

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE FOLLOWING:

PART A

- (I) **PROPOSED ACQUISITION OF 500,000 ORDINARY SHARES OF RM1.00 EACH IN PRIDAMAN SDN BHD ("PRIDAMAN") REPRESENTING THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF PRIDAMAN FROM SIRAM PERMAI SDN BHD ("SIRAM PERMAI"), AMAL PINTAS SDN BHD, SOUND VANTAGE SDN BHD, ALPHA MASTER (M) SDN BHD AND TEH ENG BEW FOR A CASH CONSIDERATION OF RM4.65 MILLION; AND**
- (II) **PROPOSED ACQUISITION OF 45,000 ORDINARY SHARES OF RM1.00 EACH IN IKHTIAR BITARA SDN BHD ("IKHTIAR BITARA") REPRESENTING 45% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF IKHTIAR BITARA FROM SIRAM PERMAI AND SITI SHIKHA BINTI ZAKARIA FOR A CASH CONSIDERATION OF RM1.46 MILLION**

(COLLECTIVELY REFERRED TO AS THE "PROPOSED ACQUISITIONS")

AND

PART B

**INDEPENDENT ADVICE LETTER FROM KENANGA INVESTMENT BANK BERHAD IN
RELATION TO THE PROPOSED ACQUISITIONS**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser



MIMB INVESTMENT BANK BERHAD
(10209-W)

A Participating Organisation of Bursa Malaysia Securities Berhad

Independent Adviser



KENANGA INVESTMENT BANK BERHAD
Company No. 15678-H

A Participating Organisation of Bursa Malaysia Securities Berhad

The notice of the Extraordinary General Meeting ("EGM") of the Company to be held at Kapur Room, Level 1, Eastin Hotel Penang, 1 Solok Bayan Indah, Queensbay, 11900 Bayan Lepas, Penang on Friday, 24 June 2011 at 11.00 a.m., or immediately after the conclusion or adjournment (as the case may be) of the 3rd Annual General Meeting of the Company to be held at the same venue and on the same day at 10.00 a.m., whichever is the later or at any adjournment thereof, together with the Proxy Form, are enclosed herein.

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

Last date and time for lodging the Proxy Form	:	Wednesday, 22 June 2011 at 11.00 a.m.
Date and time of the EGM	:	Friday, 24 June 2011 at 11.00 a.m.

This Circular is dated 6 June 2011

DEFINITIONS

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

“Act”	: Companies Act, 1965
“AGM”	: Annual general meeting
“Alpha Master”	: Alpha Master (M) Sdn Bhd, a vendor under the Proposed Pridaman Acquisition
“Amal Pintas”	: Amal Pintas Sdn Bhd, a vendor under the Proposed Pridaman Acquisition
“Board”	: Board of Directors of Tambun Indah
“Bursa Securities”	: Bursa Malaysia Securities Berhad
“EGM”	: Extraordinary general meeting
“EPS”	: Earnings per share
“FYE”	: Financial year ended/ending
“GDC”	: Gross development cost
“GDV”	: Gross development value
“Henry Butcher”	: Henry Butcher Malaysia (Seberang Perai) Sdn Bhd, an independent registered valuer
“Ikhtiar Bitara”	: Ikhtiar Bitara Sdn Bhd
“Ikhtiar Bitara Shares”	: Ordinary shares of RM1.00 each in Ikhtiar Bitara
“Ikhtiar Bitara Vendors”	: Siram Permai and Siti Shikha Binti Zakaria, collectively
“KIBB”	: Kenanga Investment Bank Berhad
“LAT”	: Loss after taxation
“Listing Requirements”	: Bursa Securities Main Market Listing Requirements
“LPD”	: 20 May 2011, the latest practicable date prior to the printing of this Circular
“MIMB”	: MIMB Investment Bank Berhad
“MPSP”	: Majlis Perbandaran Seberang Perai
“NA”	: Net assets attributable to ordinary equity holders of Tambun Indah
“NBV”	: Net book value
“NTA”	: Net tangible assets
“PAT”	: Profit after taxation
“Pridaman”	: Pridaman Sdn Bhd
“Pridaman Shares”	: Ordinary shares of RM1.00 each in Pridaman

DEFINITIONS (Cont'd)

“Pridaman Vendors”	:	Siram Permai, Amal Pintas, Sound Vantage, Alpha Master and Teh Eng Bew, collectively
“Proposed Acquisitions”	:	Proposed Pridaman Acquisition and Proposed Ikhtiar Bitara Acquisition, collectively
“Proposed Ikhtiar Bitara Acquisition”	:	Proposed acquisition of 45,000 Ikhtiar Bitara Shares representing 45% of the issued and paid-up share capital of Ikhtiar Bitara from the Ikhtiar Bitara Vendors for a cash consideration of RM1.46 million
“Proposed Pridaman Acquisition”	:	Proposed acquisition of 500,000 Pridaman Shares representing the entire issued and paid-up share capital of Pridaman from the Pridaman Vendors for a cash consideration of RM4.65 million
“RM” and “sen”	:	Ringgit Malaysia and sen respectively
“sf”	:	Square feet
“Siram Permai”	:	Siram Permai Sdn Bhd, a vendor under the Proposed Acquisitions
“Sound Vantage”	:	Sound Vantage Sdn Bhd, a vendor under the Proposed Pridaman Acquisition
“SPA(s)”	:	Conditional share purchase agreement(s) for the Proposed Pridaman Acquisition and Proposed Ikhtiar Bitara Acquisition both dated 16 February 2011 entered into between Tambun Indah and the Pridaman Vendors and Ikhtiar Bitara Vendors respectively
“Tambun Indah” or the “Company”	:	Tambun Indah Land Berhad
“Tambun Indah Group” or the “Group”	:	Tambun Indah and its subsidiaries, collectively
“Tambun Indah Shares” or “Shares”	:	Ordinary shares of RM0.50 each in Tambun Indah

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

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NOTICE OF EGM	ENCLOSED
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PROXY FORM	ENCLOSED
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PART A

**LETTER TO THE SHAREHOLDERS OF TAMBUN INDAH IN RELATION TO THE
PROPOSED ACQUISITIONS**



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

6 June 2011

The Board of Directors:

Tsai Yung Chuan (*Non-Independent Non-Executive Chairman*)

Ir. Teh Kiak Seng (*Managing Director*)

Teh Theng Theng (*Executive Director*)

Thaw Yeng Cheong (*Executive Director*)

Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali (*Independent Non-Executive Director*)

Dato' Mohamad Nadzim Bin Shaari (*Independent Non-Executive Director*)

Ong Eng Choon (*Independent Non-Executive Director*)

Yeoh Chong Keat (*Independent Non-Executive Director*)

To: The Shareholders of Tambun Indah

Dear Sir/Madam,

-
- (I) **PROPOSED PRIDAMAN ACQUISITION; AND**
(II) **PROPOSED IKHTIAR BITARA ACQUISITION**

(COLLECTIVELY REFERRED TO AS THE "PROPOSED ACQUISITIONS")

1. INTRODUCTION

On 16 February 2011, MIMB had, on behalf of the Board, announced that Tambun Indah had on 16 February 2011, entered into, amongst others, the following agreements in relation to the Proposed Acquisitions:

- (i) Conditional share purchase agreement with Siram Permai, Amal Pintas, Sound Vantage, Alpha Master and Teh Eng Bew for the proposed acquisition of 500,000 Pridaman Shares representing the entire issued and paid-up share capital of Pridaman for a cash consideration of RM4.65 million; and
- (ii) Conditional share purchase agreement with Siram Permai and Siti Shikha Binti Zakaria for the proposed acquisition of 45,000 Ikhtiar Bitara Shares representing 45% of the issued and paid-up share capital of Ikhtiar Bitara for a cash consideration of RM1.46 million.

The Company had also on the same date announced that it has entered into a conditional share purchase agreement with Siram Permai and Tah-Wah Sdn Bhd for a proposed acquisition of 250,000 ordinary shares of RM1.00 each in Premcourt Development Sdn Bhd ("Premcourt") representing the entire issued and paid-up share capital of Premcourt for a cash consideration of RM5.5 million. However, following the completion of due diligence on Premcourt and the issuance of the valuation report on the land to be developed by Premcourt, the Board had on 18 April 2011 announced that both the Company and the vendors of Premcourt, namely, Siram Permai and Tah-Wah Sdn Bhd, had mutually decided to terminate the said conditional share purchase agreement.

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

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR AND THE INDEPENDENT ADVICE LETTER AS SET OUT IN PART B OF THIS CIRCULAR TOGETHER WITH THE APPENDICES HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED ACQUISITIONS AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED ACQUISITIONS

2.1 Proposed Pridaman Acquisition

2.1.1 Background information on the Proposed Pridaman Acquisition

On 16 February 2011, Tambun Indah had entered into a SPA with the Pridaman Vendors for the Proposed Pridaman Acquisition.

The Pridaman Vendors have agreed to sell their entire equity interest of 500,000 Pridaman Shares to Tambun Indah free from any encumbrances together with all rights, benefits, title, interest and advantages attached thereto as from the date of the SPA, including any dividends, bonus or rights issue declared on or after the date of completion of the SPA, for a cash consideration of RM4.65 million upon the terms and subject to the conditions as stipulated in the SPA relating to the Proposed Pridaman Acquisition.

The shareholdings of each of the Pridaman Vendors as at the LPD are as follows:

Name of vendors	Direct		Indirect	
	No. of Pridaman Shares	%	No. of Pridaman Shares	%
Siram Permai	225,000	45.00	-	-
Amal Pintas	200,000	40.00	-	-
Sound Vantage	25,000	5.00	-	-
Alpha Master	25,000	5.00	-	-
Teh Eng Bew	25,000	5.00	-	-
Ir. Teh Kiak Seng	-	-	⁽¹⁾ 225,000	45.00
Tsai Yung Chuan	-	-	⁽²⁾ 200,000	40.00
Tsai Chang Hsiu-Hsiang	-	-	⁽²⁾ 200,000	40.00
Tsai Chia Ling	-	-	⁽²⁾ 200,000	40.00
Teh Gan Heong & Sons Sdn Bhd	-	-	⁽³⁾ 25,000	5.00
Teh Ching Ching	-	-	⁽³⁾ 25,000	5.00
Tan Eng Siang	-	-	⁽⁴⁾ 25,000	5.00

(1) Deemed interested by virtue of his shareholdings in Siram Permai pursuant to Section 6A of the Act.

(2) Deemed interested by virtue of his/her shareholdings in Amal Pintas pursuant to Section 6A of the Act.

(3) Deemed interested by virtue of its/her shareholdings in Sound Vantage pursuant to Section 6A of the Act.

(4) Deemed interested by virtue of his shareholdings in Alpha Master pursuant to Section 6A of the Act.

On the completion date of the SPA, Tambun Indah shall pay the entire purchase consideration for the Proposed Pridaman Acquisition in full to each of the Pridaman Vendors or as the Pridaman Vendors may direct, in accordance with the terms of the SPA. The breakdown of purchase consideration to each of the Pridaman Vendors is as follows:

Name of vendors	Purchase consideration (RM)
Siram Permai	2,092,500
Amal Pintas	1,860,000
Sound Vantage	232,500
Alpha Master	232,500
Teh Eng Bew	232,500
Total	4,650,000

Following the completion of the Proposed Pridaman Acquisition, Pridaman will become a wholly-owned subsidiary of Tambun Indah.

The salient terms of the SPA relating to the Proposed Pridaman Acquisition are set out in Section 3 of Part A of this Circular.

2.1.2 Background information on Pridaman

Pridaman was incorporated in Malaysia as a private limited company under the Act on 7 May 2003. As at the LPD, the authorised share capital of Pridaman stood at RM500,000 comprising 500,000 ordinary shares of RM1.00 each in Pridaman, all of which have been issued and fully paid-up.

Pridaman is principally involved in property development. Currently, Pridaman owns a piece of land known as Lot No. 699, GM 100, Mukim 13, Seberang Perai Tengah, Pulau Pinang measuring a total area of approximately 378,161 sf (or about 8.68 acres) held for industrial development. The estimated GDV and GDC for the potential development of the said land is approximately RM35 million and RM27 million respectively resulting in an estimated gross development profit of approximately RM8 million. Please refer to Section 2.3 of Part A of this Circular for the details of the said land. Presently, Pridaman does not have any subsidiaries or associated companies.

The shareholders of Pridaman and their respective shareholdings as at the LPD are as follows:

Name of shareholders	Direct		Indirect	
	No. of Pridaman Shares	%	No. of Pridaman Shares	%
Siram Permai	225,000	45.00	-	-
Amal Pintas	200,000	40.00	-	-
Sound Vantage	25,000	5.00	-	-
Alpha Master	25,000	5.00	-	-
Teh Eng Bew	25,000	5.00	-	-
Ir. Teh Kiak Seng	-	-	⁽¹⁾ 225,000	45.00
Tsai Yung Chuan	-	-	⁽²⁾ 200,000	40.00
Tsai Chang Hsiu-Hsiang	-	-	⁽²⁾ 200,000	40.00
Tsai Chia Ling	-	-	⁽²⁾ 200,000	40.00
Teh Gan Heong & Sons Sdn Bhd	-	-	⁽³⁾ 25,000	5.00
Teh Ching Ching	-	-	⁽³⁾ 25,000	5.00
Tan Eng Siang	-	-	⁽⁴⁾ 25,000	5.00

- (1) Deemed interested by virtue of his shareholdings in Siram Permai pursuant to Section 6A of the Act.
- (2) Deemed interested by virtue of his/her shareholdings in Amal Pintas pursuant to Section 6A of the Act.
- (3) Deemed interested by virtue of its/her shareholdings in Sound Vantage pursuant to Section 6A of the Act.
- (4) Deemed interested by virtue of his shareholdings in Alpha Master pursuant to Section 6A of the Act.

