12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

We were incorporated in Malaysia on 10 March 2016. Our historical financial information throughout FYE 2020 to FYE 2022 was prepared in accordance with MFRS and IFRS. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows. Our audited combined financial statements for FYE 2020 to FYE 2022 were not subject to any audit qualifications.

Our historical financial information presented in this section should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations set out in Section 12.2 and our Group's audited combined financial statements and the accompanying notes set out in the Accountants' Report included in Section 13.

12.1.1 Historical combined statements of profit or loss and other comprehensive income

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Revenue	90,193	98,518	112,880
Cost of sales	(61,969)	(69,397)	(82,073)
GP	**28,224**	**29,121**	**30,807**
Other income	2,328	4,187	2,919
Administrative expenses	(10,292)	(10,410)	(12,399)
Other expenses	-	-	(6)(389)
Selling and marketing expenses	(2,960)	(1,399)	(4,711)
Profit from operations	**17,300**	**21,499**	**16,227**
Finance cost	(1,784)	(2,103)	(2,241)
PBT	**15,516**	**19,396**	**13,986**
Tax expenses	(2,921)	(3,776)	(3,504)
PAT / Total comprehensive income	**12,595**	**15,620**	**10,482**
EBIT(1)	16,785	21,081	15,595
EBITDA(1)	18,418	22,629	17,147
GP margin (%)(2)	31.3	29.6	27.3
PBT margin (%)(3)	17.2	19.7	12.4
PAT margin (%)(3)	14.0	15.9	9.3
Effective tax rate (%)(4)	18.8	19.5	25.1
EPS (sen)(5)	1.6	2.0	1.3

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Notes:

(1) EBIT and EBITDA are calculated as follows:

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
PAT	12,595	15,620	10,482
Less:			
Interest income	(515)	(418)	(632)
Add:			
Finance cost	1,784	2,103	2,241
Tax expenses	2,921	3,776	3,504
EBIT	**16,785**	**21,081**	**15,595**
Add:			
Depreciation	1,633	1,548	1,552
EBITDA	**18,418**	**22,629**	**17,147**

(2) GP margin is computed based on GP divided by revenue.

(3) PBT and PAT margin is computed based on PBT and PAT divided by revenue.

(4) Effective tax rate is computed based on tax expenses divided by PBT.

(5) Calculated based on PAT divided by our enlarged share capital of 800,000,000 Shares after our IPO.

(6) Being interests charged by the arbitrator, deposits paid to court, summonses and other related costs, all arising from the Landmark Property v GC Architect ("**GCA**") arbitration case. Please refer to Section 12.7(iii) for further details.

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12. FINANCIAL INFORMATION *(Cont'd)*

12.1.2 Historical combined statements of financial position

	Audited		
	As at 31 December		
	2020	2021	2022
	RM'000	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	11,854	27,247	39,865
Land held for property development	1,921	1,921	1,921
Deferred tax assets	543	154	-
Total non-current assets	**14,318**	**29,322**	**41,786**
Current assets			
Inventories(1)	109,050	99,649	111,069
Trade receivables	10,724	8,411	7,141
Contract assets	20,824	27,501	19,829
Other receivables	3,324	2,265	11,289
Amount due from a Director	64	64	-
Tax recoverable	160	1,533	1,450
Fixed deposits with licensed bank	10,564	13,835	22,136
Cash and bank balances	23,147	50,807	35,456
Total current assets	**177,857**	**204,065**	**208,370**
TOTAL ASSETS	**192,175**	**233,387**	**250,156**
EQUITY AND LIABILITIES			
Equity			
Invested equity	2,000	2,000	2,000
Retained earnings	109,681	125,301	135,784
TOTAL EQUITY	**111,681**	**127,301**	**137,784**
Non-current liabilities			
Deferred tax liability	797	717	895
Lease liabilities	2,313	2,138	2,303
Borrowings	6,624	32,794	37,515
Total non-current liabilities	**9,734**	**35,649**	**40,713**
Current liabilities			
Trade payables	15,893	19,071	26,070
Contract liabilities	1,171	62	21,962
Other payables	18,555	13,680	7,834
Amount due to a related party	35	21	45
Amount due to Directors(2)	2,669	4,173	1,057
Lease liabilities	1,211	1,301	1,491
Borrowings	31,098	30,732	11,995
Tax payables	128	1,397	1,205
Total current liabilities	**70,760**	**70,437**	**71,659**
TOTAL LIABILITIES	**80,494**	**106,086**	**112,372**
TOTAL EQUITY AND LIABILITIES	**192,175**	**233,387**	**250,156**

12. FINANCIAL INFORMATION *(Cont'd)*

Notes:

(1) Inventories comprised of the following:

	Audited		
	As at 31 December		
	2020	**2021**	**2022**
	RM'000	**RM'000**	**RM'000**
Property development costs	82,605	97,806	109,127
Completed properties	26,445	1,843	1,942
	109,050	**99,649**	**111,069**

(2) Being advances by Chin Mee Leen and Loke Theen Fatt for working capital requirements. These amounts were fully repaid on 29 May 2023.

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12.1.3 Historical combined statements of cash flows

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Cash flows from operating activities			
PBT	15,516	19,396	13,986
Adjustments for:			
Depreciation of property, plant and equipment	1,626	1,548	1,552
Depreciation of investment property	7	-	-
Forfeiture of deposit from customers	(8)	-	(10)
Gain on disposal of property, plant and equipment	*	(100)	(50)
Gain on disposal of investment property	(274)	-	-
Interest expense	1,784	2,103	2,241
Interest income	(515)	(418)	(632)
Other receivables written off	-	-	30
Property, plant and equipment written off	-	-	*
Operating profit before changes in working capital	**18,136**	**22,529**	**17,117**
Changes in working capital:			
Inventories	(24,787)	(3,470)	(10,035)
Receivables	26,701	2,288	(7,785)
Payables	6,086	(1,712)	1,194
Contract assets / liabilities	(4,309)	(7,785)	29,573
Cash generated from operations	**21,827**	**11,850**	**30,064**
Interest paid	(2,524)	(2,103)	(2,247)
Interest received	515	419	632
Tax paid	(2,638)	(3,573)	(3,689)
Tax refunded	-	-	408
Net cash from operating activities	**17,180**	**6,593**	**25,168**
Cash flows from investing activities			
Acquisition of property, plant and equipment	(439)	(1,789)	(14,213)
Repayment from Directors	-	-	64
Decrease / (Increase) in housing development account	1,166	(371)	353
Proceeds from disposal of property, plant and equipment	1	100	50
Proceeds from disposal of investment property	790	-	-
Net cash from / (used in) investing activities	**1,518**	**(2,060)**	**(13,746)**

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Cash flows from financing activities			
(Repayment to) / Advances from Directors	(1,569)	1,504	(3,116)
Decrease / (Increase) in pledged deposits placed with licensed banks	4,864	(3,252)	(281)
Drawdown of banker's acceptance	19,360	15,192	17,789
Drawdown of trust receipts	99	1,283	-
Drawdown of term loans	-	27,817	10,000
Drawdown of Commodity Murabahah Flexi Term Financing-I ("**CMFTF-i**")	3,827	-	2,673
Drawdown of Commodity Murabahah Cashline-I ("**CMC-i**")	21,317	38,828	22,220
Repayment of bankers' acceptance	(19,312)	(13,356)	(20,525)
Repayment of trust receipts	(260)	(489)	(794)
Repayment of term loans	(338)	(2,403)	(5,278)
Repayment of invoice financing	(365)	-	-
Repayment of CMFTF-i	(1,018)	(3,394)	(1,415)
Repayment of CMC-i	(17,863)	(27,484)	(38,297)
Refinance of lease liabilities	-	-	516
Repayment of lease liabilities	(1,023)	(1,282)	(1,503)
Net cash from / (used in) financing activities	**7,719**	**32,964**	**(18,011)**
Cash and cash equivalents			
Net increase / (decrease) in cash and cash equivalent	26,417	37,497	(6,589)
At beginning of financial year	(13,168)	13,249	50,746
At end of financial year[(1)]	**13,249**	**50,746**	**44,157**

Note:

* Less than RM1,000.

(1) Cash and cash equivalents included in the combined statements of cash flows comprise the following statements of financial position amounts:

	As at 31 December		
	2020	**2021**	**2022**
	RM'000	**RM'000**	**RM'000**
Fixed deposits with licensed bank	10,564	13,835	22,136
Cash and bank balances	23,147	50,807	35,456
	33,711	64,642	57,592
Less: Fixed deposit pledged as collaterals	(9,791)	(13,044)	(13,325)
Less: Housing development account	(93)	(463)	(110)
Less: Bank overdraft	(10,578)	(389)	-
	13,249	**50,746**	**44,157**

12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion and segmental analysis of our combined financial statements for FYE 2020 to 2022 should be read with the Accountants' Report included in Section 13.

12.2.1 Overview of our operations

(a) Principal activities

We are a property developer, principally involved in the provision of design and build construction services and property development. Our design and build construction projects and property development projects are located in Sabah, and it comprises residential properties, commercial properties and mixed developments.

Please refer to Section 7 for our Group's detailed business overview.

(b) Revenue

Our revenue is mainly derived from the sale of our developments and completed units. In terms of ongoing developments, our revenue is also dependent on the construction progress of the projects. The analysis of revenue by activity as set out in Section 12.2.2(a) shows how much of our revenue is derived from project sales, and separates it from sales of inventories i.e. our completed units.

Our revenue recognition criteria are as follows:

(i) Revenue generated from the sale of development properties refer to sales derived from our on-going development projects which units have been sold. This is accounted for using the percentage of completion method. The stage of completion is determined by reference to the project cost incurred to-date over the total estimated costs where the outcome of the projects can be reliably estimated. For avoidance of doubt, unsold units of the on-going projects will only be recognised upon being sold, or in the manner as per (ii) below if the development is completed; and

(ii) Revenue generated from the sale of completed development units refer to the sale of our existing inventory of completed unsold units from past projects. This is accounted for in full upon the transfer of control of the property (i.e. vacant possession) to the buyer.

For avoidance of doubt, the above revenue recognition criteria will apply to all projects, including our design and build construction services projects, as these projects are, in substance and nature, similar to property development.

(c) Cost of sales

Our cost of sales comprises property development expenditure which includes infrastructure costs such as groundwork or drainage, building construction cost undertaken by ourselves or contractors, land costs (including entitlements to project owners such as LPPB) and contributions to the relevant authorities.

(d) Other income

Other income comprises mainly interest income, back charges on materials used by contractor, administration charges for sub-sales, rental income for unsold property and machinery to contractors, reversal of contingency costs provided for projects which are longer required upon the project's completion, deposit forfeited and gain on disposal of property, plant and equipment and investment property.

(e) Administrative expenses

Administrative expenses mainly comprise overheads incurred to maintain our operations such as administrative staff costs, directors' remuneration, professional fees, and depreciation.

(f) Selling and marketing expenses

Selling and marketing expenses comprise mainly advertisement and promotion expenses, and sales commission.

(g) Finance cost

Finance cost comprises interest expense on our borrowings.

(h) Recent developments

Save for the Acquisitions, there were no other significant events subsequent to our Group's audited combined financial statements for FYE 2022 and there are no other significant events that may have a material effect on our financial position and results for FYE 2022.

(i) Exceptional and extraordinary items and audit qualifications

There were no exceptional or extraordinary items during FYE 2020 to FYE 2022. In addition, our audited combined financial statements for FYE 2020 to FYE 2022 were not subjected to any audit qualifications.

