



ANNUAL REPORT 2018





Raintree Park 2

TABLE OF CONTENTS

02	Corporate Information	43	Audit Committee Report
03	Corporate Structure	45	Additional Compliance Information
04	Financial Highlights	46	Statements of Directors' Responsibility In Relation to the Financial Statements
06	Chairman's Statement	47	List of Properties Held by the Group
07	Management's Discussion and Analysis	56	Analysis of Shareholdings
12	Sustainability Statement	58	Directors' Report and Audited Financial Statements
21	Directors' Profile	139	Notice of Annual General Meeting
25	Senior Managements' Profile	144	Statement Accompanying Notice of Annual General Meeting
27	Corporate Governance Overview Statement		
40	Statement on Risk Management and Internal Control		
			Enclosed Proxy Form

CORPORATE INFORMATION

Board of Directors

Lai Fook Hoy
Independent Non-Executive Chairman

Teh Kiak Seng
Managing Director

Teh Theng Theng
Executive Director

Teh Deng Wei
Executive Director

Tsai Chia Ling
Non-Independent Non-Executive Director

Lam Voon Kean
Independent Non-Executive Director

Audit Committee

Lam Voon Kean
Chairman / Independent Non-Executive Director

Lai Fook Hoy
Member / Independent Non-Executive Director

Remuneration Committee

Lai Fook Hoy
Chairman / Independent Non-Executive Director

Lam Voon Kean
Member / Independent Non-Executive Director

Nominating Committee

Lai Fook Hoy
Chairman / Independent Non-Executive Director

Lam Voon Kean
Member / Independent Non-Executive Director

Company Secretaries

Lee Peng Loon (MACS 01258)
P'ng Chiew Keem (MAICSA 7026443)

Registered Office

51-21-A Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang
Tel : 604-210 8833
Fax : 604-210 8831

Business Address

12-01 Penthouse Wisma Pantai
Jalan Wisma Pantai
Kampung Gajah
12200 Butterworth
Penang
Tel: 604-324 0088
Fax: 604-324 0090
Website: www.tambunindah.com

Auditors

BDO PLT (LLP0018825-LCA & AF 0206)
Chartered Accountants
51-21-F Menara BHL
Jalan Sultan Ahmad Shah
10050 Penang

Principal Bankers

OCBC Bank (Malaysia) Berhad
CIMB Bank Berhad
Malayan Banking Berhad
RHB Bank Berhad

Share Registrar

Tricor Investor & Issuing House Services Sdn. Bhd.
(Company No. 11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel No. 603-2783 9299
Fax No. 603-2783 9222

Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad
(Bursa Securities)

CORPORATE STRUCTURE



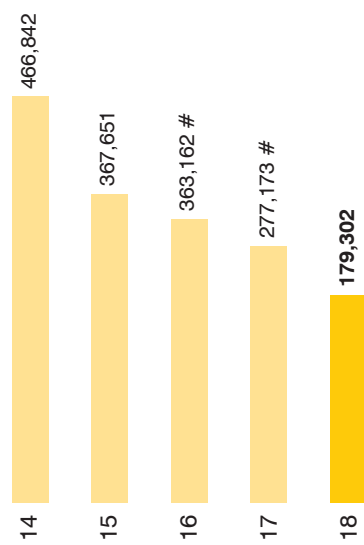
Tambun Indah Land Berhad

100%	❖	Cenderaman Development Sdn. Bhd.	Property Development
100%	❖	Denmas Sdn. Bhd.	Project & Construction Management
100%	❖	Denmas Development Sdn. Bhd.	Property Development
100%	❖	Epiland Properties Sdn. Bhd.	Property Management
100%	❖	Hong Hong Development Sdn. Bhd.	Property Development
100%	❖	Intanasia Development Sdn. Bhd.	Property Development
100%	❖	Jasniah Sdn. Bhd.	Property Development
100%	❖	Juru Heights Sdn. Bhd.	Property Development
100%	❖	Langstone Sdn. Bhd.	Investment Holding & Operation of Car Park
70%	❖	Mustiara Sdn. Bhd.	Property Development
100%	❖	Palmington Sdn. Bhd.	Property Development & Investment Holding
		100% —❖ Novinia Sdn. Bhd.	Dormant
		50% —❖ TNC Capital Sdn. Bhd. (Joint venture)	Building & Leasing of Properties
100%	❖	Perquest Sdn. Bhd.	Property Development
100%	❖	Premcourt Development Sdn. Bhd.	Property Development, Investment Holding & Operation of Car Park
100%	❖	Pridaman Sdn. Bhd.	Property Development
100%	❖	Tambun Indah Development Sdn. Bhd.	Property Development
100%	❖	Tambun Indah Sdn. Bhd.	Property Development
100%	❖	TID Development Sdn. Bhd.	Property Development
100%	❖	TKS Land Sdn. Bhd.	Investment Holding
		50% —❖ Ascension Sdn. Bhd.	Property Development
		50% —❖ CBD Land Sdn. Bhd.	Property Development
100%	❖	Tokoh Edaran Sdn. Bhd.	Construction Management
100%	❖	Zipac Development Sdn. Bhd.	Property Development
45%	❖	Ikhtiar Bitara Sdn. Bhd. (Associate)	Property Development

FINANCIAL HIGHLIGHTS

Revenue

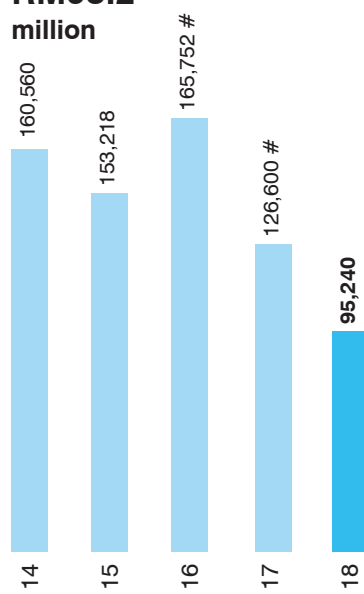
RM179.3
million



(RM' 000)

Gross Profit

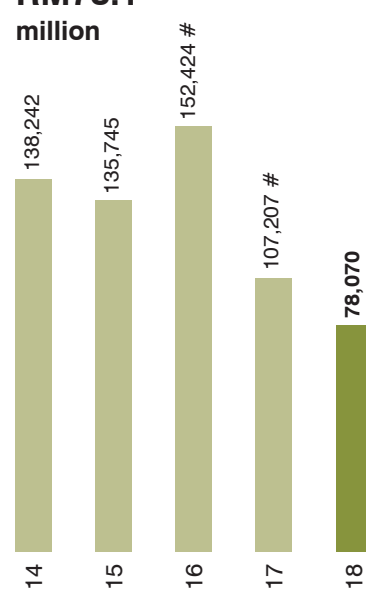
RM95.2
million



(RM' 000)

Profit Before Tax

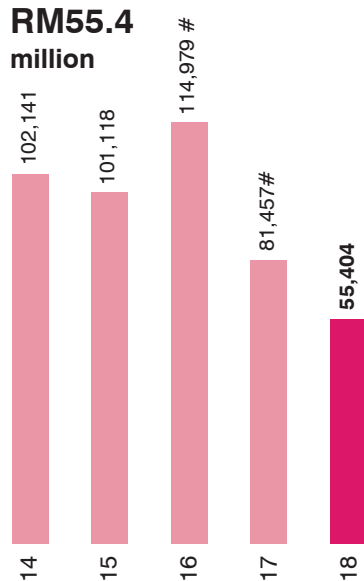
RM78.1
million



(RM' 000)

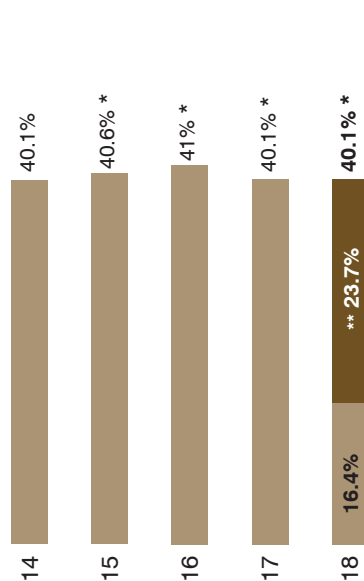
Net Profit Attributable to Equity Holders

RM55.4
million



(RM' 000)

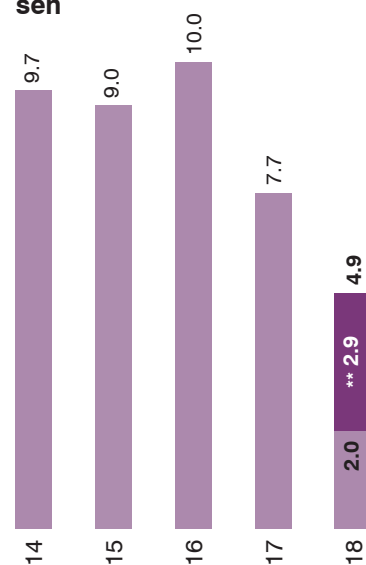
Dividend Payout



** 2.9 sen of final dividend subject to shareholders' approval

Dividend Per Share

4.9
sen



** 2.9 sen of final dividend subject to shareholders' approval

* Dividend policy : 40% to 60% of Group's Net Profit excluding any valuation gain or loss on investment properties for the financial year

The figures have been restated following the adoption of MFRSs

FINANCIAL HIGHLIGHTS (cont'd)

Summarised Group Statement of Profit or Loss and Other Comprehensive Income

	Financial Year Ended 31 December				
	Audited	Audited	Audited ¹	Audited ¹	Audited
	2014	2015	2016	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	466,842	367,651	363,162	277,173	179,302
Gross Profit	160,560	153,218	165,752	126,600	95,240
Profit Before Tax	138,242	135,745	152,424	107,207	78,070
Net Profit Attributable to Equity Holders	102,141	101,118	114,979	81,457	55,404

Summarised Group Financial Position

	Audited	Audited	Audited ¹	Audited ¹	Audited
	2014	2015	2016	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Total non-current assets	325,434	363,423	328,103	313,020	308,280
Total current assets	336,346	410,534	423,821	435,851	428,058
Total assets	661,780	773,957	751,924	748,871	736,338
Share capital	210,390	212,074	213,676	287,520	287,580
Share premium	67,396	67,927	69,135	-*	-
Other reserves	975	1,560	1,633	958*	890
Retained earnings	118,231	178,207	254,756	292,921	319,370
Shareholders' equity	396,992	459,768	539,200	581,399	607,840
Non-controlling interests	2,409	2,736	2,562	1,880	1,317
Total non-current liabilities	121,928	140,251	97,365	68,536	37,499
Total current liabilities	140,451	171,202	112,797	97,056	89,682
	661,780	773,957	751,924	748,871	736,338
Net assets per share (RM)	0.94	1.08	1.26	1.34	1.40

* The credits standing in share premium account and capital reserves account of RM69,290,235 and RM467,579 respectively have been transferred to the share capital account, pursuant to Companies Act 2016.

Financial Analysis

	2014	2015	2016 ¹	2017 ¹	2018
Gross Profit Margin	34.39%	41.67%	45.64%	45.68%	53.12%
Profit Before Tax Margin	29.61%	36.92%	41.97%	38.68%	43.54%
Net Profit Margin	21.88%	27.50%	31.66%	29.39%	30.90%
Short term funds and cash and bank balances (RM'000)	138,147	183,918	120,836	105,284	175,405
Total borrowings (RM'000)	152,956	188,409	138,155	106,425	95,821
Net Gearing (net of cash)	3.73%	0.98%	3.21%	0.20%	Net cash

Note :

¹ The figures have been restated following the adoption of MFRSs

CHAIRMAN'S STATEMENT



BEGONIA VILLA



BEGONIA VILLA

Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report and the Audited Financial Statements for the financial year ended 31 December 2018 (FY2018).

Financial Overview

Tambun Indah Land Berhad and its subsidiaries ("the Group") achieved an after tax profit of RM55 million in FY2018, lower compared to RM82 million recorded in the previous financial year. The property sector remained challenging in FY2018, in an environment of a subdued property market amidst stringent lending requirements imposed by commercial banks. Further details of the Group's financial performance are in the Management's Discussion and Analysis section of this Annual Report.

Dividend

The Board will recommend a final single-tier dividend of 2.9 sen per ordinary share for shareholders' approval at the forthcoming Annual General Meeting. The total dividend of 4.9 sen (FY2017 : 7.7 sen) per ordinary share for the year equates to 40% of the Group's net profit, excluding valuation gain on investment properties.

Property Sector Outlook

The consensus view for the current year is that it will be another challenging year as the property market is expected to remain flatish in the near term. The National Property Information Centre's statistics had highlighted on the rising number of overhang units in Malaysia in the recent years. This situation was mainly contributed by the weak sentiment and the persisting struggle of buyers in securing loans. While the government's desire to enable more Malaysians to own a home is expected to bring positive changes to the property market in the longer term, the recovery will also be dependent on the effective income growth of the working population.

The Group is mindful of these uncertainties, and will be prudent in launching new projects. We continuously review our pipeline and product strategy to ensure that we respond appropriately to market demands and changes.

Board Composition

We welcome Ms. Lam Voon Kean who joined the Board on 1 June 2018 as an Independent Non-Executive Director. She was also appointed as the Chairperson of the Audit Committee, as well as being on the Nominating Committee and the Remuneration Committee.

We wish to extend our heartfelt gratitude to Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali, who resigned from the Board on 9 April 2019, for his service and contribution to the Group.

Appreciation

On behalf of the Board, I would like to express our sincere appreciation to the authorities, our business partners, and valued customers for their cooperation and support to the Group. To our shareholders, thank you for your kind support and confidence in us.

To the management and staff, we acknowledge and thank you for your dedication and hard work during the year. Despite the challenges, your dedication and focus is commendable. I also would like to personally thank my fellow Board members for your valuable guidance and continued contribution to the Board.

Thank you.

Lai Fook Hoy
Chairman

12 April 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

Tambun Indah Land Berhad and its subsidiaries ("the Group") were founded in 1993, and focus on developing and marketing property development projects. Driven by the desire to build contemporary homes for sustainable communities and neighborhoods, the Group has steadily grown from strength to strength to become a reputable real estate and property developer in the northern region of Malaysia.

In the financial year just ended (FY2018), the property market remained challenging in light of cautious buyer sentiment on account of economic uncertainties. This was compounded by the tight lending requirements and buyers' wait-and-see approach in anticipation of potential policy changes.

As highlighted by the National Property Information Centre's statistics, the number of overhang units in Malaysia had increased over the last few years. In addition to the uncertainties in the economic environment, issues such as mismatch in pricing and affordability due to the rising cost of living in Malaysia also contributed to the situation. Therefore well-planned developments with the right pricing are needed to cater to the present demand.

Moving forward, the Group expects the property market to remain flat in 2019, and will continue to manage new launches prudently, while strategising the pipeline projects with varying product types to cater for the different needs of the population.

FINANCIAL PERFORMANCE

In FY2018, the Group recorded a revenue of RM179 million and net profit attributable to shareholders (net profit) of RM55 million. FY2018 revenue was lower by 35% as compared to RM277 million in previous year. Net profit was likewise lower by 32% as compared to RM81 million in previous year.

The property development and property management segments remained the Group's key revenue generators, contributing RM174 million or 97% of the total revenue. Compared to the previous year, the lower total revenue in FY2018 reflected the fewer on-going projects as the Group strategised its property launches and sales mix to match the condition of the property market, customers' needs, and affordability. Correspondingly, basic earnings per share was lower at 12.79 sen in FY2018 as compared to 18.88 sen in the previous year.

The Group has consistently maintained a strong balance sheet through prudent risk management. Shareholders' equity increased to RM608 million as at end-2018 from RM581 million a year ago. Total borrowings of the Group were reduced to RM96 million from RM106 million a year ago, with the Group having a net cash position as at end-2018. With its strong balance sheet and net cash position, the Group has the advantage and flexibility in funding future land banking and business expansion.

OPERATIONS REVIEW

PROPERTY DEVELOPMENT

In FY2018, the Group recorded new property sales of 299 units, a 3% increase from 289 units in FY2017. However, the total transaction value of RM134 million was 8% lower from RM146 million over the same period, as the product mix has a higher proportion of affordable properties.

On-Going Projects

Project Name	Type of Development	No. of Units	GDV RM' mil
Raintree Park 2	Gated and Guarded Landed Homes	426	224.5
Avenue Garden	Serviced Apartments	312	97.3
Pearl Saujana Permai	Terrace and Semi Detached Homes	219	112.2
Pearl Evergreen	Semi Detached Homes and Bungalows	30	22.2
Mutiara Indah	Low Cost Flats and Shops	302	13.9
Palma Residency	Gated and Guarded Landed Homes	90	51.8

The on-going projects are part of the township development at Bandar Tasek Mutiara (Pearl City), except for Palma Residency which is located in Bukit Mertajam, Seberang Perai Tengah. The on-going projects of the Group have an average take-up rate of 70%.

While being cautious of the challenging market condition, the Group had launched two new projects, Palma Residency and Mutiara Indah at the end of 2018, with a combined GDV of RM66 million. Mutiara Indah is a low-cost project within Bandar Tasek Mutiara (Pearl City) consisting of 279 units of flats and 23 units of shoplots, while Palma Residency is a low density gated and guarded landed development.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

On-Going Projects (cont'd)

Palma Residency



Palma Residency, located at a prime location in Bukit Mertajam, is a gated and guarded development comprising 90 units of terrace houses. Strategically located near to the Tesco commercial centre in Alma, Bukit Mertajam, it offers convenience to the home owners as various amenities such as academic establishments, retail and F&B outlets are only a stone's throw away. More importantly, the low density project offers contemporary living within a secured and serene environment.

Bandar Tasek Mutiara (Pearl City) Township



Bandar Tasek Mutiara (Pearl City), which spans over 1,200 acres and located at the southern district of Mainland Penang is an on-going integrated township development since 1995. Pearl City is easily accessible from the North South Highway as well as the Second Penang Bridge, and within a short distance to various commercial and industrial hubs, notably Batu Kawan Industrial Park where activities are growing steadily. The developments in Pearl City have similarly progressed with the growing population, and has much potential to further transform in the next 10 years.



Raintree Park 2

Within a gated and guarded landscaped compound, Raintree Park 2 offers a well-balanced mix of bungalows, semi-detached, terraced homes and duplex villa complete with recreational facilities such as a swimming pool, children's wading pool, reflexology path, jogging track, indoor gym and other amenities that promise a contemporary and healthy lifestyle.



Avenue Garden

Avenue Garden comprises 312 units of serviced apartments with built-up areas ranging from 775 square feet to 1,163 square feet. Located in the heart of Pearl City and situated next to GEMS International School (Penang), Avenue Garden offers much convenience to its residents.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

On-Going Projects (cont'd)



Pearl Saujana Permai

Pearl Saujana Permai is for young working adults, with growing families, who are looking to upgrade or purchase their first home. Comprising mainly terrace homes, the freehold residential units with contemporary designs are affordably priced.



Pearl Evergreen

Pearl Evergreen is a niche development comprising 28 units of double storey linked semi-detached homes and 2 units of bungalows designed for the privileged few who appreciate the premier spacious living.

PROPERTY INVESTMENT

The Group's portfolio of investment properties consists primarily of GEMS International School (Penang) in Pearl City, Straits Garden Commercial Shop in Penang Island, and the joint venture investment in Pearl City Mall. The property investment segment continues to provide a steady revenue stream to the Group.

GEMS International School (Penang)



Being the first full fledged private international school in Seberang Perai, GEMS International School (Penang) started its first semester intake in September 2015. The school has the capacity of up to an enrolment of 1,500 students and offers a uniquely-enhanced British curriculum.

As the preference for premium English-medium international schools in Malaysia increases, the timely presence of GEMS International School is poised to meet the educational needs of local and expatriate students.

Pearl City Mall



Pearl City Mall represents the first stage of our integrated development at Pearl City Business Park and is strategically located in the heart of the established township of Pearl City. Master leased to C-Mart, a well-known mall chain in Northern Peninsular, Pearl City Mall provides leisure and entertainment outlets for existing and future residents of Pearl City, as well as the growing population of Southern Seberang Perai.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

OPERATIONAL AND FINANCIAL RISKS

Inherent to the property development industry, the Group's operations will be affected by economic fundamentals, changes in government policies and regulations, and consumer sentiment. The uncertainties in the global macroeconomy, stringent lending policies, and affordability issues affecting consumer sentiment will continue to be of concern to the property industry. The Group will also inherently face competition from other players developing in the vicinity.

The Group is mindful of the challenges in the property market, and continuously monitors the operating environment to ensure that pipeline property launches will meet the requirements of the target market. In the process of doing so, the Group takes a proactive approach to ensure consistent demand through favourable product mix, prudent construction management and an efficient cost structure.

The Group also focuses on enhancing brand visibility by adopting differentiating development concepts and innovative designs. Overall, the Group consistently manages the risk with prudent financial management.

GROWTH STRATEGIES

The Group continues its time-tested strategy in bringing innovative development concepts, ensuring a wide spectrum of designs to cater for the different needs as well as offering quality properties at affordable prices.

While aware of the industry challenges, we believe that the fundamental demand for residential properties remains intact. However, buyers are now more careful and selective in their purchases, seeking quality properties at affordable prices. The Group's planned launches for FY2019, namely Palm Garden, Begonia Villa and Permai Residence, have a total GDV of approximately RM243 million.

Palm Garden



Palm Garden, which is expected to yield a GDV of RM106 million, offers a total of 335 units of serviced apartments in two 18-storey blocks a stone's throw away from GEMS International School (Penang), and will be complete with a full range of facilities.

Begonia Villa



Set to provide 187 units gated and guarded landed terrace homes and town houses within a landscaped compound in Pearl City, Begonia Villa is estimated to fetch a GDV of RM84 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Permai Residence



An exclusive development with contemporary design, the first phase of Kota Permai project will see 90 units of gated and guarded double-storey terrace houses and bring to the Group a GDV of RM53 million.

Overall, the Group's pipeline projects will bring a GDV of approximately RM2.8 billion to the Group over the next seven years or more.

Bandar Tasek Mutiara (Pearl City) township will also see a new Sports Complex by end of FY2019. Complementing healthy living, the Sports Complex brings to the community a well-equipped gymnasium, multiple badminton courts and futsal courts.

The Group's robust balance sheet provides flexibility for potential land banking and business expansion to ensure sustainability and continuity in the long term.

Subsequent to the financial year, the Group's 70% owned subsidiary, Mustiara Sdn Bhd had on 9 April 2019 accepted the offer for a proposed land acquisition of 27 parcels of freehold land, which are adjacent to Bandar Tasek Mutiara (Pearl City) and measuring in aggregate approximately 209.54 acres for a total purchase consideration of RM131 million. The proposed land acquisition is subject to a formal sale and purchase agreement to be entered between Mustiara Sdn Bhd and the vendor.

Dividends

The Group had paid an interim single-tier dividend of 2.0 sen per share in respect of FY2018 on 19 February 2019. The Board proposes a final single-tier dividend of 2.9 sen per share for shareholders' approval at the forthcoming Annual General Meeting. Together, the total dividend for FY2018 will be 4.9 sen per share, representing a dividend payout of approximately RM21 million, which constitutes 40% of the Group's net profit, excluding valuation gain on investment properties.

The Group will continue to maintain its dividend policy that pays 40% to 60% of net profit, excluding valuation gain or loss on investment properties.

Conclusion

As the property market is constantly revolving, the Group remains market-driven while leveraging on its expertise and experience, to thrive in this challenging market environment. The Group is confident that with its strong brand name, strategically-placed established developments, attractive product range backed by a committed team of management and staff, the Group shall strive resiliently towards enriching the lives of communities together.

We would like to convey our sincere appreciation to our shareholders, business associates, staff, stakeholders and most importantly our customers for your continued support and belief in Tambun Indah.

SUSTAINABILITY STATEMENT

SUSTAINABILITY AT TAMBUN INDAH

In our journey towards achieving a balance between responsible business practices and sustainable socio-environmental contribution, Tambun Indah Land Berhad (“Tambun Indah” or “the Group”) has initiated and undertaken steps in addressing challenges and shortcomings throughout our performance during the year.

As a developer of contemporary, affordable and quality developments, we strive to ensure sustainability by creating economic value from our developments and upholding our track record in delivering quality products. Building on such foundation, the Group also ascertains that we uphold our role in actively preserving the environment and enhancing the quality of life of individuals and communities surrounding our operations.

Towards said objectives, the Group is focused:-

- To minimise environmental impacts from our developments and operations through sustainable practices and responsible consumption of resources and materials;
- To advocate ethical and sound business practices by upholding high standards of governance; and
- To enhance the well-being of stakeholders within the community we operate in and to continuously provide support and aids to the less-fortunate and underprivileged in meeting their social needs.

With the Group recognising the continuous need for future improvements and innovations in our practices and disclosures, we are determined at focusing our efforts on key material matters as we progress towards achieving a sustainable future.

REPORTING SCOPE AND METHODOLOGY

This Sustainability Statement (“Statement”) has been prepared in accordance with Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Main Market Listing Requirements (“MMLR”) – Practice Note 9 and the Sustainability Reporting Guide issued by the Exchange. The Statement covers the Group’s main development projects, activities and initiatives rather than every aspect of its operations. Moreover, it covers all subsidiaries of Tambun Indah and excludes outsourced activities, joint ventures and entities within its value chain such as vendors and suppliers.

A summary of the scope and criteria of the Statement is as summarised below:-

SCOPE OF REPORT	1 January 2018 to 31 December 2018
REPORTING CYCLE	Annually
PRINCIPLE GUIDELINES	Bursa Malaysia’s Sustainability Reporting Guide
COVERAGE	Tambun Indah and its subsidiaries

With the objective to deliver a transparent and comprehensive disclosure to our stakeholders, this Statement is to be read together with the Management Discussion and Analysis (“MDA”) in this Annual Report that captures both our financial and operational performance for the financial year.

FEEDBACK

This Statement can be downloaded at our corporate website at <http://www.tambunindah.com>. As we look forward to expanding our knowledge and outreach on sustainability, we welcome any feedback, enquiry, suggestion on this Statement and any aspect of our sustainability performance.

SUSTAINABILITY STATEMENT (CONT'D)

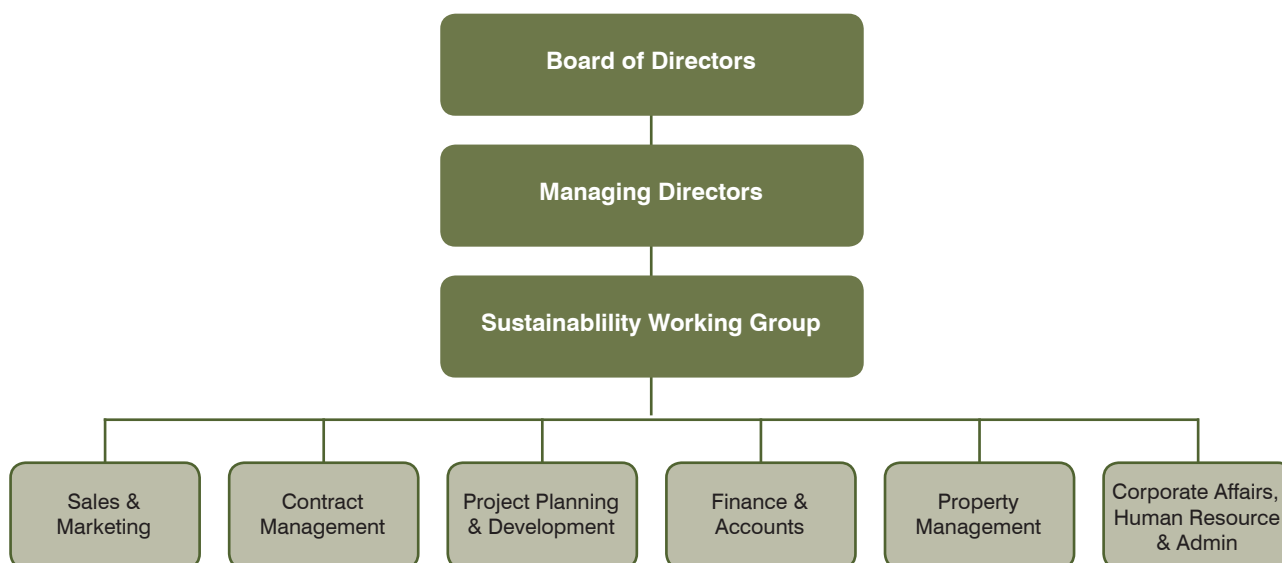
GOVERNANCE STRUCTURE

Good governance has always been the foundation of the Group's success, contributing towards better management decisions and reducing potential risks in our nature of business. In line with leading such approach towards sustainability, the Board of Directors ("Board") of Tambun Indah has set the tone in driving our sustainable strategies and goals by establishing a Sustainability Working Group ("Working Group") during the year.

The Working Group is chaired by the Managing Director and comprises key Senior Management personnel across the main operations of the Group. Through this structure, each member of the Working Group is responsible for the formulation and oversight of initiatives planned as well as gathering performance data for disclosure from the various aspects of operation. Hence, there will be greater focus and accountability for achieving sustainable goals and performance as we aspire to do better than just meeting basic expectations.

The Working Group meets at least once a year to review, discuss, evaluate and recommend strategies for improving our sustainability framework prior to reporting to the Board. As such, this cross-functional team is placed under an organised governance structure with clear lines of responsibility and with due consideration provided by the Board, where material issues are discussed and decided to be acted on across Tambun Indah.

A diagram of our governance structure on sustainability is as illustrated below:-



As the structure is still at its inception stage, the Working Group will be developing and initiating more practices at addressing sustainability matters that are material to the Group. Efforts in collating our internal inputs with views from external stakeholders will be the avenue in leading our understanding on sustainability as we aim to meet our targets and uphold our exceptional track record.

STAKEHOLDER ENGAGEMENT

Stakeholders are recognised as individual or entity or group who are impacted by our presence or business practices and who have vested interest and the potential to influence our operations. Hence, the Group has sought out to develop and maintain its active engagements with stakeholders throughout the year.

For this year's reporting, a stakeholder mapping exercise was carried out by the Group in which a prioritised list of stakeholders were identified through a structured process. Views and perspectives from these stakeholders were gathered essentially for us to develop an accurate and inclusive management approach towards sustainability, primarily in identifying and prioritising matters which are material and in line with expectations.

SUSTAINABILITY STATEMENT (CONT'D)

Based on the mapping, we have identified six (6) primary internal and external stakeholder groups, which we have engaged through various means of engagement at varying frequencies. Therefore, the following is a list of our key stakeholders and its engagement platforms:-

Stakeholder	Means of Engagement	Frequency
Employees	<ul style="list-style-type: none"> Briefing and Discussion Performance Appraisal System Training/ Workshop/ Forum Staff Engagement Event 	<ul style="list-style-type: none"> Regular Annually Regular Ad Hoc
Customers	<ul style="list-style-type: none"> After Sales Services Roadshow Advertisement Social Media Company Website Complaint Letter 	<ul style="list-style-type: none"> On-Going Regular Regular On-Going On-Going Ad Hoc
Contractors / Consultants / Suppliers	<ul style="list-style-type: none"> Site Meeting / Client & Consultant Meeting Site Inspection Exercise Vendor Registration & Evaluation Contract Negotiation / Tender Discussion 	<ul style="list-style-type: none"> Fortnightly Fortnightly Ad Hoc Ad Hoc
Authority Body / Regulator	<ul style="list-style-type: none"> Front Desk Consultation Discussion/ Meeting Engagement Forum Company Website 	<ul style="list-style-type: none"> Ad Hoc Regular Ad Hoc On-Going
Shareholders	<ul style="list-style-type: none"> Annual General Meeting Annual Report Company Website Press Release Investors Briefing Site Visit Request / Tele-conference Call 	<ul style="list-style-type: none"> Annually Annually On-Going Ad Hoc Ad Hoc Ad Hoc
Public	<ul style="list-style-type: none"> CSR Programmes Dialogue With Resident Associations And Local Authorities 	<ul style="list-style-type: none"> Regular Ad Hoc

In keeping in mind the ever-changing nature of our operating environment and the developments of expectations from our stakeholders, the Group will work gradually towards expanding our in-depth coverage and recognition of stakeholders.