The Board of Directors of Pridaman and their respective shareholdings as at the LPD are as follows:

Name of Directors	Direct		Indirect	
	No. of Pridaman Shares	%	No. of Pridaman Shares	%
Ir. Teh Kiak Seng	-	-	⁽¹⁾ 225,000	45.00
Tsai Yung Chuan	-	-	⁽²⁾ 200,000	40.00
Tsai Chia Ling ⁽³⁾	-	-	⁽²⁾ 200,000	40.00
Teh Theng Theng ⁽⁴⁾	-	-	-	-

- (1) Deemed interested by virtue of his shareholdings in Siram Permai pursuant to Section 6A of the Act.
- (2) Deemed interested by virtue of his/her shareholdings in Amal Pintas pursuant to Section 6A of the Act.
- (3) An alternate Director to Tsai Yung Chuan.
- (4) An alternate Director to Ir. Teh Kiak Seng.

Based on the audited financial statements of Pridaman for the FYE 31 December 2010, the audited NA of Pridaman as at 31 December 2010 stood at RM896,536 and the audited LAT of Pridaman for the FYE 31 December 2010 amounted to RM9,704.

Further details of Pridaman are set out in Appendix I of this Circular.

2.1.3 Background information on the Pridaman Vendors

(i) Siram Permai

Siram Permai was incorporated in Malaysia as a private limited company under the Act on 13 March 1992. As at the LPD, the authorised share capital of Siram Permai stood at RM500,000 comprising 500,000 ordinary shares of RM1.00 each in Siram Permai, of which 300,000 ordinary shares of RM1.00 each in Siram Permai have been issued and fully paid-up. The company is principally involved in investment holding.

The Directors and shareholders of Siram Permai together with their respective shareholdings in Siram Permai are as follows:

Name of Directors/shareholders	No. of ordinary shares held in Siram Permai	%
Ir. Teh Kiak Seng	299,999	100.00
Ooi Yen Hwa (spouse of Ir. Teh Kiak Seng)	1	- *
Total	300,000	100.00

* Negligible

Siram Permai is a major shareholder of Tambun Indah with a 40.38% equity interest in Tambun Indah as at the LPD.

(ii) Amal Pintas

Amal Pintas was incorporated in Malaysia as a private limited company under the Act on 26 January 1995. As at the LPD, the authorised share capital of Amal Pintas stood at RM500,000 comprising 500,000 ordinary shares of RM1.00 each in Amal Pintas, of which 250,000 ordinary shares of RM1.00 each in Amal Pintas have been issued and fully paid-up. The company is principally involved in investment holding.

The Directors and shareholders of Amal Pintas together with their respective shareholdings in Amal Pintas are as follows:

Name of Directors/shareholders	No. of ordinary shares held in Amal Pintas	%
Tsai Yung Chuan	95,000	38.00
Tsai Chang Hsiu-Hsiang	92,500	37.00
Tsai Chia Ling	62,500	25.00
Total	250,000	100.00

Amal Pintas is a major shareholder of Tambun Indah with a 10.39% equity interest in Tambun Indah as at the LPD.

(iii) Sound Vantage

Sound Vantage was incorporated in Malaysia as a private limited company under the Act on 27 January 1999. As at the LPD, the authorised share capital of Sound Vantage stood at RM500,000 comprising 500,000 ordinary shares of RM1.00 each in Sound Vantage, all of which have been issued and fully paid-up. The company is principally involved in investment holding.

The Directors of Sound Vantage are Teh Ching Ching and Teh Eng Teik.

The shareholders of Sound Vantage together with their respective shareholdings in Sound Vantage are as follows:

Name of shareholders	No. of ordinary shares held in Sound Vantage	%
Teh Gan Heong & Sons Sdn Bhd	250,000	50.00
Teh Ching Ching	100,000	20.00
Teh Theng Theng	50,000	10.00
Teh Peng Peng	50,000	10.00
Teh San San	50,000	10.00
Total	500,000	100.00

Sound Vantage is a shareholder of Tambun Indah with 1.85% equity interest in Tambun Indah as at the LPD.

(iv) Alpha Master

Alpha Master was incorporated in Malaysia as a private limited company under the Act on 19 October 1991. As at the LPD, the authorised share capital of Alpha Master stood at RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each in Alpha Master, all of which have been issued and fully paid-up. The company is principally involved in the manufacturing of fabricators, assembling of automation machine and automatic warehouse system and wiring contractors.

The Directors of Alpha Master are Tan Eng Siang, Tan Chai Oo, Tan Waing Huat and Tan Weng Kang.

The shareholders of Alpha Master together with their respective shareholdings in Alpha Master are as follows:

Name of shareholders	No. of ordinary shares held in Alpha Master	%
Tan Eng Siang	600,009	60.00
Tan Chai Oo	99,998	10.00
Tan Waing Huat	99,998	10.00
Tan Weng Kang	99,998	10.00
Tan Weng Hoe	99,997	10.00
Total	1,000,000	100.00

Alpha Master is a shareholder of Tambun Indah with 0.07% equity interest in Tambun Indah as at the LPD.

(v) Teh Eng Bew

Teh Eng Bew is a Malaysian. He is a shareholder of Pridaman who currently owns 25,000 Pridaman Shares, representing 5% equity interest in Pridaman. He is also the brother of Ir. Teh Kiak Seng, the Managing Director of Tambun Indah, and Teh Theng Theng, the Executive Director of Tambun Indah.

Teh Eng Bew is a shareholder of Tambun Indah with 1.66% equity interest in Tambun Indah as at the LPD.

2.1.4 Basis and justification of the purchase consideration for the Proposed Pridaman Acquisition

The purchase consideration for the Proposed Pridaman Acquisition of RM4.65 million was agreed upon between the Company and the Pridaman Vendors on a willing buyer-willing seller basis after taking into consideration, amongst others, the following:

- (i) the audited NTA of Pridaman as at 31 December 2010 of approximately RM0.90 million based on the audited accounts of Pridaman for the FYE 31 December 2010; and
- (ii) the assignment of debts from the Pridaman Vendors to Tambun Indah, being shareholders' advances or part thereof due and owing by Pridaman to the Pridaman Vendors and all further advances which may be given by the Pridaman Vendors to Pridaman from the date of the SPA up to the completion date of the Proposed Pridaman Acquisition.

As at the LPD, the shareholders' advances given by the Pridaman Vendors, which were partly utilised to acquire Pridaman's land and working capital, are as follows:

Vendors	⁽¹⁾ Initial date of the advances	Total outstanding shareholders' advances (RM)	Shareholders' advances to be assigned (RM)
Siram Permai	4 November 2010	1,687,500	1,687,500
Amal Pintas	9 November 2010	1,500,000	1,500,000
Sound Vantage	4 November 2010	187,500	187,500
Alpha Master	13 December 2010	187,500	187,500
Teh Eng Bew	9 November 2010	187,500	187,500
Total		3,750,000	3,750,000

- (1) *Represents the initial date of the latest shareholders' advances given by the Pridaman Vendors to Pridaman. The initial shareholders' advances given by the Pridaman Vendors in May 2003 had been settled by Pridaman in September 2007 which was funded via its internally generated funds from its previous project, namely Taman Seri Bayan located at Bukit Tambun, Seberang Perai Selatan, Penang, which had been completed in August 2007.*

The Pridaman Vendors and Tambun Indah have also agreed that the purchase consideration for the Proposed Pridaman Acquisition may be adjusted if there are new and further advances made by the Pridaman Vendors to Pridaman from the date of the SPA up to the completion date of the Proposed Pridaman Acquisition.

In determining the purchase consideration for the Proposed Pridaman Acquisition, the Board did not take into consideration any revaluation surplus attributable to Pridaman's lands as the amount is not significant.

2.1.5 Source of funds

The purchase consideration for the Proposed Pridaman Acquisition of RM4.65 million will be fully financed through internally generated funds of the Company.

2.1.6 Transaction with the Pridaman Vendors

Save as disclosed below, there have been no other transactions between the Tambun Indah Group and the Pridaman Vendors for the preceding twelve (12) months up to the date of this Circular:

- (i) In conjunction with, and as an integral part of the listing of Tambun Indah on the Main Market of Bursa Securities, Tambun Indah had on 15 May 2010 entered into conditional share sale agreements with the Pridaman Vendors for the acquisitions of certain subsidiaries of Tambun Indah which were completed on 11 November 2010.

The total amount transacted (which represented the purchase consideration for the said acquisitions) between Tambun Indah and the Pridaman Vendors for the preceding twelve (12) months up to the date of this Circular are as follows:

Pridaman Vendors	RM'000
Siram Permai	44,625
Amal Pintas	17,001
Sound Vantage	2,044
Alpha Master	592
Teh Eng Bew	1,833
Total	66,095

2.1.7 Liabilities to be assumed

There are no liabilities, including contingent liabilities and guarantees, to be assumed by Tambun Indah arising from the Proposed Pridaman Acquisition.

2.1.8 Additional financial commitment

The layout plan for the development of land owned by Pridaman was approved by MPSP vide its letter dated 26 January 2011. The estimated total GDC for the said land of approximately RM27 million is expected to be financed via Tambun Indah's internally generated funds and bank borrowings, the proportions of which have yet to be determined as at the LPD.

Save for the above, there is no additional financial commitment required by Tambun Indah to put the business of Pridaman on stream.

2.2 Proposed Ikhtiar Bitara Acquisition

2.2.1 Background information on the Proposed Ikhtiar Bitara Acquisition

On 16 February 2011, Tambun Indah had entered into a SPA with the Ikhtiar Bitara Vendors for the Proposed Ikhtiar Bitara Acquisition.

The Ikhtiar Bitara Vendors have agreed to sell 45,000 Ikhtiar Bitara Shares to Tambun Indah free from any encumbrances together with all rights, benefits, title, interest and advantages attached thereto as from the date of the SPA, including any dividends, bonus or rights issue declared on or after the date of completion of the SPA, for a cash consideration of RM1.46 million upon the terms and subject to the conditions as stipulated in the SPA relating to the Proposed Ikhtiar Bitara Acquisition.

On the completion date of the SPA, Tambun Indah shall pay the entire purchase consideration for the Proposed Ikhtiar Bitara Acquisition in full to each of the Ikhtiar Bitara Vendors or as the Ikhtiar Bitara Vendors may direct, in accordance with the terms of the SPA. The breakdown of purchase consideration for each of the Ikhtiar Bitara Vendors is as follows:

Name of vendors	No. of sale shares	% equity interest (%)	Purchase consideration (RM)
Siti Shikha Binti Zakaria	20,000	20.00	608,889
Siram Permai	25,000	25.00	851,111
Total	45,000	45.00	1,460,000

Following the completion of the Proposed Ikhtiar Bitara Acquisition, Ikhtiar Bitara will become a 45%-owned associated company of Tambun Indah. The Company is acquiring only 45% of the issued and paid-up share capital of Ikhtiar Bitara (instead of a controlling stake) as the other shareholders of Ikhtiar Bitara have expressed their intention to remain in the company and do not wish to sell their remaining equity interest.

The salient terms of the SPA relating to the Proposed Ikhtiar Bitara Acquisition are set out in Section 3 of Part A of this Circular.

Tambun Indah intends to enter into a shareholders' agreement with the remaining shareholders of Ikhtiar Bitara, namely Siti Shikha Binti Zakaria, Loo Ai Ting and Jali Bin Mahmud upon completion of the Proposed Ikhtiar Bitara Acquisition ("Shareholders' Agreement"). The Board is of the view that it is appropriate and in the best interest of the Company that the Shareholders' Agreement be executed upon the successful completion of the transaction as it gives more certainty to the Company and besides, it would not incur unnecessary costs at this juncture. An announcement shall be made upon execution of the Shareholders' Agreement at a later date.

2.2.2 Background information on Ikhtiar Bitara

Ikhtiar Bitara was incorporated in Malaysia as a private limited company under the Act on 15 May 2006. As at the LPD, the authorised share capital of Ikhtiar Bitara stood at RM100,000 comprising 100,000 ordinary shares of RM1.00 each in Ikhtiar Bitara, all of which have been issued and fully paid-up.

Ikhtiar Bitara is principally involved in property development. Currently, Ikhtiar Bitara owns a piece of land known as Lot Nos. 829, 830, 832 and 833, GM Nos. 722, 723, 526 and 724 respectively, Mukim 4, Seberang Perai Tengah, Pulau Pinang measuring a total area of approximately 121,663 sf (or about 2.79 acres) held for residential development. The estimated GDV and GDC for the potential development of the said land is approximately RM34 million and RM28 million respectively resulting in an estimated gross development profit of approximately RM6 million. Please refer to Section 2.3 of Part A of this Circular for the details of the said land. Presently, Ikhtiar Bitara does not have any subsidiaries or associated companies.

The shareholders of Ikhtiar Bitara and their respective shareholdings as at the LPD are as follows:

Name of shareholders	Direct		Indirect	
	No. of Ikhtiar Bitara Shares	%	No. of Ikhtiar Bitara Shares	%
Siti Shikha Binti Zakaria	72,000	72.00	-	-
Siram Permai	25,000	25.00	-	-
Loo Ai Ting	2,000	2.00	-	-
Jali Bin Mahmud	1,000	1.00	-	-
Ir. Teh Kiak Seng	-	-	⁽¹⁾ 25,000	25.00

(1) Deemed interested by virtue of his shareholdings in Siram Permai pursuant to Section 6A of the Act.

The Board of Directors of Ikhtiar Bitara and their respective shareholdings as at the LPD are as follows:

Name of Directors	Direct		Indirect	
	No. of Ikhtiar Bitara Shares	%	No. of Ikhtiar Bitara Shares	%
Ir. Teh Kiak Seng	-	-	⁽¹⁾ 25,000	25.00
Loo Ai Ting	2,000	2.00	-	-
Jali Bin Mahmud	1,000	1.00	-	-

(1) Deemed interested by virtue of his shareholdings in Siram Permai pursuant to Section 6A of the Act.

