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TAMBUN INDAH LAND BERHAD

(Company No.: 810446-U)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PART A

PROPOSED PROVISION OF FINANCIAL ASSISTANCE OF UP TO A TOTAL OF RM150.0 MILLION TO MUSTIARA SDN BHD, A 70% OWNED SUBSIDIARY OF TAMBUN INDAH LAND BERHAD ("TAMBUN INDAH" OR "COMPANY") ("PROPOSED PROVISION OF FINANCIAL ASSISTANCE")

PART B

INDEPENDENT ADVICE LETTER FROM AFFIN HWANG INVESTMENT BANK BERHAD TO THE NON-INTERESTED SHAREHOLDERS OF TAMBUN INDAH IN RELATION TO THE PROPOSED PROVISION OF FINANCIAL ASSISTANCE

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Adviser for Part B



**AFFIN HWANG
CAPITAL**

AFFIN HWANG INVESTMENT BANK BERHAD (14389-U)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting ("**EGM**") of the Company which is scheduled 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 11.00 am or immediately after the conclusion or adjournment of the Eleventh (11th) Annual General Meeting of the Company to be held at the same venue and on the same date at 10.00 am, together with the Proxy Form are enclosed herein.

A member entitled to attend, speak and vote at the EGM is entitled to appoint a proxy or proxies to attend, speak and to vote on his/her behalf. In such event, the duly completed Proxy Form should be deposited at the registered office of the Company at 51-21-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang, on or before the date and time indicated below or at any adjournment thereof. The lodging of the Proxy Form shall not preclude you from attending, speaking and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Proxy Form	: Wednesday, 26 June 2019 at 11.00 am (being twenty-four (24) hours prior to the approximate time appointed for the taking of the poll at the EGM)
Date and time of the EGM	: Thursday, 27 June 2019 at 11.00 am or immediately after the conclusion or adjournment of the Eleventh (11 th) Annual General Meeting of the Company to be held at the same venue and on the same date at 10.00 am

This Circular is dated 12 June 2019

DEFINITIONS

Except where the context otherwise requires, the following terms and abbreviations shall apply throughout this Circular:

Act	:	Companies Act 2016
Affin Hwang IB or Independent Adviser	:	Affin Hwang Investment Bank Berhad (14389-U), being the independent adviser for the Proposed Provision of Financial Assistance
AGM	:	Annual General Meeting
Board	:	The Board of Directors of Tambun Indah
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (165570-W)
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
Circular	:	This circular to the shareholders of Tambun Indah in relation to the Proposed Provision of Financial Assistance dated 12 June 2019
EGM	:	Extraordinary General Meeting
EPS	:	Earnings per Share
ESOS Options	:	Options granted pursuant to the Company's employees' share option scheme
Encik Taufiq	:	Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali
FYE	:	Financial year ended/ending, as the case may be
Henry Butcher or Valuer	:	Henry Butcher Malaysia (Seberang Perai) Sdn Bhd (226881-H), a firm of independent registered valuer for the Land
IAL	:	Independent advice letter from Affin Hwang IB in relation to the Proposed Provision of Financial Assistance
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
Land	:	27 parcels of freehold land measuring in aggregate approximately 209.54 acres identified as Lot Nos. 1058, 1060, 1066, 1295, 1309, 1373, 1375, 1376, 1378, 1442, 3407 to 3423, Mukim 15, District of Seberang Perai Selatan, Pulau Pinang
LPD	:	28 May 2019, being the latest practicable date prior to the printing of this Circular
Mustiara or Purchaser	:	Mustiara Sdn Bhd (1312474-M), a 70% owned subsidiary of Tambun Indah
Mustiara Board	:	The Board of Directors of Mustiara
Mustiara Shareholders or Shareholders	:	Tambun Indah and Encik Taufiq, collectively
Mustiara Shareholders Advances	:	Advances provided to Mustiara by Mustiara Shareholders

DEFINITIONS (CONT'D)

NA	:	Net assets
PBT	:	Profit before taxation
Pearl City	:	Bandar Tasek Mutiara (marketed as Pearl City) in Seberang Perai, Pulau Pinang
Proposals	:	Proposed Land Acquisition and Proposed Provision of Financial Assistance, collectively
Proposed Land Acquisition	:	Proposed acquisition of the Land by Mustiara from TPPT for the Purchase Consideration to be satisfied entirely by cash
Proposed Provision of Financial Assistance	:	Proposed provision of financial assistance of up to a total of RM150.0 million by Tambun Indah to Mustiara
Purchase Consideration	:	The purchase consideration of RM131.0 million in relation to the Proposed Land Acquisition
RCPS	:	Redeemable cumulative preference shares
RM and sen	:	Ringgit Malaysia and sen, respectively
Shareholder's Advances	:	Advances provided to Mustiara by Tambun Indah, being the shareholder of Mustiara
Shareholders' Agreement	:	The conditional shareholders' agreement dated 25 April 2019 entered into between Tambun Indah, Encik Taufiq and Mustiara to regulate the affairs of Mustiara and the relationship between them as Mustiara Shareholders
SPA	:	The conditional sale and purchase agreement dated 25 April 2019 entered into between Mustiara and TPPT in relation to the Proposed Land Acquisition
Tambun Indah or Company	:	Tambun Indah Land Berhad (810446-U)
Tambun Indah Group or Group	:	Tambun Indah and its subsidiaries, collectively
Tambun Indah Share(s) or Share(s)	:	Ordinary share(s) in Tambun Indah
TPPT or Vendor	:	TPPT Sdn Bhd (208360-D)
Valuation Report	:	The valuation report prepared by the Valuer dated 12 April 2019 to assess the market value of the Land

Any reference to “we”, “us”, “our” and “ourselves” are to the Company, and where the context otherwise requires, our subsidiaries. All references to “you” are to the shareholders of the Company.

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

DEFINITIONS (CONT'D)

Any reference in this Circular to any statutes, rules, regulations or rules of the stock exchange is a reference to such statutes, rules, regulations or rules of the stock exchange currently in force and as may be amended from time to time and any re-enactment thereof.

Any reference to a time or date in this Circular shall be a reference to Malaysian time, unless otherwise stated.

Any discrepancy in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

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PART A

**LETTER TO THE SHAREHOLDERS OF TAMBUN INDAH IN RELATION TO THE
PROPOSED PROVISION OF FINANCIAL ASSISTANCE**



TAMBUN INDAH LAND BERHAD

(Company No.: 810446-U)
(Incorporated in Malaysia)

Registered Office:

51-21-A, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang

12 June 2019

Board of Directors:

Lai Fook Hoy	<i>(Independent Non-Executive Chairman)</i>
Teh Kiak Seng	<i>(Managing Director)</i>
Teh Theng Theng	<i>(Executive Director)</i>
Teh Deng Wei	<i>(Executive Director)</i>
Tsai Chia Ling	<i>(Non-Independent Non-Executive Director)</i>
Lam Voon Kean	<i>(Independent Non-Executive Director)</i>

To: The shareholders of Tambun Indah

Dear Sir/Madam,

PROPOSED PROVISION OF FINANCIAL ASSISTANCE

1. INTRODUCTION

On 9 April 2019, the Board had announced the following:

- (i) Mustiara, a 70% owned subsidiary of the Company, had acknowledged the letter of acceptance dated 27 March 2019 ("**Letter of Acceptance**") from TPPT in relation to the Proposed Land Acquisition; and
- (ii) the proposed provision of financial assistance of up to RM3.45 million in the form of shareholder's advances by Tambun Indah ("**Initial Shareholder's Advances**") to Mustiara to fund the acceptance deposit for the Land in relation to the Letter of Acceptance and other costs related to the Land.

Subsequently, on 25 April 2019, the Board had announced the following:

- (i) Mustiara, had on the same date, entered into the SPA with TPPT in relation to the Proposed Land Acquisition; and
- (ii) Tambun Indah, had on the same date, entered into the Shareholders' Agreement with Encik Taufiq and Mustiara to regulate the affairs of Mustiara and the relationship between the Mustiara Shareholders.

In conjunction with the Proposed Land Acquisition, Tambun Indah proposed to extend provision of financial assistance of up to a total of RM150.0 million (including the Initial Shareholder's Advances) to Mustiara to fund the Purchase Consideration and other costs related to the Land.

Pursuant to Paragraph 10.02(g) of the Listing Requirements, the highest percentage ratio applicable to the Proposed Land Acquisition based on the latest audited consolidated financial statements of Tambun Indah for FYE 31 December 2018 is approximately 15.09%. As such, pursuant to Paragraph 10.07(1) of the Listing Requirements, the Proposed Land Acquisition is not subject to the approval of Tambun Indah's shareholders as the highest percentage ratio does not exceed 25.0%.

Pursuant to Paragraphs 8.23(2)(b) and 10.08(2) of the Listing Requirements, the Proposed Provision of Financial Assistance is deemed as a related party transaction as Encik Taufiq, being the former Non-Independent Non-Executive Director of the Company¹, holds 30.0% equity interest in Mustiara. Further, pursuant to Paragraph 10.02(g) of the Listing Requirements, the highest percentage ratio applicable to the Proposed Provision of Financial Assistance based on the latest audited consolidated financial statements of Tambun Indah for the FYE 31 December 2018 is approximately 24.68%. As such, pursuant to Paragraph 10.08(2) of the Listing Requirements, the Proposed Provision of Financial Assistance is subject to the approval of Tambun Indah's shareholders as the highest percentage ratio exceeds 5.0%.

Based on the above, the Board (save for Encik Taufiq, who resigned on 9 April 2019) had on 15 April 2019 appointed Affin Hwang IB as the Independent Adviser to advise the non-interested shareholders of the Company on, amongst others, whether the Proposed Provision of Financial Assistance is fair and reasonable and whether the Proposed Provision of Financial Assistance is detrimental to the non-interested shareholders of the Company.

THE PURPOSE OF PART A OF THIS CIRCULAR TOGETHER WITH THE APENDICES IS TO PROVIDE YOU WITH RELEVANT INFORMATION PERTAINING TO THE PROPOSED PROVISION OF FINANCIAL ASSISTANCE TOGETHER WITH THE RECOMMENDATION OF THE BOARD AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED PROVISION OF FINANCIAL ASSISTANCE TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY. THE NOTICE OF THE EGM TOGETHER WITH THE PROXY FORM ARE SET OUT IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF PART A OF THIS CIRCULAR TOGETHER WITH THE APPENDICES, INCLUDING THE IAL AS SET OUT IN PART B OF THIS CIRCULAR, BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED PROVISION OF FINANCIAL ASSISTANCE TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

2. DETAILS OF THE PROPOSED PROVISION OF FINANCIAL ASSISTANCE

On 9 April 2019, Tambun Indah had announced that it anticipated to extend the Initial Shareholder's Advances to Mustiara, when necessary, to fund the acceptance deposit for the Land and other costs related to the Land. The Initial Shareholder's Advances are subject to an interest rate of 5.12%* per annum, calculated on a monthly basis.

Note:

- * *Based on the average interest rate of Tambun Indah Group's revolving credit facilities as at the date of the announcement. However, this interest rate is subject to a monthly review and will be changed according to the average interest rate of the Group's revolving credit facilities.*

On 25 April 2019, Mustiara had entered into the SPA with TPPT in relation to the Proposed Land Acquisition.

¹ On 9 April 2019, the Company announced that Encik Taufiq had resigned as the Non-Independent Non-Executive Director of the Company. Pursuant to Paragraph 10.02(c) of the Listing Requirements, a director has the meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a director of the listed issuer, its subsidiary or holding company.

The Purchase Consideration for the Proposed Land Acquisition shall be satisfied in the following manner:

Payment terms	Timing	Consideration RM'000
(i) Deposit (10%)		
(a) Earnest deposit	Paid on 13 February 2019	20
(b) Acceptance deposit	Paid upon acknowledging the Letter of Acceptance on 9 April 2019	2,620
(c) Balance deposit	Paid upon signing of the SPA on 25 April 2019	10,460
(ii) Balance purchase consideration (90%)	Subject to the SPA being unconditional, payable within three (3) months from the date of the SPA (" Completion Date ") with a further extension of one (1) month, subject to payment of interest at the rate of 8% per annum on the balance purchase consideration calculated on daily basis from the last day of the Completion Date to the date of actual payment	117,900
Total Purchase Consideration		131,000

As at the LPD, Tambun Indah had advanced a total sum of approximately RM13.17 million to Mustiara, of which RM13.08 million was used to pay part of the 10% deposit for the Purchase Consideration aggregating RM13.10 million ("**Deposit**"), whilst the balance sum of approximately RM0.09 million was used to satisfy other ancillary costs incurred for the Proposed Land Acquisition.

Save for the earnest deposit of RM20,000 which was funded by Mustiara, Tambun Indah had provided the Shareholder's Advances for the balance of the Deposit to enable Mustiara to secure the Land on a timely basis. The balance of the Purchase Consideration is intended to be funded through further Shareholder's Advances in cash and banking facilities to be obtained by Mustiara, of which the final composition will be determined at a later date.

Based on preliminary internal discussion, the indicative funding composition for the balance of the Purchase Consideration is as tabulated below:

	Amount RM'000
Shareholder's Advances	26,900
Banking facilities	91,000
Total	117,900

Pursuant to the terms and conditions of the Shareholders' Agreement, if additional financing is required, Mustiara shall obtain either cash advances from Mustiara Shareholders or external financing on the best terms which could be reasonably obtained in the open market. In the event the external financing are not available or do not satisfy the working capital requirements of Mustiara or its banking facilities which are obtained are subsequently withdrawn, Mustiara Shareholders shall make cash advances in proportion to their shareholdings in Mustiara. Further details of the Shareholders' Agreement are set out in Section 2.5, Part A of this Circular.

Further, pursuant to the Shareholders' Agreement, in the event that any Mustiara Shareholder being unable to provide the Mustiara Shareholders Advances, the other shareholder of Mustiara shall have the right to provide the said Mustiara Shareholders Advances. However, at this current time, it is the intention of the Company to provide full financial assistance for the purpose of the Proposed Land Acquisition and the other costs related to the Land.

The Proposed Provision of Financial Assistance of up to a total of RM150.0 million will be in the form of Shareholder's Advances in cash and corporate guarantees for banking facilities to be obtained by Mustiara to fund the Purchase Consideration and other costs related to the Land such as professional fees (including disbursements), authorities fees, stamp duty, title transfer fees, financing costs and other relevant expenses. The other costs related to the Land amounting to up to RM19.0 million, as tabulated in the table below, are costs incidental to the Proposed Land Acquisition. These costs are expected to be incurred by the Group to formalise the development plans for the Land.

The indicative breakdown of the other costs related to the Land is as follows:

	Amount RM'000
Professional fees (including disbursements) and authorities fees	6,000
Stamp duty and title transfer fees	6,000
Financing costs (in relation to banking facilities)	4,500
Other relevant expenses*	2,500
Total	19,000

Note:

* Includes quit rent, assessment, bank charges, bank loan processing fees and other contingency expenses.

The final composition of the Shareholder's Advances in cash and corporate guarantees of up to a total of RM150.0 million, to be provided by Tambun Indah cannot be determined as this juncture as the amount would depend on, amongst others, the amount and proportion of external financing to be obtained by Mustiara and the cash position of Tambun Indah. Based on preliminary internal discussion, the indicative composition for the Proposed Provision of Financial Assistance is as tabulated below:

	RM'000	%
Shareholder's Advances	59,000	39.3
Corporate guarantees for banking facilities to be obtained by Mustiara	91,000	60.7
Total	150,000	100.0

Note:

* Including the total sum of approximately RM13.17 million advanced by Tambun Indah to Mustiara as at the LPD.

As the Proposed Land Acquisition is required to be completed in a short period of time and the Group has a net cash balance[^] of approximately RM108.82 million as at 31 March 2019, which is sufficient to fund the Shareholder's Advances, Tambun Indah intends to extend an indicative Shareholder's Advances of up to RM59.0 million to facilitate the completion of the Proposed Land Acquisition on a timely basis.

Note:

[^] *After accounting for the Group's total bank borrowings of approximately RM61.46 million as at 31 March 2019.*

As at the LPD, Encik Taufiq has not provided his portion of the Mustiara Shareholders Advances for the purpose of the Proposed Land Acquisition and the other costs related to the Land. However, Encik Taufiq is expected to provide his portion of the Mustiara Shareholders Advances and/or personal guarantee for banking facilities to be obtained by Mustiara in the future, as and when required, for the development of the Land.

We wish to highlight that pursuant to the terms and conditions of the Shareholders' Agreement, all Mustiara Shareholders Advances shall be subjected to an interest rate of 5.12% per annum, which is based on the average interest rate of Tambun Indah Group's revolving credit facilities and the said interest rate is subject to a monthly review and will be changed according to the average interest rate of Tambun Indah Group's revolving credit facilities, calculated on a monthly basis. As such, the indicative Shareholder's Advances of up to RM59.0 million will entitle the Company to receive interest income at the rate of 5.12% per annum, which is expected to contribute positively to the PBT of Tambun Indah Group as it will be able to take into account an additional interest income of up to approximately RM0.91 million per annum (before taking into account any interest income foregone had the funds been kept in market funds and fixed deposits placed with financial institutions by Tambun Indah Group), being the 30.0% interest income that Encik Taufiq would have been entitled if he had provided his portion of the Mustiara Shareholders Advances.

2.1 Information on the Land

Pursuant to the terms and conditions of the SPA, TPPT has agreed to sell and Mustiara has agreed to purchase the Land on an "as is where is" basis, free from any liens, charges, mortgages, easements and any other security interest or encumbrance, without vacant possession in its present state and condition but subject to all conditions of title (whether express or implied), if any, for the Purchase Consideration.

The Land, which comprises 27 parcels of agricultural land with development potential measuring in aggregate of approximately 209.54 acres, is situated off the eastern side of Jalan Besar Simpang Ampat in between the locality of Simpang Ampat and Kampung Baru Valdor, Seberang Perai Selatan, Pulau Pinang. It is situated approximately 25 km to the south-east of the Butterworth Ferry Terminal Complex and approximately 9 km to the south-east of the small town of Simpang Ampat. The Land is accessible by traveling from the Butterworth-Ipoh main road (Jalan Besar Simpang Ampat) via Jalan Valdor for approximately 2 km.

A major portion of the Land is located adjoining to the southern side of the existing Pearl Garden housing estate which is part of the development of Pearl City and developed by Tambun Indah Group. The Land is surrounded by a mix of residential, industrial and agricultural estates.

The Land is presently and majorly planted with matured oil palm trees and partly planted with vegetables and fruits. Part of the Land is affected by the Tenaga Nasional Berhad high tension overhead rentices. In addition, part of Lot 1060 is covered by a pond.

