**KTI LANDMARK BERHAD**
(Formerly known as KTI Property Berhad)
Registration No.: 201601008159 (1179087-X)
(Incorporated in Malaysia)

**ACCOUNTANTS' REPORT ON COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 31 DECEMBER 2021 AND 31 DECEMBER 2022**

MOORE

**Moore Stephens Associates PLT**
[201304000972 (LLP0000963-LCA)]
Chartered Accountants [AF002096]
Unit 3.3A, 3rd Floor, Surian Tower
No. 1 Jalan PJU 7/3, Mutiara Damansara
47810 Petaling Jaya, Selangor, Malaysia

T +603 7728 1800 (General) ; 7724 1033 (Assurance)
F +603 7728 9800 (General) ; 7733 1033 (Assurance)

www.moore.com.my

**THE BOARD OF DIRECTORS**
**KTI LANDMARK BERHAD**
(Formerly known as KTI Property Berhad)
Lot 221 & 222, Taman Nelly 9,
Phase 4 Shoplot, Lorong Nelly Plaza,
Jalan Nountun, Kolombong,
88844, Kota Kinabalu, Sabah.

Dear Sir

**REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANTS' REPORT OF KTI LANDMARK BERHAD**

**Opinion**

We have audited the combined financial statements of KTI Landmark Berhad ("the Company") which comprise the combined statements of financial position as at 31 December 2020, 31 December 2021 and 31 December 2022, and the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for corresponding financial years then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 4 to 64.

The historical combined financial statements have been prepared for inclusion in the prospectus of KTI Landmark Berhad on the ACE Market of Bursa Malaysia Securities Berhad ("Prospectus"). This report is prepared for the purpose of complying with the Prospectus Guidelines – Equity issued by the Securities Commission Malaysia and for no other purposes.

K.T.I. Sdn. Bhd. and K.T.I Development Sdn. Bhd. became subsidiaries of the Company subsequent to 31 December 2022. The Company, K.T.I. Sdn. Bhd. and K.T.I Development Sdn. Bhd. are collectively referred to as "the Group".

In our opinion, the combined financial statements give a true and fair view of the combined financial position as at 31 December 2020, 31 December 2021 and 31 December 2022, and of its combined financial performance and its combined cash flows for the years then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

**Basis for Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements section* of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence and Other Ethical Responsibilities*

We are independent of the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

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**Responsibilities of the Directors for the Combined Financial Statements**

The Directors of the Company are responsible for the preparation of combined financial statements of the Group that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of combined financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements of the Group, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements**

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the combined financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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**Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements** (cont'd)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Restriction on Distribution and Use**

This report has been prepared solely to comply with the Prospectus Guidelines – Equity issued by the Securities Commission Malaysia and for inclusion in the Prospectus of KTI Landmark Berhad in connection with the listing of and quotation for the entire enlarged issued share capital of KTI Landmark Berhad on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this report.

Moore

MOORE STEPHENS ASSOCIATES PLT
201304000972 (LLP0000963-LCA)
Chartered Accountants (AF002096)

TAN KEI HUI
03429/04/2025 J
Chartered Accountant

Petaling Jaya, Selangor
Date: 27 June 2023

**KTI LANDMARK BERHAD**
(Formerly known as KTI Property Berhad)
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF COMPREHENSIVE INCOME**

| | | <------- Audited | ------- | -------> |
|---|---|---|---|---|
| | **Note** | **FYE 2020 RM** | **FYE 2021 RM** | **FYE 2022 RM** |
| Revenue | 4 | 90,193,490 | 98,517,752 | 112,880,173 |
| Cost of sales | 5 | (61,968,976) | (69,396,949) | (82,072,781) |
| **Gross profit** | | 28,224,514 | 29,120,803 | 30,807,392 |
| Other income | | 2,327,655 | 4,187,042 | 2,918,655 |
| Selling and marketing expenses | | (2,960,478) | (1,398,560) | (4,710,623) |
| Administrative expenses | | (10,292,165) | (10,409,738) | (12,399,398) |
| Other expenses | | - | - | (388,763) |
| **Profit from operations** | 6 | 17,299,526 | 21,499,547 | 16,227,263 |
| Finance costs | 7 | (1,784,012) | (2,102,654) | (2,240,586) |
| **Profit before tax** | | 15,515,514 | 19,396,893 | 13,986,677 |
| Tax expense | 8 | (2,921,374) | (3,776,315) | (3,504,012) |
| **Profit net of tax, representing total comprehensive income for the financial year** | | 12,594,140 | 15,620,578 | 10,482,665 |
| **Earnings per share attributable to the Owners of the Group** | | | | |
| Basic/diluted earnings per share (sen) | 32 | 1.57 | 1.95 | 1.31 |

The annexed notes form an integral part of,
and should be read in conjunction with, these combined financial statements.

**KTI LANDMARK BERHAD**
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(Incorporated in Malaysia)

**COMBINED STATEMENTS OF FINANCIAL POSITION**

| | | <------- Audited as at 31 December -------> | | |
|---|---|---|---|---|
| | | **2020** | **2021** | **2022** |
| | **Note** | **RM** | **RM** | **RM** |
| **ASSETS** | | | | |
| **Non-Current Assets** | | | | |
| Property, plant and equipment | 9 | 11,854,553 | 27,247,250 | 39,864,576 |
| Inventories | 11 | 1,920,620 | 1,920,620 | 1,920,620 |
| Deferred tax assets | 12 | 542,869 | 154,315 | - |
| | | 14,318,042 | 29,322,185 | 41,785,196 |
| **Current Assets** | | | | |
| Inventories | 11 | 109,049,580 | 99,649,173 | 111,068,937 |
| Trade receivables | 13 | 10,724,460 | 8,411,113 | 7,141,317 |
| Contract assets | 14 | 20,824,373 | 27,501,272 | 19,828,744 |
| Other receivables | 15 | 3,324,394 | 2,265,162 | 11,289,491 |
| Amounts due from Directors | 16 | 64,000 | 64,000 | - |
| Tax recoverable | | 159,581 | 1,533,240 | 1,450,280 |
| Fixed deposits with licensed banks | 17 | 10,563,939 | 13,835,168 | 22,135,936 |
| Cash and bank balances | 18 | 23,147,147 | 50,806,638 | 35,456,322 |
| | | 177,857,474 | 204,065,766 | 208,371,027 |
| **TOTAL ASSETS** | | 192,175,516 | 233,387,951 | 250,156,223 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Invested equity | | 2,000,003 | 2,000,003 | 2,000,003 |
| Retained earnings | | 109,681,414 | 125,301,992 | 135,784,657 |
| **Total Equity** | 19 | 111,681,417 | 127,301,995 | 137,784,660 |
| **Non-Current Liabilities** | | | | |
| Lease liabilities | 20 | 2,313,403 | 2,138,323 | 2,303,431 |
| Borrowings | 21 | 6,624,024 | 32,793,715 | 37,515,352 |
| Deferred tax liabilities | 12 | 797,395 | 716,894 | 894,642 |
| | | 9,734,822 | 35,648,932 | 40,713,425 |

**KTI LANDMARK BERHAD**
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**COMBINED STATEMENTS OF FINANCIAL POSITION** (cont'd)

| | | <------- Audited as at 31 December -------> | | |
|---|---|---|---|---|
| | | **2020** | **2021** | **2022** |
| | **Note** | **RM** | **RM** | **RM** |
| **Current Liabilities** | | | | |
| Trade payables | 22 | 15,892,798 | 19,070,505 | 26,069,508 |
| Contract liabilities | 14 | 1,170,711 | 62,003 | 21,962,462 |
| Other payables | 23 | 18,555,675 | 13,679,801 | 7,833,953 |
| Amounts due to Directors | 16 | 2,668,673 | 4,173,130 | 1,056,929 |
| Amounts due to a related party | 24 | 35,020 | 21,161 | 44,793 |
| Lease liabilities | 20 | 1,211,043 | 1,301,198 | 1,491,039 |
| Borrowings | 21 | 31,097,502 | 30,732,191 | 11,994,769 |
| Tax payables | | 127,855 | 1,397,035 | 1,204,685 |
| | | 70,759,277 | 70,437,024 | 71,658,138 |
| **Total Liabilities** | | 80,494,099 | 106,085,956 | 112,371,563 |
| **TOTAL EQUITY AND LIABILITIES** | | 192,175,516 | 233,387,951 | 250,156,223 |

The annexed notes form an integral part of,
and should be read in conjunction with, these combined financial statements.

**KTI LANDMARK BERHAD**
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**COMBINED STATEMENTS OF CHANGES IN EQUITY**

| | Invested Equity RM | Distributable Retained Earnings RM | Total Equity RM |
|---|---|---|---|
| **At 1 January 2020** | 2,000,003 | 97,087,274 | 99,087,277 |
| Profit net of tax, representing total comprehensive income for the financial year | - | 12,594,140 | 12,594,140 |
| **At 31 December 2020/At 1 January 2021** | 2,000,003 | 109,681,414 | 111,681,417 |
| Profit net of tax, representing total comprehensive income for the financial year | - | 15,620,578 | 15,620,578 |
| **At 31 December 2021/At 1 January 2022** | 2,000,003 | 125,301,992 | 127,301,995 |
| Profit net of tax, representing total comprehensive income for the financial year | - | 10,482,665 | 10,482,665 |
| **At 31 December 2022** | 2,000,003 | 135,784,657 | 137,784,660 |

The annexed notes form an integral part of,
and should be read in conjunction with, these combined financial statements.

**KTI LANDMARK BERHAD**
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**COMBINED STATEMENTS OF CASH FLOWS**

| | Note | <---- Audited | FYE 2021 RM ----> | |
|---|---|---|---|---|
| | | **FYE 2020 RM** | **FYE 2021 RM** | **FYE 2022 RM** |
| **Cash Flows from Operating Activities** | | | | |
| Profit before tax | | 15,515,514 | 19,396,893 | 13,986,677 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | | 1,626,187 | 1,548,329 | 1,552,571 |
| Depreciation of investment property | | 6,682 | - | - |
| Forfeiture of deposit from customers | | (7,500) | - | (10,000) |
| Gain on disposal of: | | | | |
| - property, plant and equipment | | (333) | (99,999) | (49,999) |
| - investment property | | (274,155) | - | - |
| Interest expense | | 1,784,012 | 2,102,654 | 2,240,586 |
| Interest income | | (514,658) | (418,861) | (632,482) |
| Other receivable written off | | - | - | 30,000 |
| Property, plant and equipment written off | | - | - | 2 |
| Operating profit before changes in working capital | | 18,135,749 | 22,529,016 | 17,117,355 |
| **Changes in working capital:** | | | | |
| Inventories | | (24,786,977) | (3,469,616) | (10,034,897) |
| Receivables | | 26,700,659 | 2,287,878 | (7,784,533) |
| Payables | | 6,086,584 | (1,712,026) | 1,193,624 |
| Contract assets/liabilities | | (4,308,701) | (7,785,607) | 29,572,987 |
| Cash generated from operations | | 21,827,314 | 11,849,645 | 30,064,536 |
| Interest paid | | (2,524,217) | (2,102,654) | (2,247,423) |
| Interest received | | 514,658 | 418,861 | 632,482 |
| Tax paid | | (2,637,787) | (3,572,741) | (3,689,444) |
| Tax refunded | | - | - | 408,105 |
| **Net cash from operating activities** | | 17,179,968 | 6,593,111 | 25,168,256 |
| **Cash Flows from Investing Activities** | | | | |
| Acquisition of property, plant and equipment | 9(vi) | (438,647) | (1,789,443) | (14,213,301) |
| Repayment from Directors | | - | - | 64,000 |
| Decrease/(increase) in housing development account | | 1,165,875 | (371,170) | 352,913 |
| Proceeds from disposal of: | | | | |
| - property, plant and equipment | | 1,000 | 100,000 | 50,000 |
| - investment property | | 790,000 | - | - |
| **Net cash from/(used in) investing activities** | | 1,518,228 | (2,060,613) | (13,746,388) |

**KTI LANDMARK BERHAD**
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**COMBINED STATEMENTS OF CASH FLOWS** (cont'd)

| | | <------ Audited ------> | | |
|---|---|---|---|---|
| | Note | FYE 2020 RM | FYE 2021 RM | FYE 2022 RM |
| **Cash Flows from Financing Activities** | | | | |
| (Repayment to)/advances from Directors | | (1,569,397) | 1,504,457 | (3,116,201) |
| Decrease/(Increase) in pledged deposits placed with licensed banks | | 4,863,924 | (3,252,260) | (281,029) |
| Drawdown of bankers' acceptance | | 19,360,000 | 15,192,210 | 17,788,831 |
| Drawdown of trust receipts | | 99,000 | 1,283,066 | - |
| Drawdown of term loans | | - | 27,816,897 | 10,000,000 |
| Drawdown of Commodity Murabahah Flexi Term Financing-I ("CMFTF-i") | | 3,827,528 | - | 1,600,000 |
| Drawdown of Commodity Murabahah Cashline-I ("CMC-i") | | 21,317,135 | 38,827,571 | 23,292,785 |
| Repayment of bankers' acceptance | | (19,312,000) | (13,355,830) | (20,525,211) |
| Repayment of trust receipts | | (259,997) | (489,430) | (793,636) |
| Repayment of term loans | | (337,571) | (2,402,921) | (5,277,942) |
| Repayment of invoice financing | | (365,115) | - | - |
| Repayment of CMFTF-i | | (1,018,221) | (3,393,982) | (1,415,103) |
| Repayment of CMC-i | | (17,862,736) | (27,483,716) | (38,296,854) |
| Refinance of lease liabilities | (ii) & (iii) | - | - | 516,000 |
| Repayment of lease liabilities | (ii) & (iii) | (1,023,288) | (1,281,785) | (1,502,517) |
| **Net cash from/(used in) financing activities** | | 7,719,262 | 32,964,277 | (18,010,877) |
| **Net increase/(decrease) in cash and cash equivalents** | | 26,417,458 | 37,496,775 | (6,589,009) |
| Cash and cash equivalents at beginning of the financial year | | (13,168,020) | 13,249,438 | 50,746,213 |
| **Cash and cash equivalents at end of the financial year** | (i) | 13,249,438 | 50,746,213 | 44,157,204 |

**Note:**

(i) Cash and cash equivalents comprise:

| | <------ Audited ------> | | |
|---|---|---|---|
| | FYE 2020 RM | FYE 2021 RM | FYE 2022 RM |
| Fixed deposits placed with a licensed bank | 10,563,939 | 13,835,168 | 22,135,936 |
| Cash and bank balances | 23,147,147 | 50,806,638 | 35,456,322 |
| | 33,711,086 | 64,641,806 | 57,592,258 |
| Less: Fixed deposits pledged as collaterals | (9,791,235) | (13,043,495) | (13,324,524) |
| Housing development account | (92,273) | (463,443) | (110,530) |
| Bank overdrafts | (10,578,140) | (388,655) | - |
| | 13,249,438 | 50,746,213 | 44,157,204 |

**KTI LANDMARK BERHAD**
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**COMBINED STATEMENTS OF CASH FLOWS** (cont'd)

**Note:**

(ii) Cash outflows for leases as a lessee are as follows:

| | <---- Audited | ----> | |
|---|---|---|---|
| | **FYE 2020 RM** | **FYE 2021 RM** | **FYE 2022 RM** |
| **Included in net cash from operating activities:** | | | |
| - Interest paid in relation to lease liabilities | 78,112 | 106,047 | 221,495 |
| - Payment relating to short-term leases | 104,211 | 94,800 | 64,969 |
| **Included in net cash used in financing activities:** | | | |
| - Payment for the principal portion of lease liabilities | 1,023,288 | 1,281,785 | 1,502,517 |
| Total cash outflows for leases | 1,205,611 | 1,482,632 | 1,788,981 |

(iii) The reconciliation of the movements of liabilities to cash flows arising from financing activities:

| | <---- Audited | ----> | |
|---|---|---|---|
| | **FYE 2020 RM** | **FYE 2021 RM** | **FYE 2022 RM** |
| **Lease liabilities** | | | |
| At beginning of the year | 4,019,228 | 3,524,446 | 3,439,521 |
| Acquisition of new leases | 522,000 | 1,196,860 | 1,341,466 |
| Refinance of lease [Note 9(iv)] | - | - | 516,000 |
| Repayment of principal | (1,023,288) | (1,281,785) | (1,502,517) |
| Net repayment of principal | (1,023,288) | (1,281,785) | (986,517) |
| *Finance costs:* | | | |
| Repayment of interest | (78,112) | (106,047) | (221,495) |
| Accrued interest | - | (4,276) | 6,837 |
| Finance costs charged during the year (Note 7) | 84,618 | 110,323 | 214,658 |
| | 6,506 | - | - |
| At end of the year | 3,524,446 | 3,439,521 | 3,794,470 |

The annexed notes form an integral part of,
and should be read in conjunction with, these combined financial statements.

