

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately. You should rely on your own evaluation to assess the merits and risks of the Proposed Acquisition (as defined herein).

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**TAMBUN INDAH LAND BERHAD**  
(Company No. 810446-U)  
(Incorporated in Malaysia under the Companies Act, 1965)

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE**

**PROPOSED ACQUISITION BY PALMINGTON SDN BHD, A 60%-OWNED SUBSIDIARY  
OF TAMBUN INDAH LAND BERHAD, OF PROPERTIES LOCATED AT  
BANDAR TASEK MUTIARA IN PENANG MEASURING APPROXIMATELY 526.75 ACRES  
FROM PEMBANGUNAN BANDAR MUTIARA SDN BHD FOR A CASH CONSIDERATION  
OF RM233,223,021**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

*Principal Adviser*



**MIMB INVESTMENT BANK BERHAD**  
(10209-W)

A Participating Organisation of Bursa Malaysia Securities Berhad

The notice of the Extraordinary General Meeting (“EGM”) of the Company to be held at Serindit Room, Hotel Equatorial Penang, 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Friday, 26 August 2011 at 10.30 a.m. together with the Proxy Form, are enclosed herein.

The Proxy Form must be lodged at the Registered Office of Tambun Indah Land Berhad at 51-21-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not later than forty-eight (48) hours before the time fixed for the EGM or any adjournment thereof. The lodging of the Proxy Form will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Proxy Form	:	Wednesday, 24 August 2011 at 10.30 a.m.
Date and time of the EGM	:	Friday, 26 August 2011 at 10.30 a.m.

This Circular is dated 11 August 2011

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## DEFINITIONS

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Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

“Act”	:	Companies Act, 1965
“Amenities Land”	:	Lands identified as Lot Nos. 8764, 8765, 8767 to 8769, 8773, 8775 to 8777, 6030, 9759, 10019, 10020, 10025, 10026, 10028, 10029, 10763, 11159, 11160 and 11355, all within the locality of Simpang Ampat, Mukim 15, Province Wellesley South, Penang measuring approximately 54.95 acre which are proposed to be developed into public amenities, including, amongst others, school, police station, fire station, community centre, clinic, mosque and car parks
“Board”	:	Board of Directors of Tambun Indah
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“EGM”	:	Extraordinary general meeting
“EPS”	:	Earnings per share
“FYE”	:	Financial year ended
“GDC”	:	Gross development cost
“GDV”	:	Gross development value
“Henry Butcher”	:	Henry Butcher Malaysia (Seberang Prai) Sdn Bhd, an independent registered valuer
“Listing Requirements”	:	Bursa Securities Main Market Listing Requirements
“LPD”	:	5 August 2011, the latest practicable date prior to the printing of this Circular
“Master SPA”	:	The master agreement dated 4 May 2011 entered into between Palmington and Pembangunan Mutiara in relation to the Proposed Acquisition for a total purchase consideration of RM233,223,021 to be satisfied fully in cash
“MIMB”	:	MIMB Investment Bank Berhad
“NA”	:	Net assets attributable to ordinary equity holders of Tambun Indah
“Palmington” or “Purchaser”	:	Palmington Sdn Bhd, a 60%-owned subsidiary of Tambun Indah and 40%-owned associated company of Pembangunan Mutiara
“Parcel R1”	:	All those parcels of land forming part of the Tasek Mutiara Land comprising: <ul style="list-style-type: none"><li>(i) sub-divided housing plots, shop-office plots, low cost flats and land for future development, identified as Lot Nos. 10047 to 10226, 10710 to 10759, 10802 to 10869, 10928 to 10987 and 11032 to 11095 (Part of Master Lot 8752), Lot Nos. 9859 to 9904 (Part of Master Lot 8760), Lot Nos. 9965 to 9989 and 9991 to 10015 (Part of Master Lot 8761), Lot Nos. 5765 to 5820, 6029 and 9758 (Part of Master Lot 1628), Lot Nos. 8745, 8746, 8936, 10016, 10017 and 10023 (Part of Master Lot 1629), Master Lot Nos. 13, 16, 20, 21, 22, 116, 1345, 1383, 1393, 1427, all within the locality of Simpang Ampat, Mukim 15, Province Wellesley South, Penang measuring approximately 106.21 acres; and</li><li>(ii) three (3) adjoining units of double storey terrace shop-offices, identified as Lot Nos. 4810, 4811 and 4812, all within the locality of Simpang Ampat, Mukim 15, Province Wellesley South, Penang measuring approximately 0.12 acres</li></ul>

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**DEFINITIONS (Cont'd)**

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- “Parcel R2” : All that piece of land forming part of the Tasek Mutiara Land comprising land for future development, identified as Lot No. 8747 (Part of Master Lot 1629), Simpang Ampat, Mukim 15, Province Wellesley South, Penang measuring approximately 156.52 acres
- “Parcel R3” : All that piece of land forming part of the Tasek Mutiara Land comprising land for future development, identified as Lot No. 8753 (Part of Master Lot 1629), Simpang Ampat, Mukim 15, Province Wellesley South, Penang measuring approximately 107.14 acres which is proposed to be developed into commercial centre of Bandar Tasek Mutiara
- “Parcel C” : All those parcels of land forming part of the Tasek Mutiara Land comprising land for future development, identified as Lot Nos. 8748 and 8749 (Part of Master Lot 1629), Master Lot Nos. 1428, 1433, 1445, all within the locality of Simpang Ampat, Mukim 15, Province Wellesley South, Penang measuring approximately 101.81 acres
- “Pembangunan Mutiara” or “Vendor” : Pembangunan Bandar Mutiara Sdn Bhd
- “Proposed Acquisition” : Proposed acquisition by Palmington of the Tasek Mutiara Land from Pembangunan Mutiara for a total cash consideration of RM233,223,021
- “Purchase Consideration” : The total purchase consideration for the Proposed Acquisition amounting to RM233,223,021 to be fully satisfied in cash
- “RM” and “sen” : Ringgit Malaysia and sen respectively
- “SPA(s)” : Five (5) separate sale and purchase agreements dated 4 May 2011 entered into between Palmington and Pembangunan Mutiara for the Proposed Acquisition pursuant to the Master SPA
- “Tasek Mutiara Land” : All those pieces and parcels of lands located in a township development known as Bandar Tasek Mutiara in the locality of Simpang Ampat, Mukim 15, Province Wellesley South, Penang with a total land area of approximately 526.75 acres comprising Parcels R1, R2, R3 and C and the Amenities Land
- “Tambun Indah” or the “Company” : Tambun Indah Land Berhad
- “Tambun Indah Group” or the “Group” : Tambun Indah and its subsidiaries, collectively
- “Tambun Indah Shares” or “Shares” : Ordinary shares of RM0.50 each in Tambun Indah

Words denoting the singular number only shall include the plural and also vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender, neuter gender and vice versa. Reference to persons shall include corporations, unless otherwise specified. Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

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**TAMBUN INDAH LAND BERHAD**  
(Company No. 810446-U)  
(Incorporated in Malaysia)

**Registered Office:**  
51-21-A, Menara BHL Bank  
Jalan Sultan Ahmad Shah  
10050 Penang

11 August 2011

**The Board of Directors:**

Tsai Yung Chuan (*Non-Independent Non-Executive Chairman*)  
Ir. Teh Kiak Seng (*Managing Director*)  
Teh Theng Theng (*Executive Director*)  
Thaw Yeng Cheong (*Executive Director*)  
Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali (*Independent Non-Executive Director*)  
Dato' Mohamad Nadzim Bin Shaari (*Independent Non-Executive Director*)  
Yeoh Chong Keat (*Independent Non-Executive Director*)

**To: The Shareholders of Tambun Indah**

Dear Sir/Madam,

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**PROPOSED ACQUISITION**

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**1. INTRODUCTION**

On 4 May 2011, MIMB had on behalf of the Board, announced that Palmington, a 60%-owned subsidiary of Tambun Indah, had on the same date entered into the Master SPA with Pembangunan Mutiara to acquire the Tasek Mutiara Land, located at a township development known as Bandar Tasek Mutiara in the locality of Simpang Ampat, Mukim 15, Province Wellesley South, Penang with a total land area of approximately 526.75 acres, for a purchase consideration of RM233,223,021 to be fully satisfied in cash.

Pursuant to the Master SPA, Palmington had on 4 May 2011 entered into five (5) separate SPAs with the Vendor for the Tasek Mutiara Land as follows:

- (i) three (3) separate SPAs for the acquisition of Parcels R1, R2 and R3 for a purchase consideration of RM60 million each or a total purchase consideration of RM180 million;
- (ii) SPA for the acquisition of Parcel C for a purchase consideration of approximately RM53.22 million; and
- (iii) SPA for the acquisition of Amenities Land for a purchase consideration of RM21.

The five (5) separate SPAs are intended to constitute a single transaction for the sale and purchase of the Tasek Mutiara Land at the purchase consideration of RM233,223,021.

The purpose of this Circular is to provide you with information in relation to the Proposed Acquisition and to seek your approval for the resolution relating thereto to be tabled at the forthcoming EGM. The notice of EGM together with the Proxy Form are enclosed in this Circular.

**YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION AT THE FORTHCOMING EGM.**

## **2. DETAILS OF THE PROPOSED ACQUISITION**

### **2.1 Details of the Proposed Acquisition**

On 4 May 2011, Palmington entered into the Master SPA and five (5) separate SPAs with the Vendor to acquire the Tasek Mutiara Land which comprises Parcels R1, R2, R3 and C and the Amenities Land pursuant to the Proposed Acquisition.

The Vendor has agreed to sell and the Purchaser has agreed to purchase the Tasek Mutiara Land in the physical state and condition as at the date of the SPAs on an “as-is-where-is” basis, free from all encumbrances and with vacant possession for the cash consideration of RM233,223,021 and upon the terms and conditions as provided for in the SPAs.

As highlighted in Section 2.3 of this Circular, all the parcels of Tasek Mutiara Land, other than the Amenities Land, are presently charged to financial institutions and will be redeemed by the Vendor prior to the transfer of the said land to the Purchaser.

The Purchase Consideration for the Proposed Acquisition shall be payable over a period of not exceeding forty-two (42) months commencing from the date of the SPAs and at the times and in the manner as stated in Section 3.2 of this Circular. Upon execution of the SPAs, the Purchaser has paid approximately RM4.66 million to the Vendor as a refundable deposit and part payment towards the Purchase Consideration.

The salient terms of the SPAs relating to the Proposed Acquisition are set out in Section 3 of this Circular.

### **2.2 Background information on the Vendor**

Pembangunan Mutiara was incorporated in Malaysia as a private limited company under the Act on 30 April 1993. As at the LPD, the authorised share capital of Pembangunan Mutiara stood at RM300,000,000 comprising 300,000,000 ordinary shares of RM1.00 each in Pembangunan Mutiara, of which 15,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up. Pembangunan Mutiara is principally involved in property development and investment holding.

The Directors of Pembangunan Mutiara are Hamidon Bin Abdullah, Cheang Chee Leong and Lim Beng Guan.

The shareholder of Pembangunan Mutiara and its shareholdings therein are as follows:

<b>Name of shareholder</b>	<b>No. of ordinary shares held</b>	<b>%</b>
Nadayu Properties Berhad (“Nadayu”) <i>(formerly known as Mutiara Goodyear Development Berhad)</i>	15,000,000	100.00

Pembangunan Mutiara has a 40% equity interest in Palmington as at the date of this Circular.

### **2.3 Details of the Tasek Mutiara Land**

The Tasek Mutiara Land comprises:

- (i) subdivided lots approved for construction of various types of buildings;
- (ii) parcels yet to be designated for construction;
- (iii) parcels upon which amenities serving and/or are designated for construction of amenities to serve the proposed development of the Tasek Mutiara Land; and
- (iv) three (3) units of shop-offices,

which are distinguished and grouped under Parcels R1, R2, R3 and C and the Amenities Land.