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12.2.2 Review of our results of operations

(a) Revenue

Analysis of revenue by activities

	Audited					
	FYE 2020		**FYE 2021**		**FYE 2022**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Sales of development properties						
- From project sales, which are recognised over time based on completion progress	79,866	88.6	61,570	62.5	110,727	98.1
- From sales of our inventory of completed units, which is recognised at a point in time	10,327	11.4	36,948	37.5	2,153	1.9
	90,193	**100.0**	**98,518**	**100.0**	**112,880**	**100.0**

Analysis of revenue by development projects

	Audited					
	FYE 2020		**FYE 2021**		**FYE 2022**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Provision of design and build construction services to LPPB						
On-going developments						
Taman Seri Lemawang Phase 1A	8,328	9.2	(1)(110)	(0.1)	768	0.7
Taman Seri Lemawang Phase 1B(2)	13,671	15.2	2,068	2.1	320	0.3
Taman Seri Lemawang Phase 1C	16,087	17.8	6,870	6.9	2,149	1.9
Taman Seri Lemawang Phase 1D	7,383	8.2	17,297	17.6	5,046	4.5
Taman Seri Lemawang Phase 1E	-	-	-	-	3,543	3.1
Taman Seri Lemawang Phase 1F	149	0.2	9,689	9.8	6,619	5.9
Taman Seri Lemawang Phase 1G	38	*	13,495	13.7	11,856	10.5
Taman Seri Lemawang Phase 1H	-	-	73	0.1	21,343	18.9
Taman Seri Lemawang Phase 1I	-	-	-	-	6,011	5.3
Plaza Seri Lemawang	-	-	3,650	3.7	5,710	5.1

12. FINANCIAL INFORMATION *(Cont'd)*

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Residensi Seri Akasia (Block A and B)	-	-	8,538	8.7	13,605	12.0
Residensi Seri Akasia (Block C and D)	-	-	-	-	860	0.8
Taman Bukit Alamanda	-	-	-	-	15,490	13.7
Puncak Gloxinia Phase 2 – Block D(2)	13,299	14.8	-	-	-	-
Puncak Gloxinia Phase 2 – Block E(2)	8,088	9.0	-	-	-	-
Puncak Gloxinia Phase 2 – Block F(2)	12,823	14.2	-	-	-	-
Total on-going developments	**79,866**	**88.6**	**61,570**	**62.5**	**93,320**	**82.7**
Completed properties						
Taman Nelly 8D	714	0.8	119	0.1	110	0.1
Taman Kota Phase 2A	188	0.2	-	-	-	-
Taman La Gloxinia Phase 1	480	0.5	-	-	-	-
Taman Seri Lemawang Phase 1B(3)	-	-	-	-	255	0.2
Puncak Gloxinia Phase 1 – Block A	996	1.1	337	0.3	-	-
Puncak Gloxinia Phase 1 – Block B	1,011	1.1	(1)(24)	*	*	*
Puncak Gloxinia Phase 1 – Block C	296	0.3	-	-	-	-
Puncak Gloxinia Phase 2 – Block D(3)	3,672	4.1	17,472	17.7	577	0.5
Puncak Gloxinia Phase 2 – Block E(3)	1,419	1.6	12,789	13.0	1,211	1.1
Puncak Gloxinia Phase 2 – Block F(3)	1,551	1.7	6,255	6.4	-	-
Total completed properties	**10,327**	**11.4**	**36,948**	**37.5**	**2,153**	**1.9**
Own property development						
On-going developments						
The Logg – Parkhill	-	-	-	-	13,026	11.5
The Logg – Shorea^{n}Astoria	-	-	-	-	4,381	3.9
Total on-going developments	**-**	**-**	**-**	**-**	**17,407**	**15.4**
Grand total	**90,193**	**100.00**	**98,518**	**100.00**	**112,880**	**100.00**

Notes:

* Less than 0.1%

(1) Being rebates granted to customers in relation to units sold, which were recognised based on credit notes that form part of the payments made by customers.

(2) Revenue recognised for the units of the projects which were sold before the project was completed.

(3) Revenue recognised for the units of the projects which were sold after the project was completed.

The revenue unbilled for sold and unsold units as the end of FYE 2022 for our on-going projects are set out below:

	Revenue unbilled for	
Projects	**Sold units(1)**	**Unsold units(2)**
	RM'000	**RM'000**
Taman Seri Lemawang Phase 1D	2,615	-
Taman Seri Lemawang Phase 1E	5,333	22,228
Taman Seri Lemawang Phase 1F	264	-
Taman Seri Lemawang Phase 1G	6,934	-
Taman Seri Lemawang Phase 1H	10,773	550
Taman Seri Lemawang Phase 1I	3,238	1,960
Residensi Seri Akasia (Block A and B)	2,950	5,099
Residensi Seri Akasia (Block C and D)	2,629	27,312
The Logg – Parkhill	76,802	21,400
The Logg – Shorea^{n}Astoria	26,099	402,524
Taman Bukit Alamanda	9,967	10,258
	147,604	**491,331**

Notes:

(1) Revenue for sold units will be recognised over time based on completion progress.

(2) Revenue for unsold units are not yet recognised as they are not sold yet. The revenue will be recognised upon execution of sale and purchase agreement, along with the letter of offer from the end-financier, where required, up to the relevant stage of completion, and thereafter continue to be recognised over time based on completion progress.

Comparison between FYE 2020 and FYE 2021

Our revenue increased by RM8.3 million or 9.2% from RM90.2 million in FYE 2020 to RM98.5 million in FYE 2021 mainly due to:

(i) on-going development of Taman Seri Lemawang Phase 1D, Phase 1F and Phase 1G which achieved completion of 80.3%, 70.4% and 45.4% respectively in FYE 2021 as compared to 42.4%, 9.8% and 2.9% respectively in FYE 2020 and contributed an incremental revenue of RM32.9 million;

(ii) launching of Taman Seri Lemawang Phase 1H, Plaza Seri Lemawang and Residensi Seri Akasia (Block A and Block B) which contributed revenue of RM12.3 million; and

(iii) sales of completed units in Puncak Gloxinia Phase 2 (Block D, Block E and Block F) which contributed an incremental revenue of RM29.9 million.

This increase was offset by the decreased contribution from Taman Seri Lemawang Phase 1A to 1C by RM29.3 million as this project achieved higher completion stage of 97.4%, 92.1% and 71.2% respectively in FYE 2020 as well as the completion of Puncak Gloxinia Phase 2 (Block D, Block E and Block F) by RM34.2 million in FYE 2020.

Comparison between FYE 2021 and FYE 2022

Our Group's revenue increased by RM14.4 million or 14.6% from RM98.5 million in FYE 2021 to RM112.9 million in FYE 2022 mainly due to:

(i) on-going development of Taman Sri Lemawang Phase 1H, Plaza Seri Lemawang and Residensi Seri Akasia (Block A and Block B) which achieved higher stage of completion of 66.5%, 100.0% and 88.2% respectively in FYE 2022 as compared to 11.8%, 56.4% and 55.0% respectively in FYE 2021 and contributed an incremental revenue of RM28.4 million;

(ii) launching in FYE 2022 of Taman Seri Lemawang Phase 1E and Phase 1I, Residensi Seri Akasia (Block C) and Taman Bukit Alamanda which contributed revenue of RM25.9 million (Residensi Seri Akasia Block D was launched in April 2023 without any sales secured yet); and

(iii) launching of The Logg – Parkhill and The Logg – Shorea^{n}Astoria which contributed revenue of RM17.4 million.

This increase was partially offset by the decreased contribution from Taman Seri Lemawang Phase 1B to 1D by RM18.7 million as this project achieved higher completion stage of 98.7%, 91.7% and 80.3% respectively in FYE 2021. The increase was also partially offset by lower revenue contribution from sales of completed units in Puncak Gloxinia Phase 2 (Block D and Block E) (decrease of RM28.5 million) and the completion of Puncak Gloxinia Phase 2 – Block F (decrease of RM6.3 million) in FYE 2022.

(b) Cost of sales, GP and GP margin

Analysis of cost of sales by activities

	Audited					
	FYE 2020		**FYE 2021**		**FYE 2022**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Sales of development properties						
- From project sales, which are recognised over time based on completion progress	54,686	88.3	44,429	64.0	80,211	97.7
- From sales of our inventory of completed units, which is recognised at a point in time	6,772	10.9	24,602	35.5	1,510	1.8
	61,458	99.2	69,031	99.5	81,721	99.5
Other costs[(1)]	511	0.8	366	0.5	352	0.5
	61,969	**100.0**	**69,397**	**100.0**	**82,073**	**100.0**

Note:

(1) Being the costs incurred for the defect rectification works during the vacant possession period of the completed projects, which are not directly attributable to sales of on-going development projects or completed properties.

Analysis of cost of sales by development projects

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Provision of design and build construction services to LPPB						
On-going development						
Taman Seri Lemawang Phase 1A	6,424	10.4	(85)	(0.1)	596	0.7
Taman Seri Lemawang Phase 1B	10,312	16.6	1,560	2.2	241	0.3
Taman Seri Lemawang Phase 1C	11,901	19.2	5,082	7.3	1,590	1.9
Taman Seri Lemawang Phase 1D	5,287	8.5	12,387	17.9	3,614	4.4
Taman Seri Lemawang Phase 1E	-	-	-	-	2,266	2.8
Taman Seri Lemawang Phase 1F	105	0.2	6,848	9.9	4,678	5.7
Taman Seri Lemawang Phase 1G	27	*	9,801	14.1	8,611	10.5
Taman Seri Lemawang Phase 1H	-	-	52	0.1	15,304	18.6
Taman Seri Lemawang Phase 1I	-	-	-	-	4,573	5.6
Plaza Seri Lemawang	-	-	2,526	3.6	4,107	5.0
Residensi Seri Akasia (Block A and Block B)	-	-	6,258	9.0	9,971	12.1
Residensi Seri Akasia (Block C and Block D)	-	-	-	-	618	0.8
Taman Bukit Alamanda	-	-	-	-	10,150	12.4
Puncak Gloxinia Phase 2 – Block D	8,097	13.1	-	-	-	-
Puncak Gloxinia Phase 2 – Block E	4,900	7.9	-	-	-	-
Puncak Gloxinia Phase 2 – Block F	7,633	12.3	-	-	-	-
Total on-going developments	**54,686**	**88.2**	**44,429**	**64.0**	**66,319**	**80.8**

	Audited					
	FYE 2020		**FYE 2021**		**FYE 2022**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Completed properties						
Taman Nelly 8D	541	0.9	195	0.3	88	0.1
Taman Seri Lemawang Phase 1B	-	-	-	-	192	0.2
Taman La Gloxinia Phase 1	294	0.5	-	-	-	-
Puncak Gloxinia Phase 1 – Block A	682	1.1	228	0.3	-	-
Puncak Gloxinia Phase 1 – Block B	634	1.0	-	-	-	-
Puncak Gloxinia Phase 1 – Block C	193	0.3	-	-	-	-
Puncak Gloxinia Phase 2 – Block D	2,390	3.9	11,455	16.6	419	0.5
Puncak Gloxinia Phase 2 – Block E	1,014	1.6	8,845	12.7	811	1.0
Puncak Gloxinia Phase 2 – Block F	1,024	1.7	3,879	5.6	-	-
Total completed properties	**6,772**	**11.0**	**24,602**	**35.5**	**1,510**	**1.8**
Own-property development						
On-going developments						
The Logg – Parkhill	-	-	-	-	10,688	13.1
The Logg – Shorea^{n}Astoria	-	-	-	-	3,204	3.9
Total on-going developments	**-**	**-**	**-**	**-**	**13,892**	**17.0**
Other costs[1]	**511**	**0.8**	**366**	**0.5**	**352**	**0.4**
Grand total	**61,969**	**100.0**	**69,397**	**100.0**	**82,073**	**100.0**

Note:

* Less than 0.1%

(1) Being the costs incurred for the defect rectification works during the vacant possession period of the completed projects, which are not directly attributable to sales of on-going development projects or completed properties.