**KTI LANDMARK BERHAD**
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

## 1. GENERAL INFORMATION

KTI Landmark Berhad ("the Company") was incorporated under the Companies Act 1965 on 10 March 2016 under the name of KTI Property Berhad as a public limited company and is deemed registered under the Companies Act 2016. The Company is domiciled in Malaysia with issued and fully paid-up share capital of RM3 consisting of 3 ordinary shares. Subsequently on 14 July 2022, the Company changed its name to KTI Landmark Berhad. The Company was incorporated to undertake internal reorganisation for the purpose of the listing of and quotation of the entire enlarged share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("the Listing").

For the purpose of facilitating the Listing, the Company entered into 2 conditional share sale agreements on 19 June 2023 to acquire the entire issued and paid-up share capital of K.T.I. Sdn. Bhd. ("KTISB") and K.T.I Development Sdn. Bhd. ("KTID"), respectively, to be fully satisfied by the issuance of 639,999,997 new ordinary shares in the Company (herein referred to as the "Internal Reorganisation"), will be completed prior to the Listing and resulting thereof, KTISB and KTID became the wholly-owned subsidiaries of the Company.

Upon the completion of the listing, the entire enlarged share capital of the Company of approximately RM[•] (after deducting the estimated listing expenses directly attributable to the issuance of new shares of RM[•] comprising 800,000,000 ordinary shares will be listed and quoted on the ACE Market of Bursa Securities.

The registered office and principal office of the Company is located at Lot 221 & 222, Taman Nelly 9, Phase 4 Shoplot, Lorong Nelly Plaza, Jalan Nountun, Kolombong, 88844, Kota Kinabalu, Sabah.

The principal activity of the Company is investment holding. The principal activities and other information of the combining entities are as follows:

| Combining Entities | Country of Incorporation | Principal Activities |
|---|---|---|
| K.T.I. Sdn. Bhd. ("KTISB") | Malaysia | Property development, carrying out construction work under contract, manufacturing of industrialised building system and investment holding. |
| K.T.I Development Sdn. Bhd. ("KTID") | Malaysia | Property development, carrying out construction work under contract and investment holding. |
| Subsidiaries of K.T.I. Sdn. Bhd. | | |
| - Dataran Jayamakmur Sdn. Bhd. ("DJSB") | Malaysia | Property development. |
| - K.T.I. Industrial Sdn. Bhd. ("KTII") | Malaysia | Dormant. Intended for property development. |

**KTI LANDMARK BERHAD**
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

1. **GENERAL INFORMATION** (cont'd)

The principal activity of the Company is investment holding. The principal activities and other information of the combining entities are as follows: (cont'd)

| Combining Entities | Country of Incorporation | Principal Activities |
|---|---|---|
| Subsidiary of K.T.I Development Sdn. Bhd. | | |
| - Landmark Property Sdn. Bhd. ("LPSB") | Malaysia | Property development. |
| Subsidiary of Landmark Property Sdn. Bhd. | | |
| - KTI Hotel & Resort Sdn. Bhd. ("KTIHR") | Malaysia | Property investment and hotel owner/operator. |

There have been no significant changes in the nature of the principal activities during these financial years under review.

This Accountants' report comprises the historical combined financial statements of KTI Landmark Berhad and its combining entities ("the Group"), which include the combined statements of financial position of the Group as at 31 December 2020, 31 December 2021 and 31 December 2022, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes (together, the "historical combined financial statements"), as set out on pages 4 to 64.

## 2. BASIS OF PREPARATION

The combined financial statements have been prepared for inclusion in the Prospectus in connection with the proposed listing of the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad and for no other purpose.

The combined financial statements for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 consist of the following entities under common control (collectively hereinafter referred to as the "Group") for each of the financial years under review:

| | Financial year ended ("FYE") 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| **Entities under common control:** | | | |
| KTI Landmark Berhad | ✓ | ✓ | ✓ |
| K.T.I. Sdn. Bhd. | ✓ | ✓ | ✓ |
| K.T.I Development Sdn. Bhd. | ✓ | ✓ | ✓ |
| Dataran Jayamakmur Sdn. Bhd. | ✓ | ✓ | ✓ |
| K.T.I. Industrial Sdn. Bhd. | ✓ | ✓ | ✓ |
| Landmark Property Sdn. Bhd. | ✓ | ✓ | ✓ |
| KTI Hotel & Resort Sdn. Bhd. | ✓ | ✓ | ✓ |

✓ *The combined financial statements include the financial statements of these combining entities for the respective financial years.*

The audited financial statements of the combining entities within the Group for the respective financial years as reported above were not subject to any qualification or modification.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory ("commonly controlled entities"). Control exists when the same parties have, as a result of common shareholders and contractual agreements, ultimate collective power to govern the financial and operating policies of each of the commonly controlled entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The combined financial statements for the relevant periods were prepared in a manner similar to the "pooling-of-interest" method, as if the entities under common control were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period or the dates of incorporation of the entities, whichever is later. Such manner of preparation reflects the economic substance of the combining entities, which were under common control throughout the relevant periods.

The financial information presented in the combined financial statements may not correspond to those in the consolidated financial statements had the relevant proposed transactions to legally constitute a group been incorporated in the consolidated financial statements for the respective years. Such financial information in the combined financial statements does not purport to predict the financial position, results and the cash flows of the entities under common control for those financial years.

**2. BASIS OF PREPARATION** (cont'd)

Common control business combination

For such common control business combinations, the "pooling-of-interest" method is used to account for the assets, liabilities, results, equity changes and cash flows in the combined financial statements.

Under the "pooling-of-interest" method, the results of the Group are presented as if the "pooling-of-interest" had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholders at the end of transfer of their shareholdings to KTI Landmark Berhad.

The effect of all transactions and balances, and any unrealised income and expenses occurring between the combining entities are eliminated in preparing the combined financial statements.

**(a) Statement of compliance**

The combined financial statements for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards ("IFRSs") and the Guidance Note on "Combined Financial Statements" issued by the Malaysian Institute of Accountants on 28 November 2018.

*Application of New Standards, Amendments and Interpretation*

In the preparation of the combined financial statements, the Directors have applied consistently throughout the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, a number of new accounting pronouncements that became effective mandatorily during the current financial year.

The Group has also considered the new accounting pronouncements in the preparation of the combined financial statements.

**(i) Accounting pronouncements that are effective and adopted during the financial year ended 31 December 2022**

| | |
|---|---|
| Amendments to MFRS 16 | Covid-19 – Related Rent Concessions beyond 30 June 2021 |
| Amendments to MFRS 3 | Reference to the Conceptual Framework |
| Amendments to MFRS 116 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendments to MFRS 137 | Onerous Contracts – Cost of Fulfilling a Contact |
| Annual Improvements to MFRSs 2018 – 2020 | |

The adoption of the above accounting pronouncements did not have any significant effect on the financial statements of the Group.

2. **BASIS OF PREPARATION** (cont'd)

(a) **Statement of compliance** (cont'd)

(ii) **Accounting pronouncements that are issued but not yet effective and have not been early adopted**

The Group has not adopted the following new accounting pronouncements that have been issued as at the date of authorisation of these combined financial statements but are not yet effective for the Group:-

***Effective for financial periods beginning on or after 1 January 2023***

| | |
|---|---|
| MFRS 17 | Insurance Contracts |
| Amendments to MFRS 17 | Insurance Contracts |
| Amendments to MFRS 17 | Initial Application of MFRS 17 and MFRS 9—Comparative Information |
| Amendments to MFRS 101 and MFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to MFRS 108 | Definition of Accounting Estimates |
| Amendments to MFRS 112 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |

***Effective for financial periods beginning on or after 1 January 2024***

| | |
|---|---|
| Amendments to MFRS 16 | Lease Liability in a Sale and Leaseback |
| Amendments to MFRS 101 | Classification of Liabilities as Current or Non-Current |
| Amendments to MFRS 101 | Non-current Liabilities with Covenants |

***Effective date to be announced***

| | |
|---|---|
| Amendments to MFRS 10 and MFRS 128 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |

The Group will adopt the above accounting pronouncements when they become effective in the respective financial periods. These accounting pronouncements are not expected to have any effect to the combined financial statements upon their initial applications.

(b) **Basis of measurement**

These combined financial statements have been prepared on the historical cost basis, except otherwise disclosed in the accounting policy notes.

(c) **Functional and presentation currency**

The individual financial statements of each entity are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The combined financial statements are presented in Ringgit Malaysia ("RM"), which is also the Group's functional currency, unless otherwise stated.

2. **BASIS OF PREPARATION** (cont'd)

(d) **Significant accounting estimates and judgements**

The summary of accounting policies as described in Note 3 are essential to understand the Group's results of operations, financial position, cash flows and other disclosures. Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Directors exercise their judgement in the process of applying the Group's accounting policies.

Estimates, assumptions concerning the future and judgements are made in the preparation of the combined financial statements. They affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

(i) *Property development revenue*

Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation (i.e. by reference to the property development costs incurred to date as a percentage of the estimated total costs of the contract). In making the estimate, management relies on opinion/service of experts, past experience and a continuous monitoring mechanism.

(ii) *Impairment of financial assets*

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by MFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

*(iii) Deferred tax assets and liabilities*

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the profit or loss in the period in which actual realisation and settlement occurs.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these combined financial statements, unless otherwise stated.

### (a) Basis of consolidation

*(i) Subsidiaries*

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive, The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, if it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

*(ii) Business Combinations*

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(a) **Basis of consolidation** (cont'd)

*(iii) Entities under common control*

For acquisition of entities under a reorganisation scheme that does not result in any change in economic substance, the consolidated financial statements of the Company is a continuation of the acquired entities and is accounted for as follows:

- The results of entities are presented as if the reorganisation occurred from the beginning o the earliest period presented in the financial statements;
- The Company will consolidate the assets and liabilities of the acquired entities at their pre-combination carrying amounts. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the reorganisation that would otherwise be done under the acquisition method; and
- No new goodwill is recognised as a result of the reorganisation. The only goodwill that is recognised is the existing goodwill relating to the combining entities. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity as reorganisation reserve or deficit.

*(iv) Acquisition of non-controlling interests*

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against the Group reserves.

*(v) Loss of control*

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

*(vi) Non-controlling interests*

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, and are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interest in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owner of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

*(vii) Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3. **SIGNIFICANT ACCOUNTING POLICIES**

**(b) Revenue and other income recognition**

***Revenue from contracts with customers***

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation ("PO") is a promise to transfer a distinct good or services (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to-date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

<u>Sale of completed properties</u>

Revenue from sales of completed properties is recognised at point in time, upon delivery of properties where the control of the properties has been passed to the buyers and it is probable that the Group will collect the considerations to which it will be entitled to in exchange for the assets sold.

<u>Property development revenue</u>

The Group recognises revenue from property development over time if it creates an asset with no alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation (i.e. by reference to the property development costs incurred to date as a percentage of the estimated total costs of development of the contract).

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(b) **Revenue and other income recognition** (cont'd)

***Revenue from contracts with customers*** (cont'd)

Incremental costs of obtaining a contract with a customer

The Group pays sales commissions to external sales agent and employees as an incentive for sales of each unit of on-going property development to the customers. Sales commissions have been determined to be an incremental cost of obtaining a contract and are capitalised as contract costs when the Group expects these costs to be recovered over a period of more than one year.

Contract costs are amortised over the revenue recognition by reference to the progress towards complete satisfaction of the performance obligation. For contract costs with an amortisation period of less than one year, the Group has elected to apply the practical expedient to recognise as an expense when incurred. Amortisation of contract costs are included as part of selling and marketing expenses in the profit or loss, based on the nature of commission costs, and not under amortisation expenses.

Contract assets and contract liabilities

Contract asset is the right to consideration in exchange for goods or services transferred to the customers. The Group's contract asset is the excess of cumulative revenue earned over the billings to-date.

When there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract asset is reclassified to trade receivables at the point at which invoices have been billed to customers.

Contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration or have billed the customer. The Group's contract liability is the excess of the billings to-date over the cumulative revenue earned. Contract liabilities are recognised as revenue when the Group performs their obligation under the contract.

***Other income***

Other income earned by the Group is recognised on the following basis:

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

Rental income

Rental income is recognised on a straight-line basis over the term of the lease.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(c) Government grant/assistance**

Grant/assistance from government is recognised when there is a reasonable assurance that the grant/assistance will be received and the Group will comply with all the attached conditions.

Government grant/assistance relating to costs is deferred and recognised in the statement of profit or loss over the period necessary to match them with the costs they are intended to compensate.

Government grant/assistance related to assets is presented in the statement of financial position as deferred revenue and recognised in the profit or loss on a systematic basis over the useful life of the asset.

**(d) Employee benefits**

<u>Short-term employee benefits</u>

Wages, salaries, social security contributions and bonuses are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leaves are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

<u>Defined contribution plan</u>

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense as incurred. Once the contributions have been paid, the Group has no further payment obligations.

**(e) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(f) **Income taxes**

Current tax

Tax expense represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the financial year, using tax rates enacted or substantively enacted by the reporting date, and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the combined financial statements. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

Deferred tax assets relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from business combination is adjusted against goodwill on acquisition or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the acquisition cost.

(g) **Leases**

**As a lessee**

The Group recognises a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The ROU assets are presented as part of the property, plant and equipment in the statements of financial position.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property, plant and equipment.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(g) Leases** (cont'd)

**As a lessee** (cont'd)

In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability. The Group applies MFRS 136 to determine whether a ROU asset is impaired and account for any identified impairment loss as described in Note 3(m)(ii).

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the Group's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group is reasonably certain to exercise.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low value assets are those assets valued at less than RM20,000 each when purchased new.