The details of the Tasek Mutiara Land are set out as follows:

Tasek Mutiara Land identification	Parcel R1			Parcel R2	Parcel R3	Parcel C	Amenities Land
	Vacant land	Shop offices	Land for future development, identified as Lot No. 8747 (Part of Master Lot 1629), Simpang Ampat, Mukim 15, Province Wellesley South, Penang				
Sub-divided housing plots, shop-office plots, low cost flats and future development, identified as Lot Nos. 10047 to 10226, 10710 to 10759, 10802 to 10869, 10928 to 10987 and 11032 to 11095 (Part of Master Lot 8752), Lot Nos. 9859 to 9904 (Part of Master Lot 8760), Lot Nos. 9965 to 9989 and 9991 to 10015 (Part of Master Lot 8761), Lot Nos. 5765 to 5820, 6029 and 9758 (Part of Master Lot 1628), Lot Nos. 8745, 8746, 8936, 10016, 10017 and 10023 (Part of Master Lot 1629), Master Lot Nos. 13, 16, 20, 21, 22, 116, 1345, 1383, 1393, 1427, all within the locality of Simpang Ampat, Mukim 15, Province Wellesley South, Penang	Three (3) adjoining units of double storey terrace shop-offices, identified as Lot Nos. 4810, 4811 and 4812, all within the locality of Simpang Ampat, Mukim 15, Province Wellesley South, Penang	Land for future development, identified as Lot No. 8747 (Part of Master Lot 1629), Simpang Ampat, Mukim 15, Province Wellesley South, Penang which is proposed to be developed into commercial centre of Bandar Tasek Mutiara	Land for future development, identified as Lot Nos. 8748 and 8749 (Part of Master Lot 1629), Master Lot Nos. 1428, 1433, 1445, all within the locality of Simpang Ampat, Mukim 15, Province Wellesley South, Penang	Public amenities land, identified as Lots Nos. 8764, 8765, 8767 to 8769, 8773, 8775 to 8777, 6030, 9759, 10019, 10020, 10025, 10026, 10028, 10029, 10763, 11159, 11160 and 11355, all within the locality of Simpang Ampat, Mukim 15, Province Wellesley South, Penang			
Land area/Built-up area (acres)	106.21	0.12	156.52	107.14	101.81	54.95	

Tasek Mutiara Land	Parcel R1		Parcel R2	Parcel R3	Parcel C	Amenities Land
	Vacant land	Shop offices				
Tenure	Freehold (except for Lot No. 1383 – 0.84 acres held under leasehold title for a term of 99 years expiring on 26 January 2036)	Freehold	Freehold	Freehold	Freehold	Freehold
Age of the building (years)	Not applicable	12	Not applicable	Not applicable	Not applicable	Not applicable
Existing use	Vacant land	Currently the shop offices are used as Pembangunan Mutiara's office and the usage of the shop offices after the Proposed Acquisition will be determined at a later stage	Vacant land	Vacant land	Vacant land	Vacant land
Category of land use	Building (Commercial and/or residential)	Not applicable	Building (Commercial and/or residential)	Building (Commercial and/or residential)	Building (Commercial and/or residential)	Building (Amenities)
Encumbrances	Legal charge in favour of Affin Investment Bank Berhad and Affin Islamic Bank Berhad	Nil	Legal charge in favour of Affin Investment Bank Berhad	Legal charge in favour of Affin Investment Bank Berhad	Legal charge in favour of Affin Investment Bank Berhad	Nil
Audited net book value as at 31 December 2010 (RM'000)	45,061	572	66,406	45,459	43,197	Nil
Current market value (RM'000)	58,500	1,200	75,000	81,500	48,000	Nil
Independent Registered Valuer	Henry Butcher					
Date of valuation	5 May 2011					
Method of valuation	Combination of Comparison and Residual Methods <sup>(1)</sup>	Comparison and Investment Methods	Comparison Method	Comparison Method	Comparison Method	Nil
Purchase consideration (RM)	60,000,000	60,000,000	60,000,000	60,000,000	53,223,000	21



(1) Henry Butcher adopted the Residual Method of valuation for the sub-divided vacant land held under Parcel R1 as the said land has been sub-divided with approved layout plan and Comparison Method of valuation for the remaining vacant land, identified as Lot Nos. 13, 16, 20, 21, 22, 116, 1345, 1383, 1393, 1427, 6029, 8745, 8746, 8936, 9758, 10016, 10017 and 10023 held under Parcel R1, as there is no proposed development plan for these lands and there is ample sales evidences available which was used to justify the market value of these properties.

Premised to the table above, the shop offices within Parcel R1 were appraised by Henry Butcher using Comparison and Investment Methods of valuation as summarised below:

Market value- Shop offices of Parcel R1	RM'000
Comparison Method	1,200
Investment Method	1,170

Henry Butcher had adopted the Comparison Method of valuation in arriving at its final opinion of the current market value for the shop offices within Parcel R1 as it was based on sale transactions which reflect the actual market value of the properties. The Investment Method of valuation was deemed less suitable in arriving at the current market value for the shop offices within Parcel R1 as it is sensitive to the factors and parameters adopted in the valuation, amongst others, the rental, outgoings and yield.

Majlis Perbandaran Seberang Perai had vide its letters dated 20 April 1995, 9 December 1995 and 14 January 2002 approved the master layout plan for the development of Bandar Tasek Mutiara, a township development in which Tasek Mutiara Land is located. Part of the vacant land within Parcel R1 comprises sub-divided housing plots and shop-office plots of approximately 26.65 acres which are intended to be developed in the immediate future whilst the remaining vacant land within Parcels R1 (land identified for low cost flats and land for future development of approximately 79.56 acres), R2, R3 and C and the Amenities Land are not intended to be developed in the near term. The details of the proposed development for part of the vacant land within Parcel R1 are as follows:

Tasek Mutiara Land Lot Nos.	Part of the vacant land within Parcel R1			
	10802 to 10869, 10928 to 10987 and 11032 to 11095	10047 to 10226 and 10710 to 10759	9859 to 9904, 9965 to 9989 and 9991 to 10015	5765 to 5820
Proposed project name	To be determined later			
Type and development components	Development components Double storey semi-detached houses	Development components Double storey terrace houses	Development components Double storey shop-offices	Development components Double storey shop-offices
	Units to be built 192	Units to be built 230	Units to be built 96	Units to be built 56
Land area (acres)	12.58	9.24	2.95	1.88
Estimated GDV (RM'000)	73,313	58,496	34,214	20,384
Estimated GDC (RM'000)	57,381	48,127	24,794	16,492
Estimated gross development profit (RM'000)	15,932	10,369	9,420	3,892
Expected commencement date	4 <sup>th</sup> quarter 2011	4 <sup>th</sup> quarter 2011	4 <sup>th</sup> quarter 2011	2 <sup>nd</sup> quarter 2012
Expected completion date	3 <sup>rd</sup> quarter 2013	3 <sup>rd</sup> quarter 2013	3 <sup>rd</sup> quarter 2013	2 <sup>nd</sup> quarter 2014
Stage of completion	Project has yet to commence	Project has yet to commence	Project has yet to commence	Project has yet to commence

The estimated GDC (excluding the land cost) for the proposed development of part of the said vacant land within Parcel R1 (comprising sub-divided housing plots and shop-office plots) of RM79.13 million (Tambun Indah's portion i.e. 60% of the total GDC of approximately RM131.88 million) is expected to be financed via a combination of internally generated funds and/or bank borrowings, the proportions of which are likely to be 30% and 70% respectively.

#### **2.4 Basis and justification of the Purchase Consideration**

The Purchase Consideration of approximately RM233.22 million was arrived at on a willing buyer-willing seller basis after taking into consideration the market value of the Tasek Mutiara Land of RM264.20 million as appraised by Henry Butcher, an independent valuer registered with the Board of Valuers, Appraisers & Estate Agents Malaysia, vide its valuation report dated 5 May 2011.

Premised on the foregoing, the Purchase Consideration represents a discount of approximately RM30.98 million or 11.73% to the market value of the Tasek Mutiara Land of RM264.20 million as at 5 May 2011.

#### **2.5 Source of funds**

The purchase consideration of approximately RM139.93 million (Tambun Indah's portion i.e. 60% of the total Purchase Consideration of approximately RM233.22 million) will be financed via a combination of internally generated funds and bank borrowings, the proportions of which are likely to be 30% and 70% respectively.

The details of the settlement of the Purchase Consideration are as set out in Section 3.2 of this Circular.

#### **2.6 Liabilities to be assumed**

Palmington shall, within four (4) months of the date of the SPAs, cause Tambun Indah to execute and deliver to the Vendor, a guarantee and indemnity, in the form and substance as set out in the SPAs, together with the relevant Board resolution to guarantee the payment of the sum equivalent to 60% of the Purchase Consideration as follows:

- (a) In consideration of the Vendor agreeing to the sale of Parcels R1, R2, R3 and C and payment of the balance Purchase Consideration in the manner and at the times set out in the SPAs and the transfer of legal ownership of the issue document(s) of title comprised in Parcels R1, R2, R3 and C, Tambun Indah unconditionally and irrevocably:
  - (i) guarantees the due and punctual payment by Palmington of up to 60% of the balance Purchase Consideration in respect of Parcels R1, R2, R3 and C amounting to RM137.14 million ("Maximum Guaranteed Amount") only as and when the same shall become due and payable under or pursuant to the terms and conditions of the SPAs; and
  - (ii) agrees, undertakes and covenants with the Vendor that if Palmington fails, refuses and/or neglects to make payment of the balance Purchase Consideration for Parcels R1, R2, R3 and C or any part thereof Tambun Indah shall forthwith pay such amount (subject always to the Maximum Guaranteed Amount) on demand by the Vendor.
- (b) Tambun Indah confirms and declares that it is fully aware that the parties to the SPAs have agreed that the rights and remedies of either party in the event of default on the part of the other party shall be by way of specific performance against the party in default. Tambun Indah shall be liable to the Vendor hereunder notwithstanding any purported or threatened termination of the SPAs by Palmington and notwithstanding commencement of legal action for specific performance or otherwise.
- (c) The obligations of Tambun Indah under the guarantee is and shall remain in full force and effect until the balance Purchase Consideration up to the Maximum Guaranteed Sum and all monies payable under the SPAs by Palmington have been fully paid and/or discharged to the Vendor.

Apart from the above, there are no other liabilities, including contingent liabilities and guarantees, to be assumed by Tambun Indah or Palmington arising from the Proposed Acquisition.

## **2.7 Additional financial commitment**

The estimated GDC (excluding the land cost) for the proposed development of part of the vacant land within Parcel R1 (comprising sub-divided housing plots and shop-office plots) is approximately RM79.13 million (Tambun Indah's portion via Palmington of 60% of the total GDC of approximately RM131.88 million) as set out in Section 2.3 of this Circular whilst the estimated total GDC for the proposed development of the remaining properties within the Tasek Mutiara Land have yet to be determined as at the date of this Circular.

Save for the foregoing, there is no additional financial commitment required by Tambun Indah to put the proposed development of Tasek Mutiara Land on stream in the immediate future.

## **3. SALIENT TERMS OF THE MASTER SPA AND SPAs**

The salient terms of the Master SPA and SPAs include, amongst others, the following:

### **3.1 Conditions precedent**

- (i) The sale and purchase of the Tasek Mutiara Land in accordance with the terms and conditions of the SPAs, shall be subject to the following conditions precedent ("Conditions Precedent") being complied with or fulfilled within a period of four (4) months from the date of the SPAs or such extension as may be mutually agreed by the parties ("Cut-Off Date"):
  - (a) the Vendor shall at its own cost and expense obtain the approval of the shareholders at a general meeting of Nadayu, the Vendor's holding company, for the sale of the Tasek Mutiara Land by the Vendor to the Purchaser upon the terms and conditions of the SPAs;
  - (b) the Purchaser shall at its own cost and expense obtain the approval of the shareholders at a general meeting of Tambun Indah, the Purchaser's holding company, for the purchase of the Tasek Mutiara Land by the Purchaser from the Vendor upon the terms and conditions of the SPAs;
  - (c) the Purchaser shall at its own cost and expense obtain the approval of the Economic Planning Unit, Prime Minister's Department, for the acquisition of the Tasek Mutiara Land from the Vendor by the Purchaser upon the terms and conditions of the SPAs;
  - (d) where applicable, in respect of any land comprised in any parcel or parcels comprised in the Tasek Mutiara Land containing a restriction in interest, the Vendor shall at its own cost and expense obtain the written consent of the Penang State Authority to the sale and transfer by the Vendor to the Purchaser;
  - (e) the Vendor shall at its own cost and expense obtain the written approval of the relevant authorities to the transfer or assignment of the Development Order/Planning Permission by the Vendor to the Purchaser; and
  - (f) the Vendor shall at its own cost and expense obtain the written consent of any person whose consent is required for the assignment to the Purchaser in the form and substance acceptable to the Purchaser of the planning permission plans, building plans and all other plans, approvals or permits in respect of the proposed development of the Tasek Mutiara Land ("Project").
- (ii) Upon the Vendor and Purchaser fulfilling the Conditions Precedent, each party shall within seven (7) days from the date of such fulfilment, through their respective solicitors, notify the other party through its solicitors accordingly and the SPAs shall become unconditional on the date of receipt by such party's solicitors of notification that the last of the above Conditions Precedent has been fulfilled.

- (iii) In the event that any of the Conditions Precedent are not fulfilled on or before the Cut-Off Date, either party shall be entitled to terminate the SPAs by serving a written notice to the other party whereupon the Vendor shall not later than fourteen (14) days from the date of receipt of such written notice, refund to the Purchaser the initial deposit paid without interest, whereupon the SPAs shall be rendered of no further effect and the Vendor shall be entitled thereafter to deal with the Tasek Mutiara Land without further reference to the Purchaser.
- (iv) Notwithstanding the Conditions Precedent, a party shall be at liberty to waive the fulfillment of any of the Conditions Precedent by the other party responsible for the compliance or fulfillment of that Conditions Precedent, by written notice served on the other party, at any time prior to the Cut-Off Date.
- (v) Upon the SPAs becoming unconditional, within fourteen (14) days from the unconditional date, the Vendor shall at its own cost and expense obtain the written release and discharge in favour of the Purchaser of all claims or liens whatsoever in respect of the Tasek Mutiara Land or all plans, approvals or permits in connection with the Tasek Mutiara Land by the architects, engineers and surveyors appointed in respect of the Project and such persons who may have a lien over the planning permission plans, building plans and all other plans, approvals or permits in respect of the Project and whose release and discharge are required in order for the Purchaser to submit and obtain approvals for its plans for the development of the Tasek Mutiara Land.

