaries of Tanco Resorts Berhad:-				
Palm Springs Leisure Sdn. Bhd.	Malaysia	100	100	Property management and resort management
Tanco Enterprise Sdn. Bhd.	Malaysia	90.32	90.32	General trading.
Tanco Club Berhad	Malaysia	100	100	Club operator.
Tanco Holidays Sdn. Bhd.	Malaysia	100	100	Travel and tour agent.
Tanco Lake Resorts Sdn. Bhd.	Malaysia	100	100	Resort operator.
Tanco Recreational Holdings Sdn. Bhd.	Malaysia	100	100	Property management.
TIVR Sdn. Bhd.	Malaysia	-	100	General trading.
* Tanco Resorts (Australia) Pty. Ltd.	Australia	100	100	Dormant.
* Burnham Global Inc.	British Virgin Islands	100	100	Investment holding.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

8. INVESTMENT IN SUBSIDIARIES (Continued)

Name of Company	Country of Incorporation	Group Effective Equity Interest 2013 %	Group Effective Equity Interest 2012 %	Principal Activities
Subsidiaries of Burnham Global Inc:-				
* Noreast Co. Ltd.	British Virgin Islands	100	100	Property holding.
* TRB Leisure (Mauritius) Pte. Ltd.	Mauritius	100	100	Property investment.
* TRB Vacation (Mauritius) Pte. Ltd.	Mauritius	100	100	Property investment.

* *Subsidiaries not audited by Baker Tilly Monteiro Heng. The audited financial statements and auditors reports of these subsidiaries were not available for consolidation. These subsidiaries are currently dormant. The financial statements of these subsidiaries were reviewed for consolidation purposes.*

9. INVESTMENT IN ASSOCIATES

	Group 2013 RM'000	Group 2012 RM'000
Unquoted shares, at cost	500	500
Group's share of post-acquisition results	(500)	(500)
	-	-

The following information relates to the associates:-

Name of Company	Country of Incorporation	Group Effective Equity Interest 2013 %	Group Effective Equity Interest 2012 %	Principal Activities
^# Sunshine Genius Sdn. Bhd.	Malaysia	50	50	Provision of timeshare exchange activities.
^ Sunshine Genius Co. Ltd.	United States of America	50	50	Provision of timeshare exchange activities.
Benua Produktif Sdn. Bhd.	Malaysia	40	40	Dormant.

^ *Held directly via World Vacation Ownership Sdn. Bhd.*

\# *Under creditors winding-up.*

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

10. OTHER INVESTMENTS

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Quoted shares in Malaysia, at cost	23	23	23	23
Less: Allowance for diminution in value	(21)	(21)	(21)	(21)
	2	2	2	2
Vacation ownership intervals, at cost	5,885	5,885	-	-
Less: Accumulated amortisation	(1,802)	(1,746)	-	-
	4,083	4,139	-	-
Golf club membership	1,500	1,500	-	-
Less: Accumulated amortisation	(245)	(229)	-	-
	1,255	1,271	-	-
	5,340	5,412	2	2
Market value of quoted shares	2	2	2	2

11. INVESTMENT IN JOINTLY CONTROLLED ENTITY

	Group 2013 RM'000	Group 2012 RM'000
Unquoted shares, at cost	80	80
Group's share of post acquisition results	(80)	(80)
	-	-

Details of jointly controlled entity are as follows:-

Name of Company	Country of Incorporation	Group Effective Equity Interest 2013 %	Group Effective Equity Interest 2012 %	Principal activity
α Palm Springs Centre of Excellence Sdn. Bhd.	Malaysia	40	40	Educational institution

α *Held indirectly via Palm Springs Resort (MM2H) Sdn. Bhd.*

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

12. ASSETS CLASSIFIED AS HELD FOR SALE

	Group 2013 RM'000	Group 2012 RM'000
At the beginning of the financial year	1,341	-
Transfer from property development activities (Note 6a)	-	1,341
Disposal	(1,341)	-
At the end of the financial year	-	1,341

13. INVENTORIES

	Group 2013 RM'000	Group 2012 RM'000
At cost,		
Developed properties	25,675	25,675
Less : Accumulated impairment	(4,536)	(4,536)
	21,139	21,139
Food and beverages	-	27
	21,139	21,166

14. TRADE RECEIVABLES

	Group 2013 RM'000	Group 2012 RM'000
Trade receivables	40,593	29,992
Less: Accumulated impairment	(19,084)	(4,867)
	21,509	25,125

The Group's normal trade credit terms range from 30 to 90 days (2012: 30 to 90 days). Other credit terms are assessed and approved on a case by case basis.

Also included in trade receivables of the Group is an amount of RM108,000/- (2012: RM98,000/-) representing amount owing from an associate of the Group.

In determining the extent of impairment of receivables, the directors have given due consideration to all information available to assess the likelihood of bad debts arising. Although uncertainty generally exists with regard to the recovery of debts, the directors are of the opinion that sufficient impairment has been made and the amount receivable net of the impairment of receivables are expected to be substantially recovered.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

14. **TRADE RECEIVABLES (Continued)**

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:-

	Group 2013 RM'000	Group 2012 RM'000
Neither past due nor impaired	21,305	8,000
1 to 30 days past due not impaired	28	150
31 to 60 days past due not impaired	22	120
61 to 90 days past due not impaired	25	139
91 to 120 days past due not impaired	19	340
More than 121 days past due not impaired	110	16,376
	21,509	25,125
Impaired	19,084	4,867
	40,593	29,992

Receivables that are neither past due nor impaired

None of the Group's receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The directors of the Company are of the opinion that no impairment is required based on previous years experiences and the minimal probability that these receivables will default in payments.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group 2013 RM'000	Group 2012 RM'000
Individually impaired		
Trade receivables	19,084	4,867
Less: Accumulated impairment	(19,084)	(4,867)
	-	-

Movement in impairment account:

	Group 2013 RM'000	Group 2012 RM'000
At the beginning of the financial year	4,867	4,648
Impairment made during the financial year	14,217	219
At the end of the financial year	19,084	4,867

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

14. TRADE RECEIVABLES (Continued)

Receivables that are impaired (Continued)

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

15. OTHER RECEIVABLES, SUNDRY DEPOSITS AND PREPAYMENTS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Other receivables	10,042	14,098	-	19
Less: Accumulated impairment	(9,003)	(1,065)	-	-
	1,039	13,033	-	19
Sundry deposits	730	1,034	2	2
Prepayments	65	24	-	-
	1,834	14,091	2	21

16. AMOUNT OWING BY SUBSIDIARIES

	Company	
	2013 RM'000	2012 RM'000
Amount owing by subsidiaries	374,252	374,518
Less: Accumulated impairment	(171,583)	(149,365)
	202,669	225,153

17. AMOUNT OWING BY ASSOCIATES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Amount owing by associates	3	3	2	2
Less: Accumulated impairment	(3)	(3)	(2)	(2)
	-	-	-	-

The amount owing by the associates is unsecured, interest free and is repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. CASH, BANK BALANCES AND DEPOSITS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash and bank balances	2,326	2,421	-	238
Cash held under Housing Development Account	29	29	-	-
Deposits placed with licensed banks	10	10	-	-
	2,365	2,460	-	238

Group

Cash held under Housing Development Account represents receipts from purchasers of residential properties less payments or withdrawals provided under the Housing Developers (Control and Licensing) Act, 1966.