**(h) Property, plant and equipment**

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in the profit or loss as incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its costs can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(h) **Property, plant and equipment** (cont'd)

(iii) Depreciation (cont'd)

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in the profit or loss on straight line basis over its estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

| | |
|---|---|
| Leasehold land and buildings | 50 years |
| Plant and machineries | 5 years |
| Information technology ("IT") equipment | 5 years |
| Furniture, fittings and office equipment | 5 - 10 years |
| Motor vehicles | 5 years |
| Renovation | 5 - 10 years |

Freehold land and construction-in-progress are not depreciated.

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period and adjusted as appropriate.

Fully depreciated property, plant and equipment are retained in the combined financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

(i) **Inventories**

Inventories are measured at the lower of cost and net realisable value. The inventories of the Group are made up of land held for property development, property development costs and completed unsold properties.

(i) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(i) Inventories** (cont'd)

(i) Property development costs (cont'd)

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

(ii) Land held for property development

Land held for property development consists of land where no development activities have been carried out or when development activities are not expected to be completed within the normal operating cycle.

Land held for property development is reclassified as property development costs (classified within current assets) when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

Land held for property development comprises costs associated with the acquisition of land and all costs incurred subsequent to the acquisition but prior to the transfer to property development costs on activities necessary to prepare the land for its intended use.

Costs associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

(iii) Unsold completed properties

The cost of unsold completed properties is stated at the lower of cost and net realisable value. Cost includes the relevant cost of land and development expenditure.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

**(j) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and bank balances and fixed deposits placed with a licensed bank that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the combined statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and fixed deposits pledged, if any.

**(k) Investment property**

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the financial year in which they arise.

Leasehold land is depreciated over the lease period of 99 years. Building is depreciated on straight line basis at 2% per annum.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(l) **Financial instruments**

(i) **Initial recognition and measurement**

A financial asset or a financial liability is recognised in the combined statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) **Financial instrument categories and subsequent measurement**

The Group categorises financial instruments as follows:

***Financial assets***

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see note 3(m)(i)) where the effective interest rate is applied to the amortised cost.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(l) **Financial instruments** (cont'd)

(ii) **Financial instrument categories and subsequent measurement** (cont'd)

***Financial liabilities***

Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount presented in the combined statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(iv) **Regular way purchase or sale of financial assets**

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date; and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) **Derecognition**

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(m) Impairment**

**(i) Financial assets**

The Group recognises loss allowances for expected credit losses ("ECL") on financial assets measured at amortised cost and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

Loss allowances of the Group are measured on either of the following basis:

(i) 12-month ECLs - represents the ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

(ii) Lifetime ECLs - represents the ECLs that will result from all possible default events over the expected life of a financial instrument and contract assets.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

<u>Simplified approach - trade receivables and contract assets</u>

The Group applies the simplified approach to provide ECLs for all trade receivables and contract assets as permitted by MFRS 9. The simplified approach required expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the combining entities historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where applicable.

<u>General approach - other financial instruments</u>

The Group applies the general approach to provide for ECLs on all other financial instruments, which requires the loss allowance to be measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward looking information, where available.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(m) **Impairment** (cont'd)

(i) **Financial assets** (cont'd)

General approach - other financial instruments

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is significantly past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Credit impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost is credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or significant past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider (e.g. the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise);
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for security because of financial difficulties.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Any recoveries made are recognised in the profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(m) Impairment** (cont'd)

**(ii) Non-financial assets**

The carrying amounts of non-financial assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in the profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

The recoverable amount of an asset or cash-generating units is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Except for goodwill, assets that were previously impaired are reviewed for possible reversal of the impairment at the end of each reporting period. Any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation reserve. Reversal of impairment loss is restricted by the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

An impairment loss is recognised for the amount by which the carrying amount of the subsidiary, joint venture or associate exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and present value of the estimated future cash flows expected to be derived from the investment including the proceeds from its disposal. Any subsequent increase in recoverable amount is recognised in profit or loss.

**(n) Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

**(o) Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are equity instruments.

<u>Ordinary shares</u>

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**(p) Contingent liabilities/assets**

**(i) Contingent liabilities**

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the combined statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(ii) Contingent assets**

Where it is not probable that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the combined statements of financial position and is disclosed as a contingent asset, unless the probability of inflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets unless the probability of inflow of economic benefits is remote.

**(q) Earnings per share**

Basis earnings per share ("EPS") is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the financial period for the effects of all dilutive potential ordinary shares.

**(r) Provisions**

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

(s) **Fair value measurements**

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. **REVENUE**

| | **2020 RM** | **2021 RM** | **2022 RM** |
|---|---|---|---|
| Property development revenue | 71,605,674 | 61,569,404 | 110,727,559 |
| Sales of completed properties | 8,201,524 | 28,596,895 | 1,623,527 |
| Project facilitation services revenue: | | | |
| - property development | 8,260,726 | - | - |
| - completed properties | 2,125,566 | 8,351,453 | 529,087 |
| | 10,386,292 | 8,351,453 | 529,087 |
| | 90,193,490 | 98,517,752 | 112,880,173 |
| **Timing of revenue recognition:** | | | |
| - Point in time | 10,327,090 | 36,948,348 | 2,152,614 |
| - Over time | 79,866,400 | 61,569,404 | 110,727,559 |
| | 90,193,490 | 98,517,752 | 112,880,173 |

4. **REVENUE** (cont'd)

Property development revenue

This is in respect of residential and commercial units under construction. The Group has entered into contract with customers for the development of these residential and commercial properties. Revenue recognition is based on stage of completion method. The stage of completion method is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Each of the obligations are not distinct and is unable to be performed separately. Accordingly, contracts with respective customers are considered as a single PO and are not separately identifiable. The PO is satisfied upon the customer simultaneously receives and consumes the benefits provided by the Group's performance. The duration of the contract generally takes 36 months to complete. Payment is generally due within 30 days upon issuance of progress billing and tax invoice to customer.

Revenue is recognised when the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date. The residential and commercial units sold have generally no alternative use for the Group due to contractual restrictions. The Group has an enforceable right to payment for the certified work performed over the contract period as promised in the Sale and Purchase Agreement. Therefore, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that aforesaid PO.

Sales of completed properties

Revenue from sale of completed properties is recognised in profit or loss at the point when the control of the properties has been transferred to the purchaser. The performance obligation is satisfied upon delivery of "Vacant Possession" of the completed property to purchaser and payment is generally due within 14 days from date of Sale and Purchase Agreement.

Project facilitation services

The Government of Sabah has provided facilitation fund to the Group for the benefit of the qualified purchasers to bridge the difference between the gross development cost and the gross development value for each unit of property under Perumahan Penjawat Awam Malaysia ("PPAM") scheme for certain property development projects. Revenue is recognised when there is reasonable assurance that the conditions attaching to it will be complied with and revenue recognition is based on stage of completion in constructing the residential units.

(a) Property development

Performance obligation is satisfied over the period of the contract and payment is generally due upon issuance of drawdown notice to the Government of Sabah.

(b) Completed properties

Performance obligation is satisfied at point in time when control of the properties has been transferred to the purchaser and payment is generally due upon issuance of drawdown notice to the Government of Sabah.

4. **REVENUE** (cont'd)

Unsatisfied long-term contracts

The following table shows unsatisfied POs resulting from property development revenue.

(a) Property development revenue

| | 2020 RM | 2021 RM | 2022 RM |
|---|---|---|---|
| Total property development revenue, net | 90,330,000 | 169,781,000 | 388,067,890 |
| Less: Cummulative property development revenue recognised, net | (68,168,133) | (129,737,537) | (240,465,096) |
| Aggregate amount of the transaction price allocated to property development revenue that are partially or fully satisfied as at 31 December | 22,161,867 | 40,043,463 | 147,602,794 |

The remaining unsatisfied performance obligations are expected to be recognised as below:

| | 2020 RM | 2021 RM | 2022 RM |
|---|---|---|---|
| Within 1 year | 19,714,793 | 22,908,608 | 67,850,375 |
| Between 1 and 3 years | 2,447,074 | 17,134,855 | 79,752,419 |
| | 22,161,867 | 40,043,463 | 147,602,794 |

5. **COST OF SALES**

| | 2020 RM | 2021 RM | 2022 RM |
|---|---|---|---|
| Property development costs | 54,685,963 | 44,428,775 | 80,210,439 |
| Costs of completed properties sold | 6,772,381 | 24,602,159 | 1,510,304 |
| Rectification works | 510,632 | 366,015 | 352,038 |
| | 61,968,976 | 69,396,949 | 82,072,781 |

## 6. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging/(crediting):-

| | Note | 2020 RM | 2021 RM | 2022 RM |
|---|---|---|---|---|
| Auditors' remuneration | | | | |
| - current year | | 72,000 | 118,000 | 168,000 |
| Depreciation of investment property | | 6,682 | - | - |
| Depreciation of property, plant and equipment charged out as: | | | | |
| - Administrative expenses | | 1,626,187 | 1,548,329 | 1,552,571 |
| Directors' remuneration | (a) | 1,590,432 | 1,368,774 | 1,745,349 |
| Employee benefit expenses | (b) | 4,874,425 | 4,985,275 | 4,536,653 |
| Gain on disposal of property, plant and equipment | | (333) | (99,999) | (49,999) |
| Property, plant and equipment written off | | - | - | 2 |
| Other receivable written off | | - | - | 30,000 |
| Interest income | | (514,658) | (418,861) | (632,482) |
| Rental income | | (220,314) | (26,785) | (77,949) |
| Short-term leases | | 104,211 | 94,800 | 64,969 |

(a) Directors' remuneration

| | 2020 RM | 2021 RM | 2022 RM |
|---|---|---|---|
| Salaries, bonuses and allowances | 1,355,962 | 1,173,359 | 1,480,537 |
| Contributions to defined contribution plan | 222,678 | 188,150 | 246,149 |
| Social security contributions | 6,205 | 6,157 | 7,274 |
| Other benefits | 5,587 | 1,108 | 11,389 |
| | 1,590,432 | 1,368,774 | 1,745,349 |

(b) Employee benefit expenses

| | 2020 RM | 2021 RM | 2022 RM |
|---|---|---|---|
| Salaries, bonuses and allowances | 4,245,735 | 4,348,044 | 3,897,124 |
| Contributions to defined contribution plan | 519,648 | 527,402 | 510,217 |
| Social security contributions | 64,082 | 58,340 | 49,960 |
| Other benefits | 44,960 | 51,489 | 79,352 |
| | 4,874,425 | 4,985,275 | 4,536,653 |

## 7. FINANCE COSTS

| | 2020 RM | 2021 RM | 2022 RM |
|---|---|---|---|
| Interest expense on: | | | |
| - bank guarantee | 19,135 | 19,125 | 47,625 |
| - bankers' acceptance, trust receipts and invoice financing | 386,242 | 152,053 | 131,626 |
| - bank overdrafts | 183,146 | 121,082 | 49,303 |
| - CMC-i | 454,057 | 1,071,980 | 481,100 |
| - CMFTF-i | 229,244 | 174,989 | 1,579 |
| - lease liabilities | 84,618 | 110,323 | 214,658 |
| - term loans | 427,570 | 453,102 | 1,314,695 |
| | 1,784,012 | 2,102,654 | 2,240,586 |

## 8. TAX EXPENSE

| | 2020 RM | 2021 RM | 2022 RM |
|---|---|---|---|
| **Income tax:** | | | |
| - Current year | 1,376,292 | 2,966,941 | 3,422,552 |
| - (Over)/underprovision in prior year | 636,544 | 501,321 | (250,603) |
| | 2,012,836 | 3,468,262 | 3,171,949 |
| **Deferred tax** (Note 12): | | | |
| - Relating to origination of temporary differences | 979,383 | 612,003 | 514,885 |
| - Overprovision in prior year | (70,845) | (303,950) | (182,822) |
| | 908,538 | 308,053 | 332,063 |
| Tax expense for the financial year | 2,921,374 | 3,776,315 | 3,504,012 |

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the year. Certain combining entities being the resident company incorporated in Malaysia with paid-up capital of not more than RM2.5 million at the beginning of the basis period for a year of assessment and its gross income from business sources not exceeding RM50 million qualified for the preferential tax rates under *Paragraph 2A, Schedule 1 of the Income Tax Act, 1967 ("ITA 1967")* and amendment to *ITA 1967* by the *Finance Act 2019 (Act 823)(amendment to Section 2)* as follows:

On the first RM600,000 (2021: RM600,000; 2020: RM500,000) of chargeable income: 17%
In excess of RM600,000 (2021: RM600,000; 2020: RM500,000) of chargeable income: 24%

**8. TAX EXPENSE** (cont'd)

The reconciliations from the tax amount at statutory income tax rate to the Group's tax expense are as follows:

| | 2020<br>RM | 2021<br>RM | 2022<br>RM |
|---|---|---|---|
| Profit before tax | 15,515,514 | 19,396,893 | 13,986,677 |
| Tax at the Malaysian statutory income tax rate of 24% | 3,723,723 | 4,655,254 | 3,356,802 |
| Effect of income subject to 17% preferential tax rate | (57,558) | - | - |
| Income not subject to tax | (2,374,871) | (2,121,260) | (511,795) |
| Expenses not deductible for tax purposes | 849,580 | 533,071 | 2,165,497 |
| Utilsation of deferred tax assets previously not recognised | (1,095,046) | - | (1,260,581) |
| Deferred tax assets not recognised | 1,309,847 | 511,879 | 187,514 |
| Under/(over)rprovision of income tax in prior year | 636,544 | 501,321 | (250,603) |
| Overprovision of deferred tax in prior year | (70,845) | (303,950) | (182,822) |
| Tax expense for the financial year | 2,921,374 | 3,776,315 | 3,504,012 |

The Group has the following estimated unabsorbed capital allowances and unutilised tax losses to be carried forward to offset against future taxable profit:

| | 2020<br>RM | 2021<br>RM | 2022<br>RM |
|---|---|---|---|
| Unabsorbed capital allowance | 1,319,225 | 113,022 | 160,114 |
| Unutilised tax losses | 309,963 | 5,985,238 | 8,364,703 |
| | 1,629,188 | 6,098,260 | 8,524,817 |

The availability of the unutilised tax losses will be subject to Inland Revenue Board discretion and approval to offset against future taxable profit. In the announcement of Malaysia 2022 Budget, the unutilised tax losses will be allowed to be carried forward for 10 consecutive years of assessment ("YA")(previously 7 YAs) deemed to be effective from YA 2019.