Based on the audited financial statements of Ikhtiar Bitara for the FYE 31 October 2010, the audited NA of Ikhtiar Bitara as at 31 October 2010 stood at RM85,412 and the audited LAT of Ikhtiar Bitara for the FYE 31 October 2010 amounted to RM6,154.

Further details of Ikhtiar Bitara are set out in Appendix II of this Circular.

2.2.3 Background information on the Ikhtiar Bitara Vendors

(i) Siram Permai

Please refer to Section 2.1.3 (i) of Part A of this Circular for the details of the background information on Siram Permai. Siram Permai will cease to be the shareholder of Ikhtiar Bitara upon completion of the Proposed Ikhtiar Bitara Acquisition.

(ii) Siti Shikha Binti Zakaria

Siti Shikha Binti Zakaria is a Malaysian. She is a shareholder of Ikhtiar Bitara with 72,000 Ikhtiar Bitara Shares, representing 72% equity interest in Ikhtiar Bitara. She is also a former Director of Ikhtiar Bitara. Upon completion of the Proposed Ikhtiar Bitara Acquisition, she still holds 52,000 Ikhtiar Bitara Shares, representing 52% equity interest in Ikhtiar Bitara.

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2.2.4 Basis and justification of the purchase consideration for the Proposed Ikhtiar Bitara Acquisition

The purchase consideration for the Proposed Ikhtiar Bitara Acquisition of RM1.46 million was agreed upon between the Company and the Ikhtiar Bitara Vendors on a willing buyer-willing seller basis after taking into consideration, amongst others, the following:

- (i) the audited NTA of Ikhtiar Bitara as at 31 October 2010 of approximately RM0.09 million (i.e. RM0.04 million based on 45% equity interest to be acquired by the Company) based on the audited accounts of Ikhtiar Bitara for the FYE 31 October 2010;
- (ii) the assignment of debts from the Ikhtiar Bitara Vendors to Tambun Indah, being shareholders' advances or part thereof due and owing by Ikhtiar Bitara to the Ikhtiar Bitara Vendors and all further advances which may be given by the Ikhtiar Bitara Vendors to Ikhtiar Bitara from the date of the SPA up to the completion date of the Proposed Ikhtiar Bitara Acquisition.

As at the LPD, the shareholders' advances given by the Ikhtiar Bitara Vendors, which were utilised mainly for the working capital of Ikhtiar Bitara, are as follows:

Vendors	Initial date of the advances	Total outstanding shareholders' advances (RM)	Shareholders' advances to be assigned (RM)
Siram Permai	26 May 2010	431,623	431,623
Siti Shikha Binti Zakaria	26 May 2010	1,087,873	273,298
Total		1,519,496	704,921

The Ikhtiar Bitara Vendors and Tambun Indah have also agreed that the purchase consideration for the Proposed Ikhtiar Bitara Acquisition may be adjusted if there are new and further advances made by the Ikhtiar Bitara Vendors to Ikhtiar Bitara from the date of the SPA up to the completion date of the Proposed Ikhtiar Bitara Acquisition; and

- (iii) the revaluation surplus of approximately RM0.72 million on the land held by Ikhtiar Bitara is as follows:

	RM'000
Market value of the land held by Ikhtiar Bitara *	3,600
Audited NBV of the land held by Ikhtiar Bitara as at 31 October 2010	(1,469)
Provision for deferred taxation	(533)
Total revaluation surplus	1,598
Total revaluation surplus attributable to 45% equity interest of Ikhtiar Bitara to be acquired	719

* Based on the valuation report dated 8 February 2011 as prepared by Henry Butcher, an independent registered valuer.

The said purchase consideration of RM1.46 million was derived from 45% of the audited NTA of Ikhtiar Bitara of approximately RM0.04 million (i.e. Tambun Indah's portion) and adjusted for the assignment of debts by the Ikhtiar Bitara Vendors to Tambun Indah of approximately RM0.70 million and the revaluation surplus of approximately RM0.72 million.

2.2.5 Source of funds

The purchase consideration for the Proposed Ikhtiar Bitara Acquisition of RM1.46 million will be fully financed through internally generated funds of the Company.

2.2.6 Transaction with the Ikhtiar Bitara Vendors

Save as disclosed below, there have been no other transactions between the Tambun Indah Group and the Ikhtiar Bitara Vendors for the preceding twelve (12) months up to the date of this Circular:

- (i) In conjunction with, and as an integral part of the listing of Tambun Indah on the Main Market of Bursa Securities, Tambun Indah had on 15 May 2010 entered into conditional share sale agreements with Siram Permai for the acquisitions of certain subsidiaries of Tambun Indah which were completed on 11 November 2010.

As such, the total amount transacted (which represented the purchase consideration for the said acquisitions) between Tambun Indah and Siram Permai for the preceding twelve (12) months up to the date of this Circular is approximately RM44.63 million.

2.2.7 Liabilities to be assumed

There are no liabilities, including contingent liabilities and guarantees, to be assumed by Tambun Indah arising from the Proposed Ikhtiar Bitara Acquisition.

2.2.8 Additional financial commitment

The layout plan for the development of land owned by Ikhtiar Bitara has been approved by MPSP vide its letter dated 11 February 2011. The estimated total GDC for the said land of approximately RM12.60 million (Tambun Indah's portion i.e. 45% of the total GDC of approximately RM28 million) is expected to be financed via Tambun Indah's internally generated funds and bank borrowings, the proportions of which have yet to be determined as at the LPD.

Save for the above, there is no additional financial commitment required by Tambun Indah to put the business of Ikhtiar Bitara on stream.

2.3 Details of properties

The lands owned by Pridaman and Ikhtiar Bitara have been appraised by Henry Butcher, an independent registered valuer, using Comparison and Residual Methods of valuation, as summarised below:

Market value	Land owned by Pridaman	Land owned by Ikhtiar Bitara
Comparison Method (RM)	9,450,000	3,600,000
Residual Method (RM)	8,830,000	3,700,000

Henry Butcher, an independent registered valuer, adopted the Comparison Method in arriving at its final opinion of the current market value for both the lands owned by Pridaman and Ikhtiar Bitara as these lands are currently vacant and pending commencement of construction. Furthermore, there is ample sales evidence available to justify the market value of the said lands by the Comparison Method.

The details of lands owned by Pridaman and Ikhtiar Bitara are set out as follows:

Owner	Pridaman	Ikhtiar Bitara
Land identification	Lot No. 699, GM 100, Mukim 13, Seberang Perai Tengah, Pulau Pinang	Lot Nos. 829, 830, 832 and 833, GM Nos. 722, 723, 526 and 724 respectively, Mukim 4, Seberang Perai Tengah, Pulau Pinang
Land area	378,161 sf (8.68 acres)	121,663 sf (2.79 acres)
Tenure	Freehold	Freehold
Existing use	Vacant land	Vacant land
Category of land use	Industrial	Residential building
Encumbrances	Currently charged to Malayan Banking Berhad	Nil
NBV (RM'000)	9,127 ⁽¹⁾	1,469 ⁽²⁾
Market value (RM'000)	9,450	3,600

Owner	Pridaman	Ikhtiar Bitara
Independent valuer	Henry Butcher	Henry Butcher
Date of valuation	1 February 2011	1 February 2011
Methods of valuation	Comparison and Residual Methods	Comparison and Residual Methods

(1) Based on the audited financial statements of Pridaman for the FYE 31 December 2010.

(2) Based on the audited financial statements of Ikhtiar Bitara for the FYE 31 October 2010.

MPSP had on 25 January 2011 and 18 January 2011 approved the layout plans for the development of lands owned by Pridaman and Ikhtiar Bitara vide its letters dated 26 January 2011 and 11 February 2011 respectively.

The details of the proposed development projects are as follows:

Proposals	Proposed Pridaman Acquisition			Proposed Ikhtiar Bitara Acquisition		
Proposed project name	New Juru Industrial Park			Kelisa Residence		
Type of development	Industrial development of light industrial factories			Residential development of apartments and double storey semi-detached houses		
Development components	Development components	Units to be built	Size per unit (sf)	Development components	Units to be built	Proposed size per unit (sf)
	Semi-detached single storey light industrial factories	20	5,795 to 7,622	Medium cost apartments	142	1,080 to 1,445
	Detached single storey light industrial factories	2	7,672	Double storey semi-detached houses	6	2,346
Estimated GDV	RM35 million			RM34 million		
Estimated GDC	RM27 million			RM28 million		
Estimated gross development profit	RM8 million			RM6 million		
Expected commencement date	1 st quarter 2011			3 rd quarter 2011		
Expected completion date	3 rd quarter 2012			3 rd quarter 2014		
Stage of completion	Project has been launched in March 2011 and tenders for construction works are in progress as at the LPD			Project has yet to commence		

The estimated total GDC for the said lands of RM39.60 million (Tambun Indah's portion) is expected to be financed via a combination of internally generated funds and bank borrowings of the Company, the proportions of which have yet to be determined as at the LPD.

3. SALIENT TERMS OF THE SPAs

The salient terms of the SPAs for the Proposed Acquisitions include, amongst others, the following:

3.1 Conditions precedent

- 3.1.1 (1) The sale of the sale shares shall be conditional upon the fulfilment of the following conditions precedent ("Conditions Precedent"):
- (a) the approval of the shareholders of the vendors in a general meeting to be convened for the disposal of the sale shares by the vendors to Tambun Indah in accordance with the provisions of the SPAs which will be held on 24 June 2011; and

- (b) the approval of the shareholders of Tambun Indah in a general meeting to be convened for the acquisition of the sale shares by Tambun Indah from the vendors in accordance with the provisions of the SPAs which will be held on 24 June 2011,

no later than six (6) months from the date of the SPAs (“Condition Period”).

- (2) Should any of the Conditions Precedent remain unfulfilled at the end of the Condition Period, the parties may either extend the said Condition Period to a date to be agreed between the parties or terminate the SPAs.
- 3.1.2
- (1) The SPAs shall become unconditional upon the fulfilment of all the Conditions Precedent. The date upon which the SPAs shall become unconditional shall be referred to as the “Unconditional Date”.
 - (2) The completion of the SPAs shall take place three (3) months after the Unconditional Date or at such date to be agreed between the parties (“Completion Date”).

3.2 Completion and settlement

- (1) On the Completion Date, the vendor shall deliver or cause to be delivered to Tambun Indah:
 - (i) the duly executed resolutions of the board of directors of the company approving and accepting the transfer of the sale shares as well as registration of Tambun Indah as the holder of the sale shares in the register of member of the company;
 - (ii) the instrument of transfer (Form 32A) duly completed and executed by the vendors in favour of Tambun Indah in respect of the sale shares;
 - (iii) the duly executed resolutions of the board of directors of the company appointing the nominees of Tambun Indah as directors of the company; and
 - (iv) the original share certificates in respect of the sale shares registered under the name of the vendors.
- (2) Subject to any adjustment which may be made to the purchase consideration in accordance with the SPAs, Tambun Indah shall pay to each of the vendors or as the vendors may direct the purchase consideration for each of the Proposed Acquisitions by way of a cheque made payable to the respective vendors or in such manner as may be agreed between the respective vendors and Tambun Indah.

3.3 Rights of Tambun Indah pending completion

Notwithstanding anything to the contrary, the vendors further agree that pending the Completion Date, the vendors shall allow and authorise Tambun Indah to manage the business and operations of the company on behalf of the vendors in the manner as Tambun Indah deems fit in the interest of the company, including matters pertaining to development projects undertaken by the company in respect of the lands and submission of any plans and applications for any permits and licences by the company to relevant authorities for approvals, and the vendors shall do all such things as are necessary to facilitate Tambun Indah in managing the business and operations of the company as such.

4. RATIONALE FOR THE PROPOSED ACQUISITIONS

The Proposed Acquisitions are in line with the Tambun Indah Group’s plan to expand its property development activities by acquiring new property land bank particularly in Penang. The Proposed Acquisitions represent a strategic investment by the Company and are expected to contribute positively to the earnings as well as shareholders’ value of the Group in the medium term.

Pridaman and Ikhtiar Bitara have approximately 378,161 sf (8.68 acres) and 121,663 sf (2.79 acres) of land held for future development with a current market value of RM9.45 million and RM3.60 million respectively as at 1 February 2011 as appraised by Henry Butcher, an independent registered valuer.

Following the Proposed Acquisitions and with the expected gradual improvement in the general economy and property sector, the Tambun Indah Group would stand to benefit from the revenue, profit and cash flow contributions from Pridaman and Ikhtiar Bitara in the near future, with the total estimated gross development profit attributable to the proposed development projects as stated in Section 2.3 of Part A of this Circular amounting to approximately RM10.70 million (Tambun Indah's portion).

5. INDUSTRY OVERVIEW AND PROSPECTS

5.1 Overview and prospects of the Malaysian economy

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

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

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

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

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

(Source: Economic Report 2010/2011)

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5.2 Overview and prospects of the property/construction sector

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

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

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

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

(Source: Economic Report 2010/2011)

Malaysia is currently on the challenge to ensure that there are enough houses for various segments of society. It is also about having houses in a safe, healthy and comfortable built environment befitting the socio-economic status of the country. With these, the Government will focus on streamlining the affordable housing delivery system whereby to increase the efficiency of housing provision, the Government will rationalise and streamline the role of federal agencies involved in public housing.

The Government would also promote the adoption of the build-then-sell (“BTS”) approach where housing developers are encouraged to adopt BTS approach through the provision of additional incentives such as shortening the approval processes for land and building payments for licensing housing developments.