Further details of the Land are summarised in the table below:

Identification	:	Lot Nos. 1058, 1060, 1066, 1295, 1309, 1373, 1375, 1376, 1378, 1442, 3407 to 3423 held under Title Nos. GRN 40158, GRN 7283, GM 275, GM 197, GM 179, GM 206, GRN 19103, GM 59, GM 61, GM 77, HSD Nos. 27819 to 27835, Mukim 15, District of Seberang Perai Selatan, Pulau Pinang
Aggregate land area	:	209.54 acres

Category of land use	:	<u>For Lot Nos. 1058, 1060, 1066, 1295, 1309, 1373, 1375, 1376 and 1378</u> Nil
		<u>For Lot No. 1442</u> Not stated
		<u>For Lot Nos. 3407 to 3423</u> Agriculture
Existing use	:	Agricultural land
Express conditions	:	<u>For Lot Nos. 1058, 1060, 1309, 1375 and 1376</u> (First Grade) ⁽ⁱ⁾ The land comprised in this title: <ul style="list-style-type: none"> (i) shall not be affected by any provision of the National Land Code limiting the compensation payable on the exercise by the State Authority of a right of access or use conferred by Chapter 3 of Part 3 of the Code or on the creation of Land Administrator's/Collector's⁽ⁱⁱ⁾ right of way; and (ii) subject to the implied condition that land is liable to be re-entered if it is abandoned for more than three (3) years shall revert to the State only if the proprietor for the time being dies without heirs; <p>and the title shall confer the absolute right to all forest produce and all oil, mineral and other natural deposits on or below the surface of the land (including the right to work or extract any such produce or deposit and remove it beyond the boundaries of the land)</p> <u>For Lot Nos. 1066 and 1295</u> Nil
		<u>For Lot Nos. 1373 and 1378</u> <ul style="list-style-type: none"> (i) The land comprised in this title shall not be affected by any provision of the National Land Code or any other written law prohibiting mining or the removal of specified materials beyond the boundaries of the land except a provision prohibiting the prospecting for and extraction of mineral oil; and (ii) The provision of law relating to the creation of a private right of way shall apply to this land. <u>For Lot No 1442</u> The land comprised in this title: <ul style="list-style-type: none"> (i) shall not be affected by any provision of the National Land Code or any other written law prohibiting mining or the removal of specified materials beyond the boundaries of the land; and (ii) shall not be affected by any provision of the National Land Code limiting the compensation payable on the creation of Collector's right of way to compensation for damage in respect of trees, crops or buildings. <u>For Lot Nos. 3407 to 3423</u> Tanah ini hanya untuk tujuan pertanian seperti berikut: seluas 156 ekar daripada lot ini ditanam dengan kelapa sawit dan bakinya 73e or 37p ⁽ⁱⁱⁱ⁾ ditanam dengan getah.
Restriction-in-interest	:	Nil

Other endorsements	: <u>For Lot No. 1058</u> No Pers 0799N2005000057 Hak Laluan Talian Elektrik Tanah seluas lebih kurang 0.3118 hektar telah terlibat dengan talian bekalan elektrik mengikut Seksyen 11, Akta Bekalan Elektrik 1990 didaftarkan pada 1 Februari 2005. (No. rujukan fail: PPHMT/PP/PTG/413.1)	<u>Hectare</u> 0.3118
	No Pers 0799N2017003769 Hak Laluan Talian Elektrik Tanah seluas lebih kurang 0.567 hektar telah terlibat dengan talian bekalan elektrik mengikut Seksyen 11, Akta Bekalan Elektrik 1990 didaftarkan pada 8 Disember 2017. (No. rujukan fail: PPHMT/PP/PTG/278(66))	0.5670
	<u>For Lot No. 1066</u> No Pers 0703N2012000018 Hak Laluan Talian Elektrik Tanah seluas lebih kurang 0.473 hektar telah terlibat dengan talian bekalan elektrik mengikut Seksyen 11, Akta Bekalan Elektrik 1990 didaftarkan pada 14 Mac 2012. (No. rujukan fail: PTSPS/D/339)	0.4730
	<u>For Lot No. 1309</u> No Pers 0703N2005000038 Hak Laluan Talian Elektrik Tanah seluas lebih kurang 0.0018 hektar telah terlibat dengan talian bekalan elektrik mengikut Seksyen 11, Akta Bekalan Elektrik 1990 didaftarkan pada 15 Julai 2005. (No. rujukan fail: TNB/10/10/1056)	0.0018
	<u>For Lot No. 1373</u> No Pers 0703N2004000036 Hak Laluan Talian Elektrik Tanah seluas lebih kurang 0.692 hektar telah terlibat dengan talian bekalan elektrik mengikut Seksyen 11, Akta Bekalan Elektrik 1990 didaftarkan pada 16 Disember 2004. (No. rujukan fail: TNB/10/10/849) Subject to Provision of Land Conservation Act 1960	0.6920
	<u>For Lot No. 1375</u> No Pers 0799N2017003769 Hak Laluan Talian Elektrik Tanah seluas lebih kurang 0.194 hektar telah terlibat dengan talian bekalan elektrik mengikut Seksyen 11, Akta Bekalan Elektrik 1990 didaftarkan pada 8 Disember 2017. (No. rujukan fail: PPHMT/PP/PTG/278(66))	0.1940
	<u>For Lot No. 1378</u> No Pers 0703N2005000038 Hak Laluan Talian Elektrik Tanah seluas lebih kurang 0.2213 hektar telah terlibat dengan talian bekalan elektrik mengikut Seksyen 11, Akta Bekalan Elektrik 1990 didaftarkan pada 15 Julai 2005. (No. rujukan fail: TNB/10/10/1056)	0.2213
	<u>For Lot No. 1442</u> No Pers 0703N2005000038 Hak Laluan Talian Elektrik Tanah seluas lebih kurang 0.165 hektar telah terlibat dengan talian bekalan elektrik mengikut Seksyen 11, Akta Bekalan Elektrik 1990 didaftarkan pada 15 Julai 2005. (No. rujukan fail: TNB/10/10/1056)	0.1650

For Lot No. 3420 0.1841
 No Pers 0799N2004000644 Hak Laluan Talian Elektrik
 Tanah seluas lebih kurang 0.1841 hektar telah terlibat
 dengan talian bekalan elektrik mengikut Seksyen 11,
 Akta Bekalan Elektrik 1990 didaftarkan pada 22
 Oktober 2004.
 (No. rujukan fail: PPHMT/PP/PTG/413.1)

For Lot No. 3421 0.2007
 No Pers 0799N2004000644 Hak Laluan Talian Elektrik
 Tanah seluas lebih kurang 0.2007 hektar telah terlibat
 dengan talian bekalan elektrik mengikut Seksyen 11,
 Akta Bekalan Elektrik 1990 didaftarkan pada 22
 Oktober 2004.
 (No. rujukan fail: PPHMT/PP/PTG/413.1)

Total Hectares	3.0107
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Tenure	:	Freehold
Registered owner	:	TPPT
Encumbrances	:	Nil
Valuation method	:	Comparison method
Market value ^(iv)	:	RM131,000,000
Net book value	:	Mustiara is not privy to the information on the net book value of the Land and as such, is unable to disclose this information

Notes:

- (i) *Certain land in Penang with "First Grade" imposed in the land title does not require the conversion of land use in the event of any development, and hence does not require any payment of conversion premium.*
- (ii) *"Land Administrator" or formerly known as "Collector", is referred to as the administrative head in land matters in the district.*
- (iii) *"73e or 37p" is referred to as 73 acres 0 rood 37 poles or 73.2312 acres.*
- (iv) *Based on the valuation appraised by Henry Butcher as at 12 April 2019, being the date of valuation.*

The Land is located within the vicinity of Pearl City and is intended to be developed by Tambun Indah Group in the future. However, as at this juncture, the Group has not formalised any development plans and/or submitted to any relevant authorities for the procurement of any necessary approvals such as the conversion of land use, planning permission and building plan approvals for the Land. Therefore, the details of the intended development on the Land are not available at this juncture.

Upon completion of the Proposed Land Acquisition, the Group will conduct feasibility assessments and market studies, prudent planning and allocation of resources, and engage the services of professionals/ experts, if any, to formalise the development plans for the Land by end of 2019 for submission to the relevant authorities. The Group expects to procure the necessary approvals/ licenses/ permits for the Land which include but are not limited to, the conversion of land use, development plans, building plans, advertising permits and developer's license, where applicable, from the relevant authorities by end of 2021. Thereafter, the Group expects to commence the development of the Land by early of 2022.

Given that the Group intends to conduct feasibility assessments and formalise development plans for the Land by end of 2019, as well as to service the interest payments for banking facilities to be obtained by Mustiara, Tambun Indah has included, in addition to the Purchase Consideration, other costs related to the Land of RM19.0 million (as set out in Section 2, Part A of this Circular) as part of the Proposed Provision of Financial Assistance.

2.2 Salient features of the Valuation Report

The Land was appraised by Henry Butcher using the comparison method of valuation. The comparison method of valuation is the market approach of comparing the Land with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities. In comparing the properties, due consideration is given to factors such as location, size, building differences, improvements and amenities, time element and other relevant factors to arrive at the Valuer's opinion of value.

Henry Butcher is of the opinion that the market value of the freehold encumbered interest in the Land without vacant possession in its existing physical condition on the basis of the titles being good, registrable, marketable, free from other encumbrances, statutory notices and outgoing is RM131.0 million.

2.3 Background Information on Mustiara

Mustiara was incorporated in Malaysia under the Act on 24 January 2019. Mustiara is principally involved in property development.

As at the LPD, the issued share capital of Mustiara is RM100,000 comprising 100,000 ordinary shares.

Tambun Indah currently holds 70,000 ordinary shares in Mustiara, representing 70% equity interest in Mustiara, whilst the balance of 30,000 ordinary shares in Mustiara, representing 30% equity interest in Mustiara is held by Encik Taufiq.

As at the LPD, the Directors of Mustiara are Teh Kiak Seng, Teh Deng Wei, Teh Theng Theng and Encik Taufiq.

2.4 Source of funding

Tambun Indah intends to fund the Shareholder's Advances via its internally generated funds.

2.5 Salient terms of the Shareholders' Agreement

The salient terms of the Shareholders' Agreement are set out below:

(i) Condition Precedent

The Shareholders' Agreement is conditional upon the procurement by Tambun Indah of the approval of its shareholders in general meeting ("**Condition Precedent**").

The parties shall co-operate with each other and provide all necessary information and assistance reasonably required to enable the Condition Precedent to be satisfied as soon as reasonably practicable, and in any event no later than four (4) months from the date of the Shareholders' Agreement or such other further extended period as may be mutually agreed by the parties ("**Conditional Period**").

The parties hereby agree that the Shareholders' Agreement shall become unconditional on the date on which the Condition Precedent shall have been duly obtained or fulfilled in accordance with the Shareholders' Agreement ("**Unconditional Date**").

In the event that the Condition Precedent shall not have been obtained or fulfilled within the Conditional Period, or such other date as may be mutually agreed upon by the parties in writing, the Shareholders' Agreement shall terminate and be null and void and of no further effect whatsoever and none of the parties shall have any claims against the other for costs, damages, compensation or otherwise, save and except in respect of any antecedent breach of the terms of the Shareholders' Agreement.

(ii) Board of directors of Mustiara

Unless otherwise agreed by the Shareholders, Mustiara Board shall comprise four (4) members with:

- (a) three (3) directors nominated by Tambun Indah; and
- (b) one (1) director nominated by Encik Taufiq.

For the avoidance of doubt, the nomination/appointment of any additional director(s) shall be subject to the approval of the Mustiara Board.

The right of appointment conferred on a Shareholder to appoint its directors on the Mustiara Board shall include the right by that Shareholder to remove any of those persons so appointed and to appoint others in his place.

The quorum at a Mustiara Board meeting shall be a minimum of two (2) directors with at least one (1) representative director from Tambun Indah and another one (1) representative director from Encik Taufiq. If a quorum is not present within half an hour of the time appointed for the meeting, the director(s) present shall adjourn the meeting to a specified time and place, seven (7) business days after the original date and the quorum for the adjourned meeting shall be a minimum of any two (2) directors.

(iii) Roles of the Shareholders and finance of Mustiara

The Shareholders agree that the financial requirements of Mustiara for its day-to-day operations and business expansion shall whenever possible be met from the paid-up capital and cash flow generated from the operations of Mustiara, but that if additional financing is required, Mustiara shall endeavor to obtain either shareholders' loan or such finance from external borrowings or a third party lender on the best terms which could reasonably be expected to be obtained in the open market and subject to compliance with all applicable laws.

If any borrowings are not available or do not satisfy the working capital requirements of Mustiara as determined by Mustiara Board or if any credit facilities for such borrowings which are obtained are subsequently withdrawn or otherwise not available to Mustiara, each Shareholder undertakes to make cash advances in proportion to its shareholdings, and all Mustiara Shareholders Advances shall be made to Mustiara at an interest rate based on the average interest rate of Tambun Indah Group's revolving credit facilities, which is 5.12% per annum as at the date of the Shareholders' Agreement, and the said interest rate is subject to a monthly review and will be changed according to the average interest rate of Tambun Indah Group's revolving credit facilities, calculated on a monthly basis.

In the event any Shareholder is unable to provide the Mustiara Shareholders Advances, the other Shareholder shall have the right to provide the said Mustiara Shareholders Advances.

The Shareholder with outstanding Mustiara Shareholders Advances owing by Mustiara shall have the right to request Mustiara to convert the outstanding Mustiara Shareholders Advances (either part of the Mustiara Shareholders Advances or the entire outstanding balance of the Mustiara Shareholders Advances) into RCPS upon the terms as provided in Appendix I of this Circular.

The Shareholders intend for Mustiara to be liable for its own liabilities, and that the Shareholders shall not assume liability for the debts and obligations of Mustiara, except as may be required by applicable law or otherwise required by the third party lender who has agreed to grant financing or credit facilities to Mustiara. Save as otherwise agreed by the Shareholders or provided in the Shareholders' Agreement, nothing in the Shareholders' Agreement shall be construed to require a Shareholder to assume joint and several liability for any obligations of Mustiara or to require any Shareholder to assume liability for any obligations of Mustiara, or to require any Shareholder to assume liability for any obligation of another Shareholder either for Mustiara or to Mustiara.

(iv) Right of first refusal

Neither shares in Mustiara nor any beneficial interest in it shall be transferred otherwise than in accordance with the Shareholders' Agreement.

The Shareholders agree that each shall not sell, transfer or otherwise part with its beneficial ownership of any shares in Mustiara without first making an offer in writing to sell ("**Offer**") the same to the other Shareholders ("**Continuing Shareholders**") in proportion to their equity proportions, and such offer in writing shall specify the price per share ("**Specified Price**") and the terms and conditions of the sale.

In the event that there are more than two (2) Shareholders at the time and any one (1) of the Continuing Shareholders were to decline the Offer ("**Declining Continuing Shareholder**"), the Shareholder making the Offer ("**Selling Shareholder**") shall offer the shares in Mustiara so declined by the Declining Continuing Shareholder to the other Continuing Shareholder in proportion to the equity proportions of these other Continuing Shareholders. This process shall be repeated by the Selling Shareholder until either all the shares in Mustiara have been accepted or until all the Continuing Shareholders have declined the remaining shares in Mustiara. Every Offer shall remain open for acceptance for a period of thirty (30) days from the date such written offer is received by the Continuing Shareholders ("**Offer Period**") and any shares in Mustiara not accepted within the Offer Period will be deemed to have been declined.

If any of the shares in Mustiara initially offered by the Selling Shareholder have been accepted by the Continuing Shareholder within the relevant Offer Period, the Selling Shareholder shall be bound to sell the shares in Mustiara so offered.

Notwithstanding the terms and conditions which the Selling Shareholder may have set out in its written offer, the completion of the sale and purchase of the shares in Mustiara to the Continuing Shareholders shall take place not less than thirty (30) days from the date of the last acceptance, unless otherwise mutually agreed by the Selling Shareholder and all the Continuing Shareholders who have accepted.

If and only if certain shares in Mustiara offered remain unaccepted ("**Unaccepted Shares**") by all the Continuing Shareholders, the Selling Shareholder shall be entitled, within a period of ninety (90) days from the decline by all the Continuing Shareholders, to offer and complete the sale of the Unaccepted Shares to a bona fide and arm's length third party purchaser, at a price and upon terms and conditions not more favourable than those offered to the Continuing Shareholders.

(v) Termination

The Shareholders' Agreement shall continue in full force and effect without limit in point of time until the earlier of the following events:

- (a) the Shareholders agree in writing to terminate the Shareholders' Agreement;
- (b) the expiry of the duration of Mustiara as may be provided by the Constitution of Mustiara;
- (c) in relation to any one Shareholder, upon that Shareholder ceasing to hold any shares in Mustiara following the occurrence of an Event of Default (as defined below); and
- (d) in relation to any one Shareholder, upon that Shareholder ceasing to hold any shares in Mustiara.

An event of default ("**Event of Default**") shall be deemed to have occurred if in relation to any of the Shareholders ("**Defaulting Shareholder(s)**"):

- (a) the Defaulting Shareholder breaches any part of the Shareholders' Agreement and fails to remedy the same within thirty (30) days from the service of any written notice by the other Shareholder(s) ("**Non-defaulting Shareholder(s)**") complaining of such breach; or
- (b) the Defaulting Shareholder enters into any composition or arrangement with its creditors generally; or
- (c) an encumbrancer lawfully takes possession of or an administrative receiver is appointed over the whole or any part of the undertaking, property or assets of the Defaulting Shareholder; or
- (d) an order is made or resolution is passed or a notice is issued convening a meeting for the purpose of passing a resolution or any analogous proceedings are taken for the appointment of an administrator of or the winding up of the Defaulting Shareholder, other than members' voluntary liquidation solely for the purpose of amalgamation or reconstruction, or in the case of an individual, bankruptcy proceedings are instituted against the Defaulting Shareholder;
- (e) a notification by the relevant authorities that the Defaulting Shareholder is not a fit and proper person (or any such notice/words carrying that effect) to be a shareholder of Mustiara; or
- (f) any of the matters referred to above occurs in relation to any holding company for the time being of the Defaulting Shareholder.

Upon the occurrence of an Event of Default, the Non-defaulting Shareholder(s) shall be entitled (but shall not be obliged) at their absolute discretion, by written notice serve on the Defaulting Shareholder within thirty (30) days of the Event of Default coming to the actual notice of the Non-defaulting Shareholders ("**Termination Notice**"):

- (a) to require the Defaulting Shareholder to purchase (subject to the grant of all the appropriate approvals) all but not part only of the shares in Mustiara held by the Non-defaulting Shareholder(s) at the total fair value of such shares in Mustiara determined in accordance with the Shareholders' Agreement failing which, with the consent of all the Non-Defaulting Shareholders, Mustiara shall be wound up; or

- (b) to require the Defaulting Shareholder to sell to the Non-Defaulting Shareholder(s) (subject to the grant of all appropriate approvals) and if there are more than one (1) Non-defaulting Shareholder, in the proportion of their respective shareholding, all the shares in Mustiara held by the Defaulting Shareholder at the fair value of such shares, failing which the Defaulting Shareholder shall be deemed to have made an irrevocable offer of the same upon its receipt of the aforesaid written notice from the Non-defaulting Shareholder; or
- (c) to require the Defaulting Shareholder to perform its obligation, in which case the remedy of specific performance of the Shareholders' Agreement under the Specific Relief Act 1950 shall be available to the Non-Defaulting Shareholder; or
- (d) to require that Mustiara be wound up in which event the Shareholders shall forthwith do all acts and things necessary to wind up Mustiara in accordance with all applicable laws and the Constitution of Mustiara; or
- (e) to terminate the Shareholders' Agreement, whereupon the Shareholders' Agreement shall have no further force and effect with none of the Shareholders having any rights and obligations against the other Shareholders save and except for any antecedent breaches.

If there are shares Mustiara remaining unsold, such further similar offers, *mutatis mutandis*, shall be made to all those Non-defaulting Shareholders who did purchase the Defaulting Shareholder's shares in the previous round of offer until:

- (a) all the Defaulting Shareholder's shares are sold; or
- (b) there are no more Non-defaulting Shareholders interested in purchasing the remaining shares of the Defaulting Shareholder.