19. SHARE CAPITAL

	Group and Company			
	Number of Shares			
	2013 Unit '000	2012 Unit '000	2013 RM'000	2012 RM'000
Authorised: 1,000,000,000 ordinary shares of RM1/- each At the beginning/end of the financial year	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid: 334,886,726 ordinary shares of RM1/- each At the beginning/end of the financial year	334,887	334,887	334,887	334,887

20. FOREIGN CURRENCY RESERVE

Foreign currency reserve comprises of all foreign currency differences arising from the translation of the financial statements of foreign operations.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

21. BORROWINGS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-current				
Hire purchase and liabilities (Note a)	110	248	-	-
Bridging loan (Note b)	31,151	24,000	-	-
	31,261	24,248	-	-
Current				
Bank overdraft (Note c)	2,491	2,497	2,492	2,497
Hire purchase liabilities (Note a)	49	80	-	-
	2,540	2,577	2,492	2,497
Total borrowings	33,801	26,825	2,492	2,497

(a) Hire purchase liabilities

	Group	
	2013 RM'000	2012 RM'000
Minimum hire purchase payments:		
- not later than one year	55	94
- later than one year and not later than five years	118	227
- later than five years	-	54
	173	375
Less: Future finance charges	(14)	(47)
Present value of hire purchase liabilities	159	328
Represented by:		
Non-current	110	248
Current	49	80
	159	328

Interest rates on hire purchase liabilities for the financial year range from 2.76% to 2.84% (2012: 2.76% to 4.28%) per annum.

(b) Bridging loan

The bridging loan of the Group at the end of the financial year bear interest at a rate of 8.35% (2012: 8.35%) per annum and secured by way of:-

(i) Fixed legal charge over certain portion of the subsidiaries' project land at Mukim Pasir Panjang, Daerah Port Dickson, Negeri Sembilan.
(ii) Deed of assignment of proceed from new sales of the development project.
(iii) Legal benefit over the customer rights, interest, benefits and titles in insurance policies for the project land.
(iv) Debenture with fixed and floating legal charges.
(v) Legal assignment over the designated monies and account to the credit of the designated account.
(vi) Corporate guarantee by the Company.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

21. **BORROWINGS (Continued)**

(c) **Bank overdraft**

The bank overdraft of the Group and of the Company at the end of the financial year bear interest at a rate of 8.10% (2012: 8.10%) per annum and secured by way of a charge on a director's fixed deposit of not less than RM2,565,000/-.

22. **OTHER LONG TERM PAYABLES (Unsecured)**

Group

The amount of RM748,000/- (2012: RM748,000/-) represents redeemable sums due to the preference shareholders of a subsidiary upon expiry of the golf memberships on 22nd October 2093.

23. **DEFERRED TAX LIABILITIES**

	Group	
	2013 RM'000	2012 RM'000
At the beginnning of the financial year	-	1
Transfer to profit or loss (Note 33)	-	(1)
At the end of the financial year	-	-
Representing deferred tax effect of:		
Temporary differences between net book value and corresponding tax written down value	-	-

24. **TRADE PAYABLES**

The normal trade credit terms granted to the Group range from 30 to 90 days (2012: 30 to 90 days).

Included in trade payables of the Group is an amount of RM2,256,000/- (2012: RM7,256,000/-) owing to Renown Projects Sdn. Bhd., a company in which certain directors have financial interests. The amount is unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25. OTHER PAYABLES, SUNDRY DEPOSITS AND ACCRUALS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Other payables	13,533	21,143	1,109	1,049
Sundry deposits	843	880	-	-
Accruals	9,215	10,952	2,787	3,012
	23,591	32,975	3,896	4,061

Included in other payables of the Group is an amount of RM510,000/- (2012: RM691,000/-) owing to Millennium Land Sdn. Bhd., a company in which certain directors has interests. The amount payable is unsecured, interest free and is repayable on demand.

26. PROVISIONS

	Group	
	2013 RM'000	2012 RM'000
At the beginning of the financial year	771	7,797
Addition	9,350	-
Reversal	(320)	(7,026)
At the end of the financial year	9,801	771

As at 30th June 2013, provision of RM9,350,000/- represents provision for additional cost required to be incurred pursuant to a sales and purchase agreement of a land. The Group has an obligation to permit and facilitate the requisite connection of sewerage piping to the sewerage treatment plant, permit and facilitate access to the land and provide the utilities (electricity and water) supply connection up to the boundary of the land.

As at 30th June 2012, provision of RM771,000/- represents provision for liquidated and ascertained damages. Provision for liquidated and ascertained damages ("LAD") is in respect of projects undertaken by the Group. LAD is recognised for expected LAD claims based on the contract agreements. Provision for liquidated and ascertained damages is made when a delay in the handing over of vacant possession of developed properties is anticipated. These damages are accrued from the handover date as stated in the sale and purchase agreements to the expected handover date of vacant possession to purchasers. Of this amount, legal claims have been initiated by various purchasers against a subsidiary for damages and for refunds due to terminated sale and purchase agreements, amounting to approximately RM451,000/- (2012 : RM451,000/-).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

26. PROVISIONS (Continued)

Based on the Group's solicitor's advice, it is the opinion of the directors that any claims by purchasers against the Group for these LAD provisions would now be time barred by virtue of the provisions of the Limitation Act 1953, and accordingly, it is highly unlikely that any legal action against the Company on such claims would be successful. As a result, a reversal of provisions for LAD of RM320,000/- (2012: RM7,026,000/-) was made during the financial year.

27. AMOUNT OWING TO SUBSIDIARIES

Company

The amount owing to subsidiaries is non-trade in nature, unsecured, interest free and is repayable on demand.

28. AMOUNT OWING TO DIRECTORS

Group and Company

The amount owing to directors is non-trade in nature, unsecured, interest free and is repayable on demand.