(Source: Tenth Malaysian Plan, 2011-2015)

5.3 The prospects of Pridaman and Ikhtiar Bitara

Pridaman and Ikhtiar Bitara have a total of approximately 499,824 sf (11.47 acres) lands held for development with a current total market value of RM13.05 million as appraised by Henry Butcher, an independent registered valuer. The land held by Pridaman is located close to Juru Auto City, Prai Industrial Area and Penang Science Park with potential for industrial development, and the land held by Ikhtiar Bitara is located behind Seberang Jaya Hospital which adjoins North South Expressway and is about five (5) minutes drive to a hypermarket with potential for residential development.

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

In view of the above and with the proposed developments as stated in Section 2.3 of Part A of this Circular, the Board is of the view that the Proposed Acquisitions will contribute positively to the Tambun Indah Group's earnings in the future especially when the lands owned by Pridaman and Ikhtiar Bitara are fully developed. The total estimated gross development profit accruing to Tambun Indah from the proposed development projects on the said lands is expected to amount to RM10.70 million.

Premised on the above, the Board is optimistic on the future prospects of Pridaman and Ikhtiar Bitara as well as the Tambun Indah Group.

6. RISK FACTORS

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

6.1 Transaction risk

The completion of the Proposed Acquisitions are conditional upon, inter-alia, the Conditions Precedent of the SPAs as stated in Section 3 of Part A of this Circular being satisfied and/or waived as the case maybe.

There can be no assurance that the Proposed Acquisitions will not be exposed to risks such as the inability to fulfil the Conditions Precedent and/or inability to obtain the approval from the shareholders of the Company. However, Tambun Indah will take and continue to take all reasonable steps to ensure completion of the Proposed Acquisitions.

6.2 Delay in development

The demand for properties is dependent on the general economic, business and credit conditions, as well as the availability of supply of properties in the market. Whilst the Board believes that it is possible to mitigate the effects of weaker demand in a slow economic environment by meticulous planning in terms of innovative design, timing of launch and pricing relative to competitors, there can be no assurance that the proposed developments on the lands owned by Pridaman and Ikhtiar Bitara will be shielded from any adverse downturn in the economy.

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

However, with its experience in property development, the Tambun Indah Group believes that it will be able to manage these risks by closely monitoring the progress of the development of the lands and endeavour to promptly rectify any setback and ensure the timely completion of the said proposed developments. Nevertheless, there can be no assurance that there will not be any delays in the completion of the said proposed developments which could adversely affect the Tambun Indah Group's financial performance.

6.3 Compulsory acquisition by the Government

The Malaysian Government has the power to compulsorily acquire any land in Malaysia pursuant to the provisions of the applicable legislation including the Land Acquisition Act, 1960. In such event, the amount of compensation to be awarded is based on the fair market value of the property and is assessed on the basis prescribed in the Land Acquisition Act, 1960 and other relevant laws. If the lands owned by Pridaman and Ikhtiar Bitara or any part thereof are compulsorily acquired by the Government at a price which is lower than the purchase consideration, the Tambun Indah Group would register a loss on disposal. Further, the compulsory acquisition will mean that the Tambun Indah Group could no longer continue to develop the said lands. In such instances, the Tambun Indah Group would not be able to realise the advantages of having to develop the said lands.

As at the LPD, the Company is not aware of any intended compulsory acquisition of the said lands or any part thereof.

7. EFFECTS OF THE PROPOSED ACQUISITIONS

The Proposed Acquisitions will not have any effect on the issued and paid-up share capital and the substantial shareholders' shareholdings of Tambun Indah as the Proposed Acquisitions do not involve any issuance of new Tambun Indah Shares. The effects of the Proposed Acquisitions on the NA, gearing and earnings of the Tambun Indah Group are as follows:

7.1 NA, NA per Share and gearing

The Proposed Acquisitions are not expected to have any material effect on the NA, NA per Share and gearing of the Tambun Indah Group.

7.2 Earnings and EPS

The Proposed Acquisitions are not expected to have any material effect on the earnings and EPS of the Tambun Indah Group for the FYE 31 December 2011. Nevertheless, the Proposed Acquisitions are expected to improve the earnings and EPS of the Tambun Indah Group in the future financial years as and when the said lands owned by Pridaman and Ikhtiar Bitara are developed and completed progressively.

8. APPROVALS REQUIRED

The Proposed Acquisitions are subject to, inter-alia, the approvals of the following:

- (a) the shareholders of Tambun Indah at the forthcoming EGM to be convened for the Proposed Acquisitions; and
- (b) any other relevant authorities/parties, if any.

The Proposed Pridaman Acquisition and Proposed Ikhtiar Bitara Acquisition are not inter-conditional upon each other or conditional upon any other corporate exercises being undertaken by Tambun Indah.

9. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Acquisitions are expected to be completed by the third quarter of 2011. The indicative timing of events leading up to the completion of the Proposed Acquisitions are as follows:

Tentative timing	Events
24 June 2011	Convening of EGM
Early July 2011	Proposed Acquisitions become unconditional
End July 2011	Completion of the Proposed Acquisitions

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10. PROPOSALS ANNOUNCED BUT NOT YET COMPLETED

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

- (i) On 4 May 2011, the Company announced that Palmington Sdn Bhd, its 60%-owned subsidiary, had on 4 May 2011 entered into a master agreement with Pembangunan Bandar Mutiara Sdn Bhd to purchase an undeveloped land bank located in a new township development known as Bandar Tasek Mutiara in the locality of Simpang Ampat, Mukim 15, Province Wellesley South, Penang (the subject land to be hereinafter known as the “Tasek Mutiara Land”) measuring a total of approximately 526.7531 acres for a purchase consideration of RM233,223,021 to be satisfied fully in cash (“Proposed Tasek Mutiara Land Acquisition”).

A circular to shareholders of Tambun Indah in relation to the Proposed Tasek Mutiara Land Acquisition is expected to be issued in the third quarter of 2011.

11. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save as disclosed below, none of the Directors, major shareholders and/or persons connected to them, as defined in the Listing Requirements, have any interest, direct or indirect, in the Proposed Acquisitions:

- (i) Tsai Yung Chuan is the Non-Independent Non-Executive Chairman of Tambun Indah with 10.39% indirect equity interest in Tambun Indah as at the LPD. He is a Director and shareholder of Amal Pintas which in turn is a vendor for the Proposed Pridaman Acquisition. He is also a Director of Pridaman;
- (ii) Ir. Teh Kiak Seng is the Managing Director of Tambun Indah with 2.82% direct and 40.38% indirect equity interest in Tambun Indah as at the LPD. He is a Director and shareholder of Siram Permai which in turn is a vendor for the Proposed Acquisitions. He is also a Director of Pridaman and Ikhtiar Bitara;
- (iii) Teh Theng Theng is the Executive Director of Tambun Indah with 0.06% direct equity interest in Tambun Indah as at the LPD. She is a shareholder of Sound Vantage which in turn is a vendor for the Proposed Pridaman Acquisition. She is also an alternate Director to Ir. Teh Kiak Seng in Pridaman;
- (iv) Siram Permai is the major shareholder of Tambun Indah with 40.38% equity interest in Tambun Indah as at the LPD. It is deemed interested in the Proposed Acquisitions as it is one of the vendors for the Proposed Acquisitions and also by virtue of it being connected with Ir. Teh Kiak Seng, where Ir. Teh Kiak Seng is a Director and shareholder of Siram Permai; and
- (v) Amal Pintas is the major shareholder of Tambun Indah with 10.39% equity interest in Tambun Indah as at the LPD. It is deemed interested in the Proposed Pridaman Acquisition as it is one of the vendors for the Proposed Pridaman Acquisition and also by virtue of it being connected with Tsai Yung Chuan, where Tsai Yung Chuan is a Director and shareholder of Amal Pintas.

In view of the interests of the abovementioned Directors and major shareholders of Tambun Indah, the Proposed Acquisitions are deemed to be related party transactions under Paragraph 10.08 of the Listing Requirements.

Accordingly, Tsai Yung Chuan, Ir. Teh Kiak Seng and Teh Theng Theng have abstained and will continue to abstain from all deliberations and voting at the Board meetings in respect of the Proposed Acquisitions.

The abovementioned Directors and major shareholders will also abstain from voting in respect of direct and/or indirect shareholdings in Tambun Indah on the resolutions pertaining to the Proposed Acquisitions at the forthcoming EGM. The abovementioned Directors and major shareholders have undertaken that they will ensure that persons connected to them will also abstain from voting in respect of their direct and/or indirect shareholdings in Tambun Indah on the resolutions pertaining to the Proposed Acquisitions at the forthcoming EGM.

12. INDEPENDENT ADVISER

In view of the interests of Tsai Yung Chuan, Ir. Teh Kiak Seng, Teh Theng Theng, Siram Permai and Amal Pintas as set out in Section 11 of Part A of this Circular, the Proposed Acquisitions are deemed to be related party transactions under Paragraph 10.08 of Chapter 10 of the Listing Requirements.

In this respect, Tambun Indah had on 9 February 2011 appointed KIBB to act as the Independent Adviser to advise the non-interested shareholders of Tambun Indah on whether the Proposed Acquisitions are fair and reasonable in so far as the non-interested shareholders of Tambun Indah are concerned and whether or not the Proposed Acquisitions are detrimental to the interests of the non-interested shareholders of Tambun Indah.

The independent advice letter to the non-interested shareholders of Tambun Indah in relation to the Proposed Acquisitions as prepared by KIBB is set out in Part B of this Circular.

You are advised to read both Part A and Part B of this Circular together with the appendices carefully before voting on the resolutions pertaining to the Proposed Acquisitions to be tabled at the forthcoming EGM of the Company.

13. AUDIT COMMITTEE'S STATEMENT

Before arriving at its opinion on the Proposed Acquisitions, the Audit Committee of Tambun Indah has sought independent advice from KIBB, being the appointed Independent Adviser for the Proposed Acquisitions on 9 February 2011. After reviewing the independent advice from KIBB, as set out in Part B of this Circular, the Audit Committee of Tambun Indah has concurred with KIBB's view that the terms and the conditions of the Proposed Acquisitions are fair and reasonable.

The Audit Committee of Tambun Indah, having considered all aspects of the Proposed Acquisitions including the rationale, fairness of the consideration, salient terms of the SPAs and the financial effects of the Proposed Acquisitions, and the independent opinion from KIBB is of the opinion that the Proposed Acquisitions are in the best interest of Tambun Indah and not detrimental to the interest of the non-interested shareholders of Tambun Indah. The Audit Committee of Tambun Indah is of the view that the Proposed Acquisitions are fair, reasonable and on normal commercial terms.

14. DIRECTORS' RECOMMENDATION

The Board (save for the interested Directors as disclosed in Section 11 of Part A of this Circular), after having considered all aspects of the Proposed Acquisitions including the rationale, fairness of the consideration, salient terms of the SPAs and the financial effects of the Proposed Acquisitions, is of the opinion that the Proposed Acquisitions are in the best interest of the Company and not detrimental to the interest of the non-interested shareholders of Tambun Indah. The Board (save for the interested Directors as disclosed in Section 11 of Part A of this Circular) is of the view that the Proposed Acquisitions are fair and reasonable.

Accordingly, the Board (save for the interested Directors as disclosed in Section 11 of Part A of this Circular) recommends that you vote in favour of the resolutions pertaining to the Proposed Acquisitions to be tabled at the forthcoming EGM.

15. EGM

The EGM, the notice of which is enclosed together with this Circular, will be held at Kapur Room, Level 1, Eastin Hotel Penang, 1 Solok Bayan Indah, Queensbay, 11900 Bayan Lepas, Penang on Friday, 24 June 2011 at 11.00 a.m., or immediately after the conclusion or adjournment (as the case may be) of the 3rd AGM of the Company to be held at the same venue and on the same day at 10.00 a.m., whichever is the later or at any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modifications the resolutions to give effect to the Proposed Acquisitions.

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

16. FUTHER INFORMATION

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

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

ONG ENG CHOON
INDEPENDENT DIRECTOR

PART B

**INDEPENDENT ADVICE LETTER FROM KIBB IN RELATION TO THE
PROPOSED ACQUISITIONS**



KENANGA

KENANGA INVESTMENT BANK BERHAD
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A Participating Organisation of
Bursa Malaysia Securities Berhad

6 June 2011

To: **The Non-Interested Shareholders of Tambun Indah Land Berhad**

Dear Sir / Madam,

TAMBUN INDAH LAND BERHAD ("TAMBUN INDAH" OR THE "COMPANY")

- (I) **PROPOSED ACQUISITION OF 500,000 ORDINARY SHARES OF RM1.00 EACH IN PRIDAMAN SDN BHD ("PRIDAMAN") REPRESENTING THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF PRIDAMAN FROM SIRAM PERMAI SDN BHD, AMAL PINTAS SDN BHD, SOUND VANTAGE SDN BHD, ALPHA MASTER (M) SDN BHD AND TEH ENG BEW FOR A CASH CONSIDERATION OF RM4.65 MILLION; AND**
- (II) **PROPOSED ACQUISITION OF 45,000 ORDINARY SHARES OF RM1.00 EACH IN IKHTIAR BITARA SDN BHD ("IKHTIAR BITARA") REPRESENTING 45% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF IKHTIAR BITARA FROM SIRAM PERMAI AND SITI SHIKHA BINTI ZAKARIA FOR A CASH CONSIDERATION OF RM1.46 MILLION;**

(COLLECTIVELY REFERRED TO AS THE "PROPOSED ACQUISITIONS").

This Independent Advice Letter ("IAL") is prepared for inclusion in the circular to the shareholders of Tambun Indah dated 6 June 2011 in relation to the Proposed Acquisitions. All definitions used in this IAL shall have the same meanings as defined in the Definitions section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL.