3. RATIONALE FOR THE PROPOSED PROVISION OF FINANCIAL ASSISTANCE

The Proposed Provision of Financial Assistance (in the form of Shareholder's Advances in cash and corporate guarantees for banking facilities to be obtained by Mustiara) will enable Mustiara to fund the Purchase Consideration and other costs related to the Land such as professional fees (including disbursements), authorities fees, stamp duty, title transfer fees, financing costs and other relevant expenses.

The Proposed Provision of Financial Assistance is to ensure that Mustiara is able to obtain the requisite advances from the Mustiara Shareholders as well as to secure banking facilities from financial institutions to finance the Purchase Consideration and other costs related to the Land as stated above.

Without the Proposed Provision of Financial Assistance, Mustiara will not be able to complete the Proposed Land Acquisition on a timely basis and to subsequently develop the Land. Thus, the Tambun Indah Group will not be able to enjoy the benefits from the development of the Land, which is expected to enhance the revenue and income stream of the Group in the future upon the commencement of development and sales of the property units on the Land.

Pursuant to the Shareholders' Agreement, the shareholder with outstanding Mustiara Shareholders Advances shall have the right to request Mustiara to convert the outstanding Mustiara Shareholders Advances (either in part or in the entirety of the outstanding balance of the Mustiara Shareholders Advances) into RCPS. Notwithstanding that the dividend rate for the RCPS is the same as the interest rate for the Mustiara Shareholders Advances, in the event of liquidation or winding up of Mustiara, the conversion of the Shareholder's Advances to RCPS is more beneficial to Tambun Indah as the RCPS ranks above Shareholder's Advances, which is unsecured advances provided by ordinary shareholders. In such event, the conversion to RCPS serves as a protection to Tambun Indah as the Company will be repaid ahead of the Shareholder's Advances.

4. INDUSTRY OUTLOOK AND PROSPECTS

4.1 Overview and outlook of the Malaysian economy

Following the robust growth of 5.9% in 2017, the Malaysian economy expanded at a more moderate pace of 4.7% in 2018. Domestic demand continued to anchor growth, supported mainly by private sector expenditure. Public sector spending moderated following the expenditure rationalisation undertaken by the Government and lower spending by public corporations. Net exports turned expansionary for the economy as the growth in real exports outpaced real imports.

Private consumption recorded its fastest pace of expansion since 2012 at 8.1% (2017: 7.0%), benefitting from several one-off factors amid favourable income and labour market conditions. Of note, household spending was buoyed by the zeroisation of the goods and services tax rate for three months, particularly on durable goods such as motor vehicles and furnishings, as well as food and beverages. Aggregate nominal wages in the private sector grew by 6.0% (2017: 6.4%), while employment growth was strong at 2.5% (2017: 2.0%). Other government measures to alleviate cost of living pressures, such as the fixing of the retail fuel price of RON95 petrol and special payments to civil servants and pensioners, lent further support to consumer spending.

Public consumption growth moderated to 3.3% (2017: 5.4%) due to slower growth in spending on both emoluments and supplies and services. This is in line with the Government's commitment to rationalise and reduce expenses on non-critical items.

Growth in the construction sector moderated to 4.2% in 2018 (2017: 6.7%). The moderation was on account of weaknesses in the property segment, as the higher levels of unsold residential properties and the oversupply in commercial property weighed on growth in the residential and non-residential sub-sectors respectively.

Overall, the commendable growth performance in 2018 in the face of several headwinds and challenges owes in large part to the strong fundamentals and highly diversified structure of the Malaysian economy. Policies were flexible and pre-emptive to ensure risks were minimised. At the same time, Malaysia continued to possess a healthy external position, with a current account surplus and adequate international reserves. External debt exposure remained manageable, reflected by its favourable maturity and currency profiles, as well as resilient repayment capacity.

Against the backdrop of a challenging global environment, the Malaysian economy is expected to sustain its growth momentum, expanding by 4.3% – 4.8% in 2019 (2018: 4.7%). The external sector is expected to register a more moderate expansion in tandem with the moderation in global growth. Private sector activity will remain the anchor of growth amid continued rationalisation in the public sector. Labour market conditions are expected to remain supportive of growth, while inflation is projected to be broadly stable compared to 2018.

Growth in the construction sector is expected to moderate in 2019, due to the completion of large petrochemical projects in the civil engineering sub-sector. Continued progress of large transportation and utility projects will provide support to growth. The residential and non-residential sub-sectors, however, are expected to remain subdued amid the oversupply of residential and commercial properties.

(Source: Annual Report 2018, Bank Negara Malaysia)

4.2 Overview and outlook of the property industry in Malaysia

Outstanding household loans during the period grew by 5.2% (3Q 2018: 5.5%), supported mainly by loans for the purchase of residential properties; purchase of securities; and personal use.

(Source: BNM Quarterly Bulletin: Economic and Financial Developments in the Malaysian Economy in the 4th Quarter 2018, Bank Negara Malaysia)

Lending to households continued to record firm growth with loan disbursements increasing significantly by 13.2% to RM191.7 billion in the first seven months of 2018. Loans disbursed to the household sector were mainly for consumption credit which totalled RM90.4 billion (47.2%), followed by residential properties at RM49.9 billion (26%) and passenger cars at RM22.8 billion (11.9%). As at end-July 2018, total household loans outstanding expanded 6% amounting to RM936.7 billion, accounting for 57.4% of total loans outstanding in the banking system.

The residential sub-sector is expected to grow at a marginal pace following the mismatch between supply and demand. Towards this end, the Government suspended the development of residential properties, services apartments and luxury condominiums priced over RM1 million in prime area, effective November 2017. In addition, the developers are focusing on sales of existing projects to address the overhang issues. Meanwhile, the Government will continue to provide affordable housing for the low and middle-income groups through various programmes.

The non-residential sub-sector is projected to decline following oversupply and overhang of high-end shops and shopping complexes as well as downward trend in the incoming supply of commercial buildings. However, the demand for commercial buildings in prime areas is anticipated to remain stable supported by residential development projects in Klang Valley suburbs, particularly in areas along MRT and LRT routes; as well as in major cities such as Johor Bahru, Melaka and Pulau Pinang.

(Source: Economic Outlook 2019, Ministry of Finance)

4.3 Overview of the property market in Penang

The performance of the property market in Pulau Pinang is showing a recovery driven by growth in market activity. There were 17,087 transactions worth RM10.19 billion, marginal increased by 3.0% in volume whilst value decreased by a mere 1.9% against 2017 (16,592 transactions worth RM10.39 billion). Residential sub-sector continued to propel the overall market, accounting for 73.4% of the state's property transaction volume followed by agriculture (9.2%), commercial (7.6%), development land (7.0%) and industrial (2.7%) sub-sectors.

Market movements across all sub-sectors were on the uptrend. With the exception of commercial and development land sub-sectors which recorded downtrend of 3.0% and 0.2% each, other sectors grew marginally. Agriculture sub-sectors led the increase with 4.0%, followed by residential (3.8%) and industrial (1.3%) sub-sectors. In terms of value, all sub-sectors recorded upward trend with the exception of agriculture and development land sub-sectors, down by 52.5% and 8.5% respectively.

Residential sub-sector remained as the leading sub-sector with 73.4% share. There were 12,551 transactions worth RM5.47 billion recorded in the review period, increased by 3.8% in volume and 1.0% in value respectively. Stratified units comprising condominium, apartment and flat led the residential market, accounting for 36.0% of the total transactions. The residential overhang was promising as the number eased in the review period. There were 3,502 units worth RM3.09 billion, decreased by 10.6% in volume and 19.1% in value as compared to 2017 (3,916 units worth RM3.82 billion). Nevertheless, the unsold under construction recorded 14.7% more with 10,613 units against 9,249 units in 2017. Likewise, the unsold not constructed increased tremendously to 773 units from 80 units in 2017.

The commercial sub-sector softened in the review period. There were 1,304 transactions worth RM1.11 billion recorded, decreased slightly by 3.0% in volume but increased by 5.9% in value as compared to 2017. The shop overhang situation improved. There were 23 units worth RM29.59 million recorded in the review period. The number eased by 74.4% as compared to 2017 (90 units worth RM50.17 million). Correspondingly, value also decreased by 41.0%. On the contrary, the unsold under construction increased by 47.4% to 140 units against 95 units last year. The unsold not constructed recorded 42 units after not having any in 2017.

Penang's property market is expected to remain resilient in the coming year backed by several planned and on-going development projects. One of the mega developments planned by the State Government is to initiate reclamation on the south side of Penang Island. The project, Penang South Reclamation Project involves creating three manmade islands off the southern coast fronting Permatang Damar Laut, Teluk Bayu, Sungai Batu, Teluk Kumbar and Gertak Sanggul. These artificial islands will be connected by a network of roads and rail transport networks.

The other notable development is Gurney Wharf's project, which is a world-class public park on the 24.28-hectare reclaimed Gurney Drive foreshore. The development, stretching from Bagan Jermal to Pangkor Road and will be carried out in two phases. The proposed master plan includes Seaside Retail Food and Beverage, Water Gardens and et cetera, one of the State Government's initiatives is providing public facilities to the people of Pulau Pinang. On a different note, the Light City project by IJM Land Berhad which involves approximately 13.26 hectares of land in Gelugor was developed as Smart City with complimentary fibre optic and Wi-Fi facilities. The integrated mixed development project consists of office towers, condominiums, hotels, business complexes and the largest convention centre in the state, Penang Waterfront Convention Centre.

(Source: Property Market Report 2018, Valuation and Property Services Department)

4.4 Prospects of the Land

Tambun Indah Group is expected to benefit from the developments, amenities and infrastructures in close proximity surrounding the Land, which include the following:

- (i) The existing Bandar Tasek Mutiara housing estate comprising mainly single and double storey terraced houses, single and double storey semi-detached houses and double storey shop/offices as well as low-cost flats located to the north;
- (ii) The Simpang Ampat Industrial Park is situated within a short distance to the west of the Land whilst the North-South Express Highway with its Tambun interchange is located to the north-west;
- (iii) The Batu Kawan New Township which consists of industrial, residential and public facilities is located to the west of the Land whilst the Jambatan Sultan Abdul Halim Muadzam Shah (the Second Penang Bridge) is located about 15 km to the west of the Land;
- (iv) Kawasan Perniagaan Simpang Ampat, Valdor Light Industrial Park and Mountain View Golf Resort are also in the neighbourhood;

- (v) Existing residential housing estates located nearby include Pearl Garden, Pearl Indah, Taman Puteri Gunung, Taman Tanglin, Taman Belibis, Taman Tempua, Taman Cegar, Taman Jentayu, Taman Jentayu Indah, Taman Valdor, Taman Valdor Ria, Taman Valdor Permai, Taman Gamelan and Taman Gamulan Indah; and
- (vi) Shopping, marketing, educational, recreational amenities and public facilities are available in the small town of Simpang Ampat or the Batu Kawan New Township.

(Source: Valuation Report)

Tambun Indah Group is principally involved in property development and project management. The Proposed Land Acquisition is timely and in line with the Group's strategy to scale up its property development activities in locations with growth potential to generate long-term income stream for the Group.

The Proposed Land Acquisition will allow the Company to acquire the Land in a location which is regarded by the Board to be strategic as the Land lies in close proximity to the Batu Kawan New Township, which comprises of industrial, commercial and residential components. Further, the location of the Land within the vicinity of the Pearl City township complements the Group's existing development projects in the said vicinity and is expected to enhance the overall value proposition of the Pearl City township.

With the strategic location and accessibility coupled with well-established amenities, the Board envisages the development potential of the Land to be favourable and expects the Proposed Land Acquisition to contribute positively to the future financial performance of the Group when the Land is fully developed.

As at the LPD, the Group has not formalised any development plans and/or submitted to any relevant authorities for the procurement of any necessary approvals such as the conversion of land use, planning permission and building plan approvals for the Land. Therefore, the details of the intended development on the Land are not available at this juncture and as such the estimated development cost on the Land can only be determined at a later stage as and when the development plans have been formalised by Tambun Indah Group. Notwithstanding the aforementioned, the Group expects to formalise the development plans for the Land and subsequently submit the relevant applications to obtain the necessary approvals from the relevant authorities by end of 2019. Thereafter, the Group expects to obtain all the relevant approvals by end of 2021 and commence development of the Land by early of 2022.

(Source: Management of Tambun Indah)

5. RISK FACTORS

Tambun Indah Group is involved in property development and as such, is already exposed to the risks inherent in the property development industry. The Group will continue to be exposed to similar business, operational, financial and investment risks inherent to the property development sector.

The risk factors applicable to Tambun Indah in relation to the Proposed Provision of Financial Assistance include, but are not limited to the following:

(i) Financing risk

As mentioned in Section 2, Part A of this Circular, the Company will extend the provision of financial assistance of up to a total of RM150.0 million (in the form of Shareholder's Advances in cash and corporate guarantees for banking facilities to be obtained by Mustiara) to fund the Purchase Consideration and other costs related to the Land.

As the Group has not formalised any development plans and/or submitted to any relevant authorities for the procurement of any necessary approvals such as conversion of land use, planning permission and building plan approvals for the Land, the timing and repayment of Shareholder's Advances cannot be determined at this juncture.

Accordingly, there is no assurance that Mustiara will be able to repay the Shareholders' Advances and such non-repayment may have a material impact on the financial position of the Group.

In addition, the corporate guarantees for banking facilities may be called upon or claimed by the financial institutions, which as a consequence, the Company will be required to repay the indebtedness of Mustiara to the financial institutions and it may have a material impact on the financial position of the Company.

Having extended due consideration to this risk as well as the potential benefits and returns of the development of the Land, the Board believes that it is in the best interest of the Group to proceed with the Proposed Provision of Financial Assistance.

6. EFFECTS OF THE PROPOSED PROVISION OF FINANCIAL ASSISTANCE

6.1 Issued share capital and substantial shareholders' shareholdings

The Proposed Provision of Financial Assistance will not have any effect on the issued share capital and substantial shareholders' shareholdings of Tambun Indah as the Proposed Provision of Financial Assistance does not involve any issuance of new Tambun Indah Shares.

6.2 NA, NA per Share and gearing

For illustration purposes, where applicable throughout this Circular, the pro forma effects of the Proposals shall be based on the following scenarios:

- | | | |
|-------------------------|---|--|
| Minimum Scenario | : | Assuming none of the outstanding ESOS Options are exercised into new Tambun Indah Shares prior to the implementation of the Proposals. |
| Maximum Scenario | : | Assuming all of the outstanding ESOS Options are exercised into new Tambun Indah Shares prior to the implementation of the Proposals. |

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For illustrative purposes, based on the audited consolidated statement of financial position of Tambun Indah as at 31 December 2018 and assuming that the Proposals had been effected at the end of the FYE 31 December 2018, the pro forma effect of the Proposals on the NA, NA per Share and gearing of the Tambun Indah Group are as follows:

Minimum Scenario:

Group Level	Audited as at 31 December 2018 RM	I Adjusted for subsequent events RM	II After (I) and the Proposals RM
Share capital	287,580,160	⁽ⁱ⁾ 287,634,311	287,634,311
Share options reserve	889,561	⁽ⁱ⁾⁽ⁱⁱ⁾ 956,062	956,062
Retained earnings	319,370,194	⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾ 306,727,828	^(iv) 306,327,828
Shareholders' fund / NA	607,839,915	595,318,201	594,918,201
Non-controlling interest	1,316,871	1,316,871	1,316,871
Total equity	609,156,786	596,635,072	596,235,072
No. of Shares in issue	433,378,517	433,452,617	433,452,617
NA per Share (RM)	1.40	1.37	1.37
Total borrowings (RM)	95,820,559	95,820,559	^(v) 186,820,559
Gearing ratio (times)	0.16	0.16	0.31

Notes:

- (i) After adjusting for 54,100 Shares and 20,000 Shares which were issued at an exercise price of RM0.71 and RM0.50 for each Share respectively from 1 January 2019 up to the LPD pursuant to the Company's employees' share option scheme ("**ESOS**").
- (ii) After adjusting for 760,400 ESOS Options granted to the Group's eligible employees at the fair value of RM0.095 for each ESOS Option based on the exercise price of RM0.71 for each ESOS Option from 1 January 2019 up to the LPD.
- (iii) After adjusting for the proposed single tier final dividend of 2.9 sen per Share for the FYE 31 December 2018 which was announced by the Board on 12 April 2019 ("**Proposed Single Tier Final Dividend**") based on 433,452,617 Shares as at the LPD.
- The Proposed Single Tier Final Dividend is subjected to the approval of the Company's shareholders at the forthcoming AGM and the entitlement and payment dates in respect of the Proposed Single Tier Final Dividend have yet to be finalised at this juncture.
- (iv) After deducting the estimated expenses in relation to the Proposals of approximately RM400,000.
- (v) Assuming the Proposed Land Acquisition is partially funded by banking facilities of RM91.0 million obtained by Mustiara.

Maximum Scenario:

Group Level	Audited as at 31 December 2018 RM	I Adjusted for subsequent events RM	II After (I) and assuming all outstanding ESOS Options are exercised RM	III After (II) and the Proposals RM
Share capital	287,580,160	(i) 287,634,311	(iv) 293,017,996	293,017,996
Share options reserve	889,561	(i)(ii) 956,062	(iv) -	-
Retained earnings	319,370,194	(ii)(iii) 306,727,828	306,727,828	(v) 306,327,828
Shareholders' fund / NA	607,839,915	595,318,201	599,745,824	599,345,824
Non-controlling interest	1,316,871	1,316,871	1,316,871	1,316,871
Total equity	609,156,786	596,635,072	601,062,695	600,662,695
No. of Shares in issue	433,378,517	433,452,617	(iv) 437,044,917	437,044,917
NA per Share (RM)	1.40	1.37	1.37	1.37
Total borrowings (RM)	95,820,559	95,820,559	95,820,559	(vi) 186,820,559
Gearing ratio (times)	0.16	0.16	0.16	0.31

Notes:

- (i) After adjusting for 54,100 Shares and 20,000 Shares which were issued at an exercise price of RM0.71 and RM0.50 for each Share respectively from 1 January 2019 up to the LPD pursuant to the Company's ESOS.
- (ii) After adjusting for 760,400 ESOS Options granted to the Group's eligible employees at the fair value of RM0.095 for each ESOS Option based on the exercise price of RM0.71 for each ESOS Option from 1 January 2019 up to the LPD.
- (iii) After adjusting for the Proposed Single Tier Final Dividend based on 433,452,617 Shares as at the LPD.
- The Proposed Single Tier Final Dividend is subjected to the approval of the Company's shareholders at the forthcoming AGM and the entitlement and payment dates in respect of the Proposed Single Tier Final Dividend have yet to be finalised at this juncture.
- (iv) Assuming all the ESOS Options are exercised into new Shares prior to the implementation of the Proposals as follows:

No. of outstanding ESOS Options	Exercise Price RM	Share capital RM
Options granted:		
110,000	0.69	75,900
706,300	0.71	501,473
19,000	0.92	17,480
59,000	1.24	73,160
612,000	1.25	765,000
454,000	1.27	576,580
125,000	1.30	162,500
1,066,000	1.45	1,545,700
258,000	1.51	389,580
183,000	1.75	320,250
Total	3,592,300	4,427,623

- (v) After deducting the estimated expenses in relation to the Proposals of approximately RM400,000.
- (vi) Assuming the Proposed Land Acquisition is partially funded by banking facilities of RM91.0 million obtained by Mustiara.

Further, in the event that Tambun Indah provides corporate guarantees for banking facilities obtained by Mustiara and subsequently Mustiara is unable to meet its debt obligation, there will also be no further material effects on the borrowings, NA and NA per Share of the Group as Tambun Indah has already consolidated Mustiara's borrowings in its financial statements. However, it may have a material effect on the gearing of Tambun Indah at the Company level as it will have to assume Mustiara's entire indicative debt obligation of RM91.0 million.