### 9. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold lands and buildings RM | Freehold land RM | Furniture, fittings and office equipment RM | IT equipment RM | Motor vehicles RM | Plant and machineries RM | Renovation RM | Lease of premises RM | Construction -in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|---|
| **2020** | | | | | | | | | | |
| **Group** | | | | | | | | | | |
| **Cost** | | | | | | | | | | |
| At 1 January 2020 | 3,444,894 | 356,084 | 2,141,635 | 89,500 | 4,829,164 | 15,343,867 | 994,819 | - | - | 27,199,963 |
| Additions | - | - | 75,454 | 44,086 | 3,250 | 837,857 | - | - | - | 960,647 |
| Disposals | - | - | - | - | (2,000) | - | - | - | - | (2,000) |
| At 31 December 2020/ 1 January 2021 | 3,444,894 | 356,084 | 2,217,089 | 133,586 | 4,830,414 | 16,181,724 | 994,819 | - | - | 28,158,610 |
| Additions | - | - | 34,836 | 9,040 | 40,000 | 2,923,150 | - | - | 1,084,700 | 4,091,726 |
| Transferred from inventories | 2,127,640 | - | - | - | - | - | - | - | 11,874,935 | 14,002,575 |
| Disposals | - | - | - | - | (377,000) | - | - | - | - | (377,000) |
| At 31 December 2021/ 1 January 2022 | 5,572,534 | 356,084 | 2,251,925 | 142,626 | 4,493,414 | 19,104,874 | 994,819 | - | 12,959,635 | 45,875,911 |
| Additions | - | - | 139,374 | 252,773 | 127,600 | 2,032,557 | 49,273 | 497,266 | 12,500,343 | 15,599,186 |
| Disposals | - | - | - | - | (124,933) | - | - | - | - | (124,933) |
| Written off | - | - | (26,550) | - | - | (29,000) | - | - | - | (55,550) |
| At 31 December 2022 | 5,572,534 | 356,084 | 2,364,749 | 395,399 | 4,496,081 | 21,108,431 | 1,044,092 | 497,266 | 25,459,978 | 61,294,614 |

**9. PROPERTY, PLANT AND EQUIPMENT** (cont'd)

| | Leasehold lands and buildings RM | Freehold land RM | Furniture, fittings and office equipment RM | IT equipment RM | Motor vehicles RM | Plant and machineries RM | Renovation RM | Lease of premises RM | Construction -in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | | | | | | |
| At 1 January 2020 | 938,613 | - | 1,331,615 | 12,032 | 3,118,744 | 7,309,429 | 595,200 | - | - | 13,305,633 |
| Charge for the financial year | 68,898 | | 248,829 | 26,492 | 462,402 | 2,065,422 | 127,714 | - | - | 2,999,757 |
| Disposals | - | - | - | - | (1,333) | - | - | - | - | (1,333) |
| At 31 December 2020/ 1 January 2021 | 1,007,511 | - | 1,580,444 | 38,524 | 3,579,813 | 9,374,851 | 722,914 | - | - | 16,304,057 |
| Charge for the financial year | 60,569 | - | 155,964 | 27,308 | 442,546 | 1,948,102 | 67,114 | - | - | 2,701,603 |
| Disposals | - | - | - | - | (376,999) | - | - | - | - | (376,999) |
| At 31 December 2021/ 1 January 2022 | 1,068,080 | - | 1,736,408 | 65,832 | 3,645,360 | 11,322,953 | 790,028 | - | - | 18,628,661 |
| Charge for the financial year | 63,442 | - | 133,174 | 66,731 | 409,611 | 2,213,778 | 58,622 | 36,499 | - | 2,981,857 |
| Disposals | - | - | - | - | (124,932) | - | - | - | - | (124,932) |
| Written off | - | - | (26,549) | - | - | (28,999) | - | - | - | (55,548) |
| At 31 December 2022 | 1,131,522 | - | 1,843,033 | 132,563 | 3,930,039 | 13,507,732 | 848,650 | 36,499 | - | 21,430,038 |
| **Net carrying amount** | | | | | | | | | | |
| At 31 December 2020 | 2,437,383 | 356,084 | 636,645 | 95,062 | 1,250,601 | 6,806,873 | 271,905 | - | - | 11,854,553 |
| At 31 December 2021 | 4,504,454 | 356,084 | 515,517 | 76,794 | 848,054 | 7,781,921 | 204,791 | - | 12,959,635 | 27,247,250 |
| At 31 December 2022 | 4,441,012 | 356,084 | 521,716 | 262,836 | 566,042 | 7,600,699 | 195,442 | 460,767 | 25,459,978 | 39,864,576 |

**9. PROPERTY, PLANT AND EQUIPMENT** (cont'd)

(i) The ROU assets recognised by the Group are as follows:

| | Motor vehicles RM | Plant and machineries RM | Lease of premises RM | Total RM |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2020 | 1,903,039 | 4,470,737 | - | 6,373,776 |
| Additions | - | 580,000 | - | 580,000 |
| Derecognition of ROU asset* | (124,933) | - | - | (124,933) |
| At 31 December 2020/ 1 January 2021 | 1,778,106 | 5,050,737 | - | 6,828,843 |
| Additions | - | 1,196,860 | - | 1,196,860 |
| Derecognition of ROU asset* | - | (927,780) | - | (927,780) |
| At 31 December 2021/ 1 January 2022 | 1,778,106 | 5,319,817 | - | 7,097,923 |
| Additions | - | 938,000 | 497,266 | 1,435,266 |
| Refinancing# | - | 755,000 | - | 755,000 |
| Derecognition of ROU asset* | - | (892,957) | - | (892,957) |
| At 31 December 2022 | 1,778,106 | 6,119,860 | 497,266 | 8,395,232 |
| **Accumulated depreciation** | | | | |
| At 1 January 2020 | 450,829 | 972,216 | - | 1,423,045 |
| Charge for the financial year | 380,609 | 755,440 | - | 1,136,049 |
| Derecognition of ROU asset* | (116,605) | - | - | (116,605) |
| At 31 December 2020/ 1 January 2021 | 714,833 | 1,727,656 | - | 2,442,489 |
| Charge for the financial year | 355,621 | 858,390 | - | 1,214,011 |
| Derecognition of ROU asset* | - | (593,417) | - | (593,417) |
| At 31 December 2021/ 1 January 2022 | 1,070,454 | 1,992,629 | - | 3,063,083 |
| Charge for the financial year | 343,119 | 1,023,123 | 36,499 | 1,402,741 |
| Refinancing# | - | 117,750 | - | 117,750 |
| Derecognition of ROU asset* | - | (349,742) | - | (349,742) |
| At 31 December 2022 | 1,413,573 | 2,783,760 | 36,499 | 4,233,832 |
| **Net carrying amount** | | | | |
| At 31 December 2020 | 1,063,273 | 3,323,081 | - | 4,386,354 |
| At 31 December 2021 | 707,652 | 3,327,188 | - | 4,034,840 |
| At 31 December 2022 | 364,533 | 3,336,100 | 460,767 | 4,161,400 |

# *Refinancing results from lease arrangements for plant and machineries which purchase in prior year.*

* *Derecognition of ROU assets resulted from full settlement of lease liabilities.*

(ii) The long-term leasehold lands have remaining lease period of 889 and 902 (2021: 890 and 903; 2020: 891 and 904) years.

(iii) Leasehold land and buildings, freehold land and construction-in-progress of the Group with net carrying amount of RM29,426,414 (2021: RM16,972,472; 2020: RM1,931,398) are charged to licensed banks for banking facilities granted to the Group as disclosed in Note 21.

9. **PROPERTY, PLANT AND EQUIPMENT** (cont'd)

(iv) Leasehold land and building of the Group with a net carrying amount of RM121,512 (2021: RM130,513; 2020: RM139,514) represent 1/3 share of a land title registered in the names of third parties.

(v) A freehold land with carrying amount of RM356,084 (2021: RM356,084; 2020: RM356,084) are registered with third party who hold the freehold land in trust on behalf of the Group.

(vi) Acquisition of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM15,599,186 (2021: RM18,094,301; 2020: RM960,647) which are satisfied by following arrangements:

| | 2020 RM | 2021 RM | 2022 RM |
|---|---|---|---|
| Financed through lease arrangements | 522,000 | 1,196,860 | 1,341,466 |
| Transferred from prepayment | - | 1,084,701 | - |
| Capitalised of depreciation for construction -in-progress | - | 20,722 | 44,419 |
| Cash payments | 438,647 | 1,789,443 | 14,213,301* |
| | 960,647 | 4,091,726 | 1,599,186 |

*Included in cash payments is the term loan capitalised amounting to RM750,203.

(vii) Depreciation during the financial year:

| | 2020 RM | 2021 RM | 2022 RM |
|---|---|---|---|
| Charged to administrative expenses | 1,626,187 | 1,548,329 | 1,552,571 |
| Capitalised as property development costs | 1,373,570 | 1,132,552 | 1,384,867 |
| Capitalised as construction-in-progress | - | 20,722 | 44,419 |
| | 2,999,757 | 2,701,603 | 2,981,857 |

10. **INVESTMENT PROPERTY**

| | 2020 RM | 2021 RM | 2022 RM |
|---|---|---|---|
| **Double storey shoplot** | | | |
| **Cost** | | | |
| At 1 January | 586,679 | - | - |
| Disposal | (586,679) | - | - |
| At 31 December | - | - | - |
| **Accumulated depreciation** | | | |
| At 1 January | 64,152 | - | - |
| Charge for the financial year | 6,682 | - | - |
| Disposal | (70,834) | - | - |
| At 31 December | - | - | - |
| **Net carrying amount** | | | |
| At 31 December | - | - | - |

**10. INVESTMENT PROPERTY** (cont'd)

The following is recognised in profit or loss in respect of investment property:

| | 2020 RM | 2021 RM | 2022 RM |
|---|---|---|---|
| Operating expenses: | | | |
| - Quit rent and assessment | 2,338 | - | - |

**11. INVENTORIES**

| | Note | 2020 RM | 2021 RM | 2022 RM |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Land held for property development | (i) | 1,920,620 | 1,920,620 | 1,920,620 |
| **Current assets** | | | | |
| Property development costs | (ii) | 82,604,395 | 97,806,147 | 109,126,634 |
| Completed properties | | 26,445,185 | 1,843,026 | 1,942,303 |
| | | 109,049,580 | 99,649,173 | 111,068,937 |
| | | 110,970,200 | 101,569,793 | 112,989,557 |

(i) Land held for property development

| | 2020 RM | 2021 RM | 2022 RM |
|---|---|---|---|
| At 1 January | 4,571,290 | 1,920,620 | 1,920,620 |
| Addition: | | | |
| Land costs | - | - | - |
| Development costs | - | - | - |
| | - | - | - |
| Less: Transfer to property development costs | | | |
| - Land costs | (2,650,670) | - | - |
| - Development costs | - | - | - |
| | (2,650,670) | - | - |
| At 31 December | 1,920,620 | 1,920,620 | 1,920,620 |

11. **INVENTORIES** (cont'd)

(ii) Property development costs

| | 2020 RM | 2021 RM | 2022 RM |
|---|---|---|---|
| **Cummulative property development costs** | | | |
| At 1 January | | | |
| Land costs | 25,472,736 | 28,616,199 | 40,510,978 |
| Development costs | 143,247,056 | 105,255,821 | 152,991,569 |
| | 168,719,792 | 133,872,020 | 193,502,547 |
| **Costs incurred during the financial year** | | | |
| - Land cost | 4,138,792 | 14,022,419 | 5,564,214 |
| - Development costs | 84,226,810 | 59,610,683 | 87,576,293 |
| **Transfer from land held for property development** | | | |
| - Land cost | 2,650,670 | - | - |
| **Transfer to property, plant plant and equipment** | | | |
| - Land cost | - | (2,127,640) | - |
| - Development costs | - | (11,874,935) | - |
| **Less:** | | | |
| - Transfer to completed properties | (29,837,862) | - | (1,609,581) |
| - Adjustment to completed project during the financial year | (96,026,182) | - | - |
| At 31 December | 133,872,020 | 193,502,547 | 285,033,473 |
| **Cummulative costs recognised in statement of comprehensive income** | | | |
| At 1 January | (92,607,844) | (51,267,625) | (95,696,400) |
| Recognised during the year | (54,685,963) | (44,428,775) | (80,210,439) |
| Adjustment to completed project during the financial year | 96,026,182 | - | - |
| | (51,267,625) | (95,696,400) | (175,906,839) |
| At 31 December | 82,604,395 | 97,806,147 | 109,126,634 |

(a) The titles to certain lands under property development are in the name of third parties with full power of attorney obtained by the Group. The properties under development are charged to a licensed bank for the banking facilities granted to the Group as disclosed in Note 21.

(b) During financial year 2021, the Group has transferred a piece of land and developments costs incurred for hotel construction to property, plant and equipment as construction-in-progress due to change of intention of use.

(c) Included in the property development cost, is an amount of RM1,384,867 (2021: RM1,132,552; 2020: RM1,373,570), being capitalisation of depreciation of property, plant and equipment.

### 12. DEFERRED TAX (ASSETS)/LIABILITIES

The components and movements of deferred tax liabilities/(assets) during the financial year prior to offsetting are as follows:

| | Property, plant and equipment RM | Lease Liabilities RM | Provision for contingency RM | Impairment RM | Unutilised tax losses RM | Unrealised profit RM | Others RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **2020** | | | | | | | | |
| At 1 January | 930,861 | - | (173,334) | - | (22,716) | (1,388,823) | - | (654,012) |
| Recognised in profit or loss (Note 8) | 94,996 | - | (55,128) | - | 22,716 | 845,954 | - | 908,538 |
| At 31 December | 1,025,857 | - | (228,462) | - | - | (542,869) | - | 254,526 |
| **2021** | | | | | | | | |
| At 1 January | 1,025,857 | - | (228,462) | - | - | (542,869) | - | 254,526 |
| Recognised in profit or loss (Note 8) | (247,038) | - | 195,666 | - | (23,448) | 388,554 | (5,681) | 308,053 |
| At 31 December | 778,819 | - | (32,796) | - | (23,448) | (154,315) | (5,681) | 562,579 |
| **2022** | | | | | | | | |
| At 1 January | 778,819 | - | (32,796) | - | (23,448) | (154,315) | (5,681) | 562,579 |
| Recognised in profit or loss (Note 8) | 254,070 | (113,885) | 32,796 | (107,361) | 4,512 | 323,017 | (61,086) | 332,063 |
| At 31 December | 1,032,889 | (113,885) | - | (107,361) | (18,936) | 168,702 | (66,767) | 894,642 |

12. **DEFERRED TAX (ASSETS)/LIABILITIES** (cont'd)

The estimated amount of temporary differences for which no deferred tax assets are recognised in the financial statements are as follows:

| | 2020 RM | 2021 RM | 2022 RM |
|---|---|---|---|
| Unabsorbed capital allowances | 7,939 | 15,334 | 53,639 |
| Unutilised tax losses | 309,963 | 5,870,232 | 8,285,803 |
| Other deductible temporary differences | 14,134,948 | 10,443,341 | 3,518,351 |
| | 14,452,850 | 16,328,907 | 11,857,793 |

13. **TRADE RECEIVABLES**

The normal credit term of trade receivables is 14 to 30 days (2021: 14 to 30 days; 2020: 14 to 30 days). Other credit terms are assessed and approved on a case-by-case basis.