1. INTRODUCTION

On 16 February 2011, MIMB had, on behalf of the Board, announced that Tambun Indah had on 16 February 2011 entered into, amongst others, the following agreements in relation to the Proposed Acquisitions:-

- (i) Conditional share purchase agreement with Siram Permai, Amal Pintas, Sound Vantage, Alpha Master and Teh Eng Bew for the proposed acquisition of 500,000 Pridaman Shares representing the entire issued and paid-up share capital of Pridaman for a cash consideration of RM4.65 million; and
- (ii) Conditional share purchase agreement with Siram Permai and Siti Shikha Binti Zakaria for the proposed acquisition of 45,000 Ikhtiar Bitara Shares representing 45% of the issued and paid-up share capital of Ikhtiar Bitara for a cash consideration of RM1.46 million.

The Company had also on the same date announced that it has entered into a conditional share purchase agreement with Siram Permai and Tah-Wah Sdn Bhd for the proposed acquisition of 250,000 ordinary shares of RM1.00 each in Premcourt Development Sdn Bhd ("**Premcourt**") representing the entire issued and paid-up share capital of Premcourt for a cash consideration of RM5.50 million. However, following the completion of the due diligence on Premcourt and the issuance of the valuation report on the land to be developed by Premcourt, the Board had on 18 April 2011 announced that both the Company and the vendors of Premcourt, namely, Siram Permai and Tah-Wah Sdn Bhd, had mutually decided to terminate the said conditional share purchase agreement.

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In view of the interests of certain Directors and major shareholders of Tambun Indah in the Proposed Acquisitions as disclosed in Section 11 of Part A of the Circular, the Proposed Acquisitions are deemed to be related party transactions under Paragraph 10.08 of the Listing Requirements. Accordingly, the Board has on 9 February 2011 appointed Kenanga Investment Bank Berhad ("KIBB") as the Independent Adviser to advise the non-interested shareholders of Tambun Indah in relation to the Proposed Acquisitions.

The purpose of this IAL is to provide the non-interested shareholders of Tambun Indah with an independent evaluation of the Proposed Acquisitions, together with our opinion and recommendation thereon, subject to the scope and limitations of our role and evaluation as specified herein. This IAL is prepared solely for the use of the non-interested shareholders of Tambun Indah for the purpose of considering the merits of the Proposed Acquisitions and should not be used or relied upon by any other party.

YOU ARE ADVISED TO READ BOTH THIS IAL AND THE LETTER FROM THE BOARD AS SET OUT IN PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES, AND TO CONSIDER CAREFULLY THE RECOMMENDATIONS CONTAINED IN BOTH THE LETTERS BEFORE VOTING ON THE RESOLUTIONS TO GIVE EFFECT TO THE PROPOSED ACQUISITIONS AT THE FORTHCOMING EGM.

IF YOU ARE IN DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, ACCOUNTANTS, SOLICITORS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. DETAILS OF THE PROPOSED ACQUISITIONS

The details of the Proposed Acquisitions are set out in Section 2 of Part A of the Circular.

3. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save as disclosed below, none of the Directors, major shareholders and/or persons connected to them have any interest, direct or indirect, in the Proposed Acquisitions:-

- (i) Tsai Yung Chuan is the Non-Independent Non-Executive Chairman of Tambun Indah with 10.39% indirect equity interest in Tambun Indah as at the LPD. He is a Director and shareholder of Amal Pintas which in turn is a vendor for the Proposed Pridaman Acquisition. He is also a Director of Pridaman;
- (ii) Ir. Teh Kiak Seng is the Managing Director of Tambun Indah with 2.82% direct and 40.38% indirect equity interest in Tambun Indah as at the LPD. He is a Director and shareholder of Siram Permai which in turn is a vendor for the Proposed Acquisitions. He is also a Director of Pridaman and Ikhtiar Bitara;
- (iii) Teh Theng Theng is the Executive Director of Tambun Indah with 0.06% direct equity interest in Tambun Indah as at the LPD. She is a shareholder of Sound Vantage which in turn is a vendor for the Proposed Pridaman Acquisition. She is also an alternate Director to Ir. Teh Kiak Seng in Pridaman;
- (iv) Siram Permai is the major shareholder of Tambun Indah with 40.38% equity interest in Tambun Indah as at the LPD. It is deemed interested in the Proposed Acquisitions as it is one of the vendors for the Proposed Acquisitions and also by virtue of it being connected with Ir. Teh Kiak Seng, where Ir. Teh Kiak Seng is a Director and shareholder of Siram Permai; and

- (v) Amal Pintas is the major shareholder of Tambun Indah with 10.39% equity interest in Tambun Indah as at the LPD. It is deemed interested in the Proposed Pridaman Acquisition as it is one of the vendors for the Proposed Pridaman Acquisition and also by virtue of it being connected with Tsai Yung Chuan, where Tsai Yung Chuan is a Director and shareholder of Amal Pintas.

Accordingly, the interested Directors, namely Tsai Yung Chuan, Ir. Teh Kiak Seng and Teh Theng Theng have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings of Tambun Indah in relation to the Proposed Acquisitions.

The abovementioned interested Directors and/or interested major shareholders will also abstain from voting in respect of their direct and/or indirect shareholdings in Tambun Indah on the resolutions pertaining to the Proposed Acquisitions to be tabled at the forthcoming EGM. The abovementioned interested Directors and/or interested major shareholders have undertaken that they will ensure that all persons connected to them will abstain from voting in respect of their direct and/or indirect shareholdings in Tambun Indah on the resolutions pertaining to the Proposed Acquisitions at the forthcoming EGM.

4. LIMITATIONS TO THE EVALUATION OF THE PROPOSED ACQUISITIONS

KIBB was not involved in any negotiation on the terms and conditions of the Proposed Acquisitions. Accordingly, our evaluation on the Proposed Acquisitions had been based on information provided by Tambun Indah and discussions with the management of Tambun Indah. In performing our evaluation, we have relied on the following sources of information:-

- (i) information contained in Part A of the Circular and the Appendices thereto;
- (ii) the SPAs;
- (iii) the valuation reports dated 8 February 2011 prepared by Henry Butcher Malaysia (Seberang Perai) Sdn Bhd, an independent registered valuer ("**Henry Butcher**" or the "**Valuer**");
- (iv) other relevant information, documents, confirmation and representations provided by the management of Tambun Indah; and
- (v) other publicly available information.

We have not independently verified such information as stated above for its reasonableness, reliability, accuracy and/or completeness but have obtained confirmation from the Board that all material facts and information required for the purpose of our evaluation of the Proposed Acquisitions have been disclosed to us.

The Directors of Tambun Indah have confirmed that they have seen and approved this IAL and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirmed that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any information provided herein misleading or inaccurate.

It is not within our terms of reference to express any opinion on the commercial merits of the Proposed Acquisitions, which is the sole responsibility of the Board. In preparing this IAL, we have considered various factors which we believe are of importance in enabling us to form an opinion on the fairness and reasonableness of the Proposed Acquisitions in so far as the non-interested shareholders of Tambun Indah are concerned and whether the Proposed Acquisitions are to the detriment of the non-interested shareholders of Tambun Indah. We are not in possession of information relating to, and have not taken into consideration separate specific investment objectives, financial situations and particular needs of any individual shareholder or any specific group of shareholders. We therefore recommend that any individual shareholder or any specific group of shareholders who may require advice in relation to the Proposed Acquisitions within the context of their individual objectives, financial situations and particular needs to consult their stockbroker, bank manager, solicitor, accountant and other professional adviser.

It is not intended that this IAL should be used or relied upon for any purpose other than as an expression of KIBB's opinion as to whether the Proposed Acquisitions are fair and reasonable. KIBB expressly disclaims any liability to any individual shareholder or any group of shareholders of Tambun Indah who relies or purports to rely on this IAL for any other purpose, and to any other party who relies or purports to rely on this IAL for any purpose.

5. EVALUATION OF THE PROPOSED ACQUISITIONS

In evaluating the Proposed Acquisitions, we have taken into consideration the following factors:-

- (i) the rationale for the Proposed Acquisitions;
- (ii) the evaluation of the purchase consideration for the Proposed Acquisitions;
- (iii) the salient terms of the SPAs for the Proposed Acquisitions;
- (iv) the effects of the Proposed Acquisitions on the Tambun Indah Group;
- (v) the industry outlook and prospects of Pridaman and Ikhtiar Bitara (collectively referred to as the **"Target Companies"**); and
- (vi) the investment considerations for the Proposed Acquisitions.

6. RATIONALE FOR THE PROPOSED ACQUISITIONS

We note that the rationale for the Proposed Acquisitions, as extracted from Section 4 of Part A of the Circular is as follows:-

"The Proposed Acquisitions are in line with the Tambun Indah Group's plan to expand its property development activities by acquiring new property land bank particularly in Penang. The Proposed Acquisitions represent a strategic investment by the Company and are expected to contribute positively to the earnings as well as shareholders' value of the Group in the medium term.

Pridaman and Ikhtiar Bitara have approximately 378,161 sf (8.68 acres) and 121,663 sf (2.79 acres) of land held for future development with a current market value of RM9.45 million and RM3.60 million respectively as at 1 February 2011 as appraised by Henry Butcher, an independent registered valuer.

Following the Proposed Acquisitions and with the expected gradual improvement in the general economy and property sector, the Tambun Indah Group would stand to benefit from the revenue, profit and cash flow contributions from Pridaman and Ikhtiar Bitara in the near future, with the total estimated gross development profit attributable to the proposed development projects as stated in Section 2.3 of Part A of this Circular amounting to approximately RM10.70 million (Tambun Indah's portion)."

The principal activities of the Tambun Indah Group are property development, investment holding and operation of car park as well as project and construction management. Based on the proforma audited consolidated financial statements of Tambun Indah for the FYE 31 December 2009 and six (6) months financial period ended 30 June 2010, revenue from property development accounted for approximately 99.76% and 99.52% of the Group's total revenue respectively. The Group's main target market for property development is residential properties, while a small portion is targeted at commercial properties. For FYE 31 December 2009, residential and commercial properties accounted for approximately 98.35% and 1.41% of the Group's total revenue respectively, whilst for the six (6) months financial period ended 30 June 2010, residential properties, commercial properties and sale of development land accounted for approximately 98.16%, 0.69% and 0.67% respectively of the Group's total revenue.

(Source: Tambun Indah's initial public offering ("IPO") Prospectus dated 29 December 2010)

As set out in Sections 2.1.2 and 2.2.2 of Part A of the Circular, the Target Companies are principally involved in property development and have the following lands held for future development ("Lands"):-

Target Companies	Land Details	Land Area
Pridaman	A piece of land known as Lot No. 699, GM 100, Mukim 13, Seberang Perai Tengah, Pulau Pinang ("Pridaman Land")	378,161 sf (8.68 acres)
Ikhtiar Bitara	A piece of land known as Lot Nos. 829, 830, 832 and 833, GM Nos. 722, 723, 526 and 724 respectively, Mukim 4, Seberang Perai Tengah, Pulau Pinang ("Ikhtiar Bitara Land")	121,663 sf (2.79 acres)

We note that the layout plans for the proposed development on the Pridaman Land and Ikhtiar Bitara Land have been approved by MPSP on 25 January 2011 and 18 January 2011 vide MPSP's letters dated 26 January 2011 and 11 February 2011 respectively.

Based on the abovementioned approved layout plans, the details of the proposed development projects to be undertaken on the Lands by the Target Companies are as set out below:-

Target Companies	Type of Development	Estimated GDV (RM'million)	Estimated GDC (RM'million)	Estimated Gross Development Profit (RM'million)	Expected Commencement and Completion Dates
Pridaman	Industrial development comprising 20 units of semi-detached single storey light industrial factories and 2 units of detached single storey light industrial factories	35	27	8	1 st quarter 2011 and 3 rd quarter 2012
Ikhtiar Bitara	Residential development comprising 142 units of medium cost apartments and 6 units of double storey semi-detached houses	34	*12.6	* 2.7	3 rd quarter 2011 and 3 rd quarter 2014
Total		69	39.6	10.7	

Note:-

* Based on Tambun Indah's 45% share of the estimated GDC and estimated gross development profit of RM28 million and RM6 million respectively for the proposed development of Ikhtiar Bitara.

We understand from the management that the proposed development project of Pridaman has been launched in March 2011 and tenders for construction works are in progress as at the LPD. However, as at the LPD, the proposed development project of Ikhtiar Bitara has yet to commence.

Based on the above, we note that the Proposed Acquisitions are in line with the Tambun Indah Group's expansion and growth plan for its property development business and represents a strategic decision to fast track its expansion plan by capitalising on the value and development potential of the Lands. Pursuant to the Proposed Ikhtiar Bitara Acquisition, the Group will be able to expand its existing property portfolio of residential properties, whilst the Proposed Pridaman Acquisition will create an opportunity for the Tambun Indah Group to venture into the development of industrial properties and also to diversify its existing product portfolio to include industrial properties.

From Section 5.3 of Part A of the Circular, we take note on the following locality of the Lands:-

- (i) the Pridaman Land is located close to Juru Auto City, Prai Industrial Area and Penang Science Park; and
- (ii) the Ikhtiar Bitara Land is located behind Seberang Jaya Hospital which adjoins the North South Expressway and is about five (5) minutes drive to a hypermarket.

Given the favorable accessibility and strategic location of the Lands, the Proposed Acquisitions constitute investments which would help to enhance the future revenue and earnings of the Tambun Indah Group upon the completion of the proposed development on the Lands by the Target Companies.

All the abovementioned factors, together with the estimated gross development profit of approximately RM10.7 million that can potentially arise pursuant to the Proposed Acquisitions and the completion of the proposed development on the Lands, combine to make the Proposed Acquisitions an attractive opportunity for Tambun Indah to benefit from the medium-term potential growth of the Target Companies.