6.3 Earnings and EPS

The Proposed Provision of Financial Assistance is not expected to have any material effect on the earnings of the Group for the FYE 31 December 2019.

There are no material effects on the future earnings and EPS of the Group, assuming all the Shareholder's Advances are fully recoverable and that the said advances to Mustiara yields an interest rate of 5.12% per annum.

However, future earnings of the Group may be affected due to finance costs of the banking facilities obtained by Mustiara to fund the Proposed Land Acquisition.

The Proposed Provision of Financial Assistance, to complete the Proposed Land Acquisition, is expected to contribute positively to the Group's future earnings and EPS upon the commencement of development and sales of the property units on the Land.

6.4 Convertible securities

As at the LPD, save for the outstanding ESOS Options, the Company does not have any convertible securities.

7. APPROVALS REQUIRED

The Provision of Financial Assistance is subject to the following approvals being obtained:

- (i) the shareholders of Tambun Indah at an EGM of the Company to be convened; and
- (ii) any other relevant authorities and/or parties, where applicable.

8. INTER-CONDITIONALITY

The Proposed Provision of Financial Assistance is conditional upon the Proposed Land Acquisition.

Save for the above, the Proposed Provision of Financial Assistance is not conditional upon any other corporate exercise undertaken or to be undertaken by the Company.

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9. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

Encik Taufiq had on 9 April 2019 resigned as the Non-Independent Non-Executive Director of Tambun Indah. However, Encik Taufiq is deemed as an interested director pursuant to Paragraph 10.02(c) of the Listing Requirements as he was the Non-Independent Non-Executive Director of Tambun Indah within the preceding six (6) months on which the terms of the Proposed Provision of Financial Assistance were agreed upon. He is also a director and substantial shareholder of Mustiara, holding 30% equity interest in Mustiara. Therefore, Encik Taufiq is deemed interested in the Proposed Provision of Financial Assistance.

The direct and indirect shareholdings of Encik Taufiq in Tambun Indah as at the LPD are as follows:

	As at the LPD			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Encik Taufiq	1,000,000	0.23	⁽ⁱ⁾ 10,000	-

Note:

(i) Deemed interested by virtue of Section 8 of the Act held through Narspa Holdings Sdn. Bhd.

Accordingly, Encik Taufiq has abstained from all deliberations and voting at the relevant Board meetings in relation to the Proposed Provision of Financial Assistance prior to his resignation. Encik Taufiq will also abstain from voting in respect of his direct and/or indirect shareholdings, if any, in Tambun Indah on the resolution pertaining to the Proposed Provision of Financial Assistance to be tabled at the forthcoming EGM of the Company and will ensure that persons connected with him will abstain from voting in respect of their direct and/or indirect shareholdings, if any, in Tambun Indah on the resolution pertaining to the Proposed Provision of Financial Assistance to be tabled at the forthcoming EGM of the Company.

Save as disclosed above, none of the directors and/or major shareholders of the Company and/or persons connected with them have any interest, directly or indirectly, in the Proposed Provision of Financial Assistance.

10. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, there is no other corporate exercise which has been announced but pending completion as at the LPD.

11. TRANSACTIONS WITH RELATED PARTY FOR THE PAST 12 MONTHS

Save for the Proposed Provision of Financial Assistance, there is no other related party transaction with Encik Taufiq for the past 12 months preceding the date of this Circular.

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12. INDEPENDENT ADVISER

The Proposed Provision of Financial Assistance is deemed as a related party transaction pursuant to the Paragraphs 8.23(2)(b) and 10.08(2) of the Listing Requirements. Accordingly, Affin Hwang IB has been appointed to act as the Independent Adviser to undertake the following:

- (i) comment as to:
 - (a) whether the Proposed Provision of Financial Assistance is fair and reasonable so far as the shareholders of the Company are concerned;
 - (b) whether the Proposed Provision of Financial Assistance is to the detriment of the non-interested shareholders of the Company; and
- (ii) advise the non-interested shareholders of the Company on whether they should vote in favour of the Proposed Provision of Financial Assistance.

Please refer to Part B of this Circular for the IAL to the non-interested shareholders of Tambun Indah in relation to the Proposed Provision of Financial Assistance. The non-interested shareholders of Tambun Indah are advised to read and carefully consider the contents of this Circular (including the IAL) before voting on the resolution pertaining to the Proposed Provision of Financial Assistance at the forthcoming EGM of the Company.

13. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board (save for Encik Taufiq, being the interested director who has resigned on 9 April 2019), after taking into consideration the evaluation of the Independent Adviser, is of the opinion that the Proposed Provision of Financial Assistance is:

- (i) in the best interests of Tambun Indah Group;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interests of the non-interested shareholders of Tambun Indah.

In forming its view, the Board (save for Encik Taufiq, being the interested director who has resigned on 9 April 2019) has taken into consideration, amongst others, the following:

- (i) the salient terms of the Shareholders' Agreement;
- (ii) the rationale for the Provision of Financial Assistance;
- (iii) the prospects of the Land; and
- (iv) the effects of the Proposed Provision of Financial Assistance.

Accordingly, the Board recommends that the shareholders of Tambun Indah to vote in favour of the resolution pertaining to the Proposed Provision of Financial Assistance at the forthcoming EGM of the Company.

14. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of Tambun Indah (save for Encik Taufiq, being the interested director who has resigned on 9 April 2019), after taking into consideration the evaluation of the Independent Adviser, is of the opinion that the Proposed Provision of Financial Assistance is:

- (i) in the best interests of Tambun Indah Group;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interests of the non-interested shareholders of Tambun Indah.

In forming its view, the Audit Committee (save for Encik Taufiq, being the interested director who has resigned on 9 April 2019) has taken into consideration, amongst others, the following:

- (i) the salient terms of the Shareholders' Agreement;
- (ii) the rationale for the Provision of Financial Assistance;
- (iii) the prospects of the Land; and
- (iv) the effects of the Proposed Provision of Financial Assistance.

15. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to approval being obtained from the non-interested shareholders of the Company at the forthcoming EGM of the Company, the Proposed Provision of Financial Assistance is expected to be implemented in the second half of 2019.

16. EGM

The EGM, the notice of which is enclosed in this Circular, is scheduled 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 11.00 am or immediately after the conclusion or adjournment of the Eleventh (11th) AGM of the Company to be held at the same venue and on the same date at 10.00 am, for the purpose of considering and if thought fit, passing with or without modification, the resolution to give effect to the Proposed Provision of Financial Assistance.

If you are unable to attend, speak and vote in person at the EGM, you are requested to complete, sign and return the enclosed Proxy Form in accordance with the instructions contained therein, to be deposited at the registered office of the Company at 51-21-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty-eight (48) hours before the time stipulated for holding the EGM of adjournment thereof, or in the case of a poll not less than twenty-four (24) hours before the time appointed for the taking of the poll. The lodging of the Proxy Form shall not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

17. FURTHER INFORMATION

Shareholders are advised to refer to the attached appendices for further information.

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

TEH KIAK SENG
Managing Director

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PART B

**INDEPENDENT ADVICE LETTER FROM AFFIN HWANG IB TO THE NON-INTERESTED
SHAREHOLDERS OF TAMBUN INDAH IN RELATION TO THE PROPOSED PROVISION OF
FINANCIAL ASSISTANCE**

EXECUTIVE SUMMARY

Definitions or defined terms used in this Executive Summary shall have the same meaning as defined in the "Definitions" section of Part A of this Circular, except where the context requires otherwise or as otherwise defined.

All references to "we", "us" and "our" in this Executive Summary are to Affin Hwang IB, being the Independent Adviser for the Proposed Provision of Financial Assistance.

This Executive Summary highlights the key information of the Proposed Provision of Financial Assistance. We advise all non-interested shareholders of the Company for the Proposed Provision of Financial Assistance to read and understand this IAL in its entirety, together with Part A of this Circular and the appendices thereto for any other relevant information and are not to rely solely on this Executive Summary before forming an opinion on the Proposed Provision of Financial Assistance. You are also advised to consider carefully the recommendation contained herein before voting on the resolution relating to the Proposed Provision of Financial Assistance to be tabled at the forthcoming EGM of the Company. If you are in doubt as to the course of action to be taken, you should consult your stockbroker, solicitor, accountant, banker or other professional adviser immediately.

1. INTRODUCTION

On 9 April 2019, the Board announced that Mustiara, a 70% owned subsidiary of the Company, had acknowledged the Letter of Acceptance from TPPT in relation to the Proposed Land Acquisition. Pursuant thereto, the Board had also on the same date, announced that the Initial Shareholder's Advances will be extended to Mustiara, when necessary, to fund the acceptance deposit for the Land and other costs related to the Land.

The Proposed Land Acquisition is subject to a formal SPA to be entered into between Mustiara and TPPT.

Subsequently on 25 April 2019, the Board announced that Mustiara had on the same date entered into a SPA with TPPT in relation to the Proposed Land Acquisition. The Proposed Land Acquisition shall also be subject to, amongst others, the approval of the Economic Planning Unit of the Prime Minister's Department.

The Company, had also on 25 April 2019, entered into the Shareholders' Agreement with Encik Taufiq and Mustiara to regulate the affairs of Mustiara and the relationship between the Mustiara Shareholders. In conjunction with the Proposed Land Acquisition, Tambun Indah proposed to extend the provision of financial assistance of up to a total of RM150.0 million (including the Initial Shareholder's Advances) to Mustiara to fund the Purchase Consideration and other costs related to the Land such as professional fees (including disbursements), authorities fees, stamp duty, title transfer fees, financing costs and other relevant expenses. The Proposed Provision of Financial Assistance of up to a total of RM150.0 million by Tambun Indah to Mustiara shall be in the form of Shareholder's Advances in cash and corporate guarantees for banking facilities to be obtained by Mustiara, subject to the terms and conditions of the Shareholders' Agreement.

Please refer to Section 2, Part A of this Circular for details of the Proposed Provision of Financial Assistance.

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EXECUTIVE SUMMARY (CONT'D)

The Proposed Provision of Financial Assistance is deemed as a related party transaction pursuant to Paragraphs 8.23(2)(b) and 10.08(2) of the Listing Requirements as Encik Taufiq, is the former Non-Independent Non-Executive Director of the Company¹. Encik Taufiq was appointed to the Board on 15 April 2011 as an Independent Non-Executive Director until 25 January 2019. Subsequently, he was redesignated as a Non-Independent Non-Executive Director of the Company until his resignation on 9 April 2019. Currently, Encik Taufiq holds 30% equity interest in Mustiara and is also a director of Mustiara.

Accordingly, in compliance with Paragraph 10.08(2) of the Listing Requirements, Affin Hwang IB had been appointed by the Board on 15 April 2019 to act as the Independent Adviser to advise the non-interested shareholders of the Company, amongst others, whether the Proposed Provision of Financial Assistance is fair and reasonable and whether the Proposed Provision of Financial Assistance is detrimental to the non-interested shareholders of the Company.

2. EVALUATION OF THE PROPOSED PROVISION OF FINANCIAL ASSISTANCE

In evaluating the Proposed Provision of Financial Assistance, we have taken into consideration the following:

Section in this IAL	Section of evaluation	Comments
6.1	Rationale for the Proposed Provision of Financial Assistance	<p>The Proposed Provision of Financial Assistance</p> <p>(i) will allow Mustiara to have the necessary funding for the Purchase Consideration and other costs related to the Land such as professional fees (including disbursements), authorities fees, stamp duty, title transfer fees, financing costs and other relevant expenses and in turn enable Mustiara to complete the Proposed Land Acquisition on a timely basis; and</p> <p>(ii) will allow Tambun Indah Group to increase its landbank to approximately 707.94 acres from approximately 498.40 acres, representing an increase of approximately 42.04%.</p>

¹ On 9 April 2019, the Company announced that Encik Taufiq had resigned as the Non-Independent Non-Executive Director of the Company. Pursuant to Paragraph 10.02(c) of the Listing Requirements, a director has the meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a director of the listed issuer, its subsidiary or holding company.

EXECUTIVE SUMMARY (CONT'D)

Section in this IAL	Section of evaluation	Comments
6.2	Salient terms of the Shareholders' Agreement	<p>The salient terms of the Shareholders' Agreement include clauses on:</p> <ul style="list-style-type: none"> (i) Condition precedent; (ii) Board of Directors of Mustiara; (iii) Roles of the Shareholders and finance of Mustiara; (iv) Right of first refusal; (v) Termination; and (vi) Salient terms of the RCPS.
6.3	Industry overview and prospects	<ul style="list-style-type: none"> (i) The Malaysian economy is expected to remain on a steady growth path with domestic demand as the key driver of growth. (ii) Headline inflation is expected to average moderately higher in 2019. (iii) The Malaysian property market has gradually improved, recorded an increase in 2018 supported by better performance of the residential, commercial and industrial property markets as compared to the previous year. Property market activity in 2019 is expected to be more stable based on positive movements in transaction volume and value. (iv) The performance of the property market in Penang has shown a recovery driven by growth in market activity. There were 17,087 transactions worth RM10.19 billion, a marginal increase of 3.0% in volume whilst value decreased by 1.9% against 2017 (16,592 transactions worth RM10.39 billion). (v) Based on Tambun Indah's track record in property development in Seberang Perai, Penang, the Management believes that the Group is able to manage the risks for the property development projects on the Land in the future. (vi) The enhancement in revenue and income stream from the Proposed Provision of Financial Assistance via the Proposed Land Acquisition will not be immediate and a longer term outlook will need to be taken into consideration.

EXECUTIVE SUMMARY (CONT'D)

Section in this IAL	Section of evaluation	Comments
6.4	Risk factors	<p>The risk factors of the Proposed Provision of Financial Assistance are:</p> <ul style="list-style-type: none"> (i) Financing risk; (ii) Risk of default on Shareholder's Advances; and (iii) Risk of business venture.
6.5	Effects of the Proposed Provision of Financial Assistance	<p><u>Issued share capital and substantial shareholders' shareholdings</u></p> <p>The Proposed Provision of Financial Assistance will not have any effect on the issued share capital of Tambun Indah as well as on the substantial shareholders' shareholdings in Tambun Indah as the Proposed Provision of Financial Assistance does not involve any issuance of new Tambun Indah Shares.</p> <p><u>NA, NA per Share and gearing</u></p> <ul style="list-style-type: none"> (i) Assuming the Proposed Land Acquisition is partially funded through banking facilities of RM91.0 million obtained by Mustiara pursuant to the Proposed Provision of Financial Assistance, the total borrowings of the Group will increase by RM91.0 million and the gearing ratio of the Group will increase from approximately 0.16 times to approximately 0.31 times. (ii) As Mustiara is a 70% owned subsidiary of Tambun Indah, it is in the interest of Tambun Indah to endeavour to ensure that Mustiara does not fall into a position of default on its banking facilities and the corporate guarantees are not called upon. Further, we note that the Group has a net cash balance of approximately RM108.82 million (after accounting for the Group's total bank borrowings of approximately RM61.46 million) as at 31 March 2019. As such, we are of the view that Tambun Indah, after the provision of Shareholder's Advances pursuant to the Proposed Provision of Financial Assistance, is capable of providing financial support to service the banking facilities of Mustiara, where necessary. Thus, the Proposed Provision of Financial Assistance, via the corporate guarantees, is not envisaged to have any material impact on the NA and NA per Share of the Group.

EXECUTIVE SUMMARY (CONT'D)

Section in this IAL	Section of evaluation	Comments
		<p><u>Earnings and EPS</u></p> <p>(i) There are no material effects on the future earnings and EPS of the Group, assuming all the Shareholder's Advances are fully recoverable and that the said advances to Mustiara yield an interest rate of 5.12% per annum.</p> <p>(ii) The future earnings of the Group may be affected by the finance costs of the banking facilities obtained by Mustiara to fund the Proposed Land Acquisition.</p> <p>(iii) As it is in the interest of Tambun Indah to endeavour to ensure that Mustiara does not fall into a position of default on its banking facilities and the corporate guarantees are not called upon, the Proposed Provision of Financial Assistance, via the corporate guarantees, is not envisaged to have any material impact on the earnings and EPS of the Group.</p> <p>(iv) The Proposed Provision of Financial Assistance, to complete the Proposed Land Acquisition, is expected to contribute positively to the Group's future earnings and EPS upon the commencement of development and sales of the property units on the Land.</p>
6.6	Other salient considerations	<p>(i) It is noted that the market value of the Land as appraised by Henry Butcher using the comparison method of valuation is RM131.0 million. As such, the Purchase Consideration is at the market value of the Land of RM131.0 million.</p> <p>(ii) It is noted that the Proposed Provision of Financial Assistance also includes other costs related to the Land of up to RM19.0 million, of which we are of the view that the amount and breakdown of the costs related to the Land are reasonable.</p>

3. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Provision of Financial Assistance and have set out our evaluation in Section 6 of this IAL.

Based on our assessment and evaluation, we conclude that the Proposed Provision of Financial Assistance will provide the necessary Shareholder's Advances in cash and corporate guarantees to enable Mustiara to complete the Proposed Land Acquisition on a timely basis as well as to acquire the Land located in a strategic location, which is within the vicinity of Tambun Indah Group's existing flagship township, being Pearl City. This will also allow the Group to expand its property development portfolio in the future, which is expected to generate long-term income stream for the Group. Further, pursuant to the Shareholders' Agreement, all Mustiara Shareholders Advances shall be subject to an interest rate of 5.12% per annum, which is based on the average interest rate of Tambun Indah Group's revolving credit facilities and the said interest rate is subject to a monthly review and will be revised accordingly. As such, the anticipated Shareholder's Advances of an indicative amount of up to RM59.0 million, which is expected to be advanced by Tambun Indah, is expected to contribute positively to the PBT of Tambun Indah Group as it will be able to take into account an additional interest income of up to approximately RM0.91 million per annum (before taking into account any interest income foregone had the funds been kept in money market funds and fixed deposits placed with financial institutions by Tambun Indah Group), being the 30.0% interest income that Encik Taufiq would have been entitled if he had provided his portion of the Mustiara Shareholders Advances.

Notwithstanding the above, we also wish to highlight that there are also risks associated with the Proposed Provision of Financial Assistance, such as financing risk, risk of default on Shareholder's Advances as well as risk of business venture that the non-interested shareholders should also take into consideration, of which details are set out in Section 5, Part A of this Circular and Section 6.4 of this IAL.

After taking into consideration our overall assessment and evaluation of the Proposed Provision of Financial Assistance based on the information available to us up to the LPD, we are of the view that the Proposed Provision of Financial Assistance is **fair and reasonable** and **not detrimental** to the non-interested shareholders. Accordingly, we recommend that you **vote in favour** of the resolution pertaining to the Proposed Provision of Financial Assistance to be tabled at the forthcoming EGM of the Company.

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12 June 2019

To: The non-interested shareholders of Tambun Indah

Dear Sir/Madam,

TAMBUN INDAH LAND BERHAD

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF TAMBUN INDAH IN RELATION TO THE PROPOSED PROVISION OF FINANCIAL ASSISTANCE

This IAL has been prepared to be enclosed with Part A of this Circular. Definitions or defined terms used in this IAL shall have the same meaning as defined in the "Definitions" section of Part A of this Circular, except where the context requires otherwise or as otherwise defined.

All references to "we", "us" and "our" in this IAL are to Affin Hwang IB, being the Independent Adviser for the Proposed Provision of Financial Assistance.