In addition, in the event of Vendor's default, the Purchaser shall be entitled to the remedy at law for specific performance against the Vendor and to all relief flowing therefrom including but not limited to all costs and expenses incurred in exercising such rights against the Vendor provided always if both parties mutually determine or it is determined by the court that specific performance is not possible in respect of any lot comprised in the Tasek Mutiara Land, the Purchaser shall be entitled to exclude the purchase of the said lot from the SPAs by notice in writing to the Vendor.

### **3.2 Mode and manner of payment of the Purchase Consideration**

The Purchase Consideration for the sale and transfer of the respective parcels comprised in the Tasek Mutiara Land, shall be paid and is payable over a period not exceeding forty-two (42) months, commencing from the date of the SPAs and at the times and in the manner as follows:

#### **(a) Parcel R1:**

The purchase price for Parcel R1 amounting to RM60.0 million is payable as follows:

- (i) RM1.20 million as a refundable deposit paid by the Purchaser to the Vendor upon execution of the SPA; and
- (ii) the balance purchase price amounting to RM58.80 million shall be paid by the Purchaser to the Vendor or the Vendor's Solicitors as stakeholders, on or before six (6) months from the date of the SPA.

#### **(b) Parcel R2:**

The purchase price for Parcel R2 amounting to RM60.0 million is payable as follows:

- (i) RM1.20 million as a refundable deposit paid by the Purchaser to the Vendor upon execution of the SPA; and
- (ii) the balance purchase price amounting to RM58.80 million shall be paid by the Purchaser to the Vendor or the Vendor's Solicitors as stakeholders, on or before eighteen (18) months from the date of the SPA with an extension of up to a further three (3) months but with interest on the number of days of extension at the rate of 8% per annum on the balance of the Parcel R2 purchase price or the amount outstanding.

**(c) Parcel R3:**

The purchase price for Parcel R3 amounting to RM60.0 million is payable as follows:

- (i) RM1.20 million as a refundable deposit paid by the Purchaser to the Vendor upon execution of the SPA; and
- (ii) the balance purchase price amounting to RM58.80 million shall be paid by the Purchaser to the Vendor or the Vendor's Solicitors as stakeholders, on or before thirty three (33) months from the date of the SPA with an extension of up to a further three (3) months but with interest on the number of days of extension at the rate of 8% per annum on the balance of the Parcel R3 purchase price or the amount outstanding.

**(d) Parcel C:**

The purchase price for Parcel C amounting to approximately RM53.22 million is payable as follows:

- (i) approximately RM1.06 million as a refundable deposit paid by the Purchaser to the Vendor upon execution of the SPA; and
- (ii) the balance purchase price amounting to approximately RM52.16 million, shall be paid by the Purchaser to the Vendor or the Vendor's Solicitors as stakeholders, on or before forty-two (42) months from the date of the SPA with an extension of up to a further three (3) months but with interest on the number of days of extension at the rate of 8% per annum on the balance of the Parcel C purchase price or the amount outstanding.

**(e) The Amenities Land**

The purchase price for Amenities Land amounting to RM21 shall be paid by the Purchaser to the Vendor on or before six (6) months from the date of the SPA.

Upon execution of the SPAs, the Purchaser has paid a total of approximately RM4.66 million as a refundable deposit to the Vendor.

**3.3 Condition of sale**

**3.3.1 Obligations under the Development Order/Planning Permission:**

- (a) The Vendor and the Purchaser confirm, declare and agree that the sale of the Tasek Mutiara Land shall be subject to all conditions of the Development Order/Planning Permission obtained by the Vendor for the development of the Project including such obligations as stated in the Master SPA which the Purchaser shall be responsible and liable to comply at its own costs and expense provided always that if after the date of the Master SPA, the relevant authorities notify that there are obligations to be fulfilled and such obligations relate to the Vendor's completed development in the Project, the parties agree to equally bear the costs of fulfilling such obligations as follows:
  - (i) construction of the sanitary treatment plant, inclusive of connecting sewerline from the existing oxidation pond to cater for the completed units;
  - (ii) resurfacing of existing roads which have not been handed over to the relevant authorities;
  - (iii) construction of the remaining bridge from Jalan Tasek to Bandar Tasek Mutiara spanning approximately 22 metres;
  - (iv) construction of the monsoon drain beside the existing oxidation pond;

- (v) construction and providing the shortfall of the low cost units under the existing obligations;
  - (vi) construction and surrender of the market and hawker complex;
  - (vii) value of land to be surrendered to Tenaga Nasional Berhad for Pencawang Pembahagian Utama and Pencawang Masuk Utama (about 8 acres);
  - (viii) the allocation of land totaling 25,050 square feet for the relocation and reconstruction of an existing Indian temple; and
  - (ix) the contribution of RM200,000 for the purpose of the relocation and reconstruction of the existing Indian temple.
- (b) The Purchaser declares that it has full knowledge and notice of all terms and conditions of the Development Order/Planning Permission and the Purchaser further acknowledges that no representation or warranty in respect of the terms, conditions and obligations under the Development Order/Planning Permission has been made by the Vendor prior to or as at the date of the Master SPA save and except as contained in the Master SPA.
- (c) The parties confirm, declare and agree that the Amenities Land are required to be surrendered or transferred to the relevant authorities, at such time or times as directed by the relevant authorities in accordance to the Development Order/Planning Permission and subject to the execution and delivery of the transfers in escrow/the instruments of surrender together with the original issue documents of titles and all other necessary documents by the Vendor to the Purchaser upon completion of the SPA in respect of the Amenities Land, the Purchaser agrees and undertakes with the Vendor, to deliver the same to the relevant authorities and thereafter to indemnify and keep the Vendor fully indemnified against any actions, demands and losses in connection with any default, omission or breach on the part of the Purchaser. Any costs incurred in connection with such surrender or transfer shall be borne by the Purchaser.
- (d) Notwithstanding anything to the contrary, the Purchaser shall be entitled at its own cost and expense at any time from time to time to apply to vary the Development Order/Planning Permission and the conditions thereto and the directives, requirements and impositions affecting the Project or the Tasek Mutiara Land and to apply for and/or make changes to the planning permission plans, building plans and all such plans, orders and permits in respect of the Project and the Tasek Mutiara Land as the Purchaser deems fit or expedient.

**3.3.2 The Purchaser shall be permitted at its own costs to make:**

- (a) connections to the existing infrastructure and facilities such as roads, drains, water reticulation system, oxidation pond, sewerage and sanitary treatment plant, electricity, gas and telephone trunking serving the Vendor's completed development in the Project as at the date of the Master SPA, to serve the Tasek Mutiara Land without further contributions by the Vendor; and
- (b) the necessary applications for approval by the relevant authorities for its development of the Tasek Mutiara Land and shall bear the entire cost of upgrading in the event the relevant authorities shall require as upgrading of the Vendor's existing infrastructure and facilities.

**3.4 Compulsory acquisition**

- (i) The parties expressly agree that the SPAs shall not be annulled for the reason of compulsory acquisition but the Purchaser shall be bound to complete the purchase of the Tasek Mutiara Land at the Purchase Consideration in accordance with the terms and conditions in the SPAs, notwithstanding the compulsory acquisition of any part or parts of the Tasek Mutiara Land.

- (ii) Subject to payment of the balance Purchase Consideration and upon completion of the sale and purchase of the Tasek Mutiara Land in accordance with the terms and conditions of the SPAs, such compensation payable in respect of such compulsory acquisition shall belong to the Purchaser.
- (iii) For the avoidance of doubt, it is expressly agreed that in the event of any compulsory acquisition under the Land Acquisition Act, 1960 or any other legislation after the date of the SPAs, such compensation payable in respect of such compulsory acquisition shall belong to the Purchaser and in the event that the Vendor shall have received such compensation, the Vendor shall receive such compensation in trust for the Purchaser.

#### **4. RATIONALE FOR THE PROPOSED ACQUISITION**

The Proposed Acquisition is in line with the Tambun Indah Group's plans to continue to expand its property development activities by expanding its land bank particularly in Penang. The Proposed Acquisition represents an opportunity to undertake a strategic investment by the Tambun Indah Group and is expected to contribute positively to its earnings as well as the shareholders' value of the Tambun Indah Group in the medium to long term.

The Tasek Mutiara Land comprises approximately 527 acres of vacant land for future development over the next ten (10) years. The total estimated gross development profit attributable to the proposed development of part of the vacant land within Parcel R1 (comprising sub-divided housing plots and shop-office plots of approximately 26.65 acres) as stated in Section 2.3 of this Circular would amount to approximately RM39.61 million, thus contributing positively to the future earnings and cash flow of the Tambun Indah Group.

Besides, given the prospects of the Tasek Mutiara Land as highlighted in Section 5.3 of this Circular, the Board also expects significant contributions to the Tambun Indah Group with the successful development of the entire Tasek Mutiara Land, i.e. the remaining proposed developments of Parcels R1, R2, R3 and C with a total land area of approximately 445 acres.

#### **5. INDUSTRY OVERVIEW AND PROSPECTS**

##### **5.1 Overview and prospects of the Malaysian economy**

Malaysia's gross domestic product grew 4.6% in the first quarter of 2011 (Q4 2010: 4.8%) led by steady performance of the services and manufacturing sectors. The services sector expanded 5.9% (Q4 2010: 6.1%), mainly supported by the wholesale and retail trade, finance and insurance as well as real estate and business services sub-sectors. The manufacturing sector registered a positive growth of 5.4% (Q4 2010: 6.2%), despite contraction in the transport equipment and other manufacturers as well as electrical and electronics sub-sectors. The construction sector expanded 3.8% (Q4 2010: 5.6%) on account of higher activity in the residential and non-residential sub-sectors. The agriculture sector registered a smaller decline of 0.3% (Q4 2010: -3.9%) largely contributed by higher production of livestock, fishing and other agriculture sub-sectors. Meanwhile, the mining sector contracted 3.0% (Q4 2010: -1.2%), affected by lower production of crude oil.

Domestic demand remained robust, expanding by 6.6% (Q4 2010: 5.9%) during the quarter. This was attributed to buoyant consumer spending, strong private investment as well as higher public consumption.

Private consumption expenditure grew 6.7% (Q4 2010: 6.4%), backed by favourable labour market conditions and higher disposable income, following firm commodity prices and a vibrant stock market. Robust consumer spending was reflected by the strong performance of major consumption indicators such as sales of food, credit card spending and consumption credit disbursed. These indicators recorded a double-digit growth of 19.3%, 12.5% and 12.4% (Q4 2010: 28.5%; 14.2%; 27.2%), respectively. This was also reflected by the Consumer Sentiments Index which remained above the 100-point threshold at 108.2 points (Q4 2010: 117.2 points). Meanwhile, public consumption grew strongly by 6.1% (Q4 2010: 0.1%), led by higher expenditure on emoluments as well as supplies and services.

*(Source: Malaysian Economy, First Quarter 2011, Ministry of Finance)*

The Malaysian economy is expected to post robust growth this year, led by sturdy domestic demand and strong export performance. The positive projection also takes into account the implementation of macroeconomic policy initiatives, which spurred higher consumption activity and recovery in private investment. A stable employment market, moderate inflation as well as strong business and consumer confidence coupled with firm recovery in the region provided a conducive environment for the Malaysian economy to expand at a rapid pace of 9.55% in the first half of 2010 (January-June 2009: -5.1%). Going forward, while growth in advanced economies is expected to be slow and uneven in the second half of 2010, developments in emerging economies remain positive and will provide impetus to the export sector. On the domestic front, the strong fundamentals and revival of private investment will support domestic demand in the second half of the year. Accordingly, the economy is expected to expand 7.0% in 2010 (2009: -1.7%).

*(Source: Economic Report 2010/2011)*

## **5.2 Overview and prospects of the property/construction sector**

Construction activities grew 3.8% (Q4 2010: 5.6%), spurred by the robust residential and non-residential sub-sectors. Growth in the residential sub-sector expanded strongly by 7.7% (Q4 2010: 1.0%) due to higher housing starts which increased sharply by 52.2% in the first quarter of 2011. This was due to the strong demand for housing in line with improved household income, easy financing and Government initiatives to encourage home ownership. The non-residential sub-sector grew 5.5% (Q4 2010: 18.8%), supported by the continued expansion in the construction of industrial, shop and office buildings in tandem with robust domestic economic activities. Meanwhile, the civil engineering and special trade sub-sector registered a growth of 2.2% (Q4 2010: 2.4%), partly backed by the commencement of infrastructure projects under the Tenth Malaysia Plan. In addition, construction of major ongoing civil engineering projects also contributed to the growth of the sub-sector. These include the Electrified Double Track Seremban - Gemas, East - Coast Jabur - Kuala Terengganu (Phase 2) Expressway and Bakun Hydroelectric Power Project.

*(Source: Malaysian Economy, First Quarter 2011, Ministry of Finance)*

The construction sector is envisaged to strengthen further by 6.3% during the first half of 2010 (January - June 2009: 2.9%). The expansion was largely led by increased civil engineering and non-residential activities following the speedy implementation of construction projects under the Ninth Malaysia Plan and the stimulus packages. Underpinned by sustained property demand, particularly for commercial buildings as well as positive business and consumer sentiments, the construction sector is envisaged to expand 4.9% in 2010 (2009: 5.8%).