MATERIALITY PRIORITISATION & MATRIX

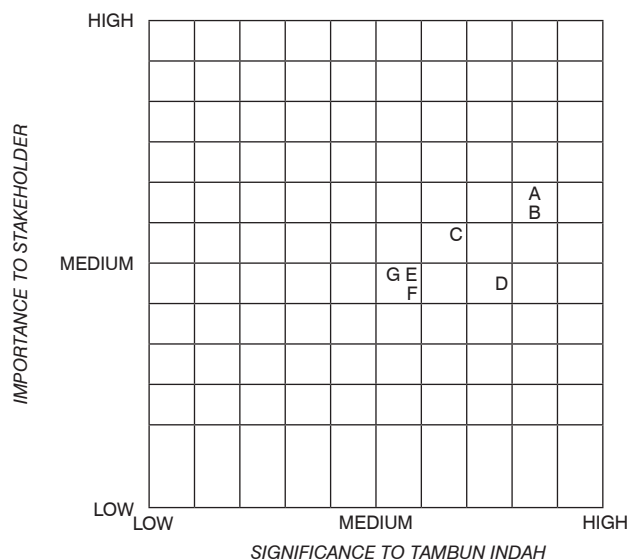
Tambun Indah carried out a materiality assessment in 2018 in view of identifying sustainability matters where the Group should focus resources on and take effective strategies in managing these issues. For the purpose of this assessment, our definition of material issues are those which are relevant to our stakeholders and would likely to have an impact to the Group in a positive or negative manner.

The baseline assessment was carried out among the Senior Management across all our divisions to collectively

identify every aspect of our business that may be significant to our stakeholders. With our internal perspectives and guidance obtained from industry and trend analysis of benchmark leading companies, results of our assessment were deliberated by the Working Group and subsequently presented for the Board's review.

From all the sustainability matters identified via the exercise, the Group decided to focus our attention on the following seven (7) significant material matters, which have been plotted in the matrix below based on the level of significance to our stakeholders and impact to the Group. The matters are categorised under the corresponding Economic, Environmental and Social ("EES") perspectives in a separate table.

Materiality Matrix



Sustainability Matters	
A	Product Quality Management
B	Compliance and Ethical Business Engagements
C	Workplace Health and Safety Initiatives
D	Talent Development Efforts
E	Environmental Conservation and Preservation Initiatives
F	Waste Management
G	Community Contribution and Donations

	Economic
	Environmental
	Social

Based on our viewpoint, these materiality matters are of relatively equal importance to the Group given the correlation between one and another. Hence, efforts were amply initiated and implemented by the Group in addressing and managing each matter concurrently.

SUSTAINABILITY STATEMENT (CONT'D)

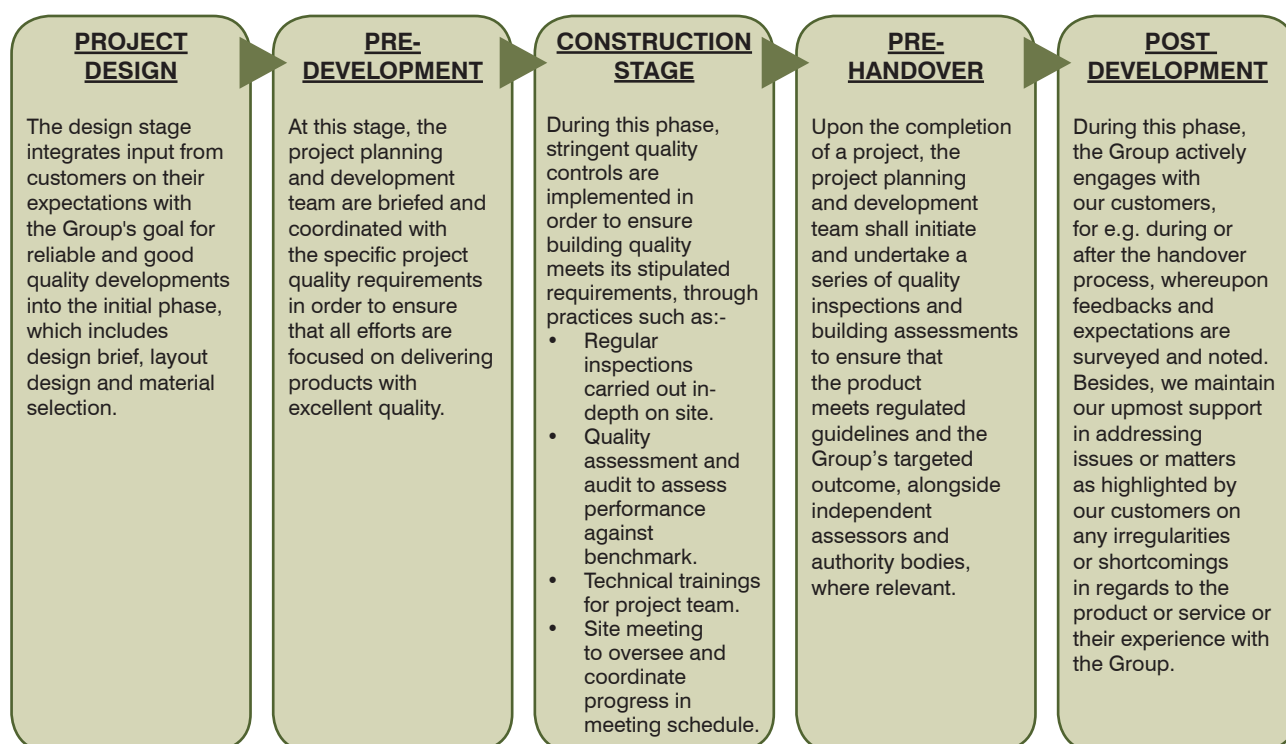
OUR APPROACH TOWARDS SUSTAINABILITY

ECONOMIC

Product Quality Management

Our commitment to constantly learn, discover and implement best practices to ensure good quality products and services are delivered, has been the main foundation for our success and achievements to date. It is when expectations of our stakeholders, particularly our customers are invariably considered in our operations, that the Group achieves its objective in associating its presence and brand with cost-effective quality.

This is best reflected through our well-executed product quality management processes which ensure stringent quality management throughout the property development cycle; from the design stage to the handover of property to our customers. Furthermore, these processes are led by our highly experienced and knowledgeable Senior Management team that directs and oversees our developments.



Furtherance to the abovementioned, the Group practices a comprehensive procedure in handling defects or imperfections notified by customers on our products under an effective and timely manner. With our Quality Assurance and Quality Control ("QA & QC") Team, we regulate and monitor our defect management practice based on the following timeline, with the aim to improve uniformity and expedite actions on any issues highlighted.

Process / Action		Period
A	Record of Notification on Defect (Form/Verbal)	1 working day upon receiving notification
B	Review / Joint Inspection by Management	1 working day (after A)
C	Inform Contractor / Sub-Contractor for Action	2 working days (after B)
D	Status Follow Up with Contractor / Sub-Contractor	Every 5 working days
E	Progress Update with Purchaser	14 to 20 working days (after A)
F	Finalisation of Rectification	21 working days (after A)

With that, as we progress forward in administrating our actions, our performance shall be tracked against set benchmarks and disclosed for good measures in the near future.

SUSTAINABILITY STATEMENT (CONT'D)

Compliance and Ethical Business Engagements

At Tambun Indah, we strive to conduct all our operations at the highest standard of corporate ethics with the commitment to comply with all the laws, regulations and voluntary codes concerning, among others:-

- Construction and Development Activities
- Building Management and Maintenance
- Labour Practices
- Occupational Health and Safety
- Environment
- Marketing Communications
- Information Database

By ensuring compliance with the regulatory requirements in these areas, we are able to operate unhindered and without disruptions, thus ensuring the sustainability of our business as we embark on being a responsible organisation.

Internal systems and processes over controls and oversight have been established to monitor and govern our conduct in meeting the necessary compliance. Furthermore, we maintain close consultation and engagement with relevant authority bodies to ensure that we are constantly updated on our compliance obligations.

Additionally, in the context of good governance, the Group is further guided through the code of conduct maintained as well as the initiatives carried out by us in achieving governance through compliance of Bursa Malaysia's Main Market Listing Requirements ("MMLR"), Malaysia Code of Corporate Governance ("MCCG") and other related guidelines.

Moving forward, we will continue to review our policies and procedures in order to identify areas for improvement and to foster better engagements with the authorities as we work towards establishing an ethical and transparent platform for our business operation.

ENVIRONMENTAL

Environmental Conservation and Preservation Initiatives

In recognising the impact of climate change as a key risk to the Group's sustainable future, we are mindful and committed to reduce and minimize any potential adverse environmental impacts generated from our operations. With that objective, we have continued our initiatives in taking adequate steps through on-going and new environmental related conservation activities.

During the year, the Group sponsored and participated at a tree planting event held by the Seberang Perai Municipal Council in conjunction with the local council's 61st Merdeka

Day Programme. In overall, we contributed 50 tecomas' tree saplings which were planted at Bandar Tasek Mutiara in Simpang Ampat, Penang along with enlisting a team of volunteers for the event.



TREE PLANTING

Apart from this, we have also initiated a culture of conservation within our offices where employees are encouraged to practice energy and water saving methods. Practices such as reducing the number of air conditioners operating at any given time, preserving electricity wastage by turning off lights and air conditioners when not in use as well as conserving our water usage by turning off water features when unused and fixing leaks for water connections as soon as it is discovered. In addition to which, we are also presently monitoring our energy and water consumptions for all our premises in which unusual deviations are promptly investigated and addressed.

Besides, we advocate the practice of recycling at our headquarter office whereby all wastages are looked through and segregated based on its recyclable component such as paper, plastic, glass or metals. Following which, collected materials are donated to the recycling vendors on an on-going basis throughout the year.

Finally, the Group has also partake on efforts to prepare for the implementation of water saving devices for all development projects in the state of Penang, as regulated by the state authority. Thus, efforts taken to liaise closely with the authority bodies via briefings or discussions in order to be updated with the technical knowledge or specifications, have exhibited our commitment towards this state-wide water conservation initiative.

Waste Management

In line with the nature of our operations, we monitor closely with our appointed contractors and vendors at the process of managing waste generated at our construction sites. Procedures carried out in managing waste are assessed and discussed during our site meeting, in which to ensure that wastes are managed accordingly and that our practices comply with the relevant regulated guidelines.

SUSTAINABILITY STATEMENT (CONT'D)

During the year, we took the initiative to instruct and guide our contractors to segregate waste at designated waste gathering area within each of our construction site. The area would be maintained specifically for the collection and storing of waste, under the following four (4) main categories:-

- Steel
- Plywood & Timber Pallets
- General Waste
- Domestic Waste

Furthermore, all waste gathered at each site will then be either recycled for reuse or transported to designated disposal sites during off peak hours in order to minimise any disruption to the commute of the community surrounding the projects.

Ultimately, it is the goal of the Group to encourage a sustainable concept within the construction environment through which we:-

- REDUCE waste, by learning and implementing new methods which are more efficient and produce lesser waste,
- REUSE waste, through seeking any alternative use that is applicable to the project of these materials, and
- RECYCLE waste, in which we ensure that every waste is recycled and utilised to its core.

As we progress forward, the Group will be looking at developing a structured process to monitor the amount of waste generated for each construction site, alongside the quantity which are eventually reused, recycled or disposed with the proper authorised vendor. This would enable us to assess the efficiency of the development process as well as our practice in maximising the usefulness of any waste generated.

SOCIAL

Workplace Health and Safety Initiatives

Our priority towards maintaining a safe and healthy workplace is in line with the risk associated with the nature of our business. We view seriously in creating a hazard-free and healthy working environment for our employees, contractors, customers and communities. Therefore, we are progressively developing and implementing improved health and safety practices and facilities throughout our organisation.

One of our key measures in ensuring a safe and healthy environment at our construction sites is through the role of the Site Safety Supervisor ("SSS") and the Safety and Health Officer ("SHO"). Both the SSS and SHO who report directly to the Project Manager, are responsible for

implementing measures to ensure the safety and healthy conditions of the site along with monitoring such measures in motion.

Moreover, any loss time accidents are also reviewed and investigated, upon which actions are initiated to rectify or resolve any pertaining issues. For projects of a bigger scale, such roles are facilitated with the establishment of a Health and Safety Committee ("SHC") alongside the support of an Emergency Response Team ("ERT").

Additionally, all health and safety related matters are discussed and deliberated during our "Tool Box" meeting, which is conducted every two weeks among our management team, consultants and contractors. With active monitoring and guidance by the Group, there were no significant loss time incident reported at all our construction sites during 2018.

In addition, other health and safety efforts were carried out during the year, such as, safety induction training for all new construction workers, health and safety trainings or briefings for all employees and etc., which demonstrate the commitment to improve our on-going safety performance.



FIRST AID TRAINING

Talent Development Efforts

In building the Group's human capital, we foster professional and personal advancements for our employees through constructive learning and skill development regardless of gender, race, age or position within the organisation. The Group essentially encourages the culture of life-long learning through the promotion of experiences such as managing projects, being mentors or members of multi-functional teams, active interactions with stakeholders of the Group and participating in community work, training sessions and conferences.

Training opportunities are identified at the beginning of each year based on the requirements or requests from the relevant Heads of Department as well as input received from employees during their annual performance development review. This practice is to ensure that employees are assigned with trainings that meet their own personal

SUSTAINABILITY STATEMENT (CONT'D)

development goals as well as is in line with the Group's long term corporate directions. Besides, in meeting similar objective, a post training assessment is carried out to review and ascertain the applicability and effectiveness of each training participated.

During the year, a total of 26 training programmes which cover technical and non-technical areas were participated by 64 employees from each tier of management within our Group. This reflected a coverage of 88% of employees who participated trainings and with an overall training duration of 190 hours.

Ultimately, we do recognise the key role that our employees play in our development as we seek sustainable success in our business. With measures in place to expand our outreach in providing employees with a better platform for career and personnel development, our current efforts have preceded us in achieving a moderate rate of employee turnover, at 14% for 2018. This demonstrates the results of our commitments thus far in aiding our employees to realise their full potential and our gratitude in recognising their efforts in our success.



TEAMBUILDING



STAFF APPRECIATION NIGHT



CHINESE NEW YEAR CELEBRATION



CHRISTMAS PARTY



FAMILY DAY DINNER AND MOVIE NIGHT

Community Contributions and Donations

With the recognition that our operations may have an impact towards the surrounding communities, Tambun Indah continues to prioritise social and community engagement as part of our overall outreach strategy. Beyond creating goodwill, our goal is to contribute in any ways which we can assist the underprivileged and special needs, support social causes, advocate healthy lifestyle and aid educational institutions.

SUSTAINABILITY STATEMENT (CONT'D)



OFFICIAL OPENING OF PEARL CITY HAWKER COMPLEX AND FUTSAL COURT

In regards to promoting arts and culture in 2018, we took the opportunity to sponsor the 1st Georgetown International Salon of Photography event held by Society of Photographers Penang to promote and award photographic art locally and internationally. Additionally, we also participated in a Mural Painting Competition which was organised by Seberang Perai Municipal Council for the local secondary schools at Seberang Perai.

The competition was held with the objective to create awareness of the local 8R (Rethink, Refuse, Reduce, Reuse, Repair, Re-gift, Recover and Recycle) concept recycling campaign and the importance of responsible consumption and future environmental care among the students. Lastly, by the end of 2018, we contributed to the Butterworth Fringe Festival which was an annual, two-day street event celebrating the arts, culture, and heritage of Butterworth.

In addition, during the year, the Group organised a dialogue session with the local communities of Pearl City which was held jointly with representatives from the local authorities, such as the Royal Malaysia Police, the Seberang Perai Municipal Council, and etc. at our Pearl City Sales Gallery. The session was initiated to provide the public with a transparent and accessible platform to engage with the Group and members of the regulatory bodies, during which community needs were highlighted and primary concerns were addressed. Moreover, we also supported various communal activities with sponsorships and participations such as for a Mid-Autumn Festival celebration, a local jogathan, sporting events and others which were held by the local communities during the year.



MURAL PAINTING COMPETITION



DIALOGUE SESSION WITH LOCAL COMMUNITIES OF PEARL CITY

SUSTAINABILITY STATEMENT (CONT'D)

Similarly, the Group also provides assistance to education institutions whenever possible and as for the financial year of 2018, the Group donated 10 laptops to the students at Sekolah Menengah Jenis Kebangsaan ("SMJK") Jit Sin following the damages to the school's information system infrastructure caused by the flood disaster in 2017. Besides, the Group also participated in a knowledge sharing session which was held in collaboration with The Institute of Engineers Malaysia, for the students of SMK Simpang Empat. During the session, representatives of the Group shared insights on project planning and construction engineering as well as conducted a site visit to give the students an opportunity to learn and witness the process of project development first-hand.



DONATION OF LAPTOPS TO SMJK JIT SIN, PENANG



KNOWLEDGE SHARING SESSION TO STUDENTS IN COLLABORATION WITH IEM

Apart from the abovementioned, Tambun Indah has carried on contributing donations to various funds, associations and organisations, which totalled to 25 different entities throughout the year of 2018. The donations allocated were targeted to provide assistance for children, fund the needs of orphans, support community with disabilities and to aid the underprivileged and elderly throughout Malaysia.



DONATION TO THE LITTLE SISTER OF THE POOR



BLOOD DONATION CAMPAIGN

In summary, what the Group has envisioned is for our efforts to not be one-off or short-term initiatives but for them to move towards the creation of shared value, which will benefit the community and Tambun Indah in the long term.

DIRECTORS' PROFILE

Lai Fook Hoy

Independent Non-Executive Chairman

Lai Fook Hoy, a Malaysian, aged 68, Male, was appointed to the Board of Tambun Indah on 24 February 2012 and is presently the Independent Non-Executive Chairman. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee. He was a member of the Nominating Committee until 22 February 2019 when he was appointed as the Chairman of the Nominating Committee.

He has extensive experience in the resources industry, starting work in 1974 with Straits Trading Company Limited, and subsequently Malaysia Smelting Corporation Berhad. He held various positions in the group, and prior to retirement in 2010 he was the Group Chief Operating Officer. He had been a director and Chief Executive Officer of Asian Mineral Resources Limited, a nickel-focused mining company listed on Canada's TSX-V. He was also a director of KM Resources Inc., which operated a polymetallic mining project in the Philippines.

Lai Fook Hoy graduated with BSc (Hons) in Metallurgy and the University Medal from the University of New South Wales in 1974, and subsequently a BSc (Econs) (Hons) degree majoring in Accounting and Finance from the University of London in 1980.

He is a member of the Institute of Materials, Minerals and Mining UK, and a registered Chartered Engineer with the Engineering Council UK. He is also a member of the Institution of Engineers, Malaysia, and a Professional Engineer, registered with the Board of Engineers, Malaysia.

He has no convictions for any offences within the past 5 years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

He does not have family relationship with any Director and/or major shareholder of the Company. To-date, there has not been any occurrence of conflict of interest with the Company, nor any conflict of interest in any business arrangement involving the Company.

Teh Kiak Seng

Managing Director

Teh Kiak Seng, a Malaysian, aged 69, Male, is the founder of our Group. He was appointed to the Board of Tambun Indah on 19 March 2008 and is presently the Managing Director.

Teh Kiak Seng has more than 40 years of experience in the housing industry. His initiation into construction was in Indonesia when he started working in a civil construction firm after completing high school in 1971. Three years later, in 1974, he pursued his education in Canada. He graduated with a Bachelor of Civil Engineering degree from the University of Saskatchewan, Canada on 17 May 1979.

He started his engineering career in Johor Bahru in 1979 and was involved in the design and supervision of the 750-acre township of Taman Ungku Tun Aminah in Skudai and Taman Sentosa in Johor Bahru. After coming back to Penang in 1980 to work as a design engineer, he started his own Civil and Structural Engineering Consultancy firm, GTP Jurutera Perunding Sdn. Bhd., in 1985.

Within a short period of 10 years, GTP Jurutera Perunding Sdn. Bhd. was involved in the design and completion of over 100 factories in Penang, Kedah, Perlis, Perak and Johor.

He was also involved in the design and project management of Dell Asia Pacific Sdn. Bhd., Xiamen Company Limited as well as Guangzhou Otis Elevator Co. Ltd. in Guangzhou, China.

Following the success of GTP Jurutera Perunding Sdn. Bhd., he turned his entrepreneurship skills to focus on property development in 1992.

Teh Kiak Seng is currently a member of the Institute of Engineers, Malaysia and a Registered Professional Engineer with the Board of Engineers Malaysia. He presently sits on the board of several private limited companies.

Teh Kiak Seng and Teh Theng Theng, our Executive Director are siblings and Teh Kiak Seng is the father of Teh Deng Wei, an Executive Director.

Save as disclosed herein, he does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past 5 years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

DIRECTORS' PROFILE (CONT'D)

Teh Theng Theng

Executive Director

Teh Theng Theng, a Malaysian, aged 55, Female, was appointed to the Board of Tambun Indah on 23 November 2010 and is presently the Executive Director.

She graduated from Edith Cowan University in Perth, Australia in 1991 with a Bachelor of Accounting degree. After graduation, she joined IJM Corporation Bhd in 1991 which is also involved in property development where she worked for 3 years.

Teh Theng Theng joined our Tambun Indah Group in 1995, and has been involved in the overall administration, financial control, corporate planning and business development of our Group. With her extensive experience and being involved in planning and marketing strategies, she leads the sales team for our Group's projects and is largely credited with our Group successful sales launches. She presently sits on the board of several private limited companies.

Teh Theng Theng is the sister of Teh Kiak Seng, who is the Managing Director and major shareholder of Tambun Indah. Teh Deng Wei, who is an Executive Director of Tambun Indah, is the nephew of Teh Theng Theng.

Save as disclosed herein, she does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. She has no convictions for any offences within the past 5 years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

Teh Deng Wei

Executive Director

Teh Deng Wei, a Malaysian, aged 32, Male, was appointed to the Board of Tambun Indah on 18 November 2016 and is presently the Executive Director.

He graduated with first class honours in Electrical and Electronic Engineering (BEng) from Imperial College London, and subsequently obtained a MSc in Management from London Business School.

Prior to joining the Group, he spent three and a half years in investment banking based in London and Singapore. He started his career in London as an analyst in the European mergers and acquisitions team of an international investment bank and subsequently relocated to Singapore to join the Southeast Asia investment banking team of the same bank. He last held the position of associate before joining the Group as General Manager in 2014. He presently sits on the Board of several private limited companies.

He is the son of Teh Kiak Seng, the Managing Director of the Group and the nephew of Teh Theng Theng, an Executive Director of the Group.

Save as disclosed herein, he does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past 5 years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

DIRECTORS' PROFILE (CONT'D)

Tsai Chia Ling

Non-Independent Non-Executive Director

Tsai Chia Ling, a Taiwanese, aged 40, Female, was appointed to the Board of Tambun Indah on 27 July 2012 as an alternate director to Mr Tsai Yung Chuan. On 19 June 2013, she ceased as an alternate director to Mr Tsai Yung Chuan and was appointed to the Board of Tambun Indah. She is presently the Non-Independent Non-Executive Director. She was a member of the Nominating Committee until 25 January 2019 when she resigned from the Nominating Committee.

She graduated from National Cheng Kung University, Taiwan in 2001 with Bachelor of Business Administration and started her career as a management Trainee with Gem-Year Industrial Co. Ltd. before she joined Chin Well Fasteners Co. Sdn. Bhd. as a Marketing Executive in 2003. She was the Executive Director of Chin Well Holdings Berhad, a company listed on the Main Market of Bursa Securities until 5 October 2018 when she resigned from the Board of Chin Well Holdings Berhad.

She has no convictions for any offences within the past 5 years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

She does not have family relationship with any Director and/or major shareholder of the Company. To-date, there has not been any occurrence of conflict of interest with the Company, nor any conflict of interest in any business arrangement involving the Company.

Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali

Independent Non-Executive Director

Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali, a Malaysian, aged 70, Male, was appointed to the Board of Tambun Indah on 15 April 2011 and was an Independent Non-Executive Director until 25 January 2019 when he was redesignated as a Non-Independent Non-Executive Director. He is also a member of the Audit Committee and a member of Remuneration Committee. He was the Chairman of Nominating Committee until 22 February 2019 when he was redesignated as a member of the Nominating Committee.

He is a member of the Malaysian Institute of Accountants, a Fellow of the Association of Chartered Certified Accountants (UK), a Fellow of the Institute of Chartered Accountants (England and Wales) and a member of the Malaysian Institute of Certified Public Accountants. He holds a Masters in Business Administration (MBA) from the University of Leicester, England, a M.Sc. in International Business Administration from SOAS, University of London.

He is currently an Executive Director of Prolexus Berhad.

He was previously attached to an international accounting firm as a partner and has more than 30 years of experience in statutory audits, financial accounting and corporate finance.

He has no convictions for any offences within the past 5 years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

He does not have family relationship with any Director and/or major shareholder of the Company. For the financial year ended 31 December 2018, there has not been any occurrence of conflict of interest with the Company, nor any conflict of interest in any business arrangement involving the Company.

Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali resigned from the Board on 9 April 2019.

DIRECTORS' PROFILE (CONT'D)

Lam Voon Kean

Independent Non-Executive Director

Lam Voon Kean, a Malaysian, aged 66, Female, was appointed to the Board of Tambun Indah on 1 June 2018 and is an Independent Non-Executive Director. She is the Chairman of the Audit Committee, a member of the Nominating Committee and a member of the Remuneration Committee.

She is a member of the Malaysian Institute of Accountants ("MIA") and Malaysian Institute of Certified Public Accountants ("MICPA"). Lam Voon Kean joined KPMG Penang in year 1974 as an articled student and qualified as a Certified Public Accountant in 1981. She was one of the senior audit managers of KPMG Penang and acted as the engagement manager for various audit engagements and also for assignments relating to the listing of shares on the Malaysian Stock Exchange and was involved in the review and preparation of profit and cash flow forecasts and projections.

She left KPMG Penang and joined M&C Services Sdn. Bhd. (now known as Boardroom Corporate Services (KL) Sdn. Bhd.) in 1994 and was promoted to Executive Director managing a suite of business solutions and services for public listed companies, private companies, and branches of multi-national companies.

She was promoted to be the Managing Director of Boardroom Corporate Services (Penang) Sdn. Bhd. ("Boardroom") in year 2005 and retired from Boardroom on 31 December 2011. Upon retirement, she accepted a one-year contract to act as consultant to Boardroom effective from 1 January 2012.

She presently sits on the Board of Asia File Corporation Berhad, Globetronics Technology Berhad, RGB International Bhd and Alcom Group Berhad.

She has no convictions for any offences within the past 5 years, nor any public sanction or penalty imposed by regulatory bodies during the financial year.

She does not have family relationship with any Director and/or major shareholder of the Company. To-date, there has not been any occurrence of conflict of interest with the Company, nor any conflict of interest in any business arrangement involving the Company.

SENIOR MANAGERMENTS' PROFILE

Lim Beng Hoe

Senior General Manager

Lim Beng Hoe, a Malaysian, aged 55, Male, joined Tambun Indah Group as Senior General Manager on 3 July 2017.

He holds a Bachelor of Science (Housing, Building & Planning) with Honours Degree from University of Science Malaysia.

He is responsible for the planning, budgeting and execution of projects for the Group. He has more than 28 years of working experience in property development industry and is familiar with the property development process in the northern region of Malaysia.

Prior to joining the Group, he was the General Manager of Sunway Property, Northern Region Branch. He was responsible for the Group property division's overall business operations in the northern region and was also involved in identifying new development opportunities for the company. Besides completing a few projects in his 2 years tenure there from Sep 2015 to Jun 2017, he successfully led the team in resolving land matters and obtaining planning approvals for a mixed-development project in Paya Terubong and also a mall, hotel and hospital project in Bandar Sunway Seberang Jaya.

He started his career in MBf Group as a site quantity surveyor in 1990. In 1993 he continued his career in the property division of Leader Universal Group for 10 years until he joined Belleview Group in 2004. His last held position in Belleview Group was Executive Director - Project. During his 11 years tenure with Belleview Group, he has accumulated a wealth of experience in managing projects comprising residential, commercial and institutional development. He has vast experience in planning and building shopping malls through the 3 shopping mall projects he completed with Belleview Group, namely 1st Avenue in Penang, Aman Central & Aeon Big hypermarket mall in Alor Setar.

He has no convictions for any offences within the past 5 years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

Lim Beng Hoe does not hold any directorship in any public companies and listed issuers.

He does not have any family relationship with any Director and/or major shareholder of the Company. To-date, there has not been any occurrence of conflict of interest with the Company, nor any conflict of interest in any business arrangement involving the Company.

Neoh Sze Tsin

Chief Financial Officer

Neoh Sze Tsin, a Malaysian, aged 36, Male, joined Tambun Indah Group as Finance and Admin Manager on 29 April 2008. 1 May 2011, he was promoted to Group Financial Controller where he was in charge of the Group's accounting, corporate finance, tax and treasury functions. He was appointed as the Chief Financial Officer of the Group on 19 November 2013.

He graduated with a professional accountancy qualification from the Association of Chartered Certified Accountants in 2008. He is a member of the Malaysian Institute of Accountants and fellow member of the Association of Chartered Certified Accountants.

He started his career as an audit assistant in a medium size audit firm in 2002 and held the position of manager before he left in 2007. During his tenure with the audit firm, he was involved in various audit engagements and corporate assignments relating to the initial public offerings (IPO) of public companies on the Malaysian stock exchange. His experiences also include providing assurance and consulting services to public listed and local corporations covering various industry sectors ranging from property development, construction, manufacturing and trading.

In 2007, he joined Tejari Technologies Berhad, a publicly listed company on the ACE Market of Bursa Malaysia Securities Berhad as Internal Audit and Risk Management Manager. Subsequently, he left Tejari Technologies Berhad in 2008 and joined Tambun Indah Group.

He has no convictions for any offences within the past 5 years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

Neoh Sze Tsin does not hold any directorship in any public companies and listed issuers.

He does not have family relationship with any Director and/or major shareholder of the Company. To-date, there has not been any occurrence of conflict of interest with the Company, nor any conflict of interest in any business arrangement involving the Company.

SENIOR MANAGERMENTS' PROFILE (CONT'D)

Roselyn Tan

Deputy General Manager

Roselyn Tan, a Malaysian, aged 42, Female, joined the Group as Deputy General Manager on 1 November 2016.

She graduated with a professional accountancy qualification from the Association of Chartered Certified Accountants in 1999 and is a member of the Malaysian Institute of Accountants and fellow member of the Association of Chartered Certified Accountants.

She has over 18 years of professional and commercial working experience. In 1999, she started her career in auditing with Arthur Andersen and continued on with Ernst & Young following the merger in 2002. Her audit exposure was mainly with listed companies in the property development industry. She left Ernst & Young in 2004 and continued her career in the commercial sector. From 2004 until prior to joining the Group in 2016, she held senior managerial roles in various financial management related functions, mainly in privately owned property development companies. She has wide experience in financial management as well as operational experience in the property development industry. She is currently managing the corporate affairs and general administration of the Group.

She has no convictions for any offences within the past 5 years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

Roselyn Tan does not hold any directorship in any public companies and listed issuers.

She does not have family relationship with any Director and/or major shareholder of the Company. To-date, there has not been any occurrence of conflict of interest with the Company, nor any conflict of interest in any business arrangement involving the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) of Tambun Indah Land Berhad (“the Company”) acknowledges the importance of maintaining good corporate governance in the Group and is committed to the principles of good corporate governance which are consistent with prudent management to deliver long term sustainable value to shareholders and other stakeholders.

In order to ensure that the best interests of shareholders and other stakeholders are effectively served, the Board continues its active role in monitoring governance practices within the Group. The ensuing statement provides the shareholders and other stakeholders an overview of the corporate governance practices of the Company during the financial year ended 31 December 2018 (“FY2018”) and it is to be read together with the Corporate Governance Report 2018 which is available at the Company’s website (www.tambunindah.com)

This statement is prepared in accordance with the Main Market Listing Requirements (“Main LR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the Malaysian Code of Corporate Governance (“MCCG”) issued by the Securities Commission Malaysia.

In FY2018, the Company had applied the following key principles of good corporate governance in the MCCG:

- Board leadership and effectiveness
- Effective audit and risk management
- Integrity in corporate reporting and meaningful relationship with stakeholders.

The Company had also adopted 29 out of the total 32 recommended practices in the MCCG. The recommended practices not adopted were as follows:

- Practice 4.1 – At least half of the Board comprises independent directors
- Practice 7.2 – The board discloses on a named basis the top five senior management’s remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.
- Practice 12.3 – Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate voting, including voting in absentia; and remote shareholders’ participation at General Meetings.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

Clear Roles and Responsibilities

The Group is led and controlled by an effective Board. The Board provides entrepreneurial leadership as well as overseeing the overall performance objectives and long term success and sustainability of the Group.

The Board also promotes good corporate governance through sustainability practices. The Group’s sustainability strategy encompasses the community, workplace, market place and the environment. Further details are set out in the Sustainability Statement section of this Annual Report.

The chairman of the Board is an independent director with no executive function. His key responsibilities include leading the Board in establishing and monitoring good corporate governance practices, ensuring effectiveness of the Board, and ensuring effective communications with shareholders and other stakeholders.