14. **CONTRACT ASSETS/(LIABILITIES)**

Contract assets primarily relate to the Group's right to consideration for work completed on property development, project facilitation services and construction contracts but not yet billed at the reporting date, whereas contract liabilities primarily relate to the consideration for work completed on property development and sales of completed properties, being billed by the Group, but yet to recognise revenue at the reporting date.

| | Note | 2020 RM | 2021 RM | 2022 RM |
|---|---|---|---|---|
| Property development revenue | (i) | 15,997,209 | 17,020,738 | (2,133,718) |
| Sales of completed properties | (ii) | (1,077,679) | (62,002) | - |
| Project facilitation services revenue: | | | | |
| - property development | (iii) | 721,153 | - | - |
| - completed properties | (iv) | 4,012,979 | 10,480,533 | - |
| | | 4,734,132 | 10,480,533 | - |
| | | 19,653,662 | 27,439,269 | (2,133,718) |
| **Presented as:** | | | | |
| Contract assets | | 20,824,373 | 27,501,272 | 19,828,744 |
| Contract liabilities | | (1,170,711) | (62,003) | (21,962,462) |
| | | 19,653,662 | 27,439,269 | (2,133,718) |

**14. CONTRACT ASSETS/(LIABILITIES)** (cont'd)

(i) Property development

| | 2020<br>RM | 2021<br>RM | 2022<br>RM |
|---|---|---|---|
| At 1 January | 9,292,837 | 15,997,209 | 17,020,738 |
| Revenue recognised during the year (Note 4) | 71,605,674 | 61,569,404 | 110,727,559 |
| Progress billing during the year | (64,901,302) | (60,545,875) | (133,566,045) |
| Consideration payable/paid on behalf | - | - | 3,684,030 |
| At 31 December | 15,997,209 | 17,020,738 | (2,133,718) |

(ii) Sales of completed properties

| | 2020<br>RM | 2021<br>RM | 2022<br>RM |
|---|---|---|---|
| At 1 January | - | (1,077,679) | (62,002) |
| Revenue recognised during the year (Note 4) | 8,201,524 | 28,596,895 | 1,623,527 |
| Progress billing during the year | (9,279,203) | (27,581,218) | (1,561,525) |
| At 31 December | (1,077,679) | (62,002) | - |

(iii) Project facilitation services revenue – property development

| | 2020<br>RM | 2021<br>RM | 2022<br>RM |
|---|---|---|---|
| At 1 January | 4,164,711 | 721,153 | - |
| Revenue recognised during the year (Note 4) | 8,260,726 | - | - |
| Progress billing during the year | (11,704,284) | (721,153) | - |
| At 31 December | 721,153 | - | - |

(iv) Project facilitation services revenue – sales of completed properties

| | 2020<br>RM | 2021<br>RM | 2022<br>RM |
|---|---|---|---|
| At 1 January | 1,887,413 | 4,012,979 | 10,480,533 |
| Revenue recognised during the year (Note 4) | 2,125,566 | 8,351,453 | 529,087 |
| Progress billing during the year | - | (1,883,899) | (11,009,620) |
| At 31 December | 4,012,979 | 10,480,533 | - |

## 14. CONTRACT ASSETS/(LIABILITIES) (cont'd)

(v) Construction contract

| | 2020 RM | 2021 RM | 2022 RM |
|---|---|---|---|
| Construction costs incurred | 1,558,227 | 1,558,227 | 1,558,227 |
| Attributable loss | (37,339) | (37,339) | (37,339) |
| | 1,520,888 | 1,520,888 | 1,520,888 |
| Less: Progress billing | (1,073,551) | (1,073,551) | (1,073,551) |
| | 447,337 | 447,337 | 447,337 |
| Less: Impairment loss | (447,337) | (447,337) | (447,337) |
| | - | - | - |

## 15. OTHER RECEIVABLES

| | Note | 2020 RM | 2021 RM | 2022 RM |
|---|---|---|---|---|
| Non-trade receivables | | 571,593 | 128,603 | 1,008,196 |
| Deposits | | 832,555 | 990,553 | 1,030,992 |
| Prepayments | (i) | 1,471,396 | 471,251 | 7,828,419 |
| Contract costs | (ii) | 448,850 | 674,755 | 1,421,884 |
| | | 3,324,394 | 2,265,162 | 11,289,491 |

(i) Included in the prepayments as at 31 December 2022 is an amount of RM7,399,972 representing 10% of the purchase consideration of project land as disclosed in Note 33(i).

(ii) Contract costs represent costs to obtain contracts relate to incremental sales personnel and agent commission for obtaining property sales contracts which are expected to be recovered through revenue recognition by reference to progress towards complete satisfaction of performance obligation with customers. These costs are subsequently expensed off as "selling and marketing expenses" by reference to the performance completed to date, consistent with the revenue recognition pattern.

During the financial year, the total costs to obtain contracts recognised by the Group as "selling and marketing expenses" in profit or loss amounted to RM1,620,690 (2021: RM251,121; 2020: RM2,166,968).

## 16. AMOUNTS DUE (TO)/FROM DIRECTORS

| | Note | 2020 RM | 2021 RM | 2022 RM |
|---|---|---|---|---|
| Amounts due from | (i) | 64,000 | 64,000 | - |
| Amounts due to | (ii) | (2,668,673) | (4,173,130) | (1,056,929) |
| | | (2,604,673) | (4,109,130) | (1,056,929) |

16. **AMOUNTS DUE (TO)/FROM DIRECTORS** (cont'd)

(i) These amounts are non-trade, unsecured and interest free advances which are receivable on demand.

(ii) These amounts are non-trade, unsecured and interest free advances which are repayable on demand.

17. **FIXED DEPOSITS PLACED WITH LICENSED BANKS**

The fixed deposits placed with licensed banks bore weighted average effective interest rates at the range of 1.80% to 2.85% (2021: 1.00% to 4.00%; 2020: 1.00% to 3.80%) per annum and had maturity period ranging from 1 to 12 months (2021: 3 to 12 months; 2020: 3 to 12 months).

Included in fixed deposits of the Group are RM13,324,524 (2021: RM13,043,495; 2020: RM9,791,235) pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 21.

18. **CASH AND BANK BALANCES**

Included in the bank balances of the Group is an amount of RM110,530 (2021: RM463,443; 2020 RM92,273) respectively held under Housing Development Account pursuant to Section 8A of the Sabah Housing Development (Control and Licensing) Enactment, 1978.

19. **TOTAL EQUITY**

For the purpose of the combined financial statements, the invested equity and retained earnings at the end of the respective financial years is the aggregate of the share capital and the retained earnings of the combining entities.

The invested equity and retained earnings constitute the share capital and retained earnings of KTI Landmark Berhad, K.T.I. Sdn. Bhd. and K.T.I Development Sdn. Bhd. held by the common control shareholders.

20. **LEASE LIABILITIES**

| | 2020<br>RM | 2021<br>RM | 2022<br>RM |
|---|---|---|---|
| Non-current liabilities | 2,313,403 | 2,138,323 | 2,303,431 |
| Current liabilities | 1,211,043 | 1,301,198 | 1,491,039 |
| | 3,524,446 | 3,439,521 | 3,794,470 |
| **Minimum lease payments:** | | | |
| Repayable within one year | 1,370,899 | 1,453,217 | 1,627,568 |
| Repayable between one and two years | 1,194,120 | 1,149,566 | 1,242,131 |
| Repayable between two and five years | 1,275,111 | 1,120,386 | 1,031,641 |
| Repayable more than five years | - | - | 326,271 |
| | 3,840,130 | 3,723,169 | 4,227,611 |
| Less: Future finance charges | (315,684) | (283,648) | (433,141) |
| Present value of lease liabilities | 3,524,446 | 3,439,521 | 3,794,470 |

## 20. LEASE LIABILITIES (cont'd)

| | 2020 RM | 2021 RM | 2022 RM |
|---|---|---|---|
| **Present value of lease liabilities:** | | | |
| Repayable within one year (current) | 1,211,043 | 1,301,198 | 1,491,039 |
| Repayable between one and two years (non-current) | 1,099,019 | 1,064,148 | 1,141,321 |
| Repayable between two and five years (non-current) | 1,214,384 | 1,074,175 | 937,367 |
| Repayable more than five years (non-current) | - | - | 224,743 |
| | 2,313,403 | 2,138,323 | 2,303,431 |
| | 3,524,446 | 3,439,521 | 3,794,470 |

The lease liabilities of the Group bear effective interest rates ranging from 4.28% to 6.60% (2021: 4.28% to 6.37%; 2020: 4.28% to 6.37%) per annum.

## 21. BORROWINGS

| | Note | 2020 RM | 2021 RM | 2022 RM |
|---|---|---|---|---|
| **Current** | | | | |
| Bankers' acceptance | (i) | 4,944,000 | 6,780,380 | 4,044,000 |
| Trust receipts | (i) | - | 793,636 | - |
| Bank overdrafts | (i) | 10,578,140 | 388,655 | - |
| Term loans | (ii) | 1,462,152 | 706,437 | 706,858 |
| CMFTF-i | (iii) | 4,164,085 | 770,103 | 955,000 |
| CMC-i | (iii) | 9,949,125 | 21,292,980 | 6,288,911 |
| | | 31,097,502 | 30,732,191 | 11,994,769 |
| **Non-current** | | | | |
| Term loans | (ii) | 6,624,024 | 32,793,715 | 37,515,352 |
| **Total borrowings** | | | | |
| Bankers' acceptance | (i) | 4,944,000 | 6,780,380 | 4,044,000 |
| Trust receipts | (i) | - | 793,636 | - |
| Bank overdrafts | (i) | 10,578,140 | 388,655 | - |
| Term loans | (ii) | 8,086,176 | 33,500,152 | 38,222,210 |
| CMFTF-i | (iii) | 4,164,085 | 770,103 | 955,000 |
| CMC-i | (iii) | 9,949,125 | 21,292,980 | 6,288,911 |
| | | 37,721,526 | 63,525,906 | 49,510,121 |

21. **BORROWINGS** (cont'd)

The effective interest rates per annum of the borrowings are as follows:

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| | % | % | % |
| Bankers' acceptance | 2.32 - 4.81 | 2.26 - 3.31 | 3.73 - 3.99 |
| Trust receipts | 3.27 - 7.65 | 6.90 | 6.90 - 7.65 |
| Bank overdrafts | 3.60 - 8.00 | 3.60 - 7.00 | 3.60 - 8.25 |
| Term loans | 3.70 - 8.50 | 3.69 - 8.25 | 3.63 - 8.50 |
| CMFTF-i | 6.74 - 7.74 | 6.74 | 6.64 - 7.14 |
| CMC-i | 6.74 - 7.74 | 6.74 | 6.74 - 7.74 |

**(i) Bankers' acceptance, trust receipts and bank overdrafts**

These bank borrowings are secured by:-

(a) Leasehold lands and buildings as disclosed in Note 9;

(b) Fixed deposits as disclosed in Note 17;

(c) Jointly and severally guaranteed by two Directors of the Group;

(d) Third party first legal charge over a parcel of leasehold land held under CL045115919, District of Tuaran, Sabah; and

(e) Property development units in progress and unsold completed units pledged as disclosed in Note 11.

**(ii) Term loans**

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| | RM | RM | RM |
| **Current:** | | | |
| Repayable within one year | 1,462,152 | 706,437 | 706,858 |
| **Non-current:** | | | |
| Repayable between one and two years | 1,100,392 | 10,880,111 | 751,217 |
| Repayable between two and five years | 2,446,669 | 11,549,892 | 27,160,782 |
| Repayable more than five years | 3,076,963 | 10,363,712 | 9,603,353 |
| Repayable after one year | 6,624,024 | 32,793,715 | 37,515,352 |
| | 8,086,176 | 33,500,152 | 38,222,210 |

**21. BORROWINGS** (cont'd)

**(ii) Term loans** (cont'd)

The term loans are secured by:

(a) Freehold land and leasehold lands and buildings as disclosed in Note 9;

(b) Guaranteed by all five Directors in their personal capacities;

(c) Memorandum of charge over existing Fixed Return Account-i ("FRIA-I") principal amount of not less than RM1,000,000;

(d) Deed of Assignment and Power of Attorney over a third party's property held under Master title No. CL025341940 (Lot 10C, Lot 4, Lot 9 Block A and Lot 9 Block B), District of Papar Sabah;

(e) Third party first legal charge over the project Land, being part of the Development Land held under Master Title Deed No. CL 015721276, situated in Luyang, Kota Kinabalu;

(f) Assignment over sales/end-finance proceed of the property development project;

(g) Assignment of rental proceeds of the commercial components of property development project;

(h) Assignment of all rights, title, interest and benefits of the Group under the insurance policies related to property development project;

(i) Assignment of all rights, title, interest and benefits of the Group under the construction contract executed between the Group and the appointed contractor; and

(j) Assignment and charge over debt service reserve account and project account.

**(iii) CMFTF-I and CMC-i**

The CMFTF-i and CMC-i are secured by:-

(a) Third party first legal charge over a parcel of leasehold land held under CL045115919, District of Tuaran, Sabah;

(b) Third party first legal charge over a parcel of leasehold land held under CL025346507, District of Papar; and

(c) Jointly and severally guaranteed by two Directors of the Group.

## 22. TRADE PAYABLES

| | Note | 2020 RM | 2021 RM | 2022 RM |
|---|---|---|---|---|
| Trade payables | (i) | 6,843,967 | 8,823,686 | 10,578,685 |
| Retention sums | (i) | 8,369,100 | 9,736,258 | 13,338,625 |
| Accrued costs | | 679,731 | 510,561 | 2,152,198 |
| | | 15,892,798 | 19,070,505 | 26,069,508 |

(i) The normal trade credit terms granted to the Group range from 30 to 90 (2021: 30 to 90; 2020: 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis. Retention sums are to be released 24 (2021: 24; 2020: 24) months upon completion of projects.

## 23. OTHER PAYABLES

| | 2020 RM | 2021 RM | 2022 RM |
|---|---|---|---|
| Non-trade payables | 1,435,586 | 460,773 | 1,951,565 |
| Accruals | 14,800,550 | 11,678,354 | 4,942,844 |
| Accrued landowner's entitlement | 1,075,692 | 228,177 | 935,544 |
| Deposits received | 1,233,000 | 1,304,000 | - |
| Deposit payables | 10,847 | 8,497 | 4,000 |
| | 18,555,675 | 13,679,801 | 7,833,953 |

## 24. AMOUNTS DUE TO A RELATED PARTY

These amounts are trade in nature and subject to credit term of 30 days.

## 25. RELATED PARTIES DISCLOSURES

### (a) <u>Identity of related parties</u>

For the purpose of these combined financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties refer to the common Directors' related companies which are not within the group of companies under the listing exercises.

The Group has a related party relationship with its common Directors' related company and its Directors.

## 25. RELATED PARTIES DISCLOSURES (cont'd)

### (b) Related party transactions

The related party balances are shown in Notes 16 and 24. The related party transactions of the Group are shown below.

| | 2020<br>RM | 2021<br>RM | 2022<br>RM |
|---|---|---|---|
| **Transactions with Related Parties** | | | |
| Motor vehicle repair and maintenance | 253,744 | 192,351 | 268,976 |
| Lease payment | - | - | 3,000 |
| Repayment to | (218,724) | (206,210) | (248,344) |
| | | | |
| **Transactions with Directors:** | | | |
| Short-term lease payment | 84,000 | 84,000 | 51,000 |
| (Repayment to)/advances from | (1,653,397) | 1,420,457 | (3,103,201) |

### (c) Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel refer to all the Directors and certain member of senior management of the Group.

The remuneration of the Directors during the financial year are disclosed in Note 6(a).

The remuneration of other member of key management personnel of the Group during the financial year are as follows:

| | 2022<br>RM | 2021<br>RM | 2020<br>RM |
|---|---|---|---|
| Salaries, bonuses and allowances | 514,531 | 449,930 | 602,502 |
| Contributions to defined contribution plan | 60,232 | 54,048 | 66,036 |
| Social security contributions | 1,755 | 1,753 | 1,753 |
| | 576,518 | 505,731 | 670,291 |

## 26. SEGMENT INFORMATION

Information about operating segments has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to operating segment in Malaysia, namely property developer which comprise development of residential and commercial properties.

**Major customers**

There is no single customer that contributed 10% or more to the Group's revenue.