12. FINANCIAL INFORMATION *(Cont'd)*

Analysis of cost of sales by cost component

	Audited					
	FYE 2020		**FYE 2021**		**FYE 2022**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Construction materials	7,471	12.1	7,036	10.1	9,926	12.1
Statutory contribution	55	0.1	1,302	1.9	297	0.4
Land costs	2,969	4.8	5,216	7.5	7,335	8.9
Professional fees	2,818	4.5	3,287	4.7	3,360	4.1
Infrastructure works	5,408	8.7	6,968	10.0	8,482	10.3
Building works	23,819	38.4	31,972	46.1	41,172	50.2
M&E works	4,710	7.6	5,147	7.4	4,572	5.6
Others[1]	14,208	22.9	8,103	11.7	6,577	8.0
	61,458	99.2	69,031	99.5	81,721	99.6
Rectification of defect works	511	0.8	366	0.5	352	0.4
Total	**61,969**	**100.0**	**69,397**	**100.0**	**82,073**	**100.0**

Note:

[1] Being the site expenses, provision for contingency costs and sub-contractor fees for other works such as drawings and site operation costs, as well as depreciation of plant and machinery.

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Analysis of GP and GP margin by activities

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	GP	GP margin	GP	GP margin	GP	GP margin
	RM'000	%	RM'000	%	RM'000	%
Sales of development properties						
- Recognised over time based on completion progress	25,180	31.5	17,141	27.8	30,516	27.6
- Recognised at a point in time for completed units	3,555	34.4	12,346	33.4	643	29.9
	28,735	31.9	29,487	29.6	31,159	27.6
Other costs[(1)]	(511)	*	(366)	*	(352)	*
	28,224	**31.3**	**29,121**	**29.6**	**30,807**	**27.3**

Note:

* Less than 0.1%

(1) Being the costs incurred for defect rectification works during the vacant possession period of the completed projects, which are not directly attributable to sales of on-going development projects or completed properties.

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Analysis of GP and GP margin by development projects

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	GP	GP margin	GP	GP margin	GP	GP margin
	RM'000	%	RM'000	%	RM'000	%
Provision of design and build construction services to LPPB						
On-going development						
Taman Seri Lemawang Phase 1A	1,904	22.9	(25)	22.7	172	22.4
Taman Seri Lemawang Phase 1B	3,359	24.6	508	24.6	79	24.7
Taman Seri Lemawang Phase 1C	4,186	26.0	1,788	26.0	559	26.0
Taman Seri Lemawang Phase 1D	2,096	28.4	4,910	28.4	1,432	28.4
Taman Seri Lemawang Phase 1E	-	-	-	-	1,277	36.0
Taman Seri Lemawang Phase 1F	44	29.5	2,841	29.3	1,941	29.3
Taman Seri Lemawang Phase 1G	11	28.9	3,694	27.4	3,245	27.4
Taman Seri Lemawang Phase 1H	-	-	21	28.8	6,039	28.3
Taman Seri Lemawang Phase 1I	-	-	-	-	1,438	23.9
Plaza Seri Lemawang	-	-	1,124	30.8	1,603	28.1
Residensi Seri Akasia (Block A and Block B)	-	-	2,280	26.7	3,634	26.7
Residensi Seri Akasia (Block C and Block D)	-	-	-	-	242	28.1
Taman Bukit Alamanda	-	-	-	-	5,340	34.5
Puncak Gloxinia Phase 2 – Block D	5,202	39.1	-	-	-	-
Puncak Gloxinia Phase 2 – Block E	3,188	39.4	-	-	-	-
Puncak Gloxinia Phase 2 – Block F	5,190	40.5	-	-	-	-
Total on-going developments	**25,180**	**31.5**	**17,141**	**27.8**	**27,001**	**28.9**
Completed properties						
Taman Nelly 8D	173	24.2	[1](76)	(63.9)	22	20.4
Taman Kota Phase 2A	188	100.0	-	-	-	-
Taman La Gloxinia Phase 1	186	38.8	-	-	-	-
Taman Seri Lemawang Phase 1B	-	-	-	-	63	24.7
Puncak Gloxinia Phase 1 – Block A	314	31.5	109	32.3	-	-

	Audited					
	FYE 2020		**FYE 2021**		**FYE 2022**	
	GP	**GP margin**	**GP**	**GP margin**	**GP**	**GP margin**
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Puncak Gloxinia Phase 1 – Block B	377	37.3	(1)(24)	(100.0)	-	-
Puncak Gloxinia Phase 1 – Block C	103	34.8	-	-	-	-
Puncak Gloxinia Phase 2 – Block D	1,282	34.9	6,017	34.4	158	27.3
Puncak Gloxinia Phase 2 – Block E	405	28.5	3,944	30.8	400	33.0
Puncak Gloxinia Phase 2 – Block F	527	34.0	2,376	38.0	-	-
Total completed properties	**3,555**	**34.4**	**12,346**	**33.4**	**643**	**29.9**
Own property development						
On-going developments						
The Logg – Parkhill	-	-	-	-	2,338	17.9
The Logg – Shorea^{n}Astoria	-	-	-	-	1,177	26.9
Total on-going developments	**-**	**-**	**-**	**-**	**3,515**	**20.2**
Other costs(2)	**(511)**	*****	**(366)**	*****	**(352)**	*****
Grand total	**28,224**	**31.3**	**29,121**	**29.6**	**30,807**	**27.3**

Notes:

* Less than 0.1%

(1) Being rebates given to customers.

(2) Being the costs incurred for the defect rectification works during the vacant possession period of the completed projects, which are not directly attributable to sales of on-going development projects or completed properties.

Comparison between FYE 2020 and FYE 2021

Our cost of sales increased by RM7.4 million or 12.0% from RM62.0 million in FYE 2020 to RM69.4 million in FYE 2021 was mainly due to the following:

(i) on-going development of Taman Seri Lemawang Phase 1D, Phase 1F and Phase 1G which achieved percentage of completion of 80.3%, 70.4% and 45.4% respectively in FYE 2021 as compared to 42.4%, 9.8% and 2.9% respectively in FYE 2020 and contributed an incremental cost of RM23.6 million;

(ii) launching of Taman Seri Lemawang Phase 1H, Plaza Seri Lemawang and Residensi Seri Akasia (Block A and Block B) which resulted in an incremental cost of RM8.8 million; and

(iii) sales of completed units in Puncak Gloxinia Phase 2 (Block D, Block E and Block F) which contributed an incremental cost of RM19.8 million.

This increase was offset by the lower property development costs from Taman Seri Lemawang Phase 1A to 1C by RM22.1 million due to more progress achieved in FYE 2020 as well as the completion of Puncak Gloxinia Phase 2 (Block D, Block E and Block F) by RM20.6 million in FYE 2020. Accordingly, our GP increased by RM0.9 million from RM28.2 million in FYE 2020 to RM29.1 million in FYE 2021 mainly due to higher contribution from Puncak Gloxinia Phase 2 (Block D, Block E and Block F) in line with the explanation of revenue above.

Our GP margin decreased from 31.3% in FYE 2020 to 29.6% in FYE 2021 due to the mix of contributions from projects with lower GP margins. The main contributors to this GP margin were sales of completed properties of Puncak Gloxinia Phase 2 (Block D, Block E and Block F) which commanded higher margins of between 39.2% to 44.2%. These projects commanded higher margins due to cost savings from lower building material prices such as steel bar, sanitary wares, tiles and wire mesh), resulting in a higher gross margin in FYE 2020. Conversely, this was balanced by lower GP margin contributions of between 24.6% to 30.8% from the on-going developments of Taman Seri Lemawang Phase 1B to 1H, Plaza Seri Lemawang and Residensi Seri Akasia (Block A and Block B). This was due to the predetermined selling prices under the Technical and Financial Proposal with LPPB which were of lower range, as agreed with LPPB. As a result, the flexibility to optimise margins through pricing adjustments was limited.

Comparison between FYE 2021 and FYE 2022

Our cost of sales increased by RM12.7 million or 18.3% from RM69.4 million in FYE 2021 to RM82.1 million in FYE 2022 was mainly due to the following:

(i) on-going development of Taman Sri Lemawang Phase 1H, Plaza Seri Lemawang and Residensi Seri Akasia (Block A and Block B) which achieved percentage of completion of 66.5%, 100.0% and 88.2% respectively in FYE 2022 as compared to 11.8%, 56.4% and 55.0% respectively in FYE 2021 and contributed an incremental cost of RM20.5 million;

(ii) launching of Taman Seri Lemawang Phase 1E and Phase 1I, Residensi Seri Akasia (Block C) and Taman Bukit Alamanda which resulted in an incremental cost of RM17.6 million; and

(iii) launching of The Logg – Parkhill and The Logg – Shorea^{n}Astoria which resulted in an incremental cost of RM13.9 million.

This increase was partially offset by the lower property development costs from Taman Seri Lemawang Phase 1B to 1D by RM13.6 million as this project recorded a higher completion stage of 98.7%, 91.7% and 80.3% respectively in FYE 2021. The increase was also partially offset by property development costs from sales of completed units in Puncak Gloxinia Phase 2 (Block D and Block E) (decrease of RM19.1 million) and the completion of Puncak Gloxinia Phase 2 – Block F (decrease of RM3.9 million) in FYE 2022.

Our GP margin decreased from 29.6% in FYE 2021 to 27.3% in FYE 2022 due to a mix of projects with lower GP margins for the year. The main contributors to this GP margin were on-going development projects from Taman Bukit Alamanda, Taman Seri Lemawang and Plaza Seri Lemawang and sales of completed units of Puncak Gloxinia Phase 2 which commanded margins of between 20.0% to 34.5%. Similarly, the predetermined selling prices as negotiated with LPPB were the key determinants of these GP margins. Additionally, we recorded lower GP margin of 17.9% from The Logg – Parkhill and 26.9% from The Logg – Shorea^{n}Astoria. These margins were impacted by the rebate package promotions offered to buyers, which led to a reduction in the gross profit realised from these projects.

(c) Other income

	Audited					
	FYE 2020		**FYE 2021**		**FYE 2022**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Interest income	515	22.1	418	10.0	632	21.7
Gain on disposal of investment properties	274	11.8	-	-	-	-
Gain on disposal of plant & equipment	*	*	100	2.4	50	1.7
Rental income	220	9.5	27	0.7	78	2.7
Government grants	452	19.4	192	4.6	79	2.7
Back charge of material	21	0.9	62	1.5	20	0.7
Back charge of property development costs to subsidiary	669	28.7	-	-	-	-
Administrative charges for sub-sales	64	2.8	80	1.9	39	1.3
Reversal of provision of contingency costs on completed projects	-	-	3,263	77.9	1,655	56.7
Deposits forfeited	17	0.7	34	0.8	36	1.2
Others[(1)]	96	4.1	11	0.2	330	11.3
	2,328	**100.0**	**4,187**	**100.0**	**2,919**	**100.0**

Note:

* Less than RM1,000.

(1) Mainly comprise of refund from levy and reversal of provision for legal fees.

Comparison between FYE 2020 and FYE 2021

Other income increased by RM1.9 million or 79.9% from RM2.3 million in FYE 2020 to RM4.2 million in FYE 2021 mainly attributable to the actual costs incurred during the completion of Puncak Gloxinia Phase 2 (Block D, Block E and Block F) being lower than the estimated contingency amounts. This resulted in a reversal in contingency costs that were originally estimated for the project which amounted to RM3.3 million. The increase in other income was partially offset by the decrease in professional fees incurred in relation to the hotel operator and design for The Logg (recorded as back charge of property development costs), decrease in government grants under: wage subsidy programme, hiring incentives, and training programme from Social Security Organisation (SOCSO) in FYE 2021.

Comparison between FYE 2021 and FYE 2022

Other income decreased by RM1.3 million or 30.3% from RM4.2 million in FYE 2021 to RM2.9 million in FYE 2022. This was mainly due to reduction of RM1.6 million from reversal of provision of contingency costs for Puncak Gloxinia (Block D, Block E and Block F). These are the remaining provisions for contingency costs on Puncak Gloxinia (Block D, Block E and Block F) not fully utilised which were reversed back into other income. The decrease was partially offset by the increase in other income due to higher deposit placed with licensed banks and refund of levy and reversal of provision for legal fees.