The Board, in discharging its leadership role essentially covers the functions of promoting good corporate governance culture, approval of strategic plan and monitoring its implementation, overseeing the conduct of the Group’s business, succession planning, ensuring a sound internal control and risk management, shareholders and investors relations as well as compliances of relevant applicable laws and regulations.

The Board delegates authority and vests accountability with the Group Managing Director in the day-to-day management of the business and operations of the Group. The Group Managing Director is supported by the Executive Directors and a team of senior management selected based upon the criteria of recognized skills, experience and capabilities in their specific field of expertise and whose knowledge and abilities support the delivery of the performance objectives and growth of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. BOARD RESPONSIBILITIES (cont'd)

Clear Roles and Responsibilities (cont'd)

The senior management team comprises Chief Financial Officer, Senior General Manager and Deputy General Manager. The profiles of the directors and senior management are set out in the Directors' Profile and Senior Managements' Profile sections of this Annual Report.

Various Management Committees or Working Groups under the Group Managing Director are set up as and when necessary.

The Board also delegates certain areas of responsibilities to the Board Committees, each with predefined terms of reference and responsibilities which are clearly set out in the Company's Board Charter.

The Chairman of the respective Board Committees shall report the outcome of the Committee meetings to the Board and relevant decisions are incorporated in the minutes of the Board meetings. Where the Board Committees have no authority to make decisions on matters reserved for the Board, recommendations would be tabled to the Board for its approval.

The Board Committees as at 31 December 2018 were as follows:

1) Audit Committee

The Board had set up an Audit Committee comprising wholly independent directors.

During the FY2018, the Audit Committee met 5 times and the members' attendance was as follows:

Members of Audit Committee	No. of meetings attended	Percentage of attendance
Lai Fook Hoy	5/5	100%
Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali	4/5	80%
Lam Voon Kean (appointed on 01.06.2018)	2/2	100%
Yeoh Chong Keat (resigned on 12.03.2018)	0/1	-

A full report of the Company's Audit Committee for FY2018 is set out in the Audit Committee Report section of this Annual Report.

2) Nominating Committee

The Board had set up a Nominating Committee comprising wholly non-executive directors, a majority of whom was independent.

During FY2018, the Nominating Committee had carried out their duties as summarized below:-

- Assessed the composition and effectiveness of the Board and the Board Committees;
- Assessed the contribution and competencies of each individual director;
- Assessed the directors due for retirement at the Company's 10th Annual General Meeting ("AGM")
- Assessed the independence and time commitment of the independent non-executive directors;
- Assessed the effectiveness and objectivity of the Audit Committee and each of its members;
- Assessed the trainings attended by the directors and the trainings required;
- Assessed the boardroom diversity;
- Assessed the candidate for appointment as independent director;
- Assessed the senior management of the Company;
- Assessed the external company secretaries; and
- Established and recommended a framework for the assessment of the performance of executive directors and senior management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. BOARD RESPONSIBILITIES (cont'd)

Clear Roles and Responsibilities (cont'd)

2) Nominating Committee (cont'd)

The members' attendance for FY2018 was as follows:

Members of Nominating Committee	No. of meetings attended	Percentage of attendance
Lai Fook Hoy	2/2	100%
Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali	2/2	100%
Tsai Chia Ling	1/2	50%
Yeoh Chong Keat (resigned on 12.03.2018)	0/1	-
Lam Voon Kean (appointed on 01.06.2018)	0/0	-

3) Remuneration Committee

The Board had set up a Remuneration Committee comprising wholly non-executive directors, a majority of whom were independent directors.

During FY2018, the Remuneration Committee met twice to review and recommend the remuneration package of the executive directors and senior management as well as the directors' benefits, incentives and fees.

The members' attendance for FY2018 was as follows:

Members of Remuneration Committee	No. of meetings attended	Percentage of attendance
Lai Fook Hoy	2/2	100%
Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali	1/2	50%
Lam Voon Kean	2/2	100%
Teh Kiak Seng (resigned on 01.03.2018)	0/0	-
Yeoh Chong Keat (resigned on 12.03.2018)	0/0	-

4) Risk Management Committee

The Board had set up a Risk Management Committee comprising wholly executive directors and senior management.

During FY2018, the Risk Management Committee met once to review and discuss the risks profile, risk controls and mitigation policies to ensure their relevance in the Group's business environment and also to review the identified risks affecting the Group were being addressed, managed and mitigated on an ongoing basis.

The members' attendance for FY2018 was as follows:

Members of Risk Management Committee	No. of meetings attended	Percentage of attendance
Teh Kiak Seng	1/1	100%
Teh Theng Theng	1/1	100%
Teh Deng Wei	1/1	100%
Lim Beng Hoe	1/1	100%
Neoh Sze Tsin	1/1	100%
Roselyn Tan	1/1	100%
Thaw Yeng Cheong (retired on 12.11.2018)	0/1	-

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. BOARD RESPONSIBILITIES (cont'd)

Clear Roles and Responsibilities (cont'd)

5) ESOS Committee

The Board had set up an ESOS Committee comprising wholly executive directors and senior management.

During FY2018, the ESOS Committee met once to grant options to eligible employees pursuant to the ESOS By-Laws.

The members' attendance for FY2018 was as follows:

Members of ESOS Committee	No. of meetings attended	Percentage of attendance
Teh Kiak Seng	1/1	100%
Teh Theng Theng	1/1	100%
Teh Deng Wei	1/1	100%
Neoh Sze Tsin	1/1	100%
Roselyn Tan	1/1	100%

Other key duties of the Board are, but not limited to approving a schedule of matters specifically reserved for its approval or upon recommendations as may be made from time to time by the Board Committees. These include:

- material acquisitions and disposals of fixed assets of the Group;
- new investment, divestment, corporate restructuring and/or establishment of joint ventures;
- related party transactions and conflict of interest issues;
- annual financial statements and quarterly financial results;
- declaration of dividends;
- appointment of directors; and
- terms of reference of Board Committees and changes in the composition of the Board Committees established from time to time.

The Board believes the governance structure depicted below outlines the relevant or applicable authorities, duties and responsibilities in fostering the good corporate governance practices and also serves as a control to mitigate or minimize any abuse of authority.

BOARD OF DIRECTORS

BOARD COMMITTEES

- Audit Committee
- Nominating Committee
- Remuneration Committee
- Risk Management Committee
- ESOS Committee

GROUP MANAGING DIRECTOR

- Executive Directors
- Senior Management
- Management Committee or Working Group

The above governance structure is governed by a defined organisational chart, terms of reference, framework, policies and the manual on Limits of Authorities (LOA) approved by the Board. The LOA sets out clear authority limits pertaining to the operations of the Group through segregation of duties.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. BOARD RESPONSIBILITIES (cont'd)

Clear Roles and Responsibilities (cont'd)

The Board policies which serve as a guide to strengthen the governance and internal control of the Company are as follows:-

- Board Charter;
- Whistle Blowing Policy; and
- Code of Conducts and Ethics

The above policies are reviewed annually by the Board, or as and when required. The last review was on 12 April 2019. Copies of the above policies are available on Company's website (www.tambunindah.com).

Access to Information or Advice

The directors have full and unrestricted access to all information of the Group. Such information is not only quantitative, but also includes other information which is deemed necessary for them to make an informed decision.

The directors also have unrestricted access to the advice and services of the Company Secretary and to obtain further information, which they may require in discharging their duties such as seeking independent professional advice, if necessary, at the Company's expense but subject to prior approval by the Board.

Board papers for meeting are circulated on a timely basis, at least 7 days before the meeting to enable the directors to have sufficient time to review the papers prepared and to participate actively in the meeting. Senior Management may be invited to Board meetings to provide insight into matters being discussed and to furnish clarification on issues that may be raised by the Board.

The proceedings of meetings are duly recorded in the minutes and that the said minutes are kept at the registered office of the Company and are accessible by the directors during office working hours.

Company Secretaries

The Board is supported by 2 qualified Company Secretaries. Both Company Secretaries have tertiary education and are qualified to act as Company Secretaries under Section 235(2) of the Companies Act 2016.

The Company Secretaries provide guidance to the Board on matters relating to the company law, rules and regulations of the regulatory authorities as well as best practices on governance. The Board has unrestricted access to the advice and services of the Company Secretaries.

The Company Secretaries record, prepare and circulate the minutes of meetings of the Board, and Board Committees and ensure such minutes are properly kept at the registered office of the Company and produced for inspection, if required. They are also responsible for the proper maintenance of secretarial records, preparation of resolutions and other secretarial functions of the Company.

During the FY2018, the Company Secretaries had attended various seminars and conferences to keep themselves abreast with the regulatory changes and other areas namely sustainability, governance, finance, tax and new accounting standards.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. BOARD COMPOSITION

Board Independence

As at 31 December 2018, members of the Board comprised 3 independent directors, 1 non-independent non-executive director and 3 executive directors, which was equivalent to 43% of independent directors representation in the Company's boardroom.

The Company did not adopt the recommended practice 4.1 of MCCG which required at least 50% of the Board being independent directors. However, the number of independent directors of the Company complied with the Main LR of Bursa Securities where at least 2 directors or 1/3 of the Board members, whichever was higher were independent directors.

In the event of any vacancy in the Board, resulting in non-compliance with the total number of independent directors, the Company will ensure that the vacancy is filled within 3 months. If the number of directors is not 3 or a multiple of 3, then the number nearest to 1/3 will be used to determine the number of independent directors of the Company.

The Board in its effort to strengthen composition and balance in the Company's boardroom, operates in the manner that ensures its directors exercise independent judgement and the interests of the shareholders are always in the forefront when important decisions are made by the Board.

Even though the Board has representatives of the substantial shareholders, the presence of the independent directors ensures that there is no undue influence or domination in the decision making process of the Board. The independent directors play an important role in the Board's responsibilities, being actively involved in the various Board committees, and contribute to performance monitoring and corporate governance by providing independent assessment and opinion.

The presence of 43% independent directors in the Company's boardroom sufficiently represented a strong independent element for effective check and balance on the functioning of the Board. Additionally, the Board being helmed by an independent non-executive Chairman and the main Board Committees namely the Audit Committee, Nominating Committee and Remuneration Committee comprised mainly of independent directors are essential indicators of independence.

As at 31 December 2018, the composition and diversity of the Board was as follows:

Gender Diversity		Ethnicity Diversity		Age Diversity		Tenure of Directorships	
	%		%		%		%
Male	57	Malay	14	Below 35 years	14	Below 5 years	29
Female	43	Chinese	86	36 - 55 years	29	5 - 9 years	57
				56 - 70 years	57	10 -12 years	14

Gender Diversity

The Board embraces gender diversity as essential to strengthen the composition of the Board. In this respect, the Board has established a guideline within its Board Charter to have at least one female representation on the Board.

As at 31 December 2018, the Board comprised 3 female directors, which was equivalent to 43% female representation in the Company's boardroom.

Ethnicity Diversity

The Board does not set any target on ethnicity diversity but the Board believes diverse cultures in the boardroom would offer better insights in deliberation and decision making of the Board.

As at 31 December 2018, the Board comprised one Malay director, which was equivalent to 14% ethnicity diversity in the Company's boardroom.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. BOARD COMPOSITION (cont'd)

Age Diversity

The Board believes that the directors with diverse age profile would provide different perspectives and ideas to strengthen the composition of the Board.

As at 31 December 2018, the age profile of the directors ranged from below 35 to 70 years of age.

Tenure of Directorships

Practice 4.2 of the MCCG stipulates that the tenure of an independent director of the Company should not exceed a cumulative term of 9 years. As such, upon completion of the 9 years, an independent director may continue to serve on the Board as non-independent director. In the event the Board intends to retain the independent director beyond 9 years, the Board shall justify and seek annual shareholders' approval.

The Board does not have a policy which limits the tenure of its independent directors to 9 years. Nonetheless, none of the independent directors of the Company had served more than 9 years as at 31 December 2018.

Re-elections and Appointments

An election of director shall take place every year. In accordance with the Company's Constitution, 1/3 of the directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to 1/3 shall retire from office and be eligible for re-election. All the directors shall retire from office once at least in each 3 years but shall be eligible for re-election. A retiring director shall retain office until the close of the AGM at which he retires.

The Nominating Committee is responsible to assess and recommend the re-election of directors due for retirement under the Company's Constitution. Their recommendation is based on formal assessment of the performance of the directors, taking into consideration their experiences, strengths, time commitment, qualities, independence and objectivity.

The Nominating Committee also assesses new appointments to the Board. In discharging its duties, the Nominating Committee will assess the suitability of the identified candidate by taking into account his background, education, skills, experience, integrity, age, ethnicity, and independency. The Board will then consider the recommendations of the Nominating Committee and make its final decision as to the appointment.

The Company Secretaries then ensure the relevant procedures relating to the appointment of the new director are properly executed.

The changes to the composition of the Board and Board Committees during the FY2018 are as follows:

Date Change	Details
12.03.2018	Mr. Yeoh Chong Keat resigned as an independent director of the Company
12.03.2018	Mr. Yeoh Chong Keat ceased to be the chairman and a member of the Audit Committee
12.03.2018	Mr. Yeoh Chong Keat ceased to be a member of the Nominating Committee and Remuneration Committee
01.06.2018	Ms. Lam Voon Kean appointed as an independent director of the Company
01.06.2018	Ms. Lam Voon Kean appointed as a member of the Audit Committee, Nominating Committee and Remuneration Committee
21.08.2018	Ms. Lam Voon Kean appointed as the Chairman of the Audit Committee

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. BOARD COMPOSITION (cont'd)

Annual Assessments

The Nominating Committee performs annual assessments to review the effectiveness of the Board as a whole, the Board Committees, the Audit Committee and each of its members, and makes its recommendations to the Board. Additionally, the Nominating Committee also assesses the contributions of individual directors and the independence of the independent directors and makes its recommendations to the Board.

The assessments of the Board as a whole, Board Committees, the Audit Committee and each of its members are carried out by way of evaluation questionnaires. The results of the annual assessments are compiled by the Company Secretary and presented to the Nominating Committee for evaluation and consideration. The Nominating Committee will evaluate and table its recommendations to the Board. The director concerned shall abstain from deliberating on his own assessment.

The Board was satisfied that the size and composition of the Board and the Board Committees in FY2018 were adequate and appropriate with relevant mix of skills, knowledge, capabilities, objectivity with integrity as well as diversity of gender, ethnicity and age which would effectively spearhead the Group in the best interest of the Company and its stakeholders.

The assessments of individual directors, independent directors and senior management are carried out by way of self-assessment questionnaires. The self-assessment questionnaires include amongst others the character, integrity, contributions in meetings, quality of input, understanding of role, and time commitment.

The Board was satisfied that all the directors and senior management in FY2018 were able to discharge their duties and responsibilities diligently in the best interest of the Group.

Board Commitments

The Nominating Committee also assesses whether the directors who hold multiple board representations are able to and have been devoting sufficient time to discharge their responsibilities adequately. The assessment of each director's ability to discharge his duties adequately is not confined to the criterion of the number of his board representations as time requirements are very subjective.

In view of the above, the Nominating Committee takes into account the contributions by the directors in meetings, their attendance at meetings and their participations outside the boardroom, in addition to their principal duties as non-executive directors of the Company. The Nominating Committee will assess and table its recommendations to the Board.

As at 31 December 2018, none of the directors held more than 5 directorships in public listed companies.

The directors are required to notify the Managing Director before accepting any new directorships in public listed companies, and of his time commitment in fulfilling his role to make positive contributions to the Board.

The Board was satisfied with the level of commitment by the directors in fulfilling their roles and responsibilities and this was further affirmed by the high percentage of the directors' attendance at meetings held during the FY2018.

Board Attendance

During the FY2018, the Board met 5 times and the details of the directors' attendance are as follows:

Members of the Board	No. of meetings attended	Percentage of attendance
Lai Fook Hoy	5/5	100%
Teh Kiak Seng	5/5	100%
Teh Theng Theng	4/5	80%
Teh Deng Wei	5/5	100%
Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali	4/5	80%
Tsai Chia Ling	4/5	80%
Lam Voon Kean (appointed on 01.06.2018)	2/2	100%
Yeoh Chong Keat (resigned on 12.03.2018)	0/1	-

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. BOARD COMPOSITION (cont'd)

Board Development

Any director appointed to the Board is required to complete the Mandatory Accreditation Programme (MAP) within 4 months from the date of appointment.

In addition to the MAP, the directors are to determine their own training needs. Nevertheless, all the directors are encouraged to attend trainings to keep abreast with the developments in the business environments.

The Nominating Committee annually assesses the continuous development of the directors and tables its recommendation to the Board.

As at 31 December 2018, all the directors had participated in various programmes to enhance their knowledge and understanding of recent developments in regulations, finance and business practices to aid them in the discharge of their duties and responsibilities as directors of the Company.

The Nominating Committee had recommended that the current practice be maintained and a policy on directors' training is not required.

During FY2018, the trainings attended by the directors were as follows:

Name	Description
Lai Fook Hoy	<ul style="list-style-type: none"> MCCG Reporting and CG Guide for Directors Independent Directors Programme: The Essence of Independence How to upgrade your Condominium to be Astro HD or PVR Ready The Institution of Engineers Malaysia (IEM): Metal Roof Series Green Infrastructure for Sustainability Development Using Bio-Engineering Approach
Teh Kiak Seng	<ul style="list-style-type: none"> Changes in the Listing Requirements Post Companies Act: What to look out for Green Infrastructure for Sustainability Development Using Bio-Engineering Approach
Teh Theng Theng	<ul style="list-style-type: none"> Effective Communication & Influencing Skills
Teh Deng Wei	<ul style="list-style-type: none"> Changes in the Listing Requirements Post Companies Act: What to look out for
Ahmad Mustapha Bin Ghazali	<ul style="list-style-type: none"> Financial Instruments Updates – An analysis of MFRS 9 (2014) Version MFRS 9 Expected Loss Model National Tax Conference 2018
Lam Voon Kean	<ul style="list-style-type: none"> Case Study Workshop for Independent Directors Hong Kong IPO for Malaysian Enterprises Conference Capital Market Analysis and IPO Practices
Tsai Chia Ling	<ul style="list-style-type: none"> Taiwan Fastener Industry Value Added Intelligent Manufacturing Technology Seminar 2018 Global Fastener Summit Taiwan Based, Global Known The Expansion of Taiwan Fastener Industry in India and Indonesia Markets

The Board was satisfied with the directors' own evaluation of their training needs in FY2018 as all the directors had attended various programmes to enhance their skills and knowledge. Therefore, a policy on directors' training is not required.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

III. REMUNERATION (cont'd)

Remuneration Policies

The Board has established a formal and transparent process in determining the remuneration package of the executive directors. The remuneration of the executive directors is structured to link rewards to their respective contributions in supporting the Group's corporate policies, objectives, and strategies. The objective of the policy is to ensure that a competitive remuneration framework is in place to reward, motivate, and retain talent to drive the Group's businesses to greater growth and to maximise long term shareholders' value.

The remuneration framework for executive directors covers all aspects of remuneration including fees, salaries, allowances, bonuses, incentives, options, statutory contributions and benefits-in-kind.

The Board determines the remuneration package of the executive directors and senior management as recommended by the Remuneration Committee. The director concerned shall abstain from deliberating on his remunerations.

The Remuneration Committee also reviews and recommends to the Board, the remunerations of the non-executive directors based on their level of responsibilities and commitment required. The directors' fees and benefits payable to non-executive directors as determined by the Board are subject to annual shareholders' approval at the AGM.

Remuneration of Directors

The remuneration of the directors for FY2018 was as follows:-

Name	Fees	Allowance	Salaries and other emoluments	Bonus	Defined contribution plan	Benefits-in-kind	Total
Non-Executive Director							
Lai Fook Hoy	60,000	2,500	-	-	-	-	62,500
Tsai Chia Ling	42,000	2,000	-	-	-	-	44,000
Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali	52,000	2,000	-	-	-	-	54,000
Lam Voon Kean	32,367	1,000	-	-	-	-	33,367
Yeoh Chong Keat	11,282	-	-	-	-	-	11,282
	197,649	7,500	-	-	-	-	205,149
Executive Director							
Teh Kiak Seng	40,000	-	1,875,593	500,000	356,250	35,200	2,807,043
Teh Deng Wei	40,000	-	750,923	200,000	142,500	24,600	1,158,023
Teh Theng Theng	40,000	-	494,241	132,400	93,858	6,600	767,099
	120,000	-	3,120,757	832,400	592,608	66,400	4,732,165
	317,649	7,500	3,120,757	832,400	592,608	66,400	4,937,314

Save as disclosed above, none of the directors provided services or received fees for services rendered to the Company or its subsidiaries in FY2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

III. REMUNERATION (cont'd)

Remuneration of Senior Management

The Company did not adopt the recommended practice 7.2 of MCCG which requires the disclosure on a named basis the top five senior management's remuneration in bands of RM50,000.

The Board is of the opinion that specific disclosure on named basis would be unfavorable towards the Group due to the competitive human resource environment for personnel with requisite knowledge and experience in the industry.

For FY2018, the aggregate sum of remunerations paid to the senior management team was approximately RM1.2 million. The level of remuneration paid was linked to the Group's financial results, individual performance and comparable statistics in the same industry.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

The Board had established the Audit Committee to independently oversee the Group's financial reporting process, audit processes, statutory and regulatory compliances, corporate governance and any other matter which the Board may delegate from time to time and when necessary.

The Nominating Committee assesses the performance of the Audit Committee and its members annually to ensure an independent and effective Audit Committee. The Nominating Committee then tables its recommendation to the Board.

The Board was satisfied with the composition and effectiveness of the Company's Audit Committee as at 31 December 2018 as all its members were financially literate and possessed the appropriate level of expertise and commitment in discharging their responsibilities effectively.

Further details are set out in the Audit Committee Report section of this Annual Report.

External Auditors

The Audit Committee and the Board place great emphasis on the objectivity and independence of the Company's external auditors in providing relevant and transparent reports to the shareholders.

During the FY2018, the Audit Committee reviewed the scope and approach of the external audit, the reporting obligations, the audit procedures, deliverables and key dates for the year's audit before the external auditors commenced their audits of the Company and its subsidiaries.

The Audit Committee also discussed with the external auditors in respect of the accuracy and completeness of the accounting records, the impact of adoption of the new accounting standards, the effectiveness of the Group's internal controls and risk management including any other pertinent matter that was brought to the attention of the Audit Committee relating to the audit of the Group's financial statements.

During the FY2018, the Audit Committee met with the external auditors twice without the presence of the executive directors and management of the Group. The Audit Committee also ensured that management provide a timely response to any request of documents or queries raised by the external auditors.

The Audit Committee then reported to the Board on the progress and findings of the audits as well as matters that necessitate the Board's decision.

The Audit Committee is responsible to assess the external auditors annually. The Audit Committee will consider a number of aspects such as the adequacy of resources, quality of work, the experience of the staff assigned to the audit of the Group and of the Company as well as the independency and objectivity of the external auditors.

BDO PLT, the existing external auditors had been re-appointed by shareholders of the Company since financial year 2010. In compliance with the Malaysian Institute of Accountants, BDO PLT rotates its engagement partner every 7 years to ensure objectivity, independence and integrity of their audit opinions.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

I. AUDIT COMMITTEE (cont'd)

External Auditors (cont'd)

BDO PLT had also confirmed to the Audit Committee in writing that they complied with the ethical requirements regarding independence with respect to the audit of the Company and its subsidiaries in accordance with the International Federation of Accountants' Code of Ethics for Professional Accountants and the Malaysian Institute of Accountants' By-Laws on Professional Ethics, Conducts and Practice.

The Audit Committee was satisfied with the suitability of BDO PLT based on their audit approach, quality of work done, sufficiency of resources and independence. The Audit Committee had proposed that the Board recommends the re-appointment of BDO PLT as the external auditors of the Company at the forthcoming AGM.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Risk Management

The Board has established the Risk Management Committee to oversee the adequacy of the Group's risk management framework to ensure risk management and internal controls are in place.

The Group has adopted a risk management framework to enhance its risk management capabilities. The Risk Management Committee reviews the risk management framework to ensure the framework remains relevant for monitoring the effectiveness of risk mitigation and controls of the key risks identified.

The Risk Management Committee is also tasked to identify new risks as well as reviewing and monitoring that identified risks are being addressed, managed and mitigated on an ongoing basis.

The Risk Management Committee will update the Audit Committee and the Board periodically on the Group's risk profile including actions undertaken by the management to manage or mitigate the risks identified.

The Board confirmed that there was an on-going process of identifying risks, evaluating and managing the significant risks faced by the Group. This process had been in place for FY2018 and up to the date of issuance of the Statement on Risk Management and Internal Control.

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

Internal Audit Function

During the FY2018, the Group had outsourced its internal audit function to an independent professional firm of consultants, Sterling Business Alignment Consulting Sdn Bhd, a member of The Institute of Internal Auditors Malaysia (IIAM), to provide the Board with the assurance it required regarding the adequacy and integrity of the systems of internal control of the Group.

The internal auditors confirmed that there were no relationships or conflict of interest in the discharge of their responsibilities during the FY2018 and they remained independent and had no direct operational responsibility or authority over any of the activities audited.

The internal auditors report directly to the Audit Committee.

Further details of the internal audit function are set out in the Statement on Risk Management and Internal Control section and the Audit Committee Report section of this Annual Report.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

Financial Reporting

The Board aims to present a balanced and understandable assessment of the Group's financial position and prospects to the public in accordance with the provisions of the Companies Act 2016, International Financial Reporting Standards and the Malaysian Financial Reporting Standards. In the preparation of the financial statements for FY2018, the directors had taken the necessary steps to ensure all applicable accounting policies were applied consistently, and supported by reasonable and prudent judgement.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

I. COMMUNICATION WITH STAKEHOLDERS (cont'd)

Financial Reporting (cont'd)

During the FY2018, the Audit Committee assisted the Board to oversee the Group's financial reporting processes by reviewing the financial and statutory compliance aspects of the annual financial statements and quarterly financial results prior to deliberation at Board level. The Board then discussed and approved the annual financial statements and quarterly financial results for release to Bursa Securities after the close of trading.

Stakeholders Engagement

The Board recognizes the value of corporate transparency and coherent communication, and aims to provide fair, relevant, comprehensive and timely information regarding the Group's performance to the shareholders and the investment community to enable them to make informed decisions. The Company's Investor Relations team is tasked with, and focuses to build long term relationships and trust with the shareholders and investment community.

The Investor Relations team communicates regularly with shareholders and investment community, with timely disclosures of material or other pertinent information through announcements to Bursa Securities. The team also conducts roadshows, analyst presentations, press conferences and corporate briefings to keep investors apprised of the Group's development and financial performance.

All pertinent information is disseminated or communicated to shareholders, stakeholders and investment community through:-

- Announcements and disclosures to Bursa Securities
- Annual Report of the Company
- Circulars to Shareholders
- Press conferences and corporate briefings
- Company's website

II. CONDUCT OF GENERAL MEETINGS

The Company's AGM is a vital forum for interaction with shareholders. The Annual Report of the Company together with the notice of AGM are sent to shareholders at least 28 days before the date of the AGM.

Each item of special business included in the notice of AGM will be accompanied by explanatory statement to facilitate a full understanding and evaluation of the proposed resolution.

The Board supports and encourages active shareholders' participation at AGM and any other general meetings. In accordance with the Company's Constitution, any shareholder may appoint up to a maximum of 2 proxies to attend and vote on his behalf in any general meeting. The proxy needs not be a member of the Company.

All the resolutions set out in the notice of meeting will be put to vote by poll. During the meeting, the independent non-executive Chairman will invite shareholders to raise questions pertaining to the proposed resolution before putting the motion to vote by poll. Board members and senior management will be present to respond to any questions raised from the shareholders. The Company's external auditors are also present to address issues relating to the audits and the auditors' reports.

Before the commencement of poll voting, the Company Secretary will brief shareholders on the poll voting instructions. An independent scrutineer will be appointed to undertake the polling and vote counting verification whilst the Company's Share Registrar will be the polling administrator.

The Company Secretary will announce the results of the poll and the outcome of the meeting to Bursa Securities via the Bursa LINK and the said announcement can also be accessed via the Company's website (www.tambunindah.com).

The Company did not adopt the recommended practice 12.3 of MCCG where the Company should leverage technology to facilitate voting, including voting in absentia; and remote shareholders participation at the AGM.

The independent non-executive Chairman of the Board chaired the 10th AGM in orderly manner. Shareholders and proxies were encouraged to participate in the proceedings and to ask questions on the operations and performance of the Group and on any resolutions that were being proposed. Members of the Board including senior management and external auditors were present to respond to any enquiries thereof.

This statement was approved by the Board on 12 April 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

Pursuant to Paragraph 15.26(b) of the Listing Requirements of Bursa Securities, the Board of Directors (“the Board”) of Tambun Indah Land Berhad (“the Company”) is pleased to provide the following statement on risk management and internal control of Tambun Indah Land Berhad and its subsidiaries (“the Group”) for financial year ended 31 December 2018. This has been prepared in accordance to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”), Malaysian Code on Corporate Governance 2017 (“MCCG 2017”) and “*Statement on Internal Control and Risk Management: Guidelines for Directors of Listed Issuers*”.

Responsibility for Risk Management and Internal Control

The Board acknowledges its overall responsibility for the Group’s system of risk management and internal control, and for reviewing its adequacy and effectiveness. The risk management system is designed to manage the Group’s risks within an acceptable risk profile, rather than to totally avoid or eliminate the risks that are inherent to the Group’s activities.

The Board recognizes the importance of internal audit to establish and maintain a sound system of internal control. In view of the limitations that are inherent in any system of internal control, it can only provide reasonable but not absolute assurance against material misstatement of financial information, loss or fraud. The Board regularly receives and reviews reports on internal control, and is of the view that the system of internal control is adequate to safeguard shareholders’ interests and the Group’s assets.

The role of Management is to implement the Board’s policies and guidelines on risks and controls, to identify and evaluate the risks faced, and to operate a suitable system of internal controls to manage these risks. The Board has received assurances from Management that the Group’s system of Risk Management and Internal Control is operating adequately and effectively throughout the financial year under review.

Risk Management

The Board confirms that there is an on-going process of identifying risks, evaluating and managing the significant risks faced by the Group. This process is in place for the year under review, and up to the date of issuance of the Statement on Risk Management and Internal Control.

As part of the Risk Management process, a Registry of Risk and a Risk Management Handbook has been prepared. The Risk Management Handbook summarizes risk management methodology, approach and processes, roles and responsibilities, and various risk management concepts. The respective risk owners are accountable to identify risks and to ensure that adequate control systems are implemented to mitigate risks faced by the Group. The process of identifying, evaluating, monitoring and managing risks is embedded in various work processes and procedures of the respective operational functions and management team.

The key elements of the Group’s risk management framework include:

- A Risk Management Working Group is established to support and advise the Board on the implementation and monitoring of the Group Risk Management Policies and Strategies. The working group comprises all the Executive Management team including Executive Directors and Heads of Department.
- The duties of the Risk Management Working Group include:
 - o Assessment and monitoring of all risks associated with the operations of the Group;
 - o Development and implementation of internal compliance and control systems and procedures to manage risks;
 - o Assessment and monitoring of the effectiveness of controls instituted;
 - o Review and make recommendations to the Board in relation to Risk Management;
 - o Consider, and make recommendations to the Board in connection with, the compliance by the Group with its Risk Management Strategy;
 - o Report to the Board on any material changes to the risk profile of the Group;
 - o Monitor and refer to the Board any instances involving material breaches or potential breaches to the Group’s Risk Management Strategy;
 - o Report to the Board in connection with the Group’s annual reporting responsibilities in relation to matters pertaining to the Group’s Risk Management Strategy; and,
 - o Undertake an independent review on an annual basis, in accordance with the Group’s Risk Management framework and to make recommendations to the Board in connection with changes required to be made to the Group’s Risk Management Strategy.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

Risk Management (cont'd)

- The Risk Management Working Group reviews the Terms of Reference to ensure that it is operating at maximum effectiveness, recommending any changes it considers necessary to the Group.
- The Risk Management Working Group updates the Board on the Group's risk profile and reports any new significant risks once a year.

Internal Audit Functions

The Board, in its efforts to provide adequate and effective internal control, has appointed an independent consulting firm, Sterling Business Alignment Consulting Sdn Bhd ("Sterling") to review the adequacy and integrity of its system of internal control. Sterling acts as the internal auditor and reports directly to the Audit Committee quarterly during the Audit Committee Meeting. Sterling is free from any relationships or conflict of interest, which may impair their objectivity and independency of the internal audit function. Sterling does not have any direct operational responsibility or authority over any of the activities audited. The Audit Committee is of the opinion that the internal audit function is effective and able to function independently.

Sterling uses the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework as a basis for evaluating the effectiveness of the internal control systems. On a quarterly basis, the internal auditor reports to the Audit Committee on areas for possible improvement, and management's responses to such recommendations. Follow-up audits are also carried out and the outcomes reported to the Audit Committee to ensure weaknesses identified have been or are being addressed.