1. INTRODUCTION

On 9 April 2019, the Board announced that Mustiara, a 70% owned subsidiary of the Company, had acknowledged the Letter of Acceptance from TPPT in relation to the Proposed Land Acquisition. Pursuant thereto, the Board had also on the same date, announced that the Initial Shareholder's Advances will be extended to Mustiara, when necessary, to fund the acceptance deposit for the Land and other costs related to the Land. The Proposed Land Acquisition is subject to a formal SPA to be entered into between Mustiara and TPPT.

Subsequently on 25 April 2019, the Board announced that Mustiara had on the same date entered into a SPA with TPPT in relation to the Proposed Land Acquisition. The Proposed Land Acquisition shall also be subject to, amongst others, the approval of the Economic Planning Unit of the Prime Minister's Department.

The Company, had also on 25 April 2019, entered into the Shareholders' Agreement with Encik Taufiq and Mustiara to regulate the affairs of Mustiara and the relationship between the Mustiara Shareholders. In conjunction with the Proposed Land Acquisition, Tambun Indah proposed to extend the provision of financial assistance of up to a total of RM150.0 million (including the Initial Shareholder's Advances) to Mustiara to fund the Purchase Consideration and other costs related to the Land such as professional fees (including disbursements), authorities fees, stamp duty, title transfer fees, financing costs and other relevant expenses. The Proposed Provision of Financial Assistance of up to a total of RM150.0 million by Tambun Indah to Mustiara shall be in the form of Shareholder's Advances in cash and corporate guarantees for banking facilities to be obtained by Mustiara, subject to the terms and conditions of the Shareholders' Agreement.

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The Proposed Provision of Financial Assistance is deemed as a related party transaction pursuant to Paragraphs 8.23(2)(b) and 10.08(2) of the Listing Requirements as Encik Taufiq is the former Non-Independent Non-Executive Director of the Company¹. Encik Taufiq was appointed to the Board on 15 April 2011 as an Independent Non-Executive Director until 25 January 2019. Subsequently, he was redesignated as a Non-Independent Non-Executive Director of the Company until his resignation on 9 April 2019. Currently, Encik Taufiq holds 30% equity interest in Mustiara and is also a director of Mustiara.

Accordingly, in compliance with Paragraph 10.08(2)(c) of the Listing Requirements, Affin Hwang IB had been appointed by the Board on 15 April 2019 to act as the Independent Adviser to provide an independent evaluation of the Proposed Provision of Financial Assistance to the non-interested shareholders of the Company.

The purpose of this IAL is to provide the non-interested shareholders of the Company an independent evaluation as to:

- (i) whether the Proposed Provision of Financial Assistance is fair and reasonable so far as the non-interested shareholders are concerned;
- (ii) whether the Proposed Provision of Financial Assistance is detrimental to the non-interested shareholders; and
- (iii) our recommendation on whether the non-interested shareholders should vote in favour of the Proposed Provision of Financial Assistance.

Further information on the Proposed Provision of Financial Assistance are set out in Section 2, Part A of this Circular.

YOU ARE ADVISED TO READ THIS IAL AND PART A OF THIS CIRCULAR TOGETHER WITH THE APPENDICES AND CONSIDER CAREFULLY THE EVALUATION AND RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED PROVISION OF FINANCIAL ASSISTANCE TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

IF YOU ARE IN DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT, BANKER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

2. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

We note that according to Section 9, Part A of this Circular, save as disclosed below, none of the directors and/or major shareholders of the Company and/or persons connected with them have any interest, directly and/or indirectly, in the Proposed Provision of Financial Assistance.

Encik Taufiq had on 9 April 2019 resigned as the Non-Independent Non-Executive Director of Tambun Indah. However, Encik Taufiq is deemed as an interested director pursuant to Paragraph 10.02(c) of the Listing Requirements as he was the Non-Independent Non-Executive Director of Tambun Indah within the preceding six (6) months on which the terms of the Proposed Provision of Financial Assistance were agreed upon. He is also a director and substantial shareholder of Mustiara, holding 30% equity interest in Mustiara. Mustiara is a 70% owned subsidiary of Tambun Indah. Therefore, Encik Taufiq is deemed interested in the Proposed Provision of Financial Assistance.

¹ On 9 April 2019, the Company announced that Encik Taufiq had resigned as the Non-Independent Non-Executive Director of the Company. Pursuant to Paragraph 10.02(c) of the Listing Requirements, a director has the meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a director of the listed issuer, its subsidiary or holding company.

Accordingly, Encik Taufiq has abstained from all deliberations and voting at the relevant Board meetings in relation to the Proposed Provision of Financial Assistance prior to his resignation. Encik Taufiq will also abstain from voting in respect of his direct and/or indirect shareholdings, if any, in Tambun Indah on the resolution pertaining to the Proposed Provision of Financial Assistance to be tabled at the forthcoming EGM of the Company and will ensure that persons connected with him will abstain from voting in respect of their direct and/or indirect shareholdings, if any, in Tambun Indah on the resolution pertaining to the Proposed Provision of Financial Assistance to be tabled at the forthcoming EGM of the Company.

3. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSED PROVISION OF FINANCIAL ASSISTANCE

We have not been involved in the formulation, deliberation and negotiation of the terms of the Proposed Provision of Financial Assistance. Our scope as Independent Adviser is limited to expressing an independent opinion on the Proposed Provision of Financial Assistance based on information and documents provided to us or which are available to us, including the following:

- (i) the information contained in Part A of this Circular and the appendices attached thereto;
- (ii) the Shareholders' Agreements;
- (iii) the Valuation Report;
- (iv) other relevant information and documents furnished to us by the Directors and senior management of Tambun Indah Group ("**Management**") or obtained in or derived from our discussions with the Management; and
- (v) other publicly available information which we deem relevant.

We have relied on the Board and the Management to take due care to ensure that all the information, documents and representations in respect of Tambun Indah Group and the Proposed Provision of Financial Assistance provided to us by them to facilitate our evaluation of the Proposed Provision of Financial Assistance are accurate, complete and free from material omission. We have not undertaken any independent investigation into the business and affairs of Tambun Indah Group and all relevant parties involved in the Proposed Provision of Financial Assistance. However, after making all reasonable enquiries and to the best of our knowledge and belief, we acknowledge that this IAL constitutes a full and true disclosure of all material facts concerning the Proposed Provision of Financial Assistance, and we are satisfied that the information used is free from material omission and we have no reason to believe that the information used is unreasonable, inaccurate or incomplete as at the LPD. Our advice should be considered in the context of the entirety of this IAL.

In preparing this IAL, we have taken into consideration those factors that we believe are relevant and of general importance to the non-interested shareholders for an assessment of the Proposed Provision of Financial Assistance and which are of concern to the non-interested shareholders as a whole.

Since our evaluation as set out in this IAL is rendered solely for the benefit of the non-interested shareholders as a whole, we have not taken into consideration any specific investment objectives, financial and tax position, risk profiles, financial situation and particular needs of any individual shareholder or any specific group of shareholders.

If you are in doubt as to the action to be taken or require specific advice in relation to the Proposed Provision of Financial Assistance in the context of your individual investment objectives, financial and tax position, risk profiles, financial situation or particular needs, we recommend that you consult your stockbroker, solicitor, accountant, banker or other professional adviser immediately.

Our evaluation and opinion as set out in this IAL are based on prevailing equity capital market, economic, industry, regulatory, monetary, socio-political and other conditions (if applicable), and the information/documents made available to us as at the LPD. Such conditions may change significantly over a short period of time.

The members of the Board have seen and approved the contents of this IAL. The members of the Board collectively and individually accept full responsibility for the accuracy and completeness of all statements and/or information stated in this IAL and after having made all reasonable enquiries and to the best of the Board's knowledge and belief, the Board confirms all statements and/or information in this IAL are free from material omission and:

- (i) no statement and/or information in this IAL is inaccurate or incomplete;
- (ii) there are no other facts and/or information, the omission of which would make any statement or information in this IAL unreasonable, inaccurate or incomplete; and
- (iii) all relevant material facts and/or information, including those required under the Listing Requirements, have been disclosed in this IAL.

The responsibility of the Board in respect of the independent advice and expression of opinion by Affin Hwang IB in relation to the Proposed Provision of Financial Assistance as set out in this IAL, is to ensure that all information in relation to Tambun Indah Group and the Proposed Provision of Financial Assistance that is relevant to Affin Hwang IB's evaluation of the Proposed Provision of Financial Assistance have been accurately and completely disclosed to Affin Hwang IB and is free from material omission.

We will notify the non-interested shareholders after the issuance of this IAL up to the date of the Company's forthcoming EGM, if we:

- (i) become aware of a significant change affecting the information set out in this IAL; or
- (ii) have reasonable grounds to believe that a material statement in this IAL is misleading or deceptive; or
- (iii) have reasonable grounds to believe that there is a material omission in this IAL.

If circumstances require, a supplementary IAL will be sent to the non-interested shareholders. We will immediately notify the non-interested shareholders of any material change in circumstances that would affect the consideration or the accuracy or the completeness of the information contained in this IAL.

4. CONSENT AND DECLARATION OF CONFLICT OF INTEREST

Affin Hwang IB, being the Independent Adviser to the Company for the Proposed Provision of Financial Assistance, has given and has not subsequently withdrawn its consent to the inclusion in this IAL of its name and all references thereto in the form and context in which they so appear in this IAL.

Save for our role as the Independent Adviser to the Company for the Proposed Provision of Financial Assistance, Affin Hwang IB does not have any other professional relationship with Tambun Indah in the past two (2) years prior to the LPD. Further, Affin Hwang IB confirms that it is not aware of any conflict of interest that exists or is likely to exist in relation to our role as the Independent Adviser to the Company for the Proposed Provision of Financial Assistance.

5. CREDENTIALS AND EXPERIENCE OF AFFIN HWANG IB

Affin Hwang IB is a participating organisation of Bursa Securities and provides a range of services including corporate finance advisory, debt capital markets services, structured lending, and market trading and research. Our corporate finance advisory team provides a full range of corporate finance advisory services including mergers and acquisitions, corporate and debt restructuring, initial public offerings, equity fund raisings and independent advisory opinions.

Affin Hwang IB had, over the past two (2) year prior to the date of execution of the Shareholders' Agreement and up to the LPD, issued eight (8) independent advice opinions in relation to related party transactions under the Listing Requirements that include acquisitions and disposals transactions undertaken by certain public listed companies as well as three (3) take-over offers under the Rules on Take-Overs, Mergers and Compulsory Acquisitions, 2016 of the Securities Commission Malaysia, undertaken by certain public listed companies, with a total transaction value of approximately RM13.18 billion.

The details of our past experience are as follows:

- (i) unconditional voluntary take-over offer by Yee Lee Organization Bhd, Dato' Lim A Heng @ Lim Kok Cheong, Datin Chua Shok Tim @ Chua Siok Hoon, Lim Ee Young and Langit Makmur Sdn Bhd ("**Yee Lee Joint Offerors**") to acquire all the remaining ordinary shares in Yee Lee Corporation Bhd not already held by Yee Lee Joint Offerors ("**Yee Lee Offer Share(s)**") at a cash consideration of RM2.33 per Yee Lee Offer Share. Our independent advice circular was issued on 27 May 2019;
- (ii) disposals of 10 property assets held by subsidiary companies of DRB-HICOM Berhad ("**DRB-HICOM**") to Prisma Dimensi Sdn Bhd ("**Prisma Dimensi**") and Kelana Ventures Sdn Bhd ("**Kelana Ventures**") for a total disposal consideration of RM1,432.5 million, total effective equity interest of 70.6% in Horsedale Development Berhad ("**Horsedale**") to Prisma Dimensi for a total disposal consideration of approximately RM331.8 million (subject to adjustment) and 33,600,000 ordinary shares, 3,124,540 redeemable preference shares and all new shares to be issued in Rebak Island Marina Berhad ("**Rebak Island**"), representing 100% equity interest and 100% redeemable preference shares in Rebak Island by HICOM Indungan Sdn Bhd, an indirect wholly-owned subsidiary of DRB-HICOM to Prisma Dimensi for a disposal consideration of approximately RM170.4 million. The total disposal consideration of approximately RM1,934.7 million (subject to adjustment) is to be satisfied via the transfer of approximately 1,243.46 acres of freehold land in the Mukim of Tebrau, District of Johor Bahru, Johor held by Prisma Dimensi and Kelana Ventures and cash consideration of approximately RM288.7 million (subject to adjustment). Our independent advice letter was issued on 26 September 2018;
- (iii) acquisition of 74,000,000 ordinary shares in Alam Flora Sdn Bhd representing 97.37% equity interest in Alam Flora Sdn Bhd by Tunas Pancar Sdn Bhd for a total cash consideration of RM944.61 million and resultant diversification of the existing principal activities of Malakoff Corporation Berhad and its subsidiaries. Our independent advice letter was issued on 14 September 2018;
- (iv) disposal of 60,495,001 ordinary shares representing 100% of the issued share capital of HSC Sydney Holding Limited by HSC International Limited, a wholly-owned subsidiary of Hap Seng Consolidated Berhad, to Lei Shing Hong Capital Limited for a cash consideration of USD196.50 million (approximately RM771.16 million based on the exchange rate of RM3.92:USD1.00) and disposal of 266,000,000 ordinary shares representing 20% of the issued share capital of Hap Seng Credit Sdn Bhd by Hap Seng Consolidated Berhad to Lei Shing Hong Capital Limited for a cash consideration of RM906 million. Our independent advice letter was issued on 16 May 2018;

- (v) acquisition of a piece of freehold land measuring approximately 342.50 acres (or 14,919,300 sq ft) held under GRN 49395, Lot 1913, Mukim Semenyih, District of Ulu Langat, State of Selangor Darul Ehsan ("**Bangi Land**") by KL East Sdn Bhd from Seriemas Development Sdn Berhad ("**Seriemas**") for a cash consideration of RM447,579,900 and the profit sharing with Seriemas where Seriemas will be entitled to 20% of the audited PBT from the mixed development township which comprises residential and commercial components on the Bangi Land comprising sale of units and/or land parcels, subject to a maximum profit share amount of RM44,757,900. Our independent advice letter was issued on 25 October 2017;
- (vi) acquisition of 1,000,000,000 ordinary shares in I&P Group Sdn Bhd representing the entire equity interest in I&P Group Sdn Bhd, for a cash consideration of RM3.65 billion, renounceable rights issue of new ordinary shares in S P Setia Berhad to raise gross proceeds of up to RM1.20 billion and renounceable rights issue of new class B Islamic redeemable convertible preference shares in S P Setia Berhad to raise gross proceeds of up to RM1.20 billion. Our independent advice letter was issued on 25 October 2017;
- (vii) share subscription of 547,020,534 ordinary shares, representing 49.9% of the enlarged ordinary share capital in Proton Holdings Berhad by Zhejiang Geely Holding Group Co., Ltd. for a total subscription price of RM460.30 million, and divestment by Proton Holdings Berhad of 100% issued shares in Lotus Advance Technologies Sdn Bhd and 100% preference shares in Lotus Cars Limited to Zhejiang Geely Holdings Group Co., Ltd. and Etika Automotive Sdn Bhd for a total sale consideration of GBP100 million (approximately RM543.00 million based on the exchange rate of RM5.43:GBP1.00). Our independent advice letter was issued on 15 August 2017;
- (viii) disposal by Salcon Development Berhad, a wholly-owned subsidiary of Salcon Berhad, of 80% equity interest in Eco World-Salcon Y1 PTY LTD (formerly known as Salcon Development (Australia) PTY LTD) to Fortune Quest Group Ltd, a wholly-owned subsidiary of Eco World International Berhad for a disposal consideration of AUD120,000 (approximately RM0.40 million). Our independent advice letter was issued on 14 August 2017;
- (ix) unconditional mandatory take-over offer by Anchorscape Sdn Bhd to acquire all the remaining ordinary shares in KUB Malaysia Berhad not already held by Anchorscape Sdn Bhd, Temasek Padu Sdn Bhd and the persons acting-in-concert with them ("**KUB Offer Shares**") for a cash offer price of RM0.35 per KUB Offer Share amounting to approximately RM93.15 million. Our independent advice circular was issued on 10 July 2017;
- (x) unconditional mandatory take-over offer by Hengan (Malaysia) Investments Company Limited to acquire all the remaining ordinary shares in Wang-Zheng Berhad not already owned by Hengan (Malaysia) Investments Company Limited ("**Wang-Zheng Offer Shares**") for a cash offer price of RM1.14 per Wang-Zheng Offer Share amounting to approximately RM89.58 million. Our independent advice circular was issued on 10 July 2017; and
- (xi) disposal by Hap Seng Consolidated Berhad of 250,000,000 ordinary shares representing 100% of the equity interest in Hap Seng Logistics Sdn Bhd to LSH Logistics Limited for a cash consideration of RM750.00 million. Our independent advice letter was issued on 17 May 2017.

Based on the above, we are capable and competent in carrying out our role and responsibilities as the Independent Adviser to advise the non-interested shareholders of the Company in relation to the Proposed Provision of Financial Assistance.

6. EVALUATION OF THE PROPOSED PROVISION OF FINANCIAL ASSISTANCE

In evaluating the Proposed Provision of Financial Assistance, we have taken into consideration the following:

Analysis	Section in this IAL
(i) Rationale for the Proposed Provision of Financial Assistance	Section 6.1
(ii) Salient terms of the Shareholders' Agreement	Section 6.2
(iii) Industry overview and prospects	Section 6.3
(iv) Risk factors	Section 6.4
(v) Effects of the Proposed Provision of Financial Assistance	Section 6.5
(vi) Other salient considerations	Section 6.6

6.1 RATIONALE FOR THE PROPOSED PROVISION OF FINANCIAL ASSISTANCE

The rationale for the Proposed Provision of Financial Assistance is as set out in Section 3, Part A of this Circular and our comments on the rationale are as below:

(i) To facilitate the completion of the Proposed Land Acquisition

We note that the Proposed Provision of Financial Assistance by Tambun Indah of up to a total of RM150.0 million (in the form of Shareholder's Advances in cash and corporate guarantees for banking facilities to be obtained by Mustiara) is to fund the Purchase Consideration and other costs related to the Land such as professional fees (including disbursements), authorities fees, stamp duty, title transfer fees, financing costs and other relevant expenses. Pursuant thereto, the Proposed Provision of Financial Assistance is required to be in place to ensure that the Proposed Land Acquisition can be completed on a timely basis.

Pursuant to the Shareholders' Agreement, in the event any Mustiara Shareholder being unable to provide the Mustiara Shareholders Advances, the other shareholder of Mustiara shall have the right to provide the said Mustiara Shareholders Advances. As such, Tambun Indah can extend the provision of financial assistance of up to a total of RM150.0 million to Mustiara as such arrangement is provided for in the Shareholders' Agreement. Further, it is also noted that the Group has a net cash balance of approximately RM108.82 million (after accounting for the Group's total bank borrowings of approximately RM61.46 million) as at 31 March 2019. As such, we are of the view that Tambun Indah has sufficient net cash available to fund the Shareholder's Advances, which is anticipated to be an indicative amount of up to RM59.0 million.

In addition, pursuant to the Shareholders' Agreement, all Mustiara Shareholders Advances shall be subject to an interest rate of 5.12% per annum which is based on the average interest rate of Tambun Indah Group's revolving credit facilities and the said interest rate is subject to a monthly review and will be revised accordingly. As such, the anticipated Shareholder's Advances of an indicative amount of up to RM59.0 million, which is expected to be advanced by Tambun Indah, is expected to contribute positively to the PBT of Tambun Indah Group as it will be able to take into account an additional interest income of up to approximately RM0.91 million per annum (before taking into account any interest income foregone had the funds been kept in money market funds and fixed deposits placed with financial institutions by Tambun Indah Group), being the 30.0% interest income that Encik Taufiq would have been entitled if he had provided his portion of the Mustiara Shareholders Advances.