## 27. CAPITAL COMMITMENTS

| | 2020 RM | 2021 RM | 2022 RM |
|---|---|---|---|
| **Approved and contracted for:** | | | |
| Acquisition of property development land | 67,399,754 | 55,779,218 | 49,688,386 |
| **Approved but not contracted for:** | | | |
| Acquisition of property development land [Note 33(i)] | - | - | 66,599,746 |
| | 67,399,754 | 55,779,218 | 116,288,132 |

## 28. FINANCIAL INSTRUMENTS

**Categories of financial instruments**

The Group's financial assets and financial liabilities are all categorised as amortised costs respectively.

**Financial Risk Management Objectives and Policies**

The Group's risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its financial risks, including credit risk, interest rate risk and liquidity risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions. The Group does not apply hedge accounting.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

**(i) Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from their receivables (which consist of trade receivables, contract assets and other receivables). For other financial assets (including cash and cash equivalent), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objectives are to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to minimise the Group's exposure to bad debts.

**Trade receivables and contract assets**

***Risk management objectives, policies and processes for managing the risk***

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is minimised and monitored via strictly limiting the Group's association to business partners with good credit rating. Credit evaluations are performed on all customers requiring credit over a certain amount.

At each reporting date, the Group assesses whether any of the trade receivables and contract assets are credit impaired.

**28. FINANCIAL INSTRUMENTS** (cont'd)

**(i) Credit risk** (cont'd)

Trade receivables and contract assets (cont'd)

***Risk management objectives, policies and processes for managing the risk*** (cont'd)

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cashflows to repay the amounts subject to write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

***Exposure to credit risk, credit quality and collateral***

As at the end of the financial year, the maximum exposure to credit risk arising from trade receivables and contract assets is represented by the carrying amounts in the statement of financial position.

***Credit risk concentration profile***

The Group has no major concentration of credit risk of their trade receivables as at the end of the reporting period.

As at 31 December 2022, the Group has significant concentration of credit risk arising from contract assets related to facilitation fund from Government of Sabah as stated in Note 4 with an amount of NIL (2021: RM10,480,533; 2020: RM4,734,132).

***Recognition and measurement of impairment loss***

The Group recognises a loss allowance for expected credit losses on a financial asset that is measured as receivable and contract asset if the credit risk on that financial instrument has increased significantly since initial recognition. The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition as the trade receivables and contract assets are determined to have low credit risk at the reporting date.

For the purposes of measuring expected credit losses, the estimate of expected cash shortfalls shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms and are not recognised separately by the Group. The estimate of expected cash shortfalls on a collateralised financial instrument reflects the amount and timing of cash flows that are expected from foreclosure on the collateral less the costs of obtaining and selling the collateral, irrespective of whether foreclosure is probable (i.e. the estimate of expected cash flows considers the probability of a foreclosure and the cash flows that would result from it).

The Group has possession of the legal right to the properties sold and this can be deemed as a collateral and in the event of defaults by the purchaser, the expected cash shortfall from selling the deemed collateral less the cost of obtaining and selling the collateral is immaterial.

**28. FINANCIAL INSTRUMENTS** (cont'd)

**(i) Credit risk** (cont'd)

**Trade receivables and contract assets** (cont'd)

**Impairment losses**

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2020, 31 December 2021 and 31 December 2022, which are grouped together as they are expected to have similar risk nature:

| | 2020 RM | 2021 RM | 2022 RM |
|---|---|---|---|
| Neither past due nor impaired | 2,151,595 | 3,591,960 | 2,424,144 |
| Past due but not impaired: | | | |
| - Less than 30 days | 1,732,180 | 1,726,453 | 1,600,955 |
| - 31 days to 60 days | 1,504,549 | 924,181 | 880,020 |
| - 61 days to 90 days | 943,260 | 613,525 | 486,490 |
| - More than 90 days | 4,392,876 | 1,554,994 | 1,749,708 |
| | 8,572,865 | 4,819,153 | 4,717,173 |
| Total trade receivables, net | 10,724,460 | 8,411,113 | 7,141,317 |
| Contract assets, gross | 21,271,710 | 27,948,609 | 20,276,081 |
| Less: Credit impaired | (447,337) | (447,337) | (447,337) |
| Contract assets, net | 20,824,373 | 27,501,272 | 19,828,744 |
| | 31,548,833 | 35,912,385 | 26,970,061 |

Credit impaired

Contract assets that are collectively determined to be impaired at the reporting date relate to receivables that are in significant financial difficulties. These contract assets are not secured by any collateral or credit enhancements.

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired comprise property purchasers mostly with end financing facilities from reputable end-financiers whilst the others are creditworthy debtors with good payment records.

Receivables that are past due but not impaired

Trade receivables that are past due but not impaired are secured in nature. The Directors are of the opinion that these debts should be realisable in full without material losses in the ordinary course of business.

**Cash and cash equivalents**

The cash and cash equivalents are held with banks and financial institutions. As at the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the combined statements of financial position. These banks and financial institutions have low credit risks. Hence, a loss allowance is not necessary.

28. **FINANCIAL INSTRUMENTS** (cont'd)

(i) **Credit risk** (cont'd)

**Other receivables**

Other receivables and deposits are neither past due nor impaired. The Group believes that generally no allowance for doubtful debts is necessary in respect of other receivables and deposits that are neither past due nor impaired as these receivables and deposits are mainly arising from debtors that have good records of payment in the past.

(ii) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities.

**Exposure in interest rate risk**

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period are as follows:

| | 2020<br>RM | 2021<br>RM | 2022<br>RM |
|---|---|---|---|
| **Floating rate instrument:** | | | |
| Fixed deposits with licensed banks | 10,563,939 | 13,835,168 | 22,135,936 |
| Borrowings | (37,721,526) | (63,525,906) | (49,510,121) |
| | (27,157,587) | (49,690,738) | (27,374,185) |

The Group is exposed to interest rate risk through the impact of rate changes in floating rate fixed deposits with licensed banks and borrowings. The interest rates of fixed deposits and borrowings are disclosed in Notes 17 and 21. The changes in interest rates of 100 basis points would not have material impact on the profit after tax/equity of the Group.

(iii) **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposures to liquidity risk arises primarily from mismatches of financial assets and liabilities. The Group maintains sufficient levels of cash at a reasonable level to meet its working capital requirement.

The Group's liquidity risk management policy is to manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. In addition, the Group maintains sufficient levels of cash and available banking facilities at a reasonable level to its overall debt position to meet its working capital requirement.

**28. FINANCIAL INSTRUMENTS** (cont'd)

**(iii) Liquidity risk** (cont'd)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

| | | <---------- Contractual Cash Flows | | | | ----------> |
|---|---|---|---|---|---|---|
| | **Carrying Amount RM** | **On demand/ Within 1 year RM** | **Between 1 and 2 years RM** | **Between 2 and 5 years RM** | **More than 5 years RM** | **Total RM** |
| **2022** | | | | | | |
| **Financial liabilities:** | | | | | | |
| Trade payables | 26,069,508 | 26,069,508 | - | - | - | 26,069,508 |
| Other payables | 7,833,953 | 7,833,953 | - | - | - | 7,833,953 |
| Amounts due to Directors | 1,056,929 | 1,056,929 | - | - | - | 1,056,929 |
| Amount due to a related party | 44,793 | 44,793 | | | | 44,793 |
| Lease liabilities | 3,794,470 | 1,627,568 | 1,242,131 | 1,031,641 | 326,271 | 4,227,611 |
| Borrowings: | | | | | | |
| - Bankers' acceptance | 4,044,000 | 4,238,516 | - | - | - | 4,238,516 |
| - Term loans | 38,222,210 | 1,952,514 | 973,578 | 32,429,150 | 10,548,780 | 45,904,022 |
| - CMFTF-i | 955,000 | 1,028,917 | - | - | | 1,028,917 |
| - CMC-i | 6,288,911 | 6,775,673 | - | - | - | 6,775,673 |
| | 88,309,774 | 50,628,371 | 2,215,709 | 33,460,791 | 10,875,051 | 97,179,922 |

**28. FINANCIAL INSTRUMENTS** (cont'd)

**(iii) Liquidity risk** (cont'd)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period): (cont'd)

| | | <---- Contractual Cash Flows | | | | ----> |
|---|---|---|---|---|---|---|
| | **Carrying Amount RM** | **On demand/ Within 1 year RM** | **Between 1 and 2 years RM** | **Between 2 and 5 years RM** | **More than 5 years RM** | **Total RM** |
| **2021** | | | | | | |
| **Financial liabilities:** | | | | | | |
| Trade payables | 19,070,505 | 19,070,505 | - | - | - | 19,070,505 |
| Other payables | 13,679,801 | 13,679,801 | - | - | - | 13,679,801 |
| Amounts due to Directors | 4,173,130 | 4,173,130 | - | - | - | 4,173,130 |
| Amount due to a related party | 21,161 | 21,161 | - | - | - | 21,161 |
| Lease liabilities | 3,439,521 | 1,453,217 | 1,149,566 | 1,120,386 | - | 3,723,169 |
| Borrowings: | | | | | | - |
| - Bankers' acceptance | 6,780,380 | 7,116,687 | - | - | - | 7,116,687 |
| - Trust receipts | 793,636 | 849,191 | | | | 849,191 |
| - Bank overdrafts | 388,655 | 401,645 | - | - | - | 401,645 |
| - Term loans | 33,500,152 | 919,377 | 12,815,852 | 12,436,956 | 11,583,303 | 37,755,488 |
| - CMFTF-i | 770,103 | 816,117 | - | - | - | 816,117 |
| - CMC-i | 21,292,980 | 22,428,960 | - | - | - | 22,428,960 |
| | 103,910,024 | 70,929,791 | 13,965,418 | 13,557,342 | 11,583,303 | 110,035,854 |

28. **FINANCIAL INSTRUMENTS** (cont'd)

(iii) **Liquidity risk** (cont'd)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period): (cont'd)

| | | <---------- Contractual Cash Flows | | | | ----------> |
|---|---|---|---|---|---|---|
| | Carrying Amount RM | On demand/ Within 1 year RM | Between 1 and 2 years RM | Between 2 and 5 years RM | More than 5 years RM | Total RM |
| **2020** | | | | | | |
| **Financial liabilities:** | | | | | | |
| Trade payables | 15,892,798 | 15,892,798 | - | - | - | 15,892,798 |
| Other payables | 18,555,675 | 18,555,675 | - | - | - | 18,555,675 |
| Amounts due to Directors | 2,668,673 | 2,668,673 | - | - | - | 2,668,673 |
| Amount due to a related party | 35,020 | 35,020 | - | - | - | 35,020 |
| Lease liabilities | 3,524,446 | 1,370,899 | 1,194,120 | 1,275,111 | - | 3,840,130 |
| Borrowings: | | | | | | |
| - Bankers' acceptance | 4,944,000 | 5,155,429 | - | - | - | 5,155,429 |
| - Bank overdrafts | 10,578,140 | 11,133,527 | - | - | - | 11,133,527 |
| - Term loans | 8,086,176 | 1,803,955 | 1,387,176 | 3,034,044 | 3,341,881 | 9,567,056 |
| - CMFTF-i | 4,164,085 | 4,426,152 | - | - | - | 4,426,152 |
| - CMC-i | 9,949,125 | 10,619,977 | - | - | - | 10,619,977 |
| | 78,398,138 | 71,662,105 | 2,581,296 | 4,309,155 | 3,341,881 | 81,894,437 |

## 29. MATERIAL LITIGATIONS

*(i) Landmark Property Sdn. Bhd. ("LPSB") vs Inland Revenue Board*

LPSB filed a Judicial Review application on 25 November 2020 seeking for a declaration that the following notices are ultra vires the Income Tax (Exemption) (No.22) Order 2006 ("the Exemption Order"), section 127(3)(b) of the Income Tax Act 1967 ("the Act") and accordingly null and void in law:

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

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

(iii) the Notice of Additional Assessment for the Year of Assessment 2018.

(Collectively, "the Impugned Assessments"). The total value of the Impugned Assessments is RM14,670,037.

On 23 December 2020, the High Court granted LPSB leave to commence the said Judicial Review, 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 and the said is fixed for hearing on 23 November 2022. LPSB has made payment to LHDN up till July 2021 amounting to RM1,337,041 in accordance with an Impugned Assessments instalment scheme that was proposed for the settlement of the tax liabilities ("Amount Paid"), and LPSB 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 appeal by LHDN is unsuccessful, the Amount Paid will be refunded by LHDN accordingly.

The representing solicitors are of the opinion that the LHDN has no reasonable basis to issue the impugned Assessments. In light of the decision by the High Court that LPSB had successfully established illegality, breach of legitimate expectations and irrationality on the part of the LHDN and subsequently allowing LPSB's Judicial Review application, solicitors are of the considered opinion that LPSB had a good chance of succeeding in the pending Appeal before the Court of Appeal.

(ii) *Landmark Property Sdn. Bhd. ("LPSB") vs GC Architect* ("GC")

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

In respect of Phases 1 – 3, GC claims an alleged total sum of RM2,490,342 as at 30 June 2021 for work done. In respect of Phase 4, GC claims an alleged total sum of RM7,659,460 as at 30 June 2021 for work done.

LPSB counterclaimed against GC for the following reliefs:

(i) a declaration that the suspension by GC's professional services in failing or refusing to issue the Board of Architects Malaysia ("BAM") Certification for Phase 4 of the Project was unlawful and a repudiation of the Contract;
(ii) a declaration that LPSB has lawfully terminated the Contract;
(iii) that GC is to pay to LPSB the sum of RM3,825,461 (excluding interest and cost) as at 19 August 2021 comprising of financing costs/ interest charges, additional cost to carry out valuation/quantity surveying works, additional cost incurred to appoint another prime consultant and two other consultant; interest; and costs.

**29. MATERIAL LITIGATIONS** (cont'd)

(ii) *Landmark Property Sdn. Bhd. ("LPSB") vs GC Architect* ("GC") (cont'd)

On 2 June 2022, the final arbitration award was handed down. The final award was entered against LPSB in the following terms:

(i) the outstanding professional fees and 6% SST amounting to RM2,092,777 for Phase 1 – 3 was awarded to GC and the amount of RM2,192,523 for phase 4 was awarded to GC;
(ii) the simple interest at the rate of 5% per annum on the amounts awarded to GC calculated from the date the award was handed down to the date of full realisation;
(iii) LPSB will pay GC's cost and the cost of GC'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;
(iv) LPSB shall pay the arbitrator's costs, including the cost of the award, arbitrator's fees, administrative and other relevant costs incurred by BAM;
(v) LPSB shall pay its own cost and the cost of its solicitors for this arbitration; and
(vi) that the costs of this application and of any judgement or order which may be entered hereunder be borne by LPSB.

LPSB has filed an application to set aside the final award and another application to stay the enforcement of the award in the interim based on breaches of natural justice and procedural defects during the course of arbitration. The solicitors of LPSB are of the opinion that there are reasonable grounds to pursue the applications and are cautiously optimistic of a reasonable prospect of success.

The total claimed amount by GC of RM4,644,062 of which RM3,073,785 were paid during financial year 2022 and the remaining unpaid balance of RM1,570,277 has been included as non-trade payables as shown in Note 33.

*(iii) George Chong Ket Choi vs K.T.I Development Sdn Bhd ("KTID")*

George Chong Ket Choi ("GC") is an architect registered with the Board of Architects Malaysia ("BAM"). In 2013, KTID submitted a tender to the Ministry of Local Government & Housing. The tender was subject to the approval of various federal ministries and agencies. George Chong Ket Choi ("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.