Property transaction activity turned buoyant during the first six months of 2010 with volume expanding strongly by 19.0% to 184,675 transactions (January- June 2009: -9.5%; 155,190 transactions). Meanwhile, transaction value surged 48.0% to RM50.6 billion (January-June 2009: -26.5%; RM34.1 billion), reflecting rising property prices, particularly in the Klang Valley, Penang and Selangor. Residential properties continued to dominate market activity, accounting for 59.8% of total transactions, followed by agricultural (22.1%), commercial (10.3%), development (5.3%) and industrial (2.5%).

*(Source: Economic Report 2010/2011)*

The housing issue for Malaysia is no longer about insufficient housing stock, but rather about ensuring that there are enough houses for various segments of society. It is also about having houses in a safe, healthy and comfortable environment befitting the socio-economic status of the country. To meet these challenges, the Government will focus on streamlining the affordable housing delivery system, strengthening efforts to deliver high quality and environmentally sustainable housing, and cultivating a healthy and sustainable housing industry.

The National Housing Policy sets out the strategies for the Government to promote a healthy industry and protect the public's interests, amongst others, housing developers will be encouraged to adopt the build-then-sell approach through the provision of additional incentives such as shortening the approval processes for land and building payments for licensing housing developments.

*(Source: Tenth Malaysian Plan, 2011-2015)*



### **5.3 Prospects of Tasek Mutiara Land**

The Board considers the Tasek Mutiara Land as one of the rapid development areas in the southern district of Province Wellesley, Penang. This township development of Bandar Tasek Mutiara consists of a modern, self-contained township which would have all amenities and common facilities upon full completion. The township covers a total area of about 1,086 acres of land, out of which about 694 acres (Tasek Mutiara Land measuring approximately 527 acres as well as 167 acres of land currently owned by Tambun Indah) are/will be owned by the Tambun Indah Group upon the completion of the Proposed Acquisition. Existing developments which have already been completed and occupied include 2,459 units and 867 units of single and double-storey terrace houses respectively, 350 units of semi-detached houses, 285 units of double-storey shop-offices and 480 units of low-cost flats.

A flyover links this township to Jalan Bukit Tambun that leads to the North South Express Highway interchange. This link is also expected to connect to the proposed second Penang Bridge landing point in Batu Kawan.

The Board believes that the demand for properties is anticipated to improve gradually in the near future given the various efforts and strategic measures put in place by the Government, as well as the expected improvement in the general economy.

In view of the above and the proposed developments as stated in Section 2.3 of this Circular, the Board is of the view that the Proposed Acquisition will contribute positively to the Tambun Indah Group's earnings in the future.

## **6. RISK FACTORS**

Save as disclosed below, the Board does not foresee any additional risks that Tambun Indah is not already exposed to pursuant to the Proposed Acquisition which is inherent in property development sector.

### **6.1 Transaction risk**

The completion of the Proposed Acquisition is conditional upon, inter-alia, the conditions precedent of the SPAs as stated in Section 3.1 of this Circular being satisfied and/or waived as the case maybe.

There can be no assurance that the Proposed Acquisition will not be subject to risks such as the inability to fulfil the Conditions Precedent and/or inability to obtain the approvals from the shareholders of the Company and/or relevant authorities, if any. However, Tambun Indah will take and continue to take all reasonable steps to ensure completion of the Proposed Acquisition.

### **6.2 Business risk**

The Tambun Indah Group is subject to the inherent risks existing in the property development industry. These include, but not limited to, changes in general economic conditions, Government regulations, inflation and changes in business conditions such as deterioration in prevailing market conditions, changes in labour, increases in labour cost, availability and rising cost of financing and fluctuation demand for residential, commercial and industrial properties.

Nevertheless, the Tambun Indah Group continues to keep abreast with the latest developments in the property development market and has an experienced, capable and dedicated management team in place to implement the Group's business plans and strategies to sustain its future profitability. Although steps have been taken to mitigate the aforesaid business risks, no assurance can be given that any changes to these factors will not have a material adverse effect on the Group.

### **6.3 Delay in development**

The demand for properties is dependent on various factors including the general economic, business and credit conditions, as well as the supply of properties in the market. Whilst the Board believes that it is possible to mitigate the effects of weaker demand in a slow economic environment by meticulous planning in terms of innovative design, timing of launch and pricing points relative to competitors, there can be no assurance that the proposed development on the Tasek Mutiara Land will be shielded from any adverse downturn in the economy.

The proposed development on the Tasek Mutiara Land is also subject to inherent risks in the property development industry, which includes labour supply, volatility in construction material prices and changes in regulatory framework of the construction and/or property development industries. Tambun Indah will leverage on its strength and experience as a property developer to manage these risks closely. The timely completion of the development of the Tasek Mutiara Land is dependent on many external factors that may be beyond the control of the Tambun Indah Group, including inter-alia obtaining the necessary approvals from planning authorities and local councils as scheduled, the availability of viable financing facilities and the satisfactory performance of appointed building contractors.

However, the Tambun Indah Group will seek to mitigate these risks by closely monitoring the progress of the development of the Tasek Mutiara Land and endeavour to promptly rectify any setbacks and ensure the timely completion of the development of the Tasek Mutiara Land. Nevertheless, there can be no assurance that there will not be any delays in the completion of the development of the Tasek Mutiara Land which could adversely affect the Group's financial performance.

#### 6.4 Compulsory acquisition by the Government

The Malaysian Government has the power to compulsorily acquire any land in Malaysia pursuant to the provisions of the applicable legislation including the Land Acquisition Act, 1960. In such event, the amount of compensation to be awarded is based on the fair market value of the property and is assessed on the basis prescribed in the Land Acquisition Act, 1960 and other relevant laws. If the Tasek Mutiara Land or any parts thereof are compulsorily acquired by the Malaysian Government at a price which is lower than the Purchase Consideration, the Tambun Indah Group would register a loss on disposal. Further, the compulsory acquisition of any substantial part of the Tasek Mutiara Land may affect the Group's plan in successfully developing the entire area and thus, may not be able to fully benefit from and realise the advantages of the full development of the Tasek Mutiara Land.

Nonetheless, as at the LPD, the Company is not aware of any intended compulsory acquisition of the Tasek Mutiara Land or any part thereof.

### 7. EFFECTS OF THE PROPOSED ACQUISITION

#### 7.1 Issued and paid-up share capital, and the substantial shareholders' shareholdings

The Proposed Acquisition will not have any effect on the issued and paid-up share capital and the substantial shareholders' shareholdings of Tambun Indah as the Proposed Acquisition does not involve any issuance of new shares in Tambun Indah.

#### 7.2 NA, NA per Share and gearing

The proforma effects of the Proposed Acquisition on the audited NA and gearing of the Tambun Indah Group based on its audited consolidated financial statements of Tambun Indah for the FYE 31 December 2010 assuming that the Proposed Acquisition is completed on 31 December 2010, are as follows:

	Audited as at 31 December 2010 (RM'000)	(I) After the listing of Tambun Indah on the Main Market of Bursa Securities on 18 January 2011 (RM'000)	(II) After (I) and the acquisition of Palmington <sup>(3)</sup> (RM'000)	(III) After (II) and the Proposed Acquisition (RM'000)
<b>Tambun Indah Group</b>				
Share capital	94,500	110,500	110,500	110,500
Share premium	-	<sup>(1)</sup> 3,800	3,800	3,800
Retained earnings	25,218	25,218	25,218	<sup>(4)</sup> 25,018
<b>Shareholders' funds / NA</b>	<b>119,718</b>	<b>139,518</b>	<b>139,518</b>	<b>139,318</b>
No. of shares of RM0.50 each ('000)	189,000	221,000	221,000	221,000
NA per share (RM)	0.63	0.63	0.63	0.63
Total borrowings ('000)	23,069	<sup>(2)</sup> 15,969	15,969	<sup>(5)</sup> 179,225
Gearing (times) <sup>(6)</sup>	0.19	0.11	0.11	1.29

- (1) *After deducting the listing expenses incidental to the listing of Tambun Indah on the Main Market of Bursa Securities of approximately RM2.60 million.*
- (2) *RM7.10 million of the proceeds raised from the listing of Tambun Indah on the Main Market of Bursa Securities was utilised to repay bank borrowings of the Tambun Indah Group.*
- (3) *After the acquisition of 3,453,600 ordinary shares of RM1.00 each in Palmington representing 60% of the issued and paid-up share capital of Palmington from Ms. Yeap Lay Suat for a cash consideration of RM3.51 million which was completed on 4 May 2011.*
- (4) *After deducting the estimated expenses incidental to the Proposed Acquisition of approximately RM200,000 as tabulated below:*
- |  | <b>RM</b>             |
|--|-----------------------|
| <i>Professional fees including Adviser, solicitors and reporting accountants</i> | <i>166,000</i>        |
| <i>Fees to authorities</i>   | <i>15,000</i>         |
| <i>Printing and advertising expenses</i>   | <i>12,000</i>         |
| <i>Miscellaneous</i>   | <i>7,000</i>          |
| <b>Total</b>   | <b><u>200,000</u></b> |
- (5) *For illustrative purposes, assuming that 70% of the Purchase Consideration for the Proposed Acquisition of approximately RM233.22 million is funded by bank borrowings, the Tambun Indah Group's gearing is expected to increase up to 1.29 times.*
- (6) *The gearing ratio was derived by dividing the total borrowings with the shareholders' funds/NA of the Tambun Indah Group.*

### **7.3 Earnings and EPS**

The Proposed Acquisition is not expected to have any material effect on the earnings of the Tambun Indah Group for the financial year ending 31 December 2011. Nevertheless, the Proposed Acquisition is expected to improve the earnings and EPS of the Tambun Indah Group in the future financial years as and when the Tasek Mutiara Land is successfully developed and progressively completed.

### **8. APPROVALS REQUIRED**

The Proposed Acquisition is subject to, inter-alia, the approvals of the following:

- (a) the shareholders of Tambun Indah at the forthcoming EGM to be convened for the Proposed Acquisition;
- (b) the shareholders of the Vendor's holding company for the proposed disposal of the Tasek Mutiara Land to Tambun Indah;
- (c) the approval of the Economic Planning Unit, Prime Minister's Department for the Proposed Acquisition;
- (d) the written consent of the Penang State Authority, if necessary; and
- (e) any other relevant authorities/parties, if any.

The Proposed Acquisition is not conditional upon any other corporate exercises being undertaken by Tambun Indah.

## 9. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to receipt of all relevant approvals, the Master SPA and SPAs are expected to be unconditional by the fourth quarter of 2011 whilst the Proposed Acquisition is expected to be completed on a staggered basis upon transfer of land title to Palmington for the respective parcel of lands and the payment of purchase consideration thereto in accordance with the terms of the SPAs. Full completion of the Proposed Acquisition is expected to be by the first quarter of 2015 upon final transfers of all parcel of lands within the Tasek Mutiara Land to Palmington and the full payment of the Purchase Consideration. The indicative timing of events leading up to the completion of the Proposed Acquisition is as follows:

Tentative timing	Events
26 August 2011	Convening of EGM
Early October 2011	Proposed Acquisition become unconditional
First quarter of 2015	Full completion of the Proposed Acquisition (with all land titles transferred to Palmington and full payment of the Purchase Consideration)

## 10. PROPOSALS ANNOUNCED BUT NOT YET COMPLETED

Save for the Proposed Acquisition, the Board confirms that there are no other outstanding corporate exercises which have been announced but pending implementation as at the date of this Circular:

## 11. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

As at the LPD, none of the Directors and major shareholders of Tambun Indah and/or persons connected to them have any interest, direct and/or indirect, in the Proposed Acquisition save for Pembangunan Mutiara, which is the Vendor of the Tasek Mutiara Land as well as a major shareholder of Palmington with 40% equity interest in Palmington. Apart from its 40% equity interest in Palmington and 30% equity interest in Tambun Indah Development Sdn Bhd, a 70%-owned subsidiary of Tambun Indah, Pembangunan Mutiara does not hold any equity interest, direct or indirect, in the Company and/or any other subsidiaries of Tambun Indah.

Accordingly, the Directors of Palmington who represent Pembangunan Mutiara, namely Hamidon Bin Abdullah, Cheah Chee Leong and Lim Beng Guan have abstained and will continue to abstain from all deliberations and voting at the Board of Directors' meetings of Palmington relating to the Proposed Acquisition. In addition, Pembangunan Mutiara has also undertaken to Tambun Indah that it will abstain and ensure that all persons connected to it will abstain from voting on the relevant resolutions of Palmington and Tambun Indah to approve the Proposed Acquisition to be tabled at the respective EGMs in respect of their direct and/or indirect shareholdings in Palmington and Tambun Indah, if any respectively.