Further to the above, we also note that the interest rate of 5.12% per annum on the Shareholder's Advances is higher than the average interest rate of 3.60% per annum offered by money market funds and fixed deposits placed with financial institutions by Tambun Indah Group. As such, by providing the Shareholders Advances which is funded via the Group's net cash balance is expected to contribute positively to Tambun Indah Group as compared to placing the net cash balance in money market funds and fixed deposits with financial institutions.

It is a common condition imposed by financial institutions that corporate guarantees be provided by the holding company or shareholder(s) of the borrower as security for their banking facilities. As such, Tambun Indah, being the controlling shareholder of Mustiara, may be required to provide corporate guarantees in favour of financial institutions for the banking facilities to be granted to Mustiara, especially since Mustiara does not have established operating records. Such corporate guarantees provide comfort to financial institutions involved as Tambun Indah, which is listed on the Main Market of Bursa Securities, is a profitable holding company and controlling shareholder of Mustiara.

As such, the Proposed Provision of Financial Assistance will allow Mustiara to have access to the required funding to facilitate the completion of the Proposed Land Acquisition.

We further note that the Purchase Consideration is at the market value of the Land of RM131.0 million as appraised by the Valuer and the prospects of the Land based on the outlook of the property market in Penang appears to be positive as detailed in Sections 6.6 and 6.3.4 of this IAL respectively.

In addition to the above, we further note that shareholder with outstanding Mustiara Shareholders Advances shall have the right to request Mustiara to convert the outstanding Mustiara Shareholders Advances (either in part or in the entirety of the outstanding balance of the Mustiara Shareholders Advances) into RCPS. We are of the view that both Mustiara Shareholders Advances and the RCPS are debt instruments of Mustiara of which the Shareholders' Agreement governs the terms of the convertibility of Mustiara Shareholders Advances to RCPS. Thus, this does not impact any of the right of the non-interested shareholders of Tambun Indah as equity holders.

Based on the above, we are of the view that it is reasonable for Tambun Indah to extend the provision of financial assistance of up to a total of RM150.0 million and it is not detrimental to the non-interested shareholders of the Company. The Proposed Provision of Financial Assistance of up to a total of RM150.0 million by Tambun Indah is necessary to fund the Purchase Consideration and other costs related to the Land and in turn enable Mustiara to complete the Proposed Land Acquisition on a timely basis.

(ii) To facilitate the increase in Tambun Indah Group's landbank

Following the completion of the Proposed Land Acquisition supported by the Proposed Provision of Financial Assistance, Tambun Indah Group's landbank will increase to approximately 707.94 acres from approximately 498.40 acres, representing an increase of approximately 42.04%.

As Tambun Indah Group is principally involved in property development and project management, the Proposed Provision of Financial Assistance will allow Tambun Indah Group to increase its landbank via the Proposed Land Acquisition. In addition, as the Land is located within the vicinity of Pearl City, which is Tambun Indah Group's flagship township, this will provide synergistic opportunities to the Group to scale up its property development activities in the future by capitalising on its already established presence in the said vicinity that has growth potential to generate long-term income stream for the Group.

On the basis of the strategic location of the Land, the viability and potential financial returns which may be generated from future development of the Land, the financial support from Tambun Indah via the Proposed Provision of Financial Assistance will enable the Group to enjoy the benefits from the Proposed Land Acquisition and future development on the Land which is expected to enhance the revenue and income stream of the Group in the future upon the commencement of development and sales of the property units on the Land.


However, non-interested shareholders of Tambun Indah should also take note that at this juncture, the Group has not formalised any development plans and/or submitted to any relevant authorities for the procurement of any necessary approvals such as the conversion of land use, planning permission and building plan approvals for the Land. As such, the potential financial returns to be derived by the Group from the development of the Land will not be realised in the immediate term as the development of the Land requires a long gestation period. Further, there is no guarantee that the proposed development on the Land will commence or complete successfully or be able to generate financial returns to the Group. Notwithstanding the aforementioned, as set out in Section 2.1, Part A of this Circular, we note that the Group expects to formalise the development plans for the Land and subsequently submit the relevant applications to obtain the necessary approvals from the relevant authorities by end of 2019. Thereafter, the Group expects to obtain all the relevant approvals by end of 2021 and commence development of the Land by early of 2022.

Premised on the above, we are of the view that the rationale for the Proposed Provision of Financial Assistance is reasonable and not detrimental to the non-interested shareholders of Tambun Indah.

6.2 SALIENT TERMS OF THE SHAREHOLDERS' AGREEMENT

The salient terms of the Shareholders' Agreement (as extracted from Section 2.5, Part A of this Circular) together with our comments are as follows:

No.	Salient terms	Affin Hwang IB's comments
1.	<p>Condition Precedent</p> <p>The Shareholders' Agreement is conditional upon the procurement by Tambun Indah of the approval of its shareholders in general meeting.</p> <p>The parties shall co-operate with each other and provide all necessary information and assistance reasonably required to enable the Condition Precedent to be satisfied as soon as reasonably practicable, and in any event no later than four (4) months from the date of the Shareholders' Agreement or such other further extended period as may be mutually agreed by the parties.</p> <p>The parties hereby agree that the Shareholders' Agreement shall become unconditional on the date on which the Condition Precedent shall have been duly obtained or fulfilled in accordance with the Shareholders' Agreement.</p> <p>In the event that the Condition Precedent shall not have been obtained or fulfilled within the Conditional Period, or such other date as may be mutually agreed upon by the parties in writing, the Shareholders' Agreement shall terminate and be null and void and of no further effect whatsoever and none of the parties shall have any claims against the other for costs, damages, compensation or otherwise, save and except in respect of any antecedent breach of the terms of the Shareholders' Agreement.</p>	<p>This term is reasonable as it imposes a condition that is required to be met by Tambun Indah in order to give effect to the Shareholders' Agreement.</p> <p>This time period of four (4) months from the date of Shareholders' Agreement is a reasonable time period for Tambun Indah to obtain its shareholders' approval at the general meeting.</p> <p>We are of the view that this term is reasonable as it is a common term of such agreements.</p> <p>We are of the view that this term is reasonable as it is a common term of such agreements.</p>


No.	Salient terms	Affin Hwang IB's comments
2.	<p>Board of Directors of Mustiara</p> <p>Unless otherwise agreed by Shareholders, the Mustiara Board shall comprise four (4) members with:</p> <p>(a) three (3) directors nominated by Tambun Indah; and</p> <p>(b) one (1) director nominated by Encik Taufiq.</p> <p>For the avoidance of doubt, the nomination/appointment of any additional director(s) shall be subject to the approval of the Mustiara Board.</p> <p>The right of appointment conferred on a Shareholder to appoint its directors on the Mustiara Board shall include the right by that Shareholder to remove any of those persons so appointed and to appoint others in his place.</p> <p>The quorum at a Mustiara Board meeting shall be a minimum of two (2) Directors with at least one (1) representative director from Tambun Indah and another one (1) representative director from Encik Taufiq. If a quorum is not present within half an hour of the time appointed for the meeting, the director(s) present shall adjourn the meeting to a specified time and place, seven (7) business days after the original date and the quorum for the adjourned meeting shall be a minimum of any two (2) directors.</p>	<p>This term is reasonable as it sets out the parameters for the appointment of Directors in order to provide assurance and protects the interest of Mustiara Shareholders. Further, this term will also ensure Tambun Indah has 75% control over Mustiara Board and this will protect the interest of the non-interested shareholders of Tambun Indah.</p> <p>We are of the view that these terms are reasonable as these are common terms of such agreements.</p> 
3.	<p>Roles of the Shareholders and finance of Mustiara</p> <p>The Shareholders agree that the financial requirements of Mustiara for its day-to-day operations and business expansion shall whenever possible be met from the paid-up capital and cash flow generated from the operations of Mustiara, but that if additional financing is required, Mustiara shall endeavor to obtain either shareholders' loan or such finance from external borrowings or a third party lender on the best terms which could reasonably be expected to be obtained in the open market and subject to compliance with all applicable laws.</p>	<p>It is noted that Mustiara will need to fund its day-to-day operations and business expansion from its own paid-up capital and cash flow to sustain itself. However, if Mustiara is unable to fund its own operations, Mustiara is to seek Mustiara Shareholders Advances or obtain external borrowings. We are of the view that this term is reasonable as it sets out the parameters for Mustiara to have sufficient funding for its business activities.</p>



No.	Salient terms	Affin Hwang IB's comments
	<p>If any borrowings are not available or do not satisfy the working capital requirements of Mustiara as determined by Mustiara Board or if any credit facilities for such borrowings which are obtained are subsequently withdrawn or otherwise not available to Mustiara, each Mustiara Shareholders Advances in proportion to its shareholding, and all Mustiara Shareholders Advances shall be made to Mustiara at an interest rate based on the average interest rate of Tambun Indah Group's revolving credit facilities, which is 5.12% per annum as at the date of the Shareholders' Agreement, and the said interest rate is subject to a monthly review and will be changed according to the average interest rate of Tambun Indah Group's revolving credit facilities, calculated on a monthly basis.</p>	<p>We note that this term provides for the situation whereby in the event that Mustiara is unable to obtain external borrowings, its Shareholders would have to provide Mustiara Shareholders Advances in proportion to their shareholdings in Mustiara. We are of the view that this term is reasonable.</p> <p>It is also noted that Mustiara Shareholders Advances made available to Mustiara will be at an interest rate of 5.12% per annum based on the average interest rate of Tambun Indah Group's revolving credit facilities. We note that the said interest rate of 5.12% per annum is higher than the average interest rate of 3.60% per annum which Tambun Indah earns on its net cash balance from money market funds and fixed deposits placed with financial institution. As such, we are of the view that the interest rate of 5.12% per annum based on the revolving credit facilities is reasonable and for such interest rate to be reviewed and revised on a monthly basis to match the average interest rate of Tambun Indah Group's revolving credit facilities is also reasonable and not detrimental to the non-interested shareholders of the Company.</p>


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No.	Salient terms	Affin Hwang IB's comments
	<p>In the event any Shareholder is unable to provide the Mustiara Shareholders Advances, the other Shareholder shall have the right to provide the said Mustiara Shareholders Advances.</p> <p>The Shareholder with outstanding Mustiara Shareholders Advances owing by Mustiara shall have the right to request Mustiara to convert the outstanding Mustiara Shareholders Advances (either part of the Mustiara Shareholders Advances or the entire outstanding balances of the Mustiara Shareholders Advances) into RCPS upon the terms as provided in Appendix 1 of this Circular.</p> <p>The Shareholders intend for Mustiara to be liable for its own liabilities, and that the Shareholders shall not assume liability for the debts and obligations of Mustiara, except as may be required by applicable law or otherwise required by the third party lender who has agreed to grant financing or credit facilities to Mustiara. Save as otherwise agreed by the Shareholders or provided in the Shareholders' Agreement, nothing in the Shareholders' Agreement shall be construed to require a Shareholder to assume joint and several liability for any obligations of Mustiara or to require any Shareholder to assume liability for any obligations of Mustiara, or to require any Shareholder to assume liability for any obligation of another Shareholder either for Mustiara or to Mustiara.</p>	<p>This term is reasonable as such arrangement will ensure that Mustiara will have sufficient financial support from its Shareholders as and when it is needed.</p> <p>We are of the view that this term is reasonable as it provides Mustiara Shareholders the flexibility and option to convert their outstanding advances into RCPS. Please refer to our comments on the salient terms of the RCPS as set out below.</p> <p>We are of the view that this term is reasonable as it provides assurance and protects the interest of Mustiara Shareholders.</p>

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No.	Salient terms	Affin Hwang IB's comments
4.	<p>Right of first refusal</p> <p>Neither shares in Mustiara nor any beneficial interest in it shall be transferred otherwise than in accordance with the Shareholders' Agreement.</p> <p>The Shareholders agree that each shall not sell, transfer or otherwise part with its beneficial ownership of any shares in Mustiara without first making Offer the same to the Continuing Shareholders in proportion to their equity proportions, and such offer in writing shall specify the Specified Price and the terms and conditions of the sale.</p> <p>In the event that there are more than two (2) Shareholders at the time and any one of the Declining Continuing Shareholder were to decline the Offer, the Selling Shareholder shall offer the shares in Mustiara so declined by the Declining Continuing Shareholder to the other Continuing Shareholder in proportion to the equity proportions of these other Continuing Shareholders. This process shall be repeated by the Selling Shareholder until either all the shares in Mustiara have been accepted or until all the Continuing Shareholders have declined the remaining shares in Mustiara. Every Offer shall remain open for acceptance for the Offer Period and any shares in Mustiara not accepted within the Offer Period will be deemed to have been declined.</p> <p>If any of the shares in Mustiara initially offered by the Selling Shareholder have been accepted by the Continuing Shareholder within the relevant Offer Period, the Selling Shareholder shall be bound to sell the shares in Mustiara so offered.</p> <p>Notwithstanding the terms and conditions which the Selling Shareholder may have set out in its written offer, the completion of the sale and purchase of the shares in Mustiara to the Continuing Shareholders shall take place not less than thirty (30) days from the date of the last acceptance, unless otherwise mutually agreed by the Selling Shareholder and all the Continuing Shareholders who have accepted.</p> <p>If and only if certain Unaccepted Shares remain unaccepted by all the Continuing Shareholders, the Selling Shareholder shall be entitled, within a period of ninety (90) days from the decline by all the Continuing Shareholders, to offer and complete the sale of the Unaccepted Shares to a bona fide and arm's length third party purchaser, at a price and upon terms and conditions not more favourable than those offered to the Continuing Shareholders.</p>	<p>We are of the view that this term is reasonable as it is a common term of such agreements.</p> <p>This term is reasonable as it provides for the situation whereby if any one (1) of the Shareholders decides to sell their interest in Mustiara, the other party shall have the first right to buy the selling party's shares.</p> <p>We are of the view that these terms are reasonable as it provides the parameters of selling Mustiara shares in a reasonable and systematic manner in the event that Mustiara has more than two (2) shareholders.</p> 

No.	Salient terms	Affin Hwang IB's comments
5.	<p data-bbox="355 185 512 212">Termination</p> <p data-bbox="355 246 938 336">The Shareholders' Agreement shall continue in full force and effect without limit in point of time until the earlier of the following events:</p> <ul style="list-style-type: none"> <li data-bbox="355 369 938 430">(a) the Shareholders agree in writing to terminate the Shareholders' Agreement; <li data-bbox="355 463 938 553">(b) the expiry of the duration of Mustiara as may be provided by the Constitution of Mustiara; <li data-bbox="355 586 938 705">(c) in relation to any one Shareholder, upon that Shareholder ceasing to hold any shares in Mustiara following the occurrence of an Event of Default; and <li data-bbox="355 739 938 822">(d) in relation to any one Shareholder, upon that Shareholder ceasing to hold any shares in Mustiara. <p data-bbox="355 855 938 945">An Event of Default shall be deemed to have occurred if in relation to any of the Defaulting Shareholder(s):</p> <ul style="list-style-type: none"> <li data-bbox="355 978 938 1160">(a) the Defaulting Shareholder breaches any part of the Shareholders' Agreement and fails to remedy the same within thirty (30) days from the service of any written notice by the Non-defaulting Shareholder(s) complaining of such breach; <li data-bbox="355 1193 938 1283">(b) the Defaulting Shareholder enters into any composition or arrangement with its creditors generally; <li data-bbox="355 1317 938 1467">(c) an encumbrancer lawfully takes possession of or an administrative receiver is appointed over the whole or any part of the undertaking, property or assets of the Defaulting Shareholder; <li data-bbox="355 1500 938 1865">(d) an order is made or resolution is passed or a notice is issued convening a meeting for the purpose of passing a resolution or any analogous proceedings are taken for the appointment of an administrator of or the winding up of the Defaulting Shareholder, other than members' voluntary liquidation solely for the purpose of amalgamation or reconstruction, or in the case of an individual, bankruptcy proceedings are instituted against the Defaulting Shareholder; 	<p data-bbox="967 246 1388 396">These termination terms are reasonable as it provides the circumstances of which the Shareholders' Agreement can be terminated.</p>  <p data-bbox="967 862 1388 974">We are of the view that these terms are reasonable as it serves to safeguard the interest of Mustiara Shareholders.</p> 

No.	Salient terms	Affin Hwang IB's comments
	<p>(e) a notification by the relevant authorities that the Defaulting Shareholder is not a fit and proper person (or any such notice/words carrying that effect) to be a shareholder of Mustiara; or</p> <p>(f) any of the matters referred to above occurs in relation to any holding company for the time being of the Defaulting Shareholder.</p> <p>Upon the occurrence of an Event of Default, the Non-defaulting Shareholder(s) shall be entitled (but shall not be obliged) at their absolute discretion, by written Termination Notice serve on the Defaulting Shareholder within thirty (30) days of the Event of Default coming to the actual notice of the Non-defaulting Shareholders:</p> <p>(a) to require the Defaulting Shareholder to purchase (subject to the grant of all the appropriate approvals) all but not part only of the shares in Mustiara held by the Non-defaulting Shareholder(s) at the total fair value of such shares in Mustiara determined in accordance with the Shareholders' Agreement failing which, with the consent of all the Non-Defaulting Shareholders, Mustiara shall be wound up; or</p> <p>(b) to require the Defaulting Shareholder to sell to the Non-Defaulting Shareholder(s) (subject to the grant of all appropriate approvals) and if there are more than one (1) Non-defaulting Shareholder, in the proportion of their respective shareholding, all the shares in Mustiara held by the Defaulting Shareholder at the fair value of such shares, failing which the Defaulting Shareholder shall be deemed to have made an irrevocable offer of the same upon its receipt of the aforesaid written notice from the Non-defaulting Shareholder; or</p> <p>(c) to require the Defaulting Shareholder to perform its obligation, in which case the remedy of specific performance of the Shareholders' Agreement under the Specific Relief Act 1950 shall be available to the Non-Defaulting Shareholder; or</p> <p>(d) to require that Mustiara be wound up in which event the Shareholders shall forthwith do all acts and things necessary to wind up Mustiara in accordance with all applicable laws and the Constitution of Mustiara; or</p>	 <p>These terms are reasonable as it gives the rights to the Non-defaulting Shareholder(s) to decide on the options available to them as well as to safeguard the interest of the Non-defaulting Shareholder(s) in the event of the occurrence of any Event of Default.</p>

No.	Salient terms	Affin Hwang IB's comments
	<p>(e) to terminate the Shareholders' Agreement, whereupon the Shareholders' Agreement shall have no further force and effect with none of the Shareholders having any rights and obligations against the other Shareholders save and except for any antecedent breaches.</p> <p>If there are Mustiara shares remaining unsold, such further similar offers, mutatis mutandis, shall be made to all those Non-defaulting Shareholders who did purchase the Defaulting Shareholder's shares in the previous round of offer until:</p> <p>(a) all the Defaulting Shareholder's shares are sold; or</p> <p>(b) there are no more Non-defaulting Shareholders interested in purchasing the remaining shares of the Defaulting Shareholder.</p>	<p style="text-align: center;">↓</p> <p>We are of the view that this term is reasonable as it provides the Non-defaulting Shareholders with the option to purchase Mustiara shares from the Defaulting Shareholders.</p> <p style="text-align: center;">↓</p>

The terms of the RCPS which are part of the Shareholders' Agreement are set out in Appendix I of this Circular and our comments on the salient terms of the RCPS are as follows:

Salient terms	Affin Hwang IB's comments
Issue Price	We note that the issue price of RM1.00 per RCPS has been mutually agreed by the Mustiara Shareholders.
Dividend	We note that the dividend rate is of the same basis as the interest rate charged for the Mustiara Shareholders Advances and we are of the view that the dividend rate is reasonable as it is based on the average interest rate of Tambun Indah Group's revolving credit facilities. Further, the dividend payout is dependent on whether Mustiara has available retained profits before it is declared.
Interest	<p>We note that any cumulative dividend or any monies payable in respect of the RCPS will not bear any interest.</p> <p>This term is a common provision and is reasonable.</p>
Capital	<p>The RCPS holders shall have priority in the repayment of the RCPS and dividend (if any) over any payment to the shareholders of ordinary shares of Mustiara in the event of liquidation, dissolution, winding-up or other repayment of capital of Mustiara.</p> <p>We note that this term is a common provision and is reasonable.</p>
Transferability	<p>The RCPS may be transferred in accordance with the Constitution of Mustiara.</p> <p>This term for transferability is a common provision and is reasonable.</p>

Salient terms	Affin Hwang IB's comments
Quorum	<p>The RCPS holders' meeting requires a quorum of simple majority of all the RCPS holders and the chairman of the meeting shall be elected by the RCPS holders.</p> <p>We note that this term is a common provision and is reasonable.</p>
Circular Resolution	<p>A resolution in writing, signed by all RCPS holders who are entitled to receive the notice of meeting and it shall be deemed to be valid as if it has been passed at a meeting of the RCPS holders. Any such resolution may consist of several documents in like form, each signed by one or more RCPS holders.</p> <p>We note that this term is a common provision and is reasonable.</p>
Redemption	<p>Mustiara has the sole discretion in exercising the rights of redemption with no obligation to redeem the RCPS and this is favourable to Mustiara.</p> <p>This term provides Mustiara with an option and the flexibility to redeem the RCPS at any time and such redemption can be either in cash or in Mustiara shares or a combination of both, subject to terms and conditions of the RCPS.</p> <p>Notwithstanding the above, it is noted that Mustiara Board consists of majority directors nominated by Tambun Indah and as such Tambun Indah will have majority control over Mustiara's decision to redeem the RCPS as and when Mustiara is desirous in doing so. As such, this term for redemption of the RCPS is reasonable.</p>
Voting Rights	<p>The RCPS shall carry no right to vote at any general meeting of the ordinary shareholders except with regards to any resolution to amend the rights of the RCPS, to wind-up Mustiara and in such other circumstances as may be provided under the law from time to time.</p> <p>This term for voting rights of the RCPS is a common provision and is reasonable.</p>
Appointment of Directors	<p>The RCPS does not confer any right on the RCPS holder to appoint any person as director of Mustiara.</p> <p>The above term that does not allow the appointment of directors by RCPS holders is a common provision and is reasonable.</p>

Further to the above, we also note that the tenure, redemption price and conversion ratio of the RCPS will be determined by Mustiara Board at a later date upon the issuance of the RCPS and such terms shall be amended accordingly in the Constitution of Mustiara.

We wish to highlight that pursuant to the Shareholders' Agreement, in the event any Mustiara Shareholder being unable to provide the Mustiara Shareholders Advances, the other shareholder of Mustiara shall have the right to provide the said Mustiara Shareholders Advances. Based on the aforementioned, each Shareholder is given a chance to provide cash advances in proportion to its shareholdings in Mustiara and such Mustiara Shareholders Advances made may be redeemed in accordance to the amended Constitution of Mustiara to be decided by Mustiara Board at a later date. In addition, Tambun Indah has 75% control over Mustiara Board which serves as protection to Tambun Indah as the Company will have control over the decision on the tenure, redemption price and conversion ratio of the RCPS to be decided later. As such, we are of the view that the tenure, redemption price and conversion ratio of the RCPS which is to be determined later is not detrimental to the non-interested shareholders of the Company.

Based on the salient terms of the Shareholders' Agreement and our comments as set out above, we are of the view that the salient terms of the Shareholders' Agreement are reasonable and not detrimental to the non-interested shareholders of Tambun Indah.

6.3 INDUSTRY OVERVIEW AND PROSPECTS

We set out below the overview and outlook of the Malaysian economy and property sector which forms part of our evaluation:

6.3.1 Overview and outlook of the Malaysian economy

The Malaysian economy grew by 4.7% in the fourth quarter of 2018 (3Q 2018: 4.4%), supported by continued expansion in domestic demand and a positive growth in net exports. Private sector expenditure remained the main driver of domestic demand, while a rebound in real exports of goods and services (+1.3%; 3Q 2018: -0.8%) contributed towards the positive growth of net exports. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.4% (3Q 2018: 1.6%). For 2018 as a whole, the economy expanded by 4.7% (2017: 5.9%).

Domestic demand expanded at a more moderate pace of 5.6% (3Q 2018: 6.9%) during the quarter. Growth was weighed down by a moderation in gross fixed capital formation.

Private consumption growth remained robust at 8.5% (3Q 2018: 9.0%), despite the frontloading of purchases during the tax holiday period in the previous quarter. Income and employment growth continued to drive household spending. Government measures to alleviate cost of living, such as special payments to civil servants and pensioners, also provided some support to consumer spending. Private investment growth moderated to 4.4% (3Q 2018: 6.9%), attributed to slower capital spending across major economic sectors. However, ongoing multi-year projects particularly in the manufacturing sector continued to provide support to overall growth.

Public consumption expanded at a slower pace of 4.0% (3Q 2018: 5.2%), attributable to a more moderate growth in supplies and services. Public investment remained in contraction during the quarter (-4.9%; 3Q 2018: -5.5%), due mainly to a decline in capital spending by public corporations.

Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), declined to 0.3% in the fourth quarter of 2018 (3Q 2018: 0.5%). For 2018 as a whole, headline inflation averaged at 1.0% (2017: 3.7%), its lowest level since 2009. The decline in headline inflation was due mainly to transport inflation turning negative (4Q 2018: -1.2%; 3Q 2018: 3.0%), reflecting the fixed domestic RON95 petrol and diesel prices during the quarter compared to the higher fuel prices in the base period of 4Q 2017.

The combined outcome of the zerorisation of the Goods and Services Tax (GST) and the implementation of the Sales and Services Tax (SST) continued to exert an overall downward impact to headline inflation during the quarter. The percentage of items in the CPI basket that had inflation of more than 2% remained low at around 9% in 4Q 2018 (3Q 2018: 9%).

At the November 2018 and January 2019 Monetary Policy Committee (MPC) meetings, the Overnight Policy Rate (OPR) was maintained at 3.25%. The Malaysian economy is expected to remain on a steady growth path with domestic demand as the key driver of growth. Headline inflation is expected to average moderately higher in 2019.

(Source: Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 2018)

6.3.2 Overview and outlook of the property industry in Malaysia

The property market has gradually improved, recorded an increase in 2018 supported by a better performance of the residential, commercial and industrial property markets as compared to the previous year. In 2018, total transactions volume and value increased by 0.6% and 0.3%, respectively to 313,710 and RM140.33 billion (2017: 311,824 transactions; RM139.84 billion).

According to the Bank Negara Malaysia (BNM) Report, demand for residential and non-residential property remained stable in 2018. As for the residential property, the loan approval increased 1.2% despite marginal decline in loan application 0.1%. Meanwhile, both loans applied and approved for the non-residential increased significantly by 12.1% and 12.3% respectively.

Malaysia Institute of Economic Research (MIER) Consumer Sentiments Index (CSI) Q4 2018 recorded 96.8 points due to current income deteriorates and growing jitters over rising prices. Households were still cautious on financial outlook, which effect their propensity to spend, particularly on buying houses. The continuation of the wait-and-see sentiment plus the eligibility in securing housing loans contributed to the increased of unsold residential units.

The residential sub-sector continued to lead, taking up 62.9% share in volume and 49.0% in value, recording positive movements both in volume and value. Mixed market activity movements were recorded across the sub-sectors. Commercial and industrial saw an improved in market activity. Nevertheless, the agriculture sub-sectors saw a decline in both volume and value.

Property market activity in 2019 is expected to be more stable based on positive movements in transaction volume and value. Upward trends in key sub-sectors such as residential, commercial and industrial will attract more business and investment activities.

Several initiatives announced by the Government in Budget 2019 such as RM1.5 billion to provide affordable homes, RM1.0 billion funds to help low-income families to have their first house and National Home Ownership Campaign to address the issue of home overhang could further stimulate Malaysia's property market performance for 2019.

Residential Property

There were 197,385 transactions worth RM68.75 billion recorded in the review period, a margin increase of 1.4% in volume and 0.4% in value. State performance is generally mixed. Major states namely Johor, Pulau Pinang, Kuala Lumpur and Selangor recorded an increase of 1.2%, 3.8%, 8.0% and 0.3% respectively in market activity.

The residential overhang situation continued to increase to 32,313 units valued at RM19.86 billion, an increase in volume of 30.6% and 27.0% in value. Similarly, unsold not constructed units also increase to 19,865 units, up by of 57.3% over the same period last year. Unsold under construction units also rose to 80,984 units, indicated an increase of 30.9%.

Commercial Property

The commercial sub-sector recorded an increase in market activity. They were 23,936 transactions valued at RM29.51 billion recorded, at 8.0% increase in volume and 16.0% in value. All major states show a better movement compared to last year. Selangor led the market activities, with 5,431 transactions (22.7%), followed by Kuala Lumpur with 4,079 transactions (17.0%), Johor (3,504 transactions; 14.6%) and Pulau Pinang (1,304 transactions; 5.4%).

The shop overhang situation recorded an increase of 11.2% to 5,055 units valued at RM4.08 billion. Unsold under construction recorded similar upward trend to 7,233 units compared to 5,889 units in 2017, an increase 22.8%. On a better note, unsold not constructed units reduced by 16.0% (385 units).

Property market activity in 2019 is expected to stabilise judging from increase in volume and value of total transaction in 2018. Commercial property segment will remain as the supporting section in generating business activity and the pull-factor for investments. As Malaysia embraces Industrial Revolution 4.0 and Digital Economy, a different arena is expected for the industrial property sub-sector to play a significant role generating investments and employment opportunities. Major infrastructure projects are expected to be the catalyst for development growth in the long run though the status of the projects is still under review.

(Source: Property Market Report 2018, Valuation and Property Services Department)

6.3.3 Overview and outlook of the property market in Penang

The performance of the property market in Pulau Pinang showed a recovery driven by growth in market activity. There were 17,087 transactions worth RM10.19 billion, a marginal increase of 3.0% in volume whilst value decreased by 1.9% against 2017 (16,592 transactions worth RM10.39 billion). Residential sub-sector continued to propel the overall market, accounting for 73.4% of the state's property transaction volume followed by agriculture (9.2%), commercial (7.6%), development land (7.0%) and industrial (2.7%) sub-sectors.

Market movements across all sub-sectors were on the uptrend. With the exception of commercial and development land sub-sectors which recorded downtrend of 3.0% and 0.2% each, other sectors grew marginally. Agriculture sub-sectors led the increase with 4.0%, followed by residential (3.8%) and industrial (1.3%) sub-sectors. In terms of value, all sub-sectors recorded upward trend with the exception of agriculture and development land sub-sectors, down by 52.5% and 8.5% respectively.

Residential sub-sector remained as the leading sub-sector with 73.4% share. There were 12,551 transactions worth RM5.47 billion recorded in the review period, increased by 3.8% in volume and 1.0% in value respectively. Stratified units comprising condominium, apartment and flat led the residential market, accounting for 36.0% of the total transactions. The residential overhang was promising as the number eased in the review period. There were 3,502 units worth RM3.09 billion, decreased by 10.6% in volume and 19.1% in value as compared to 2017 (3,916 units worth RM3.82 billion). Nevertheless, the unsold under construction recorded 14.7% more with 10,613 units against 9,249 units in 2017. Likewise, the unsold not constructed increased tremendously to 773 units from 80 units in 2017.

The commercial sub-sector softened in the review period. There were 1,304 transactions worth RM1.11 billion recorded, decreased slightly by 3.0% in volume but increased by 5.9% in value as compared to 2017. The shop overhang situation improved. There were 23 units worth RM29.59 million recorded in the review period. The number eased by 74.4% as compared to 2017 (90 units worth RM50.17 million). Correspondingly, value also decreased by 41.0%. On contrary, the unsold under construction increased by 47.4% to 140 units against 95 units last year. The unsold not constructed recorded 42 units after not having any in 2017.

Penang's property market is expected to remain resilient in coming year backed by several planned and on-going development projects. One of the mega development planned by the State Government is to initiate reclamation on the south side of Penang Island. The project, Penang South Reclamation Project (PSR) involves creating three manmade islands off the southern coast fronting Permatang Damar Laut, Teluk Bayu, Sungai Batu, Teluk Kumbar and Gertak Sanggul. These artificial islands will be connected by a network of roads and rail transport networks.

The other notable development is Gurney Wharf's project, which is a world-class public park on the 24.28-hectare reclaimed Gurney Drive foreshore. The development, stretching from Bagan Jermal to Pangkor Road and will be carried out in two phases. The proposed master plan includes Seaside Retail Food and Beverage, Water Gardens and et cetera, one of the State Government's initiatives is providing public facilities to the people of Pulau Pinang. On a different note, the Light City project by IJM Land Berhad which involves approximately 13.26 hectares of land in Gelugor was developed as Smart City with complimentary fibre optic and Wi-Fi facilities. The integrated mixed development project consists of office towers, condominiums, hotels, business complexes and the largest convention centre in the state, Penang Waterfront Convention Centre.

(Source: Property Market Report 2018, Valuation and Property Services Department)

6.3.4 Prospects of the Land

We note that Tambun Indah Group has an established track record as a property developer with over 25 years of experience. As at the LPD, Tambun Indah Group had completed 41 projects with a combined gross development value (“**GDV**”) of approximately RM3.0 billion, of which the GDV from Pearl City is approximately RM1.5 billion.

The details of Tambun Indah Group’s on-going property development projects in Pearl City up to the LPD are set out below:

No	Project Name	Description of Project/ Location	Type of Project	GDV (RM’ million)
1.	Raintree Park 2	Gated 2-storey link semi detached and terrace, and duplex villa / Pearl City, Simpang Ampat, Penang	Residential	221.5
2.	Pearl Saujana Permai	2-storey terrace / Pearl City, Simpang Ampat, Penang	Residential	108.1
3.	Pearl Evergreen	2-storey bungalow and semi detached / Pearl City, Simpang Ampat, Penang	Residential	21.3
4.	Mutiara Indah	Low cost flats and shops / Pearl City, Simpang Ampat, Penang	Mixed development	14.0

The Land is located within the vicinity of Pearl City, which is Tambun Indah Group’s flagship township. As such, the Land will provide synergistic opportunities to the Group to scale up its property development activities in the future by capitalising on its already established presence in the said vicinity which has growth potential to generate long-term income stream for the Group.

Further, the location of the Land which is within the vicinity of the Pearl City township complements the Group’s existing development projects in the said vicinity and is expected to enhance the overall value proposition of the Pearl City township.

Based on the Group’s track record in property development in Seberang Perai, Penang, the Management believes that the Group is able to manage the risks for the property development projects for the Land in the future. The Proposed Provision of Financial Assistance is therefore, necessary to assist Mustiara to raise adequate financing for the Proposed Land Acquisition which in turn will contribute positively to the future financial performance of the Group upon the commencement of development and sales of the property units on the Land.

Based on the above, the Proposed Provision of Financial Assistance will provide Tambun Indah Group with an opportunity to expand its landbank (via the Proposed Land Acquisition) within the vicinity of its existing Pearl City township and enhance the revenue and income stream of the Group in the future upon the commencement of development and sales of the property units on the Land.

In addition, based on the overview and outlook of the property market in Penang as set out in Section 6.3.3 of this IAL, we are of the view that future prospects of the sales of the property units on the Land appears to be positive, as the outlook on the performance of the property market in Penang is showing a recovery which is driven by growth in market activity, where the residential sub-sector had continued to propel the overall market. Further, it is noted that the residential overhang number was erased in 2018 as compared to 2017. As such, barring unforeseen circumstances, the Proposed Provision of Financial Assistance (via the Proposed Land Acquisition) is poised to improve the financial performance of the Group.

As at this juncture, the Group has not formalised any development plans and/or submitted to any relevant authorities for the procurement of any necessary approvals such as the conversion of land use, planning permission and building plan approvals for the Land.

However, as set out in Section 2.1, Part A of this Circular, we note that the Group expects to formalise the development plans for the Land and subsequently submit the relevant applications to obtain the necessary approvals from the relevant authorities by end of 2019. Thereafter, the Group expects to obtain all the relevant approvals by end of 2021 and commence development of the Land by early of 2022. As such, the enhancement in revenue and income stream from the Proposed Provision of Financial Assistance (via the Proposed Land Acquisition) will not be immediate and a longer term outlook will need to be taken into consideration.

Premised on the above, we are of the view that the prospects of the Proposed Provision of Financial Assistance (via the Proposed Land Acquisition) is reasonable and not detrimental to the non-interested shareholders of Tambun Indah.

6.4 RISK FACTORS

We have taken note of the risk factor associated with the Proposed Provision of Financial Assistance as set out in Section 5, Part A of this Circular.

We note that Tambun Indah will be required to provide financing in the form of Shareholder's Advances in cash and corporate guarantees for the purpose of fulfilling the Purchase Consideration and other costs related to the Land. As Mustiara is a 70% owned subsidiary of Tambun Indah, it is in the interest of Tambun Indah to endeavour to ensure that Mustiara does not fall into a position of default on its banking facilities and the corporate guarantees are not called upon. Further, we note that the Group has a net cash balance of approximately RM108.82 million (after accounting for the Group's total bank borrowings of approximately RM61.46 million) as at 31 March 2019. As such, we are of the view that Tambun Indah, after the provision of Shareholder's Advances pursuant to the Proposed Provision of Financial Assistance, is capable of providing financial support to service the banking facilities of Mustiara, where necessary.

As the Group has not formalised any development plans and/or submitted to any relevant authorities for the procurement of any necessary approvals such as conversion of land use, planning permission and building plan approvals for the Land, the timing and repayment of Shareholder's Advances cannot be determined at this juncture. Accordingly, there is no assurance that Mustiara will be able to repay the Shareholders' Advances and such non-repayment may have a material impact on the financial position of the Group.

We note that the said financing risk is not within the control of Tambun Indah and there can be no assurance that such risk will not materialise which may have an adverse material impact on the financial position of the Group.

Further to the above, the non-interested shareholders of Tambun Indah should also consider the following risk factors in addition to the risk factors as set out in Section 5, Part A of this Circular as well as other information contained in this IAL, pertaining to the Proposed Provision of Financial Assistance:

(i) Risk of default on Shareholder's Advances

Tambun Indah is anticipated to provide Shareholder's Advances of an indicative amount of up to RM59.0 million. Notwithstanding that interest is chargeable on such Shareholder's Advances, the repayment of such Shareholder's Advances by Mustiara will come from the cashflow of the proposed development on the Land, and there is no guarantee that the proposed development on the Land will commence or complete successfully or be able to generate sufficient cashflow for the repayment of Shareholder's Advances to Tambun Indah.

(ii) Risk of business venture

Tambun Indah Group may be exposed to business venture risks such as diversion of financial management resources from existing operations, inability to successfully integrate the business venture with its current business as well as the risk of default by either Tambun Indah or Encik Taufiq under the Shareholders' Agreement. In addition to this, non-interested shareholders of Tambun Indah should also take note of the risk associated with the possible termination of the Shareholders' Agreement during the development period of the proposed development on the Land as a result of any event of default or disagreement, which may in turn affect the reputation and the financial position of the Group.