The internal audit reviews are conducted according to the approved internal audit plan which addresses the critical business processes, internal control gaps, effectiveness and adequacy of the existing state of internal control and recommend possible improvements to the internal control process.

During the financial year, the internal auditor has reviewed the adequacy and integrity of the Group's internal control system of the key functions including system for compliance with applicable laws, regulations, rules, directives and guidelines.

For the financial year ended 31st December 2018, four (4) internal audit reviews had been carried out and reported by Sterling:

Audit Period	Reporting Month	Name of Entity Audited	Audited Areas
1 st Quarter (Jan 2018 – Mar 2018)	May 2018	Tambun Indah Land Berhad	• Management Information Services / Information Technology (MIS / IT)
2 nd Quarter (Apr 2018 – Jun 2018)	Aug 2018	<ul style="list-style-type: none"> • Palmington Sdn Bhd • Jasniah Sdn Bhd • Hong Hong Development Sdn Bhd 	<ul style="list-style-type: none"> • Pre-Contract Management • Post-Contract Management
3 rd Quarter (Jul 2018 – Sep 2018)	Nov 2018	Palmington Sdn Bhd	<ul style="list-style-type: none"> • Sales and Marketing • Sales Administration
4 th Quarter (Oct 2018 – Dec 2018)	Feb 2019	Palmington Sdn Bhd	<ul style="list-style-type: none"> • Project Management • Control of Progress Claims (from Main Contractor)

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

Internal Audit Functions (cont'd)

During the financial year under review, Sterling presented their follow-up status reports on previously reported audited findings in respect of the following functional scopes for various subsidiaries of the Group:

Follow Up Status of Various Functional Scopes Reported By Sterling	Date of Follow up Status Report
<ul style="list-style-type: none"> • Finance and Accounts • Human Resources • Management Information System • Administration • Legal 	28 May 2018
<ul style="list-style-type: none"> • Pre-Contract Management • Post-Contract Management • Finance and Accounts • Human Resources 	28 November 2018

Other Key Elements of Internal Controls

The Group has also put in place the following key elements of internal controls:

- An organisation structure with well-defined scopes of responsibility, clear lines of accountability, appropriate segregation of duties and levels of delegated authority;
- A set of documented internal policies and procedures, which is subject to regular review and improvement by management;
- Budgets for the financial year are reviewed on a yearly basis and major variances are followed up, if any, and remedial actions are taken where necessary;
- Regular and comprehensive information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making;
- Report by the Management to the Board on significant operational matters and other issues that affect the Group;
- Regular visits to operating units and / or project sites by Managing Director, Executive Directors and senior management;
- The internal audit function carries out quarterly internal audit reviews to ascertain the adequacy of and to monitor the effectiveness of operational and financial procedures; and
- During the Audit Committee and Board meetings, quarterly results, annual financial statements, related party transactions and updates on business development are reviewed; and key risks highlighted by the management are deliberated upon.

The Board is of the view that there was no significant breakdown or weaknesses in the system on internal controls of the Group that had resulted in material losses to the Group for the financial year ended 31 December 2018.

Assurance from the Management

The Board had received assurance from the Managing Director and Chief Financial Officer that the Group's risk management and internal control is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

Review of Statement by the External Auditors

The external auditors had reviewed this Statement in accordance to Paragraph 15.23 of the MMLR of Bursa Securities. Based on their review, the external auditors had reported to the Board that nothing had come to their attention that caused them to believe that this Statement on Risk Management and Internal Control is not, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

Conclusion

The Board remains committed towards maintaining a sound system of internal control and risk management to achieve a balance between the Group's business objectives and operational efficiency. The Board is of the view that there were no material losses incurred during the financial year ended 31 December 2018 as a result of weaknesses in internal control that would require separate disclosure in the Group's Annual Report.

The Board continually evaluates and takes measures to strengthen the internal control systems. This statement is made in accordance with the minutes of the Board Meeting held on 12 April 2019.

AUDIT COMMITTEE REPORT

MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee as at 31 December 2018 consisted of :

Name	Designation	Directorate
Lam Voon Kean (appointed on 1 June 2018)	Chairman	Independent Non-Executive
Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali (resigned on 9 April 2019**)	Member	Independent Non-Executive *
Lai Fook Hoy	Member	Independent Non-Executive

* On 25 January 2019, Taufiq Ahmad @Ahmad Mustapha Bin Ghazali was redesignated to Non-Independent Non-Executive Director.

** Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali had formally resigned as at 9 April 2019 and his replacement will be appointed within three (3) months.

Meetings and attendance

A total of 5 Audit Committee meetings were held during the financial year ended 31 December 2018 and the details of attendance were as follows:-

Name	No. of Meetings Attended
Lam Voon Kean (appointed on 1 June 2018)	2 / 2
Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali (resigned on 9 April 2019)	4 / 5
Lai Fook Hoy	5 / 5
Yeoh Chong Keat (resigned on 12 March 2018)	0 / 1

The Chief Financial Officer, the Deputy General Manager, a representative of the external auditors and a representative of the internal auditors normally attend the meetings. Other members of the Board or senior management may attend the meetings upon invitation. The Audit Committee also meets with the external auditors without executive Board members and management present at least twice a year.

SUMMARY ACTIVITIES OF THE AUDIT COMMITTEE

The activities of the Audit Committee during the financial year ended 31 December 2018 were summarised as follows:-

- Reviewed the unaudited quarterly financial results before presentation to the Board for approval and for release to the authorities and public.
- Reviewed and approved the internal and external audit plans.
- Reviewed the draft audited financial statements before presentation to the Board for approval and for release to the authorities and public.
- Reviewed the related party transactions that arise within the Group.
- Reviewed and assessed the risk management activities of the Company and the Group.
- Reviewed and verified the allocation of options to eligible employees of the Group pursuant to the Share Option Scheme.
- Reviewed the internal audit reports and the management action plan on recommendations noted in the reports.
- Reviewed the external audit findings with the External Auditors.
- Appraised the performance of the Internal and External Auditors.

AUDIT COMMITTEE REPORT (CONT'D)

INTERNAL AUDIT FUNCTION

The Company engages the services of an independent professional firm of consultants, Sterling Business Alignment Consulting Sdn. Bhd to carry out the internal audit functions of the Group in order to assist the Audit Committee in discharging its duties and responsibilities. The internal auditors also assist in meeting the business objectives of the Company by establishing and maintaining a systematic, disciplined approach to evaluate and improve the effectiveness of the Company's risk management framework.

The internal auditor adopts a risk-based audit methodology to develop its audit plan and activities. The internal audit functions of the Group are then carried out according to the internal audit plan as approved by the Audit Committee. Greater focus and appropriate review intervals are set for higher risk activities, material internal controls, including compliance with the Company's policies, procedures and regulatory responsibilities.

The findings by the Internal Auditors and recommendations are provided to the Management who would respond on the actions to be taken. Each quarter, the internal auditors present its report to the Audit Committee. The Audit Committee then monitors the timely and proper implementation of required corrective or preventive or improvement measures undertaken by the Management so as to continuously improve the system of internal control of the Group.

The cost incurred for the internal audit function in respect of the financial year ended 31 December 2018 was RM102,999.

The activities of the internal auditors during the financial year ended 31 December 2018 were summarised as follows:-

- 1) Followed up review on the findings reported in the previous financial quarters.
- 2) Reviewed the management information system (MIS/IT).
- 3) Reviewed the pre-contract management function and post-contract management function.
- 4) Reviewed the functional areas of sales and marketing and sales administration in respect of the Group's on-going project.
- 5) Reviewed the function areas of project management in respect of the Group's on-going project.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The details of the ESOS are set out as follows:-

	As at 31 December 2018	
Total number of options granted	13,747,000	
Total number of options vested	13,441,000	
Total number of options exercised	9,880,000	
Total number of options lapsed	961,000	
Total options outstanding	2,906,000	
	As at 31 December 2018	
Granted to Directors		
Total number of options granted	6,200,000	
Total number of options vested	6,200,000	
Total number of options exercised	4,900,000	
Total number of options lapsed	300,000	
Total options outstanding	1,000,000	
	During the financial year ended 31 December 2018	Since commencement of the ESOS on 05 June 2012
Granted to Directors & Senior Management		
Aggregate Maximum Allocation	-	50.0%
Actual Allocation	44.2%	36.0%

ADDITIONAL COMPLIANCE INFORMATION

1. MATERIAL CONTRACTS

There were no material contracts entered by the Company or its subsidiaries involving directors' and major shareholders' interests since the previous financial year ended 31 December 2017 and in the financial year ended 31 December 2018.

2. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

During the financial year, there were no proceeds raised by the Company from any corporate proposals.

3. AUDIT AND NON-AUDIT FEES

The amount of audit fees and non-audit fees paid or payable to the external auditor or a firm or corporation affiliated to the auditor firm by the Company and the Group for the financial year ended 31 December 2018 were as follows:

	Group (RM)	Company (RM)
Fees paid or payable to the external auditor		
- Audit Fees	151,000	36,000
- Non-Audit Fees	22,000	11,800
Non-Audit fees paid or payable to an affiliated firm of the external auditor for tax compliance, tax advisory services, Sustainability Reporting Review and Corporate Governance Review	157,300	57,700
Total	330,300	105,500

4. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

There were no recurrent related party transactions of a revenue or trading nature conducted pursuant to shareholders' mandate during the financial year ended 31 December 2018.

5. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

(a) On 24 January 2019, the Group incorporated a 70% owned subsidiary known as Mustiara Sdn Bhd ("Mustiara") for the purpose of undertaking business as a property developer. Mustiara is a company incorporated in Malaysia under the Companies Act 2016 with an issued and paid-up capital of RM100,000. The remaining balance of 30% equity interest is held by Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali, a former director of the Company.

(b) On 9 April 2019 :-

- (i) Mustiara acknowledged a letter of acceptance of offer dated 27 March 2019 from TPPT Sdn Bhd in relation to a proposed acquisition of 27 parcels of freehold land measuring in aggregate approximately 209.54 acres for a total purchase consideration of RM131 million ("Proposed Land Acquisition"). The Proposed Land Acquisition is subject to a formal sales and purchase agreement to be entered into between Mustiara and TPPT Sdn Bhd.
- (ii) The Company had proposed a provision of financial assistance of up to RM3.45 million to Mustiara to fund the acceptance deposit and other related costs of the Proposed Land Acquisition, subject to an interest rate to be calculated monthly based on the average interest rate of the Group's revolving credit facilities. In view that the 30% equity interest in Mustiara is held by Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali, who is a former director of the Company, the Proposed Provision of Financial Assistance is deemed a related party transaction pursuant to Paragraphs 8.23(2) and 10.08(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. On the even date, the Company had advanced the sum of RM2.62 million to Mustiara to satisfy the acceptance deposit for the Proposed Land Acquisition.

STATEMENTS OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

The Directors acknowledge that they are responsible for the Annual Audited Financial Statements so as to give a true and fair view of the state of affairs as at the end of the financial year of the Group and of the Company and of their results and their cash flows.

In preparing the financial statements for the financial year ended 31 December 2018, the Directors had:-

1. applied reasonable and prudent judgement and estimates;
2. followed all applicable approved accounting standards in Malaysia; and
3. prepared financial statements on a going concern basis.

The Directors had ensured the Company maintains appropriate accounting policies that disclose with reasonable accuracy of the financial position of the Group and of the Company, and which enable them to ensure that the financial statements comply with the Companies Act 2016.

The Directors had also taken steps that are reasonably available to them to safeguard the assets of the Group and of the Company, and to prevent and detect fraud, other irregularities and material misstatements.

This statement is made in accordance with the Board Resolution dated 12 April 2019.

LIST OF PROPERTIES HELD BY THE GROUP

Location/Address	Tenure	Description & Existing Use	Approximate Age of Building (Years)	Land Area (acres)	Audited Net Book Value (RM)	Date of Last Valuation / Date of Acquisition
DEVELOPMENT PROPERTIES						
1. PT 1800 (Formerly known as Lot 116, Part of Lot 21483 (Formerly known as Part of Lot 8747) & Part of Lot 21484 (Formerly known as Part of Lot 22)), Mukim 15, Daerah Seberang Perai Selatan, Pulau Pinang (Villa Raintree II, Bandar Tasek Mutiara, Simpang Ampat).	Freehold	Development land approved for residential development	N/A	28.59	13,119,637	04.05.2011
2. Lot 24937 (Formerly known as part of Lot 8746 and Part of Lot 21482 (Formerly known as Part of 8747)), Mukim 15, Daerah Seberang Perai Selatan, Pulau Pinang (Rumah Pangsa Mutiara Indah, Bandar Tasek Mutiara, Simpang Ampat).	Freehold	Development land approved for residential development	N/A	1.86	3,930,216	04.05.2011
3. Lot 24938 to Lot 24941 (Formerly known as part of Lot 8746 and Part of Lot 21482 (Formerly known as Part of 8747)), Mukim 15, Daerah Seberang Perai Selatan, Pulau Pinang (Low Cost Flat, Bandar Tasek Mutiara, Simpang Ampat).	Freehold	Development land approved for residential development	N/A	8.93	8,301,592	04.05.2011
4. Lot 24318 (Formerly known as PT 2374 (Formerly known as Part of Lot 23200 (Formerly known as Part of Lot 8753)), Mukim 15, Daerah Seberang Perai Selatan, Pulau Pinang (Avenue Garden, Bandar Tasek Mutiara, Simpang Ampat).	Freehold	Development land approved for residential development	N/A	2.50	7,018,099	04.05.2011
5. Lots 11130, 11139, PT 2376 to PT 2403 (Formerly known as 11141, 11142, 11143, 11144, 11145, 11146, 11147, 11148, 11150, 11151, 11152, 11153, 11156 and 11157), Mukim 15, Daerah Seberang Perai Selatan, Pulau Pinang (Pearl Evergreen, Bandar Tasek Mutiara, Simpang Ampat).	Freehold	Development land approved for residential development	N/A	2.16	6,305,877	11.06.2014

LIST OF PROPERTIES HELD BY THE GROUP (CONT'D)

	Location/Address	Tenure	Description & Existing Use	Approximate Age of Building (Years)	Land Area (acres)	Audited Net Book Value (RM)	Date of Last Valuation / Date of Acquisition
6.	Lot 24320 to Lot 24538 (Part of Lot 21482 (Formerly known as Lot 8747) and Part of Lot 21485 (Formerly known as Part of Lot 22)), Mukim 15, Daerah Seberang Perai Selatan, Pulau Pinang (Pearl Saujana Permai, Bandar Tasek Mutiara, Simpang Ampat).	Freehold	Development land approved for residential development	N/A	7.17	27,647,468	04.05.2011
7.	Lot 24539 to Lot 24926 (Part of Lot 1345, Part of Lot 21482 (Formerly known as Lot 8747) and Part of Lot 21485 (Formerly known as Part of Lot 22)), Mukim 15, Daerah Seberang Perai Selatan, Pulau Pinang (Pearl Saujana, Bandar Tasek Mutiara, Simpang Ampat).	Freehold	Development land approved for residential development	N/A	13.77	13,127,587	04.05.2011
8.	PT 3462 (Formerly known as PT 2375 (Formerly known as Part of Lot 23200 (Formerly known as Part of Lot 8753))), Mukim 15, Daerah Seberang Perai Selatan, Pulau Pinang (Palm Garden, Bandar Tasek Mutiara, Simpang Ampat).	Freehold	Development land approved for residential development	N/A	2.61	3,973,376	04.05.2011
9.	PT 3178 (Formerly known as part of Lot 21487 (Formerly known as Lot 8749) and Lot 21192), Mukim 15, Daerah Seberang Perai Selatan, Pulau Pinang (Pearl Botanik, Bandar Tasek Mutiara, Simpang Ampat).	Freehold	Development land approved for residential development	N/A	30.26	21,538,301	04.05.2011
10.	PT 3030 to PT 3177 (Formerly known as part of Lot 21487 (Formerly known as Lot 8749)), Mukim 15, Daerah Seberang Perai Selatan, Pulau Pinang (Pearl Impiana, Bandar Tasek Mutiara, Simpang Ampat).	Freehold	Development land approved for residential development	N/A	5.58	7,176,985	04.05.2011
11.	Part of Lot 23201 (Formerly known as Part of Lot 8753), Mukim 15, Daerah Seberang Perai Selatan, Pulau Pinang (Central Avenue, Bandar Tasek Mutiara, Simpang Ampat).	Freehold	Development land approved for commercial development	N/A	8.56	8,251,928	04.05.2011

LIST OF PROPERTIES HELD BY THE GROUP (CONT'D)

Location/Address	Tenure	Description & Existing Use	Approximate Age of Building (Years)	Land Area (acres)	Audited Net Book Value (RM)	Date of Last Valuation / Date of Acquisition
12. Part of Lot 13, Part of Lot 14, Lot 24, Part of Lot 24934 (Formerly known as part of Lot 1345), Lot 1383, Lot 1393, Part of Lot 24933, 24935 & 24936 (Formerly known as part of Lot 21482 (Formerly known as part of Lot 8747)) and Part of Lot 21486 (Formerly known as Part of Lot 16), Mukim 15, Daerah Seberang Perai Selatan, Pulau Pinang (Bandar Tasek Mutiara, Simpang Ampat).	Freehold	Development land approved for residential development	N/A	58.19	38,497,381	04.05.2011
13. Lot 25291 (Formerly known as part of Lot 21488 (Formerly known as part of Lot 8749)), Mukim 15, Daerah Seberang Perai Selatan, Pulau Pinang (Bandar Tasek Mutiara, Simpang Ampat).	Freehold	Development land approved for residential development	N/A	19.80	11,327,668	04.05.2011
14. Lot 32865 (Formerly known as Lot 1708), Mukim 14, Daerah Seberang Perai Tengah, Pulau Pinang. (Residensi Palma, Alma, Bukit Mertajam).	Freehold	Development land approved for residential development	N/A	4.75	16,244,060	02.06.2014
15. Lots 32472 (Formerly known as Lot 1430), 32474 (Formerly known as Lot 1428), 32476 (Formerly known as Lot 30264) Mukim 14, Daerah Seberang Perai Tengah, Pulau Pinang and Lots 535 & 537 Mukim 15, Daerah Seberang Perai Tengah, Pulau Pinang.	Freehold	Development land approved for residential development	N/A	5.17	14,179,856	21.05.2015
16. Lot 114 & Lot 1067, Mukim 15, Seberang Perai Selatan, Pulau Pinang (Bandar Tasek Mutiara, Simpang Ampat).	Freehold	Land held for development	N/A	44.33	30,331,780	30.06.2010
17. PT 1431 (Formerly known as part of Lot 21027 (Formerly known as part of Lot 9758)), Mukim 15, Daerah Seberang Perai Selatan, Pulau Pinang (Bandar Tasek Mutiara, Simpang Ampat).	Freehold	Land held for development	N/A	2.60	1,547,986	04.05.2011

LIST OF PROPERTIES HELD BY THE GROUP (CONT'D)

Location/Address	Tenure	Description & Existing Use	Approximate Age of Building (Years)	Land Area (acres)	Audited Net Book Value (RM)	Date of Last Valuation / Date of Acquisition
18. Part of Lot 13, Lot 8936, Lot 10016, Lot 10017, Lot 10023, Part of Lot 21486 (Formerly known as part of Lot 16), Part of Lot 24933 & Part of Lot 24936 (Both formerly known as part of Lot 8746 and part of Lot 21482 (Formerly known as part of Lot 8747)) and PT 1432 & PT 1433, Mukim 15, Daerah Seberang Perai Selatan, Pulau Pinang (Bandar Tasek Mutiara, Simpang Ampat).	Freehold	Land held for development	N/A	33.95	28,860,685	04.05.2011
19. Lot 10272, Mukim 10 (Formerly known as part of Lot 123), Bandar Bukit Mertajam, Seberang Perai Tengah, Pulau Pinang.	Freehold	Land held for development	N/A	0.41	700,091	03.11.2009
20. Lot 148, Seksyen 5, Bandar Bukit Mertajam, Seberang Perai Tengah, Pulau Pinang.	Freehold	Land held for development	N/A	0.47	795,011	14.05.2012
21. Part of Lot 14, Mukim 15, Daerah Seberang Perai Selatan, Pulau Pinang. (Bandar Tasek Mutiara, Simpang Ampat).	Freehold	Land held for development	N/A	0.16	124,860	07.05.2013
22. Lots 8764, 8768, 8775 & 11159 Mukim 15, Daerah Seberang Perai Selatan, Pulau Pinang and PT 1427 & PT 1428 (Formerly known as Lots 8776, 8777, 10019 & 10020), Mukim 15, Daerah Seberang Perai Selatan, Pulau Pinang. (Amenities Land, Bandar Tasek Mutiara, Simpang Ampat).	Freehold	Amenities land	N/A	18.62	398,107	04.05.2011
23. Lot 1368, Mukim 15, Daerah Seberang Perai Selatan, Pulau Pinang. (Bandar Tasek Mutiara, Simpang Ampat).	Freehold	Land held for development	N/A	24.09	15,469,740	13.11.2013
24. Lot 21030 (Formerly known as Lot 1471), Mukim 15, Daerah Seberang Perai Selatan, Pulau Pinang. (Bandar Tasek Mutiara, Simpang Ampat).	Freehold	Land held for development	N/A	15.62	5,796,665	30.06.2010

LIST OF PROPERTIES HELD BY THE GROUP (CONT'D)

	Location/Address	Tenure	Description & Existing Use	Approximate Age of Building (Years)	Land Area (acres)	Audited Net Book Value (RM)	Date of Last Valuation / Date of Acquisition
25.	Lots 4738 & 4741, Mukim 15, Daerah Seberang Perai Selatan, Pulau Pinang. (Bandar Tasek Mutiara, Simpang Ampat).	Freehold	Land held for development	N/A	20.88	13,402,244	21.10.2013
26.	Lots 1428, 1433, 1445, 8748, 25292 & 25293 (Part of Lot 21488 (Formerly known as Part of Lot 8749)), Mukim 15, Daerah Seberang Perai Selatan, Pulau Pinang. (Bandar Tasek Mutiara, Simpang Ampat).	Freehold	Land held for development	N/A	38.32	21,568,940	04.05.2011
27.	Lot 21024 (Formerly known as Lot 1076), Mukim 15, Daerah Seberang Perai Selatan, Pulau Pinang. (Bandar Tasek Mutiara, Simpang Ampat).	Freehold	Land held for development	N/A	0.58	231,928	11.06.2014
28.	Lots 159, 1429 & 32473 (Formerly known as part of Lot 1430), 32475 (Formerly known as part Lot 1428), 32477 (Formerly known as part of Lot 30264) Mukim 14, Daerah Seberang Perai Tengah, Pulau Pinang and Lots 528, 535, 536, 1718, 1868, 1869, 1870, 1871, 1872, 1873 & 31596 Mukim 15, Daerah Seberang Perai Tengah, Pulau Pinang.	Freehold	Land held for development	N/A	14.38	29,576,617	21.05.2015

LIST OF PROPERTIES HELD BY THE GROUP (CONT'D)

Location/Address	Tenure	Description & Existing Use	Approximate Age of Building (Years)	Land Area/ Building Area (Meter Square)	Audited Net Book Value (RM)	Date of Last Valuation / Date of Acquisition
INVESTMENT PROPERTIES						
1. No. 6 Jalan Perda Barat Bandar Perda 14000 Bukit Mertajam Pulau Pinang	Freehold	3-storey terrace shop office	20	153/ 459.12	950,000	31.12.2018
2. No. 10-12 Pangsapuri Pantai Jalan Wisma Pantai 1 12200 Butterworth Pulau Pinang	Freehold	3-bedroom penthouse	22	NA/139	320,000	31.12.2018
3. No. 1-03 Wisma Pantai Jalan Wisma Pantai 12200 Butterworth Pulau Pinang	Freehold	An office lot	22	NA/147	290,000	31.12.2018
4. No. 1-04 Wisma Pantai Jalan Wisma Pantai 12200 Butterworth Pulau Pinang	Freehold	An office lot	22	NA/125	245,000	31.12.2018
5. No. 7-04 Wisma Pantai Jalan Wisma Pantai 12200 Butterworth Pulau Pinang	Freehold	An office lot	22	NA/145	300,000	31.12.2018
6. No. 7-05 Wisma Pantai Jalan Wisma Pantai 12200 Butterworth Pulau Pinang	Freehold	An office lot	22	NA/120	250,000	31.12.2018
7. No. 7-06 Wisma Pantai Jalan Wisma Pantai 12200 Butterworth Pulau Pinang	Freehold	6 levels of multi-storey 128 bays of covered car parks, and 1 new office lot	22	NA/6,171	3,900,000	31.12.2018
8. No. 5099 Dahlia Park Jalan Kampung Benggali 12200 Butterworth Pulau Pinang	Freehold	Double storey terrace shop office	5	205/409.98	1,400,000	31.12.2018

LIST OF PROPERTIES HELD BY THE GROUP (CONT'D)

Location/Address	Tenure	Description & Existing Use	Approximate Age of Building (Years)	Land Area/ Building Area (Meter Square)	Audited Net Book Value (RM)	Date of Last Valuation / Date of Acquisition
9. Part of Lot 23201 & Lot 23202 (Both formerly known as Part of Lot 8753), Mukim 15, Daerah Seberang Perai Selatan, Pulau Pinang and PT3463 (Formerly known as PT 2375 (Formerly known as Part of Lot 23200 (Formerly known as Part of Lot 8753))), Mukim 15, Daerah Seberang Perai Selatan, Pulau Pinang (Bandar Tasek Mutiara, Simpang Ampat).	Freehold	Land held for investment purpose	N/A	168,015/ NA	36,361,626	04.05.2011
10. Lot 24317 (Formerly known as PT 2373 (Formerly known as Part of Lot 23200 (Formerly known as Part of Lot 8753))), Mukim 15, Daerah Seberang Perai Selatan, Pulau Pinang (Bandar Tasek Mutiara, Simpang Ampat, International School).	Freehold	International School	4	32,255/ 19,508	53,000,000	31.12.2018
11. No. 10-02 Wisma Pantai Jalan Wisma Pantai 12200 Butterworth Pulau Pinang	Freehold	An office lot	22	NA/143	295,000	31.12.2018
12. No. 10-03 Wisma Pantai Jalan Wisma Pantai 12200 Butterworth Pulau Pinang	Freehold	An office lot	22	NA/169	350,000	31.12.2018
13. No. 10-04 Wisma Pantai Jalan Wisma Pantai 12200 Butterworth Pulau Pinang	Freehold	An office lot	22	NA/131	270,000	31.12.2018
14. No. 10-05 Wisma Pantai Jalan Wisma Pantai 12200 Butterworth Pulau Pinang	Freehold	An office lot	22	NA/151	315,000	31.12.2018
15. 349-01-01, Jalan Jelutong, 11600 Penang	Freehold	A shop lot	3	NA/88	995,000	31.12.2018

LIST OF PROPERTIES HELD BY THE GROUP (CONT'D)

Location/Address	Tenure	Description & Existing Use	Approximate Age of Building (Years)	Land Area/ Building Area (Meter Square)	Audited Net Book Value (RM)	Date of Last Valuation / Date of Acquisition
16. 349-02-01, Jalan Jelutong, 11600 Penang	Freehold	A shop lot	3	NA/288	1,275,000	31.12.2018
17. 349-03-01, Jalan Jelutong, 11600 Penang	Freehold	A shop lot	3	NA/288	1,130,000	31.12.2018
18. 349-01-03, Jalan Jelutong, 11600 Penang	Freehold	A shop lot	3	NA/125	1,300,000	31.12.2018
19. 349-02-03, Jalan Jelutong, 11600 Penang	Freehold	A shop lot	3	NA/105	434,000	31.12.2018
20. 349-03-03, Jalan Jelutong, 11600 Penang	Freehold	A shop lot	3	NA/105	383,000	31.12.2018
21. 349-01-04, Jalan Jelutong, 11600 Penang	Freehold	A shop lot	3	NA/125	1,300,000	31.12.2018
22. 349-02-04, Jalan Jelutong, 11600 Penang	Freehold	A shop lot	3	NA/105	434,000	31.12.2018
23. 349-03-04, Jalan Jelutong, 11600 Penang	Freehold	A shop lot	3	NA/105	383,000	31.12.2018
24. 349-01-05, Jalan Jelutong, 11600 Penang	Freehold	A shop lot	3	NA/125	1,300,000	31.12.2018
25. 349-02-05, Jalan Jelutong, 11600 Penang	Freehold	A shop lot	3	NA/105	434,000	31.12.2018
26. 349-03-05, Jalan Jelutong, 11600 Penang	Freehold	A shop lot	3	NA/105	383,000	31.12.2018
27. 349-01-06, Jalan Jelutong, 11600 Penang	Freehold	A shop lot	3	NA/125	1,300,000	31.12.2018
28. 349-02-06, Jalan Jelutong, 11600 Penang	Freehold	A shop lot	3	NA/105	434,000	31.12.2018
29. 349-03-06, Jalan Jelutong, 11600 Penang	Freehold	A shop lot	3	NA/105	383,000	31.12.2018
30. 349-01-09, Jalan Jelutong, 11600 Penang	Freehold	A shop lot, and 4 levels of multi-storey 102 bays of covered car parks	3	NA/1,376	3,757,000	31.12.2018

LIST OF PROPERTIES HELD BY THE GROUP (CONT'D)

	Location/Address	Tenure	Description & Existing Use	Approximate Age of Building (Years)	Land Area/ Building Area (Meter Square)	Audited Net Book Value (RM)	Date of Last Valuation / Date of Acquisition
31.	349-02-09, Jalan Jelutong, 11600 Penang	Freehold	A shop lot	3	NA/217	960,000	31.12.2018
32.	349-03-09, Jalan Jelutong, 11600 Penang	Freehold	A shop lot	3	NA/217	850,000	31.12.2018
33.	349-01-10, Jalan Jelutong, 11600 Penang	Freehold	A shop lot	3	NA/18	170,000	31.12.2018

PROPERTIES HELD FOR OPERATIONAL PURPOSE/PROPERTY, PLANT & EQUIPMENT

1.	No. 2-03 Wisma Pantai Jalan Wisma Pantai 12200 Butterworth Pulau Pinang	Freehold	An office lot	22	NA/137	179,542	19.06.2013
2.	No. 3-02 Wisma Pantai Jalan Wisma Pantai 12200 Butterworth Pulau Pinang	Freehold	An office lot	22	NA/169	348,961	01.12.2018
3.	No. 4-01 Wisma Pantai Jalan Wisma Pantai 12200 Butterworth Pulau Pinang	Freehold	An office lot	22	NA/117	206,240	04.06.2014
4.	No. 4-03 Wisma Pantai Jalan Wisma Pantai 12200 Butterworth Pulau Pinang	Freehold	An office lot	22	NA/135	193,627	24.07.2012
5.	No. 4-04 Wisma Pantai Jalan Wisma Pantai 12200 Butterworth Pulau Pinang	Freehold	An office lot	22	NA/126	140,000	22.12.2010
6.	No. 12-01, 12-02 & 12A-01 Wisma Pantai Jalan Wisma Pantai 12200 Butterworth Pulau Pinang	Freehold	3 penthouse office lots	22	NA/878	1,247,973	30.06.2010

ANALYSIS OF SHAREHOLDINGS

AS AT 29 MARCH 2019

Total number of issued shares : 433,408,517
 Class of shares : Ordinary shares
 Voting right : One vote per ordinary share

Distribution of shareholders

Size of holdings	No. of shareholders	%	No. of shares	%
1 - 99	23	0.35	494	0.00
100 to 1,000	750	11.58	570,410	0.13
1,001 to 10,000	3,675	56.72	19,781,825	4.56
10,001 to 100,000	1,761	27.18	54,877,320	12.66
100,001 to 21,670,424 (*)	267	4.12	147,605,624	34.06
21,670,425 and above (**)	3	0.05	210,572,844	48.59
TOTAL	6,479	100.00	433,408,517	100.00

Remarks : * - less than 5% of issued shares
 ** - 5% and above of issued shares

List of substantial shareholders as shown in the Register of Substantial Shareholders

Substantial Shareholders	Direct	No. of issued shares		
		%	Deemed	%
Siram Permai Sdn. Bhd.	142,800,001	32.95	-	-
Amal Pintas Sdn. Bhd.	36,102,449	8.33	-	-
Teh Kiak Seng	31,670,394	7.31	142,800,001 ^(N1)	32.95
Tsai Yung Chuan	500,000	0.12	36,102,449 ^(N2)	8.33
Tsai Chang Hsiu-Hsiang	-	-	36,102,449 ^(N2)	8.33
Tsai Chia Ling	-	-	36,102,449 ^(N2)	8.33

Notes :

N1 Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Siram Permai Sdn. Bhd.