Albeit the tender being unsuccessful, 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 as of 31 December 2020 being the alleged outstanding professional fees for work done.

The solicitors of KTID are of the opinion that KTID has a reasonable chance of success based on the documentary evidence. The solicitors of KTID take the view that GC had not adduced any evidence to show that there was an agreement to remunerate; whereas, KTID has written letters in 2018 and 2020 that there was no agreement to remunerate GC for the work done for this Project. The continuation of trial will take place on 31 October 2022 to 2 November 2022.

## 30. FAIR VALUES INFORMATION

In respect of the fair value hierarchy disclosed in Note 3(s), there were no material transfer between Level 1, Level 2 and Level 3 during the financial year.

Financial instrument other than those carried at fair value

*Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values*

The carrying amounts of the financial assets and financial liabilities maturing within the next twelve (12) months approximated their fair values due to the relatively short-term maturity of the financial instruments and insignificant impact of discounting.

The carrying amounts of long-term floating rate loans approximate their fair values as the loans will be re-priced to market interest rate on or near reporting date.

## 31. CAPITAL MANAGEMENT

The primary objective of the combining entities capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the reporting years ended 31 December 2020, 31 December 2021 and 31 December 2022.

The Group monitors capital using a gearing ratio, which is total debt divided by total capital. Total debt includes lease liabilities and borrowings, whilst total capital is the equity attributable to the Owners of the Group. The gearing ratio is not governed by the MFRS and its definition and calculation may vary from others.

The gearing ratio at end of the reporting years are as follows:

| | 2020<br>RM | 2021<br>RM | 2022<br>RM |
|---|---|---|---|
| Lease liabilities | 3,524,446 | 3,439,521 | 3,794,470 |
| Borrowings | 37,721,526 | 63,525,906 | 49,510,121 |
| Total debts | 41,245,972 | 66,965,427 | 53,304,591 |
| Equity attributable to the Owners of the Group, representing total capital | 111,681,417 | 127,301,995 | 137,784,660 |
| | 37% | 53% | 39% |

There were no changes in the Group's approach to capital management during the reporting years.

The Group is in compliance with all externally imposed capital requirements as follows:

(a) LPSB shall keep and maintain its present paid up share capital and any increases thereof;

(b) subordination of advances of RM20,000,000 from related parties (director/shareholders/related company) throughout the tenure with the financier; and

(c) paid-up capital of KTIHR and has been increased to at least RM10,000,000.

### 32. EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the profit attributable to Owners of the Group by the weighted average number of ordinary shares issued.

For the purpose of illustration, the number of ordinary shares for the respective financial year represents the weighted average number of ordinary shares issued of the Group.

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Profit after tax attributable to Owners of the Group (RM) | 12,594,140 | 15,620,578 | 10,482,665 |
| Number of enlarged ordinary shares (unit) * | 800,000,000 | 800,000,000 | 800,000,000 |
| Basic earnings per share (sen) | 1.57 | 1.95 | 1.31 |

* *Based on the assumption of proposed existing issued and enlarged share capital upon completion of listing and private placement.*

The basis and diluted EPS are equal as the Group has no potential dilutive ordinary shares at the end of each financial year.

### 33. SUBSEQUENT EVENTS

(i) Acquisition of land for future development

On 9 January 2023, the Group entered into a sales and purchase agreement with Millennium Aber Sdn. Bhd. ("Millennium") to purchase land with a total area of approximately 82,451 square metres for the purpose of future development projects with a total purchase consideration of RM73,999,718 and 10% of the purchase consideration amount of RM7,399,972 had been paid to Millennium in FYE 2022 as per disclosed in Note 15(i).

(ii) Dividend

On 3 April 2023, the KTID declared a interim single tier dividend of RM15 per ordinary share for the financial year ended 31 December 2022 amounting to RM15,000,000 which was paid on 3 April 2023.

**KTI LANDMARK BERHAD**
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the combined financial statements as set out on pages 4 to 64 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, so as to give a true and fair view of the combined financial position as at 31 December 2020, 31 December 2021 and 31 December 2022 and of their combined financial performance and combined cash flows for the financial years then ended.

Approved and signed on behalf in accordance with a resolution of the Directors dated 27 JUN 2023

STELLA LOKE PEI WEN

LOKE THEEN FATT

MOORE

Moore Stephens Associates PLT
[201304000972 (LLP0000963-LCA)]
Chartered Accountants [AF002096]
Unit 3.3A, 3rd Floor, Surian Tower
No. 1 Jalan PJU 7/3, Mutiara Damansara
47810 Petaling Jaya, Selangor, Malaysia

T +603 7728 1800 (General) ; 7724 1033 (Assurance)
F +603 7728 9800 (General) ; 7733 1033 (Assurance)

www.moore.com.my

Date: 27 June 2023

The Board of Directors
**KTI Landmark Berhad**
(Formerly known as KTI Property Berhad)
Lot 221 & 222, Taman Nelly 9,
Phase 4 Shoplot, Lorong Nelly Plaza,
Jalan Nountun, Kolombong,
88844 Kota Kinabalu,
Sabah.

Dear Sir,

**KTI LANDMARK BERHAD (FORMERLY KNOWN AS KTI PROPERTY BERHAD) ("KTI LANDMARK" OR "COMPANY") AND ITS PROPOSED COMBINED ENTITIES ("THE GROUP")**

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 INCLUDED IN A PROSPECTUS**

We have completed our assurance engagement to report on the compilation of the pro forma combined statements of financial position of the Group as at 31 December 2022 by the Directors. The pro forma combined statements of financial position for the purpose of identification only, have been prepared for inclusion in the prospectus ("the Prospectus") in connection with the admission to the Official List of Bursa Malaysia Securities Berhad and the listing of and quotation for the entire enlarged issued share capital of KTI Landmark on ACE Market of Bursa Malaysia Securities Berhad.

The applicable criteria on the basis of which the Directors have compiled the pro forma combined statements of financial position are described in notes of the pro forma combined statements of financial position and are prepared in accordance with the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines").

The pro forma combined statements of financial position has been compiled by the Board of Directors to illustrate the impact of the transactions as set out in the notes thereon to the pro forma combined statements of financial position as at 31 December 2022 had the transactions been effected as at 31 December 2022. As part of this process, information about the Group's combined financial position has been extracted by the Directors from the audited financial statements of KTI Landmark, K.T.I. Sdn. Bhd. and K.T.I Development Sdn. Bhd. for the financial year ended 31 December 2022, on which an auditors' report has been issued by us to its members without any modifications.

**Directors' Responsibility for the Pro Forma Combined Statements of Financial Position**

The Directors of the Company are responsible for compiling the pro forma combined statements of financial position on the basis as set out in the notes thereon in accordance with the Prospectus Guidelines.

**Reporting Accountants' Independence and Quality Control**

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

MOORE

**KTI LANDMARK BERHAD (FORMERLY KNOWN AS KTI PROPERTY BERHAD) ("KTI LANDMARK" OR "COMPANY") AND ITS PROPOSED COMBINED ENTITIES ("THE GROUP")** (cont'd)

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 INCLUDED IN A PROSPECTUS** (cont'd)

**Reporting Accountants' Independence and Quality Control** (cont'd)

Our firm applies the International Standard on Quality Management 1 (ISQM 1), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, and Other Assurance or Related Services Engagements* adopted by the Malaysian Institute of Accountants and, accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the pro forma combined statements of financial position have been compiled, in all material respects, by the Directors on the basis set out in the notes thereon.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the pro forma combined statements of financial position on the basis set out in the notes thereon in accordance with the requirements of the Prospectus Guidelines.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma combined statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma combined statements of financial position.

The purpose of pro forma combined statements of financial position included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted statements of financial position of the entities as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at 31 December 2022, would have been as presented.

A reasonable assurance engagement to report on whether the pro forma combined statements of financial position has been compiled, in all material respects, on the basis as set out in the notes thereon involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma combined statements of financial position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma combined statements of financial position reflects the proper application of those adjustments to the unadjusted statements of financial position.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma combined statements of financial position has been compiled, and other relevant engagement circumstances.

MOORE

**KTI LANDMARK BERHAD (FORMERLY KNOWN AS KTI PROPERTY BERHAD) ("KTI LANDMARK" OR "COMPANY") AND ITS PROPOSED COMBINED ENTITIES ("THE GROUP")** (cont'd)

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 INCLUDED IN A PROSPECTUS** (cont'd)

**Reporting Accountants' Responsibilities** (cont'd)

The engagement also involves evaluating the overall presentation of the pro forma combined statements of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the pro forma combined statements of financial position have been compiled, in all material respects by the Directors on the basis as set out in the notes thereon and in accordance with the requirements of the Prospectus Guidelines.

**Other Matters**

This report has been prepared solely for the purpose stated above, in connection with the admission to the Official List of Bursa Malaysia Securities Berhad and the listing of and quotation for the entire enlarged issued share capital of KTI Landmark on the ACE Market of Bursa Malaysia Securities Berhad. As such, this report should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Moore

| | |
|---|---|
| MOORE STEPHENS ASSOCIATES PLT | TAN KEI HUI |
| 201304000972 (LLP0000963-LCA) | 03429/04/2025 J |
| Chartered Accountants (AF002096) | Chartered Accountant |

**KTI LANDMARK BERHAD (FORMERLY KNOWN AS KTI PROPERTY BERHAD) ("KTI LANDMARK" OR "COMPANY") AND ITS PROPOSED COMBINED ENTITIES ("THE GROUP")** (cont'd)

## 1.0 PRO FORMA GROUP AND BASIS OF PREPARATION

### 1.1 INTRODUCTION

The pro forma combined statements of financial position as at 31 December 2022 together with the notes thereon, for which the Directors of KTI Landmark are solely responsible, has been prepared for illustration purposes only, for inclusion in the Prospectus in connection with the listing of and quotation for the entire enlarged issued share capital of KTI Landmark on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing").

### 1.2 BASIS OF PREPARATION

The pro forma combined statements of financial position of the Group has been prepared on the basis consistent with the format of financial statements of the Group and the accounting policies adopted by the Group, in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Prospectus Guidelines issued by the Securities Commission Malaysia.

The pro forma combined statements of financial position have been prepared based on audited financial statements of KTI Landmark and its proposed combined entities for the financial year ended 31 December 2022 as follows:

i) KTI Landmark Berhad (formerly known as KTI Property Berhad)("KTI Landmark")
ii) K.T.I. Sdn. Bhd. ("KTISB")
iii) K.T.I Development Sdn. Bhd. ("KTID")

The audit opinion on the financial statements of KTI Landmark and its proposed combined entities for financial year ended 31 December 2022 were not subject to any modifications.

The Group is regarded as a continuing entity resulting from the reorganisation exercise as set out in Note 1.4 because the Directors of all the entities within the Group, which took part in the reorganisation exercise, was under the common control before and immediately after the reorganisation exercise. The Group has applied the merger method of accounting on a retrospective basis as if the merger had been effected throughout the current financial year.

When the merger method us used, the difference between the costs of investment recorded by KTI Landmark and the aggregate share capital of KTISB and KTID is accounted for as merger reserve in the proforma combined statements of financial position.

The pro forma combined statements of financial position, because of its nature, may not reflect the Group's actual financial position. Further, such information does not predict the Group's future financial position.

The pro forma combined statements of financial position of the Group comprises the combined statements of financial position as at 31 December 2022, adjusted for the impact of the Significant Subsequent Transaction, Initial Public Offering ("IPO") Reorganisation and Listing Scheme as set out in Note 1.4 and 1.5 respectively to the pro forma combined statements of financial position.

MOORE STEPHENS ASSOCIATES PLT
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**KTI LANDMARK BERHAD (FORMERLY KNOWN AS KTI PROPERTY BERHAD) ("KTI LANDMARK" OR "COMPANY") AND ITS PROPOSED COMBINED ENTITIES ("THE GROUP")** (cont'd)

**1.0 PRO FORMA GROUP AND BASIS OF PREPARATION** (cont'd)

**1.3 SIGNIFICANT SUBSEQUENT TRANSACTION**

On 3 April 2023, KTID declared and paid an interim single tier dividend of RM15,000,000 in respect of financial year ended 31 December 2022.

The payment of the interim dividend is illustrated in the pro forma combined statements of financial position to show the effect of such dividend payment had it occurred on 31 December 2022.

The significant subsequent transaction is known as "After Subsequent Event" for the purpose of pro forma combined statements of financial position.

**1.4 IPO REORGANISATION**

**1.4.1 Acquisitions**

As part of the IPO Reorganisation, KTI Landmark had on 19 June 2023 entered into conditional shares sale agreements ("SSA") to acquire the entire equity interest of KTISB (including KTISB's subsidiaries) and KTID (including KTID's subsidiaries) respectively (collectively known as "Acquisitions") as detailed below:

| Company | Consideration | |
|---|---|---|
| | Number of shares issued | RM |
| KTISB | 308,532,000 | 51,864,229 |
| KTID | 331,467,997 | 55,719,770 |
| Total | 639,999,997 | 107,583,999 |

The total purchase consideration for the Acquisitions will be satisfied in full by the allotment and issuance of 639,999,997 ordinary shares in KTI Landmark ("KTI Landmark Shares" or "Shares") at an issue price of RM0.1681 per share.

The effect of Acquisitions has been incorporated into Pro Forma I.

**1.5 LISTING SCHEME**

In conjunction with, and as an integral part of the Listing, KTI Landmark proposes to undertake the following transactions:

**1.5.1 IPO**

**(a) Public Issue**

Public issue of 160,000,000 new KTI Landmark Shares ("Issue Shares") ("Public Issue"), representing 20.0% of the enlarged share capital are offered at an issue price of RM[•] per Share. The Issue Shares shall be allocated in the following manner:

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**KTI LANDMARK BERHAD (FORMERLY KNOWN AS KTI PROPERTY BERHAD) ("KTI LANDMARK" OR "COMPANY") AND ITS PROPOSED COMBINED ENTITIES ("THE GROUP")** (cont'd)

**PRO FORMA GROUP AND BASIS OF PREPARATION** (cont'd)

1.0 **PRO FORMA GROUP AND BASIS OF PREPARATION** (cont'd)

1.5 **LISTING SCHEME** (cont'd)

**1.5.1 IPO** (cont'd)

**(a) Public Issue** (cont'd)

**(i) Malaysian public**

40,000,000 Issue Shares, representing 5.0% of our enlarged share capital, are reserved for application by the Malaysian Public, to be allocated via balloting process as follows:

(i) 20,000,000 Issue Shares made available to public investors; and
(ii) 20,000,000 Issue Shares made available to Bumiputera public investors.

**(ii) Eligible Director(s) and employee(s) and person(s) who have contributed to the success of the Group**

40,000,000 Issue Shares, representing 5.0% of our enlarged share capital, are reserved for our eligible Director(s), employee(s) and person(s) who have contributed to the success of the Group under the Pink Form Allocations.

**(iii) Private placement to selected investors**

80,000,000 Issue Shares, representing 10.0% of our enlarged share capital are reserved for private placement to selected Bumiputera investors approved by Ministry of Investment, Trade and Industry ("MITI").

**(b) Offer for Sale**

Our Selling Shareholders will undertake an offer for sale of 45,000,000 Offer Shares, representing 5.6% of our enlarged share capital at our IPO Price. The Offer Shares shall be undertaken by way of private placement in the following manner:

(i) 20,000,000 Offer Shares made available for selected Bumiputera investors approved by MITI; and

(ii) 25,000,000 Offer Shares made available for selected investors.