Premised on the foregoing, we are of the opinion that the rationale for the Proposed Acquisitions is fair and reasonable and are not detrimental to the non-interested shareholders of Tambun Indah. The Proposed Acquisitions are also in the medium-term interests of Tambun Indah and its shareholders as the proposed development on the Lands which will be carried out over a span of three and a half (3½) years between 1st quarter of 2011 and 3rd quarter of 2014 is expected to enhance the Tambun Indah Group's revenue stream, which in turn is expected to contribute positively to the financial performance of the Tambun Indah Group during the said period.

As set out in Section 2.2.1 of Part A of the Circular,

"The Company is acquiring only 45% of the issued and paid-up share capital of Ikhtiar Bitara (instead of a controlling stake) as the other shareholders of Ikhtiar Bitara have expressed their intention to remain in the company and do not wish to sell their remaining equity interest."

We note that following the completion of the Proposed Ikhtiar Bitara Acquisition, Ikhtiar Bitara will become a 45%-owned associated company of Tambun Indah. As such, Tambun Indah would be accounting for its equity interest in Ikhtiar Bitara using the equity method and would be able to account for the share of results of Ikhtiar Bitara which is expected to contribute positively to Tambun Indah Group's future earnings especially when the Ikhtiar Bitara Land is fully developed.

Based on the foregoing, we are of the opinion that the proposed acquisition by Tambun Indah of only 45% of the issued and paid-up share capital of Ikhtiar Bitara is reasonable.

7. EVALUATION OF THE PURCHASE CONSIDERATION FOR THE PROPOSED ACQUISITIONS

7.1 Proposed Pridaman Acquisition

The basis of determining the purchase consideration for the Proposed Pridaman Acquisition as extracted from Section 2.1.4 of Part A of the Circular is as set out below:-

“The purchase consideration for the Proposed Pridaman Acquisition of RM4.65 million was agreed upon between the Company and the Pridaman Vendors on a willing buyer-willing seller basis after taking into consideration, amongst others, the following:-

- (i) *the audited NTA of Pridaman as at 31 December 2010 of approximately RM0.90 million based on the audited accounts of Pridaman for the FYE 31 December 2010; and*
- (ii) *the assignment of debts from the Pridaman Vendors to Tambun Indah, being shareholders' advances or part thereof due and owing by Pridaman to the Pridaman Vendors and all further advances which may be given by the Pridaman Vendors to Pridaman from the date of the SPA up to the completion date of the Proposed Pridaman Acquisition.*

As at the LPD, the shareholders' advances given by the Pridaman Vendors, which were partly utilised to acquire Pridaman's land and working capital, are as follows:

Vendors	(1) Initial date of the advances	Total outstanding shareholders' advances (RM)	Shareholders' advances to be assigned (RM)
Siram Permai	4 November 2010	1,687,500	1,687,500
Amal Pintas	9 November 2010	1,500,000	1,500,000
Sound Vantage	4 November 2010	187,500	187,500
Alpha Master	13 December 2010	187,500	187,500
Teh Eng Bew	9 November 2010	187,500	187,500
Total		3,750,000	3,750,000

- (1) *Represents the initial date of the latest shareholders' advances given by the Pridaman Vendors to Pridaman. The initial shareholders' advances given by the Pridaman Vendors in May 2003 had been settled by Pridaman in September 2007 which was funded via its internally generated funds from its previous project, namely Taman Seri Bayan located at Bukit Tambun, Seberang Perai Selatan, Penang, which had been completed in August 2007.*

The Pridaman Vendors and Tambun Indah have also agreed that the purchase consideration for the Proposed Pridaman Acquisition may be adjusted if there are new and further advances made by the Pridaman Vendors to Pridaman from the date of the SPA up to the completion date of the Proposed Pridaman Acquisition.

In determining the purchase consideration for the Proposed Pridaman Acquisition, the Board did not take into consideration any revaluation surplus attributable to Pridaman's lands as the amount is not significant.”

As set out in Section 2.1.2 of Part A of the Circular, Pridaman is principally involved in property development. Based on the audited financial statements of Pridaman for FYE 31 December 2010, Pridaman's audited NTA is RM896,536 and as at the LPD, the total shareholders' advances given by the Pridaman Vendors which will be assigned to Tambun Indah amounted to RM3.75 million (“**Pridaman Debt Due**”).

We note that Pridaman does not own any substantial assets, save for the Pridaman Land. As such, in our evaluation of the purchase consideration for the Proposed Pridaman Acquisition, we have taken into consideration the following factors which are elaborated in the ensuing sections:-

- (i) the adjusted NTA of Pridaman as at 31 December 2010 after taking into account of the net revaluation surplus on the Pridaman Land, and the Pridaman Debt Due; and
- (ii) the valuation of the Pridaman Land.

7.1.1 The adjusted NTA of Pridaman and the Pridaman Debt Due

The computation of the adjusted NTA of Pridaman based on the audited NTA of Pridaman as at 31 December 2010 and the net revaluation surplus arising from the Pridaman Land, and the Pridaman Debt Due is as follows:-

Description	Amount (RM)
Audited NTA of Pridaman as at 31 December 2010	896,536
Add: Revaluation surplus on the Pridaman Land *	323,376
Less: Deferred taxation at 25% of revaluation surplus	(80,844)
Adjusted NTA	1,139,068
Add: Pridaman Debt Due	3,750,000
Adjusted NTA and the Pridaman Debt Due	4,889,068
Purchase consideration	4,650,000
Discount of purchase consideration over the aggregate of the adjusted NTA and the Pridaman Debt Due	
- Amount	239,068
- Percentage (%)	4.89

Note:-

* The revaluation surplus on the Pridaman Land is computed as follows:-

	RM
Market value of the Pridaman Land as set out in the valuation report dated 8 February 2011 prepared by Henry Butcher, an independent registered valuer	9,450,000
Less: Audited NBV of the Pridaman Land as at 31 December 2010	(9,126,624)
Revaluation surplus	<u>323,376</u>

Based on the table above, the purchase consideration for the Proposed Pridaman Acquisition of RM4,650,000 represents a discount of RM239,068 or 4.89% over the aggregate of the adjusted NTA and the Pridaman Debt Due of RM4,889,068 ("**4.89% Discount**"). Considering the development potential and strategic location of the Pridaman Land as set out in Section 6 of this IAL and in view that the 4.89% Discount is to the benefit of Tambun Indah, we are of the opinion that the said discount is fair and reasonable to the Company.

7.1.2 The valuation of the Pridaman Land

We note from the valuation report dated 8 February 2011 prepared by Henry Butcher, an independent registered valuer, that the Valuer has adopted the comparison method of valuation, and counter-checked using the residual method of valuation in deriving at the market value of the Pridaman Land.

It should be noted that the Valuer had arrived at the market value of the Pridaman Land of RM9,450,000 based on the freehold unencumbered interest of the Pridaman Land and in its existing physical condition with vacant possession.

(i) Comparison Method

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

In determining the market value of the Pridaman Land, the Valuer had taken into consideration amongst others, the following sale transactions within the locality of Seberang Perai Tengah, Penang which were comparable to the Pridaman Land:-

No.	Legal description of property	Date of transaction	Land area (sf)	Land value per sf (RM)	* Adjusted land value per sf (RM)
1	PT 3228, HSD 4563, Mukim 1	30 June 2009	110,773	26.00	27.17
2	Lot 1817 (PT 20), HSM 42, Mukim 14	15 January 2010	192,099	16.66	24.99
3	Lot 347, 348, 349 & 958, GM231, 677, 678 & 831, Mukim 11	5 August 2009	90,605	24.50	25.60
Minimum					24.99
Maximum					27.17
Average					25.92

(Source: Valuation report dated 8 February 2011 prepared by Henry Butcher, an independent registered valuer)

Note:-

* Appropriate adjustments in terms of time, size, location, accessibility, tenure and receipt of planning permission have been made to reflect the differences on the characteristics, merits and demerits of the similar properties that have been sold recently in the vicinity.

We note that in deriving at the market value of the Pridaman Land of RM9,450,000 or RM25.00 per sf, the Valuer has adopted the adjusted land value per sf of Comparable 2 as it is the most recent sale transaction and located nearest to the Pridaman Land.

In addition to the table above, we note that the market value of the Pridaman Land of RM25.00 per sf derived from the comparison method is:-

- (a) within the range of the adjusted land value per sf of the comparables of between RM24.99 to RM27.17 per sf; and

- (b) approximately 3.55% lower than the average adjusted land value per sf of the comparables of RM25.92 per sf.

(ii) Residual Method

The residual approach to valuation involves the computation of the development value of the project and deducting therefrom all expenses and costs to complete the project, including a margin for developer's profit. The remainder or residual sum is then deferred over the period of time required for the completion of the project to arrive at the market value.

In arriving at the market value of the Pridaman Land based on the residual method, the Valuer has assumed that the 8.68 acres of land will be used to build 20 units of single storey semi-detached light industrial factories and 2 units of single storey detached light industrial factories.

Based on the valuation report dated 8 February 2011 prepared by Henry Butcher, an independent registered valuer, the market value of the Pridaman Land derived from the residual method is RM8,830,000 or RM23.35 per sf.

Based on our evaluation, the market value of the Pridaman Land of RM9,450,000 can be further compared as follows:-

	Market Value adopted by the Valuer (RM/ sf)	Valuation Report	
		Average adjusted land value per sf based on Comparison Method (RM/ sf)	Residual Method (RM/ sf)
Market value of the Pridaman Land	25.00	25.92	23.35

The market value adopted by the Valuer for the Pridaman Land of RM25.00 per sf is approximately 3.55% lower than the average adjusted land value per sf based on the comparison method and approximately 7.07% higher based on the residual method.

However, in arriving at the final market value of the Pridaman Land of RM9,450,000, we note that the Valuer had adopted the comparison method of valuation in view that there are ample sales evidences available to justify the market value. The residual method is only used for counter checking as the Pridaman Land is still a parcel of development land and the construction work has yet to commence as at 1 February 2011, being the date of valuation.

7.2 Proposed Ikhtiar Bitara Acquisition

The basis of determining the purchase consideration for the Proposed Ikhtiar Bitara Acquisition as extracted from Section 2.2.4 of Part A of the Circular is as set out below:-

"The purchase consideration for the Proposed Ikhtiar Bitara Acquisition of RM1.46 million was agreed upon between the Company and the Ikhtiar Bitara Vendors on a willing buyer-willing seller basis after taking into consideration, amongst others, the following:-

- (i) *the audited NTA of Ikhtiar Bitara as at 31 October 2010 of approximately RM0.09 million (i.e. RM0.04 million based on 45% equity interest to be acquired by the Company) based on the audited accounts of Ikhtiar Bitara for the FYE 31 October 2010;*
- (ii) *the assignment of debts from the Ikhtiar Bitara Vendors to Tambun Indah, being shareholders' advances or part thereof due and owing by Ikhtiar Bitara to the Ikhtiar Bitara Vendors and all further advances which may be given by the Ikhtiar Bitara Vendors to Ikhtiar Bitara from the date of the SPA up to the completion date of the Proposed Ikhtiar Bitara Acquisition.*

As at the LPD, the shareholders' advances given by the Ikhtiar Bitara Vendors, which were utilised mainly for the working capital of Ikhtiar Bitara, are as follows:

Vendors	Initial date of the advances	Total outstanding shareholders' advances (RM)	Shareholders' advances to be assigned (RM)
Siram Permai	26 May 2010	431,623	431,623
Siti Shikha Binti Zakaria	26 May 2010	1,087,873	273,298
Total		1,519,496	704,921

The Ikhtiar Bitara Vendors and Tambun Indah have also agreed that the purchase consideration for the Proposed Ikhtiar Bitara Acquisition may be adjusted if there are new and further advances made by the Ikhtiar Bitara Vendors to Ikhtiar Bitara from the date of the SPA up to the completion date of the Proposed Ikhtiar Bitara Acquisition; and

- (iii) the revaluation surplus of approximately RM0.72 million on the land held by Ikhtiar Bitara is as follows:

	RM'000
Market value of the land held by Ikhtiar Bitara *	3,600
Audited NBV of the land held by Ikhtiar Bitara as at 31 October 2010	(1,469)
Provision for deferred taxation	(533)
Total revaluation surplus	1,598

Total revaluation surplus attributable to 45% equity interest of Ikhtiar Bitara to be acquired

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* Based on the valuation report dated 8 February 2011 as prepared by Henry Butcher, an independent registered valuer."

As set out in Section 2.2.2 of Part A of the Circular, Ikhtiar Bitara is principally involved in property development. Based on the audited financial statements of Ikhtiar Bitara for FYE 31 October 2010 of RM85,412, Ikhtiar Bitara's NTA attributable to the 45% equity interest in Ikhtiar Bitara to be acquired pursuant to the Proposed Ikhtiar Bitara Acquisition is RM38,435. As at the LPD, the total shareholders' advances given by the Ikhtiar Bitara Vendors which will be assigned to Tambun Indah amounted to RM704,921, being 45% share of the total shareholders' advances made to Ikhtiar Bitara of RM1,566,490 as at the LPD ("Ikhtiar Bitara Debt Due").

We note that Ikhtiar Bitara does not own any substantial assets, save for the Ikhtiar Bitara Land. As such, in our evaluation of the purchase consideration for the Proposed Ikhtiar Bitara Acquisition, we have taken into consideration the following factors which are elaborated in the ensuing sections:-

- (i) the adjusted NTA of Ikhtiar Bitara as at 31 October 2010 after taking into account of the net revaluation surplus on the Ikhtiar Bitara Land, and the Ikhtiar Bitara Debt Due; and
- (ii) the valuation of the Ikhtiar Bitara Land.