(d) Administrative expenses

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Auditors' remuneration	72	0.7	118	1.1	168	1.3
Bank charges	165	1.6	563	5.4	606	4.9
Depreciation of property, plant and equipment	1,633	15.9	1,548	14.9	1,553	12.5
Directors' remuneration	1,590	15.5	1,369	13.2	1,745	14.1
Legal and professional fee	549	5.3	1,352	13.0	1,877	15.2
Printing, stationery and postage	59	0.6	84	0.8	105	0.9
Rental	104	1.0	95	0.9	64	0.5
Repair and maintenance	174	1.7	192	1.8	178	1.4
Staff costs	3,345	32.5	3,699	35.5	4,197	33.9

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Stamp duty	1,502	14.6	84	0.8	3	*
Sundry and other expenses[(1)]	770	7.4	890	8.6	1,546	12.4
Utility charges	197	1.9	336	3.2	205	1.7
Travel and vehicle running expenses	132	1.3	80	0.8	152	1.2
	10,292	**100.0**	**10,410**	**100.0**	**12,399**	**100.0**

Note:

* Less than 0.1%

(1) Comprises advertisement, donation, entertainment, insurance, promotional expenses, penalty and quit rent and assessment.

Comparison between FYE 2020 and FYE 2021

Administrative expenses increased by RM0.1 million or 1.2% from RM10.3 million in FYE 2020 to RM10.4 million in FYE 2021. We recorded an increase of RM0.8 million related to legal and professional fees for solicitors to carry out arbitration of RM0.2 million, and legal fees we bear for the benefit of purchasers of RM0.7 million and legal fees incurred for additional credit facilities of RM0.1 million. Conversely, there were minimal stamp duty expenses incurred for the year (reduced by RM1.4 million) due to fewer bank facilities undertaken in comparison to the previous year.

Comparison between FYE 2021 and FYE 2022

Administrative expenses increased by RM2.0 million or 19.1% from RM10.4 million in FYE 2021 to RM12.4 million in FYE 2022. We recorded an increase of RM0.5 million in legal and professional fees for the proposed listing exercise, directors' remuneration of RM0.3 million, staff cost of RM0.5 million, sundry and other expenses of RM0.7 million and other miscellaneous expenses of RM0.4 million.

(e) Selling and marketing expenses

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Advertisement	385	13.0	350	25.1	288	6.1
Commission to sales agent	2,202	74.4	591	42.2	1,761	37.4
Promotional expenses	373	12.6	458	32.7	2,662	56.5
	2,960	**100.0**	**1,399**	**100.0**	**4,711**	**100.0**

Comparison between FYE 2020 and FYE 2021

Selling and marketing expenses decreased by RM1.6 million or 52.7% from RM3.0 million in FYE 2020 to RM1.4 million in FYE 2021. The decrease was mainly attributable to reversal of overprovision for commission of RM1.0 million provided in FYE 2020 which was offset against the commission paid to freelance sales agents for Taman Seri Lemawang Phase 1A, Phase 1B, Phase 1C, Phase 1D and Phase 1F.

Comparison between FYE 2021 and FYE 2022

Selling and marketing expenses increased by RM3.3 million or 236.7% from RM1.4 million in FYE 2021 to RM4.7 million in FYE 2022. The increase was mainly attributable to an increased commission scheme to sales agents amounting to RM1.2 million for Taman Bukit Alamanda and Residensi Seri Akasia in order to achieve the targeted sales volume, as well as increase in promotional expenses, mainly being RM1.0 million for The Logg's marketing events and the building costs of The Logg's sales gallery of RM1.2 million. This was offset by a reduction of public advertisement costs of RM0.1 million.

(f) Finance cost

	Audited					
	FYE 2020		**FYE 2021**		**FYE 2022**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Bank overdraft interest	183	10.3	121	5.8	49	2.2
Bank interest - trade facility / bank guarantee	407	22.8	171	8.1	180	8.0
Hire purchase interest	85	4.7	110	5.2	215	9.6
Bridging loan interest	451	25.3	1,073	51.0	481	21.5
Term loan interest	658	36.9	628	29.9	1,316	58.7
	1,784	**100.0**	**2,103**	**100.0**	**2,241**	**100.0**

Comparison between FYE 2020 and FYE 2021

Finance cost increased by RM0.3 million or 17.9% from RM1.8 million in FYE 2020 to RM2.1 million in FYE 2021. The increase was mainly attributable to additional bridging loans drawdown for Taman Seri Lemawang Phase 1A to 1G, Plaza Seri Lemawang and Residensi Seri Akasia.

Comparison between FYE 2021 and FYE 2022

Finance cost increased by RM0.1 million or 6.6% from RM2.1 million in FYE 2021 to RM2.2 million in FYE 2022. The increase was mainly attributable to term loan interest of RM0.7 million for The Logg, which was offset against the redemption of bridging loans used to finance Taman Seri Lemawang, Plaza Seri Lemawang and Residensi Seri Akasia, resulting in reduction of related interest of RM0.6 million.

(g) PBT and PBT margin

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
PBT (RM'000)	15,516	19,396	13,986
PBT margin (%)	17.2	19.7	12.4

Comparison between FYE 2020 and FYE 2021

Our PBT increased by RM3.9 million or 25.0% from RM15.5 million in FYE 2020 to RM19.4 million in FYE 2021 in line with our improved GP and other income. Accordingly, our PBT margin also increased from 17.2% to 19.7%, mainly due to the higher other income, in relation to RM3.3 million of contingency costs reversed, as well as lower selling and marketing expenses due to reversal in commissions overprovided.

Comparison between FYE 2021 and FYE 2022

Our PBT decreased by RM5.4 million or 27.9% from RM19.4 million in FYE 2021 to RM14.0 million in FYE 2022. PBT margin decreased from 19.7% to 12.4% mainly due to lower other income being the difference of RM1.6 million in reversal of contingency costs provided, and higher selling and marketing expenses being commissions paid for the sales of completed units of Taman Seri Lemawang and Taman Bukit Alamanda as well as promotional costs in relation to The Logg, Taman Seri Lemawang and Taman Bukit Alamanda in FYE 2022.

(h) Tax expenses

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Tax expenses	2,921	3,776	3,504
Effective tax rate (%)	18.8	19.5	25.1
Statutory tax rate (%)	24.0	24.0	24.0

FYE 2020

Our effective tax rate for FYE 2020 of 18.8% was lower than the statutory tax rate of 24.0%, due to grants received from Puncak Gloxinia project, which was offset by profit derived from Taman Seri Lemawang which was not entitled to the tax exemption. Additionally, we claimed capital allowances of RM2.2 million in relation to our purchase of a wet mix batching plant of RM0.6 million, modification of wall panel of RM0.2 million and purchase of a beam moulding of RM0.1 million in FYE 2020.

FYE 2021

Our effective tax rate for FYE 2021 of 19.5% was lower than the statutory tax rate of 24.0% mainly due to utilisation of capital allowances of RM2.4 million in relation to the purchase of property, plant and machinery in FYE 2021 amounting to RM3.0 million, which comprise crawler crane (RM1.2 million); 4 units of mixer trucks (RM0.6 million); 2 unit of cranes (RM 0.7 million); a steel bed (RM0.2 million); a wall plate (RM 0.2 million); and a staircase and wall moulding (RM0.1 million).

FYE 2022

Our effective tax rate for FYE 2022 of 25.1% was higher than the statutory tax rate of 24.0% mainly due to the building costs of The Logg's sales gallery and listing expenses, all of which are disallowed for tax deductions amounting to RM0.5 million, which was offset against the non-taxable grants received for Puncak Gloxinia (Block D, Block E and Block F) of RM0.3 million.

12.2.3 Review of financial position

(a) Assets

	Audited		
	As at 31 December		
	2020	2021	2022
	RM'000	RM'000	RM'000
Non-current assets			
Property, plant and equipment	11,854	27,247	39,865
Land held for property development	1,921	1,921	1,921
Deferred tax assets	543	154	-
Total non-current assets	**14,318**	**29,322**	**41,786**
Current assets			
Inventories	109,050	99,649	111,069
Trade receivables	10,724	8,411	7,141
Contract assets	20,824	27,501	19,829
Other receivables	3,324	2,265	11,289
Amount due from a Director	64	64	-
Tax recoverable	160	1,533	1,450
Fixed deposits with licensed bank	10,564	13,835	22,136
Cash and bank balances	23,147	50,807	35,456
Total current assets	**177,857**	**204,065**	**208,370**
Total assets	**192,175**	**233,387**	**250,156**

Comparison between FYE 2020 and FYE 2021

Non-current assets

Our non-current assets increased by RM15.0 million from RM14.3 million in FYE 2020 to RM29.3 million in FYE 2021, mainly due to reclassification of land costs for Avani Luyang @ The Logg of RM2.1 million, capitalisation of legal and professional fees to MHG of RM1.0 million and capitalisation of work-in-progress of RM11.9 million for Avani Luyang @ The Logg.

Current assets

Our current assets increased by RM26.2 million from RM177.9 million in FYE 2020 to RM204.1 million in FYE 2021, mainly due to:

(i) cash and bank balances arising from the drawdown of term loan to be used towards development of Avani Luyang @ The Logg amounting to RM18.0 million and drawdown of term loans amounting to RM10.0 million for the development of The Logg; and

(ii) increase in contract assets of RM6.7 million in line with development progress of Puncak Gloxinia Phase 2 (Block D, Block E and Block F) pending billings of the same.

The increase in current asset was offset by the decrease in inventories of RM9.4 million, mainly due to the disposal of completed units of Puncak Gloxinia Phase 2 (Block D, Block E and Block F).

Comparison between FYE 2021 and FYE 2022

Non-current assets

Our non-current assets increased by RM12.5 million from RM29.3 million in FYE 2021 to RM41.8 million in FYE 2022, mainly due to:

(i) capitalisation of work-in-progress of Avani Luyang @ The Logg of RM12.5 million; and

(ii) purchase of tower crane of RM0.9 million, 2 units of mobile crane of RM0.3 million, 1 unit of excavator of RM0.1 million, 1 unit of lorry crane of RM0.1 million and scaffolding together with accessories of RM0.6 million.

Conversely, the decrease in property, plant and machinery was due to yearly depreciation of RM3.0 million, office equipment and plant and machineries written off of RM0.1 million and disposals of motor vehicles amounting to RM0.1 million.

Current assets

Our current assets increased by RM4.3 million from RM204.1 million in FYE 2021 to RM208.4 million in FYE 2022, mainly due to:

(i) increase in inventories of RM11.4 million, mainly being property development costs for The Logg – Parkhill and The Logg – Shorea^{n}Astoria;

(ii) increase in other receivables mainly due to payment of deposits for the Alamesra Lands of RM7.4 million to the landowner, Millennium Amber Sdn Bhd, a RM0.5 million increase in payment for sales agents' commissions due to launching of Taman Seri Lemawang Phase 1E and 1I, Residensi Seri Akasia (Block C), Taman Bukit Alamanda and The Logg – Parkhill and the Logg - Shorea^{n}Astoria and a RM0.6 million increase in quit rent due from homebuyers; and

(iii) increase in placement of fixed deposit with licensed banks of RM8.3 million from excess cash generated from operations.

The increase in current assets was offset by:

(i) decrease in cash and bank balances of RM15.4 million used for the foregoing fixed deposits of RM8.3 million and payment of deposit for the Alamesra Lands of RM7.4 million; and

(ii) decrease in trade receivables of RM1.3 million in line with collections and decrease in contract assets of RM7.8 million for billings issued for all the on-going projects for The Logg, Residensi Seri Akasia and Taman Seri Lemawang.