N2 Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Amal Pintas Sdn. Bhd.

List of directors' shareholdings as shown in the Register of Directors

Directors	Direct	No. of issued shares		
		%	Deemed	%
Teh Kiak Seng	31,670,394	7.31	142,800,001 ^(N1)	32.95
Teh Theng Theng	1,860,965	0.43	-	-
Tsai Chia Ling	-	-	36,102,449 ^(N2)	8.33
Lai Fook Hoy	4,116,262	0.95	-	-
Taufig Ahmad @ Ahmad Mustapha Bin Ghazali (Resigned on 9 April 2019)	1,000,000	0.23	10,000 ^(N3)	-

Notes :

N1 Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Siram Permai Sdn. Bhd.

N2 Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Amal Pintas Sdn. Bhd.

N3 Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Narspa Holdings Sdn. Bhd.

ANALYSIS OF SHAREHOLDINGS

AS AT 29 MARCH 2019 (CONT'D)

LIST OF TOP 30 HOLDERS AS AT 29 MARCH 2019

NO	NAME	HOLDINGS	%
1	SIRAM PERMAI SDN BHD	142,800,001	32.95%
2	AMAL PINTAS SDN BHD	36,102,449	8.33%
3	TEH KIAK SENG	31,670,394	7.31%
4	CITIGROUP NOMINEES (ASING) SDN BHD <i>UBS AG FOR SFC FORESTA MASTER FUND, L.P.</i>	13,499,900	3.11%
5	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR CHEN KHAI VOON</i>	9,215,400	2.13%
6	WYZ CAPITAL SDN BHD	7,788,000	1.80%
7	POH CHEAN HUNG	6,201,658	1.43%
8	RHB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR WONG YEE HUI</i>	5,225,000	1.21%
9	AMANAHRAYA TRUSTEES BERHAD <i>PUBLIC ISLAMIC OPPORTUNITIES FUND</i>	4,384,700	1.01%
10	LAI FOOK HOY	4,116,262	0.95%
11	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EMPLOYEES PROVIDENT FUND BOARD (ARIM)</i>	3,400,000	0.78%
12	LIM KHUAN ENG	3,000,000	0.69%
13	CITIGROUP NOMINEES (ASING) SDN BHD <i>UBS AG FOR STONE FOREST EM MASTER FUND, L.P.</i>	2,934,500	0.68%
14	LEMBAGA TABUNG HAJI	2,344,800	0.54%
15	CITIGROUP NOMINEES (ASING) SDN BHD <i>CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC</i>	2,204,100	0.51%
16	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EMPLOYEES PROVIDENT FUND BOARD (PHEIM)</i>	2,160,200	0.50%
17	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD <i>CIMB ISLAMIC TRUSTEE BERHAD - KENANGA SYARIAH GROWTH FUND</i>	2,136,500	0.49%
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>ETIQA LIFE INSURANCE BERHAD (GROWTH)</i>	2,046,800	0.47%
19	TEH CHING CHING	2,003,497	0.46%
20	TEH THENG THENG	1,860,965	0.43%
21	UOB KAY HIAN NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR UOB KAY HIAN (HONG KONG) LIMITED (A/C CLIENTS)</i>	1,622,100	0.37%
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD <i>ETIQA LIFE INSURANCE BERHAD (DANA EKT PRIMA)</i>	1,614,800	0.37%
23	AMANAHRAYA TRUSTEES BERHAD <i>PB ISLAMIC SMALLCAP FUND</i>	1,614,700	0.37%
24	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA)</i>	1,337,200	0.31%
25	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR WONG YEE HUI (KLC/KEN)</i>	1,180,000	0.27%
26	CITIGROUP NOMINEES (ASING) SDN BHD <i>CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES</i>	1,157,800	0.27%
27	TEH PENG PENG	1,139,400	0.26%
28	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR TAUFIQ AHMAD @ AHMAD MUSTAPHA BIN GHAZALI (7003683)</i>	1,000,000	0.23%
29	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD <i>MAYBANK KIM ENG SECURITIES PTE LTD FOR CHUMPON CHANTHARAKULPONGSA @ CHAN TEIK CHUAN</i>	1,000,000	0.23%
30	YAP KHONG	900,000	0.21%

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS



59	Directors' Report
66	Statement by Directors
66	Statutory Declaration
67	Independent Auditors' Report to the Members
71	Consolidated Statement of Financial Position
73	Statement of Financial Position
74	Statements of Profit or Loss and Other Comprehensive Income
75	Statements of Changes In Equity
79	Statements of Cash Flows
82	Notes to the Financial Statements

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and the details of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year	55,441,496	20,820,930
Attributable to:		
Owners of the parent	55,404,428	20,820,930
Non-controlling interests	37,068	0
	55,441,496	20,820,930

DIVIDENDS

Dividends paid, declared or proposed since the end of the previous financial year were as follows:

	Company RM
In respect of financial year ended 31 December 2017:	
Final single tier dividend of 4.7 sen per ordinary share, paid on 16 August 2018	20,366,628
In respect of financial year ended 31 December 2018:	
Interim single tier dividend of 2.0 sen per ordinary share, paid on 19 February 2019	8,667,570
	29,034,198

The Directors propose a final single tier dividend of 2.9 sen per ordinary share amounting to RM12,567,977 in respect of the financial year ended 31 December 2018, subject to the approval of members at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

DIRECTORS' REPORT (CONT'D)

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from 433,302,517 to 433,378,517 by way of issuance of 76,000 new ordinary shares pursuant to 76,000 options exercised under the Employees' Share Options Scheme for cash.

The newly issued shares rank pari passu in all respects with the existing ordinary shares of the Company. There were no other issue of shares during the financial year.

The Company did not issue any debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year apart from the issue of options pursuant to the Employees' Share Options Scheme ('ESOS').

The ESOS of the Company came into effect on 5 June 2012. The ESOS shall be in force for a period of five (5) years until 5 June 2017 ('the option period'). On 23 February 2017, the Board of Directors of the Company approved the extension of the scheme for five (5) years until 4 June 2022. The main features of the ESOS are as follows:

- (a) Directors and confirmed employees of the Group who have served at least 2 years of continuous services are eligible under the Scheme;
- (b) The maximum number of new Shares, which may be issued and allotted pursuant to the exercise of the Options shall not at any point in time in aggregate exceed 5% of the issued and paid-up capital of the Company (excluding treasury shares) at any point in time during the duration of the Scheme;
- (c) Not more than 50% of the new Shares available under the scheme shall be allocated in aggregate, to the Directors and senior management of the Group;
- (d) The allocation to an Eligible Person who, either singly or collectively through persons connected with the Eligible Person, holds 20% or more of the issued and paid-up share capital of the Company (excluding treasury shares), does not exceed 10% of the total number of the new Shares to be issued under the Scheme;
- (e) The options granted may be exercised any time within the option period from the date of offer;
- (f) The option price of a new ordinary share under the ESOS shall be the five (5)-days weighted average market price of the shares as quoted in the Daily Official List issued by Bursa Malaysia Securities Berhad ('Bursa Securities') immediately preceding the date of offer with a discount of not more than 10% or such other percentage of discount as may be permitted by Bursa Securities or any other relevant authorities from time to time during the duration of the Scheme;
- (g) The options granted are not entitled for any dividend, voting rights, allotment and/or other distribution declared, made or paid to shareholders unless the new Shares so allotted have been credited to the relevant securities accounts of the shareholders maintained by the Bursa Depository before the entitlement date and will be subjected to all provisions of the Articles relating to the transfer, transmission and otherwise;
- (h) The ESOS Committee at any time and from time to time recommends to the Board any addition or amendment to or deletion of the By-laws as it shall in its discretion think fit and the Board shall have the power by resolution to add to, amend or delete all or any of these By-laws upon such recommendation. Any subsequent modifications or changes to the By-laws do not need the prior approval of the Bursa Securities and/or any other relevant authorities; and
- (i) The employees and Directors to whom the options have been granted have no right to participate, by virtue of these options, in any ordinary share issue of any other company within the Group during the option period.

DIRECTORS' REPORT (CONT'D)

OPTIONS GRANTED OVER UNISSUED SHARES (CONTINUED)

The details of the options over the ordinary shares of the Company are as follows:

Date of offer	Option price RM	Number of options over ordinary shares					
		Outstanding as at 1.1.2018	Movements during the financial year			Outstanding as at 31.12.2018	Exercisable as at 31.12.2018
			Granted	Exercised	Lapsed		
5 June 2012	0.50	20,000	0	0	0	20,000	20,000
15 November 2013	1.27	499,000	0	0	(45,000)	454,000	454,000
28 May 2014	1.75	183,000	0	0	0	183,000	183,000
17 December 2014	1.45	1,106,000	0	0	(40,000)	1,066,000	1,066,000
15 June 2015	1.51	308,000	0	0	(50,000)	258,000	258,000
1 December 2015	1.25	622,000	0	0	(80,000)	542,000	542,000
21 June 2016	1.25	70,000	0	0	0	70,000	70,000
16 December 2016	1.24	59,000	0	0	0	59,000	59,000
3 July 2017	1.30	171,000	0	0	(46,000)	125,000	125,000
18 December 2017	0.92	19,000	0	0	0	19,000	19,000
8 June 2018	0.69	0	186,000	(76,000)	0	110,000	110,000
		3,057,000	186,000	(76,000)	(261,000)	2,906,000	2,906,000

The Company has been granted exemption by the Companies Commission of Malaysia via its letter dated 19 March 2019 from having to disclose the list of option holders to whom options have been granted during the financial year and details of their holdings pursuant to Part 1 of Fifth Schedule Paragraph 5 of the Companies Act 2016 in Malaysia except for information of employees who were granted 54,000 options and above.

There were no employees of the Company and of the subsidiaries who were granted 54,000 options and above under the ESOS during the financial year.

DIRECTORS' REPORT (CONT'D)

DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

Teh Kiak Seng *	
Teh Theng Theng *	
Lai Fook Hoy	
Tsai Chia Ling	
Teh Deng Wei *	
Lam Voon Kean	(Appointed on 1 June 2018)
Yeoh Chong Keat	(Resigned on 12 March 2018)
Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali *	(Resigned on 9 April 2019)

* These Directors of the Company are also the Directors of certain subsidiaries of the Company.

Subsidiaries of Tambun Indah Land Berhad (excluding those who are listed above)

Ooi Boon Ewe	
Ooi Boon Hwa (Alternate to Ooi Boon Ewe)	
Suraiya Binti Mohamad Shafie	(Appointed on 1 October 2018)
Dr. Samsudin Bin Osman Cassim	(Resigned on 1 October 2018)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2018 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	←	Number of ordinary shares		→
	Balance as at 1.1.2018	Converted/ Bought	Sold	Balance as at 31.12.2018
<u>Shares in the Company</u>				
Direct interests				
Teh Kiak Seng	25,512,794	6,157,600	0	31,670,394
Teh Theng Theng	1,860,965	0	0	1,860,965
Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali	1,000,000	1,000,000	(1,000,000)	1,000,000
Lai Fook Hoy	4,066,262	50,000	0	4,116,262
Indirect interests				
Teh Kiak Seng ^	142,800,001	0	0	142,800,001
Tsai Chia Ling **	36,102,449	0	0	36,102,449
Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali #	0	10,000	0	10,000

^ Deemed interested by virtue of shareholdings in Siram Permai Sdn. Bhd.

** Deemed interested by virtue of shareholdings in Amal Pintas Sdn. Bhd.

Deemed interested by virtue of shareholdings in Narspa Holdings Sdn. Bhd.

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (CONTINUED)

	← Number of options over ordinary shares →			
	Balance as at 1.1.2018	Movement during the financial year		Balance as at 31.12.2018
		Granted	Exercised	
<u>Share options in the Company</u>				
Teh Deng Wei	1,000,000	0	0	1,000,000

By virtue of his interest in the ordinary shares of the Company, Teh Kiak Seng is also deemed to be interested in the ordinary shares of all the subsidiaries to the extent the Company has an interest.

None of the other Director holding office at the end of the financial year held any interest in ordinary shares, warrants or options over ordinary shares in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than those remunerations received by certain Directors as directors executives of the subsidiaries and those transactions entered into in the ordinary course of business with companies in which certain Directors of the Company have substantial interests as disclosed in Note 31(b) to the financial statements.

There were no arrangements made during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the share options granted pursuant to the ESOS as disclosed in Note 29 to the financial statements.

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 24 to the financial statements.

INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS

The Group and the Company effected Directors' liability insurance during the financial year to protect the Directors of the Group and of the Company against potential costs and liabilities arising from claims brought against the Directors. The insurance premium paid by the Group during the financial year amounted to RM16,500.

There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that there are no known bad debts and that adequate provision have been made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
 - (i) which would necessitate the writing off of bad debts or render the amount of the provision for doubtful debts inadequate to any material extent;
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the Directors:
 - (i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

DIRECTORS' REPORT (CONT'D)

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The significant events subsequent to the end of the reporting period are disclosed in Note 33 to the financial statements.

AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

Auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2018 amounted to RM36,000 and RM115,000 respectively.

BDO PLT (LLP0018825-LCA & AF 0206) was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

Signed on behalf of the Board in accordance with a resolution of the Directors.

Teh Kiak Seng
Director

Teh Theng Theng
Director

Penang
12 April 2019

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 71 to 138 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Teh Kiak Seng
Director

Teh Theng Theng
Director

Penang
12 April 2019

STATUTORY DECLARATION

I, Neoh Sze Tsin (MIA 31442), being the officer primarily responsible for the financial management of Tambun Indah Land Berhad, do solemnly and sincerely declare that the financial statements set out on page 71 to 138 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed at Georgetown in the State of
Penang this 12 April 2019

Neoh Sze Tsin

Before me,

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TAMBUN INDAH LAND BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tambun Indah Land Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 71 to 138.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ('ISAs'). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ('By-Laws') and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition for property development activities

Revenue from property development activities during the financial year as disclosed in Note 22 to the financial statements is RM170,735,733.

We determined this to be a key audit matter because it requires management to exercise significant judgements in determining the satisfaction of performance obligations as stated in the contracts with customers, transaction price allocations and costs in applying the input method to recognise revenue over time.

The Group identifies performance obligations that are distinct and material, which are judgmental in the context of contracts. Transaction prices are determined based on estimated profit margins prior to its allocation to the identified performance obligations.

The Group also estimates total contract costs in applying the input method to recognise revenue over time. In estimating the total costs to complete, the Group considers the completeness and accuracy of its costs estimation, including its obligations to contract variations, claims and cost contingencies.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TAMBUN INDAH LAND BERHAD (CONT'D)

Key Audit Matters (Continued)

Audit response

Our audit responses to address the assessed risk on revenue recognition for property development activities were as follows:

- (a) Reviewed contracts with customers to identify distinct and material performance obligations, and compared our findings to the findings of the Group;
- (b) Recomputed transaction prices based on historical profit margins of the Group, and compared these transaction prices allocated to profit margins of similar contracts subsequent to the end of reporting period;
- (c) Assessed estimated total costs to complete through inquiries with operational and financial personnel of the Group;
- (d) Inspected documentation to support cost estimates made including contract variations and cost contingencies;
- (e) Compared contract budgets to actual outcomes to assess reliability of management budgeting process and controls; and
- (f) Recomputed the results of the input method determined by management for revenue recognition based on verified actual costs incurred to-date and budgeted costs.

We have determined that there are no key audit matters to communicate in our report in respect of the audit of the financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs, and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TAMBUN INDAH LAND BERHAD (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TAMBUN INDAH LAND BERHAD (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

Other Matters

- (a) As disclosed in Note 3 to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 January 2018 with a transition date of 1 January 2017. These Standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2017 and 1 January 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended 31 December 2017 and related disclosures. We were not engaged to report on the restated comparative information, and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and the Company for the financial year ended 31 December 2018 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2017 do not contain misstatements that materially affect the financial position as of 31 December 2018 and financial performance and cash flows for the financial year then ended.
- (b) This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Koay Theam Hock
02141/04/2021 J
Chartered Accountant

Penang
12 April 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

Group	NOTE	31.12.2018 RM	31.12.2017 RM	1.1.2017 RM
ASSETS				
Non-current assets				
Property, plant and equipment	5	3,417,889	3,476,056	3,960,973
Investment properties	6	115,851,626	118,336,906	117,406,521
Inventories	11	145,997,485	147,657,117	160,482,136
Investment in an associate	8	562,547	554,807	1,328,895
Investment in a joint venture	9	26,880,075	25,906,731	26,051,943
Deferred tax assets	10	15,570,700	17,088,700	18,872,000
		<u>308,280,322</u>	<u>313,020,317</u>	<u>328,102,468</u>
Current assets				
Inventories	11	170,282,636	210,557,756	204,526,836
Trade and other receivables	12	64,324,066	81,769,878	49,939,482
Contract assets	13	14,209,564	35,088,527	43,634,382
Current tax assets		3,836,212	3,150,766	4,885,049
Short term funds	14	30,755,998	10,727,601	37,560,905
Cash and bank balances	15	144,649,083	94,556,740	83,274,678
		<u>428,057,559</u>	<u>435,851,268</u>	<u>423,821,332</u>
TOTAL ASSETS		<u>736,337,881</u>	<u>748,871,585</u>	<u>751,923,800</u>
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	16	287,580,160	287,520,424	213,675,582
Reserves	17	320,259,755	293,878,965	325,523,595
		<u>607,839,915</u>	<u>581,399,389</u>	<u>539,199,177</u>
Non-controlling interests	7(e)	1,316,871	1,879,803	2,561,977
TOTAL EQUITY		<u>609,156,786</u>	<u>583,279,192</u>	<u>541,761,154</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018 (CONT'D)

Group	NOTE	31.12.2018 RM	31.12.2017 RM	1.1.2017 RM
LIABILITIES				
Non-current liabilities				
Borrowings	18	37,393,302	68,536,326	97,365,572
Deferred tax liabilities	10	106,000	0	0
		<u>37,499,302</u>	<u>68,536,326</u>	<u>97,365,572</u>
Current liabilities				
Trade and other payables	21	28,664,921	53,020,571	45,320,568
Contract liabilities	13	0	2,007,480	25,098,668
Borrowings	18	58,427,257	37,889,095	40,789,814
Current tax liabilities		2,589,615	4,138,921	1,588,024
		<u>89,681,793</u>	<u>97,056,067</u>	<u>112,797,074</u>
TOTAL LIABILITIES		<u>127,181,095</u>	<u>165,592,393</u>	<u>210,162,646</u>
TOTAL EQUITY AND LIABILITIES		<u>736,337,881</u>	<u>748,871,585</u>	<u>751,923,800</u>

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

Company	NOTE	31.12.2018 RM	31.12.2017 RM	1.1.2017 RM
ASSETS				
Non-current assets				
Investments in subsidiaries	7	283,798,876	283,798,876	283,634,864
Investment in an associate	8	590,829	590,829	831,079
		<u>284,389,705</u>	<u>284,389,705</u>	<u>284,465,943</u>
Current assets				
Trade and other receivables	12	11,818,296	16,985,409	40,184,173
Current tax assets		206,257	161,257	97,383
Short term funds	14	1,518,579	727,510	8,358,374
Cash and bank balances	15	28,291,418	11,441,873	4,368,665
		<u>41,834,550</u>	<u>29,316,049</u>	<u>53,008,595</u>
TOTAL ASSETS		<u>326,224,255</u>	<u>313,705,754</u>	<u>337,474,538</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	16	287,112,581	287,052,845	213,675,582
Reserves	17	5,364,917	13,567,625	110,804,974
TOTAL EQUITY		<u>292,477,498</u>	<u>300,620,470</u>	<u>324,480,556</u>
LIABILITIES				
Current liabilities				
Trade and other payables	21	8,746,757	13,085,284	12,993,982
Borrowings	18	25,000,000	0	0
		<u>33,746,757</u>	<u>13,085,284</u>	<u>12,993,982</u>
TOTAL LIABILITIES		<u>33,746,757</u>	<u>13,085,284</u>	<u>12,993,982</u>
TOTAL EQUITY AND LIABILITIES		<u>326,224,255</u>	<u>313,705,754</u>	<u>337,474,538</u>

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group		Company	
	NOTE	2018 RM	2017 RM	2018 RM	2017 RM
Revenue	22	179,302,111	277,172,768	21,445,290	15,801,100
Cost of sales	23	(84,062,043)	(150,573,207)	0	0
Gross profit		95,240,068	126,599,561	21,445,290	15,801,100
Other income					
- Interest income		3,435,641	3,482,349	662,638	1,336,576
- Other income		2,570,460	1,099,084	0	151,220
Selling and distribution expenses		(5,081,989)	(6,571,933)	0	0
Administrative expenses		(16,463,462)	(14,649,649)	(1,161,998)	(1,641,083)
Finance costs		(2,611,478)	(3,620,818)	0	0
Share of profit of an associate, net of tax	8	7,740	13,412	0	0
Share of profit of a joint venture, net of tax	9	973,344	854,788	0	0
Profit before tax		78,070,324	107,206,794	20,945,930	15,647,813
Tax expense	25	(22,628,828)	(25,538,599)	(125,000)	(250,543)
Profit for the financial year		55,441,496	81,668,195	20,820,930	15,397,270
Total other comprehensive income, net of tax		0	0	0	0
Total comprehensive income		55,441,496	81,668,195	20,820,930	15,397,270
Profit for the financial year attributable to:					
Owners of the parent		55,404,428	81,457,256	20,820,930	15,397,270
Non-controlling interests	7(e)	37,068	210,939	0	0
		55,441,496	81,668,195	20,820,930	15,397,270
Earnings per ordinary share attributable to equity holders of the Company:					
Basic (Sen)	26(a)	12.79	18.88		
Diluted (Sen)	26(b)	12.79	18.88		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Group	NOTE	Non-distributable				Distributable				Total equity
		Share capital	Share premium	Share options reserve	Capital reserve	Warrants reserve	Retained earnings	attributable to owners of the parent	Non-controlling interests	
		RM	RM	RM	RM	RM	RM	RM	RM	RM
Balance as at 1 January 2017		213,675,582	69,135,499	1,056,218	467,579	108,856	251,979,881	536,423,615	2,561,977	538,985,592
Adjustments on initial application of:										
- MFRS 9		0	0	0	0	0	(20,787)	(20,787)	0	(20,787)
- MFRS 15		0	0	0	0	0	2,796,349	2,796,349	0	2,796,349
Balance as at 1 January 2017, as restated		213,675,582	69,135,499	1,056,218	467,579	108,856	254,755,443	539,199,177	2,561,977	541,761,154
Profit for the financial year		0	0	0	0	0	81,457,256	81,457,256	210,939	81,668,195
Other comprehensive income, net of tax		0	0	0	0	0	0	0	0	0
Total comprehensive income		0	0	0	0	0	81,457,256	81,457,256	210,939	81,668,195
Transactions with owners										
Issuance of ordinary shares pursuant to:										
- ESOS	16	842,434	87,692	(164,996)	0	0	0	765,130	0	765,130
- Warrants	16	3,244,594	67,044	0	0	(106,827)	0	3,204,811	0	3,204,811
Dividends	27	0	0	0	0	0	(43,328,852)	(43,328,852)	0	(43,328,852)
Dividends paid to non-controlling interests of subsidiaries		0	0	0	0	0	0	0	(600,000)	(600,000)
Acquisition of shares from non-controlling interests		0	0	0	0	0	312	312	(293,113)	(292,801)
Share options granted under ESOS		0	0	101,555	0	0	0	101,555	0	101,555
Transfer of share option reserve to retained earnings upon lapse of ESOS		0	0	(35,480)	0	0	35,480	0	0	0
Transfer of warrant reserve to retained earnings upon expiry		0	0	0	0	(2,029)	2,029	0	0	0
Total transactions with owners		4,087,028	154,736	(98,921)	0	(108,856)	(43,291,031)	(39,257,044)	(893,113)	(40,150,157)
Transfer pursuant to Companies Act 2016*		69,757,814	(69,290,235)	0	(467,579)	0	0	0	0	0
Balance as at 31 December 2017		287,520,424	0	957,297	0	0	292,921,668	581,399,389	1,879,803	583,279,192

* Pursuant to the Companies Act 2016, the credit balance in the share premium account and capital reserve account had been transferred to the share capital account.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

Group	NOTE	Non-distributable		Distributable		Non-controlling interests	Total equity
		Share capital RM	Share options reserve RM	Retained earnings RM	Total attributable to owners of the parent RM	RM	RM
Balance as at 1 January 2018		287,520,424	957,297	292,921,668	581,399,389	1,879,803	583,279,192
Profit for the financial year		0	0	55,404,428	55,404,428	37,068	55,441,496
Other comprehensive income, net of tax		0	0	0	0	0	0
Total comprehensive income		0	0	55,404,428	55,404,428	37,068	55,441,496
Transactions with owners							
Issuance of ordinary shares pursuant to ESOS	16	59,736	(7,296)	0	52,440	0	52,440
Dividends	27	0	0	(29,034,198)	(29,034,198)	0	(29,034,198)
Dividends paid to non-controlling interests of subsidiaries		0	0	0	0	(600,000)	(600,000)
Share options granted under ESOS		0	17,856	0	17,856	0	17,856
Transfer of share option reserve to retained earnings upon lapse of ESOS		0	(78,296)	78,296	0	0	0
Total transactions with owners		59,736	(67,736)	(28,955,902)	(28,963,902)	(600,000)	(29,563,902)
Balance as at 31 December 2018		287,580,160	889,561	319,370,194	607,839,915	1,316,871	609,156,786

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

Company	NOTE	Non-distributable			Distributable		Total equity RM
		Share capital RM	Share premium RM	Share options reserve RM	Warrants reserve RM	Retained earnings RM	
Balance at 1 January 2017		213,675,582	69,135,499	1,056,218	108,856	40,504,401	324,480,556
Profit for the financial year		0	0	0	0	15,397,270	15,397,270
Other comprehensive income, net of tax		0	0	0	0	0	0
Total comprehensive income		0	0	0	0	15,397,270	15,397,270
Transactions with owners							
Issuance of ordinary shares pursuant to:							
- ESOS	16	842,434	87,692	(164,996)	0	0	765,130
- Warrants	16	3,244,594	67,044	0	(106,827)	0	3,204,811
Dividends	27	0	0	0	0	(43,328,852)	(43,328,852)
Share options granted under ESOS		0	0	101,555	0	0	101,555
Transfer of share option reserve to retained earnings upon lapse of ESOS		0	0	(35,480)	0	35,480	0
Transfer of warrant reserve to retained earnings upon expiry		0	0	0	(2,029)	2,029	0
Total transactions with owners		4,087,028	154,736	(98,921)	(108,856)	(43,291,343)	(39,257,356)
Transfer pursuant to Companies Act 2016*		69,290,235	(69,290,235)	0	0	0	0
Balance at 31 December 2017		287,052,845	0	957,297	0	12,610,328	300,620,470

* Pursuant to the Companies Act 2016, the credit balance in the share premium account was transferred to the share capital account.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

Company	NOTE	Non-distributable		Distributable	Total equity RM
		Share capital RM	Share options reserve RM	Retained earnings RM	
Balance at 1 January 2018		287,052,845	957,297	12,610,328	300,620,470
Profit for the financial year		0	0	20,820,930	20,820,930
Other comprehensive income, net of tax		0	0	0	0
Total comprehensive income		0	0	20,820,930	20,820,930
Transactions with owners					
Issuance of ordinary shares pursuant to ESOS	16	59,736	(7,296)	0	52,440
Dividends	27	0	0	(29,034,198)	(29,034,198)
Share options granted under ESOS		0	17,856	0	17,856
Transfer of share option reserve to retained earnings upon lapse of ESOS		0	(78,296)	78,296	0
Total transactions with owners		59,736	(67,736)	(28,955,902)	(28,963,902)
Balance at 31 December 2018		287,112,581	889,561	4,475,356	292,477,498

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group		Company	
	NOTE	2018 RM	2017 RM	2018 RM	2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		78,070,324	107,206,794	20,945,930	15,647,813
Adjustments for:					
Depreciation of property, plant and equipment	5	565,832	624,135	0	0
Dividend income		0	0	(21,445,290)	(15,801,100)
Gain on disposal of property, plant and equipment		(35,499)	(18,866)	0	0
Impairment loss on investment in subsidiaries	7(c)	0	0	0	128,789
Impairment loss on investment in an associate		0	0	0	240,250
Impairment loss on trade receivables		39,616	46,631	0	0
Interest income		(3,435,641)	(3,482,349)	(662,638)	(1,336,576)
Interest paid		2,611,478	3,620,818	0	0
Net gain from fair value adjustments on investment properties	6	(1,941,619)	(791,000)	0	0
Property, plant and equipment written off		0	858	0	0
Reversal of impairment loss on trade receivables		(46,631)	(20,787)	0	0
Share of profit of a joint venture, net of tax	9	(973,344)	(854,788)	0	0
Share of profit of an associate, net of tax	8	(7,740)	(13,412)	0	0
Share options granted under ESOS		17,856	101,555	17,856	101,555
Operating profit/(loss) before changes in working capital		74,864,632	106,419,589	(1,144,142)	(1,019,269)
Changes in working capital:					
Inventories		44,013,540	6,794,099	0	0
Trade and other receivables		17,452,827	(31,856,240)	5,167,113	23,198,764
Contract assets		20,878,963	8,545,855	0	0
Trade and other payables		(20,024,144)	7,540,833	(7,021)	(67,868)
Contract liabilities		(2,007,480)	(23,091,188)	0	0
Cash generated from operations		135,178,338	74,352,948	4,015,950	22,111,627
Interest received		3,435,641	3,482,349	662,638	1,336,576
Tax paid		(23,285,701)	(22,682,089)	(170,000)	(375,000)
Tax refunded		46,121	3,211,970	0	60,583
Net cash from operating activities		115,374,399	58,365,178	4,508,588	23,133,786

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

		Group		Company	
	NOTE	2018 RM	2017 RM	2018 RM	2017 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of shares from non-controlling interests		0	(292,801)	0	(292,801)
Dividend income from:					
- an associate		0	787,500	0	787,500
- subsidiaries		0	0	21,445,290	15,013,600
Proceeds from disposal of investment properties		2,416,000	0	0	0
Proceeds from disposal of property, plant and equipment		35,500	18,868	0	0
Purchase of investment properties	6	(417,889)	(139,385)	0	0
Purchase of property, plant and equipment	5	(157,666)	(140,078)	0	0
Redemption of RPS in a joint venture	9(f)	0	1,000,000	0	0
Net changes in deposits pledged with licensed banks		836,724	(149,172)	0	0
Net cash from investing activities		2,712,669	1,084,932	21,445,290	15,508,299
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		(33,365,704)	(43,169,682)	(33,365,704)	(43,169,682)
Dividends paid to non-controlling interests of subsidiaries		(600,000)	(600,000)	0	0
Drawdowns of bank borrowings		25,000,000	35,200,000	25,000,000	0
Interest paid		(2,611,478)	(3,620,818)	0	0
Proceeds from the issuance of shares pursuant to:					
- ESOS		52,440	765,130	52,440	765,130
- Warrants		0	3,204,811	0	3,204,811
Repayments of bank borrowings		(35,604,862)	(66,900,902)	0	0
Repayments of hire purchase creditors		0	(29,063)	0	0
Net cash used in financing activities		(47,129,604)	(75,150,524)	(8,313,264)	(39,199,741)
Net increase/(decrease) in cash and cash equivalents		70,957,464	(15,700,414)	17,640,614	(557,656)
Cash and cash equivalents at beginning of the financial year		101,721,801	117,422,215	12,169,383	12,727,039
Cash and cash equivalents at end of the financial year	15(d)	172,679,265	101,721,801	29,809,997	12,169,383

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings (Note 18)		Hire purchase creditors	
	Group RM	Company RM	Group RM	Company RM
At January 2017	138,126,323	0	29,063	0
Cash flows	(31,700,902)	0	(29,063)	0
At December 2017	106,425,421	0	0	0
At January 2018	106,425,421	0	0	0
Cash flows	(10,604,862)	25,000,000	0	0
At December 2018	95,820,559	25,000,000	0	0

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1. CORPORATE INFORMATION

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

The registered office of the Company is located at 51-21-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang.

The principal place of business of the Company is located at 12-01, Penthouse, Wisma Pantai, Jalan Wisma Pantai, Kampung Gajah, 12200 Butterworth, Penang.

The consolidated financial statements for the financial year ended 31 December 2018 comprise the Company and its subsidiaries and the interests of the Group in an associate and a joint venture. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 12 April 2019.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and the details of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the provisions of the Companies Act 2016 in Malaysia.

These are the first financial statements of the Group and of the Company prepared in accordance with MFRSs, and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. In the previous financial years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ('FRSs') in Malaysia.