Pursuant to Paragraph 10.08(9) of the Listing Requirements, where any one of the percentage ratios of a related party transaction entered into between a subsidiary of the listed issuer and another person, is 5% or more and there are no other interested relationships except for a related party having an interest in the transaction who is a major shareholder of such subsidiary (other than the listed issuer), the listed issuer is exempted from, amongst others, appointing an independent adviser. The Board of Tambun Indah has, however, approved the Proposed Acquisition before the terms of the Proposed Acquisition are agreed upon and the Board is of the view that the Proposed Acquisition is fair, reasonable and based on normal commercial terms to the Tambun Indah Group, and is therefore in the best interest of the Tambun Indah Group and not detrimental to the interest of the minority shareholders of Tambun Indah.

Nevertheless, pursuant to Paragraph 10.07 of the Listing Requirements, the Company shall issue a circular to and seek the approval of its shareholders for the Proposed Acquisition.

**12. DIRECTORS' RECOMMENDATION**

After having considered all aspects of the Proposed Acquisition including the rationale, fairness of the consideration, salient terms of the Master SPA and SPAs, and the financial effects of the Proposed Acquisition, the Board is of the opinion that the Proposed Acquisition is fair and reasonable and is in the best interest of the Group.

Accordingly, the Board recommends that you vote in favour of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

**13. EGM**

The EGM, the notice of which is enclosed together with this Circular, will be held at Serindit Room, Hotel Equatorial Penang, 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Friday, 26 August 2011 at 10.30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications the resolution to give effect to the Proposed Acquisition.

If you are unable to attend and vote in person at the EGM, you are requested to complete, sign and return the enclosed Proxy Form for the EGM in accordance with the instructions printed thereon as soon as possible, so as to arrive at the registered office of Tambun Indah at 51-21-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty-eight (48) hours before the time set for the EGM or any adjournment thereof. The lodgement of the Proxy Form will not preclude you from attending the EGM and voting in person at the EGM should you subsequently wish to do so.

**14. FURTHER INFORMATION**

You are advised to refer to the attached appendices of this Circular for further information.

Yours faithfully,  
For and on behalf of the Board of Directors  
**TAMBUN INDAH LAND BERHAD**

**IR. TEH KIAK SENG**  
**MANAGING DIRECTOR**

## VALUATION CERTIFICATES ON THE TASEK MUTIARA LAND

**HENRY BUTCHER MALAYSIA**

Our Ref: V/BW/YIVR/11 (LCB)

Date: 5th May 2011

**The Board of Directors**

M/s Tambun Indah Land Berhad  
51-21-A, Menara BHL Bank,  
Jalan Sultan Ahmad Shah,  
10050 Penang.

Dear Sirs,

**VALUATION CERTIFICATE OF THE DEVELOPMENT LANDS AT BANDAR TASEK MUTIARA, SIMPANG AMPAT, IDENTIFIED AS:**

- (I) PARCEL R1, SUB-DIVIDED HOUSING PLOTS, SHOP-OFFICE PLOTS, LOW COST FLAT AND LAND FOR FUTURE DEVELOPMENT, IDENTIFIED AS LOT NOS.10047 TO 10226, 10710 TO 10759, 10802 TO 10869, 10928 TO 10987 AND 11032 TO 11095 (PART OF MASTER LOT 8752), LOT NOS.9859 TO 9904 (PART OF MASTER LOT 8760), LOT NOS.9965 TO 9989 AND 9991 TO 10015 (PART OF MASTER LOT 8761), LOT NOS.5765 TO 5820, 6029 AND 9758 (PART OF MASTER LOT 1628), LOT NOS.8745, 8746, 8936, 10023, 10017 AND 10016 (PART OF MASTER LOT 1629), MASTER LOT NOS.13, 16, 20, 21, 22, 116, 1345, 1383, 1393, 1427
- (II) PARCEL R2, LAND FOR FUTURE DEVELOPMENT, IDENTIFIED AS LOT NO.8747 (PART OF MASTER LOT 1629)
- (III) PARCEL R3, LAND FOR FUTURE DEVELOPMENT FOR COMMERCIAL CENTRE, IDENTIFIED AS LOT NO.8753 (PART OF MASTER LOT 1629)
- (IV) PARCEL C, LAND FOR FUTURE DEVELOPMENT, IDENTIFIED AS LOT NOS.8748 AND 8749 (PART OF MASTER LOT 1629), MASTER LOT NOS.1428, 1433, 1445
- (V) AMENITIES LAND, PUBLIC AMENITIES LAND, IDENTIFIED AS LOT NOS.8764 TO 8765, 8767 TO 8769, 8773, 8775 TO 8777, 6030, 9759, 10019, 10020, 10025, 10026, 10028 TO 10029, 10763, 11159 TO 11160 AND 11355

**ALL WITHIN MUKIM 15, SEBERANG PERAI SELATAN, PULAU PINANG**

This certificate has been prepared for inclusion in the circular to shareholders of Tambun Indah Land Berhad ("Tambun Indah") to be dated [ 11 August 2011 ].

In accordance with the instructions from Tambun Indah, we have valued the abovementioned properties for Tambun Indah vide our Report and Valuation bearing Reference No. V/BW/YIVR/11 (LCB) for the purpose of submission to Bursa Malaysia Securities Berhad pursuant to the proposed acquisition by Palmington Sdn Bhd, a 60%-owned subsidiary of Tambun Indah, of properties located in Bandar Tasek Mutiara, Penang measuring approximately 526.75 acres for a purchase consideration of RM233,223,021.

We have inspected the properties on 5th May 2011 and this date is taken as the valuation date.

The basis of valuation is the Market Value of the subject property. The Market Value is the estimated amount for which an asset should exchange on the date of the valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. We valued the property using the Comparison Methods of Valuation in arriving at the Market Value of the subject property.

The valuation has been prepared in accordance with the requirements as set out in the Asset Valuation Guidelines issued by the Securities Commission and Manual of Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

**HENRY BUTCHER MALAYSIA (SEBERANG PERAI) SDN. BHD. (226881-H)**

No. 2708, Chain Ferry Road, Kimsar Garden, 13700 Prai.

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www.henrybutcher.net



V(1)0008/6 V0285

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We confirm that in our opinion the Market Value of the freehold and leasehold unencumbered interest in the subject properties in their existing physical condition with vacant possession using the valuation methods stated above are as follows :-

<b>Identification of Property</b>	Our Ref : V/BW/YIVR/11 (LCB)																								
	(A) Parcel R1, sub-divided housing plots, shop-office plots, low cost flat and land for future development																								
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	<p>Mukim : All within Mukim 15  District : Seberang Perai Selatan  State : Pulau Pinang  Tenure : Lot 1383 – Leasehold 99 years expiring on 26<sup>th</sup> January 2036  Other Lots - Freehold</p> <p>Category of Land Use : Nil</p> <p>Registered Owner : Pembangunan Bandar Mutiara Sdn Bhd – Full Share</p> <p>Beneficial Owner : Palmington Sdn Bhd</p> <p>Interest Valued : The freehold and leasehold interest of the subject properties beneficially owned by Palmington Sdn Bhd, the subsidiary company of Tambun Indah Land Bhd</p> <p><i>Note:</i>  The subject property has been purchased by Palmington Sdn Bhd vide Sale and Purchase Agreement dated 4<sup>th</sup> May 2011. The 2% initial deposit has been made and the purchaser shall have beneficial interest on the properties. The balance 98% shall be paid over a period of not exceeding forty two months. We were given to understand that the solicitor will perfect the transfer of the properties into the name of the purchaser upon the purchaser complete the purchase of the said properties.</p>
<p><b>General Description</b></p>	<p>The subject properties comprise of several parcels of development lands at Bandar Tasek Mutiara, located along Jalan Tasek Mutiara 1, in the locality of Simpang Ampat, Seberang Perai Selatan, Pulau Pinang.</p> <p>During our date of inspection, we noted that Parcel R1 is vacant and overgrown with grass and bushes and partly with oil palm trees. The terrain of the lands is generally flat and lies at about the same level as the existing metalled service road. Part of the sub-divided land has been sub-divided into 576 individual lots and approved for development.</p> <p>Parcel R2 is for future development purpose. The terrain of the land is generally flat and lies at about the same level with the surrounding lands. During our date of inspection, we noted that the subject land is planted with oil palm trees.</p> <p>Parcel R3 is for commercial centre purpose. The terrain of the land is generally flat and lies at about the same level with the surrounding lands. During our date of inspection, we noted that the subject land is vacant and overgrown with grass and bushes.</p> <p>Parcel C is for future development purposes. The terrain of the land is generally flat and lies at about the same level with the surrounding lands. During our date of inspection, we noted that the subject land is planted with oil palm trees and the boundaries are not demarcated by any physical fencing.</p> <p>Amenities Land comprises of 21 lots which has been allocated for public amenities within this township development. This parcel of land is mainly to be surrendered to government for public amenities use. As such, no market value was attached in this valuation exercise.</p> <p>The subject properties are situated within an area designated for “<b>Pembangunan Sediada</b>” and “<b>Pembangunan Baru</b>” purposes as stated in the Rancangan Struktur Pulau Pinang 2005-2020. It has been approved for mixed development by the local authority, Majlis Perbandaran Seberang Perai vide the original development order for the whole township vide Ref No.(69) MPSP/70/9-75/42 on 20<sup>th</sup> April 1995 and Ref No.(76) dlm.MPSP/70/9-75/42 on 10<sup>th</sup> June 1996. Some of the units that have been subsequently been developed vide Planning Approval Ref No.(38) dlm.MPSP/70/9-75/42B.8 on 30<sup>th</sup> August 2000 and Ref No.Bil.(34) dlm.MPSP/70/9-75/42 Bah 10 on 14<sup>th</sup> January 2002.</p>





### Valuation Methods

We have adopted the "Comparison Method" and "Residual Method" in formulating our opinion of the current Market Value of the subject properties. The Residual Method of valuation involves the computation of the development value of the project, and deducting there from all expenses and costs to complete the project including a margin for developer's profit. The remainder or residual sum is then deferred over the period of time required for the completion of the project to arrive at the Market Value.

The Comparison Method is the Market Approach of comparing the subject land with other subject lands that were transacted within the same location or other comparable localities. In comparing these, due consideration is given to factors such as location, size, building differences, improvements and amenities, time element and other relevant factors to arrive at our opinion of value.

In arriving at the market value of the freehold and leasehold unencumbered interest of the subject properties, we have adopted the Residual Method for the sub-divided land held under Parcel R1 due to the reason that the subject land has been sub-divided with approved layout plan whilst other lots held under Parcels R2, R3, C and Lot Nos.13, 16, 20, 21, 22, 116, 1345, 1383, 1393, 1427, 6029, 8745, 8746, 8936, 9758, 10016, 10017, 10023 held under Parcel R1, we have adopted the "Comparison Method" as our valuation method due to the reason there is no proposed development plan for the subject property as yet and there are ample sales evidences available which can be used to justify the Market Value of the subject property.

### METHOD OF VALUATION I – COMPARISON METHOD

Comparables	1	2	3	4
Lot No.	8751	2216	114, 1076 & 8750	1078
Title No.	GRN 73118	HSD 54718	GRN 44612, GM 356, GRN 73117	GM 277
Title	1 <sup>st</sup> Grade	1 <sup>st</sup> Grade	1 <sup>st</sup> Grade	1 <sup>st</sup> Grade
Address	off Jalan Tasek, Simpang Ampat	off Jalan Perusahaan, Juru	off Jalan Tasek, Simpang Ampat	Along Jalan Tasek
Source of Comparable	Jabatan Penilaian dan Perkhidmatan Harta ("JPPH")			
Land Area (hectares)	27.479	32.375	34	0.695
Land Area (acres)	67.901	79.999	84.014	1.7173
Land Area (sq. m.)	274,785	323,750	339,992	6,950
Tenure	Freehold	Freehold	Freehold	Freehold
Zoning	Pembangunan	Pembangunan	Pembangunan	Pembangunan
Price Sold with vacant possession	29,578,546.00	28,000,000.00	40,249,440.00	1,118,621.00
Share Transacted	1.00	1.00	1.00	1.00
Transaction Date	12th June 2008	26 <sup>th</sup> Sept 2009	10 <sup>th</sup> May 2010	12 <sup>th</sup> July 2010
Land Value p.s.m. (Land Value p.s.f.) (with vacant possession)	107.64 (10.00)	86.48 (8.04)	118.38 (11.00)	160.95 (14.95)