(b) Liabilities

	Audited		
	As at 31 December		
	2020	2021	2022
	RM'000	RM'000	RM'000
Non-current liabilities			
Deferred tax liability	797	717	895
Lease liabilities	2,313	2,138	2,303
Borrowings	6,624	32,794	37,515
Total non-current liabilities	**9,734**	**35,649**	**40,713**
Current liabilities			
Trade payables	15,893	19,071	26,070
Contract liabilities	1,171	62	21,962
Other payables[(1)]	18,555	13,680	7,834
Amount due to a related party	35	21	45
Amount due to Directors	2,669	4,173	1,057
Lease liabilities	1,211	1,301	1,491
Borrowings	31,098	30,732	11,995
Tax payables	128	1,397	1,205
Total current liabilities	**70,760**	**70,437**	**71,659**
Total liabilities	**80,494**	**106,086**	**112,372**

Note:

(1) The breakdown of our other payables for FYE 2020 to 2022 are as follows:

	Audited		
	As at 31 December		
	2020	2021	2022
	RM'000	RM'000	RM'000
Non-trade payables[(a)]	1,436	461	1,952
Accruals[(b)]	14,800	11,678	4,943
Accrued landowner's entitlement	1,076	228	935
Deposits received	1,233	1,304	-
Deposits payables	10	9	4
	18,555	13,680	7,834

(a) Comprises mainly fees in relation to our arbitration with GC Architect and sales commission owing to our sale agents.

(b) Comprises mainly provision of contingency cost, commission, salaries and bonus and audit fees.

Comparison between FYE 2020 and FYE 2021

Our non-current liabilities increased by RM25.9 million from RM9.7 million in FYE 2020 to RM35.6 million in FYE 2020, mainly due to the drawdown of term loans of RM28.5 million for the development of The Logg.

Our current liabilities decreased by RM0.3 million from RM70.7 million in FYE 2020 to RM70.4 million in FYE 2021, mainly as a net effect of:

(i) increase in trade payables of RM3.2 million, being retention sum withheld from our contractor;

(ii) advances from our Director, Chin Mee Leen of RM1.5 million for working capital requirements; and

(iii) increase in income tax payable of RM1.3 million in line with our growing profits.

The above was partially offset by RM4.9 million decrease in other payables due to reversal of provision of contingency cost no longer required for Puncak Gloxinia Phase 2 (Block D, Block E and Block F) amounting RM3.3 million and reversal of commission overprovided of RM1.0 million in FYE 2020.

Comparison between FYE 2021 and FYE 2022

Our non-current liabilities increased by RM5.1 million from RM35.6 million in FYE 2021 to RM40.7 million in FYE 2022, mainly due to net drawdown of term loans in relation to The Logg of RM10.0 million and drawdown of term loan of RM1.6 million for Taman Bukit Alamanda, offset with a repayment of bridging loans and other term loans amounting to RM6.5 million in relation to The Logg amounting to RM4.3 million, Taman Bukit Alamanda amounting to RM0.6 million and other term loans of RM1.6 million under financing.

Our current liabilities increased by RM1.2 million from RM70.4 million in FYE 2021 to RM71.6 million in FYE 2022, mainly due to:

(i) increase in trade payables of RM7.0 million, being retention sum withheld from our contractors; and

(ii) increase in contract liabilities of RM21.9 million being billings issued for The Logg – Parkhill and Taman Seri Lemawang Phase 1G projects where construction is not yet done.

The increase in current liabilities was offset by:

(i) decrease in borrowings by RM18.7 million being settlement of bridging loan;

(ii) repayment to our Directors, Chin Mee Leen and Loke Theen Fatt, of RM3.1 million and RM0.1 million respectively; and

(iii) decrease in other payables of RM5.8 million in relation to the reversal of provision for contingency cost which was no longer required amounting to RM1.6 million for Puncak Gloxinia Phase 2 (Block D, Block E and Block F) and reversal of provision of fees in relation to our arbitration with GC Architect of RM1.6 million, which was offset by the provision for contingency cost of RM1.2 million for the rectification works carried out for Puncak Gloxinia Phase 1 and Phase 2.

12.2.4 Review of cash flows

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Net cash from operating activities	17,180	6,593	25,168
Net cash from / (used in) investing activities	1,518	(2,060)	(13,746)
Net cash generated from / (used in) financing activities	7,719	32,964	(18,011)
Net increase / (decrease) in cash and cash equivalents	26,417	37,497	(6,589)
Cash and cash equivalent at beginning of financial year	(13,168)	13,249	50,746
Cash and cash equivalent at end of financial year	**13,249**	**50,746**	**44,157**
Cash and cash equivalents comprise:			
Fixed deposits placed with licensed bank	10,564	13,835	22,136
Cash and bank balances	23,147	50,807	35,456
	33,711	64,642	57,592
Less: Fixed deposit pledged as collaterals	(9,791)	(13,044)	(13,325)
Less: Housing development account	(93)	(463)	(110)
Less: Bank overdraft	(10,578)	(389)	-
	13,249	**50,746**	**44,157**

FYE 2020

Net cash for operating activities

We recorded net cash inflow from operating activities of RM17.2 million, based on an operating profit of RM18.1 million and after taking into account the following working capital changes:

(a) increase in inventories of RM24.8 million mainly due to development progress for The Logg, and other on-going projects' property development costs incurred;

(b) decrease in trade and other receivables of RM26.7 million mainly due to collection of outstanding progress billings from Puncak Gloxinia Phase 2 (Block D, Block E and Block F);

(c) increase in trade and other payables of RM6.1 million due to provision for contingency costs to completion for Puncak Gloxinia Phase 2 (Block D, Block E and Block F) amounting to RM12.7 million and offset against the net decrease in trade payables of RM9.0 million being payment to our suppliers and contractors, and increase in accrual of land costs and deposits received of RM2.4 million in relation to other projects;

(d) increase in contract assets of RM4.3 million mainly in relation to the accrued billings for the commencement of the development for Taman Seri Lemawang Phase 1A to 1G; and

(e) interest paid of RM2.5 million and tax payments of RM2.6 million.

Net cash for investing activities

We recorded net cash inflow for our investing activities of RM1.5 million, mainly due to:

(a) utilisation of monies from housing development account of RM1.2 million;

(b) purchase of property, plant and machinery of RM0.4 million being the cash payments in relation to the batching plant for Tuaran, modification of moulding and other equipment; and

(c) proceeds from disposal of investment property in Plaza Gloxinia of RM0.8 million.

Net cash for financing activities

We recorded net cash inflow for our financing activities of RM7.7 million, mainly due to:

(a) repayment of lease liabilities of RM1.0 million;

(b) net drawdown of bank borrowings amounting RM5.4 million;

(c) repayment to our Director, Loke Theen Fatt of RM2.0 million offset against advances from our Director, Chin Mee Leen of RM0.5 million;

(d) upliftment of fixed deposit of RM4.9 million; and

(e) drawdown of bridging loans for Taman Seri Lemawang Phase 1A to 1F of RM21.3 million and offset against the redemption of RM17.9 million of bridging loans for the projects.

FYE 2021

Net cash for operating activities

We recorded net cash inflow from operating activities of RM6.6 million, based on an operating profit of RM22.5 million and after taking into account the following working capital changes:

(a) net increase in inventories of RM3.5 million, being mainly RM29.2 million property development costs for on-going projects, offset by decrease in inventories of RM24.6 million mainly due to disposal of completed units from Puncak Gloxinia Phase 2 (Block D, Block E and Block F) and capitalisation of RM1.1 million of depreciation;

(b) decrease in trade and other receivables of RM2.3 million mainly due to collection of outstanding progress billings from cash buyers and end-financiers for projects, mainly in relation to Puncak Gloxinia Phase 2 (Block D, Block E and Block F);

(c) increase in contract assets of RM7.8 million mainly in relation to the accrued billings for the commencement of the property development costs incurred for Taman Seri Lemawang Phase 1A to 1H, Plaza Seri Lemawang, Residensi Seri Akasia (Block A and Block B);

(d) decrease in trade and other payables of RM1.7 million, mainly due to reversal of contingency cost provided for Puncak Gloxinia Phase 2 (Block D, Block E and Block F) of RM3.3 million and other accruals amounting RM1.6 million comprising mainly land costs and utilisation of contingency sum provided for Puncak Gloxinia Phase 2 (Block D, Block E and Block F). This was offset by RM3.2 million net increase in trade payables in relation to our suppliers and contractors; and

(e) interest paid of RM2.1 million and tax payments of RM3.6 million.

Net cash for investing activities

We recorded net cash outflow for our investing activities of RM2.1 million mainly due to:

(a) payments of cash portions for purchases of property, plant and machinery of RM1.8 million being crawler crane, rough terrain crane, mobile crane, mixer truck, steel mould and other equipment for project usage;

(b) increase in housing development account of RM0.4 million; and

(c) proceeds from disposal of motor vehicles of RM0.1 million.

Net cash for financing activities

We recorded net cash inflow for our financing activities of RM33.0 million mainly due to:

(a) repayment of lease liabilities of RM1.3 million;

(b) net drawdown of bank borrowings of RM36.0 million for the development of The Logg, Taman Seri Lemawang (Phase 1A to 1D and 1F to 1H), Plaza Seri Lemawang and Residensi Seri Akasia (Block A and Block B);

(c) advance from our Director, Chin Mee Leen of RM1.5 million for our working capital; and

(d) increase in pledged fixed deposits of RM3.3 million from excess funds available.

FYE 2022

Net cash for operating activities

We recorded net cash inflow from operating activities of RM25.2 million, based on an operating profit of RM17.1 million and after taking into account the following working capital changes:

(a) net increase in inventories of RM10.0 million, mainly being property development costs for The Logg, Taman Bukit Alamanda, Residensi Seri Akasia (Block C and Block D) projects;

(b) increase in trade and other receivables of RM7.8 million mainly due to deposit paid for Alamesra Lands of RM7.4 million;

(c) decrease in contract assets of RM7.9 million mainly in relation to the accrued billings for the commencement of the property development costs incurred for Taman Seri Lemawang Phase 1E to 1I, Residensi Seri Akasia (Block C and Block D) and The Logg and increase in contract liabilities of RM21.9 million mainly due to progress billings exceeding construction progress for The Logg – Parkhill;

(d) increase in trade and other payables of RM1.2 million, mainly due increase in trade payable of RM7.0 million to suppliers and contractors for on-going development projects, and provision of contingency cost for the rectification work carried out for Puncak Gloxinia projects of RM1.2 million, offset by:

    (i) reversal of contingency cost provided upon completion of Puncak Gloxinia Phase 2 (Block D, Block E and Block F) of RM1.7 million;

(ii) reversal of provision of architect fees in relation to our arbitration with GC Architect of RM1.6 million; and

(iii) deposits received from purchasers of The Logg – Parkhill of RM1.3 million; and

(e) interest paid of RM2.2 million and tax payments of RM3.7 million.

Net cash for investing activities

We recorded net cash outflow for our investing activities of RM13.7 million, mainly due to:

(a) increase in property, plant and machinery of RM14.2 million being:

(i) work-in-progress for Avani Luyang @ The Logg in which we intend to own of RM12.5 million;

(ii) purchase of plant and machinery such as tower crane, lorry crane, mobile crane, mini excavator, double cab, water truck, scaffolding and accessories of RM1.1 million for project usage; and

(iii) office equipment and motor vehicles amounting of RM0.6 million;

(b) net decrease in housing development account of RM0.4 million;

(c) repayment from a director of RM0.06 million; and

(d) proceeds from disposal of motor vehicles of RM0.05 million.

Net cash for financing activities

We recorded net cash outflow for our financing activities of RM18.0 million, mainly due to:

(a) net repayment of lease liabilities of RM1.0 million;

(b) net repayment of bank borrowings of RM13.6 million for The Logg, Taman Bukit Alamanda, Taman Seri Lemawang, Plaza Seri Lemawang and Residensi Seri Akasia on the land and bridging financing;

(c) repayment to our Director, Chin Mee Leen of RM3.1 million; and

(d) net placement of fixed deposits of RM0.3 million.

12.3 LIQUIDITY AND CAPITAL RESOURCES

12.3.1 Working capital

We have been financing our operations through existing cash and bank balances, cash generated from our operations, credit extended by our suppliers and external sources of funds. Our external sources of funds comprise mainly term loans, bridging loans, bank overdrafts, trade financing, as well as lease liabilities under hire purchase arrangement. The principal use of our borrowings is for working capital purpose and purchase of plant and machinery.