29. REVENUE

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Sales of properties	23,900	10,250	-	-
Income from clubs operations	6,076	9,320	-	-
Interest income from money lending business	27	76	-	-
	30,003	19,646	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30. OTHER OPERATING INCOME

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Creditors written back	5,523	6,304	25	-
Deposit written back	172	-	-	-
Gain on disposal of property, plant and equipment	6	44	-	-
Gain on disposal of subsidiary	443	-	-	-
Insurance claim	1,480	-	-	-
Management fees	-	636	-	-
Rental income	328	486	-	-
Reversal of impairment of amount owing by subsidiaries	-	-	1,343	-
Reversal of impairment of receivables	-	197	-	-
Reversal of provision for liabilities	320	7,026	-	-
Waiver of debt	-	890	-	-
Others	418	307	-	87
	8,690	15,890	1,368	87

31. OPERATING (LOSS)/PROFIT

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Operating (loss)/profit has been arrived at after charging:-				
Auditors' remuneration:				
- current year	244	229	35	35
- (over)/under accrual in prior year	(12)	163	15	11
Amortisation of prepaid lease payments	294	210	-	-
Amortisation of other investments	72	72	-	-
Bad debts written off	6,674	644	19	-
Deposits written off	286	224	-	-
Depreciation	1,054	2,145	17	15
Directors' fees				
- current year	96	72	96	72
- prior year	24	132	24	132
Directors' remuneration				
- salaries	2,146	1,898	-	1,011
- other emoluments	122	123	-	89

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31. OPERATING (LOSS)/PROFIT (Continued)

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Impairment of amount owing by subsidiaries	-	-	23,561	-
Impairment of receivables	22,155	425	-	-
Impairment of investments	-	1	-	-
Impairment of investments in subsidiary	-	-	202	-
Impairment of property, plant and equipment	53,044	1,956	-	-
Inventories written off	4	37	-	-
Lease rental	199	240	-	-
Property, plant and equipment written off	228	12	5	-
Rental of premises	49	14	-	-
Rental of equipment and boats	-	154	-	-
Staff costs				
- Employees' Provident Fund	596	260	-	12
- SOCSO	21	30	-	-
- salaries, overtime and allowances	2,550	3,094	-	96
- other staff related expenses	-	63	-	-
- welfare	16	2	-	-

The estimated monetary value of directors' benefit-in-kind is RM122,000/- (2012 : RM123,000/-).

32. FINANCE COSTS (Net)

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Interest income				
- licensed banks	-	13	-	12
Interest expenses				
- loan interest	(2,286)	(1,063)	-	(786)
- overdraft interest	(202)	(120)	(202)	(120)
- hire purchase and lease liabilities	(10)	(17)	-	-
	(2,498)	(1,200)	(202)	(906)
	(2,498)	(1,187)	(202)	(894)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

33. TAXATION

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Income tax				
- current financial year	(70)	(97)	-	-
- overaccrual in prior year	104	-	-	-
Deferred tax liabilities (Note 23)				
- current financial year	-	-	-	-
- overaccrual in prior year	-	1	-	-
	-	1	-	-
	34	(96)	-	-

The income tax is calculated at statutory rate of 25% of the estimated assessable (loss)/profit for the year.

A reconciliation of income tax expense applicable to (loss)/profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
(Loss)/profit before taxation	(83,246)	599	(23,795)	(3,191)
Taxation at applicable tax rate of 25%	20,812	(150)	5,949	798
Tax effects arising from				
- non-taxable income	1,640	2,441	336	22
- non-deductible expenses	(18,609)	(1,314)	(6,166)	(180)
- overaccrual in prior years	104	1	-	-
- deferred tax assets not recognised in the financial statements	(3,913)	(1,074)	(119)	(640)
Tax income/(expenses) for the financial year	34	(96)	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

33. TAXATION (Continued)

Deferred tax assets have not been recognised for the following items:-

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Unabsorbed capital allowances	(2,585)	(2,259)	(159)	(158)
Unutilised tax losses	(153,800)	(138,471)	(4,727)	(4,253)
	(156,385)	(140,730)	(4,886)	(4,411)
Potential deferred tax assets not recognised at 25%	(39,096)	(35,183)	(1,222)	(1,103)

34. EARNINGS PER ORDINARY SHARE

Basic earnings per share

The basic earnings per share is calculated based on the Group's (loss)/profit for the financial year after taxation and non-controlling interest of RM83,188,000/- (2012: RM468,000/-) and on the weighted number of ordinary shares on issue of 334,886,726 (2012 : 334,886,726/-).

Diluted earnings per share

As at 30th June 2013, the Group has no dilutive potential ordinary shares. As such, there is no dilutive effect on the earnings per share of the Group for the current financial year.

35. CONTINGENT LIABILITIES

(a) The contingent liabilities are as follows:-

	Company	
	2013 RM'000	2012 RM'000
Corporate guarantees given by the Company to Lehman for credit facilities granted to the subsidiaries	85,680	129,000
Corporate guarantees given by the Company to a bank for credit facilities granted to the subsidiaries	31,151	24,000

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

35. **CONTINGENT LIABILITIES (Continued)**

(b) 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 24th 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 judgement was taken against the claimants by the financial institution in October 2007. An application will be made to strike out the counterclaim against the subsidiary once the necessary verifications have been conducted on the court file.

(c) Claims by 2 purchasers against a wholly owned subsidiary of the Company for specific performance and damages on units purchased claiming approximately RM758,149/-. Following hearings and appeal on the matters, the claims for specific performance were dismissed and only the issue of damages remains to be assessed by the court, which is set to be heard on 9th October 2013.

36. **RELATED PARTIES**

(a) **Identification of related parties**

A related party is an entity or person that directly or indirectly through one or more intermediary controls, is controlled by, or is under common or joint control with the Company or that has an interest in the Company that gives it significant influence over the Company's financial operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in the Company resides with, directly or indirectly.

The Group and the Company has related party relationship with its holding companies, significant investor, subsidiaries and associates, directors and key management personnel.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

36. RELATED PARTIES (Continued)

(b) Significant Related Parties Transactions

In the normal course of business, the Company undertakes transactions with some of its related parties listed above. Set out below are the significant related party transactions for the financial year (in addition to related party disclosures mentioned elsewhere in the financial statements). The related party transactions described below were carried out on terms and conditions mutually agreed between the respective parties.

Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Related parties				
Benua Produktif Sdn. Bhd.				
Interest income	10	9	-	-

(c) Key Management Personnel Compensation

Key management personnel are defined as those persons other than the directors of the Company having the authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly.

The remuneration of the key management personnel during the financial year is as follows:-

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Directors				
Fees				
- current year	96	72	96	72
- prior year	24	132	24	132
Remuneration	2,146	1,898	-	1,011
Benefit-in-kind	122	123	-	89
Other key management personnel				
Salaries and allowances	480	633	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

37. **SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR**

In 2007, the Company and its affected subsidiaries (collectively "the THB Group") had obtained a loan from Lehman Brothers Commercial Corporation Asia Limited (in liquidation) ("Lehman"). THB Group had on 21st February 2011 executed a conditional Settlement Agreement with Lehman and other related parties on the amicable settlement of all claims on the term loan facility with Lehman, the writ against Lehman and other related parties and the Defence and Counterclaim by Lehman against the THB Group for a settlement sum of RM144,587,595/- ("Settlement Sum"). The Settlement Sum comprises of a cash settlement sum of RM44 million, and the transfer and vesting of Settlement Properties at the agreed value of RM100,587,595/- to Malaysian Trustees Bhd ("MTB") for the benefit of Lehman or such other person nominated by Lehman, on the terms and conditions set out in the Proposed Settlement Scheme.

