

LANDMARKS

LANDMARKS BERHAD

Registration No. 198901007900 (185202-H)

31st Annual General Meeting
15 July 2020

Question & Answer

Q1. The Company has been suffering losses for many years. What is the Company's plan to turnaround and be profitable again?

A1. For the past few years, the Company has been focusing on Treasure Bay Bintan's master planning, infrastructure development and resorts development. The Company had incurred substantial capital and expenses in the development of two resorts with a 6.3-hectare sea water lagoon which are all in operation with infrastructures such as roads, electricity, water and other supporting infrastructures at Treasure Bay Bintan.

The Company has been managing its balance sheet and cashflow carefully. All the above-mentioned resorts, lagoon and infrastructure were built by internal fund without any external financing.

The Company started to see positive returns from the abovementioned developments since 2018 and we had expected the Group to turnaround in 2020. However, the Covid-19 pandemic has derailed the Company's 2020 plans. Nevertheless, with the cost reduction & cost control program in place, the Company is now reviewing and planning its business plan post Covid-19, focusing on the following:

- i) Diversification of tourism centric development to integrated township development;
- ii) Wellness to be the key pillar of development and operation;
- iii) Introduction of medicare and cooperation with institute of higher learning into our development plan;
- iv) Rationalisation of group's operating expenses; and
- v) Enhancing tactical sales & marketing plans for our three resorts.

The Company's business model moving forward will be invest & develop, and invite joint venture partners to co-own our resorts, assets and products, or to sell the resorts, assets and products when they are in full operation.

Q2. The Company's cash reserve has been declining. How will be the company be managing its future development with the current cash reserve? When will the Company start paying dividend?

A2. The Company will continue with its prudent policy in managing its cash reserve. The current low gearing will enable the Company to raise funds through bank borrowing for its developments. We are also looking into potential joint venture partners for our development.

Our development will be capital intensive and we plan to reserve our cash for the development projects. We will evaluate the possibility of paying dividend when our projects are generating positive returns.

- Q3. Is the development in Bintan island going according to plan?
- A3. The current Covid-19 pandemic has warranted the Company to review its current master plan which is very tourism centric. The Company intends to diversify its focus on tourism products to township development with offerings of higher institute of learning, medicare, wellness and community living.
- Q4. Will the Company consider giving e-vouchers for future online meeting?
- A4. The Company will evaluate and take this into consideration for future meeting.
- Q5. Refer to page 85, Note 3.6 to the financial statements, are that the only 3 conditions need to be fulfilled and there are no other conditions?
- A5. These are the 3 conditions and the Company has fulfilled all the 3 required conditions.
- Q6. Refer to page 84, Note 3.2 to the financial statements, wouldn't the plant and equipment under lease of RM0.24 million be classified as right-of-use assets?
- A6. The classification as property, plant and equipment under lease arrangement is in accordance to the Malaysia Financial Reporting Standards.
- Q7. Refer to page 88, Note 7 to the financial statements, is there a need to have so many subsidiary companies? What's the Board's plan on those dormant companies? What's the basis for the Board to incorporate companies in Republic of Seychelles? How much audit and tax fees per annum in total for those dormant companies?
- A7. Majority of the subsidiary companies were setup for Treasure Bay Bintan's property development. The annual audit and tax fees for this dormant subsidiary companies amounts to approximately RM555,000.
- Q8. Refer to page 130, Note 30 to the financial statements, what is the basis of incremental borrowing rate of 6%? What's the characters similarity between the Company's term loan and lease liabilities? Is this rate revised annually?
- A8. The incremental borrowing rate of 6% was the average funding cost for the Company. This rate will be reviewed annually.
- Q9. Refer to page 114, Note 21 to the financial statements, how to reconcile total director's remuneration RM4.771 million with RM4.195 million as disclosed in page 41, Corporate Governance Overview Statement?
- A9. The director's remuneration of RM4.771 million on page 114 takes into account and included the shared based payments derived from the share options offered to the directors amounted to RM0.576 million.