The decision to utilise either internally generated funds or borrowings for our business operations depends on, amongst others, our cash and bank balances, expected cash inflow and outflow, future working capital requirements, future capital expenditure requirements and the interest rate on borrowings.

After taking into consideration the following, our Board is of the view that our working capital will be sufficient for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus:

(a) our cash and cash equivalents as at LPD of approximately RM10.7 million (excluding RM5.7 million which is pledged as security for our banking facilities);

(b) our banking facilities (excluding lease liabilities) of up to a limit of RM480.5 million as at LPD, of which RM77.6 million has been utilised;

(c) our expected future cash flows from operations taking into account our on-going projects of RM625.9 million as at LPD, to be recognised progressively up to FYE 2026; and

(d) our pro forma NA position of RM[•] million and gearing level of [•] times as at 31 December 2022, after accounting for the Public Issue and utilisation of proceeds.

At this juncture, we do not foresee any circumstances which may materially affect our liquidity. We carefully consider our cash position and ability to obtain further financing before making significant capital commitments, such as new landbank acquisition and commencement of new property development projects.

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12.4 BORROWINGS

All of our borrowings are secured and interest-bearing. Our total outstanding borrowings as at 31 December 2022 stood at RM53.3 million, details of which are set out below:

	Purpose	Security	Tenure	Effective interest rate	As at 31 December 2022
				%	RM'000
Interest bearing short-term borrowings, payable within 1 year:					
Banker's acceptance	Trade financing	Third party first legal charge over project land, fixed deposit and joint and several guarantee by 3 directors[1]	1 to 3 months	3.73 – 3.99	4,044
CMFTF-i	Land	Third party first legal charge over the project land. Joint and several guarantee by 2 directors[1]	12 months	6.64 – 7.14	955
CMC-i	Bridging finance	Third party first legal charge over the project land. Joint and several guarantee by 2 directors[1]	48 to 60 months	6.74 – 7.74	6,289
Term loan	Land and building	First party first legal charge over building. Joint and several guarantee by all directors[1]	54 to 180 months	3.63 – 8.50	707
Lease liabilities (hire purchase)	Plant, machinery and motor vehicle financing	Joint and several guarantee by all directors[1]	36 to 60 months	4.28 – 6.60	1,491
Interest bearing long-term borrowings, payable after 1 year:					
Term loan	Land, building and hotel financing	First party first legal charge over buildings and third party first legal charge over project land. Joint and several guarantee by all directors[1]	54 to 180 months	3.63 – 8.50	37,515
Lease liabilities (hire purchase)	Plant, machinery and motor vehicle financing	Joint and several guarantee by all directors[1]	36 to 60 months	4.28 – 6.60	2,303
Total borrowings					**53,304**

	Purpose	Security	Tenure	Effective interest rate	As at 31 December 2022
				%	RM'000
Gearing (times)					0.4
After Acquisitions and subsequent events but before Public Issue(3)					0.4
After Acquisitions and subsequent events, Public Issue and utilisation of proceeds(3)					[•]

Notes:

(1) In conjunction with the Listing, we have applied to the financiers to obtain a release and/or discharge of the guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the financiers. Until such release and/or discharge are obtained from the respective financiers, our Directors will continue to guarantee the banking facilities extended to our Group. In this respect, we have obtained a conditional release from some of our financiers. Please refer to Section 10.2.2(b) for further details.

(2) Computed based on our pro forma NA of RM122.8 million in the pro forma statements of financial position after the Acquisitions and subsequent events, but before Public Issue and proposed utilisation of proceeds.

(3) Computed based on our pro forma NA of RM[•] million in the pro forma statements of financial position after the Acquisitions, and subsequent events, Public Issue and utilisation of proceeds which includes the repayment of bank borrowings of RM[•] million.

As at LPD, we do not have any borrowings which are non-interest bearing and/or in foreign currency. We have not defaulted on payments of principal sums and/or interests in respect of any of our borrowings throughout FYE 2020 to 2022 and up to LPD.

As at LPD, neither our Company nor any of our subsidiaries is in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and results or business operations or the investments by holders of our securities.

Over FYE 2020 to 2022, we have not experienced any claw back or reduction in the facilities limit granted to us by our lenders.

12.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

Save as disclosed in Section 12.4 above, we do not have or utilise any other financial instruments or have any other treasury policies. All our financial instruments are used towards purchase of property, plant and equipment and our property development business. As at 31 December 2022, save for our lease liabilities which are based on fixed rates, all our other facilities with licensed financial institutions are based on base lending rate plus or minus a rate which varies depending on the type of facility.

12.6 MATERIAL CAPITAL COMMITMENTS

As at LPD, save as disclosed below, we do not have any other material capital commitments:

	To be funded internally or with borrowings	To be funded from proceeds of our Public Issue	Total
	RM'000	RM'000	RM'000
Land held for property development:			
Authorised and contracted for			
Alamesra Lands	(1)[•]	[•]	[•]
Taman Seri Lemawang, The Logg and Sandakan projects	(2)28,988	[•]	[•]
	[•]	**[•]**	**[•]**

Notes:

(1) Our Group has secured a letter of offer from Hong Leong Islamic Bank and is pending execution as at LPD. Our Group anticipates the execution of the letter of offer to take place in September 2023.

(2) In respect of Taman Seri Lemawang project, our Group has secured bank borrowings from Hong Leong Islamic Bank.

In respect of The Logg project, our Group has secured bank borrowings from Sabah Development Bank Berhad for the land and bridging financing, and Hong Leong Bank Berhad with respect to Avani Luyang @ The Logg.

In respect of the Sandakan project, our Group has not secured any bank borrowings as at LPD as our Group is in the midst of pursuing a revised development plan for such project.

The material capital commitments above shall be funded through the proceeds to be raised from our Public Issue, our internally generated funds and/or bank borrowings at our discretion. Further details are set out in Section 4.9.1(a) and (d).

12.7 MATERIAL LITIGATION AND CONTINGENT LIABILITIES

(a) Material litigation

Save as disclosed below, we are not been engaged in any government, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on the financial position or profitability of our Group as at LPD:

(i) Landmark Property v Ketua Pengarah Hasil Dalam Negeri and Lembaga Hasil Dalam Negeri Malaysia ("LHDN")

Pursuant to the letter dated 2 November 2020 from LHDN to Landmark Property, LHDN stated that the expenses incurred by Landmark Property in relation to the government grant awarded to Landmark Property of up to RM56,225,544 for the years of assessment 2016, 2017 and 2018 are not deductible for tax purposes pursuant to Paragraph 3 of the Income Tax (Exemption) (No.22) Order 2006 ("**Exemption Order**").

Landmark Property filed a judicial review application on 25 November 2020 ("**Judicial Review**") seeking for a declaration that the following notices are ultra vires the Exemption Order, Section 127(3)(b) of the Income Tax Act 1967 and accordingly are null and void in law:

(aa) the Notice of Assessment for the Year of Assessment 2016;

(bb) the Notice of Assessment for the Year of Assessment 2017; and

(cc) the Notice of Additional Assessment for the Year of Assessment 2018,

(collectively, "**the Impugned Assessments**").

On 23 December 2020, the High Court of Malaya ("**High Court**") granted Landmark Property leave to commence the said Judicial Review, and subsequently on 9 July 2021, the Judicial Review application was allowed by the High Court. Following that, LHDN filed a Notice of Appeal to the Court of Appeal against the decision of the High Court ("**Substantive Appeal**") and the Substantive Appeal has been stayed pending Landmark Property's appeal against the dismissal of their representing solicitor's ad hoc admission application ("**Ad Hoc Admission Application**").

The Ad Hoc Admission Appeal's hearing date is fixed on 18 July 2024. The next case management in respect of the Substantive Appeal is fixed on 7 December 2023 to update the court on the status of the Ad Hoc Admission Application.

Landmark Property has made payment to LHDN up to July 2021 amounting to RM1,337,040.98 in accordance with an Impugned Assessments instalment scheme that was proposed for the settlement of the tax liabilities ("**Amount Paid**"), and Landmark Property has since ceased subsequent payments to be made in accordance with the abovementioned instalment scheme following the High Court's decision to allow the Judicial Review application. In the event the Substantive Appeal by LHDN is unsuccessful, the Amount Paid will be refunded by LHDN to Landmark Property accordingly. The total value of the Impugned Assessments (less all payments made) is RM14,670,037.27. This amount excludes any further interest which may be imposed as time passes up to the date of judgement, on the outstanding value of Impugned Assessments.

However, in the event Landmark Property fails to defend the Substantive Appeal, Landmark Property is required to continue to make payments under the proposed instalment scheme for the balance amount of the Impugned Assessments amounting to RM13.3 million together with any imposed interest on a monthly basis over a period of 29 months in accordance with the proposed instalment scheme.

Our representing solicitors are of the opinion that there is a more than even chance of success that Landmark Property will successfully defend the Substantive Appeal as the High Court has found that the Judicial Review had successfully established illegality, irrationality and breach of legitimate expectation by LHDN.

We have paid RM1,337,040.98 of the RM14,670,037.27 Impugned Assessments. The RM1,337,040.98 is accounted for under our financial statements as security deposit paid. The remaining balance of RM13,332,996.29 is not captured under the financial statements. We did not make a provision for the remaining balance of RM13,332,996.29 of Impugned Assessments by LHDN as the court case is still on-going, the legal advisers having opined a reasonable chance of success, as well as the indemnity provided by our Promoters. Our Promoters, Chin Mee Leen and Loke Theen Fatt have agreed to fully indemnify our Group for the amount in dispute amounting to RM13.3 million together with any imposed interest and any further legal costs arising from this litigation case, and may use the proceeds which they will receive as Selling Shareholders under the Offer for Sale or their personal funds, for this purpose. For avoidance of doubt, should the Offer for Sale not materialise, the Promoters are obliged to source for the necessary funds personally to fulfil their indemnity.

(ii) KTID v George Chong Ket Choi

George Chong Ket Choi ("**GC**") is an architect registered with the Board of Architects Malaysia and is the sole proprietor of GCA. In 2013, KTID had intentions to submit a tender to the Ministry of Local Government & Housing for a project in Beaufort, Sabah. The tender was subject to the approval of various federal ministries and agencies. GC and KTID entered into an oral agreement for GC to prepare a preliminary schematic and development plan ("**Plan**") for the Project. In early 2014, the Plan was prepared and subsequently submitted to various local authorities. Following that, pursuant to requests from the local authorities, a revised Plan was prepared and submitted in 2016.

KTID's tender was unsuccessful and it was not awarded the project. GC's contention is that KTID had orally agreed to pay GC professional fees for the preparation and submission of the Plan, whereas it is KTID's contention that the parties had orally agreed that GC would only be remunerated if KTID's tender was successful.

GC filed a writ of summons on 14 January 2021. In the amended statement of claim, GC claims that KTID purportedly owes him a total sum of RM431,118.37 as of 31 December 2020, being the alleged outstanding professional fees for work done.

Our representing solicitors are of the opinion that KTID has a reasonable chance of success based on the documentary evidence (subject to the witness' statements during the trial). Our solicitors take the view that GC had not adduced any evidence to show that there was an agreement to be remunerated by KTID, whereas KTID has written letters in 2018 and 2020 that there was no agreement to remunerate GC for the work done for this project. Hearing dates for trial have been fixed on 20, 22, 28 and 29 November 2023.

In the event KTID fails to defend its claim, KTID is required to pay the defendant the professional fees purportedly owed amounting to RM0.4 million.

(iii) Landmark Property v GCA

Landmark Property and GCA entered into a Memorandum of Agreement/ Conditions of Engagement dated 3 November 2010 ("**Contract**") for the provision of professional services by GCA for Landmark Property's project called "Proposed Commercial & Housing Development on Country Lease No. 025341940 at Kinarut South, Papar, Sabah" ("**Project**"). The Project is divided into Phase 1 to 3 and Phase 4.