During the previous financial year, the Group had fully repaid the cash settlement sum of RM44 million. The requisite consents from the relevant State Authorities for the transfer of the Settlement Properties has also been obtained.

The release and discharge of the remaining securities to the Group will take place on completion of the transfer and vesting of the Settlement Properties to MTB or upon the successful disposal of the same by Lehman's liquidator. Lehman's liquidator has been undertaking various exercises to dispose the Settlement Properties, which would in turn effectively save the Group from the costs of transfer of such Properties. As at to date, Lehman's liquidator has sold the bulk of the Settlement Properties and this sale is expected to be completed by the 3rd quarter or early in the 4th quarter of calendar year 2013. Efforts to dispose the remaining units of the Settlement Properties priced at approximately RM617,000/- is still ongoing.

38. **SEGMENTAL ANALYSIS**

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based upon the industry of the underlying investments.

The activities of the Group are carried out mainly in Malaysia and as such, segmental reporting by geographical locations is not presented.

Business Segments

For management purposes, the Group is organised into the following operating divisions:-

- Property development/Management
- Resorts and Club Operation/Management
- Construction
- Investment holding

Inter-segment sales have been transacted at arm's length basis between the companies in the relevant business segments.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

38. SEGMENTAL ANALYSIS (Continued)

Group 2013	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	23,900	6,103	-	-	-	30,003
Inter-segment sales	-	302	9,581	62	(9,945)	-
Total revenue	23,900	6,405	9,581	62	(9,945)	30,003
Results						
(Loss)/profit from operations	(24,950)	(50,232)	2,283	(24,981)	17,132	(80,748)
Finance costs						(2,498)
Loss before taxation						(83,246)
Taxation						34
Loss after taxation						(83,212)
Other comprehensive income						-
Total comprehensive loss						(83,212)
Other Information						
Depreciation and amortisation	328	1,042	-	21	29	1,420
Consolidated Statement of Financial Position						
Assets						
Segment assets	293,735	108,901	29,428	340,284	(489,326)	283,022
Liabilities						
Segment liabilities	(256,850)	(173,569)	(18,746)	(309,233)	666,847	(91,551)
2012						
Revenue						
External sales	10,250	9,396	-	-	-	19,646
Inter-segment sales	-	302	-	140	(442)	-
Total revenue	10,250	9,698	-	140	(442)	19,646
Results						
Profit/(Loss) from operations	11,336	5,484	(13)	(1,712)	(13,309)	1,786
Finance costs						(1,187)
Profit before taxation						599
Taxation						(96)
Profit after taxation						503
Other comprehensive income						-
Total comprehensive income						503
Other Information						
Depreciation and amortisation	330	2,067	-	30	-	2,427
Consolidated Statement of Financial Position						
Assets						
Segment assets	308,832	172,691	3,039	362,262	(483,542)	363,282
Liabilities						
Segment liabilities	(264,954)	(178,411)	(15,717)	(307,484)	677,967	(88,599)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

39. FINANCIAL INSTRUMENTS

(a) Classification of Financial Instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The significant accounting policies in Note 3.3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

Group 2013	Loans and receivables RM'000	Available-for-sale RM'000	Others financial liabilities RM'000	Total RM'000
Financial assets				
Trade receivables	21,509	-	-	21,509
Other receivables and sundry deposits	1,769	-	-	1,769
Cash, bank balances and deposits	2,365	-	-	2,365
Other investments	-	5,340	-	5,340
	25,643	5,340	-	30,983
Financial liabilities				
Trade payables	-	-	12,111	12,111
Other payables and sundry deposits	-	-	14,376	14,376
Amount owing to directors	-	-	10,839	10,839
Borrowings	-	-	33,801	33,801
Other long term payables (unsecured)	-	-	748	748
	-	-	71,875	71,875
2012				
Financial assets				
Trade receivables	25,125	-	-	25,125
Other receivables and sundry deposits	14,067	-	-	14,067
Cash, bank balances and deposits	2,460	-	-	2,460
Other investments	-	5,412	-	5,412
	41,652	5,412	-	47,064
Financial liabilities				
Trade payables	-	-	17,696	17,696
Other payables and sundry deposits	-	-	22,023	22,023
Amount owing to directors	-	-	8,756	8,756
Borrowings	-	-	26,825	26,825
Other long term payables (unsecured)	-	-	748	748
	-	-	76,048	76,048

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

39. FINANCIAL INSTRUMENTS (Continued)

(a) Classification of Financial Instruments (Continued)

Company 2013	Loans and receivables RM'000	Available-for-sale RM'000	Other financial liabilities RM'000	Total RM'000
Financial assets				
Other receivables and sundry deposits	2	-	-	2
Amount owing by subsidiaries	202,669	-	-	202,669
Other investments	-	2	-	2
	202,671	2	-	202,673
Financial liabilities				
Other payables	-	-	1,109	1,109
Borrowings	-	-	2,492	2,492
Amount owing to directors	-	-	6,416	6,416
Amount owing to subsidiaries	-	-	55,922	55,922
	-	-	65,939	65,939
2012				
Financial assets				
Other receivables and sundry deposits	21	-	-	21
Amount owing by subsidiaries	225,153	-	-	225,153
Cash, bank balances and deposits	238	-	-	238
Other investments	-	2	-	2
	225,412	2	-	225,414
Financial liabilities				
Other payables	-	-	1,049	1,049
Borrowings	-	-	2,497	2,497
Amount owing to directors	-	-	4,625	4,625
Amount owing to subsidiaries	-	-	55,748	55,748
	-	-	63,919	63,919

(b) Financial Risk Management and Objectives

The Group seeks to manage effectively the various risks namely interest rate, liquidity and credit risks, to which the Group is exposed to in its daily operations.

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from its obligations under hire purchase liabilities and lease payables. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial Risk Management and Objectives (Continued)

(i) Interest Rate Risk (Continued)

The following table details the interest rate profile of the Group and of the Company's borrowings at the reporting date.

Group	Effective interest rate	Within 1 year	1 - 5 years	> 5 years	Total
2013	%	RM'000	RM'000	RM'000	RM'000
Financial Liabilities					
Bank overdraft	8.10	2,491	-	-	2,491
Hire purchase liabilities	2.76 - 2.84	49	110	-	159
Bridging loan	8.35	-	-	31,151	31,151
2012					
Financial Liabilities					
Bank overdraft	8.10	2,497	-	-	2,497
Hire purchase liabilities	2.76 - 4.28	80	248	-	328
Bridging loan	8.35	-	-	24,000	24,000
Company					
2013					
Financial Liabilities					
Bank overdraft	8.10	2,492	-	-	2,492
2012					
Financial Liabilities					
Bank overdraft	8.10	2,497	-	-	2,497

Sensitivity analysis for fixed rate instruments

The Group and the Company does not account for any fixed rate financial assets and financial liabilities and therefore change in interest rate at the end of the reporting period would not affect the Group and the Company's net gain and equity.