- Q10. Refer to page 115, Note 22 to the financial statements, can the Board elaborate further on RM42.505 million deferred tax liabilities expense? What is the basis for the calculation? It is based on capital gains tax in Indonesia? Did the Group claim any capital allowances on this land?
- A10. The RM42.5 Million deferred tax derived from the reclassification of development land (inventories) to property, plant and equipment, calculated based on Indonesia's corporate tax rate. There will be no capital allowance on land.
- Q11. Do you foresee pricing power improving as the industry rationalises?
- A11. The operating environment of hospitality industry will remain challenging but we do foresee the pricing power will gradually improve.
- Q12. Would it be a feasible plan to build a casino in the development of Bintan Island?
- A12. Having a casino at Treasure Bay Bintan will definitely enhance our development and destination offerings. However currently there is no specific permissive Gaming Act in Indonesia which allows the development and operation of a casino. Should the Indonesia Government decided to allow casino operation, we are open to this opportunity.
- Q13. What is the relationship with online marketing portals such as Agoda.com like at present?
- A13. All our resorts are still working closely with online sales and marketing portals as they are an important sales channel for our resorts.
- Q14. How many visitors did Treasure Bay Bintan welcome in 2019? Chinese and Singapore tourists accounted for how many percentages?
- A14. Treasure Bay Bintan welcomed 201,162 visitors in 2019. Singapore and China visitors accounted for 33% and 12% respectively.
- Q15. Could the Board explain in detail the future development plan of Zone 2 and Zone 4 of Treasure Bay Bintan?
- A15. We are in the final stage of design and development planning, costing and financing arrangement for our integrated wellness resort development at Zone 2 (Wellness Resorts and Nature Mangrove). We are still at the early stage of development planning at Zone 4 (High end resorts and serviced residences). However due to the current pandemic crisis, we are reviewing and monitoring the current economic environment before we press our button to start the developments.

Q16. Does the company have a formal process of planning the succession of each director / key personnel?

A16. The Company's Board of Directors has on 26 Feb 2020 approved Landmarks Berhad Succession Planning Policy which was designed to ensure that the Group identifies and develops a talent pool of employees through mentoring, training and job rotation to replace key business leaders within the Group.

The Board is responsible for succession planning for the Deputy Chairman, Executive Director, Chief Executive Officer, Group Chief Operating Officer, Chief Operating Officer, Treasure Bay Bintan and Chief Financial Officer's positions. Whereas, the Chief Executive Officer is responsible for ensuring a succession plan is in place for the Head of Departments in the Group with the assistance from the Group Chief Operating Officer and/ or Chief Operating Officer.

Q17. How are candidates for the Board of Directors identified and selected? What experience is required? Does the company use an external recruitment advisor to help select directors?

A17. The Company's Board of Directors consists of a wide and diverse group of businessmen, professionals, industry experts and experienced individuals in various fields. The Board when required will evaluate and invite relevant candidates to join the Board based on the candidates' experience, competency, enthusiastic, integrity, gender, nationality and value-add they may bring to the Company.

Q18. Does the Company has any retirement policy?

A18. Yes. The Company has a retirement policy.

Q19. Mr Bernard has been the independent director of the Company since 2008. Do we still consider him as independent?

A19. In keeping with Practice 4.2 of the Malaysian Code on Corporate Governance, the Nominating Committee and the Board of Directors have conducted an assessment of the independence of Mr Bernard who has served the Board as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years and have recommended him to be retained as Independent Non-Executive Director of the Company, subject to the approval from the members of the Company based on the following justifications:

- i. he has fulfilled the guidelines of the Main Market Listing Requirements in respect of 'Independence';
- ii. being free of management, he has and is able to exercise independent judgment to act in the best interests of the Company;
- iii. having served the Board for more than nine (9) years, he understands the Group's operations which will enable him to bring valuable recommendations to Board deliberations; and
- iv. he has exercised care as Independent Director and has carried out his professional and fiduciary duties in the best interest of the Company.

Q20. Has the Board considered putting the audit out for a competitive tender rather than just re-appointing the existing auditors?

A20. KPMG PLT is an international audit firm who has been independently auditing the Company for many years. The Company is satisfied with the independent and professional audit work of KPMG PLT and intends to continue the engagement of KPMG PLT as our auditor.

Q21. Did the external auditors issue any management letter? If yes, what are those concerns raised and the management's response to it?

A21. There is no management letter being issued by the auditor for FY2019.

Q22. Are there any uncorrected audit differences? If yes, what is the total value? Why are they uncorrected?

A22. There are no uncorrected audit differences in the audited accounts for FY2019.