7.2.1 The adjusted NTA of Ikhtiar Bitara and the Ikhtiar Bitara Debt Due

The computation of the adjusted NTA of Ikhtiar Bitara based on the audited NTA of Ikhtiar Bitara as at 31 October 2010 and the net revaluation surplus arising from the Ikhtiar Bitara Land, and the Ikhtiar Bitara Debt Due is as follows:-

Description	Amount (RM)
45% of the audited NTA of Ikhtiar Bitara as at 31 October 2010	38,435
Add: 45% of the revaluation surplus on the Ikhtiar Bitara Land*	958,766
Less: Deferred taxation at 25% of revaluation surplus	(239,692)
Adjusted NTA	757,509
Add: Ikhtiar Bitara Debt Due	704,921
Adjusted NTA and the Ikhtiar Bitara Debt Due	1,462,430
Purchase consideration	1,460,000
Discount of purchase consideration over the aggregate of the adjusted NTA and the Ikhtiar Bitara Debt Due	
- Amount	2,430
- Percentage (%)	0.17

Note:-

* The revaluation surplus on the Ikhtiar Bitara Land is computed as follows:-

	RM
Market value of the Ikhtiar Bitara Land as set out in the valuation report dated 8 February 2011 prepared by Henry Butcher, an independent registered valuer	3,600,000
Less: Audited net book value of the Ikhtiar Bitara Land as at 31 October 2010	(1,469,408)
Revaluation surplus	2,130,592

Based on the table above, the purchase consideration for the Proposed Ikhtiar Bitara Acquisition of RM1,460,000 represents a discount of RM2,430 or 0.17% over the aggregate of the adjusted NTA and the Ikhtiar Bitara Debt Due of RM1,462,430.

7.2.2 The valuation of the Ikhtiar Bitara Land

We note from the valuation report dated 8 February 2011 prepared by Henry Butcher, an independent registered valuer, that the Valuer has adopted the comparison method of valuation, and counter-checked using the residual method of valuation in deriving at the market value of the Ikhtiar Bitara Land.

It should be noted that the Valuer had arrived at the market value of the Ikhtiar Bitara Land of RM3,600,000 based on the freehold unencumbered interest of the Ikhtiar Bitara Land and in its existing physical condition without vacant possession.

(i) **Comparison Method**

In arriving at the market value of the Ikhtiar Bitara Land, the Valuer had taken into consideration amongst others, the following sale transactions within the locality of District of Seberang Perai Tengah, Penang which were comparable to the Ikhtiar Bitara Land:-

No.	Legal description of property	Date of transaction	Land area (sf)	Land value per sf (RM)	* Adjusted land value per sf (RM)
1	Lot No. 52, GM 23, Mukim 4	15 October 2009	280,968	28.43	39.09
2	Lot No. 815, GM 381, Mukim 4	26 July 2010	51,923	26.18	30.10
3	Lot No. 825, GM 12, Mukim 4	5 August 2010	71,749	25.73	29.59
Minimum					29.59
Maximum					39.09
Average					32.93

(Source: Valuation report dated 8 February 2011 prepared by Henry Butcher, an independent registered valuer)

Note:-

* Appropriate adjustments in terms of time, size, location, accessibility, tenure and receipt of planning permission have been made to reflect the differences on the characteristics, merits and demerits of the similar properties that have been sold recently in the vicinity.

We note that in deriving at the market value of the Ikhtiar Bitara Land of RM3,600,000 or RM30.00 per sf, the Valuer has adopted the adjusted land value per sf of Comparable 3 as it is the most recent sale transaction and located nearest to the Ikhtiar Bitara Land.

In addition to the table above, we note that the market value of the Ikhtiar Bitara Land of RM30.00 per sf derived from the comparison method is:-

- (a) within the range of the adjusted land value per sf of the comparables of between RM29.59 to RM39.09 per sf; and
- (b) approximately 8.90% lower than the average adjusted land value per sf of the comparables of RM32.93 per sf.

(ii) **Residual Method**

In arriving at the market value of the Ikhtiar Bitara Land based on the residual method, the Valuer has assumed that the 2.79 acres of land will be used to build 142 units of apartments, 6 units of double storey semi-detached houses and 76 units of extra car parks.

Based on the valuation report dated 8 February 2011 prepared by Henry Butcher, an independent registered valuer, the market value of the Ikhtiar Bitara Land derived from the residual method is RM3,700,000 or RM30.41 per sf.

Based on our evaluation, the market value of the Ikhtiar Bitara Land of RM3,600,000 can be further compared as follows:-

	Market Value adopted by the Valuer (RM/ sf)	Valuation Report	
		Average adjusted land value per sf based on Comparison Method (RM/ sf)	Residual Method (RM/ sf)
Market value of the Ikhtiar Bitara Land	30.00	32.93	30.41

The market value adopted by the Valuer for the Ikhtiar Bitara Land of RM30.00 per sf is approximately 8.90% and 1.35% lower than the average adjusted land value per sf based on the comparison method and residual method respectively.

However, in arriving at the final market value of the Ikhtiar Bitara Land of RM3,600,000, we note that the Valuer had adopted the comparison method of valuation in view that there are ample sales evidences available to justify the market value. The residual method is only used for counter checking as the Ikhtiar Bitara Land is still a parcel of development land and the construction work has yet to commence as at 1 February 2011, being the date of valuation.

7.3 Conclusion

A summary of the purchase consideration for the Proposed Acquisitions as compared to the aggregate of the NTA and the Debt Due of the respective Target Companies is as set out below:-

	Purchase consideration (RM)	NTA and the Debt Due (RM)	Premium/ (Discount)	
			(RM)	(%)
Proposed Pridaman Acquisition	4,650,000	^(a) 4,889,068	(239,068)	(4.89)
Proposed Ikhtiar Bitara Acquisition	1,460,000	^(b) 1,462,430	(2,430)	(0.17)
Total	6,110,000	6,351,498	(241,498)	(3.80)

Notes:-

- (a) Based on the adjusted NTA of Pridaman and the Pridaman Debt Due as set out in Section 7.1.1 of this IAL.
- (b) Based on the adjusted NTA of Ikhtiar Bitara and the Ikhtiar Bitara Debt Due as set out in Section 7.2.1 of this IAL.

Based on our evaluation, we note the following:-

- (i) the purchase consideration for the Proposed Pridaman Acquisition (which includes the Pridaman Land) represents a discount of RM239,068 or 4.89% over the aggregate of the adjusted NTA and the Pridaman Debt Due; and
- (ii) the purchase consideration for the Proposed Ikhtiar Bitara Acquisition (which includes the Ikhtiar Bitara Land) represents a discount of RM2,430 or 0.17% over the aggregate of the adjusted NTA and the Ikhtiar Bitara Debt Due.

Considering the total purchase consideration for the Proposed Acquisitions of RM6.11 million is at a 3.80% discount to the aggregate of the adjusted NTA and Debt Due of the respective Target Companies, we are of the opinion that the purchase consideration for the Proposed Acquisitions is fair and reasonable.

8. SALIENT TERMS OF THE SPAs FOR THE PROPOSED ACQUISITIONS

The salient terms of the SPAs for the Proposed Acquisitions as set out in Section 3 of Part A of the Circular are as follows:-

"8.1 Conditions precedent"

Our Comments

8.1.1 (1) *The sale of the sale shares shall be conditional upon the fulfilment of the following conditions precedent ("Conditions Precedent"):-*

These are typical conditions precedent applicable to transactions of such nature. The six (6) months time period is reasonable as it allows sufficient time for both parties to meet the Conditions Precedent. Further, as may be mutually agreed upon by the parties, an extension of the Condition Period (if necessary) is allowed. As such, these terms are fair and reasonable to the Company.

(a) *the approval of the shareholders of the vendors in a general meeting to be convened for the disposal of the sale shares by the vendors to Tambun Indah in accordance with the provisions of the SPAs which will be held on 24 June 2011; and*

(b) *the approval of the shareholders of Tambun Indah in a general meeting to be convened for the acquisition of the sale shares by Tambun Indah from the vendors in accordance with the provisions of the SPAs which will be held on 24 June 2011.*

no later than six (6) months from the date of the SPAs ("Condition Period").

(2) *Should any of the Conditions Precedent remain unfulfilled at the end of the Condition Period, the parties may either extend the said Condition Period to a date to be agreed between the parties or terminate the SPAs.*

8.1.2 (1) *The SPAs shall become unconditional upon the fulfillment of all the Conditions Precedent. The date upon which the SPAs shall become unconditional shall be referred to as the "Unconditional Date".*

These are typical terms applicable to transactions of such nature. As such, these terms are fair and reasonable to the Company.

(2) *The completion of the SPAs shall take place three (3) months after the Unconditional Date or at such date to be agreed between the parties ("Completion Date").*

8.2 Completion and settlement

(1) *On the Completion Date, the vendor shall deliver or cause to be delivered to Tambun Indah:-*

These are typical completion terms applicable to transactions of such nature. As such, these terms are fair and reasonable to the Company.

(i) *the duly executed resolutions of the board of directors of the company approving and accepting the transfer of the sale shares as well as registration of Tambun Indah as the holder of the sale shares in the register of member of the company;*

(ii) *the instrument of transfer (Form 32A) duly completed and executed by the vendors in favour of Tambun Indah in respect of the sale shares;*

- (iii) *the duly executed resolutions of the board of directors of the company appointing the nominees of Tambun Indah as directors of the company; and*
 - (iv) *the original share certificates in respect of the sale shares registered under the name of the vendors.*
- (2) *Subject to any adjustment which may be made to the purchase consideration in accordance with the SPAs, Tambun Indah shall pay to each of the vendors or as the vendors may direct the purchase consideration for each of the Proposed Acquisitions by way of a cheque made payable to the respective vendors or in such manner as may be agreed between the respective vendors and Tambun Indah.*

8.3 Rights of Tambun Indah pending completion

Notwithstanding anything to the contrary, the vendors further agree that pending the Completion Date, the vendors shall allow and authorise Tambun Indah to manage the business and operations of the company on behalf of the vendors in the manner as Tambun Indah deems fit in the interest of the company, including matters pertaining to development projects undertaken by the company in respect of the lands and submission of any plans and applications for any permits and licences by the company to the relevant authorities for approvals, and the vendors shall do all such things as are necessary to facilitate Tambun Indah in managing the business and operations of the company as such."

We note that this term has been included to the benefit of the Company as it allows Tambun Indah to be involved in the management of the operations of the Target Companies prior to the Completion Date. This term also serves to safeguard Tambun Indah's interests by avoiding any potential delay in the targeted commencement of the proposed development on the Lands arising from delay in the Completion Date. As such, this term is fair and reasonable to the Company.

Based on our review of the abovementioned salient terms, we are of the view that the terms and conditions of the SPAs in relation to the Proposed Acquisitions are fair and reasonable and are not detrimental to the non-interested shareholders of Tambun Indah.

9. EFFECTS OF THE PROPOSED ACQUISITIONS ON THE TAMBUN INDAH GROUP

The effects of the Proposed Acquisitions as set out in Section 7 of Part A of the Circular are as follows:-

“The Proposed Acquisitions will not have any effect on the issued and paid-up share capital and the substantial shareholders’ shareholdings of Tambun Indah as the Proposed Acquisitions do not involve any issuance of new Tambun Indah Shares. The effects of the Proposed Acquisitions on the NA, gearing and earnings of the Tambun Indah Group are as follows:-

9.1 NA, NA per Share and gearing

The Proposed Acquisitions are not expected to have any material effect on the NA, NA per Share and gearing of the Tambun Indah Group.

9.2 Earnings and EPS

The Proposed Acquisitions are not expected to have any material effect on the earnings and EPS of the Tambun Indah Group for the FYE 31 December 2011. Nevertheless, the Proposed Acquisitions are expected to improve the earnings and EPS of the Tambun Indah Group in the future financial years as and when the said lands owned by Pridaman and Ikhtiar Bitara are developed and completed progressively.”

We note that the Proposed Acquisitions will not have any effect on the issued and paid-up share capital and substantial shareholders’ shareholdings of the Company as the Proposed Acquisitions do not involve issuance of new Shares in Tambun Indah. In addition, the Proposed Acquisitions are not expected to have any material effect on the earnings and EPS of the Group, as well as NA of the Group in the immediate term. However, the development of the Lands pursuant to the Proposed Acquisitions is expected to contribute positively to the earnings and NA of the Group in the future.

Hence, we are of the view that the Proposed Acquisitions are expected to benefit the Tambun Indah Group in the medium term.

10. INDUSTRY OUTLOOK AND PROSPECTS OF THE TARGET COMPANIES

Taking into consideration that the Target Companies are principally involved in property development, the future prospects of the Target Companies are therefore highly correlated to the outlook of the property market as well as the locality and development potential of the Lands held by the Target Companies.

10.1 Overview and Outlook of the Property Market in Malaysia

The Malaysian property market charted high positive growth exceeding 15.0% in the first two quarters of 2010 (Q1:16.2%; Q2: 18.1%). The growth momentum continued in the last two quarters albeit at a lower 8.5% and 4.8% respectively.

The property market improved in tandem with the economic growth. There were 376,583 transactions registered in 2010 with a total worth RM107.44 billion. Both the volume and value of transactions registered double-digit growths of 11.4% and 32.6% respectively (2009: 338,089 transactions worth RM81.02 billion).

In terms of volume, upward trends were registered across the board with the highest increase of 22.1% recorded by industrial sub-sector. This was followed by the development land (20.8%), commercial (19.4%), agricultural (16.8%) and residential (7.2%) sub-sectors. By market share, residential sub-sector continued to dominate with 60.2% and trailed by agricultural (21.5%), commercial (10.6%), development land (5.0%) and industrial (2.6%) sub-sectors. By value, all sub-sectors registered double-digit growths against 2009. Development land sub-sector led with 53.0%, followed by commercial (45.5%), industrial (43.9%) and residential (21.0%) sub-sectors.

Residential property continued to dominate the overall property market, capturing 60.2% of total volume and 47.1% of the value of transactions. The year saw 226,874 residential property transactions worth RM50.65 billion. Both volume and value chartered 7.2% and 21.0% increases respectively compared with 2009.