Sensitivity analysis for fixed rate instruments

A change in 1% in interest rate at the end of the reporting period would have increased/(decreased) the Group's and the Company's loss before tax and equity by the amounts shown below. This analysis assumes that all other variables remained unchanged.

	Group and Company			
	2013		2012	
	Interest rate Increase 1%	Interest rate Decrease 1%	Interest rate Increase 1%	Interest rate Decrease 1%
	RM'000	RM'000	RM'000	RM'000
Loss before tax and equity	25	(25)	25	(25)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial Risk Management and Objectives (Continued)

(ii) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Maturity analysis

The maturity profile of the Group's and the Company's financial liabilities based on undiscounted contractual repayment at the reporting date are as follows:

	On demand or within 1 year RM'000	**1 - 5 years** RM'000	**> 5 years** RM'000	**Total** RM'000
Group				
Financial liabilities				
2013				
Trade payables	12,111	-	-	12,111
Other payables and sundry deposits	14,376	-	-	14,376
Borrowings	2,540	110	31,151	33,801
Amount owing to directors	10,839	-	-	10,839
Other long term payables (unsecured)	748	-	-	748
	40,614	110	31,151	71,875
2012				
Trade payables	17,696	-	-	17,696
Other payables and sundry deposits	22,023	-	-	22,023
Borrowings	2,577	248	24,000	26,825
Amount owing to directors	8,756	-	-	8,756
Other long term payables (unsecured)	748	-	-	748
	51,800	248	24,000	76,048

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial Risk Management and Objectives (Continued)

(ii) Liquidity Risk (Continued)

	On demand or within 1 year RM'000	1 - 5 years RM'000	> 5 years RM'000	Total RM'000
Company				
Financial liabilities				
2013				
Other payables and sundry deposits	1,109	-	-	1,109
Amount owing to directors	6,416	-	-	6,416
Borrowings	2,492	-	-	2,492
Amount owing to subsidiaries	55,922	-	-	55,922
	65,939	-	-	65,939
2012				
Other payables and sundry deposits	1,049	-	-	1,049
Amount owing to directors	4,625	-	-	4,625
Borrowings	2,497	-	-	2,497
Amount owing to subsidiaries	55,748	-	-	55,748
	63,919	-	-	63,919

(iii) Credit Risk

The Group and the Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group and the Company trades only with recognised and creditworthy third parties. It is the Group and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

The exposure to credit risk is monitored by the management on an ongoing basis and the management do not expect any counterparty to fail to meet its obligations.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the reporting period represent the Group and the Company's maximum exposure to credit risk in relation to financial assets. No financial assets carry a significant exposure to credit risk other than those disclosed in the notes to the financial statements.

The Group and the Company have no significant concentration of credit risk that may arise from exposure to a single debtor or to group of debtors.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

39. FINANCIAL INSTRUMENTS (Continued)

(c) Fair Values

The fair values of financial assets and financial liabilities of the Group and of the Company approximate their carrying amounts on the statements of financial position.

There were no unrecognised financial instruments as at 30th June 2013.

The nominal/notional amount and net fair value of corporate guarantee given (as disclosed in Note 35 to the financial statements) are not recognised in the statements of financial position as at 30th June 2013 as it is not practicable to make a reliable estimate due to uncertainties of timing, costs and eventual outcome.

Fair Values Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:-

Level 1 - Quoted prices in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability.
Level 3 - Inputs for the asset or liability that are not based on observable market data.

	Level 1 RM'000	**Level 2** RM'000	**Level 3** RM'000	**Total** RM'000
Group				
2013				
Financial assets				
Investment in quoted shares	2	-	-	2
Other investments	-	-	5,338	5,338
	2	-	5,338	5,340
2012				
Financial assets				
Investment in quoted shares	2	-	-	2
Other investments	-	-	5,410	5,410
	2	-	5,410	5,412
Company				
2013				
Financial assets				
Investment in quoted shares	2	-	-	2
2012				
Financial assets				
Investment in quoted shares	2	-	-	2

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

40. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital structure by monitoring the capital and net debt on an ongoing basis. To maintain the capital structure, the Group may adjust the dividend payment to shareholders.

There were no changes in the Group's approach to capital management during the financial year.

	Group		**Company**	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total borrowings	33,801	26,825	2,492	2,497
Trade and other payables	36,450	51,419	3,896	4,061
Provisions	9,801	771	-	-
Amount owing to subsidiaries	-	-	55,922	55,748
Amount owing to directors	10,839	8,756	6,416	4,625
Less: Cash, bank balances and deposits	(2,365)	(2,460)	-	(238)
Net debt	88,526	85,311	68,726	66,693
Total equity attributable to the Owners of the Company	191,375	274,563	187,672	211,467
Capital and net debts	279,901	359,874	256,398	278,160
Gearing ratio	32%	24%	27%	24%

The Group is also required to comply with the disclosure and necessary capital requirements as prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

41. COMPARATIVE FIGURES

During the financial year, the Group has reclassified certain comparative figure to conform to the current year presentation.

Statements of Financial Position	**As previously reported** RM'000	**Reclassification** RM'000	**As restated** RM'000
Group			
Current liabilities			
Other payables, sundry deposits and accruals	40,443	(7,468)	32,975
Amount owing to directors	1,288	7,468	8,756
Company			
Current liabilities			
Other payables, sundry deposits and accruals	7,843	(3,782)	4,061
Amount owing to directors	843	3,782	4,625

SUPPLEMENTARY INFORMATION
DISCLOSURE OF REALISED AND UNREALISED PROFITS

On 25th March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

The breakdown of the accumulated losses of the Group and of the Company as at 30th June 2013, into realised and unrealised losses, pursuant to the directive, is as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total accumulated losses of Tanco Holdings Berhad and its subsidiaries				
- Realised	142,209	59,022	147,215	123,420
- Unrealised	-	(1)	-	-
	142,209	59,021	147,215	123,420
Total share of retained profits from associate				
- Realised	-	-	-	-
- Unrealised	-	-	-	-
	-	-	-	-
Total accumulated losses as per statements of financial position	142,209	59,021	147,215	123,420

The determination of realised and unrealised losses is complied based on Guidance of Special Matter No.1*, Determination of Realised and Unrealised Profits and Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20th December 2010.