Overall, Tambun Indah Group is not exposed to uncommon risks arising from the Proposed Provision of Financial Assistance as such financial assistance is normal for the Group to fund its subsidiaries for the purpose of land acquisitions and/or property development projects. As such, the Proposed Provision of Financial Assistance will not materially change the risk profile of Tambun Indah Group.

We note that the Board has and will continue to exercise due care in considering the potential risks and benefits associated with the Proposed Provision of Financial Assistance and the Board believes that the long term benefits would outweigh the cost and its associated risks. However, there can be no assurance that the abovementioned risks will not give rise to material impacts on the Group's business operations and financial performance.

Based on the above, we are of the view that the risk factors for the Proposed Provision of Financial Assistance are reasonable and not detrimental to the non-interested shareholders of Tambun Indah.

6.5 EFFECTS OF THE PROPOSED PROVISION OF FINANCIAL ASSISTANCE

In evaluating the Proposed Provision of Financial Assistance, we have taken note of the effects of the Proposed Provision of Financial Assistance as set out in Section 6, Part A of this Circular.

(i)	Issued share capital	The Proposed Provision of Financial Assistance will not have any effect on the issued share capital of Tambun Indah as the Proposed Provision of Financial Assistance does not involve any issuance of new Tambun Indah Shares.
(ii)	Substantial shareholders' shareholdings	The Proposed Provision of Financial Assistance will not have any effect on the substantial shareholders' shareholdings in Tambun Indah as the Proposed Provision of Financial Assistance does not involve any issuance of new Tambun Indah Shares.
(iii)	NA, NA per and Share gearing	<p>Assuming the Proposed Land Acquisition is partially funded through banking facilities of RM91.0 million obtained by Mustiara pursuant to the Proposed Provision of Financial Assistance, the total borrowings of the Group will increase by RM91.0 million and the gearing ratio of the Group will increase from approximately 0.16 times to approximately 0.31 times.</p> <p>As Mustiara is a 70% owned subsidiary of Tambun Indah, it is in the interest of Tambun Indah to endeavour to ensure that Mustiara does not fall into a position of default on its banking facilities and the corporate guarantees are not called upon. Further, we note that the Group has a net cash balance of approximately RM108.82 million (after accounting for the Group's total bank borrowings of approximately RM61.46 million) as at 31 March 2019. As such, we are of the view that Tambun Indah, after the provision of Shareholder's Advances pursuant to the Proposed Provision of Financial Assistance, is capable of providing financial support to service the banking facilities of Mustiara, where necessary. Thus, the Proposed Provision of Financial Assistance, via the corporate</p>

		<p>guarantees, is not envisaged to have any material impact on the NA and NA per Share of the Group.</p> <p>Barring unforeseen circumstances, the Proposed Provision of Financial Assistance (via Proposed Land Acquisition) is expected to contribute positively to the NA of the Group upon the commencement of development and sales of the property units on the Land.</p>
(v)	Earnings and EPS	<p>The Proposed Provision of Financial Assistance is not expected to have any material effect on the earnings of the Group for the FYE 31 December 2019.</p> <p>There are no material effects on the future earnings and EPS of the Group, assuming all the Shareholder's Advances are fully recoverable and that the said advances to Mustiara yield an interest rate of 5.12% per annum.</p> <p>However, future earnings of the Group may be affected by the finance costs of the banking facilities obtained by Mustiara to fund the Proposed Land Acquisition.</p> <p>As it is in the interest of Tambun Indah to endeavour to ensure that Mustiara does not fall into a position of default on its banking facilities and the corporate guarantees are not called upon, the Proposed Provision of Financial Assistance, via the corporate guarantees, is not envisaged to have any material impact on the earnings and EPS of the Group.</p> <p>The Proposed Provision of Financial Assistance, to complete the Proposed Land Acquisition, is expected to contribute positively to the Group's future earnings and EPS upon the commencement of development and sales of the property units on the Land. Further, according to the Management, the revenue to be generated from the Land development in the future is expected to adequately meet the repayment of the banking facilities granted by the financial institutions as well as Mustiara Shareholders Advances.</p>

Based on the Land's expected positive contribution to the financial position of the Group, the underlying viability to undertake a future development project on the Land would be the factor supporting the Proposed Provision of Financial Assistance based on normal risks and rewards of a property developer. Accordingly, we are of the view that the effects of the Proposed Provision of Financial Assistance are fair and reasonable and not detrimental to the non-interested shareholders of Tambun Indah.

6.6 OTHER SALIENT CONSIDERATIONS

We note that Mustiara was set up for the purpose of the Proposed Land Acquisition and the development of the Land. Notwithstanding that the Proposed Land Acquisition is not a related party transaction, we have evaluated the valuation of the Land, the Purchase Consideration as well as the other costs related to the Land of up to RM19.0 million.

We note that the market value of the Land as appraised by Henry Butcher using the comparison method of valuation is RM131.0 million. As such, the Purchase Consideration is at the market value of the Land of RM131.0 million.

Further, the indicative breakdown of the other costs related to the Land (as extracted from Section 2, Part A of this Circular) together with our comments are as follows:

	Amount (RM'000)	Affin Hwang IB's comments
Professional fees (including disbursements) and authorities fees	6,000	We note that approximately RM4.0 million (approximately 66.67% of the fees in this section) relates to authorities' fees to the land office for conversion of the Land use as well as fees to the local council, being Majlis Perbandaran Seberang Perai for rezoning, planning and development. The professional fees of approximately RM2.0 million (approximately 33.33% of the fees in this section), which mainly comprise of fees payable to architect, engineer, surveyor and other consultants is approximately 1.53% of the Purchase Consideration.
Stamp duty and title transfer fees	6,000	We note that the estimated stamp duty for the transfer of the Land title is approximately RM5.22 million and is computed in accordance with the Stamp Act 1949. The stamp duty represents approximately 87.07% of the fees in this section.
Financing costs (in relation to banking facilities)	4,500	We note that the Company had also included the estimated financing costs for one (1) year, computed based on an indicative interest rate of 4.90% per annum and the indicative banking facilities of RM91.0 million which is to be obtained by Mustiara. This is to assist Mustiara in servicing its interest payments as currently Mustiara may not has sufficient funds to service the interest payments.
Other relevant expenses*	2,500	We note that other relevant expenses is approximately 1.91% of the Purchase Consideration.
Total	19,000	

Note:

* Includes quit rent, assessment, bank charges, bank loan processing fees and other contingency expenses.

Based on above, we are of the view that the other salient considerations for the Proposed Provision of Financial Assistance are fair and reasonable and not detrimental to the non-interested shareholders of Tambun Indah.

7. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the terms of the Proposed Provision of Financial Assistance and have set out our evaluation in Section 6 of this IAL.

Based on our assessment and evaluation, we conclude that the Proposed Provision of Financial Assistance will provide the necessary Shareholder's Advances in cash and corporate guarantees to enable Mustiara to complete the Proposed Land Acquisition on a timely basis as well as to acquire the Land located in a strategic location, which is within the vicinity of Tambun Indah Group's existing flagship township, being Pearl City. This will also allow the Group to expand its property development portfolio in the future, which is expected to generate long-term income stream for the Group. Further, pursuant to the Shareholders' Agreement, all Mustiara Shareholders Advances shall be subject to an interest rate of 5.12% per annum, which is based on the average interest rate of Tambun Indah Group's revolving credit facilities and the said interest rate is subject to a monthly review and will be revised accordingly. As such, the anticipated Shareholder's Advances of an indicative amount of up to RM59.0 million, which is expected to be advanced by Tambun Indah, is expected to contribute positively to the PBT of Tambun Indah Group as it will be able to take into account an additional interest income of up to approximately RM0.91 million per annum (before taking into account any interest income foregone had the funds been kept in money market funds and fixed deposits placed with financial institutions by Tambun Indah Group), being the 30.0% interest income that Encik Taufiq would have been entitled if he had provided his portion of the Mustiara Shareholders Advances.

Notwithstanding the above, we also wish to highlight that there are also risks associated with the Proposed Provision of Financial Assistance, such as financing risk, risk of default on Shareholder's Advances as well as risk of business venture that the non-interested shareholders should also take into consideration, of which details are set out in Section 5, Part A of this Circular and Section 6.4 of this IAL.

After taking into consideration our overall assessment and evaluation of the Proposed Provision of Financial Assistance based on the information available to us up to the LPD, we are of the view that the Proposed Provision of Financial Assistance is **fair and reasonable** and **not detrimental** to the non-interested shareholders. Accordingly, we recommend that you **vote in favour** of the resolution pertaining to the Proposed Provision of Financial Assistance to be tabled at the forthcoming EGM of the Company.

Yours faithfully
for and on behalf of
AFFIN HWANG INVESTMENT BANK BERHAD

JOHAN HASHIM
Head
Corporate Finance

ANDREW CHOU
Director
Corporate Finance

TERMS OF THE RCPS

Item	Heading	Description
1.	Instrument	Redeemable Cumulative Preference Shares
2.	Issue Price	Ringgit Malaysia One (RM1.00) only per RCPS.
3.	Dividend	Subject to the availability of retained earnings of Mustiara, a cumulative preferential dividend (payable in priority to the holders of shares of Mustiara) at the rate to be fixed on the date of issuance based on the average interest rate of Tambun Indah Group's revolving credit facilities, which is subject to a monthly review and will be changed according to the average interest rate of Tambun Indah Group's revolving credit facilities, calculated on a monthly basis.
4.	Interest	The preferential dividend or any monies payable on or in respect of the RCPS shall not bear any interest.
5.	Capital	<p>The RCPS holder shall have the right on a liquidation, dissolution, winding-up or other repayment of capital of Mustiara in priority to any payment to the holders of the shares of Mustiara, of:</p> <p>(a) the redemption amount in cash on the RCPS; and</p> <p>(b) any arrears or accruals of the dividend on the RCPS held by him, whether declared or earned, or not, calculated down to the date of such repayment;</p> <p>but the RCPS holder shall have no further rights to any further participation in the profits or assets of Mustiara.</p>
6.	Transferability ⁽ⁱ⁾	The RCPS may be transferred in accordance with the Constitution of Mustiara.
7.	Quorum	In the event of a class meeting of RCPS holders, the quorum shall be simple majority of all the RCPS holders of that class of shares and the chairman of such meeting shall be elected by the RCPS holders as aforesaid, and otherwise the provisions of these present relating to proceedings at general meetings shall apply mutatis mutandis.
8.	Circular Resolution	A resolution in writing, signed by all RCPS holders for the time being entitled to receive notice of meeting, shall be valid and effectual as if the same has been passed at a meeting of the RCPS holders of Mustiara duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more RCPS holders.

TERMS OF THE RCPS (CONT'D)

Item	Heading	Description
9.	Redemption	<p>The RCPS shall, be redeemed upon and subject to the following terms and conditions:</p> <ul style="list-style-type: none"> (a) the RCPS to be redeemed at the Mustiara Board's simple majority approval; (b) Mustiara shall give to the RCPS holders of the RCPS drawn for redemption seven (7) days' notice in writing of Mustiara's intention to redeem the same and fixing the time and place for the redemption and surrender of the RCPS to be redeemed; (c) at the time and place so fixed, the RCPS holder shall be bound to surrender to Mustiara the certificate for RCPS to be redeemed and Mustiara shall pay to the RCPS holder the amount payable in respect of such redemption either in cash or in Mustiara shares, or mixture of both, and, where such certificate comprises any RCPS which have not been drawn for redemption, Mustiara shall issue to the RCPS holder a fresh certificate. <p>For the avoidance of doubt, save as expressly provided in this paragraph, the Company shall not be obliged to redeem any RCPS, and no RCPS holder shall be entitled to require Mustiara to redeem any RCPS held, under any circumstances whatsoever, including without limitation:</p> <ul style="list-style-type: none"> (i) any amalgamation or reconstruction of Mustiara, or merger, consolidation or amalgamation with any company, association, partnership or legal entity; (ii) any increase, reduction or other alteration to the issued share capital of Mustiara; or (iii) the winding-up, dissolution or liquidation of Mustiara (voluntary or otherwise).
10.	Voting Rights	<p>The RCPS holder shall have no voting rights in the shareholders meeting, save for the following circumstances:</p> <ul style="list-style-type: none"> (a) upon any resolution to amend the rights of the RCPS; (b) upon any resolution to commence winding-up, dissolution or liquidation of Mustiara; and (c) in such other circumstances as may be provided under the law from time to time.
11.	Appointment of Directors	<p>The RCPS do not confer any rights on the RCPS holder to appoint any persons as director of Mustiara.</p>

TERMS OF THE RCPS (CONT'D)

Notes:-

- (i) There is no restriction in transferability of the RCPS imposed in the Constitution of Mustiara.*
- (ii) The tenure, redemption price and conversion ratio of the RCPS will be determined by Mustiara Board at a later date upon the issuance of the RCPS and such terms shall be amended subsequently in the Constitution of Mustiara.*

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FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

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

2. CONSENT AND DECLARATION OF CONFLICT OF INTEREST

Affin Hwang IB, being the Independent Adviser for the Proposed Provision of Financial Assistance, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form context in which they appear in this Circular and IAL.

Affin Hwang IB, being the Independent Adviser for the Proposed Provision of Financial Assistance, hereby declares that there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Independent Adviser to Tambun Indah for the Proposed Provision of Financial Assistance.

3. MATERIAL LITIGATION

As at the LPD, Tambun Indah Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware of any proceedings pending or threatened against the Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of the Group.

4. MATERIAL COMMITMENTS

Save as disclosed below, as at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by the Group, upon becoming enforceable, may have a material impact on the financial results position or business of the Group:

	RM'000
Approved and contracted for:	
- Proposed Land Acquisition	117,900

5. CONTINGENT LIABILITIES

As at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred, which upon becoming enforceable, may have a material impact on the financial position or business of the Group.

FURTHER INFORMATION (CONT'D)

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 51-21-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang, during normal business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM of the Company:

- (i) Constitution of Tambun Indah;
- (ii) Audited consolidated financial statement of Tambun Indah Group for the past two (2) FYE 31 December 2017 and FYE 31 December 2018 as well as the latest unaudited quarterly report of Tambun Indah for the three (3)-month financial period ended 31 March 2019;
- (iii) The SPA;
- (iv) The Shareholders' Agreement;
- (v) The Valuation Report; and
- (vi) The letter of consent as referred to in Section 2 above.

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TAMBUN INDAH LAND BERHAD

(Company No.: 810446-U)

(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting (“**EGM**”) of Tambun Indah Land Berhad (“**Tambun Indah**” or “**Company**”) is scheduled 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 11.00 am or immediately after the conclusion or adjournment of the Eleventh (11th) Annual General Meeting of the Company to be held at the same venue and on the same date at 10.00 am, for the purpose of considering and if thought fit, passing with or without modifications of the following resolution:

ORDINARY RESOLUTION

PROPOSED PROVISION OF FINANCIAL ASSISTANCE OF UP TO A TOTAL OF RM150.0 MILLION TO MUSTIARA SDN BHD (“MUSTIARA”), A 70% OWNED SUBSIDIARY OF TAMBUN INDAH (“PROPOSED PROVISION OF FINANCIAL ASSISTANCE”)

“**THAT** subject to the approval from all relevant authorities and/or parties (where applicable), the Board of Directors of Tambun Indah (“**Board**”) be and is hereby authorised to provide financial assistance to Mustiara of up to a total of RM150.0 million in the form of shareholder’s advances in cash and corporate guarantees for banking facilities to be obtained by Mustiara, which shall be utilised to fund the proposed acquisition by Mustiara from TPPT Sdn Bhd of 27 parcels of freehold land measuring in aggregate approximately 209.54 acres identified as Lot Nos. 1058, 1060, 1066, 1295, 1309, 1373, 1375, 1376, 1378, 1442, 3407 to 3423, Mukim 15, District of Seberang Perai Selatan, Pulau Pinang (“**Land**”) for a total purchase consideration of RM131.0 million and other costs related to the Land.

THAT the terms and conditions of the conditional shareholders’ agreement dated 25 April 2019 entered into between Tambun Indah, Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali and Mustiara, details of which are set out in the circular to shareholders of the Company dated 12 June 2019, be hereby approved and confirmed.

AND THAT the Board be and is hereby authorised to do all acts, deeds and things and to execute, sign and deliver or caused to be delivered for and on behalf of the Company, all such documents, agreements, arrangements, undertakings, declarations and/or guarantees to or with any party or parties as it may consider necessary and/or expedient in the best interest of the Company in order to implement, finalise and give full effect to the Proposed Provision of Financial Assistance with full power to assent to any terms, conditions, modifications, variations and/or amendments in any manner as the Board may deem necessary and/or expedient in the best interest of the Company.”

By Order of the Board

LEE PENG LOON (MACS 01258)

P’NG CHIEW KEEM (MAICSA 7026443)

Company Secretaries

Pulau Pinang

12 June 2019

Notes:

1. A proxy may but need not be a member of the Company.
2. A member shall be entitled to appoint a maximum of two (2) proxies to attend and vote at the same meeting.
3. Where a member appoints two (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 ("**Exempted Authorised Nominee**") which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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 (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with the shares of the Company. The appointment of two (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 forty-eight (48) hours before the time appointed for holding the EGM or adjournment thereof, or in the case of a poll not less than twenty-four (24) hours before the time appointed for the taking of the poll.
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 names appear in the Record of Depositors on 20 June 2019 shall be eligible to attend the EGM 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 Malaysia Securities Berhad, the resolution 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 11.00 am (being twenty-four (24) hours prior to the approximate time appointed for the taking of the poll at the EGM). 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 11.00 am.

**TAMBUN INDAH LAND BERHAD**

(Company No.: 810446-U)

(Incorporated in Malaysia)

PROXY FORM

*I/We _____

(*NRIC No./ Passport No./ Company No. _____) of _____

being *a member/members of the abovementioned Company, hereby appoint _____

_____ (*NRIC No./ Passport No./ Company No. _____) of _____

_____ or failing whom, the Chairman of the meeting as my/our proxy(ies), to vote for me/us on my/our behalf at the Extraordinary General Meeting ("EGM") 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 11.00 am or immediately after the conclusion or adjournment of the Company's Eleventh (11th) Annual General Meeting to be held at the same venue and on the same date at 10.00 am.

ORDINARY RESOLUTION	FOR	AGAINST
PROPOSED PROVISION OF FINANCIAL ASSISTANCE		

Please indicate with "X" in the appropriate space provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his direction.

Signed this: _____ day of _____ 2019

No. of shares
held

For appointment of two (2) proxies,
percentage of shareholdings to be
represented by the proxies:

	No. of shares	%
Proxy 1		
Proxy 2		
		100

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

Notes:

1. A proxy may but need not be a member of the Company.
2. A member shall be entitled to appoint a maximum of two (2) proxies to attend and vote at the same meeting.
3. Where a member appoints two (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 ("Exempted 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 (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with the shares of the Company. The appointment of two (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 forty-eight (48) hours before the time appointed for holding the EGM or adjournment thereof, or in the case of a poll not less than twenty-four (24) hours before the time appointed for the taking of the poll.
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 names appear in the Record of Depositors on 20 June 2019 shall be eligible to attend the EGM 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 Malaysia Securities Berhad, the resolution set out in the Notice of EGM 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 11.00 am (being twenty-four (24) hours prior to the approximate time appointed for the taking of the poll at the EGM). 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 11.00 am.



Fold this flap for sealing

Then fold here

AFFIX
STAMP

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

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