Our Offer for Sale is subject to the terms and conditions of this Prospectus.

**(c) Listing**

Upon completion of the IPO, the entire enlarged share capital of approximately RM[•] (after deducting the estimated listing expenses directly attributable to the issuance of new shares of RM[•]) comprising 800,000,000 ordinary shares will be listed and quoted on the ACE Market of Bursa Securities.

MOORE STEPHENS ASSOCIATES PLT
201304000972 (LLP0000963-LCA)
Chartered Accountants (AF002096)
For Identification Purposes Only

**KTI LANDMARK BERHAD (FORMERLY KNOWN AS KTI PROPERTY BERHAD) ("KTI LANDMARK" OR "COMPANY") AND ITS PROPOSED COMBINED ENTITIES ("THE GROUP")** (cont'd)

**PRO FORMA GROUP AND BASIS OF PREPARATION** (cont'd)

**1.0 PRO FORMA GROUP AND BASIS OF PREPARATION** (cont'd)

**1.5 LISTING SCHEME** (cont'd)

**1.5.2 Utilisation of Proceeds from Public Issue**

The gross proceeds from the Public Issue of RM[•] are expected to be used as per Prospectus in the following manner:

| | RM | % |
|---|---|---|
| Acquisition of land for development | [•] | [•] |
| Upgrading existing/expansion of the Group's casting yard/IBS faciltiy for its building division* | [•] | [•] |
| Upgrade software and systems | [•] | [•] |
| Working capital for project development | [•] | [•] |
| Repayment of bank borrowings | [•] | [•] |
| Estimated listing expenses^ | [•] | [•] |
| | [•] | 100.0% |

Estimated listing expenses to be charged to/set-off against:

| | RM |
|---|---|
| - Share capital | [•] |
| - Profit or loss | [•] |
| | [•] |

* *Based on the latest practicable date of the prospectus as at 31 May 2023, there are no supportable purchase orders, sale and purchase agreements or contractual binding agreements in relation to the upgrading existing/expansion of the Group's casting yard/IBS facility for its building division as well as working capital for project development. In view that the utilisation of proceeds for the purposes above are not factually supported, hence, such utilisation of proceeds will not be illustrated in this pro forma combined statements of financial position.*

^ *The estimated listing expenses totalling RM[•] to be borne by the Company comprise, amongst others, underwriting, placement and brokerage fees, professional fees and miscellaneous expenses. A total of RM[•] is assumed to be directly attributable to the issuance of new shares and as such, will be debited against the share capital of the Company and the remaining expenses of RM[•] are assumed to be attributable to the Listing and as such, will be expensed off to the statement of comprehensive income.*

**KTI LANDMARK BERHAD (FORMERLY KNOWN AS KTI PROPERTY BERHAD) ("KTI LANDMARK" OR "COMPANY") AND ITS PROPOSED COMBINED ENTITIES ("THE GROUP")** (cont'd)

**2.0 PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022**

The pro forma combined statements of financial position of KTI Landmark and its proposed combined entities as at 31 December 2022 has been prepared by the Directors for illustrative purposes only and after making such adjustments as considered necessary on the assumption that the listing of and quotation for the entire enlarged issued share capital on the ACE Market of Bursa Securities had been effected on 31 December 2022.

| | Note | As at 31.12.2022 RM | After Subsequent Event RM | Pro Forma I After IPO Reorganisation RM | Pro Forma II After Pro Forma I and Public Issue RM | Pro Forma III After Pro Forma II and Utilisation of Proceeds RM |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | 3.1 | 39,864,576 | 39,864,576 | 39,864,576 | 39,864,576 | [•] |
| Land held for property development | | 1,920,620 | 1,920,620 | 1,920,620 | 1,920,620 | 1,920,620 |
| | | 41,785,196 | 41,785,196 | 41,785,196 | 41,785,196 | [•] |
| **Current assets** | | | | | | |
| Inventories | 3.2 | 111,068,937 | 111,068,937 | 111,068,937 | 111,068,937 | [•] |
| Trade receivables | | 7,141,317 | 7,141,317 | 7,141,317 | 7,141,317 | 7,141,317 |
| Contract assets | | 19,828,744 | 19,828,744 | 19,828,744 | 19,828,744 | 19,828,744 |
| Other receivables | | 11,289,491 | 11,289,491 | 11,289,491 | 11,289,491 | 11,289,491 |
| Tax recoverable | | 1,450,280 | 1,450,280 | 1,450,280 | 1,450,280 | 1,450,280 |
| Fixed deposits with licensed banks | | 22,135,936 | 22,135,936 | 22,135,936 | 22,135,936 | 22,135,936 |
| Cash and bank balances | 3.3 | 35,456,322 | 20,456,322 | 20,456,322 | [•] | [•] |
| | | 208,371,027 | 193,371,027 | 193,371,027 | [•] | [•] |
| **TOTAL ASSETS** | | 250,156,223 | 235,156,223 | 235,156,223 | [•] | [•] |

MOORE STEPHENS ASSOCIATES PLT
201304000972 (LLP0000963-LCA)
Chartered Accountants (AF002096)
For Identification Purposes Only

**KTI LANDMARK BERHAD (FORMERLY KNOWN AS KTI PROPERTY BERHAD) ("KTI LANDMARK" OR "COMPANY") AND ITS PROPOSED COMBINED ENTITIES ("THE GROUP")** (cont'd)

**2.0 PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022** (cont'd)

| | Note | As at 31.12.2022 RM | After Subsequent Event RM | Pro Forma I After IPO Reorganisation RM | Pro Forma II After Pro Forma I and Public Issue RM | Pro Forma III After Pro Forma II and Utilisation of Proceeds RM |
|---|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | | |
| Share capital | 3.4 | - | - | 107,584,002 | [•] | [•] |
| Invested capital | 3.4 | 2,000,003 | 2,000,003 | - | - | - |
| Retained earnings | 3.6 | 135,784,657 | 120,784,657 | 120,784,657 | 120,784,657 | 117,445,907 |
| Merger reserve | 3.5 | - | - | (105,583,999) | (105,583,999) | (105,583,999) |
| | | 137,784,660 | 122,784,660 | 122,784,660 | [•] | [•] |
| **Non-current liabilities** | | | | | | |
| Lease liabilities | | 2,303,431 | 2,303,431 | 2,303,431 | 2,303,431 | [•] |
| Borrowings | 3.7 | 37,515,352 | 37,515,352 | 37,515,352 | 37,515,352 | [•] |
| Deferred tax liabilities | | 894,642 | 894,642 | 894,642 | 894,642 | 894,642 |
| | | 40,713,425 | 40,713,425 | 40,713,425 | 40,713,425 | [•] |

MOORE STEPHENS ASSOCIATES PLT
201304000972 (LLP0000963-LCA)
Chartered Accountants (AF002096)
For Identification Purposes Only

**KTI LANDMARK BERHAD (FORMERLY KNOWN AS KTI PROPERTY BERHAD) ("KTI LANDMARK" OR "COMPANY") AND ITS PROPOSED COMBINED ENTITIES ("THE GROUP")** (cont'd)

**2.0 PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022** (cont'd)

| | | | | Pro Forma I | Pro Forma II | Pro Forma III |
|---|---|---|---|---|---|---|
| | Note | As at 31.12.2022 RM | After Subsequent Event RM | After IPO Reorganisation RM | After Pro Forma I and Public Issue RM | After Pro Forma II and Utilisation of Proceeds RM |
| **Current liabilities** | | | | | | |
| Trade payables | | 26,069,508 | 26,069,508 | 26,069,508 | 26,069,508 | 26,069,508 |
| Contract liabilities | | 21,962,462 | 21,962,462 | 21,962,462 | 21,962,462 | 21,962,462 |
| Other payables | | 7,833,953 | 7,833,953 | 7,833,953 | 7,833,953 | 7,833,953 |
| Amount due to Directors | | 1,056,929 | 1,056,929 | 1,056,929 | 1,056,929 | 1,056,929 |
| Amount due to a related party | | 44,793 | 44,793 | 44,793 | 44,793 | 44,793 |
| Lease liabilities | | 1,491,039 | 1,491,039 | 1,491,039 | 1,491,039 | 1,491,039 |
| Borrowings | 3.7 | 11,994,769 | 11,994,769 | 11,994,769 | 11,994,769 | [•] |
| Tax payables | | 1,204,685 | 1,204,685 | 1,204,685 | 1,204,685 | 1,204,685 |
| | | 71,658,138 | 71,658,138 | 71,658,138 | 71,658,138 | [•] |
| **Total liabilities** | | 112,371,563 | 112,371,563 | 112,371,563 | 112,371,563 | [•] |
| **TOTAL EQUITY AND LIABILITIES** | | 250,156,223 | 235,156,223 | 235,156,223 | [•] | [•] |
| Number of ordinary shares assumed in issue | | 2,000,003 | 2,000,003 | 640,000,000 | 800,000,000 | 800,000,000 |
| Net assets per share (RM) | | 69 | 61 | 0.19 | [•] | [•] |
| Borrowings and lease liabilities (RM) | | 53,304,591 | 53,304,591 | 53,304,591 | 53,304,591 | [•] |
| Gearing (Times) | | 0.39 | 0.43 | 0.43 | [•] | [•] |

MOORE STEPHENS ASSOCIATES PLT
201304000972 (LLP0000963-LCA)
Chartered Accountants (AF002096)
*For Identification Purposes Only*

MOORE STEPHENS ASSOCIATES PLT
201304000972 (LLP0000963-LCA)
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**KTI LANDMARK BERHAD (FORMERLY KNOWN AS KTI PROPERTY BERHAD) ("KTI LANDMARK" OR "COMPANY") AND ITS PROPOSED COMBINED ENTITIES ("THE GROUP")** (cont'd)

**2.0 PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022** (cont'd)

**2.1 After Subsequent Event**

After Subsequent Event incorporates the effects of dividend declared and paid by KTID as disclosed in Note 1.3.

**2.2 Pro Forma I**

Pro Forma I incorporates the effects of IPO Reorganisation as set out in Note 1.4 after taking into account of the significant subsequent transaction as set out in Note 1.3.

Upon completion of the IPO Reorganisation, the issued share capital of combined entities will increase from RM2,000,003 comprising 3 KTI Landmark Shares, 1,000,000 ordinary shares of KTISB and 1,000,000 ordinary shares of KTID to RM107,584,002 comprising 640,000,000 KTI Landmark Shares.

**2.3 Pro Forma II**

Pro Forma II incorporates the effects of Subsequent Event and Pro Forma I and the Public Issue.

Upon completion of the Public Issue, the issued share capital of KTI Landmark will increase from RM107,584,002 comprising 640,000,000 KTI Landmark Shares to RM[•] comprising 800,000,000 KTI Landmark Shares.

**2.4 Pro Forma III**

Pro Forma III incorporates the effect of Subsequent Event, Pro Forma I, Pro Forma II and the utilisation of proceeds from the Public Issue.

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**KTI LANDMARK BERHAD (FORMERLY KNOWN AS KTI PROPERTY BERHAD) ("KTI LANDMARK" OR "COMPANY") AND ITS PROPOSED COMBINED ENTITIES ("THE GROUP")** (cont'd)

## 3.0 NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

### 3.1 Property, plant and equipment

| | RM |
|---|---|
| As at 31 December 2022/As per After Subsequent Event, and Pro Forma I to II | 39,864,576 |
| Pursuant to Utilisation of Proceeds<br>- Upgrade software and systems | [•] |
| As per Pro Forma III | [•] |

### 3.2 Inventories

| | RM |
|---|---|
| As at 31 December 2022/As per After Subsequent Event, and Pro Forma I to II | 111,068,937 |
| Pursuant to Utilisation of Proceeds<br>- Acquisition of land for development | [•] |
| As per Pro Forma III | [•] |

### 3.3 Cash and bank balances

| | RM |
|---|---|
| As at 31 December 2022 | 35,456,322 |
| Distribution of Dividend | (15,000,000) |
| As per After Subsequent Event and Pro Forma I | 20,456,322 |
| Pursuant to Public Issue | [•] |
| As per Pro Forma II | [•] |
| Pursuant to Utilisation of Proceeds | |
| - Acquisition of land for development | [•] |
| - Upgrade software and systems | [•] |
| - Repayment of bank borrowings | [•] |
| - Estimated listing expenses | [•] |
| As per Pro Forma III | [•] |

MOORE STEPHENS ASSOCIATES PLT
201304000972 (LLP0000963-LCA)
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*For Identification Purposes Only*

**KTI LANDMARK BERHAD (FORMERLY KNOWN AS KTI PROPERTY BERHAD) ("KTI LANDMARK" OR "COMPANY") AND ITS PROPOSED COMBINED ENTITIES ("THE GROUP")** (cont'd)

**3.0 NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION** (cont'd)

**3.4 Share capital/Invested capital**

| | RM |
|---|---|
| As at 31 December 2022/As per After Subsequent Event | 2,000,003 |
| Pursuant to IPO Reorganisation | 105,583,999 |
| As per Pro Forma I | 107,584,002 |
| Pursuant to Public Issue | [•] |
| As per Pro Forma II | [•] |
| Pursuant to Utilisation of Proceeds<br>- Estimated listing expenses | [•] |
| As per Pro Forma III | [•] |

**3.5 Merger reserve**

| | RM |
|---|---|
| As at 31 December 2022/As per After Subsequent Event | - |
| Pursuant to IPO Reorganisation | (105,583,999) |
| As per Pro Forma I to III | (105,583,999) |

In conjunction with the Listing, the acquisitions as disclosed in Note 1.4.1 were accounted for under the merger method whereby the difference between the acquisition cost and the nominal value of the share capital of the subsidiaries is taken to the merger reserve.

**3.6 Retained earnings**

| | RM |
|---|---|
| As at 31 December 2022 | 135,784,657 |
| Distribution of Dividend | (15,000,000) |
| As per After Subsequent Event and Pro Forma I to II | 120,784,657 |
| Pursuant to Utilisation of Proceeds<br>- Estimated listing expenses | [•] |
| As per Pro Forma III | [•] |

MOORE STEPHENS ASSOCIATES PLT
201304000972 (LLP0000963-LCA)
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*For Identification Purposes Only*

**KTI LANDMARK BERHAD (FORMERLY KNOWN AS KTI PROPERTY BERHAD) ("KTI LANDMARK" OR "COMPANY") AND ITS PROPOSED COMBINED ENTITIES ("THE GROUP")** (cont'd)

**3.0 NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION** (cont'd)

**3.7 Borrowings**

| | Current Liabilities RM | Non-current Liabilities RM | Total Liabilities RM |
|---|---|---|---|
| As at 31 December 2022/As per After Subsequent Event, Pro Forma I to II | 11,994,769 | 37,515,352 | 49,510,121 |
| Pursuant to Utilisation of Proceeds | [•] | [•] | [•] |
| As per Pro Forma III | [•] | [•] | [•] |

**KTI LANDMARK BERHAD (FORMERLY KNOWN AS KTI PROPERTY BERHAD) ("KTI LANDMARK" OR "COMPANY") AND ITS PROPOSED COMBINED ENTITIES ("THE GROUP")** (cont'd)

**APPROVAL BY THE BOARD OF DIRECTORS**

Approved and adopted by the Board of Directors of KTI Landmark in accordance with a resolution dated 27 JUN 2023

Signed on behalf the Board of Directors,

STELLA LOKE PEI WEN

LOKE THEEN FATT