The industrial sub-sector was the least active sub-sector contributing 2.6% to the overall market activity. There were 9,838 transactions worth RM9.83 billion. The volume increased by 22.1% (2009: 8,059 transactions) whilst value expanded at a higher rate of 43.9% (2009: RM6.83 billion).

The property market is anticipated to remain promising, supported by various measures proposed under the 10th Malaysia Plan and Budget 2011. The implementation of the 12 National Key Economic Areas (NKEA) is expected to generate investment exceeding RM1.30 trillion and create 3.30 million job opportunities by the year 2020.

The Malaysian property market remained strong after surviving two financial crises. The 2011 property sector is anticipated to be healthy with the implementation of development projects under the Economic Transformation Programme and 10th Malaysia Plan. The market will further be supported by the magnitude of the projects and the Government's strategic measures via its Public-Private Partnership initiatives. However, it is pertinent to note that the unrests in the Middle East countries are expected to cause an upward movement in oil prices and thus affecting the world economy. Subsequently, these may cause some impacts to the Malaysian property market.

(Source: *Press Release dated 20 April 2011, Malaysian Property Market 2010, Valuation and Property Services Department, Ministry of Finance Malaysia*)

10.2 Overview and Outlook of the Property Market in Penang

The state's property market recorded improved performance from the corresponding period of 2009. There were 11,858 transactions worth RM4.09 billion recorded, indicating an increase of 9.8% in volume and 37.3% in value against first half of 2009 (10,798 transactions worth RM2.98 billion). The residential sub-sector dominated the market activity, capturing 70.0% of the market share, followed by the commercial sub-sector with 11.3% share.

Market activity movements were on the uptrend across the board with isolated exceptions. Against first half of 2009, all sub-sectors recorded gains. This was led by agriculture sub-sector at 36.4%, and followed by industrial (18.1%), commercial (12.4%), development land (10.4%) and residential (6.6%) sub-sectors. In terms of value, all sub-sectors recorded gains against both halves of 2009.

(Source: *Property Market Report First Half 2010, Valuation and Property Services Department, Ministry of Finance Malaysia*)

Property market in Penang in 2011 would continue to be further strengthened in line with the current strong economic performance and positive market sentiment. General market movement is expected to be optimistic with landed housing sector continuing to attract strong interest particularly in town areas in the Penang island and those with gated or guarded facilities in Seberang Perai. More stratified housing projects are expected at urban areas in view of the high land cost and encouraging demand from younger generation as well as middle income group. The Second Penang Bridge currently in progress would continue to act as growth impetus towards the development of Seberang Perai, particularly benefiting the district of Seberang Perai Selatan in the surrounding areas of Bukit Tambun, Simpang Ampat and Valdor.

(Source: Valuation reports dated 8 February 2011 prepared by Henry Butcher, an independent registered valuer)

10.3 Overview and Outlook of the Residential Property Market in Penang

The residential sub-sector in Penang Island was active in first half of 2010 compared to the same term in 2009. The total volume of transactions recorded an increase of 12.1% whilst the total value of transactions rose by 48.7% as of first half of 2010 as compared to first half of 2009. District of Timur Laut was the most active district, contributing 49.4% of the total volume of residential property transactions, followed by Seberang Perai Tengah and Daerah Barat Daya. Generally, prices, rentals and gross yields of residential properties were stable across the board.

In Seberang Perai, the total volume of transactions recorded a marginal increase of 2.95% whilst the total value of transactions rose by 6.49% as of first half of 2010 as compared to first half of 2009. District of Seberang Perai Tengah was the most active district, contributing 48.3% of the total volume of residential property transactions, followed by Seberang Perai Utara and Seberang Perai Selatan. Single storey terrace houses in Taman Sri Rambai and Taman Merak Jaya increased by 25.9% and 17% respectively due to improvement in the flood issues as well as good network of accessibility which contributed to the increase in prices. A substantial price hike of 18.8% was also recorded for single storey terrace houses in Taman Merak, which is easily accessible from Jalan Paboi via the main road of Jalan Bukit Tambun.

Prices of stratified residential properties were also on an upward trend in Seberang Perai. Pangsapuri Perai Utama at Perai recorded an increase of 9.1% due to the strong demand from the factory workers of the nearby Prai Industrial Estate.

(Source: Valuation reports dated 8 February 2011 prepared by Henry Butcher, an independent registered valuer)

10.4 Overview and Outlook of the Industrial Property Market in Penang

Penang registered growths in its industrial property prices. Prices of one and a half-storey terrace in Diamond Valley on the island escalated by 5.4% to RM880,000. On the mainland, similar units in Taman Nagasari, Taman Industri Ringan MKDV and Taman Industri Bukit Panchor recorded significant price increases of 14.0% to 27.0% at RM285,000 to RM315,000.

(Source: Property Market Report First Half 2010, Valuation and Property Services Department, Ministry of Finance Malaysia)

The industrial sub-sector in Seberang Perai recorded robust performance in 2010 particularly in the district of Seberang Perai Tengah. There were 213 transactions of industrial properties worth of RM278 million as of first half of 2010, a significant increase of 20.3% in volume and a vast gain of 120% in value compared to first half of 2009. Seberang Perai Tengah is the most active district which recorded an increase of 22.2% in terms of its total volume of transactions and a drastic increase of 211% for its total value of transactions as of first half of 2010 as compared to first half of 2009. Terraced factories garnered the most transactions at 37% of the total volume of transactions followed by semi-detached factories and detached factories. Industrial properties in Seberang Perai Tengah were highly demanded in a few hot spots such as Prai, Juru and Bukit Minyak. Demand has also boosted in Seberang Perai Selatan particularly at Valdor Industrial Estate due to its location near to the Second Penang Bridge which is scheduled for completion in 2013.

(Source: Valuation reports dated 8 February 2011 prepared by Henry Butcher, an independent registered valuer)

10.5 Prospects of the Target Companies

As set out in Section 5.3 of Part A of the Circular, with the proposed developments as stated in Section 2.3 of Part A of the Circular, the Board is of the view that the Proposed Acquisitions will contribute positively to the Tambun Indah Group's earnings in the future especially when the Lands are fully developed.

This is in view of the strategic location of the Lands as detailed below:-

(i) Pridaman Land

The Pridaman Land is situated along the eastern side of Jalan Kebun Baru, Juru, Seberang Perai Tengah, Penang and within the neighbourhood of Juru which is under rapid development. Taman IKS Juru and Kawasan Perindustrian Ringan Juru are located nearby and within the vicinity are Juru Auto City, factory premises, shophouses, light industrial schemes, village dwelling houses, hawker stalls, residential housing estates and some on-going development projects.

The Pridaman Land is easily accessible from the North-South Expressway via the Juru Interchange, Jalan Tok Kangar and thence onto Jalan Kebun Bunga.

(ii) Ikhtiar Bitara Land

The Ikhtiar Bitara Land lies within the locality of Perai which is identified as one of the rapid development areas in the central district of Seberang Perai Tengah, Penang. It is located at the northern side of the newly completed housing scheme known as Taman Kelisa Emas, Seberang Jaya. The North-South Express Highway and the East-West Expressway are situated to the west and north of the Ikhtiar Bitara Land respectively with the Permatang Pauh and Seberang Jaya Interchanges being located in the vicinity.

The neighbourhood is basically mixed in character comprising housing schemes, commercial schemes and developments lands. Commercial centres within the vicinity include the Carrefour Hypermarket, Seberang Jaya Hospital, Megamall Commercial Complex and Sunway Carnival Mall.

The Ikhtiar Bitara Land is accessible from Jalan Tun Hussein Onn (now form part of the North-South Express Highway via Jalan Kelisa Emas) and thence onto Lorong Kelisa Emas 3.

(Source: Valuation reports dated 8 February 2011 prepared by Henry Butcher, an independent registered valuer)

The proposed development on the Lands which will be carried out over an approximate period of three and a half (3½) years between 1st quarter of 2011 and 3rd quarter of 2014 is expected to generate a steady flow of revenue to the Target Companies during the said period. Based on the foregoing, the Board expects the Target Companies to contribute positively to the future earnings of the Tambun Indah Group, thereby translating to better returns to shareholders of Tambun Indah in the medium term.

10.6 Conclusion

Given the strategic location and development potential of the Lands, and coupled with the encouraging underlying growth of the property market, we are of the opinion that the prospects of the enlarged Tambun Indah Group will be further enhanced in the medium term especially when the Tambun Indah Group complete the proposed development on the Lands. The estimated total GDV and gross development profit of approximately RM69 million and RM10.7 million respectively from the proposed development is expected to enhance the future earnings and cash flow of the Tambun Indah Group.

11. INVESTMENT CONSIDERATIONS FOR THE PROPOSED ACQUISITIONS

In evaluating the Proposed Acquisitions, the non-interested shareholders of Tambun Indah should carefully consider the following risk factors (which may not be exhaustive) in addition to the other information contained in this IAL and Part A of the Circular:-

(i) Financing Requirements for the Proposed Development on the Lands

The proposed development on the Lands requires cash outlay of approximately RM39.6 million and Tambun Indah may need to obtain additional debt financing to fund the development projects. As such, the success of the proposed development is dependent on the Tambun Indah Group securing adequate financing on commercially acceptable terms.

While no assurance can be given that the said facilities for borrowings will be available or that other refinancing can be obtained to meet the financial obligations or financial requirements of the Tambun Indah Group, the Tambun Indah Group has historically been able to raise funds through debt financing.

Further, the additional financing, if obtained, may limit the ability of the Tambun Indah Group to incur further borrowings, refinance its existing indebtedness or pay dividend to shareholders. It may also limit the flexibility of the Tambun Indah Group in planning for, or reacting to, changes in its business and industry.

However, the Board believes that its management has always maintained sound cash management practices and close review of the Tambun Indah Group's financials. The Board shall ensure that the risk management strategies are continuously aligned with the business strategies of its Group, and that the gearing level, corresponding finance cost and interest cover are considered in the Group's long term plan, investment and capital allocations.

(ii) Interest Rate Risk

The Tambun Indah Group intends to finance the proposed development on the Lands through a combination of internally generated funds and bank borrowings. As such, in the event any borrowing is taken to finance the proposed development, the Tambun Indah Group may be exposed to fluctuations in interest rate movements as well as the risk in generating sufficient funds to meet its financial repayment commitments on time. Significant increase in interest rates may adversely affect the financial performance of the Group. As at the LPD, the Tambun Indah Group's total borrowings amounted to approximately RM34.47 million.

Fluctuations in interest rates may also affect the demand for properties under the Target Companies' proposed development plans as higher interest rates may lead to an increase in the prices of the properties for prospective buyers. This may adversely affect the demand and ultimately, the success of the Target Companies' proposed development plans.

The management takes cognisance of this and will take into consideration of the gearing level, interest cost as well as internal cash requirements of the Tambun Indah Group's business in determining the optimal combination of internally generated funds and bank borrowings to finance the proposed development. The Tambun Indah Group will also continue to monitor closely the interest rate movements and may consider hedging (if necessary) against interest rate exposure as it deems appropriate.

(iii) Development and Demand Risks

The proposed development on the Lands is subject to certain risks inherent to property development, such as the demand and sales response, take-up rates of the properties to be developed on the Lands, changes in demand for types of residential and industrial properties, and fluctuations in prices of building materials.

Although the Board believes that the Tambun Indah Group may derive significant benefits from the proposed development on the Lands, there is no assurance that the anticipated benefits will be realised, or that sufficient revenue or profits will be generated to offset the development costs of the Lands. Any change in the demand for these properties will affect the Group's sales, whilst any increase in the materials costs will lead to increased costs. As a result, should there be a weaker demand for these properties and/or any significant increase in the materials costs, the profits to be generated by the Group from the proposed development on the Lands will be adversely affected.

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

(iv) Risks in relation to the Proposed Acquisitions

There is a potential risk that the returns from the Proposed Acquisitions may have a longer payback period than expected as the investments in the Proposed Acquisitions may not generate the expected return. Although Tambun Indah has exercised due care in the evaluation of its investment in the Target Companies, there can be no assurance that the benefits expected to be derived from the Proposed Acquisitions will be realised and/or that the Target Companies will be able to generate sufficient profits to offset the associated costs.

12. CONCLUSION AND RECOMMENDATION

Before arriving at the decision to vote on the relevant resolutions pertaining to the Proposed Acquisitions, it is imperative that the non-interested shareholders of Tambun Indah to consider all relevant issues and implications raised in this IAL carefully, as well as those highlighted by the Board in its letter to shareholders of Tambun Indah in relation to the Proposed Acquisitions, as set out in Part A of the Circular and the relevant appendices of the Circular.

In our evaluation of the Proposed Acquisitions and in arriving at our opinion and recommendation, we have taken into consideration the various factors as highlighted in the preceding sections of this IAL as summarised below:-

- (i) the rationale for the Proposed Acquisitions as set out in Section 6 of this IAL;
- (ii) the evaluation of the purchase consideration for the Proposed Acquisitions as set out in Section 7 of this IAL;
- (iii) the salient terms of the SPAs for the Proposed Acquisitions as set out in Section 8 of this IAL;
- (iv) the effects of the Proposed Acquisitions on the Tambun Indah Group as set out in Section 9 of this IAL;
- (v) the industry outlook and prospects of the Target Companies as set out in Section 10 of this IAL; and
- (vi) the investment considerations for the Proposed Acquisitions as set out in Section 11 of this IAL.

Based on the above, we are of the opinion that, on the basis of the information available to us, the Proposed Acquisitions are fair and reasonable and not detrimental to the non-interested shareholders of Tambun Indah, and accordingly we recommend that you vote in favour of the resolutions pertaining to the Proposed Acquisitions to be tabled at the forthcoming EGM.

Yours faithfully,
KENANGA INVESTMENT BANK BERHAD

DEBBIE LEONG
Head
Corporate Finance

NG SIEW EE
Senior Manager
Corporate Finance