The Group and the Company have consistently applied the same accounting policies in its opening MFRS statements of financial position as at 1 January 2017 and throughout all financial years presented, as if these policies had always been in effect. Comparative figures in these financial statements have been restated to given effect to these changes. Note 34.2 to the financial statements discloses the new MFRSs, amendments to MFRSs adopted during the financial year, the impact of the transition to MFRSs on the Group's reported financial position, financial performance and cash flows for the financial year then ended.

4. OPERATING SEGMENTS

Tambun Indah Land Berhad and its subsidiaries are principally engaged in investment holding, property development, construction and project management.

Tambun Indah Land Berhad has arrived at three (3) reportable segments that are organised and managed separately according to the services, which requires different business and marketing strategies. The reportable segments are summarised as follows:

- | | |
|--|--|
| (i) Investment holding | - Operation of car park and rental income |
| (ii) Property development and management | - Development and management of land into vacant lots, residential, commercial and/or industrial buildings |
| (iii) Other operations | - Construction and project management activities |

The Group evaluates performance on the basis of profit or loss from operations before tax not including non-recurring gain/(losses), such as bargain purchase gain and goodwill on consolidation written off.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Segment assets exclude tax assets and segment liabilities exclude tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

4. OPERATING SEGMENTS (CONTINUED)

(a) Business segments

	Investment holding RM	Property development and management RM	Other operations RM	Group RM
2018				
Revenue:				
Total revenue	27,432,520	181,041,401	24,081	208,498,002
Inter-segment revenue	(22,437,310)	(6,734,500)	(24,081)	(29,195,891)
Revenue from external customers	4,995,210	174,306,901	0	179,302,111
Interest income	210,937	3,155,046	69,658	3,435,641
Finance costs	0	(2,611,478)	0	(2,611,478)
Net finance income	210,937	543,568	69,658	824,163
Depreciation of property, plant and equipment	(73,586)	(492,246)	0	(565,832)
Segment profit before income tax	4,479,645	73,779,715	57,884	78,317,244
Share of profit of an associate, net of tax	0	7,740	0	7,740
Share of profit of a joint venture, net of tax	973,344	0	0	973,344
Tax expense	(361,920)	(22,258,408)	(8,500)	(22,628,828)
Other non-cash items:				
- net gain from fair value adjustments on investment properties	1,941,619	0	0	1,941,619
- gain on disposal of property, plant and equipment	0	35,499	0	35,499
Investment in an associate	0	562,547	0	562,547
Investment in a joint venture	0	26,880,075	0	26,880,075
Additions to non-current assets other than financial instruments and tax assets	417,889	393,040	0	810,929
Segment assets	361,386,033	669,911,547	2,672,538	1,033,970,118
Segment liabilities	33,788,881	123,101,225	9,553	156,899,659

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

4. OPERATING SEGMENTS (CONTINUED)

(a) Business segments (Continued)

	Investment holding RM	Property development and management RM	Other operations RM	Group RM
2017				
Revenue:				
Total revenue	21,682,054	272,473,119	0	294,155,173
Inter-segment revenue	(16,787,905)	(194,500)	0	(16,982,405)
Revenue from external customers	4,894,149	272,278,619	0	277,172,768
Interest income	292,482	3,135,940	53,927	3,482,349
Finance costs	0	(3,620,818)	0	(3,620,818)
Net finance income/(expense)	292,482	(484,878)	53,927	(138,469)
Depreciation of property, plant and equipment	(72,549)	(551,586)	0	(624,135)
Segment profit before income tax	5,631,212	101,891,480	40,224	107,562,916
Share of profit of an associate, net of tax	0	13,412	0	13,412
Share of profit of a joint venture, net of tax	854,788	0	0	854,788
Tax expense	(470,621)	(25,059,500)	(8,478)	(25,538,599)
Other non-cash items:				
- net gain from fair value adjustments on investment properties	791,000	0	0	791,000
- gain on disposal of property, plant and equipment	0	18,866	0	18,866
- property, plant and equipment written off	0	(858)	0	(858)
Investment in an associate	0	554,807	0	554,807
Investment in a joint venture	0	25,906,731	0	25,906,731
Additions to non-current assets other than financial instruments and tax assets	139,385	2,248,691	0	2,388,076
Segment assets	367,530,004	699,006,568	2,676,012	1,069,212,584
Segment liabilities	14,203,947	202,913,824	291,196	217,408,967

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

4. OPERATING SEGMENTS (CONTINUED)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities to the Group's corresponding amounts are as follows:

Revenue

	2018 RM	2017 RM
Total revenue for reportable segments	208,498,002	294,155,173
Elimination of inter-segmental revenues	(29,195,891)	(16,982,405)
Group's revenue per consolidated statement of profit or loss and other comprehensive income	<u>179,302,111</u>	<u>277,172,768</u>

Profit for the financial year

Total profit for reportable segments	78,317,244	107,562,916
Unallocated amounts:		
- corporate expenses	(246,920)	(356,122)
Profit before tax	78,070,324	107,206,794
Tax expense	(22,628,828)	(25,538,599)
Profit for the financial year of the Group per consolidated statement of profit or loss and other comprehensive income	<u>55,441,496</u>	<u>81,668,195</u>

Assets

	2018 RM	2017 RM
Total assets for reportable segments	1,033,970,118	1,069,212,584
Elimination of investments in subsidiaries	(284,624,970)	(284,624,970)
Elimination of inter-segment balances	(32,414,179)	(55,955,495)
	716,930,969	728,632,119
Deferred tax assets	15,570,700	17,088,700
Current tax assets	3,836,212	3,150,766
Group's assets per consolidated statement of financial position	<u>736,337,881</u>	<u>748,871,585</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

4. OPERATING SEGMENTS (CONTINUED)

Liabilities

	2018	2017
	RM	RM
Total liabilities for reportable segments	156,899,659	217,408,967
Elimination of inter-segment balances	(32,414,179)	(55,955,495)
	124,485,480	161,453,472
Deferred tax liabilities	106,000	0
Current tax liabilities	2,589,615	4,138,921
Group's liabilities per consolidated statement of financial position	127,181,095	165,592,393

Geographical segments

The segmental financial information by geographical segments is not presented as the Group's activities are carried out in Malaysia.

There are no single external customers that the revenue generated from exceeded 10% of the Group's revenue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings RM	Computers RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Renovation RM	Air conditioners RM	Construction- in- progress RM	Total RM
At cost								
Balance as at 1 January 2018	2,422,966	752,573	1,321,117	2,038,289	272,077	17,530	46,277	6,870,829
Additions	0	0	57,796	99,870	0	0	0	157,666
Transfer from investment property								
(Note 6)	350,000	0	0	0	0	0	0	350,000
Disposal	0	0	0	(165,637)	0	0	0	(165,637)
Written off	0	0	(24,699)	0	0	0	0	(24,699)
Balance as at 31 December 2018	2,772,966	752,573	1,354,214	1,972,522	272,077	17,530	46,277	7,188,159
Accumulated depreciation								
Balance as at 1 January 2018	385,321	545,967	758,788	1,551,791	135,376	17,530	0	3,394,773
Current charge	71,302	93,463	99,783	274,076	27,208	0	0	565,832
Disposal	0	0	0	(165,636)	0	0	0	(165,636)
Written off	0	0	(24,699)	0	0	0	0	(24,699)
Balance as at 31 December 2018	456,623	639,430	833,872	1,660,231	162,584	17,530	0	3,770,270
Carrying amount								
Balance as at 31 December 2018	2,316,343	113,143	520,342	312,291	109,493	0	46,277	3,417,889

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Buildings RM	Computers RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Renovation RM	Air conditioners RM	Construction- in- progress RM	Total RM
At cost								
Balance as at 1 January 2017	2,422,966	755,384	1,271,524	2,112,486	272,077	17,530	46,277	6,898,244
Additions	0	16,175	55,500	68,403	0	0	0	140,078
Disposal	0	0	0	(142,600)	0	0	0	(142,600)
Written off	0	(18,986)	(5,907)	0	0	0	0	(24,893)
Balance as at 31 December 2017	2,422,966	752,573	1,321,117	2,038,289	272,077	17,530	46,277	6,870,829
Accumulated depreciation								
Balance as at 1 January 2017	315,057	455,548	650,012	1,392,708	108,169	15,777	0	2,937,271
Current charge	70,264	109,400	113,830	301,681	27,207	1,753	0	624,135
Disposal	0	0	0	(142,598)	0	0	0	(142,598)
Written off	0	(18,981)	(5,054)	0	0	0	0	(24,035)
Balance as at 31 December 2017	385,321	545,967	758,788	1,551,791	135,376	17,530	0	3,394,773
Carrying amount								
Balance as at 31 December 2017	2,037,645	206,606	562,329	486,498	136,701	0	46,277	3,476,056

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation period and rates are as follows:

Buildings	35 years
Computers	20%
Furniture, fittings and office equipment	10% - 20%
Motor vehicles	20%
Renovation	10%
Air conditioners	10%

Construction-in-progress represents building in progress and is stated at cost. Construction-in-progress is not depreciated until such time when the asset is available for use.

- (b) Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on MFRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

- (c) The buildings with carrying amount of RM2,316,343 (2017: RM2,037,645) have been charged to banks for credit facilities granted to the Group (Note 19).

6. INVESTMENT PROPERTIES

	Group	
	2018	2017
	RM	RM
Fair value		
Freehold land and buildings		
Balance as at 1 January	80,314,381	79,523,381
Transfer to property, plant and equipment (Note 5)	(350,000)	0
Disposal	(2,416,000)	0
Gain on fair value adjustment	1,941,619	791,000
Balance as at 31 December	79,490,000	80,314,381

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

6. INVESTMENT PROPERTIES (CONTINUED)

	Group	
	2018	2017
	RM	RM
At cost		
Construction-in-progress		
Balance as at 1 January	38,022,525	37,883,140
Additions	417,889	139,385
Transfer to inventories (Note 11(b))	(2,078,788)	0
Balance as at 31 December	36,361,626	38,022,525
Total investment properties	115,851,626	118,336,906

- (a) Investment properties are initially measured at cost, which includes transaction costs. After initial recognition, investment properties are stated at fair value which reflects market conditions at the end of the reporting period and change in fair value is recognised in profit or loss for the period in which it arises.
- (b) If the Group determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, the Group shall measure that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). Once the Group is able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, the Group shall measure that property at its fair value.
- (c) Fair values of investment properties are based on valuations by registered independent valuers with appropriate recognised professional qualification and have recent experience in the location and category of the investment properties being valued.

The carrying amounts of the investment properties were based on valuation carried out by Henry Butcher Malaysia (Seberang Perai) Sdn. Bhd. and PA International Property Consultants (Penang) Sdn. Bhd.. Fair value is determined primarily based on comparison approach. The fair value measurements of the investment properties are based on the highest and best use, which does not differ from their actual use.

Comparison method

The comparison/cost method of valuation entails separate valuations of the land and buildings to arrive at the market value of the subject property.

Under the comparison method, a property's fair value is estimated based on comparable transactions. This approach is based upon the principle of substitution under which a potential buyer would not pay more for the property than it would cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold.

The land is valued by reference to transactions of similar lands in the surrounding area with adjustments made for differences in location, terrain, size and shape of the land, tenure, title restrictions, if any and other relevant characteristics.

Completed buildings are valued by reference to the current estimates on constructional costs to erect equivalent buildings, taking into consideration of similar accommodation in terms of size, construction, finishes contractors' overheads, fees and profits. Appropriate adjustments are then made for the factors of obsolescence and existing physical condition of the building.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

6. INVESTMENT PROPERTIES (CONTINUED)

- (d) The fair values of investment properties of the Group are categorised as follows:

	Group	
	2018	2017
	RM	RM
Level 2		
Freehold land and buildings	79,490,000	80,314,381

Investment properties at Level 2 fair value were determined by external and independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The property valuers provide the fair value of the investment property portfolio of the Group every year. It has been derived from observable recent transacted prices of similar land and buildings in the local market.

- (e) Investment properties with a carrying amount of RM57,985,000 (2017: RM59,046,000) have been charged to bank for credit facilities granted to the Group (Note 19 and Note 20).
- (f) Direct operating expenses arising from investment properties generating rental income during the financial year are as follows:

	Group	
	2018	2017
	RM	RM
Insurance	40,944	4,542
Quit rent and assessment	149,789	161,429
Repair and maintenance	24,524	18,341

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018	2017
	RM	RM
At cost		
Unquoted ordinary shares	169,796,518	169,796,518
Redeemable preference shares	134,000,000	134,000,000
Less: Impairment losses	(19,997,642)	(19,997,642)
	283,798,876	283,798,876

- (a) Investments in subsidiaries, which are eliminated on consolidation, are stated in the separate financial statements of the Company at cost less impairment losses, if any.

All components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(b) Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective interest in equity		Principal activities
		2018	2017	
Cenderaman Development Sdn. Bhd.	Malaysia	100%	100%	Property development
Denmas Sdn. Bhd.	Malaysia	100%	100%	Project and construction management
Denmas Development Sdn. Bhd.	Malaysia	100%	100%	Property development
Epiland Properties Sdn. Bhd.	Malaysia	100%	100%	Property management
Hong Hong Development Sdn. Bhd.	Malaysia	100%	100%	Property development
Intanasia Development Sdn. Bhd.	Malaysia	100%	100%	Property development
Jasnia Sdn. Bhd.	Malaysia	100%	100%	Property development
Juru Heights Sdn. Bhd.	Malaysia	100%	100%	Property development
Langstone Sdn. Bhd.	Malaysia	100%	100%	Investment holding and operation of car park
Palmington Sdn. Bhd.	Malaysia	100%	100%	Property development and investment holding
Perquest Sdn. Bhd.	Malaysia	100%	100%	Property development
Premcourt Development Sdn. Bhd.	Malaysia	100%	100%	Property development, investment holding and operation of car park
Pridaman Sdn. Bhd.	Malaysia	100%	100%	Property development
Tokoh Edaran Sdn. Bhd.	Malaysia	100%	100%	Construction management
Tambun Indah Sdn. Bhd.	Malaysia	100%	100%	Property development
Tambun Indah Development Sdn. Bhd.	Malaysia	100%	100%	Property development
TID Development Sdn. Bhd.	Malaysia	100%	100%	Property development
TKS Land Sdn. Bhd.	Malaysia	100%	100%	Investment holding
Zipac Development Sdn. Bhd.	Malaysia	100%	100%	Property development

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(b) Details of the subsidiaries are as follows: (Continued)

Name of company	Country of incorporation	Effective interest in equity		Principal activities
		2018	2017	
Held through TKS Land Sdn. Bhd.:				
Ascention Sdn. Bhd.	Malaysia	50%	50%	Property development
CBD Land Sdn. Bhd.	Malaysia	50%	50%	Property development
Held through Palmington Sdn. Bhd.:				
Novinia Sdn. Bhd.	Malaysia	100%	100%	Dormant

All subsidiaries above are audited by BDO PLT, Malaysia.

- (c) In the previous financial year, impairment loss on investments in subsidiaries amounting to RM128,789 in respect of Epiland Properties Sdn. Bhd. and Juru Heights Sdn. Bhd., had been recognised due to declining business operations. The recoverable amount was determined based on a value-in-use calculation using cash flow projections based on financial budget approved by the management covering a three (3)-year period. The discount rate applied to the cash flow projections was 7.9% based on the weighted average cost of capital of the Company.
- (d) The Group considers that it controls Ascention Sdn. Bhd. and CBD Land Sdn. Bhd. even though it owns fifty percent (50%) of the voting rights. This is because the Group is the single largest shareholder of Ascention Sdn. Bhd. and CBD Land Sdn. Bhd. with a fifty percent (50%) equity interests. The remaining fifty percent (50%) of the equity shares in Ascention Sdn. Bhd. and CBD Land Sdn. Bhd. are held by few shareholders, (as recorded in the shareholders' register of CBD Land Sdn. Bhd. from 10 May 2010 to 31 December 2018, and Ascention Sdn. Bhd. from 29 December 2011 to 31 December 2018). Since 10 May 2010 and 29 December 2011, which were the dates of acquisitions of Ascention Sdn. Bhd. and CBD Land Sdn. Bhd., there is no history of the other few shareholders collaborating to exercise their votes collectively or to outvote the Group.
- (e) The subsidiaries of the Group that have material non-controlling interests ('NCI') are as follows:

	Ascention Sdn. Bhd.	CBD Land Sdn. Bhd.	Total
2018			
NCI percentage of ownership interest and voting interest	50%	50%	
Carrying amount of NCI (RM)	932,225	384,646	1,316,871
Profit allocated to NCI (RM)	30,156	6,912	37,068

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

- (e) The subsidiaries of the Group that have material non-controlling interests ('NCI') are as follows: (Continued)

	Zipac Development Sdn. Bhd.	Ascention Sdn. Bhd.	CBD Land Sdn. Bhd.	Total
2017				
NCI percentage of ownership interest and voting interest	50%	50%	50%	
Carrying amount of NCI (RM)	0 ^	1,502,069	377,734	1,879,803
Profit allocated to NCI (RM)	843	203,427	6,669	210,939

^ Acquisition of non-controlling interests during the financial year as disclosed in Note 7(g) to the financial statements.

- (f) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows:

	Ascention Sdn. Bhd.	CBD Land Sdn. Bhd.
2018		
Assets and liabilities		
Non-current asset	0	0
Current assets	1,866,449	771,437
Non-current liabilities	0	0
Current liabilities	(2,000)	(2,145)
Net assets	1,864,449	769,292
Results		
Revenue	0	0
Profit for the financial year	60,312	13,825
Total comprehensive income	60,312	13,825
Cash flows from operating activities	263,270	13,399
Cash flows from investing activities	820,181	0
Cash flows used in financing activities	(1,200,000)	0
Net (decrease)/increase in cash and cash equivalents	(116,549)	13,399
Dividend paid to NCI	(600,000)	0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

- (f) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows: (Continued)

	Zipac		
	Development	Ascention	CBD Land
	Sdn. Bhd.	Sdn. Bhd.	Sdn. Bhd.
2017			
Assets and liabilities			
Non-current asset	0 ^	0	0
Current assets	0 ^	3,306,316	757,837
Non-current liabilities	0 ^	0	0
Current liabilities	0 ^	(302,179)	(2,370)
Net assets	0 ^	3,004,137	755,467
Results			
Revenue	0	628,511	0
Profit for the financial year	1,686	406,854	13,338
Total comprehensive income	1,686	406,854	13,338
Cash flows from operating activities	0 ^	241,368	7,498
Cash flows used in investing activities	0 ^	(809,151)	0
Cash flows used in financing activities	0 ^	(1,200,000)	0
Net (decrease)/increase in cash and cash equivalents	0 ^	(1,767,783)	7,498
Dividend paid to NCI	0	(600,000)	0

^ Acquisition of non-controlling interests during the financial year as disclosed in Note 7(g) to the financial statements.

- (g) Acquisition of non-controlling interests

On 5 July 2017, the Group acquired the remaining 50% equity interest in Zipac Development Sdn. Bhd. for a consideration of RM292,801 satisfied by cash. The carrying amount of net assets of Zipac Development Sdn. Bhd. in the Group's financial statements on the date of acquisition was RM586,225. The Group adjusted the differences arose from the increase in stake with increase in retained earnings of RM312 and a reduction in non-controlling interest of RM293,113.

8. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
At cost				
Unquoted ordinary shares	831,079	831,079	831,079	831,079
Share of post acquisition reserves, net of dividends received	(268,532)	(276,272)	0	0
Less: Impairment losses	0	0	(240,250)	(240,250)
	562,547	554,807	590,829	590,829

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

8. INVESTMENT IN AN ASSOCIATE (CONTINUED)

(a) Investment in an associate is stated in the separate financial statements at cost.

(b) The details of the associate are as follows:

Name of company	Country of incorporation	Effective interest in equity		Principal activity
		2018	2017	
Ikhtiar Bitara Sdn. Bhd. #	Malaysia	45%	45%	Property development

Associate not audited by BDO PLT, Malaysia

The associate is accounted for using the equity method in the consolidated financial statements.

The financial statements of the above associate has a financial year end of 31 October. In applying the equity method of accounting, the audited financial statements of Ikhtiar Bitara Sdn. Bhd. for the financial year ended 31 October 2018 have been used and appropriate adjustments have been made for the effects of transactions between 31 October 2018 to 31 December 2018.

(c) Significant influence

Significant influence is presumed to exist when the Group hold twenty percent (20%) or more of the voting rights of another entity, unless it can be clearly demonstrated otherwise. The Group has board representation and holds a 45% (2017: 45%) equity interest in Ikhtiar Bitara Sdn. Bhd. for which the Group has determined that it has significant influence.

(d) The summarised financial information of the associate is as follows:

	2018 RM	2017 RM
Assets and liabilities		
Current assets	1,331,954	1,376,452
Current liabilities	(1,800)	(63,498)
Net assets	1,330,154	1,312,954
Results		
Revenue	0	0
Profit for the financial year	17,200	29,805
Total comprehensive income	17,200	29,805
Cash flows from/(used in) operating activities	21,802	(492,479)
Cash flows from/(used in) investing activity	23,069	(670)
Cash flows used in financing activity	0	(1,750,000)
Net increase/(decrease) in cash and cash equivalents	44,871	(2,243,149)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

8. INVESTMENT IN AN ASSOCIATE (CONTINUED)

- (e) The reconciliation of net assets of the associate to the carrying amount of the investment in an associate are as follows:

	2018 RM	2017 RM
As at 31 December		
Share of net assets of the Group	(167,906)	(175,646)
Goodwill	730,453	730,453
Carrying amount in the statement of financial position	562,547	554,807
 Share of results of the Group for the financial year ended 31 December		
Share of profit of the Group	7,740	13,412
Share of other comprehensive income of the Group	0	0
Share of total comprehensive income of the Group	7,740	13,412
 Other information		
Dividend received	0	787,500

9. INVESTMENT IN A JOINT VENTURE

	Group	
	2018 RM	2017 RM
Unquoted equity shares, at cost	1	1
Redeemable preference shares	22,500,000	22,500,000
Share of post acquisition reserves, net of dividend received	4,380,074	3,406,730
	26,880,075	25,906,731

- (a) Investment in a joint venture is stated in the separate financial statements at cost.
- (b) The details of the joint venture are as follows:

Name of company	Country of incorporation	Effective interest in equity		Principal activity
		2018	2017	
TNC Capital Sdn. Bhd.	Malaysia	50%	50%	Building and leasing of properties

- (c) Classification of joint arrangement

For its joint arrangement structured in a separate vehicle, the Group assesses the substance of the joint arrangement in determining whether it is classified as a joint venture or joint operation. This assessment requires the Group to consider whether there are any factors that give the Group rights to the net assets of the joint arrangement (in which case it is classified as a joint venture), or rights to specific assets, liabilities, expenses, and revenues (in which case it is classified as a joint operation). These factors include:

- (i) Structure;
- (ii) Legal form;
- (iii) Contractual agreement; and
- (iv) Other facts and circumstances.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

9. INVESTMENT IN A JOINT VENTURE (CONTINUED)

(c) Classification of joint arrangement (Continued)

Upon consideration of these factors, the Group has determined that its joint arrangement structured through a separate vehicle provide rights to the net assets and is therefore, classified as a joint venture.

- (d) TNC Capital Sdn. Bhd., the only joint venture in which the Group participates, is an unlisted separate structured entity whose quoted market price is not available. The contractual arrangement stipulates unanimous consent of all parties over relevant activities of joint ventures and provides the Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for liabilities of the joint arrangement resting primarily with TNC Capital Sdn. Bhd.. This joint arrangement has been classified as a joint venture and has been included in the consolidated financial statements using the equity method.

- (e) The summarised financial information of the joint venture, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are as follows:

	2018 RM	2017 RM
Assets and liabilities		
Non-current assets	52,304,076	51,304,076
Current assets	2,186,274	1,266,367
Current liabilities	(730,200)	(756,980)
Net assets	53,760,150	51,813,463
Proportion of the ownership of the Group	50%	50%
Carrying amount of the investment in a joint venture	26,880,075	25,906,731
Results		
Revenue	1,453,561	2,420,001
Other income	1,030,636	54,865
Expenses including taxation	(537,510)	(765,290)
Profit for the financial year	1,946,687	1,709,576
Share of profit by the Group for the financial year	973,344	854,788

(f) Redemption of RPS

In the previous financial year, the Group redeemed RPS amounting to RM1,000,000 in respect of the TNC Capital Sdn. Bhd..

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

10. DEFERRED TAX

- (a) The deferred tax (assets) and liabilities are made up of the following:

	Group	
	2018	2017
	RM	RM
Balance as at 1 January	(17,088,700)	(18,872,000)
Recognised in profit or loss (Note 25):		
- property development costs	1,835,400	854,100
- investment properties	534,900	546,100
(Under)/Overprovision in prior years	(746,300)	383,100
Balance as at 31 December	(15,464,700)	(17,088,700)
Presented after appropriate offsetting:		
Deferred tax assets, net	(15,570,700)	(17,088,700)
Deferred tax liabilities, net	106,000	0
	(15,464,700)	(17,088,700)

- (b) The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

	2018	2017
	RM	RM
Deferred tax liabilities of the Group		
Balance as at 1 January		
- property development costs	0	0
Recognised in profit or loss (Note 25):		
- property development costs	106,000	0
Balance as at 31 December		
- property development costs	106,000	0
Deferred tax assets of the Group		
Balance as at 1 January		
- property development costs	17,088,700	18,872,000
Recognised in profit or loss (Note 25):		
- property development costs	(1,729,400)	(854,100)
- investment properties	(534,900)	(546,100)
Under/(Over)provision in prior year	746,300	(383,100)
Balance as at 31 December		
- property development costs	15,570,700	17,088,700

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

10. DEFERRED TAX (CONTINUED)

- (c) The amounts of temporary differences for which no deferred tax assets have been recognised in the statement of the financial position are as follows:

	Group	
	2018	2017
	RM	RM
Property, plant and equipment	47,000	46,400
Unused tax losses		
- Expired by 31 December 2025	5,187,300	877,600
	<u>5,234,300</u>	<u>924,000</u>

Deferred tax assets of certain subsidiaries had not been recognised in respect of these items as it was not probable that taxable profits of the subsidiaries would be available against which the deductible temporary differences can be utilised.

The amount and availability of these items to be carried forward up to the period as disclosed above are subject to the agreement of the local tax authority.

11. INVENTORIES

		Group	
		2018	2017
	Note	RM	RM
Non-current	(a)	145,997,485	147,657,117
Land held for property development			
Current	(c)	27,133,265	10,085,053
Completed properties held for sale, at cost	(b)	143,149,371	200,472,703
Property development costs		<u>170,282,636</u>	<u>210,557,756</u>
		<u>316,280,121</u>	<u>358,214,873</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

11. INVENTORIES (CONTINUED)

(a) Land held for property development

	Group	
	2018	2017
	RM	RM
Balance as at 1 January		
- Freehold land, at cost	120,638,212	132,203,770
- Development costs	27,018,905	28,278,366
	<u>147,657,117</u>	<u>160,482,136</u>
Add: Cost incurred during the financial year		
- Freehold land, at cost	0	23,050
- Development costs	235,374	2,085,563
	<u>235,374</u>	<u>2,108,613</u>
Less: Transfers to property development costs (Note 11(b))		
- Freehold land, at cost	0	(11,588,608)
- Development costs	(1,895,006)	(3,345,024)
	<u>(1,895,006)</u>	<u>(14,933,632)</u>
Balance as at 31 December		
- Freehold land, at cost	120,638,212	120,638,212
- Development costs	25,359,273	27,018,905
	<u>145,997,485</u>	<u>147,657,117</u>

- (i) Land held for property development is stated at cost less impairment losses, if any. Such land is classified as non-current asset when no significant development work has been carried out or where development activities are not expected to be completed within the normal operating cycle.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

- (ii) The freehold land held for property development with carrying amount of RM133,940,598 (2017: RM107,473,494) have been charged to banks for credit facilities granted to subsidiaries (Note 19 and Note 20).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

11. INVENTORIES (CONTINUED)

(b) Property development costs

	Freehold land, at cost RM	Development costs RM	Total RM
Group			
Cumulative property development costs			
Balance as at 1 January 2018	152,906,941	423,633,341	576,540,282
Incurred during the financial year	0	40,221,174	40,221,174
Transfer from land held for property development (Note 11(a))	0	1,895,006	1,895,006
Transfer from investment properties (Note 6)	1,792,505	286,283	2,078,788
Transferred to completed properties held for sale	(1,878,507)	(16,878,992)	(18,757,499)
Cost eliminated due to completion of projects	(26,769,179)	(179,135,253)	(205,904,432)
Balance as at 31 December 2018	126,051,760	270,021,559	396,073,319
Cumulative costs recognised in the statement of profit or loss and other comprehensive income			
Balance as at 1 January 2018	(77,439,003)	(298,628,576)	(376,067,579)
Recognised during the financial year	(9,282,650)	(73,478,151)	(82,760,801)
Cost eliminated due to completion of projects	26,769,179	179,135,253	205,904,432
Balance as at 31 December 2018	(59,952,474)	(192,971,474)	(252,923,948)
Property development costs as at 31 December 2018	66,099,286	77,050,085	143,149,371
Cumulative property development costs			
Balance as at 1 January 2017	165,435,188	676,163,502	841,598,690
Incurred during the financial year	0	141,503,770	141,503,770
Transfer from land held for property development (Note 11(a))	11,588,608	3,345,024	14,933,632
Transferred to completed properties held for sale	(977,874)	(8,355,527)	(9,333,401)
Cost eliminated due to completion of projects	(23,138,981)	(389,023,428)	(412,162,409)
Balance as at 31 December 2017	152,906,941	423,633,341	576,540,282

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

11. INVENTORIES (CONTINUED)

(b) Property development costs (Continued)

	Freehold land, at cost RM	Development costs RM	Total RM
Cumulative costs recognised in the statement of profit or loss and other comprehensive income			
Balance as at 1 January 2017	(88,556,877)	(549,893,188)	(638,450,065)
Recognised during the financial year	(12,021,107)	(137,758,816)	(149,779,923)
Cost eliminated due to completion of projects	23,138,981	389,023,428	412,162,409
Balance as at 31 December 2017	(77,439,003)	(298,628,576)	(376,067,579)
Property development costs as at 31 December 2017	75,467,938	125,004,765	200,472,703

Included in the property development costs are the following charges incurred during the financial year:

	2018 RM	2017 RM
Interest on:		
- Interest on revolving credit	52,400	710,871
- Interest on term loans	1,400,037	1,567,327

Interest capitalised in property development costs at rates ranging from 4.52% to 5.02% (2017: 4.57% to 5.45%) per annum.

Freehold land held under development with carrying amount of RM132,769,737 (2017: RM132,458,521) has been charged to banks for credit facilities granted to subsidiaries (Note 20).

- (c) Completed properties held for sale are stated at the lower of cost and net realisable value. Cost consists of cost associated with the acquisition of land, direct costs and appropriate proportions of common costs attributable for developing the properties until completion.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Trade receivables				
Third parties	37,459,573	59,155,430	0	0
Retention sums	23,967,801	19,222,369	0	0
	61,427,374	78,377,799	0	0
Less: Impairment losses	(39,616)	(46,631)	0	0
Total trade receivables	61,387,758	78,331,168	0	0
Other receivables				
Non-trade receivables	1,915,592	1,746,096	0	0
Amounts due from subsidiaries	0	0	11,800,000	16,962,880
Deposits	1,005,930	1,511,056	4,500	9,933
Total other receivables	2,921,522	3,257,152	11,804,500	16,972,813
Total receivables	64,309,280	81,588,320	11,804,500	16,972,813
Prepayments				
Prepayments	14,786	181,558	13,796	12,596
Total trade and other receivables	64,324,066	81,769,878	11,818,296	16,985,409

All trade and other receivables are denominated in RM.

- Total receivables are classified as financial assets measured at amortised cost.
- The normal trade credit terms granted by the Group and the Company are generally on 21 working days term (2017: 21 working days) and 30 days term (2017: 30 days) respectively. They are recognised at their original billing amounts, which represent their fair values on initial recognition.
- Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses.

The Group considers credit loss experience and observable data such as current conditions and forecast of future economic conditions by market segment of the Group as identified in Note 4 to the financial statements to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information (average annual population growth rate) and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

- (c) Lifetime expected loss provision for trade receivables as at 31 December 2018 and 31 December 2017 are as follows:

	Current	1 to 30 days past due	31 to 60 days past due	More than 60 days past due	Total RM
2018					
Gross carrying amount (RM)	24,694,531	13,363,795	13,561,895	9,807,153	61,427,374
Impairment (RM)	7,135	15,660	2,134	14,687	39,616
Total	24,687,396	13,348,135	13,559,761	9,792,466	61,387,758
2017					
Gross carrying amount (RM)	65,027,350	5,897,974	3,962,415	3,490,060	78,377,799
Impairment (RM)	24,333	10,873	1,980	9,445	46,631
Total	65,003,017	5,887,101	3,960,435	3,480,615	78,331,168

During the financial year, the Group did not renegotiate the terms of any trade receivables.

