

**MINISTRY OF FINANCE  
LANGKAWI DEVELOPMENT AUTHORITY  
PROPERTY DEVELOPMENT MANAGEMENT OF  
LANGKAWI DEVELOPMENT AUTHORITY**

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**Main Points**

**What we  
examined?**

- LADA was established on 15 March 1990 as a statutory body incorporated under the Langkawi Development Board Act 1990 (Act 423). LADA is the main agency responsible for developing and promoting Langkawi Island as a global tourist destination. LADA implements various property development projects such as tourism products and facilities, private investment projects as well as public infrastructure and socioeconomics in Langkawi in line with its functions under Section 4, LADA Act 1990.
- The audit focused on development projects under the Blueprint Tourism Langkawi (BPL), Eleventh Malaysia Plan (11<sup>th</sup> MP) and Twelfth Plan (12<sup>th</sup> MP), as well as LADA's private investment projects and property activities.
- The performance of LADA's development property project is measured based on two factors; the achievement of the output and the outcome of the project. The management of the property development activities includes financial allocations and expenses, land lease agreements, investment property management and the exchange and transfer of properties.

**Why it is  
important to  
audit?**

- A total of RM408.22 million has been approved and RM255.20 million has been spent for the implementation of 20 development projects under the 11<sup>th</sup> MP and 12<sup>th</sup> MP towards developing tourism infrastructure and public facilities.
- A total of 19 suggestions development concept have been published in LADA's Vacant Land Development Master Plan (MasPlan) for the year 2016 to 2030 to attract private investors to develop Langkawi as a World-Class Tourism Destination.
- An estimated Gross Development Value (GDV) for investment project under LADA and private companies is amounted to RM694.53 million for the period 2018 to 2022.
- Total collection income from property development activities is RM197.91 million for the year 2018 to 2022.

**Conclusion** Overall, it can be concluded that the property development management of LADA has yet to be accomplished because a number of LADA's development and private investment projects could not be completed within a specific period, the return of income did not reach the targeted achievement and the weaknesses the land lease management which impacted to the collection failure and further may exposed to the risk of land loss.

NO.	AUDIT ISSUES	IMPACT	RECOMMENDATION FOR SOLUTIONS
1.	As of 31 <sup>st</sup> December, 2022, 11 development projects (55%) from the total of 20 projects was completed while three (20%) over 15 private investment projects was completed.	The benefits of development and private investment project are late received by tourists and local residents.	To carry out the close monitoring implementation by conducting close engagement with the State Government, contractors and other related parties to ensure the development projects is completed within the planned schedule.
2.	The project of Demolition and Reconstruction of the Auditorium Building has failed to be completed by the first contractor worth RM6.97 million. The remaining project work was completed by the rescue contractor at a cost of RM6.96 million.	Termination Cost amounting to RM2.84 million that has been claimed by JKR still unpaid by the first contractor until end of auditing date.	
3.	An estimation total of RM3.19 million land lease payment from St. Regis Hotel Langkawi project is overdue to LADA until 31 <sup>st</sup> December 2022.	The risk of losing income amounting of RM11.49 million and the leasehold land.	Land lease agreements should properly and effectively managed in order to guard the Government's interest in private development project and to avoid the risk of losing revenue and property.
4	There is no consideration has been received in terms of shares or leasehold land income amounting to RM8.30 million for the Perkampungan Tok Senik Resort project on the land that has been leased.		
5.	Jeti Pelancongan Chenang was inoperable in accordance to stipulated title land, unmaintained and have severe damages beyond repair in breach of the M&O agreement.	LADA's asset and investment properties has suffered damage and failed to the highest return of investment.	<ul style="list-style-type: none"> <li>The good governance of investment property management needs to be improved to ensure that properties are efficiently managed and provide appropriate returns.</li> <li>Ensure that the terms and clauses of the signed M&amp;O agreement are enforced and closely monitored.</li> </ul>
6.	Monitoring and maintenance have not been done to Restoran 1Malaysia which have ceased operation since 2018 even though the M&O agreement is still effective.		