<b>Adjustments for Parcel R1</b>	Adjustment for 1 <sup>st</sup> Grade land : Positive adjustment made for time  Adjustment for Lot 1383 (Leasehold) : Positive adjustment made for time and size whilst negative adjustment made for accessibility, tenure and type of title	Adjustment for 1 <sup>st</sup> Grade land : Positive adjustment made for time, accessibility and injurious affection (affected by Tenaga Nasional Berhad ("TNB") rentice) whilst negative adjustment made for location	Adjustment for 1 <sup>st</sup> Grade land : Positive adjustment made for time  Adjustment for Lot 1383 (Leasehold) : Positive adjustment made for time and size whilst negative adjustment made for accessibility, tenure and type of title	Adjustment for Lot 1383 (Leasehold) : Positive adjustment made for time and size whilst negative adjustment made for accessibility, tenure and type of title
<b>Adjusted Land Value psm</b>	<u>1<sup>st</sup> Grade Land</u> 129.16  <u>Lot 1383 (Leasehold)</u> 64.60	<u>1<sup>st</sup> Grade Land</u> 104.60	<u>1<sup>st</sup> Grade Land</u> 124.30  <u>Lot 1383 (Leasehold)</u> 62.10	<u>Lot 1383 (Leasehold)</u> 50.70
<b>Conclusion:</b>	<b>1<sup>st</sup> Grade, Freehold Titles : RM118.40 psm (RM11.00 psf)</b> <i>(From Comparable 3 as it is the most recent sale evidence)</i> <b>Non 1<sup>st</sup> Grade, Freehold Titles : RM96.90 psm (RM9.00 psf)</b> <i>(Further discount allowed for non 1<sup>st</sup> Grade title)</i> <b>Non 1<sup>st</sup> Grade, Leasehold Title : RM50.60 psm (RM4.70 psf)</b> <i>(From Comparable 4 as it is the most recent sale evidence)</i>			
<b>Adjustments for Parcel R2</b>	Positive adjustment made for time whilst negative adjustment made for size	Positive adjustment made for time, accessibility and injurious affection (affected by TNB rentice) whilst negative adjustment made for size and location	Positive adjustment made for time whilst negative adjustment made for size	
<b>Adjusted Land Value psm</b>	<b>122.70</b>	<b>99.88</b>	<b>118.08</b>	
<b>Conclusion:</b>	<b>RM118.40 psm (RM11.00 psf)</b> <i>(From Comparable 3 as it is the most recent sale evidence)</i>			
<b>Adjustments for Parcel R3</b>	Positive adjustment made for time, location, accessibility, commercial use	Positive adjustment made for time, accessibility, commercial use, injurious affection (affected by TNB rentice) whilst negative adjustment for location	Positive adjustment made for time, location, accessibility, commercial use	
<b>Adjusted Land Value psm</b>	<b>RM193.75</b>	<b>RM152.20</b>	<b>RM186.43</b>	
<b>Conclusion:</b>	<b>RM188.40 psm (RM17.50 psf)</b> <i>(As it is for Commercial Use and located within the town centre of the whole township)</i>			
<b>Adjustments for Parcel C</b>	Positive adjustment made for time	Positive adjustment made for time, accessibility and injurious affection (affected by TNB rentice) whilst negative adjustment made for location	Positive adjustment made for time	



<b>Adjusted Land Value psm</b>	<b>RM129.16</b>	<b>RM104.60</b>	<b>RM124.30</b>	
<b>Conclusion:</b>	<b>1<sup>st</sup> Grade, Freehold Titles : RM118.40 psm (RM11.00 psf)</b> <i>(From Comparable 3 as it is the most recent sale evidence)</i> <b>Non 1<sup>st</sup> Grade, Freehold Titles : RM96.90 psm (RM9.00 psf)</b> <i>(Further discount allowed for non 1<sup>st</sup> Grade title)</i>			

Summary of the Market Value by Comparison Method is as follows:-

	Market Value
Parcel R1, Future Development Land Portion	RM35,000,000.00
Parcel R2, Future Development Land	RM75,000,000.00
Parcel R3, Commercial Centre	RM81,500,000.00
Parcel C, Future Development Land	RM48,000,000.00

### METHOD OF VALUATION II –RESIDUAL METHOD

Justification on the Residual Method of Valuation (Part of Parcel R1 for the subdivided plots with approved layout)

- The total Gross Development Value (GDV) is estimated as RM178,825,114.

<b>GROSS DEVELOPMENT VALUE (GDV)</b>				
Type	2 Storey Semi-Detached	2 Storey Terrace	2 Storey Shop	Low-Cost Flat
<b>Total Units</b>	192	230	152	302
<b>Land Area (sq.m.)</b>	244 to 418	1,30 to 456	121 to 257	-
<b>Built-Up Area (sq.ft)</b>	181	142 and 166	241 and 260	56
<b>Selling Price Per Unit</b>	RM319,930 to RM445,440	RM220,170 to RM510,735	RM285,560 to RM622,350	RM35,000
<b>Price (RM)</b>	RM63,099,612	RM59,420,583	RM45,734,919	RM10,570,000
<b>TOTAL GDV</b>	<b>RM178,825,114</b>			
<b>Justification</b>	We have adopted the selling price based on the transaction prices of similar properties in the immediate vicinity:- i) 2 Storey Semi-Detached : RM338,000 to RM400,000 ii) 2 Storey Terrace : RM252,000 to RM281,000 iii) 2 Storey Shop : RM275,000 to RM300,000			

- The total Gross Development Cost (GDC) is adopted at RM178,589,631 inclusive of 15% developer's profit.

- The pre-development cost of this project is as follow:-

Item	Rate Adopted	Justification
Earthwork	RM5,000 per unit or RM74,000 per ha.	Cost of earthwork is taken at RM5,000 per unit or RM74,000 per ha.
Infrastructure	20% and 10% of the building construction cost	The infrastructure cost including road and drainage works, external sewer and plumbing works.  We have adopted the rate of 20% of the building construction cost for double storey shop-office, double storey semi-detached and terrace house whilst 10% of the building construction cost for the medium cost flat. We have adopted a lower rate of 10% of the construction cost for low-cost flat due to the fact that stratified development low-cost flat required lower infrastructure cost.



The above cost adopted is based on industry average cost as per our research and enquiries made with developers.

4. The construction cost adopted are as follow:-

Item	Rate Adopted	Justification
2 storey shop-office	RM592 psm	The building costs are based on industry average costs by referring to the Jurukur Bahan Malaysia Construction Cost Handbook Malaysia 2009 and counter checked with Quantity Surveyors. The building cost is based on the new construction cost of a similar building.  We have also counter checked the estimated cost with the previous project's expenditure by the client.
2 storey semi-detached house	RM806 psm	
2 storey terrace house	RM700 psm	
Low-cost flat	RM592 psm	

5. Other costs adopted are as follow:-

Item	Rate Adopted	Justification
Financing Cost	8.25% per annum	Bridging finance is taken at 30% of the building construction cost and infrastructure costs at 8.25% (BLR + Risk Premium) interest rate for 1.5 years.  We have checked with a few local banks and we were given to understand that the average loan interest rate for bridging loan as at 5 <sup>th</sup> May 2011 was adopted within the range of 6.25% + 2%.
Developer's Profit	15% of GDV	The developer's profit of 15% of the Gross Development Value (GDV) is based on the acceptable return envisaged from a housing development project. This 15% is deemed reasonable in view of the current low interest rates.
Development Period	2 years	Industry average development period for landed properties is about 2 years. The development period is taken at 2 years for each of the subject development.
Discount Rate	8.25%	The Present Value factor is taken at 8.25% for 2 years which considered fair and reasonable for this project. This rate is in tandem with the financing cost based on our enquiries with financial institutions.



**OPINION OF VALUE**

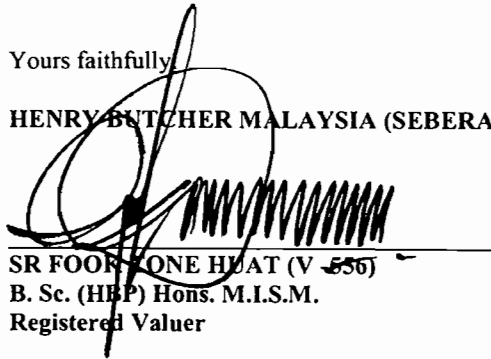
We therefore have assessed the Market Value of the freehold and leasehold unencumbered interest in the subject properties in their existing physical condition with vacant possession as follows :-

Subject Parcel	Valuation Method Adopted	Reason For The Method Adopted	Market Value
Parcel R1 : Future Development Land : RM35,000,000 Subdivided Plots : RM23,500,000	Comparison Method Residual Method	No approved development plan yet Subdivided with approved layout plan	RM58,500,000.00
Parcel R2, Future Development Land	Comparison Method	No approved development plan yet	RM75,000,000.00
Parcel R3, Commercial Centre	Comparison Method	No approved development plan yet	RM81,500,000.00
Parcel C, Future Development Land	Comparison Method	No approved development plan yet	RM48,000,000.00
Amenities Land, Public Amenities	No valuation as it is for public amenities	N/A	Nil
<b>TOTAL MARKET VALUE</b>			<b>RM263,000,000.00</b>

We have adopted the Market Value of the subject properties as **RM263,000,000/-** (Ringgit Malaysia: Two Hundred and Sixty Three Million Only).

Yours faithfully

**HENRY BUTCHER MALAYSIA (SEBERANG PERAI) SDN. BHD.**



SR FOON KONE HUAT (V 556)  
B. Sc. (HBP) Hons. M.I.S.M.  
Registered Valuer



## HENRY BUTCHER MALAYSIA

Our Ref: V/BW/YSAO/11 (LCB)

Date: 5th May 2011

### The Board of Directors

M/s Tambun Indah Land Berhad  
51-21-A, Menara BHL Bank,  
Jalan Sultan Ahmad Shah,  
10050 Penang.

Dear Sirs,

**VALUATION CERTIFICATE OF THREE ADJOINING UNITS OF DOUBLE STOREY TERRACE SHOP-OFFICES BEARING THE ASSESSMENT ADDRESS NOS. 70, 72 AND 74, JALAN TASEK SSI, BANDAR TASEK MUTIARA, 14120 SIMPANG AMPAT, PULAU PINANG, HELD UNDER GRN NOS.65442, 65443 AND 65444, LOT NOS. 4810, 4811 AND 4812, MUKIM 15, SEBERANG PERAI SELATAN, PULAU PINANG.**

This certificate has been prepared for inclusion in the circular to shareholders of Tambun Indah Land Berhad ("Tambun Indah") to be dated [ 11 August 2011 ].

In accordance with the instructions from Tambun Indah, we have valued the abovementioned property for Tambun Indah vide our Report and Valuation bearing Reference No. V/BW/YSAO/11 (LCB) for the purpose of submission to Bursa Malaysia Securities Berhad pursuant to the proposed acquisition by Palmington Sdn Bhd, a 60%-owned subsidiary of Tambun Indah, of properties located in Bandar Tasek Mutiara, Penang measuring approximately 526.7531 acres for a purchase consideration of RM233,223,021.

We have inspected the property on 5th May 2011 and this date is taken as the valuation date.

The basis of valuation is the Market Value of the subject property. The Market Value is the estimated amount for which an asset should exchange on the date of the valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. We valued the property using the Comparison and Investment Methods of Valuation in arriving at the Market Value of the subject property.

The valuation has been prepared in accordance with the requirements as set out in the Asset Valuation Guidelines issued by the Securities Commission and Manual of Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

We confirm that in our opinion the Market Value of the freehold unencumbered interest in the subject property in its existing physical condition with the benefit of vacant possession using the valuation methods stated above are as follows :-

**HENRY BUTCHER MALAYSIA (SEBERANG PERAI) SDN. BHD.** (226881-H)

No. 2708, Chain Ferry Road, Kimsar Garden, 13700 Prai.

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V(1)0008/6 V0285

valuation • marketing • consultancy • agency • management • plant & machinery



Property Identification	General Description of Property										
<p><b><u>Lot No.</u></b> GRN 65442, 65443, 65444, Lot Nos. 4810, 4811 and 4812, Mukim 15, Seberang Perai Selatan, Pulau Pinang.</p> <p><b><u>Assessment Address</u></b> Nos. 70, 72 and 74, Jalan Tasek SS1, Bandar Tasek Mutiara, 14120 Simpang Ampat.</p> <p><b><u>Land Area</u></b> 242 square metres; 130 square metres; 130 square metres</p> <p><b><u>Registered Proprietor</u></b> Pembangunan Bandar Mutiara Sdn. Bhd.</p> <p><b><u>Category of Land Use</u></b> Tiada</p> <p><b><u>Tenure</u></b> Freehold- in perpetuity</p> <p><b><u>Interest Valued</u></b> The beneficial freehold interest owned by Tambun Indah Land Berhad.</p>	<p>The subject property comprises three adjoining unit of double storey terrace shop-offices for commercial use.</p> <p>The subject property is situated along Jalan Tasek SS1 in the locality of Bandar Tasek Mutiara, Simpang Ampat.</p> <p><b><u>Building</u></b> On the subject site stands three adjoining units of double storey terrace shop-offices of developer's standard design and construction which has since been renovated and utilised for commercial use.</p> <p>The age of the subject buildings is about 12 years old.</p> <p>During the date of our inspection, we noted that there is no breach of building by-laws or approved land use on the subject property.</p> <p><b><u>Built-up Area</u></b></p> <table data-bbox="576 1003 1082 1146"> <tr> <td>Main Floor Area</td> <td>: 878 square metres</td> </tr> <tr> <td>Ancillary Floor Area</td> <td>: 79 square metres</td> </tr> <tr> <td></td> <td>-----</td> </tr> <tr> <td>Total</td> <td>: 957 square metres</td> </tr> <tr> <td></td> <td>-----</td> </tr> </table> <p><b><u>Existing Use</u></b> The subject property is being used for commercial use.</p> <p><b><u>Town Planning</u></b> The subject property is approved for commercial usage.</p> <p><b><u>Certificate Of Fitness For Occupation (CFO)</u></b> The certificate of Fitness for Occupation (CFO) was issued on 22<sup>nd</sup> April 1999.</p> <p><b><u>Repairs and Maintenance</u></b> At the date of our inspection, we noted that the subject property was in a good state of decorative repair and maintenance.</p> <p><b><u>Occupation Status</u></b> At the date of our inspection, we noted that the subject property is occupied by Pembangunan Bandar Mutiara Group as their corporate office.</p>	Main Floor Area	: 878 square metres	Ancillary Floor Area	: 79 square metres		-----	Total	: 957 square metres		-----
Main Floor Area	: 878 square metres										
Ancillary Floor Area	: 79 square metres										
	-----										
Total	: 957 square metres										
	-----										



### Valuation Method

We have adopted the "Comparison Method" and counter checked by the "Investment Method" in formulating our opinion of the current **Market Value** of the subject property.