The disclosure of realised and unrealised losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

STATEMENTS BY DIRECTORS

We, **DATO' TAN JING NAM** and **DATO' TAN LEE SING,** being two of the directors of Tanco Holdings Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements are properly drawn up in accordance with the Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 30th June 2013 and of the results and cash flows of the Group and of the Company for the financial year ended on that date.

The supplementary information set out on page 99 has been prepared in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants.

On behalf of the Board,

DATO' TAN JING NAM
Director

DATO' TAN LEE SING
Director

Kuala Lumpur

Date: 6th September 2013

STATUTORY DECLARATION

I, **DATO' TAN LEE SING,** being the director primarily responsible for the financial management of TANCO HOLDINGS BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements and the supplementary information are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

DATO' TAN LEE SING

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 6th September 2013.

Before me,

ARSHAD ABDULLAH (No. W550)
Commissioner for Oaths
Kuala Lumpur.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TANCO HOLDINGS BERHAD

(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Tanco Holdings Berhad, which comprise the statements of financial position as at 30th June 2013 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 30 to 98.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with the Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial positions of the Group and of the Company as at 30th June 2013 and of their financial performance and cash flows for the financial year then ended in accordance with the Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to the financial statements which disclose that during the financial year, the Group incurred a net loss of RM83,212,000/- and recorded a deficit in operating cash flows of RM9,136,000/-, thereby indicating the existence of an uncertainty which may cast doubt about the Group's ability to continue as a going concern.

The appropriateness of the going concern assumption is dependent on the Group's ability to generate adequate cash flows from its operating activities and operate profitably in the future.

The directors are reasonably optimistic that the cash flows of the Group will improve in the foreseeable future with the sales of the planned development projects. In addition to the further cost rationalisation and the disposal of non-essential assets, the Group will explore the options of raising funds through the capital market to improve the Group's cash flow and financial position. The directors are confident that with all these actions, the Group will be in a good position to meet all its existing financial obligations in the foreseeable future.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TANCO HOLDINGS BERHAD (cont'd)
(Incorporated in Malaysia)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:-

(a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.

(b) We have considered the financial statements of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 8 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

Other Reporting Responsibilities

The supplementary information set out in page 99 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purposes. We do not assume responsibility to any other person for the content of this report.

Baker Tilly Monteiro Heng
No. AF 0117
Chartered Accountants

Ng Boon Hiang
No.2916/03/14(J)
Chartered Accountant

Kuala Lumpur

Date: 6th September 2013

LIST OF PROPERTIES
As at 30th June 2013

Location	Tenure	Area (acres)	Description and Existing Use	Year of Acquisition/ Revaluation	Age of Properties	Net Book Value RM'000
13th mile of Port Dickson Pasir Panjang main road Mukim of Pasir Panjang District of Port Dickson Negeri Sembilan Darul Khusus Lot No. / P.T. No. 2676-2679, 2682-2685, 2688-2690, 2692-2694, 2697, 2703, 2705-2715, 2717-2719, 2721-2728, 2731-2732, 2735-2742, 2746-2751, 2753-2755, 2757, 2759-2762, 2764-2765, 2767, 2769-2774, 2776-2782, 2784-2786, 2819, 2936, 2938, 5400, 5810, 5812-5816, 5821, 5823, 5826-5829, 5834, 5836, 5838-5859, 5861-5862, 5870, 5877-5891	Freehold with the exception of the golf course held under P.T. No. 2760 which is leasehold for 99 years to expire in the year 2093	344.06	Vacant land, approved for mixed residential and resort development known as Palm Springs Resort	1993	-	166,345
Mukim of Pasir Panjang District of Port Dickson Negeri Sembilan Darul Khusus H.S.(D) No.22780 P.T. No. 5391	Freehold	10.85	Vacant land, approved for Resort Development	2000	-	11,818
Mukim of Pasir Panjang District of Port Dickson Negeri Sembilan Darul Khusus Geran 81920-81925 Lot 5913-5908, Geran 81919-81916 Lot 5914-5917, Geran 81911-81915 Lot 5922-5918	Freehold	1.82	Resort known as Duta Hacienda Riveria Resort	2002	-	14,230
Mukim of Pasir Panjang District of Port Dickson Negeri Sembilan Darul Khusus H.S.(D) No 24397 P.T. No. 5483	Leasehold for 99 years to expire in the year 2101	7.99	Vacant land, approved for Private Institution Development	2002	-	2,400

LIST OF PROPERTIES
As at 30th June 2013 (cont'd)

Location	Tenure	Area (acres)	Description and Existing Use	Year of Acquisition/ Revaluation	Age of Properties	Net Book Value RM'000
Town of Kuala Lumpur No. 1, Persiaran Ledang Off Jalan Duta, Kuala Lumpur Lot No. 131, Geran 26990	Freehold	1.52	27 units of Serviced apartments and service outlets comprising of a pub, a coffee house, seminar room, office and business centre within Duta Vista Executive Suites	1997	20 years	18,063
Mukim of Beserah District of Kuantan Pahang Darul Makmur H.S.(M) No. 1238 to 1243 P.T. No. 2125 to 2130	Freehold	1.12	Existing Resort known as Duta Sands Beach Resort	1998	20 years	2,191
Mukim and District of Hulu Terengganu Terengganu Darul Iman H.S.(D) No. 717 to 719 P.T. No. 35 to 37	Leasehold for 56 years to expire in the year 2054	172.88	Existing Resort known as Duta Lakes Resort	1998	20 years	3,351
Parish of Mudgeeraba County of Ward Queensland, Australia 4 On Rp 222092	Freehold	120.09	Existing Resort known as Coolalinga Lodge	1998	33 years	2,353
County of Kent, District of Ashford, England H. M. Land Registry K113517 & K314104	Freehold	19.48	Existing Resort known as Cloth Hall	1998	593 years	4,969
County of Kent District of Shepway, England H. M. Land Registry K444270	Freehold	5.00	Existing Resort known as Havenfield Hall	1998	75 years	4,460

ANALYSIS OF SHAREHOLDINGS
AS AT 4TH OCTOBER 2013

SHARE CAPITAL

Authorised Share Capital	-	RM1,000,000,000.00
Issued and Paid-up Share Capital	-	RM334,886,726.00
Type of Share	-	Ordinary Shares of RM1.00 each
Number of Shareholders	-	9,874
Voting Rights	-	One vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	Percentage (%) of Shareholders	No. of Shares	Percentage (%) of Shares
Less than 100	855	8.66	33,333	0.01
100 – 1,000	1,588	16.08	1,352,144	0.41
1,001 – 10,000	4,915	49.78	22,848,531	6.82
10,001 – 100,000	2,189	22.17	77,206,542	23.05
100,001 to less than 5% of issued shares	325	3.29	130,625,807	39.01
5% and above of issued shares	2	0.02	102,820,369	30.70
Total	9,874	100.00	334,886,726	100.00