In respect of Phase 1 to 3, GCA claims an alleged total sum of RM2,490,341.59 as at 30 June 2021 for work done. In respect of Phase 4, GCA claims an alleged total sum of RM7,659,459.80 as at 30 June 2021 for work done.

Landmark Property counterclaimed against GCA for the following reliefs:

(aa) a declaration that the suspension by GCA of its professional services in failing or refusing to issue the *Perumahan Penjawat Awam Malaysia* (PPAM) certification for Phase 4 of the Project was unlawful and a repudiation of the Contract;

(bb) a declaration that Landmark Property has lawfully terminated the Contract; and

(cc) that GCA is to pay to Landmark Property the sum of RM3,825,460.50 (excluding interest and cost) as at 19 August 2021 comprising of financing costs or interest charges, additional cost to carry out valuation or quantity surveying works, additional cost incurred to appoint another prime consultant and two other consultants, interest and costs.

On 2 June 2022, the final arbitration award was rendered against Landmark Property in the following terms:

(aa) the outstanding professional fees and 6.0% sales and service tax amounting to RM2,092,777.34 for Phases 1 to 3 and the amount of RM2,192,522.50 for Phase 4 was awarded to GCA;

(bb) the simple interest at the rate of 5.0% per annum on the amount of RM2,092,777.34 for Phases 1 to 3 and on the amount of RM2,192,522.50 for Phase 4 awarded to GCA calculated from the date of the final award to the date of full realisation; and

(cc) Landmark Property will pay GCA's cost and the cost of GCA's solicitor on a client-solicitor basis taxed by the court, including all costs and expenses and payments already incurred and/or disbursed for this arbitration.

On 7 July 2022, the High Court registered the final award as a court order. Landmark Property's application to set aside the final award ("**Main Suit**") was dismissed on 16 January 2023. Subsequent thereto, Landmark Property fully paid the sums due, amounting to RM4.29 million pursuant to the court order to GCA in early 2023. Despite having lost in the High Court in respect of the Main Suit, Landmark Property has filed a notice of appeal to the Court of Appeal. During the case management on 13 June 2023, no updates were given by the Court of Appeal and parties were informed that a further date for case management will be fixed. The parties received the grounds of judgment of the High Court on 3 October 2023, but the Court of Appeal has not fixed a date to hear this appeal.

In the event Landmark Property fails to depend its appeal, there will be no further amount due to be paid save for legal costs. Conversely, if Landmark Property is successful in its appeal, Landmark Property may potentially recover the amounts paid to GCA.

(b) Contingent liabilities

As at LPD, save for the value of the Impugned Assessments and amount claimed by GC, amounting to RM14,670,037.27 and RM431,118.37 as disclosed in (a)(i) and (ii) above respectively, there are no contingent liabilities incurred by us, our subsidiaries, which upon becoming enforceable, may have a material effect on our financial position or our subsidiaries' financial position.

12.8 KEY FINANCIAL RATIOS

The key financial ratios of our Group for FYE 2020 to 2022 are as follows:

	FYE 2020	FYE 2021	FYE 2022
Trade receivables turnover (days)(1)	104	38	19
Trade payables turnover (days)(2)	59	43	41
Current ratio (times)(3)	1.0	1.5	1.4
Gearing ratio (times)(4)	0.4	0.5	0.4

Notes:

(1) Computed based on average trade receivables (excluding retention sum) as at year end over progress billings for the year multiplied by 365/366 days for each financial year.

	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
Average closing balance of trade receivables	24,422	9,568	7,776
Progress billings	85,885	90,732	146,137
Trade receivables turnover (days)	104	38	19

(2) Computed based on average trade payables (excluding retention sum) as at year end over project development cost for the year multiplied by 365/366 days for each financial year.

	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
Average closing balance of trade payables (excluding retention sum)	13,595	8,430	11,033
Project development cost	84,227	71,486	99,326
Trade payables turnover (days)	59	43	41

(3) Computed based on current assets (excluding inventories which consists of completed units and property development costs) as these items are not readily convertible into cash) over current liabilities as at each financial year end.

(4) Computed based on total borrowings and lease liabilities (excluding lease liabilities arising from rental of offices) over total equity as at each financial year.

12.8.1 Trade receivables turnover

The normal credit period granted by our Group to our buyers as provided in the sales and purchase agreements is 30 days from the date of progress billings. As the revenue for our property development activities will be recognised using the percentage of completion method, the movements in our Group's revenue from property development activities may not be in line with the movements in the trade receivables turnover days as trade receivables are recorded based on progress billings issued to the end buyers.

Our trade receivables turnover days for FYE 2020 to 2022 were between 19 to 104 days, which have exceeded the credit period granted to our buyers mainly due to longer processing time taken by the end-financiers before releasing payment to us, and deposit payments from buyers being paid by instalments.

The ageing analysis of our trade receivables as at 31 December 2022 is as follows:

	Trade receivables as at 31 December 2022		Amount collected subsequent from 1 January 2023 up to LPD		Trade receivables net of subsequent collections	
	RM'000	Percentage of trade receivables	RM'000	Percentage collected	RM'000	Percentage of trade receivables net of subsequent collections
	(a)	(a) / total of (a)	(b)	(b) / (a)	(c) = (a)-(b)	(c) / total of (c)
Neither past due nor impaired	2,424	33.9	2,174	89.7	250	15.7
Past due but not impaired:						
• 1 to 30 days	1,601	22.4	1,167	72.9	434	27.2
• 31 to 60 days	880	12.4	842	95.7	38	2.4
• More than 60 to 90 days	486	6.8	354	72.8	132	8.3
• More than 90 days	1,750	24.5	1,011	57.8	739	46.4
	4,717	66.1	3,374	71.5	1,343	84.3
Total	**7,141**	**100.0**	**5,548**	**77.7**	**1,593**	**100.0**

The high trade receivable turnover of 104 days in FYE 2020 was mainly due to slower payment by some purchasers who were allowed to pay by instalments, and slower release of payment by end-financiers of the Puncak Gloxinia projects, as government financing takes longer to approve in light of the MCO. Correspondingly, the subsequent decrease from 104 days to 38 days was mainly due to collections from Puncak Gloxinia projects.

Our Group does not have any significant credit risk as we are principally a property developer and we sell our properties to a large number of buyers using financing from reputable end-financiers or government financing.

Our Group has not encountered any major disputes with our debtors. With respect to overdue debts, we have generally been able to collect payment eventually as evident by our subsequent collections after FYE 2022. As such, our management was of the view that the overdue trade receivables were recoverable and no impairment was made in FYE 2022. Our management closely monitors the recoverability of our overdue trade receivables on a regular basis. Trade receivables comprise substantially of amounts due from buyers with end financing facilities.

12.8.2 Trade payables turnover

We award certain construction works of our property development projects to third party contractors and purchase material directly from suppliers. In this regard, trade payables are recognised at their original invoice amounts which represent their fair value on initial recognition. We have been granted credit terms of 60 to 90 days from the date of invoice by our contractors and suppliers. Our trade payables turnover days were between 41 to 59 days for the financial years under review. As at 31 December 2022, trade payables comprise 13.0% suppliers, 34.0% contractors, 52.0% of retention sum and 1.0% for consultant and sales agent.

The ageing analysis of our trade payables as at 31 December 2022 is as follows:

	Trade payables as at 31 December 2022		**Amount paid subsequent from 1 January 2023 up to LPD**		**Trade payables net of subsequent payment**	
	RM'000	**Percentage of trade payables**	**RM'000**	**Percentage paid**	**RM'000**	**Percentage of trade payables net of subsequent payments**
	(a)	**(a)/total of (a)**	**(b)**	**(b) /(a)**	**(c) = (a)-(b)**	**(c)/total of (c)**
Neither past due nor impaired	10,801	41.4	10,801	100.0	-	-
Past due but not impaired:						
• 1 to 30 days	522	2.0	522	100.0	-	-
• 31 to 120 days	620	2.4	620	100.0	-	-
• More than 120 days	787	3.0	478	60.7	309	2.3
	1,929	7.4	1,620	84.0	309	2.3
Retention sum(1)	13,340	51.2	466	3.5	12,874	97.7
Total	**26,070**	**100.0**	**12,887**	**49.4**	**13,183**	**100.0**

Notes:

* Less than 0.1%

(1) Held for various projects and is due between years 2013 to 2022.

Our trade payables turnover decreased from 59 days in FYE 2020 to 43 days in FYE 2021. Nonetheless, as at 31 December 2022, only 7.4% of our outstanding trade payables exceeded the credit period given by our suppliers.

These outstanding trade payables are all due to contractors, consultant and suppliers. They were overdue as overall payment processing was slow in general due to processing delays and/or ensuring that final measurement against contractors' claim is in order prior to payment. As at LPD, almost all of our overdue trade payables have been subsequently paid. Save for RM0.3 million in relation to subcontractors claims being held back for finalising of variation order and commission to be paid to in-house sales agency and professional fees for previous project amounting of RM0.1 million. Save as disclosed in the table above, there are no outstanding trade payables which exceed their credit period.

Additionally, there are no disputes in respect of any trade payables and no legal action has been initiated by our suppliers to demand for payment. Nonetheless, our Group shall monitor its payment processes more closely to avoid future delays in payment.

12.8.3 Current ratio

Our current ratio for FYE 2020 to 2022 are as follows:

	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
Current assets(1)	68,807	104,416	97,301
Current liabilities	70,760	70,374	71,660
Net current (liabilities) / assets	**(1,953)**	**33,979**	**26,949**
Current ratio (times)	1.0	1.5	1.4

Note:

(1) Adjusted to exclude inventories which consists of completed units and property development costs as these items are not readily convertible into cash.

Our current ratio maintained throughout FYE 2020 to 2022, ranging from 1.0 to 1.5 times. This indicates that our Group is capable of meeting our current obligations as our current assets such as inventory and trade receivables, which can be readily converted to cash, together with our cash in the bank are enough to meet immediate current liabilities. The increase in current ratio in FYE 2021 is mainly from RM18.0 million of cash and bank balances mainly from the drawdown of term loans for The Logg's projects.

12.8.4 Gearing ratio

Our gearing ratio for FYE 2020 to 2022 are as follows:

	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
Total borrowings	41,246	66,965	53,304
Total equity	111,681	127,301	137,785
Gearing ratio (times)	0.4	0.5	0.4

Note:

(1) Based on total borrowings and lease liabilities excluding lease liabilities arising from the rental of office.

The changes in gearing ratio was mainly due to movement in term loan balances due to additional term loans drawn down to purchase land for development or repayment of outstanding term loans. Our gearing ratio increased marginally from 0.4 times in FYE 2020 to 0.5 times in FYE 2021, mainly due to drawdown of term loans in relation to The Logg's projects, and decreased slightly to 0.4 times in FYE 2022 due to redemption of bridging loans under development.

12.8.5 Inventories ageing

Inventories held by our Group comprise land held for development, property development costs and completed units. For this analysis, we only consider the completed units. The completed units comprise various types of properties from many of our completed projects, namely Taman Nelly Phase 8D and Plaza Seri Lemawang.

Our Group's cost of sales for development properties is recognised based on the percentage of completion for each property development project. On the other hand, completed units which are unsold remain as inventories indefinitely until sold. The value of our inventories at the end of any financial year may not correspond to our cost of sales as each of our property development projects have specific project costing.

Based on the above, the calculation of inventory turnover (i.e. average inventories as at year end over cost of sales for the year) may be distorted in both the numerator and denominator, and as such, the ratio may not yield a meaningful analysis.

The ageing analysis of our inventories of completed units as at 31 December 2022 is as follows:

	Less than 1 year	**1 to 2 years**	**More than 2 years**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Inventories	1,417	-	525	1,942
% of total inventories	73.0	-	27.0	100.0

The inventories aged less than 2 years comprise of 1 unit of Plaza Seri Lemawang (73.0%).

The inventories aged more than 2 years comprise Taman Nelly Phase 8D (27.0%). Such units are generally smaller units.