This approach is the Market Approach of comparing the subject property with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities. The comparable sale evidences have been sourced from Jabatan Penilaian dan Perkhidmatan Harta ("JPPH"). In comparing properties, due consideration is given to factors such as location, size, building differences, improvements and amenities, time element and other relevant factors to arrive at our opinion of value.

As a check the Investment Approach is used. The Investment method involves the capitalization of the net income that could be derived from the property during its remaining useful life.

### METHOD OF VALUATION I – COMPARISON METHOD

Details	Comparable 1	Comparable 2	Comparable 3
<b>Address</b>	134, Jalan Tasek SS1, Bandar Tasek Mutiara, Simpang Ampat	32, Jalan Tasek SS2, Bandar Tasek Mutiara, Simpang Ampat	124, Jalan Tasek SS1, Bandar Tasek Mutiara, Simpang Ampat
<b>Source of Comparable</b>	JPPH	JPPH	JPPH
<b>Price (RM)</b>	Transacted Price at 300,000.00	Transacted Price at 280,000.00	Transacted Price at 275,000.00
<b>Date</b>	Transaction Date on 14/08/2010	Transaction Date on 23/09/2008	Transaction Date on 12/03/ 2007
<b>Land Area (sq. m.)</b>	127	127	130
<b>Type of Building</b>	2 storey terrace shop-office *Intermediate Unit	2 storey terrace shop-office *End Unit	2 storey terrace shop-office *Intermediate Unit
<b>Age of Building</b>	12	12	12
<b>Tenure</b>	Freehold	Freehold	Freehold
<b>Building Value</b>			
<b>Main Floor Area <sup>(1)</sup> (sq. m.)</b>	242	242	242
<b>Cost (RM psm)</b>	753	753	753
<b>Ancillary Floor Area <sup>(1)</sup> (sq. m.)</b>	18.2	18.2	18.2
<b>Cost (RM psm)</b>	377	377	377
<b>Total Building Value</b>	189,140	189,140	189,140
<b>Depreciation (%)<sup>(2)</sup></b>	20%	20%	20%
<b>Est' Building Value</b>	151,312	151,312	151,312
<b>Add: End Unit Premium</b>	-	10,000	-
<b>Total Est' Building Value</b>	151,312	161,312	151,312
<b>Analysis of land (RM psm)</b>	1,191	1,270	1,163
<b>Adjusted Land Value (RM psm)</b>	1,350	1,651	1,512
<b>Justification of Adjustments</b>	Positive adjustments for the time and renovation factor.	Positive adjustments for the time, renovation and location factor.	Positive adjustments for the time and renovation factor.





## **METHOD OF VALUATION I – COMPARISON METHOD (CONT'D)**

### **Note:**

Having considered the above, we have adopted the land value of RM 1,350 psm from Comparable 1 to be the fair land value for the subject property as it is located the nearest to the subject property.

The Market Value arrived at by using the Comparison Method is **RM 1,200,000/-** (Ringgit Malaysia: **One Million and Two Hundred Thousand Only**).

The parameters adopted in this Comparison Method are as follows:-

### **1) Building Cost**

The building cost of the Main Floor Area (MFA) is taken at RM753 psm and Ancillary Floor Area (AFA) at RM377 psm are based on industry average costs by taking into consideration of the cost and profit element. We have referred to the Jurukur Bahan Malaysia Construction Cost Handbook Malaysia 2009 and verbally counter checked with a local Quantity Surveyor on the rate of construction cost.

### **2) Depreciation Rate**

We have adopted the depreciation rate at 20% by adopting the age of the subject building at 12 years old over the economic life of the subject building of 60 years.



## **METHOD OF VALUATION II – INVESTMENT METHOD**

The rental value adopted are based on the current rentals and asking rentals of the similar properties in the neighbourhood of the subject property with adjustments made for certain factors such as time, size, floor level, finishes and other relevant factors to arrive at the market rental value of the subject property. The market rental value adopted for the subject property is based on the comparable which is the most similar to the subject property in terms of location. Having considered the above, we have adopted the rate for each floor as below:-

Ground Floor	-	RM 10.80 psm
First Floor	-	RM 5.90 psm

The market value arrived at by using the Investment Method is **RM 1,170,000/-** (Ringgit Malaysia: **One Million One Hundred and Seventy Thousand Only**).

The parameters adopted in this Investment Method are as follows:-

### **1) Rental Value**

The total monthly market rental value is estimated at RM7,142.40 per month. The market rental values of similar properties in the neighbourhood have been analysed and adjusted to the range of RM10.80 psm per month for the ground floor and RM5.90 psm per month for the first floor.

### **2) Outgoings**

The outgoings consist of elements of repairs and maintenance, insurance, assessment and quit rent and having considered these, we have estimated the outgoings by taking a rate equivalent to 20% of the gross market rental as fair and reasonable outgoings for the subject property.

### **3) Yield**

A yield of 5.50% is adopted in the market rental value. This yield is arrived at by analyzing the recent transactions and recent rentals of similar properties in the locality.

### **4) Void**

Void is the estimated vacant period of the tenancy for the remaining useful life of the subject property. We have also adopted the void at 5% which is the estimated period of time required to secure a subsequent tenant over the usual length of a tenancy term.



**OPINION OF VALUE**

In arriving at the market value of the subject property, Nos. 70, 72 and 74, Jalan Tasek SS1, Bandar Tasek Mutiara, 14120 Simpang Ampat, Pulau Pinang, held under GRN 65442, 65443 and 65444, Lot Nos. 4810, 4811 and 4812, Mukim 15, Seberang Perai Selatan, Pulau Pinang, we have adopted the "Comparison Method" and counter checked by the "Investment Method" of valuation. This is due to the fact that the Comparison Method is based on the actual sales evidences as stated in the report. These evidences are actual transactions which reflect the actual market value of the property. The Investment Method is relatively less suitable as it is sensitive to the factors and parameters adopted which include the rentals, outgoings and the yield. We therefore are of the opinion that the Comparison Method is a more appropriate and suitable method of valuation to be used in assessing the market value of the subject property. The Investment Method of valuation is used as a check method of valuation.

Summary of the Market Value by Comparison Method and Investment Method are as follows:-

	Comparison Method	Investment Method
Market Value	RM 1,200,000/-	RM 1,170,000/-

We have adopted the Market Value of the subject property as **RM 1,200,000/-** (Ringgit Malaysia: One Million and Two Hundred Thousand Only) from the Comparison Method.

Yours faithfully,  
**HENRY BUTCHER MALAYSIA (SEBERANG PERAI) SDN. BHD.**

A large, stylized handwritten signature in black ink, consisting of a large loop at the top and a series of horizontal strokes below.

**SR FOOK TONE HUAT (V -556)**  
**B. Sc. (HBP) Hons. M.I.S.M.**  
**Registered Valuer**

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF TAMBUN INDAH  
AS AT 31 DECEMBER 2010 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER  
THEREON**



Tel : +604 227 6888  
Fax: +604 229 8118  
www.bdo.my

51-21-F, Menara BHL  
Jalan Sultan Ahmad Shah  
10050 Penang  
Malaysia

Date: 4 August 2011

The Board of Directors  
**TAMBUN INDAH LAND BERHAD**  
12-01 Penthouse Wisma Pantai  
Jalan Wisma Pantai  
Kampung Gajah  
12200 Butterworth  
Pulau Pinang

Dear Sirs,

**TAMBUN INDAH LAND BERHAD  
REPORTING ACCOUNTANT'S LETTER ON THE PROFORMA  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2010**

We have reviewed the proforma consolidated statements of financial position of Tambun Indah Land Berhad ("Tambun Indah" or "the Company") and its subsidiary companies ("Tambun Indah Group") as at 31 December 2010, together with the accompanying notes and assumptions thereon for which the Directors of Tambun Indah are solely responsible, as set out in the accompanying statements which we have stamped for the purpose of identification, in connection with the proposed acquisition by Palmington Sdn. Bhd., a 60%-owned subsidiary company of Tambun Indah, of properties located in Bandar Tasek Mutiara, Penang measuring approximately 526.7531 acres for a cash consideration of RM233,223,021 ("Proposed Acquisition").

In our opinion, the proforma consolidated statements of financial position of the Tambun Indah Group as at 31 December 2010, together with the notes and assumptions thereon, which are provided for illustrative purposes only:

- (a) are presented on a basis consistent with the accounting policies normally adopted by the Tambun Indah Group;
- (b) the adjustments are appropriate for the purpose of the proforma consolidated statements of financial position; and
- (c) the financial statements used in the preparation of the proforma consolidated statements of financial position were prepared in accordance with the provisions of the Companies Act 1965 and Financial Reporting Standards in Malaysia, and in a manner consistent with both the format of the audited financial statements and the accounting policies of the Tambun Indah Group for the financial year ended 31 December 2010.



We understand that this report will be used solely for inclusion in the Circular to shareholders in connection with the Proposed Acquisition. As such, this report should not be used for any other purpose without our prior consent.

Yours faithfully

A handwritten signature in black ink, appearing to be 'BDO'.

BDO  
AF 0206  
Chartered Accountants

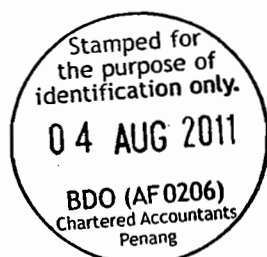
A handwritten signature in black ink, appearing to be 'Koay Theam Hock'.

Koay Theam Hock  
2141/04/13 (J)  
Chartered Accountant

**TAMBUN INDAH LAND BERHAD (COMPANY NO.: 810446-U)**

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2010**

	Note	Audited as at 31 December 2010 RM'000	Proforma I After completion of Public Issue RM'000	Proforma II After Proforma I and upon completion of acquisition of Palmington RM'000	Proforma III After Proforma II and upon completion of the Proposed Acquisition RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	2	808	808	808	1,408
Land held for property development	3	52,328	52,328	58,114	290,737
Investment properties		8,925	8,925	8,925	8,925
Goodwill on acquisition	4	431	431	440	440
		<u>62,492</u>	<u>62,492</u>	<u>68,287</u>	<u>301,510</u>
<b>Current assets</b>					
Property development costs		64,840	64,840	64,840	64,840
Receivables, deposits and prepayments		58,451	58,451	58,451	58,451
Tax recoverable		2,255	2,255	2,255	2,255
Fixed deposits with licensed banks	5	11,675	11,675	11,675	0
Cash and bank balances	6	15,515	28,215	24,754	(5,751)
		<u>152,736</u>	<u>165,436</u>	<u>161,975</u>	<u>119,795</u>
<b>Total assets</b>		<u>215,228</u>	<u>227,928</u>	<u>230,262</u>	<u>421,305</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Current liabilities</b>					
Payables		55,230	55,230	55,230	55,230
Borrowings	7	18,404	15,969	15,969	15,969
Tax payable		2,104	2,104	2,104	2,104
		<u>75,738</u>	<u>73,303</u>	<u>73,303</u>	<u>73,303</u>
<b>Net current assets</b>		<u>76,998</u>	<u>92,133</u>	<u>88,671</u>	<u>46,492</u>
<b>Non-current liabilities</b>					
Borrowings	7	4,665	0	0	163,256
Deferred tax liabilities		1,130	1,130	1,130	1,130
		<u>5,795</u>	<u>1,130</u>	<u>1,130</u>	<u>164,386</u>
<b>Total liabilities</b>		<u>81,533</u>	<u>74,433</u>	<u>74,433</u>	<u>237,689</u>
<b>Net assets</b>		<u>133,695</u>	<u>153,495</u>	<u>155,829</u>	<u>183,616</u>



**TAMBUN INDAH LAND BERHAD (COMPANY NO.: 810446-U)**

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2010 (CONTINUED)**

		Proforma I	Proforma II After Proforma I and upon completion of acquisition of Palmington	Proforma III After Proforma II and upon completion of the Proposed Acquisition
	Note	Audited as at 31 December 2010 RM'000	After completion of Public Issue RM'000	RM'000
<b>Equity attributable to owners of the parent</b>				
Share capital	8	94,500	110,500	110,500
Share premium	9	0	3,800	3,800
Retained profits		25,218	25,218	25,018
		119,718	139,518	139,318
Minority interests		13,977	13,977	16,311
<b>Total equity</b>		<b>133,695</b>	<b>153,495</b>	<b>155,829</b>
<b>Total equity and liabilities</b>		<b>215,228</b>	<b>227,928</b>	<b>230,262</b>



**NOTES AND ASSUMPTIONS TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**1. BASIS OF PREPARATION**

The proforma consolidated statements of financial position of Tambun Indah Land Berhad (“Tambun Indah” or “the Company”) and its subsidiary companies (“Tambun Indah Group”) together with the notes thereon have been prepared for illustrative purposes only based on the audited statements of financial position of the Tambun Indah Group as at 31 December 2010 and on the assumption that:

- (i) a public issue of 32,000,000 new ordinary shares of RM0.50 each at an issue price of RM0.70 per share, giving rise to a share premium of RM3,800,000 after setting off the estimated listing expenses of RM2,600,000 (“Public Issue”);
- (ii) the acquisition of 3,453,600 ordinary shares of RM1.00 each in Palmington Sdn. Bhd. (“Palmington”) representing 60% of the issued and paid-up share capital of Palmington from Ms. Yeap Lay Suat for a cash consideration of RM3,510,000 which was completed on 4 May 2011; and
- (iii) the proposed acquisition by Palmington, a 60%-owned subsidiary company of Tambun Indah, of properties located in Bandar Tasek Mutiara, Penang, measuring approximately 526.7531 acres for a cash consideration of RM233,223,021 (“Proposed Acquisition”)

have been effected on 31 December 2010.