THIRTY (30) LARGEST SHAREHOLDERS

Name	No. of Shares	Percentage (%)
RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Tan Jing Nam	84,403,669	25.20
Dato' Neo Say Yeow	18,416,700	5.50
Michael Chai Sze Hou	10,023,624	2.99
Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Seow Hoon Hin	4,976,200	1.49
Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Tan Jing Nam	4,500,000	1.34
Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Gim Leong	3,910,600	1.17
TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ang Joo Meng	3,200,000	0.95
Ong Wan Chin	3,150,000	0.94
Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Seow Hoon Hin	2,505,000	0.75
Sithambaram A/L Meyappan	2,465,134	0.74
RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Jing Jeong	2,200,000	0.66
Public Invest Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Thanasekaran Ramiah	1,926,900	0.57
Tai Yat Choy	1,849,500	0.55
Lau Kok Fui	1,824,700	0.54

ANALYSIS OF SHAREHOLDINGS
AS AT 4TH OCTOBER 2013 (cont'd)

Name	No. of Shares	Percentage (%)
Citigroup Nominees (Asing) Sdn Bhd Exempt an for OCBC Securities Private Limited	1,297,132	0.39
Wong Chong Lin	1,243,300	0.37
TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Tak Ming	1,130,000	0.34
HDM Nominees (Tempatan) Sdn Bhd UOB Kay Hian Pte Ltd for Fong Kong Leong	1,000,000	0.30
Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Siow Shan	1,000,000	0.30
Pang Chee Khiong	1,000,000	0.30
TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Liew Ah Yoong	1,000,000	0.30
Siew Hoi Pat	994,800	0.30
Chiew Bee Ling	950,000	0.28
Chong Sing Khoon	880,000	0.26
Malaysia Nominees (Tempatan) Sendirian Berhad Lee Rubber (Selangor) Sdn Bhd	870,528	0.26
RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koo Woon Kee	860,000	0.26
Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Gan Boon Siew	800,000	0.24
Khoo Sui-Chuan	800,000	0.24
Poh Hwee Ming	800,000	0.24
HLIB Nominees (Asing) Sdn Bhd Exempt an for UOB Kay Hian Pte Ltd	790,914	0.24
	160,768,701	48.01

SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 4TH OCTOBER 2013

	No. of Shares Held			
Name of Shareholders	Direct	Percentage (%)	Indirect	Percentage (%)
Dato' Tan Jing Nam	88,903,669[1]	26.55	-	-
Dato' Neo Say Yeow	18,416,796[2]	5.50	-	-

Notes:-

1 Of the 88,903,669 shares, 84,403,669 are held through RHB Capital Nominees (Tempatan) Sdn Bhd and 4,500,000 are held through Maybank Nominees (Tempatan) Sdn Bhd.

2 Of the 18,416,796 shares, 18,416,700 are held under his own name and 96 are held under Maybank Nominees (Tempatan) Sdn Bhd.

STATEMENT OF DIRECTORS' INTERESTS
IN THE COMPANY AND RELATED CORPORATIONS
AS AT 4TH OCTOBER 2013 (AS PER THE REGISTER OF DIRECTORS' SECURITIES HOLDINGS)

The Company
Tanco Holdings Berhad

Ordinary Shares of RM1.00 each

Name of Directors	No. of Ordinary Shares of RM1.00 each Direct	%	Indirect	%
Dato' Tan Jing Nam	88,903,669	26.55	-	-
Dato' Dr. Mohd. Noordin bin Haji Keling	62,510	0.02	-	-
Dato' Tan Lee Sing	5,000	-[1]	-	-
James Wong Kwong Yew	2,000	-[1]	-	-
Dato' Dr. Mohd. Aminuddin bin Mohd. Rouse	-	-	-	-
Andrew Tan Jun Suan	-	-	-	-
Chan Chee Meng	-	-	-	-
Koay Ghee Teong	-	-	-	-

Note:
[1] Less than 0.01%

Subsidiary Companies

Medan Melati Sdn. Bhd.

Name of Director	No. of Shares Held Direct	%	Indirect	%
Dato' Dr. Mohd. Aminuddin bin Mohd. Rouse	200	10.00	-	-

Tanco Enterprise Sdn. Bhd.

Name of Director	No. of Shares Held Direct	%	Indirect	%
Dato' Tan Jing Nam	30,004	9.68	-	-

By virtue of their interests in the Company, Dato' Tan Jing Nam, Dato' Dr. Mohd. Noordin bin Haji Keling, Dato' Tan Lee Sing and Mr. James Wong Kwong Yew are also deemed interested in the shares of all the other subsidiary companies of the Company to the extent the Company has an interest.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifty-Fourth Annual General Meeting of the Company will be held at St. Andrew's Hall, Duta Vista Executive Suites, No. 1 Persiaran Ledang, Off Jalan Duta, 50480 Kuala Lumpur on Friday, 8th November 2013 at 9.00 a.m. for the following purposes:-

AGENDA

1. To receive and adopt the audited financial statements for the financial year ended 30th June 2013 together with the Reports of the Directors and the Auditors thereon. (Resolution 1)

2. To approve the payment of Directors' Fees amounting to RM96,000.00 in respect of the financial year ended 30th June 2013. (Resolution 2)

3. To re-elect the following Directors who are retiring by rotation in accordance with Article 101 of the Company's Articles of Association and being eligible, have offered themselves for re-election:-

   a. Dato' Tan Jing Nam (Resolution 3)

   b. Dato' Dr. Mohd. Aminuddin bin Mohd. Rouse (Resolution 4)

4. To consider, and if thought fit, to pass the following resolution:-

   "THAT Dato' Dr. Mohd. Noordin bin Haji Keling, who retires in compliance with Section 129(6) of the Companies Act, 1965 and is hereby re-appointed as a Director of the Company and to hold the office until the conclusion of the next Annual General Meeting of the Company." (Resolution 5)

5. To re-appoint Messrs. Baker Tilly Monteiro Heng, as auditors of the Company and to authorise the Board of Directors to fix their remuneration. (Resolution 6)

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolutions:-

6. **ORDINARY RESOLUTIONS 1 AND 2:**
   - CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS

   a. "That subject to the passing of Ordinary Resolution 4, approval be and is hereby given to Dato' Dr. Mohd. Aminuddin bin Mohd. Rouse who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company." (Resolution 7)

   b. That subject to the passing of Ordinary Resolution 5, approval be and is hereby given to Dato' Dr. Mohd. Noordin bin Haji Keling who has served as an Independent Non-Executive Director of the Company for a cumulative terms of more than nine years, to continue to act as an Independent Non-Executive Director of the Company." (Resolution 8)

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

7. **ORDINARY RESOLUTION 3:**
   APPROVAL FOR ISSUANCE OF NEW ORDINARY SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