We do not have a specific impairment policy on unsold units and we assess them as and when we need to. In our experience, our unsold units have not depreciated in value in the past, but generally appreciate instead. In this respect, we have flexibility to price the unsold units at a discount/rebate to market value, close to the initial selling price, without incurring losses.

12.9 SIGNIFICANT FACTORS AFFECTING OUR REVENUE

Section 9 details a number of risk factors relating to our business and the industry in which we operate. Some of these risk factors have an impact on our Group's revenue and financial performance. The main factors which affect our revenues and profits include but are not limited to the following:

(a) Our Group is dependent on LPPB on sustain our pipeline of projects

Our Group is subject to risks associated with the provision of design and build construction services primarily to LPPB. Since 2010 and up to LPD, we have been providing our design and build construction services primarily to LPPB whereby LPPB is the state authority in Sabah involved in overseeing housing and township development, as well as the development of affordable housing in Sabah. All projects which contributed to our Group's revenue during FYE 2020 to 2022 were design and build construction services contracts awarded by LPPB. In addition, on-going and future projects slated up to 2025 amounting to RM1.4 billion in GDV are also projects awarded by/in participation with LPPB, save and except for the Alamesra project, which is an acquisition of lands from a third-party vendor for a purchase consideration of approximately RM74.0 million. In the event that there is a delay in the completion of projects with LPPB, our Group will be liable to pay the agreed liquidated damages stipulated in the respective sale and purchase agreements entered into between our Group, LPPB and the buyers of the units of the particular project. Our Group will also be required to indemnify and keep LPPB harmless against all such claims, loss and damages, if any.

In this regard, our Group is dependent on LPPB to sustain our pipeline of projects. In the event that LPPB ceases to award design and build construction projects to our Group, our financial performance may be adversely affected. Further, LPPB may decide to award the projects to other property developers in Sabah and this subjects us to the risk of competition from these developers. Notwithstanding that our Group has the expertise to continue sourcing for landbanks for our own development projects, there is no assurance that we will be able to complete the acquisition of the landbanks in a timely manner as well as to have sufficient landbank for development projects, in order to compensate for any loss in revenue if we fail to secure design and build construction services from LPPB.

(b) Our Group is subject to risks of possible delays in completing our design and build construction projects and property development projects

The timely completion of our design and build construction projects and property development projects is dependent on many external factors inherent in construction and property development, some of which may be beyond our control including, amongst others, the timely receipt of required licenses, permits or regulatory approvals, availability of construction materials, equipment and labour, availability of financing and appointment of qualified and competent consultants, professionals and subcontractors to complete the projects on time.

Any extensions of time in the completion of projects may result in project cost overrun and attract negative feedback from the consumer market. Further, prolonged interruptions or delays in completing a project may result in legal implications such as property buyers claiming LAD from us which may affect our revenue and profitability as well as cash flows.

(c) We are subject to potential liability claims for construction defects during the defect liability period

Construction defects may occur on our design and build construction projects and property development projects, and may arise sometime after completion of that particular project. While we may have recourse against our subcontractors in respect of such defects, such recourse may not be adequate or may only be available for a limited period, or that certain liabilities may only come to light after such recourse period has expired.

We extend a defect liability period of 18 months for all our design and build construction projects and property development projects. Any claims relating to defects on the properties may give rise to contractual and other liabilities. Unexpected levels of expenditure attributable to rectifying defects arising from a project may have a material adverse effect on the profitability generated from the particular project. Ultimately, it may also have an adverse effect on our Group's reputation, which in turn may adversely affect our business and financial performance.

(d) Our Group is subject to the prevailing market conditions in the property market in Malaysia and specifically in Sabah

As our design and build construction projects, property development projects and future landbanks are concentrated in Sabah, we are dependent on the prevailing market conditions of the property market in Malaysia and specifically, in Sabah, for the sales performance of our properties as well as the development planning of future projects. Further, our Group's business strategy is to continue strengthening our market position in Sabah where we currently operate.

Any negative performance of the Malaysian economy may adversely impact the employment market and consumers' purchasing power, causing consumers to be more cautious in their spending and investments which may subsequently affect the demand for properties. Any slowdown in the property market arising from situations like these may adversely affect the value of properties in Malaysia.

12.10 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

Risks relating to government, economic, fiscal or monetary policies or factors which may materially affect our operations are set out in Section 9.

12.11 IMPACT OF INFLATION

Although our phased property development projects typically take between 36 to 54 months to complete, we have entered into sale and purchase agreement with the buyers, with an agreed property price and have awarded the construction contract to the contractors, with an agreed contract sum. As such, we are not directly affected by inflation for FYE 2020 to 2022. However, there is no assurance that our financial performance will not be adversely affected by the impact of inflation moving forward.

12.12 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES ON OUR GROUP'S OPERATIONS

12.12.1 Impact of foreign exchange rates

Our transactions are solely denominated in RM.

12.12.2 Impact of interest rates

Exposure to changes in interest rate risk relates primarily to the borrowings from the banks. We do not generally hedge interest rate risks.

A sensitivity analysis has been performed on our Group based on the outstanding floating rate of the bank borrowings as at 31 December 2022, the PAT for FYE 31 December 2022 would increase or decrease by about RM2.1 million, as a result of higher or lower interest rates of 100 basis points on these borrowings.

Our Group's financial results for FYE 2020 to 2022 were not materially affected by fluctuations in interest rates. However, should we undertake significant bank borrowings, a major increase in interest rates would raise the cost of borrowings and our finance costs, which may have an adverse effect on the performance of our Group.

12.12.3 Impact of commodity prices

Our direct materials mainly consist of materials such as steel bar, steel reinforcement wire mesh, cement, stone and sand. These raw materials are widely available in Malaysia and from a large base of suppliers. We were not directly affected by fluctuations in commodity prices for FYE 2020 to 2022.

12.13 SIGNIFICANT CHANGES

There are no significant changes which may have a material effect on the financial position and results of our Group subsequent to FYE 2022 and up to LPD.

12.14 ORDER BOOK

The nature of our Group's business is property development and hence sales of properties are commonly on a one-off basis. As such, our Group does not have an order book.

12.15 DIRECTORS' STATEMENT ON OUR GROUP'S FINANCIAL PERFORMANCE

Our Board is of the opinion that:

(a) our Group's revenue will remain sustainable in line with the positive outlook of the property industry as set out in the IMR Report in Section 8, which is expected to experience slower demand in the near future;

(b) our liquidity will improve further subsequent to our Public Issue given the additional funds to be raised for our Group to carry out our business strategies as stated in Section 7.17; and

(c) our capital resources will strengthen, taking into account the amount to be raised from the IPO as well as internally generated funds. We may consider debt funding for our capital expansion should the need arises.

In addition to the above, our Board confirms that there are no circumstances which would result in a significant decline in our revenue and GP margins or know of any factors that are likely to have a material impact on our liquidity, revenue or profitability.

12.16 TREND INFORMATION

Based on our track record for FYE 2020 to 2022, the following trends may continue to affect our business:

(a) during FYE 2020 to 2022, revenue was derived from the design and build construction services and property development segment. We expect that these segments to continue contributing significantly to our revenue in the future;

(b) Sabah has been our main focus in terms of geographical locations and we will continue to focus in this location;

(c) the main components of our cost of sales are construction materials, land costs, infrastructure works, building works and M&E works which collectively accounted for more than 71.6%, 81.1% and 87.1% of our total cost of sales during FYE 2020 to 2022. Moving forward, our cost of sales is expected to fluctuate in tandem with the growth of our business and would depend on amongst others, the availability and price fluctuation of our direct materials and preliminaries; and

(d) we achieved GP margins of 31.3%, 29.6% and 27.3% for FYE 2020 to 2022, respectively. Moving forward, our GP margin will depend on, amongst others, our continued ability to manage our costs efficiently and price our properties competitively.

As at LPD, after all reasonable enquiries, our Board confirms that, our operations have not been and are not expected to be affected by any of the following:

(a) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in Sections 12.2, 12.9 and 12.12;

(b) material commitments for capital expenditure save as disclosed in Section 12.6;

(c) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as discussed in Sections 12.2, 12.9 and 12.12;

(d) known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group's revenue save for those that had been discussed in Sections 12.2, 12.9 and 12.12; and

(e) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not necessarily indicative of the future financial performance and position other than those discussed in Sections 12.2, 12.9 and 12.12.

Based on the above, our Board is optimistic about the future prospects of our Group given the positive outlook of the property industry in Sabah as set out in the IMR Report in Section 8, our Group's competitive strengths set out in Section 7.7 and our Group's intention to implement the business strategies as set out in Section 7.17.

12.17 DIVIDEND POLICY

As our Company is an investment holding company, our income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiaries, present or future. Our subsidiaries will require its financiers' consent as set out in the respective facility agreements to pay dividends to our Company. Save for compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies, there are no legal, financial, or economic restrictions on the ability of our existing subsidiary to transfer funds in the form of cash dividends, loans or advances to us. Moving forward, the payment of dividends or other distributions by our subsidiaries will depend on their distributable profits, operating results, financial condition, capital expenditure plans, business expansion plans and other factors that their respective boards of directors deem relevant.

Our Group presently does not have any formal dividend policy. The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board. It is our intention to pay dividends to shareholders in the future; however, such payments will depend upon a number of factors, including our Group's financial performance, capital expenditure requirements, general financial condition and any other factors considered relevant by our Board.

Dividends declared and paid by our subsidiaries for FYE 2020 to 2022 and up to LPD are as follows:

	Audited			**Unaudited**
	FYE 2020	**FYE 2021**	**FYE 2022**	**1 January 2023 up to LPD**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Dividends declared	-	-	-	(1)15,000
Dividends paid	-	-	-	(1)15,000

Note:

(1) An interim dividend of RM15.0 million was declared on 31 March 2023 and paid on 3 April 2023.

The dividends declared and paid in 1 January 2023 up to LPD were funded via internally generated cash. Further to the above, our Group intends to declare and pay a dividend of up to RM15.0 million by end of 2023 using internally generated funds, prior to the completion of our Listing. The dividends will not affect the execution and implementation of our Group's future plans or business strategies. Together with the IPO proceeds, our Group believes that we have sufficient funding of cash from operations for the funding requirement for our operations and expansion plans.

12.18 CAPITALISATION AND INDEBTEDNESS

The table below summarises our capitalisation and indebtedness:

(a) Based on the latest unaudited financial information as at 1 May 2023; and

(b) After adjusting for the effects of Acquisitions and subsequent events, IPO and utilisation of proceeds.

		I	II	III
	As at 1 May 2023	**After Acquisitions and subsequent events**	**After I and IPO**	**After II and utilisation of proceeds**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Indebtedness[1]				
Current				
Secured and guaranteed				
Borrowings	17,059	17,059	17,059	[•]
Lease liabilities	1,553	1,553	1,553	1,553
Unsecured and unguaranteed				
Lease liabilities	68	68	68	68
Non-current				
Secured and guaranteed				
Borrowings	36,664	36,664	36,664	[•]
Lease liabilities	2,672	2,672	2,672	2,672
Unsecured and unguaranteed				
Lease liabilities	385	385	385	385
Total borrowings	**58,401**	**58,401**	**58,401**	**[•]**
Total contingent liabilities[1]	15,101	15,101	15,101	15,101
Total indebtedness	**73,502**	**73,502**	**73,502**	**[•]**
Capitalisation				
Share capital	-	107,584	[•]	[•]
Invested capital	2,000	-	-	-
Total capitalisation	**2,000**	**107,584**	[•]	[•]
Total capitalisation and indebtedness	**75,502**	**181,086**	**[•]**	**[•]**
Gearing ratio (times)				
• Include contingent liabilities[2]	36.8	0.7	[•]	[•]
• Exclude contingent liabilities[3]	29.2	0.5	[•]	[•]

Notes:

(1) Relates to the value of the Impugned Assessments and amount claimed by GC.

(2) Calculated based on total indebtedness divided by total capitalisation.

(3) Calculated based on total borrowings dividend by total capitalisation.