The proforma consolidated statements of financial position of the Tambun Indah Group have been prepared on the basis that is consistent with:

- (i) the accounting policies adopted by the Tambun Indah Group in the preparation of its audited consolidated statements of financial position for the financial year ended 31 December 2010; and
- (ii) the accounting policies adopted by Palmington which are consistent with those of the Tambun Indah Group.

The proforma consolidated statements of financial position of the Tambun Indah Group have been prepared using the following statements of financial position of the Tambun Indah Group and Palmington:

- (i) the audited consolidated statement of financial position of the Tambun Indah Group as at 31 December 2010; and
- (ii) the audited statement of financial position of Palmington as at 31 December 2010.





NOTES AND ASSUMPTIONS TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

1. BASIS OF PREPARATION (CONTINUED)

Proforma I

- (i) A public issue of 32,000,000 new ordinary shares of RM0.50 each at an issue price of RM0.70 per share giving rise to a share premium of RM3,800,000.
- (ii) Listing expenses of RM2,600,000 will be set off against the available share premium account.
- (iii) Gross proceeds from public issue of RM22,400,000 are to be utilised as follows:

	<b>RM</b>
Working capital	12,700,000
Repayment of bank borrowings	7,100,000
Listing expenses	2,600,000
	<u>22,400,000</u>

Proforma II

Acquisition of 3,453,600 ordinary shares of RM1.00 each in Palmington representing 60% of the issued and paid-up share capital of Palmington from Ms. Yeap Lay Suat for a cash consideration of RM3,510,000.

Proforma III

Proposed acquisition by Palmington of properties located in Bandar Tasek Mutiara, Penang, measuring approximately 526.7531 acres for a cash consideration of RM233,223,021.



NOTES AND ASSUMPTIONS TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

**2. PROPERTY, PLANT AND EQUIPMENT**

The movements in the property, plant and equipment are as follows:

	RM
As at 31 December 2010 / As per Proforma I / As per Proforma II	808,000
Proposed Acquisition	600,000
As per Proforma III	<u>1,408,000</u>

**3. LAND HELD FOR PROPERTY DEVELOPMENT**

The movements in the land held for property development are as follows:

	RM
As at 31 December 2010 / As per Proforma I	52,328,000
Acquisition of Palmington	5,786,000
As per Proforma II	<u>58,114,000</u>
Proposed Acquisition	232,623,000
As per Proforma III	<u>290,737,000</u>

**4. GOODWILL ON ACQUISITION**

The movements in the goodwill on acquisition are as follows:

	RM
As at 31 December 2010 / As per Proforma I	431,000
Acquisition of Palmington	9,000
As per Proforma II / As per Proforma III	<u>440,000</u>

**5. FIXED DEPOSITS WITH LICENSED BANKS**

The movements in the fixed deposits with licensed banks are as follows:

	RM
As at 31 December 2010 / As per Proforma I / As per Proforma II	11,675,000
Proposed Acquisition	<u>(11,675,000)</u>
As per Proforma III	<u>0</u>



NOTES AND ASSUMPTIONS TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

6. CASH AND BANK BALANCES

The movements in the cash and bank balances are as follows:

	RM
As at 31 December 2010	15,515,000
Proceeds from the Public Issue	22,400,000
Expenses relating to the Public Issue	(2,600,000)
Repayment of borrowings	(7,100,000)
As per Proforma I	<u>28,215,000</u>
Acquisition of Palmington	49,000
Cash consideration relating to the acquisition of Palmington	(3,510,000)
As per Proforma II	<u>24,754,000</u>
Proposed Acquisition	(30,505,000)
As per Proforma III	<u>(5,751,000)</u>

7. BORROWINGS

**Short term borrowings**

The movements in the short term borrowings are as follows:

	RM
As at 31 December 2010	18,404,000
Repayment of borrowings	(2,435,000)
As per Proforma I / As per Proforma II / As per Proforma III	<u>15,969,000</u>

**Long term borrowings**

The movements in the long term borrowings are as follows:

	RM
As at 31 December 2010	4,665,000
Repayment of borrowings	(4,665,000)
As per Proforma I / As per Proforma II	<u>0</u>
Proposed Acquisition	163,256,000
As per Proforma III	<u>163,256,000</u>



NOTES AND ASSUMPTIONS TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

8. SHARE CAPITAL

The movements in the share capital are as follows:

	Units	RM
As at 31 December 2010	189,000,000	94,500,000
Issued pursuant to the Public Issue	<u>32,000,000</u>	<u>16,000,000</u>
As per Proforma I / As per Proforma II / As per Proforma III	<u>221,000,000</u>	<u>110,500,000</u>

9. SHARE PREMIUM

The movements in the share premium are as follows:

	RM
As at 31 December 2010	0
Proceeds from the Public Issue	6,400,000
Expenses relating to the Public Issue	<u>(2,600,000)</u>
As per Proforma I / As per Proforma II / As per Proforma III	<u>3,800,000</u>



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**FURTHER INFORMATION**

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**1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein false or misleading.

Information on Pembangunan Mutiara was extracted from publicly available documents and/or other documents provided by the management of Pembangunan Mutiara. The responsibility of the Board of Tambun Indah is therefore restricted to accurate reproduction of the relevant information on Pembangunan Mutiara as included in this Circular.

**2. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES****2.1 Material commitments**

As at the date of this Circular, save for the Proposed Acquisition, the Board is not aware of any material commitments incurred or known to be incurred by the Tambun Indah Group that has not been provided for, which upon becoming enforceable, may have a material impact on the financial position of the Tambun Indah Group.

**2.2 Contingent liabilities**

As at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred by the Tambun Indah Group, which upon becoming enforceable, may substantially affect the Tambun Indah Group's ability to meet its obligations.

**3. CONSENTS AND CONFLICT OF INTEREST**

- (i) MIMB has confirmed that there is no conflict of interest exists or likely to exist in relation to its role as the Adviser to Tambun Indah for the Proposed Acquisition. MIMB has also given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto where relevant, in the form and context in which they appear.
- (ii) Henry Butcher, the independent registered valuer to Tambun Indah for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, valuation certificates and all references thereto where relevant, in the form and context in which they appear. Henry Butcher has also confirmed that there is no conflict of interest exists or likely to exist in relation to its role in respect of the Proposed Acquisition.
- (iii) BDO, the Reporting Accountants to Tambun Indah for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, letter on the proforma consolidated statements of financial position of Tambun Indah as at 31 December 2010 and all references thereto where relevant, in the form and context in which they appear. BDO has also confirmed that there is no conflict of interest exists or likely to exist in relation to its role in respect of the Proposed Acquisition.

**4. MATERIAL LITIGATION**

As at the LPD, the Board is not aware of any material litigation, claim or arbitration involving the Tasek Mutiara Land to be acquired.

**5. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the registered office of Tambun Indah at 51-21-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang during normal business hours from Mondays to Fridays (except on public holidays) from the date of this Circular to the date of the EGM:

- (i) Memorandum and Articles of Association of Tambun Indah;
- (ii) the audited financial statements of Tambun Indah for the FYE 31 December 2009 and audited financial statements of Tambun Indah for the FYE 31 December 2010, and the latest unaudited interim financial results for the financial quarter ended 30 June 2011;
- (iii) valuation reports and certificates from Henry Butcher dated 5 May 2011 on the Tasek Mutiara Land;
- (iv) letters of consent referred to in Section 3 above; and
- (v) the Master SPA and SPAs and any supplemental agreements/letters relating thereto.

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**TAMBUN INDAH LAND BERHAD**  
(Company No. 810446-U)  
(Incorporated in Malaysia)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Tambun Indah Land Berhad ("Tambun Indah" or the "Company") will be held at Serindit Room, Hotel Equatorial Penang, 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Friday, 26 August 2011 at 10.30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications the following resolution:

#### ORDINARY RESOLUTION

**PROPOSED ACQUISITION BY PALMINGTON SDN BHD ("PALMINGTON"), A 60%-OWNED SUBSIDIARY OF TAMBUN INDAH, OF PROPERTIES LOCATED IN BANDAR TASEK MUTIARA, PENANG MEASURING APPROXIMATELY 526.75 ACRES FROM PEMBANGUNAN BANDAR MUTIARA SDN BHD FOR A CASH CONSIDERATION OF RM233,223,021 ("PROPOSED ACQUISITION")**

"THAT, subject to the approvals of all relevant authorities being obtained, authority be and is hereby given to Palmington, a 60%-owned subsidiary of Tambun Indah to acquire several parcels of lands collectively referred to as the Tasek Mutiara Land as defined in the Circular to shareholders of the Company dated 11 August 2011, all within the locality of Simpang Ampat, Mukim 15, Province Wellesley South, Penang measuring approximately 526.75 acres for a total cash consideration of RM233,223,021, subject to the terms and conditions of the master agreement ("Master SPA") and the five (5) separate sales and purchase agreements ("SPAs") for the Proposed Acquisition dated 4 May 2011 and any other supplements thereof entered into between Palmington and Pembangunan Bandar Mutiara Sdn Bhd AND THAT the Master SPA and SPAs be and are hereby approved, ratified and confirmed AND THAT the Directors of Tambun Indah be and are hereby authorised to take all steps and do all such acts and matters as they may consider necessary or expedient to give effect to the Proposed Acquisition with full power to give notices, directions, consents and authorisations in respect of any matter arising under or in connection with the Proposed Acquisition and/or the Master SPA and SPAs, to assent to any conditions, modifications, variations, arrangements and/or amendments to the Proposed Acquisition and/or the Master SPA and SPAs in any manner as may be approved, required and/or imposed by the relevant authorities (including assenting to any revision to the purchase consideration in accordance with the terms of the Master SPA and SPAs) and to do all such things as they may consider necessary or expedient in the best interest of the Company AND FURTHER THAT authority be given for the Common Seal of the Company to be affixed to any agreements, deeds or documents to be entered into by the Company in connection to the Proposed Acquisition, if so required, in accordance with the Articles of Association of the Company."

BY ORDER OF THE BOARD

**LEE PENG LOON (MACS 01258)**  
**P'NG CHIEW KEEM (MAICSA 7026443)**  
Secretaries

Penang  
11 August 2011

Notes :

1. 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 shall not apply to the Company.
2. A member shall be entitled to appoint a maximum of two (2) proxies to attend and vote at the same meeting.
3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in each securities account it holds which is credited with the ordinary shares of the Company.
5. For a proxy to be valid, the Proxy Form, duly completed must be deposited at the Registered Office of the Company, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than forty-eight (48) hours before the time appointed for holding the meeting.
6. In the case of a corporate member, the Proxy Form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.



**TAMBUN INDAH LAND BERHAD**  
(Company No. 810446-U)  
(Incorporated in Malaysia)

**PROXY FORM**

\*I/We.....

(\*I/C No. / Passport No. / Company No. ....) of.....

being a \*member/members of the abovenamed Company, hereby appoint.....

..... (\*I/C No. / Passport No. ....) of

..... or failing whom, the Chairman of the meeting as \*my/our proxy to vote for \*me/us on

\*my/our behalf at the Extraordinary General Meeting of the Company to be held at Serindit Room, Hotel Equatorial Penang,

1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Friday, 26 August 2011 at 10.30 a.m.

RESOLUTION	FOR	AGAINST
Ordinary Resolution - Proposed Acquisition		

Please indicate with an "x" in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy may vote as he thinks fit.

Signed this ..... day of....., 2011.

No. of shares held

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies :	
No. of Shares	%
Proxy 1	
Proxy 2	
	100

.....  
Signature(s)/Common Seal of member(s)

**Notes:**

1. 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 shall not apply to the Company.
2. A member shall be entitled to appoint a maximum of two (2) proxies to attend and vote at the same meeting.
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6. In the case of a corporate member, the Proxy Form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.

\*strike out whichever is not desired.



Fold this flap for sealing

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Then fold here

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AFFIX  
STAMP

The Company Secretary  
**TAMBUN INDAH LAND BERHAD (810446-U)**  
51-21-A, Menara BHL Bank  
Jalan Sultan Ahmad Shah  
10050 Penang

1st fold here

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