- (d) Movements in the impairment allowance for trade receivables are as follows:

	Group	
	2018 RM	2017 RM
At 1 January under MFRS 9/MFRS 139	46,631	0
Restated through opening retained earnings	0	20,787
Opening impairment loss of trade receivables in accordance with MFRS 9	46,631	20,787
Reversal of impairment losses	(46,631)	(20,787)
Charge for the financial year	39,616	46,631
At 31 December	39,616	46,631

- (e) The retention sums are unsecured, interest-free and are expected to be collected as follows:

	Group	
	2018 RM	2017 RM
Within one (1) year	16,378,434	14,704,312
Within two (2) years	7,589,367	4,518,057
	23,967,801	19,222,369

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

- (f) Impairment for receivables from subsidiaries and other receivables are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. At the end of the reporting period, the Group and the Company assess whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with risk of default since initial recognition. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The amounts due from subsidiaries are non-trade in nature, unsecured, payable within next twelve months in cash and cash equivalents and bear interest at 4% (2017: 4%) per annum.

No expected credit loss is recognised arising from amounts owing from subsidiaries and other receivables as it is negligible.

- (g) Credit risk concentration profile

The Group and the Company do not have any significant exposure to any individual customer or counterparty and do not have any major concentration of credit risk related to any financial instruments.

- (h) Sensitivity analysis for fixed rate trade and other receivables as at the end of the reporting period was not presented as fixed rate instruments are not affected by changes in interest rate.

13. CONTRACT ASSETS/(LIABILITIES)

	Group	
	2018	2017
	RM	RM
Aggregate pre-contract costs incurred to date	257,925,630	320,008,942
Add: Attributable profits	194,958,510	202,386,938
	452,884,140	522,395,880
Less: Progress billings	(438,674,576)	(489,314,833)
	14,209,564	33,081,047
Represented by:		
Contract assets		
Property development contracts	14,209,564	35,088,527
Contract liabilities		
Property development contracts	0	(2,007,480)
	14,209,564	33,081,047

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

13. CONTRACT ASSETS/(LIABILITIES) (CONTINUED)

(a) Property development contracts

Property development contracts represent the timing differences in revenue recognition and the milestone billings. The milestone billings reflect physical completion of the contracts.

Contract assets are transferred to receivables when the rights to economic benefits become unconditional. This usually occurs when the Group issues billing to the customer. Contract liabilities are recognised as revenue when performance obligations are satisfied.

There were no significant changes in the contract assets and liabilities during the financial year.

- (b) The amount of RM2,007,480 (2017: RM25,098,668) recognised in contract liabilities at the beginning of the financial year has been recognised as revenue for the financial year ended 31 December 2018.
- (c) No revenue was recognised during the financial years ended 31 December 2018 and 31 December 2017 from performance obligations satisfied (or partially satisfied) in previous financial year.
- (d) Contract value yet to be recognised as revenue

Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, are as follows:

	Group			
	2019 RM	2020 RM	2021 RM	Total RM
Property development contracts	21,900,263	1,322,631	132,253	23,355,147

- (e) Impairment for contract assets that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses as disclosed in Note 12 (c) to the financial statements.

No expected credit loss is recognised arising from contract assets as it is negligible.

14. SHORT TERM FUNDS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM

Financial assets at fair value through profit or loss

Fixed income trust funds in Malaysia (Note 15)	30,755,998	10,727,601	1,518,579	727,510
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All short term funds are denominated in RM.

- (a) Short term funds are mainly designated to manage free cash flows and optimise working capital so as to provide a steady stream of income returns. It is an integral part of the overall cash management.
- (b) Short term funds of the Group and of the Company are investments in money market fund on highly liquid principal guaranteed investments, which are readily convertible to a known amounts of cash and be subject to an insignificant risk of changes in value.
- (c) Short term funds of the Group and the Company are stated at Level 2 Fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

15. CASH AND BANK BALANCES

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Cash and bank balances	135,265,320	84,370,056	28,285,317	11,435,980
Deposits with licensed banks	9,383,763	10,186,684	6,101	5,893
	<u>144,649,083</u>	<u>94,556,740</u>	<u>28,291,418</u>	<u>11,441,873</u>

All cash and bank balances are denominated in RM.

- (a) Included in the cash and bank balances of the Group is an amount of RM88,048,222 (2017: RM32,450,759) held under the Housing Development Account pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966, as amended by the Housing Developers (Housing Development Account) (Amendment) Regulations, 2015.
- (b) The effective interest rate of deposits with both licensed banks of the Group and of the Company are 2.95% - 3.50% (2017: 2.95% - 3.30%) and 3.30% (2017: 3.30%) per annum respectively.
- (c) Included in the deposits with licensed banks is an amount of RM2,725,816 (2017: RM3,562,540) pledged as securities for bank guarantees granted to the Group.
- (d) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Short term funds placed with a financial institution (Note 14)	30,755,998	10,727,601	1,518,579	727,510
Cash and bank balances	135,265,320	84,370,056	28,285,317	11,435,980
Deposits with licensed banks	9,383,763	10,186,684	6,101	5,893
	<u>175,405,081</u>	<u>105,284,341</u>	<u>29,809,997</u>	<u>12,169,383</u>
Less:				
Deposits pledged with licensed banks	(2,725,816)	(3,562,540)	0	0
	<u>172,679,265</u>	<u>101,721,801</u>	<u>29,809,997</u>	<u>12,169,383</u>

- (e) At the end of the reporting period, the interest rate profile of the cash and bank balances was:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Fixed rate				
Cash and bank balances	38,098,664	29,690,064	26,065,305	265,600
Deposits with licensed banks	9,383,763	10,186,684	6,101	5,893
	<u>47,482,427</u>	<u>39,876,748</u>	<u>26,071,406</u>	<u>271,493</u>
Floating rates				
Short term funds (Note 14)	30,755,998	10,727,601	1,518,579	727,510
Cash and bank balances	97,166,656	54,679,992	2,220,012	11,170,380
	<u>127,922,654</u>	<u>65,407,593</u>	<u>3,738,591</u>	<u>11,897,890</u>

Sensitivity analysis for fixed rate cash and bank balances at the end of the reporting period is not presented as fixed rate instrument is not affected by change in interest rates.

A change of 50 basis points in interest rates, assuming all other variables remained constant, at the end of the reporting period would result in the profit net of tax of the Group and the Company to be higher/(lower) by RM523,013 (2017: RM261,422) and RM16,029 (2017: RM46,085) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

15. CASH AND BANK BALANCES (CONTINUED)

- (f) No expected credit losses were recognised arising from the deposits with financial institutions because the probability of default by these financial institutions were negligible.

16. SHARE CAPITAL

	2018		2017	
	No. of shares	RM	No. of shares	RM
Group				
Issued and fully paid				
Balance as at 1 January	433,302,517	287,520,424	427,351,165	213,675,582
Issued for cash pursuant to:				
- ESOS	76,000	59,736	610,000	842,434
- Warrants	0	0	5,341,352	3,244,594
Transfer from share premium account pursuant to the Companies Act 2016	0	0	0	69,290,235
Transfer from capital reserve account pursuant to the Companies Act 2016	0	0	0	467,579
Balance as at 31 December	433,378,517	287,580,160	433,302,517	287,520,424

Company

Issued and fully paid				
Balance as at 1 January	433,302,517	287,052,845	427,351,165	213,675,582
Issued for cash pursuant to:				
- ESOS	76,000	59,736	610,000	842,434
- Warrants	0	0	5,341,352	3,244,594
Transfer from share premium account pursuant to the Companies Act 2016	0	0	0	69,290,235
Balance as at 31 December	433,378,517	287,112,581	433,302,517	287,052,845

- (a) During the financial year, the issued and paid-up ordinary share capital of the Company was increased from 433,302,517 to 433,378,517 by way of issuance of 76,000 new ordinary shares pursuant to 76,000 options exercised under the Employees' Share Options Scheme at an exercise price of RM0.69 per ordinary share for cash.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

- (b) In the previous financial year, the issued and paid-up share capital of the Company was increased from 427,351,165 to 433,302,517 by way of:

- (i) Issuance of 610,000 new ordinary shares pursuant to exercise of ESOS at the following option prices:

Exercise price (RM)	0.85	1.24	1.25	1.27	1.30
No. of shares issued	10,000	13,000	279,000	288,000	20,000

- (ii) Issuance of 5,341,352 new ordinary shares pursuant to the exercise of warrants.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

16. SHARE CAPITAL (CONTINUED)

- (c) The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets.
- (d) With the introduction of the Companies Act 2016 effective 31 January 2017, the concepts of authorised share capital and par value of share capital have been abolished. Consequently, balance within the share premium account of RM69,290,235 was transferred to the share capital account pursuant to the transitional provisions set out in Section 618(2) of the Companies Act 2016. Notwithstanding this provision, the Company may utilise its share premium account for purposes stipulated in Section 618(3) of the Companies Act 2016 for a transitional period of 24 months from 31 January 2017. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the member as a result of this transition.
- (e) Pursuant to Section 618(4) of Companies Act 2016, the credit standing in the capital reserve of RM467,579 was transferred to the share capital account.

17. RESERVES

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Non-distributable:				
Share options reserve	889,561	957,297	889,561	957,297
Distributable:				
Retained earnings	319,370,194	292,921,668	4,475,356	12,610,328
	<u>320,259,755</u>	<u>293,878,965</u>	<u>5,364,917</u>	<u>13,567,625</u>

The share options reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on the grant date of share options. Share options reserve in relation to the unexercised option at the expiry of the share option scheme will be transferred to retained earnings.

18. BORROWINGS

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
<u>Current liabilities</u>				
<u>Secured</u>				
Revolving credit (Note 19)	25,000,000	12,700,000	25,000,000	0
Term loans (Note 20)	33,427,257	25,189,095	0	0
	<u>58,427,257</u>	<u>37,889,095</u>	<u>25,000,000</u>	<u>0</u>
<u>Non-current liabilities</u>				
<u>Secured</u>				
Term loans (Note 20)	37,393,302	68,536,326	0	0
	<u>37,393,302</u>	<u>68,536,326</u>	<u>0</u>	<u>0</u>
<u>Total borrowings</u>				
Revolving credit (Note 19)	25,000,000	12,700,000	25,000,000	0
Term loans (Note 20)	70,820,559	93,725,421	0	0
	<u>95,820,559</u>	<u>106,425,421</u>	<u>25,000,000</u>	<u>0</u>

All borrowings are denominated in RM.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

18. BORROWINGS (CONTINUED)

- (a) Borrowings are classified as financial liabilities measured at amortised cost.
- (b) Fair value of the borrowings of the Group and of the Company are categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.
- (c) The interest rate per annum of borrowings that were effective as at the end of reporting period were as follows:

	Group		Company	
	2018	2017	2018	2017
	%	%	%	%
Revolving credit	5.03 - 5.23	5.02	5.03 - 5.23	N/A
Term loans	4.83 - 5.57	4.52 - 5.45	N/A	N/A

- (d) At the end of the reporting period, the interest rate profile of the borrowings was:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Floating rate	25,000,000	12,700,000	25,000,000	0
Revolving credit	70,820,559	93,725,421	0	0
Term loans	95,820,559	106,425,421	25,000,000	0

A sensitivity analysis has been performed based on the outstanding floating rate bank borrowings of the Group as at 31 December 2018. If interest rates were to increase or decrease by 50 basis points with all other variables held constant, the profit after tax of the Group and of the Company would decrease or increase by RM268,196 (2017: RM382,920) and RM2,055 (2017: RMNil) respectively, as a result of higher or lower interest expense on these borrowings.

For those interest expense incurred and capitalised as part of the expenditure on property development costs during the financial year, if the interest rates were to increase or decrease by 50 basis points with all other variables held constant, those assets of the Group would increase or decrease by RM148,546 (2017: RM236,002), as a result of higher or lower interest expense on these borrowings.

- (e) The maturity of the revolving credits is as follows:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Not later than one (1) year	25,000,000	12,700,000	25,000,000	0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

18. BORROWINGS (CONTINUED)

- (f) The maturity of the term loans is as follows:

	Group	
	2018 RM	2017 RM
Not later than one (1) year	33,427,257	25,189,095
Later than one (1) year and not later than two (2) years	9,892,307	31,159,178
Later than two (2) years and not later than three (3) years	9,162,715	9,903,730
Later than three (3) years and not later than four (4) years	3,890,280	9,135,138
Later than four (4) years and not later than five (5) years	2,016,000	3,890,280
Later than five (5) years	12,432,000	14,448,000
	<u>70,820,559</u>	<u>93,725,421</u>

- (g) The maturity profile of borrowings at the end of the reporting period based on contractual undiscounted repayment obligations is summarised in the table below:

	On demand or within one year RM	One to five years RM	More than five years RM	Total RM
Group				
As at 31 December 2018				
Borrowings	<u>61,313,713</u>	<u>29,139,023</u>	<u>14,213,074</u>	<u>104,665,810</u>
As at 31 December 2017				
Borrowings	<u>41,855,679</u>	<u>60,041,264</u>	<u>16,775,751</u>	<u>118,672,694</u>
Company				
As at 31 December 2018				
Borrowings	<u>25,109,349</u>	<u>0</u>	<u>0</u>	<u>25,109,349</u>
As at 31 December 2017				
Borrowings	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

19. REVOLVING CREDIT

The revolving credit is secured by legal charge over the Group's property, plant and equipment, investment properties and development land as disclosed in Note 5, Note 6 and Note 11 (a) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

20. TERM LOANS

The term loans are secured by:

- (a) Legal charge over the Group's investment properties and development land as disclosed in Note 6, Note 11(a) and Note 11(b) to the financial statements; and
- (b) Corporate guarantee by the Company.

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Trade payables				
Third parties	13,088,089	30,610,587	0	0
Other payables				
Other payables	270,582	242,674	27,387	25,108
Accruals	4,033,295	6,498,697	51,800	61,100
Dividend payable	8,667,570	12,999,076	8,667,570	12,999,076
Deposits received	2,605,385	2,669,537	0	0
	15,576,832	22,409,984	8,746,757	13,085,284
Total trade and other payables	28,664,921	53,020,571	8,746,757	13,085,284

All trade and other payables are denominated in RM.

- (a) Trade and other payables are classified as financial liabilities measured at amortised cost.
- (b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group is 30 days (2017: 30 days). Included in trade payables of the Group is retention sum on contracts amounting to RM11,666,842 (2017: RM24,214,786).
- (c) The maturity profile of the trade and other payables of the Group and of the Company at the end of the reporting date based on contractual undiscounted repayment obligations is repayable on demand or within one (1) year.

22. REVENUE

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Revenue from contracts with customers:				
Property development	170,735,733	271,104,487	0	0
Sale of completed properties	3,396,168	1,146,132	0	0
Operation of car park	172,778	143,928	0	0
Property management fees	175,000	28,000	0	0
	174,479,679	272,422,547	0	0
Other revenue:				
Rental income from investment properties	4,822,432	4,750,221	0	0
Dividend income	0	0	21,445,290	15,801,100
	179,302,111	277,172,768	21,445,290	15,801,100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

22. REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers

Revenue from contracts with customers of the Group is derived from Malaysia and disaggregated in the table below by timing of revenue recognition.

	Property development RM	Sale of completed properties RM	Operation of car park RM	Property management fees RM	Total RM
31 December 2018					
Timing of revenue recognition					
Transferred over time	170,735,733	0	0	0	170,735,733
Transferred at a point in time	0	3,396,168	172,778	175,000	3,743,946
Revenue from external customers	170,735,733	3,396,168	172,778	175,000	174,479,679
31 December 2017					
Timing of revenue recognition					
Transferred over time	271,104,487	0	0	0	271,104,487
Transferred at a point in time	0	1,146,132	143,928	28,000	1,318,060
Revenue from external customers	271,104,487	1,146,132	143,928	28,000	272,422,547

(a) Revenue from property development

Contracts with customers include multiple promises to customers and therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. When these are not directly observable, they are estimated based on expected cost plus margin.

Revenue from property development is measured at the fixed transaction price agreed under the agreement.

Revenue is recognised as and when control of the asset is transferred to the customer and it is probable that the Group would collect the consideration to which it will be entitled in exchange for the asset that would be transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the performance of the Group does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract using the input method by reference to the cost incurred relative to the total expected cost for satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Significant judgement is required in determining performance obligations, transaction price allocation and costs in applying the input method to recognise revenue over time.

The Group identifies performance obligations that are distinct and material, which is judgmental in the context of contract. Transaction prices were determined based on estimated margins prior to its allocation to the identified performance obligation. The Group also estimated total contract costs in applying the input method to recognise revenue over time.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

22. REVENUE (CONTINUED)

(b) Sale of completed properties

The Group recognises sales at a point in time for the sale of completed properties, when the control of the properties has been transferred to the purchasers, being when the properties have been completed and delivered to the customers and it is probable that the Company will collect the considerations to which it would be entitled to in exchange for the assets sold.

There is no significant financing component in the revenue arising from sale of completed properties as the sales are made on the normal credit terms not exceeding twelve months.

(c) Rental income from investment properties is recognised based on accrual basis.

(d) Operation of car park income is recognised based on receipt basis.

(e) Property management fees are recognised at a point in time when the services have been rendered to the customer.

There is no significant financing component in the revenue arising from services rendered as the services are made on the normal credit terms not exceeding twelve months.

(f) Dividend income is recognised when the right to receive payment is established.

23. COST OF SALES

	Group	
	2018 RM	2017 RM
Property development	84,062,043	150,573,207

24. DIRECTORS' REMUNERATION

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors of the Company				
Executive Directors				
Directors' fee	120,000	120,000	120,000	120,000
Salaries and other emoluments	3,120,757	3,121,924	0	0
Bonus	832,400	832,400	0	0
Defined contribution plan	592,608	592,417	0	0
Total Executive Directors' remuneration (exclude benefits-in-kind)	4,665,765	4,666,741	120,000	120,000
Estimated money value of benefits-in-kind	66,400	59,200	66,400	59,200
Total Executive Directors' remuneration (including benefits-in-kind)	4,732,165	4,725,941	186,400	179,200
Directors of the Company				
Non-executive Directors				
Directors' fee	197,649	213,667	197,649	213,667
Other emoluments	7,500	8,500	7,500	8,500
Total Non-Executive Directors' remuneration	205,149	222,167	205,149	222,167
Total Directors' remuneration				
- fee	317,649	333,667	317,649	333,667
- other emoluments	4,553,265	4,555,241	7,500	8,500
	4,870,914	4,888,908	325,149	342,167

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

24. DIRECTORS' REMUNERATION (CONTINUED)

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Directors of the subsidiaries				
Executive Directors				
Directors' fee	18,000	28,500	0	0

Movements in share options granted under the ESOS during the financial year were as follows:

	2018	2017
	Unit	Unit
Director of the Company		
Executive Director		
As at 1 January/31 December	1,000,000	1,000,000

The number of Directors of the Group whose total remuneration during the financial year which fell within the following bands is analysed as below:

	Number of directors	
	2018	2017
Executive Directors		
RM250,000 - RM300,000	0	0
RM750,001 - RM800,000	1	1
RM800,001 - RM850,000	0	0
RM1,100,001 - RM1,150,000	1	1
RM2,750,001 - RM2,800,000	1	1
Non-executive Directors		
RM1 - RM50,000	3	1
RM50,001 - RM100,000	2	3
Directors of the Subsidiaries		
Executive Director		
RM1 - RM50,000	2	1
RM450,000 - RM500,000	0	0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

25. TAX EXPENSE

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Current tax expense based on profit for the financial year	17,938,750	24,308,200	105,000	252,800
Under/(Over)provision of tax in prior years	3,066,078	(552,901)	20,000	(2,257)
	21,004,828	23,755,299	125,000	250,543
Deferred tax (Note 10):				
- relating to origination and reversal of temporary differences	2,370,300	1,400,200	0	0
- (under)/overprovision in prior years	(746,300)	383,100	0	0
	22,628,828	25,538,599	125,000	250,543

The Malaysian income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated taxable profits for the fiscal year.

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate of the Group and of the Company are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Profit before tax	78,070,324	107,206,794	20,945,930	15,647,813
Tax at the applicable tax rate of 24% (2017: 24%)	18,736,800	25,730,000	5,027,000	3,755,500
Tax effects in respect of:				
Non-taxable income	(942,400)	(604,700)	(5,099,000)	(3,792,100)
Non-allowable expenses	1,485,950	581,400	177,000	289,400
Different tax rate for the first RM500,000 of chargeable income	(5,800)	(33,000)	0	0
Under/(Over)provision of tax in prior years	3,066,078	(552,901)	20,000	(2,257)
(Under)/Overprovision of deferred tax in prior years	(746,300)	383,100	0	0
Deferred tax assets not recognised during the financial year	1,034,500	34,700	0	0
Tax expense for the financial year	22,628,828	25,538,599	125,000	250,543

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

26. EARNINGS PER ORDINARY SHARE

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2018	2017
	RM	RM
Profit attributable to equity holders of the parent	55,404,428	81,457,256
	Group	
	2018	2017
	Unit	Unit
Weighted average number of ordinary shares in issue	433,302,517	427,351,165
Effects of:		
- exercise of ESOS	28,088	434,896
- exercise of warrants	0	3,633,865
Adjusted weighted average number of ordinary shares applicable to basic earnings per ordinary share	433,330,605	431,419,926
Basic earnings per ordinary share (sen)	12.79	18.88

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

	Group	
	2018	2017
	RM	RM
Profit attributable to equity holders of the parent	55,404,428	81,457,256
	Group	
	2018	2017
	Unit	Unit
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary share	433,330,605	431,419,926
Effects of dilution:		
- ESOS	16,421	41,425
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share	433,347,026	431,461,351
Diluted earnings per ordinary share (sen)	12.79	18.88

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

27. DIVIDENDS

	Group/Company			
	2018		2017	
	Dividend per share Sen	Amount of dividend RM	Dividend per share Sen	Amount of dividend RM
Dividends paid/declared:				
In respect of financial year ended 31 December 2017:				
Final single tier dividend	4.7	20,366,628	0	0
In respect of financial year ended 31 December 2018:				
Interim single tier dividend	2.0	8,667,570	0	0
In respect of financial year ended 31 December 2016:				
Final single tier dividend	0	0	7.0	30,329,776
In respect of financial year ended 31 December 2017:				
Interim single tier dividend	0	0	3.0	12,999,076
	6.7	29,034,198	10.0	43,328,852

A final single tier dividend in respect of the financial year ended 31 December 2018 of 2.9 sen per ordinary share amounting to RM12,567,977 has been proposed by the Directors after the reporting period for shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. This dividend, if approved by shareholders, will be accounted for as an appropriation of retained earnings in the financial year ending 31 December 2019.

28. EMPLOYEE BENEFITS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Wages, salaries and bonuses	9,964,156	9,653,102	0	0
Directors' fee	138,000	148,500	120,000	120,000
Contributions to defined contribution plan	1,395,074	1,348,265	0	0
Social security contributions	59,353	54,465	0	0
Share options granted under ESOS	17,856	101,455	0	50,700
Other benefits	813,336	946,125	0	154,400
	12,387,775	12,251,912	120,000	325,100

Included in the employee benefits of the Group and of the Company are Executive Directors' remuneration amounting to RM4,683,765 and RM120,000 (2017: RM4,695,241 and RM120,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

29. EMPLOYEE SHARE OPTIONS SCHEME ('ESOS')

The Employees Share Options Scheme ('ESOS') of the Company came into effect on 5 June 2012. The ESOS shall be in force for a period of five (5) years until 5 June 2017 ('the option period'). On 23 February 2017, the Board of Directors of the Company approved the extension of the scheme for five (5) years until 4 June 2022. The main features of the ESOS are as follows:

- (a) Directors, and confirmed employees of the Group who have served at least 2 years of continuous services are eligible under the Scheme;
- (b) The maximum number of new shares which may be issued and allotted pursuant to the exercise of the Options shall not at any point in time in aggregate exceed 5% of the issued and paid-up capital of the Company (excluding treasury shares) at any point in time during the duration of the Scheme;
- (c) Not more than 50% of the shares available under the ESOS should be allocated in aggregate, to Directors and senior management of the Group;
- (d) The allocation to an Eligible Person who, either singly or collectively through persons connected with the Eligible Person, holds 20% or more of the issued and paid-up share capital of the Company (excluding treasury shares), does not exceed 10% of the total number of the new shares to be issued under the Scheme;
- (e) The options granted may be exercised any time within the option period from the date of offer;
- (f) The option price of a new ordinary share under the ESOS shall be the five (5)-days weighted average market price of the shares as quoted in the Daily Official List issued by Bursa Malaysia Securities Berhad ('Bursa Securities') immediately preceding the date of offer with a discount of not more than 10% or such other percentage of discount as may be permitted by Bursa Securities or any other relevant authorities from time to time during the duration of the Scheme;
- (g) The options granted are not entitled for any dividend, voting rights, allotment and/or other distribution declared, made or paid to shareholders unless the new Shares so allotted have been credited to the relevant securities accounts of the shareholders maintained by the Bursa Depository before the entitlement date and will be subjected to all provisions of the Articles relating to the transfer, transmission and otherwise;
- (h) The ESOS Committee at any time and from time to time recommends to the Board any addition or amendment to or deletion of the By-laws as it shall in its discretion think fit and the Board shall have the power by resolution to add to, amend or delete all or any of these By-laws upon such recommendation. Any subsequent modifications or changes to the By-laws do not need the prior approval of the Bursa Securities and/or any other relevant authorities; and
- (i) The employees and Directors to whom the options have been granted have no right to participate, by virtue of these options, in any ordinary share issue of any other company within the Group during the option period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

29. EMPLOYEE SHARE OPTIONS SCHEME ('ESOS') (CONTINUED)

The details of the options over ordinary shares of the Company are as follows:

	←	Number of options over ordinary shares			→	
	Outstanding as at 1.1.2018	Movements during the financial year			Outstanding as at 31.12.2018	Exercisable as at 31.12.2018
		Granted	Exercised	Lapsed		
2018						
5 June 2012	20,000	0	0	0	20,000	20,000
15 November 2013	499,000	0	0	(45,000)	454,000	454,000
28 May 2014	183,000	0	0	0	183,000	183,000
17 December 2014	1,106,000	0	0	(40,000)	1,066,000	1,066,000
15 June 2015	308,000	0	0	(50,000)	258,000	258,000
1 December 2015	622,000	0	0	(80,000)	542,000	542,000
21 June 2016	70,000	0	0	0	70,000	70,000
16 December 2016	59,000	0	0	0	59,000	59,000
3 July 2017	171,000	0	0	(46,000)	125,000	125,000
18 December 2017	19,000	0	0	0	19,000	19,000
8 June 2018	0	186,000	(76,000)	0	110,000	110,000
	3,057,000	186,000	(76,000)	(261,000)	2,906,000	2,906,000

Weighted average exercise prices (RM)	1.38	0.69	0.69	1.34	1.35	1.35
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Weighted average remaining contractual life (months)	53					41
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	←	Number of options over ordinary shares			→	
	Outstanding as at 1.1.2017	Movements during the financial year			Outstanding as at 31.12.2017	Exercisable as at 31.12.2017
		Granted	Exercised	Lapsed		
2017						
5 June 2012	20,000	0	0	0	20,000	20,000
2 May 2013	10,000	0	(10,000)	0	0	0
15 November 2013	787,000	0	(288,000)	0	499,000	499,000
28 May 2014	183,000	0	0	0	183,000	183,000
17 December 2014	1,166,000	0	0	(60,000)	1,106,000	1,106,000
15 June 2015	318,000	0	0	(10,000)	308,000	308,000
1 December 2015	782,000	0	(160,000)	0	622,000	622,000
21 June 2016	189,000	0	(119,000)	0	70,000	70,000
16 December 2016	137,000	0	(13,000)	(65,000)	59,000	59,000
3 July 2017	0	191,000	(20,000)	0	171,000	171,000
18 December 2017	0	19,000	0	0	19,000	19,000
	3,592,000	210,000	(610,000)	(135,000)	3,057,000	3,057,000

Weighted average exercise prices (RM)	1.36	1.27	1.25	1.35	1.38	1.38
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Weighted average remaining contractual life (months)	5	60*				53
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* Extension of ESOS for five (5) years until 4 June 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

29. EMPLOYEE SHARE OPTIONS SCHEME ('ESOS') (CONTINUED)

The details of the options over ordinary shares of the Company are as follows: (Continued)

	Exercise price RM	Exercise period
2018		
5 June 2012	0.50	5.6.2012 - 4.6.2022
15 November 2013	1.27	15.11.2013 - 4.6.2022
28 May 2014	1.75	28.5.2014 - 4.6.2022
17 December 2014	1.45	17.12.2014 - 4.6.2022
15 June 2015	1.51	15.6.2015 - 4.6.2022
1 December 2015	1.25	1.12.2015 - 4.6.2022
21 June 2016	1.25	21.6.2016 - 4.6.2022
16 December 2016	1.24	16.12.2016 - 4.6.2022
3 July 2017	1.30	3.7.2017 - 4.6.2022
18 December 2017	0.92	18.12.2017 - 4.6.2022
8 June 2018	0.69	8.6.2018 - 4.6.2022

Share options exercised during the financial year resulted in the issuance of 76,000 (2017: 610,000) ordinary shares at an average price of RM0.69 (2017: RM1.25) each. The related weighted average ordinary share price at the date of exercise was RM0.97 (2017: RM1.43).

The fair values of share options granted during the financial year was estimated by using the Binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and the assumptions are as follows:

	Grant date 8 June 2018
Fair values of share options (RM):	0.10
Weighted average share price (RM)	0.76
Weighted average exercise price (RM)	0.69
Expected volatility (%)	31.87
Expected life (years)	4.00
Risk free rate (%)	3.50
Expected dividend yield (%)	10.13

	Grant dates 3 July 2017 18 December 2017	
Fair values of share options (RM):	0.23	0.13
Weighted average share price (RM)	1.44	1.02
Weighted average exercise price (RM)	1.30	0.92
Expected volatility (%)	29.40	32.19
Expected life (years)	5.00	4.46
Risk free rate (%)	2.95	3.30
Expected dividend yield (%)	6.95	9.82

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

30. CONTINGENT LIABILITIES

	Group/Company	
	2018	2017
	RM	RM
Corporate guarantee given to banks for credit facilities granted to subsidiaries - unsecured	153,867,000	179,329,000

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the end of each reporting period, the Group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities are only removed from the statement of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits would be required or the amount is not capable of reliable measurement.

The Directors are of the view that the chances of the financial institutes to call upon the corporate guarantee are remote. Accordingly, the fair values of the above corporate guarantees given to the subsidiaries for banking facilities are negligible.

31. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other parties.

The Company has controlling related party relationship with its direct and indirect subsidiaries, associate and joint venture. Related parties of the Group include:

- (i) Direct and indirect subsidiaries as disclosed in Note 7 to the financial statements;
- (ii) Associate and joint venture as disclosed in Note 8 and Note 9 to the financial statements;
- (iii) Key management personnel, which comprises persons (including the Directors of the Company) having authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly;
- (iv) Companies in which certain Directors have substantial financial interests; and
- (v) Immediate family member of Directors of the Company and its subsidiaries.

The related parties and their relationships with the Group are as follows:

Name of related party	Relationship
Palmsfield Sdn. Bhd.	Company in which a Director of the Company has substantial financial interests.
Siram Permai Sdn. Bhd.	Company in which a Director of the Company has substantial financial interests.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

31. RELATED PARTY DISCLOSURES (CONTINUED)

- (b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Rental paid to companies of which a Director has interest	107,000	118,400	0	0
Dividend received from:				
- an associate	0	0	0	787,500
- subsidiaries	0	0	21,445,290	15,013,600
Interest charged to subsidiaries	0	0	497,832	1,156,165
Sales of development property to Director of the Company	0	401,295	0	0
Consultant fee charged to an associate	12,000	12,000	0	0

The related party transactions described above were carried out on terms and conditions not materially different from those obtainable from transactions with unrelated parties.

- (c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and of the Company.

The remuneration of Directors and other key management personnel during the financial year was as follows:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Short term employee benefits	5,364,376	5,401,437	325,149	342,167
Contributions to defined contribution plan	737,383	744,461	0	0
	6,101,759	6,145,898	325,149	342,167

- (d) Material contracts

There were no material contracts, which have been entered into by the Company or its subsidiaries which involved Directors' and major shareholders' interests subsisting at the end of the financial year ended 31 December 2018 or entered into since the end of the previous financial year except as disclosed elsewhere in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

32. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as going concerns whilst maximising return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2018 and 31 December 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group has a target gearing ratio at 50% determined as the proportion of net debt to equity. The Group includes within net debt, borrowings less short term funds and cash and bank balances. Capital represents equity attributable to the owners of the parent.