   "THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered and authorised pursuant to Section 132D of the Companies Act, 1965 to issue new ordinary shares of RM1.00 each in the Company, from time to time and upon such terms and conditions and for such purposes and to such person/persons or party/parties whomsoever as the Directors may, in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid-up share capital of the Company for the time being AND THAT the Directors be and are hereby also empowered to obtain approval from the Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares issued AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." (Resolution 9)

8. To transact any other business for which due notice has been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By Order of the Board
Chan Keng Yew
Choi Siew Fun
Company Secretaries

Kuala Lumpur
17th October 2013

NOTES:-

(i) In respect of deposited securities, only members whose names appear in the Record of Depositors as at 29th October 2013 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.
(ii) A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may, but need not, be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 are not applicable to the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
(iii) A member shall be entitled to appoint more than one proxy to attend and vote at the same meeting. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
(iv) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. In such instance, the member shall specify the securities account number for each appointment.
(v) Where a member of the Company is an exempt authorized nominee as defined under the SICDA which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect to the omnibus account.
(vi) The instrument appointing a proxy or proxies shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
(vii) The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at No.1, Persiaran Ledang, Off Jalan Duta, 50480 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

EXPLANATION NOTE ON SPECIAL BUSINESS:

(a) CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to the Malaysian Code of Corporate Governance 2012, the tenure of an Independent Director should not exceed a cumulative term of nine years unless an approval is sought from the Company's shareholders at the Annual General Meeting to retain the said director as an independent director.

The Board via the Nomination Committee has assessed the independence of Dato' Dr. Mohd. Noordin bin Haji Keling and Dato' Dr Mohd Aminuddin bin Mohd Rouse who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years and the Board has recommended them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications :-

(i) They fulfill the criteria under the definition on Independent Director in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
(ii) They are able to bring independent and objective judgment to the Board;
(iii) They have been with the Company for more than nine years and therefore understand the Company's business operations which enable them to participate actively and contribute positively during deliberations or discussions at Board meetings;
(iv) They have contributed sufficient time and effort and attended all the Committee and Board meetings for an informed and balanced decision making; and
(v) They have exercised due care during his tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company and shareholders.

(b) Approval for issuance of new ordinary shares pursuant to Section 132D of the Companies Act, 1965

The proposed Ordinary Resolution No. 9, if passed, will give authority to the Directors of the Company, from the date of the above Annual General Meeting ("AGM"), to issue and allot ordinary shares in the Company up to and not exceeding in total ten per cent (10%) of the issued share capital of the Company for the time being, for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

As at the date of this notice, the Company has not issued any new shares under the general authority, which was approved at the 53rd AGM held on 27th December 2012, and which will lapse at the conclusion of the 54th AGM. A renewal of this authority is being sought at the 54th AGM under the proposed Ordinary Resolution No. 9. The renewed mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment, working capital and/or acquisitions.

2013 ANNUAL REPORT:

The 2013 Annual Report is issued in the CD-ROM format. Shareholder who wishes to receive a hardcopy of the Annual Report and who require assistance with viewing the CD-ROM, kindly contact Puan Ruzita binti Abdul Latif at Tel: 03-20936188 ext 783 or e-mail to thb@tancoresorts.com. A hardcopy of the Annual Report will be sent to shareholder by ordinary post within four (4) market days from the date of receipt of request. A copy of the Annual Report may also be downloaded at the Company's website at http://www.tancoholdings.com.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

DETAILS OF DIRECTORS SEEKING FOR RE-ELECTION OR RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING

Details of Directors who are seeking for re-election or re-appointment are set out in the Directors' Profile section of the Company's Annual Report 2013. Information relating to the Directors' securities holdings in the Company and its subsidiaries (if any) held by the said Directors are stated in the Statement of Director's Interests section of the Annual Report 2013.

TANCO HOLDINGS BERHAD (3326-K)
(Incorporated In Malaysia)

FORM OF PROXY

No of Shares Held	CDS Account No.	Shareholder's Contact No.

I/We, ____, NRIC No. ______________________ of
(full name in block letters)

____ being a member(s)
(full address)

of TANCO HOLDINGS BERHAD, hereby appoint ____,
(full name in block letters)

NRIC No. ____________________ of ____
(full address)

or failing him/her, ____________________________________, NRIC No. ______________________ of
(full name in block letters)

____
(full address)

or failing him/her, THE CHAIRMAN OF THE MEETING as my/our proxy to attend and vote for me/us on my/our behalf at the Fifty-Fourth Annual General Meeting of the Company to be held at St. Andrew's Hall, Duta Vista Executive Suites, No. 1 Persiaran Ledang, Off Jalan Duta, 50480 Kuala Lumpur on Friday, 8th November 2013 at 9.00 a.m. and at any adjournment thereof. My/our proxy is to vote as indicated below:-

No.	Resolutions	For	Against
1.	To receive and adopt the Audited Financial Statements and Reports for the financial year ended 30th June 2013		
2.	Approval of Directors' Fees		
3.	Re-elect Dato' Tan Jing Nam as Director (Article 101)		
4.	Re-elect Dato' Dr. Mohd. Aminuddin bin Mohd. Rouse as Director (Article 101)		
5.	Re-appointment of Dato' Dr. Mohd. Noordin bin Haji Keling as Director pursuant to Section 129(6) of the Companies Act, 1965		
6.	Re-appointment of auditors and authorise the Board of Directors to fix their remuneration		
7.	Special Business - Ordinary Resolution No. 1 Continuing in office for Dato' Dr. Mohd. Aminuddin bin Mohd. Rouse as an Independent Non-Executive Director		
8.	Special Business - Ordinary Resolution No. 2 Continuing in office for Dato' Dr. Mohd. Noordin bin Haji Keling as an Independent Non-Executive Director		
9.	Special Business - Ordinary Resolution No. 3 Approval for issuance of new ordinary shares pursuant to Section 132D of the Companies Act, 1965		

Please indicate with an 'X' in the appropriate spaces as to how you wish your votes to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy will vote as he thinks fit, or at his discretion, abstain from voting.

Signed this______________day of ____________________ 2013.

____
Signature/Common Seal of Member

NOTES:-

(i) In respect of deposited securities, only members whose names appear in the Record of Depositors as at 29th October 2013 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.

(ii) A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may, but need not, be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 are not applicable to the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.

(iii) A member shall be entitled to appoint more than one proxy to attend and vote at the same meeting. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

(iv) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. In such instance, the member shall specify the securities account number for each appointment.

(v) Where a member of the Company is an exempt authorized nominee as defined under the SICDA which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect to the omnibus account.

(vi) The instrument appointing a proxy or proxies shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

(vii) The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at No.1, Persiaran Ledang, Off Jalan Duta, 50480 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

Fold This Flip For Sealing

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Affix
Stamp Here

The Company Secretary
TANCO HOLDINGS BERHAD (3326-K)
No.1, Persiaran Ledang,
Off Jalan Duta,
50480 Kuala Lumpur

3rd Fold Here