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Borrowings (Note 18)	95,820,559	106,425,421	25,000,000	0
Less:				
Short term funds (Note 14)	(30,755,998)	(10,727,601)	(1,518,579)	(727,510)
Cash and bank balances (Note 15)	(144,649,083)	(94,556,740)	(28,291,418)	(11,441,873)
Net debt	(79,584,522)	1,141,080	(4,809,997)	(12,169,383)
Total capital	607,839,915	581,399,389	292,477,498	300,620,470
Net debt	(79,584,522)	1,141,080	(4,809,997)	(12,169,383)
Equity	528,255,393	582,540,469	287,667,501	288,451,087
Capital gearing ratio	*	0.20%	*	*

* Capital gearing ratio is not presented as the Group and the Company are in net cash position.

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the twenty-five percent (25%) of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40.0 million. The Company has complied with this requirement for the financial year ended 31 December 2018.

(b) Financial risk management

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from the unpredictability of the financial markets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

32. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management (Continued)

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors and does not trade in derivative financial instruments. Financial risk management is carried out through internal control systems, insurance programmes and adherence to the Group financial risk management policies. The Group is exposed mainly to credit risk, liquidity and cash flow risk and interest rate risk. Information on the management of the related exposures is detailed below.

(i) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade receivables. For other financial assets, cash and bank balances, the Group minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. Credit risk in the property development activity is negligible as sales are to purchasers who obtain financing from financial institutions. As such, majority of the credit risk has been effectively transferred to the financial institutions as provided for in the sales and purchase agreements. For those sales on cash basis, which only forms an insignificant portion of sales amount, credit risk is also negligible as titles will only be surrendered after full payments have been made. This is the normal industry practice currently.

The credit risk concentration profile has been disclosed in Note 12 to the financial statements.

(ii) Liquidity and cash flow risk

Liquidity and cash flow risks are the risks that the Group and the Company will not be able to meet their financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arises principally from their various payables and borrowings.

The Group and the Company actively manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In executing their liquidity risk management strategy, the Group and the Company measure and forecast their cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the Group's and the Company's activities.

Owing to the nature of its businesses, the Group and the Company always maintain sufficient credit lines available to meet their liquidity requirements while ensuring an effective working capital management within the Group and the Company.

The analysis of financial instruments by remaining contractual maturities has been disclosed in Note 18 and Note 21 to the financial statements.

(iii) Interest rate risk

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

The primary interest rate risk of the Group relates to interest-earning deposits and interest-bearing borrowings from financial institutions.

As at the end of the reporting period, the Group and the Company do not engage any interest hedging instruments in respect of such interest rate fluctuations.

The interest rate profile and sensitivity analysis of interest rate risk have been disclosed in Note 15 and Note 18 to the financial statements respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

33. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

- (a) On 24 January 2019, the Company had incorporated a seventy percent (70%) owned subsidiary known as Mustiara Sdn. Bhd. ("Mustiara"). Mustiara is a company incorporated in Malaysia with an issued and paid-up share capital of RM100,000 which is engaged in property development.
- (b) On 9 April 2019, Mustiara, a 70% owned subsidiary of the Company, had acknowledged a Letter of Acceptance from TPPT Sdn. Bhd. ("TPPT") in relation to the proposed acquisition of 27 parcels of freehold land for a total cash consideration of RM131,000,000 ("Proposed Land Acquisition").

The Proposed Land Acquisition shall be subject to a formal Sale and Purchase Agreement to be entered into between Mustiara and TPPT.

34. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

34.1 New MFRSs adopted during the current financial year

The Group and the Company are transitioning entities as defined by the Malaysian Accounting Standards Board ("MASB"), and adopted the MFRS Framework during the financial year ended 31 December 2018. Accordingly, these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

In adopting the new MFRS Framework, the Group and the Company applied the transition requirements in MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*. In addition to the adoption of the new MFRS Framework, the following new MFRSs and Amendments to the MFRSs issued by MASB were adopted by the Group and the Company during the financial year:

Title	Effective Date
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarifications to MFRS 15	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS 9 as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 & 48

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

34. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONTINUED)

34.2 Explanation of transition to MFRSs

The Group adjusted amounts previously reported in the financial statements that were prepared in accordance with the previous FRS Framework. In preparing the opening statements of financial position at 1 January 2017, an explanation on the impact arising from the transition from FRSs to MFRSs on the financial position and financial performance of the Group is set out as follows:

(a) Reconciliation of financial position and equity

Group		Previously reported under FRSs	Effects of MFRS 15	Effects of MFRS 9	Restated under MFRSs
1 January 2017	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment		3,960,973	0	0	3,960,973
Investment properties		117,406,521	0	0	117,406,521
Land held for property development	(ii)	160,482,136	(160,482,136)	0	0
Inventories	(ii)	0	160,482,136	0	160,482,136
Investment in an associate		1,328,895	0	0	1,328,895
Investment in a joint venture		26,051,943	0	0	26,051,943
Deferred tax assets		19,755,000	(883,000)	0	18,872,000
		<u>328,985,468</u>	<u>(883,000)</u>	<u>0</u>	<u>328,102,468</u>
Current assets					
Inventories	(ii)	1,378,211	203,148,625	0	204,526,836
Property development costs	(ii)	203,636,006	(203,636,006)	0	0
Trade and other receivables	(iii)	89,427,921	(39,467,652)	(20,787)	49,939,482
Contract assets	(ii)	0	43,634,382	0	43,634,382
Current tax assets		4,885,049	0	0	4,885,049
Short term funds		37,560,905	0	0	37,560,905
Cash and bank balances		83,274,678	0	0	83,274,678
		<u>420,162,770</u>	<u>3,679,349</u>	<u>(20,787)</u>	<u>423,821,332</u>
TOTAL ASSETS		<u>749,148,238</u>	<u>2,796,349</u>	<u>(20,787)</u>	<u>751,923,800</u>
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital		213,675,582	0	0	213,675,582
Reserves		322,748,033	2,796,349	(20,787)	325,523,595
		<u>536,423,615</u>	<u>2,796,349</u>	<u>(20,787)</u>	<u>539,199,177</u>
Non-controlling interests		2,561,977	0	0	2,561,977
TOTAL EQUITY		<u>538,985,592</u>	<u>2,796,349</u>	<u>(20,787)</u>	<u>541,761,154</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

34. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONTINUED)

34.2 Explanation of transition to MFRSs (Continued)

(a) Reconciliation of financial position and equity (Continued)

Group		Previously reported under FRSS	Effects of MFRS 15	Effects of MFRS 9	Restated under MFRSs
1 January 2017	Note	RM	RM	RM	RM
LIABILITIES					
Non-current liabilities					
Borrowings		97,365,572	0	0	97,365,572
Current liabilities					
Trade and other payables	(ii)	70,419,236	(25,098,668)	0	45,320,568
Contract liabilities	(ii)	0	25,098,668	0	25,098,668
Borrowings		40,789,814	0	0	40,789,814
Current tax liabilities		1,588,024	0	0	1,588,024
		112,797,074	0	0	112,797,074
TOTAL LIABILITIES		210,162,646	0	0	210,162,646
TOTAL EQUITY AND LIABILITIES		749,148,238	2,796,349	(20,787)	751,923,800
Group					
31 December 2017					
ASSETS					
Non-current assets					
Property, plant and equipment		3,476,056	0	0	3,476,056
Investment properties		118,336,906	0	0	118,336,906
Land held for property development	(ii)	147,657,117	(147,657,117)	0	0
Inventories	(ii)	0	147,657,117	0	147,657,117
Investment in an associate		554,807	0	0	554,807
Investment in a joint venture		25,906,731	0	0	25,906,731
Deferred tax assets		17,161,700	(73,000)	0	17,088,700
		313,093,317	(73,000)	0	313,020,317

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

34. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONTINUED)

34.2 Explanation of transition to MFRSs (Continued)

(a) Reconciliation of financial position and equity (Continued)

Group		Previously reported under FRSS	Effects of MFRS 15	Effects of MFRS 9	Restated under MFRSs
31 December 2017	Note	RM	RM	RM	RM
Current assets					
Inventories	(ii)	10,085,053	200,472,703	0	210,557,756
Property development costs	(ii)	200,775,141	(200,775,141)	0	0
Trade and other receivables	(iii)	116,300,746	(34,484,237)	(46,631)	81,769,878
Contract assets	(ii)	0	35,088,527	0	35,088,527
Current tax assets		3,150,766	0	0	3,150,766
Short term funds		10,727,601	0	0	10,727,601
Cash and bank balances		94,556,740	0	0	94,556,740
		435,596,047	301,852	(46,631)	435,851,268
TOTAL ASSETS		748,689,364	228,852	(46,631)	748,871,585
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital		287,520,424	0	0	287,520,424
Reserves		293,696,744	228,852	(46,631)	293,878,965
		581,217,168	228,852	(46,631)	581,399,389
Non-controlling interests		1,879,803	0	0	1,879,803
TOTAL EQUITY		583,096,971	228,852	(46,631)	583,279,192
LIABILITIES					
Non-current liabilities					
Borrowings		68,536,326	0	0	68,536,326
Current liabilities					
Trade and other payables	(ii)	55,028,051	(2,007,480)	0	53,020,571
Contract liabilities	(ii)	0	2,007,480	0	2,007,480
Borrowings		37,889,095	0	0	37,889,095
Current tax liabilities		4,138,921	0	0	4,138,921
		97,056,067	0	0	97,056,067
TOTAL LIABILITIES		165,592,393	0	0	165,592,393
TOTAL EQUITY AND LIABILITIES		748,689,364	228,852	(46,631)	748,871,585

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

34. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONTINUED)

34.2 Explanation of transition to MFRSs (Continued)

(b) Reconciliation of profit or loss

31 December 2017	Previously reported under FRSs RM	Effects of MFRS 15 RM	Effects of MFRS 9 RM	Restated under MFRSs RM
Revenue	282,099,122	(4,926,354)	0	277,172,768
Cost of sales	(150,758,150)	184,943	0	(150,573,207)
Gross profit	131,340,972	(4,741,411)	0	126,599,561
Other income				
- Interest income	3,482,349	0	0	3,482,349
- Other income	1,099,084	0	0	1,099,084
Selling and distribution expenses	(7,935,847)	1,363,914	0	(6,571,933)
Administrative expenses	(14,623,805)	0	(25,844)	(14,649,649)
Finance costs	(3,620,818)	0	0	(3,620,818)
Share of profit of an associate	13,412	0	0	13,412
Share of profit of a joint venture	854,788	0	0	854,788
Profit before tax	110,610,135	(3,377,497)	(25,844)	107,206,794
Tax expense	(26,348,599)	810,000	0	(25,538,599)
Profit for the financial year	84,261,536	(2,567,497)	(25,844)	81,668,195
Total other comprehensive income, net of tax	0	0	0	0
Total comprehensive income	84,261,536	(2,567,497)	(25,844)	81,668,195
Profit for the financial year attributable to:				
Owners of the parent	84,050,597	(2,567,497)	(25,844)	81,457,256
Non-controlling interests	210,939	0	0	210,939
	84,261,536	(2,567,497)	(25,844)	81,668,195

Earnings per ordinary share attributable to equity holders of the Company:

Basic (Sen)	19.48	18.88
Diluted (Sen)	19.48	18.88

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

34. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONTINUED)

34.2 Explanation of transition to MFRSs (Continued)

(c) Reconciliation of cash flows

Group		Previously reported under FRSS RM	Effects of MFRS 15 RM	Effects of MFRS 9 RM	Restated under MFRSs RM
31 December 2017	Note				
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		110,610,135	(3,377,497)	(25,844)	107,206,794
Adjustments for:					
Depreciation of property, plant and equipment		624,135	0	0	624,135
Gain on disposal of property, plant and equipment		(18,866)	0	0	(18,866)
Impairment loss on trade receivables	(iii)	0	0	46,631	46,631
Interest income		(3,482,349)	0	0	(3,482,349)
Interest paid		3,620,818	0	0	3,620,818
Net gain from fair value adjustments on investment properties		(791,000)	0	0	(791,000)
Property, plant and equipment written off		858	0	0	858
Reversal of impairment loss on trade receivables	(iii)	0	0	(20,787)	(20,787)
Share of profit of a joint venture, net of tax		(854,788)	0	0	(854,788)
Share of profit of an associate, net of tax		(13,412)	0	0	(13,412)
Share options granted under ESOS		101,555	0	0	101,555
Operating profit before changes in working capital		109,797,086	(3,377,497)	0	106,419,589

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

34. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONTINUED)

34.2 Explanation of transition to MFRSs (Continued)

(c) Reconciliation of cash flows (continued)

Group		Previously reported under FRSS	Effects of MFRS 15	Effects of MFRS 9	Restated under MFRSs
31 December 2017	Note	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES (Continued)					
Changes in working capital:					
Land held for property development	(ii)	12,825,019	(12,825,019)	0	0
Inventories	(ii)	(8,706,842)	15,500,941	0	6,794,099
Property development costs	(ii)	2,860,865	(2,860,865)	0	0
Trade and other receivables	(iii)	(26,872,825)	(4,983,415)	0	(31,856,240)
Contract assets	(ii)	0	8,545,855	0	8,545,855
Trade and other payables	(ii)	(15,550,355)	23,091,188	0	7,540,833
Contract liabilities	(ii)	0	(23,091,188)	0	(23,091,188)
Cash generated from operations		74,352,948	0	0	74,352,948
Interest received		3,482,349	0	0	3,482,349
Tax paid		(22,682,089)	0	0	(22,682,089)
Tax refunded		3,211,970	0	0	3,211,970
Net cash from operating activities		58,365,178	0	0	58,365,178
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of shares from non-controlling interests		(292,801)	0	0	(292,801)
Dividend income from an associate		787,500	0	0	787,500
Proceeds from disposal of property, plant and equipment		18,868	0	0	18,868
Purchase of investment properties		(139,385)	0	0	(139,385)
Purchase of property, plant and equipment		(140,078)	0	0	(140,078)
Redemption of RPS in a joint venture		1,000,000	0	0	1,000,000
Net changes in deposits pledged with licensed banks		(149,172)	0	0	(149,172)
Net cash from investing activities		1,084,932	0	0	1,084,932

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

34. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONTINUED)

34.2 Explanation of transition to MFRSs (Continued)

(c) Reconciliation of cash flows (continued)

Group	Previously reported under FRSs RM	Effects of MFRS 15 RM	Effects of MFRS 9 RM	Restated under MFRSs RM
31 December 2017				
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	(43,169,682)	0	0	(43,169,682)
Dividends paid to non-controlling interests of subsidiaries	(600,000)	0	0	(600,000)
Drawdowns of bank borrowings	35,200,000	0	0	35,200,000
Interest paid	(3,620,818)	0	0	(3,620,818)
Proceeds from the issuance of shares pursuant to:				
- ESOS	765,130	0	0	765,130
- Warrants	3,204,811	0	0	3,204,811
Repayments of bank borrowings	(66,900,902)	0	0	(66,900,902)
Repayments of hire purchase creditors	(29,063)	0	0	(29,063)
Net cash used in financing activities	(75,150,524)	0	0	(75,150,524)
Net decrease in cash and cash equivalents	(15,700,414)	0	0	(15,700,414)
Cash and cash equivalents at beginning of the financial year	117,422,215	0	0	117,422,215
Cash and cash equivalents at end of the financial year	101,721,801	0	0	101,721,801

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

34. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONTINUED)

34.2 Explanation of transition to MFRSs (Continued)

Notes to the reconciliations

(i) Transition from FRS Framework to MFRS Framework

The Group elected to apply MFRS 3 *Business Combinations* prospectively from the date FRS 3 *Business Combinations* was adopted and to deem the carrying amount of investment in each subsidiary, joint venture and associate to be the cost of the investment in the separate financial statements as at the date of transition to MFRSs.

(ii) Adoption of MFRS 15

MFRS 15 establishes a comprehensive framework for revenue recognition and measurement. It replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts*, FRS 201⁽²⁰⁰⁴⁾ *Property development activities* and related Interpretations. Under MFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires significant judgement.

In applying MFRS 15 retrospectively, the Group applied the following practical expedients:

- (a) For completed contracts, contracts that begin and end within the same annual reporting period were not restated;
- (b) For completed contracts that have variable consideration, rather than estimating variable consideration amounts in the comparative reporting periods, transaction price at the date the contract was completed was used; and
- (c) For all reporting period presented before the date of initial application, the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the revenue is expected to be recognised need not be disclosed.

The MFRS 15 adjustments are mainly due to:

- (a) Changes to the timing of revenue recognition for property development activities;
- (b) Reclassification of excess of revenue earned over the billings on property development contracts to contract assets;
- (c) Reclassification of excess of billings over revenue earned on property development contracts; and
- (d) Reclassification of land held for property development and property development costs to inventories.

(iii) Adoption of MFRS 9

MFRS 9 replaces MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, encompassing all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

(a) Classification of financial assets and financial liabilities

The Company classify their financial assets into the following measurement categories depending on the business model of the Company for managing the financial assets and the terms of contractual cash flows of the financial assets:

- (i) Those to be measured at amortised cost; and
- (ii) Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

34. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONTINUED)

34.2 Explanation of transition to MFRSs (Continued)

Notes to the reconciliations (Continued)

(iii) Adoption of MFRS 9 (Continued)

(a) Classification of financial assets and financial liabilities (Continued)

The following summarises the key changes:

- (i) The Available-For-Sale (AFS), Held-To-Maturity (HTM) and Loans and Receivables (L&R) financial asset categories were removed.
- (ii) A new financial asset category measured at Amortised Cost (AC) was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows.
- (iii) A new financial asset category measured at Fair Value Through Other Comprehensive Income (FVTOCI) was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- (iv) A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- (i) Amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- (ii) The remaining amount of change in the fair value is presented in profit or loss.

(b) Impairment of financial assets

The adoption of MFRS 9 has fundamentally changed the accounting for impairment losses for financial assets of the Group by replacing the incurred loss approach of MFRS 139 with a forward-looking expected credit loss approach. MFRS 9 requires the Group to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the original effective interest rate of the asset.

Impairment for trade receivables and contract assets that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

34. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONTINUED)

34.2 Explanation of transition to MFRSs (Continued)

Notes to the reconciliations (Continued)

(iii) Adoption of MFRS 9 (Continued)

(b) Impairment of financial assets (Continued)

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

Impairment for receivables from related parties are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

(c) The MFRS 9 adjustments are mainly due to:

(i) Reclassification of the financial assets and financial liabilities as follows:

	Classification	
	Existing under MFRS 139	New under MFRS 9
Financial assets		
Trade and other receivables	L&R	AC
Short term funds	FVTPL	FVTPL
Cash and bank balances	L&R	AC
Financial liabilities		
Trade and other payables	OFL	AC
Borrowings	OFL	AC

(ii) Additional credit losses to be recognised on trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

34. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONTINUED)

34.3 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group and the Company:

Title	Effective Date
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group and the Company are in the process of assessing the impact of implementing these Standards and Amendments, since the effects would only be observable for the future financial years.

35. FINANCIAL REPORTING UPDATES

IFRIC Agenda Decision - Over time transfer of constructed good (IAS 23)

The IFRS Interpretations Committee ('IFRIC') received a submission about the capitalisation of borrowing costs in relation to the construction of a residential multi-unit real estate development.

Based on the fact pattern described in the submission, the request asked whether the entity has a qualifying asset as defined in IAS 23 *Borrowing Costs* and, therefore, capitalises any directly attributable costs.

The IFRIC concluded in March 2019 that, in the fact pattern described in the request:

- Any receivable and contract asset that the entity recognises is not a qualifying asset.
- Any inventory (work-in-progress) for unsold units under construction that the entity recognises is also not a qualifying asset because the unsold units are ready for its intended use or sale.

The MASB announced on 20 March 2019 that an entity shall apply the change in accounting policy as a result of this Agenda Decision to financial statements of annual periods beginning on or after 1 July 2020.

The Group is in the process of obtaining new information and adapting its systems to implement this change in accounting policy. The implementation results would be reported during the financial year ending 31 December 2021.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 11th Annual General Meeting (“AGM”) of Tambun Indah Land Berhad (“**Tambun Indah**” or “**the Company**”) will be held at Pearl City Sales Gallery, Lot 8936, Jalan Tasek Mutiara 2, Bandar Tasek Mutiara, 14120 Simpang Ampat, Penang on Thursday, 27 June 2019 at 10.00 am for the following purposes:-

AGENDA

As Ordinary Business

- | | |
|---|--|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of Directors and Auditors thereon. | Please refer
Note 11 |
| 2. To re-elect Mr. Teh Kiak Seng, a director who retires by rotation in accordance with Regulation 102 of the Company's Constitution and who, being eligible, offers himself for re-election. | Resolution 1 |
| 3. To re-elect Mr. Teh Deng Wei, a director who retires by rotation in accordance with Regulation 102 of the Company's Constitution and who, being eligible, offers himself for re-election. | Resolution 2 |
| 4. To re-elect Ms. Lam Voon Kean, a director who retires in accordance with Regulation 109 of the Company's Constitution and who, being eligible, offers herself for re-election. | Resolution 3 |
| 5. To approve the payment of Directors' Fees of not exceeding RM500,000.00 for the financial year ending 31 December 2019. | Resolution 4 |
| 6. To approve the payment of Directors' Benefits payable to non-executive directors up to an amount not exceeding RM100,000.00 from 28 June 2019 until the conclusion of the next AGM of the Company. | Resolution 5
Please refer
Note 12 |
| 7. To approve the payment of a single tier final dividend of 2.9 sen per ordinary share for the financial year ended 31 December 2018. | Resolution 6 |
| 8. To re-appoint Messrs. BDO PLT as auditors of the Company to hold office until the conclusion of the next AGM of the Company and to authorise the Directors to fix their remuneration. | Resolution 7 |

As Special Business

To consider and if thought fit, to pass with or without modifications the following ordinary / special resolutions:-

- | | |
|--|--|
| 9. AUTHORITY TO ALLOT AND ISSUE SHARES | Resolution 8
Please refer
Note 13 |
| <p>“THAT, subject to the approvals of the regulatory authorities, the Board of Directors of the Company be hereby authorised pursuant to Sections 75 and 76 of the Companies Act 2016, to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the total number of issued shares of the Company.</p> | |

AND THAT any Executive Director and/or Secretary of the Company be hereby authorised to obtain the approval from Bursa Securities for the listing and quotation of the additional shares to be issued and to do all such acts and things necessary to give full effect to such transactions as authorised by this resolution.

AND THAT, such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next AGM of the Company.”

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

10. PROPOSED RENEWAL OF GENERAL MANDATE FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES IN THE COMPANY PURSUANT TO THE DIVIDEND REINVESTMENT SCHEME

Resolution 9
Please refer
Note 14

"THAT, pursuant to the Dividend Reinvestment Scheme as approved by the shareholders at an Extraordinary General Meeting held on 19 June 2013, the Directors be hereby authorised to allot and issue such number of new shares in the Company upon the election of shareholders of the Company to reinvest the dividend pursuant to the Dividend Reinvestment Scheme until conclusion of the next AGM upon such terms and conditions and to such shareholders as the Directors may, in their absolute discretion, deem fit and in the best interest of the Company PROVIDED THAT the issue price of the new Tambun Indah shares shall be fixed by the Directors at not more than 10% discount to 5-Market Day volume weighted average market price of the Company's shares immediately prior to the price fixing date at the material time.

THAT the new Tambun Indah shares, shall upon allotment and issue, rank *pari passu* in all respects with the existing shares, save and except that the new Tambun Indah shares shall not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid, the entitlement date of which is prior to the allotment of the new Tambun Indah shares issued pursuant to the Dividend Reinvestment Scheme.

THAT the Directors of the Company be hereby authorised to do all such acts and things as are necessary or expedient in order to give full effect to the Dividend Reinvestment Scheme with full power to assent to any conditions, modifications, variations and/or amendments as may be required by the authorities or as the Directors in their absolute discretion deem fit and in the best interest of the Company.

AND THAT any Executive Director and/or Secretary of the Company be hereby authorised to obtain the approval from Bursa Securities for the listing and quotation of the new shares to be issued pursuant to the Dividend Reinvestment Scheme."

11. PROPOSED GRANTING OF OPTIONS TO LAM VOON KEAN

Resolution 10
Please refer
Note 15

"THAT subject to the Employees Share Option Scheme ("ESOS") as approved by shareholders at an Extraordinary General Meeting held on 06 April 2012, the Directors of the Company be hereby authorised, at any time and from time to time during the existence of the ESOS, to offer and grant to Ms. Lam Voon Kean, being the Independent Non-Executive Director of the Company, options to subscribe up to a maximum of 300,000 Tambun Indah shares to be issued under the ESOS subject always to the following provisions:

- (i) she must not participate in the deliberation or discussion of her own allocation of new Tambun Indah shares to be issued under the ESOS; and
- (ii) not more than 10% of the total number of the new Tambun Indah shares to be issued under the ESOS shall be allocated to her, if she, either singly or collectively through persons connected with her, holds 20% or more of the total issued shares (excluding treasury shares) of the Company.

PROVIDED ALWAYS that it is in accordance with any prevailing guidelines, the Main Market Listing Requirements of Bursa Securities, or any other authorities as amended from time to time and subject always to such terms and conditions and/or adjustments which may be made in accordance with the By-Laws of the ESOS."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

To consider and if thought fit, to pass with or without modifications, the following Special Resolution:

12. PROPOSED AMENDMENTS OF THE CONSTITUTION OF THE COMPANY

**Special
Resolution 1**
Please refer
Note 16

“That the existing Constitution of the Company be amended as follows:-

- (a) Wherever appearing in the Constitution, the word “Regulation” or “Regulations” shall be amended to “Article” or “Articles”; and
- (b) Wherever appearing in the Constitution the words “notice or any other documents” it shall mean notice of general meetings or any other documents (including annual report and/or audited financial statements) required to be sent under the Listing Requirements or permitted to be given, circulate or served under the Act or this Constitution by the Company or its directors to members of the Company or to any other person entitled to receive the notice or any other documents of the Company.”

13. To transact any other business of which due notice shall have been given in accordance with the Company’s Constitution and the Companies Act 2016.

By Order of the Board,

LEE PENG LOON (MACS 01258)
P’NG CHIEW KEEM (MAICSA 7026443)
Company Secretaries

Penang

Date: 29 April 2019

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

NOTES ON APPOINTMENT OF PROXY

1. A proxy may but need not be a member of the Company.
2. A member shall be entitled to appoint a maximum of 2 proxies to attend and vote at the same meeting.
3. Where a member appoints 2 proxies, 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 ("Exempt Authorised Nominee") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. Where a member is an Exempt Authorised Nominee, it may appoint at least one proxy but not more than 2 proxies in respect of each securities account it holds which is credited with the shares of the Company. The appointment of 2 proxies in respect of a particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
6. 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 24 hours before the time appointed for the taking of the poll or at any adjournment thereof.
7. 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.
8. Only a depositor whose name appears on the Record of Depositors on 20 June 2019 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxies to attend and/or vote on his/her behalf.
9. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Securities, all the resolutions set out in this Notice will be put to vote by poll.
10. Last date and time for lodging of Proxy Form will be on Wednesday, 26 June 2019 at 10.00 am (being the approximate time appointed for the taking of the poll at the AGM). Proxy Form transmitted by facsimile or electronic mail will not be accepted unless the original copy is received at the registered office of the Company, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang on Wednesday, 26 June 2019 at 10.00 am.

NOTES ON ORDINARY BUSINESS

11. The Agenda 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require the shareholders' approval for the Audited Financial Statements. Hence, the Agenda 1 is not put forward for voting.
12. The Resolution 5, if passed, will enable the Company to pay meeting allowance and other benefits to non-executive directors of the Company. The total amount of directors' benefits payable is estimated based on number of scheduled meetings of the Board and Board Committees as well as the number of non-executive directors involved in these meetings.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

NOTES ON SPECIAL BUSINESS

13. The Resolution 8, if passed, will enable the Directors to allot and issue shares in the Company up to an amount not exceeding 10% of the total number of issued shares of the Company for the time being for such purposes as the Directors consider will be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in a general meeting will expire at the conclusion of the next AGM.

The proposed renewal of general mandate for issuance of shares will provide flexibility to the Company for any possible fund raising activities, including but not limited to placing of shares for the purpose of funding future investment, working capital and/or acquisition.

As at the date of this notice, the Directors have not issued any shares pursuant to the general mandate granted at the last AGM of the Company.

14. The Resolution 9 is to seek a renewal of general mandate for the directors to allot and issue new shares upon election of the shareholders of the Company to reinvest the dividend declared by the Company from time to time pursuant to the Dividend Reinvestment Scheme, until the conclusion of the next AGM. A renewal of this mandate will be sought at the next AGM of the Company.
15. The Resolution 10 is to seek shareholders' approval for the directors to offer and grant options to Ms. Lam Voon Kean, the Independent Non-Executive Director of the Company to subscribe for new Tambun Indah shares under the Company's ESOS approved by shareholders on 06 April 2012.
16. The Special Resolution 1, if passed, will enable the directors to amend certain regulations in the existing Constitution of the Company for administrative and clarification purposes.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF MAIN MARKET LISTING REQUIREMENTS
OF BURSA MALAYSIA SECURITIES BERHAD)

- 1) No individuals are standing for election as directors at the forthcoming 11th Annual General Meeting of the Company.
- 2) The profiles of the directors who are standing for re-election as in Agenda 2, 3 and 4 of the Notice of the 11th Annual General Meeting of the Company are set out in the Directors' Profile section of this Annual Report.
- 3) The details of the directors' interests in the securities of the Company as at 29 March 2019 are set out in the Analysis of Shareholdings section of this Annual Report.
- 4) The Resolution 8 tabled under Special Business as per the Notice of the 11th Annual General Meeting of the Company dated 29 April 2019 is a renewal of general mandate granted by shareholders of the Company at the last Annual General Meeting held on 28 May 2018.

The proposed renewal of general mandate for issuance of shares will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares for the purpose of funding future investment, working capital and/or acquisition.

As at the date of notice of meeting, the Directors have not issued any shares pursuant to the general mandate granted at the last Annual General Meeting of the Company.



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 11th Annual General Meeting ("AGM") of the Company to be held at Pearl City Sales Gallery, Lot 8936, Jalan Tasek Mutiara 2, Bandar Tasek Mutiara, 14120 Simpang Ampat, Penang on Thursday, 27 June 2019 at 10.00 am, and at any adjournment thereof.

NO.	RESOLUTIONS	FOR	AGAINST
1.	Re-election of Mr. Teh Kiak Seng as a director of the Company.		
2.	Re-election of Mr. Teh Deng Wei as a director of the Company.		
3.	Re-election of Ms. Lam Voon Kean as a director of the Company.		
4.	Payment of Directors' Fees for the financial year ending 31 December 2019.		
5.	Payment of Directors' Benefits to non-executive directors.		
6.	Payment of a single tier final dividend.		
7.	Re-appointment of Messrs. BDO PLT as auditors of the Company.		
8.	General mandate to allot and issue new shares in the Company.		
9.	Renewal of general mandate to allot and issue shares pursuant to Dividend Reinvestment Scheme.		
10.	Proposed Grant of Options to Ms. Lam Voon Kean, an Independent Director of the Company.		
NO.	SPECIAL RESOLUTION		
1.	Proposed Amendments of the Constitution of the Company.		

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 thisday of.....,2019.

No. of shares held

For appointment of 2 proxies, the 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

- A proxy may but need not be a member of the Company.
- A member shall be entitled to appoint a maximum of 2 proxies to attend and vote at the same meeting.
- Where a member appoints 2 proxies, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
- Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("Exempt Authorised Nominee") which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
- Where a member is an Exempt Authorised Nominee, it may appoint at least one proxy but not more than 2 proxies in respect of each securities account it holds which is credited with the shares of the Company. The appointment of 2 proxies in respect of a particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
- 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 24 hours before the time appointed for the taking of the poll or at any adjournment thereof.
- 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.
- Only a depositor whose name appears on the Record of Depositors on 20 June 2019 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxies to attend and/or vote on his/her behalf.
- Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Securities, all the resolutions set out in this Notice will be put to vote by poll.
- Last date and time for lodging of Proxy Form will be on Wednesday, 26 June 2019 at 10.00 am (being the approximate time appointed for the taking of the poll at the AGM). Proxy Form transmitted by facsimile or electronic mail will not be accepted unless the original copy is received at the registered office of the Company, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang on Wednesday, 26 June 2019 at 10.00 am.

*strike out whichever is not desired.

Fold this flag sealing

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The Company Secretary
Tambun Indah Land Berhad (810446-U)
51-21-A Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang

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Tambun Indah Land Berhad
(Company No. 810446-U)

12-01 Penthouse, Wisma Pantai, Jalan Wisma Pantai,
12200 Butterworth, Penang, Malaysia.

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